
Timbercorp Securities Limited
(ACN 092 311 469)

Compliance Plan

for the

2005 Timbercorp Citrus Project

C 2005 001

Contents

<u>PART A:</u>	<u>PURPOSE OF THIS COMPLIANCE PLAN</u>	<u>1</u>
<u>PART B:</u>	<u>HOW TO READ THIS COMPLIANCE PLAN</u>	<u>26</u>
<u>PART C:</u>	<u>THE SCHEME.....</u>	<u>27</u>
<u>DIRECTORS' SIGNATURES.....</u>		<u>33</u>

PART A: Purpose of this Compliance Plan

1. Legal Basis of the Compliance Plan

This document constitutes the Compliance Plan of the 2005 Timbercorp Citrus Project (referred to in this document as the “**Scheme**”).

The Scheme is a managed investment scheme registered under the provisions of Chapter 5C of the Corporations Act. Timbercorp Securities Limited, referred to in this Plan as **TSL**, is the single responsible entity of the Scheme. The Compliance Plan has been prepared in accordance with the requirements of section 601HA of the Corporations Act.

This Compliance Plan sets out the measures that TSL will apply in operating the Scheme to ensure compliance with the Corporations Act, the Scheme’s Constitution and industry practice standards. In carrying out its duties, TSL is required, under section 601FC(1)(h) of the Corporations Act, to comply with this Compliance Plan.

In relation to each financial year of the Scheme, a registered company auditor must conduct an audit of TSL’s compliance with this Compliance Plan in accordance with section 601HG of the Corporations Act.

This Compliance Plan has been adopted and signed by TSL’s directors.

2. Scope of the Compliance Plan

This Compliance Plan is designed to ensure the protection of Growers in light of the particular characteristics of the Scheme. It:

- (a) provides an overview of the Scheme, including the key features of the Scheme, the Scheme documentation and parties;
- (b) describes TSL’s internal compliance framework and structures, within which this Compliance Plan is intended to operate;
- (c) considers TSL’s ongoing obligations under the Constitution and the Corporations Act in relation to the Scheme, and identifies the outcomes which those obligations are designed to deliver;
- (d) identifies the investment risks associated with the particular characteristics and nature of the Scheme, and outlines the safeguards that TSL has implemented to minimise those risks; and

- (e) establishes the structures, processes and systems designed to meet the risks of non-compliance with TSL's ongoing obligations in key areas of the Scheme, and to deliver the intended outcomes of the Scheme.

3. Incorporation of Compliance Plan for the 2005 Project

Pursuant to section 601HB of the Corporations Act, the following sections of the Compliance Plan dated 4 February 2005 for the 2004 Timbercorp Almond Project (ARSN 108 336 670) as they are amended from time to time, are incorporated into this Compliance Plan:

- Part D: TSL's Ongoing Obligations
- Part E: Compliance Framework
- Part F: Investment Risks and Safeguards
- Part G: Operational Compliance Measures
- Part H: Glossary

except for the following amendments:

1. References throughout the Compliance Plan

The following references throughout the Compliance Plan have been replaced as set out below. The new references are defined as set out in Part H Glossary to the Compliance Plan:

Reference	Replaced by
Almonds	Citrus
Almond Management	Citruscorp Management
Almond Trees	Citrus Trees
Almondlot	Citruslot

Almondlot Statement

Citruslot Statement

2. Part E – Compliance Framework

In Part E Section 2:

- (a) the Intended Outcome for the Second Compliance Officer's Appointment Criteria shall be replaced as follows:

Compliance Plan section	Intended Outcome	Compliance Procedures	Responsible Officer	Monitoring Frequency	Monitoring Method
Part E, Section 2	Second Compliance Officer's Appointment Criteria	The Second Compliance Officer must possess expertise (demonstrated by a minimum of 10 years' experience) in irrigated agriculture and, particularly, in the production of Citrus.	Compliance Committee	On Appointment	Submission of resume

- (b) the Intended Outcome and related compliance measures referring to Agricultural Responsibilities shall be deleted and replaced with:

Compliance Plan section	Intended Outcome	Compliance Procedures	Responsible Officer	Monitoring Frequency	Monitoring Method
Part E, Section 2	Agricultural Responsibilities	<ul style="list-style-type: none"> Chiquita's performance of their services under the Citrus Management Agreement, as disclosed by 	Second Compliance Officer	Quarterly	Quarterly Report to be tabled at Compliance Committee meeting

		<p>the quarterly and annual reports required to be submitted to TSL under Section 1 of Part F;</p> <ul style="list-style-type: none"> ▪ inventory measurements of the Citruslots (if conducted during that quarter), and any work that has been undertaken to verify the accuracy of the calculations and the sampling plan relied on (see Section 5.3 of Part G); ▪ any fluctuations in market and industry conditions that may affect the Scheme (see Sections 4 and 5 of Part F); 		
--	--	---	--	--

Part F - Investment Risks and Safeguards

Part F is deleted in its entirety and replaced with:

“Part F - Investment Risks and Safeguards

As a long-term horticultural project, the Scheme is subject to specific investment risks, particularly risks peculiar to Citrus orchard management, Citrus processing and sale, financial and other risks. TSL has established the following mechanisms to address those risks:

1. Quality of Citrus

There is a risk that the quality of Citrus produced by the Orchard may be of a lower grade than that forecast, as a result of:

- variations in growing conditions, including rainfall, pestilence, vermin, disease, flood, frost and wind; and
- poor horticultural management including preparation, weed control, planting techniques, fertiliser application and general management.

In order to reduce the incidence, and minimise the impact, of such risks, TSL has implemented the following measures:

(i) Management Plan

To enhance the prospect of high quality agricultural outcomes and to minimise the above risks, each financial year during the life of the Scheme, TSL (in consultation with Chiquita) will develop a comprehensive Management Plan with which TSL and its contractors (including Citruscorp Management, Chiquita and Chiquita Agribusiness) must comply in establishing, cultivating and managing the Citruslots. The Management Plan will also include a horticultural plan and an operational plan, including human resources and machinery requirements, and farm programs. Each year, a horticultural program will be prepared, together with financial and operational budgets.

