

Second Grower Report

Tasmanian Forests Trust No 3

Private and Confidential

FEA Plantations Limited (Receivers Appointed)
(Administrators Appointed) ("FEAP")
Report 27 October 2010

Brian Silvia and Peter Krejci

Joint and Several Administrators

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1 EXECUTIVE SUMMARY

We refer to our previous Report to you in late July / early August 2010. This Report has been prepared to provide Grower-Investors in Scheme Tasmanian Forests Trust No 3 (“the Scheme”) with an update:

- On the current status of the Voluntary Administration of the Responsible Entity, FEA Plantations Limited, which is the manager of the Scheme.
- Current status of your Scheme
- Convening of Meetings of Growers
- Request for Grower contributions for Schemes 2003 to 2009.

This Report has been prepared by Peter Krejci and me (Brian Silvia), the Voluntary Administrators of Forest Enterprises Australia Limited (“FEA”) and FEA Plantations Limited (“FEAP”) (“the Companies”) and addresses the following:

- Scheme Operations
- Potential Deeds of Company Arrangement
- Receivers Legal Proceedings
- Resolutions for Growers Meetings Consideration
- Administrators’ Scheme Receipts and Payments
- Administrators’ Remuneration

➤ Administrators’ Investigations

BRI Ferrier has not audited information included in this Report obtained from various sources. While we believe the material contained in this Report, and particularly projected returns, are reasonably accurate, we cannot and do not warrant its accuracy. The projections rest on assumptions about future events which inevitably are beyond our control as Administrators. They should not be relied on beyond being indicative of prospective outcomes. We therefore expressly disclaim any responsibility or liability in the event that the projections are not achieved.

This Report has been prepared to provide you with an update of the current status of your Scheme. Scheme Meetings have been convened to allow us to communicate with you in an open forum and allow a question and answer session.

Grower contributions remain critical and we encourage all Growers yet to pay their invoices to do so now to ensure the ongoing viability of your Scheme.

2 MEETINGS

2.1 Adjournment of Second Meetings

You will recall that our Report to Creditors dated 9 September 2010, (the “First Section 439A Report”) recommended that at the Meetings of Creditors of FEA and FEAP convened for 20 September 2010, Creditors should vote to adjourn the Meetings to a date chosen by us in the following 45 business days, the longest extension allowed by the Act.

On 20 September 2010, Creditors voted to adjourn the Second Creditors Meetings such that they will be resumed by Tuesday, 23 November 2010.

Before the resumption of the Meetings, we will issue further Notices of Meeting and a Supplementary Report to Creditors (most likely to be sent on 10 November 2010), which will provide an update on the Administrations and a Recommendation to Creditors as to the future of FEA and FEAP.

2.2 Grower Meetings

This Report convenes a meeting of your Scheme for the time and location set out opposite. Some of the meetings will be held concurrently with that of other schemes established by FEA and FEAP. This will reduce the cost of conducting meetings dealing with the same issues.

Your Scheme Meeting has been convened for:

Date:	19 November 2010
Time:	10.00am (AEDT - Daylight Savings Time)
Registration:	Commences 9.00am (AEDT - Daylight Savings Time)
Location:	Ibis Hotel Victoria Room 15-21 Therry Street, Melbourne VIC 3000
Webcast:	http://www.brr.com.au/event/70504

Notice of the Meeting is attached as **Annexure 1**. The meetings will deal with:

- ▲ Contributions by Growers:
 - Schemes 1994 to 2002 – continuation of existing funding obligations
 - Schemes 2003 to 2009 – request for funding by growers to maintain Scheme viability
- ▲ Analysis of the impact of non-payment of grower invoices – potential ultimate future of all Schemes
- ▲ Reconstruction alternatives for the Group
 - Current reconstruction proposals
 - Alternate reconstruction strategy

- ▶ Any further business

3 SCHEME OPERATIONS

3.1 Overview of FEAP Scheme's Viability

We have, with the assistance of consultants, prepared detailed projected Cashflow Projections based on assumptions for each Scheme. They are based on our comprehensive review of the available information. The analysis for your Scheme is part of a more comprehensive analysis of the whole of FEAP's plantations.

