

Annual and Final Report to Growers for
Australian Forests Project 2001
(2001 Scheme)
ARSN 094 614 678

FEA Plantations Limited As
Responsible Entity
(Subject to Deed of Company Arrangement)

24 January 2018

Brian Silvia
Peter Krejci

Joint and Several Deed Administrators

BRI Ferrier (NSW) Pty Ltd ABN 97 128 947 848
Level 30
Australia Square
264 George Street, Sydney NSW 2000
GPO Box 7079, Sydney NSW 2001
Phone (02) 8263 2300
Facsimile (02) 8263 2399
Email: fea@brifnsw.com.au
Website: www.briferrier.com.au

BRI Ferrier

TABLE OF CONTENTS

1	Executive Summary	3
2	Post appointment Distributions to Growers	4
3	Administration Expenses – Voluntary Administration Period.....	4
4	Plantation Estate – MIS Scheme.....	6
5	Deed of Company Arrangement – Deed Administration period	7
6	Distributions to Scheme Growers.....	8
7	Australian Securities and Investment Commission (ASIC)	9

1 EXECUTIVE SUMMARY

The purpose of this Annual and Final Report is to provide Growers in Australian Forests Project 2001 (“the Scheme”) with a summary of the Scheme’s operations since the date of the appointment of Voluntary Administrators to FEA Plantations Limited (FEAP) on 14 April 2010. FEAP is a wholly owned subsidiary of Forest Enterprises Australia Limited (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed) (FEA).

Peter Krejci and I together with Matthew Muldoon were appointed Voluntary Administrators of each of FEA and FEAP on 14 April 2010. Mr Muldoon subsequently resigned and Peter Krejci and I became Joint and Several Deed Administrators of FEA and FEAP on 14 December 2010.

At the time of our appointment as Voluntary Administrators, ANZ Fiduciary Services Pty Ltd as agent for Australia and New Zealand Banking Group Limited (ANZ) and Commonwealth Bank of Australia (CBA) appointed Tim Norman and Salvatore Algeri of Deloitte as Receivers and Managers of Forest Enterprises Australia Limited and then subsequently as Receivers of FEAP. They remain in office as Receivers and Managers of FEA but have resigned as Receivers of FEAP.

Since FEAP was placed in Administration and then subsequently a Deed of Company Arrangement adopted, members of the Scheme have been regularly provided with information as to the progress of dealings with the Receivers of FEA and the ultimate sale of the FEA Internal estate which occurred in January 2015. A report on the outcome of the sale was issued to Scheme Growers on 20 March 2015.

Further there has been an active Committee of Inspection for FEAP which contains representatives of the members of the Scheme. That Committee has met regularly (at the present time there have been 75 separate meetings of the Committee of Inspection).

At the Scheme meeting of Growers held on 11 November 2013, the Growers voted in favour of the restructure proposal of the Scheme which would ultimately allow for a winding up of the Scheme and which was extensively detailed in the Explanatory Memorandum (EM) dated 23 September 2013 and the Supplementary Explanatory Memorandum dated 1 November 2013. Peter Krejci and I were appointed to take responsibility for ensuring that the Scheme is wound up in accordance with its Amended Constitution.

As previously reported to Growers, the disappointing result achieved from the sale of the FEA internal land and trees has resulted in a reduced share of the net funds available to be returned to Growers in the Scheme. All the available assets attaching to the Scheme have now been realised allowing for a return to the Growers, including a full refund of the “S” Tax Invoice Contributions and Voluntary Contributions (plus applicable premium), and a partial refund of Compulsory Contributions that had been paid by Growers since 14 April 2010.

The final refund of Grower Contributions was issued on 29 April 2016, immediately before the Scheme winding up commenced. Growers were initially notified of the position of their individual account contributions by letters dated 26 May 2015. The final distribution refunds were detailed in the cover letter which accompanied the refund cheques issued on 29 April 2016.

Pursuant to Section 601NC of the Corporations Act 2001, the Responsible Entity may wind up the Scheme if it considers the Scheme's purpose has been achieved.

As the purpose of the Scheme has now been accomplished it will be formally wound up. The sale of the trees grown during the currency of the project has been completed and all known liabilities of the Scheme have been discharged.

2 POST APPOINTMENT DISTRIBUTIONS TO GROWERS

Please find attached a summary of Receipts and Payments for the Scheme for the period 14 April 2010 to 31 December 2017.

An analysis of the costs and the expenses of the Scheme follows in the subsequent sections below.

