

MURRAY GOULBURN CO-OPERATIVE CO LIMITED

ACN 004 277 089

Prospectus

For an offer for 100 million ordinary shares to eligible Murray Goulburn suppliers at \$1.00 per share

Important information

This prospectus is an important document and requires your immediate attention. It should be read by you in its entirety. If you are in doubt as to the course of action you should follow or the effect of investing in Murray Goulburn you should consult your accountant or other professional adviser.

Contents and important information

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Application Form

Status

This prospectus is dated 21 July 2008, and was lodged with ASIC on that date. ASIC takes no responsibility for the content of this prospectus. In accordance with the Corporations Act, no ordinary shares or other securities will be issued on the basis of this prospectus after 20 August 2009, being 13 months after the date of this prospectus.

Exposure period

This prospectus is subject to an exposure period of 7 days (which may be extended by ASIC for a further 7 days), during which applications cannot be processed by Murray Goulburn. Applications received during the exposure period will not be processed until after such period has expired. No preference or priority will be given to applications received during the exposure period, which will be treated as if they were received simultaneously on the date on which applications first can be processed by Murray Goulburn.

This prospectus does not constitute an offer in any jurisdiction other than Australia. No person is authorised to give any information or to make any representation in connection with this suppliers' only share offer which is not contained in this prospectus.

Part 1 – Murray Goulburn at a glance

Murray Goulburn is Australia's largest dairy company and is wholly Australian owned by its 2,500 supplier/shareholders. It has a history of efficiency, export leadership and creating wealth for its dairy farmer suppliers through its co-operative structure.

As an Australian company which is owned and controlled by its dairy farmer suppliers, on a co-operative basis, Murray Goulburn's mission is to maximise returns to those suppliers, now and in the future.

Murray Goulburn:

- is Australia's leading dairy company, processing approximately 36% of Australia's milk at 7 locations around Victoria and one in Tasmania
- is Australia's no. 1 exporter of processed food
- utilises leading edge dairy processing technology and has a long-term commitment to research and development, sustainable agriculture and environmental responsibility
- directly accounts for 50% of Victoria's dairy food production
- directly provides more than 8,000 jobs within dairy food manufacture and on-farm
- processes more than 3.3 billion litres of milk annually at plants in Cobram, Rochester, Leitchville, Kiewa, Maffra, Leongatha, Koroit (all in Victoria) and Edith Creek (Tasmania) into more than 150 different products
- is a market leader in Australia through its Devondale brand
- has around 8% market share of world dairy trade and more than 40% of Australia's dairy exports
- is Victoria's largest exporter and biggest containerised user of the Port of Melbourne, and
- exports to more than 100 countries.

Murray Goulburn's co-operative structure means that the control of the organisation rests solely with its supplier/shareholders.

Part 2 - Letter from your Chairman

Dear Supplier,

I am pleased to present this prospectus for the offer of ordinary shares in your Co-operative, which is open to all current Murray Goulburn suppliers. The prospectus contains details about the offer and information about Murray Goulburn's business.

Since its formation in 1950, your Co-operative has grown to become the largest dairy business in Australia processing 36% of the nation's milk. It has annual revenue in excess of \$2.5 billion, total assets of more than \$1.5 billion and total equity exceeding \$660 million – all under the ownership and control of its suppliers. Murray Goulburn's mission is to maximize returns to its suppliers, now and in the future. The Co-operative has successfully pursued this objective through prudent growth strategies which have involved acquisitions, market diversification and organic growth.

The funding of Murray Goulburn's achievements in growing its business into one of the most important dairy enterprises in the world has not been constrained by its co-operative structure. Growth and capital works programmes aimed at increasing returns to all suppliers have been met without the need to seek outside ordinary capital, thereby enabling the Co-operative structure to be kept intact, for the benefit of all suppliers.

Returns to suppliers through milk price and dividends have set the standard across the Australian dairy industry. Participation in this suppliers' only share offer gives you, as a Murray Goulburn supplier, the opportunity to continue to contribute further to this success by assisting your Co-operative to further strengthen its balance sheet to enable it to fund possible growth opportunities currently being considered by your Board, such as new market and product development projects in China via MG Qingdao, in sports nutrition via MG Nutritionals and market development projects in food ingredients domestically and for export. In addition, you will benefit by increasing your stake in your Co-operative and adding to your entitlement to dividends. **All suppliers who take up shares under this prospectus will be entitled to fully participate in the ordinary dividend of 12% to be paid in October 2008.**

As a supplier/shareholder, I acknowledge that you already have a high level of knowledge about Murray Goulburn through your daily dealings with the Co-operative. Notwithstanding this fact, we present the detail contained in this prospectus to assist your investment consideration and to comply with the regulatory requirement associated with an offer of shares such as this.

Your Board is confident of the future prospects of Murray Goulburn and of its ability to continue to serve its members in accordance with its co-operative principles. Accordingly, I recommend this opportunity to increase your investment in Murray Goulburn.

Yours faithfully,

Ian MacAulay
Chairman

Part 3 - About this prospectus

About this prospectus

This prospectus contains details of an offer to issue ordinary shares in Murray Goulburn to current Murray Goulburn suppliers ("suppliers' only share offer")

A glossary of the terms and abbreviations used in this prospectus is contained in part 11.

Unless the context indicates otherwise, references to Murray Goulburn, its assets and its financial performance relate to the Murray Goulburn group as a whole.

Reference to the Annual Report and Half Yearly Report

The 57th Annual Report of Murray Goulburn for the year ended 30 June 2007 ("Annual Report"), and its Financial Report for the half year ended 31 December 2007 ("Half Yearly Report") are each incorporated by reference into, and as a consequence form part of, this prospectus. A brief summary of the contents of each document is included in part 5 for your information.

You should note that the level of disclosure required by law for the purposes of making an informed investment decision is satisfied only by reading this prospectus, the Annual Report and the Half Yearly Report.

Access to documents

If you were a shareholder of Murray Goulburn as at 5 November 2007, you should already have received a copy of the Annual Report. However, if you do not have a copy of the Annual Report and wish to obtain one, or if you wish to obtain a copy of the Half Yearly Report, you may do so free of charge by contacting Murray Goulburn's Share Registry (telephone: (03) 9389 6400) at any time prior to the close of this suppliers' only share offer. Alternatively, each of these documents and this prospectus may be viewed online at <http://www.mgc.com.au/publications/index.asp> and/or www.mgfarm.com.au->username->password->MGNotices->Notices->MG Prospectus 2008.

If you are accessing the electronic version of this prospectus for the purpose of investing in this suppliers' only share offer, you must be an Australian resident and must only access the prospectus from within Australia. Murray Goulburn is obligated to refuse any application if it believes that the applicant has accessed the electronic prospectus outside Australia.

The Corporations Act prohibits you from passing on to another person an application form unless it is attached to a hard copy of this prospectus or accompanies the complete and unaltered electronic version of this prospectus.

Murray Goulburn's constitution

Certain provisions of Murray Goulburn's constitution are relevant to you. The material provisions of the constitution that affect your rights as the holder of ordinary shares are summarised in this prospectus and should be read carefully.

Murray Goulburn is similar to all companies formed under, or governed by, the Corporations Act, in that its constitution constitutes a contract between it and each of its members and between a member and each other member.

A copy of the current constitution of Murray Goulburn can be inspected by you, free of charge, during normal business hours at the head office of Murray Goulburn, 140 Dawson Street, Brunswick.

Part 4 – Suppliers’ only share offer and your eligibility to participate

Your eligibility

You have been provided with a copy of this prospectus because you were a current Murray Goulburn supplier as at the date of this prospectus (21 July 2008).

To be eligible to participate in this suppliers’ only share offer, you must continue to be a Murray Goulburn supplier at all times until the closing date for this suppliers’ only share offer (currently 19 September 2008).

The information contained in this prospectus has been prepared without taking into account your individual investment objectives, financial situation or particular investment needs. Therefore, before making an investment decision, you should consider the appropriateness of the information to you and, where necessary, consult a professional advisor.

No effect on existing arrangements

Whether or not you choose to participate in this suppliers’ only share offer does not affect your existing shareholding in Murray Goulburn nor change the terms upon which you currently supply milk to Murray Goulburn.

Any shares you acquire under this suppliers’ only share offer will be taken into account in relation to your participation in the suppliers’ equity share scheme.

Key dates

The key dates for the suppliers’ only share offer are as follows:

Opening Date	4 August 2008	Whilst you can complete and forward your Application Form to Murray Goulburn prior to this date, no applications will be processed by Murray Goulburn before this date.
Closing Date	19 September 2008	To participate in this suppliers’ only share offer, you must ensure that your Application Form is received by Murray Goulburn before 5:00 pm on this date . Any applications received by Murray Goulburn after this date will not be accepted or processed.

