

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



Business Reconstruction & Insolvency

**Presentation to Growers
in Schemes 1998 to 2002**

22 November 2010



Agenda

- 1. Financial Information**
 - **Scheme Projections**
 - **Receivers Concerns with our Projections**
 - **Distributions Payable to Growers**
- 2. Operational Issues**
 - **Harvesting**
 - **Maintenance**
 - **Reafforestation**
 - **External Lease Application**
- 3. Grower Invoices/Collections**
- 4. Current Restructure Proposals**
- 5. Adjourned Second Meetings of Creditors**
- 5. Questions**

Scheme Projections

- Refer to Second Growers Report
- Returns are Estimated at:
 - 1998 \$7,884,100 or \$2,755 per woodlot
 - 1999 \$75,322,536 or \$2,301 per woodlot
 - 2000 \$20,874,265 or \$3,442 per woodlot
 - 2001 \$7,884,014 or \$2,038 per woodlot
 - 2002 \$2,143,174 or \$1,762 per woodlot

Receivers Concerns With Our Projections

- **Has little impact in relation to Schemes 1998**

- Across Schemes 1999 to 2009 Receivers have raised concerns with our projections

- Total profitability variance between “Receivers Estimates” and Model B - \$310M comprised of:
 1. Harvest Proceeds - \$210M variance:
 - Pulp / chip pricing variation of \$6.30 m3 or \$103 million
 - Sawlog pricing variation of \$4.51 m3 or \$6 million
 - Additional sawlog volume of 7.2 million m3 or \$79 million
 - Peeler log pricing variation of (\$7.97m3) or (\$1 million)
 - Variation in total volume of 328,000 m3 or \$24 million

Receivers Concerns with Our Projections

2. Transport Costs - \$143M variance:
 - \$50 million by excluding \$5 flag fall in Northern NSW
 - \$100 million by reduced cartage distances of 76 kilometres for each trip throughout the estate
 - Decrease in cartage costs of \$7 million as a result of decreased revenue

3. “Receivers” reduced harvest costs of \$42 million

Harvest Proceeds

- BRI Ferrier long term pulp / chip price is \$73.66 compared to “Deloitte forecast” of \$67.36
- Currently receiving \$70 in 1994 Scheme where we are “price takers” not “price makers” due to small size of harvest –currently re-negotiating this pricing
- 1994 pricing reflects the purchaser financing the costs of harvesting
- SmartFibre have offered \$73
- BRI Ferrier long term saw log price is \$84.66 compared to “Deloitte forecast” of \$80.15
- Prices in Northern NSW will be reflective of reduced shipping time to South Asia when compared to Tasmania
- Pentarch a current timber purchaser believe BRI Ferrier long term pricing is both realistic and accurate for modelling purposes

Transport Costs

- “Deloitte” assume a \$5 flag fall equal to \$50 million in Northern NSW. This flag fall does not exist in Tasmania
- BRI Ferrier model has reduced transport distances of 76 kilometres or \$100 million. This reflects the use of local mills not recognised by “Deloitte”
- “Deloitte” assume transport to the Newcastle port. This port is closed and unlikely to re-open
- Mills in Northern NSW are retooling as a result of this estate
- Boral has announced a \$60 million retooling of their Northern NSW mills

Harvesting Costs

- “Deloitte” assume a \$2.10 harvest managers fee. BRI Ferrier have adopted \$2.50. Additionally “Deloitte” have assumed lower harvesting costs totalling \$42 million in reduced costs
- BRI Ferrier have not recognised this saving in its modelling.