On 13 October 2010 we were provided with a draft report prepared by the Receivers' independent forestry expert. The Receivers and we have sought to analyse projected forest growth rates, future harvest methods, sales and the prospective price for timber. The Receivers' experts report contemplates different harvest and timber sale assumptions to those we have considered. However, the estimated total harvest volume across the FEAP Schemes differs from our projections by less than 2% overall. The Receivers' expert report has been reviewed by our independent forestry expert, who maintains his views, and considers the Receivers' expert's view unduly conservative as to timber sale prospects and harvest and transport costs. Our expert's updated report is about to be forwarded to the Receivers for comment.

Our investigations into your Scheme's profitability, and that of the other plantations was undertaken in a context where:

- ▶ We first obtained projections in April 2010 from FEA; which estimated a future cumulative loss across all plantation schemes of more than \$100 million.
- ▶ We were supplied with an updated Woodstock report (which is a timber growth rate computer model with extrapolated estimated plantations costs) by the Receivers in mid June 2010 which revised the projected cumulative loss to \$50 million.
- ▶ In July 2010 we obtained a Woodstock report reflecting further revisions, which projected a profit of \$115 million across the plantation portfolio.
- ▶ In August 2010, after our review by our independent forestry expert and canvassing contractors involved in harvesting, haulage and the sale of timber, we projected (starting from the July 2010 Woodstock report) a profit for the plantations of over \$425 million. This estimate included an inflationary factor of 2.5% pa not included in the previous calculations.
- ▶ Schemes have since been analysed on a property by property basis to remove loss making properties therefore improving overall perspective returns.

Since August 2010 we have continued to review the opportunities for further scheme viability enhancement. From our review and advice received from our independent forestry expert, we recommend:

- ▶ Schemes 1994 to 1996 should continue to be harvested in the ordinary course. This process is underway with the harvests likely to be completed within 18 months;

- ▶ Harvest of Schemes 1997 and 1998 should be accelerated, and harvested over the next 2 years;
- ▶ Schemes 1999 to 2009 should continue ordinary operations. Schemes 2003 to 2009 require financial modification to ensure sufficient funding is available for ensure on-going viability.

The main reason for accelerating the harvest of Schemes 1997 and 1998 (which we recommend harvesting approximately 12 months early) is that, with the ending of FEA’s past subsidy of those Scheme’s operating and management expenses, (previously charged to FEAP at \$1 pa per Scheme), the schemes must now operate in an environment where they meet the full commercial cost of funding. Our projections indicate that growth rate of the trees planted in these Schemes does not exceed the anticipated future costs of maintaining and managing them. Therefore it is in Grower’s interest to harvest early.

3.2 Scheme Harvests

3.2.1 1994 Harvest

Harvesting has commenced where we anticipate making an initial distribution to growers over the next two to three weeks.

3.2.2 1995 to 1998 Harvests

It is our intention to continue or accelerate the harvest of these Schemes. We have finalised tender documentation for this work to be undertaken, and have advertised in Tasmania for:

- ▶ Scheme Harvesting – contracts are to be awarded are inclusive of plantation harvest, haulage of sawn timber, acquisition of timber and operational overview.
- ▶ Scheme Maintenance – contracts to be awarded cover Scheme maintenance to ensure no “fire” hazard issues whilst sites are prepared for harvest.

Tenders close on 29 October 2010 and outcomes should be announced by 12 November 2010 with contract documentation to be finalised thereafter.

Commencement of the initial harvests are subject to land owners executing Forestry Practice Plans. We are presently working with the owners to that end. We will provide an update on the commencement of harvesting at the forthcoming Scheme Meetings.

3.2.3 1999 to 2002 Harvests

The “thinning” harvests had either commenced before our appointment or were in the planning stage. We are preparing to resume the “thinning” harvests. Tenders will be called for these works to be undertaken on the same basis as the 1995 to 1998 Scheme harvests.

3.2.4 2003 to 2009 Harvests

Thinning harvesting is due to commence from 2013 and continue to 2019. Clear fall harvesting is proposed to commence from 2017.

3.3 Scheme Maintenance

3.3.1 1994 Maintenance

No maintenance will be conducted as harvesting is in process.

3.3.2 1995 to 1998 Maintenance

Limited forest maintenance work is to commence shortly commensurate with the intended harvest program.

