Mirvac Real Estate Investment Trust

Explanatory Memorandum

In relation to the acquisition of Mirvac Real Estate Investment Trust by Mirvac Group

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding how to vote. If you are in any doubt about what to do, you should consult your legal, investment, taxation or other professional adviser without delay.

Your Independent Directors recommend that you vote in favour of the Proposal, in the absence of a superior proposal.

Mirvac REIT Management Limited ABN 70 002 060 228 AFSL 233787
as responsible entity of Mirvac Real Estate Investment Trust ARSN 089 535 526

Important notices

Purpose of this Explanatory Memorandum

This Explanatory Memorandum provides MRZ Unitholders with information about the proposed acquisition by Mirvac Trust of all MRZ Units on issue, pursuant to the Scheme, and provides such information as is prescribed or otherwise material to the decision of MRZ Unitholders on how to vote on the Proposal at the Meeting.

This document is the notice of meeting and explanatory statement for the Scheme. It is also the prospectus and product disclosure statement issued by Mirvac for the issue of Mirvac Securities.

General

MRZ Unitholders should read this Explanatory Memorandum in its entirety before making a decision as to how to vote on the Resolutions to be considered at the Meeting. If they have any questions, they should contact the MRZ information line on 1800 606 449 or visit the website www.mirvac.com/mrz. Alternatively, they can contact their financial, legal, tax or other professional adviser.

No investment advice

This Explanatory Memorandum does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation, tax position or particular needs of any MRZ Unitholder or any other person.

Responsibility statement

MRML has provided, and is responsible for, the MRZ Information in this Explanatory Memorandum and Mirvac and its Directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the MRZ Information.

Mirvac has provided, and is responsible for, the Mirvac Information which relates to Mirvac prior to implementation of the Scheme in this Explanatory Memorandum and MRML and its Directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the Mirvac Information.

The Mirvac Information which relates to Mirvac post implementation of the Scheme has been prepared by Mirvac based on information provided by Mirvac and MRML to each other. Mirvac has compiled the Pro Forma Balance Sheet and Pro Forma Forecast Income Statement of Mirvac, which is included in Section 4.

Subject to MRML taking responsibility for the information which MRML has provided to Mirvac for this purpose, Mirvac takes responsibility for the information concerning Mirvac and the Pro Forma Balance Sheet and Pro Forma Forecast Income Statement of Mirvac.

PricewaterhouseCoopers Securities Ltd has prepared the Investigating Accountant's Report in relation to the Proposal contained in Section 6 of this Explanatory Memorandum and takes responsibility for that report.

Deloitte Corporate Finance Pty Limited has prepared the Independent Expert's Report in relation to the Proposal contained in Section 7 of this Explanatory Memorandum and takes responsibility for that report.

Ernst & Young has prepared the report on the taxation implications of the Proposal in Section 8 of this Explanatory Memorandum and takes responsibility for that report.

References to Mirvac

Throughout this Explanatory Memorandum, there are many references to Mirvac. In respect of times, matters and the state of affairs prior to implementation of the Scheme, Mirvac means ML and Mirvac Trust (and each of their related bodies corporate and any entities controlled by them, unless the context otherwise requires). In respect of times, matters and the state of affairs post implementation of the Scheme, Mirvac means ML, Mirvac Trust and MRZ (and each of their related bodies corporate and any entities controlled by them, unless the context requires otherwise).

Financial data

The pro forma historical financial information included in this Explanatory Memorandum does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the US Securities and Exchange Commission.

This Explanatory Memorandum contains certain financial data that is "non-GAAP financial measures" under Regulation G under the *U.S. Securities Exchange Act of 1934*, as amended. For example, the Explanatory Memorandum presents gearing and interest coverage ratios for Mirvac and MRZ, which are calculated in accordance with Mirvac's and MRZ's respective debt covenants. These measures are not measures of or defined terms of financial performance, liquidity or value under AIFRS or U.S. GAAP. Moreover, certain of these measures may not be comparable to similarly titled measures of other companies.

Regulatory information

This Explanatory Memorandum is the explanatory statement issued by MRML, as the responsible entity of MRZ, for the Scheme whereby Mirvac Trust proposes to acquire all MRZ Units on issue. The notice of meeting is set out in Annexure 1 to this Explanatory Memorandum.

ML is the issuer of Mirvac Shares which are part of the Mirvac Securities offered as consideration under the Scheme. This Explanatory Memorandum is also a prospectus issued by ML under Part 6D.2 of the Corporations Act for the Mirvac Shares.

Important notices
(continued)

Regulatory information (continued)

Mirvac RE, as the responsible entity of Mirvac Trust, is the issuer of Mirvac Units which are part of the Mirvac Securities. This Explanatory Memorandum is also a product disclosure statement issued by Mirvac RE, as the responsible entity of Mirvac Trust, under Part 7.9 of the Corporations Act for the Mirvac Units. Mirvac RE may be contacted at Level 26, 60 Margaret Street, Sydney NSW 2000, telephone: +61 2 9080 8000, fax: +61 2 9080 8111.

This Explanatory Memorandum is dated 23 October 2009 and was lodged with ASIC on that date. Neither ASIC nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

A copy of this Explanatory Memorandum has been provided to ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

Forward looking statements

Certain statements in this Explanatory Memorandum relate to the future. The forward looking statements in this Explanatory Memorandum are not based on historical facts, but rather reflect the current expectations of MRZ or, in relation to the Mirvac Information, Mirvac, concerning future results and events. These statements generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipated", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words and phrases. Similarly, statements that describe MRZ's or Mirvac's objectives, plans, goals or expectations are or may be forward-looking statements.

These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of MRZ or Mirvac to be materially different from future results, performance or achievements expressed or implied by such statements. Such forward looking statements are based on numerous assumptions regarding present and future operating strategies and the environment in which MRZ and Mirvac will operate in the future. The Risk Factors described in Section 5 of this Explanatory Memorandum could affect future results of MRZ or Mirvac, causing these results to differ materially from those expressed, implied or projected in any forward looking statements. These factors are by no means all of the important factors that could cause actual results to differ materially from those expressed in any forward looking statement. Other unknown factors could also have a material adverse effect on future results of MRZ or Mirvac. Forward looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward looking statements.

MRZ Unitholders should note that the historical financial performance of MRZ and Mirvac is no assurance or indicator of future financial performance of MRZ and/or Mirvac (whether or not the Proposal proceeds). Neither MRML nor Mirvac guarantee any particular rate of return or the performance of MRZ and/or Mirvac nor do they guarantee the repayment of capital from MRZ and/or Mirvac or any particular tax treatment.

All subsequent written and oral forward looking statements attributable to MRZ or Mirvac or any person acting on their behalf are qualified by this cautionary statement.

Other than as required by law, neither MRML nor Mirvac nor any of their Directors nor any other person gives any representation, assurance, warranty (whether express or implied) or guarantee that the accuracy, likelihood or occurrence of the events or results expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

The forward looking statements in this Explanatory Memorandum reflect views held only at the date of this Explanatory Memorandum. Subject to any continuing obligations under ASX Listing Rules or the Corporations Act, and except as set out in Sections 2.7, 3.7 and 11.26, MRZ, Mirvac and their respective Directors disclaim any obligation or undertaking to distribute after the date of this Explanatory Memorandum any updates or revisions to any forward looking statements to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Foreign Unitholders

If you are a Foreign Unitholder you will not be able to receive Mirvac Securities under the Scheme. Foreign Unitholders should refer to Section 9.1 of this Explanatory Memorandum.

This Explanatory Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any 'US person' (as defined in Regulation S under the *US Securities Act of 1933*, as amended (Securities Act) (US Person)).

Mirvac Securities have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to any US Person without being so registered or pursuant to an exemption from registration.

Privacy and personal information

MRML and Mirvac and their respective registries may collect personal information in the process of implementing the Proposal. The personal information may include the names, addresses, other contact details, bank account details and details of the holdings of MRZ Unitholders, and the names of individuals appointed by MRZ Unitholders as proxies, corporate representatives or attorneys at the Meeting.

MRZ Unitholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact the MRZ Registry on 1300 139 012 in the first instance if they wish to request access to that personal information.

The personal information is collected for the primary purpose of assisting MRML and Mirvac to implement the Proposal and conduct the Meeting. The personal information may be disclosed to the unit and security registries of MRZ and Mirvac respectively, related bodies corporate of MRZ and Mirvac, third party service providers, including print and mail service providers, authorised securities brokers and professional advisers and to ASX and other Regulatory Authorities, and in any case, where disclosure is required or allowed by law or where the individual MRZ Unitholder has consented. Personal information of MRZ Unitholders may also be used to call them in relation to their MRZ Units or the Proposal.

MRZ Unitholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meeting should ensure that they inform such an individual of the matters outlined above.

Expiry date

No Mirvac Securities will be issued on the basis of this Explanatory Memorandum later than 13 months after the date of this Explanatory Memorandum.

Defined terms

Capitalised terms used in this Explanatory Memorandum, proxy form and the Election Form are defined in the Definitions and interpretations in Section 13.

Currency

Unless stated otherwise, all references to dollars, $, cents or c in this Explanatory Memorandum are to Australian currency.

Time

Unless stated otherwise, all references to time in this Explanatory Memorandum are to Australian Eastern Daylight Time, being the time in Sydney, Australia.

Contents

What you should do next

Step 1: Carefully read this Explanatory Memorandum

You should read this Explanatory Memorandum in full before making any decision on how to vote.

The frequently asked questions section may help answer any questions you may have. If you have any doubts as to what action you should take, you should seek financial, tax or other professional advice before making any decision in relation to your MRZ Units and how to vote at the Meeting.

Step 2: Vote on the Scheme

As an MRZ Unitholder, you are entitled to vote (subject to the voting exclusion statements in the Explanatory Memorandum) on whether you want the Proposal to proceed or not.

You can vote:

- by proxy, using the enclosed proxy form; or
- in person, by attending the Meeting to be held at Level 2, State Room, Hilton Sydney, 488 George Street, Sydney NSW 2000, on Wednesday, 25 November 2009 commencing at 11.00am.

Step 3: Return your Election Form

- MRZ Unitholders can elect to receive the Scrip Option and participate in the Sale Facility by completing and returning the Election Form by 5.00pm Wednesday, 25 November 2009. MRZ Unitholders (other than Foreign Unitholders) who do not return their Election Form will automatically participate in the Cash and Scrip Option and not the Sale Facility. Foreign Unitholders should refer to Section 9.1. Details of where to send the Election Form are set out on the form.

To ensure your proxy form is valid, you should return it by 11.00am, Monday, 23 November 2009. You can do this by using the enclosed reply paid envelope or by faxing the proxy form to +61 3 9473 2065, or by emailing your proxy form to mrzoffer@mirvac.com.

Key dates for the Proposal

Event	Date
Last date and time for receipt of proxy forms or powers of attorney for the Meeting.	Monday, 23 November 2009, 11.00am
Date and time for determining eligibility to vote at the Meeting.	Monday, 23 November 2009, 7.00pm
Meeting of MRZ Unitholders.	Wednesday, 25 November 2009, 11.00am

If the Resolutions considered at the Meeting are approved by MRZ Unitholders

Event	Date
Last day of trading of MRZ Units on ASX and suspend MRZ Units at close of trading.	Wednesday, 25 November 2009
Latest date to receive Election Forms for Scheme Consideration and Sale Facility.	Wednesday, 25 November 2009, 5.00pm
Mirvac Securities commence trading on a deferred settlement basis.	Thursday, 26 November 2009
Record Date and time for determining entitlements to Scheme Consideration and Special Distribution.	Wednesday, 2 December 2009, 7.00pm (Record Date)
Mirvac Securities issued pursuant to the Scheme.	Monday, 7 December 2009 (Implementation Date)
Despatch of holding statements for Mirvac Securities to Scheme Participants.	by Wednesday, 9 December 2009
Deferred settlement trading in Mirvac Securities ends.	Wednesday, 9 December 2009
Trading of Mirvac Securities on a normal settlement basis commences on ASX.	Thursday, 10 December 2009
Record date and time for determining entitlements to the distribution from Mirvac for the three months ending 31 December 2009.	Thursday, 31 December 2009

All dates following the date of the Meeting are indicative only. Any changes to the above timetable will be announced through ASX and notified on MRZ's website at www.mirvac.com/mrz.

Independent Chairman's letter

23 October 2009

Dear MRZ Unitholder

Your Independent Directors recommend that you vote in favour of the Proposal for the acquisition of MRZ by Mirvac in the absence of a superior proposal.

The Proposal

The Proposal, which is subject to approval by MRZ Unitholders, offers MRZ Unitholders at the Record Date, a choice of either:

› $0.50 cash per MRZ Unit up to 20,000 MRZ Units, plus 1 Mirvac Security for every 3 MRZ Units in excess of 20,000 MRZ Units (Cash and Scrip Option); or

› 1 Mirvac Security for every 3 MRZ Units (Scrip Option).

MRZ Unitholders who do not complete the Election Form enclosed with this document will participate in the Cash and Scrip Option.

Based on the 1 month VWAP of Mirvac Securities of $1.63 on 9 October 2009, the last trading day prior to announcement of the Proposal, the scrip component of the Scheme Consideration represents an implied value of $0.54 per MRZ Unit. This represents a significant premium to the trading prices of MRZ Units on the day prior to the announcement of discussions between Mirvac and MRZ that subsequently led to the Proposal (Wednesday 12 August, 2009).

The premiums of the scrip component of the Scheme Consideration to the trading prices of MRZ prior to the announcement of discussions with Mirvac and execution of the Merger Implementation Deed are outlined in the table below.

	Prior to announcement of discussions between Mirvac and MRML[1]	Prior to execution of the Merger Implementation Deed[2]
Premium/ (Discount) to last closing price	39.2%	(6.4)%
Premium/ (Discount) to 1 month VWAP	56.0%	2.7%
Premium/ (Discount) to 3 month VWAP	60.6%	12.0%

1 Period to 12 August 2009.

2 Period to 9 October 2009.

The implied value of the scrip component of the Scheme Consideration of $0.54 per MRZ Unit represents a 36.1 per cent discount to MRZ's NTA of $0.85 at 30 June 2009.

The premiums set out above are based on the 1 and 3 month VWAP of Mirvac Securities on 9 October 2009. The current value of the scrip portion of the Scheme Consideration will vary with any change in the trading price of Mirvac Securities.

In addition, each MRZ Unitholder will also receive the Special Distribution of 1.0 cent per MRZ Unit held on the Record Date if the Scheme is implemented.

Independent Directors' recommendation

The Independent Directors (Paul Barker and Matthew Hardy) recommend the Proposal to MRZ Unitholders, in the absence of a superior proposal, after careful consideration of:

› The value of the Scheme Consideration offered to MRZ Unitholders;

› The prospects for MRZ as a stand alone entity;

› The broad benefits to MRZ Unitholders as Investors in Mirvac, including: improved gearing and considerable headroom to debt covenants; improved cost of capital and financial flexibility; enhanced growth profile; enhanced liquidity; broader geographic, asset and business diversification; increased market capitalisation; and inclusion in key property indices;

› The alternate strategies available to MRZ discussed in detail in the Section titled "Other relevant considerations for MRZ Unitholders" on page 17; and

› The opinions of the Independent Expert (see Section 7).

For further information on the advantages and disadvantages of the Proposal, and the risks associated with investing in Mirvac Securities, please refer to the Sections titled "Why you should vote FOR the Proposal" on page 11, "Why you may consider voting AGAINST the Proposal" on page 15, and the Risk Factors outlined in Section 5 of this document.

MRZ's stand alone prospects

In response to the unprecedented economic climate, your Directors and the management team of MRZ have implemented a number of initiatives to protect the value of your investment. For example, over the last 12 months, MRZ has sold seven assets at close to book values, successfully secured the refinancing of a $625 million debt facility and renegotiated the tangible net worth covenant to provide headroom in the event of further declines in asset valuations. However, a number of challenges remain.

Independent Chairman's letter
(continued)

MRZ's stand alone prospects (continued)

MRZ, as a stand alone entity, faces significant earnings challenges over the next two years:

- Net income is expected to materially decline given that 10-20 Bond Street, Sydney, MRZ's largest investment property, will be largely vacant from January 2010 when the major tenant vacates and the building is refurbished over the next 12 months. The timing and income derived from any new lease is uncertain; and
- Interest costs are expected to continue to increase with further debt maturities in September 2010 and 2011.

The combined effects of these earnings challenges are expected to peak in the financial year ending 30 June 2011.

MRZ has various covenants in relation to its banking facilities, including:

- Gearing covenant ratio of 45 per cent which reduces to 40 per cent in September 2010 (MRZ's gearing was 44.6 per cent as at 30 June 2009);
- Interest cover ratio in excess of 1.75 times (MRZ's interest cover ratio was in excess of 1.91 times as at 30 June 2009); and
- Net tangible worth covenant in excess of $475 million (MRZ's net worth was $531.7 million as at 30 June 2009).

MRZ's financiers require it to maintain these ratios in compliance with the various debt covenants.

To remain compliant with the revised gearing covenant, MRZ will need to execute further asset sales. The required level of asset sales will increase if there is a further devaluation in the property markets and specifically MRZ's property portfolio. Execution of asset sales, if achievable, will place further pressure on MRZ's net tangible worth covenant and interest cover ratio. Any breaches of MRZ's covenants will require a renegotiation of its debt facilities and is expected to result in increased interest costs and/or fees, assuming that MRZ's lenders are amenable to waiving the covenant breach.

If covenants are breached and debt facilities are required to be renegotiated, future distributions paid by MRZ may be impacted.

Given these challenges and the other issues discussed in the Explanatory Memorandum, it is possible that the trading price of MRZ's Units may fall if the Scheme is not implemented. MRZ was trading at or below $0.39 per unit prior to the announcement of preliminary discussions with Mirvac on 13 August 2009.

Other strategies for MRZ

In light of the earnings and covenant challenges facing MRZ, your Independent Directors have considered a number of alternatives to optimise unitholder value, including the Proposal. Your Independent Directors recommend the Proposal, in the absence of a superior proposal, after considering the following alternatives:

- A sale of all of MRZ's assets and returning the net proceeds to MRZ Unitholders via a managed wind up process. MRML believes that a reasonable timeframe for MRZ to sell its 22 assets, plus joint venture and minority interests in investments, is three years. A managed wind up would likely trigger MRZ's debt facility covenants and would therefore require a renegotiation of MRZ's debt facilities, which is expected to result in higher interest costs and lower distributions to MRZ Unitholders. Depending on the time taken to complete the wind up, MRZ Unitholders would need to wait a considerable time to receive any net proceeds, most of which would likely be returned to MRZ Unitholders in the final year given the need to prioritise debt repayment. In addition, under a wind up scenario, the price at which assets could be sold may come under pressure as potential buyers attempt to capitalise on any perceived sale pressures. Pending the ultimate outcome of the managed wind up, liquidity in MRZ and the MRZ Unit price are likely to fall reflecting the uncertain timing, proceeds and execution risks;
- A recapitalisation of MRZ. A significant recapitalisation would be required to stabilise MRZ. A recapitalisation would be materially dilutive to NTA, earnings and distributions (particularly for MRZ Unitholders who do not participate). The structure of MRZ's register where the top 20 Investors (excluding Mirvac) account for only 17.6 per cent of MRZ Units on issue, is not conducive to underwriting. There may be third party interest in underwriting a recapitalisation in exchange for a cornerstone investment and the acquisition of the management rights from Mirvac. However, such a proposition is not a viable alternative as Mirvac currently intends to retain its interest in, and management of, MRZ;
- The sale of selected assets to repay sufficient debt to stabilise MRZ. This strategy requires MRZ to sell sufficient assets to remain compliant with its debt covenants. This strategy is subject to the risks outlined earlier. The timing and proceeds from this strategy are uncertain given the quantum of asset sales required, potential acquirers' funding capacity and the suitability of certain MRZ assets for immediate sale. Even if this strategy is successful, MRZ would substantially reduce in size and have limited growth prospects. This is likely to diminish Investor appetite, impact liquidity and the trading price of MRZ Units; and
- A combination of asset sales and a recapitalisation.

In the opinion of the Independent Directors, the Proposal provides a superior outcome to MRZ Unitholders than the alternate options.

For further information on the prospects of MRZ on a stand alone basis and the other alternatives available to MRZ, please refer to the Section titled "Other relevant considerations for MRZ Unitholders" on page 17.

Independent Expert's opinion

The Independent Directors appointed Deloitte Corporate Finance Pty Limited to prepare an Independent Expert Report. The Independent Expert has been asked to consider whether, in the expert's opinion, the terms of the Scheme are fair and reasonable for the MRZ Unitholders and to provide the expert's reasons for forming that opinion. The Independent Expert has concluded that the Scheme is not fair but reasonable.

The Independent Expert has interpreted ASIC Regulatory Guide 111 to mean that in assessing fairness the expert should not have regard to any entity specific or structural issues such as excess gearing which may temporarily impair an entity's ability to realise full fair market value for its assets which may be reflected in the market price of its securities. Instead, in assessing fairness, an orderly market for the underlying assets should be assumed. Therefore in determining the Proposal to be unfair, the Independent Expert compared the fair market value of MRZ Units using the net assets of MRZ on a going concern approach (being between $0.84 and $0.86 per MRZ Unit) with the implied value of the scrip component of the Scheme Consideration (being $0.54 per MRZ Unit). However in its assessment of whether the Proposal is reasonable, the Independent Expert was able to have regard to MRZ's current circumstances including short-term debt maturities, potential covenant breaches and capital constraints which would likely adversely impact the value realisable by MRZ Unitholders on a stand alone basis.

MRML is required, in exercising its powers and carrying out its duties as responsible entity of MRZ, to act in the best interests of MRZ Unitholders. The Independent Directors of MRML have also asked the Independent Expert to express an opinion as to whether the Scheme is in the best interests of non associated (ie non Mirvac) MRZ Unitholders. This is in addition to the opinion sought as to whether the Scheme is fair and reasonable referred to above. The Independent Expert has concluded that the Scheme is in the best interests of Non-Associated Unitholders, in the absence of a superior offer being received.

A copy of the Independent Expert's Report, including the reasons for the opinions, is set out in Section 7 of the Explanatory Memorandum.

How to vote

The Proposal will only proceed if approved by MRZ Unitholders at a Meeting to be held on Wednesday, 25 November 2009, at 11.00am at Level 2, State Room, Hilton Sydney, 488 George Street, Sydney NSW 2000.

MRZ Unitholders are encouraged to attend the Meeting and vote in favour of the Resolutions. You may also vote by returning the enclosed proxy form in accordance with the instructions on the form.

Further information

This Explanatory Memorandum contains important information in relation to the Proposal, including the reasons for the Independent Directors' recommendation and a summary of the advantages, disadvantages and risks associated with the Proposal. Please read the Explanatory Memorandum carefully before making your decision and voting at the Meeting.

If you have any questions in relation to the Proposal, please contact the MRZ information line on 1800 606 449 or visit MRZ's website at www.mirvac.com/mrz.

This Explanatory Memorandum should not be relied upon as the sole basis for any investment decision. I encourage you to seek independent financial and taxation advice before making any investment decision in relation to your MRZ Units and how you vote on the Resolutions.

Yours faithfully,

Paul Barker
Chairman
Mirvac REIT Management Limited

What you will receive under the Proposal

Consideration

If the Proposal is approved:

- each MRZ Unit will be transferred to Mirvac RE, as responsible entity of Mirvac Trust; and
- each Scheme Participant, excluding Foreign Unitholders, will receive the Scheme Consideration of either:
  - $0.50 cash per MRZ Unit up to 20,000 MRZ Units, plus 1 Mirvac Security for every 3 MRZ Units in excess of 20,000 MRZ Units (Cash and Scrip Option); or
  - 1 Mirvac Security for every 3 MRZ Units (Scrip Option)

held on the Record Date, currently expected to be Wednesday, 2 December 2009 at 7.00pm.

In addition, each MRZ Unitholder will also receive the Special Distribution of 1.0 cent per MRZ Unit held on the Record Date.

MRZ Unitholders may choose to receive the Cash and Scrip Option or the Scrip Option and participate in the Sale Facility by making an election on their Election Form. MRZ Unitholders who do not submit an Election Form by Wednesday, 25 November 2009 will automatically receive the Cash and Scrip Option and will not participate in the Sale Facility.

Foreign Unitholders, being MRZ Unitholders whose address is outside of Australia and New Zealand, will not receive Mirvac Securities, but will instead participate in the Sale Facility in respect of Mirvac Securities they would otherwise receive. Refer to Section 9.1 for further details.

Custodians who wish to make an election between the Cash and Scrip Option and the Scrip Option for each of their Beneficial Holders should refer to Section 11.11.

Timing for provision of Scheme Consideration

Mirvac Securities will be issued to applicable Scheme Participants on the Implementation Date, currently expected to be Monday, 7 December 2009, with holding statements to be despatched by Wednesday, 9 December 2009.

Payment of the cash component of the Scheme Consideration will be despatched to applicable Scheme Participants no later than Thursday, 10 December 2009.

Payments to Sale Facility Participants will be despatched within 20 business days of the Implementation Date.

Why you should vote FOR the Proposal

(a) The Independent Directors recommend that you vote in favour of the Proposal, in the absence of a superior proposal

The Independent Directors have considered a number of alternative strategies for MRZ, including:

- A sale of all of MRZ's assets and returning the net proceeds to MRZ Unitholders via a managed wind up process;
- A recapitalisation of MRZ;
- The sale of further assets to repay sufficient debt to stabilise MRZ; and
- A combination of asset sales and a recapitalisation.

In the opinion of the Independent Directors, the Proposal provides a superior outcome to MRZ Unitholders than the alternative options.

(b) The Independent Expert's opinion

The Independent Expert has considered the Proposal and has concluded that the Proposal is not fair but reasonable, in the absence of a superior proposal.

In determining the fair market value of MRZ Units, the Independent Expert has interpreted ASIC Regulatory Guide 111 to mean that in assessing fairness the expert should not have regard to any entity specific or structural issues such as excess gearing which may temporarily impair an entity's ability to realise full fair market value for its assets which may be reflected in the market price of its securities. Instead, in assessing fairness, an orderly market for the underlying assets should be assumed. Therefore, in determining the fair market value of MRZ Units, the Independent Expert did not take into account other circumstances currently affecting MRZ including short-term debt maturities, potential covenant breaches and capital constraints, which would likely adversely impact the value realisable by MRZ Unitholders on a stand alone basis.

In determining the Proposal to be unfair, the Independent Expert compared the fair market value of MRZ Units using the net assets of MRZ on a going concern approach (being between $0.84 and $0.86 per MRZ Unit) with the implied value of the scrip component of the Scheme Consideration (being $0.54 per MRZ Unit).

However, in assessing whether the Proposal was reasonable, the Independent Expert did have regard to other relevant circumstances relating to MRZ including the premium offered to trading prices of MRZ Units prior to the announcement of discussions with Mirvac, MRZ's and Mirvac's respective financial positions and MRZ's debt position, the difficult operating conditions facing MRZ on a stand alone basis and the other alternatives currently available to MRZ.

After taking all such factors into account, the Independent Expert has concluded that the Proposal is reasonable, in the absence of a superior proposal.

MRML is required, in exercising its powers and carrying out its duties as responsible entity of MRZ, to act in the best interests of MRZ Unitholders. The Independent Directors of MRML have also asked the Independent Expert to express an opinion as to whether the Scheme is in the best interests of non associated (ie non Mirvac) MRZ Unitholders. This is in addition to the opinion sought as to whether the Scheme is fair and reasonable referred to above. The Independent Expert has concluded that the Scheme is in the best interests of Non Associated Unitholders, subject to a superior offer being received.

The Independent Expert's Report is set out in full in Section 7 of this Explanatory Memorandum.

(c) MRZ Unitholders are being offered a significant premium to the trading prices of MRZ Units prior to the announcement of preliminary discussions between Mirvac and MRML on 13 August 2009

Based on the 1 month VWAP of Mirvac Securities of $1.63 on 9 October 2009, the last trading day prior to announcement of the Proposal, the scrip component of the Scheme Consideration represents an implied value of $0.54 per MRZ Unit.

This represents a significant premium to the trading prices of MRZ Units including:

	Prior to announcement of discussions between Mirvac and MRML[1]	Prior to execution of the Merger Implementation Deed[2]
Premium/ (Discount) to last closing price	39.2%	(6.4)%
Premium/ (Discount) to 1 month VWAP	56.0%	2.7%
Premium/ (Discount) to 3 month VWAP	60.6%	12.0%

1 Period to 12 August 2009.

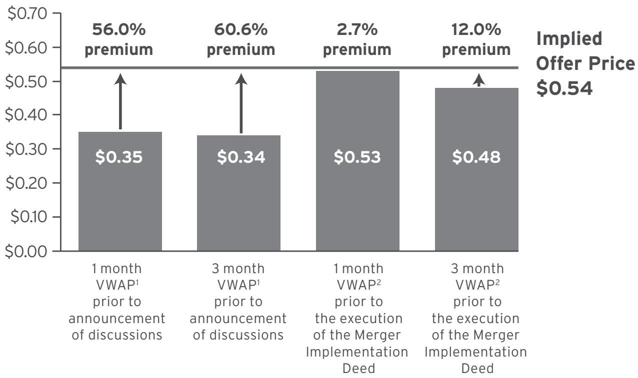
2 Period to 9 October 2009.

The implied value of the scrip component of the Scheme Consideration of $0.54 per MRZ Unit represents a 36.1 per cent discount to MRZ's NTA of $0.85 at 30 June 2009.

The premiums set out above are based on the 1 and 3 month VWAP of Mirvac Securities on 9 October 2009. The current value of the scrip portion of the Scheme Consideration will vary with any change in the trading price of Mirvac Securities.

Why you should vote FOR the Proposal
(continued)

Implied Offer Price



1 Period prior to 13 August 2009.

2 Period prior to 12 October 2009.

Section 2 sets out details of the recent price history of MRZ Units.

MRZ Unitholders should note that past performance is not an indicator of future performance and the future market price of Mirvac Securities may fall as well as rise.

(d) Earnings and debt issues on a stand alone basis

MRZ, as a stand alone entity, faces a number of earnings and debt challenges over the next two years, including:

> Material decline in net property income due to the expiry of leases at 10-20 Bond Street. This property currently contributes approximately 10 per cent of MRZ's gross income. The current plan is to refurbish the asset over a 12 month period. On that basis, the earliest date the property will be available for re-leasing is likely to be January 2011. This reduction in income will impact on MRZ's interest cover ratio and distributions to MRZ Unitholders in the financial years ending 30 June 2010 and 30 June 2011;

> A reduction in MRZ's bank gearing covenant from 45 per cent to 40 per cent in September 2010. At 30 June 2009, MRZ's gearing (total interest bearing debt/total tangible assets) was 44.6 per cent compared to the bank gearing covenant of 45.0 per cent and look through gearing was 48.6 per cent compared to the look through bank gearing covenant of 50.0 per cent. Pressure on these gearing covenants will intensify with further property devaluations. To remain compliant with the revised gearing covenant, MRZ will need to execute further asset sales;

> Proximity to its tangible net worth covenant. As at 30 June 2009, MRZ had tangible net worth of $532 million compared to a covenant of $475 million. Execution of asset sales at less than book value and further property devaluations will reduce MRZ's tangible net worth and may result in a covenant breach;

> A breach in any of MRZ's covenants will require a renegotiation of MRZ's debt facilities and is expected to result in increased interest costs and/or financing fees, assuming that MRZ's lenders are amenable to waiving the covenant breach; and

> Debt maturities in September 2010 and September 2011.

Following implementation of the Proposal, gearing of Mirvac will be approximately 22.9 per cent[1]. Mirvac's leverage ratio will be approximately 32.9 per cent, relative to its leverage ratio covenant of 55.0 per cent[2].

1 Calculated by reference to total interest bearing debt less cash divided by total tangible assets less cash.

2 Calculated by reference to total liabilities divided by total tangible assets.

(e) The trading price of MRZ Units may fall if the Scheme is not implemented

If the Scheme is not implemented, it is possible that MRZ Units could trade:

> below the value of the Scheme Consideration in the absence of a superior proposal; or

> at a lower price than the price at which they have traded since 12 August 2009, the day prior to Mirvac announcing that it was in preliminary discussions with MRML in relation to a potential offer for MRZ.

The trading price of MRZ Units will also continue to be subject to market volatility as a result of general economic conditions and stock market movements.

(f) Improved cost of capital and financial flexibility

If the Scheme is implemented, MRZ will become part of a listed property group which is well capitalised and will have the financial capacity and flexibility to support the operations of MRZ.

(g) Enhanced growth profile

The enhanced financial strength, diversification and scale of operations of Mirvac following implementation of the Proposal (as described in paragraphs (d), (g) and (j)), will provide a strong platform for growth, access to the existing Mirvac businesses and an enhanced ability to capitalise on existing projects and seek future opportunities.

(h) Enhanced liquidity

MRZ Unitholders who receive Mirvac Securities pursuant to the Scheme will have the opportunity to become part of one of the top 5 A-REITs by market capitalisation listed on the ASX. As a result, Mirvac Securities are expected to be more deeply traded, provide the potential for smaller buy/sell spreads and have greater trading depth compared to MRZ on a stand alone basis with a market capitalisation of approximately $4.9 billion (pro forma post the Proposal) and with no single Investor likely to hold greater than 6.7 per cent of Mirvac (based on current substantial holder notices lodged with ASX on 22 October 2009 and 100 per cent of MRZ Unitholders taking up the Cash and Scrip Option).

In addition, trading depth in Mirvac Securities is likely to be greater than in MRZ Units as a result of Mirvac's inclusion in key property indices including the S&P/ASX 200 (A-REIT Sector) and S&P/ASX 100.

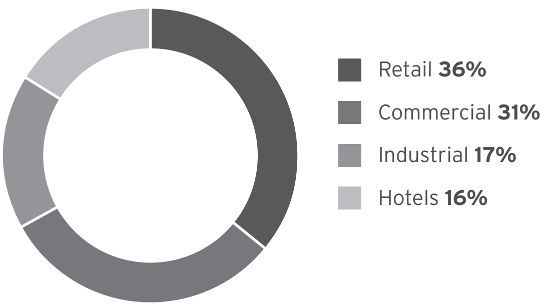
(i) Broader geographic, asset and business diversification

If the Proposal proceeds, MRZ Unitholders will have exposure to real estate investment assets with a book value of approximately $4.6 billion, compared to approximately $1.0 billion for MRZ on a stand alone basis as at 30 June 2009.

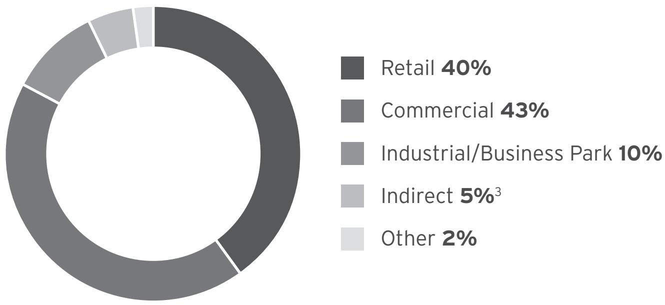
In addition, MRZ Unitholders will have exposure to 77 assets across the commercial, retail, industrial and hotel sectors (compared to 22 assets on a stand alone basis), providing greater diversification both geographically and across property sectors.

MRZ Unitholders will also benefit from being Investors in a larger, diversified property group that includes more investment assets and a development pipeline.

Sector diversification (MRZ by book value as at 30 June 2009)[1]



Sector diversification (Mirvac Trust (post MRZ acquisition) by book value as at 30 June 2009)[1,2]



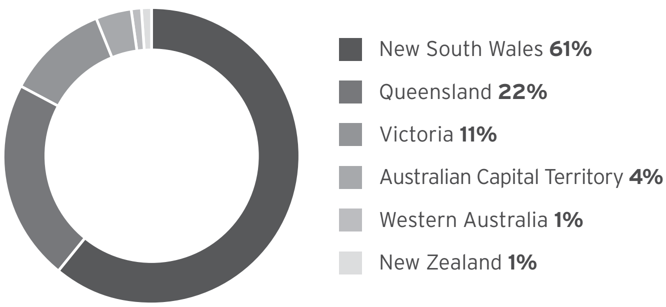
1 These calculations have not been adjusted for unconditional contracts exchanged on 591-609 Doncaster Road, Doncaster and Pender Place Shopping Centre, Maitland.

2 These calculations have not been adjusted for unconditional contract exchanged on 164 Grey Street, Brisbane and the settlement of the sale of 10 Rudd Street, Canberra and 30-32 Compark Circuit, Mulgrave.

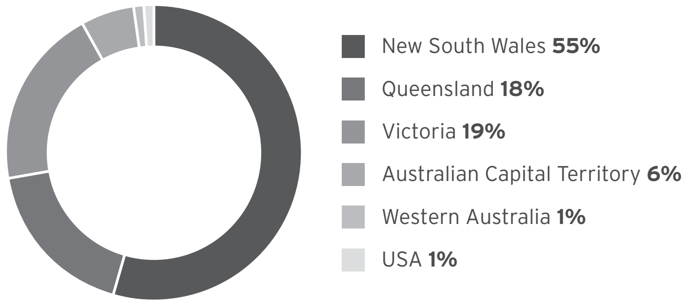
3 Includes hotel assets.

Why you should vote FOR the Proposal
(continued)

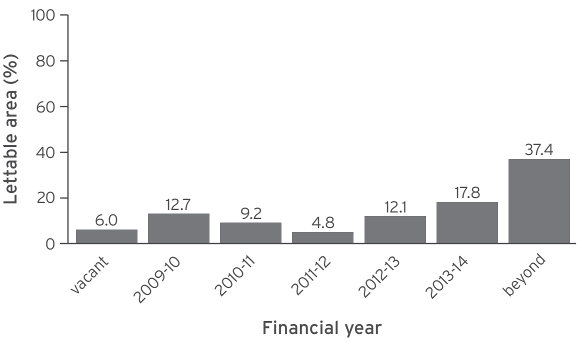
Geographic diversification
(MRZ by book value as at 30 June 2009)[1]



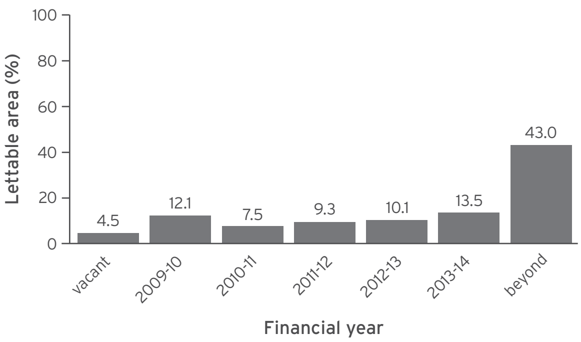
Geographic diversification
(Mirvac Trust (post MRZ acquisition) by book value as at 30 June 2009)[1,2]



Lease expiry profile
(MRZ by area as at 30 June 2009)[1]



Lease expiry profile
(Mirvac Trust (post MRZ acquisition) by area as at 30 June 2009)[1,2]



1 These calculations have not been adjusted for unconditional contracts exchanged on 591-609 Doncaster Road, Doncaster and Pender Place Shopping Centre, Maitland.

2 These calculations have not been adjusted for unconditional contract exchanged on 164 Grey Street, Brisbane and the settlement of the sale of 10 Rudd Street, Canberra and 30-32 Compark Circuit, Mulgrave.

(j) Retain an interest in the Woden Development

As a stand alone entity, MRZ does not currently have the financial capacity to retain its interest in its premium development project at Woden, ACT. As a result, if the Proposal does not proceed, MRZ will need to sell its interest in this asset and has therefore executed the Woden Development put and call agreement with Mirvac. If the Proposal does not proceed, the Woden Development put and call agreement will result in the sale of the Woden Development to Mirvac, subject to MRZ Unitholder approval.

The Proposal allows MRZ Unitholders who receive scrip in Mirvac to retain an interest in the Woden Development.

Why you may consider voting AGAINST the Proposal

(a) The Independent Expert has concluded that the Scheme Consideration is not fair.

The Independent Expert has determined that the fair market value of MRZ Units using the net assets on a going concern approach is between $0.84 and $0.86 per MRZ Unit and therefore the Proposal is not fair.

The scrip component of the Scheme Consideration represents an implied value of $0.54 per MRZ Unit which is a 35.4 per cent to 36.9 per cent discount to the Independent Expert's assessment of fair market value for an MRZ Unit and therefore you may consider that the implied value of the Scheme Consideration does not fully reflect the benefits accruing to Mirvac. Further discussion of the benefits of the acquisition of MRZ to Mirvac are outlined in Sections 3 and 4, in particular page 37.

(b) Increased risk profile due to change in the nature of your investment

If implemented, the Proposal will result in MRZ Unitholders having exposure to the more diverse corporate business activities of Mirvac. These include property management, hotel management and property development, including exposure to residential development (see Section 3) which, whilst offering the ability to derive higher earnings growth, are of greater risk than the property investment activities of MRZ. MRZ Unitholders should note that Mirvac distributions are currently fully derived from Mirvac Trust.

This risk is mitigated through Mirvac's management team which is experienced in managing risks associated with development and has developed one of Australia's leading development brands.

(c) Reduction in earnings for the year ending 2010

On a stand alone basis, MRZ is forecasting earnings of 4.65 cents per MRZ Unit for the financial year ending 30 June 2010. If the Scheme is implemented, MRZ Unitholders who receive Mirvac Securities will obtain exposure to the earnings of Mirvac Trust and ML. Under the Proposal, the forecast earnings of Mirvac Trust will equate to 3.57 cents per equivalent MRZ Unit.

In addition, Mirvac has not provided forecast earnings from the corporate activities of Mirvac through ML for the financial year ending 30 June 2010. MRZ Unitholders should be aware that based on previous disclosure provided by Mirvac, this may result in a loss on ML for the financial year ending 30 June 2010.

Consequently, there is a risk that MRZ Unitholders may receive less distributions for the financial year ending 30 June 2010 than they would have received if they had remained invested in MRZ on a stand alone basis.

Please refer to Section 4 for further information on the financial forecasts and Section 7 for the Independent Expert's report.

(d) Recognition of discount to NTA

Under the Proposal, the implied value of the scrip component of the Scheme Consideration of $0.54 per MRZ Unit represents a 36.1 per cent discount to MRZ's NTA of $0.85 as at 30 June 2009.

Further, the NTA per MRZ Unit will effectively reduce from $0.85 to $0.59 on an equivalent basis (based on the pro forma NTA of Mirvac as at 30 June 2009 of $1.76 per Mirvac Security).

(e) Tax implications

The Proposal has certain tax consequences including, but not limited to:

- potential capital gains tax for MRZ Unitholders on the cash component of the Cash and Scrip Option;
- potential capital gains tax for MRZ Unitholders on the scrip component of the Cash and Scrip Option and on the Scrip Option due to limited roll-over relief on sale of MRZ Units in exchange for Mirvac Securities; and
- potential capital gains tax for MRZ Unitholders who participate in the Sale Facility.

Ernst & Young has provided a taxation report on the general Australian taxation impacts of the Proposal on MRZ Unitholders. MRZ Unitholders should read this report which is set out in Section 8.

The potential tax implications may vary depending on an individual's circumstances. MRZ Unitholders should obtain advice from their own taxation adviser on the tax implications of the Proposal.

(f) Potential variability in the implied value of the scrip consideration

MRZ Unitholders who elect to receive Mirvac Securities as part or all of their Scheme Consideration should note that the value of the scrip portion is subject to movements in the trading price in Mirvac Securities. The future market price of Mirvac Securities may fall as well as rise.

Why you may consider voting AGAINST the Proposal (continued)

(g) Price obtained through the Sale Facility

MRZ Unitholders who do not want to hold Mirvac Securities if the Proposal is approved and elect to participate in the Sale Facility should note that Mirvac has indicated its intention to sell any Mirvac Securities issued to JFT in the Sale Facility. The total number of Mirvac Securities issued to JFT if it participates in the Cash and Scrip Option will be 51.5 million which represents approximately 1.8 per cent of Mirvac Securities currently on issue. However, the election by JFT to participate in the Sale Facility may have an adverse impact on the trading price of Mirvac Securities during the period from the Implementation Date until the Mirvac Securities in the Sale Facility are sold. This may have a subsequent adverse impact on the price obtained for Mirvac Securities offered for sale by the Sale Brokers under the Sale Facility.

(h) Debt refinancing

As at 30 June 2009, Mirvac has $422.5 million of drawn debt maturing during the financial year ending 30 June 2010, $304.1 million of drawn debt maturing during the financial year ending 30 June 2011 and $1,417.9 million of drawn debt maturing beyond 30 June 2011.

Whilst Mirvac has some near term debt maturities, as at 30 June 2009 Mirvac held cash on hand totalling $896.5 million and is forecast to maintain funding headroom of $869.8 million after the implementation of the Proposal for the period to 30 June 2011.

Other relevant considerations for MRZ Unitholders

Prospects of MRZ on a stand alone basis

MRZ, on a stand alone basis, is facing a number of issues which are likely to have a negative impact on the earnings and distributions to MRZ Unitholders, and therefore could have a negative impact on the price at which MRZ Units could be expected to trade on the ASX.

10-20 Bond Street, Sydney

The impending expiry of the leases to Macquarie Group and GHD at 10-20 Bond Street, Sydney on 31 December 2009 will present significant challenges to MRZ during the financial year ending 30 June 2010 and onwards. Following the tenant departures, a major refurbishment project is necessary in order to upgrade and modernise the building to attract new tenants. MRZ's share of the refurbishment cost of approximately $25 million (50 per cent) will be funded by debt, which will increase gearing and interest payments. Due to the refurbishment, re-letting and potential rent free periods at the commencement of the new leases, the property is not expected to generate positive cash flows for at least 18 months from the date of vacancy. 10-20 Bond Street has historically contributed approximately 10 per cent of MRZ's total income.

Woden Development

MRZ and Mirvac have entered into the Woden Development put and call agreement in relation to the sale of Woden Development, which, if exercised, would result in the sale of MRZ's interest in this asset to Mirvac. The terms of the Woden Development put and call agreement are summarised in Section 11.15. If the Proposal does not proceed, the exercise of the Woden Development put and call agreement by MRZ would be subject to MRZ Unitholder approval at a subsequent meeting.

Debt covenants

The risk of MRZ breaching its debt covenants remains significant. At 30 June 2009, the gearing ratio was 44.6 per cent compared to a bank gearing covenant ratio of 45.0 per cent. Further, the gearing covenant threshold will reduce from 45.0 per cent to 40.0 per cent in September 2010. In order to prevent a covenant breach, MRZ is targeting further asset sales in order to create greater headroom, however, real estate transactions, particularly for larger properties, are subject to considerable risks in terms of pricing and execution due to funding constraints of potential purchasers.

In addition, any asset sales which are executed at a discount to current book valuations could negatively impact on MRZ's existing interest cover ratios and tangible net worth covenants. In the event MRZ was to breach either covenant, MRZ's lenders may take enforcement action such as requiring assets to be sold or imposing financial penalties (in the form of up front costs and/or increased interest rate margins) assuming that the MRZ lenders are amenable to waiving the covenant breach.

Debt refinancing

The global financial crisis has brought about unprecedented challenges for credit markets. In this environment, there is significant risk surrounding MRZ's ability to refinance 100 per cent of its debt facilities upon the expiry of its current loan agreements in September 2010 and September 2011. If MRZ is successful in refinancing the loans, it is likely that there will be an increase in the debt margins, which will impact the earnings and distributions of MRZ. If it is unsuccessful, then the lenders may impose penalties, foreclose or take other enforcement action.

FY10 distributions

MRZ's distribution guidance for the financial year ending 30 June 2010 is 3.20 cents per MRZ Unit. If the Proposal is implemented, MRZ Unitholders who receive Mirvac Securities will be entitled to receive distributions in relation to these securities from Mirvac, including the distribution for the three months to 31 December 2009, provided they are the registered holder of those Mirvac Securities on the relevant record date. Mirvac has provided a distribution forecast range of 8.00-9.00 cents per Mirvac Security for the financial year ending 30 June 2010. The total forecast distributions from Mirvac per equivalent MRZ Unit for the period to 30 June 2010 is 2.00-2.33 cents per unit, assuming the Mirvac distribution range of 8.00-9.00 cents per Mirvac Security.

In addition, MRZ Unitholders will receive a Special Distribution of 1.00 cent per MRZ Unit held on the Record Date if the Proposal proceeds. Therefore, total distributions to MRZ Unitholders who receive and hold Mirvac Securities under the Proposal are forecast to equate to between 3.00-3.33 cents per equivalent MRZ Unit for the financial year ending 30 June 2010.

The abovementioned earnings and debt challenges may adversely impact MRZ's ability to pay future distributions.

Please note the MRZ distribution reinvestment plan will not be available in respect of the Special Distribution.

Mirvac is a much larger, more deeply traded and well capitalised entity and as a result, there is a significantly greater certainty regarding Mirvac's capacity to pay distributions than MRZ which is expected to come under pressure to comply with its debt covenants over the next two years.

Alternative strategies available to MRZ

Given the issues outlined above, and in light of the Proposal from Mirvac, a number of alternative strategies for MRZ have been considered and assessed in terms of their likely ability to provide a superior outcome for MRZ Unitholders than that available under the Proposal. The key alternative strategies are discussed below.

Other relevant considerations for MRZ Unitholders
(continued)

Managed wind up

Under a managed wind up scenario, all of MRZ's assets would be sold and the net proceeds returned to MRZ Unitholders. In the current environment, a reasonable period for the sale of approximately $1 billion of assets, including joint venture and minority interest in investments, is expected to be around three years. As mentioned above, real estate transactions, particularly for larger assets, are subject to considerable risks in terms of pricing and execution due to funding constraints of potential purchasers and the large amount of competing sale stock that is anticipated to be available as other property investment vehicles address leverage concerns.

In the event assets are sold below current book values, tangible net worth and interest cover ratios could be triggered, requiring renegotiation of financing facilities which would likely result in additional up front fees and/or increases in interest rates on these loans, thereby negatively impacting the value available to MRZ Unitholders and further reducing earnings and distributions.

The ability to execute asset sales at or around current book valuations may be hindered by the knowledge of issues facing MRZ, particularly if MRZ breaches banking covenants. Potential buyers may attempt to capitalise on any perceived pressure to complete asset sales on a timely basis and place downward pressure on sale prices.

The timing for completion of a managed wind up is also uncertain. Assuming all assets can be sold in an orderly manner, MRZ Unitholders will be waiting a considerable time before receiving the final proceeds, with the majority of the proceeds concentrated in the final year due to the requirement to repay debt finance ahead of any equity returns to MRZ Unitholders.

Finally, pending the ultimate outcome of the managed wind up process, liquidity and pricing of MRZ Units on the ASX are likely to fall, reflecting the uncertainties surrounding timing, proceeds and execution risk.

Recapitalisation

In order to reduce the covenant gearing of MRZ to 35 per cent, an equity injection in the order of $95 million (assuming no further decreases to the value of the properties) based on 30 June 2009 balance sheet would be required. This represents approximately 39 per cent of the total market capitalisation of MRZ prior to 12 August 2009, the day prior to the announcement of discussions between Mirvac and MRML.

The management of MRZ has investigated the ability of MRZ to execute such a capital raising and has received feedback that the capital raising proposal would be difficult to execute. The nature of MRZ's register of the top 20 Investors (excluding Mirvac) account for approximately 17.6 per cent of MRZ Units on issue, makes underwriting such a capital raising difficult due to the uncertainty and time taken to determine the level of interest from the predominantly retail investor base.

Underwriting may be a viable alternative in the event a major Investor could secure a significant cornerstone stake in MRZ, in association with acquiring MRML. However, such a proposition is not a viable alternative as Mirvac currently intends to retain its interests in MRZ.

Assuming a recapitalisation could be successfully executed, the offer price would be expected to be at a discount in line with other similar raisings in the market over the past six to 12 months (that is in the order of 20 to 30 per cent). This would be materially dilutive to earnings, distributions and NTA of MRZ, particularly for MRZ Unitholders who do not participate.

Selected asset sales

As an alternative to a recapitalisation, MRZ could undertake additional asset sales in order to reduce gearing below covenant levels. Further, additional asset sales in the order of $130 million (assuming no further decreases to the value of the properties) based on 30 June 2009 balance sheet would be required to reduce covenant gearing of MRZ to 35 per cent. In the event of further devaluations, sales in excess of this amount would be required. Whilst the quantity of sales required is lower than under the managed wind up scenario, the risks are substantially the same in terms of uncertainty surrounding timing and proceeds. To date, MRZ has been very successful in disposing of smaller non-core assets at close to book values. However, larger assets would need to be sold in order to achieve the level of asset sales required to reduce gearing to around 35 per cent. In the current environment, where availability of funding is a key issue for potential acquirers, there are considerable execution risks involved in pursuing this alternative.

Assuming the strategy could be successfully executed, it would further reduce the overall size and quality of MRZ's portfolio and its relevance in the A-REIT market, which is likely to result in diminished Investor appetite and negatively impact depth of trade in and the trading price of MRZ Units.

Combination of recapitalisation and asset sales

A capital raising, in conjunction with selected asset sales, is another alternative MRZ could use in order to remain compliant with its gearing covenants. Whilst this alternative reduces the level of asset sales and the size of the capital raising required, the uncertainties surrounding timing, pricing and execution risk remain the same.

Conclusion

In summary, there are a number of alternative strategies MRZ could adopt on a stand alone basis, however, each of these strategies is subject to a number of risks and therefore the outcome for MRZ Unitholders is uncertain. Each alternative is anticipated to have the short-term consequence of reducing earnings and distributions and may limit future growth and opportunities.

Meeting details and how to vote

Meeting details

The Meeting will be held on Wednesday, 25 November 2009 at 11.00am at Level 2, State Room, Hilton Sydney, 488 George Street, Sydney NSW 2000 or at such later time and date notified to MRZ Unitholders. The business of the Meeting is to consider and, if thought fit, to approve the Scheme. There will be two Resolutions on which MRZ Unitholders will be asked to vote at the Meeting. These Resolutions are set out in the Notice of Meeting in Annexure 1 to this Explanatory Memorandum and have the effect of approving the Scheme and its implementation.

Changing the time and date of the Meeting

MRML reserves the right to postpone the Meeting to a later time or date. If MRML makes such a determination, it will notify all MRZ Unitholders by placing an announcement on its website at www.mirvac.com/mrz. MRML will endeavour to notify MRZ Unitholders of any such postponement prior to the original date and time of the meeting, however, the postponement of the Meeting will not be invalidated by the failure to do so.

Entitlement to vote

The MRML Directors have determined that all MRZ Unitholders appearing on the register at 7.00pm on Monday, 23 November 2009 are entitled to attend and vote at the Meeting. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the Meeting.

Excluded Unitholders will not be entitled to vote on the Resolutions.

Type of vote

The vote on each Resolution will be conducted by way of a poll. Each MRZ Unitholder present in person or by proxy has, on a poll, one vote for each dollar of the value of the total interest they have in MRZ.

Voting majorities required

In order for the Proposal to proceed, both Resolutions must be approved. The Resolutions must be approved as follows:

› Resolution 1: at least 50 per cent of the total number of votes cast by MRZ Unitholders at the Meeting who were entitled to vote must be voted in favour of the acquisition of MRZ Units by Mirvac Trust as part of the proposed Scheme; and

› Resolution 2: at least 75 per cent of the total number of votes cast by MRZ Unitholders at the Meeting who were entitled to vote must be voted in favour of the constitutional amendments.

MRZ Unitholders should note that Mirvac currently holds approximately 24.6 per cent of the MRZ Units and does not intend to vote on the Resolutions. In this respect, Mirvac's MRZ Units will not be counted in the required voting percentages set out above.

Quorum

The quorum for the Meeting is two or more MRZ Unitholders present in person or by proxy holding at least 10 per cent of the MRZ Units on issue as at the Record Date.

Voting

The Proposal can only take place if both Resolutions are passed by the requisite majorities of MRZ Unitholders.

MRZ Unitholders may vote by attending the Meeting in person, by attorney or by proxy and, in the case of a corporation, by corporate representative, by attorney or by proxy.

(a) Voting in person

To vote in person at the Meeting, you must attend the meeting to be held on Wednesday, 25 November 2009 at Level 2, State Room, Hilton Sydney, 488 George Street, Sydney NSW 2000 commencing at 11.00am.

MRZ Unitholders who wish to attend and vote at the Meeting in person will be admitted to the meeting and given a voting card upon disclosure at the point of entry to the Meeting of their name and address.

Jointly held units

If the MRZ Units are jointly held, only one of the joint unitholders is entitled to vote. If more than one unitholder votes in respect of jointly held units, only the votes of the MRZ Unitholder whose name appears first in the Register will be counted.

(b) Voting by corporate representative

A body corporate may appoint an authorised corporate representative to represent them at the Meeting. The authorised corporate representative will be admitted to the Meeting and given a voting card upon providing at the point of entry to the Meeting written evidence of their appointment, of their name and address and the identity of their appointer.

Meeting details and how to vote
(continued)

Jointly held units (continued)

(c) Voting by attorney

Powers of attorney must be received by the MRZ Registry, or at the registered office of MRML, Level 26, 60 Margaret Street, Sydney NSW 2000, by no later than 11.00am on Monday, 23 November 2009 (or if the Meeting is adjourned or postponed, at least 48 hours before the resumption of the Meeting in relation to the resumed part of the Meeting).

An attorney will be admitted to the Meeting and given a voting card upon confirming their name and address and the identity of their appointer.

The appointment of a power of attorney will not preclude an MRZ Unitholder from attending in person and voting at the Meeting at which the MRZ Unitholder is entitled to attend and vote, however, the attorney will not be permitted to participate in the Meeting or vote on the Resolutions while the MRZ Unitholder is present.

(d) Voting by proxy

You have a right to appoint a proxy in respect of the Meeting. Your proxy does not need to be an MRZ Unitholder. If you wish to appoint a proxy in respect of the Meeting, you are requested to complete and sign the original loose leaf proxy form personalised to you and sent to you with this Explanatory Memorandum.

Proxy forms should be returned to the MRZ Registry by posting them in the reply paid envelope provided or in any of the following ways:

By post

Computershare Investor Services Pty Limited
GPO Box 2115
Melbourne VIC 3001
Australia

By hand delivery

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067
Australia

By facsimile

+61 3 9473 2065

By email

Proxy forms may be emailed to mrzoffer@mirvac.com.

Proxy forms must be received by the MRZ Registry, or at the registered office of MRML, Level 26, 60 Margaret Street, Sydney NSW 2000, by no later than 11.00am on Monday, 23 November 2009 (or if the Meeting is adjourned or postponed, at least 48 hours before the resumption of the Meeting in relation to the resumed part of the Meeting).

A proxy will be admitted to the Meeting and given a voting card upon confirming their name and address and the identity of their appointer.

The appointment of a proxy will not preclude an MRZ Unitholder from attending in person and voting at the Meeting. At all times while the MRZ Unitholder is present at the Meeting, the proxy will not be permitted to speak at the Meeting or vote on the Resolutions.

If you appoint two proxies, then you may specify the proportion or number of votes each proxy is entitled to exercise. However, if you do not specify the proportion or number of votes for each proxy, then each proxy may exercise half of the votes.

Queries

If you have any questions in relation to the Meeting, please call the MRZ information line on 1800 606 449 or visit MRZ's website at www.mirvac.com/mrz.

1. Frequently asked questions

This Section is a summary only and is not intended to address all the relevant issues for MRZ Unitholders. MRZ Unitholders should read the Explanatory Memorandum in its entirety. This Section should be read in conjunction with the other Sections of this Explanatory Memorandum including the prospects of MRZ on a stand alone basis in the section titled "Other relevant considerations for MRZ Unitholders" on page 17, information about Mirvac in Section 3 and the risks in Section 5.

Questions about the Proposal

What is the Proposal?

The Proposal is for the acquisition of all MRZ Units on issue by Mirvac Trust, by way of an MRZ Unitholder approved scheme of arrangement.

What will I receive under the Proposal?

Under the Proposal, MRZ Unitholders can receive either:

- $0.50 cash per MRZ Unit (up to 20,000 MRZ Units), plus 1 Mirvac Security for every 3 MRZ Units in excess of 20,000 MRZ Units (Cash and Scrip Option); or
- 1 Mirvac Security for every 3 MRZ Units (Scrip Option)

held on the Record Date, being Wednesday, 2 December 2009 at 7.00pm.

MRZ Unitholders may choose to receive the Scrip Option by making an election on the Election Form. MRZ Unitholders who do not submit an Election Form by 5.00pm on Wednesday, 25 November 2009 will automatically receive the Cash and Scrip Option.

Foreign Unitholders will not receive any Mirvac Securities pursuant to the Proposal. Foreign Unitholders should refer to Section 9.1 for details about how the Scheme Consideration will be paid to them.

MRZ Unitholders will also receive a Special Distribution of 1.0 cent per MRZ Unit held on the Record Date if the Scheme is implemented.

What are the reasons to vote FOR the Proposal?

- In the opinion of the Independent Directors, the Proposal is superior to alternative options currently available to MRZ;
- The Independent Expert's conclusion (see Section 7);
- Due to the challenging prospects facing MRZ on a stand alone basis, the trading price of MRZ Units may fall if the Scheme is not implemented;
- MRZ Unitholders are being offered a significant premium to MRZ trading prices prior to the announcement of preliminary discussions between Mirvac and MRML on 13 August 2009; and
- The advantages of being an Investor in Mirvac are expected to include:
  - Lower gearing;
  - Lower cost of capital;
  - Enhanced growth profile;
  - Broader geographic, asset sector and tenant diversification;
  - Retaining an interest in the Woden Development;
  - Improved cost of capital and financial flexibility;
  - Enhanced liquidity;
  - Increased market capitalisation;
  - Inclusion in key property indices; and
  - Greater certainty of distributions.

Refer to the Section titled "Why you should vote FOR the Proposal" on page 11 for more details about the advantages of the Proposal.

What are the reasons to consider voting AGAINST the Proposal?

- The Independent Expert has concluded that the Scheme Consideration is not fair;
- Increased risk profile due to a change in the nature of your investment for MRZ Unitholders who receive Mirvac Securities;
- Reduction in forecast earnings for the year ending 30 June 2010 for MRZ Unitholders who receive Mirvac Securities;
- The Scheme Consideration represents a discount to NTA and results in an effective reduction in NTA per MRZ Unit;
- Potential tax implications; and
- Potential variability in the implied value of the scrip component of the Scheme Consideration.

Refer to the Section titled "Why you may consider voting AGAINST the Proposal" on page 15 for more details about the disadvantages of the Proposal.

What are the risks associated with the Proposal?

Section 5 contains a summary of the key risks associated with an investment in Mirvac Securities. MRZ Unitholders should also refer to the Section titled "Why you may consider voting AGAINST the Proposal" for more details about the disadvantages of the Proposal.

What do the Independent Directors recommend?

The Independent Directors recommend that MRZ Unitholders vote in favour of the Proposal, in the absence of a superior proposal.

Please refer to the Independent Chairman's letter on page 7 and Section 11.5 for further information.

1. Frequently asked questions (continued)

What are the conclusions of the Independent Expert?

The Independent Expert has concluded that the Proposal is not fair but reasonable in the absence of a superior proposal. The Independent Expert has also concluded that the Proposal is in the best interests of MRZ Unitholders, in the absence of a superior proposal.

The Independent Expert's Report is set out in full in Section 7.

Questions about Mirvac

Who is Mirvac?

Mirvac is a leading integrated real estate group, listed on the ASX with approximately $7.4 billion of total assets, primarily across its core divisions of investment and development. Established in 1972, Mirvac has more than 37 years of experience in the real estate industry and has an unmatched reputation for delivering quality products across all of its businesses.

Mirvac's operations are primarily focused on Australia (representing 99.2 per cent by asset value). Mirvac also has operations in New Zealand, United Kingdom and United States.

Mirvac has been a long term Investor in MRZ, and currently holds approximately 24.6 per cent of MRZ Units on issue.

What will be the strategy of Mirvac?

The Proposal will not materially alter the strategy of Mirvac.

Mirvac has two core divisions:

- Investment: comprising Mirvac Trust and Mirvac Asset Management; and
- Development: comprising predominantly residential development with some non-residential development.

The investment management function facilitates the capital interaction between external Investors and Mirvac's two core divisions.

The strategy for Mirvac and each of its divisions is outlined below.

Group

Corporate earnings in a normalised market will be retained to fund activities driving future earnings growth:

- Earnings skewed to the Australian investment portfolio with normalised target of 80 per cent Mirvac Trust, 20 per cent ML;
- Enhance operational processes;
- Diversify and extend debt expiry profile; and
- Maintain appropriate balance sheet gearing, target 20–25 per cent.

Investment

- Secure recurring income through ownership of Australian investment grade assets;
- Active portfolio management, maximising returns to Investors; and
- Recycle assets that face income, obsolescence or asset class risk.

Development

- Maintain pre eminent residential brand and integrated development model;
- Focus on large scale generational projects that present high barriers to entry for competitors;
- Expedite release of capital from first home buyer inventory and non-core projects; and
- Secure next cycle residential product via capital efficient means.

Investment management

- Finalise exit of non-core and unscaleable businesses;
- Grow wholesale Investor platform; and
- Expand hotel management in existing markets.

What are the benefits to Mirvac?

The benefits to Mirvac if the Proposal is implemented include:

- Based on the implied value of the scrip component of the Scheme Consideration of $0.54 per MRZ Unit, the acquisition is at a 36.1 per cent discount to the last stated NTA per MRZ Unit of $0.85 (as at 30 June 2009);
- Mirvac is forecast to realise a statutory profit of $191.4 million;
- Mirvac's net tangible assets per Mirvac Security is forecast to increase from $1.72 to $1.76 per Mirvac Security;
- Mirvac's leverage ratio is forecast to reduce from 34.2 per cent to 32.9 per cent; and
- The increase of the contribution of recurring investment income with the addition of $1 billion of Australian investment grade assets.

Further details of these and additional benefits arising to Mirvac from the Proposal are set out in Section 3.1 on page 37.

Who will be the Directors of Mirvac after implementation of the Scheme?

Each of the current Mirvac Directors will remain on the Mirvac Board following the implementation of the Proposal. Further details on the Mirvac Directors are set out in Section 3.6.11.

Questions about the Scheme

How will the Proposal be implemented?

The Proposal will only be implemented if the Resolutions are approved by the required majorities of MRZ Unitholders at the Meeting to be held on Wednesday, 25 November 2009 at 11.00am.

Further details on how the Proposal will be implemented are set out in Section 10 and a summary of the Merger Implementation Deed is set out in Section 11.14.

Who is entitled to participate in the Proposal?

MRZ Unitholders on the Record Date may participate in the Proposal and will be bound by the Scheme if it is implemented. It is anticipated that the Record Date will be Wednesday, 2 December 2009. Please note this date may change. Any changes will be notified on MRZ's website at www.mirvac.com/mrz.

When will I receive the Scheme Consideration?

With the exception of Foreign Unitholders, MRZ Unitholders will be issued with their entitlements to Mirvac Securities on the Implementation Date which is expected to be Monday, 7 December 2009. Holding statements detailing your holding of Mirvac Securities are expected to be sent on or around Wednesday, 9 December 2009.

Cheques for any cash component of the Scheme Consideration will be mailed to applicable Scheme Participants within five business days of the Implementation Date.

The last day of trading in MRZ Units on the ASX is expected to be Wednesday, 25 November 2009. Deferred settlement trading of Mirvac Securities is expected to commence at the start of trading on ASX on Thursday, 26 November 2009 with normal trading of Mirvac Securities expected to commence at the start of trading on Thursday, 10 December 2009.

Please note these dates may change. Any changes will be notified on MRZ's website at www.mirvac.com/mrz. Foreign Unitholders should refer to Section 9.1 for more details regarding the Scheme Consideration they will receive as part of the Scheme.

Payments to Sale Facility Participants will be despatched within 20 business days of the Implementation Date.

How will I be notified of my holding in Mirvac Securities?

Statements confirming the issue of Mirvac Securities are expected to be despatched as soon as practicable and within five Business days from the Implementation Date, which is currently expected to be Monday, 7 December 2009.

When can I start trading my Mirvac Securities?

Mirvac Securities which are issued pursuant to the Scheme are expected to trade on a deferred settlement basis at the commencement of trading on Thursday, 26 November 2009. It is the responsibility of each MRZ Unitholder to confirm their holding before trading in their Mirvac Securities to avoid the risk of selling securities that they do not own. Normal trading of Mirvac Securities is expected to commence on Thursday, 10 December 2009.

Can I sell my MRZ Units now?

You can sell your MRZ Units on the ASX at any time before the close of trading on the ASX on Wednesday, 25 November 2009 (at the prevailing market price). However, you will not receive the Special Distribution if the Scheme is implemented.

What if I do not want Mirvac Securities?

MRZ Unitholders who do not want to hold Mirvac Securities may do any of the following:

› Sell their MRZ Units on market prior to the suspension of trading of MRZ Units on the ASX (expected to be the close of trading on Wednesday, 25 November 2009). If MRZ Unitholders elect this option they will not be entitled to the Special Distribution; or

› Receive the Cash and Scrip Option to minimise the number of Mirvac Securities you receive; and/or

› Participate in the Sale Facility, pursuant to which the Mirvac Securities you would otherwise have received will be sold, and you will receive the sale proceeds; or

› Receive the Mirvac Securities pursuant to the Proposal and then sell them on the ASX.

Can Foreign Unitholders participate?

An MRZ Unitholder who, on the Record Date, has a registered address which is outside Australia and New Zealand will be a Foreign Unitholder for the purposes of the Scheme.

Foreign Unitholders may elect to participate in either the Cash and Scrip Option or the Scrip Option. If a Foreign Unitholder does not make an election they will participate in the Cash and Scrip Option. In either case, Foreign Unitholders will not be issued with Mirvac Securities under the Scheme. To the extent any Mirvac Securities would have been issued to a Foreign Unitholder, these will be sold under the Sale Facility and the cash proceeds will be paid to the relevant Foreign Unitholder.

Full details of the operation of the Sale Facility, including how it applies to Foreign Unitholders are contained in Section 9.

1. Frequently asked questions (continued)

Questions about distributions

What happens to my distributions?

If the Proposal is approved, MRZ Unitholders will no longer receive distributions from MRZ. MRZ Unitholders who receive Mirvac Securities will be entitled to receive distributions from Mirvac, provided they are a registered holder of Mirvac Securities on the relevant distribution record date.

MRZ's distribution guidance for the year ending 30 June 2010 is 3.20 cents per MRZ Unit. If the Proposal is implemented, MRZ Unitholders who receive Mirvac Securities will be entitled to receive distributions in relation to those securities from Mirvac, including the distribution for the three months to 31 December 2009, provided they are the registered holder of Mirvac Securities on the relevant record date. Mirvac has provided a distribution forecast range of 8.00–9.00 cents per Mirvac Security for the financial year ending 30 June 2010. The total forecast distributions from Mirvac per equivalent MRZ Unit for the period to 30 June 2010 is 2.00–2.33 cents per unit, assuming the Mirvac distribution range of 8.00–9.00 cents per Mirvac Security.

In addition, MRZ Unitholders will receive a Special Distribution of 1.00 cent per MRZ Unit held on the Record Date if the Proposal proceeds. Therefore, total distributions to MRZ Unitholders who receive and hold Mirvac Securities under the Proposal for the financial year ending 30 June 2010 is forecast to equate to between 3.00–3.33 cents.

What are the details of the Special Distribution?

Pursuant to the Proposal, all MRZ Unitholders on the Record Date will receive the Special Distribution of 1.0 cent per MRZ Unit. The Special Distribution is only payable in the event the Scheme is implemented.

In the event the Proposal does not proceed, the Special Distribution will not be paid, and MRZ Unitholders will continue to receive distributions from MRZ on a semi-annual basis.

Please note that the MRZ distribution reinvestment plan will not be available in respect of the Special Distribution. The Special Distribution will be paid in cash at the same time as the Scheme Consideration is provided to MRZ Unitholders.

Questions about the Meeting

When and where are the Meetings?

The Meeting will be held on Wednesday, 25 November 2009 at Level 2, State Room, Hilton Sydney, 488 George Street, Sydney NSW 2000, commencing at 11.00am or at such later time and date as notified to MRZ Unitholders. Details of proxy voting options are set out in the Section titled "Meeting details and how to vote" on page 19.

What voting majority is required to approve the Scheme?

At the Meeting, the majority required to approve each Resolution is as follows:

- Resolution 1 in relation to the Scheme must be approved by at least 50 per cent of the total number of votes cast by MRZ Unitholders entitled to vote on the Resolution; and
- Resolution 2 in relation to the Constitutional changes required to facilitate the Scheme must be approved by at least 75 per cent of the total votes cast by MRZ Unitholders entitled to vote on the Resolution.

Each of the Resolutions must be approved in order for the Scheme to proceed. For further information on the voting majority required to approve the Scheme, refer to Section 11.1.