Please note that these opening and closing dates are indicative only and may be subject to change.

Murray Goulburn may delay the opening date, shorten or extend the closing date, or not proceed with this suppliers’ only share offer, in all cases in the absolute discretion of the Board, and without any notice to you.

Shares on offer

This suppliers’ only share offer consists of 100 million ordinary shares. Murray Goulburn reserves the right to accept over subscriptions (to a maximum of 20 million ordinary shares) in the Board’s

absolute discretion. There is no minimum subscription level that must be reached before Murray Goulburn proceeds with this suppliers' only share offer.

The ordinary shares to be issued under this suppliers' only share offer will have the same rights as all other ordinary shares on issue in Murray Goulburn, including the right to fully participate in the ordinary dividend of 12% to be paid in October 2008.

Issue price

The issue price for each ordinary share is \$1.00 (which is the same issue price for all ordinary shares issued by Murray Goulburn from time to time). No GST is payable on subscriptions for shares.

The issue price is payable by cheque and in full when you submit your Application Form.

All application monies will be held on trust by Murray Goulburn until the shares have been issued or the monies are returned to unsuccessful applicants. No interest will be paid on application monies held pending the issue of shares, or any application monies returned as a result of an unsuccessful application.

Minimum investment

If you choose to participate in this suppliers' only share offer, the minimum number of ordinary shares which you must apply for is 1,000 (and thereafter in multiples of 500).

Maximum investment and right of Murray Goulburn to refuse your application

The Board reserves the right to refuse any application, or to accept it in part only, in its absolute discretion.

The Board will refuse an application if it is not properly completed or signed by you, or you have applied for less than 1,000 ordinary shares.

In addition, if the number of ordinary shares you apply for, when added to the number of ordinary shares you already hold, exceeds 0.5% of the aggregate of the nominal amounts of all issued shares, the Board reserves the right, in its absolute discretion, either to refuse your application in full or instead to allot to you such lesser number of shares so that the 0.5% maximum is not breached.

Furthermore, the Board may refuse or pro rata your allocation if the aggregate shareholding of you and your associated parties would exceed 1 ordinary share for every 10 litres of milk supplied by you during the 2007/2008 financial year. For example, if shares in Murray Goulburn associated with your milk supply are held in various names (e.g. your spouse, children, family company, etc), then each is your "associated party".

These parameters are designed to ensure the individual share holdings remain at levels consistent with the Co-operative's structure.

Deciding to apply and pay for shares

Before applying for ordinary shares you should ensure that you have read this prospectus and considered the risk factors set out in part 7 (including the investment specific risks set out in detail in that part).

In applying for ordinary shares all you have to do is:

- carefully read the Application Form Guide in part 12

- carefully complete the Application Form at the back of this prospectus and sign it
- then send or deliver the completed and signed Application Form (with your payment) to:

Share Registry
Murray Goulburn Co-operative Co Limited
140 Dawson Street
Brunswick VIC 3056.

Applications for shares must only be made on the Application Form attached to or accompanying this prospectus.

Method of allocation

The Board reserves the right, in its absolute discretion, to allocate the ordinary shares available for issue under this suppliers' only share offer to eligible applicants in such manner as it determines. It will make its determination after considering a number of factors, including the volume of milk supplied to Murray Goulburn by each eligible applicant over the past year.

Allotment and issue of shares

If your application is successful, you will be notified in writing as soon as practicable, but in any event no later than 30 days after the closing date. It is expected that the shares will be issued to successful applicants no later than 30 days after the closing date.

For your convenience, Murray Goulburn has established a share certificate retention system which gives you the option of either receiving share certificates for any shares issued to you or allowing Murray Goulburn to retain the share certificates on your behalf. Unless you indicate otherwise on your Application Form, Murray Goulburn will retain your share certificates for you.

If the share certificates are retained by Murray Goulburn, you are free at any time to write to the Share Registry, requiring Murray Goulburn to forward to you any share certificates so retained.

Unsuccessful applicants

If your application is unsuccessful (either in whole or in part), you will be notified in writing as soon as practicable, but in any event, no later than 30 days after the closing date. Your application monies will also be refunded (in full or in part, as applicable) at that time.

No interest will be paid on amounts refunded.

No underwriting or listing

This suppliers' only share offer will not be underwritten.

As with all other issued shares in Murray Goulburn, no ordinary shares issued under this suppliers' only share offer will be quoted on any stock exchange.

Use of proceeds

The proceeds of this suppliers' only share offer will be used for the following purpose:

- \$100,000 to pay for the estimated costs of this offer, and

- the balance will be applied in the short term to reduce borrowings and as general working capital, and to assist in the funding of a range of domestic and international growth opportunities via acquisitions, development and enhancement of product lines, marketing initiatives, joint ventures and collaborations being investigated by the Board.

Murray Goulburn has grown substantially over the years. Some growth has been achieved through acquisition (e.g. Meiji-MGC Dairy Co. P/L and Classic Foods), some through new product and brand development (e.g. Devondale Retail and Ascend Sport Nutrition) and some through a general increase of the business (typically called "organic growth").

Your Board is currently considering several growth opportunities which include new market and product development projects in China via MG Qingdao, in sports nutrition via MG Nutritionals and market development projects in food ingredients domestically and for export.

Part 5 – Financial information and prospects

Introduction

The financial information included in this prospectus is as follows:

- information extracted from the financial report for the year ended 30 June 2007 (a summary of which is included below)
- information extracted from the financial report for the half year ended 31 December 2007, (a summary of which is also included below), and
- a pro forma balance sheet for Murray Goulburn as at 31 December 2007 showing the impact of this capital raising of 100 million shares (as shown below).

None of the information referred to above, covers the period from 31 December 2007 to the date of this prospectus.

The financial report for the year ended 30 June 2007 was audited by Murray Goulburn's auditors, Deloitte Touche Tohmatsu. The auditors' report on the 30 June 2007 financial report is unqualified.

The financial report for the half year ended 31 December 2007 was reviewed by Murray Goulburn's auditors, Deloitte Touche Tohmatsu. The auditors' report, which is a review and not an audit, is unqualified.

The Annual Report

The material contained in the Annual Report for the year ended 30 June 2007 (including the financial report) should be read in full by you before a decision to invest is made. In assessing this information, please note that it applies to the 2007 financial year only. Below is a summary of the some of the key provisions of the Annual Report (figures have been rounded, where appropriate).

Chairman's report and operations review

The Chairman's report (pages 4 to 6) contains a summary of the financial position of Murray Goulburn for the financial year ended 30 June 2007. Briefly, sales revenue was \$2.17 billion, profit before tax was \$25.7 million, and capital expenditure was \$62 million.

The Chairman's report also refers to matters such as the level of milk production and intake, capital projects undertaken during the financial year ended 30 June 2007, research and development and Murray Goulburn's sponsorships.

The operations review (pages 8 to 26) contains comments in respect of Murray Goulburn's main business operations for the financial year ended 30 June 2007. Matters referred to include:

- increase in revenue by \$146 million to \$2.17 billion
- the competitiveness of the milk price (please note that milk prices may vary from year to year)
- dividends

- a 27% increase in profit before tax from financial year 2005/2006
- issues relevant to production, including the nature of capital expenditure incurred
- total export sales for the financial year 2005/2006 of \$1.2 billion
- technical and manufacturing developments and information technology
- environmental programs
- research and development
- issues relevant to sales and marketing, including Murray Goulburn's performance in the export, domestic food service markets, marketing initiatives in the domestic market and the trading stores' operations, and
- field services assistance available to suppliers.

Financial report and accompanying notes

The financial report of Murray Goulburn and its controlled entities for the financial year ended 30 June 2007 and the notes forming part of the accounts commence on page 27 of the Annual Report and comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end.

In summary, the financial report contained in the Annual Report for the financial year ended 30 June 2007 disclosed:

- profit before income tax of \$25.7 million
- total assets of \$1.48 billion, as against total liabilities of \$825 million
- total equity of \$657 million.

In summary, the notes to the financial statements disclosed:

- total sales revenue of \$2.1 billion
- dividends declared for the 2007 financial year were \$24 million
- receivables (current and non-current) of \$394 million
- inventories of \$410 million
- property, plant and equipment of \$601 million, and
- current creditors and borrowings, less provisions, of \$568 million.

Various graphs are included in the Annual Report which provide a summary of the performance of Murray Goulburn over the past 10 consecutive financial years (including the financial year ended 30 June 2007) in respect of sales revenue, milk intake, domestic revenue, export revenue, shareholders' equity, export volume, primary production, and total assets.