3.3.3 1999 to 2002 Maintenance

Full maintenance works will be necessary after the thinning harvest finishes, where funding is on hand to complete it.

3.3.4 2003 to 2009 Maintenance

These Schemes have, from inception, not required any grower funding contributions, other than for annual insurance contributions.

This business model is unsustainable as funding is required to meet operational expenses. It is our view that, for timing reasons otherwise apparent in this Report, growers in Schemes 2003 to 2009 should contemplate contributions. We propose to raise these invoices soon.

3.4 Scheme Viability

3.4.1 Schemes 1994 to 1998

We are completing the final “clear fall” harvest in an environment where no further replanting is proposed. There are a number of factors that may affect Grower returns (generally) which we have identified in conducting the Scheme 1994 harvest. These include:

- Possible liability to fund reforestation.
- The need to obtain relevant consents before harvest commencement. Some of these issues are beyond our direct control.
- The implications of disagreements with other stakeholders.

The impact of disagreements could reduce 1995 – 1998 Scheme profitability by 15% to 25% per woodlot.

An unfortunate consequence of the need to resolve disagreements with other stakeholders (which arise from issues not thoroughly disclosed to growers before our appointment) has been to increase legal and Administration costs incurred.

We are currently adopting two approaches, looking to minimise the impact of the abovementioned issues. The resolution of them includes issues attaching to the sale of land and/or reforestation of it within the context of your Scheme, with varying degrees of remediation works or replanting being undertaken. Resolution of some of these matters may take up to six months to resolve.

A comparison of the projections provided to you in your First Report Grower Report to the latest estimates show:

Consolidated Project 1995	Project Cash Flows	
	First Growers Report	Current Estimate
Gross harvest proceeds		\$3,594,597.94
Harvesting fees		-\$1,190,966.09
Cartage		-\$845,004.18
Net stumpage	\$1,227,615.83	\$1,558,627.67
FEA expense recoveries	\$760.51	\$760.51
Grower expense recoveries	\$42,524.64	\$42,524.64
Plantation insurance	\$0.00	\$0.00
External lease fees	\$0.00	\$0.00
Maintenance overhead	-\$34,404.50	-\$51,279.50
Maintenance expenses	\$0.00	\$0.00
Internal lease fees	-\$31,018.28	-\$68,683.33
New RE management fees	\$0.00	\$0.00
Net income pre administration	\$1,205,478.20	\$1,481,949.99
Harvesting manager's fees	-\$213,809.04	-\$181,890.40
Administration costs, charges & legal fees	-\$42,920.42	-\$300,000.00
Net income post administration	\$948,748.75	\$1,000,059.60
Number of grower units	561.00	561.00
Net income post administration per unit	\$1,691.17	\$1,782.64

Annexures 2 and 3 provide detailed projected Scheme Cashflows and supporting Assumptions.

In relation to the above comparative returns we make the following comments:

- The latest projections include recognition of increased timber sales via “sawlog”.
- Legal fees allocated to your Scheme have increased above those originally projected. We cannot anticipate their future cost, as we have so far repeatedly encountered unforeseen issues in contemplating harvesting and legal proceedings commenced by the Receivers.

- Administration costs have increased due to the issues identified with harvesting and again in respect of the Receivers legal proceedings.
- Lease costs may potentially decrease as a result of various lease rental offsets which we have identified and sought to apply.

3.5 Grower Invoices

Growers should be aware that if FEAP is replaced as Responsible Entity in the future the balance of grower funding sought by us during the Administration will be transferred to any replacement Responsible Entity.

3.5.1 Pre-Appointment Invoices – Schemes 1994 to 2002

Annexure 4 is a Summary of the Pre-Appointment Grower invoice collections since our appointment. We have issued reminder notices to all growers who have failed to pay to date. Formal demand notices will be issued over the next 21 days to growers in Schemes 1994 to 2002 who have failed to pay their respective invoices. We remind Growers that failure to pay contributions may result in the forfeiture and/or sale of their investment in order to recoup amounts due.

3.5.2 Post-Appointment Invoices Schemes 1994 to 2002

Annexure 5 is a summary of the Post-Appointment Grower invoice collections since our appointment. We have re-issued reminder notices to all growers who have failed to pay to date. Formal demand notices

will be issued within the next 21 days to all growers who have failed to pay their respective invoices.