How do MRZ Unitholders vote?

MRZ Unitholders may vote in person by attending the Meeting, by proxy, by attorney or, in the case of corporate MRZ Unitholders, by a corporate representative. Further details on how to vote are set out in the Section titled "Meeting details and how to vote" on page 19 and on the enclosed proxy form.

Does Mirvac have a relevant interest in MRZ Units and will it be entitled to vote?

As at 9 October 2009, Mirvac had a relevant interest in 154,437,289 MRZ Units, being approximately 24.6 per cent of the total number of MRZ Units on issue.

Mirvac and their associates will not vote at the Meeting.

Other Questions

How did the Directors of MRML address the potential conflicts of interest arising from the Proposal?

To address potential conflicts of interest with Mirvac, your Board appointed a sub-committee comprising solely of directors who are independent from Mirvac ("Independent Directors") to negotiate and assess the Proposal.

That sub-committee of Independent Directors comprised Mr Paul Barker, Mr Ross Strang (until his leave of absence commenced) and Mr Matthew Hardy (from 4 September 2009). Each of these Independent Directors is considered independent in accordance with the terms of Principle 2.1 of the ASX Corporate Governance Principles and Recommendations.

The terms of reference of the sub-committee of Independent Directors required that sub-committee to take responsibility for assessing the Proposal. At the conclusion of that process, the sub-committee then recommended to the MRML board that the Merger Implementation Deed be entered into.

The Independent Directors unanimously recommend that MRZ Unitholders vote in favour of the Proposal, in the absence of a superior proposal.

What happens if an alternative proposal emerges?

If an alternative proposal is made involving MRZ, the Independent Directors will review that proposal to determine if it represents a superior proposal to MRZ Unitholders and advise you of their recommendation.

What happens if the Proposal does not proceed?

If the Proposal does not proceed, MRZ Unitholders will not receive the Scheme Consideration or the Special Distribution and will retain their MRZ Units. MRZ will continue to operate as a stand alone entity trading on the ASX. The rights of MRZ Unitholders will remain unchanged. Please refer to the Section titled "Other relevant considerations for MRZ Unitholders" on page 17 for MRZ's prospects on a stand alone basis.

What if I vote against the Resolutions but they are approved by the requisite majorities?

You should note that even though you may vote against the Resolutions, if the necessary majorities of MRZ Unitholders approve the Resolutions, the Proposal will still proceed and be binding on you and all MRZ Unitholders. Details of the majorities required to approve the Resolutions are set out in the Section titled "Meeting details and how to vote" on page 19.

Who pays the costs of the Proposal?

Mirvac has agreed to reimburse MRZ for reasonable transaction costs incurred in relation to the Proposal up to a limit of $1.0 million if Mirvac decides not to proceed with the Proposal.

In circumstances where the Proposal does not proceed as a result of:

(a) MRZ Unitholders not approving the transaction;

(b) the MRZ Board supporting an alternative proposal; or

(c) the MRZ Board not proceeding with the Proposal for any other reason;

then Mirvac would not be liable for the reimbursement of MRZ's transaction costs.

The estimated costs incurred by MRZ in this scenario are estimated at approximately $1.3 million which will be expensed in the financial year ending 30 June 2010 if the Proposal does not proceed. These costs include legal, taxation, financial advisory and Independent Expert costs. MRZ expects that it would make a transfer from retained earnings of an equivalent amount to ensure distributions to MRZ Unitholders are not reduced.

What are the tax implications of the Proposal?

MRZ is not aware of any material income tax effect that will arise in relation to its tax affairs as a result of the Proposal.

Ernst & Young has provided a taxation report on the general Australian taxation impacts of the Proposal on MRZ Unitholders. This report is set out in Section 8 of this document. However, you should obtain advice from your own taxation adviser on the tax implications for you of the Proposal.

Who can I call if I have any other questions?

You can contact the MRZ information line on 1800 606 449 or visit MRZ's website at www.mirvac.com/mrz.

2. Information about MRZ

2.1 Business overview

MRZ is a diversified real estate investment trust listed on the ASX. MRZ's overall objective is to invest in a quality portfolio of domestic properties to provide stable income returns to unitholders through active portfolio management. MRZ's business model is focused on offering a simple property trust vehicle comprised of a quality portfolio of direct and indirect property assets.

The responsible entity of MRZ is MRML, a wholly owned entity of Mirvac. Mirvac is listed separately on the ASX. MRZ's relationship with Mirvac provides access to Mirvac's integrated platform of market leading property management services as well as marketing, investor relations, tax, treasury and capital transactions expertise.

2.2 Background and history

MRZ originated from the former Estate Mortgage trusts, a series of mortgage trusts which collapsed in 1990. The extent of the debts in these trusts at that time led to the creation of Meridian Investment Trust which was listed on the ASX in December 1993.

In June 2000, it was renamed the Tyndall Meridian Trust following the merger with Tyndall Property Trust.

In February 2003, the James Fielding Group acquired the management rights to Tyndall Meridian Trust and later changed the name to JF Meridian Trust. The James Fielding Group was subsequently acquired by Mirvac in January 2005 and in February 2007, JF Meridian Trust was changed to Mirvac Real Estate Investment Trust.

Since June 2000, the total assets of MRZ grew from $380 million to a peak of approximately $1.5 billion in December 2007. The quality of the property portfolio underwent significant change with many of its secondary grade assets sold or redeveloped. There have also been a number of key acquisitions of higher quality "A grade" assets in core markets. Today, the portfolio stands significantly repositioned as a quality domestic, diversified property portfolio.

The global financial crisis of 2008 brought unprecedented uncertainty and volatility to the A-REIT sector. A number of A-REITs, including MRZ, experienced significant declines in the market valuations of their properties. In response, MRZ implemented a number of capital management initiatives to strengthen its balance sheet and protect unitholder value. During the financial year ended 30 June 2009, a total of seven properties were sold and the balance of MRZ's A-REIT and equity holdings were divested to reduce debt. The distribution was also reduced to taxable earnings. Subsequent to 30 June 2009, contracts were exchanged on a further two assets. Upon settlement the proceeds from these two sales will be primarily used to pay down debt. Due to the sales of assets and valuation declines, the gross assets of MRZ have declined to approximately $1 billion and the NTA at 30 June 2009 was $0.85 per MRZ Unit.

As at 9 October 2009, MRZ had a market capitalisation of $363.8 million.

MRZ Price Performance

2.3 Key assets, market overviews and commentary

At 30 June 2009, approximately 95 per cent of MRZ's gross assets were investments in real estate held directly or through joint ventures or associates.

MRZ's directly held real estate assets are spread across six commercial properties, nine retail centres, seven industrial properties and an interest in 13 Travelodge hotels. The portfolio has a strong security of cash flow with a high occupancy rate of 94 per cent and an average weighted lease expiry of 4.8 years (by area).

The table below summarises MRZ's direct investment portfolio.

MRZ property portfolio summary as at 30 June 2009

Property	Location	Asset ownership %	Acquisition date	Independent valuation date	Independent valuation $m	Book value $m	Capitalisation rate %	Lettable area/rooms sqm
Commercial								
10-20 Bond Street, Sydney	NSW	50	Jul-04	Jun-09	109.0	109.0	7.50	37,860
3 Rider Boulevard, Rhodes	NSW	100	Jan-07	Jun-09	70.0	70.0	8.00	16,714
340 Adelaide Street, Brisbane	QLD	100	Sep-98	Jun-09	63.0	63.0	9.00	13,290
12 Cribb Street, Milton	QLD	100	Apr-99	Dec-08	18.5	15.0	9.00	3,310
191-197 Salmon Street, Port Melbourne[3]	VIC	50	Jul-03	Jun-09	46.5	46.5 (1)	8.25	21,763
591-609 Doncaster Road, Doncaster[1]	VIC	100	Jun-02	Dec-08	21.8	17.3	9.50	8,921
Total Commercial					**328.8**	**320.8**	**8.19**	**101,858**
Retail								
Cherrybrook Village Shopping Centre, Cherrybrook	NSW	100	Jun-05	Jun-09	75.0	75.0	7.25	9,492
Taree City Centre, Taree	NSW	100	Jul-01 (50%) Nov-04 (50%)	Jun-09	54.0	54.0	8.00	15,553
Moonee Beach Shopping Centre, Coffs Harbour	NSW	100	Feb-07	Dec-08	18.0	15.3	9.50	10,884
Chester Square Shopping Centre, Chester Hill	NSW	100	Mar-07	Jun-09	28.0	28.0	8.25	8,293
Pender Place Shopping Centre, Maitland[2]	NSW	100	Sep-07	Dec-08	11.0	10.3	9.25	4,799
Orion Springfield Town Centre, Greater Springfield[3]	QLD	33	Jun-03	Dec-08	46.8	46.8 (1)	6.50	33,370
City Centre Plaza, Rockhampton	QLD	100	Mar-04	Jun-09	45.0	45.0	8.00	14,107
Morayfield SupaCentre, Morayfield	QLD	100	Sep-07	Dec-08	36.5	35.5	9.25	22,325
Orion, Greater Springfield (Vacant Land)	QLD	33	Jun-03	Jun-09	10.3	10.3 (1)	N/A	N/A
Morayfield SupaCentre, Morayfield (Vacant Land)	QLD	100	Sep-07	Dec-08	3.5	3.5	N/A	N/A
Cooleman Court, Weston	ACT	100	Jul-01 (50%) Nov-04 (50%)	Jun-09	47.6	47.6	7.75	10,714
Total Retail					**375.8**	**371.3**	**7.86**	**129,536**
Industrial/Business Park								
10 Julius Avenue, North Ryde	NSW	100	Dec-05	Jun-09	56.0	56.0	8.00	13,386
32 Sargents Road, Minchinbury	NSW	100	Feb-04	Jun-09	23.7	23.7	8.75	22,378
12 Julius Avenue, North Ryde	NSW	100	Nov-99	Jun-09	24.5	24.5	8.25	7,308
108-120 Silverwater Road, Silverwater	NSW	100	Mar-00	Dec-08	27.2	25.3	8.75	17,830
52 Huntingwood Drive, Huntingwood	NSW	100	Nov-04	Jun-09	22.8	22.8	8.75	19,286
Network, Old Wallgrove Road, Eastern Creek	NSW	50	Jun-04	Oct-08	7.0	7.0	N/A	N/A
47-67 Westgate Drive, Altona North	VIC	100	Sep-07	Dec-08	22.5	20.0	9.00	27,081
Total Industrial/Business Park					**183.7**	**179.3**	**8.46**	**107,268**
Hotel (13 Hotels)	NSW/QLD/ VIC/WA/ NZ	49	Mar-05– Mar-08	Nov-07– Jun-09	171.6	172.6 (1)	9.56	2,044 rooms
Travelodge Sydney	NSW	49	Mar-05	Jun-08	37.0	36.7	9.00	406 Rooms
Travelodge Wynyard	NSW	49	Jun-05	Dec-07	29.9	33.3	9.00	277 Rooms
Travelodge Southbank	VIC	49	Mar-05	Jun-09	28.0	28.0	9.50	275 Rooms
Travelodge Perth	WA	49	Apr-06	Sep-08	11.8	13.4	9.50	123 Rooms
Travelodge Newcastle	NSW	49	Feb-06	Jun-09	10.8	10.8	10.00	130 Rooms
Travelodge Phillip Street	NSW	49	Mar-05	Mar-08	8.8	8.0	9.25	86 Rooms
Travelodge Macquarie North Ryde	NSW	49	Mar-05	Dec-08	8.6	7.4	9.75	120 Rooms
Travelodge Manly-Warringah	NSW	49	Mar-05	Dec-08	7.0	6.5	10.00	120 Rooms
Travelodge Blacktown	NSW	49	Mar-05	Mar-09	6.4	5.8	10.00	120 Rooms
Travelodge Bankstown	NSW	49	Mar-05	Mar-09	7.1	7.1	10.00	108 Rooms
Travelodge Garden City	QLD	49	Mar-05	Mar-08	5.3	5.3	11.00	120 Rooms
Travelodge Rockhampton	QLD	49	Jun-06	Sep-08	5.0	5.1	10.00	74 Rooms
Travelodge Palmerston North	NZ	49	Mar-08	Dec-07	6.0	5.3	10.00	85 Rooms
Total Hotel					**171.6**	**172.6**	**9.46**	**2,044 rooms**
Total Property Portfolio					**1,059.9**	**1,043.9**	**8.33**	**338,662**

1 Unconditional contract exchanged on 10 September 2009 for $17.3 million. Settlement due 30 November 2009.

2 Unconditional contract exchanged on 14 September 2009 for $10.1 million. Settlement due 30 October 2009.

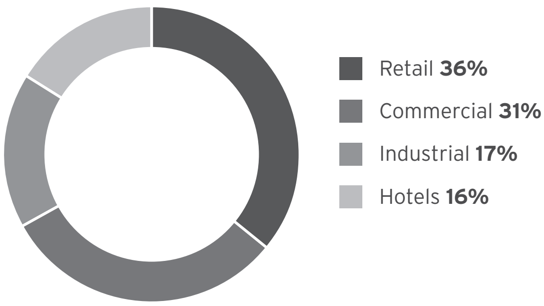
3 MRZ has an interest in this asset through units in a trust. Book value reflects MRZ's share of core property value not the holding value of the investment units.

2. Information about MRZ
(continued)

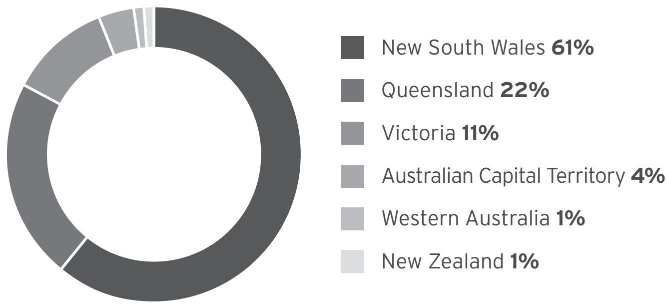
2.3 Key assets, market overviews and commentary (continued)

The charts below illustrate the geographic spread and diversity of MRZ's direct property investments as at 30 June 2009.

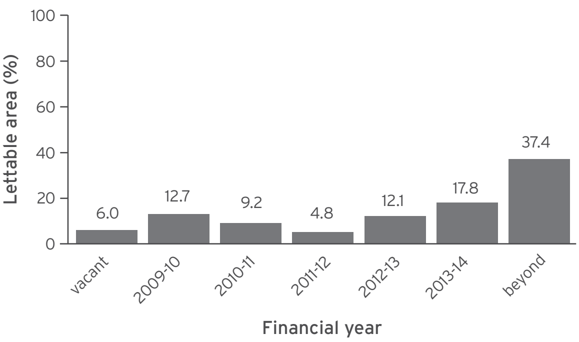
Sector diversification (by book value)[1]



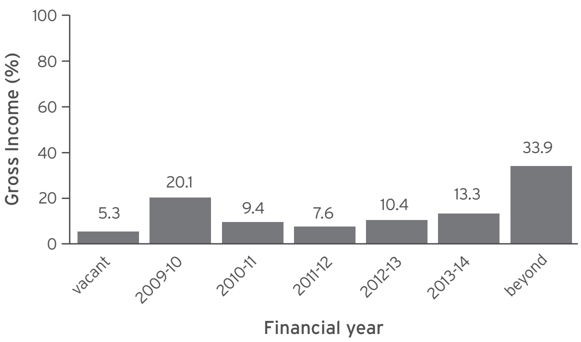
Geographical diversification (by book value)[1]



Lease expiry profile (by area)[1]



Lease expiry profile (by income)[1]



1 Includes hotel assets.

MRZ has an investment in the Travelodge Hotel portfolio comprising 13 hotels throughout Australia and New Zealand valued at $370.7 million.

MRZ holds an additional investment in the Mirvac Wholesale Hotel Fund (MWHF). MWHF is committed to investing in a portfolio of quality hotel assets located throughout Australia and New Zealand. As at 30 June 2009, MRZ's investment in MWHF was valued at $21 million. MRZ's investment in MWHF equates to a 7.3 per cent interest in the total equity value of MWHF.

MWHF owns seven hotels located in Sydney, Melbourne, Brisbane and Cairns. MWHF is managed by Mirvac Funds Management Limited and the individual hotels are operated by Mirvac Hotels and Resorts and Marriott International.

2.4 MFML Directors and management

Paul Barker

BBus, FCA, ACIS
Non-executive Chairman

Paul Barker is Chairman of the Transport Accident Commission, Deputy Chairman of the Victorian WorkCover Authority, Chairman of the Emergency Services Telecommunications Authority, Chairman of Stadium Operations Limited (Etihad Stadium), a former director of Employment National Limited and a past Chairman of the Victorian division of the Institute of Chartered Accountants.

Mr Barker has extensive experience in accounting and financial services both in Australia and overseas. Formerly Chief Executive of Audit Victoria, he also held senior group executive positions with Standard Chartered Bank in Hong Kong, Singapore and London. He is a Fellow of the Institute of Chartered Accountants in Australia and a member of the Institute of Chartered Secretaries.

Mr Barker was appointed as Non-executive Chairman to the boards of Mirvac Funds Management Limited, Mirvac REIT Management Limited and Mirvac Wholesale Funds Management Limited in March 2007 and the Mirvac PFA Limited board in November 2007.

Ross Strang

Solicitor LLB (Hons)
Non-executive Director

Ross Strang is a consultant to Kemp Strang, a Sydney based commercial law firm. Mr Strang is one of Kemp Strang's founders and was a partner in the practice for over 30 years.

Mr Strang has extensive experience in commercial, property, construction and securities matters on a broad front and is well known in legal and wider circles.

He is a member of the Australian Institute of Company Directors.

Mr Strang became a Non-executive Director of Mirvac Funds Management Limited, Mirvac REIT Management Limited and Mirvac Wholesale Funds Management Limited in May 2007 and the Mirvac PFA Limited board in October 2007.

Mr Strang is currently on leave of absence.

Matthew Hardy

BSc, ARICS, AAPI
Non-executive Director
(Appointed 4 September 2009)

Matthew Hardy has been a Partner in property and finance search and consultancy firm Conari Partners and its corporate predecessor Thomas Hardy since 2002. He has over 25 years experience in direct real estate, equities and funds management.

In addition to working as a valuer and consultant in direct property in the UK and Australia for global groups Richard Ellis and Jones Lang Wootton, Mr Hardy has worked as a senior REIT analyst for Hambros Equities, and as Director of Property Investments for Barclays Global Investors where he managed the property securities funds in addition to listed and Wholesale funds. Mr Hardy has also been General Manager to the listed Capital Property Trust, a separately listed fund until its stapling with Mirvac in 1999.

Mr Hardy became Non-executive Director of Mirvac Funds Management Limited, Mirvac REIT Management Limited, Mirvac PFA Limited and Mirvac Wholesale Funds Management Limited on 4 September 2009.

2. Information about MRZ
(continued)

2.4 MFML Directors and management (continued)

Nicholas Collishaw
SA (Fin), AAPI
Executive Director

Nick Collishaw was appointed Managing Director of Mirvac on 26 August 2008. Prior to this appointment he was the Executive Director — Investment Management, responsible for Mirvac's Investment Management operations including Mirvac Property Trust, external funds management and Hotel & Resorts, having been appointed to the Mirvac Board on 19 January 2006.

Mr Collishaw has been involved in property and property funds management for over 20 years and has extensive experience in commercial, retail and industrial property throughout Australia. In various roles he has coordinated business acquisitions and investment fund creation, as well as implemented portfolio sales programs and managed large investment acquisitions.

Mr Collishaw was appointed to the boards of Mirvac PFA Limited in August 2004, and Mirvac Funds Management Limited and Mirvac REIT Management Limited in June 2007.

Prior to joining Mirvac in 2005 following its merger with the James Fielding Group, Mr Collishaw was an Executive Director and Head of Property at James Fielding Group. He has also held senior positions with Deutsche Asset Management, Paladin Australia Limited and Schroders Australia.

Mr Collishaw is a Director of the Property Industry Foundation.

Grant Hodgetts
BA, Assoc Dip Vals, AAPI
Executive Director

Grant Hodgetts has been involved in property and funds management since 1979. Mr Hodgetts joined Mirvac's Investment Management division in February 2006 and was appointed CEO — Australia for Mirvac Investment Management in May 2007.

Prior to joining Mirvac, he was Head of Property in the Specialised Capital Group of Westpac Institutional Bank; a Division Director of Property Investment Banking at Macquarie Bank; director of Richard Ellis (Vic) Pty Ltd; and an executive of the AMP Society's Property division.

Mr Hodgetts holds a BA, Associate Diploma in Valuations and an Advanced Certificate in Business Studies (Real Estate). Mr Hodgetts is an Associate of the Australian Property Institute and is a licensed real estate agent in Victoria.

He was appointed to the boards of Mirvac Funds Management Limited, Mirvac REIT Management Limited and Mirvac Wholesale Funds Management Limited in April 2006 and the Mirvac PFA Limited board in November 2007.

Senior Management

Andrew Butler
BApp Sc (Land Ec), Grad Dip Man, AAPI
Director, Listed and Unlisted Funds

Andrew Butler is responsible for Mirvac's various listed and unlisted real estate funds, Mirvac Property Trust and Mirvac Asset Management business activities.

Prior to his appointment as Director, Listed and Unlisted Funds in April 2008, Mr Butler served as Director, Mirvac Real Estate Investment Trust, and Director, Property Acquisitions and Agency Services for Mirvac. Mr Butler joined Mirvac in 1995 and has held numerous roles relating to acquisitions and asset management. Prior to joining Mirvac, Mr Butler worked at Stanton Hillier Parker in valuations and consultancy.

Mr Butler graduated from the University of Technology, Sydney, with a Bachelor of Applied Science (Land Economics), has a Graduate Diploma in Management from the University of Technology, Sydney, and is a Certified Practising Valuer. He is an Associate of the Australian Property Institute and is a licensed business and real estate agent.

Mr Butler has been involved in property investment, development, acquisitions, and property funds management for more than 20 years. He has extensive experience in commercial, retail, industrial and hotel property throughout Australia, New Zealand and the US.

Garry Wilcox

AAPI, Dip Bus (Val), Grad Dip (Proj Man)
Director, Mirvac Real Estate Investment Trust

Garry Wilcox, Director of Mirvac Real Estate Investment Trust, is responsible for the day-to-day management and performance of the Trust.

Mr Wilcox has over 21 years experience in property related disciplines including valuation, asset management, development and acquisitions. His experience covers commercial, retail, industrial and hotel assets. Prior to this appointment, he was Director, Capital Transactions within the Investment Management division of Mirvac.

He is a Certified Practising Valuer and holds qualifications in property valuation (Diploma of Business — Valuation, University of Western Sydney) and project management (Graduate Diploma — Project Management, Queensland University of Technology). Mr Wilcox has previously held senior positions at ING Office Trust, AMP Capital Investors, Jones Lang LaSalle and Colliers.

Stephen Burt

BFin Admin
Director, Hotel Funds

Stephen Burt has worked in the hotel industry for over 21 years in the fields of hotel investment, hotel operations and hotel brokerage. He holds a Bachelor of Financial Administration. Career appointments have included Managing Director of the holding company of Radisson Hotels Asia Pacific and Joint Managing Director of hotel real estate company JLW TransAct (now Jones Lang LaSalle Hotels).

Mr Burt heads the Hotel Funds division of Mirvac Investment Management which comprises two wholesale funds currently comprising 20 hotels throughout Australia and New Zealand with a cumulative value of some $1 billion. Mirvac is investing in hotel property on behalf of both Australian and offshore investors.

2. Information about MRZ
(continued)

2.5 Historical financial information

To assist MRZ Unitholders in their consideration of the Proposal, this section sets out historical income statements and historical statements of cash flows for the two financial years ended 30 June 2008 and 30 June 2009, and a summary historical balance sheet as at 30 June 2009.

Past performance is not an indicator of future performance.

Summary historical income statement

	Year ended 30 June 2008 $'000	Year ended 30 June 2009 $'000
Rental income	98,899	99,534
Revenue from other ordinary activities	11,362	5,349
Gain on derivative financial instrument	–	2,011
Revenue from other ordinary activities (excluding share of equity accounted net profits of associates and JVs)	**110,261**	**106,894**
Property outgoings	(26,424)	(27,024)
Amortisation of lease incentives	(934)	(911)
Net gain/(loss) on sale of investment properties	3,490	(5,550)
Net gain/(loss) on disposal of managed security property	–	(541)
Change in fair value of investment properties	(822)	(196,659)
Change in fair value of managed security properties	(4,794)	–
Net gain/(loss) on sale of financial assets	2,218	–
Change in fair value of financial assets	(49,354)	(13,118)
Change in fair value of derivative financial instruments	10,434	(45,748)
Finance costs expense	(38,722)	(42,315)
Impairment of goodwill	(14,894)	–
Impairment of property, plant and equipment	–	(12,602)
Other expenses	(10,262)	(8,418)
Share of net profit of associates and joint ventures accounted for using the equity method	26,564	(5,196)
Total expenses	**(103,500)**	**(358,082)**
Net profit/(loss)	**6,761**	**(251,188)**

Historical balance sheet

	As at 30 June 2009 $'000
Current assets	
Cash and cash equivalents	13,888
Receivables	4,056
Other assets	1,596
Total current assets	**19,540**
Non-current assets	
Investments in associates and joint ventures	205,040
Investment properties	760,650
Property, plant and equipment	15,000
Other financial assets	21,040
Total non-current assets	**1,001,730**
Total assets	**1,021,270**
Current liabilities	
Payables	15,857
Borrowings	356
Derivative financial instruments	565
Total current liabilities	**16,778**
Non-current liabilities	
Borrowings	454,800
Derivative financial instruments	17,991
Total non-current liabilities	**472,791**
Total liabilities	**489,569**
Net assets	**531,701**
Equity	
Contributed equity	668,230
Retained earnings	(136,529)
Total equity	**531,701**

2. Information about MRZ
(continued)

Historical Statement of cash flows

	Year ended 30 June 2008 $'000	Year ended 30 June 2009 $'000
Cash flows from operating activities		
Cash receipts in the course of operations (inclusive of GST)	101,969	101,770
Cash payments in the course of operations (inclusive of GST)	(37,770)	(39,457)
Interest received	992	1,079
Property trust distributions/dividends received	9,415	4,664
Distributions received from associates and joint ventures	16,949	16,583
Net cash inflow from operating activities	**91,555**	**84,639**
Cash flows from investing activities		
Proceeds from sale of investment properties	29,181	122,072
Proceeds from sale of managed security properties	–	26,809
Payments for capital expenditure on investment properties	(22,790)	(17,198)
Payments for capital expenditure on managed security property	(580)	(344)
Payments for purchase of land	(23,690)	(603)
Payments for financial assets	(30,744)	(1,340)
Proceeds from realisation of financial assets	26,061	65,309
Payments for investments in controlled entities	(179,150)	–
Proceeds from government grant	–	100
Loans to associates and joint ventures	101	–
Net cash (outflow)/inflow from investing activities	**(201,609)**	**194,805**
Cash flows from financing activities		
Finance costs on borrowings (including establishment fees)	(37,236)	(59,298)
Proceeds from borrowings	838,000	600,000
Repayment of borrowings	(615,000)	(784,000)
Finance costs to unitholders/distributions paid	(72,294)	(37,009)
Net cash inflow/(outflows) from financing activities	**113,470**	**(280,307)**
Net increase/(decrease) in cash and cash equivalents held	3,414	(863)
Cash and cash equivalents at the beginning of the financial year	11,337	14,751
Cash and cash equivalents at the end of the financial year	**14,751**	**13,888**

2.6 2010 forecasts

The following table provides a summary of MRZ's forecast results for the financial year ending 30 June 2010.

Operating profit	$29.2 million
Profit attributable to MRZ Unitholders	$15.0 million
Operating earnings per MRZ Unit	4.65 cents

MRZ's distribution guidance for the financial year ending 30 June 2010 is 3.20 cents per MRZ Unit.

Please refer to Section 4.4 for MRZ's detailed forecast income statement and the assumptions upon which these forecasts are based.

2.7 Continuous disclosure

MRZ is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. MRZ has an obligation to notify ASX immediately upon becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of MRZ Units. Copies of documents filed with ASX may be obtained from the ASX website at www.asx.com.au.

In addition, MRZ is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office.

The following documents are available online from MRZ's website at www.mirvac.com/mrz and/or from the ASX website at www.asx.com.au:

- MRZ's annual financial report for the year ended 30 June 2009;
- MRZ's financial report for the half year ended 31 December 2008; and
- Any continuous disclosure notice lodged by MRZ with ASX between 1 July 2009 and the date of this Explanatory Memorandum.

MRZ will also make hard copies of these documents available, free of charge, to MRZ Unitholders. Requests can be made by contacting the MRZ information line on 1800 606 449 between 9.00am and 5.00 pm (Sydney time) Monday to Friday during the Proposal.

3. Profile of Mirvac

In accordance with the responsibility statement included in the Important Notices section on page 1 of this Explanatory Memorandum, Mirvac has sole responsibility for preparing information contained in this Section, subject to MRZ taking sole responsibility for the information that it has provided to Mirvac for the purposes of preparing information on Mirvac post implementation of the Scheme, as specified in the definition of MRZ Information.

It is important that you consider the Risk Factors that could affect Mirvac as detailed in Section 5, as well as the potential benefits of the Proposal.

In this Section, all references to a state of affairs is to be interpreted as existing at 30 June 2009, unless otherwise stated.

3.1 Introduction

Mirvac is a leading integrated real estate group, listed on the ASX with $7.4 billion of total assets primarily across its core divisions of Investment and Development. Established in 1972, Mirvac has 37 years of experience in the property industry and has a reputation for delivering quality products across all of its businesses.

Mirvac's operations are primarily focused on Australia (representing 99.2 per cent by asset value). Mirvac also has small operations in New Zealand, United Kingdom and the United States.

In the remainder of this Section, references to Mirvac are references to the economic entity resulting from the acquisition of MRZ by Mirvac in accordance with the Proposal, unless otherwise specified or made clear by the context.

Mirvac strategy

In the last 12 months, Mirvac has simplified its operating model into two core divisions:

- Investment: comprising Mirvac Trust and Mirvac Asset Management; and
- Development: comprising predominantly residential development with some non-residential development.

The investment management function facilitates the capital interaction between external Investors and Mirvac's two core divisions.

The strategy for Mirvac and each of its divisions is outlined below.

Group

- Corporate earnings in a normalised market will be retained to fund activities driving future earnings growth;
- Earnings skewed to the Australian investment portfolio with a normalised target of 80 per cent Mirvac Trust, 20 per cent ML;
- Enhance operational processes;
- Diversify and extend debt expiry profile; and
- Maintain appropriate balance sheet gearing, target 20–25 per cent.

Investment

- Secure recurring income through ownership of Australian investment grade assets;
- Active portfolio management, maximising returns; and
- Recycle assets that face income, obsolescence or asset class risk.

Development

- Maintain pre-eminent residential brand and integrated development model;
- Focus on large scale generational projects that present high barriers to entry for competitors;
- Expedite release of capital from first home buyer inventory and non-core projects; and
- Secure next cycle residential product via capital efficient means.

Investment management

- Finalise exit of non-core and unscaleable businesses;
- Grow wholesale Investor platform; and
- Expand hotel management in existing markets.

Benefits to Mirvac

The rationale for the Proposal is to create a combined entity which is better positioned for future growth with a stronger balance sheet and improved flexibility to leverage from the integration of the different business groups, underpinned by an attractive passive earnings stream.

If approved, the Proposal will also result in a more simplified, transparent structure for corporate governance, property ownership and funds management which is expected to deliver both qualitative and quantitative benefits to Mirvac.

The transaction has the following benefits:

> Based on the cash offer price of $0.50 per MRZ Unit and the implied scrip consideration of $0.54 per MRZ Unit, if the Proposal is approved by MRZ Unitholders, Mirvac will be acquiring MRZ and its assets for a price that is at a 36.1 per cent discount to the last stated NTA per MRZ Unit of $0.85 (as at 30 June 2009);

> Mirvac currently intends to sell the Mirvac Securities received by JFT as Scheme Consideration under the Proposal through the Sale Facility which, based on an assumed sale price of $1.59 per Mirvac Stapled Security, will result in Mirvac receiving cash proceeds of $82 million, contributing to Mirvac's available cash reserves.
In accordance with the indicative terms of regulatory relief obtained by Mirvac, Mirvac is required to dispose of any Mirvac Securities issued to JFT if the Proposal is approved within 3 months of the Implementation Date;

> JFT will be entitled to receive the Special Distribution of 1.0 cent per MRZ Unit held on the Record Date, alongside all other MRZ Unitholders. Based on JFT's 24.6 per cent unitholding in MRZ, the total Special Distribution received by Mirvac (via JFT) will be $1.6 million;

> Mirvac's leverage ratio (calculated by reference to total liabilities/total tangible assets) is forecast to reduce from 34.2 per cent as at 30 June 2009 to 32.9 per cent calculated on a pro forma basis as if the Proposal was implemented on 1 July 2009, compared to a covenant requirement to maintain a leverage ratio below 55 per cent;

> Mirvac's net tangible assets per Mirvac Security is forecast to increase from $1.72 per Mirvac Security as at 30 June 2009 to $1.76 per Mirvac Security calculated on a pro forma basis as if the Proposal was implemented on 1 July 2009;

> Mirvac is forecast to realise a $191.4 million statutory profit upon implementation of the Proposal which results from the difference between (a) the fair value of the consideration transferred by Mirvac for control of MRZ together with the fair value of Mirvac's existing re-measured ownership interest in MRZ and (b) the fair value of MRZ's identifiable assets acquired and the liabilities assumed (after taking into account the liability recognised in relation to the Woden Development);

> Increases the contribution of recurring investment income and scale of the Investment Division with the addition of $1 billion of Australian investment grade assets;

> Expected positive implications for Mirvac's credit rating in the longer term;

> Security of earnings may facilitate better access to capital to fund future acquisitions and opportunistic projects;

> Continues capital repatriation via the orderly disposal of approximately $300 million of non-core investment assets, in an improving market; and

> Increases the S&P/A-REIT 200 Index weighting of Mirvac (expected to increase Investor demand for Mirvac Securities).

Mirvac does not consider that there will be any material income tax advantages arising to Mirvac Trust (as it exists at the Implementation Date) as a result of the acquisition of MRZ Units.

Mirvac intentions post acquisition of MRZ

Mirvac intends to continue the operations of MRZ should MRZ Unitholders approve the Proposal and, in particular, it intends to continue:

> To actively manage the MRZ assets, maximising returns to Mirvac; and

> The asset rationalisation strategy adopted by the MRML Directors to divest non-core assets within the MRZ portfolio and Mirvac's strategy to recycle assets that face income, obsolescence or asset class risk.

If the Proposal is approved, Mirvac will cause MRZ to apply for termination of official quotation of MRZ Units on ASX and removal of MRZ from the official list of ASX.

There is no current intention to replace the responsible entity of MRZ.

Furzer Street, Woden, ACT

MRZ is the beneficial owner of the commercial development at 15-25 Furzer Street, Woden, Australian Capital Territory ("Woden Development"). A wholly owned entity of Mirvac and the legal owner of the Woden Development have entered into the Woden Development put and call agreement in relation to the Woden Development, which provides them with an option to buy and sell respectively the Woden Development. The options do not become effective unless, amongst other matters, the Proposal does not proceed and MRZ Unitholders approve the exercise of the put and call agreement. The exercise of the options is subject to a number of conditions precedent. Further details are set out in Section 11.15.

3. Profile of Mirvac
(continued)

3.2 Mirvac post implementation of the Scheme

3.2.1 Overview of investment division

Mirvac's investment division will own and manage a combined portfolio of 77 direct property assets. The total portfolio was valued at $4.6 billion at 30 June 2009 and includes investments in the commercial, retail, industrial, hotel and car parking sectors. In addition, Mirvac will own indirect holdings in five property investments.

A summary of Mirvac's portfolio is set out in the table below and further information on each of the assets in the portfolio post acquisition of MRZ has been provided on page 56.

Mirvac portfolio summary[1,2]

Sector	Number of properties	Valuation $m	WACR %	NLA '000 m²	WALE years	Occupancy %
Commercial	26	1,918	7.74	439	5.48	97.59
Retail	29	1,806	7.42	559	5.81	95.69
Industrial	18	434	8.49	338	4.71	92.36
Hotels	1	24		107 rooms	N/A	N/A
Car parks	3	76		1,789 spaces	N/A	N/A
Total direct holdings	**77**	**4,258**	**7.68**	**N/A**	**5.43[3]**	**95.49[3]**
Developments	8	131	N/A	N/A	N/A	N/A
Indirect property investments	N/A	235	N/A	N/A	N/A	N/A
Total	**85**	**4,624**				

Mirvac's portfolio has high occupancy of 95.49 per cent and minimal lease expiries with a weighted average lease expiry by area of 5.43 years (both as at 30 June 2009).

1 As at 30 June 2009.

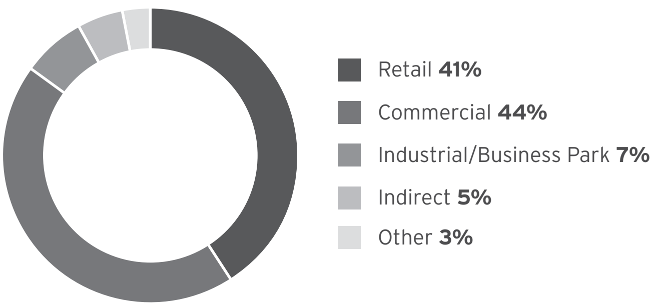
2 Excludes indirect holdings in five property investments.

3 Based on the established assets in commercial, retail and industrial sectors.

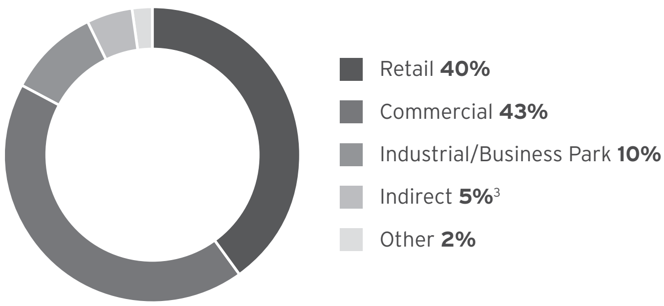
Sector diversification

Mirvac's portfolio will comprise primarily retail and commercial investment grade assets.

Mirvac Trust pre MRZ acquisition (by book value as at 30 June 2009)[1]



Mirvac Trust post MRZ acquisition (by book value as at 30 June 2009)[1, 2]



1 These calculations have not been adjusted for unconditional contract exchanged on 164 Grey Street, Brisbane and the settlement of the sale of 10 Rudd Street, Canberra and 30-32 Compark Circuit, Mulgrave.

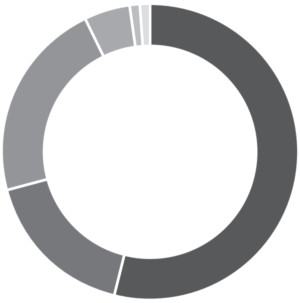
2 These calculations have not been adjusted for unconditional contracts exchanged on 591-609 Doncaster Road, Doncaster and Pender Place Shopping Centre, Maitland.

3 Includes hotel assets.

Geographic diversification

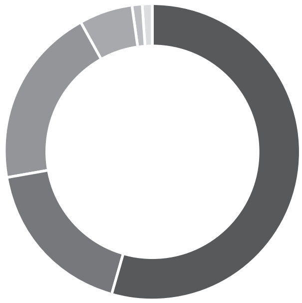
Mirvac's portfolio will be well positioned, with 98 per cent weighted to the Australian eastern seaboard.

Mirvac Trust pre MRZ acquisition (by book value as at 30 June 2009)[1]



- New South Wales **54%**
- Queensland **17%**
- Victoria **22%**
- Australian Capital Territory **5%**
- Western Australia **1%**
- USA **1%**

Mirvac Trust post MRZ acquisition (by book value as at 30 June 2009)[1, 2]



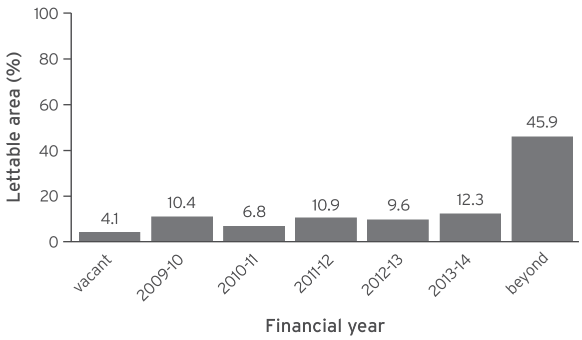
- New South Wales **55%**
- Queensland **18%**
- Victoria **19%**
- Australian Capital Territory **6%**
- Western Australia **1%**
- USA **1%**

Tenant profile[2, 4]

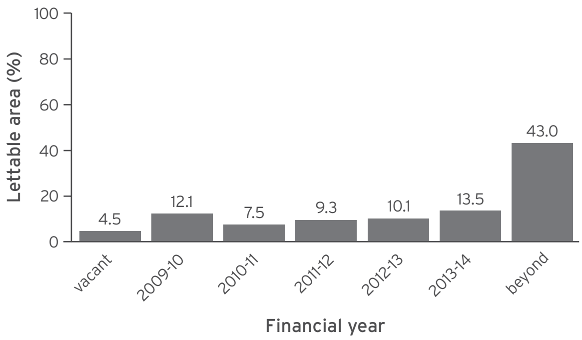
The estimated weighted average lease expiry for Mirvac's portfolio post implementation of the Scheme is 5.43 years (5.77 years including the Woden Development), with 58.5 per cent of revenue derived from Australian Government, ASX listed and multinational tenants.

Weighted average lease expiry

Mirvac Trust pre MRZ acquisition (by area as at 30 June 2009)[1]



Mirvac Trust post MRZ acquisition (by area as at 30 June 2009)[1, 2]



1 These calculations have not been adjusted for unconditional contract exchanged on 164 Grey Street, Brisbane and the settlement of the sale of 10 Rudd Street, Canberra and 30-32 Compark Circuit, Mulgrave.

2 These calculations have not been adjusted for unconditional contracts exchanged on 591-609 Doncaster Road, Doncaster and Pender Place Shopping Centre, Maitland.

3 Includes hotel assets.

4 The lease expiry profile has been calculated by reference to area.

3. Profile of Mirvac
(continued)

The top 10 tenants of the Mirvac portfolio post implementation of the Scheme have been listed below.[1]

Mirvac Portfolio (post MRZ acquisition)

Tenant	% of gross income
Government	7.63
Woolworths	5.06
Coles	4.68
John Fairfax Holdings Limited	2.60
Macquarie Group Services Australia PL[2]	2.25
Insurance Australia Limited	1.85
GM Holden Limited	1.78
United Group Limited	1.49
Telstra	0.96
BOC Limited	0.96
Total top 10	**29.26**

1 The top 10 tenants is calculated by reference to gross income for the 12 months ended 30 June 2009.

2 As noted on pages 12 and 16, Macquarie Group is a tenant of 10-20 Bond Street, Sydney with the lease expiring 31 December 2009.

3.2.2 Overview of development division

Mirvac has over 37 years of development experience and is one of the leading brands in the Australian development and construction industry, with a track record of delivering innovative and quality products for its customers.

Activity (as at 30 June 2009)	Pipeline $bn
Residential Development	9.6
Non-residential Development	1.9
Total	**11.5**

Residential development

Mirvac has residential projects in New South Wales, Victoria, Queensland and Western Australia. Mirvac's product offering includes house and land packages, master planned communities, small lot homes and luxury apartments. Mirvac's residential development value chain is outlined below.

Residential Development Value Chain

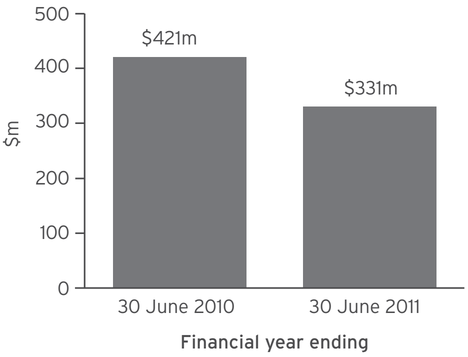
Mirvac, through its superior product quality established over 37 years of residential development, has created a premium brand driving both new and repeat customers. This reputation has allowed Mirvac to undergo significant de-risking via its ability to pre-sell development projects. In addition, its integrated delivery model allows speed to market to satisfy fluctuations in demand.

Mirvac has developed some of Australia's most renowned residential projects including Latitude at Lavender Bay, Sydney, New South Wales and Walsh Bay in Sydney, New South Wales; Ephraim Island on the Gold Coast, Queensland; Yarra's Edge in Melbourne, Victoria and The Peninsula at Burswood in Perth, Western Australia.

As at 30 June 2009, Mirvac's total residential pipeline consisted of 25,353 lots, 21,342 being house/land and 4,011 apartments.

Mirvac has undertaken substantial de-risking of its residential development portfolio through $752 million[1] pre-sale contracts exchanged as at 30 June 2009 which are forecast to settle during the two years ending 30 June 2011. The following table sets out the forecast settlement dates for these contracts.

Forecast settlement of exchanged contracts



Residential market outlook

Despite the recent challenging economic environment, Australia's residential market has continued to show considerable resilience, with potential contributing factors believed to include:

> Relatively low interest rates: Housing affordability has improved due to low interest rates[2];

> "Undersupply" of housing: High development costs, land availability and below trend building completions have lead to a housing shortage. Since 2003, annual dwelling approvals have gradually declined from 180,000 dwellings per annum to current levels of approximately 130,000 dwellings[3]. ANZ estimates the national housing shortage to be approaching 200,000 dwellings, with the greatest undersupply in NSW[4];

> Strong population growth: Australian population growth rate has increased steadily from 1.2 per cent in 2003 to 2.1 per cent in the 12 months to 31 March 2009, which is close to 40 year highs[5]; and

> Increased participation of first home buyers ("FHBs"): FHBs have responded to improved affordability from lower interest rates and the FHB boost scheme resulting in the FHB's market share rising to almost 40 per cent[6].

Despite the recent resilience in the residential market, the next 12 months are likely to be a period of consolidation. Affordability is expected to be the primary driver of price growth and with the prospect of future interest rate rises residential capital growth will be dependent on wage increases, which suggests medium term price growth will be relatively flat in real terms. The inevitable upturn in construction should assist the undersupply situation over coming years, although given its relatively longer timeline, rental pressure is expected to remain with rents likely to outpace capital growth, particularly in higher density accommodation.

Relevance for Mirvac's residential development business

Mirvac remains well placed, with extensive in-house capabilities, to take advantage of the upcoming opportunities as and when the market recovers:

> Concentrated approach on large-scale, master planned, integrated, generational projects;

> Ability to grow existing market share, as competitors find finance increasingly difficult to obtain; and

> Minimum of one significant project per State identified for fast-tracking, ensuring integrated development platform delivers stock to market to meet above forecast demand — fixed overhead cost utilised to expedite design and planning process.

The financial year ending 30 June 2010 is expected to be the low point of the development cycle with six major projects and approximately 2,000 lots forecast for settlement during the financial year.

Non-residential development

Mirvac's non-residential development pipeline covers the commercial, retail, industrial and hotel sectors. Completed projects may be incorporated into Mirvac Trust's investment property portfolio or sold to third parties.

In light of the current economic climate Mirvac prudently delayed the commencement of its non-residential development projects and identified others as non-core, with Mirvac preparing to exit these projects in the near term. This is in line with Mirvac's intention to reshape its development portfolio and focus on core, large-scale generational projects — a key competitive strength for Mirvac.

3.2.3 Overview of investment management

(a) Investment management

The investment management platform is aligned to Mirvac's core competencies and leverages Mirvac's platform to partner with third party Investors. The investment management platform seeks to provide superior returns to its investment partners within acceptable risk limits. As at 30 June 2009, Mirvac's investment management division had $7.3 billion in funds under management which will be reduced by $1 billion as a result of the successful completion of the Proposal.

1 Total exchanged value adjusted for Mirvac share of joint venture interests, Mirvac managed funds and excludes PDA's as at 30 June 2009.

2 REIA Housing Affordability report, June 2009.

3 ABS Catalogue 8371.

4 ANZ Housing snapshot, "Australian housing market defying the economic downturn," June 2009, page 2.

5 ABS Catalogue 3101.

6 ABS Catalogue 5609.

3. Profile of Mirvac
(continued)

Mirvac is rationalising its non-core and unscaleable funds which is expected to be complete by 30 June 2010. Mirvac is seeking to continue to grow its wholesale Investor platform with third party investment partners investing alongside Mirvac in residential development and non-residential investment.

(b) Hotel management

Mirvac's hotel management platform is one of the pre-eminent managers of hotels and resorts in Australia and New Zealand managing approximately 5,616 rooms across 44 hotels[1]. It operates hotels on behalf of Mirvac (including its managed funds) and third parties. The platform manages properties under a variety of brands, including The Sebel, Citigate, Marriott, Quay West and Sea Temple. The platform has access to Mirvac's in-house capability in architecture, interior design and project/construction management which ensures cost effective and quality hotel maintenance and refurbishment.

Mirvac obtained an additional five new management contracts in the year to 30 June 2009 and is focused on Australian expansion of management contracts in regions which are under-represented by its existing brands.

Mirvac Hotels and Resorts brand	Hotels as at 30 June 2009	Rooms as at 30 June 2009
The Sebel	25	3,175
Citigate	5	1,072
Quay West Suites	7	606
Sydney Marriott	1	241
Sea Temple Resorts	2	235
The Como	1	107
The Quay Grand Suites	1	66
The Lindrum	1	59
Harbour Rocks	1	55
Total	**44**	**5,616**
Future (FY10-FY11)[2]	**4**	**406**

1 As at 30 June 2009.

2 Contracted agreements that Mirvac Hotels and Resorts has entered with the third party hotel owners.

3 The table assumes that all MRZ Unitholders elect to receive the Cash and Scrip Option.

4 Assumes all MRZ Unitholders accept 100 per cent of the Cash and Scrip Option based on pro-forma information as at 1 July 2009.

5 Calculated by reference to total interest bearing debt less cash/total tangible assets less cash.

3.3 Capital management

3.3.1 Funding of Proposal

The proposed transaction (including transaction costs and repayment of all existing MRZ debt) will be funded by way of existing Mirvac cash reserves and the issue of Mirvac Securities.

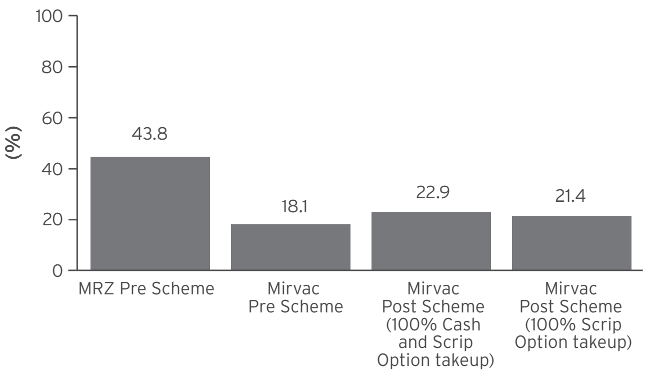
The cash outflows associated with the Proposal are set out below[3].

Cash outflows	$m
Payment of cash consideration to MRZ Unitholders as part of the Proposal	$106.4
Special Distribution to MRZ Unitholders (net of amounts received by Mirvac) as part of the Proposal	$4.7
Repayment of MRZ's borrowings	$455.2
Termination of MRZ's interest rate swaps	$18.6
Payment of transaction costs as part of the Proposal	$17.5
Total applications	**$602.3**

Mirvac's equity interest in MRZ is held by JFT, a wholly owned sub trust of Mirvac Trust which currently holds a 24.6 per cent interest in MRZ. Indicative regulatory approval has been obtained to enable JFT to receive Mirvac Securities as part of the offer. JFT intends to sell down these securities under the Sale Facility provided.

3.3.2 Gearing and key covenants

Relative to MRZ, Mirvac's balance sheet gearing will be significantly reduced, with gearing reduced from 43.8 per cent for MRZ to 22.9 per cent[4] for the consolidated group (see table below)[5].



Key covenants

Mirvac's two key covenants are total leverage ratio and interest cover ratio. The positions relative to those covenants pre and post implementation of the Scheme are set out below.

	Pre Scheme	Post Scheme	Covenant
Total leverage ratio[1,2]	34.2%	32.9%	<55%
Interest cover ratio[2,3]	> 3 times	> 3 times	> 2.25 times

1 Calculated by reference to total liabilities/total tangible assets.

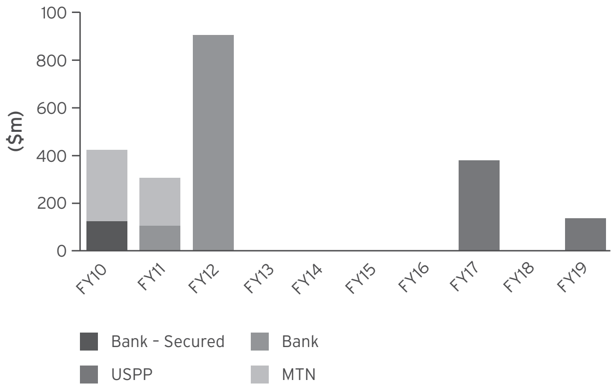
2 As at 30 June 2009, post implementation of the Scheme based on pro forma balance sheet set out in Section 4.2.

3 Interest coverage ratio covenant is calculated as the adjusted EBITDA (interest expense plus lease expense).

3.3.3 Debt maturity profile

An estimate of Mirvac's debt maturity profile is shown below, as at 30 June 2009.

Debt facility maturity profile



As at 30 June 2009, Mirvac has hedged 60.3 per cent of its gross debt with a weighted average maturity of 6.4 years.

3.3.4 Liquidity profile

Mirvac is forecast to be well capitalised with $869.8 million of funding headroom and is forecast to have liquidity to fund all medium term notes (MTNs) and debt expiries, assumed reduction in syndicated debt facility and capital commitments post June 2011.

The following table sets out the funding sources for Mirvac, and net cash flows to 30 June 2011 which are expected to be positive. It assumes an indicative estimate of Mirvac Trust non-core asset sales and no distribution reinvestment plan.

3. Profile of Mirvac
(continued)

Funding source	Facility limit $m	Drawn amount $m	Available liquidity $m	Assumed reduction $m	Forecast available liquidity $m
February 2010 – non recourse fund debt	32.5	32.5	0.0	0.0	
March 2010 – MTN	300.0	300.0	0.0	(300.0)	
June 2010 – Bank	90.0	90.0	0.0	(90.0)	
September 2010 – MTN	200.0	200.0	0.0	(200.0)	
June 2011 – Bank	1,162.5	104.1	1,058.4	(321.3)	
Facilities rolling past June 2011	1,417.9	1,417.9	0.0	0.0	
Total	**3,202.9**	**2,144.5**	**1,058.4**	**(911.3)**	**147.1**
Cash on hand – 30 June 2009					896.5
June 2009 capital raising proceeds received in July 2009					55.5
Net cash flow (Jun 09 – Jun 11)[1]					200.0
Payment of cash consideration to MRZ Unitholders as part of the Proposal[2]					(106.4)
Special Distribution to MRZ Unitholders as part of the Proposal (net of amounts received by Mirvac)					(4.7)
Repayment of MRZ borrowings					(455.2)
Termination of MRZ interest rate swap contracts					(18.6)
Payment of transaction costs as part of the Proposal					(17.5)
Disposal of Mirvac Securities issued to JFT as part of the Proposal[3]					81.9
Acquisition of Woden Development					(208.8)
Proceeds from non-core asset sales (indicative estimate)[4]					300.0
Funding headroom					**869.8**

1 Excludes net cash flow resulting from the acquisition of MRZ.

2 Assumes 100 per cent Cash and Scrip Option takeup.

3 Assumes that the Mirvac Securities issued to JFT are sold under the Sale Facility. A sale price of $1.59 per Mirvac Security has been assumed by Mirvac based on the 28 day VWAP of Mirvac Securities traded on the ASX up to and including 9 October 2009. The actual consideration realised by Mirvac from disposing of the Mirvac Securities issued to JFT under the Proposal may be higher or lower than $1.59. A $0.10 (6.3 per cent) increase or decrease in the Mirvac Security price realised will result in a $5.1 million increase or decrease in the consideration received from disposing of the Mirvac Securities issued to JFT.

4 See Section 3.1 of this Explanatory Memorandum. Mirvac has a disposal strategy in relation to certain investment properties which are considered to be non-core and are intended to be sold to repatriate capital for reallocation to other opportunities.

The above table has been compiled using conservative assumptions relating to the ability of Mirvac to refinance its expiring Medium Term Notes (MTNs) and reduction in syndicated facilities due for repayment in June 2011. Mirvac's strategy is to diversify its sources of debt capital and extend the term of its facilities.

3.4 Historical financial information

3.4.1 Mirvac summary historical financial information

Set out below is a summary historical balance sheet as at 30 June 2009 and historical income statement for the two years ended 30 June 2008 and 2009 which have been prepared based on the audited consolidated balance sheet of Mirvac as at 30 June 2009 and audited income statement of Mirvac for the two financial years ended 30 June 2008 and 2009, extracted from Mirvac's audited financial statements for the two financial years ended 30 June 2008 and 2009 which have been audited by PricewaterhouseCoopers who have issued unqualified opinions on these accounts. A full copy of Mirvac's audited financial statements can be accessed on the Mirvac website at www.mirvac.com.

Past performance is not an indicator of future performance.

Summary historical balance sheet ($m)

	As at 30 June 2009
Assets	
Cash and cash equivalents	896.5
Receivables	248.4
Investment properties	3,210.1
Inventories	1,670.4
Investments accounted for using the equity method	397.6
Derivative financial instruments	13.0
Intangibles	58.6
Other assets	879.2
Total assets	**7,373.8**
Payables	226.6
Borrowings	2,103.8
Provisions	15.9
Derivative financial instruments	43.1
Other liabilities	111.6
Total liabilities	**2,501.0**
Net assets	**4,872.8**
Equity	
Contributed equity	5,447.4
Reserves	110.5
Retained profits	(749.9)
Total parent entity equity	4,808.0
Minority interest	64.8
Total equity	**4,872.8**
Mirvac Securities issued ('000) (number)	2,805.5
NTA per Mirvac Security ($)	1.72

Summary historical income statement by division ($m)

	12 months ended 30 June 2008	12 months ended 30 June 2009
Investment division (Mirvac Trust and Mirvac Asset Management)	298.2	242.7
Development division	154.1	29.1
Investment Management division (including Hotels)	24.8	(28.6)
Corporate overheads, tax and eliminations	(124.9)	(42.4)
Total operating profit after tax	**352.2**	**200.8**
Specific non-cash items and tax effect of AIFRS items	219.7	(702.3)
Other significant items	(400.1)	(576.6)
Net loss attributable to the securityholders of Mirvac	**171.8**	**(1,078.1)**

3.5 Information on Mirvac Securities

3.5.1 Mirvac market price information

Both Mirvac Securities and MRZ Units are officially quoted on the ASX. Information in relation to the market price of Mirvac Securities and MRZ Units is set out below:

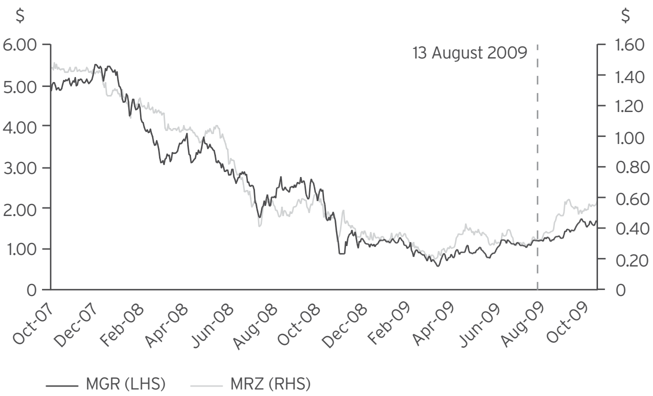
Mirvac Security information	Price (as close of trade)
Latest recorded sale price (as at 9 October 2009)	$1.660
Previous three months:	
High	$1.735
Low	$1.075
Closing price immediately before the announcement of preliminary discussions (12 August 2009)	$1.210

MRZ Unit information	Price (as close of trade)
Latest recorded sale price (as at 9 October 2009)	$0.580
Previous three months:	
High	$0.590
Low	$0.300
Closing price immediately before the announcement of preliminary discussions (12 August 2009)	$0.390

3. Profile of Mirvac
(continued)

The chart below provides the trading history of Mirvac Securities (LHS) and MRZ Units (RHS) from September 2007. Confirmation of preliminary discussions between Mirvac and MRZ was announced to the market on 13 August 2009 (highlighted below).

Price Performance



The table below provides summary statistics as to Mirvac's and MRZ's VWAPs over the past 24 months.

Time period[1]	Mirvac VWAP $	MRZ VWAP $
9 October 2009	1.68	0.57
5 day	1.64	0.56
10 day	1.63	0.55
30 day	1.58	0.55
60 day	1.43	0.49
90 day	1.34	0.46
6 month	1.27	0.45
12 month	1.20	0.41
18 month	1.50	0.49
24 month	1.93	0.67

1 Source: IRESS

3.6 Corporate Governance

Mirvac has implemented various systems and processes to ensure that the interests of securityholders and other stakeholders in Mirvac are protected at all times.

The Mirvac Board is responsible for ensuring that Mirvac is properly managed and is committed to maintaining the highest standards of corporate governance and fostering a culture that values ethical behaviour, integrity and respect to protect those stakeholders' interests.

Copies of Mirvac's corporate governance policies and practices are posted to its website (www.mirvac.com), and may be found under the Corporate Governance subheading within the "About Mirvac" section on the homepage.

3.6.1 The Mirvac Board

The Mirvac Board has formalised its roles and responsibilities into a Mirvac Board Charter which also clarifies the roles and responsibilities that are delegated to management.

Responsibility for the day to day management and administration of Mirvac is delegated by the Mirvac Board to Mirvac's Managing Director, assisted by an Executive Committee.

The Mirvac Managing Director manages Mirvac in accordance with the strategy, plans and delegations approved by the Mirvac Board.

The Mirvac Board monitors the decisions and actions of Mirvac's Managing Director and the performance of Mirvac to gain assurance that progress is being made towards attainment of the approved strategies and plans. The Mirvac Board also monitors the performance of Mirvac through its committees established by the Mirvac Board.

3.6.2 Mirvac Board size and composition

The Mirvac Board determines its size and composition subject to the limits imposed by Mirvac's constitutions, which provide that there be a minimum of three and a maximum of 10 Mirvac Directors.

Mirvac's Board currently comprises four independent non-executive directors, one dependent non-executive director and one executive director, being the managing director.

3.6.3 Independence of Mirvac Directors

The independence of Mirvac Directors is reviewed at least annually with reference to the definition of materiality applied in assessing independence as disclosed in the Mirvac Board Charter.

The performance of the Mirvac Board is conducted annually by the Chairman supported by the Group Company Secretary.

3.6.4 Retirement and re-election of Directors

Mirvac's constitutions provide that one-third of directors must retire each year and seek re-election by securityholders at the Annual General/General Meetings. The Managing Director is not included in the number of Directors that must retire each year. This ensures that the maximum time that each director can serve in any single appointment is three years (other than the Managing Director).

The Chairman will evaluate the contribution of retiring Directors prior to the Mirvac Board endorsing their standing for re-election. At this time, Mirvac has not imposed any maximum on the number of terms that a non-executive director may serve.

3.6.5 Mirvac Board committees

The Mirvac Board committees are:

The Audit Risk and Compliance Committee — assists the Mirvac Board to fulfil its corporate governance and overseeing responsibilities relating to Mirvac's financial reporting, systems of internal control and management of risk, internal and external audit functions and processes for monitoring compliance with laws and regulations and Mirvac's own Code of Conduct/Ethical Business Behaviour.

The Human Resources Committee — assists the Mirvac Board in ensuring Mirvac has coherent remuneration policies and practices which are consistent with Mirvac's strategic goals and human resource objectives by attracting and retaining directors and management and fairly and responsibly remunerates directors and management having regard to the performance of Mirvac, the performance of the individuals and the general remuneration environment.

The Nomination Committee — assists the Mirvac Board to ensure the Mirvac Board is of effective composition, size and commitment to adequately discharge their responsibilities and duties having regard to the law and the highest standards of corporate governance.

The Health, Safety, Environment and Sustainability ("HSE") Committee — assists Mirvac's commitment to HSE matters by reporting on compliance with applicable statutory requirements, codes, standards and guidelines, as well as measurable objectives and targets aimed at the elimination of work related incidents or impacts from Mirvac's activities, products and services.

Each committee has adopted its own terms of reference or charter, approved by the Mirvac Board, setting out matters relevant to its composition and responsibilities. The charters are reviewed annually by the Mirvac Board.

Copies of the committee charters are available under the Corporate Governance sub-heading within the "About Mirvac" section of Mirvac's website.

3.6.6 Ethical and responsible conduct

Mirvac aims to maintain a high standard of ethical business behaviour at all times and expects the Mirvac Directors, senior executives and other employees to treat others with fairness, honesty and respect.

Mirvac has adopted a Code of Conduct/Ethical Business Behaviour which has been made available to all employees and is available on its intranet and website.

This is supported by Mirvac's policies on Continuous Disclosure, Communications and Dealing in Mirvac Securities, which are also posted to Mirvac's website.

3.6.7 Risk management

Mirvac recognises its obligation and desire to create wealth for securityholders with the risks involved in the business development and investment opportunities that it pursues. Mirvac's goal is to reduce risk to an acceptable level, taking into account both the organisation's objectives and its appetite for risk by ensuring that all significant risks are identified and managed appropriately at the correct level within the organisation.

To maintain the alignment of risk management activities with corporate objectives, Mirvac employs a risk management system based on Australian Standard 4360.

3.6.8 Remuneration policies and practices

Mirvac has established processes and policies to ensure that the level and composition of remuneration is sufficient and reasonable and explicitly linked to an individual's performance, as well as to the performance of Mirvac, including returns to securityholders.

The Remuneration Report, which forms part of the Directors' Report within the Mirvac Annual Report, details Mirvac's remuneration policies and practices and their relationship to overall Mirvac performance.

The Remuneration Report may be reviewed at Mirvac's website, within Mirvac's Annual Report.

The Remuneration Report is also considered and voted on (non-binding) each year by securityholders at Mirvac's Annual General Meeting.

Mirvac's remuneration policy seeks to ensure competitive performance based remuneration is set in order to attract, retain and motivate the best talent in the industries in which Mirvac operates to pursue its long term growth and success.

3.6.9 Structure of remuneration

Remuneration is structured in the components of:

- Fixed remuneration;
- Short term variable remuneration (cash bonuses); and
- Long term variable remuneration.

3. Profile of Mirvac
(continued)

3.6.10 Review of remuneration

Each component of remuneration is reviewed annually throughout Mirvac after considering collected market data, individual performance and business performance. The implementation of Mirvac's remuneration policy involves the provision of market competitive remuneration packages; targeted use of short term incentives in the form of cash bonuses; and awarding of long term incentives in the form of performance rights over Mirvac's Securities which can only be exercised if certain precedent conditions are achieved over a three year period.

No individual is directly involved in deciding his or her own remuneration.

Non-executive Directors' remuneration

Mirvac's non-executive directors currently receive a base fee, plus fees for serving on the Audit, Risk and Compliance Committee. The Chairs of the Human Resources and Health, Safety, Environment and Sustainability Committees receive an additional amount in recognition of the greater responsibility these positions demand. The fee paid to the non-executive directors did not exceed $1,450,000 for the year ended 30 June 2009 in aggregate.

With effect from 1 July 2008 non-executive directors were permitted to sacrifice some or all of their fees, on a monthly basis, to acquire Mirvac Securities on market on a set trading day each month.

Loans

Loans have been made to executives, Executive Directors and key management personnel. Such loans are interest free.

Details of loans are in the full financial reports for Mirvac, which are lodged with ASIC and the ASX and are available on the Mirvac website.

3.6.11 Board of Directors

The Board of Directors of Mirvac is as follows:

James A C MacKenzie

B.Bus, FCA, FAICD — Chairman — Independent Non-executive

Chairman of the Nomination Committee

Member of the Human Resources Committee

James MacKenzie was appointed to the Mirvac Board in January 2005 and assumed the role of Chairman in November 2005.

He is also Chairman of Pacific Brands Limited and Gloucester Coal Limited and a Director of Melco Crown Entertainment Limited.

Mr MacKenzie led the transformation of the Victorian Government's Personal Injury Schemes as Chairman of the TAC and Victorian WorkCover Authority from 2000-2007. He has previously held senior executive positions with ANZ Banking Group, Norwich Union and Standard Chartered Bank, and was Chief Executive Officer of the TAC. A Chartered Accountant by profession, Mr MacKenzie was a partner in both the Melbourne and Hong Kong offices of an international accounting firm now part of Deloitte.

Paul J Biancardi

B.Ec, FCA — Deputy Chairman
— Independent Non-executive

Chairman of the Audit,
Risk and Compliance Committee

Member of the Human
Resources Committee

Member of the Nomination Committee

Paul Biancardi was appointed a Non-executive Director of Mirvac on 1 July 2001 and was appointed Deputy Chairman in August 2007. He is a former taxation partner of PricewaterhouseCoopers (the current auditors of Mirvac) and was Chairman of Coopers and Lybrand Chartered Accountants from 1994 to 1997. He retired from PricewaterhouseCoopers in 1999.

An experienced accountant, Mr Biancardi brings extensive knowledge to the Mirvac Board in the areas of finance, taxation and human resources.

Mr Biancardi is also a former Director of Crescent Capital Partners Limited and is a former Chairman of Hamilton James & Bruce Group Limited.

Nicholas R Collishaw

SA (Fin), AAPI — Managing Director

Nick Collishaw was appointed Managing Director on 26 August 2008. Prior to this appointment he was the Executive Director — Investment Management responsible for Mirvac's Investment operations including Mirvac Property Trust, external funds management and Hotels and Resorts, having been appointed to the Mirvac Board on 19 January 2006.

Mr Collishaw has been involved in property and property funds management for over 20 years and has extensive experience in commercial, retail and industrial property throughout Australia. In various roles he has coordinated business acquisitions and investment fund creation, as well as implemented portfolio sales programs and managed large investment acquisitions.

Prior to joining Mirvac in 2005 following its merger with the James Fielding Group, Mr Collishaw was an Executive Director and Head of Property at James Fielding Group. He has also held senior positions with Deutsche Asset Management, Paladin Australia Limited and Schroders Australia.

Mr Collishaw is a Director of the Property Industry Foundation.

Adrian G Fini

B.Com — Non-executive Director

Adrian Fini was appointed to the Mirvac Board on 19 January 2006 as an Executive Director and became a Non-executive Director with effect from 1 January 2009. He was formerly Chief Executive of Mirvac Fini, Mirvac's Western Australian Division, and the Executive Director responsible for Mirvac's Development Division.

Mr Fini has been involved in property development since 1977 and was appointed Managing Director of the Fini Group in 1994. Following its merger with Mirvac in 2001 he became the Chief Executive of the expanded Mirvac Western Australia business, broadening its development activities in the residential, commercial, industrial, retail and hospitality sectors in Western Australia, as well as integrating that business into the expanded Mirvac.

Mr Fini is also a Director of Little World Beverages Limited and the Art Gallery of Western Australia.

3. Profile of Mirvac
(continued)

3.6.11 Board of Directors (continued)

Peter J O Hawkins

B.CA (Hons), FAICD, SF Fin, FAIM, ACA (NZ) - Non-executive Director – Independent

Chairman of the Human Resources Committee

Member of the Audit, Risk and Compliance Committee

Member of the Nomination Committee

Peter Hawkins was appointed a Non-executive Director of Mirvac on 19 January 2006, following his retirement from the Australia and New Zealand Banking Group Limited ("ANZ") after a career of 34 years. Prior to his retirement, Mr Hawkins was Group Managing Director, Group Strategic Development, responsible for the expansion and shaping of ANZ's businesses, mergers, acquisitions and divestments and for overseeing its strategic cost agenda.

Mr Hawkins was a member of ANZ's Group Leadership Team and sat on the Boards of Esanda Limited, ING Australia Limited and ING (NZ) Limited, the funds management and life insurance joint ventures between ANZ and ING Group. He was previously Group Managing Director, Personal Financial Services, as well as holding a number of other senior positions during his career with the ANZ.

Mr Hawkins is currently a Director of Visa Inc, Westpac Banking Corporation (and its wholly-owned subsidiary St George Bank Limited), Liberty Financial Services Pty Limited, Treasury Corporation of Victoria, Clayton Utz, Murray Goulburn Co-operative Co. Limited and Camberwell Grammar School.