The 31 December 2007 Half Year Report

In assessing any information in relation to the financial report for the half year ended 31 December 2007, please note that it applies for the 6 month period to 31 December 2007 only. The consolidated entity profit before income tax was \$49.6 million for this period, total assets were \$1.798 billion, total liabilities were \$1.10 billion and net assets were \$688 million.

The financial report for the half year ended 31 December 2007 comprises the balance sheet as at 31 December 2007, and the income statement, cash flow statement, statement of recognised income and expense for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year and dividends declared and paid during that period (totalling \$10.5 million in relation to the financial year ended 30 June 2006 and not recognised as at 30 June 2006).

This half year period is treated as a discrete reporting period. The profit from ordinary activities is determined after recognising a provision for step-up in milk prices based on Murray Goulburn's best estimate of its obligation to milk suppliers for deliveries during the first half of the year to 31 December 2007. The amount of step-up is determined in accordance with Murray Goulburn's practice of maximising the returns to its milk suppliers and making profits in each financial year sufficient to meet its dividends and funding needs. The seasonality of milk flow throughout the year results in favourable production efficiencies during the first half of the year which are not typically achieved in the second half of the year. Therefore, the result for the first half of the year is not an accurate indication of the result expected for the second half of the year.

Murray Goulburn/Parmalat Australia bid for Dairy Farmers

Murray Goulburn and Parmalat Spa have recently formed a consortium in order to bid for the acquisition of Australian Co-operative Foods Limited ("Dairy Farmers") and/or its business. Dairy Farmers is a milk processing co-operative business owned by approximately 2,000 Australian dairy farmers. Its principal activities are the collection, processing, manufacturing, packaging, distribution and marketing of milk and dairy products including cheese, yoghurt, snacks and desserts.

Parmalat is an Italian multinational food group active in milk and dairy products and fruit based beverages. Parmalat's Australian business involves the processing, manufacturing, packaging, distribution and marketing of fresh milk and other dairy products, and it currently operates the Pauls brand of fresh milk in Victoria, Queensland, northern NSW, South Australia and the Northern Territory.

As with its previous acquisitions, Murray Goulburn does not intend to fund a successful acquisition through a capital raising but rather through business finance funded through bank debt facilities.

Any acquisition of Dairy Farmers or its business by the consortium will not change Murray Goulburn's existing co-operative structure. Murray Goulburn will remain a wholly Australian dairy co-operative, owned and controlled by its supplier members. Its mission will continue to be the maximisation of returns to its suppliers. All current Murray Goulburn suppliers will continue to supply Murray Goulburn, and Murray Goulburn's objective to be an industry leader in milk payments to dairy farmers will remain. The Board is confident that any acquisition would benefit both Murray Goulburn and its suppliers, would allow it to continue to be a market leader in milk price payments, and would allow it to maintain its current dividend policy.

The Murray Goulburn/Parmalat bid is subject to confidentiality arrangements. . There are also other bidders with whom Dairy Farmers is likely to be in discussion. Murray Goulburn has applied to the ACCC for informal merger clearance and ACCC has sought comments from interested parties

regarding the bid. Because of these factors, there is no certainty that the Murray Goulburn/Parmalat bid will proceed, or if it does, that any final form offer will be accepted by Dairy Farmers. The information contained in this prospectus has been prepared on this basis.

Pro forma balance sheet for Murray Goulburn as at 31 December 2007

Set out below is a pro forma balance sheet for Murray Goulburn as at 31 December 2007 showing the impact of this capital raising of 100 million shares. It should be read in conjunction with the commentary included below the table and the risk factors described in part 7.

The pro forma balance is based on the balance sheet included in the Deloitte Touche Tohmatsu reviewed financial report for the half year ended 31 December 2007.

The reviewed financial report for the half year ended 31 December 2007 is a condensed financial report, prepared in the format permitted by Australian Accounting Standards and the Corporations Act. The balance sheet contained in the reviewed financial report for the half year ended 31 December 2007 therefore shows some of the information contained in the pro forma balance sheet on an aggregate, rather than an itemised basis.

MURRAY GOULBURN CO-OPERATIVE CO. LIMITED AND CONTROLLED ENTITIES

Pro Forma Balance Sheet as at 31 December 2007

	Actual \$000	Share Issue \$000	Pro Forma \$000
Current Assets			
Cash*	36,080		36,080
Receivables*	470,672		470,672
Inventories*	578,922		578,922
Other*	8,361		8,361
Total Current Assets	1,094,035	-	1,094,035
Non Current Assets			
Receivables*	48,833		48,833
Investments accounted for using the Equity Method*	8,990		8,990
Other Financial Assets*	448		448
Property, Plant & Equipment*	617,727		617,727
Intangible Assets*	10,603		10,603
Other*	18,051		18,051
Total Non Current Assets	704,652	-	704,652
Total Assets	1,798,687	-	1,798,687
Current Liabilities			
Payables*	381,049		381,049
Borrowings*	464,596	(100,000)	364,596
Current Tax Payable*	-		-
Provisions*	31,707		31,707
Total Current Liabilities	877,352	(100,000)	777,352
Non Current Liabilities			
Payables*	2,698		2,698
Borrowings*	168,557		168,557
Provisions*	7,761		7,761
Deferred Tax Liabilities*	54,159		54,159
Total Non Current Liabilities	233,175	-	233,175
Total Liabilities	1,110,527	(100,000)	1,010,527
Net Assets	688,160	100,000	788,160
Equity			
Issued Capital*	207,935	100,000	307,935
Reserves*	155,317		155,317
Retained Earnings*	227,938		227,938
Parent Entity Interest	591,190	100,000	691,190
Minority Interest	96,970		96,970
Total Equity	688,160	100,000	788,160

* These items are not shown separately in the Deloitte Touche Tohmatsu reviewed condensed financial report for the half year ended 31 December 2007. Deloitte Touche Tohmatsu does not take any responsibility for these additional items disclosed in the pro forma balance sheet.

Subsequent events

No matters or circumstances have arisen since 31 December 2007 which have significantly affected or may significantly affect the operations of the consolidated entity.

Prospects

As at the date of this prospectus, the Board is not aware (after due inquiry by it in relation to the interval between 31 December 2007 and the date of this prospectus) of any circumstances that have arisen which may materially adversely affect the profitability of Murray Goulburn for the financial year ended 30 June 2008, its prospects, the value of its assets or the extent of its liabilities, except as disclosed in this prospectus.

Part 6 – The Australian dairy industry

Introduction

This part contains extracts from the executive summary of the Dairy Australia's report titled "Dairy 2008 – Situation and Outlook", published in June 2008. These extracts relate to the Australian dairy industry as a whole, and not specifically to Murray Goulburn.

This part should be read in conjunction with part 7, which includes various industry and company specific risk factors.

The dairy industry in 2008

The Australian dairy industry is enjoying the best world market conditions in decades, yet remains constrained by the high cost and limited availability of production inputs; the ongoing uncertainty of climatic conditions and reduced dairy herd numbers.

International dairy commodity prices rose to record levels in 2007 due to consistent strong demand and tight supplies, as well as the effects of exchange rates and cuts in export subsidies. Prices have receded in the first half 2008 – particularly for SMP - due to some buyer resistance and improved product availability, but remain at historically high levels. The benefits of record prices for Australian exporters have to some extent been offset by the increasing value of the local currency.

Farmgate prices in southern regions increased by more than 50% in 2007/08. Weakening commodity prices and a stronger \$A may see farmgate prices for the full 2008/09 year recede by about 10% based on present indications. However competition between companies for milk supply is likely to limit falls. The world market is expected to remain more volatile than in the past due to the tight supply conditions, as cautious export customers are hesitant to lock in significant forward commitments.

The effects of drought continue to adversely impact more than 75% of dairy farmers in some way. Dairy farm cash incomes are expected to be higher on average, although farmers have experienced large increases in the cost of feed inputs, including grain, fertiliser and energy costs. There are significant differences in the effect of these costs on cash margins between regions and production systems.

Into the medium term, the market outlook for dairy remains positive. However, Australia's participation in world markets will depend on the confidence that farmers have to invest and grow into the future.

While there are some regional differences, climate and feed costs have been identified as the major current and future challenges for most dairy farmers. The uncertainty surrounding future climate variability, what it means for current farming systems, access to water, input costs, and future profitability is undermining the capacity for growth in the Australian dairy sector, despite the strongly positive attitude toward the industry's future.

Strong farmgate prices in the next few years, combined with a return to normal seasonal conditions should see confidence sustained and greater investment in expansion. However, based on farmer expectations that confidence has not yet translated into stronger milk production growth.

Limited milk growth will continue to put pressure on manufacturing margins and sustain the competition for raw milk.

World markets

Rising incomes, population growth and pressures on the limited availability of agricultural land and products are sustaining higher world food prices. Dairy should remain a beneficiary of these trends at least in the foreseeable future.

