Annexure 2

Rural Funds Management

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RFM PROPOSAL
RESTRUCTURE OF THE FEA GROUP

30 March 2011

*** Subject to credit approval from the Secured Creditors of the FEA Group**

IMPORTANT NOTICE

RFM does not make any representation or warranty as to the accuracy of the information contained in this publication. The RFM proposal has been prepared in reliance upon information about the FEA Group and the FEA Schemes which has been made available to RFM as at the date of this publication and may be subject to further alteration after full due diligence has been undertaken.

OVERVIEW

Rural Funds Management Ltd ("RFM") is an experienced fund and asset manager specialising in agriculture and timberland operations across Australia. RFM has submitted a proposal to restructure the FEA Group of entities and the 1999 to 2009 managed investment schemes ("FEA Schemes") for the benefit of the Growers and creditors.

RFM is currently awaiting the Secured Creditors, ANZ and CBA, to provide credit approval for the proposal. Once credit approval is granted, they will enter into an Agreement not to otherwise deal with the assets of the FEA Group in a way which is inconsistent with the RFM proposal. The Agreement will include a timetable for implementing the proposal, which RFM estimates will take approximately 3-5 months. The Administrators will also enter into an agreement with RFM to cooperate and provide assistance to RFM as necessary during this period to carry out the proposal.

Creditors of the FEA Group and the Growers of each FEA Scheme will be required to vote on the RFM proposal. Creditors and Growers will be provided with a Notice of Meeting, Explanatory Memorandum and Product Disclosure Statement (where relevant) containing more detailed information about the proposal, within the next 2-3 months.

Successful implementation of the RFM proposal is dependent upon several matters, including approval by the Creditors and Growers, approval by the Courts, approval of debt funding, sufficient equity commitments, and ASIC approval.

THE RFM PROPOSAL

General

RFM proposes to transform the FEA Group and the FEA Schemes into:

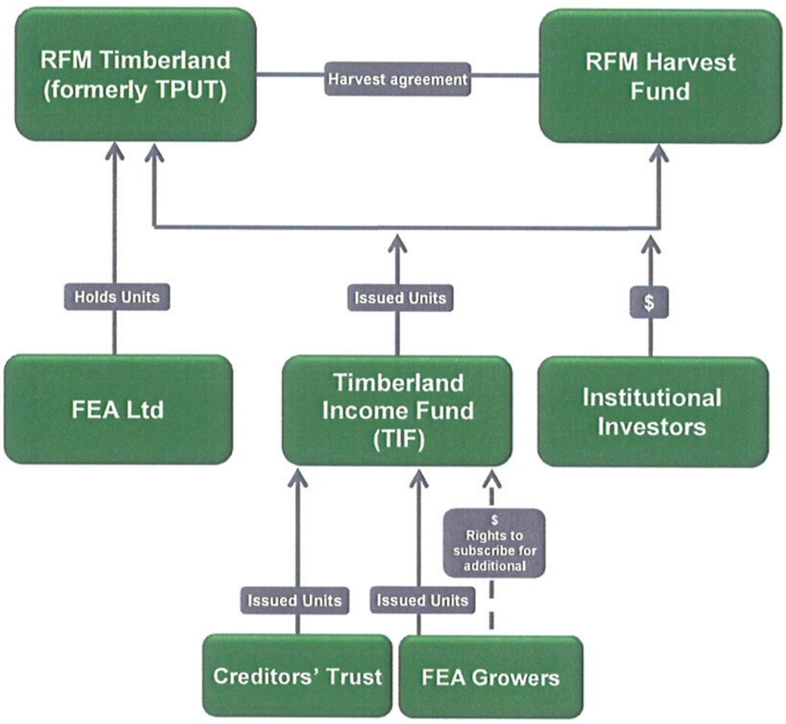
1) **a timberland fund** which will own all of the assets, including the trees; and
2) **a harvest fund** which will lease the trees and carry out the forestry operations.

The restructure will:

1. remove the impairment currently imposed by the presence of leases over the land owned by the FEA Group;
2. combine the value of the standing timber with the land;
3. provide a working cash flow for the provision of necessary forestry services; and
4. reduce investment return volatility for the Growers through their ownership in both the timberland fund and the harvest fund.