Distributions Payable to Growers

- 1994 – First distribution has been made
- 1998 – Plantation to be harvested over the next 3 years and funds returned
- 1999 to 2002 – Distributions depend upon restructure proposal

Operational Issues - Harvesting

- 1998 – Forest Practice Plans and Notifications are being made where some sites will be ready to commence harvesting in third quarter 2011
- 1999 to 2002 – Forest Practice Plans for thinning harvesting are underway
- Forest Practice Plans

Operational Issues - Maintenance

- 1998 to 2002:
 - Original intention was to have FEA under Receivers control conduct maintenance. Receivers have declined to complete maintenance on 16 November 2010
 - Currently negotiating with other parties – likely to commence 29 November 2010
 - Funding for maintenance is currently held in solicitors Trust Account

Operational Issues – Reforestation

- Obligation on the Applicant (party who signs the FPP – allowing harvesting) to reforest
- Developing strategies to ensure this cost is not borne by growers:
 - Sale of land to purchaser who will assume obligation
 - Restructure of Group will see proponent assume this cost
 - Different reforestation solutions can substantially reduce the costs
- Potential cost could be 15% to 25% of returns if growers are forced to meet this cost

Operational Issues – External Lease Application

- Receivers commenced Application to terminate 1990's external leases
- Court ruled on 18 November 2010 Receivers could not terminate leases due to:
 - Lease payments have been made in accordance with external lease agreements
 - Undertaking by the Administrators funding was on hand to complete maintenance and maintenance works would commence
- Court will hear applications as to Costs
- Internal Lease Application is yet to be resolved post 2000 Scheme years

Grower Invoice Collections – 31 October 2010

Scheme Year	Total Invoiced	Received					Total Outstanding
		Offset	Chq and EFT	Credit Card (Cash Held by St George)	Total Received	% Received	
1994	64,187.52	64,187.52	-	-	64,187.52	100%	-
1995	64,556.05	-	10,492.24	30,234.59	40,726.83	63%	23,829.22
1996	64,269.28	-	29,637.76	9,459.79	39,097.55	61%	25,171.73
1997	171,438.74	-	61,347.75	30,244.54	91,592.29	53%	79,846.45
1998	393,238.48	-	167,642.61	56,427.29	224,069.90	57%	169,168.58
1999	4,585,291.85	-	1,164,371.42	909,450.38	2,073,821.80	45%	2,511,470.05
2000	605,872.26	-	112,696.16	105,627.91	218,324.07	36%	387,548.19
2001	219,309.18	-	74,611.85	31,271.37	105,883.22	48%	113,425.96
2002	221,653.57	-	44,631.85	29,037.34	73,669.19	33%	147,984.38
Total	6,389,816.93	64,187.52	1,665,431.64	1,201,753.21	2,931,372.37	46%	3,458,444.56

Restructure Proposals

- Current Proposal is to restructure Schemes 1999 to 2009 into a “pooled” arrangement
- Schemes 1994 to 1998 will continue to harvest and return funds to growers as harvesting is completed
- Current restructure includes:
 - New management
 - Significant equity contribution
 - Sale of non-core land and assets
 - Different party to acquire 1994 to 1998 land to allow harvesting to commence

Restructure Proposals

Constitutions

- 1994-2002 Scheme Constitutions remain unchanged
- Proposed variations to 2003 to 2009 Scheme constitutions (adjourned)
- The proposed variations (reconstruction) to include:
 - Introduction of contributory funding
 - Ability to amend existing scheme documentation to be consistent with growers agreement to vary the constitutions

Restructure Proposals

- Reasons for varying Scheme constitutions:
 - Immediate funding is required to maintain Scheme viability
 - Funding will meet maintenance costs – and fire hazard works
 - Enable us to deal with any Judgement outcome handed down by Justice Finkelstein
 - Funding requirement may cease/reduce on implementation of a restructure
 - Grower Payments will be refunded (less administration fees associated with returning funds) should payments fail to meet 50% threshold

Adjourned Second Meeting

- Meetings of FEAP and FEA to be held in Launceston on 23 November 2010 at 10.00am and 2pm respectively
- At the Adjourned Second Meeting we are required to recommend one of the following courses of action:
 - The Administrations end – not viable as Group insolvent
 - Liquidation – not in stakeholders interests
 - DOCA – our recommendation
- As no formal DOCA proposal has been put forward a holding DOCA as an interim measurement is proposed to maintain the status quo pending more formal restructure avoiding the Group going into Liquidation

Questions