The Management Plan will embrace all stages of the horticultural operations undertaken on behalf of Participant Growers on both the Existing Orchard and New Orchard, including:

- planting (weed spraying; tree handling; tree arrival/storage; placing of Citrus Trees prior to planting; tree guards);
- irrigation (monitoring; clean filters; phosphoric acid rinse; fertigation injection);
- general fertilisation/seeding (inter-row fertilisation; inter-row seeding);
- Orchard monitoring (general inspections; spot and row weed spraying; pest and disease management);
- pruning;
- harvesting;
- tying and pruning of new Citrus Trees;
- slashing and mulching;
- equipment maintenance; and
- revegetation.

The Management Plan will clearly establish:

- the standards and outcomes expected for all its horticultural operations;
- the standard of work which TSL and its contractors (including Citruscorp Management and Chiquita) will be required to meet;
- the audit and monitoring procedures which TSL has in place to ensure compliance with the Management Plan and to track the growth and productivity of the Orchard.

The initial Management Plan will be annexed to the Citruslot Management Agreement between the Participant Growers and TSL, and in turn, to the Orchard Management Agreement between TSL and Citruscorp Management and the Citrus Management Agreement between TSL, Citruscorp Management and Chiquita. In carrying out the management functions under those agreements, TSL, Citruscorp Management and Chiquita must observe and act in accordance with the initial and subsequent Management Plans.

(ii) Ongoing Monitoring

The Second Compliance Officer will be responsible for monitoring TSL's (and its contractors') ongoing compliance with the Citruslot Management Agreement, Orchard Management Agreement, Citrus Management Agreement and the Management Plan. It will do so by a system based on:

- **quarterly reports** from Chiquita to Citruscorp Management (as required under the Citrus Management Agreement) addressing the following matters:
 - the progress achieved in performance by Chiquita of the marketing, Orchard and processing services under the Citrus Management Agreement; and
 - the progress and general condition of the Orchard, the Citrus Trees and the Citrus, including the results of harvest.These reports are to be tabled by the Second Compliance Officer at each quarterly Compliance Committee meeting.
- **monthly reports** from Chiquita containing details on the expenditure on works performed, works in progress and works completed in respect of the New Orchard.
- **field inspections** by the Second Compliance Officer – The Second Compliance Officer will visit the Orchard as and when required by TSL and meet with management staff and contractors. The purpose of the visits will be to monitor the process of the Scheme, to ensure that the Second Compliance Officer remains up-to-date with the project development and anticipated expenditure and to facilitate refinement of the project budget for future activities. The Second Compliance Officer will be required to report to the Compliance Committee on the results of his visits.

(iii) Engagement of Chiquita

The appointment of Chiquita is one of the key safeguards of the Scheme. Chiquita is an ASX publicly listed company and one of Australia's leading integrated producers, packers and marketers of citrus, and currently manages orchards situated in Paringa along the Murray River.

Chiquita's portfolio also consists of bananas, mushrooms, berries, kiwi fruits, avocados, wine grapes, carrots, nuts and dried fruits and juices. Chiquita is a subsidiary of the American based Chiquita Brands International Inc, one of the largest and most successful global horticultural producers and distributors.

Chiquita will manage and maintain the Existing Orchard and the New Orchard in accordance with the Management Plan and Best Horticultural Practice. It will also oversee the establishment of the infrastructure and other capital works on the New Orchard and the planting of the Citrus Trees on the New Orchard. Its appointment will ensure that when completed, the Orchard will have been established consistently with proven techniques that have been developed by Chiquita over time. Chiquita is also the manager of the 2004 Timbercorp Citrus Project.

(iv) Citrus Trees

Citrus Trees for the New Orchard have been purchased from Sunraysia Nurseries Pty Ltd. The trees will be propagated by vegetative budding onto seedling rootstocks and cultivated in the nurseries until they are ready for planting in Spring 2005. The chosen rootstocks (predominantly Citrange) are proven performers in the Riverland area and the scion budwood has been supplied from the virus-free Australian Citrus Propagation Association Inc (Auscitrus) orchards.

Chiquita will oversee the installation of the internal irrigation system and other infrastructure works on the New Orchard prior to planting. These works include identifying and organising the pegging of block layouts, maintaining windbreaks, broadacre weed spraying, ripping and mounding of Citrus Tree rows, marking out Citrus Tree locations and applying pre-plant fertilizer. Chiquita will then plant the Citrus Trees and protect them with supporting guards.

The Citrus Trees on the New Orchard will be planted on a 5.75 metre by 2.0 metre grid to give a density of approximately 875 Citrus Trees per hectare. This spacing allows the Citrus Trees to grow without undue overcrowding and enable machinery to travel down the rows without damaging the crop. Chiquita will prune the Citrus Trees to promote tree shape that has the potential to achieve early yield projections and consistent quality commercial yields at full maturity.

2. Availability of Water

Effective and efficient irrigation leads to improved yields, quality and reliability and is vital to the success of modern commercial Citrus production.

The irrigation water for the Scheme will be sourced from the Murray River. This water is suitable for Citrus growing, having particular regard to its salinity.

The Land Owner will ensure that it has sufficient permanent water licences to irrigate the Orchard prior to the commencement of each irrigation year subject to any reduction or variation in the maximum licence entitlement from time to time by the relevant water authority. Whilst these are permanent rights, unexpected changes in legislation and climatic conditions may affect the future allocation of water rights.

If water in excess of that available under the water licences is required from time to time in order to irrigate the Orchard and such additional water can be reasonably procured by way of temporary water rights. TSL must procure such additional water and supply it to all Participant Growers, at a cost to the Participant Grower under the Citruslot Management Agreement.

The Second Compliance Officer must maintain a register of all water licences secured by the Land Owner and update the register as and when required. The register must be tabled by the Second Compliance Officer at each Compliance Committee meeting and the Compliance Committee must be satisfied that the Land Owner continues to have access to a drought-proof water supply.

