SHAREHOLDERS' BULLETIN

DECEMBER 2009 HALF

Devine® LIMITED

Chairman's Message

I am pleased to again be communicating with you through this Shareholders' Bulletin which is published twice a year. This edition will provide you with details of the December 2009 half-year results and updates on a number of initiatives and activities undertaken by your company since the last publication.

The period since I last wrote to you has been an active one for Devine. The founder of the company, David Devine, announced at the company's AGM held on 31 October 2009 that he would be stepping down from the position of Managing Director once a suitable replacement had been found. This occurred in January of this year and I am pleased to advise on behalf of the Board that Mr David Keir commenced with Devine as its new Chief Executive Officer on 1 March and brings a wealth of experience in the residential sector to the company.

The Board also announced on 22 February 2010 that it was undertaking a capital raising with this to comprise a placement component to institutions of $11.8M and a Rights Issue to eligible shareholders of $54.4M. The total proceeds of $66.3M will be used to fund the continued growth of the company's Housing and Land business, to support the recently concluded refinancing of its core debt facilities and to boost liquidity reserves.

The offer booklet and entitlement and acceptance form have been dispatched to eligible shareholders, who should have received this by the time this publication reaches shareholders. Details of the capital raising are also available at the Investors Relations section on the company's website, www.devine.com.au . A personalised entitlement and acceptance form can also be downloaded from this site.

You will see from the explanatory material in the offer booklet that both David Devine and his fellow executive director, Ken Woodley, are selling their shares in Devine to the company's largest shareholder, Leighton. This sale was negotiated pursuant to the existing Pre-emptive Rights Deed under which David Devine and Ken Woodley have granted pre-emptice rights over their shares in Devine to Leighton and which was approved by shareholders when Leighton took an initial 40% stake in Devine in May 2007.

Following this sale, Leighton will have an approximate 49.7% stake in Devine. Given the sale of their shareholdings, Mr Devine and Mr Woodley have both taken the decision to retire from the Board effective on 31 March 2010.

Further on in this publication we acknowledge David Devine's vision in establishing the company nearly three decades ago and also the contribution that he and Ken Woodley have made to Devine over the years. You will also find by way of an introduction to our new CEO, a brief profile of David Keir.

As is our normal practice, we have reprinted the "Directors' Comments" section of our half-year results release in full in this Bulletin. It is pleasing to update two particular aspects of those comments and these relate to the section dealing with "Banking Covenants and Debt facilities" and the status of sales at the Hamilton Harbour project.

Subsequent to the release of the half-year results the company successfully concluded the re-negotiation of its core debt facilities. In addition, with the capital raising detailed above, Devine's core debt facility totaling $160M has now been extended out a further 17 months to July 2012 giving the company a solid funding platform on which to operate for the next two and a half years.

Sales at the Hamilton Harbour project which is being undertaken in a joint venture with Leighton Properties have continued to perform well and updated numbers are reported in the separate article on this project.

I trust that you will find the remaining articles in this edition of the Shareholders' Bulletin informative.

DOUG RIDLEY
Chairman

Devine Limited

Rights Offer

Closes 22 March 2010

Visit www.devine.com.au "Investor relations" for further details.

Directors' Comments

The Directors of Devine Limited announce an underlying net profit after tax from operations of $14.424 million for the half-year ended 31 December 2009. This result is 24% up on the net underlying profit after tax for the corresponding period last year.

One-off charges and impairments totaling $13.203 million after tax were recognised in the six months to 31 December 2009 (corresponding period last year, Nil) resulting in a net profit after tax and one-off charges and impairments attributable to members of $1.221 million for the half-year ended 31 December 2009 (corresponding period last year $11.595 million).

The one-off charges and impairments followed a review of the strategy for the company's Property Development division. This review resulted in a decision being taken to focus on high and medium-density residential projects going forward and not to proceed with planned large-scale and commercial development projects, such as the "French Quarter" development in the Brisbane CBD as originally planned.

The result was derived from revenue from operations of $304.401 million, which was 54% higher than that reported for the December 2008 half.