The world market for dairy products has fundamentally changed in the past two years as demand and supply have significantly tightened, and export subsidies have been removed. Commodity prices have been sustained well beyond traditional “ceilings” and possibly are reaching new sustainable levels above US\$3,500/t. Lower supplies from traditional exporting regions have pushed up the value of products to historically high levels, while demand has proved resilient despite higher prices.

The fundamentals of demand for dairy in developing markets have not been undone by moderately higher prices to consumers. In many of these countries, expanding middle classes are unlikely to stop consuming dairy, as income growth is helping to offset the higher costs. The improving perceptions of nutrition, convenience and taste benefits of dairy have seen it become a more staple part of diets which is sustaining consumer demand.

Supply

Growth in world dairy product supply is likely to be in line with, or below, demand growth in the medium term. However, supply in some major regions, such as the EU and the US, may affect export pricing.

Australian supply has been constrained by drought and a reduced dairy herd, with limited prospects for expansion at least in the short-term. Other dairy exporters have also struggled to fill the international trade gap.

The EU has continued with reforms to its Common Agricultural Policy. Export subsidies on all products have been set at zero for most of the 2007/08 year. The EU has increased production quotas by 2% in 2008/09 and plans further increases totalling 5% over the period to 2014, yet the European Commission’s own analysis indicates that production will remain within these limits due to cost pressures and farmer demographics.

The EU dairy sector is also benefiting from increased consumption within the expanded EU. The growth in milk supplies as the EU expands its production quota may not increase the volume of exports but may mean lower internal market prices and subsequently lower export prices onto the world market.

US production growth remains steady at around 2% reflecting relatively high milk prices despite rising feed grain prices which have limited farmer cash margins. The US looks capable of being a larger supplier of skim milk powder to world markets, although issues relating to quality and marketing may allow world prices to remain ahead of US internal market settings.

In New Zealand, production growth has been adversely affected by drought in the first quarter of 2008 which will cause a 3-4% decline in 2007/08 milk production and limit recovery in 2008/09. High milk prices are encouraging significant amounts of investment in farm conversions and expansions, yet the high land values and increasing environmental constraints may curtail long-term growth potential.

Australian market

The Australian market for dairy products is mature, but has nevertheless delivered dependable volume and value growth in recent years.

Domestic market sales of dairy products have increased by 7% in value in the past 12 months, largely as a result of strong price increases. Value growth in dairy categories varies between 4 and 14%, but consumers have responded to the higher prices in some categories by purchasing less. Supermarket sales volumes have declined in the twelve months to March 2008 in cheese, dairy blends and yogurt as consumers have possibly resisted higher prices; but growth has continued in milk and butter.

Average retail price increases have been strong over the year – well above the general inflation rate across all major dairy product categories – and rising significantly in the March quarter, as world commodity prices are increasingly reflected in retail prices to consumers.

Milk sales volumes are likely to continue to grow but recent sales data indicates that consumers are “trading-down” from branded to private label products to limit the effect of price increases.

While private label accounts for a large share of drinking milk sales, the large grocery retailers are likely to take a more aggressive approach to the use of private label, particularly in other dairy products such as cheese and yogurt.

Rising food prices have gained high profile, aided by a major ACCC enquiry examining the dynamics of the food retail market, and in particular major supermarket chains. This environment has increased the resistance of retailers to accept and pass on higher prices from dairy manufacturers.

For Australian dairy manufacturers facing constrained milk supply, a higher proportion of business would theoretically be expected to remain in the Australian market.

With the stability of the domestic market and healthy export markets available, manufacturers do have market and product options. The domestic market may be less attractive to some manufacturers given the margin pressure from retailers, and their reluctance to allow full price increases through to consumer products.

Milk production outlook

Milk production has been affected by a reduced national dairy herd and higher feed costs early in the 2007/08 production season, and is expected to be down around 5% to 9.1 billion litres.

Milk production was sharply lower in the early part of the season, as dairy farmers faced fodder shortages and high supplementary feed costs, wherever feasible opting to keep herds intact in view of the strong milk prices on offer.

Despite lower replacement rates, milking cow numbers are expected to benefit from a lower level of cow culling in the coming season. Surveyed farmers are expected to increase their herds by 2 to 3 % in 2008/09, assuming a return to normal seasonal conditions. Despite these expectations, the Dairy Australia forecast is for milk production to increase slightly by around 1%, as climatic conditions have impacted late season production decisions.

Decisions for individual farmers will depend critically on the rain they received in May and June, what pasture growth eventuates from that rain, and available fodder reserves to carry herds through winter. The outlook for continuing strong milk prices, underpinned by keen competition for milk between dairy companies, will nonetheless sustain a commitment by many farmers to optimise profitable milk production.

Policy decisions relating to water availability, emissions trading, biofuels production, and challenges to “right to farm” will each have potential effects on the rate of increase in production and profitability of Australian dairy farming.

Part 7- Risk factors

Introduction

The Australian dairy industry, Murray Goulburn's operations and investment in Murray Goulburn are subject to a number of risks. These risks may impact on the future performance of Murray Goulburn and the shares held by you. Therefore, before applying to participate in this suppliers' only share offer, you should carefully consider and evaluate the material risk factors set out below.

Whilst Murray Goulburn has implemented various strategies to minimise its risk exposure to these factors, some of these risks are beyond the control of Murray Goulburn.

The risk factors set out below are not exhaustive.

Industry specific risks

(a) Regulatory and free trade issues

The Australian dairy industry is regulated by federal and international government legislation and regulations, and by the World Trade Organisation via its agricultural trade rules. Due to the substantial portion of Murray Goulburn's products being exported around the globe, Murray Goulburn is subject to these international trade barriers and regulations. Changes to either Australian or international legislation and/or regulations (such as the imposition of, or increase to, taxes, tariffs, quotas, subsidies or other imposts) may adversely affect Murray Goulburn's profitability and competitiveness, and may restrict Murray Goulburn's ability to export its products.

Despite free trade agreements providing mostly positive opportunities for Murray Goulburn to trade within the international market without regulatory risk, the liberalisation of trade also allows the negotiation and formation of contracts to the exclusion of Australian based companies, which may adversely affect Murray Goulburn.

(b) Disease

The areas from which Murray Goulburn sources its milk are, and have been for some time, free of diseases, such as anthrax, bovine tuberculosis and brucellosis. Further, Australia is officially recognised as free from both foot and mouth disease and "mad cow disease". Should an outbreak of any of these diseases occur in Australia, then Murray Goulburn's business may be adversely affected due to dairy herd quarantine restrictions and depleted dairy herd numbers, with a consequential reduction in available milk supply. Some dairy products manufactured from infected herds also may be subject to recall.

Contingency plans have been developed by government bodies, in conjunction with milk processors and milk suppliers, in order to manage and mitigate any adverse consequences arising from such disease outbreaks.

(c) Climatic conditions

Murray Goulburn relies upon sufficient milk intake to manufacture its range of dairy products. Murray Goulburn sources approximately 100% of its milk from its 10 Victorian milk supply zones. Milk production in Victoria reaches a peak in late spring and declines thereafter depending on seasonal conditions. The quantity and quality of Murray Goulburn's products may be adversely

affected by climatic conditions, such as drought, below average rainfall or salinity occurring in Murray Goulburn's milk supply zones from time to time. This risk is somewhat mitigated by the geographical spread of its Victorian milk supply zones (ranging from the north, north-central, north-west, north-east, Gippsland and the south-west coastal areas) and Murray Goulburn's growth into southern New South Wales and south-eastern South Australia.

(d) Proposed carbon pollution reduction scheme

The Federal Government recently released its Green Paper on a Carbon Pollution Reduction Scheme. This document sets out options and identifies the Government's preferred position on emissions trading and the support proposed to help households and business adjust to this economic transformation. Because this document is a consultation paper only, the emissions trading scheme (when finally introduced) may not include any or all of the options, preferred positions or dispositions discussed in the paper.

The central piece of the scheme is emissions trading, in which the Government proposes to set a limit on how much carbon pollution industry can produce. The Government intends to sell permits up to that limit, creating an incentive to look for cleaner energy options. Companies can buy and sell permits from each other depending on how much they value them, thereby enabling the market to determine the most efficient ways to reduce carbon pollution. The scheme is intended to commence in 2010, with draft legislation anticipated to be prepared during 2009.

