

GEO Property Group

Comprising:

GEO Property Trust ("Trust")

ARSN 104 482 206

(Responsible Entity: GEO Management Limited)

ABN 77 116 506 882, AFSL 304866)

GEO Property Group Limited ("Company")

ABN 38 117 546 326

ASX Code: GPM



ASX ANNOUNCEMENT/MEDIA RELEASE

GEO PROPERTY GROUP SIGNS AGREEMENT FOR MANAGEMENT INTERNALISATION AND PROVIDES BUSINESS UPDATE

INTERNALISATION AND RELATED ISSUES

GEO Property Group (GEO/Group) has exchanged binding agreements to acquire all of the shares in the responsible entity of the GEO Property Trust, as part of its transition to internal management. Completion of the acquisition is subject to typical conditions precedent.

The responsible entity is to be acquired from Octaviar Financial Services Limited (OFSL) for \$2.5 million, representing approximately 0.3% of assets under management (as at 31 December 2007) plus the net asset value of the responsible entity as at the date of completion. The net assets will be in cash. Given termination of the external management fee arrangement, the acquisition is expected to be earnings accretive over the medium to longer term. The acquisition will be paid for from existing debt facilities. Related to the internalisation 4,329,472 GEO stapled securities held by Mr. Farrands under his previous employee incentive arrangements will transfer back to a subsidiary of Octaviar Limited.

The Group will also, as part of internalisation, take back full ownership of a Communities Development project that was acquired by Octaviar Land Fund and that was to be developed under a development management arrangement with GEO. This requires no additional immediate payments by GEO, but GEO will write back the \$2m nomination fee due from Octaviar Land Fund that was recognised as revenue in 2007. The next payment of \$3m to the vendor is due in January 2009, and there are further annual payments over five years. GEO currently intends to offer this project for sale.

GEO Managing Director and CEO Guy Farrands said the internalisation of the management of the Trust and the acquisition of the Communities Development project formalised the Group's complete separation from Octaviar.

"The completion of internalisation of the management function for the Trust will complete our separation from Octaviar and we will be well positioned to push ahead with our strategic plan for the Group," he said.

Under the agreement all staff currently employed by the responsible entity will transfer to the Group at an additional cost per annum of approximately \$7m. Under the Octaviar management arrangement the total potential management fee expense was up to \$12m for 2008 financial year, including performance fees and transaction fees, if they were to become payable.

The Group has also accepted the resignation of Craig White as a Non-executive Director. Mr White is the former Chief Executive Officer of Octaviar, former Managing Director of the Group and has been a Director

For further information please contact:

GEO Property Group
Ground Floor, 9 Ouyan Street
Bundall QLD 4217
Website: www.geopg.com.au

SHARE REGISTRY
Computershare Investor Services Pty Limited
Level 19, 307 Queen Street
Brisbane QLD 4000
Telephone: 1300 651 684

Securityholder Queries:

Email: securityholder@geopg.com.au
Telephone: 1300 552 434

since August 2005. The Board thanked Mr White for his valuable contribution to the Group, including his key role in the acquisition of Villa World Limited in 2006.

GEO has made a request to the ASX to lift the voluntary suspension of GEO Property Group stapled securities. If ASX grants this, it is expected that GEO stapled securities will recommence trading on 15 May 2008. GEO's ASX code is now **GPM**.

BUSINESS UPDATE

Net tangible asset backing per security

GEO has recently undertaken and concluded a review of the carrying value of its investment assets. Following this review GEO advises that its unaudited NTA backing per security as at 30 April 2008 is approximately \$0.73 (31 December: \$0.78). This does not include the unaudited positive mark-to-market value of Communities Development stock held as inventory, estimated at approximately \$0.12 per security as at 29 February 2008.

The decline in NTA is attributable to reductions in the carrying value and loss on sale of some investment assets of the Trust, the material items being:

- Write downs or losses on sale relating to the property investment portfolio of \$15.9m. This assumes that GEO's legal action relating to the \$3m owed by the defaulting original purchaser of Gympie is eventually successful;
- Write down and loss on sale relating to securities held in Hedley Leisure and Gaming Property Fund and National Leisure and Gaming Limited of approximately \$5.3m; and
- Write down of an investment in Octaviar Blue Sky Trust of \$3.6m. This investment has been written down to zero.