Structure

It is anticipated that the restructure of the FEA Group and the FEA Schemes will result in the following outcome:



NOTE:
- Units issued to TIF and Institutional Investors in RFM Timberland and RFM Harvest will be in equal proportions

The above diagram is an indicative guide only. The final structure will be confirmed by RFM after due diligence has been undertaken.

The RFM proposal will have the following outcome:

1. **The Secured Creditors** will receive full payment for the debt currently owing by the FEA Group, and in exchange will release all of their securities over the assets of the FEA Group;

2. **RFM Timberland** ("Timberland") (currently known as TPUT) will continue to own the land from Schemes 1994 to 2009, and will also acquire the timber assets from the Schemes 1999 to 2009. Units in Timberland will be issued to:

    a. Growers (and unsecured creditors, who will have a minority interest) through a managed investment scheme (not tax effective) known as RFM Timberland Income Fund ("TIF"); and

    b. institutional investors.

3. **A Harvest Fund** will be formed to conduct the forestry operations. It will enter into a lease and harvesting agreement with Timberland. The Harvest Fund will be a simple unit trust. Units in the Harvest Fund will be issued to TIF and the institutional investors in equal proportions.

4. **TIF** will be established by RFM as a simple unit trust and will be registered as a MIS. TIF assets will consist entirely of units in RFM Timberland and the Harvest Fund. TIF will be issued one unit in RFM Timberland and one unit in the Harvest Fund for every two dollars of cash invested. TIF will acquire approximately 50% of the total Harvest Fund units and approximately 49.5% of RFM Timberland units.

    Units in TIF will be issued to:

    a. Growers in exchange for them surrendering their rights or interests as investors in the FEA Schemes;

    b. Creditor's Trusts which will hold the units on behalf of the creditors (expected to be a small proportion of the total number of units issued to the Growers); and

    c. Additional units may be offered to the Growers to purchase.

5. **The Growers** will surrender or transfer all of their interests in the FEA Schemes, and in exchange will be issued interests in Timberland and the Harvest Fund (through TIF) equivalent to the net present value of their existing interest in their FEA Scheme. No additional equity or ongoing contributions will be required from the Growers.

6. **Institutional investors** will contribute approximately $85 million (depending upon the availability of stamp duty exemptions which may reduce this amount) to the restructured entities. Interests acquired by the institutional investors in Timberland and the Harvest Fund will be equal to the interests issued to the Growers and unsecured creditors.

7. **FEA Ltd**, which currently owns 100% of the units in TPUT, will continue to hold those units, however they will be diluted to approximately 1%.

NB. Further investigations will be made into the FEA Timberland Fund, which will also be included in the restructure proposal.

SOURCE OF FUNDS

Debt and Equity Raising

RFM intends to raise a minimum of $85 million equity in Timberland and the Harvest Fund from institutional investors. Existing Growers may also be given the opportunity to take up additional interests in the restructured group, by acquiring additional units in TIF.

RFM have been in discussion with the National Australia Bank ("NAB") about obtaining a $100 million debt facility for the restructured entities.

RFM is confident of obtaining the equity commitments and approval for the debt funding, neither of which can be approved until due diligence has been undertaken, which we anticipate will take approximately 2 months.

Sale of Loan Book

RFM has negotiated an agreement with the Secured Creditors regarding the loan book which will guarantee $14 million to be repaid to the Secured Creditors through collections from, or the sale of the loan book.

Bell Bay Sawmill

The Secured Creditors have secured the sale of the Bell Bay Sawmill for $48 million with settlement having taken place in late 2010. Net proceeds are forecast to be $40 million after repayment of employees, and mill related creditors.

Sale of Assets

RFM proposes to sell land and trees to the value of approximately $64 million, which has been identified by RFM as being suitable for sale. All sales will be subject to the RFM proposal being successfully implemented.