3. Selection of Land

In order to ensure the Scheme's success, it is essential that land suitable for the purposes of Citrus growing is selected, and that adequate title over that land is secured for the life of the Scheme. In particular, the following risks may jeopardise the Scheme's success:

- the land is not suitable for the Scheme, resulting in poor yields;
- the land area is too small to accommodate the project; or
- title to the land is lost, resulting in a loss of the crop on that land.

As described above, the owner of the land on which the Orchard is to be established will be the Land Owner. In order to minimise the above risks, TSL must be satisfied that the land:

- is properly identified and disclosed in the PDS;

-
- is appropriate for the use to which it will be put;
 - has access to water for irrigation purposes;
 - is not affected by any encumbrances which will adversely affect the Scheme or the Participant Growers;
 - is not subject to any possible native title claims; and
 - will not be subject to any consents or approvals which the Land Owner cannot satisfy by the date of commencement of the Scheme.

In order to meet these requirements, the First Compliance Officer must ensure that the following procedures are carried out prior to the acquisition of any land for the purposes of the Scheme by the Land Owner and continuously thereafter:

- A title search of the land must be obtained, confirming that the Land Owner is registered, or entitled to be registered, as the proprietor of the land and that the description and nature and type of the land referred to in the PDS are in accordance with physical inspections of the land carried out by TSL.
- Prior to the purchase of any land to be used for the Scheme, a due diligence inspection is carried out on the land by horticultural experts (that is, surveyors, soil analysts, irrigation consultants and Citrus Orchard experts) who are able to assess the suitability of the land for the use proposed by the Scheme.
- Reports are obtained from the relevant horticultural experts for inclusion in the PDS.
- Confirmation is obtained from the appropriate government department that water rights are attached to the land and the amount available for pumping, and any other relevant searches are undertaken.
- The Head-Lease and Sub-Lease of the land used in the Scheme are lodged for registration under the state land titles laws in which the land is situated.
- TSL complies with conditions 25-27 of the Australian Financial Services Licence by ensuring that the Sub-lease of the land used in the Scheme, granted to TSL and described in Section 3 of Part C , is lodged for registration under the State land titles law in which the land is situated in its name and beneficially, in the course of and in accordance with its duties as responsible entity prior to or immediately after the issue of interests in the Scheme;
- that it will use its best endeavours to cause the Sub-lease granted to TSL, which is to be lodged for registration as soon as possible after lodgement and to be registered in such a way that it cannot be adversely affected by any existing or subsequent mortgagee, secured creditor or transferee;

- any existing or future mortgagee, chargee or encumbrancee of the land has agreed in writing that the Participant Growers' interest in the licensed area takes priority and until the termination of the Scheme, they will not do anything that would be detrimental to the Participant Growers' interest in the licensed area.
- Before consenting to any proposed dealing with the land, the First Compliance Officer will obtain independent legal confirmation that such proposed dealing will not adversely affect Grower's rights.

The Second Compliance Officer must also ensure that, throughout the term of the Scheme:

- all outgoings and charges on the land are paid; and
- the Land Owner does not grant rights or interests to any party which are inconsistent with Participant Growers' rights.

4. Market Conditions

The financial success of the Scheme will depend on the growth rates achieved for the Citrus produced from the Orchard and the prevailing market conditions at the time of sale and distribution of the Citrus.

In 2002, approximately 70 million tonnes of citrus were produced by 137 countries. Of the total produced, approximately 70% were oranges, 15% were tangerines, 5% were grapefruit and the remaining 10% were lemons and limes. Production in the Northern hemisphere is dominated by the United States, China and the Mediterranean countries, who together account for about 70% of world production. Brazil is the largest producer in the southern hemisphere. However, Argentina, Australia and South Africa are increasing their presence as key producers in the international citrus trade, by providing counter-seasonal citrus to the northern hemisphere, particularly to the fast growing markets of Asia.

Over the past decade, world citrus trade increased strongly, generated by new plantings and the development of new varieties to meet changing consumer preferences and access to new markets. Fresh citrus consumption has declined in most developed nations over the past decade due to increased consumption of fresh citrus juices, and the greater availability of other fruits. Navel oranges are the preferred eating orange and as they are produced in the winter months, they provide a counter-seasonal citrus to the expanding Northern Hemisphere markets. The production of the Navel orange has increased by 100% between 1998/99 and 2002/03 and has the potential to increase by as much as 40% in the next three years with new trees coming into full fruiting. Hence the Project's selection of the Existing Orchard, which consists of Navels, mandarins, Valencias and lemons and the planned a mix of Navels and easy-peel mandarins, in an approximate ratio of 70:30, for the New Orchard.

There is concern that growth in output of fresh citrus will outstrip the growth in demand, causing domestic prices to fall. However, a number of participants in the 2002 Productivity Commission in its 'Citrus Growing and Processing – Inquiry Report' considered there to be scope for Australian producers to increase their fresh fruit exports. Exporter participants held the view that expected production from newer plantings is unlikely to satisfy demand and Auscitrus (a national citrus industry organisation) claims that from early August to mid October, Australia remains unable to meet global demand for Navel oranges.

The Productivity Commission Report itself concluded that the outlook for citrus growers and processors engaged in the markets for fresh fruit and fresh juice (both domestic and export) were favorable: “that overall, the Australian industry has clear potential to expand by continuing to exploit new opportunities in domestic and export markets and with adjustments to changing market circumstances, there is reason to be optimistic about the industry’s future.”

There is a risk, however, that local and overseas consumer preference for Citrus may change during the life of the Scheme. For instance, changes in technology may make other citrus orchards more competitive and, in turn, competition may develop for the supply of premium citrus to the export market. This could have a material adverse effect on the Scheme’s operating and financial performance.