Penny Morris

AM, B.Arch (Hons), M.EnvSci, DipCD, FRAIA, FAICD – Non-executive Director – Independent

Chairman of the Board Health, Safety, Environment and Sustainability Committee

Member of the Audit, Risk and Compliance Committee

Member of the Human Resources Committee

Penny Morris was appointed a Non-executive Director of Mirvac on 19 January 2006, and has extensive experience in property development and management, having formerly been Group Executive Lend Lease Property Services, General Manager and Director, Lend Lease Commercial and Director of Commonwealth Property within the Federal Department of Administrative Services.

An experienced Director for more than 18 years, Ms Morris has also been a Director of the Colonial State Bank, Australia Post Corporation, Howard Smith Limited, Energy Australia, Indigenous Land Corporation, Country Road Limited, Jupiters Limited, Principal Real Estate Investors (Australia) Limited, Strathfield Group Limited, Landcom and the Sydney Harbour Foreshore Authority.

Ms Morris is currently a Director of Aristocrat Leisure Limited, Clarius Group Limited, NSW Institute of Teachers and Bowel Cancer and Digestive Research Institute Australia.

General Counsel and Company Secretary

Sonya Harris

B.Econ, LLB (First Class Hons), MLM

Sonya Harris was appointed General Counsel and Company Secretary in August 2009.

Ms Harris has had over 18 years experience in the legal industry and was previously a partner at Minter Ellison in Sydney.

Ms Harris brings her breadth of knowledge in the property industry, and her broad property and commercial legal experience to her role at Mirvac. Immediately prior to joining Mirvac, Ms Harris was Deputy General Counsel at Brookfield Multiplex from 2005.

3.6.12 Distribution Policy

Recognising the cyclical nature of Mirvac's development activities, Mirvac's distribution policy is to distribute Mirvac Trust's taxable earnings[1] and up to 80 per cent of operating profit derived by ML.

3.6.13 Real Property Valuation Policy

Mirvac has a real property valuation policy in which each property owned by Mirvac must be valued at least once in every 24 month period. To manage the process in an orderly manner, portfolio valuations will be staggered over a 24 month period with an aim of valuing a quarter of the portfolio each six months.

Where a valuation is dated greater than three months from financial year close, an internal valuation conducted by Mirvac is undertaken to provide continuing support for the previous independent valuation undertaken. Should the internal valuation indicate a material change in value or deliver a result that has a material impact on the Mirvac's accounts, verification of value will be sought by instructing an external valuation at Mirvac's discretion.

3.6.14 Capital risk management

Mirvac's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for securityholders and benefits for other stakeholders and to maintain an optimal capital structure including maintaining an investment grade credit rating to reduce the cost of capital having regard to the real estate activities Mirvac invests in.

3.6.15 Financial risk management

Mirvac has a financial risk management program that seeks to minimise potential adverse effects on the financial performance of Mirvac. Mirvac uses various derivative financial instruments to manage certain risk exposures, specifically in relation to interest rate and foreign exchange risks on borrowings.

The Mirvac Board has policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

3.7 Additional Information

Continuous disclosure

Mirvac is a 'disclosing entity' under the Corporations Act and therefore subject to regular reporting and disclosure obligations under the Corporations Act, including the preparation and lodgement of annual reports and half yearly reports.

1 Announced by Mirvac on 20 March 2009.

Mirvac is also obliged to comply with the ASX Listing Rules including all applicable continuous disclosure and reporting requirements. In particular, Mirvac has an obligation under the ASX Listing Rules (subject to certain exceptions) to immediately tell the ASX about any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of Mirvac Securities. Copies of the documents lodged by Mirvac can be obtained from an office of ASIC or the ASX website (www.asx.com.au).

Mirvac will also provide, free of charge, to any MRZ Unitholder who asks for it, a copy of all or any of the following documents:

> the annual financial report of Mirvac for the financial year ended 30 June 2009; and

> any continuous disclosure notices lodged by Mirvac since lodgement of the annual financial report and before lodgement of this Explanatory Memorandum.

These documents are available at www.mirvac.com.

Rights and liabilities attaching to Mirvac Securities

(a) Mirvac Shares

A summary of the material provisions of the constitution of ML is set out below. A copy of the constitution will be provided to any holder of MRZ Units who requests a copy before the Implementation Date. Requests can be made to enquiries@mirvac.com

Mirvac Securities

Each share in ML is stapled to one unit in the Mirvac Trust to form a Mirvac Security. While stapling applies, the number of issued Mirvac Shares must equal the number of issued Mirvac Units. The Directors may not allot or issue a Mirvac Share or an option to acquire a Mirvac Share unless there is an issue at the same time of a Mirvac Unit or an option to acquire a Mirvac Unit on the same terms to the same person to form a Mirvac Security.

The Mirvac Directors must not do any act, matter or thing that would result directly or indirectly in any Mirvac Share no longer being stapled to an Mirvac Unit including the reorganisation of any Mirvac Shares unless at the same time there is a corresponding reorganisation of Mirvac Units so the person holding Mirvac Shares holds an equal number of Mirvac Units.

Share capital and variation of rights

The Mirvac Directors may issue or cancel Mirvac Shares, grant options over unissued Mirvac Shares, settle the manner in which fractional Mirvac Shares are to be dealt with, issue preference shares, issue redeemable preference shares or convert issued Mirvac Shares into preference shares in accordance with the Corporations Act, the listing rules and the ML constitution.

3. Profile of Mirvac
(continued)

Transfer of shares

Mirvac Shares are transferable in accordance with the operating rules of any applicable CS Facility or by any other method of transfer required or permitted by the Corporations Act and ASX.

The Mirvac Directors may, or in specified circumstances must, request any applicable CS Facility operator to apply a holding lock to prevent a transfer of Mirvac Shares from being registered on the CS Facility operator's sub-register or refuse to register a transfer of Mirvac Shares. If the Mirvac Directors request a holding lock to prevent a transfer of Mirvac Shares or refuse to register the transfer of Mirvac Shares, the Mirvac Directors must give written notice to the holder of the Mirvac Shares, the transferee and any broker lodging the transfer. A transfer of a Mirvac Share will only be accepted if the transfer relates to or is accompanied by a transfer or copy of a transfer of the Mirvac Unit to which the Mirvac Share is stapled in favour of the same transferee.

General meetings

Each Mirvac Shareholder is entitled to receive notice of and to attend and vote at general meetings of Mirvac. While stapling applies, the Mirvac Directors may convene a meeting of Mirvac Shareholders in conjunction with a meeting of Mirvac Unitholders.

Voting

Resolutions are decided by a show of hands unless a poll is demanded. At a general meeting, each Mirvac Shareholder has one vote. On a poll, each Mirvac Shareholder has one vote for each fully paid share held by the shareholder. A Mirvac Shareholder may vote in person, by proxy, attorney or representative.

Directors

The number of Mirvac Directors must not be less than three nor more than ten (or any lesser number determined by the Mirvac Directors). In general meeting, Mirvac may increase or reduce the number of Mirvac Directors by resolution.

The constitution provides for the compulsory retirement of Mirvac Directors (other than the Managing Director). Retiring Mirvac Directors are eligible for re-election. The remuneration of Mirvac Directors is a yearly sum not exceeding the sum determined from time to time in general meeting. Subject to compliance with the Corporations Act regarding disclosure of and voting on matters involving material personal interests, Mirvac Directors may hold any office or place of profit in Mirvac (except that of the auditor) or enter into any contract or arrangement with Mirvac despite the fiduciary relationship of the Mirvac Director's office without any liability to account to Mirvac for any direct or indirect benefit accruing to the Mirvac Director and without affecting the validity of any contract or arrangement.

Indemnity

To the extent permitted by law, Mirvac may indemnify any current or former Mirvac Director, secretary or executive officer of Mirvac, or a related body corporate of Mirvac, against every liability incurred by that person in that capacity (except liability for legal costs) and legal costs incurred in defending or resisting proceedings in which the person becomes involved because of that capacity.

Mirvac may purchase insurance, to the extent permitted by law, insuring a person who is or has been a Mirvac Director, secretary or executive officer of Mirvac, or of a related body corporate of Mirvac, against any liability incurred by the person in that capacity. Mirvac may also enter into an agreement with any such person in respect of indemnity and insurance rights referred to above.

Dividends

Subject to the Corporations Act and the ML constitution, the Mirvac Directors may determine that a dividend is payable, fix the amount and the time for payment and authorise the payment of such dividend. Dividends will be paid in proportion to the amounts paid on the Mirvac Shares, subject to any rights or restrictions attached to any Mirvac Shares.

The Mirvac Directors may declare or pay a dividend or distribution or delay the making of any such declaration or payment in order to ensure that the declaration of payment of any distribution to Mirvac Unitholders is made at the same time as a declaration or payment of a dividend or distribution by Mirvac.

Restricted Securities

Restricted Securities (as defined in the ASX Listing Rules) may not be disposed of during the escrow period except as permitted by the ASX or ASX Listing Rules. If a Mirvac Shareholder breaches the ASX Listing Rules in this respect or any restriction agreement, that shareholder is not entitled to any dividend or distribution, or voting rights, in respect of the Restricted Securities.

Winding up

If Mirvac is wound up, the liquidator may, with the sanction of a special resolution of Mirvac, divide among the members in kind the whole or any part of the property of Mirvac and set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the members or different classes of members.

Non-marketable parcels

If the Mirvac Directors determine that a Mirvac Shareholder holds less than a marketable parcel of Mirvac Shares (as defined in the ASX Listing Rules), Mirvac may give that member a divestment notice and invoke the procedure for the sale of those Mirvac Shares. If the Mirvac Shareholder advises Mirvac that it wishes to retain Mirvac Shares, Mirvac is not permitted to sell those Mirvac Shares. Mirvac may only invoke the power once in any 12 month period by giving the Mirvac Shareholder a divestment notice, unless the power is exercised after the close of offers under a takeover bid.

(b) Mirvac Units

Set out below is a summary of the material provisions of the constitution of Mirvac Trust. A copy of the constitution will be provided to any holder of MRZ Units who requests a copy before the Implementation Date. Requests can be made to enquiries@mirvac.com.

Responsible entity

Mirvac RE is the responsible entity of Mirvac Trust.

Units

The beneficial interest in Mirvac Trust is divided into units. While stapling applies, Mirvac Units may only be consolidated or divided at the same time and to the same extent as Mirvac Shares. While stapling applies, the number of issued Mirvac Units at any time must equal the number of issued Mirvac Shares.

Transfer of units

Members may transfer Mirvac Units in the approved form. Subject to the ASX Listing Rules, Mirvac RE may refuse to record any transfer in the register without giving reason for the refusal. While stapling applies and subject to the ASX Listing Rules and the Corporations Act, Mirvac RE must not register any transfer of Mirvac Units unless it is a single instrument of transfer of Mirvac Securities. Restricted securities (as defined in the ASX Listing Rules) may not be transferred during the applicable escrow period.

Application price

While stapling applies and Mirvac Securities are quoted on the official list of the ASX, a Mirvac Security must normally only be issued at an application price equal to the weighted average market price of Mirvac Securities during the five business days immediately prior to the date on which or as at which the application price for the Mirvac Security is to be calculated, however, the formula for the application price at which Mirvac Units must be issued will vary depending on the circumstances in which the units are issued, such as in the case of a rights issue, in the case of a placement of units, in the case of reinvestment of income or the issue of units as bid consideration. In this case, Mirvac RE must determine what part of the application price of a Mirvac Security is to represent the application price of the Mirvac Unit. This will be determined by the percentage that the NTA of Mirvac Trust bears to the NTA of Mirvac by reference to the last annual accounts of Mirvac Trust and Mirvac respectively.

Application for units

While stapling applies, an applicant for Mirvac Units must at the same time make an application for an identical number of Mirvac Shares. Mirvac RE may reject an application in whole or in part without giving reasons for the rejection. Mirvac RE may set a minimum application amount and a minimum holding for Mirvac Trust and alter or waive those amounts at any time.

Income and distributions to members

Mirvac RE may issue Mirvac Units on terms that such units participate fully, partly or not at all in the allocation of distributions. The amount of the distribution for a distribution period will be, unless Mirvac RE determines otherwise, based on the Distributable Income of Mirvac Trust.

At the end of each distribution period, a member is entitled to receive a distribution based on the amount standing to credit in the distribution account multiplied by the proportion of total Mirvac Units held by a member at the end of the distribution period.

Any net realised capital gains of Mirvac Trust may be distributed to members by way of cash or other assets. For these purposes, additional units may be issued to members provided that while stapling applies, Mirvac RE may not make a distribution by way of bonus units unless at the same time the members are also issued with an identical number of Mirvac Shares.

Redemption

Mirvac RE is not obliged to redeem Mirvac Units.

Meetings of members

While stapling applies, meetings of members may be held in conjunction with meetings of holders of Mirvac Units. The provisions of the Corporations Act governing proxies and voting for meetings of members of registered managed investment schemes apply to Mirvac Trust.

Rights and liabilities of Mirvac RE

Mirvac RE and its associates may hold units in Mirvac Trust and Mirvac Shares in any capacity. Subject to the Corporations Act, Mirvac RE is not restricted from dealing or being interested in any contract or transaction with itself, Mirvac or its Directors or members or with any member of Mirvac Trust, acting in the same or similar capacity in relation to any other managed investment scheme or lending money to or borrowing money from or providing or receiving guarantees or security from Mirvac or any of their associates. If Mirvac RE acts in good faith and without gross negligence it is not liable to members for any loss suffered in any way relating to Mirvac Trust. The liability of Mirvac RE to any person other than a member in respect of Mirvac Trust including contracts entered into as trustee of Mirvac Trust or Mirvac Trust's assets is limited to Mirvac RE's ability to be indemnified from the assets of Mirvac Trust. Mirvac RE is entitled to be indemnified out of the assets of Mirvac Trust for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to Mirvac Trust.

3. Profile of Mirvac
(continued)

Termination

Mirvac Trust terminates on the earlier of:

- a date which the members determine by special resolution;
- the date of delisting (unless the Mirvac RE convenes a meeting of members to consider relevant matters); or
- any other date in accordance with any applicable provision of the Constitution or on which the Trust terminates by law.

Winding up

Following termination the net proceeds of realisation, after making allowance for all liabilities of Mirvac Trust, meeting the expenses of the termination and satisfying distributions of income, must be distributed pro rata to members according to the number of units they hold.

Complaints

If a member submits to Mirvac RE a complaint alleging that the member has been adversely affected by Mirvac RE's conduct in its management or administration of Mirvac Trust, Mirvac RE must ensure the complaint receives proper consideration resulting in a determination by a person or body designated by Mirvac RE as appropriate to handle complaints.

Restricted Securities

If a member breaches the ASX Listing Rules or any restriction agreement relating to restricted securities, that member is not entitled to any distribution, nor any voting rights, in respect of the Restricted Securities.

Non-marketable parcels

Mirvac RE may sell or redeem any Mirvac Units held by a member (or while stapling applies, any units forming part of a stapled security holding of a member) which comprise less than a marketable parcel as provided in the ASX Listing Rules without request by the member. Mirvac RE must notify the member in writing of its intention to sell or redeem units. Mirvac RE must not sell or redeem the relevant units if the member advises Mirvac RE that it wishes to retain the units within six weeks of notice from Mirvac RE. Mirvac RE may only sell or redeem units on one occasion in any 12 month period.

Amendment

The Constitution may only be modified by Mirvac RE if it reasonably considers that the change will not adversely affect member's rights. The Constitution may also be modified by special resolution of the members of Mirvac Trust.

(c) Deed of co-operation

ML and Mirvac RE are party to a deed of co-operation (as amended) which establishes a regime of co-operation between the parties in the context of the Mirvac Securities which are stapled to each other. Subject to the terms and conditions of the deed of co-operation, each party agrees that it must enter into any agreement, arrangement or understanding, or do any act matter or thing, with or at the request or direction of the other party. This includes, without limitation, lending money or providing financial accommodation; entering into any covenant, undertaking or restraint; buying or leasing or otherwise acquiring an asset; acquiring or supplying services; issuing securities or granting options or rights over those securities; transferring money or real or other property; entering into joint venture or other agreements. These obligations are subject to the opinion of the relevant Board of Directors being that the relevant act is in the best interests of Mirvac as a whole, is permitted by law and does not give rise to a breach or default under any agreement with a third party. The deed of co-operation also provides that neither party will attempt to offer, issue, sell, cancel, buy back, redeem or register a security unless and until the other agrees that security will remain stapled to the security from the issued capital of the other. The deed of co-operation also provides for the parties to co-operate on various other matters, such as the provision of joint financial statements and annual reports, general meetings, distributions and related regulatory matters. The deed of co-operation remains in force as long as the securities of ML and Mirvac Trust remain stapled.

Up-to-date information

Information contained in the Mirvac Information (and any supplementary prospectus and product disclosure statement) may change from time-to-time. If the change will be materially adverse, then in accordance with the Corporations Act, a supplementary prospectus and product disclosure statement will be issued. However, if the change will not be materially adverse, a supplementary prospectus and product disclosure statement may not be issued. Updated information that is not materially adverse will be continually available from Mirvac's website at www.mirvac.com and upon request a paper copy of any updated information will be provided free of charge.

Labour, social, ethical and environmental disclosure

For the purposes of selecting, retaining or realising investments:

- Ethical and social considerations are taken into account where it is determined that they may materially impact on the financial performance of Mirvac. Mirvac has no predetermined view as to what constitutes an ethical or social consideration or to what extent ethical or social considerations are taken into account. Each assessment is made on a case by case basis.
- Environmental considerations are taken into account where is it determined that they may materially impact on the financial performance of Mirvac. The assessment of the impact on financial performance is made with reference to the following environmental considerations:
  - the obligations of Mirvac under the *Energy Efficiency Opportunities Act 2006 (Cth)* and the *National Greenhouse and Energy Reporting Act 2007 (Cth)*; and
  - Mirvac's publicly stated environmental commitments which include achieving 5 star Green Star and 5 star NABERS Energy ratings on newly constructed office buildings, and pursuing an average 3 star NABERS Energy rating across selected office assets within the portfolio.

  Mirvac has no predetermined view in relation to any other environmental considerations besides those mentioned and may take into account other environmental considerations on a case by case basis.

  Mirvac uses the Mirvac Investment Management Property Acquisition Due Diligence Checklist to facilitate the formal identification of environmental considerations in the context of an asset acquisition. Decisions relating to retaining or realising investments also take into account these considerations on an informal basis. Each investment is monitored and reviewed on a case by case basis.
- Labour standards are not taken into account.

With reference to the above, Mirvac regularly reviews what it regards to be a labour standard, or an environmental, social or ethical consideration.

Complaints handling

If Mirvac Securityholders wish to make a complaint, they should write to:

The Company Secretary
Mirvac
Level 26
60 Margaret Street
Sydney NSW 2000

Mirvac RE must acknowledge any complaint in writing within 14 days of receipt. Mirvac RE must within 45 days ensure that the complaint receives proper consideration, decide what remedy (if any) to provide to the Mirvac Securityholder and communicate its decision to the Mirvac Securityholder.

If the Mirvac Securityholder is dissatisfied with the decision made by Mirvac RE, the Mirvac Securityholder may refer the complaint to the independent dispute resolution scheme of which Mirvac RE is a member at the address set out below:

Financial Ombudsman Service
GPO Box 3
Melbourne, VIC 3001

No cooling-off rights

Cooling-off rights do not apply to the issue of the Mirvac Securities described in this Explanatory Memorandum. This means that, in most circumstances, there is no right to return Mirvac Securities once they have been issued as part of the Scheme.

Pricing discretion

Documents required to be prepared under sections 601GAB(6) or (7) of the Corporations Act in relation to the exercise of discretions regarding the issue price for Mirvac Trust Units are available from Mirvac RE at no charge.

3. Profile of Mirvac
(continued)

Mirvac Portfolio details post implementation of the Scheme

Property	Grade	Ownership %	State
Commercial			
Perpetual Building, 10 Rudd Street, Canberra[1]	A	100	ACT
Phillips Fox Building, 54 Marcus Clarke Street, Canberra	A	100	ACT
St George Centre, 60 Marcus Clarke Street, Canberra	A	100	ACT
38 Sydney Avenue, Forrest	A	100	ACT
Aviation House, 16 Furzer Street, Canberra	A	100	ACT
101-103 Miller Street, North Sydney	Premium	50	NSW
40 Miller Street, North Sydney	A	100	NSW
60 Margaret Street, Sydney	A	50	NSW
1 Castlereagh Street, Sydney	B	100	NSW
Bay Centre, Pirrama Road, Darling Harbour	A	100	NSW
1 Darling Island, Pyrmont	A	100	NSW
190 George Street, Sydney	B	100	NSW
200 George Street, Sydney	C	100	NSW
5 Rider Boulevarde, Rhodes	A	100	NSW
Mojo Building, 164 Grey Street, Southbank[2]	A	100	QLD
189 Grey Street, Brisbane	A	100	QLD
John Oxley Centre, 339 Coronation Drive, Milton	B	100	QLD
Como Centre Office, South Yarra	A	100	VIC
191-197 Salmon Street, Port Melbourne	A	100	VIC
Riverside Quay, Melbourne	A	100	VIC
Royal Domain Centre, 380 St Kilda Road	A	100	VIC
10-20 Bond Street, Sydney	A	50	NSW
3 Rider Boulevard, Rhodes	A	100	NSW
340 Adelaide Street, Brisbane	B	100	QLD
12 Cribb Street, Milton	B	100	QLD
591-609 Doncaster Road, Doncaster[3]	C	100	VIC
Development			
190-200 George Street site, Sydney		100	NSW
8-12 Chifley Square, Sydney		100	NSW
Woden Land, Woden		100	ACT
Total Commercial (excluding developments)			

1 Property has been sold and settled.

2 Unconditional contract exchanged with settlement due 10 November 2009.

3 Unconditional contract exchanged with settlement due 30 November 2009.

		Valuation 30 June 2009			
Acquisition date	Lettable area sqm	Valuation $m	$/sqm	Cap rate %	Discount rate %
15/10/1987	4,736	18.70	3,948	8.50	9.00
15/10/1987	5,276	17.00	3,222	9.50	9.75
1/09/1989	12,165	52.00	4,275	8.50	9.00
26/06/1996	9,099	37.50	4,121	8.75	9.50
1/07/2007	14,828	67.00	4,518	7.50	9.25
30/06/1994	37,758	176.00	4,661	6.50	8.75
31/03/1998	12,664	90.00	7,107	7.50	9.00
6/08/1998	40,796	166.25	4,075	6.50	8.50
18/12/1998	11,637	64.30	5,525	8.00	9.50
29/06/2001	15,972	98.00	6,136	7.50	9.00
1/04/2004	22,197	161.00	7,253	7.00	9.25
5/08/2003	9,498	39.00	4,106	8.00	9.25
31/10/2001	5,579	25.00	4,481	8.25	9.50
31/01/2007	25,198	104.75	4,157	7.75	9.50
29/06/2001	3,079	14.00	4,547	8.00	9.00
7/02/2005	12,728	65.00	5,107	7.75	9.00
31/05/2002	13,172	54.00	4,100	9.00	9.25
18/08/1998	25,547	76.80	3,006	8.50	9.25
1/07/2003	21,762	93.00	4,274	8.25	10.00
Apr 2002 (1 & 3) Sep 2003 (2)	30,585	123.30	4,031	8.25	8.75
Oct 1995 (50%) Apr 2001 (50%)	24,616	101.50	4,123	8.50	9.00
1/07/2004	37,860	109.00	2,879	7.50	9.25
1/01/2007	16,714	70.00	4,188	8.00	9.50
1/09/1998	13,290	63.00	4,740	9.00	9.50
1/04/1999	3,310	15.00	4,532	9.00	9.75
1/06/2002	8,921	17.30	1,939	9.50	10.00
Aug 2003 and Oct 2001	N/A	34.64		–	–
30/04/2006	N/A	20.00		–	–
1/07/2008	N/A	15.00		–	–
	438,988	**1,918.40**		**Weighted avg cap rate 7.74**	

3. Profile of Mirvac
(continued)

Mirvac Portfolio details post implementation of the Scheme (continued)

Property	Grade	Ownership %	State
Industrial			
44 Biloela Street, Villawood	Industrial Warehouse	100	NSW
64 Biloela Street, Villawood	Industrial Warehouse	100	NSW
James Ruse Business Park, Northmead	Warehouse/Office Units	100	NSW
Nexus Industry Park, Atlas	Industrial Warehouse	100	NSW
Nexus Industry Park, EW	Industrial Warehouse	100	NSW
Nexus Industry Park, Building 3	Industrial Warehouse	100	NSW
Nexus Industry Park, HPM	Industrial Warehouse	100	NSW
271 Lane Cove Road, North Ryde	Industrial Warehouse	100	NSW
1-47 Percival Road, Smithfield	Industrial Warehouse	100	NSW
Hawdon Industry Park, Dandenong	Industrial Warehouse	100	VIC
Mulgrave Business Park, Compark Circuit[1]	Industrial Warehouse	100	VIC
1900-2050 Pratt Boulevard, Chicago	Industrial Warehouse	100	USA
10 Julius Avenue, North Ryde	Industrial Warehouse	100	NSW
32 Sargents Road, Minchinbury	Industrial Warehouse	100	NSW
12 Julius Avenue, North Ryde	Industrial Warehouse	100	NSW
108-120 Silverwater Road, Silverwater	Industrial Warehouse	100	NSW
52 Huntingwood Drive, Huntingwood	Industrial Warehouse	100	NSW
47-67 Westgate Drive, Altona North	Industrial Warehouse	100	VIC
Development			
Network, Old Wallgrove Road, Eastern Creek		100	NSW
Nexus Land, Liverpool		100	NSW
Total Industrial (excluding developments)			
Retail			
Blacktown Mega Centre, Blacktown	Bulky Goods Centre	100	NSW
Greenwood Plaza, North Sydney	CBD Retail	50	NSW
Metcentre, Sydney	CBD Retail	50	NSW
Stanhope Village, Stanhope Gardens	Sub Regional	100	NSW
Ballina Central, Ballina	Sub Regional	100	NSW
Orange City Centre, Orange	Sub Regional	100	NSW
St Marys Village Centre, St Marys	Sub Regional	100	NSW
Manning Mall, Taree	Sub Regional	100	NSW
Rhodes Shopping Centre, Rhodes	Sub Regional	50	NSW
Broadway Shopping Centre, Broadway	Sub Regional	50	NSW
Lakehaven Megacentre, Lakehaven	Bulky Goods Centre	100	NSW
Hinkler Centres	Sub Regional	100	QLD
Kawana Shoppingworld	Sub Regional	100	QLD
Orion Town Centre, Springfield	Sub Regional	100	QLD

1 Property has been sold and settled.

		Valuation 30 June 2009			
Acquisition date	Lettable area sqm	Valuation $m	$/sqm	Cap rate %	Discount rate %
24/09/2003	15,839	12.70	802	9.50	10.50
2/02/2004	22,937	21.50	937	9.00	10.25
14/07/1994	26,492	27.00	1,019	9.00	9.75
3/08/2004	13,120	18.00	1,372	8.00	9.25
3/08/2004	9,709	12.50	1,287	8.25	9.25
3/08/2004	16,650	22.00	1,321	8.25	9.25
3/08/2004	12,339	15.50	1,256	8.25	9.25
5/04/2000	11,516	40.00	3,473	8.00	9.25
22/11/2002	21,432	20.00	933	8.50	9.25
15/01/2004	20,812	13.25	637	9.00	9.50
Aug 2001 (1&2) Jan 2003 (3)	9,531	18.50	1,941	9.50	9.50
15/12/2007	50,000	40.67	813	8.00	9.50
1/12/2005	13,386	56.00	4,184	8.00	9.50
1/02/2004	22,378	23.70	1,059	8.75	9.25
1/11/1999	7,308	24.50	3,353	8.25	9.50
1/03/2000	17,830	25.25	1,416	8.75	9.50
1/11/2004	19,286	22.80	1,182	8.75	9.25
1/09/2007	27,081	20.00	739	9.00	9.50
1/06/2004	N/A	11.30		–	–
03/08/2004	N/A	6.61		–	–
	337,645	**433.87**		**Weighted avg cap rate 8.49**	
30/06/2002	25,746	36.50	1,418	9.00	10.00
30/06/1994	8,731	75.50	17,295	6.25	9.00
6/08/1998	5,758	51.25	17,802	6.50	9.00
14/11/2003	15,451	53.10	3,437	8.00	9.00
1/12/2004	13,546	34.50	2,547	8.00	9.25
5/04/1993	18,066	49.00	2,712	8.25	9.25
17/01/2003	16,170	40.25	2,489	8.00	9.25
30/11/2006	10,704	23.75	2,219	8.25	9.75
31/01/2007	32,586	90.50	5,555	6.63	9.00
31/01/2007	48,910	202.50	8,281	6.13	8.75
9/07/2007	20,932	27.00	1,290	9.50	10.00
12/08/2003	21,049	84.00	3,991	7.50	9.25
Dec 1993 (50%) Jun 1998 (50%)	29,787	188.00	6,311	6.50	9.00
1/08/2002	33,366	140.50	4,211	6.50	9.00

3. Profile of Mirvac
(continued)

Mirvac Portfolio details post implementation of the Scheme (continued)

Property	Grade	Ownership %	State
Logan Centre, Springwood	Bulky Goods Centre	100	QLD
Como Centre Retail, South Yarra	CBD Retail	100	VIC
Moonee Ponds Central, Moonee Ponds	Neighbourhood	100	VIC
Moonee Ponds Central 2, Moonee Ponds	Neighbourhood	100	VIC
Peninsula Lifestyle, Nepean Highway	Bulky Goods Centre	100	VIC
Gippsland Centre, Sale	Sub Regional	100	VIC
Waverley Gardens, Mulgrave	Sub Regional	100	VIC
Kwinana Hub, Kwinana	Sub Regional	100	WA
Cherrybrook Village Shopping Centre, Cherrybrook	Sub Regional	100	NSW
Taree City Centre, Taree	Sub Regional	100	NSW
Moonee Beach Shopping Centre, Coffs Harbour	Neighbourhood	100	NSW
Chester Square Shopping Centre, Chester Hill	Sub Regional	100	NSW
Pender Place Shopping Centre, Maitland[1]	Neighbourhood	100	NSW
City Centre Plaza, Rockhampton	Sub Regional	100	QLD
Morayfield Supa Centre, Morayfield	Bulky Goods Centre	100	QLD
Cooleman Court, Weston	Sub Regional	100	ACT
Development			
Orion Town Centre, Springfield		100	QLD
Morayfield SupaCentre, Morayfield (Vacant Land)		100	QLD
Kwinana Hub, Kwinana		100	WA
Total Retail (excluding developments)			
Car Parking			
Quay West Car Park		100	NSW
Riverside Quay Car Park		100	VIC
Como Centre Car Park		100	VIC
Total Car Park			
Hotels			
Como Hotel		100	VIC
Total Hotels			
Total property (excluding developments)			

1 Unconditional contract exchanged with settlement due 30 October 2009.

	Acquisition date	Lettable area sqm	Valuation 30 June 2009 Valuation $m	$/sqm	Cap rate %	Discount rate %
	1/03/2007	27,102	63.50	2,343	9.00	10.25
	18/08/1998	6,894	17.50	2,538	8.25	9.50
	20/05/2003	6,244	22.80	3,652	8.00	9.50
	20/05/2003	12,366	38.70	3,130	8.50	9.75
	1/06/2004	32,156	49.00	1,524	8.75	10.00
	6/01/1994	21,694	49.75	2,293	8.25	9.75
	15/11/2002	38,292	132.50	3,460	7.50	9.50
	30/09/2005	17,336	25.00	1,442	8.25	9.75
	1/06/2005	9,492	75.00	7,902	7.25	9.25
	Jul 2001 (50%) Nov 2004 (50%)	15,553	54.00	3,472	8.00	9.50
	1/02/2007	10,884	15.25	1,401	9.50	10.25
	1/03/2007	8,293	28.00	3,376	8.25	10.00
	1/09/2007	4,799	10.25	2,136	9.25	10.00
	1/03/2004	14,107	45.00	3,190	8.00	9.50
	1/09/2007	22,325	35.50	1,590	9.25	9.75
	Jul 2001 (50%) Nov 2004 (50%)	10,714	47.60	4,443	7.75	9.50
	1/08/2002	N/A	36.73		–	–
	1/09/2007	N/A	3.50		–	–
	16/03/2007	N/A	3.40		–	–
		559,051	**1,805.70**		**Weighted avg cap rate 7.42**	
	30/11/1989	600 car spaces	37.00		8.50	10.75
	15/04/2002	560 car spaces	20.70		8.75	9.75
	18/08/1998	629 car spaces	18.50		9.25	9.75
		1,789 car spaces	76.20			
	18/08/1998	107 rooms	24.00		8.50	10.75
			24.00			
		1,335,685	**4,258.17**		**Weighted avg cap rate 7.68**	

4. Mirvac financial information

4.1 Overview

Unaudited consolidated pro forma financial information is set out in Sections 4.2 and 4.4 and includes the following:

- pro forma consolidated summary historical balance sheet for Mirvac (post MRZ acquisition) as at 30 June 2009 (the "Pro Forma Balance Sheet" – refer Section 4.2);
- pro forma consolidated summary forecast income statement for the 12 months ending 30 June 2010 for Mirvac Trust (post MRZ acquisition) and the stand alone forecast income statements for each of MRZ and Mirvac Trust (the "Pro Forma Forecast Income Statements" – refer Section 4.4); and
- reconciliation of the Mirvac Trust (post MRZ acquisition) Pro Forma Forecast Income Statement to the pro forma consolidated forecast statutory income statement (the "Statutory Reconciliation" – refer Section 4.4(d)).

The Pro Forma Balance Sheet is based on Mirvac's and MRZ's respective financial statements for the year ended 30 June 2009 which have been audited by PricewaterhouseCoopers who have issued unqualified opinions on these accounts.

In relation to the Pro Forma Forecast Income Statements for the year ending 30 June 2010 the Mirvac Directors are of the opinion that there is no reasonable basis to provide a forecast for ML in the light of continued uncertain economic and financial conditions in the markets in which ML operates. Notwithstanding this limitation the Mirvac Directors believe there are reasonable grounds and it is meaningful to provide Investors with forecast financial information in respect of Mirvac Trust for the financial year ending 30 June 2010. Mirvac's distribution (post MRZ acquisition) is forecast to be solely sourced from Mirvac Trust. Mirvac Trust's Pro Forma Income Statement and the Statutory Reconciliation in this Section are therefore based on the individual forecast operating and statutory income statements of both Mirvac Trust and MRZ only.

The financial information contained in this Section has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

PricewaterhouseCoopers Securities Ltd, the Investigating Accountant, has prepared a report in relation to the pro forma financial information in this Section. A copy of the Investigating Accountant's Report is contained in Section 6.

The accounting policies used to prepare the Pro Forma Balance Sheet and the Pro Forma Forecast Income Statements are based on the accounting policies of Mirvac, as applicable, contained in the audited financial statements for the financial year ended 30 June 2009 unless otherwise noted. Mirvac's audited financial statements can be accessed on its website at www.mirvac.com.

Following a review of the accounting policies as disclosed in MRZ's audited financial statements for the financial year ended 30 June 2009 accessible via MRZ's website at www.mirvac.com/mrz, the accounting policies of Mirvac and MRZ are not considered to be materially different. Therefore, at this time, no adjustments have been made to the unaudited consolidated pro forma financial information to align accounting policies.

The unaudited consolidated pro forma financial information of Mirvac (post MRZ acquisition) has been compiled based on the following transaction assumptions:

- the Proposal is effected by the Scheme with MRZ Unitholders having the option of receiving either:

  – $0.50 cash per MRZ Unit up to 20,000 MRZ Units, plus 1 Mirvac Security for every 3 MRZ Units in excess of 20,000 MRZ Units; or

  – 1 Mirvac Security for every 3 MRZ Units,

  held on the Record Date.
- It is has been assumed that all MRZ Unitholders elect to take the Cash and Scrip Option equating to a cash consideration of $106.4 million.

Other pro forma adjustments have been made to compile the unaudited consolidated pro forma financial information of Mirvac (post MRZ acquisition) and Mirvac Trust (post MRZ acquisition) as set out in Sections 4.2 and 4.4.

4.2 Pro Forma Balance Sheet

(a) Basis of preparation

This Section outlines the historical financial information as though the Scheme was implemented as of close of business on 30 June 2009. The historical financial information as at 30 June 2009 has been based on:

(a) the audited consolidated balance sheet of Mirvac as at 30 June 2009 extracted from Mirvac's audited financial statements for the financial year ended 30 June 2009; and

(b) the audited consolidated balance sheet of MRZ as at 30 June 2009 extracted from MRZ's audited financial statements for the financial year ended 30 June 2009.

MRZ Unitholders should note past performance is not an indicator of future performance.

Pro Forma Balance Sheet

	Mirvac as at 30 June 2009 $m	MRZ as at 30 June 2009 $m	Pro forma adjustments $m		Pro forma Mirvac (post MRZ acquisition) as at 30 June 2009 $m
Assets					
Cash and cash equivalents	896.5	13.9	(464.9)	i	445.5
Receivables	248.4	4.1	(55.5)	ii	197.0
Investment properties	3,210.1	760.7	100.7	iii	4,071.5
Inventories	1,670.4	–	–		1,670.4
Investments accounted for using the equity method	397.6	205.0	(198.1)	iv	404.5
Derivative financial instruments	13.0	–	–		13.0
Intangibles	58.6	–	(1.1)	v	57.5
Other assets	879.2	37.6	(21.1)	vi	895.7
Total Assets	**7,373.8**	**1,021.3**	**(640.0)**		**7,755.1**
Payables	226.6	15.8	–		242.4
Borrowings	2,103.8	455.2	(455.2)	vii	2,103.8
Provisions	15.9	–	–		15.9
Derivative financial instruments	43.1	18.6	(18.6)	viii	43.1
Other liabilities	111.6	–	14.2	ix	125.8
Total Liabilities	**2,501.0**	**489.6**	**(459.6)**		**2,531.0**
Net Assets	**4,872.8**	**531.7**	**(180.4)**		**5,224.1**
Equity					
Contributed equity	5,447.4	668.2	(448.5)	x	5,667.1
Reserves	110.5	–	(2.9)	xi	107.6
Retained profits	(749.9)	(136.5)	325.9	xii	(560.5)
Total parent entity equity	4,808.0	531.7	(125.5)		5,214.2
Minority interest	64.8	–	(54.9)	xiii	9.9
Total Equity	**4,872.8**	**531.7**	**(180.4)**		**5,224.1**
Mirvac Securities issued ('000) (number)	2,805.5		138.2	xiv	2,943.6
Net Tangible Assets per Mirvac Security ($)	1.72				1.76

4. Mirvac financial information
(continued)

(b) Pro forma adjustments

The following pro forma adjustments have been made in producing Mirvac's (post MRZ acquisition) unaudited pro forma consolidated summary historical balance sheet as at 30 June 2009:

i. Cash is reduced by $464.9 million relating to:

› payment of $106.4 million as cash consideration to MRZ Unitholders;

› payment of $18.6 million to terminate MRZ's interest rate swap agreements;

› net payment of $4.7 million to MRZ Unitholders (other than JFT) reflecting the payment of a Special Distribution of 1.0 cent per MRZ Unit to each MRZ Unitholder;

› payment of $455.2 million to retire MRZ's borrowings;

› payment of $17.5 million relating to transaction costs associated with the Proposal;

› receipt of $82.0 million being the proceeds from the assumed disposal by JFT of Mirvac Securities at a price of $1.59 issued to JFT as consideration for its 24.6 per cent interest in MRZ. A sale price of $1.59 per Mirvac Security has been assumed by Mirvac based on the 28 day VWAP of Mirvac Securities traded on the ASX up to and including 9 October 2009. The actual consideration realised by Mirvac from disposing of the Mirvac Securities issued to JFT under the proposal may be higher or lower than $1.59. A $0.10 (6.3 per cent) increase or decrease in the Mirvac Security price realised will result in a $5.1 million increase or decrease in the consideration received from disposing of the Mirvac Securities issued to JFT; and

› receipt in July 2009 of $55.5 million relating to the retail component of Mirvac's $1.1 billion capital raising announced on 4 June 2009.

ii. Receivables are reduced by $55.5 million as noted above.

iii. Investment properties are increased by $100.7 million due to the reclassification of investments currently accounted for using the equity method of accounting by both MRZ and Mirvac to investment properties, relating to properties jointly owned by MRZ and Mirvac which will be wholly owned and controlled by Mirvac following implementation of the Proposal.

iv. The value of investments accounted for using the equity method are reduced by $198.1 million as a result of the following items:

› a $100.7 million reclassification as noted above;

› increase due to the reclassification of $21.0 million of MRZ's investment in MWHF (a 7.2 per cent interest) from other financial assets to investments accounted for using the equity method; Mirvac held a 41.9 per cent interest in the MWHF (as at 30 June 2009) and accounts for its investment using the equity method, therefore Mirvac will account for its combined 49.1 per cent interest in MWHF using the equity method;

› $57.8 million reduction due to the elimination, against minority interests of Orion Springfield Town Centre currently accounted for by MRZ using the equity method but consolidated in the financial statements of Mirvac, due to its majority ownership of this investment which is jointly owned by MRZ and Mirvac; and

› the re-measurement of Mirvac's equity accounted investment in MRZ upwards to fair value by $21.3 million offset by $81.9 million being its elimination as part of the MRZ acquisition accounting as Mirvac will consolidate MRZ as a result of the Proposal.

v. The carrying value of Mirvac's rights to manage MRZ are written off resulting in a $1.1 million reduction in intangible assets.

vi. Other assets are reduced by $21.0 million due to the reclassification of MRZ's investment in MWHF from other financial assets to investments accounted for using the equity method.

vii. Borrowings are reduced by $455.2 million as a consequence of repayment of all of MRZ's borrowings upon implementation of the Proposal.

viii. Derivative financial instruments are reduced by $18.6 million as a consequence of closing out MRZ's interest rate hedge contracts upon implementation of the Proposal.

ix. Other liabilities are increased by $14.2 million in relation to the re-measurement to market value of MRZ's contractual obligations to acquire the Woden Development to reflect retention of the Woden Development.

x. Contributed equity is decreased by $448.5 million in relation to the elimination of MRZ's contributed equity balances ($668.2 million) on consolidation of MRZ offset by the issue of Mirvac Securities ($219.7 million).

xi. Reserves are decreased by $2.9 million representing the difference between Mirvac's minority interest balance associated with MRZ's investment in Orion Springfield Town Centre and the carrying value of MRZ's equity accounted investment in Orion Springfield Town Centre as set out in iv above.

xii. Retained profits are increased by $325.9 million as a result of the following items:

- elimination of MRZ's $136.5 million retained losses balance on consolidation of MRZ;
- profit of $21.3 million recognised by Mirvac upon the re-measurement of Mirvac's equity accounted investment in MRZ as set out in iv above;
- profit of $191.4 million recognised by Mirvac as a result of the difference between (a) the fair value of the consideration transferred by Mirvac for control of MRZ together with the fair value of Mirvac's existing re-measured ownership interest in MRZ and (b) the fair value of MRZ's identifiable assets acquired and the liabilities assumed by Mirvac (after taking into account the liability recognised in relation to the Woden Development as noted at item ix upon implementation of the Proposal;
- loss of $1.1 million recognised by Mirvac as a result of writing off Mirvac's rights to manage MRZ;
- expense of $17.5 million recognised by Mirvac as a result of transaction costs incurred in relation to implementation of the Proposal; and
- payment of a Special Distribution totaling $6.3 million to MRZ Unitholders of which $1.6 million is retained by Mirvac Trust via JFT's unitholding in MRZ.

xiii. Minority interest is reduced by $54.9 million relating to the elimination of assets jointly owned by MRZ and Mirvac and accounted for by MRZ using the equity method and consolidated in the financial statements of Mirvac as set out in iv and xi above; and

xiv. Assuming that all MRZ Unitholders take the Cash and Scrip Option, the number of Mirvac Securities issued increases by 138.2 million Mirvac Securities comprised of 51.5 million Mirvac Securities issued to JFT as consideration for its 24.6 per cent interest in MRZ and 86.7 million Mirvac Securities issued to other MRZ Unitholders.

4.3 Pro Forma Historic Income Statements

The Directors of both MRML and Mirvac RE have carefully considered whether they have a reasonable basis to produce a reliable and meaningful pro forma summary historical operating and statutory income statement for Mirvac Trust (post MRZ acquisition) for the financial year ended 30 June 2009. Due to a number of significant events which occurred during the financial year ended 30 June 2009, the capital structure of Mirvac Trust has changed considerably. On this basis, the Directors of MRML and Mirvac RE have concluded that they do not have a reasonable basis to provide pro forma historical financial information that is sufficiently meaningful and reliable for MRZ Unitholders.

The stand alone historic financial information of both MRZ and Mirvac Trust is provided in Sections 2 and 3 respectively.

4.4 The Pro Forma Forecast Income Statements

(a) Basis of preparation

The Pro Forma Forecast Income Statements have been prepared on the basis of certain assumptions. MRML and Mirvac RE believe these assumptions to be reasonable and a best estimate based on information available at the date of this Explanatory Memorandum. MRZ Unitholders should be aware that many external influences, which are outside the control of MRML and Mirvac RE Directors may affect the forecast financial information. Whilst due care and attention was used to prepare the Pro Forma Forecast Income Statements, MRZ Unitholders should be aware that they are not fact. As the assumptions are subject to certain uncertainties and contingencies, none of MRZ, Mirvac Trust nor any other person, including the Directors of MRML and Mirvac RE, can provide any assurance that the Pro Forma Forecast Income Statements results will be achieved. MRZ Unitholders are encouraged to review the assumptions adopted in compiling the Pro Forma Forecast Income Statements closely and make their own independent assessment of the future performance of MRZ and Mirvac Trust.

The Pro Forma Forecast Income Statements are derived from:

i) the MRZ stand alone forecast prepared on a business-as-usual basis, assuming the Proposal does not proceed;

ii) the Mirvac Trust stand alone forecast prepared on a business-as-usual basis, assuming the merger does not occur; and

iii) additional transactions which are forecast to be implemented following implementation of the Proposal.

The Pro Forma Forecast Income Statements are prepared on the assumption that the Scheme was implemented on 1 July 2009.

The Pro Forma Forecast Income Statements including the best-estimate assumptions contained in Section 4.4(b) of this Explanatory Memorandum and have been adopted by the MRML Directors and Directors of Mirvac RE. The Pro Forma Forecast Income Statements have been presented in this Explanatory Memorandum to provide MRZ Unitholders with a guide to the potential future performance of MRZ and Mirvac Trust (post MRZ acquisition).

Best-estimate assumptions reflect the assessment of the MRML Directors and Mirvac RE Directors (based on present circumstances) of anticipated economic and market conditions and the implementation of management's business strategies. While these best-estimate assumptions are considered to be appropriate and reasonable at the time of preparing the Pro Forma Forecast Income Statements, Investors should appreciate that many factors which may affect the results are outside the control of Mirvac Trust or may not be capable of being foreseen or accurately predicted.

4. Mirvac financial information
(continued)

4.4 The Pro Forma Forecast Income Statements (continued)

(a) Basis of preparation (continued)

Accordingly, actual results may vary materially from the Pro Forma Forecast Income Statements. MRZ Unitholders are advised to review the best-estimate assumptions and risk factors described later in this Section and make their own assessment of the future performance and prospects of Mirvac Trust.

MRZ and Mirvac Trust are not likely to pay Australian income tax, including CGT, provided MRZ and Mirvac Trust Unitholders are presently entitled to all of the Distributable Income of MRZ and Mirvac Trust respectively.

PricewaterhouseCoopers Securities Ltd has reviewed the Pro Forma Forecast Income Statements. Unitholders should read the following financial information in conjunction with the Investigating Accountant's Report set out in Section 6.

Pro Forma Forecast Income Statements[1]

12 months ending 30 June 2010	Mirvac Trust stand-alone forecast $m	MRZ stand-alone forecast $m	Pro forma adjustments $m		Pro forma Mirvac Trust (post MRZ acquisition) $m
Rental revenue from investment properties	248.1	50.8	8.3	i	307.2
Interest revenue	79.3	0.5	(20.2)	ii	59.6
Dividend and distribution income	0.9	1.8	(1.8)	iii	0.9
Share of net profit of associates and joint ventures accounted for using the equity method	20.5	16.3	(18.1)	iv	18.7
Other revenue	0.7	–	–		0.7
Total operating income	**349.5**	**69.4**	**(31.8)**		**387.1**
Finance cost expense	(47.8)	(33.3)	34.2	ii	(46.9)
Other expenses	(4.9)	(6.9)	–		(11.8)
Operating profit before income tax	**296.8**	**29.2**	**2.4**		**328.4**
Income tax expense	(0.5)	–	–		(0.5)
Operating profit	**296.3**	**29.2**	**2.4**		**327.9**
Operating profit attributable to minority interest	(3.3)	–	3.3	v	–
Operating profit attributable to unitholders	**293.0**	**29.2**	**5.7**		**327.9**
Loss on sale of the Woden asset	–	(14.2)	14.2	vi	–
Transaction costs associated with the Proposal	–	–	(17.5)	vii	(17.5)
Profit recognised on re-measurement of Mirvac's interest in MRZ	–	–	21.3	viii	21.3
MRZ capitalised borrowing costs written off	–	–	(6.6)	ix	(6.6)
Profit recognised on MRZ acquisition (including valuation of MRZ's contractual obligation to acquire the Woden asset)	–	–	191.4	x	191.4
Net Profit attributable to unitholders	**293.0**	**15.0**	**208.5**		**516.5**
Operating earnings per Mirvac **Security (cents)**					**11.1**
Distribution per Mirvac **Security (cents)**					**8.0 – 9.0**

1 These Pro Forma Forecast Income Statements are based on the best estimate assumptions and pro forma adjustments detailed in Sections 4.4(b) and 4.4(c).

(b) Best Estimate Assumptions

i. MRZ stand alone

MRZ's stand alone best-estimate assumptions include assumptions that certain investment properties are disposed of during the year ending 30 June 2010 at around book value resulting in lower net investment property income and lower finance cost expense. Assumed investment property disposals include:

> Taree City Centre, Taree;

> Pender Place Shopping Centre, Maitland (unconditional contract exchanged);

> 591-609 Doncaster Road, Doncaster (unconditional contract exchanged); and

> 12 Cribb Street, Milton.

MRZ's stand alone best-estimate assumptions include the assumption that the Woden Development put and call agreement in relation to the Woden Development is approved by MRZ Unitholders and is exercised and the Woden Development is sold by MRZ to Mirvac for $208.8 million resulting in a loss of $14.2 million.

Forecast net rental income is gross rent from property which comprises rent and recoverable outgoings charged to tenants after deducting property expenses. Forecast net rental income is based on current leases and management forecasts and assumptions for future occupancy rates, tenant turnover and market rentals.

The forecast share of the net profit of associates and joint ventures is based on budgets provided by the associates and joint ventures.

The forecast interest expense has been based on existing borrowing facilities. The effective cost of debt during the forecast period is 7.2 per cent.

The underlying floating rate is assumed to be 3.5 per cent from 1 July 2009 to 31 December 2009 and 4.0 per cent for 1 January 2010 to 30 June 2010.

Major vacancies

> Area leased to Macquarie Bank and GHD at 10-20 Bond Street assumed to be vacated upon expiry at 31 December 2009 with no income forecast for remainder of 2010.

Other expenses

Management fee flat of 0.5% of total gross assets.

Increase in administration costs including auditing fees, compliance and reporting costs of 5.0 per cent above 2009 costs.

ii. Mirvac Trust stand alone

Mirvac Trust's stand alone best estimate assumptions include the assumption that the Woden Development put and call agreement in relation to the Woden Development is approved by MRZ Unitholders and is exercised and the Woden Development is acquired by Mirvac from MRZ for $208.8 million.

Rental revenue

Forecast rental revenue from investment properties is based on leases currently in place with allowance made for lease expiries and vacancies.

Portfolio occupancy assumption

Mirvac Trust is forecasting to maintain an average investment property portfolio occupancy rate of 96 per cent during the year ending 30 June 2010. Leases relating to approximately 10.4 per cent of Mirvac Trust's investment property portfolio (calculated on a square metre basis) expire during the year ending 30 June 2010. Where appropriate, re-letting assumptions are made based on discussions with tenants as to current intentions. New tenant assumptions include vacancy assumptions ranging from 3 to 12 months. A number of the properties vacated during the year ending 30 June 2010 are assumed to remain vacant for the remainder of the year.

Property expenses

Forecast property expenses are based on actual historical trends with allowance made for increases or decreases to take account of expected market movements and inflation.

Interest revenue and interest expense

Mirvac Trust derives interest income from cash deposits and loans to ML. Interest income earned from cash deposits is based on an average interest rate of 3.5 per cent per annum. Interest income earned from loans to ML is based on an average interest rate of 8.25 per cent per annum.

Mirvac Trust incurs interest expense on borrowings from third parties. The average forecast interest rate on third party borrowings is 6.75 per cent per annum.

Joint ventures

The forecast share of net profit of associated and joint ventures is based on budgets provided from the associates and joint ventures.

iii. General

The general assumptions adopted in preparing the Pro Forma Forecast Income Statements include the following:

> No material change in external operating conditions, including the competitive environment;

> No sale or purchase of assets, other than disposal assumptions described in MRZ's stand alone best estimate assumptions;

> No future revaluations of properties or movements in the market value of derivatives as required by Australian Accounting Standards as the MRML Directors and Mirvac RE Directors do not believe there is a reasonable basis to make forecasts in relation to future capitalisation rates, property yields or general market conditions which are outside their control;

4. Mirvac financial information
(continued)

iii. General (continued)

- **Legislation and taxation**
  It is assumed that there are no changes in federal, state or local government laws, regulations or policies that will have a material impact on the performance or position of Mirvac Trust and funds in which it holds an interest. Forecast income tax expense is based on the prevailing tax rates in the jurisdictions where Mirvac Trust is subject to tax and assumes no significant change to those rates or existing laws or interpretation of existing laws.

  It is assumed that Mirvac Trust (and its controlled sub-trusts and funds in which it holds an interest) will not be classed as either a public trading trust or a corporate unit trust for Australian tax purposes and therefore be taxed on a "flow-through" basis.
- **Litigation**
  Mirvac currently has no significant litigation or legal settlements. It has been assumed there will be no significant litigation or legal settlements.
- **Economic and political environment**
  It has been assumed that there will be no adverse changes in the prevailing political conditions in regions in which Mirvac operates.
- **Continuity of operations**
  It has been assumed there will be no significant disruption to the operations of Mirvac during the financial year ending 30 June 2010.

iv. Specific to Mirvac Trust (post MRZ acquisition)

In addition to the assumptions underlying the MRZ and Mirvac Trust stand alone forecasts for the financial year ending 30 June 2010 as set out in this Section, the following best-estimate assumptions have been made for Mirvac Trust:

- **Effective date**
  The Pro Forma Forecast Income Statements have been prepared on the assumption that the Scheme was implemented on 1 July 2009.
- Mirvac **Trust inter-entity transaction adjustments**
  In preparing the Pro Forma Forecast Income Statements for the financial year ending 30 June 2010, to the extent considered material, transactions between MRZ and Mirvac Trust have been eliminated to reflect the Proposal.
- **Acquisition of the Woden Development**
  At the date of signing the Merger Implementation Deed, Mirvac has entered into the Woden Development put and call agreement with MRZ whereby in the event that the Proposal is not approved by MRZ's Unitholders, Mirvac will have the potential right and potential obligation to acquire the Woden Development from MRZ for a total consideration of $208.8 million, subject to MRZ Unitholder approval of the sale of the Woden Development to Mirvac. In the event that the Proposal is approved by MRZ Unitholders, the Woden Development put and call agreement in relation to the Woden Development is automatically terminated. The Pro Forma Forecast Income Statements for the financial year ending 30 June 2010 have been prepared on the assumption that the Proposal is approved by MRZ Unitholders. The Woden Development is assumed to remain owned by Mirvac Trust and the payment of $208.8 million to the Woden Development has been assumed to be made by Mirvac Trust on 1 March 2010 with net property income from the Woden Development assumed to be received from this date.
- **Cost savings, merger benefits and merger implementation costs**
  Mirvac Trust does not consider that the Proposal will result in any material cost savings to Mirvac Trust nor will material implementation costs arise. In addition, Mirvac Trust has assumed that certain management fees paid by MRZ to subsidiaries of ML will continue to be paid by MRZ after implementation of the Proposal.
- **Acquisition accounting**
  Woden Development aside, no adjustments have been made to the reported value of MRZ's assets and liabilities to reflect the impact of acquisition accounting, as for the purposes of the unaudited pro forma summary financial information the book value as reported in MRZ's audited financial statements as at 30 June 2009 is assumed to approximate their fair value as at the date of acquisition. The difference between (a) the fair value of the consideration transferred by Mirvac for control of MRZ together with the fair value of Mirvac's existing re-measured ownership interest in MRZ and (b) the fair value of MRZ's identifiable assets acquired and the liabilities assumed (after taking into account the liability recognised in relation to the Woden Development) has been treated as profit to Mirvac Trust.

  An exercise to ascertain the fair value of MRZ's assets, liabilities and contingent liabilities will be undertaken after the acquisition and this may result in a profit on acquisition which may be materially different to what is assumed.

(c) Pro forma adjustments

The following pro forma adjustments have been made in producing the Pro Forma Forecast Income Statements (assuming the Scheme is implemented on 1 July 2009):

i) Net income from investment properties is increased by $8.3 million representing the re-allocation of income previously accounted for by MRZ and Mirvac as share of net profit of associates and joint ventures accounted for using the equity method in relation to 197 Salmon Street Trust and Old Wallgrove Road Trust;

ii) Interest revenue is reduced by $20.2 million and finance cost expense is reduced by $34.2 million as a consequence of Mirvac Trust using its available cash resources and available debt facilities to fund the cash component of the Proposal and associated transaction costs and to retire MRZ borrowings;

iii) Dividend and distribution income is reduced by $1.8 million representing MRZ's share of dividends received from its investment in MWHF which is reclassified as income from associates and joint ventures in Mirvac;

iv) Share of net profit from associates and joint ventures accounted for using the equity method is reduced by $18.1 million representing $4.4 million reduction relating to MRZ's 33 per cent share of income from Orion Springfield Town Centre (100 per cent of which is recognised by Mirvac Trust as net income from investment properties), $7.2 million reduction relating to Mirvac Trust's share of earnings from its 24.6 per cent investment in MRZ, re-allocation of $8.3 million of income to rental revenue in relation to 197 Salmon Street Trust and Old Wallgrove Road Trust, offset by $1.8 million increase being the reclassification of MRZ's dividend and distribution income from its investment in the MWHF;

v) Operating profit attributable to minority interest is reduced by $3.3 million being the proportionate share of Mirvac Trust's operating profit attributable to MRZ in relation to Orion Springfield Town Centre which is wholly controlled by Mirvac;

vi) The removal of the loss anticipated on the sale of the Woden Development by MRZ under the Woden Development put and call agreement with Mirvac to reflect retention of the Woden Development;

vii) Costs associated with the implementation of the Proposal are estimated to be $17.5 million and will be written off as incurred;

viii) Profit of $21.3 million by Mirvac upon the re-measurement of Mirvac's equity accounted investment in MRZ as part of the acquisition accounting;

ix) Loss of $6.6 million relating to MRZ's capitalised borrowing costs written off on implementation of the Proposal; and

x) The difference between (a) the fair value of the consideration transferred by Mirvac for control of MRZ together with the fair value of Mirvac's existing re-measured ownership interest in MRZ and (b) the fair value of MRZ's identifiable assets acquired and the liabilities assumed (after taking into account the liability recognised in relation to the Woden Development) has resulted in a $191.4 million profit.

(d) Statutory Reconciliation

The following table sets out the reconciliation from the Pro Forma Forecast Income Statements to the Pro Forma Statutory Forecast assuming the effective date is 7 December 2009. The pro forma adjustments detailed in Section 4.4(c) apply to the Mirvac Trust forecast financial information in this section.

Statutory Reconciliation

	Pro Forma Mirvac Trust (post MRZ acquisition)	
	Operating profit $m	Net profit[1] $m
Pro Forma Forecast assuming the Scheme was implemented on 1 July 2009 as per Section 4.4	327.9	516.5
MRZ operating profit from 1 July 2009 to 6 December 2009	(14.3)	(14.3)
Mirvac Trust's share of earnings from its 24.6 per cent investment in MRZ from 1 July 2009 to 6 December 2009	3.0	3.0
Reduction in the net finance cost detailed in Section 4.4(c)(ii) above	(8.3)	(8.3)
Proportionate share of Mirvac Trust's operating profit attributable to MRZ in relation to Orion Springfield Town Centre	0.5	0.5
Pro Forma Statutory Forecast if Proposal occurred on 7 December 2009	**308.8**	**497.4**

1 As noted in Section 4.4(b)(iv) – Acquisition Accounting, the actual net profit will differ based on the acquisition accounting exercise to be performed post acquisition.

4. Mirvac financial information
(continued)

4.5 Future prospects of MRZ and Mirvac Trust

The Pro Forma Forecast Statements for the financial year ending 30 June 2010 do not necessarily represent the likely future financial performance of MRZ or Mirvac Trust (both on a stand alone basis) or Mirvac Trust (post MRZ acquisition) beyond the financial year ending 30 June 2010.

The Directors of Mirvac RE and MRML have determined that there is not a reasonable basis to produce reliably and meaningfully forecast financial information beyond 30 June 2010.

The future prospects of MRZ on a stand alone basis have been set out in the Section titled "Other relevant considerations for MRZ Unitholders" and the future prospects of Mirvac Trust have been set out in Section 3.2.

4.6 Impact of Proposal on MRZ Unitholders

The table below sets out the impact on MRZ Unitholders of the Proposal assuming the Proposal was implemented on 7 December 2009.

In interpreting the table outline below, MRZ Unitholders should consider the following important information:

- Current MRZ earnings forecast and capacity to pay the intended distribution are based on a number of key assumptions regarding asset sales, which are aimed at maintaining MRZ's compliance with its debt covenants. In summary, these asset sale assumptions include the sale of four properties for a total of $94.2 million dollars prior to 30 June 2010, as well as the exercise of the Woden Development put and call agreement which results in the Woden Development being sold by MRZ to Mirvac; and
- Mirvac is a much larger, more deeply traded and well capitalised vehicle and as a result, there is significantly greater certainty regarding Mirvac's capacity to pay distributions than MRZ which is expected to come under pressure to ensure compliance with its debt covenants over the next two years.

Impact of Proposal on MRZ Unitholders

Assuming the Proposal took place on 7 December 2009	MRZ stand alone 12 months ending 30 June 2010	MRZ (following completion of Proposal) 12 months ending 30 June 2010	Impact of Proposal on MRZ Unitholders	Impact of Proposal on MRZ Unitholders
Operating earnings (cents per MRZ Unit)	4.65	3.57	–1.08	–23%
Distributions including Special Distribution (cents per MRZ Unit)(a)(b):				
– based on Mirvac Trust low end of range	3.20	3.00	–0.20	–6%
– based on Mirvac Trust mid point range	3.20	3.17	–0.03	–1.0%
– based on Mirvac Trust high end of range	3.20	3.33	0.13	4%
Headline gearing at 30 June 2009 (Total interest bearing debt less cash/total tangible assets less cash) (%)	43.8%	22.9%		–48%
Net Tangible Assets at 30 June 2009 ($)	$0.85	$0.59	–$0.26	–31%

(a) Mirvac Trust has provided a distribution forecast range of 8 to 9 cents per Mirvac Security. The impact of the Proposal on distributions to MRZ Unitholders is illustrated assuming a distribution of 8 cents per Mirvac Security (low end of range) 8.5 cents per Mirvac Security (mid point of range) and 9.0 cents per Mirvac Security (high end of range). The distribution per MRZ Unit assuming the Proposal is implemented on 7 December 2009 includes the payment of a 1.0 cent per unit Special Distribution to MRZ Unitholders.

(b) MRZ stand alone distribution guidance per MRZ Unit is for the 12 months ending 30 June 2010.

The historical financial information contained in Section 3 illustrates the significance of the component parts of Mirvac, namely the Mirvac Trust and ML.

Section 4.4 provides details of the forecast income statement of Mirvac Trust, MRZ and Mirvac Trust (post MRZ acquisition). As noted above, the Directors of ML do not believe there is a reasonable basis for forecasting income for ML, therefore and necessarily, the forecast is restricted to the activities of Mirvac Trust.

Investors should note that the current distribution policy of Mirvac is to only make distributions from Mirvac Trust.

5. Risks

If the Proposal is implemented, MRZ Unitholders (other than Excluded Foreign Unitholders) may elect to receive Mirvac Securities.

MRZ Unitholders should be aware that there are a number of risks associated with investing in Mirvac Securities which could impact on the price and distributions of Mirvac Securities going forward. There are many risk factors that could adversely affect Mirvac's business, financial performance, results of operations, cash flows and prospects including:

> Risks that are specific to Mirvac's existing business and which will therefore be risks to which MRZ Unitholders electing the Scrip Option, will be exposed;

> General business risks common to A-REITs; and

> Other general risks.

It is important for MRZ Unitholders to understand the risk profile of an investment in Mirvac is different to an investment in MRZ. As a passive investment trust, MRZ Unitholders do not currently have exposure to the risks associated with residential development, construction, hotel management or investment management activities. If MRZ Unitholders elect to receive Mirvac Securities, they will be exposed to risks associated with these activities, which in turn may result in greater volatility in earnings, distributions, net assets and gearing (as to gearing, see refinancing requirements risk below).

Mirvac has provided distribution forecast of 8.00—9.00 cents per security for the 2010 financial year. The distribution guidance is expected to comprise contributions from Mirvac Trust only, with no contributions from the development, construction, hotel management or investment management activities.

The risk to MRZ Unitholders receiving Mirvac Securities relates to further unforeseen losses in the future which may occur due to the risks associated with these activities.

The risks identified in this Section are not exhaustive and do not take into account MRZ Unitholders' investment objectives, financial situation, tax position or particular needs. They are key risks which are known to MRZ and Mirvac as at the date of this Explanatory Memorandum. No assurances or guarantees of the future performance of, profitability of, or payment of distributions by Mirvac are given.

5.1 Risks specific to Mirvac

a) Risks associated with development and planning activities

Mirvac will be subject to the risks associated with its development and re-development activities, including but not limited to:

> General increase in supply or decline in demand for property or Mirvac development or redevelopment product;

> Settlement/credit risk on pre-sold land lots/units;

> Income derived from re-developed properties being lower than expected;

> Factors impacting Mirvac's ability to complete existing and future projects, including industrial disputes, inclement weather and cost overruns;

> Construction not being completed on budget or on schedule;

> Competing development projects adversely affecting the overall return achieved by any development or redevelopment projects undertaken by Mirvac, because they provide competitive alternatives for potential purchasers and lessees;

> Failure to obtain, or delays in obtaining, required plan registrations, approvals, permits or licences, e.g. due to community objections or delays by local and state authorities;

> Trade practices law risk, including misleading and/or deceptive conduct with the general public;

> Temporary disruption of income from a property due to a delay in completion;

> Securing of land supply for future projects; and

> Additional environment remediation issues not previously identified or allowed for.

A sustained downturn in property markets caused by any further deterioration in the economic climate could result in reduced development profits through reduced selling prices or delays in achieving sales.

Increases in supply or falls in demand in any of the sectors of the property market in which Mirvac will operate or invest could influence the acquisition of sites, the timing and value of sales and carrying value of projects. The residential property market in particular may be adversely affected by declining consumer sentiment. In the short term this may affect, for example, project enquiry levels or rates of sale. In the medium term, factors such as the oversupply of various markets may materially impact Mirvac's development operations.

5. Risks
(continued)

A number of factors will affect the earnings, cashflows and valuations of Mirvac's commercial property development, including construction costs, scheduled completion dates, estimated rental income and occupancy levels and the ability of tenants to meet rental and other contractual obligations.

b) Risks associated with construction activities

Mirvac will be subject to the general risks associated with construction activities, including but not limited to:

(i) Reliance on key contractors

Mirvac will be subject to the general risks associated with reliance on key contractors and the ability to replace key contractors in the event that a contract is not completed or workmanship is of inferior quality or delayed in delivery. Failure to do so may have an impact on the financial performance of Mirvac.

(ii) Time delay risks

Time delay risks may arise from a number of issues, including delays in development approvals, complex construction specifications, changes to design briefs, legal issues, supply of labour, supply of materials, inclement weather, land contamination, difficult site access, industrial relations issues and interest group objections. Time delays may result in termination of lease and/or pre sale agreements or other financial impacts which may affect the financial performance of Mirvac.

(iii) Consequential loss risk

In some instances construction contracts have consequential loss clauses where Mirvac may be liable for any financial loss incurred by the principal as a result of delays in the delivery of the project.

(iv) Design risk

Design risk may arise where Mirvac assumes design responsibility, causing the risk that design problems or defects may result in rectification or other costs or liabilities that cannot be recovered.

(v) Quality and workmanship risk

Quality and workmanship risk may arise in the event that Mirvac fails to fulfil its statutory and contractual obligations in relation to the quality of materials and workmanship, including warranties and defect liability obligations. This may impact on Mirvac's financial performance.

(vi) Risk of counterparties

Counterparty risks may arise in circumstances where parties with which Mirvac has dealings experience financial difficulties with consequential adverse effects for the relevant projects or assets, which may impact on Mirvac's financial performance.

(vii) Pricing risk

Pricing risk may arise on projects in which Mirvac enters into construction contracts on the basis of cost estimates, which ultimately prove to be insufficient and are unable to be increased to recover Mirvac's actual costs of construction.

(viii) Bid costs

Risks associated with bid costs will arise as Mirvac submits proposals for assignments often in response to a tender process. The costs can be significant and if Mirvac does not gain preferred bidder status, will be written off in the period of the loss. Additionally, there is a risk that even if a preferred bidder status is achieved but financial close is not reached, bid costs will also be written off.

(ix) Occupational health and safety issues

There are a number of occupational health and safety issues which are inherent in the construction industry and which could lead to injuries occurring to those in and around construction sites. In circumstances where Mirvac is responsible for such incidents, financial sanctions may be imposed on Mirvac which could have an adverse impact on Mirvac's earnings or financial performance.

(x) Inflation and construction costs

Higher than expected inflation rates generally, or specific to the residential development industry, could be expected to increase operating costs and development costs and potentially reduce the value of development land. These cost increases may or may not be offset by increased selling prices.

c) Risks associated with property investment activities

Mirvac has a number of property investments. Generally property investment activities have a number of risks including:

(i) Returns from investment

Returns from property investment assets largely depend on the rental income generated from the property and the expense incurred in the operation, including the management and maintenance of the property as well as the changes in the market value of the property. Factors which may adversely impact these returns include:

› the overall conditions in the national and local economy, such as changes to growth in gross domestic product, employment, inflation and interest rates;

› local real estate conditions, such as changes in the demand and supply for retail, office, industrial or hotel/tourism assets or rental space;

› changes in demand resulting in a downturn in the tourism industry, which may affect revenue and/or occupancy levels in the hotel and resort portfolio;

- the perception of prospective tenants regarding attractiveness and convenience of assets;
- the convenience and quality of properties;
- changes in tenancy laws;
- external factors including war, terrorist or force majeure events;
- unforeseen capital expenditure;
- supply of new properties and other investment assets; and
- Investor demand/liquidity in investments.

(ii) Leasing terms and tenant defaults

The future financial performance of Mirvac will depend on its ability to continue to lease existing retail, office, industrial and hotel space that is currently vacant, or that becomes vacant on expiry of leases, on economically favourable terms. In addition, the ability to lease new asset space in line with expected terms will impact on the financial performance of Mirvac.

(iii) Liquidity of property investments

The nature of investments in property assets may make it difficult to generate liquidity in the short term if there is a need to respond to changes in economic or other conditions.

(iv) Acquisition of properties

A key element of Mirvac's future strategy will involve the acquisition of assets to add to the property investment portfolio. There are inherent risks in such acquisitions. These risks could include unexpected problems or other latent liabilities such as the existence of asbestos or other hazardous materials or environmental liabilities. There are also risks associated with integration of businesses, including financial and operational issues as well as employee related issues.

(v) Investment in funds and joint ventures

Mirvac will hold interests in a range of funds and joint ventures. The net asset value of Mirvac's investment in funds and joint ventures may decrease if the value of the property assets in those funds or joint ventures were to decline.

Mirvac will also derive income from providing property and funds management services to these entities. A number of the funds' and joint ventures' bank loans have gearing and other financial covenants. The borrowings of these entities will be primarily non-recourse to Mirvac.

d) Property market

Mirvac's earnings will be subject to the prevailing property market conditions. Adverse changes in prevailing market sentiment in any of the sectors of the property market in which Mirvac operates or invests may adversely affect earnings. These factors may adversely affect the value of, and returns generated from, property investments, management and development and construction projects undertaken by Mirvac from time to time, and may influence the acquisition of sites, the timing and value of sales, and the carrying value of projects and income producing assets.

e) Availability of capital

Real estate investment and development is highly capital intensive. Mirvac's ability to raise funds in the future on favourable terms depends on a number of factors including general economic conditions, political, capital and credit market conditions and the reputation, performance and financial strength of Mirvac's business. Many of these factors are outside Mirvac's control and may increase the cost and availability of capital.