The scheme will cover stationary energy, transport, fugitive emissions, industrial processes, waste and forestry sectors, and all 6 greenhouse gases counted under the Kyoto Protocol from the time the scheme begins. To offset the initial price impact on fuel associated with the introduction of the scheme, the Government intends to cut fuel taxes on a cent for cent basis for an initial 3 year period. For heavy vehicle road users, who transport goods across the country, fuel taxes will also be cut on a cent for cent basis to offset the initial price impact on fuel associated with the impact of the scheme. The Government will review this measure after one year. Agriculture and trade exposed entities are expected to receive concessions on implementation timing and permits respectively. Murray Goulburn is working to reduce the impact to the company of whatever final legislative outcomes are resolved.

The development and implementation of the Government's scheme is expected to increase Murray Goulburn's operating costs. The extent to which Murray Goulburn's costs are expected to increase is not yet known.

Company specific risks

(a) Milk supply

Milk supply arrangements with Murray Goulburn suppliers are generally not the subject of fixed term contracts. Therefore, suppliers can choose to cease supplying Murray Goulburn at any time. This could lead to a reduction in the amount of milk available for processing by Murray Goulburn, if there is a net reduction in milk supply (after taking into account both new suppliers and those ceasing to supply). To mitigate this risk, Murray Goulburn has established strong, long term relationships with its suppliers and has historically paid one of the highest prices for milk. Further, Murray Goulburn sources its milk from over 2,500 suppliers and is not dependent on any one major source.

(b) Milk prices

Murray Goulburn's major expenditure each year is the payment made to suppliers for milk. Milk prices are affected by supply and demand factors, domestically and internationally. Murray

Goulburn's policy is to pay a milk price which reflects actual market returns. As such 100% of market return is passed back to the supplier/shareholder in milk price and profit retention.

(c) Customers

Murray Goulburn sells its dairy products to a range of major Australian and international companies. Murray Goulburn has developed strong, long term relationships with many of these customers. Contractual arrangements include formal and informal contracts. The quantity and price of Murray Goulburn's products are often dictated by seasonal and prevailing market conditions. A change in the ownership of one of these customers, or a significant change in demand for Murray Goulburn's products, may effect Murray Goulburn's sales.

These risks are mitigated by the fact that Murray Goulburn does not rely on any one customer. Its largest domestic customer and its largest export customer represents individually less than 13% of total sales.

The international market has always been an important source of revenue for Murray Goulburn. Originally, Murray Goulburn's exports were concentrated in Great Britain and western continental Europe. However, since expanding into the Asian market, over 50 years ago, the majority of Murray Goulburn's exports are now into that market. Murray Goulburn continues to strengthen and develop its relationships with its export customers and now trades in more than 100 countries.

In both the domestic and international markets Murray Goulburn competes on quality, price and customer service. Whilst there is a reasonable expectation of the continued growth in markets and demand for product, the Board remains cognisant of considerable competition and, in respect of the international markets, export market risks (including trade barriers, foreign currency exchange rate fluctuations and economic stability).

(d) Exchange rate fluctuations

Fluctuations in Australian dollar exchange rates can, and do, impact upon the AUD returns on export sales. Murray Goulburn manages currency fluctuation risk through its foreign exchange hedging policy. Murray Goulburn reviews this policy regularly in order to assess forecast sales and the adequacy of cover provided by its foreign exchange policy.

(e) Commodity prices

55% of Murray Goulburn's revenue is derived from international sales (predominantly in US dollars). Accordingly, Murray Goulburn is exposed to fluctuations in world economic conditions and international commodity prices.

Changes to international dairy commodity prices can impact upon Murray Goulburn's financial performance. Due to the volatility of commodity prices, price fluctuations in Murray Goulburn's products may result in considerable shifts in the level of returns received and passed onto suppliers and shareholders. Murray Goulburn implements various strategies to minimise the impact of commodity pricing risks, such as providing for periodical price reviews and/or reference to current market conditions in long term commodity sales contracts. Murray Goulburn also seeks to minimise such risk by expanding its market diversification and product differentiation, development of brands and developing non commodity products.

(f) Environmental risks

Given that Murray Goulburn is a milk processor and dairy product manufacturer, environmental issues relating to noise and emissions arise from time to time. Murray Goulburn works closely with the

Environment Protection Authority to ensure that these issues are appropriately dealt with. From time to time Murray Goulburn may be required to take action and incur further expense in order to comply with environmental regulations.

(g) Product risk

The quality of the manufactured product is another variable which can adversely affect profits. Milk is a very perishable product and any inefficiency in its handling and processing can critically affect the quality of the end product and thus the price for which it can be sold. Further, there is a risk of product contamination by a range of agents or pathogens at all stages of the milk collection and production process. Murray Goulburn manages these risks by:

- testing and monitoring milk intake from collection on farms to clearance of finished product
- regularly updating plant, providing relevant staff training and by using strict quality control systems which control and monitor every aspect of raw material, processing, packing and finished product
- external audit of operations systems by Dairy Food Safety Victoria, AQIS and other regulatory bodies
- ISO 900:2000 compliance and accreditation and the use of HACCP systems (these internationally recognised quality systems cover all aspects of manufacturing operations from raw materials quality to packaging material tolerance and administration)
- internal audits of each production plant throughout the year to ensure that food safety and quality systems are maintained at the highest possible level, and
- maintaining appropriate insurance cover.

(h) Banking arrangements

The Murray Goulburn group has bank loan facilities which are subject to a negative pledge. As is usual in the case of large loan facilities, certain financial covenants apply. Murray Goulburn operates within these financial covenants. Most facilities are either fixed term or revolving loans and are either on fixed or variable interest rate terms. A summary of Murray Goulburn's interest rate risk and credit risk exposures is contained in note 30 on page 58 of the Annual Report. Interest rate fluctuations on these facilities may result in increased interest costs to Murray Goulburn.

Murray Goulburn's "short-term debt" (i.e. repayable within the next 12 months) is used primarily to fund working capital requirements which mostly includes but is not limited to inventory and debtors management and other assets of a highly liquid nature. These facilities may not be renewed if commercial agreement cannot be reached or if Murray Goulburn can source more appropriate funding. Bearing in mind the current economic climate, interest rates payable by Murray Goulburn may increase under any new facilities taken out by it. Murray Goulburn actively manages its debt facilities and will liaise with its existing financiers well in advance of any expiry dates to ensure that its debt facilities are managed appropriately.

(i) Contingent liabilities and legal proceedings

Neither Murray Goulburn nor any of its controlled entities are currently involved in any legal proceedings which may have a significant adverse effect on either Murray Goulburn's business or its financial prospects, nor is the Board aware that any such proceedings are pending or threatened.

(j) Co-operative income tax status

Murray Goulburn is a “co-operative” for income tax purposes. To qualify as a “co-operative” for income tax purposes, Murray Goulburn must meet certain specified criteria. Such criteria include a need to limit the number of shares that any one shareholder may hold, and a prohibition on the quotation of shares on any stock exchange or in any other public manner. Further, it must carry on a business having as its primary object the acquisition of commodities from its shareholders for manufacture, marketing and distribution. Each of these requirements is included in Murray Goulburn’s constitution. Further, in order to retain its “co-operative” status for income tax purposes on an annual basis, Murray Goulburn must also acquire at least 90% of its milk supply from its shareholders.

In general, co-operatives like Murray Goulburn who qualify as such in a year of income are assessable on all receipts of an income character. However, unlike most other companies, co-operatives are specifically allowed deductions for amounts distributed to shareholders as rebates or bonuses based on business done or as interest or dividends on shares held.

If these requirements are not met in any year, Murray Goulburn may lose its “co-operative” tax status. Murray Goulburn carefully monitors these requirements and its compliance with them in order to eliminate this risk.

General business risks*(a) General economic and business conditions*

The performance of Murray Goulburn is affected by the general economic and business conditions (domestic and global). A downturn in either of the national or global economies may result in a decrease in customer demand and/or an increase in interests rates.

(b) Increase in competition

An increase in competition (domestic and global), including the risk of competitors pursuing all or part of the Murray Goulburn customer or supplier bases may impact Murray Goulburn.

(c) Systems and infrastructure

Murray Goulburn is dependent on the ongoing, efficient operations of its systems and infrastructure. Risks that may threaten Murray Goulburn’s operations include natural disasters, failure of critical machinery, power, gas, water supply and computer equipment and industrial action. Murray Goulburn maintains critical issues management systems and appropriate insurance to cover events of this nature.

(d) Key personnel

The loss of key personnel may adversely affect Murray Goulburn in the short to medium term. Murray Goulburn has strategies in place to reduce the risk of staff losses and to minimise the impact of any loss of key staff.

(e) Change of law

It is possible that changes to statutes and regulations from time to time may impact on Murray Goulburn.