In order to minimise such risks arising from market conditions, the Compliance Officers must at all times:

- monitor industry trends and the development of alternative products that could affect the economic return from the Citrus;
- monitor significant research and development relevant to the horticultural industry and economic return from the Citrus;
- monitor markets for Citrus;
- liaise with processors and operators of port facilities as to access to markets;
- liaise with adjoining landowners in respect of disputes or common issues that may arise from time to time;
- monitor technological improvements in management techniques and equipment, and update TSL’s practices, as appropriate, with the best available technology; and
- monitor market conditions to identify any factors that will impact on the Scheme and the interests of Participant Growers, by maintaining an active presence in the industry, keeping abreast of developments from relevant industry and general publications and liaising with relevant industry bodies.

At each quarterly Compliance Committee meeting, the Compliance Officers must report to the Compliance Committee on any fluctuations in market and industry conditions that may affect the Scheme, and their recommended course of action to minimise the impact of such fluctuations.

5. Changes in Laws

The success of the Scheme and the returns achieved by Participant Growers may also be affected by changes in the taxation, regulatory or legal environment, including changes in legislation, the imposition of new levies, imposts or other taxes and changes in the interpretation of native title rights and cultural heritage laws.

Changes in income tax laws may affect the timing and ability of Participant Growers to claim deductions for payments incurred under the Scheme.

There is a risk that the current legislation may be subject to change at any time by Parliament, as may the interpretation of that legislation by the courts and rulings given by the Commissioner of Taxation.

To ensure that this risk is minimised, TSL has obtained Product Rulings from the Australian Taxation Office confirming the deductibility of all project costs when incurred, provided the arrangements are carried out in accordance with the details described in the Product Rulings.

The First Compliance Officer, in conjunction with the Scheme's lawyers, must monitor all taxation legislative changes as they affect the Scheme, and report these to the Compliance Committee. He must also ensure that the Scheme is being carried out in accordance with the arrangements described in the Product Rulings.

The First Compliance Officer, in conjunction with the Scheme's lawyers, must also monitor any legislative and judicial changes relating to the interpretation of native title rights and cultural heritage laws and report these to the Compliance Committee.

6. Insurance

To the extent possible, TSL will arrange appropriate insurance cover to protect the Orchard against the risks of fire and other insurable risks during the term of the Scheme. The Second Compliance Officer must monitor the amount and terms of the insurance policy at least annually and recommend to the board or to the Compliance Committee any suggested amendments to the policy.

TSL also maintains a public liability insurance policy in respect of the Scheme that notes the interests of the Participant Growers on the policy. Details of the insurance including confirmation of insurance will be maintained at TSL's offices. The First Compliance Officer must monitor the amount and terms of the insurance policy at least annually and recommend to the board or the Compliance Committee any suggested amendments to the policy.

7. Summary

Below is a summary of the obligations of each First and Second Compliance Officer in respect of the Investment Risks and Safeguards:

Compliance Plan section	Intended Outcome	Compliance Procedures	Responsible Officer	Monitoring Frequency	Monitoring Method
Part F, Section 1 (ii)	Ongoing monitoring of Contractors (including Chiquita)	Receiving & reviewing: <ul style="list-style-type: none"> quarterly reports provided by Chiquita at Compliance Committee meeting monthly reports from Chiquita 	Second Compliance Officer	Quarterly	Tabling of relevant report at quarterly compliance committee meeting
Part F, Section 1 (ii)	Ongoing monitoring of Contractors	Carrying out Field Inspections	Second Compliance Officer	As and when required	Reporting on Field Inspection at quarterly compliance committee meeting
Part F, Section 2	Water Rights	Maintain & update register of Water Rights	First Compliance Officer	As and when required	Tabling register at each quarterly compliance committee meeting
Part F, Section 3	Selection of Land	Carry out procedures in Section 3 of Part F	First Compliance Officer	Prior to acquisition of land and	Reporting to the compliance committee on a

Compliance Plan section	Intended Outcome	Compliance Procedures	Responsible Officer	Monitoring Frequency	Monitoring Method
				continuously thereafter	quarterly basis that each procedure has been carried out if relevant during the reporting quarter
Part F, Section 3	Security of Tenure	Ensure that: <ul style="list-style-type: none"> all outgoing and charges on the land are paid; the Land Owner does not grant any rights or interests to any party which are inconsistent with Grower's rights. 	First Compliance Officer	Quarterly	Reporting to the compliance committee at each quarterly meeting
Part F, Section 4	Market Conditions	Monitor market, industry trends, and research and development; Liaise with other industry participants and adjoining landowners	First & Second Compliance Officers	Quarterly	Reporting to the compliance committee at each quarterly meeting
Part F, Section 5	Changes in Laws	Monitor all taxation legislative changes & native title laws as they affect the Scheme	First Compliance Officer	Quarterly	Reporting to the compliance committee at each quarterly meeting
Part F, Section 6	Insurance	Public Liability insurance	First Compliance Officer	Annually	Reporting to the Compliance Committee during the relevant renewal quarter

2. Part G – Operational Compliance Measures

(a) Section 5 Valuation:

Section 5.3 is deleted and replaced with:

Compliance Plan section	Intended Outcome	Compliance Procedures	Responsible Officer	Monitoring Frequency	Monitoring Method
Part G, Section 5.3	The Citruslots are valued at regular intervals.	<p>The Second Compliance Officer will ensure that inventory measurements of the Citruslots are conducted on a periodic basis and no less than twice during the term of the Scheme.</p> <p>The Second Compliance Officer will provide copies of the inventory measurements to the Compliance Committee, and will indicate to the Compliance Committee what work has been undertaken to verify the accuracy of the calculations, and the sampling plan relied upon.</p>	Second Compliance Officer	Quarterly	Compliance Checklist

3. Part H Glossary

The Glossary is deleted and replaced with:

AFSL or Licence	the Australian Financial Services Licence No. 235653 issued by ASIC and authorising TSL to operate the Scheme as its single responsible entity.
------------------------	---