3 ADMINISTRATION EXPENSES – VOLUNTARY ADMINISTRATION PERIOD

Growers will no doubt be aware that following our appointment as Administrators of FEAP on 14 April 2010, the Banks (both ANZ and CBA being the secured creditors) appointed representatives of the firm Deloitte as Receivers to FEAP on 3 June 2010.

Our role as FEAP's Administrators was to look after the interest of the unsecured creditors of FEAP, where the majority of these creditors are Growers/Investors. The appointment of Deloitte as Receivers, by the secured creditors, the Banks was to look after both lenders interests.

Significant legal fees and investigative costs arose during the initial course of the Administration of the Scheme, where such costs have either been incurred seeking advice predominately in respect of issues relevant to protecting Growers' interests but also in respect of matters to refute security claims and legal challenges by the Receivers on behalf of the Banks. Had the Administrators not challenged the claims by the Receivers that FEAP had no entitlement to deal with the Scheme's assets, then FEAP through the Administrators would not have been in a position to protect the Growers' rights to the timber comprised within the Scheme. All the Voluntary Administrators remuneration incurred and referred to in this Report has been considered and approved by either the FEAP Committee of Creditors or the Committee of Inspection during the course of the entire Administration.

The escalation of costs of the Administration has for the most part, been driven by the frustrating posture adopted by the Receivers and their unwillingness to interact with the Administrators.

As an example, immediately following our appointment, the Receivers terminated the Forestry Right Deed and Head Management Agreement which existed between FEA and its 100% owned subsidiary FEAP in relation to the Managed Investment Schemes (MIS) plantations.

During the period from 14 April 2010 to 30 June 2010, considerable resources were directed towards investigating the Scheme's structure, its profitability and viability in order to prepare for the first meeting and the Report to Growers and Creditors. The work performed was with the support of the Creditors' Committees and an informal Growers' Committee (FEAGG). At that early point in the Administration, the

level of Grower enquiries was significant including those from individual Grower's financial and legal advisors.

The Receivers after appointment took control of all FEA properties, (other than the external plantations on the land with leases from third party landlords) including FEA's books and records. This resulted in an inability to access FEA's management records, both as to the maintenance of the forests and the plantation trees and to the systems and procedures that had been established from inception of the Scheme. FEAP was concerned to satisfactorily address the systems of management in particular those relating to Occupational Health and Safety, insurance and statutory licences so as to be in a position to ultimately undertake a harvest. The denial of FEAP and of the Administrators' access to the plantations records, systems and workings was to prove to increase both the costs and the time required to deal with the Scheme's assets.

During the Voluntary Administration period, considerable time and effort was directed, specifically towards:

- Dealing with the Banks' attempt to claim security interest over the Scheme's assets.
- Seeking to protect the Scheme from the Banks' claim that their charges had been crystallised upon appointment of the Voluntary Administrators and had become fixed on the floating assets of FEAP.
- Taking steps to defend actions taken by the Banks through the Receivers, where they sought to impose legal obligations and sanctions in respect of the dealing with the Scheme plantations. Those issues had they not been challenged, had the potential to disenfranchise the interests of Growers in the Scheme.
- The need to establish a new relationship with a suitably qualified forestry organisation, with the capability and capacity to evaluate the timber resource and orchestrate the clear fall harvest and ultimate sale of the timber from the plantations. On 2 July 2010, FEAP entered into a Log Purchase and Marketing Agreement with Pentarch, an independent harvest and sales company headquartered in Victoria which was prepared to establish a presence in Tasmania to manage the harvest project. The Agreement provided for Pentarch to enter into contracts and incur debt with third party harvesters and haulage contractors on its own account. Pentarch's proposal was to then sell the harvested trees to third parties and account to FEAP monthly.
- Prior to our appointment, FEA acted as Custodian for FEAP holding the assets of the Scheme. As a result of FEA's insolvency, the Custodial Agreement with FEA was terminated. It was critical to appoint a replacement Custodian. The Administrators appointed Sandhurst Trustees Limited to act as the new Custodian including accepting the harvest proceeds of sale when harvesting was to be performed.
- Investigating the steps and procedures to "wind up" or restructure the Scheme. This, was in part, motivated by a desire to protect Growers rights where variously there had been assertions on behalf of the Banks relating to the extent to which their securities applied to the assets of the Responsible Entity, FEAP. A strategy to "wind up" the Scheme would put "distance" between any claims as to the Scheme's funds by the Banks.