Investment specific risks*(a) Dividends*

Murray Goulburn's mission is to maximise returns to its suppliers, now and in the future. It does this primarily by maximising milk payments to suppliers. The payment of dividends to shareholders is allied to this mission. The amount of profits available for dividend is subject always to available proceeds, which are determined after maximising milk payments to suppliers, meeting all operating costs and expenses and retaining sufficient funds necessary for ongoing working capital. Each year the Board will determine if any dividends are payable on shares and, if so, how much. There is no fixed dividend rate entitlement for any ordinary shares however a summary of dividend rates for ordinary shareholders since 2000 shows:

<i>Year</i>	<i>%</i>
<i>2007</i>	<i>12%</i>
<i>2006</i>	<i>10%</i>
<i>2005</i>	<i>15%</i>
<i>2004</i>	<i>10%</i>
<i>2003</i>	<i>10%</i>
<i>2002</i>	<i>10%</i>
<i>2001</i>	<i>10%</i>
<i>2000</i>	<i>10%</i>

Whilst Murray Goulburn has always paid dividends in each year on all issued shares (including ordinary shares), there is no guarantee of the level or frequency of future dividend payments.

(b) Non-marketability of ordinary shares

As Murray Goulburn is not listed on any stock exchange, there is not a ready market for any ordinary shares which suppliers may wish to sell. Furthermore, Murray Goulburn's constitution prohibits the quoting of these shares on any stock exchange.

(c) No right of a supplier to have his/her ordinary shares bought back

No ordinary shares in Murray Goulburn can be redeemed by it, nor do the holders of ordinary shares have any right to have those shares bought back by Murray Goulburn. Therefore, Murray Goulburn does not financially assist a supplier to "cash out" any of his/her shares if he/she wishes to leave Murray Goulburn, or in times of hardship.

(d) Conversion of ordinary shares to preference shares

If the holder of ordinary shares ceases to be a supplier, the Board has the right under the constitution to convert all of that holder's ordinary shares into either A, B or C class preference shares (such classes to be determined in the absolute discretion of the Board). Preference shares have the right to receive out of profits available for dividend (as determined and declared by the Board from time to time), the dividends due on those preference shares in priority to dividends on ordinary shares. They also have the right to participate rateably with the holders of the ordinary shares in any distribution of surplus profits (after payment of any fixed cumulative preferential dividends and arrears on all preference shares, and after a payment of 8% on all classes of ordinary). Preference shares do not confer on the holder a right to vote.

Preference shares are not able to be redeemed by Murray Goulburn, nor do the holders of preference shares have any rights to have those shares bought back by Murray Goulburn. Therefore, Murray Goulburn does not financially assist persons to “cash out” any of their shares if they wish to realise their investment. As Murray Goulburn is not listed on any stock exchange, there is not a ready market for any preference shares which any person may wish to sell.

(e) Right of the Board to refuse registration of share transfers

The Board has the right to refuse registration of any transfer of shares in Murray Goulburn. The Board will exercise this discretion where Murray Goulburn’s constitution will be breached if the transfer occurred, or where its co-operative principles or co-operative status for income tax purpose are put at risk. Ordinary shares (which are required to be held by suppliers) may not be transferred to non-suppliers. Murray Goulburn’s constitution prohibits both it and any shareholder from quoting any Murray Goulburn shares for sale or purchase at, on or through any stock exchange, or in any other public manner whatsoever.

(f) No capital gain on investment

As shares in Murray Goulburn are acquired and disposed of at the same price (i.e. \$1.00 per share), investors should not expect any capital gain on their investment.

Part 8- Rights attaching to ordinary shares

Share capital

The issued share capital of Murray Goulburn currently consists of a variety of classes of shares including ordinary shares (held by suppliers) and various classes of non-cumulative, non-redeemable preference shares which are held by a wide range of suppliers and non-suppliers.

At the date of this prospectus, Murray Goulburn's paid up share capital is \$213 million, comprised of:

- 179,987,213 ordinary shares
- 17,684,059 A class non-redeemable preference shares
- 8,540,467 B class non-redeemable preference shares, and
- 17,028,407 C class non-redeemable preference shares.

Restrictions on shareholding

Under Murray Goulburn's constitution, there are restrictions on the number of shares any one person can hold. Only current suppliers to Murray Goulburn can hold ordinary (voting) shares.

The number of shares which may be held by or on behalf of any one shareholder is limited to shares, the aggregate of the nominal amounts of which, do not exceed 0.5% of the aggregate of the nominal amount of all the issued shares in Murray Goulburn. The Board can approve the holding of shares in excess of this limit (to a suppliers' superannuation scheme trustee, or an institution approved by Murray Goulburn, or to an employee scheme trustee). Currently no shareholder holds more than the 0.5% maximum and it is not currently envisaged by the Board that it would approve any shareholding in excess of the 0.5% limit.

Right to create further classes of shares

The Board has the right at any time to issue further A class, B class and C class preference shares, and to create and issue additional classes of ordinary and preference shares. Preference shares will rank equally with all other preference shares and in priority to all ordinary shares on a distribution of dividends. In addition, preference shares have the right in a winding up to rank in priority to all ordinary shares for payment of all arrears of dividends and to the repayment of the capital paid up on those preference shares. They have no further rights to participate in the profits or assets of Murray Goulburn, whether surplus or otherwise.

No guarantee of right to supply

Because of taxation rules that require, in part, Murray Goulburn to acquire at least 90% of its milk supply from its shareholders, all persons who intend to supply milk to Murray Goulburn are required to hold ordinary shares in Murray Goulburn.

However, holding shares in Murray Goulburn does not guarantee any shareholder any ongoing right to supply Murray Goulburn with milk.

No automatic entitlement to participate

Being a current supplier or the holder of ordinary shares in Murray Goulburn does not necessary entitle you to automatically participate in any future share issues, which are at the discretion of the Board.

Rights to dividends, if declared

The Board may from time to time (but it is not obliged to) declare a dividend, whether interim or final, to be paid to shareholders of Murray Goulburn.

Holders of ordinary shares issued under this prospectus will be entitled to participate fully in any dividend declared on the next dividend date, irrespective of the date upon which their shares are allotted.

The holders of existing classes of preference shares are entitled to the following dividends:

- A class non-cumulative preference shares – 8% per annum on the paid up capital of those shares, plus the right to participate in any surplus in proportion to the paid up capital of those shares
- B class non-cumulative preference shares – the dividend rate determined by the Board from time to time in its absolute discretion (or failing a determination, the dividend rate applying for the previous 12 month period), plus the right to participate in any surplus in proportion to the paid up capital of those shares
- C class non-cumulative preference shares - the dividend rate determined by the Board from time to time in its absolute discretion (or failing a determination, the dividend rate applying for the previous 12 month period), plus the right to participate in any surplus in proportion to the paid up capital of those shares

“Surplus” for a financial year is the amount remaining out of profits available for dividend after payment of any preferential dividend (including any cumulative arrears), and after payment of a dividend in respect of that financial year at the rate of 8% p.a. on the capital paid up on all classes of ordinary shares. “Surplus” does not include any amounts forming part of a special distribution reserve established by the Board from time to time for distribution to members who supply milk to Murray Goulburn.

If a dividend in respect of ordinary shares or any of the A, B or C class preference shares cannot be, or are not, paid in full in a given year, there is no right to have the deficiency in dividend for that year made up in later years.

Participation in surplus on winding up

In the unlikely event that Murray Goulburn is wound up, the holders of ordinary shares have the right to participate equally in any surplus remaining after the payment of all creditors and repayment of capital paid up on all classes of preference shares. Preference share holders are not entitled to participate in any such surplus.

Voting and receipt of information

If you hold ordinary shares you will have the same rights as all other shareholders to receive notices of general meetings, reports, balance sheets and profit and loss accounts and to attend and be heard at any general meetings of Murray Goulburn.

You will also be entitled to vote at any general meeting. At such meetings the holder of ordinary shares present in person or by proxy, attorney or representative has, on a poll, one vote for each ordinary share held. On a show of hands he/she has one vote irrespective of the number of ordinary shares that he/she holds.

Right of Murray Goulburn to convert ordinary shares into preference shares.

If a shareholder is not a supplier or ceases to be a supplier, the Board has the right under the constitution to convert all ordinary shares that are held by that shareholder into either A, B or C class preferences, in its absolute discretion.

If any conversion of shares occurs, Murray Goulburn is required to notify the relevant shareholder and the shareholder is required to deliver to Murray Goulburn any relevant share certificates in his/her possession or control. Unless other-wise instructed, Murray Goulburn will be entitled to retain all new share certificates relating to the shares issued upon conversion.

The Board may reconvert any preference shares into ordinary shares if the holder again becomes a supplier.