Total Funds

The total funds available from the restructure will be:

1) Equity Investment	$85 million
2) Debt Funding	$100 million
3) Loan Book	$14 million
4) Bell Bay Sawmill	$40 million
5) Sale of Assets	$64 million
Total Funds:	**$303 million**

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Use of Funds

RFM will apply the funds available towards the following:

1) Repayment of Secured Creditors (estimated at $234 million)
2) Transaction Costs estimated at $35 million (including stamp duty, Administrators fees, RFM fees, equity raising costs and other related costs associated with the transaction).
3) Working Capital $34 million

Total Use of Funds: **$303 million**

FINANCIAL IMPLICATIONS FOR GROWERS

Allocation of Value to Growers

Table 1 below sets out RFM's current estimates of the valuation of each FEA Scheme in total dollars, in dollars per hectare and dollars per woodlot. Scheme interests have been valued by projecting actual growth rates, future wood prices and discounting the future cash flows by 9% per annum.

Table 1 – FEA Scheme Valuations

MIS Project	MIS NPV	RFM Offer	RFM NPV(ha)	RFM Offer (ha)	RFM Offer (woodlot)
Project 1999	$48,296,418	$ 52,672,770	$ 4,724	$ 5,152	$ 1,607
Project 2000	$11,157,353	$ 12,023,737	$ 5,513	$ 5,941	$ 1,983
Project 2001	$4,183,159	$ 4,747,422	$ 3,173	$ 3,601	$ 1,227
Project 2002	$1,076,668	$ 1,254,867	$ 2,586	$ 3,014	$ 1,032
Project 2003	$4,742,736	$ 5,594,952	$ 2,382	$ 2,810	$ 1,362
Project 2004	$9,355,164	$ 10,779,518	$ 2,811	$ 3,240	$ 1,233
Project 2005	$10,310,921	$ 13,456,829	$ 1,403	$ 1,831	$ 746
Project 2006	$8,854,236	$ 12,994,858	$ 915	$ 1,343	$ 608
Project 2007	$4,546,659	$ 8,457,158	$ 498	$ 926	$ 505
Project 2008	$9,188,472	$ 16,102,979	$ 569	$ 997	$ 484
Project 2009	$1,267,435	$ 1,914,911	$ 838	$ 1,266	$ 485
Total	$ 112,979,220	$ 140,000,000			

Table 2 below provides an estimate of the value that the Growers will receive in RFM Timberland and RFM Harvest Fund and the percentage of ownership that will be apportioned to them based upon the current value of their FEA Scheme.

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Table 2 – Grower Ownership

Investor	RFM Offer	Units RFM Timberland	Units RFM Harvest	Ownership RFM Timberland	Ownership RFM Harvest
Project 1999	$ 52,672,770	$ 26,336,385	$ 26,336,385	18.0%	18.2%
Project 2000	$ 12,023,737	$ 6,011,868	$ 6,011,868	4.1%	4.1%
Project 2001	$ 4,747,422	$ 2,373,711	$ 2,373,711	1.6%	1.6%
Project 2002	$ 1,254,867	$ 627,434	$ 627,434	0.4%	0.4%
Project 2003	$ 5,594,952	$ 2,797,476	$ 2,797,476	1.9%	1.9%
Project 2004	$ 10,779,518	$ 5,389,759	$ 5,389,759	3.7%	3.7%
Project 2005	$ 13,456,829	$ 6,728,414	$ 6,728,414	4.6%	4.6%
Project 2006	$ 12,994,858	$ 6,497,429	$ 6,497,429	4.4%	4.5%
Project 2007	$ 8,457,158	$ 4,228,579	$ 4,228,579	2.9%	2.9%
Project 2008	$ 16,102,979	$ 8,051,489	$ 8,051,489	5.5%	5.6%
Project 2009	$ 1,914,911	$ 957,456	$ 957,456	0.7%	0.7%
Unsecured Creditors	$ 5,000,000	$ 2,500,000	$ 2,500,000	1.7%	1.7%
Timberland Income Fund	$ 145,000,000	$ 72,500,000	$ 72,500,000	49.5%	50.0%

The figures shown in Table 1 and Table 2 are subject to review once complete due diligence has been undertaken by RFM.

Post Restructuring Balance Sheets

Table 3 below provides a general overview of the anticipated balance sheet of the restructured entities.