Highlights for the Half-Year

The following are key highlights for the half-year and up to the date of this report:

- Profits for the Housing and Land Division up 162% on the corresponding six month period to December 2008, driven by excellent results recorded again in the Victorian and South Australian Housing and Land divisions and the Queensland housing market showing signs of recovery.
- Strong land sales with 968 lots settling in the six month period (up 43% on last year).
- The marketing launch of the second residential tower in the company's Hamilton Harbour mixed-use development at Hamilton in Brisbane which is being undertaken in a joint venture with Leighton Properties. Strong sales recorded following the sale of over 90% of the first stage.
- Construction of the company's Serviced Apartment Hotel development in Bourke Street Melbourne well ahead of schedule and within budget. Completion is now forecast to occur in March 2010. This development has been pre-sold to the Ascott Group for $136M.
- Consistent with the company's new strategy, the sale in August 2009 of the Body Corporate and Property Management business, SSKB Holdings.
- Strengthening of the Devine Group's balance sheet including a reduction in the company's net debt by $140.050 million (38.8%) in the 12 months since December 2008.

Results Summary

A summary of the half-year's results and related commentary follows:

$'000	Half Year Ended December 2009	Half Year Ended December 2008
Revenue from Operations	304,401	197,873
Underlying Operating Profit After Tax	14,424	11,595
Net Profit After Tax and One-off Items and Impairments Attributable to Shareholders	1,221	11,595
EPS Basic	0.4 cents	4.0 cents
EPS Diluted	0.4 cents	4.0 cents
Interim Dividend – (Fully Franked)	Nil	3.0 cents

Directors' Comments

continued

Housing Division

Devine's Housing and Land Division continued on its growth path generating increased profits with a PBT of $17.002 million being recorded for the six months to 31 December 2009. This compared with a profit of $6.482 million in the corresponding period to 31 December 2008 and $14.672 million for the full year ending 30 June 2009.

The above result was recorded on revenues of $201.775 million up 38% on the December 08 half and reflected the settlement of 968 residential lots and 451 house commencements.

House and land and land only sales for the six months to December 2009 were significantly up on the corresponding period for the previous year in all states. Queensland recorded a 197% lift in house and land package sales and 130 land only sales, Victoria recorded a 56% increase in house and land package sales and over 300 land only sales whilst South Australia recorded a 32% lift in house and land package sales and 89 land only sales.

As stated above, the company's Victorian and South Australian operations continue to perform well and there were encouraging signs that the market in south-east Queensland was turning the corner albeit that housing affordability remains a major issue adversely impacting on sales.

The Federal Government's First Home Owners Grant (FHOG) "boost" ended in December but the Victorian and South Australian government's additional subsidies to first home buyers remain in place (until 30 June 2010 in the case of Victoria). Whilst interest rates have started to trend up again, by historical standards they remain low with the official cash rate at 3.75% and this helps to address the affordability issue for aspiring first homebuyers.

Property Development Division

The changed strategy for this division referred to earlier resulted in two Brisbane CBD sites being sold and settled in the December 09 half and the sale of Devine's 50% interest in the "King George Central" office development at 145 Ann St in the Brisbane CBD to its joint venture partner, Leighton Properties Pty Ltd.

Before impairments and one-off charges, this division reported a profit of $4.953 million before tax for the six months to 31 December 2009. This compared to the profit reported for the corresponding period to 31 December 08 of $12.319 million. After impairments, the reported loss for the December 09 half was $13.840 million (before tax).

The following is a brief outline of the activities for the Property Development division for the December half and status of current and potential future projects.

Bourke Street, Melbourne - This 398 room serviced apartment hotel project was pre-sold to The Ascott Group for $136 million. Multiplex, who are contracted to build the hotel, commenced construction in June 2008. The structure was 91% complete at 31 December 2009 with completion now expected to occur in March 2010 (originally scheduled to complete in September 2010).