We again encourage investors who are yet to pay their invoices to do so now. We remind Growers that failure to pay contributions may result in the forfeiture and/or sale of your investment in order to recoup amounts due.

4 POTENTIAL DEEDS OF COMPANY ARRANGEMENT

Growers should note notwithstanding the potential for Deeds of Company Arrangement (“DOCA”) being implemented (as detailed below) that in the interim it is necessary for all growers invoices rendered to be paid to ensure the continued viability of each of your investments.

4.1 Current Proposals

We continue to communicate with four possible proponents of Deeds of Company Arrangement (“DOCA”) for FEAP and / or FEA. At this stage, we are not in a position to disclose details of the interested parties. One group in particular has had numerous meetings with the Banks, both with us and separately. A second party has submitted a proposal to the Banks which remains to be finally considered.

In relation to the proposals before the Banks, so far as we are able to, we have summarised them below:

▲ Proposal 1

- Schemes 1994 to 1998 adopt a “Fast Track” harvest

- Schemes 1999 to 2009 merge into a “master pooled trust” with growers being given a weighted investment interest in the pool based on the assessed current value of the respective Schemes
- A significant equity contribution will be made to the new “master trust” by the DOCA proponent with growers and other creditors being given an option to also participate in the new equity raising at a discount.
- Growers in Schemes 1999 to 2002 will no longer have to make annual Scheme contributions.
- Growers will also be given an “ownership” interest in the land, subject to the Banks security.
- A new manager to be appointed to operate the Scheme.

▲ Proposal 2

- Schemes 1994 to 1998 adopt a “Fast Track” harvest.
- Schemes 1999 to 2002 continue on their current contributory arrangement with a variation of the management fees payable to the incoming manager.
- Schemes 2003 to 2009 convert to annual contributory Schemes.
- A new manager to be appointed to operate the Schemes.

- The land for all Schemes to be sold to an incoming purchaser.

We intend to meet with the other two interested parties over the next week to review their proposals. We will report at the growers meetings on developments in respect of them.

4.2 Alternate Proposals

In the event stakeholders are not supportive of a restructure we are developing an alternative plan which may entail:

- Schemes 1994 to 1998 continuing on “fast track” harvest as currently contemplated;
- Schemes 1999 to 2002 continue in the ordinary course with payment of annual lease and management fees and the introduction of a 5% of net harvest management fee charged for harvest proceeds (replacing old PDS fees);
- Schemes 2003 to 2009 convert to annual contributory schemes, with consequent reduction or elimination of FEAP’s entitlement to a share of the Scheme proceeds at harvest. 5% management fee would be charged on net harvest proceeds.
- Enter into a new leasing arrangement of \$300 per hectare for the “internal land”.
- Move to sell with the Receivers the “internal land”.
- Sell FEAP as a manager to interested parties after the restructure mentioned above is implemented, subject to ASIC approval.

5 RECEIVERS’ LEGAL PROCEEDINGS

FEAP has been joined as a party to legal proceedings in the Federal Court commenced by the Receivers of FEA and FEAP. The Receivers are seeking Directions from the Court entitling them to terminate / surrender certain Managed Investment Scheme property leases. The Application has been brought in relation to:

- “External” leases held in the name of FEA.
- “Internal” leases for Schemes 2000 to 2009.

A representative Grower Group, FEA Growers Group Incorporated Registration Number A0054610B (“FEAGG”) has been joined to the proceedings to represent the interests of Grower-Investors. The proceedings are not, in a strict sense, litigation in that they will not finally determine rights. They are by way of a request from the Receivers to the Court for clarification of the propriety of actions which they may wish to implement.

FEAGG was supportive of arguments raised by us in the proceedings where they advanced arguments from a grower’s perspective opposing the Application by the Receivers.

In relation to the Internal Leases to which FEA and Tasmanian Plantations Pty Limited (“TasPlan”) (a subsidiary of FEA) are parties, and through which FEAP has granted Growers leases, the Receivers have sought the Court’s Directions as to whether FEAP has repudiated or breached the terms of them. If the Court finds that FEAP has repudiated or fundamentally breached those leases, the Receivers wish to be able to terminate them. The proceedings raise issues of fact that have been

addressed in affidavits sworn respectively by the Receivers, ourselves and our staff. Current and former FEA staff and directors have also sworn affidavits in relation to the proceedings.