Agency Account	the bank account or accounts kept by the Responsible Entity in accordance with clause 12 of the Constitution;
Applicant	a person who has applied to become a Participant Grower in the Project by completing an Application form, but who is not yet a Participant Grower;
Application	an application made pursuant to clause 6 of the Constitution;
Application Money	the application money each Applicant is required to pay for each Citruslot under paragraph 6.3(c) of the Constitution, as set out in the First Schedule of the Constitution;
ASIC	the Australian Securities and Investments Commission;
Auditor	the auditor or auditors for the time being of the Project duly appointed under the Corporations Act;
Best Horticultural Practice	sound horticultural and environmental practices and industry practices that are adopted in relation to similar orchards;
Business Day	a day other than a Saturday, Sunday or public holiday on which all trading banks are open for general banking business with the public in Melbourne, Victoria;
Capital Works	<p>(a) the infrastructure and capital works on the Orchard as at the date of the Constitution; and</p> <p>(b) the infrastructure and capital works that TSL has agreed to procure the Land Owner to carry out, and any other works that may be carried out on the Orchard by the Land Owner and others;</p>
Chiquita	Chiquita Brands South Pacific Ltd (ACN 002 687 961);
Chiquita Agribusiness:	Chiquita Agribusiness Pty Ltd (ACN 093 583 049), formerly known as Kangara

	Foods Pty Ltd;
Citrus	the citrus grown or growing on the Participant Grower's Citruslots or the Orchard, whichever is applicable, and whether or not harvested and any other products, rights, benefits or credits derived from the Citrus Trees;
Citrus Trees	the citrus trees planted or to be planted on the Participant Grower's Citruslots or the Orchard, whichever is applicable;
Citruscorp Management	Citruscorp Management Pty Ltd (ACN 105 995 257);
Citruslot	<p>(a) an interest in the Project held or to be held by a Participant Grower, including its interest in, and rights in relation to, each coupled Existing Citruslot and New Citruslot (being approximately 0.25 hectares of the Orchard), and which includes the Citrus Trees, the Capital Works and the Required Water Licences, attributed to the Project, and in relation to a Participant Grower means the Participant Grower's Citruslots;</p> <p>(b) the expression "Participant Grower's Citruslots" or "Citruslots" means all of the Participant Grower's Citruslots;</p>
Citruslot Management Agreement	the document described in Section 3 of Part C;
Citruslot Operations	the growing and cultivation of Citrus on, and management of, the relevant Citruslots for the production of Product for commercial gain;
Citruslot Statement	a statement which TSL is required to issue to Participant Growers under clause 10.1 of the Constitution;
Company Accountant	the internal accountant employed from time to time by TSL;
Compliance Checklist	the checklist, described in Section 6 of Part E, which must be completed and signed off by the Compliance Officers on a quarterly basis;

Compliance Committee	TSL's compliance committee, established under section 601JA(1) of the Corporations Act and described in Section 3 of Part E;
Compliance Officer	the first Compliance Officer and the Second Compliance Officer, described in Section 2 of Part E;
Compliance Systems	the six-part compliance system described in Section 4 of Part A;
Constitution	the document described in Section 3 of Part C, which governs the Scheme;
Corporations Act	the <i>Corporations Act 2001 (Cth)</i> and the <i>Corporations Regulations 2001 (Cth)</i> ;
Custodian	the entity which holds the Scheme Assets, whether that be TSL or a third party appointed for that purpose in accordance with Section 1.4 of Part G;
Custody Agreement	the agreement between TSL and the Custodian, described in Section 3 of Part C;
Existing Citruslot	each separate and identifiable area of a Citruslot located on the Existing Orchard which in aggregate comprises approximately 0.15 hectares consisting of 14 young Citrus Trees, 16 intermediate Citrus Trees and 37 mature Citrus Trees (each individually numbered and separately identifiable) and the area of land immediately surrounding the Citrus Trees;
Existing Orchard	all of the Existing Citruslots established on the Solora Estate, comprising approximately 309 hectares;
Existing Orchard Licence Agreement	the licence agreement in respect of the relevant Existing Citruslot between TSL, the Participant Grower, OIML and Timbercorp;
Grower	means a Participant Grower as that term is defined in the Constitution;

Joint Venturers	participants in a joint venture, as constituted in accordance with the Constitution;
Kangara Undeveloped Land	means those parts of the undeveloped land located on the Kangara estate near Renmark, South Australia, more particularly described in Allotment 9/FP 106444 on Certificate of Title 5171/43 on which the New Orchard will be established on or about 31 December 2005;
Land Owner	<p>means:</p> <p>(a) in respect of the Existing Orchard, the registered proprietor for the time being of the Solora Estate or the person which at the date of this document will become entitled to become the registered proprietor of the Solora Estate, which is OIM #2, and its permitted assigns and successors.</p> <p>(b) in respect of the New Orchard, the registered proprietor for the time being of the Kangara Undeveloped Land which at the date of this document is OIML, and its permitted assigns and successors;</p> <p>and a reference to Land Owner is a reference to either or both OIML and/or OIM #2 (as the context requires);</p>
Licence Agreements	the agreements between TSL, the Land Owner and each several Participant Grower by which TSL grants to the Participant Grower a licence in respect of the Citruslots to cultivate and manage the Citrus Trees on those Citruslots, as described in Section 3 of Part C;
Management Plan	the document described in Section 1 of Part F;
New Citruslot	each separate identifiable area of a Citruslot comprising approximately 0.1 hectares to be established by the Land Owner on the Kangara Undeveloped Land on or about 31 December 2005;
New Orchard	all of the New Citruslots to be established on the Kangara Undeveloped Land, comprising approximately 200 hectares;