The costs associated with addressing these complex matters was deemed necessary to preserve any value of the plantations and deal with the Bank's attempts to claim security interest over Scheme assets thereby potentially disaffecting the Growers. The work that was required to be undertaken by the Administrators was largely outside the normal requirements, but was necessary due to the stance adopted by the Receivers in not making information readily available and opposing each and every step taken by us to protect Growers' interests in the Scheme.

4 PLANTATION ESTATE – MIS SCHEME

Your Scheme comprised a total of 1,319 planted hectares:

- 1,270 planted hectares (96%) of internally owned land that was leased by FEAP from FEA Group companies that came under the control of the Receivers upon their appointment as Receivers and Managers of FEA and;
- 49 planted hectares (4%) of external land owned by unrelated third parties.

It was not until mid-June 2010 that the Administrators first obtained plantation data from the Receivers which had been previously developed by FEA Forestry personnel under a sophisticated plantation management system known as "Woodstock". Under this program, it was possible to derive, by making various assumptions, a forecast inventory growth rate and an estimate of the likely value of the plantation based upon forward price indicators at the optimum harvest date.

The assumptions made in that data were tested and we arrived at our own estimates of the prospective value of the plantation. We identified deficiencies in the original estimates prepared by the Receivers and sought a revision of our estimates by an independent Forestry Expert which led us to the view that the plantation was considerably more valuable than initially identified by the Receivers.

Following our evaluation of the prospects of the Scheme, it was determined that rent should continue to be paid to FEA to ensure no default occurred which would have allowed the Receivers of FEA to take absolute control of the trees growing on the company's land. In respect of the third party landlords it was determined that the rent on one of the externally leased properties (with 40 hectares of planted area) would continue. The remaining externally leased property was determined to be unacceptable from both a location standpoint (distance to the mill) and the cost in transporting the machinery to harvest only an area of 9 hectares outweighed the net benefit expected from the harvest event.

Our efforts to preserve the value of the timber for ultimate sale, were frustrated in an environment where the Receivers were taking steps to offer Smart Fibre Pty Ltd (Smart Fibre) for sale. Smart Fibre had provided the sales outlet to Japan for pulp where there was a limited availability of such "valuable" contracts in the marketplace. Smart Fibre was a 50/50 joint venture with Elders Group and it failed to interact with FEAP despite a number of attempts to engage given their position as the proven and preferred sales outlet.

Another major concern for FEAP was that it not be obligated to reforest the land after a harvest as there had been no disclosure of such a requirement in the Scheme Prospectus. The cost of remediating the land post a harvest, would have fallen to the Scheme and ultimately the Growers/Investors.

With access to the Smart Fibre outlet denied to the Administrators of FEAP by the Receivers, an extensive search was undertaken to secure an agreement with a major forestry company to both undertake the harvest operations and source sales for the Scheme's timber. Protocols were required to be established to address the procedures and methods required to perform the harvest operation. This included a detailed evaluation of the statutory obligations of OH&S legislation and compliance with specific processes for forestry management.

From early July 2010 the Administrators working constructively with the Committee of Creditors and the FEAGG, introduced and negotiated with various independent proponents of restructure proposals, which with the benefit of hindsight would have offered a potentially superior result to the outcome that was achieved under the direction and control of the Receivers that cumulated in the sale of the FEA internal estate in January 2015. Unfortunately, these restructure proposals were either rejected by the Banks outright or frustrated by legal challenges by the Receivers.

Significant costs were incurred in evaluating and testing the Woodstock data forecasts; working with potential parties willing to commit to a Scheme restructure; preparing the way for a future harvest; attending to the maintenance of the trees including engaging contractors to perform weed control and fire break clearing to ensure compliance with insurances; establishing the requisite protocols and mandatory legislative requirements to carry out forestry activity and the time involved in sourcing a capable forestry operator for the Scheme.

5 DEED OF COMPANY ARRANGEMENT – DEED ADMINISTRATION PERIOD

FEAP became subject to a Deed of Company Arrangement on 14 December 2010.

After a number of restructure proposals focussing on the 1995 to 2001 Schemes during the latter part of 2010 and into early 2011, were developed and explored with credible and capable parties, the focus shifted towards Macquarie Bank (Macquarie). As a party experienced in forestry management, Macquarie played a pivotal role in delivering proposals designed to maximise the value of the FEA land and trees, whilst respecting the overall interests of the Banks, the Unsecured Creditors and Growers.