Any downgrade to Mirvac's credit rating may impact Mirvac's access to capital.

f) Impact of financing covenants

Mirvac has various covenants in relation to its banking facilities, including:

- A balance sheet gearing covenant of 55.0 per cent; and
- A minimum interest cover ratio of 2.25 times.

Mirvac's financiers require it to maintain certain gearing and other ratios under various debt covenants. If covenants are breached and debt facilities are required to be renegotiated, future distributions paid by Mirvac may be impacted.

Factors such as falls in asset values, depreciation of the Australian dollar and the inability to achieve timely asset sales at prices acceptable to Mirvac could lead to a breach in debt covenants. Any breaches of Mirvac's covenants will require a renegotiation of its debt facilities and is expected to result in increased interest costs and/or fees assuming Mirvac's lenders are amenable to waiving the covenant breach.

No financiers' rights under Mirvac's current debt facilities are triggered as a result of adverse market capitalisation movements.

g) Employees

Mirvac will be reliant on retaining and attracting quality senior executives and other employees. The loss of the services of any of Mirvac's senior management or key personnel, or the inability to attract new qualified personnel, could adversely affect Mirvac's operations.

5. Risks
(continued)

h) Customers

Insolvency or financial distress of Mirvac's tenants may reduce the income received from its assets.

i) Refinancing requirements

Mirvac is exposed to risks relating to the refinancing of existing debt instruments and facilities.

The dollar value of Mirvac's refinancing obligations are greater than that of MRZ. It is important, however, to consider the refinancing commitment in the context of the relative size of Mirvac's asset base, headroom to covenants and ability to access debt and equity capital markets.

As at 30 June 2009, Mirvac has $422.5 million of drawn debt maturing during FY10, $304.1 million of drawn debt maturing during FY11 and $1,417.9 million of drawn debt maturing beyond FY11.

It may be difficult for Mirvac to refinance all or some of these and other debt maturities if required. Further, if some or all of these debt maturities can be refinanced, they may be on less favourable terms than is currently the case.

j) Risks with joint ventures

Mirvac holds interests in a range of funds and joint ventures. Mirvac also derives income from providing property and funds management services to these entities. A number of the fund and joint venture bank loans have gearing and other financial covenants. The borrowings of these entities are non-recourse to Mirvac. Further deterioration in economic conditions and property markets, could give rise to breach of these financial covenants and have an adverse impact on the income received from and value of Mirvac's investment in these funds and joint ventures.

k) Financial forecasts

There is a risk that the assumptions in the financial information in this Explanatory Memorandum may not hold, such that the forecast earnings and distributions may differ.

l) Impact of foreign exchange movements on assets, liabilities and gearing

Through its exposure to foreign assets or liabilities, Mirvac will be exposed to movements in the value of foreign currencies. Adverse movements in the value of the A$ relative to the foreign currencies may impact the A$ value of Mirvac's earnings. Adverse movements in the A$ value of Mirvac's foreign currency denominated assets and liabilities may also impact net tangible assets and gearing levels.

Mirvac will also enter into foreign currency hedging arrangements. The impact of exchange rate movements will vary from time to time, and is dependent on any hedging entered into, the levels at which hedging contracts are arranged and the duration of hedging contracts. However, there can be no assurance that Mirvac will not be adversely impacted by future movements in foreign exchange rates or that its hedges will be effective.

m) Interest rate risk

Mirvac's interest cost on floating rate debt will increase if benchmark interest rates increase. This would reduce earnings and cashflow available for distribution to security holders.

Mirvac will manage its exposure to adverse fluctuations in floating interest rates by entering into interest rate hedging instruments.

n) Taxation

Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted in the various jurisdictions in which Mirvac operates, may impact the tax liabilities of Mirvac and the funds and joint ventures in which it holds an interest. Under current income tax legislation, 'flow-through' trusts are generally not liable for Australian income tax, including CGT, provided security holders are presently entitled to all of the income of those trusts each year. Should the actions or activities of a 'flow-through' trust (their controlled entities or funds in which they hold an interest) result in the relevant trust falling within the operative provisions of Division 6B or 6C of the *Income Tax Assessment Act 1936 (Cth)*, the relevant trust would be taxed on its (taxable) income at a rate which is currently equivalent to the corporate income tax rate of 30 per cent.

The Australian Board of Taxation (ABoT) is currently reviewing the tax provisions which apply to managed investment trusts, such as Mirvac Trust. The ABoT's work could fundamentally change the way in which Mirvac or its securityholders become subject to Australian tax. The outcome of this review is unknown.

5.2 A-REIT Sector Risks

a) Asset values

Asset values are affected by many factors including prevailing market conditions, risk appetite, volume of sales, the ability to procure tenants, contracted rental returns, operating, maintenance and refurbishment expenses and the funding environment. Asset value declines may have an impact on gearing levels and their proximity to covenant limits.

b) Illiquid assets

Property assets are by their nature illiquid investments. If property assets are required to be disposed in order to raise liquidity, it may not be possible to dispose of assets in a timely manner or at an appropriate price.

c) Property leasing

There is a risk that tenants default on their rent or other obligations under leases, leading to capital losses or a reduction in income from those assets. There is also a risk that it may not be possible to negotiate lease renewals or maintain existing lease terms. If this occurs, income and book values may be adversely impacted.

d) Counterparty/credit risk

A-REITs are exposed to the risk that third parties, such as tenants, developers, service providers and financial counterparties to derivatives (including foreign exchange and interest rate hedging instruments) and other contracts may not be willing or able to perform their obligations.

e) Fixed nature of costs

Many costs associated with the ownership and management of property assets are fixed in nature. The value of assets may be adversely affected if the income from the asset declines and these fixed costs remain unchanged.

f) Capital expenditure

A-REITs are exposed to the risk of unforeseen capital expenditure requirements in order to maintain the quality of the buildings and tenants.

g) Insurance

A-REITs purchase insurance, customarily carried by property owners, managers, developers and construction entities that provides a degree of protection for its assets, liabilities and people. Such policies include material damage of assets, contract works, business interruption, general and professional liability and workers compensation. There are however certain risks that are uninsurable (e.g. nuclear, chemical or biological incidents) or risks where the insurance coverage is reduced (e.g. cyclone, earthquake).

A-REITs also face risk associated with the financial strength of their insurers to meet indemnity obligations when called upon which could have an adverse effect on earnings.

h) Land values

Events may occur from time to time that affect the value of land or development costs which may then impact the financial returns generated from particular property related investment businesses or projects. For example, unanticipated environmental issues, land resumptions and major infrastructure requirements may impact on future earnings of Mirvac.

i) Regulatory issues and changes in law

A-REITS are exposed to the risk that there may be changes in laws that have a materially adverse impact on financial performance (such as by directly or indirectly reducing income or increasing costs).

j) Competition

Mirvac will face competition from within the A-REIT sector, and also operates with the threat of new competition entering the market. Competition may lead to an oversupply through overdevelopment, or to prices for existing properties or services being impacted by competing bids. The existence of such competition may have an adverse impact on Mirvac's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis, or the pricing of construction projects or development opportunities which in turn may impact Mirvac's financial performance and returns to Investors.

k) Conflicts of interest with joint venture partners

Mirvac currently undertakes joint ventures with co-owners on asset ownership and with business partners on development projects. At times, major decisions are required to be made in respect of these joint venture arrangements (e.g. redevelopment and refurbishment, refinancing, the sale of assets or surplus land, the purchase of additional land and bid pricing). The interests of Mirvac may not always be the same as those joint venture partners in relation to these matters. These matters will be subject to the relevant agreements (which may include pre-emptive rights or first rights of refusal in relation to co-owned assets or other buy-sell provisions which may be disadvantageous to the parties, including Mirvac) and the parties' performance under these agreements.

l) Environmental

A-REITs are exposed to a range of environmental risks which may result in project delays or additional expenditure. In such situations, they may be required to undertake remedial works and potentially be exposed to third party liability claims and/or environmental liabilities such as penalties or fines.

m) Acquisition of properties

Mirvac may acquire assets to add to its property investment portfolio. There are inherent risks in such acquisitions. These risks could include unexpected problems or other latent liabilities such as the existence of asbestos or other hazardous materials or environmental liabilities. There are also risks associated with integration of businesses, including financial and operational issues as well as employee related issues.

n) Interest rate risk

Increases in long-term interest rates may have adverse implications for the property sector and the equity interest that Investors have, from time to time, in making investments in the property sector. Increases in interest rates impact Mirvac on two levels. First, it may increase Mirvac's cost of funding thereby reducing the returns from Mirvac's investment property portfolio. Secondly, it may adversely affect Mirvac's future earnings because an increase in interest rates may negatively impact the demand for residential property developed by Mirvac.

5. Risks
(continued)

5.3 Other General Risks

a) General economic conditions

Mirvac's operating and financial performance, and the market price of Mirvac Securities, is influenced by a variety of general economic and business conditions, including the level of inflation, interest rates, exchange rates, commodity prices, ability to access funding, oversupply and demand conditions, government fiscal, monetary and regulatory policies changes in gross domestic product and economic growth, employment levels and consumer spending, consumer and investment sentiment and property market volatility. Prolonged deterioration in these conditions, including an increase in interest rates, an increase in the cost of capital or a decrease in consumer demand, could have a materially adverse impact on Mirvac's operating and financial performance. This risk is heightened in the current uncertain economic environment.

b) Inflation

Higher than expected inflation rates generally or specific to the property sector could be expected to increase operating costs and development costs.

c) Litigation and disputes

Disputes or litigation may arise from time to time in the course of business activities. There is a risk that material or costly disputes or litigation could adversely affect financial performance and security value.

d) Occupational health and safety

Failure to comply with the necessary occupational health and safety legislative requirements across the jurisdictions in which Mirvac will operate could result in fines, penalties and compensation for damages as well as reputational damage.

e) Changes in accounting policy

Mirvac will be subject to the usual business risk that there may be changes in accounting policies which have an adverse impact on Mirvac.

f) Market Risks

The price that Mirvac Securities trade on ASX may be determined by a range of factors, including:

- changes to local and international stock markets;
- inflation;
- changes in interest rates;
- general economic conditions;
- changes to the relevant indices in which Mirvac may participate, the weighting that Mirvac has in the indices and the implication of those matters for institutional Investors that impact their investment holdings in Mirvac Securities;
- global geo-political events and hostilities;
- Investor perceptions;
- changes in government, fiscal, monetary and regulatory policies; and
- demand and supply of listed property trust securities.

In the future, one or more of these factors may cause Mirvac Securities to trade below current prices and may affect the revenue and expenses of Mirvac. In addition, the stock market can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of Mirvac.

g) Pricing risk

There is a risk that the amount a Scheme Participant receives for their MRZ Units under the Cash and Scrip Option may be more or less than the amount they receive if they select the Scrip Option for those MRZ Units and/or participate in the Sale Facility.

h) Other factors

Other factors that may impact on an entity's performance including changes or disruptions to political, regulatory, legal or economic conditions or to the national or international financial markets including as a result of terrorist attacks or war.

i) Forecast risks

MRZ Unitholders should note that the historical financial performance of MRZ and Mirvac is no assurance or indicator of future financial performance of MRZ, Mirvac and/or Mirvac (whether or not the Proposal proceeds). Neither MRML nor Mirvac guarantee any particular rate of return or the performance of MRZ, Mirvac and/or Mirvac nor do they guarantee the repayment of capital from MRZ, Mirvac and/or Mirvac or any particular tax treatment.

6. Investigating Accountant's Report

PRICEWATERHOUSECOOPERS

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The Directors
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collectively the Mirvac Group ("MGR")

The Directors
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Mirvac Real Estate Investment Trust ("MRZ")
Level 26, 60 Margaret Street
SYDNEY NSW 2000

12 October 2009

Dear Directors

Investigating Accountant's Report and Financial Services Guide

We have prepared this report on certain financial information of Mirvac (post MRZ acquisition) (consisting of MGR and MRZ) and the Mirvac Trust (post MRZ acquisition) (consisting of Mirvac Trust and MRZ) for inclusion in a combined Trust Scheme Explanatory Memorandum, Product Disclosure Statement and Prospectus (the "EM") related to the proposed acquisition of MRZ by MGR (the "Proposal").

Expressions defined in the EM have the same meaning in this report.

The nature of this report is such that it should be given by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to prepare this Investigating Accountant's Report (the "Report") covering the following information:

(i) pro forma consolidated summary historical balance sheet for Mirvac (post MRZ acquisition) as at 30 June 2009 (the "Pro Forma Balance Sheet" – refer section 4.2)

6. Investigating Accountant's Report
(continued)

PRICEWATERHOUSECOOPERS

(ii) pro forma consolidated summary forecast income statement for the 12 months ending 30 June 2010 for the Mirvac Trust (post MRZ acquisition) and the stand alone forecast income statements for each of Mirvac Trust and MRZ (the "Pro Forma Forecast Income Statements" – refer section 4.4)

(iii) reconciliation of the Mirvac Trust (post MRZ acquisition) Pro Forma Forecast Income Statement to the pro forma consolidated forecast statutory income statement (the "Statutory Reconciliation" – refer section 4.4(d))

(collectively the "Financial Information")

This Report has been prepared for inclusion in the EM. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared.

Limitation of scope of review of the Mirvac (post MRZ acquisition) Financial Information

The directors of MGR are responsible for the preparation of the Mirvac (post MRZ acquisition) Financial Information, except that the Directors of MRZ are responsible for the information regarding MRZ provided to MGR to prepare the Mirvac (post MRZ acquisition) Financial Information. In preparing the Mirvac (post MRZ acquisition) Financial Information no adjustments have been made to reflect the fair value of acquired assets and liabilities in accordance with AASB 3 Business Combinations as described in Section 4.4 of the EM.

Accordingly, the Mirvac (post MRZ acquisition) Pro Forma Balance Sheet does not contain adjustments to the reported amounts of assets and liabilities that will be required to reflect their fair values. Consequently the Mirvac Trust (post MRZ acquisition) Pro Forma Forecast Income Statement does not necessarily reflect the profit arising on the acquisition of MRZ had final fair value adjustments been undertaken.

Scope of review of the Pro Forma Balance Sheet

The Pro Forma Balance Sheet has been extracted from the audited financial statements of MGR and MRZ. The financial statements were audited by PricewaterhouseCoopers that issued an unqualified audit opinion on them. The Pro Forma Balance Sheet incorporates such adjustments as the Directors of ML, MFL (as the Responsible Entity of Mirvac Trust) and the Directors of MRML (as Responsible Entity of MRZ) considered necessary to present the Pro Forma Balance Sheet on a basis consistent with the Pro Forma Forecast Income Statements.

The Directors of ML, MFL (as the Responsible Entity of Mirvac Trust) and the Directors of MRML (as Responsible Entity of MRZ) are responsible for the preparation and presentation of the Pro Forma Balance Sheet including the adjustments to the historical balance sheets and pro forma transactions on which the Pro Forma Balance Sheet is based.

We have conducted our review of the Pro Forma Balance Sheet in accordance with Australian Auditing Standards applicable to review engagements. We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including :

(2)

- a review of work papers, accounting records and other documents
- a review of the adjustments included in the Pro Forma Balance Sheet
- a review of the Pro Forma Transactions used to compile the Pro Forma Balance Sheet
- a comparison of consistency in application of the recognition and measurement principles under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by MGR as referred to in Section 4 of the EM, and
- enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Pro Forma Balance Sheet.

Review statement on the Pro Forma Balance Sheet

Based on our review, which is not an audit, except for the limitation of scope described above, nothing has come to our attention which causes us to believe that :

- the Pro Forma Balance Sheet has not been properly prepared on the basis of the Pro Forma Transactions
- the Pro Forma Transactions do not form a reasonable basis for the Pro Forma Balance Sheet
- the Pro Forma Balance Sheet, assuming completion of the Pro Forma Transactions, as set out in Section 4 of the EM, does not present fairly the Pro Forma Balance Sheet of Mirvac (post MRZ acquisition) as at 30 June 2009 in accordance with the recognition and measurement principles prescribed under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by MGR as referred to in Section 4 of the EM.

Scope of review of the Pro Forma Forecast Income Statements and the Statutory Reconciliation

The Directors of MFL (as Responsible Entity of Mirvac Trust) and MRML (as Responsible Entity of MRZ) are responsible for the preparation and presentation of the Pro Forma Forecast Income Statements and the Statutory Reconciliation, including the best estimate assumptions on which they are based.

Our review of the best estimate assumptions underlying the Pro Forma Forecast Income Statements and the Statutory Reconciliation was conducted in accordance with Australian Auditing Standards applicable to review engagements. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures as we considered necessary to form an opinion as to whether anything has come to our attention which causes us to believe that :

(a) the best estimate assumptions do not provide a reasonable basis for the Pro Forma Forecast Income Statements and the Statutory Reconciliation

(3)

6. Investigating Accountant's Report
(continued)

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(b) in all material respects, the Pro Forma Forecast Income Statements and the Statutory Reconciliation are not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of MRZ and Mirvac Trust referred to in Section 4 of the EM, or

(c) the Pro Forma Forecast Income Statements and the Statutory Reconciliation are unreasonable.

The Pro Forma Forecast Income Statements have been prepared by the Directors of MFL (as Responsible Entity of Mirvac Trust) and MRML (as Responsible Entity of MRZ) to provide investors with a guide to the Mirvac Trust's (post MRZ acquisition), Mirvac Trust's and MRZ's potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of Pro Forma Forecast Income Statements and Statutory Reconciliation. Actual results may vary materially from the Pro Forma Forecast Income Statements and the Statutory Reconciliation and the variation may be materially positive or negative. Accordingly, investors should have regard to the description of investment risks set out in Section 5 of the EM.

Our review of the Pro Forma Forecast Income Statements and the Statutory Reconciliation that are based on best estimate assumptions is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Pro Forma Forecast Income Statements and the Statutory Reconciliations included in the EM.

Review statement on the Pro Forma Forecast Income Statements and the Statutory Reconciliation

Based on our review of the Pro Forma Forecast Income Statements and the Statutory Reconciliation, which is not an audit, except for the limitation of scope described above, nothing has come to our attention which causes us to believe that :

(a) the best estimate assumptions set out in Section 4.4 of the EM do not provide a reasonable basis for the Pro Forma Forecast Income Statements and the Statutory Reconciliation

(b) in all material respects, the Pro Forma Forecast Income Statements and the Statutory Reconciliation are not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of MRZ and Mirvac Trust referred to in Section 4 of the EM, or

(c) the Pro Forma Forecast Income Statements and the Statutory Reconciliation are unreasonable.

(4)

The assumptions set out in Section 4.4 of the EM which form the basis of the Pro Forma Forecast Income Statements and the Statutory Reconciliation are subject to significant uncertainties and contingencies often outside the control of Mirvac Trust and MRZ. If events do not occur as assumed, actual results achieved by Mirvac Trust, MRZ and the Mirvac Trust (post MRZ acquisition) may vary significantly from the Pro Forma Forecast Income Statements and the Statutory Reconciliation. Accordingly, we do not confirm or guarantee the achievement of the Pro Forma Forecast Income Statements and the Statutory Reconciliation, as future events, by their very nature, are not capable of independent substantiation.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary course of business of Mirvac Trust, MRZ and Mirvac (post MRZ acquisition) have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence or disclosure of interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Proposal other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Liability

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this Report in the EM in the form and context in which it is included. The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this Report in the EM. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the EM.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

M. Ha

Mark Haberlin
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

(5)

Appendix A

PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS SECURITIES LTD
FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 12 October 2009

1 About us
PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwC Securities") has been engaged by Mirvac Limited, Mirvac Funds Limited as RE of Mirvac Property Trust and Mirvac REIT Management Ltd as RE of Mirvac Real Estate Investment Trust to provide a report in the form of an Investigating Accountant's Report in relation to the Financial Information (the "Report") for inclusion in the EM dated on or about 12 October 2009.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2 **This Financial Services Guide**
This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3 **Financial services we are licensed to provide**
Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4 General financial product advice
The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5 **Fees, commissions and other benefits we may receive**
PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. Fees for this report have been disclosed in Section 11.20 of the EM.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6 **Associations with issuers of financial products**
PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

PricewaterhouseCoopers is the auditor of Mirvac Group and Mirvac Real Estate Investment Trust, and tax adviser to the Mirvac Group.

7 **Complaints**
If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8 Contact Details
PwC Securities can be contacted by sending a letter to the following address:

Mr Mark Haberlin, Tower 2, Darling Park
201 Sussex Street, Sydney NSW 2000

7. Independent Expert's Report

Deloitte.

Mirvac Real Estate Investment Trust

Independent expert's report

12 October 2009

Deloitte Corporate Finance Pty Limited
A.B.N. 19 003 833 127
AFSL 241457
Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Financial services guide

12 October 2009

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use any of the general financial product advice provided by Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance, we, us or our) the holder of Australian Financial Services Licence (AFSL) No. 241457. The contents of this FSG include:

- who we are and how we can be contacted
- what services we are authorised to provide under our AFSL
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide
- details of any potential conflicts of interest
- details of our dispute resolution systems and how you can access them.

Information about us

We have been engaged by Mirvac REIT Management Limited to give general financial product advice in the form of a report to be provided to you in connection with an offer for the units in Mirvac Real Estate Investment Trust (the Proposed Scheme). You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are required to give you an FSG by law because our report is being provided to you. You may contact us using the details located above.

Deloitte Corporate Finance is ultimately owned by the Australian partnership of Deloitte Touche Tohmatsu. The Australian partnership of Deloitte Touche Tohmatsu and its related entities provide services primarily in the areas of audit, tax, consulting, and financial advisory services. Our directors may be partners in the Australian partnership of Deloitte Touche Tohmatsu.

The Australian partnership of Deloitte Touche Tohmatsu is a member of Deloitte Touche Tohmatsu (a Swiss Verein). As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other, related names. Services are provided by the member firms or their subsidiaries and affiliates and not by the Deloitte Touche Tohmatsu Verein.

The general financial product advice in our report is provided by Deloitte Corporate Finance and not by the Australian partnership of Deloitte Touche Tohmatsu, its related entities, or the Deloitte Touche Tohmatsu Verein.

Associations and relationships

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the Australian partnership of Deloitte Touche Tohmatsu (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to retail and wholesale clients:

- provide general financial product advice in respect of:
  - debentures, stocks or bonds to be issued or proposed to be issued by a government
  - interests in managed investment schemes including investor directed portfolio services
  - securities
- deal in a financial product by arranging for another person to apply for, acquire, vary or dispose of financial products in respect of:
  - debentures, stocks or bonds issued or to be issued by a government
  - interests in managed investment schemes including investor directed portfolio services
  - securities.

Information about the general financial product advice we provide

The financial product advice provided in our report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant offer document provided by the issuer of the financial product. The purpose of the offer document is to help you make an informed decision about the acquisition of a financial product.

How are we and our employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Fee arrangements are agreed with the party or parties who actually engage us, and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us.

Our fee is $350,000 and will also be disclosed in the relevant offer document prepared by the issuer of the financial product. Deloitte Corporate Finance, its directors and officers, any related bodies corporate or associates and their directors and officers, do not receive any commissions or other benefits, except for the fees rendered to the party or parties who actually engage us.

All employees receive a salary. Our employees are eligible for annual salary increases and bonuses based on overall performance but do not receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing addressed to:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
E-mail: complaints@deloitte.com.au
Fax (02) 9255 8678

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry.

Complaints may be submitted to FOS at:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001
Telephone: 1300 780 808
Fax: +61 3 9613 6399
Email: info@fos.org.au
Internet: http://www.fos.org.au

What compensation arrangements do we have?

We are required by the *Corporations Act 2001* (Cth) to have arrangements for compensating retail clients for losses they suffer as a result of a breach of our obligations under Chapter 7 of the *Corporations Act*. The Australian partnership of Deloitte Touche Tohmatsu holds a professional indemnity insurance policy that covers the financial services provided by Deloitte Corporate Finance. This policy satisfies the requirements of section 912B of the *Corporations Act* and provides coverage of former representatives and Deloitte Corporate Finance employees in respect of financial services performed whilst they were engaged by us.

Privacy

Any personal information collected by us will be handled in accordance with our Privacy Statement, which summarises our policies and practices governing the treatment of personal information that we acquire from and about you. We do not disclose any personal information about you to other parties without your permission, except as required or permitted by law. A copy of our Privacy Statement can be downloaded from our website at www.deloitte,com.au or by contacting us using the details located on the first page of this FSG.

Deloitte Corporate Finance Pty Limited
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The Independent Directors
Mirvac REIT Management Limited as responsible entity for
Mirvac Real Estate Investment Trust
Level 26
60 Margaret Street
Sydney NSW 2000

12 October 2009

Dear Directors

Independent expert's report

Introduction

Mirvac Real Estate Investment Trust (MREIT or the Trust) is an externally managed, diversified property trust listed on the Australian Securities Exchange (ASX). MREIT primarily invests directly in Australian property assets, as well as indirectly through several associates and joint venture interests in commercial, retail, industrial and hotel property. MREIT's property portfolio had a book value of $966 million as at 30 June 2009 (the Properties).

On 12 October 2009 (the Announcement Date), the board of directors of Mirvac REIT Management Limited (MRML) in its capacity as responsible entity for MREIT, announced a proposal under which Mirvac Group (Mirvac) would acquire all the issued units in MREIT that it does not already own (the Proposed Scheme). Mirvac is a diversified property group listed on the ASX. Its securities consist of a stapled structure comprising a share in Mirvac Limited (ML) and a unit in Mirvac Property Trust (MPT). Mirvac has an existing stake in MREIT of 24.6%. If the Proposed Scheme is approved, MREIT will become a wholly-owned sub-trust of MPT.

The consideration offered to unitholders pursuant to the Proposed Scheme is either:

- one security in Mirvac for every three MREIT units held (Scrip Offer); or
- $0.50 cash for each MREIT unit held (up to 20,000 units) plus one security in Mirvac for every three MREIT units held in excess of 20,000 units (Cash and Scrip Offer). In addition to the cash consideration, Mirvac will also arrange a broker sponsored sale facility (Sale Facility) for the benefit of unitholders that elect to participate.

MREIT unitholders will also receive a special distribution equal to 1.0 cent per unit (cpu) if the Proposed Scheme proceeds which represents the expected distribution for the three months ended 30 September 2009 which MREIT unitholders would have otherwise been entitled to receive (30 September 2009 Distribution).

Upon completion of the Proposed Scheme, which is expected to occur on 7 December 2009 (Implementation Date), Mirvac will become the holder of all issued MREIT units and MREIT will become a wholly owned sub-trust of MPT.

7. Independent Expert's Report
(continued)

The independent directors of MRML as the responsible entity for MREIT, being the directors who are not associated with Mirvac (Independent Directors), have stated their intention to recommend that unitholders who are not associated with Mirvac (Non-Associated Unitholders) accept the Proposed Scheme in the absence of a superior offer and subject to the independent expert concluding the Proposed Scheme is in the best interests of Non-Associated Unitholders.

The Independent Directors have prepared an explanatory memorandum containing the detailed terms of the Proposed Scheme (the Explanatory Memorandum) and an overview of the Proposed Scheme is provided in Section 1 of our detailed report.

Purpose of the report

Fairness and Reasonableness Opinion

The Independent Directors have requested that Deloitte Corporate Finance Pty Limited (Deloitte) provide an independent expert's report (IER) advising whether, in our opinion, the Proposed Scheme is fair and reasonable to Non-Associated Unitholders for the purpose of item 7 of section 611 (Section 611) of the Corporations Act and the Takeovers Panel Guidance Note 15 (GN15) (Fairness and Reasonableness Opinion).

GN15 requires that the IER sets out the reasons for forming our opinion and certain matters required by Section 648A(3) of the Corporations Act.

Best Interests Opinion

MRML is required, in exercising its powers and carrying out its duties as responsible entity of the Trust, to act in the best interest of MREIT unitholders. In order to assist in discharging their fiduciary obligations, the Independent Directors have also requested that Deloitte provide an opinion whether the Proposed Scheme is in the best interests of Non-Associated Unitholders (Best Interests Opinion).

We have prepared this report having regard to the relevant aspects of the Corporations Act, GN15 and the relevant regulatory guides issued by the Australian Securities and Investments Commission (ASIC).

This report is to be included in the Explanatory Memorandum to be sent to Non-Associated Unitholders and has been prepared for the exclusive purpose of assisting them in their consideration of the Proposed Scheme. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose.

Basis of evaluation

The basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction. The Proposed Scheme is in substance a takeover offer by Mirvac of the securities in MREIT which it does not already own. We have therefore considered the relevant regulatory guidelines in respect of takeover offers.

Sections 636(2) and 640 of the Corporations Act 2001 require an IER in connection with a takeover offer in certain circumstances. These sections require the IER to state whether, in the expert's opinion, the takeover offer is fair and reasonable. GN15 requires that the form of analysis used by the expert should be substantially the same as for a takeover bid.

To assess whether the Proposed Scheme is in the best interests of Non-Associated Unitholders, we have adopted the test of whether the Proposed Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111 (RG 111).

In order to evaluate the Proposed Scheme, we have considered the following:

Fairness

We have assessed whether the Proposed Scheme is fair by estimating the fair market value of an MREIT unit (assuming 100% control) and comparing that value to the estimated fair market value of the consideration to be received by Non-Associated Unitholders pursuant to the Proposed Scheme. In order to estimate the fair market value of the Mirvac securities which may be received as consideration, we have relied upon an analysis of recent trading in Mirvac securities as our primary valuation methodology.

Based on our understanding of ASIC policy intent on the appropriate interpretation of the "fair" and "reasonable" tests in RG 111, we note the following:

- in assessing the fairness of a transaction, an expert should not have regard to any entity specific or structural issues such as excess gearing which may temporarily impair an entity's ability to realise full fair market value for its assets which may be reflected in the market price of its securities. Instead, in assessing fairness, an orderly market for the underlying assets should be assumed
- entity specific factors may be appropriate matters to be taken into account when assessing the reasonableness of the proposal.

As a result of the above, in considering the fairness of the Proposed Scheme we have not considered any potential valuation implications that may arise as a consequence of the potential near term covenant breaches or short term liquidity and funding constraints currently faced by MREIT in our assessment of the fair market value of an MREIT unit.

Reasonableness

To assess the reasonableness of the Proposed Scheme we considered the following significant factors in addition to determining whether the Proposed Scheme is fair:

- the current status and future prospects of the Trust on a stand-alone basis
- other financial implications to Non-Associated Unitholders including distribution profile, net tangible asset backing and earnings per unit prospects for the Trust if the Proposed Scheme proceeds
- the existing unitholding of Mirvac and any other significant unitholding blocks in MREIT
- the likely price and market liquidity of MREIT units in the absence of the Proposed Scheme
- other advantages and disadvantages of the Proposed Scheme to Non-Associated Unitholders
- other implications for Non-Associated Unitholders of rejecting the Proposed Scheme.

Best interests

We have assessed whether the Proposed Scheme is in the best interests of Non-Associated Unitholders after considering whether there are sufficient reasons for Non-Associated Unitholders to vote in favour of the Proposed Scheme in the absence of a superior offer.

Summary and conclusion

Summary of opinions

Fairness and Reasonableness Opinion

In our opinion the Proposed Scheme is not fair but reasonable to Non-Associated Unitholders.

Best Interests Opinion

We have also concluded that the Proposed Scheme is in the best interests of Non-Associated Unitholders in the absence of a superior offer.

In arriving at these opinions, we have considered the following factors:

The Proposed Scheme is not fair

In order to assess the fairness of the Proposed Scheme we have compared the fair market value of a unit in MREIT on a control basis to the fair market value of the consideration offered pursuant to the Proposed Scheme, being one Mirvac security for every three MREIT units or a combination of $0.50 per unit in cash and 0.333 Mirvac securities under the Cash and Scrip Offer.

Set out in the table below is a comparison of our assessment of the fair market value of an MREIT unit, on a control basis, with our assessment of the fair market value of the consideration offered by Mirvac.

Evaluation of fairness

	Section	Low ($)	High ($)
Estimated fair market value of an MREIT unit (control basis)	7	$0.84	$0.86
Estimated fair market value of the consideration			
Scrip Offer[1]	9	$0.53	$0.56
Cash and Scrip Offer[2]		$0.51	$0.56

Source: Deloitte Corporate Finance analysis

Notes:

1. the Scrip Offer is based on the offer ratio of one Mirvac security for every three MREIT units held and our estimate of the fair market value of a Mirvac security on a minority basis of $1.55 to $1.65 per stapled security. The assessed value of the consideration includes the 30 September 2009 Distribution of 1.0 cpu that Non-Associated Unitholders will receive pursuant to the Proposed Scheme
2. the Cash and Scrip Offer range is based on the Cash Offer of $0.51 per unit (inclusive of the 30 September 2009 Distribution) and the high end of the Scrip Offer however this range would depend on the relative proportions of cash and Mirvac securities received
3. All amounts stated in this report are in Australian dollars ($) unless otherwise stated and may be subject to rounding

The estimated fair market value of the consideration offered by Mirvac is below our estimate of the fair market value of an MREIT unit on a control basis and represents a discount of between 34% and 40% to the mid-point of our valuation range. Accordingly we have concluded that the Proposed Scheme is not fair.

As discussed above, our estimate of the fair market value of an MREIT unit does not take into account specific circumstances currently affecting the Trust such as near term debt maturities, potential covenant breaches and capital constraints which appear to have adversely impacted recent trading prices for MREIT units. These and other factors would likely adversely impact the value realisable by MREIT unitholders in the absence of the Proposed Scheme and we have considered these factors in our assessment of the reasonableness of the Proposed Scheme.

Valuation of an MREIT unit

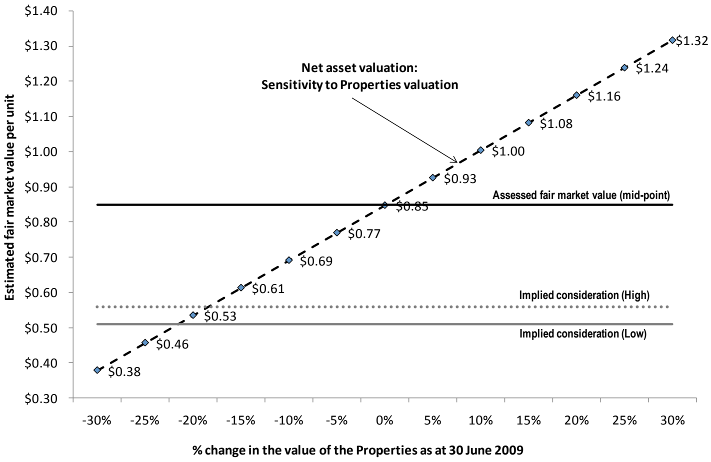
We have estimated the fair market value of an MREIT unit using the net assets on a going concern approach which estimates the fair market value of MREIT by aggregating the fair market value of its assets and liabilities. The most significant factor impacting our estimate of the fair market value of an MREIT unit is the underlying values of the Properties. We have cross-checked the reasonableness of our assessed fair market value of MREIT by comparing our valuation to asset and earnings multiples implied in the share trading of publicly listed comparable entities.

Our assessment of the fair market value of MREIT's net assets has been based on the audited balance sheet as at 30 June 2009, adjusted to reflect the current fair market values of MREIT's assets and liabilities. The fair market value of MREIT's direct property assets is based on detailed valuations for each of MREIT's 24 properties which were prepared as at 30 June 2009. Of these, 14 were prepared by independent appraisers and the remaining 10 were management valuations adopted by the board of directors of MREIT. All of the Properties (excluding certain assets within the Travelodge Group) have been independently valued during the 12 months to 30 June 2009. The property valuations as at 30 June 2009 reflect a weighted average valuation capitalisation rate (WACR) of 8.35% (an increase in the capitalisation rate of 1.20% compared to 30 June 2008). We have reviewed the valuations of the Properties prepared as at 30 June 2009 and have concluded that these valuations are an appropriate estimate of the current fair market value of the Properties.

Whether these valuations continue to fall or rise in future will be a major driver of the fair market value of an MREIT unit. Short term prospects in most sub-sectors of the property market remain constrained and as a consequence there would appear to be a risk that property valuations will continue to decline further in the year to 30 June 2010.

Given the high level of debt within the Trust, our valuation is sensitive to relatively small movements in the underlying value of the Properties. Our estimate of the impact of movements in the underlying valuations of the Properties on the fair market value of an MREIT unit is set out below.

Valuation of a unit in the Trust – sensitivity to movements in the value of the Properties



Source: Deloitte Corporate Finance analysis
Note: Offer price includes the September 2009 Distribution to be payable to Non-Associated Unitholders of $0.01 per unit

Broadly speaking, a +/- 0.5% movement in the underlying capitalisation rate of the investment properties would have an approximate -/+ 7% impact on the value of the Properties which equates to an approximate impact of -/+12% on the value of an MREIT unit, after taking into account the impact of the existing leverage of the Trust.

Valuation of consideration

In order to estimate the fair market value of the Mirvac securities to be received as consideration, we have relied upon an analysis of recent trading prices for Mirvac securities as our primary methodology. Whilst this differs to the net assets approach for estimating the fair market value of MREIT, in our opinion, recent trading in Mirvac securities provides a reasonable estimate of the fair market value of the consideration to be received by Non-Associated Unitholders since:

- if the Proposed Scheme proceeds, Non-Associated Unitholders will have a minority or portfolio interest in Mirvac. The trading price of a Mirvac security represents a minority value
- any market re-rating or synergies arising as a result of the Proposed Scheme proceeding are likely to have an immaterial impact on the security price of Mirvac due to the relative scale of Mirvac's operations and asset base compared to those of MREIT
- there are no restrictions on Non-Associated Unitholders who elect to receive Mirvac securities as consideration pursuant to the Proposed Scheme disposing of their securities subsequent to implementation of the Proposed Scheme
- there is a liquid market for Mirvac securities including a strong retail and institutional securityholder base as well as significant coverage from buy side and sell side research analysts. Furthermore, on 25 August 2009, Mirvac announced its FY09 results to the market and provided revised guidance for the group.

The Proposed Scheme is reasonable

Introduction

In accordance with RG 111 an offer is reasonable if it is fair. An offer might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for Non-Associated Unitholders to accept the offer in the absence of any higher offer.

Whilst the Proposed Scheme is not fair, we have assessed the reasonableness of the Proposed Scheme by considering whether the advantages of the Proposed Scheme proceeding sufficiently outweigh the disadvantages.

We have set out below an analysis of the current issues impacting MREIT, the alternatives available and a summary of the financial implications of the Proposed Scheme as a background to our consideration of the advantages and disadvantages of the Proposed Scheme.

Current issues impacting MREIT and likely options available

The Trust is currently operating in a financially constrained position due to the increasing risk of breaching its loan covenants and short term liquidity constraints. Combined with limited prospects for distribution growth this has contributed to MREIT securities trading at a significant discount to the net tangible assets (NTA) of the Trust.

As at 30 June 2009, MREIT was nearing the allowable threshold for a number of covenants, including gearing, interest cover ratio (ICR) and tangible net worth as set out below:

Debt covenants of MREIT

Covenant	Covenant requirement	Covenant measured as at 30 June 2009	Calculation
Gearing ratio *(until Sept 2010)*	<45.0%	44.6%	Total debt over total tangible assets
Gearing ratio *(post Sept 2010)*	<40.0%	44.6%	As above
Look through gearing ratio	<50.0%	48.6%	Pro-rata share of assets and liabilities of joint ventures and associates, added to direct assets and liabilities
Interest cover ratio (ICR)	>1.75 times	1.91 times	Adjusted EBITDA over interest expense per the income statement
Loan to value ratio (LVR)	<60%	52.4%	Total debt to the total value of properties
Tangible net worth	>$475 million	$531.7 million	Tangible asset value less Liabilities
Net operating income times	>1.5 times	2.1 times	(Rental income less Net operating expenses) / interest expense

Source: MREIT

The risk of MREIT breaching its debt covenants remains significant and relatively small movements in the net assets or income of MREIT could lead to a breach of one or more of these covenants. There is a heightened risk of a breach in the near future due to further asset devaluations and/or the loss of income from 10-20 Bond Street in Sydney during the planned refurbishment and re-leasing period. This risk will increase further in September 2010 once the first tranche of the existing facility expires and the gearing covenant decreases to 40%.

If a breach of lending covenants were to occur, MREIT could be faced with:

- a sale of the assets of the Trust within an accelerated timeframe in order to remedy the breach
- an increase in the interest rate margins charged on the debt facilities of the Trust and/or significant one-off costs in refinancing the facilities

- lending banks implementing a cash trap mechanism which would accelerate the repayment of the facilities through any cash flow generated
- lending banks could force the Trust into administration or to enter a liquidation process.

Due to the lack of debt funding generally available in the current environment, particularly for smaller vehicles such as MREIT, there is also significant risk surrounding MREIT's ability to refinance its debt facilities upon the expiry of its current loan agreements in September 2010 and September 2011. If MREIT is successful in fully refinancing these facilities, it is likely that there will be a significant increase in the debt margin, which will impact the future earnings of the Trust.

Whilst the Trust's underlying Properties should continue to provide stable income returns, its future growth prospects are expected to be constrained due to the risk of further asset devaluations, increasing funding costs as well as the loss of income during the refurbishment and re-leasing of the 10-20 Bond Street, which contributed approximately 10% of the net operating income of MREIT in FY09.

In order to minimise the current covenant pressures and to achieve a more optimal capital structure, MREIT is targeting a gearing ratio in the order of 35%. In order to achieve this target gearing, and assuming no further devaluation in MREIT's property investments, MREIT would require further asset sales in the order of $130 million which represents approximately 13% of the Trust's total investment portfolio, or alternatively would need to raise approximately $95 million of equity.

Achieving the required asset sales is uncertain and may breach covenants

To date MREIT management has been successful in disposing of smaller non-core assets at prices at or close to the most recent valuations. However, to reduce gearing to around 35% may require divestment of some of the larger assets which may be more difficult and time consuming to sell. In particular, the refurbishment and re-leasing program at 10-20 Bond Street and the current covenant pressures within the Travelodge joint venture, two of MREIT's largest assets, would make these investments difficult to sell in the current environment.

General market sentiment indicates that the current stage in the economic cycle is unlikely to be an optimum time to realise real estate investments as prices are at or near a cyclical low point. Real estate transactions, particularly for larger properties, are currently subject to considerable risks in terms of pricing and execution as potential purchasers are experiencing funding constraints and there is an excess supply of assets for sale due to the general deleveraging of the sector which has resulted in a number of trusts attempting to sell assets to pay down debt. As these entities attempt to hold on to their core or higher grade assets, anecdotal evidence indicates that there is a large number of mid-grade properties on the market. This lack of pricing tension is expected to persist, at least in the short term, due to further asset sales expected from the smaller A-REITs that haven't been recapitalised and from the unlisted property sector.

Further asset sales may increase the likelihood of MREIT breaching its debt covenants during the process due to:

- expected further asset devaluations as well as the lack of pricing tension may result in MREIT accepting prices lower than the 30 June 2009 book value of the assets which would result in breaches of gearing and/or ICR covenants
- the quantum of asset sales required would likely lead to a breach of the tangible net worth requirement.

The response of MREIT's financiers to any such breach is difficult to predict. However, actions taken may include one-off costs/penalties, increased funding costs and/or the requirement to increase and/or accelerate the asset sale program which could result in the realisation of assets in a sub-optimal manner.

Even if the asset sales are successful, MREIT would be substantially reduced in scale with more limited growth prospects. These factors would likely result in diminished investor appetite for units in the Trust, thereby reducing liquidity and consequently have an adverse impact on the market price of MREIT units. The prospects of MREIT units trading at prices above the value of the consideration offered under the Proposed Scheme in the short term would therefore be limited.

An equity injection alone would likely provide insufficient capital and would be dilutive

To reduce the gearing of the Trust to 35% would require an equity injection of approximately $95 million which represents approximately 39% of the total market capitalisation of MREIT prior to 13 August 2009, the date that Mirvac announced that it was in discussions with MREIT regarding a potential transaction (the Speculation Date).

MREIT and its advisers recently conducted some market soundings in respect of an equity raising (either through an underwritten rights entitlement or alternate structures). This option was not pursued as it was not expected to raise sufficient capital since there was limited appetite to underwrite the retail component of any raising, primarily due to the large number of retail unitholders on MREIT's register (over 25,000) and the uncertainty regarding Mirvac's actions during any such raising. The lack of underwriting support for the retail component of any equity raising would limit the likelihood of MREIT raising sufficient capital.

An alternative structure was considered whereby a third party investor would inject capital into the Trust and underwrite an entitlement offer in exchange for a cornerstone investment and the acquisition of the management rights of MREIT from Mirvac. However, this was not considered a viable alternative as Mirvac has a stated intention to retain its interest in, and management of, MREIT.

If Mirvac were to fully or partially underwrite such a raising, there would be the potential for Mirvac to obtain a more significant interest in, and even control of, MREIT. If Mirvac did not participate, this could send a negative signal to the market which could limit the proceeds raised and/or result in a negative re-rating of MREIT.

Even if sufficient capital could be raised through this process:

- recent market evidence suggests that significant discounts to the recent unit price and the NTA of MREIT would be required in order to make it attractive to potential investors. For example, capital raisings in the property sector since 2008 have been occurring at an average discount of 18.7% to the 30 day Volume Weighted Average Price (VWAP) and 54.7% to NTA as summarised in Appendix 6. Such significant discounts would result in earnings, distribution and NTA per security dilution for Non-Associated Unitholders that did not participate
- the prospects of MREIT units trading at prices above the value of the implied consideration offered under the Proposed Scheme in the short term would be limited.

A managed wind up of the Trust is subject to significant execution risk

Another alternative available would be to wind up the Trust and distribute the net proceeds to unitholders.

7. Independent Expert's Report
(continued)

We have prepared an analysis in respect of the potential proceeds that could be realised by unitholders during a managed wind up of MREIT. The main assumptions underpinning this analysis are the prices for which the Properties could be realised and the timeframe for realisation.

Broadly speaking, in order to generate net proceeds in excess of the consideration implied by the Proposed Scheme, a managed wind up would have to realise the Properties at prices which represented discounts of less than 15% to the 30 June 2009 book values over a period of three or less years.

The other assumptions included in this analysis include:

- net sales proceeds are used to repay debt until the debt is fully repaid. The liability in relation to the hedge portfolio is settled in the same proportion as the underlying debt and there are no adverse tax consequences to the Trust
- net income of the Trust over the realisation period is available and is distributed to unitholders (i.e. no cash trap or other mechanism is instituted by the lenders)
- the net proceeds received are discounted using a discount rate of 11% to 13% which represents a premium of 1.5% to 3.5% over the weighted average discount rate incorporated in the valuation of the Properties as at 30 June 2009. This premium reflects the equity risk associated with the net cash flows during the wind up process relative to the stand alone cash flows of each of the Properties. Due to the short time frame of the realisation period, the analysis is not significantly sensitive to the discount rate assumption.

Whilst it may be possible to achieve the above scenario, it is likely to be difficult to realise this or a materially superior outcome since:

- MREIT's recent experience is that individual asset sales have recently been taking up to one year (and sometimes longer) to complete from initiation of the process. Based on this experience, the significant supply of property assets currently on the market and that some of MREIT's largest assets would not be in a position to be marketed for sale for a period of time, a realisation timeline of less than three years is likely to be difficult to achieve
- whilst prices achieved could be at a discount of less than 15% to the 30 June 2009 book values, there is a risk that even greater discounts could be realised due to a general lack of price tension for real estate assets in the current environment as discussed above and that once a managed wind up is announced, offers received may be more opportunistic as the Trust could be seen as a forced seller by potential buyers
- the actions of the lenders could have a material adverse impact on the net proceeds distributed as this process would likely result in a breach of the existing covenants of MREIT. Actions taken by lenders may result in the Trust realising values for its properties at significant discounts to the book values at 30 June 2009 in order to meet its debt repayment obligations
- some assets, such as those held through minority equity interests in joint ventures may be more difficult to sell. These interests may attract a liquidity discount in the current environment, particularly interests with significant levels of debt at the fund level such as the Travelodge joint venture
- the potential loss of key staff during the process which could delay the process.

Furthermore, once a managed wind up is in place:

- it would be difficult for MREIT to attract new investors so units would likely become more illiquid
- MREIT would likely only be able to distribute the net sales proceeds once MREIT's debt is fully paid off which would be near the end of the wind up process hence investors would be unlikely to access any significant cash distributions over most of this period.

The lack of liquidity and execution risks associated with realising the assets of the Trust would likely result in MREIT units trading at deeper discounts to the underlying NTA per unit during the wind up process. It is therefore unlikely MREIT unitholders would be able to realise any significant value for their units until the end of the process when the final outcomes become more certain.

Conclusion on alternatives

We are of the view that none of the alternatives presented above are likely to realise greater value for MREIT unitholders than the Proposed Scheme, particularly after considering the relative risks associated with each of the alternatives. Furthermore, the Proposed Scheme addresses the liquidity and funding constraints of the Trust with minimal execution risk.

Financial implications of the Proposed Scheme

We have considered the impact of the Proposed Scheme for Non-Associated Unitholders in respect of NTA per security, DPS, EPS and gearing as follows:

Financial implications of the Proposed Scheme – 30 June 2009 Pro-forma analysis[1 2]

	Stand-alone		Pro-forma		
	Mirvac	MREIT	Mirvac	MREIT share	% Change
Financial considerations					
NTA per security as at 30 June 2009 ($)	$1.72	$0.85	$1.76	$0.59	*-31%*
FY10 DPS (cents)[1]	8.0 to 9.0	3.20	8.0 to 9.0	3.0 to 3.3[2]	*-6% to +4%*
FY10 EPS (operating) (cents)[2]	9.0	4.65	11.1	3.57	*-23%*
Book value gearing (30 June 2009)	18.1%[3]	43.8%	22.9%[4]	22.9%[4]	*-48%*

Source: Deloitte Corporate Finance analysis

Notes:

1. Based on the midpoint estimate of MPT FY10 distributions, and includes 30 September 2009 Distribution to be payable to Non-Associated Unitholders of.1.0 cpu
2. As discussed in Section 4 of the Explanatory Memorandum, the unaudited pro-forma financial information for the Mirvac merged group for 30 June 2009 represents the consolidated financial results of ML, MPT and MREIT, however, the FY10 forecast financial information represents the financial results of MPT and ML since the directors of Mirvac are of the opinion that there is no reasonable basis to provide a forecast for ML in light of continued uncertain economic and financial conditions in the markets in which ML operates. FY10 distributions for Mirvac are forecast to be solely sourced from MPT and no contributions are expected from ML
3. The current pre-merger gearing of Mirvac
4. Assumes all of MREIT's debt is retired by Mirvac.

NTA backing

The NTA backing per MREIT unit was $0.85 per unit as at 30 June 2009. The equivalent pro forma NTA backing per Mirvac security for Non-Associated Unitholders will be approximately $0.59, which represents a 31% decrease relative to MREIT on a stand-alone basis.

DPS

The total forecast FY10 distribution from Mirvac per equivalent MREIT unit is 2.0 to 2.3 cpu based on Mirvac's FY10 distribution guidance of 8 cents to 9 cents per Mirvac security. In addition, MREIT unitholders will receive the 30 September 2009 Distribution of 1.0 cpu.

Therefore, total distributions to MREIT unitholders that receive Mirvac securities will equate to between 3.0 cpu and 3.33 cpu, which represents either a 6% decrease or a 4% increase relative to MREIT's stand alone FY10 distribution guidance of 3.2 cpu.

The Proposed Scheme is expected to be accretive to DPU in FY11 due to the significant decline in DPU in FY11 as a consequence of the refurbishment and re-leasing of 10-20 Bond Street.

EPS

Similar to NTA per unit, the Proposed Scheme would be heavily dilutive to FY10 EPU for Non-Associated Unitholders with a reduction of approximately 23% in FY10 as set out above.

Whilst the Proposed Scheme is expected to be EPU dilutive based on FY10 estimates, it will likely be accretive to Non-Associated Unitholders based on FY11 EPU due to the impact of the refurbishment and re-leasing of 10-20 Bond Street discussed above.

Book value gearing

The book value gearing of MREIT was 43.8% as at 30 June 2009. The equivalent pro forma book value gearing of MREIT will be approximately 22.9%, a 48% decrease relative to MREIT on a stand-alone basis.

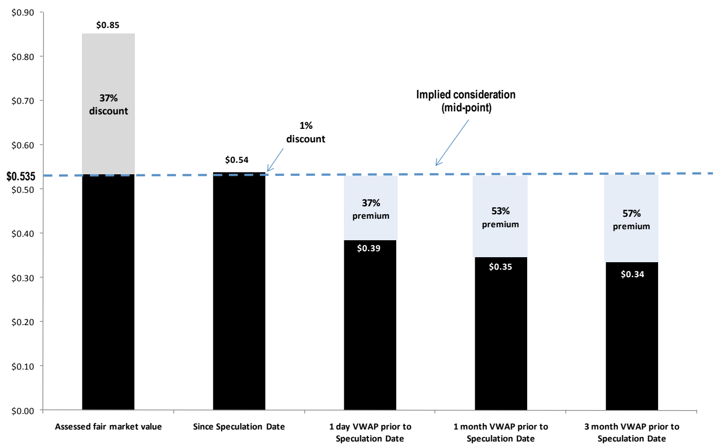
Advantages of the Proposed Scheme

The likely advantages to Non-Associated Unitholders if the Proposed Scheme is approved include:

The consideration represents a premium to recent trading in MREIT units and MREIT units would likely trade below the implied offer price in the absence of the Proposed Scheme

Whilst the consideration offered pursuant to the Proposed Scheme is significantly below our assessed fair market value on a control basis, the consideration represents a premium to the historical trading in MREIT units prior to the Speculation Date as set out below:

Premium (discount) of implied consideration to assessed value and recent trading in MREIT units



Source: Deloitte Corporate Finance analysis

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Deloitte: Mirvac Real Estate Investment Trust – Independent expert's report

Notes:

1. Assumes consideration of $0.535 per security which represents the mid-point of the implied consideration of between $0.51 and $0.56 as set out above
2. Price since Speculation Date represents the VWAP of MREIT from 13 August 2009 to 8 October 2009.

The consideration offered pursuant to the Proposed Scheme represents a premium of between 37% to 57%, respectively to the 1 day VWAP and the 3 month VWAP of MREIT units prior to speculation of the Proposed Scheme.

However, the consideration offered represents a slight discount to the more recent trading in MREIT units. We are of the opinion that the MREIT unit price subsequent to the Speculation Date has been largely influenced by anticipation of the Proposed Scheme. In particular it is worth noting that since one day prior to the Speculation Date, the price of MREIT units has increased 44% compared to 11% for the S&P/ASX 300 Property Accumulation Index (Property Index) over the same period.

Due to the limited near term growth prospects and the current liquidity and funding constraints of MREIT in the absence of the Proposed Scheme or an alternate recapitalisation proposal it is likely that MREIT units will trade at prices below the offer price and potentially more in line with prices observed prior to the Speculation Date.

The Proposed Scheme addresses the liquidity and funding constraints of the Trust with minimal execution risk

The Proposed Scheme provides funding and liquidity certainty for MREIT unitholders. In particular:

- as a result of recent capital raisings and other initiatives, Mirvac has significantly lowered its gearing levels and as at 30 June 2009 had available cash of $0.8 billion which could be used to pay down MREIT's existing debt facilities
- access to lower cost funds through Mirvac's existing facilities and Standard & Poor's (S&P) BBB/A-2 rating with a positive outlook
- lower financial risk due to the significantly lower current gearing profile within Mirvac as the pro-forma gearing subsequent to the Proposed Scheme is 22.9% compared to 43.8% for MREIT on a stand-alone basis.

The Proposed Scheme will therefore allow MREIT Unitholders to avoid the negative consequences of any further asset sales.

Enhanced growth prospects relative to MREIT on a standalone basis

Mirvac's growth prospects (and potentially future appreciation in the value of a Mirvac security) are expected to be underpinned by its relatively strong current financial position and leveraged exposure to the property cycle through an integrated property investment and development model as well as a hotel management business and funds management platform.

If Mirvac scrip is received Non-Associated Unitholders should have relatively better income and capital growth prospects compared to holding units in MREIT on a stand-alone basis. In particular, Non-Associated Unitholders may benefit from any additional upside to the NTA, security price and/or distribution profile of Mirvac which may be achievable from:

- Mirvac's residential development business, which is at a low point in the cycle, has contributed minimal earnings to Mirvac during FY09 and is expected to contribute minimally to FY10 earnings. Actions taken by Mirvac to reposition the portfolio and expected improvement in market conditions beyond FY10 may provide earnings growth for this business in addition to that already factored into Mirvac's security price (and therefore the consideration)

- the market is currently attributing minimal (if any) value to Mirvac's funds management and hotel businesses. Non-Associated Unitholders should benefit to the extent that these businesses are re-rated by the market
- any potential re-rating in Mirvac securities as a consequence of an upgrade in Mirvac's debt rating
- Mirvac's relatively strong financial position and lower cost of capital (relative to that of MREIT on a standalone basis) will allow Mirvac to more aggressively pursue acquisition and development opportunities, including the development in Woden ACT (Woden Development) which has been pre-leased to the Department of Health and Aging (DOHA).

However, as discussed above the total expected distribution for FY10 to MREIT unitholders that receive Mirvac securities represents either a 6% decrease or a 4% increase relative to MREIT's stand alone FY10 distribution guidance of 3.2 cpu. Based on these estimates the FY10 distributions to Non-Associated Unitholders should the Proposed Scheme proceed could decrease which would limit the short term distribution growth prospects compared to holding units in MREIT on a stand-alone basis.

Other advantages

Other advantages of the Proposed Scheme to Non-Associated Unitholders include:

- if the Proposed Scheme is approved and Mirvac securities are received, Non-Associated Unitholders will own securities in an entity which is significantly larger and more diversified than MREIT on a standalone basis and which also has a higher grade portfolio. In particular:
  - the increased market capitalisation of Mirvac, the enlarged securityholder base and inclusion in all of the key Australian property indices should provide improved liquidity and greater trading depth than MREIT currently enjoys on a stand-alone basis
  - Non-Associated Unitholders will hold an interest in a larger, more diversified property group that includes a number of high grade commercial, retail, industrial, and hotel and car park properties across Australia, a large scale development business and a significant hotel and funds management business, all of which will enhance geographic and property sector diversification.
- as an externally managed property trust, MREIT currently pays fund management fees to MRML. If the Proposed Scheme proceeds, Non-Associated Unitholders will hold an interest in Mirvac which will include both MREIT and MRML. Accordingly, the leakage of fund management fees to third parties will be eliminated.

Disadvantages of the Proposed Scheme

The likely disadvantages to Non-Associated Unitholders if the Proposed Scheme is approved include:

Non-Associated Unitholders may miss the opportunity to participate in any specific appreciation of MREIT's properties

Whilst there is no certainty that the value of the Properties will appreciate, general market sentiment indicates that the current stage in the economic cycle is unlikely to be an optimum time to realise full value for real estate investments.

Due to the high financial leverage of the Trust, any appreciation in the Properties over time would be likely to translate to a significant improvement in the NTA value of MREIT.

If Non-Associated Unitholders receive cash consideration for their units, they will forgo the opportunity to participate in this leveraged exposure to any medium term upside in the values of the Properties.

However, as mentioned above, to the extent that the Non-Associated Unitholders elect to receive the Scrip Offer, then they will participate in this leveraged exposure (on a diluted basis) through holding securities in Mirvac.

MREIT units have traded at a premium to the consideration

Since the Speculation Date, MREIT units have been trading between $0.45 and $0.59 per unit and have often traded at a premium to our assessed fair market value of the consideration to be received by Non-Associated Unitholders pursuant to the Proposed Scheme.

Possible reasons that could explain this trading activity are:

- the market is expecting an increase in the consideration offered pursuant to the Proposed Scheme
- the market expects that MREIT will be able to resolve its funding and liquidity issues
- the market has re-rated the value of the units.

If MREIT units continue to trade above the implied consideration, Non-Associated Unitholders may be able to realise a value higher than the consideration implied by the Proposed Scheme by selling their units on the market.

Furthermore, even if Non-Associated Unitholders are attracted to the relative growth prospects offered by securities in Mirvac, to the extent that the MREIT unit price remains above the implied consideration (and subject to any tax leakage on disposing of MREIT units), Non-Associated Unitholders may be able to achieve a greater allocation of Mirvac securities through an on-market transaction rather than participating in the Proposed Scheme.

Change in the profile of the investment

If Non-Associated Unitholders receive securities in Mirvac as consideration there will be a fundamental change in the profile of the underlying investment. Under Mirvac's current business model, in addition to earning returns from property investment, income is generated through property development activities, hotel management and funds management, in both domestic and, to a lesser extent, international markets. The performance of this mix of business is likely to be more volatile than the returns available from the existing direct property investments of MREIT. This return profile may not meet the investment objectives for certain Non-Associated Unitholders.

Tax consequences

Approval of the Proposed Scheme may result in adverse tax consequences for Non-Associated Unitholders. Whilst we note that the tax implications will vary depending on the circumstances of each unitholder, possible tax consequences for Australian resident Unitholders include the following:

- potential capital gains consequences for the cash component of the consideration and/or the scrip component due to the limited roll-over relief available to Non-Associated Unitholders. The approval of the Proposed Scheme may therefore accelerate tax payable for Non-Associated Unitholders as it may crystallise a tax liability in the short-term, which would otherwise have been deferred. Non-Associated Unitholders should evaluate the capital gains or other tax consequences of acceptance in assessing whether to approve the Proposed Scheme

- potential capital gains tax for Non-Associated Unitholders who participate in the Sale Facility.

For further details of the tax consequences of accepting the Proposed Scheme to Australian and non-Australian resident Unitholders, you should refer to Section 8 of the Explanatory Memorandum.

Other disadvantages

Other potential disadvantages of the Proposed Scheme include:

- *Prevents future takeover of MREIT*: Although there are no alternative offers at present, in light of the recent recapitalisation of the property sector, it is possible that an alternative offer may emerge. However, Mirvac's existing stake and the likely requirement to renegotiate the terms of the existing debt facilities are likely to represent significant impediments to an alternate takeover offer for MREIT. Furthermore, the scale of Mirvac may limit the prospect of Non-Associated Unitholders realising a control premium for their Mirvac securities in the future as the pool of potential purchasers of Mirvac may be limited
- *May result in change of control provisions:* The Proposed Scheme may result in joint venture partners enforcing change of control provisions for certain jointly controlled assets, namely the Travelodge joint venture with National Roads and Motorists' Association Limited (NRMA). However, this is not considered to be a significant risk as NRMA is a passive investor in, and Mirvac remains the manager of, this joint venture.

Conclusion on reasonableness

The estimated fair market value of the consideration to be received by Non-Associated Unitholders pursuant to the Proposed Scheme ranges between $0.51 (inclusive of the 30 September 2009 Distribution) and $0.56 per MREIT unit which represents a discount of between 34% and 40% to the mid-point of our assessed fair market value range for an MREIT unit on a control basis.

Whilst this represents a substantial discount to the fair market value of an MREIT unit, the key consideration for Non-Associated Unitholders is to assess the prospect of realising greater value for a unit in MREIT through alternate means.

If MREIT management were successful in reducing the level of gearing within the Trust, the risk relating to MREIT's capital structure would be reduced. An improvement in the capital structure of the Trust has the potential to unlock significant value for Non-Associated Unitholders should the market re-rate MREIT's unit trading price and reduce the current implied discount to NTA, subject to the impact of any dilution to NTA associated with any capital raising.

The Proposed Scheme provides funding and liquidity certainty at a time of uncertainty for MREIT and the alternatives currently available are subject to significant execution risk and may not meet the short term objectives of the Trust. In particular:

- on a stand-alone basis, MREIT has limited growth prospects and there is a significant risk that the Trust will breach lending covenants in the short-term which will limit the prospects of its units trading at a price in excess of the consideration offered in the short term
- whilst a managed wind-up of the Trust has the potential to generate greater value (in certain limited scenarios), this alternative is subject to significant execution risk whereas the Proposed Scheme provides price, funding and liquidity certainty
- the consideration offered pursuant to the Proposed Scheme represents a 37%, 53% and 57% premium to the 1 day, 1 month and 3 month VWAP, respectively for MREIT prior to market speculation regarding the Proposed Scheme

- the Proposed Scheme also offers Non-Associated Unitholders some potential for further capital growth through any re-rating or other appreciation not currently factored into the security price for Mirvac.

Despite the Proposed Scheme not being fair, in our opinion the advantages of the Proposed Scheme outweigh the disadvantages and therefore the Proposed Scheme is reasonable.

Other considerations

Transaction costs

MREIT's portion of the transaction costs for the Proposed Scheme is expected to be $1.3 million.

Mirvac expects to reimburse MREIT for reasonable transaction costs incurred in relation to the proposed transaction up to a limit of $1 million if Mirvac decides not to proceed with the Proposed Scheme. In circumstances where the Proposed Scheme does not proceed as a result of, amongst other factors, MREIT unitholders not approving the Proposed Scheme, Mirvac will not be liable for the reimbursement of MREIT's transaction costs.

Uncertainty in the price of Mirvac securities to be issued as consideration

Since the consideration under the Scrip Offer is fixed at one Mirvac security for every three units held in MREIT, Non-Associated Unitholders will be exposed to any fluctuation in the price of a Mirvac security up until the Implementation Date.

Regardless of the outcome of the Proposed Scheme, the price of Mirvac securities will vary in the future, based on market movements, developments in the property market and changes in Mirvac's specific circumstances.

We have assessed the value of the consideration offered pursuant to the Scrip Offer based on our assessment of the current fair market value of a Mirvac security. The table below sets out the effective consideration per MREIT unit under the Scrip Offer for a range of possible market prices for a Mirvac security:

Sensitivity of the value of consideration offered per MREIT unit to Mirvac's market price

Market value of a Mirvac security	Consideration per MREIT unit[1]
$1.25	$0.43
$1.35	$0.46
$1.45	$0.49
$1.55	$0.53
$1.65	$0.56
$1.75	$0.59
$1.85	$0.63
$1.95	$0.66

Source: Deloitte Corporate Finance analysis

Notes:

1. Consideration based on the offer ratio of one Mirvac security for every three MREIT units held and includes the special distribution of 1.0 cpu
2. Shaded area represents our estimate of the current fair market value of a Mirvac security.

The trading price of Mirvac securities has been volatile in recent months. For example the daily VWAP has ranged from $0.781 per security to $1.719 per security in the 6 months to 8 October 2009 with a VWAP over this period of $1.246 per security.

Opinions

Fairness and Reasonableness Opinion

In our opinion, the Proposed Scheme is not fair but reasonable to Non-Associated Unitholders.

Best Interests Opinion

Having regard to the factors considered above, in particular the other alternatives available to Non-Associated Unitholders, we are of the opinion that the Proposed Scheme is in the best interests of Non-Associated Unitholders, in the absence of a superior offer.

Other considerations

An individual Non-Associated Unitholder's decision in relation to the Proposed Scheme may be influenced by his or her particular circumstances. If in doubt the Non-Associated Unitholder should consult an independent adviser.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED

M. Pittorino	R Foley-Lewis
Mark Pittorino	Rachel Foley-Lewis
Director	Director

Note: all amounts stated in this report are $ unless otherwise stated, and may be subject to rounding.

Contents

7. Independent Expert's Report
(continued)

Appendices

1 Terms of the Proposed Scheme

1.1 Summary

On 12 October 2009, the Board of MRML in its capacity as responsible entity for MREIT, together with the Board of Mirvac announced a proposal pursuant to which, subject to approval by Non-Associated Unitholders, Mirvac would acquire all of the issued units in MREIT that it does not already own. Upon completion of the Proposed Scheme, Mirvac will become the holder of all issued MREIT units and MREIT will become a wholly-owned sub-trust of MPT.

The consideration offered by Mirvac is either:

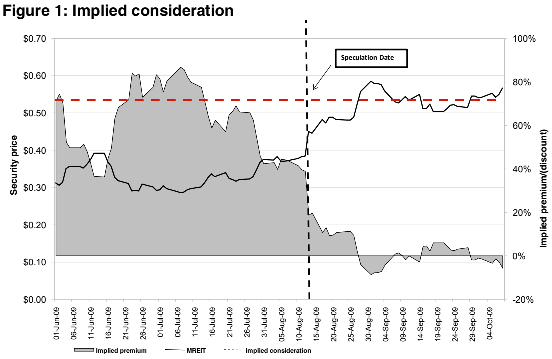
- one security in Mirvac for every three MREIT units held (Scrip Offer); or
- $0.50 cash for each MREIT unit held (up to 20,000 units) plus one security in Mirvac for every three MREIT units held in excess of 20,000 units (Cash and Scrip Offer). In addition to the cash consideration, Mirvac will also arrange a broker sponsored sale facility (Sale Facility) for the benefit of Non-Associated Unitholders that elect to participate.

MREIT unitholders will also receive a special distribution equal to one cpu if the Proposed Scheme proceeds which represents the expected MREIT distribution for the three months ended 30 September 2009 that unitholders would have otherwise been entitled to.

Any Non-Associated Unitholder who, on the record date, has a registered address which is outside Australia and New Zealand and their respective external territories, will be classified as an 'Excluded Foreign Unitholder' for the purposes of the Proposed Scheme. To the extent any Mirvac securities would have been issued to an Excluded Foreign Unitholder, these will be sold by Mirvac under the Sale Facility and the cash proceeds will be paid to the relevant Excluded Foreign Unitholder.

The estimated fair market value of the consideration to be received by Non-Associated Unitholders implies various premiums/(discounts) to the recent trading in MREIT units as set out below.

Figure 1: Implied consideration



Source: Deloitte Corporate Finance analysis

Notes:

1. MREIT security price is based on the daily VWAP
2. Represents the estimated fair market value of the consideration of $0.535 per security, the mid-point of the implied consideration of between $0.51 (inclusive of the 30 September 2009 Distribution) and $0.56 per security.

1.2 Mirvac's intentions

Mirvac is a leading integrated real estate group, listed on the ASX with 7.4 billion of total assets, primarily across its core divisions of investment and development. Mirvac's operations are primarily focused on Australia (representing 99.2% by asset value). Mirvac also has operations in New Zealand, the United Kingdom and the United States.
Further details of Mirvac's operations and growth prospects are set out in Section 5 of our report and Section 3 of the Explanatory Memorandum.

If the Proposed Scheme is successful:

- Non-Associated Unitholders will cease to hold an interest in MREIT and Mirvac will subsequently seek to have MREIT delisted from the ASX
- Non-Associated Unitholders will hold approximately 5% of the securities in Mirvac if all Non-Associated Unitholders accept the Scrip Offer
- upon completion of the Proposed Scheme and assuming Mirvac acquires 100% of MREIT's securities, MREIT will become a wholly-owned sub-trust of MPT and will subsequently be delisted from the ASX.

Mirvac intends to continue the current operations of MREIT following the completion of the Proposed Scheme. In particular, Mirvac intends to actively manage the existing assets of MREIT through continuing the asset rationalisation strategy adopted by the present board of directors of MREIT which will include divesting and recycling non-core assets within the MREIT portfolio, in particular those assets that face income, obsolescence or asset class risk.

Prior to commencing negotiations with Mirvac in respect of the Proposed Scheme, MREIT was in advanced negotiations with a third party regarding the sale of its interest in the Woden Development project. If the Proposed Scheme does not proceed, Mirvac will acquire and retain the Woden Development project from MREIT under a put and call option arrangement with the legal owner of the asset. These put and call options do not become effective, unless among other matters, the Proposed Scheme does not proceed, and MREIT unitholders approve this transaction.

The Proposed Scheme is expected to be funded by Mirvac by way of existing Mirvac cash reserves and the issue of Mirvac securities. The cash component of the Cash and Scrip Offer and transaction costs are expected to be funded through Mirvac's existing cash reserves.

2 Scope of the report

2.1 Purpose of the report

The Proposed Scheme will require Non-Associated Unitholders to approve, pursuant to an ordinary resolution for the purpose of item 7 of Section 611, the acquisition of MREIT units by Mirvac. For the purpose of this provision and pursuant to the guidance in GN15, the independent expert is required to provide an opinion as to whether the transaction is fair and reasonable to Non-Associated Unitholders.

MRML is required, in exercising its powers and carrying out its duties as responsible entity of the Trust, to act in the best interest of MREIT unitholders. In order to assist in discharging their fiduciary obligations, the Independent Directors have also requested that Deloitte provide an opinion whether the Proposed Scheme is in the best interests of Non-Associated Unitholders.

This report is to be included in the Explanatory Memorandum to be sent to Non-Associated Unitholders and has been prepared for the exclusive purpose of assisting them in their consideration of the Proposed Scheme. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose.