New Orchard Licence Agreement	the licence agreement in respect of the relevant New Citruslot between TSL, the Participant Grower, OIML and Timbercorp;
OIM #2	means OIM #2 Pty Ltd (ACN 112 691 997) as trustee for the Timbercorp Orchard Trust #2, of Level 6, 505 St Kilda Road, Melbourne, Victoria;
OIML	means Orchard Investments Management Limited (ACN 105 684 231) as responsible entity for the Timbercorp Orchard Trust, of Level 6, 505 St Kilda Road, Melbourne, Victoria;
Orchard	the specified and identifiable area of the land, including the New Orchard and the Existing Orchard on which the Scheme will be conducted and on which Participant Growers will each carry on the business of primary production;
Orchard Management Agreement	the agreement of that name between TSL and Citruscorp Management, by which TSL appoints Citruscorp Management to manage the Orchard, harvest the Citrus Trees and process, market and sell the Citrus;
Parent Leases	the documents described in section 3 of Part C;
Participant Grower	<p>each several person (or in the case of joint applicants or Joint Venturers or successors or permitted assigns, each of those persons) who becomes a party to the Constitution (as a participant Grower in the Project) as a result of either:</p> <p>(a) the allotment of Citruslots pursuant to an Application in the PDS; or</p> <p>(b) a transmission, transfer, assignment or other disposal pursuant to clause 20 of the Constitution,</p> <p>and who remains registered under the Constitution as the holder for the time being of any Citruslots.</p> <p>The expression "all Participant Growers" means all persons who have so become a party to the Constitution as a Participant Grower and remain the registered holder for the time being of relevant Citruslots;</p>

Proceeds	<ul style="list-style-type: none"> a) interest received on moneys in the Agency Account; b) any moneys payable to the Participant Growers under any policy of insurance in relation to the Participant Growers' Citruslots, the Citrus Trees, the Product or the Project subject to clause 13.9 of the Constitution; c) proceeds payable to Participant Growers under the Citruslot Management Agreement from the sale of the Product in accordance with the Constitution; and d) any other moneys payable to a Participant Grower from or in relation to the Project;
Project	the 2005 Timbercorp Citrus Project promoted by TSL relating to the management of a Citrus project, the cultivation and harvesting of Citrus Trees and the processing of Citrus for commercial gain;
Product	Citrus produced in saleable condition from the relevant Participant Grower's Citruslots or the Orchard, whichever is applicable;
Product Disclosure Statement or PDS	the product disclosure statement inviting applications or offers to subscribe for Citruslots in the Scheme and issued by TSL for the purposes of the Corporations Act, and includes any supplementary or replacement PDS;
Required Water Licences	has the same meaning as in the Constitution;
Scheme	the managed investment scheme relating to the 2005 Timbercorp Citrus Project;
Scheme Assets	<ul style="list-style-type: none"> (a) Subscription Money until it is expended; and (b) Proceeds.
Scheme documentation	For the purpose of complying with the obligation under the Custody Agreement to give the Custodian custody of the agreements, means the Citruslot Management Agreement and the Licence Agreements; and for other purposes means the documents described in Section 3 of Part C;
Solora Estate	means those parts (or parts thereof) of the land located at Bookpurnong near Renmark, South Australia, more particularly described in Certificate of Title Register

	Book Volume 5278 Folio 11, Volume 5278 Folio 12, Volume 5471 Folio 442, and Volume 5519 Folio 293 on which the Existing Orchard was established;
Sub-leases	the documents described in Section 3 of Part C;
Subscription Money(s)	the application money paid by a Participant Grower in order to acquire interests in Citruslots under the Scheme;
Timbercorp	Timbercorp Limited (ACN 055 185 067);
Trust Account	the bank account in which Subscription Money and interest on Subscription Money are deposited; and
TSL	Timbercorp Securities Limited (ACN 092 311 469) or any substitute responsible entity of the Scheme.

Parts D to Part H inclusive immediately follow Part C of this Compliance Plan and are referred to as Parts D to H respectively in this Compliance Plan.

The Compliance Officers will review the appropriateness of this Compliance Plan as soon as practicable and in any event within one month of any amendment to the Compliance Plan of the 2004 Timbercorp Almond Project (ARSN 108 336 670) to ensure that the amendment made is relevant to this Compliance Plan.

4. Compliance Systems

TSL will implement a six-part Compliance System, consisting of the following:

4.1 Due Diligence Program

This program is undertaken at the time of establishing the Scheme and preparing the Product Disclosure Statement. Its purpose is to ensure compliance with the Corporations Act, particularly Part 7.9.

4.2 Procedures Manual

The Procedures Manual sets out the applications and investor procedures that will be adopted by TSL from the time the Product Disclosure Statement is issued. It deals with the receipt and processing of Applications, collection and banking of Subscription Money, confirmation of receipt and acceptance of Applications, production and distribution of Citruslot Statements, ongoing reporting to Growers, customer service and complaints resolution.

4.3 Management Protocol

Whilst it is absolutely necessary to ensure compliance with the requirements of the Corporations Act, this will be irrelevant if the Citruslot Operations are not undertaken to a satisfactory standard. To this end, TSL has developed a Management Protocol that is required to be followed by all contractors engaged by it for the Project. The Management Protocol was developed in consultation with leading Citrus orchard consultants, and embraces all stages of the Citruslot Operations undertaken on behalf of Growers.

4.4 Representatives and Adviser Education

TSL will only appoint a limited number of representatives, who understand the nature of the products offered by TSL.

In respect of persons appointed as authorised representative, it will appoint persons employed by its parent company Timbercorp Limited, and independent advisers. TSL will educate advisers and investors alike about the nature of the 2005 Timbercorp Citrus Project to ensure that they understand the risks associated with the investment as well as the benefits.

4.5 A Culture of Compliance

TSL acknowledges that it is not possible for systems to cover all situations, nor for there to be perfect compliance with the systems. TSL operates in an open environment in which persons undertaking activities for TSL are encouraged to admit to all mistakes and non-compliance with systems without the fear of retribution so that problems can be identified and rectified as quickly as possible.

In particular, TSL considers its membership with two independent complaints handling bodies to be important as investors are always assured that any problem they may have will be ultimately handled by an independent third party.

TSL will also monitor compliance with the Corporations Act and changes to the Corporations Act and ASIC policy on an ongoing basis including:

- (a) compliance with Australian Financial Services Licence (AFSL) conditions, including periodic review of those Licence conditions and financial reporting to ensure adherence to the financial conditions;

-
- (b) marketing and promotion of financial products, including advertising, promotion, use of a Product Disclosure Statement or Financial Services Guide, where required by the Corporations Act and calculation and payments of commissions;
 - (c) ongoing reporting; and
 - (d) compliance in relation to authorised representatives, dealing in detail with the appointment, supervision and training of authorised representatives.

