

Growers Report 1999 to 2009 Schemes



Forest Enterprises Australia Limited (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed) ("FEA")
FEA Plantations Limited (Subject to Deed of Company Arrangement) (Receivers Appointed) ("FEAP") Report
24 June 2011

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ABBREVIATIONS

The Banks	The Secured Creditors collectively or individually referred to; Commonwealth Bank of Australia, Australia and New Zealand Banking Group Limited and ANZ Fiduciary Services Pty Limited
BlackTree	Blacktree Limited and associated entities. Third party proposing restructure alternatives.
Creditors	Unsecured Creditors Secured Creditors and Employees of FEA. Growers of FEAP are included as Unsecured Creditors
FEAGG	FEA Growers Group
FEA	Forest Enterprises Australia Limited (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed)
FEAP	FEA Plantations Limited (Subject to Deed of Company Arrangement)(Receivers Appointed)
FPP	Forestry Practices Plans; required to commence harvesting on plantation timber estates
Growers	Investors own Woodlot options under the various FEAP Schemes
M3	M3 Property Valuation. Property valuers.
RE	Responsible Entity
RFM	Rural Fund Management. Third party proposing restructure alternatives.
Schemes	16 Forestry Investment Schemes managed by FEAP referred to collectively or individually as the 1994 to 2009 Schemes

1 EXECUTIVE SUMMARY

On 29 June 2011, adjourned Grower meetings for the Schemes 1999 to 2008 will be convened to consider replacement of manager with BlackTree been the alternate manager.

We believe the Proposed RFM offer would provide a better outcome for Growers and Creditors of Forest Enterprises Australia Limited ("FEA") and FEA Plantations Limited ("FEAP"), however, capital raising by RFM has been slower than anticipated.

There is a significant risk that RFM can not complete as proposed. Accordingly, Growers should take this into consideration in deciding how to vote at the Grower meetings on 29 June 2011.

On 4 May 2011, a report to Creditors was sent out to Creditors of FEAP to consider the extension of the Holding Deed of Company Arrangement ("DOCA") pursuant to Section 445F of the Corporations Act.

At the Section 445F Creditors Meeting on Thursday 12 May 2011, it was resolved that the DOCA would be extended to 30 September 2011. It was anticipated that a restructure of the FEA Group would be able to be achieved by 30 September 2011.

As the Deed Administrators we have continued to work with FEA Growers Group ("FEAGG") as well as the two restructuring parties, Rural Fund Management ("RFM") and BlackTree.

In Section 2 of this report Creditors will find a detailed updated of events since my previous correspondence to Creditors.

Although RFM is still continuing to seek commitment from their investors for equity capital, Growers should consider the merits of the BlackTree proposal for the adjourned Grower meetings on 29 June 2011.

On other matters, the Deed Administrators have commenced action against Receivers and Managers of FEA and two external landlords for execution of Forest Practice Plans ("FPP").

2 RESTRUCTURING PROPOSALS

2.1 FEA Growers Group ("FEAGG")

The FEAGG and the Deed Administrators continue to work together on both restructuring proposals. With the support of the FEAGG, the current Grower meetings have been adjourned until 29 June 2011.

This adjournment of the meeting was to provide time for RFM to complete their due diligence, and firm up their required debt and equity raising.

Growers will find below the updates of both the RFM and BlackTree proposals.

In summary whilst RFM restructure would provide a better outcome for Growers and Creditors of FEA and FEAP, the progress is slower than anticipated and one of the milestone deadline set out in the Forbearance Deed have fallen due. BlackTree remains committed to their proposal to replace the Manager and Responsible Entity of the 1999 to 2008 Schemes. They have also offered to take over the 1995 to 1998 Schemes.

2.2 Current Preferred Restructuring Proposal - RFM

When the Deed of Forbearance with the Banks was entered into by RFM, it was intended that by 20 June 2011 Information Memorandum would have been issued. The Information Memorandum is to include an application for formal written equity commitments in the restructured FEA Group. Unfortunately, the commitments have not progressed to this point.

RFM are negotiating with one potential investor and Mr Bryant, the Managing Director of RFM, is currently in Great Britain trying to finalise an arrangement for an American investor group to approve an investment in FEA. He expects a response, and hopefully a commitment, by the end of this week ending 25 June 2011.