2.2 Basis of evaluation

2.2.1 Guidance

The basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction. The Proposed Scheme is in substance a takeover offer by Mirvac for the securities in MREIT which it does not already own. We have therefore considered the relevant regulatory guidelines in respect of takeover offers.

Sections 636(2) and 640 of the Corporations Act 2001 require an IER in connection with a takeover offer in certain circumstances. These sections require the IER to state whether, in the expert's opinion, the takeover offer is fair and reasonable. GN15 requires that the form of analysis used by the expert should be substantially the same as for a takeover bid.

If an expert were to conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the proposal is in the best interests of securityholders. If an expert was to conclude that the proposal is 'not fair but reasonable' it would be open to the expert to conclude whether the proposal is in the best interests of securityholders based on whether there are sufficient reasons for securityholders to vote in favour of the proposal in the absence of a higher offer, however, the expert should clearly state that the consideration is not equal to or greater than the value of the securities subject to the proposal.

To assess whether the Proposed Scheme is in the best interests of Non-Associated Unitholders, we have adopted the test of whether the Proposed Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in RG 111.

RG 111

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for transactions under Chapters 5, 6 and 6A of the Corporations Act, in relation to:

- takeover bids

- schemes of arrangement
- compulsory acquisitions or buy-outs
- acquisitions approved by security holders under item 7 of Section 611
- selective capital reductions
- related party transactions
- transactions with persons in a position of influence
- demergers and de-mutualisations of financial institutions
- buy-backs.

RG 111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of s611, a selective capital reduction or selective buy back.

In respect of control transactions, under RG 111 an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the securities subject to the offer. The comparison must be made assuming 100% ownership of the target company (i.e. including a control premium)
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, security holders, should accept the offer under the proposal, in the absence of any higher bids before the close of the offer.

2.2.2 Fairness

RG 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming 100% ownership of the target company.

Accordingly, we have assessed whether the Proposed Scheme is fair by estimating the fair market value of an MREIT unit (assuming 100% control) and comparing that value to the estimated fair market value of the consideration to be received by Non-Associated Unitholders pursuant to the Proposed Scheme. In order to estimate the fair market value of the consideration to be received pursuant to the Proposed Scheme, which comprises Mirvac securities, we have had primary regard to recent security trading prices for Mirvac securities.

The units in MREIT and Mirvac securities have been valued at fair market value, which we have defined as the amount at which the securities would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of MREIT and Mirvac has not been premised on the existence of a special purchaser.

Based on our understanding of ASIC's policy intent on the appropriate interpretation of the "fair" and "reasonable" tests in RG 111, we note the following:

- in assessing the fairness of the Proposed Scheme, an expert should not have regard to any entity specific or structural issues, such as excess gearing, which may temporarily impair an entity's ability to realise full fair market value for its assets. Instead, in assessing fairness, an orderly market for the underlying assets of the Trust should be assumed

- entity specific factors may be appropriate matters to be taken into account when assessing the reasonableness of the Proposed Scheme.

Taking this into account, in considering the fairness of the Proposed Scheme we did not consider any potential valuation impact that may arise as a consequence of the potential near term covenant breaches of the Trust and short term liquidity constraints in our assessment of the fair market on the value of a unit in the Trust but have instead considered these factors in our assessment of the reasonableness of the Proposed Scheme.

2.2.3 Reasonableness

RG 111 considers an offer in respect of a control transaction to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, security holders should accept the offer in the absence of any higher bid before the close of the offer.

To assess the reasonableness of the Proposed Scheme we considered the following significant factors in addition to determining whether the Proposed Scheme is fair:

- the current status and future prospects of the Trust on a stand-alone basis
- other financial implications to Non-Associated Unitholders including distribution profile, net tangible asset backing and earnings per unit prospects for the Trust if the Proposed Scheme proceeds
- the existing unitholding of Mirvac in MREIT and any other significant unitholding blocks in MREIT
- the likely price and market liquidity of MREIT units in the absence of the Proposed Scheme
- other advantages and disadvantages of the Proposed Scheme to Non-Associated Unitholders
- other implications for Non-Associated Unitholders of rejecting the Proposed Scheme.

2.2.4 Best interests

We have assessed whether the Proposed Scheme is in the best interests of Non-Associated Unitholders after considering whether there are sufficient reasons for Non-Associated Unitholders to vote in favour of the Proposed Scheme in the absence of a superior offer.

2.2.5 Individual circumstances

We have evaluated the Proposed Scheme for Non-Associated Unitholders as a whole and have not considered the effect of the Proposed Scheme on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Scheme from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Scheme is in their best interest. If in doubt investors should consult an independent advisor.

2.3 Limitations and reliance on information

The opinion of Deloitte is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. This report should be read in conjunction with the declarations outlined in Appendix 8.

We specifically draw to the attention of Non-Associated Unitholders that recent volatility in capital markets and the current economic outlook has created significant uncertainty with respect to the valuation of assets. Recognising these factors, we consider that our opinions may be more susceptible to change than would normally be the case.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited (APESB).

Our procedures and enquiries do not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board.

3 Overview of the Australian property industry

3.1 Introduction

MREIT is an ASX-listed real estate investment trust (REIT) with direct and indirect interests in property assets in Australia across a range of sub-sectors. Australian REITs (A-REITs) generally adopt one of two structures:

- **stand-alone trusts** providing investors exposure to the underlying real estate portfolio only. Stand-alone trusts usually have external managers
- **stapled securities** providing investors with exposure to additional businesses such as a funds management and/or a property development company in addition to a property portfolio. The stapled structure can encourage a greater alignment of interests between managers and investors through the internalisation of the management function.

MREIT currently operates a stand-alone A-REIT structure, whilst Mirvac has a stapled security structure as set out in Section 5. In addition to property investment (which generates the majority of earnings), Mirvac's activities also include property development, funds management and hotel management.

Below is a brief description of these sub-sectors.

3.2 Overview of the A-REIT sector

A-REITs invest in a range of properties in a variety of geographical locations, with varying lease lengths and tenant types. Investors generally evaluate A-REITs by assessing the security of the income stream (which is typically derived through rental income on the underlying assets), the quality of the individual properties and tenants, the length of tenant leases, the level of gearing and the quality of management. The relative risk of these elements will generally be reflected in the yield (return on investment) of individual A-REITs.

A-REITs are often sector-specific concentrating on a particular sub-sector of the property market. However, some A-REITs such as MREIT are diversified across several sub-sectors including the following:

- **office**: these trusts invest in large and medium scale office buildings and office parks, generally in or around major cities
- **industrial**: key investments include warehouses, factories and industrial parks
- **retail**: these trusts are diversified across a portfolio of retail assets including investment in shopping centres, malls, cinemas and other shopping-related real estate
- **hotel/leisure**: comprises accommodation assets, in particular hotels, but may also include leisure assets such pubs and theme parks
- **diversified**: similar to MREIT and MPT, these trusts invest in a mixture of industrial, office, retail and hotel/leisure assets.

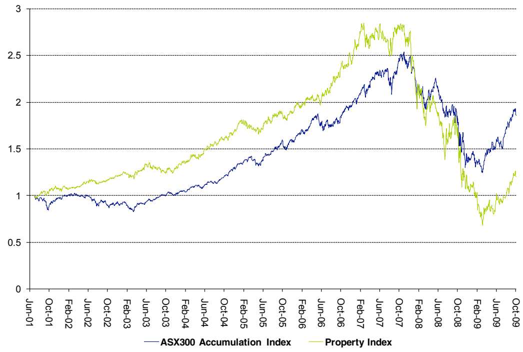
REITs may be able to access tax concessions (such as capital allowances and tax deferral on rental income) which are generally passed onto unitholders through tax deferred distributions. The tax deferred component of distributions may range from 15% to 100% of the distribution.

Until recently, property investment through A-REITs has historically been perceived as low risk with income yields being between those of bonds and equities (typically in the range of 6% to 10%). This expectation has weakened following the global financial crisis as the capital constraints of the A-REITs and general adverse sentiment for property as an asset class has resulted in a general underperformance of the sector, relative to broader equity markets.

3.2.1 Market performance

As set out below, in the period from 2000 to 2007, the S&P/ASX 300 Property Accumulation Index (Property Index) performed in line with the ASX 300 Index with a compound annual growth rate (CAGR) of 11.3%.

Figure 2: Performance of Property Index relative to ASX 300 index (July 2001 – October 2009)



Source: Bloomberg, Deloitte Corporate Finance analysis

However, the recent global financial crisis has resulted in the Property Index falling by approximately 58% in the 12 month period to March 2009, compared to the ASX 300 Accumulation Index, which fell by approximately 37% over the same period.

More recently since early March 2009, the Property Index has gained 61%, outperforming the ASX300 Accumulation Index by approximately 10%. This recent upturn reflects improved investor sentiment in relation to the future growth prospects of the sector and the improved capital structures for many A-REITs following a series of capital raisings in the sector.

3.2.2 Current and future expectations

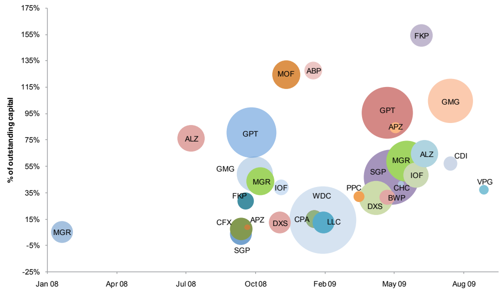
A-REIT Sector

The global financial crisis and the subsequent contraction in the debt and equity markets have had a significant impact on the availability and cost of debt financing. This, and the subsequent widespread fall in asset prices, particularly in the property sector, has adversely impacted A-REITs, in particular those with high levels of debt. The debt market has changed considerably since late 2007 with increasing interest rate margins, more stringent covenants and reduced liquidity as financiers reprice risk.

Within the A-REIT sector, market sentiment although improving, is still relatively negative with many industry participants announcing lower distributions, aggressive asset sale programs and/or significant capital raisings in an attempt to lower balance sheet gearing levels. Recent reported financial results for the sector have been characterised by property devaluations and intangible asset impairments which have reduced the NAV and NTA, however, the sector continues to trade at significant discounts to reported NAV and NTA which may indicate an expectation of further expansion of capitalisation rates and/or additional concern associated with the capital structures of the sector.

These substantial asset write downs have put pressure on debt covenants and pushed bank lenders to demand either aggressive asset sales or equity raisings to recapitalise A-REIT balance sheets. The A-REIT sector has raised over $18 billion through 30 capital raisings undertaken in the sector since late 2007, as summarised below.

Figure 3: Recent capital raising by listed property groups



Ticker	Company
ABP	Abacus Property Group
ALZ	Australand Property
BWP	Bunnings Warehouse
CDI	Challenger Diversified Property Group
CFX	CFS Retail Property
CHC	Charter Hall Group
CPA	Commonwealth Property Office Fund
DXS	Dexus Property Group
FKP	FKP Property Group
GMG	Goodman Group
GPT	GPT Group
IOF	ING Office Fund
LLC	Lend Lease Corporation
MGR	Mirvac Group
MOF	Macquarie Office Trust
PPC	Peet Limited
SGP	Stockland Group
VPG	Valad Property Group
WDC	Westfield Group

Source: Deloitte Corporate Finance analysis

Notes:

1. The size of the bubbles represents the size of the related equity issue
2. Refer to Appendix 6 for the recent capital raisings by listed property groups.

These raisings have been occurring at substantial discounts to prevailing trading price and NTA in the lead up to the capital raising, with an average discount of 18.7% to 30 day VWAP and 54.7% to NTA, as set out in Appendix 6. Whilst the sector has largely been recapitalised, the potential for economic fundamentals to further deteriorate as well as the potential unwinding of additional debt over the coming years in the unlisted sector and the undercapitalised A-REITs will be an ongoing challenge for the sector. As a consequence, further recapitalisations and takeovers are expected to occur.

7. Independent Expert's Report
(continued)

Property sub-sectors

Until the global financial crisis, the A-REIT sector enjoyed a period of sustained growth underpinned by strong rental growth, particularly in the office and retail sectors, driven by excess demand over new supply and supported by strong macroeconomic indicators, including high gross domestic product (GDP) growth, record low unemployment levels and strong growth in consumer confidence. However, the global financial crisis and the resultant capital constraints and downturn in economic fundamental discussed above has resulted in widespread asset devaluations in the year to 30 June 2009 driven primarily by higher capitalisation rates, and to a lesser extent, pressures on rents.

More recently, economic fundamentals in Australia have begun to show preliminary signs of stabilising due in part to stimulus packages provided by global governments as well as increased demand for commodities as large scale infrastructure spending from stimulus packages begins to escalate. However, the short term prospects remain uncertain and further downside risks exist on asset prices.

The short term prospects for each sub-sector vary slightly as follows:

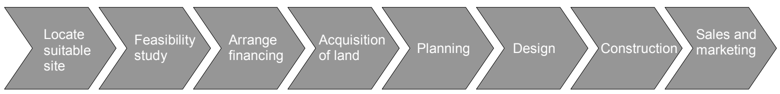
- retail: despite the uncertain short term economic growth prospects, retail growth is still expected to remain strong relative to other sectors as consumer sentiment continues to improve. However, properties with exposure to discretionary spending (such as high-end retailers) are expected to grow at a slower rate than those less exposed to discretionary spending (such as regional bulky goods or grocery stores)
- office: credit constraints and higher unemployment levels have increased vacancies. Further pressure on rental growth is expected from short-term excess supply (and increasing rental incentives). However, longer term growth in most major cities is expected to be underpinned by further supply constraints as limited new supply is expected to come to market in the short-term
- industrial: the industrial property sector is most closely linked to economic growth. Demand for industrial properties remains limited and short term rental growth prospects remain weak. In the shorter term, if excess supply for industrial properties persists, there is likely to be a continued divergence in yields observed on prime properties, such as those with modern facilities and access to transport infrastructure relative to older properties with poor access to infrastructure
- hotels: travel trends (and therefore hotel occupancy rates) have generally been adversely impacted by the decline in consumer confidence as a consequence of the global financial crisis as well as the impact of the global swine flu pandemic. It is expected that a recovery in this sector in Australia will be underpinned by growth in international visitors once economic conditions stabilise but will be partially offset by rising airfares and an appreciating Australian dollar.

3.3 Property development

Property development can be broadly described as the process of acquiring an asset (i.e. land) and modifying it with the objective of selling the asset for an amount greater than the total development costs. Developments can be varied both in terms of size and the activity undertaken.

The following figure summarises the property development process.

Figure 4: The property development process



Source: Deloitte Corporate Finance analysis

The industry is highly dependent on underlying economic conditions. Property development cash flows are generally irregular with costs being incurred during the initial stages of the development project and income, in the form of sales, received towards the end of the project. Furthermore, accounting profit on a development project cannot be recognised until the sale of the properties is settled. In contrast, cash flows from direct property investments are generally more regular and usually received monthly, sourced from rental payments received from tenants.

To compensate for the more risky nature of development projects, development returns are generally higher than the returns expected from direct property investments. The key risks in property development include those associated with securing appropriate land, funding, obtaining necessary development approvals and environmental issues.

During FY09, Mirvac significantly scaled back production at a number of projects, choosing instead to focus on smaller staged developments in order to deploy capital more efficiently due to the deterioration in demand. Non-residential projects have been delayed until conclusive signs of a recovery in the market emerge. Similar to Mirvac, the development projects of other Australian developers such as Lend Lease and Stockland Property Group have been deferred due to these and other factors.

The residential development sector

Residential property development businesses are primarily involved in the development of inner-city and/or suburban multi-storey apartments, large master planned communities, villas and townhouses, and free standing, semi-detached and duplex homes. The inner-city multi-storey apartment developments are principally the domain of larger operators such as Mirvac due to the experience and financial resources required to successfully execute these developments. High value inner-city villas and townhouse projects are also usually undertaken by medium to large scale builders as these construction contracts normally require considerable resources.

Australian established house prices declined by 1.4%[1] in the 12 months to 30 June 2009 compared to an increase of 8% over the same period in 2008. House prices recovered by 4.2% in the quarter ended 30 June 2009, due largely to the impact of government stimulus initiatives, in particular the first home owner's grant (FHOG).

[1] ABS – House Price Indexes: Eight Capital Cities June 2009

Key drivers of residential housing construction include:

- **macroeconomic fundamentals:** due to the impact of the global financial crisis and the related credit constraints, Australia's GDP grew by 1.6% in the 12 months to March 2009[2] compared to 4.1% in the prior period. However, GDP for the quarter to 30 June 2009 grew by 0.6%, following a 0.4% increase in the quarter which provides some positive momentum for economic growth in Australia. Recent forecasts from the Economist Intelligence Unit (EIU) indicate a decline in GDP for the calendar year 2009, followed by a tentative recovery of 0.8% in 2010
- **interest rate conditions:** the Reserve Bank of Australia (RBA) reduced the official cash rate by 425 basis points between September 2008 and April 2009, however, it is widely expected that interest rates will reverse this trend and begin to rise given the recent recovery of consumer confidence in Australia together with the positive GDP figures and the impact of the government's stimulus initiatives. More recently, on 6 October 2009, the RBA lifted the cash interest rate by 25 basis points to 3.25%
- **population growth:** with the increases in migration levels, particularly into Sydney, upward pressure has been placed on both demand for housing and rental charges. Population growth comprises both net overseas migration and natural growth. Net overseas migration levels have recently been very strong at 50% above the historical long term average. Residential population growth in 2008 was 1.9%[3] above the long-term average since 1982 of 1.4%.

Despite the recent slow-down in property development levels, certain signs of recovery are appearing. Key drivers include:

- **improvement in consumer sentiment:** consumer sentiment, as measured by the Westpac-Melbourne Institute Consumer Sentiment Index, rose by 27.8%[4] between May and August 2009, the biggest three month gain since the survey began in 1975. This optimism is tempered by the uncertainty driven by rising unemployment
- **greater levels of housing affordability:** this has improved substantially due to reductions in the official cash rate by the RBA combined with a general decline in house prices and federal and state government first home buyer schemes (although the availability of these grants declined from 30 September 2009 onwards)
- **availability of housing and investor finance:** the total value of dwelling commitments rose 40.9% in FY09[5], compared to a decline of 18.8% in FY08, signalling an improvement in financing levels.

Rental markets have remained tight despite the recession due to under-supply. Vacancy rates have reached record lows in most Australian capital cities. Macquarie Research and Australia and New Zealand Banking Group Limited (ANZ) forecast further tightening in markets, placing upward pressure on rents, rental yields and eventually prices. This is expected to support growth in construction activity in the short to medium term.

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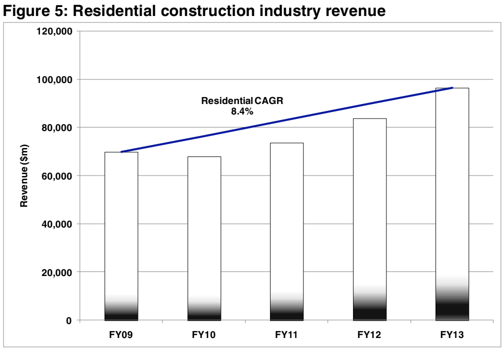
[2] Australian National Accounts: National Income, Expenditure and Product March 2009
[3] ABS – Australian Demographic Statistics, December 2008
[4] Westpac Media Release – Consumer sentiment rises towards two year highs, 12 August 2009
[5] ABS – Housing Finance, Australia, June 2009

Australia's residential construction industry grew at a CAGR of 5.9%[6] in the five years to June 2008. Residential construction is forecast to grow by a CAGR of 8.4% in the five years to June 2013, reflecting stronger recovery in the later years of the period (13.8% and 15.0%, respectively, in the 12 months to 30 June 2012 and 2013).

Figure 5: Residential construction industry revenue



Source: The Construction Forecasting Council

According to the Construction Forecasting Council, residential construction growth is forecast to be strongest in NSW in the five years to 30 June 2013, with a CAGR of 13.0%. Victoria is expected to grow at a slower pace in the year to 30 June 2010 and 30 June 2011 with growth of 0.8% and 3.3% respectively, however is expected to grow more rapidly thereafter, with growth rates of 10.3% and 13.1% in FY12 and FY13. The growth prospects in Queensland are low in the short term as revenue is expected to remain in decline until FY11 before growing strongly to FY13. Despite strong growth rates in the last two years of the five year period between FY12 and FY13, Victoria and Queensland are expected to grow at a CAGR in the five years to 30 June 2013 of 6.8% and 6.9%, respectively.

Non-residential development

The non-residential development sector comprises companies involved in land subdivision and construction/development of commercial, retail and industrial buildings.

Non-residential construction, as measured by the Construction Forecasting Council, increased by 16.7% in FY08 as a result of the strong fundamentals in Australia, including compression of capitalisation rates, however, attractive development options going forward are expected to be increasingly difficult to obtain due to the increased stringency of loan requirements and the shortage of available debt capacity following the credit crisis. These circumstances have resulted in non-residential construction being forecast to increase by only 0.9% in FY09. It is expected that approvals have peaked and a number of projects have been put on hold whilst the sector absorbs some minor over-building in response to the global financial crisis and weakening manufacturing sector.

IBISWorld estimates that the non-residential development sector in Australia will grow at an average real rate of 2.8% over the five years to 2012, marginally in excess of the real GDP growth for Australia forecast by the EIU (1.4% for the five years to 2012). The strongest demand conditions are forecast in WA and Queensland (QLD), while demand for NSW and Victoria (VIC) is expected to remain flat.

[6] The Construction Forecasting Council

3.4 The hotel management sector

The hotels sector includes a combination of hotel owners and managers. The hotel industry is dependent on two major markets to maintain occupancy rates and financial viability. These are the tourism market, which includes both domestic and international travellers and accounts for approximately 60% of the total market and the business market, which accounts for the remaining 40%.

The hotel/leisure property sub-sector has experienced rising occupancy rates in past years due to high levels of international visitors primarily from Europe and North America.

The hotel industry is currently facing the challenge of falling short term international visitors, which declined by 0.2% in FY08 and 1.6% in FY09 as a result of the global recession. This is being compounded by businesses seeking to cut travel costs. The increased incidence of Australians holidaying domestically rather than abroad has had a slight mitigating effect, however, the number of total international visitor arrivals to Australia is expected to decrease by 4.0%[7] in 2009 relative to 2008.

The Australian Tourism Forecasting Council expects that the recovery of international tourism into Australia in 2010 will not be as strong as for other countries, due to decreasing airfare competition and a strengthening Australian dollar.

3.5 Investment management

There are two broad types of institutions operating within the funds management sector, being:

- collective investment institutions, such as life insurance companies and superannuation funds
- specialised investment or fund managers.

Specialist fund managers, such as Mirvac, are employed on a fee for service basis, to manage and invest in approved assets on behalf of their clients, providing them with exposure to a portfolio that they would otherwise not be able to replicate. The fund manager selects the investment properties and is generally responsible for all maintenance, administration, rentals and improvements.

The size of the Australian funds management industry as measured by the amount of funds under management (FUM) has fallen from $1.3 trillion as at 31 March 2008 to $1.2 trillion as at 31 March 2009[8]. The proportion of assets held in property has historically remained relatively stable despite movements in property prices and as at 31 March 2009 accounted for approximately 13% of FUM[9].

As with other sectors, the property funds management sector has seen a significant reduction in revenues and flow of funds due to the global financial crisis largely driven by:

- dramatic falls in share prices across the world which have decreased existing FUM levels, consequently reducing both base fees and performance fees earned by fund managers. This impact has been magnified for property fund managers due to the general underperformance of the asset class relative to broader equity indices as well as adverse sentiment for listed property securities

[7] The Tourism Australia Forecast, Issue 1 2009, July 2009
[8] ABS – Managed Funds March 2009
[9] ABS – Managed Funds March 2009

- increasing investor scepticism which, combined with rising unemployment and recent business failures, has led to large volumes of redemptions and lower inflows into managed funds
- the Australian Government's deposit guarantee which resulted in cash being a more attractive asset class and led to redemptions from managed funds.

As discussed above, Australian property markets, in line with global property markets, are undergoing an adjustment phase and will face a number of challenges in the short term including continued refinancing pressures, rationing of capital and an uncertain economic environment. These factors will likely place downward pressure on rents and capital values.

The current environment is likely to make many features of the previous property funds management model difficult to replicate and is likely to result in a substantial overhaul of this market. The market is expected to see a shift in the A-REIT product offering toward more passive attributes such as rental income from property, de-leveraging of balance sheets and reduced focus on development and funds management activities as a means of driving yield and performance.

4 Profile of MREIT

4.1 Overview

MREIT is an externally managed, diversified property trust listed on the ASX which was established in 1999.

MREIT invests in Australia property assets directly, as well as indirectly through several associate and joint venture interests, in the commercial, retail, industrial and hotel property sub-sectors. As at 30 June 2009, MREIT had gross investment assets of approximately $1 billion.

The responsible entity of MREIT is MRML, a wholly owned subsidiary of Mirvac.

Further detail of the history of MREIT is set out in Appendix 2.

4.2 Overview of operations

4.2.1 Principal activities

MREIT's principal activity is that of an A-REIT investing in the commercial, retail, industrial and hotel property sub-sectors throughout Australia.

MREIT's direct and indirect property investments are leased to approximately 370 tenants, with no single tenant accounting for more than 10% of the gross income of the portfolio in FY09. The property portfolio has a current occupancy rate of 94% and a weighted average lease expiry (WALE) of 4.8 years.

Further details of MREIT's property portfolio and investments in associates and joint ventures are discussed below.

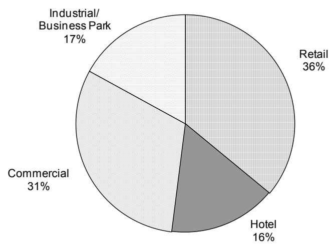
4.2.2 Property portfolio

Overview

MREIT has property investments in the commercial, retail, industrial and hotel property sub-sectors largely in Australia with a book value of approximately $1 billion as at 30 June 2009.

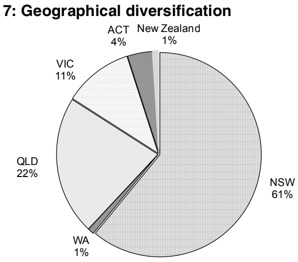
The asset and geographical diversification of MREIT's property portfolio (by book value) as at 30 June 2009 is set out in Figure 6 and Figure 7, respectively.

Figure 6: Asset diversification



Source: MREIT

Figure 7: Geographical diversification



Source: MREIT

MREIT has no short term strategy to change the sector allocation or geographical mix of the portfolio other than as a result of MREIT's strategy to continue to divest non-core assets to reduce its debt levels.

Set out below is a summary of MREIT's property portfolio as at 30 June 2009.

Table 1: MREIT portfolio as at 30 June 2009

Sector type	Geographic diversification (by book value)	Other
Retail (Book value: $371.3 million , 36% of the portfolio)	NSW – 49% QLD – 38% ACT – 13%	9 properties WALE (by area) – 5.8 years Occupancy – 91.9% WACR – 7.86%
Commercial (Book value: $320.8 million , 31% of the portfolio	NSW – 56% VIC – 24% QLD – 20%	6 properties WALE (by area) – 4.6 years Occupancy – 94.7% WACR – 8.19%
Industrial (Book value: $179.3 million , 17% of the portfolio)	NSW – 89% VIC – 11%	7 properties WALE (by area) – 3.9 years Occupancy – 95.6% WACR – 8.46%
Hotel[2] (Book value: $93.4 million, 16% of the portfolio)	NSW – 67% QLD – 6% VIC – 16% WA – 8% New Zealand – 3%	13 properties Average room rate – $113.3 Occupancy – 80.5% WACR – 9.6%
Total portfolio	NSW – 61% QLD – 22% VIC – 11% ACT – 4% WA – 1% New Zealand – 1%	35 properties WALE (by area) – 4.8 years Occupancy – 94.0% WACR – 8.11%[3]

Source: MREIT

Note:

1. WACR: Weighted average capitalisation rate.
2. Properties held within the Tucker Box Hotel Group (Travelodge Group)
3. Excludes hotels
4. NSW – New South Wales, WA – Western Australia, QLD – Queensland, VIC – Victoria and SA – South Australia

Within MREIT's property portfolio, MREIT holds indirect property investments through investments in associates and joint ventures. Set out below is a summary of these investments as at 30 June 2009.

Table 2: MREIT's investments in associates and joint ventures as at 30 June 2009

Investment	Interest	Book value 30 June 2009 ($'million)	Description of property
Travelodge Group	49%	$93.4	13 Travelodge hotels which are located throughout Australia (12) and New Zealand (1). The remainder of the Travelodge Group is owned by Mirvac (1%) who also acts as the manager and NRMA (50%).
Springfield Regional Shopping Centre Trust	33%	$57.8	Orion Springfield Town Centre and adjoining vacant land, Springfield, QLD. The remainder of the trust is owned by Mirvac.
197 Salmon Street Trust	50%	$46.9	191-197 Salmon Street, Port Melbourne, VIC which is the current location of the GM Holden head office. The remainder of the trust is owned by Mirvac.
Old Wallgrove Road Trust	50%	$7.0	Vacant land asset. The remainder of the trust is owned by Mirvac.

Source: MREIT

MREIT also holds a 7.28% interest in the Mirvac Wholesale Hotel Fund (MWHF) which had a carrying value of $21 million as at 30 June 2009 based on the audited net assets of the fund at that date.

During FY09, all of MREIT's direct properties (excluding certain assets within the Travelodge Group) had been valued by external property valuers. The value of MREIT's property portfolio declined $166.2 million or 16% since 30 June 2008 attributable mainly to a softening in capitalisation rates and market rent reductions. The WACR of the property portfolio increased to 8.35% from 7.54% as at 31 December 2008, an increase of 81 basis points.

During FY09, MREIT divested seven non-core properties from its portfolio for a gross sale price of $153.6 million. MREIT realised a loss on the sale of these investment properties of $6.1 million which represented a 3.9% discount to their carrying value. Subsequent to 30 June 2009, MREIT announced the sale of two assets for gross proceeds of $27.4 million and is in negotiations regarding the potential sale of a further two assets.

Refer to Appendix 3 for a detailed summary of the MREIT direct property portfolio as at 30 June 2009.

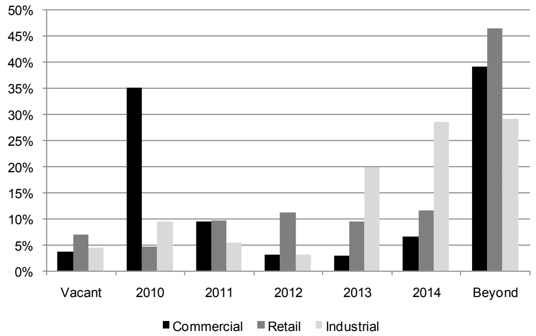
Vacancy rates

During FY09, occupancy rates for the portfolio remained relatively strong at 94%, however, due largely to market factors and some expiries, these rates were lower than the occupancy rates as at 31 December 2008 of 98.1%.

Lease expiry profile

MREIT's strategy of securing long-term tenants is reflected in its lease expiry profile below. A strong lease expiry profile helps to ensure security of cash flows for security holders.

Figure 8: MREIT lease expiry by area



Source: MREIT and Deloitte Corporate Finance analysis

MREIT anticipates low levels of lease expiry in the commercial and retail sectors of its portfolio over the next five years, with the exception of the commercial property at 10-20 Bond Street, Sydney (10-20 Bond Street) which Macquarie Group Services Australia Pty Limited (Macquarie) and GHD Pty Limited (GHD) will be vacating in December 2009 and a major refurbishment and re-leasing process will be undertaken. This expiry is the main driver of the 35% commercial property lease expiry in 2010 (by area). 39% and 47% (by area) of the commercial and retail property leases, respectively, will expire after 2014. In comparison, the majority of industrial property leases within MREIT's portfolio will expire in the next five years, with only approximately 29%, by area, expiring after 2014.

Tenant profile

Macquarie is currently the largest tenant across MREIT's property portfolio (excluding Travelodge Group) representing approximately $10 million or 11% of MREIT's gross income for FY09 with the next largest tenants being Woolworths Limited (8.1%) and BOC Limited (4.3%).

Development projects

MREIT currently has two significant development projects underway, the purchased Woden Development and the refurbishment of the commercial building at 10-20 Bond Street.

MREIT currently has a significant financial obligation in respect of land purchased in 2008 for the Woden Development, which has been pre-leased to the DOHA for a period of 15 years. As part of the agreement between MREIT and the developer, once the project is complete and the government tenant is in place (expected to be February 2010) MREIT has committed to acquire the building at a net cost of approximately $208 million.

Whilst this project offers an attractive income profile for MREIT, particularly because of the long-term lease with minimal counterparty risk, the capital required to fulfil this commitment is in excess of what could realistically be raised by MREIT. For this reason MREIT management have undertaken negotiations to dispose of the interest in the development.

Furthermore, MREIT has entered into put and call option arrangements with Mirvac in respect of the Woden Development as outlined in Section 1.2.

In addition to the Woden commitment, MREIT will also be required to refurbish the office accommodation at 10-20 Bond Street. MREIT estimates its portion of the capital requirements for this refurbishment to be approximately $25 million.

4.3 Debt structure

The debt structure of MREIT consists entirely of one loan facility with a syndicate of lenders comprising Westpac Banking Corporation (Westpac), Internationale Nederlanden Groep NV (ING), ANZ and the Royal Bank of Scotland (RBS).

In November 2008, MREIT announced that it had refinanced its syndicated facilities with Westpac, ING, ANZ and the RBS. At the time, the $625 million debt facility was due to expire in two tranches with half expiring in September 2010 and the remaining half in September 2011. As at the time of the refinancing process, MREIT had covenants in respect of book value gearing (45%), look through gearing (50%), interest cover ratio (1.75 times) and tangible net worth ($600 million).

Due to a continued softening in capitalisation rates and market rent reductions subsequent to the refinancing of the facilities, MREIT agreed with its syndicated lenders to amend its tangible net worth covenant from $600 million to $475 million. MREIT sought this amendment to ensure that the impact of interest rate derivative movements, investment property revaluations and asset sales could be managed within the agreed covenant limits. The covenant change required MREIT to make a one-off payment of $2.75 million. In addition, MREIT agreed to reduce its facility limit from $625 million to $550 million. Drawn debt, as at 30 June 2009, was approximately $457 million.

As at 30 June 2009, valuations on all of MREIT's assets were completed, resulting in a total valuation decline of $115.2 million, a decrease of 11.7% on 31 December 2008 book values. These reductions in value have resulted in MREIT operating very close to a breach of its covenants as set out below:

Table 3: Debt covenants of MREIT

Covenant	Covenant requirement	Covenant as at 30 June 2009	Calculation
Gearing ratio *(until Sept 2010)*	<45.0%	44.6%	Total debt over total tangible assets
Gearing ratio *(post Sept 2010)*	<40.0%	44.6%	Same as above
Look through gearing ratio	<50.0%	48.6%	Pro-rata share of assets and liabilities of joint ventures and associates, added to direct assets and liabilities
Interest cover ratio	>1.75 times	1.91 times	Adjusted EBITDA over interest expense per the income statement
Loan to value ratio	<60%	52.4%	Total debt to the total value of properties
Tangible net worth	>$475 million	$531.7 million	Tangible asset value – Liabilities
Net operating income times	>1.5 times	2.1 times	(Rental income – Net operating expenses) / interest expense

Source: MREIT

As set out above, as at 30 June 2009, MREIT was nearing the allowable threshold for a number of covenants, including gearing, ICR and tangible net worth. Relatively small movements in the net assets or income of MREIT could therefore lead to a breach of one or more of these covenants. For example:

- a reduction in the tangible assets of MREIT of approximately $10 million or an increase in the amount of debt drawn by MREIT of approximately $4 million would result in a breach of the gearing covenant based on the 30 June 2009 balances. The risk of breaching this covenant will increase significantly in the lead up to September 2010 as this threshold is reduced to 40% as set out above
- a decrease in the operating income of MREIT of approximately $4.0 million for FY09 would result in a breach in the ICR covenant
- a reduction in the net assets of MREIT of approximately $56 million would result in a breach of the tangible net worth covenant.

The following table summarises other key terms of MREITs loan facility as at 30 June 2009.

Table 4: Debt structure of MREIT

	As at 30 June 2009
Total facility limit	$550.0 million
Total interest bearing debt (amount drawn)	$457 million
Weighted average debt maturity	1.8 years
Hedging ratio	88.6%
Weighted average hedge rate	6.2%
Weighted average hedged maturity	5.25 years
Debt maturity	43% - September 2010 57% - September 2011

Source: MREIT

Further to the debt drawn, MREIT has a current capital commitment requirement for its development projects in excess of $200 million with the DOHA project as discussed above.

MREIT's debt facilities currently bear an average variable interest rate and therefore MREIT has entered into interest rate swap contracts to protect part of its debt exposure from fluctuations in interest rates. These swap contracts require settlement on a net basis every 90 days.

4.4 Equity structure and unitholders

The unitholders of MREIT comprise a combination of institutional and retail investors. Units of MREIT are tightly held with the top ten unitholders holding 42.3% of the total units on issue. The largest unitholder of MREIT is Mirvac with a 24.6% interest. As at the date of this report, MREIT had 627.3 million ordinary units on issue.

The following table summarises the top ten unitholders in MREIT as at 31 July 2009.

Table 5: Top ten MREIT unitholders as at 31 July 2009

	Number of units ('000)	Percentage of total issued units
Mirvac Group	154,437	24.6
APN Funds Management	32,402	5.2
ING Investment Management	19,474	3.1
Kaplan Funds Management	15,075	2.4
Cromwell Diversified Property Trust	11,629	1.9
Highclere International investors	9,784	1.6
UBS Global Asset Management	9,567	1.5
Principal Global Investors	6,723	1.1
UBS Private Clients	3,020	0.5
Dimensional Fund Advisors	2,701	0.4
Subtotal	264,812	42.3
Other unitholders	362,457	57.7
Total	627,269	100.0

Source: MREIT

4.5 Unit price performance

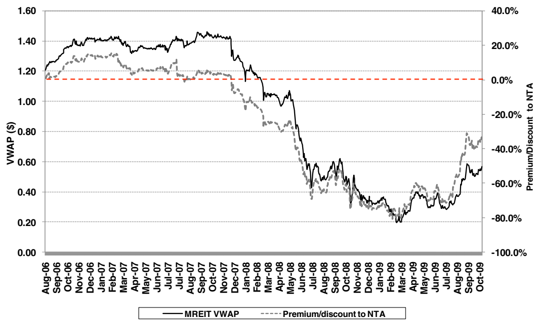
The units of MREIT are listed on the ASX and trade under the ticker MRZ.

Since August 2006 the unit price for MREIT has ranged between a low of $0.20 in the quarter ended 31 March 2009 and a high of $1.46 in the quarter ended 30 September 2007. The premium/discount to NTA at which the units have traded has ranged between a maximum discount of 80.7% in the quarter ended 31 March 2009 and a maximum premium of 15.4% in the quarter ended 31 March 2007.

The units of MREIT have been generally illiquid with total turnover for the period 1 September 2006 to 8 October 2009 of approximately 0.5 times total outstanding securities and average daily volume of 0.37 million securities.

The unit price movements and the premium/discount to NTA per unit are presented graphically in Figure 9.

Figure 9: MREIT stock activity on the ASX

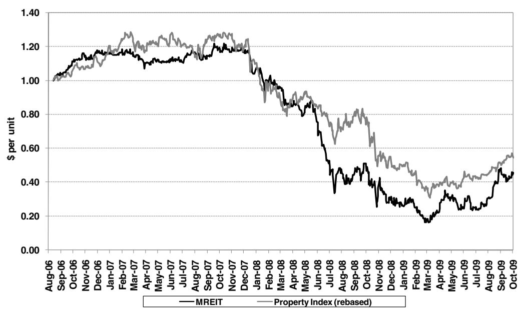


Source: Bloomberg, Deloitte Corporate Finance analysis

The MREIT unit price has been trending downwards and trading at a significant discount to the NTA per unit in recent periods which maybe attributable to the following:

- market sentiment regarding the A-REIT sector in general which is likely to have negatively affected the unit price of MREIT. The global credit crisis has caused significant capital constraints, in particular, the availability of debt financing which is critical to the industry and has resulted in a significant decline in security prices across the sector as set out in the comparison of recent trading in MREIT units compared to the price of the Property Index below:

Figure 10: Relative performance of MREIT



Source: Bloomberg, Deloitte Corporate Finance analysis

Note: The Property Index and MREIT have been rebased to $1 as at the start date

- as set out above MREIT has underperformed the broader Property Index since June 2008 which is likely due to the liquidity concerns facing MREIT. Whilst similar issues have been prevalent across the sector, a large proportion of the sector has since been recapitalised (whereas MREIT has not) which may explain the relative performance to the index

- negative market sentiment regarding the forecast distributions of MREIT compared to other A-REITs with a 100% earnings-distribution policy. The total unit distribution for the first half of FY09 was 3.25 cpu compared to a total unit distribution of 5.3 cpu for the first half of FY08. In addition, MREIT has also changed its unit distribution policy, starting from 31 December 2008, with distributions being paid semi-annually instead of quarterly
- market expectations regarding further softening of capitalisation rates for MREIT's investment properties. MREIT has recently revalued its investment portfolio as at 30 June 2009 which led to an 11.7% decline in the book value of the investment portfolio from 31 December 2008 and an increase in the WACR by 92 basis points to 8.11% (excluding hotels). Prior to this, revaluations were also undertaken for the six months to 31 December 2008 which resulted in a 6.8% decrease in the book value of the investment portfolio as at 30 June 2008
- the market may not have full visibility in respect of the future prospects in relation to the value of MREIT's investments in associates and joint ventures which may result in the market pricing in a further discount to the fundamental value of these investments

The unit price of MREIT has recently been influenced by announcements and speculation in respect of the Proposed Scheme. Since Mirvac confirmed that they were in preliminary negotiations with MREIT on 13 August 2009, the VWAP of the MREIT has increased 44% relative to 11% for the Property Index and has traded at a price up to $0.59.

4.6 Financial performance

The audited income statements of MREIT for the financial years ended 30 June 2007, 30 June 2008 and 30 June 2009 are summarised in the table below.

Table 6: Financial results of MREIT

	Audited 2007 ($'million)	Audited 2008 ($'million)	Audited 2009 ($'million)
Net rental income	58.0	72.5	72.5
Income from associates and joint ventures	12.9	17.2	15.2
Other operating income	11.6	11.6	5.8
Total revenue	82.5	101.3	93.5
% Growth	*n/a*	*22.8%*	*(7.7%)*
Borrowing costs	(21.0)	(38.7)	(42.3)
Administration expenses	(10.3)	(10.3)	(8.4)
Total expenses	(31.3)	(49.0)	(50.7)
Operating profit	51.1	51.4	42.8
Change in fair value of investment properties	58.4	(5.6)	(196.7)
Change in fair value of investments and financial instruments	11.6	(39.2)	(59.2)
Amortisation and impairment charges	-	(14.9)	(13.5)
Profit/(loss) from sale of investments	17.3	5.7	(4.2)
Share of profit/(loss) from revaluation of associates and joint ventures	18.4	9.3	(20.4)
Net profit before tax	156.8	6.8	(251.2)
Income tax expense	-	-	-
Net profit for the period	156.8	6.8	(251.2)
Other metrics			
Earnings per unit (cpu)	-	(3.19)	(40.04)
Distributions per unit (cpu)[1]	11.30[2]	10.60	3.25
Funds from operations per unit (FFO) (cpu)[2]	8.15	8.35	6.83

Source: MREIT

Note:

1. Includes special distribution of 1.0 cpu
2. FFO has been calculated by adding back all the non-cash items including fair value adjustments and any extraordinary items to net profit/loss as discussed below.

Operating income

Rental revenue remained relatively flat during 2008 and 2009, while total operating revenue decreased slightly by 7.7% from $101.3 million earned in FY08 to $93.5 million earned in FY09. Operating revenue and operating income declined over FY09 reflecting more challenging operating conditions across the portfolio, the expiry of the rental guarantee for Moonee Beach Shopping Centre and a reduction in distributions received from investments in associates and joint ventures.

Fair value adjustments

In FY09, the value of MREIT's direct property portfolio experienced a decrease of $196.7 million compared to a decrease of $5.6 million in FY08 due largely to significant capitalisation rate expansion across all asset classes.

Further to this, the value of the Trust's interest rate hedging instruments declined by $45.7 million due to a falling interest environment in Australia after a period of increasing interest rates experienced in 2008.

During FY09, MREIT progressively sold down its holdings in listed equities, listed property trusts and the Trafalgar Corporate Group for a profit of $4.1 million.

Funds from operations (FFO)

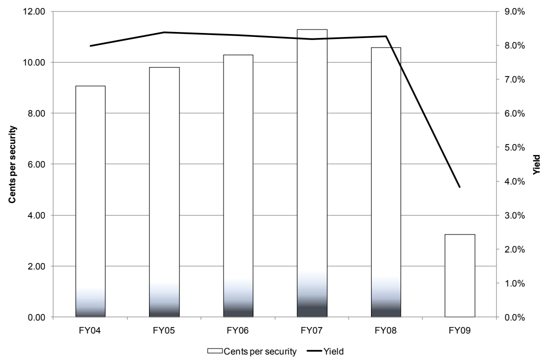
Earnings are subject to significant non-cash items in particular, unrealised gains and losses on investment properties and derivative instruments. FFO is generally determined as net income after tax adjusted for fair value movements on investment properties and derivatives, deferred tax expenses and leasing costs. The FFO per unit for MREIT for the 12 months to 30 June 2009 is 6.83 cpu, which is lower than the FFO per unit for FY08 of 8.35 cpu. This reduction in FFO per unit relates to lower operating income and higher borrowing costs during FY09.

FFO growth for FY10 is expected to be constrained by challenging operating conditions for the Trust, the impact of the lease expiration and refurbishment program at 10-20 Bond Street and the full year impact of higher funding costs.

Distribution history

MREIT's annual distributions paid to unitholders during the period from FY04 to FY09 are summarised in the figure below:

Figure 11: Annual distributions and yield (book value)



Source: MREIT, ASX announcements

Notes:

1. Annual yields are calculated based on the average net tangible assets of MREIT as at the end of each financial year

In early 2009, MREIT's management announced that MREIT will move to six-monthly distributions payments, as opposed to quarterly.

Also effective 30 June 2009, MREIT reinstated its dividend reinvestment plan, providing investors with the opportunity to reinvest their income distribution into further units in MREIT at a discount to the issue price.

The total distribution for FY09 was 3.25 cpu which was a 69.3% decrease on the total distribution paid for FY08 (10.6 cpu). MREIT has estimated earnings for FY10 to be in the range of 4.4 cpu to 4.7 cpu and distributions for FY10 of 3.2 cpu, both being reductions from FY09.

4.7 Financial position

The audited balance sheets of MREIT as at 30 June 2007, 30 June 2008 and 30 June 2009 are summarised in the table below.

Table 7: MREIT audited statement of financial position

	Audited 30 June 2007 ($'million)	Audited 30 June 2008 ($'million)	Audited 30 June 2009 ($'million)
Cash	11.4	14.8	13.9
Receivables	8.2	7.7	4.1
Financial assets held at fair value through profit and loss	116.2	72.7	-
Non-current assets held for sale	23.0	-	-
Derivative financial instruments	0.5	-	-
Other	1.2	25.6	1.6
Total current assets	160.4	120.8	19.5
Derivative financial instruments	8.5	19.3	-
Investments in associates and joint ventures	217.2	226.8	205.0
Investment properties	877.3	1,060.5	760.7
Secured receivables – managed security property	31.5	27.2	-
Property, plant and equipment	-	-	15.0
Other financial assets	25.0	25.4	21.0
Total non-current assets	1,159.5	1,359.2	1,001.7
Payables	14.2	12.2	15.9
Borrowings	420.0	643.7	0.4
Derivative financial instruments	-	-	0.6
Provisions for distributions	22.4	16.6	-
Total current liabilities	456.6	672.5	16.8
Borrowings	-	4.2	454.8
Derivative financial instruments	-	-	18.0
Total non-current liabilities	-	4.2	472.8
Net assets	863.3	803.3	531.7
NTA per unit[1] ($)	1.38	1.28	0.85
Book value gearing[2]	31.7%	43.3%	44.6%
Look through gearing	35.2%	46.3%	48.6%

Source: MREIT

Notes:
1. Based on total issued units of 627 million
2. Gearing includes interest bearing debt over net tangible assets
3. Prior to FY08, MREIT had a fixed term of 80 years and as a consequence the equity of MREIT was classified as a liability for accounting purposes. The constitution of the Trust was amended in FY08 to remove the finite life clause of the Trust.

Investment properties and investments in associates and joint ventures

MREIT requires independent valuations of its investment properties at intervals of not more than every two years and not using the same independent valuer more than three times.

As discussed above, the value of MREIT's direct property portfolio declined $196.7 million since 30 June 2008 due primarily to an expansion in capitalisation rates. During FY09 MREIT disposed of properties with a carrying value of $128.6 million and acquired $25.5 million of new properties. These factors combined have resulted in an overall decline in the balance of MREIT's investment properties in excess of $300 million.

The valuation of 10-20 Bond Street allows for total refurbishment and re-leasing period of 24 months. This valuation also assumes a leasing incentive of 25% of the gross income in the first year of re-tenancy.

Property plant and equipment

MREIT's investment in the Woden Development project is recorded as property, plant and equipment. This land was acquired for a cost of $24.7 million including transaction costs but incurred an impairment write down of $12.6 million to reflect the current market value of the land as at 30 June 2009 as estimated by an independent valuer.

Other financial assets

Other financial assets relate to MREIT's 7.28% interest in MWHF. The carrying value of this investment is determined based on the unit price of the fund at each reporting date. There have been no significant changes in the price of this fund since 30 June 2009. During FY09, the Trust divested the interests held in all other listed A-REITs and other equities (including Trafalgar Corporate Group) for total proceeds of $65.3 million.

Derivative financial instruments

MREIT's current interest rate swap contracts cover approximately 89% of the total loan principle outstanding. As at 30 June 2009, these contracts had a net liability balance of $18.6 million compared to an asset balance of $19.3 million as at 30 June 2008.

4.8 Strategy and outlook

We understand that the medium term strategy for MREIT (on a stand-alone basis) is to:

- continue to reduce gearing levels through divestment of selective non-core assets to below 40%
- maximise income returns from property through focusing on rent reviews and tenant retention, including sourcing new tenancies at 10-20 Bond Street
- maintain a prudent distribution policy.

As at 30 June 2009, MREIT was nearing the allowable threshold for a number of covenants, including gearing, ICR and tangible net worth. Relatively small movements in the net assets or income or MREIT could therefore lead to a breach of one or more of these covenants. There is a risk that a breach of these or other covenants may occur in the near future either from further softening of capitalisation rates, the short-term loss of income at 10-20 Bond Street during the refurbishment and re-leasing period, disposing of assets currently envisaged at less than the book value and/or the requirement to sell additional assets. This risk will likely be heightened after September 2010 when the first tranche of the existing facility expires and the gearing covenant decreases to 40%.

In order to preserve capital and pay down debt, MREIT management has put a number of initiatives in place, including asset sales. However, MREIT still faces significant short term liquidity obstacles and capital constraints in respect of upcoming debt maturities in September 2010 and 2011, the refurbishment of 10-20 Bond Street and the financial obligation of approximately $200 million to acquire Woden Development.

Furthermore, the distribution prospects for MREIT unitholders are expected to be constrained by the following factors:

- further softening of capitalisation rates which is likely to result in further asset devaluation
- a likely increase to the base rates and debt margins on MREIT's debt as interest rates begin to increase and the existing debt facilities begin to mature in September 2010
- the refurbishment and re-leasing of 10-20 Bond Street which is expected to result in 24 months of no rental income at a capital cost (to be funded by debt) attributable to MREIT of approximately $25 million. During FY09 this property contributed approximately 10% of the net operating income of MREIT
- the revised distribution policy for the Trust which is currently estimated at 70% of operating earnings.

On a stand-alone basis, in order for MREIT to remain compliant with the revised debt covenants, further asset sales will be required, some of which may be deemed to be core assets of MREIT.

5 Profile of Mirvac

5.1 Introduction

Mirvac listed on the ASX as a stapled security comprising ML, Capital Property Trust (CPT) and MPT in June 1999. Mirvac currently consists of one ML share and one MPT unit. Mirvac is a leading integrated real estate group with 7.4 billion of total assets, primarily across its core divisions of investment and development. Mirvac's operations are primarily focused on Australia (representing 99.2% by asset value).

5.2 Principal activities

Mirvac has historically been structured as four integrated business divisions, being property investment, property development, funds management and hotel management. The current Mirvac strategy is to focus and streamline the businesses to the core competencies of investment and development.

The principle activities of Mirvac include:

- direct and indirect investment in property assets which comprises the investment property portfolio of MPT
- Mirvac Asset Management (MAM) is the in-house asset manager responsible for a range of asset and property management services
- the Development division, which focuses on medium to high-end residential apartments, prime infill housing and large master planned communities in Australia. Whilst Mirvac also conducts non-residential development activities, going forward these will largely be opportunistic in nature and will be streamlined to the asset pipeline of the Investment division
- Hotel Management, a fee-based business focusing on the management of hotels owned by MPT, third parties and MWHF in Australia and New Zealand
- Mirvac Investment Management (MIM), which includes external listed and unlisted trusts, mandates, investor partnerships, joint ventures and direct investments by Mirvac in third party managed projects. MIM's key medium-term objective is to consolidate and exit non-core and unscaleable external investment management operations and to source secure and recurring wholesale capital for the Investment and Development divisions.

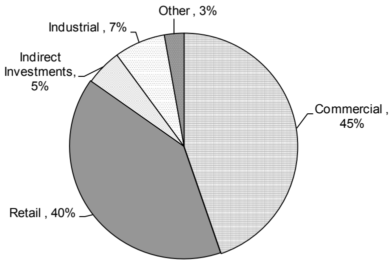
Mirvac has a stated long-term strategy of generating 80% of the group NPAT (on a through the cycle basis) from the Investment division. Mirvac operates primarily in Australia with limited exposure to the New Zealand, United States (US) and United Kingdom (UK) markets. Overseas activities are generally conducted through funds management businesses.

5.2.1 Investment

As at 30 June 2009, the total book value of the Investment portfolio was $3.7 billion of which $3.3 billion comprised 58 investment grade properties in the retail, commercial, industrial, car parking and hotel sectors, while $0.4 billion was comprised of a number of indirect property investments including a 42% interest in MWHF and a 24.6% interest in MREIT.

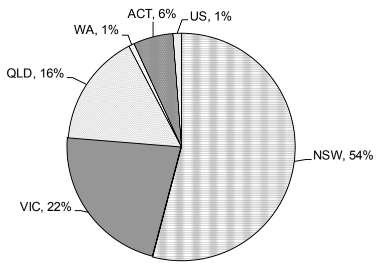
In order to maintain the quality of its portfolio, MPT continues to focus on repositioning its investments through the sale of non-core assets, internal redevelopment via development capacity and the acquisition of strategically located and/or higher growth assets. MPT's investments are diversified both geographically and by sector as set out in the figures below.

Figure 12: MPT sector diversification as at 30 June 2009



Source: Mirvac company announcements and presentation
Notes:
1. By book value as at 30 June 2009 excluding development assets
2. 'Other' includes a hotel and car parks.

Figure 13: MPT geographic diversification as at 30 June 2009



Source: Mirvac company announcements and presentation
Notes:
1. By book value as at 30 June 2009 excluding development assets and indirect property investments

Set out below is a summary of MPT's portfolio by sector as at 30 June 2009:

Table 8: MPT portfolio by sector as at 30 June 2009

Sector type	Grade diversification	Geographic diversification	Other
Commercial	Premium – 11%	NSW – 58%	21 properties
$1,597.6 million	A Grade – 75%	VIC – 22%	WALE (area) – 6.05 years
(45% of total portfolio)	B Grade – 12%	QLD – 8%	Occupancy – 98.1%
	C Grade – 2%	ACT – 12%	
Retail	Convenience centre – 4%	NSW – 47%	21 properties
$1,448.3 million	CBD Retail – 10%	VIC – 21%	WALE (area) – 5.89 years
(40% of total portfolio)	Sub Regional – 74%	QLD – 30%	Occupancy – 97.8%[1]
	Bulky goods centre – 12%	WA – 2%	
Industrial	n/a	NSW – 72%	12 properties
$261.6 million		VIC – 12%	WALE (area) – 5.09 years
(7% of total portfolio)		US – 16%	Occupancy – 90.8%
Hotel	n/a	1 hotel – VIC	
$24.0 million			
(0.7% of total portfolio)			
Other[2]	Parking - 1,789 car spaces	49% - NSW	3 car park buildings
$76.2 million	Indirect investments	51% - VIC	Indirect investments incl. hotels
(7.3% of total portfolio)			

Source: Mirvac company announcements and FY09 results presentation
Notes
1. Excludes bulky goods, if included retail occupancy declines to 96.7%
2. Includes indirect investments

MPT is broadly concentrated in the commercial and retail sectors primarily in NSW. This mix is similar to that of MREIT, however, MPT's portfolio is seen to be superior to that of MREIT as it is composed of a higher proportion of premium and A-Grade properties.

The occupancy rate of the MPT portfolio as at 30 June 2009 was 95.9% with a portfolio WALE (by area) of 5.8 years. 10% of the MPT asset portfolio is due for expiry in FY10, however, single tenant expiry risk is minimal. Of the FY10 rent reviews, approximately 94% are subject to consumer price index (CPI) and/or fixed rental increases which may drive forecast rental growth for MPT.

The portfolio WACR was 7.6% as at 30 June 2009 and softened by 100 basis points from 6.6% as at 30 June 2008. Similar to other vehicles, a key downside risk for MPT is the further easing of capitalisation rates across the portfolio and declining levels of market rent.

5.2.2 Property development

Mirvac operates within the residential and non-residential property development sectors across Australia. Of the $1.7 billion property development inventory at 30 June 2009, residential development comprised $1.5 billion with the remaining $0.2 billion consisting of non-residential developments. The division has access to centralised in-house architecture, interior design and project and construction businesses which provide efficiencies across the development cycle.

Mirvac's residential development activities cover a large range of projects including planned communities, mid to high end apartments, urban renewal and major generational projects. Non-residential activities are being scaled down and remain largely opportunistic responding to individual market dynamics, with all non-committed projects either deferred or expected to be sold.

Mirvac continues to focus on divesting non-core development projects to free up capital for projects which are more profitable and aligned to the longer term objectives of the division. As part of the 30 June 2009 reporting process, Mirvac conducted a detailed assessment of the net realisable value of each development project and identified 15 non-core projects which will be divested and are expected to generate net proceeds of $140 million. These proceeds are available to be redeployed across the group to focus on larger scale, master-planned and integrated projects which are more consistent with Mirvac's longer term strategy.

Completed non-residential developments are either transferred to an internal fund or are sold to investment management vehicles managed by the group or to third parties.

A broad overview of the operations of Mirvac's residential and non-residential property development divisions is provided below.

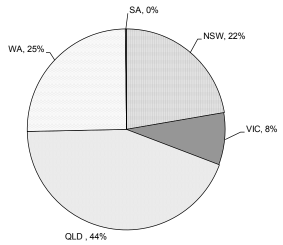
Residential property development

Regarded as one of Australia's most prominent residential developers, Mirvac's residential property development includes medium and high density housing and land sub-division. Its activities include initial feasibility assessment, design services, obtaining planning consent, construction and marketing.

As at 30 June 2009, Mirvac had a residential pipeline of $6.1 billion[10] or 25,353 residential lots, comprised of $3.1 billion[11] from 21,342 house and land sites and $3.0[12] billion from 4,011 apartment lots. This represents a 25.4% decline in total residential lots compared to 30 June 2008, largely due to the sale of non-core lots.

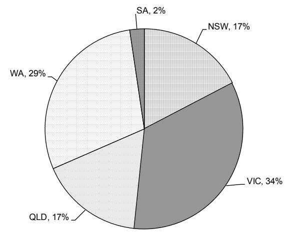
Mirvac's residential developments are focused on major integrated developments and are well balanced geographically, as set out below.

Figure 14: Residential revenue by state[1]



Source: Mirvac company announcements and presentation
Notes:
1. Represents residential activities under control as at 30 June 2009

Figure 15: Lots under control by number



Source: Mirvac company announcements and presentation

Of the 25,353 residential lots, 35% are fully owned, 25.4% are 50% owned through joint ventures, 12.7% are held through managed funds and 27% are held through project development agreements (PDAs). Of these lots, 4,398 lots (17.3% of the pipeline) are committed and in progress.

Mirvac currently has seven projects which comprise 1,200 lots and $1.0 billion in potential revenue which are being fast tracked to launch when the residential market conditions improve. These projects include new towers at Yarra's Edge in Victoria as well as follow-on stages at Newstead, Tennyson Brisbane, Rhodes and Newcastle in NSW and Burswood in WA. The group had residential development exchanged contracts worth $759 million as at 30 June 2009, of which 99% are expected to settle by FY11. However, unless these projects are launched and pre-sold, exchanged contracts may trend down as settlements outpace new pre-commitments.

Mirvac has full recourse on exchanged contracts and requires a 10% deposit to be paid. Defaults have historically tracked below 1% and are presently tracking at 3%.

The top 10 projects are expected to comprise 63% of the budgeted FY10 EBIT for the development operations, 55% of which is underpinned by pre-sales.

10 Represents Mirvac's total share of development revenue, excluding revenue associated with lots not held on Mirvac's balance sheet and excluding fees derived from developments held in funds and joint ventures.
11 Ibid
12 Ibid

Non-residential property development

Mirvac's non-residential property development division is being rationalised, with all non-committed projects either deferred or expected to be sold. This division is expected to become more streamlined as Mirvac focuses on non-residential development projects suitable for investment by MPT.

With $158 million of inventory across 16 current and future projects, Mirvac's non-residential property development division includes commercial, industrial and retail properties.

5.2.3 Hotel Management

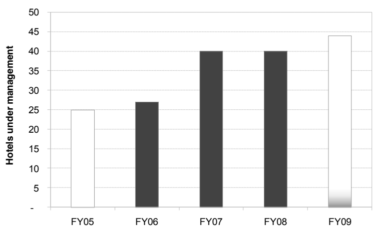
As at 30 June 2009, Mirvac managed a hotel portfolio of 5,616 rooms across 44 properties located in Australia, New Zealand and the Pacific region under a number of brands.

Mirvac is one of the largest hotel operators in Australia, managing hotels and resorts which are typically four to five star properties, serviced apartments or strata properties diversified by location and by ownership structure (i.e. owned, managed, franchised, etc). The business also has an interest in three hotels in New Zealand which represent 5.3% of the total rooms under management.

Five of the hotels managed by Mirvac are wholly owned by MWHF, an open-ended, sector specific unlisted fund with a total value of over $482.6 million as at 30 June 2009. The fund consists of seven hotels located in Sydney, Melbourne, Brisbane and Cairns. Mirvac holds a 42% stake in MWHF.

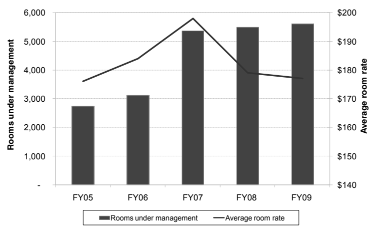
The group's portfolio has delivered consistent revenue growth over the past three years driven by both an increase in average room rates and an increase in the number of hotels and rooms under management as indicated below.

Figure 16: Hotels under management



Source: Mirvac company announcements and presentations

Figure 17: Number of rooms under management and the average room rate



Source: Mirvac company announcements and presentations

During FY09, Mirvac continued the strategic expansion of the division with the addition of five new hotels under management including the Sebel Harborside in Kiama (88 rooms), the Sebel Mandurah in Perth (84 rooms), the Harbour Rocks hotel in Sydney (55 rooms), the Lindrum hotel in Melbourne (59 rooms) and the Quay West Resort & Spa in Falls Creek (40 apartments). Together these properties contribute an additional 326 rooms to the group's hotel portfolio.

MIM

As at 30 June 2009, $7.3 billion in FUM before joint venture interests was managed by Mirvac's external funds management division. Mirvac's platform currently consists of 27 funds and seven mandates divided into retail ($2.3 billion) wholesale ($1.3 billion) and joint ventures ($3.7 billion). The retail funds include listed and unlisted funds and mandates. Wholesale funds include five funds and one mandate. Joint ventures incorporate listed and unlisted Australian and international funds and mandates.

Property investment management appears to be trending toward co-investment and partnering and away from pooled investment and Mirvac continues to focus on its transition from its current wholesale/retail mix towards a wholesale focus.

MIM's objective is to streamline operations to facilitate and maintain the flow of capital to the core Investment and Development divisions. The partnership model for capital refreshment incorporates Mirvac Wholesale Residential Development Partnership Trust (MWRDP) and MWHF and is expected to be the ongoing focus of this division. These 'through the cycle' wholesale development funds align with Mirvac's core competencies in providing the Development division with an ongoing ability to replace cyclical earnings with predictable fees.

In line with the rationalisation strategy, the group is also undertaking certain key initiatives such as the rationalisation of operating expenses and integration of certain MIM functions within the Mirvac corporate team as well as divestment of non-core funds vehicles such as James Fielding Infrastructure.

5.3 Debt structure

The recent equity raisings in November 2008 and June 2009 enabled Mirvac to reduce its debt levels from $2.3 billion as at 30 June 2008 to $2.1 billion in 30 June 2009 with $0.9 billion in cash on hand.[13] The group gearing ratio[14] and the look-through gearing[15] levels reduced from 33.9% and 36.6%, respectively, in FY08 to 18.7% and 23.4%[16] in FY09, providing Mirvac with a stronger balance sheet and sufficient liquidity to meet all forecast debt maturities, debt reductions and capital commitments up to June 2011.

The group's gearing level[17]of 18.7% is under the target range of 20% to 30% with hedges currently in place covering approximately 60% of the outstanding loan principal.

On 16 July 2009, the S&P rating of the group was revised from BBB-/A3 with CreditWatch to BBB/A-2 with a positive outlook. This reflects S&P's view regarding Mirvac's commitment to moderately conservative financial policies and its strategy to re-weight its earnings mix toward a higher proportion of investment earnings. The main consideration for a further ratings upgrade will be for Mirvac to deliver on its stated strategy.

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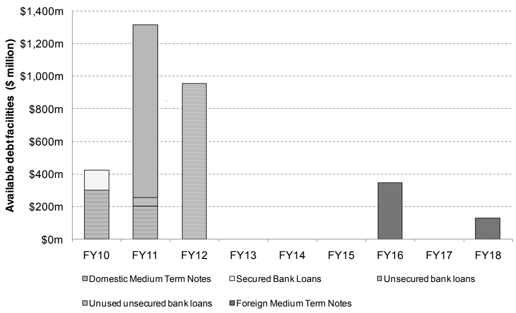
[13] As at 30 June 2009.
[14] Net interest bearing debt less cash / Total assets less cash
[15] Net interest bearing debt less cash / Total assets
[16] As at 30 June 2009.
[17] Ibid

The following graph sets out the debt maturity (of available facilities) of Mirvac as at 30 June 2009.

Figure 18: Available debt facility maturity profile



Source: Mirvac company announcements and presentation

As at 30 June 2009, Mirvac had drawn $2.1 billion representing 66% of the available debt facilities of $3.2 billion. Secured and unsecured loan facilities comprised 6% and 94% of the outstanding debt of the group, respectively.

The weighted average borrowing rate of the group decreased from its FY08 levels of 7.1% to 6.7%[18]. In FY09, the group's weighted average debt maturity was 3.3 years compared to 3.8 years in FY08.

As at 30 June 2009, Mirvac had two key covenants as set out below:

- an interest cover ratio covenant of greater than 2.25 times calculated as adjusted EBITDA/(interest expense and lease expenses for the previous 12 month period. As at 30 June 2009, the interest cover ratio was 3.42 times
- a total leverage ratio of less than 55% calculated as total liabilities/total tangible assets. As at 30 June 2009, the total leverage ratio of Mirvac was 34.2% compared to 43.0% in FY08.

5.4 Equity structure and securityholders

Mirvac currently has the following securities on issue:

- 2.8 billion stapled securities comprising one ordinary security in ML and one unit in MPT
- 15.7 million stapled securities issued to employees under Mirvac's employee incentive schemes (EIS) including the long-term incentive scheme.

Under the employee schemes, the group has also issued 20 million performance rights and ten million options. Since FY07, Mirvac has also raised approximately $1.9 billion in new equity from the following transactions:

[18] All quoted borrowing rates are inclusive of line fees and margins.

- on 24 January 2008, a $300 million placement was made to Nakheel Investments Australia Pty Limited (Nakheel) at a price of $5.20 per stapled security. Nakheel reduced its interest in the group during 2008 and 2009 through partial participation in equity raisings and divested its remaining stake with a final sale of its remaining 6.1% interest in the group to institutional securityholders on 21 August 2009, via a placement at $1.20 per stapled security
- on 6 November 2008, a $500 million equity raising was announced, comprising a $72 million institutional placement at $0.90 per stapled security, and a $428 million non-renounceable entitlement offer for institutional and retail investors at $0.90 per stapled security
- on 4 June 2009, Mirvac announced another $1.1 billion equity raising comprising a $945 million non-renounceable entitlement offer and a $155 million placement to institutional investors (both at $1.00 per stapled security).

The securityholders of Mirvac comprise a combination of institutional and retail investors as set out below.

Table 9: Top ten Mirvac securityholders as at 31 July 2009[1]

	Number of securities (000)	Percentage of total issued stapled securities
Maple -Brown Abbott	179,813	6.4%
ING Group	168,056	6.0%
Vanguard Group	143,053	5.1%
Government of Singapore	137,700	4.9%
Barclays Bank	129,920	4.6%
AMP Capital Investors	92,668	3.3%
Cohen & Steers Asia	85,420	3.0%
Paradice Investment Mgt	79,649	2.8%
State Street Corporation	73,625	2.6%
BT Investment Mgt	73,069	2.6%
Top 10 total	1,162,972	41.5%
Other unitholders	1,642,488	58.5%
Total securities outstanding[2]	2,805,460	100.0%

Source: Mirvac

Notes:

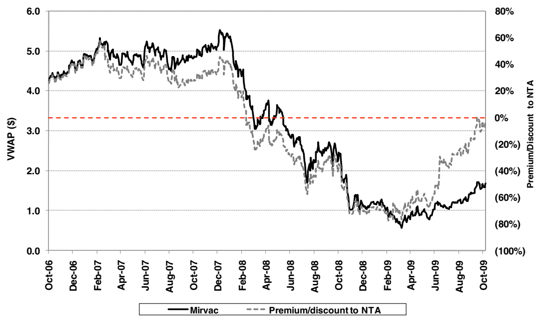
1. The above analysis excludes Nakheel's holding which was divested on 21 August 2009
2. Excludes EIS securities

5.4.1 Security price performance

Mirvac's stapled securities are listed on the ASX and trade under the ticker MGR.

The security price for Mirvac has recently ranged between a low of $0.56 in March 2009 and a high of $5.50 in December 2007 and has been trading at a discount to NTA since February 2008 as set out below.

Figure 19: Mirvac stock activity on the ASX



Source: Bloomberg, Deloitte Corporate Finance analysis

Note 1: NTA has been calculated excluding the Mirvac EIS

Since 2006, Mirvac traded at a premium to NTA of over 60% to a discount of 77.6% in the quarter ended 31 March 2009. The steep decline in the Mirvac security price since January 2008 is likely due to a number of factors including:

- dilution of the security price and the NTA: since November 2008 Mirvac has undertaken substantial capital raisings which raised $1.6 billion in new equity and resulted in an additional 1.7 billion securities being issued. The additional capital raised in June 2009 represented 48.5% of Mirvac's market capitalisation (44.7% for the November 2008 raising) and diluted the security price and the NTA per security of the group

- negative market sentiment: recent market sentiment regarding the A-REIT sector may have negatively affected the security price of Mirvac. The global credit crisis has caused significant capital constraints, in particular, on the availability of debt financing which is critical to the industry. Mirvac has generally traded in the line with the Property Index as set out below:

Figure 20: Relative performance of Mirvac

Source: Bloomberg, Deloitte Corporate Finance analysis

Note: The Property Index and Mirvac have been rebased to $1 as at the start date

- vulnerability of development activities: negative market sentiment regarding the outlook for the property development sector due to the recent economic slowdown in Australia. Several A-REITs, including Mirvac, have placed a number of projects on hold whilst the non-residential sectors absorb some minor over-building in response to the global financial crisis and weakening manufacturing sector
- decline in NAV: Mirvac reported a 16% decline in the fair value of the investment portfolio of MPT between 30 June 2008 and 30 June 2009. The decline was largely a result of an increase in the WACR from 6.6% in FY08 to 7.6% in FY09
- declining distribution expectations: In March 2009, the group announced a revised distribution policy of distributing taxable earnings to investors. The forecast distributions are expected to be lower than those paid under the earlier policy of distributing 100% of the MPT earnings and up to 80% of the corporate earnings. Refer to section 5.5 for a detailed discussion of the Mirvac distribution history

5.5 Financial performance

The audited financial results of Mirvac for the financial years ended 30 June 2007, 30 June 2008 and 30 June 2009 are summarised in the table below.