Operating earnings guidance for Year Ended 30 June 2008

We remain confident of achieving operating EPS¹ of 8.1 cps for FY08, before one off non-recurring items. We expect one off non-recurring items to at least include:

- Cost relating to Octaviar (MFS) / internalisation and including the write back of the nomination fee due from Octaviar Land Fund that was recognised in 2007;
- Costs relating to re-negotiation of debt facilities;
- Write downs / losses on sale of investment property; and
- Loss on sale of securities in both Hedley Leisure and Gaming Property Fund and National Leisure and Gaming Limited of \$8.0m. \$3.6m had been partially written down in previous periods against equity value in the balance sheet. That treatment has been reversed and the full loss will now be realised through the income statement.

Capital realisation program

GEO is pleased to advise it has further progressed its capital realisation program, having finalised the sale of a further \$28m worth of real estate, taking the total sales finalised to approximately \$68m.

Negotiations are advanced or terms have been agreed and are subject to due diligence / documentation on the realisation of a further \$100m of investment real estate and Communities Development projects through sales and joint ventures, bringing the total sold calculated on this basis to approximately \$168m, representing 70% of the total realisation target.

¹ After fair value adjustments

Further details are provided below:

Property	Sale Price (\$m)	Book value 31 Dec 07 (\$m)
Trust settled / unconditional		
Previously announced	39.7 ¹	44.9
294 Woodville Road, Villawood	15.2	17.5
172 Moreland Road, Brunswick	13.0	13.3
Sub Total	67.9	75.7
Trust terms agreed in Due Diligence / documentation	40.1	
Sub Total	108.0	
In advanced negotiation	41.0	
Communities Development JVs terms agreed in DD / documentation ²	18.7	
TOTAL	167.7	

1 Does not include recovery of the \$3m owed by the defaulting original purchaser of Gympie.

2 Represents sale proceeds net of re-investment into joint venture. Explanation provided below.

Communities Development Joint Ventures

GEO has agreed terms subject to various conditions precedent for two joint ventures on existing Communities Development projects with a total value of approximately \$25m (100% interest). The joint ventures comprise a portion of GEO's Mt Cotton project for \$14.0m (the land only component with GEO retaining the house and land and commercial part of the project) and the entire Cornells Hill project for \$10.6m.

Under the joint venture arrangements GEO will receive acquisition, development management and sales and marketing management fees, as well as profit participation from its 50% equity interest. GEO can also earn performance fees should the projects deliver returns above agreed thresholds.

Should these two transactions be finalised net proceeds of approximately \$18.7m (net of GEO's reinvestment into the joint ventures) will be applied to reducing the Group's multi option facility. It should be noted however that given GEO's continuing involvement in the joint ventures the net debt of the Group on look through basis will only reduce marginally.

The joint ventures are in line with the Group's focus on capital management and strategy to leverage its expertise using third party capital to enhance return on equity.

ENDS

Guy Farrands
 Managing Director and CEO
 GEO Property Group
 (02) 8259 7251

Date: 14 May 2008

For further information please contact:
 GEO Property Group
 Ground Floor, 9 Ouyan Street
 Bundall QLD 4217
 Website: www.geopg.com.au

Securityholder Queries:
 Email: securityholder@geopg.com.au
 Telephone: 1300 552 434

SHARE REGISTRY
 Computershare Investor Services Pty Limited
 Level 19, 307 Queen Street
 Brisbane QLD 4000
 Telephone: 1300 651 684

Sydney	Gold Coast	Melbourne	Share Registry
Level 13 167 Macquarie St Sydney NSW 2000	Ground Level 9 Ouyan Street Bundall Qld 4217	Level 2 600 Victoria Street Richmond Vic 3121	Computershare Investor Services Pty Ltd Level 19, 307 Queen Street Brisbane QLD 4000
Tel 02 8259 7251	Tel 07 5588 8888	Tel 03 8412 3333	Tel: 1300 651 684

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