4.6 Compliance Plan and Compliance Committee

The Compliance Committee will comprise three members, one member appointed by TSL and two independent members. The Compliance Committee will meet every three months and on any other necessary occasions.

Growers of the Compliance Committee will have full access to compliance manuals and to TSL's records that relate to the Scheme. They will also have access, at TSL's cost, to professional advisers on a confidential basis.

This Compliance Plan constitutes the sixth aspect of TSL's Compliance Systems. It also incorporates elements from each of the compliance measures set out in paragraphs 4.1 to 4.5 above.

TSL must strictly adhere to the procedures contained in its Compliance Systems. The Compliance Officers, the Compliance Committee and TSL's board of directors will monitor them on an ongoing basis.

5. Liability

No office holder referred to in this Compliance Plan is liable in a civil action or proceeding for failing to properly perform any function under this Compliance Plan except as provided under the Corporations Act. This provision does not limit any liability of the office holder to TSL.

6. Other documents

Apart from the Compliance Plan for the 2004 Timbercorp Almond Project, referred to in Section 3 above, a document, including any document comprising the Compliance Systems other than this Compliance Plan, does not become part of this Compliance Plan by reason of this Compliance Plan referring to that document or vice versa.

PART B: How to Read this Compliance Plan

This Compliance Plan is designed to establish the structures, systems and processes to ensure compliance with:

- (a) the Corporations Act;
- (b) the Constitution;
- (c) industry practice standards relating to the establishment of commercial Citrus orchards; and
- (d) TSL's internal organisational standards and culture.

The Compliance Plan sits within TSL's six part Compliance Systems and its broader compliance framework, described in Part E, and is intended to be used by those of TSL's staff members who have compliance responsibilities. TSL wishes to achieve a compliance culture, where each staff member "owns" compliance, and immediately reports and addresses breaches as far as practicable.

The Compliance Plan is a "how to" document, providing detail on:

- (a) the obligations which must be met by TSL, as the responsible entity of the Scheme;
- (b) what measures or procedures are in place to comply with these obligations; and
- (c) how compliance with those measures and procedures will be monitored.

In formulating the measures outlined in this Plan, TSL has identified the risks of non-compliance and has considered the means by which these risks may be minimised. There are two types of risks that TSL has identified in relation to the Scheme.

First, there are risks of non-compliance that are associated with the unique characteristics of horticultural schemes. These are "investment risks" which threaten the success of the Scheme itself; if the viability of the Scheme is threatened, so too is the capacity of TSL to comply with its obligations. These "investment risks", and the measures designed to minimise them, are set out in Part F.

Secondly, there are risks of non-compliance with the specific obligations imposed on TSL, as responsible entity, by the Corporations Act and Constitution. Part G sets out the key areas of the Scheme to which TSL's obligations relate, identifies the relevant risks of non-compliance with those obligations and the intended outcomes of the obligations, and establishes the structures, systems and processes designed to minimise the risks and deliver the intended outcomes.

PART C: The Scheme

1. The Responsible Entity

TSL is the holder of AFS Licence No. 235653 issued by ASIC, which enables it to be the single responsible entity of the Scheme. TSL is a wholly-owned subsidiary of Timbercorp Limited.

In addition to acting as the Scheme's responsible entity, TSL carries out a number of other functions relating to the Scheme, set out below:

- (a) **Manager**, engaged by the Participant Growers to cultivate and maintain the Citrus Trees on the Citruslots, harvest the mature Citrus, deliver the harvested Citrus for processing and marketing and sale of the Citrus produced from the Citruslots;
- (b) **Sub-lessee and Licensor** of the Orchard;
- (c) **Provider of financial product services and advice**, restricted to general financial product advice limited to interests in the Scheme and general insurance products (which TSL as responsible entity may offer to Participant Growers in relation to their interest in the Scheme); and
- (d) **Issuer of the Product Disclosure Statement.**

The compliance measures described in this Plan are designed to meet TSL's obligations arising in each of these capacities.

2. Key Features of the Scheme

This section provides a brief overview of the Scheme.

Upon payment of the Application Money and the acceptance of the Application Money by TSL, the Applicant becomes a Participant Grower and:

- (a) becomes bound by the Constitution;
- (b) is allotted Citruslots from the Orchard;

-
- (c) becomes a party to the Licence Agreements and Citruslot Management Agreement, described below;
 - (d) engages Citruscorp Management (who will engage Chiquita) to harvest, pack, market and sell the Citrus as the Participant Grower's agent and attorney; and
 - (e) becomes entitled to receive a proportionate share of the Proceeds from the sale of the Citrus, after deduction of each Participant Grower's proportionate share of all the Participant Grower's management fees and licence fees.

3. Scheme Documentation

The Scheme is regulated by, and based on, the following documentation:

Constitution

The Constitution of the Scheme is a legally enforceable document between Participant Growers and TSL, as the responsible entity. Section 601FC(1)(f) of the Corporations Act requires TSL to ensure that the Scheme's Constitution meets the requirements of sections 601GA and 601GB of the Corporations Act.

As prescribed by section 601GA of the Corporations Act, the Scheme's Constitution makes provision for:

- (a) the consideration that is to be paid to acquire an interest in the Scheme;
- (b) the powers of the Responsible Entity in relation to making investments of, or otherwise dealing with, Scheme Assets;
- (c) the method by which complaints made by Participant Growers in relation to the Scheme are to be dealt with; and
- (d) winding up of the Scheme.

In addition, the Constitution deals with matters such as the application process for interests in the Scheme and the distribution of the Proceeds from the sale of Citrus, to Participant Growers.

Under the Constitution, TSL is engaged by the Participant Growers to manage the Scheme and to enter into any processing agreement in relation to the Citrus as the Participant Growers' agent and attorney and to enter into any sale agreement in relation to the Citrus as the Participant Growers' agent and attorney.