96 Albert Street, Brisbane – Following the failure of the original purchasers to settle on the site, it was sold to a new purchaser and settlement occurred in December 2009. The deposit received from the original purchasers was retained and Devine has commenced action in the Queensland Supreme Court to recover losses resulting from their failure to settle. Despite a counter-claim being lodged by the original purchasers for the return of their deposit, Directors remain confident of a favourable outcome when the matter is heard by the court which is expected to occur later this year. No amount has been taken up in the accounts in respect of any potential recovery.

Carrington & Camelot sites (French Quarter), Brisbane – As noted above, the adoption of a new strategy for the Property Development division resulted in the Carrington and Camelot sites being put on the market for sale. The subsequent marketing campaign saw the Carrington site being sold for $25 million with settlement occurring in December 2009. Devine is revamping its marketing strategy and considering alternative options for the remaining Camelot site.

111 Margaret Street – Devine has continued to progress concepts for this Brisbane CBD site. Given the emerging shortage of new CBD residential unit projects coming onto the market in Brisbane, the company is currently progressing plans for a residential tower on this site with marketing to commence early in the 2011 calendar year.

The following is a brief update on the status of projects that are or were being undertaken in joint venture with Leighton Properties.

King George Central, 145 Ann Street, Brisbane – As stated above, in keeping with Devine's revised strategy, the company sold its 50% interest in this 25 level office development to Leighton Properties with the transaction being finalised in November 2009. The consideration received allowed Devine to recover its investment in the joint venture and to recycle capital that was previously committed to the project back into residential projects.

Hamilton Harbour, Brisbane – This is a mixed-use residential, commercial and retail development being undertaken in a Joint Venture with Leighton Properties. It will be developed over five stages and has an estimated end value when completed of approximately $475M.

The project has been very successful with over 90% of the first stage being sold by 31 December 2009 with 233 apartments representing $125.6 million sold. Following the success of the first stage, the second stage residential tower was released to the market in October 2009 and this has resulted in total sales to date for the two stages of 377 apartments worth $196.6 million with 317 of these sales unconditional with 10% deposit paid.

Devine together with its joint venture partner, Leighton Properties, continue to progress securing funding for the construction phase and are confident that this will be achieved.

QLD Rail Land, Townsville – Following a successful tender for this strategic site adjacent to Townsville's CBD, Leighton Properties and Devine will jointly develop this predominantly residential project in stages over the next seven to ten years. Extensive consultation has occurred with the Townsville City Council with a development application having now been lodged and approval is expected in the June 2010 quarter.

Devine Constructions

Devine Constructions has been awarded the construction contract for the first stage of the Devine/Leighton Properties joint venture development, Hamilton Harbour, discussed above.

This division also tendered for and won a $5.5 million allocation of the school improvements work being rolled out by the Federal and State Governments.

Banking Covenants and Debt Facilities

The company has been in negotiations with the ANZ in relation to the proposed terms of an amended loan facility agreement which is expected to include an extension of the facilities for a further 12 months to February 2012 (previously February 2011).

Directors are confident that the terms for the amended loan facility will be agreed by 31 March 2010. For further details, refer to the notes in the Appendix 4D that accompanies this report. *(Note: as stated in the Chairman's Message earlier in this Bulletin, subsequent to the release of the half-year results, the company successfully concluded the re-negotiation of its core debt facilities*)

Importantly, as a result of both asset sales undertaken over the past year and the positive operating performance of the Housing and Land business, net debt for the Devine Group has been reduced by $140.050 million or 38.8% since December 2008 to $220.618 million as at 31 December 2009.

Market and Company Outlook

The fundamentals for the residential sector remain attractive with a growing deficit in housing stock in most major markets in Australia, tight land supply, a low interest rate environment by historical standards and continuing low unemployment. Devine is well positioned to capitalise on these market and economic settings.

Tight lending conditions in debt markets remain however and bring challenges for Devine and other developers seeking to progress new projects. Despite this, with the reduction in debt levels that has been achieved over the last year, the renegotiation of the company's new core debt facilities with the ANZ and tentative signs emerging that debt markets are improving, Devine is confident of being able to progress its planned land developments and acquire future land stock.

Whilst no interim dividend has been declared, it is the intention of Directors, subject to the company's performance over the next six months, to declare a final dividend based on the full year's results.