Both matters the subject of the Applications have been argued before Justice Finkelstein in the Federal Court in Melbourne and are reserved, subject to a limited issue on which his Honour wishes to be addressed further by way of submissions on a matter of leasing law that had not been addressed by any of the parties to the proceedings.

At the heart of the Application brought by the Receivers' is whether FEAP as Responsible Entity has:

- Maintained the plantations for both internal and external leases;
- Paid rent for internal leases;
- Are insolvent and accordingly not in a position to conduct maintenance and pay rent.

Our response to the Court entailed:

- Maintenance:
 - Scheme 1994 is irrelevant as it is being harvested;
 - In Schemes 1995 – 2001 a sum equivalent to the estimated 2011 financial year maintenance costs has been paid to DLA Phillips Fox's Trust Account solicitors who are acting on our behalf;

- Scheme 2002 – we are awaiting further funding from growers to enable funds to be placed on Trust;
- Schemes 2003 – 2009 we are seeking financial support from growers as detailed in this report.

- Internal Lease Rentals:

- Schemes 1994 to 1999 (not subject to the proceedings) have been able to effect payment by way of cheque and / or claimed set-off. These Schemes now have access to funds, which are available to pay any unsuccessful claimed offset.
- Schemes 2000 and 2001 have been paid by way of cheque and /or claimed set-off where funds are now available to pay any unsuccessful claimed offset.
- Schemes 2002 to 2009 have been paid by claimed set-off. No funds are currently available for cash payment.

- External Lease Rentals:

- These properties in the main are not subject to the Receivers Application for Directions.
- Schemes 1994 to 2002 lease rentals have now been paid to 31 December 2010.
- Schemes 2003 to 2009 are yet to be paid, where we are seeking financial support from Growers.

- In excess of sixty lease default notices have been received from in excess of 330 landlords. We continue to “manage” external landlords and encourage them not to commence forfeiture proceedings pending funding being forthcoming from Growers.

▲ Scheme Viability:

- Schemes 1994 to 1998 Schemes are likely to be harvested in the ordinary course and funding (by grower contributions) is adequate to complete the Schemes.
- Schemes 1999 to 2009 are the subject of a reconstruction proposal which has been placed before the Group’s Bankers which provides for these Schemes to be reconstructed, on a viable basis. The Reconstruction Proposal reflects sensitive commercial information and accordingly remains confidential at the moment.

We await the result of the Court hearings, and will report on any judgment delivered between the date of this Report and the Growers Meetings by notice on our website.

Whilst it is not possible to say how long Justice Finkelstein’s decision will remain “reserved”, we expect it in a matter of weeks rather than months, as the issues raised have been fairly distinct, and the hearing comparatively brief. We will Report on any intervening developments at the forthcoming growers meetings.

A major concern in relation to the Court Application has been the issue of the Receivers not being prepared to amend their Application for external leases for Scheme years 1996 to 1999 where lease payments have been made (including interest as a result of late payment) and financial year 2001 maintenance costs have been deposited into our solicitors Trust account.

The application by the Receivers **DOES NOT** seek to terminate the rights of Growers to the trees.

6 RESOLUTIONS FOR MEETING

No formal resolutions are proposed for the Meetings.

Any restructure will require a formal resolution at a later stage which will be binding on all Growers of your Scheme.

Annexure 6 is a proxy for voting purposes.

7 ADMINISTRATION AND SCHEME RECEIPTS AND PAYMENTS

Annexure 7 details a Summary Account of each Scheme from 14 April 2010 to 30 September 2010. No receipts or payments have been made for Schemes 2003 to 2009.