Therefore, whilst the RFM potential acquisition is on foot, it is progressing slower than anticipated. To the extent that the Information Memorandum has not issued, the milestone in the Forbearance Deed has not been complied with and the banks could, if they so decided, terminate the Deed. They have chosen so far not to terminate and we remain hopeful that RFM can complete the acquisition which offers the optimal result for Growers.

RFM have meanwhile indicated that the offer to both the Banks and the Growers could be affected by disappointingly reducing valuations. It is inappropriate at this time to anticipate the outcome of such a reduced offer to Growers.

2.3 BlackTree Proposal

Growers may be aware of the various issues we had with the BlackTree proposals outlined in our previous reports. These reports are still accessible on the Deed Administrators website below.

<http://briferrier.com.au/>

Although our view is that RFM may provide the better outcome, we continued to work with the FEAGG and the representatives of BlackTree for an alternative manager on the basis that the RFM deal not be consummated.

BlackTree called Growers meetings, initially set down for March which has been adjourned until 29 June 2011. At this meeting, Growers will be asked to appoint BlackTree managers of the 1999 to 2008 Schemes.

We previously contested the BlackTree proposal and continue to have issues with the proposal, however, we believe that it may offer continuity of professional management for the relevant Schemes, in the absence of a concluded arrangement with RFM.

The structure of an Operations Agreement with BlackTree was drafted and in principle agreed in March 2011. This agreement sets out the functions of BlackTree should it be appointed Manager, whilst the Deed Administrators at least initially would remain as Responsible Entity. The BlackTree management would include all Schemes 1999-2008. The issue of the Banks claim of security over the management agreement remains to be resolved.

The Receivers lawyers have advised their objection to voting in the BlackTree proposal. Growers can find their objections on our website. <http://briferrier.com.au/> We expect the Receivers to commence litigation should the proposals be accepted by Growers.

There are some commercial aspects of the deal, which need to be finalised including the fees to be charged and the exit proposal. One issue also to be addressed is the potential to convert what have been to date voluntary contributions into down payments against mandatory contributions once the relevant constitutions are amended.

One issue which has arisen in the past day is that BlackTree Pty Limited which previously had offered itself as potential manager, will not be proposing itself. Instead, another BlackTree entity, BlackTree

Management Pty Limited is proposed. We are considering the impact of this on the proposal.

BlackTree, the Grower representatives and the Administrators are each considering the impact of the intended change of proposed manager as to whether this can now be addressed at the meeting convened by Growers representatives set down for Wednesday 29 June 2011.

On 22 June 2011, BlackTree received draft legal advice that in their view, the alternate BlackTree entity BlackTree Management Pty Limited is able to be put forward as the potential manager and will not impact on the validity of the meeting on 29 June 2011. Our lawyers are reviewing this opinion.

A vote by Growers for the BlackTree proposal will result in a default of the Forbearance Agreement.

2.4 Administrators' Position

The RFM proposal provides the highest return to Growers and Creditors. However, an issue has arisen where forthcoming of equity has been slower than anticipated and certain milestone deadlines of the Forbearance Agreement have passed. Even though the Banks have yet to terminate the Forbearance Agreement, it is our view that RFM need to demonstrate its ability to complete the equity commitment from their investors as soon as possible.

In the mean time, Growers should be put in a position to vote to protect their investment. We are working on a number of fronts to protect Growers rights.

Growers should have understanding of the details of the BlackTree proposal as stated in section 2.3 of this report.

The Grower Meetings on 29 June 2011 only considers the BlackTree proposal, accordingly Growers should vote on the merits of BlackTree proposal only.

2.5 Grower Meetings 29 June 2011

Meetings for Growers of Schemes 1999 to 2008 were convened to consider the replacement of Managers of these Schemes. These meetings have been adjourned to 29 June 2011.

Growers of the Scheme should be aware that these meetings are not convened by the Deed Administrators on the Responsible Entity.

Notices of the meeting and explanation memorandums are posted on the BlackTree website listed below.

<http://www.blacktreeltd.com.au>

Growers should read and understand the notices and explanation memorandums should they have not done so already. BlackTree can amend these documents at any time prior to the meeting.

3 UNSECURED CREDITORS

Unsecured Creditors that are not Growers include trade debtors of FEA and FEAP as well as external lessors.

Restructure of the Schemes is vital to achieving an outcome for Unsecured Creditors.