Given the current backlog of housing sales yet to commence and land sales that are expected to settle by 30 June 2010, Directors are forecasting the company to achieve an underlying operating result after tax and before one-off items and impairments that is around 20% to 25% up on the $16.699 million profit after tax reported for the 2008/09 year. Directors do not expect any further impairments to be required in the June 2010 half.

Hamilton Harbour Dsiplay Unit

David Devine & Ken Woodley to Retire from the Devine Board

The founder of Devine Limited, David Devine, has decided to step down from the Board with this to be effective on 31 March 2010. His fellow executive Director, Ken Woodley, who has held the position of Marketing Director since the company listed in 1993 has also elected to retire from the Board effective on the same date.

The decision follows David's announcement at the company's AGM in October 2009 that he would be stepping down as Managing Director when a suitable replacement had been found.

Devine's Chairman, Doug Ridley, said "It should be recognised that it was largely due to the vision and leadership of David and Ken over nearly three decades that Devine Limited has become a major force in the Housing & Land and Residential Property Development sectors in Australia and why the Devine brand is so well recognised and respected in the markets in which it operates".

The company's origins go back to 1983 when David commenced residential land development activities in Brisbane. He subsequently acquired a home builder and started offering house and land packages at the affordable end of the market. The company was listed in 1993 and has gone on to build over 18,000 houses and 2,700 residential units since listing.

Mr Ridley said that on behalf of the Board he thanked David and Ken for their contribution to the company over many years and wished them well for the future.

New CEO Announced

Mr David Keir was appointed as Devine's new CEO on 1 February 2010 and commenced employment with Devine on 1 March. Former CFO and Company Secretary, Viv Grayson occupied the position of Acting CEO until that date.

Mr Keir is the former CEO of Delfin Lend Lease and has over 20 years experience in the urban development industry, including 6 years in various town planning roles. During his time with Delfin, Mr Keir held a variety of roles including Chief Operating Officer, General Manger Built Form, Operations Manager for Queensland and the Northern Territory and Project Director.

Mr Keir holds a Bachelor of Applied Science, Built Environment from the Queensland University of Technology and holds a number of post graduate qualifications. He is a member of the Australian Institute of Company Directors and a Board Member of the Residential Development Council of Australia.

Mr Keir's appointment reinforces the Company's strategic focus on the Housing and Land business.

Mr Keir and Devine's CFO, Mr Paul Cochrane, have an established professional relationship having worked together at Delfin Lend Lease for over 5 years. Mr Cochrane joined Devine in October 2009 and has over 20 years of finance and senior management experience with major companies which include FKP, Delfin Lend Lease and PriceWaterhouseCoopers.

Viv Grayson will remain in the role of Company Secretary, retain other responsibilities and assist David Keir transition into his new role.

Queensland - a 'Devine Place' to be in 2010

Devine Queensland's flagship $500 million Mountview development at Redbank Plains, located 27km from the Brisbane CBD, has been a huge success since its launch in December 2008. Stage 2, featuring 97 lots, started construction in January 2010. It's the third stage to be built at Mountview, following 197 lots in Stages 1 and 3. Stages 4 & 5 are now selling with Stage 4 to commence construction in March 2010. A Development Application for a further 280 new residential lots, a 4ha commercial and retail precinct and over 9ha of open space was recently lodged with Ipswich City Council.

The $250 million Sandstone Lakes community at Ningi, the doorway to Bribie Island and the Pumicestone Passage, continues to be a favourite with buyers on the north side of Brisbane. Work has been completed on Stage 15 and houses will commence soon on many of the 33 lots in that stage. An additional stage is now selling with construction on this stage likely to commence in the June 2010 half.

Strong Sales in SA as demand Remains High

Devine's SA General Manager Steve Weightman said 2010 was promising to be a very successful year for his Division.

"Two estates, "The Summit" at Mt Barker and "Lakeside" at Andrew's Farm have generated a high degree of interest from buyers looking for larger blocks that offer value for money," he said. "Our master planned communities offer this, and much more. They are also well serviced by transport are close to shopping, schools and amenities.