Dividend reinvestment plan

Under Murray Goulburn's dividend reinvestment plan, shareholders can elect to have dividends payable on their shares automatically reinvested in the same class of shares on which the dividends were paid, thereby allowing further investments in Murray Goulburn to occur in a convenient, timely and efficient manner. This right applies to ordinary shares offered under this suppliers' only share offer. Suppliers will receive with the final step up advice a form to register their participation in the plan.

If you have any questions about the plan please contact the Share Registry for further details ((03) 9389 6400).

Suppliers' equity share scheme

Under the constitution the Board is entitled to require each supplier to participate in the suppliers' equity share scheme. A supplier is required to participate if the Board determines that such supplier :

- may at the end of such financial year hold less than the required number of ordinary shares for each kilogram of "product" which the Board estimates will be supplied by that supplier to Murray Goulburn during that financial year, or
- at the end of such financial year held less than the required number of ordinary shares for each kilogram of "product" which that supplier has actually supplied to Murray Goulburn during that financial year.

"Product" means butterfat or any other component of milk or cream (including protein) selected by the Board from time to time. Suppliers are required to participate by directing a part of the proceeds from the sale of their milk (currently 0.65 cents per litre of milk) to Murray Goulburn towards paying for sufficient ordinary shares in Murray Goulburn to achieve the required shareholding.

Suppliers appoint Murray Goulburn (and any delegate of Murray Goulburn) as their attorney to complete all matters necessary or required to be done by suppliers to enable them to participate fully in the suppliers' equity share scheme.

Special distribution reserve

The constitution allows the Board to establish and operate a special distribution reserve from time to time. In summary, the Board may in its absolute discretion set aside out of the retained earnings and reserves of Murray Goulburn in any year amounts as it thinks fit to establish a special distribution reserve (“reserve”). The Board may if it thinks fit allocate amounts to this reserve to the credit of members who have during that year (or part thereof as determined by the Board in its absolute discretion) (“relevant eligibility period”) supplied product to Murray Goulburn in proportion (as near as conveniently may be) to the amount of product supplied by all other members of Murray Goulburn. The Board may in its absolute discretion:

- pay the amount allocated to the respective members
- allocate the amount on behalf of the respective members for utilisation in accordance with the provisions of any deferred pay share scheme
- satisfy the allocated amount by the allotment of fully paid up shares, or
- a combination of the above.

The Board may in its absolute discretion fix one or more dates in respect of the distribution of monies from the reserve. These payment dates must arise during the relevant financial year or at any time within a period of 6 months following the end of that relevant financial year. The Board must announce its intention to create a reserve, the relevant eligibility period and the payment date(s) for a relevant financial year no later than 30 June in that relevant financial year.

If any member ceases to be a current supplier of milk or cream prior to any payment date, such member shall not be entitled to participate in the payments due to that supplier on that payment date and such member’s share will be retained by Murray Goulburn.

The Board can establish rules for the further administration and operation of the reserve from time to time, and can vary those rules

Bonuses

The Board may also declare a bonus to be paid out of Murray Goulburn’s profits which are available for payment of a dividend. Any bonus must be in proportion to the amount of milk supplied by each member to Murray Goulburn (as determined by the Board), and may be paid in cash or satisfied by the allotment of fully paid ordinary shares.

Taxation issues for investors

Dividends payments to shareholders in Murray Goulburn are usually unfranked. This is because Murray Goulburn receives an income tax deduction for its dividend payments each year (because it is a co-operative for income tax purposes), such dividends, by law, are unable to be franked to any shareholder. This is not considered to be a disadvantage as it allows Murray Goulburn to pay a higher dividend on its shares. However from time to time, where franking credits are generated within Murray Goulburn, these can be passed on to shareholders as fully or partly franked dividends.

If Murray Goulburn shareholders receive unfranked dividends, all amounts they receive will be taxable in their hands. For income tax purposes, dividends will be assessed to shareholders in the year in which they are paid.

As this taxation summary is general in nature, you should consult your own professional tax adviser for independent advice on the precise tax consequences relevant to your particular circumstances.

Part 9- Additional information

Status

Murray Goulburn is an unlisted public company that was incorporated in Victoria, Australia, in 1950.

Co-operative principles

Although Murray Goulburn's affairs and conduct are governed by the Corporations Act, and specific State based co-operatives' legislation does not apply to it, Murray Goulburn is committed to a range of core co-operative principles. Some of these co-operative principles are enshrined in Murray Goulburn's constitution and others form part of Murray Goulburn's day to day operations.

The essence of the co-operative nature of Murray Goulburn is summarised as follows:

- its primary object is the processing, marketing and distribution of its members' milk
- to maximise returns to its supplier members
- suppliers form the majority of the Murray Goulburn directors
- directors are democratically elected to the Board through the right of suppliers in each of Murray Goulburn's 10 milk supply zones to elect who will be their "representative" director on the Board (subject to ratification in general meeting)
- the number of shares which any shareholder may hold (whether supplier or other entity) is strictly limited
- the quotation of its shares on any stock exchange or any other public manner is prohibited, and
- control of Murray Goulburn remains with its supplier members who are the only ones entitled to vote at general meetings.

Murray Goulburn's constitution requires that all current and prospective suppliers hold a minimum parcel of shares in Murray Goulburn in order to trade with Murray Goulburn (currently 500 shares of one class).

Consents and disclaimers

Deloitte Touche Tohmatsu, Chartered Accountants, have given, and have not prior to the lodgement of the prospectus with ASIC, withdrawn their consent to the issue of this prospectus incorporating by reference the Annual Report and Half Yearly Report (with their names and the Independent Auditor's Report on pages 64 and 65 of the Annual Report and their Independent Auditor's Review Report on pages 9 and 10 of the Half Yearly Report), each in the form and context in which they appear. Deloitte Touche Tohmatsu take no responsibility for any part of this prospectus, the Annual Report or the Half Yearly Report other than any reference to their name and their Independent Auditor's Report and Independent Auditor's Review Report respectively.

Dairy Australia has given, and has not prior to the lodgement of this prospectus with ASIC, withdrawn its consent, to the issue of this prospectus with extracts of its report titled "Dairy 2008 – Situation and

Outlook” (published in June 2008) contained in part 6 of this prospectus, in the form and context in which they are included.

Interest of experts

Save as disclosed elsewhere in this prospectus, the Annual Report or Half Yearly Report, no person named in this prospectus, the Annual Report or Half Yearly Report as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this prospectus:

- (a) holds or held at any time during the last 2 years any interest in the formation or promotion of Murray Goulburn, or property acquired or proposed to be acquired by Murray Goulburn in connection with its formation or promotion or the offer of shares under this prospectus; or
- (b) was paid or given or agreed to be paid or given any amount or benefit for services provided by such persons in connection with the formation or promotion of Murray Goulburn or the offer of shares under this prospectus.

Deloitte Touche Tohmatsu has conducted an audit of the Murray Goulburn financial report for the year ended 30 June 2007 and has conducted a review of the Murray Goulburn financial report for the half year ended 31 December 2007. Deloitte Touche Tohmatsu has also provided accountancy, taxation and other consultancy and advisory services to Murray Goulburn over a period of years. Murray Goulburn has paid or agreed to pay approximately \$504,000 for these services since 1 July 2007. Further amounts may be paid to Deloitte Touche Tohmatsu in accordance with its time-based charge out rates.

Privacy statement

Chapter 2C of the Corporations Act requires information about you as a shareholder (including name, address and details of the shares you hold) to be included in Murray Goulburn’s share register. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to register your shareholding. You can obtain access to your personal information by contacting Murray Goulburn’s Share Registry on (03) 9389 6400.

Part 10 – Directors’ information

Directors

Directors holding office at the date of this prospectus are:

I W MacAulay, Yarram	Chairman - Director
G J Davies, Fish Point via Swan Hill	Deputy Chairman - Director
D F Howard, Camperdown	Deputy Chairman - Director
S J O’Rourke, Gisborne	Managing Director
L A Jarvis, Kergunyah	Director
S T Mills, Numurkah	Director
W M Brown, Kongwak	Director
W H Miles, Calivil	Director
J P Pye, Bessiebelle	Director
J T Vardy, Maffra	Director
W J A Verboon, Korumburra	Director

All directors are “supplier” directors (ie dairy farmers who supply milk to Murray Goulburn), save for S J O’Rourke.

Directors qualifications and entitlements

To qualify for election as a Murray Goulburn supplier director, a candidate must be a dairy farmer who supplies milk to Murray Goulburn and hold a minimum of 2,000 shares in Murray Goulburn. In addition, each supplier director must have been nominated as a director by members of his supply zone.

Further details on these directors are included in the Annual Report.

The non-executive directors receive remuneration for acting as directors of Murray Goulburn. This remuneration is determined by shareholders in general meeting and is currently set at \$600,000 in aggregate. The managing director is paid a salary which is determined by the Board from time to time.