Unfortunately, the Receivers failed to grasp the concepts being promoted by Macquarie and moreover, continued with legal actions through the Courts to disenfranchise the Scheme Growers. The requirement for a very broad and restrictive indemnity sought by the Receivers and the Banks meant that the Macquarie proposal was not capable of being further developed.

The stance adopted by the Receivers left the Deed Administrators with little option other than to institute legal action to defend Growers' rights of entitlement to the plantation assets against challenges from the Banks' representatives, being the Receivers from Deloitte. The litigation came to represent an attempt by the Receivers to terminate the leases through forfeiture on the one hand and the challenge for relief against forfeiture, by the Deed Administrators on behalf of the Scheme Growers on the other.

Despite the Bank's rejection and the litigation on foot, Macquarie continued to work with the Deed Administrators attempting to find a solution to the possible adverse ruling on the forfeiture of lease proceedings in the Supreme Court and establish a funding mechanism, enabling continuation of the

Scheme. In essence, Macquarie agreed to provide funding support to the Deed Administrators, to pay back rent if adjudicated by the Court and to underwrite all rent going forward, not funded by the Growers.

This support and commitment was against a backdrop where Growers had become weary in their pledge to continue to fund the legal challenges. A significant number of Growers who had prepaid their rent were not prepared, voluntarily, to contribute to the ongoing costs of litigation.

Faced with uncertainty on the ultimate outcome of the legal dispute with the Receivers and the reluctance by Growers to continue funding the legal defence, the Deed Administrators and Receivers as directed by the Court entered a Mediation process in early 2013 to formulate a resolution of the dispute between the competing Creditors.

On 11 November 2013, the Growers in the Scheme voted on and passed resolutions, ratifying the restructure and settlement agreement reached by the Receivers representing the Banks and the Deed Administrators acting for the benefit of the Growers and Unsecured Creditors.

That restructure proposal, with the approval of the Scheme Growers, enabled the Receivers to engage the independent firm Gresham to act as the Sales Advisor and offer the FEA internal land and plantations for sale. An option embodied in the restructure proposal was for a continuation of the Scheme under a MIS transition proposal whereby Macquarie would replace the incumbent RE (FEAP) and manage the Scheme's plantation through to harvest. Unfortunately, no parties expressed any interest in the MIS transition proposal. As a result the FEA internal land and trees were marketed by the Sales Advisor and the Receivers as a one-line-sale.

As reported to all Scheme Growers on 20 March 2015, the Deed Administrators had no direct involvement or capacity to influence the sale process nor were we consulted throughout the sale negotiation period. The process was run and controlled entirely by the Receivers.

The headline sale price of \$125.5 million achieved for the entire FEA internal estate was a very disappointing outcome for all creditors, particularly the 2001 Scheme Growers. The net funds available to the Scheme (being the Scheme's share from the sale of the FEA internal land and trees as specified in the Amended Constitution which was included in the 23 September 2013 EM), amounted to \$841,593.20.

In respect of the externally leased land, the Deed Administrators arranged for the harvest of the trees on that land. The area of plantation land to be harvested was only 40 hectares. The harvest operation generated net proceeds (after harvest costs and cartage) of \$16,135.28. The yield from the harvest was well below expectations due to the site location (NE Tasmania with underperforming plantation growth rates) and also reflected the lower market prices for the timber (pulp/chip) prevailing at the time of the harvest in July/August 2015.

6 DISTRIBUTIONS TO SCHEME GROWERS

On 26 May 2015 all Growers in the Scheme were provided with individual statements of account setting out the contributions that they had paid during the course of the Administration since 14 April 2010. The letter accompanying the statements detailed how the Deed Administrators intended to treat the contributions to the Scheme for distribution purposes.

The Scheme's Amended Constitution provided for a "premium" to be paid on account of Administrative Contributions calculated on a sliding scale in favour of those Growers who made Voluntary and/or Compulsory Contributions between 14 April 2010 and 31 December 2012

An order of priority as to repayment was stipulated by the Amended Constitution and accepted by Growers at your Scheme Meeting held on 11 November 2013. Contributions that were identified as "S" Tax Invoices Contributions were afforded "a super priority as to repayment" before repayment of past Voluntary and Compulsory Contributions.

All available funds have now been realised in the Scheme thereby allowing for the distributions to the Scheme Growers.

Those Growers who made payment of the "S" Tax Invoice dated 16 October 2014 have had the payments refunded (net of GST) and after deducting the insurance expense as detailed on the individual Grower Tax Invoice. The total amount returned to the Scheme Growers was \$145,867.96 inclusive of GST.