Table 3

	RFM Timberland A$ million	Harvest Fund A$ million
Assets		
Cash	8.7	25.3
Investment Property	253.2	0.0
PP & E	0.0	3.2
Standing Timber	0.0	112.6
Loan to RFM Timberland	0.0	15.0
Other	0.0	13.7
Total Assets	**$261.9**	**$169.8**
Liabilities		
Interest bearing liabilities	100.0[$]	0.0
Loan to RFM Timberland	15.0	0.0
Equity	**$146.9**	**$169.8**
Growers Interest	**$69.8 (47.5%)**	**$81.5 (48.0%)**
Unsecured Creditors Interest	**$2.9 (2.0%)**	**$3.4 (2.0%)**

[$] Restructured bank debt ($234 million less Bell Bay Sawmill, loan book, Asset sales and equity)

Taxation

RFM has obtained advice about the taxation implications for the Growers arising from the implementation of the RFM Proposal, and a summary of that advice is set out in Table 4 below.

Table 4 – Taxation Advice‡

Scheme	Disposal of Scheme Interests	Forgoing of creditor rights	Clawback of Deductions
1999 to 2001	Income tax payable on the value of units in TIF received for the disposal of standing timber. CGT payable on balance of the value of units in TIF received, with potential CGT discount available.	CGT payable based upon value they receive in the creditors trust, with potential CGT discount available	No clawback
2002 to 2007	Income tax payable on the value of units in TIF received, for: • Disposal of standing timber; and • balance of grower's interest where there was a prepaid expenditure after 2 October 2001 (expect this is all)	CGT payable based upon value they receive in the creditors trust, with potential CGT discount available	No clawback (NB. 2007 protected from clawback only if transaction occurs after 30 June 2011)
2008 to 2009	Income tax payable on the value of units in TIF received, for: • Disposal of standing timber; and • balance of grower's interest where there was a prepaid expenditure after 2 October 2001 (expect this is all)	CGT payable based upon value they receive in the creditors trust, with potential CGT discount available	Potential clawback. Need to apply for class ruling from ATO.

‡ Based upon advice received from McCullough Robertson Lawyers dated 10 March 2011

The information in Table 4 is provided as guidance only and no reliance should be placed upon the accuracy or otherwise of this information. Growers should obtain their own independent advice relating to the taxation implications of the restructure.

BENEFITS OF THE RFM PROPOSAL

No further Grower equity requirement

Growers will receive equity in the restructured entities based upon the current value of their interest in the FEA schemes and will not be required to make any further equity contributions. This means Growers do not have to risk any more capital to realise and be rewarded for the value of their current investment.

Share in ownership of physical assets

Combining the ownership of the land and tree assets into one entity and issuing Growers equity in that entity will mean that the Growers have a share in the physical assets of the restructured entities rather than simply a lease interest. This provides greater security for Growers.

Increase in liquidity

The restructure of the FEA Group with the land and trees being owned by a single entity, removes the necessity to impair the land with a lease or forestry rights. Therefore there are significantly fewer restraints on land sales if this was required. This simplification creates liquidity and may improve the sale value of the land.

The increased liquidity is important and it is RFM's intention to offer a redemption opportunity to Timberland unitholders every five years. Redemptions would be funded through the sale of properties with unitholders benefitting from the increase in value of the underlying land.

Decrease in volatility

Growers will receive interests in the Harvest Fund (being the operational entity) and Timberland (being the land owning entity). The returns from the Harvest Fund will exhibit volatility associated with forestry operations however, the returns from Timberland are forecast to exhibit low volatility. This is a result of the Timberland income stream being a stable rental fee.

Distributions

It is forecast that distributions will commence in FY 2013. This means that Growers will receive a share of the income as long as they remain unitholders rather than having to wait until the end of their current FEA Scheme to receive income.

Low gearing

Gearing in the restructured entity will be reduced significantly from current levels to around 30%. RFM's view is that this is a more suitable level for an operation within the forestry sector.

Management Ability and Experience

RFM has managed agricultural operations across rural and regional Australia since 1997. It has in place the appropriate compliance and risk management systems, as well as farming and technical personnel found in a mature agricultural company. RFM has received approval from ASIC for the changes necessary to RFM's AFSL to enable RFM to manage a forestry operation and has identified and contracted appropriate skilled management to undertake the forestry operations.