Relationship between non-executive directors and Murray Goulburn

In addition, each of the non-executive directors and/or entities associated with them holds ordinary shares in Murray Goulburn, supplies milk to Murray Goulburn, has received distributions from Murray Goulburn, and is eligible to participate (and some have participated) in short term supplier

financial assistance. In doing so, each has participated on materially the same terms and conditions as all other suppliers.

Interests of directors

Save as disclosed elsewhere in this prospectus, the Annual Report or Half Yearly Report, no director or proposed director or promoter of Murray Goulburn:

- (a) holds or held at any time during the last 2 years any interest in the formation or promotion of Murray Goulburn, or property acquired or proposed to be acquired by Murray Goulburn in connection with its formation or promotion or the offer of shares under this prospectus; or
- (b) was paid or given or agreed to be paid or given any amount or benefit for services provided by such persons in connection with the formation or promotion of Murray Goulburn or the offer of shares under this prospectus.

Directors' responsibility statement

This prospectus is issued by Murray Goulburn and is authorised by each director of Murray Goulburn, each of whom has consented to its issue and its lodgement with ASIC.



Ian MacAulay
Chairman

Part 11 – Glossary

Unless the context otherwise requires the following words have the meanings ascribed to them below.

Annual Report - 57th Annual Report of Murray Goulburn for the year ended 30 June 2007.

Application Form – The application form attached to this prospectus.

Application Form Guide – The guide to the Application Form included in part 12.

ACCC – Australian Competition and Consumer Commission.

AQIS – Australian Quarantine Inspection Service which manages quarantine controls at Australian borders to minimise the risk of exotic pests and diseases entering the country

ASIC - Australian Securities and Investments Commission.

Board - The board of directors from time to time of Murray Goulburn.

constitution – The constitution of Murray Goulburn Co-operative Co Limited.

current supplier of milk or cream – Each supplier who the Board determines from time to time in its absolute discretion is actively supplying milk or cream to any Murray Goulburn group member.

Dairy Australia - Dairy Australia is the dairy industry's services provider, owned by the industry, whose members are farmers and industry bodies. It is committed to helping the dairy industry to be collaborative, innovative, sustainable and competitive against both international dairy industries and substitute products.

HACCP - A company which designs, implements and manages food safety programmes for organisations in the food and food-related industries.

Half Yearly Report – The financial report of Murray Goulburn for the 6 month period to 31 December 2007

members – Shareholders in Murray Goulburn Co-operative Co Limited.

Murray Goulburn or company - Murray Goulburn Co-operative Co Limited (ACN 004 277 089).

Murray Goulburn group or group or Co-operative - Murray Goulburn Co-operative Co Limited and its controlled entities.

offer period – The period during which applicants may be made for ordinary shares under this suppliers' only share offer.

preference shares - All classes of preference shares (including redeemable, non-redeemable, cumulative and non-cumulative, participating and non-participating shares) on issue in Murray Goulburn from time to time.

product - Butterfat or any other component of milk or cream (including protein) selected by the Board from time to time

prospectus – This document (which incorporates by reference the Annual Report and the Half Yearly Report).

supplier - A company, partnership or individual which, in the opinion of the Board, is (or is in the process of becoming) a current supplier of milk or cream to Murray Goulburn, any company which is an associate of Murray Goulburn, any entity which the Board has by resolution declared to be an associate of Murray Goulburn, or any agent, authority or corporation nominated by Murray Goulburn, (singularly or collectively “Murray Goulburn entity”) at the time such opinion is formed; and a share farmer in respect of a farm which is (or is in the process of becoming) a current supplier of milk or cream to a Murray Goulburn entity; and an individual which is a member of a company or partnership which is deemed to be a current supplier within the above meaning.

suppliers’ equity share scheme - The scheme adopted by the Board (and ratified by Murray Goulburn in general meeting) in respect of any financial year which enables suppliers to acquire shares in Murray Goulburn whether by allotment or purchase.

suppliers’ only share offer – The offer for the issue of 100 million ordinary shares of \$1.00 each to eligible suppliers made under this prospectus.

Part 12 – Application Form Guide

Your guide to the Application Form

1. All applicants should read the prospectus to which the Application Form relates before completing and signing the Application Form,
2. Please complete all blank sections of the Application Form using BLOCK LETTERS. If you do not provide your tax file number and/or Australian Business Number where the investment is made as part of carrying on a business, Murray Goulburn is obliged by law to deduct income tax at the rate of 46.5% on all dividend payments you would otherwise be entitled to receive.
3. **The minimum investment is 1,000 ordinary shares (and thereafter in multiples of 500).**
4. Please include the amount you wish to invest in the space provided in Part A of the Application Form, beside the words “Total Application Moneys”.
5. All communications to you from Murray Goulburn’s Share Registry (e.g. share certificates, annual/interim reports, correspondence, etc) will be mailed to the first named person(s) at the address as shown in the Application Form.
6. Please complete the space for telephone numbers so that we can contact you quickly if there is a question relating to your application.
7. Pursuant to the direction contained in Part C of the Application Form, Murray Goulburn will retain all share certificates in respect of all shares allotted to you until you otherwise direct in writing. If you do not wish Murray Goulburn to retain these share certificates, but require that they be forwarded to you, please delete Part C of the Application Form, and initial the deletion.
8. All applicants should sign the Application Form. The applicant(s) should sign personally, under company seal or by an attorney. If the applicant is a trust, all trustees of that trust should sign. If signing under power of attorney, please send the original power of attorney to Murray Goulburn for noting. If the applicant is a company, when signing under seal, make sure the company seal includes its Australian Company Number (ACN), or ARBN. If the applicant is not a company, please include the relevant ABN.
9. Please send or deliver the completed and signed Application Form to:
Share Registry
Murray Goulburn Co-Operative Co Limited
140 Dawson Street
Brunswick VIC 3056
10. If you require any further information on how to apply for any shares please contact Mr Ian Bird, Murray Goulburn’s Company Secretary on (03) 9389 6400

**SUPPLIERS ONLY SHARE OFFER TO CURRENT SUPPLIERS
OF MURRAY GOULBURN**

APPLICATION FOR ORDINARY SHARES OFFERED PURSUANT TO A PROSPECTUS DATED 21 JULY
2008 (EXPIRY DATE 20 AUGUST 2009)

This Application Form should be completed in BLOCK LETTERS in accordance with the Application Form
Guide contained in part 12 of the prospectus.

Part A

TO: The Directors
Murray Goulburn Co-Operative Co. Limited ("Murray Goulburn")
A.C.N. 004 277 089
140 Dawson Street
BRUNSWICK, VICTORIA 3056

NAME OF APPLICANT _____ ACN/ARBN/ABN _____

SHAREHOLDER NUMBER _____ SUPPLIER NUMBER _____

GIVEN NAMES (in full, if a person) _____

FULL POSTAL ADDRESS _____

_____ STATE _____ POSTCODE _____

TELEPHONE NUMBER(S) _____ (B.H.) _____ (AH)

TAX FILE No. ____ / ____ / ____ **TOTAL APPLICATION MONEYS \$** _____

Part B

I/We whose full name(s) and address(es) appear above hereby unconditionally apply for ordinary shares in Murray Goulburn specified below (to be issued upon the terms of the prospectus dated 21 July 2008) and direct that the Total Application Moneys referred to herein be applied as indicated (on the basis of 1 ordinary share for each dollar of Total Application Moneys).

I/We agree to be bound by the constitution of Murray Goulburn (including, without limitation, the terms of the suppliers' equity share scheme) and I/We agree to accept as allottee all shares so issued and allotted to me/us. I/We declare that if this form is signed by an attorney, the attorney states that he has no notice of revocation of the Power of Attorney under authority of which this application is signed.

Furthermore, by submitting this Application Form, I/we represent that I/we have read and understood the prospectus to which this Application Form relates and declare that this application is completed and lodged according to the prospectus and the Application Form Guide in part 12. I/We and declare that all details and statements made by me/us are complete and accurate. I/We represent and warrant that I/we have not relied on any other information provided by Murray Goulburn other than that as set out in this prospectus when making my/our decision to invest in this suppliers' only share offer.

I apply for the number of ordinary shares (each to be issued at \$1.00 per share) equal to the Total Application Moneys:

Part C

*I/We hereby instruct Murray Goulburn to retain on my/our behalf share certificates in respect of all shares allotted to me/us until I/we otherwise direct in writing. [***Delete if you require the relevant share certificates to be forwarded to you**]

Signatures _____

Companies

Individual Applicants _____

The common seal of
was hereunto affixed in accordance
with
in the presence of
director

Secretary

Note: To meet the requirements of the Corporations Act, this Application Form must not be handed on unless attached to or accompanied by the prospectus.