Table 10: Financial results

	Actual 2007 ($million)	Actual 2008 ($million)	Actual 2009 ($million)
Revenue	1,802	1,798	1,676
Other income[1]	458	331	114
Total revenue	2,260	2,129	1,790
% Growth	*n/a*	*(6%)*	*(16%)*
EBIT[2]			
Investment	560	448	(539)
Development	213	(2)	(311)
Investment management	26	(89)	(215)
Hotel management	9	14	12
Corporate	(78)	(98)	(27)
Total EBIT[2]	731	273	(1,080)
% Growth	*n/a*	*(63%)*	*n/m*
Net interest expense	(133)	(121)	(65)
NPBT	598	153	(1,145)
Income tax benefit/(expense)	(31)	23	65
Net profit for the period	567	175	(1,079)
Net profit attributable to minority interests	(11)	(4)	1
Net profit attributable to members of the parent[2]	556	172	(1,078)
Annual distributions per security (cents per unit (cpu))	31.9	32.9	8.0

Source: Mirvac company announcements and presentation

Notes: n/a not applicable n/m not meaningful

1. Includes mainly income attributable to investment property and financial derivative revaluations, shares of associates and joint ventures and gains on the sale of investments, properties and plant and equipment
2. Includes profits (losses) realised on the sale of assets and property revaluations

Revenue

Total revenue declined 21% between FY07 and FY09 due primarily to a weakening external property market, in particular for development and investment management activities. Revenue in earlier years was impacted by one-off asset sales. Hotel management revenue declined due to a stronger Australian dollar and weaker tourism.

EBIT

The actual EBIT results set out in Table 10 above include a number of non-recurring and other one-off items which need to be adjusted in order to determine the normalised EBIT results as set out below:

Table 11: Adjusted results

	Actual 2007 ($million)	Actual 2008 ($million)	Actual 2009 ($million)
Reported EBIT	731	273	(1,080)
Adjustments			
Investment	(271)	(106)	789
Development	-	220	384
Investment management	(1)	103	179
Hotel management	1	2	1
Corporate	28	17	(20)
Total Adjustments	(244)	236	1,333
Adjusted EBIT[1]			
Investment	289	342	250
Development	213	218	73
Investment management	25	14	(36)
Hotel management	11	16	13
Corporate	(50)	(81)	(27)
Total Adjusted EBIT	489	509	273

Source: Mirvac company announcements and presentations, Deloitte Corporate Finance analysis, broker reports

Notes:

1. Adjusted EBIT has been adjusted to exclude investment property revaluations, unrealised gains on financial instruments and other non-cash adjustments.

Investment

Statutory EBIT derived from the Investment division was largely affected by a devaluation in the investment portfolio of $515.6 million[19] largely due to a rise in the WACR by 100 basis points to 7.6% as at 30 June 2009.

Adjusted EBIT for the investment division fell from $342 million in FY08 to $250 million in FY09 due primarily to lower profits from asset sales (FY08 EBIT included $89 million in asset sale profits).

MPT's development pipeline delivered a new commercial building, two refurbished retail shopping centres and an industrial warehouse during FY09.

Leases comprising 10% of the MPT property portfolio are due for expiry in FY10 and rent reviews (94% are subject to CPI and/or fixed rental increases as well as refurbishment completions) are expected to drive rental/NOI growth of 2% to 3% across the portfolio. Mirvac does not currently forecast any asset sales or acquisitions, however, management has indicated that the disposal of non-core assets is expected to continue in FY10.

[19] Gross revaluations excluding assets classified as owner occupied.

FY10 core NPAT guidance for the group is $253 million, with EPS and DPS guidance of 9 cps and 8 to 9 cps, respectively. The Investment division's taxable earnings comprise 100% of the FY10 DPS guidance.

Development

The Development division reported a statutory EBIT loss of $311 million in FY09 (as set out in Table 10) due primarily to inventory write-downs and intangible asset impairments of $377 million to reflect declining end value expectations and to facilitate accelerated disposals to reposition the property development portfolio to focus on generational, large scale projects in line with the group's strategy.

Lot sales of 1,574 in FY09 were 25% lower than in FY08, and gross margins on development projects declined to 16.5% from 25.9% in FY08. Ignoring the impact of impaired projects being sold at nil margins, Mirvac indicated the FY09 gross margin on settlement was 20.5% compared to historical averages of 18% to 22%.

Lot sales are expected to improve in FY10 to approximately 2,000 lots, however, gross margins are expected to be low due to disposal of impaired inventory at essentially nil margins. Management has indicated that 30% of these settlements relate to impaired lots on which it expects minimal or zero gross margins. FY10 operating profits are also expected to include $15 million in restructuring costs and will conclude the recent downsizing program which is targeting $25 million ongoing cost savings across all divisions.

Management anticipates margins to return to more normalised levels in FY11 when sales are again forecast to be approximately 2,000 lots.

MIM

MIM recorded a statutory EBIT loss of $215 million in FY09 which was primarily driven by a severe decline in the underlying asset values and $160 million in asset impairments and approximately $14 million in restructuring costs.

The rationalisation strategy of MIM is expected to continue in FY10 with completion of the divestment of non-core investment management businesses such as James Fielding Infrastructure. The core platforms to be retained are the hotel and residential wholesale funds. Wholesale funds comprised $1.3 billion in AUM representing 13% of MIM's total AUM of $7.7 billion as at 30 June 2009.

Hotel management

The hotel management division has experienced relatively stable revenue growth over the period due to the increase in hotels under management and hotel performance. The FY09 operating profit before tax was $12 million, an 11.8% decrease compared to FY08 mainly due to reduced demand as a result of lower consumer spending, businesses cutting costs on travel and conferences and the swine flu.

A further 406 rooms across four hotel management contracts are expected to commence over the next two years and brokers are generally expecting FY10 adjusted EBIT to be similar to FY09 levels of $13 million.

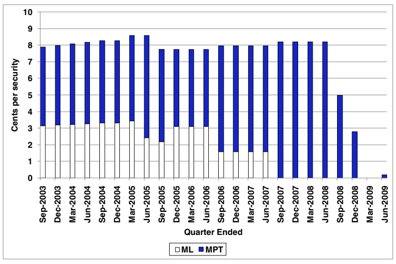
Corporate

Corporate costs primarily include listed company costs and other overhead administrative costs such as salary and wages of head office functions including treasury, tax and information technology. Rent and employee expenses are allocated amongst the separate operating divisions of the group.

Distribution history

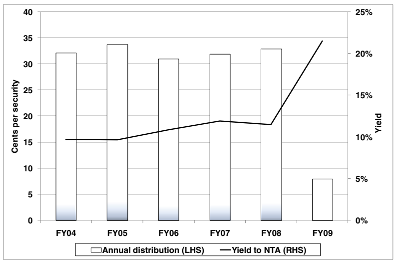
Mirvac's quarterly distributions (which are composed of a dividend from ML and a distribution from MPT) for the six years ended 30 June 2009 and the aggregate historical annual distribution for the six financial years ended 30 June 2009 are set out below:

Figure 21: Mirvac quarterly distributions



Source: Mirvac company announcements and presentation

Figure 22: Annual distribution yield on NTA



Source: Mirvac company announcements and presentation.

Note: Annual yields are calculated based on the NTA per security as reported in the annual financial reports

Dividends have franking credits attached and distributions comprise tax-deferred and taxable income.

As at 30 June 2009, 47.8 million securities were issued pursuant to the distribution reinvestment plan (DRP) which at present remains inactive.

5.6 Financial position

The audited statements of financial position of Mirvac as at 30 June 2007, 30 June 2008 and 30 June 2009 are summarised in the table below.

Table 12: Financial position

	30 June 07 Audited ($million)	30 June 08 audited ($million)	30 June 09 Audited ($million)
Cash	25	29	897
Receivables	455	311	248
Inventories	346	683	590
Non-current assets held for sale	66	6	-
Other	100	130	71
Total current assets	992	1,159	1,807
Receivables	87	182	204
Inventories	1,274	1,001	1,080
Investments accounted for using the equity method	672	600	398
Investment properties	3,431	3,437	3,210
Intangible assets	291	321	59
Property, plant and equipment	492	633	549
Derivative assets	70	95	8
Other	43	64	60
Total non-current assets	6,360	6,334	5,567
Payables	282	325	227
Interest bearing liabilities	0	138	423
Provisions	87	96	10
Other	30	34	21
Total current liabilities	400	593	680
Payables	93	16	44
Interest bearing liabilities	2,553	2,200	1,681
Derivatives	86	111	43
Deferred tax liabilities	135	139	47
Provisions	5	23	6
Total non-current liabilities	2,872	2,490	1,821
Other metrics			
Net assets	4,080	4,410	4,873
NAV per security[1]	$4.09	$4.07	$1.74
NTA per security[1]	$3.80	$3.77	$1.72
Book value gearing[2]	35.3%	33.9%	18.7%
Look-through gearing[2]	n/a	36.6%	23.4%

Source: Mirvac company announcements and presentation

Notes: n/a: not available

1. Based on total issued securities excluding those securities issued under Mirvac's EIS.
2. As at 30 June 2009. Gearing includes interest bearing debt net of hedging positions less cash.

The net assets of the group increased by a CAGR of 9% over the above period, however, the NTA per security declined by a CAGR of 33% due to:

- the issue of additional securities pursuant to the recent capital raisings as discussed in detail in section 5.4
- impairment of the Development division's inventory in FY09 comprising write-downs of non-core inventory ($129 million), completed and unsold inventory ($35 million), core projects ($23 million) and loans in joint ventures and associates ($50.6 million). The book value of current and non-current development inventory (excluding properties under construction classified as Property, Plant and Equipment) was $1,670 million as at 30 June 2009
- a $515.6 million[20] decline in the investment portfolio held by MPT between 30 June 2008 and 30 June 2009. During FY09, external valuations were undertaken across $2.9 billion of the $3.7 billion property portfolio of MPT with the remainder valued by Mirvac's directors
- a decline in other investments by 23%, due to property revaluations and marked to market revaluations of investments held in associates and joint ventures.

The intangible assets balance comprises goodwill and management rights and other intangible assets which relate primarily to funds established or rights established by entities acquired by Mirvac. Deferred tax liabilities relate to timing differences and are not expected to be realised in the short term.

As at 30 June 2009, Mirvac had net debt outstanding of $1.2 billion since Mirvac currently holds $0.9 billion of cash primarily due to funds raised from the capital raising in June 2009 as discussed in section 5.3.

[20] Gross revaluations excluding assets classified as owner occupied.

6 Valuation methodology

6.1 Valuation methodologies

To estimate the fair market value of the securities in MREIT and Mirvac we have considered common market practice, the valuation methodologies recommended by RG 111 regarding the content of independent expert's reports and recent clarification by ASIC of its policy intent on the appropriate interpretation of the concepts of "fair" and "reasonable" for the purposes of RG111. These are discussed below.

6.1.1 Market based methods

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

- capitalisation of maintainable earnings
- analysis of a company's recent security trading history
- industry specific methods.

The capitalisation of maintainable earnings method (CME) estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The CME method is appropriate where the company's earnings are relatively stable.

The most recent security trading history provides evidence of the fair market value of the securities in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

6.1.2 Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

6.1.3 Asset based methods

Asset based methods estimate the market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to securityholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.

6.2 Selection of valuation methodologies

6.2.1 MREIT

We have used the net assets on a going concern basis to estimate the fair market value of a unit in MREIT. We believe that this is the most appropriate methodology to apply to value MREIT on a control basis since it is an externally managed passive investor, primarily in direct properties and does not conduct any active operations. Furthermore, valuations of all of the Properties were prepared as at 30 June 2009.

In addition, we have also considered market evidence derived from our analysis of the following to provide additional evidence of the fair market value of a unit in MREIT:

- recent trading in MREIT units
- earnings and asset-based multiples observed in listed securities and/or transactions involving entities comparable to MREIT.

6.2.2 Mirvac

In order to estimate the fair market value of the consideration to be received, we have relied upon an analysis of recent trading prices for Mirvac securities as our primary methodology. Whilst this is in contrast to the net assets approach for estimating the fair market value of a unit in MREIT, in our opinion, recent trading in Mirvac securities provides a reasonable estimate of the fair market value of the consideration to be received by Non-Associated Unitholders since:

- any market re-rating or synergies arising as a result of the Proposed Scheme is likely to have an immaterial impact on the security price of Mirvac due to the relative scale of Mirvac's operations and asset base compared to MREIT. Therefore recent trading in Mirvac securities should represent an appropriate estimate for the Mirvac security price if the Proposed Scheme proceeds
- if the Proposed Scheme proceeds, Non-Associated Unitholders may retain a minority or portfolio interest in Mirvac. The security trading price of Mirvac represents a minority value
- there are no restrictions on Non-Associated Unitholders who elect to receive Mirvac securities as consideration pursuant to the Proposed Scheme disposing of their securities subsequent to implementation of the Proposed Scheme
- there is a liquid market for Mirvac securities including a strong retail and institutional security holder base as well as significant coverage from buy side and sell side research analysts. Furthermore, on 25 August 2009, Mirvac announced its FY09 results to the market and provided revised guidance for the group.

Due to the recent volatility in the trading prices of Mirvac securities we have also assessed the reasonableness of our assessed fair market value using the capitalisation of maintainable earnings approach as set out in Section 8.3.

7 Valuation of MREIT

7.1 Summary

We have estimated the fair market value of a unit in MREIT on a control basis to be in the range of $0.84 to $0.86 per unit.

For the purpose of our opinion, fair market value is defined as the amount at which a unit in MREIT would change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell. We have not considered special value in this assessment.

Based on our understanding of ASIC's policy intent on the appropriate interpretation of the "fair" and "reasonable" tests in RG 111, we note the following:

- in assessing the fairness of a proposed transaction, an independent expert should not have regard to any entity specific or structural issues such as excess gearing which may temporarily impair an entity's ability to realise full fair market value for its assets. Instead, in assessing fairness, an orderly market for the underlying assets of the entity should be assumed
- entity specific factors may be appropriate matters to be taken into account when assessing the reasonableness of a proposed transaction.

As a consequence of the above, in considering the fairness of the Proposed Scheme we did not consider any potential valuation impact that may arise from the potential near term covenant breaches or the short term funding constraints of MREIT on the value of a unit in MREIT.

We have estimated the fair market value of an MREIT unit with reference to the underlying fair market value of its net assets. In addition, we have compared certain valuation parameters implied by our net asset valuation to those of comparable entities (section 7.4) and analysed recent trading in MREIT units (section 7.3) to provide further evidence of their fair market value.

7.2 Net assets on a going concern basis

We have assessed the fair market value of the net assets of MREIT on a going concern basis by aggregating the fair market value of its assets and liabilities. Accordingly our assessment does not reflect any costs that would be incurred if the assets were disposed of in order to realise their value.

7.2.1 Fair market value of net assets of MREIT

In order to estimate the fair market value of MREIT's net assets we have considered the audited balance sheet as at 30 June 2009 and considered any adjustments required to reflect the difference between the fair market value and the book value of these net assets.

We have estimated the current fair market value of MREIT's net assets to be in the range of $525.4 million to $540.4 million as set out in the table below.

Table 13: Summary of the current fair market value of MREIT's net assets

	Low ($'million)	High ($'million)
Audited net assets attributable to MREIT as at 30 June 2009 (Section 4.7)	531.7	531.7
Fair market value adjustments:		
Add: Movements in the fair market value of financial instruments	1.6	1.6
Expected cash flow up until Implementation Date	7.1	7.1
Less: Potential write-off of DOHA development	(15.0)	-
Current adjusted net assets of MREIT	525.4	540.4

Source: MREIT Annual Report, Deloitte Corporate Finance analysis

MREIT's financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated. Therefore we have assessed MREIT's net assets as at 30 June 2009 as having a fair market value equal to book value.

Our consideration of the adjustments to MREIT's net assets as at 30 June 2009 is set out as follows.

MREIT's property portfolio

The main component of MREIT's net assets as at 30 June 2009 is its investment portfolio comprising 24 direct property investments as well as indirect investments in property assets through associate and joint venture arrangements. These investments represented an ungeared book value of $965.7 million as at 30 June 2009. A summary of the book value of MREIT's property portfolio is set out below:

Table 14: Summary of MREIT's property portfolio as at 30 June 2009

Property type	Book value ($'million)	WACR (%)
Commercial	321.2	8.19
Retail	371.9	7.86
Industrial	179.3	8.46
Hotels	93.4	9.56
Total	965.7	8.35

Source: MREIT

A full list of properties comprising MREIT's property portfolio and other relevant details of the portfolio are set out in Appendix 3.

In line with MREIT's internal valuation policy, MREIT undertakes independent valuations at intervals of not more than every two years and not using the same independent valuer more than three times. The carrying value of the property portfolio as at 30 June 2009 was based on a combination of independent appraisals and management estimates of the fair value of the properties based on the yield and leasing expectations at that time. All of the Properties (excluding certain assets within the Travelodge Group) have been independently valued during the 12 months to 30 June 2009 which resulted in a value decrease of 16%.

We have undertaken an analysis of a sample of 14 of the valuations (representing approximately 65% of the portfolio by value) for the Properties as at 30 June 2009 ensuring coverage across each of the property sub-sectors and geographical areas of the portfolio. Based on our review, we have concluded that:

- the external property valuers are independent from MREIT and MRML based upon statements included in the valuation reports and that there were no restrictions on their scope
- the reports were prepared by professionals who have sufficient qualifications and competence to provide an informed opinion of the fair market value of assets of this nature
- the valuation methods used in the property valuations are not inappropriate and appear to have been correctly applied to estimate the fair market values of the assets
- the assumptions and valuation metrics used do not appear unreasonable or inappropriate for the purpose of estimating the fair market values of these properties
- nothing has come to our attention that would cause us to make any adjustments for any valuation movements since 30 June 2009. However, we note that a further softening of capitalisation rates may result in a decrease in the value of MREIT's properties in the future especially for those properties with significant near term lease expiries. We have prepared a sensitivity analysis of the impact of increasing or decreasing the capitalisation rates incorporated in the 30 June 2009 valuations on our assessed value of MREIT in section 7.2.3.

As noted above, MREIT co-invests in some assets (such as 10-20 Bond Street) and also holds investments in associates and joint ventures, all of which hold direct property investments. Unless specific terms apply to the agreements regulating common ownership of the assets, it is market practice to assess the value of an interest in a property based on the pro-rata portion of the total property value, without applying any further adjustments or discounts. We do not consider it necessary to allow for any discount to the full pro-rata share of the independent valuations in our valuation of MREIT's investments in associates and joint ventures.

Expected cash flows

The net assets of MREIT as at 30 June 2009 do not include the cash flows expected to be earned until the Implementation Date. We have therefore included $7.1 million representing the expected cash earnings to be generated by MREIT from 30 June 2009 to the Implementation Date based on MREIT management's FY10 guidance net of the expected transaction costs attributable to MREIT of $1.3 million.

Derivative instruments

MREIT uses interest rate swaps to hedge against unfavourable movements in interest rates. We have adjusted the net asset position for the movement in the net fair market value of these instruments since 30 June 2009 of $1.6 million.

7. Independent Expert's Report
(continued)

Potential write-off of DOHA development

MREIT management is currently in the advanced stages of negotiations to divest their commitment in the DOHA development which includes the land previously acquired for this development. This land had a carrying value of $15.0 million as at 30 June 2009. There is a risk that the financial terms agreed will be insufficient to recover the carrying value of the land. Whilst there is a potential for MREIT to recover all or a portion of the existing carrying value of the land, we have allowed for the scenario whereby MREIT does not recover any of the land value in the low end of our assessed range.

Other considerations

Intangible assets

We are not aware of any intangible assets which are not otherwise identified in the accounts of MREIT which should be attributed a fair market value.

Management fees

MREIT pays responsible entity fees to MRML equal to 0.5% per annum of the total assets of MREIT. Responsible entity fees paid for FY07 were approximately $6.4 million. MRML is also entitled to property management and leasing fees and advisory fees for acquisitions, redevelopments and treasury matters at market rates which totalled $2.8 million and $2.4 million, respectively, for the year ended 30 June 2009.

Whilst property management fees are included in the property cash flows used by the directors and independent valuers in their valuations of the properties as at 30 June 2009, responsible entity and advisor fees have not been included. Accordingly, those fees represent a potential future cash outflow which is not recognised in the financial position of MREIT as at 30 June 2009. Such fees would be payable as long as MREIT and its investments are externally managed by MRML (or another responsible entity).

Investment property management is a highly scalable business model where costs tend to be relatively fixed. A third party buyer considering purchasing MREIT would likely be able to achieve economies of scale in managing the portfolio and therefore would be likely to factor in only a portion of these costs when assessing the purchase price to acquire MREIT.

Furthermore, there is an argument that such costs would not be factored in at all when assessing the market value of a property holding company. These costs are incurred for the purpose of improving the performance of a fund either by sourcing new investment opportunities or by optimising the existing portfolio thereby increasing the return of the existing portfolio. Accordingly, it can be argued that the ongoing costs associated with such services produce a return equal to or higher than the cost of providing those services.

Based on the above considerations, we do not consider it appropriate to make any valuation adjustment for responsible entity fees. Furthermore, since the Woden Development property is expected to be divested and no further acquisitions are anticipated in the short-term, we have not considered any future liability associated with further acquisitions or development fees.

7.2.2 Valuation of a unit in MREIT

We have assessed the fair market value of a unit in MREIT (on a control basis) under the net assets on a going concern method to be in the range of $0.84 to $0.86 per unit as set out in the table below.

Table 15: Fair market value of a unit in MREIT

	Section	Low ($'million)	High ($'million)
Current adjusted net assets of MREIT ($'million)	7.2.1	525.4	540.4
Number of units on issue ($'million)	4.4	627.3	627.3
Fair market value of a unit in MREIT on a control basis ($ per unit)		0.84	0.86

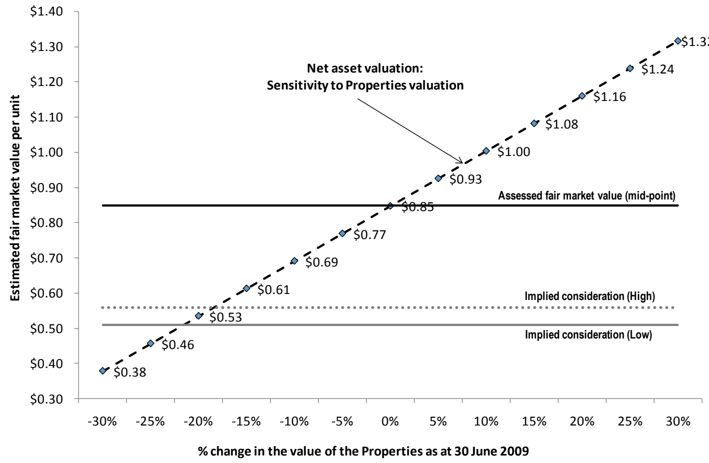
Source: Deloitte Corporate Finance analysis

7.2.3 Sensitivity of the value of an MREIT unit

Whether the valuations of the Properties continue to fall or rise in future will be a major driver of the fair market value of MREIT. Short term prospects in most sub-sectors of the property market remain constrained and as a consequence there is an expectation that property valuations will decline further in the year to 30 June 2010.

Given the high level of debt within the Trust, our valuation is sensitive to relatively small movements in the underlying value of the Properties. Our estimate of the impact of movements in the underlying valuations of the Properties on the fair market value of an MREIT unit is set out below.

Figure 23: Valuation of a unit in the Trust – sensitivity to movements in the value of the properties



Source: Deloitte Corporate Finance analysis

Note: Implied consideration includes the September 2009 distribution to be payable to Non-Associated Unitholders of 1.0 cpu.

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Deloitte: Mirvac Real Estate Investment Trust – Independent expert's report

Broadly speaking, a +/- 0.5% movement in the underlying capitalisation rate of the investment properties would have an approximate -/+ 7% impact on the value of the Properties which equates to an approximate impact of -/+12% on the value of an MREIT unit.

7.3 Market evidence

7.3.1 Introduction

We have set out below the valuation parameters observed from publicly available market data as a reasonableness cross check to our valuation under the net assets approach. In particular, we have considered:

- recent trading in MREIT units
- earnings and asset-based multiples observed in listed securities and/or transactions involving entities comparable to MREIT.

7.3.2 Analysis of recent trading in MREIT units

The unit price of MREIT ranged from $0.19 to $0.43 for the six months prior to the Speculation Date and traded between $0.45 and $0.59 subsequent to the Speculation Date.

The table below sets out the further details on the recent historical unit trading price of MREIT.

Table 16: Summary – analysis of recent MREIT unit trading

	Low	High	VWAP	Volume daily average (million)	Premium / (discount) implied by the Proposed Scheme[1]
Prior to the Speculation Date					
Six months	$0.19	$0.43	$0.32	0.29	36.0%
Three months	$0.28	$0.40	$0.34	0.36	32.0%
One month	$0.30	$0.40	$0.35	0.52	30.0%
One week	$0.37	$0.39	$0.38	0.39	24.0%
One day	$0.37	$0.39	$0.39	0.58	22.0%
Subsequent to the Speculation Date					
8 October 2009	$0.45	$0.59	$0.54	0.82	(0.5%)

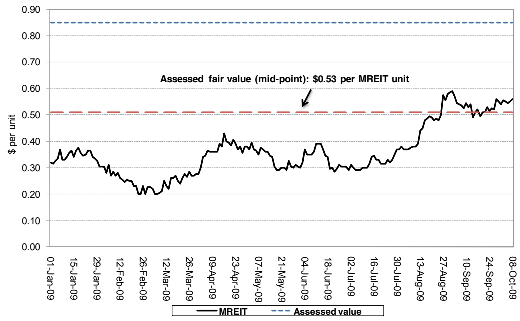
Source: Deloitte Corporate Finance analysis

Notes:

1. Based on VWAP.

A comparison of recent trading in MREIT units to our assessed fair market value and the consideration implied by the Proposed Scheme is set out below:

Figure 24: Comparison of MREIT's unit trading with assessed value



Source: Bloomberg, Deloitte Corporate Finance analysis

We are of the view that the price at which MREIT units have been recently trading may not be an appropriate measure of the underlying fair market value of a unit in MREIT. In particular, we consider that MREIT units may have been trading at a significant discount to our estimated fair market value on a control basis due to a number of specific circumstances, which are outlined below.

Minority interest

Security prices from market trading do not generally reflect the market value for control of a company as they are for portfolio holdings and accordingly would be expected to trade at a discount to a control value.

General industry trends

The historical perception of A-REITs as low risk investments has weakened following the recent underperformance of the sector. A tightening debt market since late 2007 has resulted in increasing debt margins, more stringent covenants and limited access to additional capital, in particular for smaller A-REITs such as MREIT. In many instances, this has resulted in assets and projects becoming unviable and recent reported results have been characterised by property devaluations and intangible asset impairments which have reduced net asset values.

Consequently, market sentiment remains relatively negative, particularly for smaller undercapitalised vehicles such as MREIT, as industry participants signal lower distributions, dilution from actual and expected equity raisings or restructures as well as asset realisations in an attempt to lower balance sheet gearing levels.

High debt levels and refinancing risk

As discussed in section 4.3, MREIT has a high level of financial gearing and has minimal headroom before it could be in breach of some of its debt covenants, in particular the gearing and ICR covenants. In pricing MREIT's units the market is likely to have applied a discount to factor in the following risks:

- *liquidity constraints and covenant breach risks*: we are of the view that the market is likely to have factored in risks associated with MREIT's limited access to capital and the potential near term covenant breaches which has contributed to the level of discount to NTA at which MREIT is currently trading
- *dilution risks*: the market may have priced in a discount to MREIT's NTA to reflect the risk of dilution resulting from a potential large scale equity raising (which have been occurring at deep discounts to share trading prices and NTA as set out in Appendix 6).

Assets devaluation risks

Whilst MREIT revalued the portfolio at 30 June 2009 which resulted in a decrease on the 31 December 2008 book value of 11.7%, the market may be pricing in the expectation of future asset devaluations which would further suppress the observed discount to NTA.

Units are thinly traded

MREIT has only one sell side analyst that covers the security. In addition, during the period 1 January 2009 to 8 October 2009, the total number of units traded represented approximately 12% of the total units on issue of 627.3 million. Average weekly trading volume of units in MREIT over this same period was 1.9 million. The thin trading in MREIT securities may affect the relevance of these on-market transactions as a reference of the fair market value of an MREIT unit on a control basis.

Transparency of associates and JV interests

Approximately 20% of the total assets of MREIT consist of interests held in associates and joint ventures. Since all of these interests are in unlisted trusts or entities, it may be difficult for market participants to fully assess the ongoing profitability and future prospects of these investments.

Conclusion

As a result of the above, we are of the view that the recent trading price of MREIT units does not represent an objective assessment of the underlying fair market value of a unit in MREIT on a control basis.

7.4 Earnings and asset based multiples

We have identified a number of listed property funds with characteristics that are broadly comparable to those of MREIT. Given that MREIT's property investments include the commercial, retail, industrial and hotel property sub-sectors, we have selected a broad range of listed A-REITs as set out in the table below.

Table 17: Comparable A-REIT trading multiples

Company	Market cap (million)[1]	Gearing (%)[2]	P/NTA[3]	Ungeared P/NTA[3 4]	FY10 Current EBIT (times)[5]	FY11 Forecast EBIT (times)[5]
MREIT	358	49%	0.67	0.75	12.1x	11.7x
Sector specific property trusts/companies						
CFS Retail Property Trust	5,084	27%	1.02	1.02	16.7x	15.5x
Commonwealth Property Office Fund	1,797	26%	0.84	0.89	14.1x	13.8x
ING Office Fund	1,604	29%	0.89	0.93	14.6x	14.6x
Macquarie Office Trust	1,516	48%	0.65	0.83	11.6x	11.7x
ING Industrial Fund	737	64%	0.50	0.92	13.0x	13.4x
Westpac Office Trust[6]	147	61%	0.36	0.77	n/a	n/a
Growthpoint Properties Australia	284	48%	0.98	0.99	11.4x	10.8x
Average		*43%*	*0.75*	*0.91*	*13.6x*	*13.3x*
Median		*48%*	*0.84*	*0.92*	*13.6x*	*13.6x*
Diversified property trusts/companies						
Stockland Group	9,663	15%	1.13	1.10	15.9x	14.3x
GPT Group	6,292	30%	0.92	0.95	15.2x	14.2x
Lend Lease	4,817	30%	*n/m*	*n/m*	12.1x	10.6x
Mirvac	4,664	23%	0.97	0.99	19.0x	17.1x
Dexus Property Group	3,906	30%	0.79	0.89	12.9x	12.4x
Goodman Group	4,190	39%	0.93	1.06	17.3x	16.0x
Abacus Property Group	693	31%	0.73	0.82	11.7x	11.3x
Cromwell Group	475	53%	0.88	0.95	10.6x	10.4x
CDI	442	26%	0.72	0.80	11.1x	10.6x
Average		*31%*	*0.88*	*0.94*	*14.0x*	*13.0x*
Median		*30%*	*0.90*	*0.95*	*12.9x*	*12.4x*
Overall average[7]		*36%*	*0.82*	*0.93*	*13.8x*	*13.1x*
Overall median[7]		*30%*	*0.88*	*0.93*	*13.0x*	*13.4x*
MREIT (based on net asset valuation)	533	49%	1.00	1.01	14.7x	14.3x
MREIT (based on the implied consideration)	339	49%	0.64	0.82	11.8x	11.4x

Source: Bloomberg, Deloitte Corporate Finance analysis

n/a = not available P = price n/m = non meaningful

Notes:

1. Market capitalisation as at 8 October 2009 and expressed in Australian dollars
2. Gearing is calculated as (net debt on a look through basis)/(gross tangible assets – cash) whereas covenant gearing for MREIT excludes cash
3. Pro forma figures were used where an equity raising was announced post the release of 30 June 2009 financials. CDI and Goodman Group are currently in the process of completing equity raisings in order to reduce gearing levels. The calculation of NTA for these comparable companies was therefore based on pro forma figures which make certain assumptions regarding the expected take-up by security holders and the expected reduction in outstanding debt post the equity raising.
4. The ungeared Price to NTA is calculated as (market capitalisation plus look through net debt)/(NTA + look through net debt)
5. Current and forecast EBIT multiples are based on the average of the broker consensus earnings as at 8 October 2009
6. In the latter half of September 2009, unit holders in Westpac Office Trust approved a restructure whereby instalment receipts were suspended and ordinary units allowed to trade. The market capitalisation set out above is limited to the instalment receipts
7. Excluding MREIT.

The table above shows the multiples for MREIT implied by our valuation of a unit in MREIT and as implied from the consideration pursuant to the Proposed Scheme compared to those of the comparable listed companies. Whilst our net asset valuation reflects a control value, valuation metrics derived from security trading of listed companies may incorporate a minority interest discount to reflect that only small parcels of securities are generally traded on stock markets.

Key points from the above table are discussed below.

Gearing levels

Some of the selected comparable companies have significant investments in non-controlled entities which are not consolidated into their balance sheets. Consequently, the gearing levels presented are on a look-through basis (actual or estimated), i.e. incorporating the proportionally-attributable financial liabilities and/or assets of their equity accounted associates.

The look through gearing of MREIT as at 30 June 2009 is 49% which is relatively consistent with the average gearing level of 43% for comparable sector specific companies but higher than the average gearing level of 31% for comparable diversified companies.

We note that the majority of comparable listed companies conducted equity raisings during FY09 (refer to Appendix 6) for the purposes of reducing gearing. Whilst MREIT did not undertake any equity raisings in FY09 it has been in a process of divesting non-core assets in an effort to reduce its gearing.

P/NTA multiples

We make the following comments in relation to the analysis of P/NTA multiples and the ungeared P/NTA multiples (which attempt to remove the impact of differing levels of gearing on this analysis) conducted in Table 17:

- the WACR of the properties of the comparable companies as at 30 June 2009 was 7.6% which is lower than the WACR of MREIT's properties of 8.1% (excluding hotels). This implies that these companies have a relatively higher grade of investments
- some of the comparable companies (such as Lend Lease, Mirvac and Stockland) have more broad exposure to property markets through development and asset management activities which may generate intangible value in excess of the NTA. In particular, Lend Lease is trading at a significant premium to its NTA since a significant portion of its earnings are from funds management and other activities which do not have any significant tangible assets

- we consider CDI, Abacus Property Group (Abacus) and Cromwell Group (Cromwell) to be most comparable to MREIT based on their relative size, sector focus and geographic diversification of its investment portfolio. The P/NTA average multiple and ungeared P/NTA for CDI, Abacus and Cromwell are 0.78 and 0.85, respectively
- the average P/NTA and ungeared P/NTA multiple for the diversified comparable companies is 0.88 and 0.94, respectively
- the average P/NTA and ungeared P/NTA multiple for comparable sector specific companies is 0.75 and 0.91, respectively
- the P/NTA and ungeared P/NTA multiple implied by our assessed value of an MREIT unit is 1.00 and 1.01, respectively, which is higher than the average multiples of the comparable companies. This is likely due to the fact that a number of the comparable companies are faced with short term liquidity concerns and funding constraints which is factored into the market price but has not been factored into our assessed value of MREIT as discussed above. However, the P/NTA and ungeared P/NTA multiple implied by the Proposed Scheme for an MREIT unit is 0.64 and 0.82, respectively, which is lower than the average multiples of comparable listed companies.

EV/EBIT multiples

We make the following comments in relation to the EV/EBIT multiples in Table 17:

- earnings for many A-REITs are expected to decrease in the short term as a result of declining rental receipts (especially for those A-REITs with a high proportion of the lease portfolio expiring in the short term) and more onerous funding terms as a result of the renegotiation of existing debt facilities
- the current and forecast average EV/EBIT multiple for the comparable companies is 13.8 times and 13.1 times, respectively.
- Stockland, Mirvac and CFS Retail Property Trust are currently trading at relatively high multiples of EBIT. These companies are widely seen to be supported by a strong financial position and relatively low levels of gearing and high quality assets which may be more resilient against any further decompression of capitalisation rates
- CDI, Abacus and Cromwell are the most comparable to MREIT based on their relative size, sector focus and geographic diversification of their investment portfolios. The average current and forecast EV/EBIT multiples for these companies are 11.1 times and 10.8 times, respectively.
- the current and forecast EV/EBIT multiple implied by our assessed value of an MREIT unit is 14.7 times and 14.3 times, respectively
- the current and forecast EV/EBIT multiple implied by the Offer Price for a MREIT unit is 11.8 times and 11.4 times, respectively, which is lower than the average multiples of the comparable companies
- whilst the implied EV/EBIT multiples implied by our assessed value for an MREIT unit are higher than the comparable companies we believe this is primarily attributable to the following:
  - as mentioned above, the share trading multiples observed above all represent a minority value whereas our assessed value (and the implied Offer Price) represent a control value

- the comparable companies are trading at an average discount to the most recently reported NTA of approximately 18% whereas our assessed value of MREIT does not consider any liquidity or funding constraints of MREIT or any potential further asset devaluation in the future which may be reflected in the share trading of the comparable companies
- the multiples implied by the offer price for MREIT are lower than the diversified property companies (such as Stockland and Mirvac) which have more diversified operations that include property development, hotels and resort management and funds management. Companies with diversified operations typically trade at higher multiples as their earnings are less volatile than undiversified companies. However, the implied multiples are slightly higher than, but not inconsistent with, the average multiples for comparable specific and diversified companies and the average multiple for CDI, Abacus and Cromwell.

Other market evidence – transactions

Whilst we would normally benchmark our net asset valuation of MREIT with multiples implied by comparable transactions, we do not consider this approach appropriate for the purposes of providing evidence of the fair market value of a unit in MREIT on a control basis as there is little evidence of control transactions involving A-REITs since the onset of the global financial crisis, with the majority of the deals involving equity raisings and the acquisition of non-controlling stakes (refer to Appendix 6).

However, we note that the equity raisings of the comparable companies during FY09 have occurred at discounts to NTA in the range of 2.9% to 89.0%, with an average discount of 54.7%.

Conclusion

Based on the above we consider that our valuation of a unit in MREIT on a control basis is broadly supported by the observed market evidence.

8 Valuation of Mirvac

8.1 Introduction

We have estimated the fair market value of a Mirvac security on a minority interest basis to be in the range of $1.55 to $1.65 per stapled security. This valuation has been performed on a minority interest basis since if the Proposed Scheme proceeds, Non-Associated Unitholders will own approximately 5.0% of the outstanding capital of Mirvac (assuming 100% take-up of the Scrip Offer).

We have estimated the fair market value of Mirvac based on the recent trading in Mirvac securities. We have also had regard to the earnings multiples implied by our valuation of Mirvac as a cross-check to support our primary analysis.

8.2 Analysis of recent security trading

8.2.1 Basis of evaluation

The consideration offered by Mirvac is either one security in Mirvac for every three MREIT units held or $0.50 cash for each MREIT unit held (up to 20,000 units) plus one security in Mirvac for every three MREIT units held in excess of 20,000 units. In addition Non-Associated Unitholders will receive the 30 September 2009 Distribution of 1.0 cpu.

In order to estimate the fair market value of the Mirvac securities which may be received as consideration pursuant to the Proposed Scheme, we have relied upon recent trading prices for Mirvac securities as our primary methodology. We have analysed the value of Mirvac securities on a minority basis since Non-Associated Unitholders may retain a minority or portfolio interest in Mirvac and the security trading price of Mirvac represents a reasonable estimate of a minority value. Further, any market re-rating or synergies arising as a result of the Proposed Scheme is likely to have an immaterial impact on the security price of Mirvac due to the relative scale of Mirvac's operations and asset base compared to MREIT.

The decision to hold or sell Mirvac securities is an investment decision which holders of MREIT units will have to make if the Proposed Scheme is approved. This is a separate decision to the decision whether to vote in favour of the Proposed Scheme. This report has not been prepared to assist Non-Associated Unitholders (or holders of Mirvac securities) in deciding whether to hold or sell securities in Mirvac if the Proposed Scheme is approved.

8.2.2 Approach

The market can be expected to provide an objective assessment of the fair market value of a listed entity where the market is well informed and liquid. Market prices incorporate the influence of all publicly known information relevant to the value of an entity's securities. We consider recent trading in Mirvac securities to be a reasonable benchmark for the estimated fair market value of a Mirvac security to be received by Non-Associated Unitholders, on minority interest basis, for the following reasons:

- Mirvac's audited financial statements for FY09 were released to the market on 25 August 2009, providing a recent update regarding Mirvac's financial performance and medium to longer term outlook

- any market re-rating or synergies arising as a result of the Proposed Scheme is likely to have an immaterial impact on the security price of Mirvac due to the relative scale of Mirvac's operations and asset base compared to those of MREIT. We note that subsequent to 13 August 2009, the date that Mirvac announced that it was in discussions with MREIT regarding a potential transaction, there were no material movements in the trading volumes or trading prices of Mirvac securities which broadly corroborates this assumption
- Mirvac has a strong retail and institutional securityholder base as well as significant coverage from buy side and approximately ten sell side research analysts. Research analysts provide up to date coverage of Mirvac for investors; within a one day period of the Mirvac FY09 financial results announcement, all ten sell side analysts released revised research reports for the group
- there is a sufficient level of market liquidity in Mirvac securities, with an average weekly volume of 131.2 million securities between 26 August 2009, the date after Mirvac announced its FY09 results and 8 October 2009. Over the three months ended 25 August 2009, the average weekly traded volume amounted to approximately 145 million securities or 6.2% of the average securities on issue
- there has not been significant volatility in the recent trading of Mirvac securities that would limit the applicability of this approach. We note that the security price of Mirvac has increased significantly since the announcement of the FY09 result which is likely to be a consequence of a positive market reaction to the results as well as general appreciation of securities in the A-REIT sector. The VWAP of a Mirvac security between 26 August 2009 and 8 October 2009 has ranged between \$1.31 and \$1.72, trending closer to its statutory NTA for the year ended 30 June 2009.

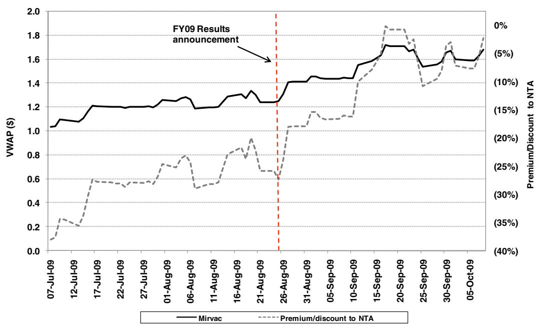
Accordingly, it is reasonable to assume that the security price subsequent to Mirvac's FY09 results announcement on 25 August 2009 represents a reasonable market assessment of the value of a Mirvac security on a minority basis.

Due to the recent volatility in the trading prices of Mirvac securities we have also assessed the reasonableness of our assessed fair market value using the capitalisation of maintainable earnings approach as set out in Section 8.3.

8.2.3 Recent security trading

The daily VWAP over the three month period to 8 October 2009 ranged between \$1.03 and \$1.72 with an average discount to NTA of 18.8% as set out below.

Figure 25: Mirvac's recent security trading



Source: Bloomberg

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Deloitte: Mirvac Real Estate Investment Trust – Independent expert's report

The daily VWAP over the three month period to 25 August 2009, the FY09 results announcement date, ranged between a low of $0.91 on 26 May 2009 and a high of $1.32 on 19 August, with an average daily VWAP of $1.19. The average discount to NTA was 33.3%.

A brief summary of the recent trading history is detailed below.

Table 18: Summary of trading in Mirvac securities as at 8 October 2009

	Volume traded (% of average securities outstanding)	Daily VWAP		
		VWAP ($)	Low ($)	High ($)
Since announcement of FY09 results (26 August 2009)	29.9%	1.559	1.306	1.717
Over 1 week period to 8 October 2009	3.4%	1.617	1.588	1.681
Over 1 month period to 8 October 2009	20.7%	1.618	1.441	1.717[1]
Over 3 month period to 8 October 2009	68.6%	1.380	1.075	1.717
Over 6 month period to 8 October 2009	130.7%	1.246	0.781	1.717

Source: Bloomberg

Note 1: On 17 September 2009, the daily VWAP reached a high of $1.717.

Having regard to the recent trading range of Mirvac we are of the view that the price of Mirvac securities subsequent to the announcement of the FY09 results on 26 August 2009 is the most relevant valuation benchmark as it reflects updated disclosures from Mirvac as well as the most current sentiment in the A-REIT sector. The price of Mirvac securities has risen since the release of FY09 results as set out above due to the following:

- the release of the favourable FY09 financial results for the Group. The adjusted core NPAT[21] of $200.8 million and EPS of 13.4cps was at the top range of management guidance and above analyst expectations, driven by an MPT operating profit of $242.7 million
- following the FY09 results announcement, almost half of the sell-side analysts retained a 'Buy' recommendation which may have had a positive impact on the recent security price of the group
- although FY10 earnings guidance represented a downgrade to the consensus, it was considered by some analysts that Mirvac is expected to offer attractive growth prospects particularly in the Development division during more normalised trading conditions. This upside is likely to be reflected in FY11 earnings.

The closing price of Mirvac rose from $1.25 per security on 25 August 2009 (the day prior to the announcement of the FY09 results) to $1.435 on 27 August 2009 (the day subsequent to the announcement of the FY09 results) which represents an increase of 14%. The Mirvac security price continued to rise subsequent to 26 August 2009 to reach a recent high of $1.719 on 17 September 2009.

We consider that the VWAP since the FY09 results announcement for Mirvac provides the most appropriate valuation benchmark to estimate the fair market value of a minority shareholding in Mirvac. Having regard to the VWAP over this period and more recent trading in Mirvac securities of up to $1.719 per security, we have estimated the current fair market value of a Mirvac security on a minority interest basis to be in the range of $1.55 to $1.65 per stapled security.

[21] Core NPAT as reported by Mirvac excludes investment property revaluations, unrealised gains on financial instruments and other non-cash adjustments.

8.2.4 Recent transactions

As set out in section 5.4.1, Mirvac has raised significant additional equity from retail and institutional investors in recent months. Mirvac announced capital raisings on 6 November 2008 and 4 June 2009, of $500 million and $1.1 billion, respectively, at a price per stapled security of $0.90 and $1.00, respectively.

Other recent transactions include the recent acquisition of a 6.1% stake in Mirvac by Deutsche Securities Australia Limited (Deutsche Securities), the lead managers of a private placement for institutional securityholders. On 21 August, a few days prior to the date Mirvac announced its FY09 results, Deutsche Securities announced its intention to acquire a 6.1% stake in Mirvac from Nakheel for approximately $200 million in cash. As part of the transaction, Deutsche Securities acquired approximately 172 million securities of Mirvac Group for $1.16 per security. On 26 August 2009, the securities were on-sold to institutional investors at a placement price of $1.20 per security which reflected a marginal discount to the $1.25 to $1.30 range in which the Mirvac security price was trading before the placement was completed.

Due to the significant changes to the prospects pertaining to Mirvac and the broader property sector since these transactions were undertaken we have not placed any emphasis on these transactions in our estimate of the fair market value of a Mirvac security.

8.2.5 Assessed value

Based on the above analysis, we have estimated the current fair market value of a Mirvac security on a minority interest basis to be in the range of $1.55 to $1.65 per stapled security.

8.3 Valuation cross check

To assess the reasonableness of our estimate of the fair market value of a Mirvac security we have compared the EBIT multiples implied by our estimate of the fair market value of Mirvac to trading EBIT multiples of companies comparable to Mirvac listed in Australia. The EBIT multiples implied by our assessed valuation range of a Mirvac security on a minority interest basis of $1.55 and $1.65 per security are set out below.

Table 19: EBIT multiples implied by our valuation of Mirvac[1]

	Low ($million)	High ($million)
Fair market value of a Mirvac security	$1.55	$1.65
Current securities outstanding (millions)[1]	2,805	2,805
Equity value implied by our valuation of Mirvac	4,348	4,628
Net debt	1,207	1,207
Minority interests	65	65
Enterprise value implied by our valuation of Mirvac	5,621	5,901
FY10 implied EBIT multiple (current)[2]	*18.0x*	*18.9x*
FY11 implied EBIT multiple (forecast)[2]	*16.2x*	*17.0x*

Source: Deloitte Corporate Finance analysis, Bloomberg, company annual reports, broker reports

Notes:

1. Total issued securities excluding those securities issued under Mirvac's EIS.

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Deloitte: Mirvac Real Estate Investment Trust – Independent expert's report

2. Based on the average EBIT forecast for FY10 and FY11 of all available sell side research analysts reports dated 25 August 2009 and 26 August 2009. This included coverage by eight analysts which represented 80% of the covering analysts according to Bloomberg.

The historical, current and forecast multiples implied by our valuation of Mirvac may be compared to the EBIT multiples of ASX-listed companies comparable to Mirvac as set out below.

Table 20: Analysis of EBIT multiples from listed comparable companies

Company	Enterprise value (million)[1]	Gearing[2]	Current EBIT growth	Forecast EBIT growth	FY10 Current EBIT (times)[3 4]	FY11 Forecast EBIT (times)[3 4]
Mirvac	5,936	23%	23%	11%	19.0x	17.1x
Diversified A-REITs with development activities						
Lend Lease	5,055	30%	(2.2%)	14.6%	12.1x	10.6x
Stockland	11,496	15%	2.3%	11.6%	15.9x	14.3x
Dexus	6,537	30%	(1.0%)	4.1%	12.9x	12.4x
Average		*25%*	*(0.3%)*	*10.1%*	*13.7x*	*12.4x*
Median		*30%*	*(1.0%)*	*11.6%*	*12.9x*	*12.4x*
Diversified A-REITs without development activities						
GPT Group	8,261	30%	(27.2%)	7.1%	15.2x	14.2x
CDI	649	26%	1.7%	4.7%	11.1x	10.6x
Cromwell Property Fund	1,131	53%	7.5%	1.2%	10.6x	10.4x
Abacus Property Group	1,075	31%	(2.5%)	3.3%	11.7x	11.3x
Average		*35%*	*(5.1%)*	*4.1%*	*12.1x*	*11.6x*
Median		*31%*	*(0.4%)*	*4.0%*	*11.4x*	*10.9x*
Sector focused A-REITs without development activities[5]						
Average		*43%*	*(9.7%)*	*2.9%*	*14.1x*	*13.7x*
Median		*44%*	*(10.4%)*	*2.3%*	*14.1x*	*13.8x*
Overall average[6]		*37%*	*(6.4%)*	*4.8%*	*13.4x*	*12.8x*
Overall median[6]		*30%*	*(2.3%)*	*4.4%*	*13.0x*	*12.9x*

Source: Deloitte Corporate Finance analysis, Bloomberg, company annual reports, broker reports

Notes:

n/a = not available P = price

1. Enterprise value is calculated as market capitalisation (at 8 October 2009) plus net debt and expressed in Australian dollars
2. Gearing is calculated as (net debt on a look through basis)/(gross tangible assets – cash)
3. Pro forma figures were used where an equity raising was announced post the release of 30 June 2009 financials
4. Current and forecast EBIT multiples are calculated as (market capitalisation plus net debt) /FY10 current EBIT and (market capitalisation plus net debt) /FY11 forecast EBIT. EBIT estimates represent adjusted EBIT which excludes investment property revaluations, unrealised gains on financial instruments and other non-cash adjustments
5. Refer to Appendix 5 for the A-REITs comprising the focused A-REIT sector
6. Excluding Mirvac.

We make the following comments in relation to the EBIT multiples analysis conducted in Table 20:

- the earnings for a number of A-REITs are expected to decrease in the short term, due to the ongoing global financial crisis resulting in increased vacancies, declining rental payments and expected WACR expansion across A-REIT property portfolios
- the earnings for diversified A-REITs with development activities are expected to improve in FY11 due largely to expectations of a cyclical recovery in the property development industry in Australia and overseas after cyclical lows since 2007
- the average current EBIT multiple for the diversified A-REITs with development activities is 13.7 times compared to 12.1 times for diversified A-REITs without development activities. This compares to the average current EBIT multiple for sector focused A-REITs of 14.1 times

The current and forecast EBIT multiple implied by our assessed midpoint value of a Mirvac security is 18.4 times and 16.6 times, respectively. These multiples are higher than, but not inconsistent with, the average multiples of the comparable diversified A-REITs with development activities. We consider Mirvac to be most comparable to Stockland and to a lesser extent to Dexus and Lend Lease due to the following:

- Stockland has similar levels of gearing to Mirvac and a strong balance sheet with no major concerns regarding its liquidity and funding commitments.
- Stockland has a strong brand name in the A-REIT industry, a medium to high-end residential development portfolio and property investment activities across Australia
- the forecast EBIT growth of Stockland and Mirvac is similar ranging between 11% and 12% respectively, driven by a likely medium term recovery of the property development cycle. The current and forecast EBIT multiple of Stockland, on a minority basis is 15.9 times and 14.3 times, respectively.

The current and forecast EBIT multiple of Mirvac, on a minority basis is 19.0 times and 17.1 times, respectively, which is broadly in line with the EBIT multiples implied by our valuation of Mirvac.

We are of the opinion that the multiples analysis above is broadly supportive of our assessment of the fair market value, on a minority basis, of a security in Mirvac.

8.4 Other considerations

As set out above, the A-REIT sector is largely trading at a discount to NTA/NAV and the recent A-REIT security trading prices may not be reflective of the fundamental value of Mirvac's underlying assets. Accordingly, we have considered the current NTA and NAV position of Mirvac based on the 30 June 2009 audited balance sheet as set out below:

Table 21: Summary – net assets of Mirvac

	Low ($million)	High ($million)
Gross assets		
Investment[1]	3,636	3,636
Development[2]	1,670	1,670
Intangible assets	59	59
Other tangible net assets[3]	744	744
Total	46	46
Net debt	(1,207)	(1,207)
Minority interests	(65)	(65)
Net assets of Mirvac (on a minority interest basis)	4,883	4,883
NTA of Mirvac (on a minority interest basis)	4,824	4,824
Number of securities on issue (millions)	2,805	2,805
NAV per security	$1.74	$1.74
NTA per security	$1.72	$1.72
Estimated current fair market value of a Mirvac security	$1.55	$1.65
Implied discount to the NAV (on a minority interest basis)	*-10.9%*	*-5.2%*
Implied discount to the NTA (on a minority interest basis)	*-9.9%*	*-4.0%*

Source: Mirvac Annual Report, Deloitte Corporate Finance analysis

Notes:

1. Includes 30 June 2009 book value of investment properties and VWAP (at 8 October 2009) for Mirvac's investment in listed securities. A summary of the Investment division's property portfolio as at 30 June 2009 and relevant details of the valuations of those properties such as date of valuation, discount rate, capitalisation rate and valuation conclusion is provided in Appendix 4.
2. Includes the audited development inventory balance of Mirvac as at 30 June 2009 comprising residential development inventory of $1.5 billion and non-residential development inventory of $0.2 billion.
3. Includes expected distributable profit of Mirvac ($0.085 dpu) up until the Implementation Date.

As set out above, Mirvac is currently close to its 30 June 2009 NTA and NAV. Some potential upside may exist to the assessed security price of Mirvac to reflect the following:

- until recently, Mirvac securities have historically traded at a premium to NTA. Potential upside to the security price may exist from any short term re-rating of the security price to trade more closely with its NTA
- development projects represent the bulk of the inventory attributable to the Development division and are estimated at the lower of cost and net realisable value. The net realisable value of development inventory is determined by Mirvac based on a discounted cash flow analysis utilising relatively conservative scenarios for the property

development cycle. Therefore the carrying value of these projects does not incorporate upside potential related to:

- any value creation from new projects
- the expected cyclical recovery in the development business that is not factored into the NTA or the current price of Mirvac securities. This business is at a low point in the cycle and has contributed minimal earnings to Mirvac during FY09 and is also expected to contribute minimally to FY10 earnings, however, Mirvac expects this business to recover which may result in a higher earnings margin environment in the medium to longer term.

- the market is currently attributing minimal (if any) value to Mirvac's funds management and hotel businesses. Non-Associated Unitholders may benefit to the extent that these businesses are re-rated by the market. According to analysts' estimates between 26 August 2009[22] and 8 October 2009, the FY10 adjusted EBIT for the Hotel Management division is expected to be $13 million, however, the MIM division is expected to generate an adjusted EBIT loss of $3 million
- any potential positive impact of the Proposed Scheme if it proceeds.

[22] The date after Mirvac announced its FY09 results

9 Fairness and Reasonableness Opinion - Evaluation and conclusion

9.1 Summary of Fairness and Reasonableness Opinion

In our opinion the Proposed Scheme is not fair but reasonable to Non-Associated Unitholders. In arriving at this opinion, we have considered the following factors:

9.2 Assessment of fairness

In order to assess the fairness of the Proposed Scheme we have compared the fair market value of a unit in MREIT on a control basis to the fair market value of the consideration offered pursuant to the Proposed Scheme, being one Mirvac security for every three MREIT units or a combination of $0.50 per unit in cash and 0.333 Mirvac securities under the Cash and Scrip Offer.

Set out in the table below is a comparison of our assessment of the fair market value of an MREIT unit, on a control basis, with our assessment of the fair market value of the consideration offered by Mirvac.

Table 22: Evaluation of fairness

	Section	Low ($)	High ($)
Estimated fair market value of an MREIT unit (control basis)	7	$0.84	$0.86
Estimated fair market value of the consideration			
Scrip Offer[1]	9	$0.53	$0.56
Cash and Scrip Offer[2]		$0.51	$0.56

Source: Deloitte Corporate Finance analysis

Notes:

1. the Scrip Offer is based on the offer ratio of one Mirvac security for every three MREIT units held and our estimate of the fair market value of a Mirvac security on a minority basis of $1.55 to $1.65 per stapled security. The assessed value of the consideration includes the 30 September 2009 Distribution of 1.0 cpu that Non-Associated Unitholders will receive pursuant to the Proposed Scheme
2. the Cash and Scrip Offer range is based on the Cash Offer of $0.51 per unit (inclusive of the 30 September 2009 Distribution) and the high end of the Scrip Offer this range would depend on the relative proportions of cash and Mirvac securities received.

The estimated fair market value of the consideration offered by Mirvac is below our estimate of the fair market value of an MREIT unit on a control basis and represents a discount of between 34% and 40% to the mid-point of our valuation range. Accordingly we have concluded that the Proposed Scheme is not fair.

As discussed above, our estimate of the fair market value of an MREIT unit does not take into account specific circumstances currently affecting the Trust such as near term debt maturities, potential covenant breaches and capital constraints which appear to have adversely impacted recent trading prices for MREIT units. These and other factors would likely adversely impact the value realisable by MREIT unitholders in the absence of the Proposed Scheme and we have considered these factors in our assessment of the reasonableness of the Proposed Scheme.

9.3 Assessment of reasonableness

9.3.1 Introduction

In accordance with RG 111 an offer is reasonable if it is fair. An offer might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for Non-Associated Unitholders to accept the offer in the absence of any higher offer.

Whilst the Proposed Scheme is not fair, we have assessed the reasonableness of the Proposed Scheme by considering whether the advantages of the Proposed Scheme proceeding sufficiently outweigh the disadvantages.

We have set out below an analysis of the current issues impacting MREIT, the alternatives available and a summary of the financial implications of the Proposed Scheme as a background to our consideration of the advantages and disadvantages of the Proposed Scheme.

9.3.2 Current issues impacting MREIT and likely options available

The Trust is currently operating in a financially constrained position due to the increasing risk of breaching its loan covenants and short term liquidity constraints. Combined with limited prospects for distribution growth this has contributed to MREIT securities trading at a significant discount to the NTA of the Trust.

As at 30 June 2009, MREIT was nearing the allowable threshold for a number of covenants, including gearing, ICR and tangible net worth as set out below:

Table 23: Debt covenants of MREIT

Covenant	Covenant requirement	Covenant measured as at 30 June 2009	Calculation
Gearing ratio *(until Sept 2010)*	<45.0%	44.6%	Total debt over total tangible assets
Gearing ratio *(post Sept 2010)*	<40.0%	44.6%	As above
Look through gearing ratio	<50.0%	48.6%	Pro-rata share of assets and liabilities of joint ventures and associates, added to direct assets and liabilities
ICR	>1.75 times	1.91 times	Adjusted EBITDA over interest expense per the income statement
LVR	<60%	52.4%	Total debt to the total value of properties
Tangible net worth	>$475 million	$531.7 million	Tangible asset value less Liabilities
Net operating income times	>1.5 times	2.1 times	(Rental income less Net operating expenses) / interest expense

Source: MREIT

The risk of MREIT breaching its debt covenants remains significant and relatively small movements in the net assets or income of MREIT could lead to a breach of one or more of these covenants. There is a heightened risk of a breach in the near future due to further asset devaluations and/or the loss of income from 10-20 Bond Street in Sydney during the planned refurbishment and re-leasing period. This risk will increase further in September 2010 once the first tranche of the existing facility expires and the gearing covenant decreases to 40%.

If a breach of lending covenants were to occur, MREIT could be faced with:

- a sale of the assets of the Trust within an accelerated timeframe in order to remedy the breach
- an increase in the interest rate margins charged on the debt facilities of the Trust and/or significant one-off costs in refinancing the facilities
- lending banks implementing a cash trap mechanism which would accelerate the repayment of the facilities through any cash flow generated
- lending banks could force the Trust into administration or to enter a liquidation process.

Due to the lack of debt funding generally available in the current environment, particularly for smaller vehicles such as MREIT, there is also significant risk surrounding MREIT's ability to refinance its debt facilities upon the expiry of its current loan agreements in September 2010 and September 2011. If MREIT is successful in fully refinancing these facilities, it is likely that there will be a significant increase in the debt margin, which will impact the future earnings of the Trust.

Whilst the Trust's underlying Properties should continue to provide stable income returns, its future growth prospects are expected to be constrained due to the risk of further asset devaluations, increasing funding costs as well as the loss of income during the refurbishment and re-leasing of the 10-20 Bond Street, which contributed approximately $10 million of the net operating income of MREIT in FY09.

In order to minimise the current covenant pressures and to achieve a more optimal capital structure, MREIT is targeting a gearing ratio in the order of 35%. In order to achieve this target gearing, and assuming no further devaluation in MREIT's property investments, MREIT would require further asset sales in the order of $130 million which represents approximately 13% of the Trust's total investment portfolio, or alternatively would need to raise approximately $95 million of equity.

Achieving the required asset sales is uncertain and may breach covenants

To date MREIT management has been successful in disposing of smaller non-core assets at prices at or close to the most recent valuations. However, to reduce gearing to around 35% may require divestment of some of the larger assets which may be more difficult and time consuming to sell. In particular, the refurbishment and re-leasing program at 10-20 Bond Street and the current covenant pressures within the Travelodge joint venture, two of MREIT's largest assets, would make these investments difficult to sell in the current environment.

General market sentiment indicates that the current stage in the economic cycle is unlikely to be an optimum time to realise real estate investments as prices are at or near a cyclical low point. Real estate transactions, particularly for larger properties, are currently subject to considerable risks in terms of pricing and execution as potential purchasers are experiencing funding constraints and there is an excess supply of assets for sale due to the general deleveraging of the sector which has resulted in a number of trusts attempting to sell assets to pay down debt. As these entities attempt to hold on to their core or higher grade assets, anecdotal evidence indicates that there is a large number of mid-grade properties on the market. This lack of pricing tension is expected to persist, at least in the short term, due to further asset sales expected from the smaller A-REITs that haven't been recapitalised and from the unlisted property sector.

Further asset sales may increase the likelihood of MREIT breaching its debt covenants during the process due to:

- expected further asset devaluations as well as the lack of pricing tension may result in MREIT accepting prices lower than the 30 June 2009 book value of the assets which would result in breaches of gearing and/or ICR covenants
- the quantum of asset sales required would likely lead to a breach of the tangible net worth requirement.

The response of MREIT's financiers to any such breach is difficult to predict. However, actions taken may include one-off costs/penalties, increased funding costs and/or the requirement to increase and/or accelerate the asset sale program which could result in the realisation of assets in a sub-optimal manner.

Even if the asset sales are successful, MREIT would be substantially reduced in scale with more limited growth prospects. These factors would likely result in diminished investor appetite for units in the Trust, thereby reducing liquidity and consequently have an adverse impact on the market price of MREIT units. The prospects of MREIT units trading at prices above the value of the consideration offered under the Proposed Scheme in the short term would therefore be limited.

An equity injection alone would likely provide insufficient capital and would be dilutive

To reduce the gearing of the Trust to 35% would require an equity injection of approximately $95 million which represents approximately 39% of the total market capitalisation of MREIT prior to 13 August 2009, the date that Mirvac announced that it was in discussions with MREIT regarding a potential transaction.

MREIT and its advisers recently conducted some market soundings in respect of an equity raising (either through an underwritten rights entitlement or alternate structures). This option was not pursued as it was not expected to raise sufficient capital since there was limited appetite to underwrite the retail component of any raising, primarily due to the large number of retail unitholders on MREIT's register (over 25,000) and the uncertainty regarding Mirvac's actions during any such raising. The lack of underwriting support for the retail component of any equity raising would limit the likelihood of MREIT raising sufficient capital.

An alternative structure was considered whereby a third party investor would inject capital into the Trust and underwrite an entitlement offer in exchange for a cornerstone investment and the acquisition of the management rights of MREIT from Mirvac. However, this was not considered a viable alternative as Mirvac has a stated intention to retain its interest in, and management of, MREIT.

If Mirvac were to fully or partially underwrite such a raising, there would be the potential for Mirvac to obtain a more significant interest in, and even control of, MREIT. If Mirvac did not participate, this could send a negative signal to the market which could limit the proceeds raised and/or result in a negative re-rating of MREIT.

Even if sufficient capital could be raised through this process:

- recent market evidence suggests that significant discounts to the recent unit price and the NTA of MREIT would be required in order to make it attractive to potential investors. For example, capital raisings in the property sector since 2008 have been occurring at an average discount of 18.7% to the 30 day VWAP and 54.7% to NTA as summarised in Appendix 6. Such significant discounts would result in earnings, distribution and NTA per security dilution for Non-Associated Unitholders that did not participate
- the prospects of MREIT units trading at prices above the value of the implied consideration offered under the Proposed Scheme in the short term would be limited.

A managed wind up of the Trust is subject to significant execution risk

Another alternative available would be to wind up the Trust and distribute the net proceeds to unitholders.

We have prepared an analysis in respect of the potential proceeds that could be realised by unitholders during a managed wind up of MREIT. The main assumptions underpinning this analysis are the prices for which the Properties could be realised and the timeframe for realisation.

Broadly speaking, in order to generate net proceeds in excess of the consideration implied by the Proposed Scheme, a managed wind up would have to realise the Properties at prices which represented discounts of less than 15% to the 30 June 2009 book values over a period of three or less years.

The other assumptions included in this analysis include:

- net sales proceeds are used to repay debt until the debt is fully repaid. The liability in relation to the hedge portfolio is settled in the same proportion as the underlying debt and there are no adverse tax consequences to the Trust
- net income of the Trust over the realisation period is available and is distributed to unitholders (i.e. no cash trap or other mechanism is instituted by the lenders)
- the net proceeds received are discounted using a discount rate of 11% to 13% which represents a premium of 1.5% to 3.5% over the weighted average discount rate incorporated in the valuation of the Properties as at 30 June 2009. This premium reflects the equity risk associated with the net cash flows during the wind up process relative to the stand alone cash flows of each of the Properties. Due to the short time frame of the realisation period, the analysis is not significantly sensitive to the discount rate assumption.

Whilst it may be possible to achieve the above scenario, it is likely to be difficult to realise this or a materially superior outcome since:

- MREIT's recent experience is that individual asset sales have recently been taking up to one year (and sometimes longer) to complete from initiation of the process. Based on this experience, the significant supply of property assets currently on the market and that some of MREIT's largest assets would not be in a position to be marketed for sale for a period of time, a realisation timeline of less than three years is likely to be difficult to achieve

- whilst prices achieved could be at a discount of less than 15% to the 30 June 2009 book values, there is a risk that even greater discounts could be realised due to a general lack of price tension for real estate assets in the current environment as discussed above and that once a managed wind up is announced, offers received may be more opportunistic as the Trust could be seen as a forced seller by potential buyers
- the actions of the lenders could have a material adverse impact on the net proceeds distributed as this process would likely result in a breach of the existing covenants of MREIT. Actions taken by lenders may result in the Trust realising values for its properties at significant discounts to the book values at 30 June 2009 in order to meet its debt repayment obligations
- some assets, such as those held through minority equity interests in joint ventures may be more difficult to sell. These interests may attract a liquidity discount in the current environment, particularly interests with significant levels of debt at the fund level such as the Travelodge joint venture
- the potential loss of key staff during the process which could delay the process.

Furthermore, once a managed wind up is in place:

- it would be difficult for MREIT to attract new investors so units would likely become more illiquid
- MREIT would likely only be able to distribute the net sales proceeds once MREIT's debt is fully paid off which would be near the end of the wind up process hence investors would be unlikely to access any significant cash distributions over most of this period.

The lack of liquidity and execution risks associated with realising the assets of the Trust would likely result in MREIT units trading at deeper discounts to the underlying NTA per unit during the wind up process. It is therefore unlikely MREIT unitholders would be able to realise any significant value for their units until the end of the process when the final outcomes become more certain.

Conclusion on alternatives

We are of the view that none of the alternatives presented above are likely to realise greater value for MREIT unitholders than the Proposed Scheme, particularly after considering the relative risks associated with each of the alternatives. Furthermore, the Proposed Scheme addresses the liquidity and funding constraints of the Trust with minimal execution risk.

9.3.3 Financial implications of the Proposed Scheme

We have considered the impact of the Proposed Scheme for Non-Associated Unitholders in respect of NTA per security, DPS, EPS and gearing as follows:

Table 24: Financial implications of the Proposed Scheme – 30 June 2009 Pro-forma analysis[1 2]

	Stand-alone		Pro-forma		
	Mirvac	**MREIT**	**Mirvac**	**MREIT share**	**% Change**
Financial considerations					
NTA per security as at 30 June 2009 ($)	$1.72	$0.85	$1.76	$0.59	*-31%*
FY10 DPS (cents)[1]	8.0 to 9.0	3.20	8.0 to 9.0	3.0 to 3.3[2]	*-6% to +4%*
FY10 EPS (operating) (cents)[2]	9.0	4.65	11.1	3.57	*-23%*
Book value gearing (30 June 2009)	18.1%[3]	43.8%	22.9%[4]	22.9%[4]	*-48%*

Source: Deloitte Corporate Finance analysis

Notes:

1. Based on the midpoint estimate of MPT FY10 distributions, and includes 30 September 2009 Distribution to be payable to Non-Associated Unitholders of.1.0 cpu
2. As discussed in Section 4 of the Explanatory Memorandum, the unaudited pro-forma financial information for the Mirvac merged group for 30 June 2009 represents the consolidated financial results of ML, MPT and MREIT, however, the FY10 forecast financial information represents the financial results of MPT and ML since the directors of Mirvac are of the opinion that there is no reasonable basis to provide a forecast for ML in light of continued uncertain economic and financial conditions in the markets in which ML operates. FY10 distributions for Mirvac are forecast to be solely sourced from MPT and no contributions are expected from ML
3. The current pre-merger gearing of Mirvac
4. Assumes all of MREIT's debt is retired by Mirvac

NTA backing

The NTA backing per MREIT unit was $0.85 per unit as at 30 June 2009. The equivalent pro forma NTA backing per Mirvac security for Non-Associated Unitholders will be approximately $0.59, which represents a 31% decrease relative to MREIT on a stand-alone basis.

DPS

The total forecast FY10 distribution from Mirvac per equivalent MREIT unit is 2.0 to 2.3 cpu based on Mirvac's FY10 distribution guidance of 8 cents to 9 cents per Mirvac security. In addition, MREIT unitholders will receive the 30 September 2009 Distribution of 1.0 cpu. Therefore, total distributions to MREIT unitholders that receive Mirvac securities will equate to between 3.0 cpu and 3.33 cpu, which represents either a 6% decrease or a 4% increase relative to MREIT's stand alone FY10 distribution guidance of 3.2 cpu.

The Proposed Scheme is expected to be accretive to DPU in FY11 due to the significant decline in DPU in FY11 as a consequence of the refurbishment and re-leasing of 10-20 Bond Street.

EPS

Similar to NTA per unit, the Proposed Scheme would be heavily dilutive to FY10 EPU for Non-Associated Unitholders with a reduction of approximately 23% in FY10 as set out above.

Whilst the Proposed Scheme is expected to be EPU dilutive based on FY10 estimates, it will likely be accretive to Non-Associated Unitholders based on FY11 EPU due to the impact of the refurbishment and re-leasing of 10-20 Bond Street discussed above.