External lessors should be aware that both BlackTree and RFM will look to dispose of certain external land but continue with others. It is anticipated that this decision will be made after the Grower Meetings on 29 June 2011.

4 RECEIVERS' APPLICATION FOR COURT DIRECTIONS

We previously advised Creditors and Growers the Receivers and Managers appealed Justice Finkelstein's Directions in respect of Schemes 2000 to 2008 internal property leases. Their chief points of Appeal were:

The undertaking provided by FEA to the Australian Securities and Investments Commission ("ASIC") in respect of FEAP's Australian Financial Services Licence ("AFSL") is not enforceable, contrary to Justice Finkelstein's view; and, in any event;

Rent due to FEA from FEAP cannot be "paid" by offset of debts due to FEAP from FEA, because the terms of the inter-company lease require payment of rent without deduction.

The Appeal was heard on 2 March 2011 where the Court's decision is currently reserved.

There have been no further updates.

5 DEED ADMINISTRATORS' FOREST PRACTICE PLAN ("FPPS") PROCEEDINGS

We previously advised Creditors and Growers that during the period of the FEAP Voluntary Administration and Holding DOCA, the Receivers and Managers representing the Banks have declined to execute Forest Practices Plans enabling further harvesting.

This has had the effect of frustrating FEAP's efforts to undertake harvest of FEA Group owned coupes included in the earlier Schemes.

We have therefore approached the Federal Court in Melbourne seeking a declaration that FEA and Tasmanian Plantations as relevant are obliged to execute the Forest Practice Plans or otherwise consent to FEAP lodging such Plans with the Forest Practice Authority in Hobart or otherwise permitting FEAP to harvest or thin timber belonging to each of the relevant Schemes.

The Receivers are thereby, if we are successful, to be directed to undertake all steps reasonably required to enable FEAP to harvest the land in the 1995-2002 Schemes.

We have also commenced action in the Federal Court in Melbourne against two external lessors.

Each of these lessors has refused to bank rent cheques. One is claiming determination of the leased land and a second is unconvinced that FEAP will continue with its obligations under the lease and is refusing entry.

We have requested the Court to injunct the lessors from taking possession of the land and to make them execute Forest Practices Plans in respect of their respective coupes.

6 GROWERS INVOICING

On 31 May 2011 invoices were sent to Growers of Schemes 1995 to 2009, below is a summary of the total invoiced amounts.

Schemes	Invoiced Amount (Inc GST) \$
1995	66,169.95
1996	65,876.01
1997	175,724.71
1998	403,069.45
1999	1,552,002.51
2000	350,327.58
2001	222,585.25
2002	87,193.63
2003	156,217.58
2004	232,265.85
2005	609,733.73
2006	555,452.72
2007	637,658.95
2008	1,715,446.36
2009	196,101.60
	\$ 7,025,825.88

The Invoices is sent to ensure the Schemes have funds available to meet ongoing expenses.

Should BlackTree be placed as managers for Schemes 1999 to 2008, they may look to invoice Growers for FY 2012, Growers who have paid to BRI Ferrier will receive a credit against any BlackTree invoice.

The following parameters were assumed in calculating the invoice amounts:

Schemes 1995 to 1998

Full year expenses for FY 2012 as these Schemes are not a part of the RFM restructure.

FY 2011 invoiced amounts plus 2.5% CPI increase.

Schemes 1999 to 2002

These schemes were sent invoices on an interim basis as they are subject to the RFM restructure, which may be finalised in October 2011.

Expenses calculated on a pro rata basis for the months July to October 2011, except for external rent which is for six months.

Schemes 2003 to 2009

These schemes were sent invoices on a non-mandatory and interim basis.

Expenses calculated on a pro rata basis for the months July to October 2011, except for external rent which is for six months.

7 DEED ADMINISTRATORS' REMUNERATION

As discussed at the last Meeting of Creditors, the Committee of Creditors and subsequently the Committee of Inspection have reviewed and approved the remuneration of the Administrators. Should Creditors vote to extend the DOCA, we will continue the process of having the Committee of Inspection review the Administrators remuneration.

As at the date of this report, remuneration due to us has been approved to 30 April 2011.

Should Creditors wish to receive any further information in respect of the remuneration approved, please contact our office.

8 BRI FERRIER KEY CONTACTS

Please feel free to contact the FEA Team on 02 8263 2300 for specific queries.



Brian Silvia
Deed Administrator for
Brian Silvia and Peter Krejci