8 ADMINISTRATORS REMUNERATION

8.1 FEAP Remuneration

Since our appointment on 14 April 2010 to 30 September 2010 we have incurred and recovered the following remuneration approved by the Committee of which \$1,759,497.51 remains owing to us:

Period	Remuneration Approved (excl GST)	Remuneration Paid (excl GST)	Remuneration Unpaid (excl GST)
14 April to 3 June 2010	1,258,697.75	920,612.88	338,084.87
4 June to 30 June 2010	409,243.00	105,953.65	303,289.35
1 July to 31 July 2010	478,928.50	288,077.50	190,851.00
1 August to 31 August 2010	716,107.50	322,675.94	393,431.56
1 September to 30 September 2010	774,630.50	240,789.77	533,840.73
Total	\$ 3,637,607.25	\$ 1,878,109.74	\$ 1,759,497.51

Our remuneration has been allocated across the Schemes on a monthly basis dependent upon the work undertaken by us each month.

8.2 FEAP Disbursements

Since our appointment on 14 April 2010 to 30 September 2010 we have incurred and recovered the following disbursements of which \$457,323.89 remains owing to us:

Period	Disbursements Incurred (excl GST)	Disbursements Paid (excl GST)	Disbursements Unpaid (excl GST)
14 April to 3 June 2010	321,661.86	76,727.94	244,933.92
4 June to 30 June 2010	96,208.61	23,789.32	72,419.29
1 July to 31 July 2010	8,000.81	2,531.65	5,469.16
1 August to 31 August 2010	74,035.56	7,870.51	66,165.05
1 September to 30 September 2010	68,336.47	-	68,336.47
Total	\$ 568,243.31	\$ 110,919.42	\$ 457,323.89

Disbursements predominantly relate to legal fees, contractors employed (such as our independent forestry expert and a former FEA staff member who has been assisting in modelling of projected cash flows), mailing / printing charges and travel costs. Like remuneration disbursements are allocated across the Schemes on a monthly basis.

9 ADMINISTRATORS' INVESTIGATION

We are continuing to finalise our investigations following our extensive review of the Groups dealings in the Report to Creditors under S439A of the Act dated 9 September 2010. We will provide a final report to all creditors, including Growers, prior to resumption of the Second Meetings of Creditors, to be held in November 2010.

10 BRI FERRIER CONTACTS

Should you have any queries in relation to this Report please contact one of our staff on 02 8263 2300:

- Peter Kefalas
- James Terkalas

- ▶ Ronnie Staub
- ▶ Wilson Zeng
- ▶ Alva Zeng



Brian Silvia
Administrator for
Brian Silvia and Peter Krejci

NOTICE OF MEETING OF GROWERS FOR FEA PLANTATIONS LIMITED (ADMINISTRATORS APPOINTED) (RECEIVERS APPOINTED) AS RESPONSIBLE ENTITY FOR THE SCHEMES DETAILED BELOW

Notice is given that concurrent Meetings of Growers Meetings will be held for:

Tasmanian Forests Trust No 2 ("Scheme 1994")
Tasmanian Forests Trust No 3 ("Scheme 1995")
Tasmanian Forests Trust No 4 ("Scheme 1996")
Tasmanian Forests Trust No 5 ("Scheme 1997")

Will be held in Victoria at:

Date:	19 November 2010
Time:	10.00am (AEDT - Daylight Savings Time)
Registration:	Commences 9.00am (AEDT - Daylight Savings Time)
Location:	Ibis Hotel Victoria Room 15-21 Therry Street, Melbourne VIC 3000
Webcast:	http://www.brr.com.au/event/70504

Agenda

- Chairman's Address
- Scheme Update and Key Issues
- Address from Grower Representatives
- Questions

Yours faithfully

**FEA PLANTATIONS LIMITED AS RESPONSIBLE ENTITY
(RECEIVERS APPOINTED) (ADMINISTRATORS APPOINTED)**



BRIAN SILVIA
Joint Administrator

FEA Plantations Limited (administrators Appointed) (Receivers Appointed) Project 1995 Cash Flows

