

IN THE SUPREME COURT OF VICTORIA AT MELBOURNE
COMMERCIAL & EQUITY DIVISION
COMMERCIAL COURT

r8.05

LIST E

No 7114 of 2009

IN THE MATTER OF TIMBERCORP SECURITIES LIMITED
(UNDER ADMINISTRATION)
ACN 092 311 469

TIMBERCORP SECURITIES LIMITED
(UNDER ADMINISTRATION) ACN 092 311 469
IN ITS CAPACITY AS RESPONSIBLE ENTITY OF EACH OF THE
MANAGED INVESTMENT SCHEMES LISTED IN SCHEDULE 1
First Plaintiff

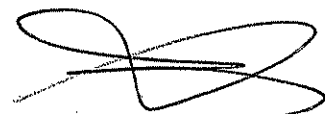
MARK ANTHONY KORDA and LEANNE KYLE CHESSER
Second and Third Plaintiffs

AFFIDAVIT OF PAUL CHALLIS

Date of document:	3 July 2009
Filed on behalf of:	Paul Challis
Prepared by:	
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MELBOURNE VIC 3000	Ref: MAB:0900205

I, Paul Challis, of 31 Lakewood Boulevard, Braeside, accountant, make oath and say that:

1. I am a director of Redisland Australia Limited ACN 105 576 707 (**Redisland**).
2. I make this affidavit on my own behalf and except where I otherwise indicate, the matters deposed to in this affidavit are deposed to from my own personal knowledge of the facts.
3. Where I depose to matters from information and belief, I believe such matters to be true.
4. Redisland manages olive orchards on a property near Boort neighbouring the land which is part of the olive projects operated by Timbercorp Securities Limited (administrators appointed) (**TSL**).
5. Redisland, together with other parties (the **Consortium**) is developing a proposal for the growers in the Timbercorp Olive Projects listed as follows to continue the farming operations of the projects independent of Timbercorp and to the benefit of growers:
 - (a) 2001 Timbercorp Olive Project ARSN 094 382 082;
 - (b) 2002 Timbercorp Olive Project ARSN 098 233 455;
 - (c) 2003 Timbercorp Olive Project ARSN 104 648 473;



- (d) 2004 Timbercorp Olive Project ARSN 108 744 378;
 - (e) 2006 Timbercorp Olive Project ARSN 119 182 179;
 - (f) 2007 Timbercorp Olive Project ARSN 123 155 715; and
 - (g) 2008 Timbercorp Olive Project ARSN 129 307 722
- (together, the **Project**)

BOORT PROPERTY PROPOSAL (Boort Proposal)

6. The Boort Proposal encompasses the following projects:

- (a) 2001 Timbercorp Olive Project ARSN 094 382 082;
- (b) 2002 Timbercorp Olive Project ARSN 098 233 455;
- (c) 2003 Timbercorp Olive Project ARSN 104 648 473; and
- (d) 2004 Timbercorp Olive Project ARSN 108 744 378.

7. The key features of the proposal are as follows:

- (a) growers acquire the land, water rights and plant and equipment and satisfy the secured creditors in full;
- (b) utilises the proceeds of the 2009 harvest;
- (c) relies upon a capital raising from existing growers which is likely to be no more than the 2010 scheme fees that they would have expected to have paid under the normal operation of the projects;
- (d) the proposal shows a projected profit in year one and positive cash flow in year two and onwards;
- (e) annual cash surpluses from year three are projected to be between \$3 and \$4 million per annum;
- (f) the projection shows sufficient working capital for the operation of the properties prior to the 2010 harvest;
- (g) returns to the growers are projected to commence in year two and growers are no longer expected to make annual payments or contribute additional capital; and
- (h) net debt is projected to reduce significantly over the five year projection period.

8. I am aware that the Boort Proposal has been the subject of introductory discussions with Korda Mentha and a draft proposal has been submitted to the secured lender for comment.

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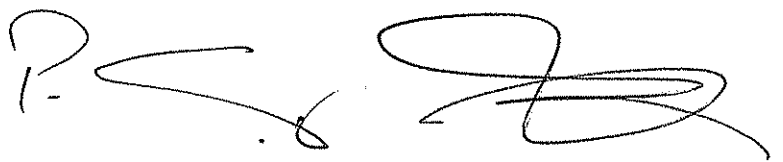
9. The Boort Proposal results in the project participants owning the land and the underlying assets to the projects which would have the effect of:
- (a) providing control of the project to the project participants;
 - (b) providing the project participants with a capital value for their investment rather than a nil value at the termination date; and
 - (c) providing positive financial benefits to the growers by restructuring the underlying agreements, which results in a projected cost saving of approximately \$5 million per annum by replacing around \$8.5 million of TSL fees and charges with around \$3.5 million of funding and administration costs.
10. In relation to the assumptions used by the model:
- (a) the yield assumptions are consistent with industry benchmarks and are similar to those used by Korda Mentha;
 - (b) the future price assumptions are 3-5% less than those used by Korda Mentha; and
 - (c) farm operating costs are within the range of costs identified to the Court by agricultural expert Paul Miller.

BOUNDARY BEND PROPERTY

11. The Consortium is also developing a proposal on a similar structure to operate alongside the Boort Proposal for the property at Boundary Bend which includes the following projects:
- (a) 2006 Timbercorp Olive Project ARSN 119 182 179;
 - (b) 2007 Timbercorp Olive Project ARSN 123 155 715; and
 - (c) 2008 Timbercorp Olive Project ARSN 129 307 722.
12. Because of the differing banking arrangements and underlying land ownership, this proposal is not as advanced as the Boort Proposal.

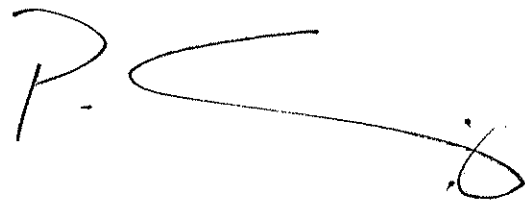
OTHER

13. I have discussed an outline of this proposal with a number of financial advisers who are also growers and have received positive feedback from all of them.
14. I believe that the confidence of the growers in these proposals would be enhanced if the responsible entity operating the schemes was independent of TSL and therefore support the appointment of a replacement responsible entity, although this may not be fundamental to the success of the Boort Proposal.

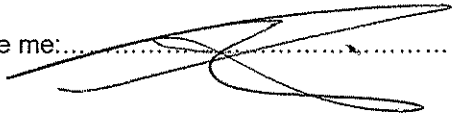
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SWORN by the said Paul Challis
at Melbourne in the State of Victoria
this 3rd day of July 2009

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Before me:.....



ANGELA JANE GIDLEY
of Clarendon Lawyers Pty Ltd
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an Australian Legal Practitioner within the
meaning of the *Legal Profession Act 2004*