"Due to high demand we're now releasing two more stages at The Summit and we expect them to do very well." The Summit has already sold 95 per cent of the first stage and only a few opportunities are left for buyers to be part of the release.

The two new stages at The Summit feature lots ranging from 600sqm to 1237sqm and priced from $184,000. When completed in 2011, The Summit will include 192 lots and be home to approximately 500 people.

Arndell Park Sales Exceed Expectations

Arndell Park is a master planned community with a projected 432 home sites over 55 hectares. Excellent road and rail links make travel a breeze for Arndell residents with direct access to the Princes Freeway and frequent bus services. Hoppers Crossing and train stations are just minutes away.

Open space abounds at Arndell Park with an amazing 40 per cent of land there being dedicated to parklands and reserves creating a natural 'green belt'.

Project Profile

Location
Approx. 20 km from Melbourne CBD on Forsyth Road, Truganina

Size
Approximately 55 hectares

Homesites
432 homesites

Project End Value
$160 million (including housing construction)

Gross Revenue of Land
$80 million

Population
Approx. 1200 residents (at completion)

Product
- House and Land packages, with a mixture of 3-4 bedroom homes.
- Land-only sales

Developer
Devine Communities

Facilities
- Major shopping centre, Werribee Plaza, located nearby
- A school and childcare centre are on-site at Arndell Park
- Over $5 million Sports Pavilion and Community Complex
- Over $3 million outdoor sporting reserve
- Nearby off-road Federation Trail
- Sanctuary Lakes golf courseis only 5 minutes drive away

Financial Calender

Dates are subject to change

Record date for the rights issue	3 March 2010
Rights issue opens and offer booklet dispatched	5 March 2010
Rights issue closes	22 March 2010 (5pm Sydney time)
Normal trading of new securities issued via the rights issue	31 March 2010
Full year results and Final dividend announcement	26 August 2010
Annual general meeting held	29 October 2010

Construction Underway on Hamilton Harbour Development

Preliminary site works commenced on the Hamilton Harbour project in the first week of March. Hamilton Harbour is a $475 million mixed use development located in one of Brisbane's most prestigious suburbs, Hamilton. The project is being undertaken in a joint venture with Leighton Properties.

"Harbour One", the development's first stage comprising 257 units, was launched in March 2009 and to date has achieved 246 sales. Over $120 million worth of one, two and three bedroom apartments were snapped up in just four months, defying the economic downturn of last year. In fact, more than 50 per cent of all new apartment sales in the inner city last year were in Hamilton Harbour, making it Brisbane's residential development success story. A handful of apartments are still available in Harbour One, along with the latest release of Harbour Two.

The second stage of the development, "Harbour Two" comprising 212 units, was released well ahead of schedule in late October 2009. Since its release, 176 of these apartments have now sold. Devine's General Manager – Apartment Sales and Marketing, John Egan, said "The response to Harbour Two has been overwhelming,"

Combined sales recorded to date on the two stages represent 90% of the total units available with 77% of the 469 units at unconditional sales status with 10% deposit paid.

Mr Egan said "It's easy to see why Harbour Two is mirroring the success of Harbour One. Each apartment makes the most of the views with contemporary, open plan designs that feature quality finishes and modern fixtures. All apartments are designed to maximise natural light with floor to ceiling glazing capturing either city, river or suburban views".

To create an urban village for residents, the ground level of Hamilton Harbour will feature a pedestrian boulevard with a vibrant mix of cafes, restaurants, bars, boutiques and resort style amenities.

Hamilton is renowned as one of Brisbane's most cosmopolitan suburbs with world class dining, sophisticated shopping and a variety of entertainment options right on Hamilton Harbour's doorstep. The development is adjacent to Brisbane's new Cruise Ship Terminal and will have easy access the city via buses, trains and the CityCat ferry service.

DEVINE LIMITED
ABN 51 010 769 365

Level 19, 175 Eagle Street, Brisbane, Qld, 4000

PO Box 7087, Riverside Centre, Brisbane, Qld, 4001

Telephone 07 3233 1444
Facsimile 07 3233 1440
www.devine.com.au

Devine LIMITED