On 29 April 2016 a final distribution was made to Scheme Growers. This payment was comprised of both Voluntary and Compulsory contributions received by the Scheme. As set out in the table below, the breakdown of the distribution payments to Growers was as follows:

Contribution Category and Distribution Payment		
2001 Scheme		
Category	% of Refund	Total Distribution by Scheme
"S" Invoice Contributions	100%	\$ 132,607.24
Voluntary Contributions	100%	429,728.85
Voluntary Premium	100%	18,240.29
Compulsory Contributions	Partial Refund	73,620.62
Compulsory Premium	Partial Refund	3,396.77
		<hr/>
		\$ 657,593.77
	Add: GST	<hr/>
		65,759.38
Total Grower's Contribution Refund		<hr/>
		\$ 723,353.15

7 AUSTRALIAN SECURITIES AND INVESTMENT COMMISSION (ASIC)

FEAP is permitted to wind up the Scheme as the purpose of the Scheme has been accomplished.

ASIC has been notified of the commencement of the wind up following the payment of the final distribution to Scheme Growers.

The only matter now remaining is for the Responsible Entity to formally advise ASIC that the wind up process is complete. Upon the giving of that notice, ASIC will de- register the Scheme.

Yours faithfully

FEA Plantations Limited (Subject to Deed of Company Arrangement)



BRIAN SILVIA

Joint and Several Deed Administrator

Annexure 1

FEA Plantations Limited (Subject to Deed of Company Arrangement) Australian Forest Project 2001 (2001 Scheme) Summary Receipts and Payments (inclusive of GST) for the period 14 April 2010 to 31 December 2017

R&P
for the period
14/4/2010 to
31/12/2017

Receipts to 31 December 2017

VA - 14 April 2010 to 14 December 2010

Bank interest	3.18
Grower Receipts	76,557.23
Unallocated Grower Receipts	996.42
Pre-appointment Debtors	3,323.43
GST Refund	69.24

Total Receipts During Administration Period \$ 80,949.50

DOCA - 14 December 2010 to 31 December 2017

Grower Receipts	1,165,420.88
Cash at bank at appointment	2,962.40
Harvest proceeds	16,135.28
Pre-appointment Debtors	16,911.28
Default Interest	776.35
Debt Collection Agency Fees Collected	701.27
Growers Collection - Settlement Proceeds	108,362.77
Internal Estate Sales Proceeds	841,593.20
Bank interest	12,129.13
Reimbursements for Relief Against Forfeiture Expenses Funded	670,887.15
GST Refund	51,973.03

Total Receipts During Deed Administration Period \$ 2,887,852.74

Total Receipts As At 31 December 2017 \$ 2,968,802.24

Payments to 31 December 2017

VA - 14 April 2010 to 14 December 2010

Administrators' Remuneration	2,784.98
Bank charges	288.07
Custodian fee	825.00
External Rent	6,972.89
Forestry Insurance & Maintenance	20,809.36
Internal rent paid (Cash) FY2011	10,368.60
Legal fees	7,606.97
Meeting Room	152.87
Professional costs	2,482.13
Report Printing and Postage	1,033.89
Subcontractor	13,166.54

Total Payments During Administration Period \$ 66,491.30

DOCA - 14 December 2010 to 31 December 2017

Administrators Remuneration	248,138.04
Bank charges	10,324.61
Custodian fees	13,750.00
Debt Collection Fees	2,133.26
Deed Administrators Remuneration	911,721.54
Deed Administrators Disbursements	166,766.71
External Rent	55,793.88
Forestry Insurance and Maintenance	158,681.41
Legal fees	225,084.00
Macquarie Break Fees	266,500.00
Meeting Room Costs	4,915.78
Other Government Charges	1,525.61
Printing and Postage	5,908.34
Professional Costs	8,395.97
Remediation & Fencing Costs	1,379.95
Restructure Consultancy and Facility Establishment Fees	88,590.93
Statutory Advertising	52.42
Unclaimed Monies	3,750.77
Contingency allowance for finalisation of Scheme	5,544.57

Total Payments During Deed Administration Period \$ 2,178,957.79

Growers Contribution Refund

- S Invoice	145,867.96
- Voluntary Contributions	492,766.05
- Mandatory Contributions	84,719.14

Total Grower Contributions Refunded \$ 723,353.15

Total Payments As At 31 December 2017 \$ 2,968,802.24

Current Cash Balance Nil