

18 December 2009



Letter to Timbercorp Forestry Grower Investors ("Grower Investors")

Dear Grower Investor

Timbercorp Securities Limited (In Liquidation) **ACN 092 311 469 ("the Company")**

I refer to the appointment of Leanne Chesser and I as Liquidators of the Company on 29 June 2009 and to your investment in one or more of the Timbercorp Eucalypt Schemes.

Sale of Forestry Assets

As you are aware, Grower Investors' trees were sold to Australian Bluegum Plantations Pty Limited ("ABP") on 30 September 2009. This transaction was settled on 2 November 2009.

The Sale Proceeds have been allocated across the various projects on the basis of the value attributed by ABP. Generally, ABP attributed a greater value to those trees that are more mature and closer in proximity to a dedicated port facility.

On 17 December 2009, Justice Davies of the Supreme Court of Victoria handed down judgement approving the apportionment of the Sale Proceeds and the allocation of costs ("the Orders"). The Orders enable the Liquidators to commence distributing the Sale Proceeds.

Please refer to Annexure A for details of the return on a per lot basis, net of costs, anticipated to be made in relation to each Timbercorp Eucalypts Scheme.

First Distribution of Cash to Grower Investors

It is expected that the Sale Proceeds will be distributed as follows:

- For approximately 68% of Grower Investors the first distribution will occur prior to Christmas (Category 1 Grower Investors);
- The balance of Grower Investors have invoice arrears and/or a loan balance (Category 2 Grower Investors). An amount equal to the arrears and/or loan balance will be held in escrow pending determination of legal entitlement. The balance of the distributable amount (ie. the amount in excess of any invoice arrears or loan balance) is anticipated to be distributed in January 2010;
- Subsequent distributions will be made as amounts are released from the retention account (note 1, Annexure A). At this stage it is anticipated that a second distribution will be able to be made to Grower Investors in the first quarter of 2010.

Corporate Recovery Services
Turnaround & Restructuring Services
Real Estate Advisory
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Liability limited by a scheme
approved under Professional
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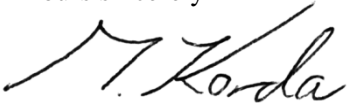
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- Due to logistical and financial constraints, Grower Investors will not be individually notified each time a distribution is made. Instead, the Timbercorp section of the KordaMentha website (www.kordamentha.com) will be updated each time a distribution is made; and
- In July 2010, Annual Summaries of the distributions made during the year will be made available to Grower Investors for the year ended 30 June 2010.

Further Information

Grower Investors are urged to check the Timbercorp section of the KordaMentha website for further information in relation to the distribution of sale proceeds. You may also contact Timbercorp Grower Management on 1800 628 188 or email Timbercorp@kordamentha.com.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Korda', with a stylized flourish at the end.

MARK KORDA
Liquidator

Annexure A

Scheme	Lots	1st Distribution - Per Lot	Total of Forecast Subsequent Distributions (Minimum) - Per lot	Total of Forecast Subsequent Distributions (Expected) - Per lot ⁱⁱⁱ
1997 Eucalypts Double Rotation – Late	582	1,249	114	367
1997 Eucalypts Single Rotation - Late	1,384	321	30	93
1998 Eucalypts Double Rotation - Early	1,533	2,365	217	688
1998 Eucalypts Double Rotation - Late	2,688	1,546	142	449
1998 Eucalypts Single Rotation - Early	3,768	1,767	157	821
1998 Eucalypts Single Rotation - Late	4,507	2,405	217	979
1999 Eucalypts Double Rotation Private Offer	478	0	0	3,205
1999 Eucalypts Single Rotation - Early	5,577	937	74	923
1999 Eucalypts Single Rotation - Late	21,978	1,601	145	543
2000 Eucalypts	10,197	1,384	124	481
2001 Eucalypts	4,086	1,547	140	501
2002 Eucalypts - Early	3,270	976	88	297
2002 Eucalypts - Post June	246	543	49	169
2003 Eucalypts Early	996	1,116	96	656
2003 Eucalypts Pre Payment	4,931	463	41	150
2004 Eucalypts Pre Payment	1,744	1,347	123	397
2004 Timberlots	12,099	414	38	156
2005 Timberlots Post-30 June ⁱ	13,881	319	29	93
2005 Timberlots Pre-30 June	18,214	358	33	102
2007/2008 Timberlots Post-30 June ⁱⁱ	18,386	52	5	21
2007/2008 Timberlots Pre-30 June	14,570	185	17	61
	145,116			

i) The 2005 Timberlots Post 30 June includes Grower Investors in the 2006 (2005 Timberlots Post 30 June) project.

ii) The 2007/2008 Timberlots Post 30 June project includes Grower Investors in the 2008 FinYr (2007/2008) Timberlot Post-30 June project.

iii) The retention account includes a secured loan made to particular Timbercorp olive asset owning companies that allowed the Forestry Sale to proceed. The expected subsequent distribution assumes 100% of this loan is repaid from realisation of the secured assets. If the realisation of these secured assets is less than 100% of the loan balance, then the expected return to Grower Investors will be reduced accordingly.

Notes to Distribution Table

- The forecast distribution amounts relate to the portion of sale proceeds that are held on retention. The current retention amount includes:
 - a loan provided by Grower Investors in the Eucalypt Schemes in order to ensure the release of the secured lender's mortgages and enable completion of the sale (see note iii) above);
 - amounts held in escrow for the value of trees located on leased land not yet assigned to the purchaser. We are continuing to negotiate with landlords in relation to these amounts;
 - an amount representing the value in the trees attributable to Timbercorp Limited's (In Liquidation) 50% interest in the Albany Port Facility. This amount is currently the subject of ongoing litigation and negotiation.
- The distributions relate only to the sale of forestry assets settled on 2 November 2009 and are:
 - exclusive of FY10 rental amounts refunded to Grower Investors in early December 2009;
 - exclusive of grower entitlements to harvest proceeds currently held by the Timbercorp group for remittance to growers; and
 - subject to final reconciliation of all costs.