Financial Summary - Consolidated Project	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Gross harvest proceeds	\$1,797,298.97	\$1,797,298.97	\$0.00	\$0.00	\$0.00	\$3,594,597.94
Harvesting fees	-\$595,483.05	-\$595,483.05	\$0.00	\$0.00	\$0.00	-\$1,190,966.09
Cartage	-\$422,502.09	-\$422,502.09	\$0.00	\$0.00	\$0.00	-\$845,004.18
Net stumpage	\$779,313.84	\$779,313.84	\$0.00	\$0.00	\$0.00	\$1,558,627.67
FEA expense recoveries	\$760.51	\$0.00	\$0.00	\$0.00	\$0.00	\$760.51
Grower expense recoveries	\$42,524.64	\$0.00	\$0.00	\$0.00	\$0.00	\$42,524.64
Plantation insurance	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
External lease fees	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Maintenance overhead	-\$34,404.50	-\$16,875.00	\$0.00	\$0.00	\$0.00	-\$51,279.50
Maintenance expenses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Internal lease fees	-\$52,066.39	-\$16,616.93	\$0.00	\$0.00	\$0.00	-\$68,683.33
New RE management fees	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net income pre administration	\$736,128.09	\$745,821.90	\$0.00	\$0.00	\$0.00	\$1,481,949.99
Harvesting manager's fees	-\$90,945.20	-\$90,945.20	\$0.00	\$0.00	\$0.00	-\$181,890.40
Administration costs, charges & legal fees	-\$300,000.00	\$0.00	\$0.00	\$0.00	\$0.00	-\$300,000.00
Net income post administration	\$345,182.89	\$654,876.70	\$0.00	\$0.00	\$0.00	\$1,000,059.60
Number of grower units	561.00	561.00	561.00	561.00	561.00	561.00
Net income post administration per unit	\$615.30	\$1,167.34	\$0.00	\$0.00	\$0.00	\$1,782.64

ASSUMPTIONS TO FEA PLANTATIONS LIMITED

(ADMINISTRATORS APPOINTED) (RECEIVERS APPOINTED) CASH FLOW ASSUMPTIONS

FOR PROJECT YEARS 1994 to 2002

1. Wood Stock Program: Each of the projects from 1994 through to 2002 have been addressed individually and to obtain a better understanding of the income and expenses for each of the projects. Use of the Wood Stock Program was undertaken to identify the harvesting schedule and harvesting income and expenses. Pricing of forestry products and related costs such as harvesting costs and cartage rates are derived from Wood stock. Mill door timber price's are based on today's price which is at historical lows and will normally be expected to increase. Although not adopted. Clear inaccuracies and variances between Wood Stock Program data and market data have been adjusted.
2. The quantity of wood i.e. tonnage has been assessed using independent forestry growth reports and the Wood Stock Program which details the Mean Annual Increment (“MAI”) of the projects (how quick trees grow).
3. The proceeds from sales are calculated within Wood Stock on a net basis after harvesting and cartage and reflect the net mill door price.
4. These prices have, in the schemes, have not been assessed using a CPI index.
5. The assumption is that timber from Tasmania will be sold fixed in Australian currency currently in force in the market. Should this vary, value of harvest proceeds may be affected by currency risk.
6. No bad debt provisions were made for woodchip sales (i.e. harvest proceeds).
7. The gross pricing of the timber in northern New South Wales and Queensland (relating predominantly to the 1999 project) is on the basis of the Tasmanian pricing which, up until this date, is totally untested because no timber has been sold by FEA from these regions.
8. No royalty expense has been deducted from the sales proceeds.
9. No GST has been applied to any of the cash flow figures.
10. In selling the timber, it is assumed that the registration with the Tasmanian Forestry Authority and the corresponding Board in New South Wales and Queensland is still available or will be readily approved (if required) and that the parties with such registration will continue to represent the company.
11. The proposed FY2011 FEA maintenance budget was used in respect of each of the schemes whereby a rate per hectare is applied, depending on the age of the tree. The maintenance costs per hectare differ according to the maturity of the trees. Based on maintenance reports prepared by FEA, adequate maintenance will be undertaken by each project.
12. Once clearfall harvesting commences, maintenance shall cease immediately.
13. Maintenance do not include pruning, which is billable to the investors as incurred – but not considered as an income or an expense.
14. The PDS fees are calculated on the basis of:
 - a. Prior to 2000 – Nil
 - b. Project 2000 – 3.25%
 - c. Project 2001 – ongoing 3.25% per annum with an upfront 33%