Book value gearing

The book value gearing of MREIT was 43.8% as at 30 June 2009. The equivalent pro forma book value gearing of MREIT will be approximately 22.9%, a 48% decrease relative to MREIT on a stand-alone basis.

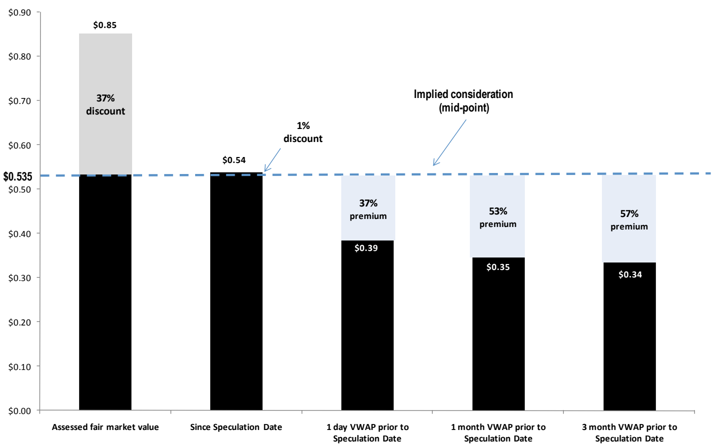
9.3.4 Advantages of the Proposed Scheme

The likely advantages to Non-Associated Unitholders if the Proposed Scheme is approved include:

The consideration represents a premium to recent trading in MREIT units and MREIT units would likely trade below the implied offer price in the absence of the Proposed Scheme

Whilst the consideration offered pursuant to the Proposed Scheme is significantly below our assessed fair market value on a control basis, the consideration represents a premium to the historical trading in MREIT units prior to the Speculation Date as set out below:

Figure 26: Premium (discount) of implied consideration to assessed value and recent trading in MREIT units



Source: Deloitte Corporate Finance analysis

Notes:

1. Assumes consideration of $0.535 per security which represents the mid-point of the implied consideration of between $0.51 and $0.56 as set out above
2. Price since Speculation Date represents the VWAP of MREIT from 13 August 2009 to 8 October 2009.

The consideration offered pursuant to the Proposed Scheme represents a premium of between 37% to 57%, respectively to the 1 day VWAP and the 3 month VWAP of MREIT units prior to speculation of the Proposed Scheme.

However, the consideration offered represents a slight discount to the more recent trading in MREIT units. We are of the opinion that the MREIT unit price subsequent to the Speculation Date has been largely driven by anticipation of the Proposed Scheme. In particular since one day prior to the Speculation Date, the price of MREIT units has increased 44% compared to 11% for the Property Index over the same period.

Due to the limited near term growth prospects and the current liquidity and funding constraints of MREIT in the absence of the Proposed Scheme or an alternate recapitalisation proposal it is likely that MREIT units will trade at prices below the offer price and potentially more in line with prices observed prior to the Speculation Date.

The Proposed Scheme addresses the liquidity and funding constraints of the Trust with minimal execution risk

The Proposed Scheme provides funding and liquidity certainty for MREIT unitholders. In particular:

- as a result of recent capital raisings and other initiatives, Mirvac has significantly lowered its gearing levels and as at 30 June 2009 had available cash of $0.8 billion which could be used to pay down MREIT's existing debt facilities
- access to lower cost funds through Mirvac's funding capabilities and S&P BBB/A-2 rating with a positive outlook
- lower financial risk due to the significantly lower current gearing profile within Mirvac as the pro-forma gearing subsequent to the Proposed Scheme is 22.9% compared to 43.8% for MREIT on a stand-alone basis.

The Proposed Scheme will therefore allow MREIT Unitholders to avoid the negative consequences of any further asset sales.

Enhanced growth prospects relative to MREIT on a standalone basis

Mirvac's growth prospects (and potentially future appreciation in the value of a Mirvac security) are expected to be underpinned by its relatively strong current financial position and leveraged exposure to the property cycle through an integrated property investment and development model as well as a hotel management business and funds management platform.

If Mirvac scrip is received Non-Associated Unitholders should have relatively better income and capital growth prospects compared to holding units in MREIT on a stand-alone basis. In particular, Non-Associated Unitholders may benefit from any additional upside to the NTA, security price and/or distribution profile of Mirvac which may be achievable from:

- Mirvac's residential development business, which is at a low point in the cycle, has contributed minimal earnings to Mirvac during FY09 and is expected to contribute minimally to FY10 earnings. Actions taken by Mirvac to reposition the portfolio and expected improvement in market conditions beyond FY10 may provide earnings growth for this business which may not be fully factored into Mirvac's security price (and therefore the consideration)
- the market is currently attributing minimal (if any) value to Mirvac's funds management and hotel businesses. Non-Associated Unitholders should benefit to the extent that these businesses are re-rated by the market
- any potential re-rating in Mirvac securities as a consequence of an upgrade in Mirvac's debt rating

- Mirvac's relatively strong financial position and lower cost of capital (relative to that of MREIT on a standalone basis) will allow Mirvac to more aggressively pursue acquisition and development opportunities, including the Woden Development which has been pre-leased to DOHA.

However, as discussed above the total expected distribution for FY10 to MREIT unitholders that receive Mirvac securities represents either a 6% decrease or a 4% increase relative to MREIT's stand alone FY10 distribution guidance of 3.2 cpu. Based on these estimates the FY10 distributions to Non-Associated Unitholders should the Proposed Scheme proceed could decrease which would limit the short term distribution growth prospects compared to holding units in MREIT on a stand-alone basis.

Other advantages

Other advantages of the Proposed Scheme to Non-Associated Unitholders include:

- if the Proposed Scheme is approved and Mirvac securities are received, Non-Associated Unitholders will own securities in an entity which is significantly larger and more diversified than MREIT on a standalone basis which has a higher grade portfolio. In particular:
  - the increased market capitalisation of Mirvac, the enlarged securityholder base and inclusion in all of the key Australian property indices should provide improved liquidity and greater trading depth than MREIT currently enjoys on a stand-alone basis
  - Non-Associated Unitholders will hold an interest in a larger, more diversified property group that includes a number of high grade commercial, retail, industrial, and hotel and car park properties across Australia, a large scale development business and a significant hotel and funds management business, all of which will enhance geographic and property sector diversification.
- as an externally managed property trust, MREIT currently pays fund management fees to MRML. If the Proposed Scheme proceeds, Non-Associated Unitholders will hold an interest in Mirvac which will include both MREIT and MRML. Accordingly, the leakage of fund management fees to third parties will be eliminated.

9.3.5 Disadvantages of the Proposed Scheme

The likely disadvantages to Non-Associated Unitholders if the Proposed Scheme is approved include:

Non-Associated Unitholders may miss the opportunity to participate in any specific appreciation of MREIT's properties

Whilst there is no certainty that the value of the Properties will appreciate, general market sentiment indicates that the current stage in the economic cycle is unlikely to be an optimum time to realise full value for real estate investments.

Due to the high financial leverage of the Trust, any appreciation in the Properties over time would be likely to translate to a significant improvement in the NTA value of MREIT.

If Non-Associated Unitholders receive cash consideration for their units, they will forgo the opportunity to participate in this leveraged exposure to any medium term upside in the values of the Properties.

However, as mentioned above, to the extent that the Non-Associated Unitholders elect to receive the Scrip Offer, then they will participate in this leveraged exposure (on a diluted basis) through holding securities in Mirvac.

MREIT units have traded at a premium to the consideration

Since the Speculation Date, MREIT units have been trading between $0.45 and $0.59 per unit and have often traded at a premium to our assessed fair market value of the consideration to be received by Non-Associated Unitholders pursuant to the Proposed Scheme.

Possible reasons that could explain this trading activity are:

- the market is expecting an increase in the consideration offered pursuant to the Proposed Scheme
- the market expects that MREIT will be able to resolve its funding and liquidity issues
- the market has re-rated the value of the units.

If MREIT units continue to trade above the implied consideration, Non-Associated Unitholders may be able to realise a value higher than the consideration implied by the Proposed Scheme by selling their units on the market.

Furthermore, even if Non-Associated Unitholders are attracted to the relative growth prospects offered by securities in Mirvac, to the extent that the MREIT unit price remains above the implied consideration (and subject to any tax leakage on disposing of MREIT units), Non-Associated Unitholders may be able to achieve a greater allocation of Mirvac securities through an on-market transaction rather than participating in the Proposed Scheme.

Change in the profile of the investment

If the Non-Associated Unitholders receive securities in Mirvac as consideration there will be a fundamental change in the profile of the underlying investment. Under Mirvac's current business model, in addition to earning returns from property investment, income is generated through property development activities, hotel management and funds management, in both domestic and, to a lesser extent, international markets. The performance of this mix of business is likely to be more volatile than the returns available from the existing direct property investments of MREIT. This return profile may not meet the investment objectives for certain Non-Associated Unitholders.

Tax consequences

Approval of the Proposed Scheme may result in adverse tax consequences for Non-Associated Unitholders. Whilst we note that the tax implications will vary depending on the circumstances of each unitholder, possible tax consequences for Australian resident Unitholders include the following:

- potential capital gains consequences for the cash component of the consideration and/or the scrip component due to the limited roll-over relief available to Non-Associated Unitholders. The approval of the Proposed Scheme may therefore accelerate tax payable for Non-Associated Unitholders as it may crystallise a tax liability in the short-term, which would otherwise have been deferred. Non-Associated Unitholders should evaluate the capital gains or other tax consequences of acceptance in assessing whether to approve the Proposed Scheme
- potential capital gains tax for Non-Associated Unitholders who participate in the Sale Facility.

For further details of the tax consequences of accepting the Proposed Scheme to Australian and non-Australian resident Unitholders, you should refer to Section 8 of the Explanatory Memorandum.

Other disadvantages

Other potential disadvantages of the Proposed Scheme include:

- *Prevents future takeover of MREIT*: Although there are no alternative offers at present, in light of the recent recapitalisation of the property sector, it is possible that an alternative offer may emerge. However, Mirvac's existing stake and the likely requirement to renegotiate the terms of the existing debt facilities are likely to represent significant impediments to an alternate takeover offer for MREIT. Furthermore, the scale of Mirvac may limit the prospect of Non-associated Unitholders realising a control premium for their Mirvac securities in the future as the pool of potential purchasers of Mirvac may be limited
- *May result in change of control provisions:* The Proposed Scheme may result in joint venture partners enforcing change of control provisions for certain jointly controlled assets, namely the Travelodge joint venture with NRMA. However, this is not considered to be a significant risk as NRMA is a passive investor in, and Mirvac remains the manager of, this joint venture.

Conclusion on reasonableness

The estimated fair market value of the consideration to be received by Non-Associated Unitholders pursuant to the Proposed Scheme ranges between $0.51 (including the 30 September 2009 Distribution of 1.0 cpu) and $0.56 per MREIT unit which represents a discount of between 34% and 40% to the mid-point of our assessed fair market value range for an MREIT unit on a control basis.

Whilst this represents a substantial discount to the fair market value of an MREIT unit, the key consideration for Non-Associated Unitholders is to assess the prospect of realising greater value for a unit in MREIT through alternate means.

If MREIT management were successful in reducing the level of gearing within the Trust, the risk relating to MREIT's capital structure would be reduced. An improvement in MREIT's capital structure has the potential to unlock significant value to Non-Associated Unitholders if the market were to re-rate MREIT's unit trading price and reduce the current implied discount to NTA, subject to the impact of any dilution to NTA associated with any capital raising.

The Proposed Scheme provides funding and liquidity certainty for MREIT at a time of uncertainty for MREIT and the alternatives currently available are subject to significant execution risk and may not meet the short term objectives of the Trust. In particular:

- on a stand-alone basis, MREIT has limited growth prospects and there is a significant risk that MREIT will breach lending covenants in the short-term which will limit the prospects of MREIT units trading at a price in excess of the consideration offered in the short term
- whilst a managed wind-up of the Trust has the potential to generate greater value (in certain limited scenarios), this alternative is subject to significant execution risk whereas the Proposed Scheme provides price, funding and liquidity certainty for MREIT
- the consideration offered pursuant to the Proposed Scheme represents a 37%, 53% and 57% premium to the 1 day, 1 month and 3 month VWAP, respectively for MREIT prior to market speculation regarding the Proposed Scheme

- the Proposed Scheme also offers Non-Associated Unitholders some potential for further capital growth through any re-rating or other appreciation not currently factored into the security price for Mirvac.

Despite the Proposed Scheme not being fair, in our opinion the advantages of the Proposed Scheme outweigh the disadvantages and therefore the Proposed Scheme is reasonable.

9.4 Other considerations

Transaction costs

MREIT's portion of the transaction costs for the Proposed Scheme is expected to be $1.3 million.

Mirvac expects to reimburse MREIT for reasonable transaction costs incurred in relation to the Proposed Scheme up to a limit of $1 million if Mirvac decides not to proceed with the Proposed Scheme. In circumstances where the Proposed Scheme does not proceed as a result of, amongst other factors, MREIT unitholders not approving the Proposed Scheme, Mirvac will not be liable for the reimbursement of MREIT's transaction costs.

Uncertainty in the price of Mirvac securities to be issued as consideration

Since the consideration under the Scrip Offer is fixed at one Mirvac security for each three units held in MREIT, Non-Associated Unitholders will be exposed to any fluctuation in the price of a Mirvac security up until the Implementation Date.

Regardless of the outcome of the Proposed Scheme, the price of Mirvac securities will vary in the future, based on market movements, developments in the property market and changes in Mirvac's specific circumstances.

We have assessed the value of the consideration offered pursuant to the Scrip Offer based on our assessment of the current fair market value of a Mirvac security. The table below sets out the effective consideration per MREIT unit under the Scrip Offer for a range of possible market prices for a Mirvac security:

Table 25: Sensitivity of the value of consideration offered per MREIT unit to Mirvac's market price

Market value of a Mirvac security	Consideration per MREIT unit[1]
$1.25	$0.43
$1.35	$0.46
$1.45	$0.49
$1.55	$0.53
$1.65	$0.56
$1.75	$0.59
$1.85	$0.63
$1.95	$0.66

Source: Deloitte Corporate Finance analysis

Notes:

1. Consideration based on the offer ratio of one Mirvac security for every three MREIT units held and includes the special distribution of 1.0 cpu
2. Shaded area represents our estimate of the current fair market value of a Mirvac security.

The trading price of Mirvac securities has been volatile in recent months. For example the daily VWAP has ranged from $0.781 per security to $1.719 per security in the 6 months to 8 October 2009 with a VWAP over this period of $1.246 per security.

9.5 Fairness and Reasonableness Opinion

In our opinion, the Proposed Scheme is not fair but reasonable to Non-Associated Unitholders.

An individual Non-Associated Unitholder's decision in relation to the Proposed Scheme may be influenced by his or her particular circumstances. If in doubt the Non-Associated Unitholder should consult an independent adviser.

10 Best Interests Opinion - Evaluation and conclusion

10.1 Summary of Best Interests Opinion

As set out in Section 9 above we have concluded that the Proposed Scheme is not fair but reasonable to Non-Associated Unitholders. We have also concluded that the Proposed Scheme is in the best interests of Non-Associated Unitholders in the absence of a superior offer.

We have assessed whether the Proposed Scheme is in the best interests of Non-Associated Unitholders after considering whether there are sufficient reasons for Non-Associated Unitholders to vote in favour of the Proposed Scheme in the absence of a superior offer.

10.2 Considerations

As discussed in Section 9.2, the estimated fair market value of the consideration to be received by Non-Associated Unitholders pursuant to the Proposed Scheme represents a substantial discount to the fair market value of an MREIT unit. If MREIT management were successful in reducing the level of gearing within the Trust, the risk relating to MREIT's capital structure would be reduced which has the potential to unlock significant value for Non-Associated Unitholders. This may cause the market to re-rate MREIT's unit trading price and reduce the current implied discount to NTA, subject to the impact of any dilution to NTA associated with any capital raising.

In assessing whether the Proposed Scheme is in the best interests of Non-Associated Unitholders we have considered the prospects of realising greater value for a unit in MREIT through alternate means.

We are of the view that none of the alternatives presented in Section 9.3.2 above are likely to realise greater value for MREIT unitholders than the Proposed Scheme, particularly after considering the relative risks associated with each of the alternatives. Furthermore, the Proposed Scheme addresses the liquidity and funding constraints of the Trust with minimal execution risk. In particular:

- on a stand-alone basis, MREIT has limited growth prospects and there is a significant risk that the Trust will breach lending covenants in the short-term which will limit the prospects of its units trading at a price in excess of the consideration offered in the short term
- whilst a managed wind-up of the Trust has the potential to generate greater value (in certain limited scenarios), this alternative is subject to significant execution risk whereas the Proposed Scheme provides price, funding and liquidity certainty
- the consideration offered pursuant to the Proposed Scheme represents a 37%, 53% and 57% premium to the 1 day, 1 month and 3 month VWAP, respectively for MREIT prior to market speculation regarding the Proposed Scheme
- the Proposed Scheme offers Non-Associated Unitholders some potential for further capital growth through any re-rating or other appreciation not currently factored into the security price for Mirvac.

10.3 Best Interests Opinion

Having regard to the factors considered above, in particular the other alternatives available to Non-Associated Unitholders, we are of the opinion that there are sufficient reasons for Non-Associated Unitholders to vote in favour of the Proposed Scheme in the absence of a superior offer. In our opinion the Proposed Scheme is therefore in the best interests of Non-Associated Unitholders, in the absence of a superior offer.

An individual Non-Associated Unitholder's decision in relation to the Proposed Scheme may be influenced by his or her particular circumstances. If in doubt the Non-Associated Unitholder should consult an independent adviser.

Appendix 1: Glossary

Reference	Definition
30 September 2009 Distribution	The expected MREIT distribution for the three months ended 30 September 2009
A$	Australian dollars
Abacus	Abacus Property Group
ABS	Australian Bureau of Statistics
AFSL	Australian Financial Services Licence
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	Australian Equivalents to International Financial Reporting Standards
Announcement Date	12 October 2009
ANZ	Australia and New Zealand Banking Group Limited
APESB	Accounting Professional and Ethical Standards Board
A-REIT	Australian Real Estate Investment Trusts
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUM	Assets under management
AUS	Australian Auditing Standards
BBSW	Bank Bill Swap reference rate
Bps	Basis points
BPTC	Burns Philp Trustee Co Ltd
CAGR	Compound annual growth rate
Cash and Scrip Offer	$0.50 cash for each MREIT unit held (up to 20,000 units) plus one security in Mirvac for every three MREIT units held in excess of 20,000 units. In addition, Non-Associated Unitholders will receive the 30 September 2009 Distribution of 1.0 cpu.
Cash Offer	Cash of $0.50 per MREIT unit.
CBD	Central business district
CDI	Challenger Diversified Property Group
CME	Capitalisation of maintainable earnings
CPI	Consumer price index
CPT	Capital Property Trust
Cpu	cent per unit
Cromwell	Cromwell Group
Deloitte or Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
Deutsche Securities	Deutsche Securities Australia Limited
DOHA	Department of Health and Aging
DPS	Distributions per security
DPU	Distributions per unit
DRP	Distribution reinvestment plan
EBIT	Earnings before interest and tax
EIS	Employee incentive scheme
EIU	Economist Intelligence Unit
EPS	Earnings per security
Explanatory Memorandum	Explanatory memorandum containing the detailed terms of the Proposed Scheme prepared by the board of MREIT
FFO	Funds from operations
Foreign Unitholders	MREIT's retail unitholders with small holdings in MREIT and/or those with registered addresses outside of Australian and New Zealand

7. Independent Expert's Report
(continued)

Reference	Definition
FSG	Financial services guide
FUM	Funds under management
FX	Foreign exchange
FYXX	Financial year ended 30 June 20XX.
GDP	Gross domestic product
GHD	GHD Pty Ltd
Global	Global Funds Management (NSW) Limited
IBISWorld	IBISWorld Pty Ltd
ICR	Interest cover ratio
IER	Independent expert's report
IFRS	International financial reporting standards
Implementation Date	7 December 2009
Independent Directors	The independent directors of MRML as the responsible entity for MREIT, being the directors who are not associated with Mirvac
ING	Internationale Nederlanden Groep NV
IPO	Initial public offering
JFMML	James Fielding Meridian Management Limited
JFMT	JF Meridian Trust
JV	Joint venture
LPT	Listed property trust
LTIS	Long Term Incentive Scheme
LVR	Loan to value ratio
Macquarie	Macquarie Group Services Australia Pty Limited
MAM	Mirvac Asset Management
MER	Management expense ratio
MIM	Mirvac Investment Management
Mirvac	Mirvac Group and the proposed entity combining MREIT and Mirvac
MIX	Mirvac Industrial Trust
ML	Mirvac Limited
MPT	Mirvac Property Trust
MREIT	Mirvac Real Estate Investment Trust
MRML	Mirvac REIT Management Limited
MWHF	Mirvac Wholesale Hotel Fund
MWRDP	Mirvac Wholesale Residential Development Partnership
NAV	Net asset value
Non-Associated Unitholders	Unitholders of MREIT who are not associated with Mirvac
NPAT	Net profit after tax
NPBT	Net profit before tax
NSW	New South Wales
NTA	Net tangible asset
Orion	Orion Regional Shopping Centre Site, Springfield
P/EBIT	Price/Earnings before interest and tax
P/FFO	Price/Funds from operations
P/NTA	Price/Net tangible assets
Part 3	Part 3 of Schedule 8 of the Corporations Regulations 2001
PDA	Property development agreement
Properties	The property portfolio of MREIT in the commercial, retail, industrial and hotel property sub-sectors across predominately five Australian states with a book value of $966 million as at 30 June 2009
Property Index	S&P/ASX 300 Property Trusts Accumulation Index

Reference	Definition
Proposed Scheme	Proposed scheme under which Mirvac will acquire all the issued units in MREIT that it does not already own
QLD	Queensland
Quadrant	Quadrant Real Estate Advisors LLC
RBA	Reserve Bank of Australia
RBS	Royal Bank of Scotland
REIT	Real estate investment trust
RG 111	ASIC Regulatory Guide 111 Content of expert's reports issued by ASIC on 31 October 2007
RG 112	ASIC Regulatory Guide 112 Independence of experts issued by ASIC on 31 October 2007
S&P	Standard & Poor's
Sale Facility	Broker sponsored sale facility
Scrip Offer	One security in Mirvac for every three MREIT units held
Section 611	Section 611 of the Corporation Act 2001
Speculation Date	13 August 2009, the date that Mirvac announced that they were in discussions with MREIT regarding a potential transaction
TMT	Tyndall Meridian Trust
TPT	Tyndall Property Trust
Trust	Mirvac Real Estate Investment Trust
Tyndall	Tyndall Investment Management (Australia) Limited
UK	United Kingdom
US	United States of America
US$	US dollars
VIC	Victoria
VWAP	Volume weighted average price
WACR	Weight average capitalisation rate
WALE	Weighted average lease expiry
Westpac	Westpac Banking Corporation
Woden Development	The development at 15-25 Furzer Street, Woden ACT of which MREIT is the beneficial owner

Appendix 2: History of MREIT

1990

- Estate Mortgage Trust, Australia's largest mortgage trust with gross assets of approximately $1.15 billion, went into receivership. Over half of the 52,000 investors in the Estate Mortgage Trust lost greater than 75% of their investment.
- Global Funds Management (NSW) Limited (Global) assumed the management rights of the six Estate Mortgage trusts from former trustee Burns Philp Trustee Co Ltd (BPTC).

1995

- Global was acquired by Tyndall Australia Limited (TAL) and the Australian operations of Global were merged with those of TAL. The resulting trust was renamed Tyndall Meridian Trust (TMT) and managed by Tyndall Investment Management (Australia) Limited (Tyndall).

1998

- TMT received net litigation settlements of $142.1 million from BPTC and other parties involved in the collapse of the Estate Mortgage Trust.

2000

- On 26 May 2000, TMT acquired 100% of the units of the Tyndall Property Trust (TPT) for $0.46 per unit.

2003

- James Fielding Group (JFG) raised $115.1 million in a capital raising and used the funds to acquire the management rights of TMT from Tyndall in addition to a strategic holding in TMT. At the time of the acquisition, TMT had approximately $400 million of AUM and $300 million in retained tax losses.
- TMT was renamed JF Meridian Trust (JFMT) and the responsible entity was renamed to James Fielding Meridian Management Limited (JFMML). The profile of the trust was maintained and ran independently of JFG.

2004

- A combined institutional placement and a 1 for 14 renounceable rights offer at an offer price of $1.04 per security raised $60.1 million.
- Mirvac acquired JFG, the fund manager of JFMT, for $478 million via a scheme of arrangement.
- On 31 December 2004, an unlisted wholesale fund established by JFMT acquired the Travelodge Hotel Group (Travelodge) for $189 million. JFMT acquired a 49% interest in the Travelodge fund. Other securityholders include NRMA and Mirvac holding a 50% and 1% interest, respectively.

2005

- JFMT raised $126.9 million via a one for five renounceable rights issue at a price of $1.31 per new unit.
- In July 2005, JFMT acquired an approximately 10% interest in the Trafalgar Corporate Group (TCG) for $20 million.

2006

- Revaluations for seven property assets of JFMT as at 31 March 2006 resulted in a $27.1 million or 10.9% increase from the 31 December 2005 carrying value.
- JFMT suspended its DRP.

2007

- JFMT and JFMML changed its names to MREIT and MRML respectively.
- Revaluations for 18 property assets and seven Travelodge hotels of MREIT as at 30 June 2007 resulted in a $68 million or 7.5% increase from the 31 December 2006 book value.
- MREIT acquired two Mirvac unlisted funds (Mirvac Industrial Fund and Mirvac Retail Portfolio) for a cash consideration of $94.1 million as well as assuming responsibility for the debt of these funds.

2008

- MREIT realised $60.1 million from the sale of its A-REIT and equities portfolio with the majority being used to pay down debt.
- MREIT announced the successful completion of a $625 million debt facility refinancing with a syndicate of lenders.

2009

- Revaluations for all the assets of MREIT as at 31 December 2008 resulted in a $69.9 million or 6.8% decrease from the 30 June 2007 book value.
- MREIT renegotiated with its syndicated lenders to amend its tangible net worth covenant from $600 million to $475 million. In addition, MREIT agreed to reduce its facility limit from $625 million to $550 million.

Source: MREIT, ASX

Appendix 3: Summary of MREIT's property portfolio

Property	State	MPT Interest	Area (sq m)	Valuation Date	30-Jun-09 Book value ($ million)	Capitalisation rate	Discount rate
Commercial portfolio							
10-20 Bond Street, Sydney	NSW	50%	37,860	Jun-09	109.0	7.5%	9.3%
3 Rider Boulevard, Rhodes	NSW	100%	16,714	Jun-09	70.0	8.0%	9.5%
340 Adelaide Street, Brisbane	QLD	100%	13,290	Jun-09	63.0	9.0%	9.5%
12 Cribb Street, Milton	QLD	100%	3,310	Dec-08	15.0	9.0%	9.8%
191-197 Salmon Street, Port Melbourne	VIC	50%1	21,763	Jun-09	46.5	8.3%	10.0%
591-609 Doncaster Road, Doncaster	VIC	100%	8,921	Dec-08	17.3	9.5%	10.0%
Total commercial			*101,858*		*320.8*		
Retail portfolio							
Cherrybrook Village Shopping Centre, Cherrybrook	NSW	100%	9,492	Jun-09	75.0	7.3%	9.3%
Taree City Centre, Taree	NSW	100%	15,553	Jun-09	54.0	8.0%	9.5%
Moonee Beach Shopping Centre, Coffs Harbour	NSW	100%	10,884	Dec-08	15.3	9.5%	10.3%
Chester Square Shopping Centre, Chester Hill	NSW	100%	8,293	Jun-09	28.0	8.3%	10.0%
Pender Place Shopping Centre, Maitland	NSW	100%	4,799	Dec-08	10.3	9.3%	10.0%
Orion Springfield Town Centre, Greater Springfield	QLD	33%1	33,370	Dec-08	46.8[1]	6.5%	9.0%
Orion, Greater Springfield (Vacant Land)	QLD	100%	14,107	Jun-09	45.0	8.0%	n/a
City Centre Plaza, Rockhampton	QLD	100%	22,325	Dec-08	35.5	9.3%	9.5%
Morayfield SupaCentre, Morayfield	QLD	33%	n/a	Jun-09	10.3[1]	n/a	9.8%
Morayfield SupaCentre, Morayfield (Vacant Land)	QLD	100%	n/a	Dec-08	3.5	n/a	n/a
Cooleman Court, Weston	ACT	100%	10,714	Jun-09	47.6	7.8%	9.5%
Total retail			*129,536*		*371.3*		

Property	State	MPT Interest	Area (sq m)	Valuation Date	30-Jun-09 Book value ($ million)	Capitalisation rate	Discount rate
Industrial							
10 Julius Avenue, North Ryde	NSW	100%	13,386	Jun-09	56.0	8.0%	9.5%
32 Sargents Road, Minchinbury	NSW	100%	22,378	Jun-09	23.7	8.8%	9.3%
12 Julius Avenue, North Ryde	NSW	100%	7,308	Jun-09	24.5	8.3%	9.5%
108-120 Silverwater Road, Silverwater	NSW	100%	17,830	Dec-08	25.3	8.8%	9.5%
52 Huntingwood Drive, Huntingwood	NSW	100%	19,286	Jun-09	22.8	8.8%	9.3%
Network, Old Wallgrove Road, Eastern Creek	NSW	50%1	n/a	Oct-08	7.0	n/a	n/a
47-67 Westgate Drive, Altona North	VIC	100%	27,081	Dec-08	20.0	9.0%	9.5%
Total industrial			*107,268*		*179.3*		

Source: MREIT

Note 1: unconditional contracts have been exchanged for these properties in the latter half of September 2009 and settlement is expected to occur between October and November 2009.

Appendix 4: Summary of MPT's property portfolio

Property	State	MPT Interest	Area (sq m)	Valuation Date	30-Jun-09 Book value ($ million)	Capitalization rate	Discount rate
Commercial portfolio							
101-103 Miller St, North Sydney	NSW	50%	37,758	Dec 2008	251.5	6.25%-6.50%	8.75%-9.00%
1 Darling Island, Pyrmont	NSW	100%	22,197	Dec 2008	172.5	7.00%	9.25%
5 Rider Boulevarde, Rhodes[1]	NSW	100%	25,198	Feb 2009	104.8	7.75%	9.50%
60 Margaret St, Sydney	NSW	50%	40,567	Dec 2008	166	6.50%	8.75%
40 Miller St, North Sydney	NSW	100%	12,664	Jun 2008	100	7.50%	9.00%
Bay Centre, Pirrama Road, Darling Harbour	NSW	100%	15,972	Mar 2008	111	7.50%	9.00%
1 Castlereagh St, Sydney	NSW	100%	11,637	Jun 2009	64.3	8.00%	9.50%
190 George St, Sydney	NSW	100%	9,498	Jun 2008	46	8.00%	9.25%
200 George St, Sydney	NSW	100%	5,579	Jun 2008	30.5	8.25%	9.50%
St George Centre, 60 Marcus Clarke St, Canberra	ACT	100%	12,165	Jun 2009	52	8.50%	9.00%
38 Sydney Avenue, Forrest	ACT	100%	9,099	Dec 2008	41.9	8.75%	9.50%
Aviation House, 16 Furzer St, Canberra	ACT	100%	14,828	Jun 2008	74	7.50%	9.25%
Phillips Fox Building, 54 Marcus Clarke St, Canberra	ACT	100%	5,276	Dec 2008	19	9.50%	9.75%
Booz & Co Building, 10 Rudd St, Canberra	ACT	100%	4,736	Jun 2009	18.7	8.50%	9.00%
189 Grey St, South Bank, Brisbane	QLD	100%	12,728	Mar 2009	65	7.75%	9.00%
John Oxley Centre, 339 Coronation Drv, Brisbane	QLD	100%	13,172	Mar 2009	54	9.00%	9.25%
Mojo Building, 164 Grey St, South Bank, Brisbane	QLD	100%	3,079	Mar 2009	14	8.00%	9.00%
Riverside Quay, Southbank, Melbourne	VIC	100%	31,555	Jun 2009	144	8.25%-8.75%	9.00-9.75%
Royal Domain Centre, 380 St Kilda Road, Melbourne	VIC	100%	24,616	Jun 2009	101.5	8.50%	9.00%
Como Centre Office, Cnr Toorak Road and Chapel St, South Yarra	VIC	100%	25,547	Jun 2009	136.8	8.25%-9.25%	9.25-10.75%
Total commercial					*1,872.3*		

Note 1: Investment property previously classified as inventory

Property	State	MPT Interest	Area (sq m)	Valuation Date	30-Jun-09 Book value ($ million)	Capitalization rate	Discount rate
Retail portfolio							
Greenwood Plaza, Pacific Highway, North Sydney	NSW	50%	8,731	Dec 2008	251.5	6.25%	9.00%
Metcentre, 60 Margaret St, Sydney	NSW	50%	5,758	Dec 2008	51.3	6.50%	9.00%
Stanhope Village, Sentry Drive, Stanhope Gardens	NSW	100%	15,451	Mar 2009	53.1	8.00%	9.00%
St Marys Village Centre, Charles Hacket Drive, St Marys	NSW	100%	16,170	Dec 2008	44.5	8.00%	9.25%
Orange City Centre, Cnr Anson St & Summer St, Orange	NSW	100%	18,066	Mar 2009	49	8.25%	9.25%
Blacktown Mega Centre, Blacktown Road, Blackton	NSW	100%	25,746	Dec 2008	40	9.00%	10.00%
Ballina Central, Pacific Highway, Ballina	NSW	100%	14,183	Jun 2009	34.5	8.00%	9.25%
Taree Shopping Centre	NSW	100%	10,704	Dec 2007	23.8	8.25%	9.75%
Rhodes Shopping Centre, Sydney	NSW	50%	32,586	Dec 2008	90.5	6.63%	9.00%
Broadway Shopping Centre, Sydney	NSW	50%	50,498	Dec 2008	202.5	6.13%	8.75%
Lake Haven Mega Centre, Lake Haven	NSW	100%	21,602	Dec 2008	30	9.50%	10.00%
Logan Mega Centre, Pacific Highway, Logan	QLD	100%	27,102	Dec 2008	71	9.00%	10.25%
Orion Springfield Town Centre, Main St, Springfield	QLD	67%	33,366	Dec 2008	140.5	6.50%	9.00%
Hinkler Central, Maryborough St, Bundaberg	QLD	100%	21,049	Mar 2009	84	7.50%	9.25%
Kawana Shoppingworld, Nicklin Way, Buddina	QLD	100%	29,787	Dec 2008	188	6.50%	9.00%
Como Centre Retail, Cnr Toorak Road & Chapel St, South Yarra	VIC	100%	6,894	June 2009	136.8	9.25%	10.75%
Gippsland Centre, Cunningham St, Sale	VIC	100%	23,345	Dec 2008	54.6	8.25%	9.75%
Waverley Gardens, Cnr Police Road & Jacksons Road, Mulgrave	VIC	100%	38,292	Dec 2008	142	7.50%	9.50%
Moonee Ponds Central, Homer St, Moonee Ponds	VIC	100%	6,244	Jun 2009	22.8	8.00%	9.50%
Moonee Ponds Central (Stage II), Homer St, Moonee Ponds	VIC	100%	12,366	Jun 2009	38.7	8.50%	9.75%
Peninsula Lifestyle, Nepean Highway, Mornington	VIC	100%	32,156	Dec 2008	53	8.75%	10.00%
Kwinana Hub, Gilmore Avenue, Kwinana Town Centre	WA	100%	17,336	Jun 2008	30	8.25%	9.75%
Total retail					*1,832.1*		

Property	State	MPT Interest	Area (sq m)	Valuation Date	30-Jun-09 Book value ($ million)	Capitalization rate	Discount rate
Industrial portfolio							
271 Lane Cove Road, North Ryde	NSW	100%	6,718	June 2008	43.5	8.00%	9.25%
James Ruse Business Park, 6 Boundary Road, Northmead	NSW	100%	26,492	Dec 2008	31.8	9.00%	9.75%
64 Biloela St Villawood	NSW	100%	22,937	Mar 2008	25.8	9.00%	10.25%
44 Biloela St Villawood	NSW	100%	15,893	Mar 2009	12.7	9.50%	10.50%
1-47 Percival St, Smithfield	NSW	100%	17,256	Mar 2008	25.3	8.50%	9.25%
Nexus Industry Park (Atlas), Lyn Parade, Prestons	NSW	100%	13,120	Mar 2008	20.3	8.00%	9.25%
Nexus Industry Park (EW), Lyn Parade, Prestons	NSW	100%	9,709	Mar 2009	12.5	8.25%	9.25%
Nexus Industry Park (Building 3), Lyn Parade, Prestons	NSW	100%	17,203	Dec 2007	26.6	8.25%	9.25%
Nexus Industry Park (HPM), Lyn Parade, Prestons	NSW	100%	12,339	Dec 2008	16.6	8.25%	9.25%
Mulgrave Business Park, 18-20 & 30-32 Compark Circuit & 253 Wellington Road, Mulgrave	VIC	100%	9,531	Jun 08	18.5	9.50%	9.50%
Hawdon Industry Park, 4 Abbotts Road & 333-343 Frankston Road, Dandenong	VIC	100%	20,812	Jun 08	13.3	9.00%	9.50%
1900-2060 Pratt Boulevard, Chicago, Illinois, USA	n/a	100%	50,000	Oct 08	51.7	8.00%	9.50%
Total industrial					*298.6*		
Other portfolio (incl. car park)					*96*		

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Deloitte: Mirvac Real Estate Investment Trust – Independent expert's report

7. Independent Expert's Report
(continued)

Appendix 5: Comparable companies

A-REITs

The table below sets out the A-REITs that are comparable to MREIT.

Table 26: Comparable A-REIT trading multiples

Company	Enterprise value (million)[1]	Gearing (%)[2]	P/NTA[3 4]	Ungeared P/NTA[4]	FY10 Current EBIT multiple (times)	FY11 Forecast EBIT multiple (times)
Diversified property trusts/companies						
MREIT	800	49%	0.67	0.75	12.1x	11.7x
Stockland Group	11,496	15%	1.13	1.10	15.9x	14.3x
GPT Group	8,261	30%	0.92	0.95	15.2x	14.2x
Lend Lease	5,055	30%	*n/m*	*n/m*	12.1x	10.6x
Mirvac	5,936	23%	0.97	0.99	19.0x	17.1x
Dexus Property Group	6,537	30%	0.79	0.89	12.9x	12.4x
Goodman Group	6,994	39%	0.93	1.06	17.3x	16.0x
Abacus Property Group	1,075	31%	0.73	0.82	11.7x	11.3x
Cromwell Group	1,131	53%	0.88	0.95	10.6x	10.4x
CDI	649	26%	0.72	0.80	11.1x	10.6x
Average[5]		*31%*	*0.88*	*0.94*	*14.0x*	*13.0x*
Median[5]		*30%*	*0.90*	*0.95*	*12.9x*	*12.4x*
Sector specific property trusts/companies						
CFS Retail Property Trust	7,037	27%	1.02	1.02	16.7x	15.5x
Commonwealth Property Office Fund	2,593	26%	0.84	0.89	14.1x	13.8x
ING Office Fund	2,607	29%	0.89	0.93	14.6x	14.6x
Macquarie Office Trust	3,161	48%	0.65	0.83	11.6x	11.7x
ING Industrial Fund	3,149	64%	0.50	0.92	13.0x	13.4x
Westpac Office Trust	862	61%	0.36	0.77	n/a	n/a
Growthpoint Properties Australia	606	48%	0.98	0.99	11.4x	10.8x
Average		*43%*	*0.75*	*0.91*	*13.6x*	*13.3x*
Median		*48%*	*0.84*	*0.92*	*13.6x*	*13.6x*
Overall average[5]		*36%*	*0.82*	*0.93*	*13.8x*	*13.1x*
Overall median[5]		*30%*	*0.88*	*0.93*	*13.0x*	*13.4x*

Source: Bloomberg, Deloitte Corporate Finance analysis

n/a = not available   P = price   n/m = non-meaningful

Notes:

1. Enterprise value is calculated as market capitalisation (at 8 October 2009) plus net debt and expressed in Australian dollars
2. Gearing is calculated as (net debt on a look through basis, where available)/(gross tangible assets – cash) whereas covenant gearing for MREIT excludes cash

3. Calculated using market capitalisation as at 8 October 2009

4. Pro forma figures were used where an equity raising was announced post the release of 30 June 2009 financials

5. Excluding MREIT.

Stockland Group

Stockland is a property trust which invests and manages in retail and commercial properties in Australia and New Zealand. The group also provides property development and management services, hotel management services and other related services including financing.

GPT Group

GPT Group is a property trust that manages and invests in retail, office, industrial and hotel/tourism properties throughout Australia. The commercial property portfolio includes Riverside Centre and MLC Centre while the retail properties include Charlestown Square and Penrith Plaza. The group's hotel/tourism property includes Ayers Rock Resort.

Lend Lease Corporation Limited

Lend Lease Corporation Limited provides real estate project management, project design, project financing and construction services along with property development. The company also provides real estate investment management services and serves clients that invest in real estate equity or debt. The group also services commercial real estate loans.

Dexus Property Group

Dexus Property Group is a property trust that manages and invests in a portfolio of diversified properties including office and industrial properties, retail shopping centres and car parks. The group's properties are located in Australia, New Zealand and the United States.

Goodman Group

Goodman Group is an integrated industrial property group. The group has operations in Australia, New Zealand, UK, Asia and Europe. The group's activities include property investment, funds management, property development and property services. The group's property portfolio includes business parks, industrial estates, office parks and warehouse/distribution centres.

Abacus Property Group

Abacus Property Group is a diversified property investment group providing exposure to a portfolio of commercial, retail and industrial properties. The group also offers mortgage investments, development syndicates and property funds management services.

Cromwell Group

Cromwell Group is a funds management and property development company with interests in commercial and office properties in far North Queensland and Adelaide. The company's other activities include project management, syndication and investment.

CDI

CDI is a property trust established to invest in a diversified portfolio of Australian property assets.

CFS Retail Property Trust

CFS Retail Property Trust is a property trust that invests in, manages and develops a portfolio of retail assets throughout Australia. The trust's portfolio comprises a variety of retail properties such as supermarkets, discount department stores, department stores and specialty shops.

Commonwealth Property Office Fund

Commonwealth Property Office Fund is a property trust that invests in, manages and develops a portfolio of office buildings and office parks located throughout in the central business district and suburban markets of Australia.

ING Office Fund

ING Office Fund is involved in property investment, leasing, management and development in Australia. The Fund's portfolio includes commercial properties and office buildings throughout the capital cities of Australia and certain cities in the United States.

Macquarie Office Trust

Macquarie Office Trust is a property trust with a property portfolio consisting of office properties located throughout Australia and in the United States. The trust invests in income-producing real estate used for commercial purposes.

ING Industrial Fund

ING Industrial Fund is a property trust which invests, leases and manages industrial distribution centres, office and warehouses in and around Melbourne, Sydney, Brisbane and Adelaide.

Westpac Office Trust

Westpac Office Trust is involved in the investment and management of office properties

Growthpoint Properties Australia

Growthpoint Properties Australia is a property trust. The trust invests in retail, office, and industrial properties.

Property funds management

The table below sets out property funds management companies that are comparable to Mirvac's MIM division.

Table 27: Property funds management comparable companies

Company	Enterprise value ($ million)	Current FY10 EBIT multiple (times)	Forecast FY11 EBIT multiple (times)
Abacus Property Group	1,064	11.5x	11.2x
APN Property Group Limited	30	9.5x	5.3x
Trinity Group	211	*n/a*	*n/a*
Valad Property Group	799	8.1x	12.5x
Average		*9.7x*	*9.7x*
Median		*9.5x*	*11.2x*

Source: Bloomberg, Deloitte Corporate Finance analysis

n/a = not available n/m = non-meaningful

Note 1: enterprise value is calculated as market capitalisation (at 8 October 2009) plus net debt and expressed in Australian dollars

Abacus Property Group

Abacus Property Group is a diversified property investment group providing exposure to a portfolio of commercial, retail and industrial properties. The group also offers mortgage investments, development syndicates and property funds management services.

APN Property Group Limited

APN Property Group Limited is a fully integrated property company. The company specializes in the management of property funds, including both direct property funds and property securities funds.

Trinity Group

Trinity Group is a property investment, development and property/funds management company.

Valad Property Group

Valad Property Group is a property investment and management group. The group's activities include passive property ownership and investment and management of unlisted property funds. The Group has a portfolio of buildings in the CBD of Melbourne, Perth and Sydney.

Companies operating in the hotel industry

The table below sets out companies in the hotel industry which are comparable to Mirvac's hotel management division.

Table 28: Comparable hotel companies listed on the ASX

Company	Enterprise value ($ million)	Current FY10 EBIT multiple (times)	Forecast FY11 EBIT multiple (times)
Transmetro Corp Limited	21	*n/a*	*n/a*
Ocean Capital Limited	31	*n/a*	*n/a*
Thakral Holdings Group	893	22.9x	17.1x
Average		*n/m*	*n/m*
Median		*n/m*	*n/m*

Source: Bloomberg, Deloitte Corporate Finance analysis

n/a = not available n/m = non-meaningful

Notes

1. enterprise value is calculated as market capitalisation (at 8 October 2009) plus net debt and expressed in Australian dollars

Transmetro Corporation Limited

Transmetro Corporation Limited operates hotels, inns, motor inns, theme pubs and apartment complexes throughout Australia under the name "Metro Inns", "Metro Suites" and "Metro Motor Inns".

Ocean Capital Limited

Ocean Capital Limited operates beach and mainland resorts and hotels in Queensland including Airlie Beach Resort.

Thakral Holdings Group

Thakral Holdings Group invests in hotel, retail and commercial properties throughout Australia. The Group also provides management services of hotels, retail centres and commercial properties and is also involved in the development and sale of residential land and buildings.

Appendix 6: Recent capital raisings

There have been an increasing number of equity capital raisings in the A-REIT market in the past nine months. The table below presents a summary of the recent capital raisings undertaken in the A-REIT sector and the substantial discount to NTA value and VWAP prior to the announcement of the capital raising at which they have transacted.

Table 29: Recent capital raisings in the A-REIT sector

Company	Announced	Capital raised ($'m)	Premium/ (discount) to NTA per security	Premium/ (discount) to 30-day VWAP
Placements				
Mirvac	24-Jan-08	300	36.8%	2.7%
CFS Retail Property	8-Oct-08	325	(13.8%)	(10.4%)
Stockland Group	8-Oct-08	300	(2.9%)	0.7%
FKP Property Group	15-Oct-08	28	(60.3%)	(17.8%)
Aspen Group	17-Oct-08	22	(36.2%)	(15.1%)
Goodman Group	28-Oct-08	230	(54.1%)	(51.8%)
Mirvac	5-Nov-08	72	(76.1%)	(52.0%)
Dexus Property Group	3-Dec-08	302	(56.5%)	(6.7%)
ING Office Fund	5-Dec-08	150	(55.8%)	(9.9%)
Macquarie Office Trust	12-Dec-08	100	(86.8%)	(33.3%)
Abacus Property Group	20-Jan-09	24	(80.2%)	25.0%
Commonwealth Property Office Fund	22-Jan-09	192	(50.6%)	(28.3%)
Westfield Group	3-Feb-09	2,900	(16.9%)	(17.9%)
Lend Lease	4-Feb-09	303	4.9%	(12.6%)
Dexus Property Group	21-Apr-09	90	(51.1%)	(10.1%)
GPT Group	7-May-09	120	(75.5%)	(12.7%)
Stockland	13-May-09	200	(44.4%)	(12.8%)
Growthpoint Properties Australia	18-May-09	56	(70.9%)	(89.7%)
Charter Hall Group	27-May-09	24	(69.7%)	(11.0%)
Mirvac	4-Jun-09	153	(59.0%)	5.2%
ING Office Fund	17-Jun-09	90	(65.4%)	(5.4%)
Goodman Group	6-Aug-09	167	(52.9%)	1.5%
Valad Property Group	23-Sep-09	19	(58.3%)	(5.4%)
Average			*(47.6%)*	*(16.8%)*
Entitlements/Rights Issues				
Australand Property	28-Jul-08	461	(63.9%)	(28.3%)
FKP Property Group	15-Oct-08	150	(70.2%)	(37.5%)
GPT Group	23-Oct-08	1,619	(83.7%)	(41.9%)
Goodman Group	28-Oct-08	604	(54.1%)	(51.8%)
Mirvac	5-Nov-08	428	(76.1%)	(52.0%)
ING Office Fund	5-Dec-08	265	(55.8%)	(9.9%)
Macquarie Office Trust	12-Dec-08	408	(86.8%)	(33.3%)
Abacus Property Group	20-Jan-09	187	(80.2%)	25.0%
Peet Limited	27-Mar-09	82	(20.9%)	2.8%
Dexus Property Group	21-Apr-09	659	(51.1%)	(10.1%)
GPT Group	7-May-09	1,600	(75.5%)	(12.7%)

Company	Announced	Capital raised ($'m)	Premium/ (discount) to NTA per security	Premium/ (discount) to 30-day VWAP
Bunnings Warehouse	7-May-09	150	(20.2%)	(7.9%)
Stockland	13-May-09	1,780	(44.4%)	(12.8%)
Growthpoint Properties Australia	18-May-09	144	(70.9%)	(89.7%)
Aspen Group	19-May-09	82	(73.9%)	(17.5%)
Charter Hall Group	27-May-09	49	(56.0%)	(11.0%)
Mirvac Group	4-Jun-09	948	(59.0%)	5.2%
ING Office Fund	17-Jun-09	325	(65.4%)	(5.4%)
FKP Property Group	25-Jun-09	324	(89.0%)	(26.3%)
Australand Property	30-Jun-09	475	(56.5%)	(52.2%)
CDI	6-Aug-09	130	(54.5%)	(8.4%)
Goodman Group	6-Aug-09	1,112	(52.9%)	1.5%
Valad Property Group	23-Sep-09	40	(58.3%)	(19.0%)
Average			*(61.7%)*	*(21.4%)*
Overall average			*(54.7%)*	*(18.7%)*

Source: Deloitte Corporate Finance analysis, MergerMarket, CapitalIQ, MergerStat

We make the following comment in relation to these recent A-REIT capital raisings:

- all but two of the recent equity capital raisings were undertaken at discounts relative to the NTA values prior to the announcement of the equity raising. The discounts ranged from a discount of 89.0% to a premium of 36.8%
- the average discount to the NTA value is lower for placements (-47.6%) compared to entitlement offers (-61.7%).
- there does not appear to be a correlation between the amount or proportion of capital raised and the discount to NTA observed
- A-REITs have raised substantial equity capital primarily to satisfy short-term debt requirements, reduce balance sheet gearing and meet capital expenditure/working capital obligations. Furthermore, some A-REITs with significant portions of debt and interest costs denominated in foreign currencies were required to raise capital to meet debt covenants which were breached following the depreciation of the Australian dollar in late 2008.

Appendix 7: Sources of information

In preparing this report we have had access to the following principal sources of information:

- the Explanatory Memorandum
- financial statements and annual reports of MREIT and Mirvac
- internal management reports of MREIT and the MREIT financial model (in particular forecast earnings for the 2010 financial year)
- various news releases and reports on the Australian property sector
- ASX announcements and company presentations for MREIT, Mirvac and comparable companies
- External property valuations undertaken for MREIT
- Financial statements of MREIT's associates and joint ventures
- Property portfolio summaries and tenancy data for MREIT
- other publicly available information including information published by Bloomberg, CapitalIQ, IBISWorld, the Australian Bureau of Statistics, the Construction Forecasting Council, Tourism Research Australia, SDC Platinum and broker reports.

In addition, we have had discussions with the Independent Directors and various members of the management teams of MREIT and Mirvac in relation to the above information and to current operations and prospects.

Appendix 8: Qualifications, declarations and consents

The report has been prepared at the request of the Independent Directors of MRML and is to be included in the Explanatory Memorandum to be given to Non-Associated Unitholders for approval of the Proposed Scheme in accordance with Section 611. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Explanatory Memorandum in their assessment of the Proposed Scheme outlined in the report and should not be used for any other purpose. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Scheme. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the APESB.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte has relied upon the completeness of the information provided by MRML and its officers, employees, agents or advisors which Deloitte believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to MRML management for confirmation of factual accuracy.

In recognition that Deloitte may rely on information provided by MRML and its officers, employees, agents or advisors, MRML has agreed that it will not make any claim against Deloitte to recover any loss or damage which MRML may suffer as a result of that reliance and that it will indemnify Deloitte against any liability that arises out of either Deloitte's reliance on the information provided by MRML and its officers, employees, agents or advisors or the failure by MRML and its officers, employees, agents or advisors to provide Deloitte with any material information relating to the Proposed Scheme.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte's consideration of this information consisted of enquiries of MRML personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board.

Based on these procedures and enquiries, Deloitte considers that there are reasonable grounds to believe that the prospective financial information for MRML included in this report has been prepared on a reasonable basis. In relation to the prospective financial information, actual results may be different from the prospective financial information of MRML referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte principally involved in the preparation of this report were Mark Pittorino, Director, BComm, CA, MAppFin, Rachel Foley-Lewis, Director, B.Comm., CA, F.Fin., Dave Pearson, Associate Director, B.Comm., CA, CBV, CFA, Renee Daus, Senior Manager, B.Comm., CA and Minnie Singh-Murphy, Manager, B.Comm.(Hon), MBA. Each has many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

We have provided tax, accounting and valuation services to MREIT and its related entities in the last three years. In particular we have provided valuation services (including independent expert's reports) in respect of the following:

- *October 2006:* preliminary investigative work for a potential IER in relation to the proposed privatisation of MREIT by Mirvac until negotiations were subsequently discontinued. We did not provide any drafts of our report or indication of our valuation approach or any estimates of value for Mirvac or MREIT during this process
- *December 2006:* we prepared an IER in relation to the acquisition of the units in the Tourism Leisure Trust by Toga Accommodation Fund 2
- *August 2007:* we prepared an IER in relation to the acquisition of the units in the Mirvac Retail Portfolio and the Mirvac Industrial Fund to which Mirvac Group was not already entitled
- *August 2007:* we prepared an IER in relation to the acquisition of the units in the Australian Hotel Fund by Toga Group and Barana Group
- *November 2007:* preliminary investigative work in respect of a potential transaction until negotiations were subsequently discontinued.

We have considered these relationships and regard ourselves as independent of MFML and Mirvac for the purpose of the preparation of an independent expert's report for the Proposed Scheme in accordance with RG 112.

Neither Deloitte, Deloitte Touche Tohmatsu, nor any partner or executive or employee thereof has any financial interest in the outcome of the proposed transaction which could be considered to affect our ability to render an unbiased opinion in this report. Deloitte will receive a fee of $350,000 exclusive of GST in relation to the preparation of this report. This fee is based upon time spent at our normal hourly rates and is not contingent upon the success or otherwise of the Proposed Scheme.

8. Taxation report

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22 October 2009

The Directors
Mirvac REIT Management Limited
As Responsible Entity of Mirvac Real Estate Investment Trust
Level 26, 60 Margaret Street
SYDNEY NSW 2000

Dear Sirs

Proposed acquisition of MRZ by Mirvac Trust
Taxation Report

This report has been prepared at the request of Mirvac REIT Management Limited as Responsible Entity for MRZ for inclusion in section 8 of the Explanatory Memorandum ("EM") to be dated on or about 22 October 2009 for MRZ Unitholders in relation to the Proposal.

This report provides information of a general nature only, in relation to the Australian income tax implications relating to the acceptance of the Proposal for Australian resident individual MRZ Unitholders who hold their units on capital account and not as trading stock or otherwise on revenue account. The information contained in this report is based on the taxation law as at the date of this report and is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every registered MRZ Unitholder.

The information contained in this report is based on the Income Tax Assessment Act 1936 ("ITAA 1936") and the Income Tax Assessment Act 1997 ("ITAA 1997"), established interpretations of legislation, applicable case law and published Australian Taxation Office ("ATO") statements of administrative practice as at the date of this report.

Australian Income Tax Legislation may be amended at any time and therefore the taxation consequences discussed in this report may alter if there is a change in the taxation law after the date of this report. We have not been retained nor are we obliged to monitor or update the information in this report for any future legislative changes which may affect the correctness of the information after the date of this report.

MRZ is in the process of applying for a Class Ruling from the ATO in relation to the availability of Capital Gains Tax ("CGT") scrip for scrip roll-over relief for MRZ Unitholders. Importantly, this report has been prepared on the assumption that the ATO will grant the scrip for scrip roll-over relief and will issue a Class Ruling confirming this.

The taxation consequences for a particular MRZ Unitholder may vary depending on the particular circumstances of each unitholder. Accordingly, the information contained in this report, being of a general nature only, does not constitute taxation advice and cannot be relied upon as such. We disclaim all liability to any MRZ Unitholder for all costs, loss, damage and liability that the MRZ Unitholder may suffer or incur arising from or relating to or in any way connected with the contents of our report or the provision of our report to the MRZ Unitholder or the reliance on our report by the MRZ Unitholder. MRZ Unitholders should obtain their own professional taxation advice on the taxation consequences of disposing of their MRZ Units under the terms of the Proposal.

This report is confined to income taxation issues which are only one part of the many matters that investors need to consider when making a decision about their investments. Under the Corporations Act, this advice is not required to be provided to investors by a holder of an Australian Financial Services License ("AFSL"). Before making a decision about their investments, investors should consider taking advice from a holder of an AFSL.

MRZ Unitholders should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances.

Capitalised terms that are not otherwise defined in this report are defined in accordance with the EM.

Background

Details of the Proposal are set out in the EM, and therefore are not repeated in detail here. The terms of the Proposal will mean that MRZ Unitholders who accept the Proposal will receive the Scheme Consideration of either:

- $0.50 cash per MRZ Unit (up to 20,000 MRZ Units), plus 1 Mirvac Security (which comprises of 1 Mirvac Share and 1 Mirvac Unit which are stapled together and traded as 1 security) for every 3 MRZ Units held at the Record Date in excess of 20,000 MRZ Units ("Cash and Scrip Option"); or

- 1 Mirvac Security for every 3 MRZ Units held by the MRZ Unitholder at the Record Date ("Scrip Option"); or

- If the MRZ Unitholder is a Foreign Unitholder or an Australian resident unitholder electing to participate in the Sale Facility, a cash amount upon the sale of those Mirvac Securities which are validly accepted into the Sale Facility.

Disposal of MRZ Units: Australian Individual Residents

Acceptance of the Proposal should result in a disposal of MRZ Units by MRZ Unitholders and should trigger a CGT event for MRZ Unitholders on the Implementation Date, unless the ATO states otherwise. A CGT calculation will be required in respect of each MRZ Unit. MRZ Unitholders should:

- make a capital gain if the capital proceeds on disposal of their MRZ Units are greater than the cost base of their MRZ Units; or alternatively

- make a capital loss if the reduced cost base of their MRZ Units is greater than the capital proceeds from the disposal of their MRZ Units.

The cost base (or reduced cost base) of each MRZ Unit to the MRZ Unitholders should generally be the acquisition cost (including incidental costs) of that unit. There are special rules in the Australian tax legislation which determine how to calculate the cost base (or reduced cost base) of assets in particular circumstances. For example, MRZ Unitholders will need to take into account any returns of capital and tax deferred distributions received in respect of those MRZ Units. MRZ Unitholders should seek their own advice on the relevant cost base (or reduced cost base) of their unitholdings.

The capital proceeds attributable to each MRZ Unit should be $0.50 (to the extent that the cash portion of the Cash and Scrip Option is applicable to the MRZ Units) or the apportioned market value of the Mirvac Security received in respect of each MRZ Unit.

8. Taxation report
(continued)

We also note that MRZ Unitholders may be eligible for CGT scrip for scrip roll-over relief. This is discussed further below.

Capital gains and losses

Capital gains and capital losses of a taxpayer in an income year are aggregated to determine whether there is a net capital gain. Any net capital gain is included in a taxpayer's assessable income and is subject to income tax at the taxpayer's applicable tax rate. A CGT discount may be available to reduce a capital gain for certain MRZ Unitholders.

MRZ Unitholders who are individuals, complying superannuation funds or trusts and who have held their MRZ Units for at least 12 months before their disposal should be entitled to the CGT discount to the extent there is a net capital gain for the income year.

Broadly, the CGT discount rules provide that MRZ Unitholders may reduce their capital gain (after the application of any current year or prior year capital losses) by 50% for individuals and trusts and 33 1/3% for complying superannuation funds. The CGT discount is not available to MRZ Unitholders who are companies.

Capital losses may not be offset against other income for tax purposes, but may be carried forward to offset future capital gains made by a taxpayer. Specific loss utilisation rules apply to trusts and companies. MRZ Unitholders should seek their own tax advice in relation to the operation of these rules.

CGT scrip for scrip roll-over

For Australian tax resident MRZ Unitholders who hold their MRZ Units on capital account, partial CGT rollover relief under subdivision 124-M of the ITAA 1997 ("scrip for scrip roll-over") may be available to defer any resulting capital gains (but not capital losses) arising from the disposal of their MRZ Units where Mirvac Units are received for the disposal. If the Proposal is adopted, Mirvac Securities (Mirvac Units stapled to Mirvac Shares) will be issued to former MRZ Unitholders. In this regard, scrip for scrip roll-over will only be available for the Mirvac Units and not in respect of the Mirvac Shares issued to former MRZ Unitholders.

To the extent that scrip for scrip roll-over is available, the capital gain arising from the disposal of the MRZ Units would be disregarded and ultimately, the capital gain will be deferred until a future CGT event happens to the Mirvac Units. In effect the attributable cost base of the MRZ Units is transferred to the Mirvac Units.

We note that the availability of the scrip for scrip roll-over will be the subject of an ATO Class Ruling request on behalf of MRZ Unitholders which is still in the process of finalisation. Based on our understanding of the requirements of subdivision 124-M and of the constitutions of Mirvac Trust and MRZ, we would expect the ATO to confirm the availability of such a roll-over. We note that should the ATO adopt a different view in relation to the availability of scrip for scrip roll-over, then the ATO may disallow some or all of the roll-over for MRZ Unitholders.

Mirvac Securities

Each Mirvac Unit and Mirvac Share which make up the Mirvac Security is a separate CGT asset. The Mirvac Units and Mirvac Shares should be taken to have been acquired when they were issued or allotted (i.e. the Implementation Date). However, should scrip for scrip roll-over relief be chosen by MRZ Unitholders, and to the extent that roll-over relief is available, the Mirvac Units will be taken to have been acquired at the time the MRZ Units were acquired.

Cost base of the Mirvac Securities

Generally, the first element of the cost base (reduced cost base) of the Mirvac Units and Mirvac Shares will be apportioned on a reasonable basis, based on the market value of the Mirvac Securities at the Implementation Date. We have been advised that Mirvac will make information available on its website to assist MRZ Unitholders with the apportionment ratio between the Mirvac Units and the Mirvac Shares as at the Implementation Date.

However, should scrip for scrip roll-over relief be chosen by MRZ Unitholders and to the extent that roll-over relief is available, the cost base (or reduced cost base) of the Mirvac Units will be based on the apportioned historic cost base (or reduced cost base) of the MRZ Units. Further, the first element of the cost base of the Mirvac Shares will be the market value of the Mirvac Shares as at the Implementation Date.

Sale Facility

Under the terms of the Proposal, Foreign Unitholders and Australian resident unitholders electing to participate in the Sale Facility will dispose of their Mirvac Securities for CGT purposes. These Sale Facility Participants will receive a cash amount upon the sale of those Mirvac Securities which are validly accepted into the Sale Facility.

Where an MRZ Unitholder (other than a Foreign Unitholder) elects to participate in the Sale Facility, the Mirvac Securities will be issued to the Sale Facility Participant under the Scheme and then transferred to the Sale SPV for sale. Mirvac Securities to which a Foreign Unitholder would otherwise be entitled under the Scheme will be issued to the Sale SPV as the agent for that Foreign Unitholder. The Sale Brokers will sell all Mirvac Securities issued or transferred to the Sale SPV under the Sale Facility. Sale Facility Participants will be entitled to receive a cash amount for each Mirvac Security participating in the Sale Facility, which is equivalent to the amount calculated by dividing the gross proceeds of sale of all Mirvac Securities under the Sale Facility by the total number of Mirvac Securities that are sold under the Sale Facility. All Sale Facility Participants will receive the same cash amount for each Mirvac Security. The cash amount per Mirvac Security will be multiplied by the number of Mirvac Securities for each Sale Facility Participant to determine the proceeds payable to each Sale Facility Participant.

The cash proceeds under the Sale Facility paid to Sale Facility Participants will be the consideration for disposal of the Mirvac Securities. These proceeds will be compared to the Sale Facility Participants' cost base (or reduced cost base) in the Mirvac Securities, in order to determine whether the Sale Facility Participant would make a capital gain or loss from the sale of the Mirvac Securities.

Special Distribution

If the Proposal is approved, each MRZ Unitholder will also receive a Special Distribution of 1.0 cents per MRZ Unit held at the Record Date. The assessable component of the Special Distribution will be included in the MRZ Unitholder's income for the year ended 30 June 2010. The proportion of such distribution to be included in the unitholders' assessable income or to be treated as tax deferred will be determined at year end and disclosed in the MRZ Unitholder's distribution statement provided by Mirvac. It is understood the Special Distribution cash payment will be made at the same time as the Scheme Consideration is provided to MRZ Unitholders.

On-going distributions paid on the Mirvac Securities

If the Proposal is approved and the Mirvac Securities are issued to the former MRZ Unitholders (where applicable), these Mirvac Securityholders ("Securityholders") may in future receive trust distributions from the Mirvac Trust and/or dividends in respect of the Mirvac Shares. This represents a change for MRZ Unitholders as they have historically only received trust distributions from MRZ.

Trust distributions

The net income of the Mirvac Trust will be calculated in accordance with the relevant provisions of the Australian Income Tax Legislation. Under Divisions 6B and 6C of the ITAA 1936, if applicable, the trustee is taxed on such net income and distributions to unitholders may qualify as frankable dividends (subject to availability of franking credits). However under Division 6 of the ITAA 1936, the trustee is not personally taxed on the net income of the trust provided unitholders are presently entitled to the income of the trust. We have not been engaged to advise on the taxable status of the Mirvac Trust and have relied upon representations made available to us in this regard. The EM has been prepared on the basis that Division 6 applies to the net income of the Mirvac Trust. Accordingly, we have proceeded on the basis that Securityholders will include their share of the net income of the Mirvac Trust in their assessable income in the year in which they become presently entitled to their share of the income of the Mirvac Trust.

To the extent that a Securityholder's share of the net income is attributable to a capital gain made by the Mirvac Trust, the Securityholder will be treated as having made a capital gain equal to that amount. Where the capital gain is a discount capital gain, the Securityholder is treated as making a discount capital gain equal to twice the amount that is attributable to the discount capital gain. The Securityholder may be entitled to apply their relevant discount percentage to the discount capital gain to the extent that it is included in a net capital gain made for the income year. Please see comments above in relation to the applicable CGT discount.

Where the cash distribution that a Securityholder receives exceeds their share of the net income of the Mirvac Trust, the excess, commonly referred to as a tax deferred distribution, will be non-assessable to the Securityholder. However, this tax deferred distribution will result in a reduction in the Securityholders cost base on those Mirvac Units. The Securityholder will make a capital gain equal to the amount by which the tax deferred distributions received for an income year exceed the Securityholder's remaining cost base in those units.

Receipt of dividends

If dividends are paid in respect of the Mirvac Shares, Australian resident shareholders will be required to include the amount of any dividends distributed in their assessable income when paid.

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The precise tax consequences arising from the receipt of the dividend will vary depending on the nature of the Securityholder. Subject to our comments below, Australian resident individual Securityholders (and other Securityholders) may be required to gross up dividends included in assessable income for any attached franking credits and may be entitled to a tax offset equal to the franking credit. Excess franking credits (that is, where franking offsets exceed income tax payable) may give rise to tax refunds for certain Securityholders.

Under Australian Income Tax Legislation, an Australian resident individual Securityholder must be a "qualified person" in order to be entitled to a tax offset in respect of franked dividends received. The requirements of the qualified person test are complex and require, in broad terms, for the Securityholder to hold the shares or an interest in the shares at risk for a continuous period of 45 days during the relevant qualification period before being required to gross up the dividend to include the attached franking credit in assessable income or becoming entitled to a tax offset. Securityholders should obtain their own advice based on their specific circumstances to confirm they are entitled to the benefit of any tax offset in respect of any franked dividends received in respect of the Mirvac Shares.

Tax File Numbers and Australian Business Numbers

Securityholders are not required by law to provide a Tax File Number ("TFN"), however, if a TFN is not quoted, or no appropriate TFN exemption information is provided, Mirvac RE is required to deduct from any income distribution entitlement, tax at the highest marginal tax rate plus Medicare levy (currently 46.5%).

An entity that makes their investment in the Mirvac Securities in the course of an enterprise carried on by it may quote their Australian Business Number rather than a TFN.

Goods and Services Tax ("GST")

The disposal of MRZ Units by existing MRZ Unitholders as contemplated under the Proposal should not attract GST. Likewise, any sale of Mirvac Securities under the Sale Facility should not attract GST.

Yours faithfully

Ernst & Young

Ernst & Young

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9. Sale Facility

Overview

Mirvac has established the Sale Facility whereby MRZ Unitholders (other than Foreign Unitholders) may elect to sell all or some of their Mirvac Securities received under the Proposal.

Foreign Unitholders will be deemed to participate in the Sale Facility in respect of any Mirvac Securities they would otherwise have been entitled to receive pursuant to the Scheme.

In the event the Proposal is approved and takes effect, MRZ Unitholders at the Record Date will be entitled to receive either:

- $0.50 cash per MRZ Unit (up to 20,000 MRZ Units), plus 1 Mirvac Security for every 3 MRZ Units held in excess of 20,000 MRZ Units; or
- 1 Mirvac Security for every 3 MRZ Units.

If an MRZ Unitholder does not elect the Scrip Option, they will automatically participate in the Cash and Scrip Option. If, however, the MRZ Unitholder:

- is a Foreign Unitholder; or
- elects to participate in the Sale Facility,

that MRZ Unitholder will receive cash in accordance with the terms explained below.

The maximum number of Mirvac Securities you may elect for participation in the Sale Facility will depend on the number of MRZ Units you hold on the Record Date.

There is no minimum number of Mirvac Securities that you may elect for participation in the Sale Facility.

You may obtain information about the number of MRZ Units that you hold by contacting the MRZ Registry on 1300 139 012 (within Australia) or +61 3 9415 4063 (outside Australia).

The market prices for Mirvac Securities and MRZ Units may change from time to time. On 9 October 2009, the closing price of Mirvac Securities was $1.66 and the closing price of MRZ Units was $0.58. You may obtain information about the price of Mirvac Securities and MRZ Units from sources where the prices of ASX listed securities are from time to time published (such as the ASX website at www.asx.com.au and most major Australian newspapers).

If you do not wish to receive Mirvac Securities and do not wish to participate in the Sale Facility you may sell your MRZ Units on the ASX at any time before the close of trading on ASX on Wednesday, 25 November 2009 at the prevailing market price.

However, you should note that if you sell your MRZ Units on the ASX you will not receive the December quarter distribution per Mirvac Security. Nor will you receive the Special Distribution of 1.0 cent per MRZ Unit payable if the Scheme becomes effective. You are also able to sell on the ASX any Mirvac Securities which you receive without electing to participate in the Sale Facility. This may be at a price higher or lower than the price you would receive if you were to sell or dispose of those Mirvac Securities through the Sale Facility.

If Mirvac RE, ML, MRML, the Sale Brokers, the MRZ Registry or the Mirvac Registry make any additional information available about the Sale Facility, that information will be made available on MRZ's website at www.mirvac.com/mrz. You may request a copy of that information by contacting the MRZ information line on 1800 606 449 and it will be provided to you free of charge.

A summary of the key terms of the Sale Facility is set out in the following table:

Cash per MRZ Unit	
Transaction costs	Nil for Sale Facility Participants.
Distribution entitlement	MRZ Unitholders retain entitlement to the Special Distribution of 1.0 cent per MRZ Unit payable if the Scheme becomes effective provided you are on the MRZ Register on the Record Date.
Date for despatch of facility payments	Not later than 20 business days after the Implementation Date.
How to participate	
MRZ Unitholders other than Foreign Unitholders	If you wish to elect to participate in the Sale Facility, complete and validly submit the Election Form in accordance with the instructions on the form and below. The Election Form was distributed with your copy of the Explanatory Memorandum.
Foreign Unitholders	Foreign Unitholders are not required to take any action in order to participate in the Sale Facility and are automatically deemed to elect to participate in the Sale Facility in respect of any Mirvac Securities to which they would otherwise be entitled.