The Constitution also provides for two persons to participate in the Scheme as joint venturers, each responsible for certain fees and expenses as described in clause 29 of the Constitution.

The First Joint Venturer will be entitled to a prescribed proportion of the joint venture assets, including the joint venture proceeds as described in clause 29 of the Constitution and the Second Joint Venturer will be entitled to a prescribed proportion of the joint venture assets, including the joint venture proceeds as described in clause 29 of the Constitution.

A copy of the Constitution has been lodged with ASIC.

Parent Leases

The land being used as part of the Project includes the Solora Estate (on which the Existing Orchard was established) and the Kangara Undeveloped Land (on which the New Orchard will be established), owned or to be owned by OIM #2 and OIML respectively, (both referred to as the **Land Owner**, as the case requires).

Timbercorp Limited has entered, or will enter, into a parent lease with OIM #2 for the lease of the Solora Estate and into a further parent lease with OIML for the lease of the Kangara Undeveloped Land (the **Parent Leases**). TSL is also a party to the Parent Leases.

Sub-Leases

In order to secure the tenure of Participant Growers' interests in the Orchard for the duration of the Scheme, Timbercorp has sub-leased, or will sub-lease, the Solora Estate (otherwise known as the Existing Orchard Sub-Lease) and the Kangara Undeveloped Land to TSL (otherwise known as the New Orchard Sub-Lease) (together the **Sub-leases**). The Sub-leases confer on TSL exclusive possession of this Project land.

The Existing Orchard Sub-Lease for the Solora Estate will be, and the New Orchard Sub-lease for the Kangara Undeveloped Land have been, or will be, registered by TSL as the beneficial owner and Sub-lessee of the Project lands with the Land Titles Office in South Australia, along with the respective Parent Leases.

Licence Agreements

The Licence Agreements comprise the following agreements:

- (a) the Existing Orchard Licence Agreement; and
- (b) the New Orchard Licence Agreement.

Under the Licence Agreements, each Participant Grower will be granted licences by TSL to use the Citruslots allotted to the Participant Grower for the sole purpose of growing, cultivating and harvesting the Citrus for commercial gain.

Under the New Orchard Licence Agreement, TSL must procure OIML or Timbercorp to establish infrastructure and carry out other capital works necessary to establish the New Orchard. These works include the preparation of the land, the installation of appropriate irrigation equipment and the planting of Citrus Trees.

The Land Owner owns the Citrus Trees planted on the Existing Orchard and will own the Citrus Trees to be planted on the New Orchard and all associated Capital Works and infrastructure, including all Required Water Licences. TSL must do all things necessary to ensure that its rights under the Required Water Licences are fully exploited to maximise the use of them by all the Participant Growers in the Project.

Citruslot Management Agreement

The Licence Agreement is conditional upon the Participant Grower entering into a Citruslot Management Agreement with TSL. Under this agreement, the Participant Grower engages TSL to manage and cultivate the Citrus Trees on its Citruslots, harvest the mature Citrus and process, market and sell the Citrus.

Orchard Management Agreement

TSL will enter into an Orchard Management Agreement with Citruscorp Management under which it will delegate its responsibilities relating to the cultivation, management and harvest of the Citrus Trees to Citruscorp Management.

Under this Orchard Management Agreement, TSL will also delegate to Citruscorp Management, subject to TSL's directions, its obligations to procure the processing of the Citrus and to enter into any sale agreement in relation to the Citrus.

Citrus Management Agreement

TSL and Citruscorp Management will enter into a Citrus Management Agreement under which they will engage Chiquita, who will engage Chiquita Agribusiness, to carry out all of the cultivation, management, harvesting, processing, marketing and sale obligations relating to the Citruslots and the Citrus. Chiquita is one of Australia's leading producers, harvesters and marketers of Citrus.

Management Plans

The initial Management Plans will be annexed to the Citruslot Management Agreement and will set out the standards that must be followed in relation to the cultivation and management of the Orchard.

Custody Agreement

Under a Custody Agreement, TSL has engaged Trust Company of Australia Limited (**Trust Company**) to act as Custodian and carry out the following functions:

- (a) receive and hold Scheme Assets and all income accruing on them and any document of title to them in safe custody; and
- (b) retain in safe custody the executed Scheme Documentation.

4. Parties in the Scheme

The main parties in the Scheme are:

- (a) **Timbercorp Securities Limited** is the responsible entity, sub-lessee, licensor and manager;
- (b) the **Participant Growers**, that is, the participants in the Scheme;
- (c) the **Custodian** appointed by the responsible entity to hold the Scheme Assets, and described in Section 1 of Part G of this Compliance Plan;
- (d) **OIM #2 Pty Ltd** as trustee for the Timbercorp Orchard Trust #2, and **Orchard Investments Management Limited** as responsible entity for the Timbercorp Orchard Trust, the **Land Owner**;
- (e) **Citruscorp Management Pty Ltd**, a wholly owned subsidiary of Timbercorp Limited, to which TSL will delegate its management and marketing responsibilities;
- (f) **Chiquita Brands South Pacific Ltd**, will carry out all the management and marketing responsibilities relating to the Citruslots and the Citrus delegated to it by Citruscorp Management;
- (g) **Chiquita Agribusiness Pty Ltd** a wholly-owned subsidiary of Chiquita;
- (h) **Contractors and experts**;
- (i) **Experts** providing reports and statements included in the PDS, and others including TSL's legal advisers;

-
- (j) TSL's **professional advisers**; and
 - (k) the **Compliance Committee** and the Compliance Officers.

Directors' Signatures

Signed by each of the directors of the Responsible Entity:

Gideon Meltzer

Robert J. Hance, by his authorised
agent, Gideon Meltzer

[Signature]

Sol C. Rabinowicz

Gideon Meltzer

Gary W. Liddell, by his authorised
agent, Gideon Meltzer

Dated: 29 April 2005

Gideon Meltzer

John M. Vaughan, by his authorised
agent, Gideon Meltzer