

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



Business Reconstruction & Insolvency

**Presentation to Growers
in Schemes 2003 to 2009**

22 November 2010



Agenda

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

Scheme Projections

- Refer to Second Growers Report

Receivers Concerns With Our Projections

- 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
- 1995 to 1998 – Plantation to be harvested over the next 3 years and funds returned
- 1999 to 2009 – Distributions depend upon restructure proposal

Operational Issues - Maintenance

- 2003 to 2009:
 - Maintenance was conducted by FEA prior to our appointment at \$1 per annum
 - No funding is on hand to conduct maintenance – estimated cost \$4 to \$6 million per annum
 - Maintenance includes fire protection, weeds, insect issues and other factors affecting the estate
 - **NEED FOR GROWERS TO CONTRIBUTE TO MAINTAIN THE SCHEMES IN THE SHORT TERM**

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 DOCA proponent assume this cost
 - Different reforestation solutions can substantially reduce costs
- Potential reforestation 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

Scheme Amendments

- Currently considering deferring proposed constitution amendments for two weeks on the basis of attempting to reduce grower funding requirements
- Amended invoices to be issued within two weeks
- 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

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

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