15. It should be noted that the PDS costs, whilst shown as a cost to the scheme and is a cost to the scheme, will not be a cost to the Group moving forward as it is internal and represents revenue. These costs have been netted off against Administrators remuneration.
16. An allocation of overheads has been included for all Projects.
17. The overheads have been allocated against each of the schemes on a set rate per project basis.
18. Each project has been allocated an expense element in relation to administrators costs and expenses.
19. Custodian fees of \$3,000 per scheme per annum.
20. Lease fees are included and are prorated in line with hectares under management as a cost until three months after final harvesting.
21. No replanting is assumed.
22. Thinning has been calculated on the basis of Wood Stock whereby, through thinning, eventual volumes will be maximised and, in addition, investors receive interim returns.
23. It is assumed in this that all leases will remain intact and effective to facilitate the various schemes and woodlots – unless identified by the Administrators as being terminated as they are not financially viable.
24. The calculations through Wood Stock have been completed on the basis that for Projects 1994 to 1998 will be compressed and be clear felled in the financial years 2011, 2012 and 2013 and will not run the normal course of their expected scheme lives in accordance with their respective Prospectus / PDS.
25. Schemes 1999 to 2002 will run normal scheme lives in accordance with their respective Prospectus / PDS.
26. Compressed clear felled harvesting will expedite annual grower distributions.
27. Grower contributions are considered to be paid by all schemes for the financial year 2011 only.
28. Internal lease fees are those payable by FEAP to FEA or TPUT or FEA Carbon. No rental offsets has been claimed by FEAP against FEA, TPUT or FEA Carbon, although asserted by the Administrators.
29. External rent paid to third party lease holders are paid in accordance with the lease agreement.

**FEA Plantations Limited as Responsible Entity
(Administrators appointed) (Receivers appointed)**

Summary of Pre Appointment Debtor Collections to 30 September 2010

Scheme Year	Pre Appt Debtors On Appointment	Lease and Maintenance Offsets	Total Outstanding and to be Invoiced	Received			Total Received or Offset	Balance Outstanding	% Owing
				Chq and EFT	Credit Card	Total			
1994	404.30	404.30	-	-	-	-	404.30	-	0%
1995	11,255.66	11,255.66	-	-	-	-	11,255.66	-	0%
1996	14,332.36	983.26	13,349.10	2,217.69	76.86	2,294.55	3,277.81	11,054.55	77%
1997	15,774.97	-	15,774.97	1,635.90	234.86	1,870.76	1,870.76	13,904.21	88%
1998	68,905.85	32,620.20	36,285.65	-	-	-	32,620.20	36,285.65	53%
1999	1,105,648.77	255,642.62	850,006.15	2,349.93	-	2,349.93	257,992.55	847,656.22	77%
2000	104,225.75	47,204.50	57,021.25	-	-	-	47,204.50	57,021.25	55%
2001	59,304.37	-	59,304.37	2,914.14	574.85	3,488.99	3,488.99	55,815.38	94%
2002	12,938.45	-	12,938.45	-	-	-	-	12,938.45	100%
Total	1,392,790.48	348,110.54	1,044,679.94	9,117.66	886.57	10,004.23	358,114.77	1,034,675.71	74%

**FEA Plantations Limited as Responsible Entity
(Administrators appointed) (Receivers appointed)**

Summary of Post Appointment Debtor Collections to 30 September 2010

Scheme Year	Total Invoiced	Received				Total Outstanding	
		Offset	Chq and EFT	Credit Card	Total Received		% Received
1994	64,187.52	64,187.52	-	-	64,187.52	100%	-
1995	64,556.05	-	9,618.33	11,343.09	20,961.42	32%	43,594.63
1996	64,269.28	-	28,210.00	8,869.32	37,079.32	58%	27,189.97
1997	171,438.74	-	52,178.72	28,994.72	81,173.44	47%	90,265.30
1998	393,238.48	-	128,756.73	49,922.75	178,679.48	45%	214,559.00
1999	4,585,291.85	-	944,449.57	901,306.49	1,845,756.06	40%	2,739,535.79
2000	605,872.26	-	88,221.33	132,027.16	220,248.49	36%	385,623.77
2001	219,309.18	-	59,347.32	32,480.94	91,828.26	42%	127,480.92
2002	221,653.57	-	28,816.76	16,186.52	45,003.28	20%	176,650.30
Total	6,389,816.93	64,187.52	1,339,598.76	1,181,130.99	2,584,917.27	40%	3,804,899.67