The Mirvac Directors and MRML Directors do not make any recommendation or give any advice as to whether you should participate in the Sale Facility and, if you do, the nature of your participation. Your decision whether or not to participate in the Sale Facility and the nature of any participation should only be made after consultation with your investment, financial, taxation or other professional adviser, based on your own investment objectives, financial situation, taxation position and particular needs.

In particular, taxation considerations will be important. Some general comments on the Australian tax consequences of the Sale Facility are set out in the Taxation Report in Section 8. However, you should obtain taxation advice from your own taxation adviser before making any decision in relation to participation in the Sale Facility.

Sale Facility

Under the Sale Facility, MRZ Unitholders will receive a cash amount upon the sale of those Mirvac Securities which are validly accepted into the Sale Facility. Participation in the Sale Facility does not guarantee that a fixed cash amount per MRZ Unit or Mirvac Security will be received. The cash amount Sale Facility Participants will receive as a result of participating in the Sale Facility will be determined by reference to the proceeds of sale of Mirvac Securities under the Sale Facility, described below, and this amount may be more or less than the equivalent market value of the Sale Facility Participant's MRZ Units at any time prior to the close of trading of MRZ Units on ASX on Wednesday, 25 November 2009 or the equivalent market price of Mirvac Securities after the Proposal is implemented.

The Sale Facility is open until 5.00pm Wednesday, 25 November 2009.

MRZ Unitholders (other than Foreign Unitholders) can participate in the Sale Facility only by completing and validly submitting the Election Form to the MRZ Registry by 5.00pm on Wednesday, 25 November 2009. A copy of the Election Form accompanies this Explanatory Memorandum. The Election Form must be completed in accordance with the instructions on the Election Form in order to be valid. Any dispute concerning whether an election to participate in the Sale Facility is valid will be determined by MRML Directors whose determination is final and determinative of the dispute. Foreign Unitholders will automatically participate in the Sale Facility in respect of Mirvac Securities they would otherwise receive under the Proposal.

The following arrangements apply to MRZ Unitholders who elect (or are deemed to elect) to participate in the Sale Facility:

1. MRZ Unitholders (other than Foreign Unitholders) may elect to participate in the Sale Facility in respect of part or all of their entitlement to receive Mirvac Securities under the Scheme.

2. Where an MRZ Unitholder (other than a Foreign Unitholder) makes an election to participate in the Sale Facility, the Mirvac Securities in respect of which the election to participate in the Sale Facility has been made will be issued to the Sale Facility Participant under the Scheme and then transferred to the Sale SPV for sale. Mirvac Securities to which a Foreign Unitholder would otherwise be entitled under the Scheme will be issued to the Sale SPV as the nominee for that Foreign Unitholder. The Sale Brokers have been appointed to sell all Mirvac Securities issued or transferred to the Sale SPV under the Sale Facility within 15 business days after the Implementation Date. All Mirvac Securities to be sold by the Sale Brokers under the Sale Facility will be sold via an institutional bookbuild.

   The Sale Brokers will seek to achieve the best price for the Mirvac Securities that is reasonably obtainable bearing in mind a number of factors, including:

   > the number of Mirvac Securities to be sold;

   > the prevailing market conditions (including the prevailing market price of Mirvac Securities);

   > the prevailing demand for Mirvac Securities; and

   > maintaining an orderly market in Mirvac Securities.

   The prices at which Mirvac Securities are sold via the Sale Facility may be adversely affected by the requirement that the sales be conducted within 15 business days after the Implementation Date.

3. Sale Facility Participants will be entitled to receive a cash amount for each Mirvac Security participating in the Sale Facility, which is equivalent to the amount calculated by dividing the gross proceeds of sale of all Mirvac Securities under the Sale Facility by the total number of Mirvac Securities that are sold under the Sale Facility (rounding to four decimal places). All Sale Facility Participants will receive the same cash amount for each Mirvac Security. The cash amount per Mirvac Security will be multiplied by the number of Mirvac Securities for each Sale Facility Participant and rounded to the nearest cent to determine the proceeds payable to each Sale Facility Participant.

9. Sale Facility
(continued)

Sale Facility (continued)

4 Due to a number of factors in the market, including uncertainty surrounding market conditions leading up to and after the Implementation Date and uncertainty in relation to the demand for Mirvac Securities during the sale period, neither Mirvac RE, MRML, ML, Sale SPV nor the Sale Brokers can or does give any assurance as to the likely cash amount per Mirvac Security that will be achieved by Sale Facility Participants following the sale of the Mirvac Securities under the Sale Facility. In particular, it should be noted that the Sale Facility does not contemplate that a certain fixed cash amount will be paid to Sale Facility Participants. The cash amount that will be paid to Sale Facility Participants for each Mirvac Security may be more or less than the market price of Mirvac Securities as traded on the ASX before, at the time of and after the sale by the Sale Brokers including being more or less than the actual price received by the Sale Brokers.

5 Mirvac will ensure that the Mirvac Registry will despatch the relevant payments to Sale Facility Participants within 20 business days of the Implementation Date by pre-paid post or airmail (as applicable) to that Sale Facility Participant's registered address in the MRZ Register as at the Record Date, at the risk of the Sale Facility Participant.

9.1 Foreign Unitholders

Restrictions in certain foreign countries make it impractical or unlawful for Mirvac to offer, or for MRZ Unitholders to receive, Mirvac Securities in those countries.

Accordingly, Mirvac will not issue Mirvac Securities to a Foreign Unitholder, being a holder of MRZ Units who, on the Record Date, has a registered address which is outside Australia or New Zealand.

The entitlement that a Foreign Unitholder at the Record Date would otherwise have to be issued Mirvac Securities under the Scheme will be satisfied by Mirvac issuing such Mirvac Securities to the Sale SPV as the nominee for that Foreign Unitholder, following which they will be sold under the Sale Facility, in the manner described above.

10. Steps to implement the Proposal

The steps to implement the Proposal are set out below:

(a) On 12 October 2009, MRML and Mirvac entered into the Merger Implementation Deed in relation to the Scheme and under which MRML agreed to propose the Scheme.

(b) On Wednesday, 25 November 2009, MRML will hold the Meeting for the purposes of approving the Resolutions.

(c) If the Resolutions are passed by the requisite majorities, MRML will lodge a copy of the Supplemental Deed Poll which amends MRZ's constitution with ASIC.

(d) No dealings in MRZ Units will be permitted after MRZ Units cease trading on the ASX on Wednesday, 25 November 2009, although the process to register dealings that took place on or before that date will continue until the Record Date. However, MRZ Unitholders will be entitled to trade their entitlement to Mirvac Securities on ASX initially on a deferred settlement basis from Thursday, 26 November 2009.

(e) Scheme Participants may use the Election Form to elect to participate in the Scrip Option. If a Scheme Participant does not return their Election Form, that Scheme Participant will automatically participate in the Cash and Scrip Option. Scheme Participants (other than Foreign Unitholders) may also elect on the Election Form whether to participate in the Sale Facility. Foreign Unitholders will automatically participate in the Sale Facility.

(f) If the Scheme becomes effective, then:

    (i) on the Implementation Date, all of the Scheme Units will be transferred to Mirvac Trust, without the need for any further act by a Scheme Participant, by:

        (a) MRML procuring the delivery to Mirvac Trust of a duly completed and executed transfer form to transfer all of the Scheme Units to Mirvac Trust; and

        (b) MRML entering the name of Mirvac Trust in the Register as the holder of all of the Scheme Units.

    (ii) Scheme Participants will receive the Scheme Consideration being either:

        (a) $0.50 cash per MRZ Unit up to 20,000 MRZ Units, plus 1 Mirvac Security for every 3 MRZ Units held in excess of 20,000 MRZ Units; or

        (b) 1 Mirvac Security for every 3 MRZ Units

    held on the Record Date.

    Where a Scheme Participant is required to, or has elected to, participate in the Sale Facility, the effect of the Scheme will be that Mirvac Securities to which the relevant Scheme Participant would otherwise have been entitled will be sold through the Sale Facility and that Scheme Participant will receive cash within 20 business days of the Implementation Date. More details in relation to the Sale Facility are set out in Section 9.

    MRZ Unitholders will also receive a Special Distribution of 1.0 cent per MRZ Unit held on the Record Date.

    (i) The Scheme will not become effective if the Merger Implementation Deed is terminated or other conditions referred to in Section 11.14 are not satisfied or waived.

    (ii) Each Scheme Participant, without the need for any further act, irrevocably appoints MRML as its attorney and agent (with power to appoint sub-attorneys) to do all acts, matters and things which MRML considers necessary or desirable to give effect to the Scheme including completing and signing a transfer of its MRZ Units and an application for Mirvac Securities.

(g) If the Scheme becomes effective, Mirvac will cause MRZ to apply for termination of official quotation of MRZ Units on ASX, and removal of MRZ from the official list of ASX, after the Scheme has been fully implemented, including after Mirvac Trust has become the registered holder of all Scheme Units.

11. Additional information

11.1 Resolutions and majorities required

The following Resolutions are required to be passed by the requisite majorities of MRZ Unitholders for the Proposal to proceed:

- a Resolution under section 611 item 7 of the Corporations Act to approve the Proposal which will need to be approved by an ordinary resolution (50 per cent of the votes cast by MRZ Unitholders entitled to vote on the Resolution); and
- a Resolution to approve amendments to the MRZ Constitution to allow MRML to implement the Proposal which will need to be approved by a special resolution (75 per cent of the votes cast by MRZ Unitholders entitled to vote on the Resolution).

The Proposal will not proceed unless each of the Resolutions is passed.

11.2 Voting exclusion statement

Excluded Unitholders will not be entitled to vote on the Resolutions.

11.3 Voting intentions of MRML, its related entities and Directors

MRML does not hold any MRZ Units, so will not be entitled to vote on the Resolutions. As mentioned above, Excluded Unitholders will not vote on the Resolutions.

The Directors of MRML and each of its related entities do not hold any MRZ Units.

11.4 MRML Directors

The MRML Directors in office at the date of lodgement of this Explanatory Memorandum with ASIC are:

Name	Position
Paul Barker	Chairman, Independent
Matthew Hardy	Non-Executive Director, Independent
Ross Strang	Non-Executive Director, Independent
Nicholas Collishaw	Executive Director
Grant Hodgetts	Executive Director

11.5 MRML Directors' recommendation

As MRML, the responsible entity of MRZ, is a wholly-owned subsidiary of Mirvac, a number of MRML Directors are also Directors or employees of Mirvac and therefore are not independent in relation to this Proposal. These MRML Directors do not make any recommendation in relation to the Proposal.

The Independent Directors have considered the advantages and disadvantages of the Proposal and recommend MRZ Unitholders vote in favour of the Proposal in the absence of a superior proposal.

Further details of the advantages and disadvantages of the Proposal are set out in the Sections titled "Why you should vote FOR the Proposal" and "Why you may consider voting AGAINST the Proposal" on pages 11 and 15 respectively. Section 5 sets out further details of the Risk Factors associated with investing in Mirvac.

11.6 MRML Directors' intentions in relation to MRZ

If the Proposal is implemented, it is for Mirvac to determine its intentions as to the continuation of the business of MRZ and any major changes to be made to the business of MRZ and the redeployment of fixed assets of MRZ.

The current intentions of Mirvac with respect to these matters are set out in Section 3.1.

If the Proposal is not implemented, the MRML Directors will seek to address the risks to MRZ set out in this Explanatory Memorandum through implementing an alternative strategy. Alternative strategies which would be considered by the MRML Directors are set out in this Explanatory Memorandum. At this stage an alternative strategy has not yet been determined as it will depend on circumstances prevailing at that time. In relation to the Woden Development put and call agreement, refer to Section 11.15.

11.7 Payments or other benefits to MRML Directors and others

It is not proposed that any payment or other benefit be made or given to any Director, secretary or executive officer of MRML or of any related body corporate of MRML as compensation for loss of, or as consideration for or in connection with his or her retirement from, office as Director, secretary or executive officer of MRML or of a related body corporate, as the case may be, as a result of the Proposal.

11.8 Other agreements or arrangements with MRML Directors

There is no agreement or arrangement made between any MRML Director and another person in connection with, or conditional on the outcome of, the Proposal.

11.9 Interests of MRML Directors in contracts entered into by Mirvac

None of the MRML Directors has an interest in any contract entered into by Mirvac which is conditional on, or related to, the implementation of the Scheme.

11.10 MRML Directors interests in MRZ Units and Mirvac Securities

The table below sets out the interest of each MRML Director in MRZ Units and Mirvac Securities as at the date of this Explanatory Memorandum.

Director	Mirvac Securities	Mirvac Performance Rights	Mirvac Options	MRZ Units
Paul Barker	–	–	–	–
Matthew Hardy	–	–	–	–
Ross Strang	–	–	–	–
Nicholas Collishaw	2,027,436	985,960	2,336,340	–
Grant Hodgetts	95,264	228,710	371,800	–

11.11 Scheme Consideration

If the Proposal is approved by the requisite majorities of MRZ Unitholders, MRZ Unitholders may choose to receive either:

- $0.50 cash per MRZ Unit (up to 20,000 MRZ Units), plus 1 Mirvac Security for every 3 MRZ Units in excess of 20,000 MRZ Units (Cash and Scrip Option); or
- 1 Mirvac Security for every 3 MRZ Units (Scrip Option),

held on the Record Date. The Record Date is expected to be Wednesday, 2 December 2009.

Foreign Unitholders will not receive Mirvac Securities and should refer to Section 9.1.

In addition, each MRZ Unitholder will also receive a Special Distribution of 1.0 cent per MRZ Unit held on the Record Date.

Each Mirvac Security comprises one Mirvac Share and one Mirvac Unit which are stapled together and trade as Mirvac Securities.

MRZ Unitholders may elect to receive the Scrip Option by making the appropriate election on their Election Form. MRZ Unitholders who do not submit an Election Form by Wednesday, 25 November 2009 will automatically receive the Cash and Scrip Option.

In addition, MRZ Unitholders may choose to sell any Mirvac Securities they receive pursuant to the Proposal through a Sale Facility. The Sale Facility does not guarantee a fixed cash amount to participating MRZ Unitholders and the price achieved under the Sale Facility may be higher or lower than that available under the Cash and Scrip Option.

Any fractional entitlement to a part of a Mirvac Security will be rounded down to the nearest whole number of Mirvac Securities.

If either MRZ or Mirvac reasonably believes that a Scheme Participant has been a party to the splitting or the dividing of an MRZ Unitholding in an attempt to obtain an advantage by reference to the cash consideration payable under the Cash and Scrip Option, MRZ and Mirvac reserve the right to pay the cash consideration of $0.50 per MRZ Unit up to a maximum of 20,000 MRZ Units held across all holdings of an MRZ Unitholder regardless of any splitting or division.

The Mirvac Securities will be issued to applicable Scheme Participants (other than Foreign Unitholders) on the Implementation Date. Cheques for any cash component of the Scheme Consideration will be mailed to applicable Scheme Participants within five business days of the Implementation Date. Mirvac Securities are expected to trade on a deferred settlement basis from the commencement of trading on Thursday, 26 November 2009.

It is the responsibility of each MRZ Unitholder who becomes a holder of Mirvac Securities to confirm their holding before trading in Mirvac Securities to avoid the risk of selling Mirvac Securities they do not own. MRZ Unitholders who sell their Mirvac Securities before they receive their holding statement do so at their own risk. MRZ, Mirvac and the Mirvac Registry disclaim all liability (to the maximum extent permitted by law) to persons who trade Mirvac Securities before receiving their holding statements.

Holding statements, or confirmation of CHESS holdings, are expected to be despatched to MRZ Unitholders receiving Mirvac Securities by Wednesday, 9 December 2009.

Trading on the ASX of Mirvac Securities on a normal settlement basis is expected to commence on Thursday, 10 December 2009.

Custodians who wish to make an election between the Cash and Scrip Option and the Scrip Option for each Beneficial Holder may do so by contacting the MRZ Registry on 1300 139 012 (within Australia) or +61 3 9415 4063 (outside Australia) for details of the terms and conditions and how to make that election. Unless a Custodian makes the election in the prescribed manner, it will be treated the same as any other MRZ Unitholder for all purposes. To be valid the election must be received before 5.00pm on Wednesday, 25 November 2009.

Mirvac will be funding the payment of all cash amounts in the Cash and Scrip Option through its cash reserves. Refer to Section 3 for details regarding Mirvac's financial position.

11. Additional information
(continued)

11.12 How to find out the number of Mirvac Securities to be issued to Scheme Participants

To find out the number of Mirvac Securities to be issued to each Scheme Participant:

- if participating in the Scrip Option, divide the number of MRZ Units held by the Scheme Participant by 3; or
- if participating in the Cash and Scrip Option, divide the number of MRZ Units held by the Scheme Participant in excess of 20,000 MRZ Units by 3,

then, round down to the nearest whole number for fractional entitlements. This information is also set out on your personalised Election Form.

11.13 Stamp duty

Any stamp duty payable on the transfer of the MRZ Units to Mirvac will be paid by Mirvac.

11.14 Merger Implementation Deed

MRML and Mirvac have entered into the Merger Implementation Deed. The following is a summary of the key provisions of the Merger Implementation Deed. A copy of the Merger Implementation Deed is available for inspection at the registered office of MRML between 9.30am and 4.30pm on business days up until the Effective Date.

(a) The Merger Implementation Deed contemplates that the Proposal will be implemented by way of a Scheme

Conditions precedent

The obligations of MRZ and Mirvac to implement the Scheme under the Merger Implementation Deed are conditional on the satisfaction or waiver of conditions including the following:

- **Independent Expert's Report:** the Independent Expert's Report concludes that the Scheme is in the best interests of MRZ Unitholders;
- **MRZ Unitholders approval:** MRZ Unitholders approve the Resolutions at the Meeting;
- **Regulatory approvals:** all relevant regulatory approvals are obtained to allow the Scheme to be implemented in accordance with applicable law;
- **ASX Quotation:** the Mirvac Securities which are to be issued pursuant to the Scheme are accepted for quotation and trading on a deferred settlement basis from the Business Day next following the Meeting Date by ASX;
- **Mirvac representations and warranties:** certain representations and warranties of Mirvac set out in the Merger Implementation Deed remain materially true and correct;
- **MRZ representations and warranties:** certain representations and warranties of MRZ set out in the Merger Implementation Deed remain materially true and correct;
- **No MRZ material adverse change:** no matters, events or circumstances occur or are announced which, taken together, have, or could reasonably be expected to have, diminished the EBITDA of MRZ by more than $5,000,000 or the NTA of MRZ by more than $25,000,000;
- **No Mirvac material adverse change:** no matters, events or circumstances occur or are announced which, taken together, have, or could reasonably be expected to have, diminished the EBITDA of Mirvac by more than $18,100,000 or the NTA of Mirvac by more than $243,600,000;
- **No MRZ prescribed occurrence:** no occurrence of an event prescribed in the Merger Implementation Deed (including a capital reorganisation, amendment of constitution, issue of securities and insolvency event) in relation to MRZ, except as required or contemplated by the Merger Implementation Deed or the Scheme or as approved in writing by Mirvac; and
- **No Mirvac prescribed occurrence:** no occurrence of an event prescribed in the Merger Implementation Deed (including a capital reorganisation, amendment of constitution, issue of securities and insolvency event) in relation to Mirvac, except as required or contemplated by the Merger Implementation Deed or the Scheme or as approved in writing by MRZ.

If a condition is not satisfied or waived, the parties will consult in good faith to determine whether the Proposal may proceed by way of alternative means or methods and may agree to (but shall not be obliged to) extend the relevant dates for satisfaction of the conditions.

(b) MRZ's obligations

Under the Merger Implementation Deed, MRZ is under a general obligation to take all steps reasonably necessary to implement the Scheme.

MRZ must also:

- prepare the Explanatory Memorandum for the Scheme (in consultation with Mirvac) in accordance with applicable law, and dispatch a copy of the Explanatory Memorandum to MRZ Unitholders;
- commission the preparation of the Independent Expert's Report and provide to the Independent Expert all information reasonably requested by the Independent Expert to enable the preparation of the report;
- apply for any regulatory approvals required to implement the Scheme;
- use reasonable endeavours to procure the transfer of the legal title to certain shopping centres agreed to between the parties; and
- if the Resolutions are approved by the requisite majorities, do all things contemplated by or necessary to give effect to the Scheme.

(c) Mirvac's obligations

Mirvac is under a general obligation to take all steps reasonably necessary to assist MRZ to implement the Scheme.

Mirvac must also:

- provide the information relating to Mirvac to be included in the Explanatory Memorandum relating to the Scheme as required by applicable law to MRZ;
- provide to the Independent Expert all information reasonably requested by the Independent Expert to enable the preparation of the Independent Expert's Report;
- apply for any regulatory approvals required to implement the Scheme;
- execute the Deed Polls;
- apply to the ASX for the Mirvac Securities which are to be issued pursuant to the Scheme to be quoted on the ASX; and
- if the Resolutions are approved by the requisite majorities, provide the Scheme Consideration to Scheme Participants in accordance with the Scheme.

(d) Conduct of business

Until the Effective Date, Mirvac and MRZ must conduct their businesses only in, and not take any action except in, the ordinary course except with the written consent of the other parties to the Merger Implementation Deed.

(e) Representations and warranties

Under the Merger Implementation Deed, each of MRZ and Mirvac provide certain standard representations and warranties to each other in relation to their status and the execution and performance of their respective obligations under the Merger Implementation Deed.

(f) Termination

The Merger Implementation Deed may be terminated prior to the commencement of the Meeting if:

- the conditions cannot be satisfied by the time required under the Merger Implementation Deed and have not previously been waived;
- a party is in material breach of its obligations under the Merger Implementation Deed, and such breach is not rectified within the relevant notice period;
- a party is in material breach of any warranty provided by it in circumstances where the fact or matter surrounding the breach was not disclosed to, or known by, the other party at the time of entry into the Merger Implementation Deed; or
- the Independent Directors change their recommendation in respect of the Scheme.

(g) Stamp duty

Under the Merger Implementation Deed, Mirvac agrees to pay all stamp duty payable in respect of the implementation of the Scheme.

11. Additional information
(continued)

11.15 Woden Development put and call agreement

A wholly owned entity of Mirvac and the legal owner of the Woden Development (which holds wholly for the benefit of MRZ) have granted to each other put and call options (by way of irrevocable offer) in relation to the property at 15-25 Furzer Street, Woden.

The conditions precedent to the put and call options becoming effective include:

a. the Proposal not being implemented prior to 15 January 2010;

b. MRZ Unitholders approval (MRZ is required to convene a meeting to consider the grant and exercise of the options if the Proposal is not approved);

c. St George Bank agreeing to remove its caveat in respect of the Woden Development;

The conditions precedent to the put and call options being exercised include:

a. the Department of Health and Ageing (DOHA) not objecting to the sale of the Woden Development; and

b. the commencement of the office lease and the childcare lease with DOHA is achieved by the dates agreed with DOHA.

The put option is exercisable in the month after the last condition precedent is satisfied. The call option is exercisable in the following month.

The exercise price is $208.8 million, subject to usual settlement adjustments and an adjustment regarding the net lettable area under the office lease to DOHA.

11.16 ASIC matters

ASIC has granted MRZ relief from certain provisions of the Corporations Act to enable the Proposal to be implemented if the Resolutions are approved by the requisite majorities. The effect of the relief is that all MRZ Unitholders, except the Excluded Unitholders, are entitled to vote on the Resolution relating to the approval of the Proposal under section 611 item 7 of the Corporations Act and that an offer of Mirvac Securities is not required to be made to Foreign Unitholders. The terms of the relief from ASIC also allow MRZ to "look through" the MRZ Unitholdings held by Custodians so that each of the underlying Beneficial Holders may elect how they would prefer to receive their Scheme Consideration.

A copy of the relevant ASIC instruments of relief which have been granted to MRZ will be provided to any MRZ Unitholder free of charge upon request.

ASIC has granted Mirvac Group relief from certain unsolicited offer provisions of the Corporations Act to enable the Mirvac Information to be sent to MRZ Unitholders and to enable the Sale Facility to operate in the manner described in Section 9.

Mirvac Group has received indicative relief from ASIC to enable JFT to receive Mirvac Securities pursuant to the Scheme.

A copy of the relevant ASIC instruments of relief which have been granted to Mirvac Group will be provided to any MRZ Unitholder free of charge upon request.

11.17 ASX matters

ASX has granted Mirvac Group waivers from ASX Listing Rules 7.1 and 10.11 to enable Mirvac Securities to be issued under the Scheme without Mirvac Securityholder approval.

A copy of the relevant ASX waiver instrument will be provided to any MRZ Unitholder free of charge upon request.

11.18 Interests of advisers

Other than as set out in this Section or elsewhere in this Explanatory Memorandum, no person named in the Explanatory Memorandum as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Explanatory Memorandum has, or in the last two years before the date of this Explanatory Memorandum has had, any interests:

› in the formation or promotion of MRZ or Mirvac;

› in property acquired or proposed to be acquired by MRZ or Mirvac in connection with their formation or promotion or the issue of MRZ Units or Mirvac Securities; or

› in the issue of MRZ Units or Mirvac Securities.

Other than as set out in this Section or elsewhere in this Explanatory Memorandum, no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to such persons in connection with preparation or distribution of the Explanatory Memorandum or in connection with the formation or promotion of MRZ or Mirvac of the issue of MRZ Units or Mirvac Securities.

11.19 Costs of the Proposal

The costs of the Proposal include stamp duty, advisory costs, legal fees, independent expert fees and other costs. If the Proposal proceeds, these costs for both Mirvac and MRZ will total approximately $17.5 million.

11.20 Experts and fees

PricewaterhouseCoopers Securities Ltd is entitled to a fee of approximately $200,000 in connection with the preparation of its Investigating Accountant's Report in Section 6.

Deloitte Corporate Finance Pty Limited is entitled to a fee of between $325,000 to $350,000 in connection with the preparation of its Independent Expert's Report in Section 7.

Ernst & Young is entitled to a fee of approximately $40,000 in connection with the preparation of its Taxation report in Section 8.

11.21 Consents and disclaimers

The following persons have given and have not, before the date of issue of this Explanatory Memorandum, withdrawn their consent to be named in this Explanatory Memorandum in the form and context in which they are named:

> PricewaterhouseCoopers Securities Ltd — as Investigating Accountant;

> PricewaterhouseCoopers — as auditor of Mirvac;

> Deloitte Corporate Finance Pty Limited — as Independent Expert;

> Ernst & Young — as taxation adviser to MRZ;

> Computershare Investor Services Pty Limited — as the MRZ Registry; and

> Link Market Services Limited — as the Mirvac Registry.

The following persons have given and have not, before the date of issue of this Explanatory Memorandum, withdrawn their consent to the inclusion of their respective statements and reports noted next to their names and the references to those statements and reports in the form and context in which they are included in this Explanatory Memorandum:

> PricewaterhouseCoopers Securities Ltd — the Investigating Accountant's report in Section 6;

> Deloitte Corporate Finance Pty Limited — the Independent Expert's report in Section 7; and

> Ernst & Young — the taxation report in Section 8;

Each person referred to in this Section 11.21:

> does not make, or purport to make, any statement in this Explanatory Memorandum other than those statements (if any) referred to above next to that person's name as consented to by that person; and

> to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Memorandum other than as described in this Section with that person's consent.

The issue of this Explanatory Memorandum has been authorised by each Mirvac Director and MRML. Each Mirvac Director and MRML has consented to the lodgement of this Explanatory Memorandum with ASIC and to the issue of this Explanatory Memorandum and has not withdrawn that consent.

11.22 Benefits agreed to be given to MRZ Unitholders during previous four months

Except as referred to in this Explanatory Memorandum, during the period beginning four months before the date of lodgement of this Explanatory Memorandum with ASIC for registration and ending the day before that date, neither Mirvac nor any associate of Mirvac gave, or offered to give or agreed to give a benefit to another person that is not available under the Proposal and was likely to induce the other person, or an associate of the other person, to:

> vote in favour of the Resolutions; or

> dispose of MRZ Units.

11.23 Mirvac Directors' interests and benefits

(a) Other than as referred to in this Explanatory Memorandum, no Mirvac Director, and no firm in which a Mirvac Director is a partner, holds, or held at any time during the last two years before the time of lodgement of this Explanatory Memorandum with ASIC for registration, any interest (other than an interest in common with other holders of Mirvac Securities) in:

> the formation or promotion of Mirvac;

> any property acquired or proposed to be acquired by Mirvac in connection with its formation or promotion or in connection with the Proposal; or

> the Scheme,

11. Additional information
(continued)

11.23 Mirvac Directors' interests and benefits (continued)

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given by Mirvac to any Mirvac Director or proposed director of Mirvac:

› to induce them to become, or to qualify them as, a Director of Mirvac; or

› for services rendered by them in connection with the formation or promotion of Mirvac or in connection with the Scheme.

(b) The table below shows the interest of each Mirvac Director (whether held directly of indirectly) in Mirvac Securities and MRZ Units as at the time of lodgement of this Explanatory Memorandum with ASIC for registration:

Mirvac Directors may hold the relevant interest in securities shown below directly, or through holdings by companies, trusts or other persons with whom they are associated.

Director	Mirvac Securities	Mirvac Performance Rights	Mirvac Options	MRZ Units
James MacKenzie	119,200	–	–	–
Nicholas Collishaw	2,027,436	985,960	2,336,340	–
Paul Biancardi	103,279	–	–	–
Adrian Fini	8,692,176	77,612	275,631	–
Peter Hawkins	442,547	–	–	–
Penny Morris	208,994	–	–	–

11.24 Voting power and number of MRZ Units

As at the date of this Explanatory Memorandum, Mirvac has a voting power of approximately 24.6 per cent in MRZ as a result of the MRZ Units held by JFT. If the Scheme is implemented, Mirvac Trust will acquire all of the MRZ Units. This will result in Mirvac increasing its voting power in MRZ to 100 per cent.

The total number of MRZ Units on issue as at the date of this Explanatory Memorandum is 627,268,539.

11.25 Other information material to decision in relation to the Proposal

There is no information material to the making of a decision in relation to the Proposal, being information that is within the knowledge of any MRML Director or director of any related bodies corporate, at the time of lodging this Explanatory Memorandum with ASIC for registration which has not previously been disclosed to the MRZ Unitholders other than information set out in this Explanatory Memorandum.

There is no information material to the making of a decision in relation to the Proposal, being information that is within the knowledge of any Mirvac Director or director of any related bodies corporate, at the time of lodging this Explanatory Memorandum with ASIC for registration which has not previously been disclosed to the MRZ Unitholders other than information set out in this Explanatory Memorandum.

11.26 Undertakings by Mirvac

(a) Scheme Consideration – quotation on ASX

Mirvac will lodge with ASX an application for quotation of the Mirvac Securities which are to be issued as consideration under the Scheme, within seven business days of the date of the Explanatory Memorandum. As noted in Section 11.14, the Merger Implementation Deed contains a condition precedent that the Mirvac Securities which are to be issued pursuant to the Scheme are accepted for quotation on ASX on a deferred settlement basis from Thursday, 26 November 2009.

(b) Scheme implementation

Mirvac will do all things that it is required to do under the Merger Implementation Deed to implement the Scheme.

(c) Supplementary information

Mirvac will provide supplementary information to ASX (with a copy to ASIC) if it becomes aware of any of the following matters between the date of the Explanatory Memorandum and the Effective Date:

› a material statement in the Mirvac Information that is false or misleading;

› a material omission from the Mirvac Information;

› a material change affecting a matter that is referred to in the Mirvac Information; and

› a significant new matter concerning Mirvac which, had it arisen prior to the date of the Explanatory Memorandum, would have been required to be included in it at the date of the Explanatory Memorandum.

(d) Acquisition of MRZ Units

Mirvac will not, and will procure that its related bodies corporate, the Mirvac Directors and any director of any its related bodies corporate will not, acquire MRZ Units other than via the Scheme until the earlier of:

- the Scheme being implemented;
- one or both of the Resolutions not being approved by Scheme Participants at the Meeting; or
- the termination of the Merger Implementation Deed.

(e) Compliance with various takeover provisions of the Corporations Act

Mirvac undertakes that, subject to any differential treatment of Scheme Participants which is inherent in the Scheme, the Scheme will, as far as practicable, comply with the following sections of the Corporations Act, as they would apply if Mirvac were making a takeover bid for MRZ on similar terms:

- subsection 618(1) and section 619;
- subsections 621(3), (4) and (5) as modified by ASIC class order 00/2338; and
- sections 622, 623, 627, 628 and 651A.

For this purpose:

- the date on which the Explanatory Memorandum is sent to MRZ Unitholders will be the date of the bid for the purposes of applying subsections 621(3), (4) and (5) of the Corporations Act and the first date of the bid period (which will end immediately after the Meeting) for the purposes of applying section 623 of the Corporations Act; and
- the Sale SPV does not have to be approved by ASIC for the Scheme to comply with section 619.

Mirvac has entered into Deed Polls in respect of these undertakings.

12. Fees and other costs

Consumer advisory warning

The warning below is required by law.

Did you know?

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

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

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

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

To find out more

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

12.1 Summary of fees and other costs

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from Mirvac Trust's assets as a whole.

General information regarding taxes is set out in Section 8 of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

All fees and costs are **inclusive of GST** and net of any applicable input tax credits.

Type of fee or cost	Amount[1]	How and when paid
Fees when your money moves in or out of Mirvac Trust		
Establishment Fee The fee to open your investment	Nil	Not applicable.
Contribution Fee The fee on each amount contributed to your investment.	Nil	Not applicable.
Withdrawal Fee The fee on each amount you take out of your investment.	Nil	Not applicable.
Termination Fee The fee to close your investment.	Nil	Not applicable.
Management Costs		
The fees and costs for managing your investment.	Estimated to be: 0.3 per cent of Mirvac Trust's net assets per annum.	Paid from Mirvac Trust's assets when the amount is incurred.
	The costs of the Proposal to Mirvac are estimated at $17.5 million.	
Service fees		
Investment Switching Fee The fee for changing funds.	Nil	Not applicable.

1 All fees set out in this section are inclusive of the net effect of Goods and Services Tax (GST) (i.e. includes GST net of input tax credits). Mirvac Trust may not be entitled to claim a reduced input tax credit in all instances.

12.2 Additional explanation of fees and costs

Management Costs

Management Costs include Management Fees and Expenses. Management Costs are deducted from Mirvac Trust. The Management Costs for Mirvac Trust is an estimate and is expressed as a percentage of Mirvac Trust's net asset value.

Expenses

All expenses incurred by Mirvac RE in relation to the proper performance of its duties in respect of Mirvac Trust are payable out of Mirvac Trust. These expenses include, but are not limited to, amongst other things, the costs of offer documents for Stapled Security issues, expenses associated with the acquisition, disposal and custody of assets, costs of convening and holding meetings of Mirvac Trust members, fees payable to Mirvac Trust's advisers (e.g. legal, accounting and audit), taxes imposed on Mirvac Trust or Mirvac RE (in its capacity as responsible entity of Mirvac Trust), governmental charges and duties and costs of communications with Mirvac Trust members. Mirvac Trust may also incur unanticipated expenses arising from its business, such as litigation and indemnification expenses. The total of these ongoing expenses is estimated at 0.3 per cent per annum of the net asset value of Mirvac Trust for the year to 30 June 2009, assuming the Scheme is implemented.

Costs of the Proposal

Assuming the Proposal proceeds, the expenses of the Proposal to be incurred by Mirvac Trust are estimated at $17.5 million. Further information is available at Section 11.19.

Fee maximums and changes to fees

Mirvac RE is entitled under the Constitution of Mirvac Trust to charge:

- an application fee of 6 per cent (exclusive of the net effect of GST) of the application money paid by an applicant for Mirvac Trust Units, where the unit is issued to a person who is not a member of Mirvac Trust as part of a rights issue, pursuant to a placement or pursuant to a prospectus that indicates that Mirvac RE is entitled to receive an application fee; and
- a Management Fee of the lesser of 0.75 per cent (exclusive of the net effect of GST) per annum of the value of the assets of Mirvac Trust and 1.0 per cent (exclusive of the net effect of GST) per annum of the net asset value of Mirvac Trust.

Mirvac RE has elected to waive these fees.

Mirvac RE may however elect to change the fees it charges Mirvac Trust (e.g. due to changes in economic conditions and size of Mirvac Trust) after this date and Mirvac Unitholders will be provided at least 30 days written notice of any change in these or other fees.

12.3 Example of annual fees and costs

This table gives an example of how the management fees and costs for Mirvac Trust can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Example		Balance of $50,000 with a contribution of $5,000 during the year
Contribution Fees	0%	For every additional $5,000 you put in, you will be charged $0.
Plus Management Costs	0.3%	And, for every $50,000 you have in the fund you will be charged $150.
Equals Cost of fund		If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during the year, you would be charged fees of: $150[1]

1 This example is based on the above fees and costs table and assumes that the net asset value of Mirvac Trust equals the market value of Mirvac Securities. It illustrates as an example how the management costs set out in the fees and costs table applies to a specified balance. Additional information regarding the calculation of fees and costs is set out in Section 12.2.

12.4 Adviser commission

No commission will be paid to any adviser in respect of the issue of Mirvac Securities pursuant to the Scheme.

13. Definitions and interpretations

A-REIT	Australian Real Estate Investment Trust.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691.
ASX Listing Rules	official listing rules of the ASX.
Beneficial Holder	means a person on whose behalf a Custodian holds MRZ Units.
Cash and Scrip Option	as defined in the definition of Scheme Consideration.
Corporations Act	*Corporations Act 2001 (Cth)*.
CS Facility	a clearing and settlement facility.
Custodian	means a person who holds Units as custodian or bare trustee for a Beneficial Holder.
Deed Polls	the deed polls entered into by Mirvac in favour of Scheme Participants in respect of the undertakings in Section 11.26.
Distributable Income	Distributable income as determined in accordance with the Mirvac Trust Constitution.
EBITDA	earnings before interest, taxes, depreciation and amortisation.
Election Form	the form accompanying this Explanatory Memorandum in relation to the Scrip Option and the Sale Facility.
Excluded Unitholder	MRML and its associates, to the extent they have an interest in the Resolution other than a member.
Explanatory Memorandum	this Explanatory Memorandum, including the proxy form for the Meeting and the Election Form.
Foreign Unitholder	any MRZ Unitholder who on the Record Date has a registered address which is outside Australia and New Zealand.
Green Star	Environmental rating system administered by the Green Building Council of Australia that evaluates the environmental design and construction of buildings.
Group Company Secretary	Mirvac company secretary.
Implementation Date	the date on which the Proposal is to be implemented (expected to be Monday, 7 December 2009).
Independent Directors	the MRML Directors who are independent of Mirvac, other than Mr Strang, who is currently on leave of absence.
Independent Expert	Deloitte Corporate Finance Pty Limited ABN 19 003 833 127.
Independent Expert's Report	the report prepared by the Independent Expert, a copy of which is set out in Section 7 of this Explanatory Memorandum.
Investigating Accountant	PricewaterhouseCoopers Securities Ltd ABN 54 003 311 617.
Investigating Accountant's Report	the report prepared by the Investigating Accountant, a copy of which is set out in Section 6 of this Explanatory Memorandum.
JFT	James Fielding Trust.
Meeting	the meeting of MRZ Unitholders to take place on Wednesday, 25 November 2009 or at such later time and date notified to MRZ Unitholders to approve the Resolutions.
Meeting Date	the date of the Meeting.
Merger Implementation Deed	the Merger Implementation Deed between Mirvac Limited, Mirvac RE and MRML dated 12 October 2009, a summary of which is set out in Section 11.14.

Mirvac	In respect of references to Mirvac in this Explanatory Memorandum which relate to times or the state of affairs prior to implementation of the Scheme, ML and Mirvac Trust and each of their related bodies corporate and any entities controlled by them, unless the context otherwise requires. In respect of references to Mirvac in this Explanatory Memorandum which relate to times or the state of affairs post implementation of the Scheme, the economic entity resulting from the acquisition of MRZ by Mirvac Trust in accordance with the Scheme being ML, Mirvac Trust and MRZ and each of their related bodies corporate and any entities controlled by them, unless the context otherwise requires.
Mirvac Board	collectively, the Mirvac Directors.
Mirvac Board Charter	Mirvac board of directors' charter.
Mirvac Director or a Director of Mirvac	a Director of ML and Mirvac RE in office at the date of lodgement of this Explanatory Memorandum with ASIC.
Mirvac Information	information in this Explanatory Memorandum which has been prepared by Mirvac, being the information in Sections 3, 4 and 12, together with information in this Explanatory Memorandum which has been prepared by Mirvac based on information provided by Mirvac and MRML to each other, being certain information in Sections 3, 4 and 5.
ML	Mirvac Limited ABN 92 003 280 699.
Mirvac RE	Mirvac Funds Limited ABN 70 002 561 640 AFSL 233121 as responsible entity of Mirvac Property Trust.
Mirvac Registry	Link Market Services Limited ABN 54 083 214 537.
Mirvac Securities	Mirvac Units stapled to Mirvac Shares. This includes Mirvac Securities already on issue and also, where the context requires, Mirvac Securities to be issued to Scheme Participants as part (in the case of the Cash and Scrip Option) and all (in the case of the Scrip Option) of the Scheme Consideration.
Mirvac Securityholder	a holder of Mirvac Securities.
Mirvac Shareholder	a holder of Mirvac Shares.
Mirvac Shares	fully paid ordinary shares issued by Mirvac Limited.
Mirvac Trust	Mirvac Property Trust ARSN 086 780 645, or Mirvac RE, as the case requires. In respect of references to Mirvac Trust in this Explanatory Memorandum which relate to times or a state of affairs post implementation of the Scheme, Mirvac Trust means Mirvac Trust consolidated with MRZ (unless the context requires otherwise).
Mirvac Unitholder	a holder of Mirvac Units.
Mirvac Units	fully paid ordinary Units issued in Mirvac Trust.
MRML	Mirvac REIT Management Limited ABN 70 002 060 228 as responsible entity of MRZ.
MRML Director or Director of MRML	a Director of MRML in office at the date of lodgement of this Explanatory Memorandum with ASIC as set out in Section 11.4 of this Explanatory Memorandum.
MRZ	Mirvac Real Estate Investment Trust ARSN 089 535 526 and each of its related bodies corporate and controlled entities or MRML, as the case requires.
MRZ Information	information in this Explanatory Memorandum which has been prepared by MRML, being all the information excluding the Mirvac Information.
MRZ Registry	Computershare Investor Services Pty Limited ABN 48 078 279 277.
MRZ Unitholder	a holder of MRZ Units.
MRZ Units	fully paid ordinary Units in MRZ.
MSCI	MSCI Standard Country Index (Australia).

13. Definitions and interpretations
(continued)

MWHF	Mirvac Wholesale Hotel Fund.
NABERS	National Australian Built Environment Rating System (formerly Australian Building Greenhouse Rating or ABGR), an environmental performance-based rating system for existing buildings.
Non-Associated Unitholders	MRZ Unitholders who are not associated with Mirvac.
NTA	Net Tangible Asset value.
Proposal	the proposed acquisition of all MRZ Units from Scheme Participants by Mirvac Trust to be implemented under the Scheme.
Record Date	five business days after the Effective Date (expected to be Wednesday, 2 December 2009).
Register	the register of MRZ Unitholders maintained in accordance with the Corporations Act.
Regulatory Authorities	a government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity whether foreign, federal, state territorial or local.
Resolutions	Resolutions of the members of MRZ to: › approve under item 7 of section 611 of the Corporations Act the acquisition by Mirvac Trust of all the Scheme Units; and › amend the Trust Deed of MRZ to give effect to the Scheme.
Restricted Securities	has the meaning set out in the ASX Listing Rules.
Risk Factors	those risk factors set out in Section 5 of this Explanatory Memorandum.
S&P/A-REIT 200 Index	Standard and Poor's/A-REIT 200 index of real estate vehicles on the ASX.
S&P/ASX 50 Index	Standard and Poor's index of the largest 50 vehicles listed on the ASX by market capitalisation.
S&P/ASX 100 Index	Standard and Poor's index of the largest 100 vehicles listed on the ASX by market capitalisation.
S&P/ASX 200 Index	Standard and Poor's index of the largest 200 vehicles listed on the ASX by market capitalisation.
Sale Brokers	the brokers appointed in respect of the Sale Facility.
Sale Facility	the sale facility whereby Scheme Participants can have the Mirvac Securities to which they are entitled sold on their behalf, as described in Section 9 of this Explanatory Memorandum.
Sale SPV	Mirvac Treasury No. 3 Limited ABN 22 104 834 924, a wholly owned subsidiary ML.
Sale Facility Participants	a Scheme Participant who participates in the Sale Facility.
Scheme	the arrangement under which Mirvac Trust acquires all of the MRZ Units from the Scheme Participants in return for providing the Scheme Consideration.
Scheme Consideration	either: › $0.50 cash per MRZ Unit (up to 20,000 MRZ Units), plus 1 Mirvac Security for every 3 MRZ Units held in excess of 20,000 MRZ Units on the Record Date (Cash and Scrip Option); or › 1 Mirvac Security for every 3 MRZ Units held (Scrip Option) by a MRZ Unitholder on the Record Date.

Scheme Participant	a holder of Scheme Units at the Record Date.
Scheme Units	all MRZ Units on issue at the Record Date.
Scrip Option	option 2 set out in the definition of Scheme Consideration.
Special Distribution	the special cash distribution payable pursuant to the Proposal of 1.0 cent per MRZ Unit.
Supplemental Deed	the Supplemental Deed as set out in Annexure 2 which, upon approval of the Proposal, will be executed by MRML and lodged with ASIC to amend the MRZ constitution to facilitate the implementation of the Scheme.
Tax Act	*the Income Tax Assessment Act 1997 (Cth).*
VWAP	the volume weighted average price of a security.
Woden Development	15-25 Furzer Street, Woden, Australian Capital Territory.
Woden Development put and call agreement	put and call option dated 12 October 2009 in relation to the Woden Development which provides Mirvac with an irrevocable offer to buy the Woden Development from MRZ.

Annexure 1 — Notice of Scheme Meeting

Mirvac Real Estate Investment Trust
ARSN 089 535 526

Responsible Entity — Mirvac REIT Management Limited
ABN 70 002 060 228

Notice is hereby given that a meeting of Unitholders of Mirvac Real Estate Investment Trust ("MRZ") will be held at Level 2, State Room, Hilton Sydney, 488 George Street, Sydney NSW 2000 on Wednesday, 25 November 2009 at 11.00am.

Special business

Resolution 1 — Section 611, Item 7 Resolution

To consider and, if though fit, to pass the following resolution as an ordinary resolution of the unitholders in Mirvac Real Estate Investment Trust.

"That, subject to and conditional on resolution 2 being passed, the Scheme be approved and, in particular, that the acquisition by Mirvac Funds Limited (ABN 70 002 561 640) as responsible entity of Mirvac Property Trust (ABN 29 769 181 534) of all the Scheme Units of Mirvac Real Estate Investment Trust existing as at the Record Date pursuant to the Scheme be approved for the purposes of item 7 of Section 611 of the Corporations Act 2001."

Resolution 2 — Constitutional Amendment Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution of the unitholders in Mirvac Real Estate Investment Trust.

"That, subject to and conditional on resolution 1 being passed:

(a) the Constitution of Mirvac Real Estate Investment Trust be amended with effect on and from the Implementation Date as set out in the Supplemental Deed contained in Annexure 2 of the Explanatory Memorandum accompanying the notice convening this meeting; and

(b) Mirvac REIT Management Limited as the responsible entity of Mirvac Real Estate Investment Trust be authorised to execute and lodge with the Australian Securities and Investments Commission the Supplemental Deed."

Capitalised terms used in the above resolutions have the meaning given to them in the Explanatory Memorandum accompanying the notice convening this meeting. Mirvac REIT Management Limited will disregard any votes cast on either Resolution 1 or Resolution 2 by an Excluded Unitholder or an associate of an Excluded Unitholder (including JFT and its associates). However, Mirvac REIT Management Limited need not disregard such a vote if it is cast by a person as proxy for a Unitholder who is entitled to vote, in accordance with the directions on the proxy form or if it is cast by a person chairing the meeting as proxy for a Unitholder who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By order of the Board of Mirvac REIT Management Limited as responsible entity of Mirvac Real Estate Investment Trust.

Mr Juan Rodriguez
Company Secretary

23 October 2009

Annexure 2 — Supplemental Deed Poll

Supplemental Deed Poll

Mirvac Real Estate Investment Trust
ARSN 089 535 526

Mirvac REIT Management Limited
ABN 70 002 060 228

Clayton Utz
Lawyers
Levels 19-35,
No. 1 O'Connell Street
Sydney NSW 2000 Australia

PO Box H3, Australia Square, Sydney NSW 1215
T +61 2 9353 4000 F +61 2 8220 6700
www.claytonutz.com

Supplemental Deed Poll

Party

Mirvac REIT Management Limited ABN 70 002 060 228 of Level 26, 60 Margaret Street, Sydney NSW 2000 as responsible entity of the Mirvac Real Estate Investment Trust ARSN 089 535 526 ("Responsible Entity").

Recitals

A. Mirvac Real Estate Investment Trust ARSN 089 535 526 (**Trust**) is constituted under a deed dated 10 December 1991 as amended (**Constitution**).

B The Responsible Entity is the responsible entity of the Trust.

C. Clause 15 of the Constitution relevantly provides that, subject to section 601GC of the Corporations Act and any approval required by law, the Responsible Entity may by deed amend the Constitution.

D Section 601GC(1)(a) of the Corporations Act relevantly provides that the constitution of a registered scheme may be modified by a special resolution of the members of the scheme.

E. By this deed, the Responsible Entity proposes to give effect to the special resolution modifying the Constitution set out in the Notice of Meeting and Explanatory Memorandum dated 23 October 2009 and passed by Unit Holders at the meeting held on 25 November 2009 in accordance with the Corporations Act and the Constitution.

Operative provisions

1. Definitions

In this deed, words defined in the Constitution shall (unless defined in this deed) have the same meaning when used in this Deed.

2. Interpretation

Except as otherwise provided in this deed, clause 1.2 of the Constitution applies to this deed.

3. Operation of this deed

The modifications to the Constitution contained in clause 4 of this deed shall take effect when this deed is lodged with the Australian Securities and Investments Commission under section 601GC(2) of the Corporations Act.

4. Amendments to the Constitution

The Constitution is amended by:

(a) inserting a new clause 23 as set out below:

"23 Scheme

23.1 Implementation of Scheme

(a) Each Unit Holder and the Responsible Entity must do all things which the Responsible Entity considers are necessary or desirable to give effect to the Scheme.

(b) The Responsible Entity may do any act, matter or thing pursuant to this clause 23 notwithstanding that it has an interest in the act, matter or thing or any consequence thereof.

(c) Subject only to clauses 1.4, 1.5 and 1.6, this clause 23:

(i) binds the Responsible Entity and all Scheme Unitholders, including those who do not attend the Trust Scheme Meeting those who do not vote at that meeting and those who vote against the resolutions at that meeting; and

(ii) has effect notwithstanding any other provision of this Deed and any provision of this Deed which is inconsistent with this clause 23 does not operate to the extent of any inconsistency.

Annexure 2 — Supplemental Deed Poll
(continued)

23.2 Dealings in Units

(a) For the purpose of establishing the persons who are Scheme Unitholders and the Units that are Scheme Units, dealings in Units will only be recognised if:

(i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Units by the Record Date; and

(ii) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Responsible Entity (or by any agent that the Responsible Entity has appointed to maintain the Register on behalf of the Responsible Entity) by the Record Date.

(b) The Responsible Entity will register registrable transfers or transmission applications of the kind referred to in clause 23.2(a)(ii) by, or as soon as practicable after, the Record Date. The persons shown in the Register, and the number of Units shown as being held by them, after registration of those transfers and transmission applications will be taken to be the Scheme Unitholders and the Scheme Units held by them, respectively.

(c) Subject to the other provisions of this clause 23, the Responsible Entity will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Units received after the Record Date (or received prior to the Record Date not in registrable form) and prior to registration of Mirvac RE in respect of all Scheme Units under clause 23.8(c).

(d) The Responsible Entity will maintain or procure the maintenance of the Register in accordance with this clause 23.2. The Register immediately after registration of registrable transfers or transmission applications of the kind referred to in clause 23.2(a)(ii) will solely determine the persons who are Scheme Unitholders and their entitlements to the Scheme Consideration and the Units which are Scheme Units.

(e) From the Record Date and until registration of Mirvac RE in respect of all Scheme Units under clause 23.8(c), no Scheme Unitholder may deal with Units in any way except as set out in this clause 23 and any attempt to do so will have no effect.

(f) On or before 9.00am on the Implementation Date, the Responsible Entity must give to Bidder details of the names and addresses shown in the Register of all Scheme Unitholders and of the number of Scheme Units held by each of them on the Record Date.

23.3 Election mechanism

(a) Each Unitholder may elect to receive:

(i) the Cash and Scrip Option which is the default option as per clause 23.3(e); or

(ii) the Scrip Option using the Election Form.

(b) Subject to paragraph (f), any valid election for the purposes of clause 23.3(a) will apply to all of the Scheme Units of the Scheme Unitholder as at the Record Date.

(c) A valid election for the purposes of clause 23.3(a) may be made by a Scheme Unitholder by returning the Election Form with an election for the purposes of clause 23.3(a) made on the Election Form in accordance with the directions given by the Responsible Entity in the Explanatory Memorandum and the Election Form before 5.00pm on the Meeting Date to an address to be specified by the Responsible Entity in the Election Form.

(d) Once made, a valid election by a Scheme Unitholder for the purposes of clause 23.3(a) may be varied before 5.00pm on the Meeting Date.

(e) If a valid election for the purposes of clause 23.3(a) is not made by a Scheme Unitholder prior to 5.00pm on the Meeting Date, that Scheme Unitholder will be deemed to have elected to receive Cash and Scrip Option in respect of all Scheme Units held by that Scheme Unitholder.

(f) In the manner and on the terms determined by the Responsible Entity (acting reasonably), a Scheme Custodian, may make separate elections for the purposes of clause 23.3(a) in relation to each Scheme Unit Parcel held by that Scheme Custodian. If a Scheme Custodian makes one or more such elections but does not make an election in respect of one or more Scheme Unit Parcels prior to 5.00pm on the Meeting Date, the Scheme Custodian will be deemed to have elected to receive Cash and Scrip Option in respect of the Scheme Unit Parcels for which they have not made an election.

(g) The Responsible Entity must ensure that, to the extent reasonably practicable, Unitholders that have acquired Units after the date of the despatch of the Explanatory Memorandum and up until the Meeting Date can receive an Election Form on request to the Responsible Entity.

(h) In order to facilitate the issue of the Scheme Consideration, the Responsible Entity must provide, or procure the provision, to Bidder, or a nominee of Bidder, details of the final elections made by each Scheme Unitholder, on the Business Day after the Meeting Date.

(i) In the event of a dispute as to the validity of an election made for the purposes of clause 23.3(a), the determination of the Responsible Entity shall be final.

23.4 Scheme Consideration

(a) If a Scheme Unitholder who is not a Scheme Custodian is deemed to have elected, to receive Cash and Scrip Option, then subject to clause 23.9, the Scheme Unitholder will be entitled to receive for each Scheme Unit held by that Scheme Unitholder at the Record Date:

  (i) in respect of the first 20,000 Scheme Units held, $0.50 cash per Scheme Unit which must be paid in the manner referred to in clause 23.5; and

  (ii) in respect of each Scheme Unit held in excess of 20,000 Scheme Units, 1 Mirvac Security for every 3 Scheme Units held, which is to be issued in the manner referred to in clause 23.6.

(b) If a Scheme Custodian is deemed to have elected, to receive Cash and Scrip Option in respect of a Scheme Unit Parcel, the Scheme Custodian will be entitled to receive for each Scheme Unit in that Scheme Unit Parcel at the Record Date:

  (i) in respect of the first 20,000 Scheme Units in that Scheme Unit Parcel, $0.50 cash per Scheme Unit, which must be paid in the manner referred to in clause 23.5; and

  (ii) in respect of each Scheme Unit in that Scheme Unit Parcel in excess of 20,000 Scheme Units, 1 Mirvac Security for every 3 Scheme Units held, which is to be issued in the manner referred to in clause 23.6.

(c) If a Scheme Unitholder who is not a Scheme Custodian elects to receive Scrip Option, the Scheme Unitholder will be entitled to receive 1 Mirvac Security for every 3 Scheme Units held by that Scheme Unitholder at the Record Date, which is to be issued in the manner referred to in clause 23.6.

(d) If a Scheme Custodian elects to receive Scrip Option in respect of a Scheme Unit Parcel, the Scheme Custodian will be entitled to receive 1 Mirvac Security for every 3 Scheme Units in the Scheme Unit Parcel at the Record Date, which is to be issued in the manner referred to in clause 23.6.

23.5 Cash Consideration

(a) The obligations of Mirvac RE to pay the Aggregate Cash Consideration will be satisfied by Mirvac RE, before 12.00pm on the Implementation Date, depositing the Aggregate Cash Consideration into an account in the name of the Responsible Entity.

(b) The Responsible Entity is to procure that the Aggregate Cash Consideration be held by the Responsible Entity on trust for the relevant Scheme Unitholders (except that any interest on the amount will be for the account of Mirvac RE) for the purpose of sending the Scheme Consideration to the relevant Scheme Unitholders within five Business Days after the Implementation Date by dispatching or procuring the dispatch to each relevant Scheme Unitholder by pre-paid post to their Registered Address a cheque in Australian currency drawn on an Australian bank in the name of that Scheme Unitholder for an amount (rounded down to the nearest whole cent) equal to the total amount of cash to which they are entitled pursuant to clauses 23.4(a) and (b).

(c) In the case of joint holders of Scheme Units, a cheque shall be payable and forwarded in the names of those joint holders.

(d) In the case of a notice having been given to the Responsible Entity (or an agent that the Responsible Entity has appointed to maintain the Register on behalf of the Responsible Entity) of an order made by a court of competent jurisdiction:

  (i) which requires payment to a third party of a sum in respect of Scheme Units held by a particular Scheme Unitholder, which would otherwise be payable to the particular Scheme Unitholder in accordance with paragraph (b) above, then the Responsible Entity shall procure that payment is made in accordance with that order; or

  (ii) which would prevent the Responsible Entity from despatching payment to any particular Scheme Unitholder in accordance with paragraph (b) above, the Responsible Entity shall retain an amount that would otherwise be payable to that Scheme Unitholder in accordance with paragraph (b) until such time as payment is permitted by law.

23.6 Scrip Option

(a) To facilitate the provision of the Scrip Option and the component of the Cash and Scrip Option which comprises Mirvac Securities payable to Scheme Unitholders, Bidder must (subject to clause 23.11):

  (i) before 12.00pm on the Implementation Date, issue the applicable Mirvac Securities to each applicable Scheme Unitholder in accordance with the terms of the Scheme;

  (ii) before 12.00pm on the Implementation Date, enter in the relevant security registers the name and address of each such Scheme Unitholder and the number of Mirvac Securities which that Scheme Unitholder is entitled to receive under the Scheme; and

Annexure 2 — Supplemental Deed Poll
(continued)

(iii) within four Business Days after the Implementation Date dispatch to each such Scheme Unitholder by pre-paid or ordinary post (or, if the address of the Scheme Unitholder in the Register is outside Australia, by pre-paid airmail post) to their Registered Address, a holding statement for the Mirvac Securities issued to that Scheme Unitholder in accordance with the Scheme.

(b) In the case of Scheme Units held in joint names, holding statements for Mirvac Securities must be issued in the names of joint holders and sent to the holder whose name appears first in the Register on the Record Date.

23.7 Special Distribution

If the Scheme becomes Effective the Responsible Entity will pay the Special Distribution in respect of the quarter ending 30 September 2009, the record date for which will be the Record Date. The Special Distribution will be paid to Scheme Unitholders at the same time as the Scheme Consideration is paid or provided to Scheme Unitholders.

23.8 Transfers to Mirvac Trust

(a) On or before 12.00pm on the Implementation Date, subject to Bidder satisfying its obligations to pay or provide the Scheme Consideration in the manner contemplated by clauses 23.5 and 23.6 and providing the Responsible Entity with written confirmation of that payment or provision:

(i) all of the Scheme Units together with all rights and entitlements attaching to the Scheme Units as at that time will be transferred to Mirvac RE or its nominee without the need for any further act by any Scheme Unitholder (other than acts performed by the Responsible Entity (or its Directors or officers) as attorney or agent of the Scheme Unitholders under clause 23.13 or otherwise); and

(ii) the Responsible Entity will procure the delivery to Mirvac RE of transfers of all the Scheme Units to Mirvac RE duly completed and executed on behalf of the Scheme Unitholders in the form of Scheme Transfers which transfer all of the Scheme Units to Mirvac RE.

(b) Mirvac RE must immediately execute the transfers referred to in clause 23.8(a)(ii) as transferee by executing the Scheme Transfers as transferee and delivering the Scheme Transfers to the Responsible Entity for registration.

(c) The Responsible Entity must, immediately following receipt of the transfers under clause 23.8(b) (in the form of Scheme Transfers in respect of the Scheme Units), enter the name and address of Mirvac RE in the Register in respect of all the Scheme Units.

23.9 No manipulation

(a) If a fractional entitlement to a Mirvac Security or a fractional entitlement to a cent arises from the calculation of the Scheme Consideration in respect of a Unit Holder, then any such fractional entitlement to Mirvac Securities or to a cent shall be rounded down to the nearest whole number of Mirvac Securities or cents (as applicable).

(b) If the Responsible Entity is of the opinion that a Unit Holder (**Relevant Unit Holder**) has been party to splitting or division of their Units in an attempt to obtain advantage by reference to the Cash and Scrip Option, the Responsible Entity may give notice to the Relevant Unit Holder:

(i) stating that opinion; and

(ii) deeming that, in respect of all of that Relevant Unit Holder's holdings of Scheme Units except for one such holding, the Relevant Unit Holder has elected the Scrip Option.

23.10 Sale Facility

(a) Using the Election Form, each Scheme Unitholder who is not an Ineligible Overseas Unitholder may elect to participate in the Sale Facility in respect of some or all of the Scheme Units in respect of which that Scheme Unitholder will have an entitlement to be issued Mirvac Securities under the Scheme.

(b) A valid election for the purposes of clause 23.10(a) may be made by a Scheme Unitholder by returning the Election Form with an election for the purposes of clause 23.10(a) made on the Election Form in accordance with the directions given by the Responsible Entity in the Explanatory Memorandum and the Election Form before 5.00pm on the Meeting Date to an address to be specified by the Responsible Entity in the Election Form.

(c) Once made, a valid election by a Scheme Unitholder for the purposes of clause 23.10(a) may be varied before 5.00pm on the Meeting Date.

(d) If a valid election for the purposes of clause 23.10(a) is not made by a Scheme Unitholder in accordance with clause 23.10(b), that Scheme Unitholder will be deemed to have elected not to participate in the Sale Facility in respect of any of their Scheme Units.

(e) On or before 12.00pm on the Implementation Date and subject to and after the issue of Mirvac Securities pursuant to clause 23.6, all of the Mirvac Securities issued to Scheme Unitholders in respect of the Scheme Units referred to in clauses 23.10(a) in respect of which the relevant Scheme Unitholder has validly elected to participate in the Sale Facility, together with all rights and entitlements attaching to those Mirvac Securities as at that time, will be transferred to the Nominee without the need for any further act by any Scheme Unitholder (other than acts performed by the Responsible Entity (or its directors or officers) as attorney or agent of the Scheme Unitholders under clause 23.13 or otherwise).

(f) Bidder will procure that, as soon as reasonably practicable and in any event not more than:

   (i) 15 Business Days after the Implementation Date, the Nominee will sell the Mirvac Securities transferred to the Nominee in accordance with clause 23.10(e) in such manner, at such price and on such other terms as the Nominee determines in good faith; and

   (ii) 20 Business Days after the Implementation Date, the Nominee will remit to each Scheme Unitholder who was a transferor of Mirvac Securities transferred to the Nominee in accordance with clause 23.10(e) the proportion of the proceeds of the sale referred to in clause 23.10(f)(i) (rounded to the nearest cent, after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges) to which each Scheme Unitholder is entitled.

(g) In the event of a dispute as to the validity of an election made for the purposes of clause 23.10(a), the determination of the Responsible Entity shall be final.

23.11 Ineligible Overseas Unitholders

(a) The entitlement that an Ineligible Overseas Unitholder at the Record Date would otherwise have to be issued Mirvac Securities under the Scheme will be satisfied by Mirvac Group issuing such Mirvac Securities to the Nominee as nominee for those persons.

(b) Bidder will procure that, as soon as reasonably practicable and in any event:

   (i) not more than 15 Business Days after the Implementation Date, the Nominee sells all of the Mirvac Securities issued to the Nominee pursuant to clause 23.11(a) in such manner, at such price and on such other terms as the Nominee determines in good faith; and

   (ii) not more than 20 Business Days after the Implementation Date, the Nominee remits to the relevant Ineligible Overseas Unitholders the proportion of the net proceeds of sale (rounded to the nearest cent, after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges) to which that Ineligible Overseas Unitholder is entitled.

23.12 Responsible Entity's limitation of liability

The Responsible Entity has no liability of any nature whatsoever beyond the Assets to Unit Holders arising, directly or indirectly, from the Responsible Entity doing or refraining from doing any act matter or thing (including the execution of a document) pursuant to or in connection with the implementation of the Scheme.

23.13 Covenants by Scheme Unitholders

(a) Each Scheme Unitholder:

   (i) agrees to the transfer of all of their Scheme Units to Mirvac RE in accordance with this clause 23;

   (ii) agrees to the modification or variation (if any) of the rights attaching to their Scheme Units arising from this clause 23;

23.13 Covenants by Scheme Unitholders (continued)

   (iii) who will receive Mirvac Securities as a result of the implementation of the Scheme agrees to become a member of Mirvac and a unitholder of Mirvac Trust;

   (iv) without the need for any further act, irrevocably appoints the Responsible Entity and each of its Directors and officers, jointly and severally, as that Scheme Unitholder's attorney and agent for the purpose of executing any document or doing any other act necessary to give full effect to the Scheme, this clause 23, and the transaction contemplated by them;

   (v) consents to the Responsible Entity doing all things and executing all deeds, instruments, transfers, applications or other documents as may be necessary or desirable to give full effect to the Scheme, this clause 23 and the transactions contemplated by them;

   (vi) appoints the Responsible Entity to enforce the Deed Poll against Bidder on behalf of and as agent and attorney for the Scheme Unitholder; and

   (vii) agrees to provide to the Responsible Entity such information as the Responsible Entity may reasonably require to comply with any law in respect of the Scheme and the transactions contemplated in this clause 23.

Annexure 2 — Supplemental Deed Poll
(continued)

(b) From the Effective Date until the Responsible Entity registers Mirvac RE as the holder of all Scheme Units in the Register, each Scheme Unitholder is deemed to have appointed the Responsible Entity as its attorney and agent (and directed the Responsible Entity in such capacity) to appoint the Chairman of Mirvac RE (or other nominee of Mirvac RE) as its sole proxy and, where applicable, corporate representative to attend unitholder meetings of the Trust, exercise the votes attaching to the Scheme Units of which they are the registered holder and sign any Unitholders' resolution, and no Scheme Unitholder may attend or vote at any of those meetings or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to this clause 23.13(b). The Responsible Entity undertakes in favour of each Scheme Unitholder that it will appoint the Chairman of Mirvac RE (or other nominee of Mirvac RE) as the Scheme Unitholder's proxy or, where applicable, corporate representative in accordance with this clause 23.13(b).

23.14 Status of Scheme Units

(a) The Scheme Unitholders are deemed to have warranted to the Responsible Entity in its own right and on behalf of Mirvac RE that all their Scheme Units (including any rights and entitlements attaching to those Units) which are transferred to Mirvac RE under this clause 23 will, at the date they are transferred to Mirvac RE, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind not referred to in this deed, and that they have full power and capacity to sell and to transfer their Scheme Units (including any rights and entitlements attaching to those securities);

(b) Mirvac RE will be beneficially entitled to the Scheme Units transferred to it under this clause 23 pending registration by the Responsible Entity of the name and address of Mirvac RE in the Register as the holder of the Scheme Units; and

(c) in clause 1.1, by inserting the following definitions in alphabetical order:

Aggregate Cash Consideration means the total amount of cash payable to Scheme Unitholders who have elected, or are deemed to have elected, the Cash and Scrip Option.

Bidder means Mirvac and Mirvac RE.

Cash and Scrip Option means $0.50 cash per Scheme Unit (for up to 20,000 Scheme Units) plus 1 Mirvac Security for every 3 Scheme Units held in excess of 20,000 Scheme Units.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities and other financial products operated by ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532.

Constitutional Amendment Resolution means a special resolution of Holders made in accordance with section 601GC of the Corporations Act to adopt the amendments to the Constitution set out in this deed.

Deed Poll means the deed poll dated 23 October 2009 executed by Bidder in favour of the Scheme Unitholders.

Effective means in relation to the Scheme, the point in time at which this Supplemental Deed is lodged with ASIC and becomes binding on Unit Holders and the Responsible Entity.

Effective Date means the date on which this Supplemental Deed is lodged with ASIC.

Election Form means the form accompanying the Explanatory Memorandum in relation to the form of Scheme Consideration and the Sale Facility.

Explanatory Memorandum means the explanatory memorandum in relation to the proposed acquisition of the Trust by Mirvac Trust under the Scheme dated October 2009.

Implementation Date means 7 December 2009.

Ineligible Overseas Unitholder means a Scheme Unitholder whose address as shown in the Register as at the Record Date is a place outside Australia and its external territories, New Zealand, and such other jurisdictions as Target RE and Bidder agree in writing or as may be required by any applicable ASIC Instrument.

Meeting Date means the date of the Scheme Meeting.

Merger Implementation Deed means the deed between the Responsible Entity, Mirvac and Mirvac RE dated 12 October 2009.

Mirvac means Mirvac Limited ABN 92 003 280 699.

Mirvac RE means Mirvac Funds Limited ABN 70 002 561 640 as responsible entity of Mirvac Trust.

Mirvac Trust means the Mirvac Property Trust ARSN 086 780 645.

Mirvac Securities means Mirvac Units stapled to Mirvac Shares and includes, where the context requires, the Mirvac Securities to be issued to Scheme Participants as part or all of the Scheme Consideration.

Mirvac Shares means fully paid ordinary shares issued by Mirvac.

Mirvac Units means fully paid ordinary units issued in Mirvac Trust.

Nominee means Mirvac Treasury No. 3 Limited ABN 22 104 834 924.

Record Date means 2 December 2009.

Registered Address means, in relation to a Unitholder, the address of the Unitholder as recorded in the Register.

Sale Facility means the facility whereby Scheme Unitholders can have the Mirvac Securities to which they are entitled placed for sale on their behalf.

Scheme means the arrangements under which Mirvac Trust acquires all of the Scheme Units from the Scheme Unitholders in return for Mirvac RE providing, or procuring the provision of, the Scheme Consideration.

Scheme Consideration means, at the election, or deemed election of the Scheme Unitholder, either:

(a) the Cash and Scrip Option; or

(b) the Scrip Option.

Scheme Custodian means a Scheme Unitholder that holds one or more Scheme Unit Parcels as bare trustee or nominee for, or otherwise on account of, one or more Scheme Parcelholders.

Scheme Meeting means a meeting of Holders to consider and, if thought fit, pass the Constitutional Amendment Resolution and the Section 611 Item 7 Resolution.

Scheme Parcelholder means a person for whom a Scheme Custodian holds a Scheme Unit Parcel as bare trustee or nominee, or otherwise on account of.

Scheme Transfer means, for each Scheme Unitholder, a proper instrument of transfer of their Scheme Units for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Units.

Scheme Unitholder means a holder of Scheme Units at the Record Date.

Scheme Units means all Units on issue at the Record Date.

Scheme Unit Parcel means a parcel of Scheme Units held by a Scheme Custodian as bare trustee or nominee for, or otherwise on account of, a Scheme Parcelholder.

Scrip Option means 1 Mirvac Security for every 3 Scheme Units.

Section 611 Item 7 Resolution means an ordinary resolution of Holders made in accordance with section 611 item 7 of the Corporations Act to approve the acquisition of Units by Mirvac Trust under the Scheme.

Special Distribution means a distribution of $0.01 per Unit.

5. No resettlement

Nothing in this deed constitutes a resettlement or redeclaration of the Trust.

6. Governing law

This deed is governed by the laws of the State of New South Wales, Australia.

Executed as a deed

Executed by **Mirvac REIT Management Limited ABN 70 002 060 228**

Corporate directory

MRML

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Mr Nicholas Collishaw
Mr Grant Hodgetts
Mr Matthew Hardy
Mr Ross Strang

Secretary of MRML

Ms Varuni De Silva
Ms Sonya Harris
Mr Juan Rodriguez

Taxation Adviser

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In relation to the Proposal 1800 606 449