

**TRUST COMPANY  
FIDUCIARY SERVICES LIMITED**

ACN 000 000 993

Level 3  
530 Collins Street  
Melbourne VIC 3000

P.O. Box 361  
Collins Street West VIC 8007

T. +613 9665 0200  
F. +613 9620 3459

[www.trust.com.au](http://www.trust.com.au)

17 November 2009

Dear Bond Holder

**TIMBERCORP LIMITED (IN LIQUIDATION) ("Timbercorp") -  
TIMBERCORP ASX LISTED 2005 BOND INFORMATION**

This letter is further update for investors issued by Trust Company Fiduciary Services Limited (formerly Permanent Trustee Company Limited), as Trustee for the holders of Timbercorp ASX Listed 2005 Bonds ("Bond Holders").

***Bond Holders' Security***

The limited security supporting this borrowing by Timbercorp consists of guarantees and mortgages, held by the Trustee, from four (4) Timbercorp group companies ("Timbercorp companies"). The Trustee also holds, in an interest bearing bank account, additional cash security of approximately \$1.9m to which have now been added the proceeds of disposal of part security (please refer below).

The eleven (11) mortgages over rural land provided by the Timbercorp companies and held by the Trustee are of at least two (2) types, requiring different legal processes for their enforcement. The land parcels have been used by a Timbercorp group company, Timbercorp Securities Ltd (in Liquidation) for the conduct of forestry projects ("forestry land") and horticultural projects ("horticultural land").

***Limited Security Disposal***

Timbercorp's liquidators, KordaMentha ("Liquidators"), recently succeeded in negotiating a sale of the various forestry land holdings within the Timbercorp group. A small portion of the aggregate forestry holdings represented land mortgaged to the Trustee acting on behalf of the Bond Holders. The proceeds attributable to the Bond Holders total approximately \$1.9m and have been banked by the Trustee into the interest-bearing bank account controlled by it. This has brought the account balance to approximately \$3.8m.

***Trust Deed Considerations***

The Trust Deed requires the Trustee to convene a meeting of the Bond Holders "as soon as reasonably practicable after receiving notice of an Event of Default" and also to take various enforcement actions to enforce the rights it holds on behalf of the Bond Holders.

The Trustee has enforced and continues to enforce the Bond Holders' rights and accordingly the Trustee considers it would not be in the interests of the investors to convene a meeting of the Bond Holders at the present time since

- the liquidation of Timbercorp is already in progress
- the security attributable to the Bond Holders has been recognised by the Liquidators (viz the receipt by the Trustee of the proceeds of the forestry land sale)
- the Trustee is progressing the disposal of the remaining land (please refer below); and
- there is currently nothing further that may be reported to a meeting or anything else requiring a direction from the Bond Holders to the Trustee and the cost of a meeting would merely reduce the eventual monetary return to the Bond Holders.

### ***Next Steps***

At present it would be uneconomic to distribute to the Bond Holders the cash (the original amount of some \$1.9m plus the further amount of approximately \$1.9m being proceeds of the sale of the forestry lands) held by the Trustee. There also appears to exist a small amount yet to be received pursuant to a guarantee in favour of the Trustee from one of the Timbercorp companies.

The remainder of the limited security held by the Trustee on behalf of the Bond Holders consists of horticultural land. Accordingly, the next steps to be taken by the Trustee will be to dispose of this final part of the security enabling it to eventually progress to a final distribution to the Bond Holders.

As outlined in a previous update, the enforcement process pursued by the Trustee in respect of the remaining securities has to date included and will include the following steps:

- as provided in the Trust Deed, the Trustee has appointed an agent under the horticultural land mortgages to procure independent valuations which take into account the existence or absence of economic activity and rentals on each particular land parcel, the state of the market, comparison of likely realization if the land were to be sold with or without the crops. Such valuations are expected to be finalised in the coming weeks;
- once the valuations are to hand, the Trustee will consider in conjunction with its agent the actual timing of disposal of the land, reserve price(s), etc, the impact of the replacement of the Responsible Entity in managed investment schemes on some of the land, etc;
- sale of the mortgaged land will be preceded by the issue by the Trustee's agent of invitations to selling agents (2-3) to provide comprehensive submissions for the marketing and sale of the land (within the framework and timing recommended by the independent valuer);

- the Trustee will endeavour to ensure that any disposal of the mortgaged land is as efficient as possible, yielding the highest achievable return to the investors in the given market conditions; and
- the Trustee will then promptly move to distribute the net proceeds of the disposal to the Bond Holders.

### ***The Way Forward***

The Trustee will continue to liaise with the Liquidators as may be required and implement the security disposal process detailed above.

The eventual monetary return to the Bond Holders will depend on the net amount of proceeds from the disposal of the horticultural land which will be added to the cash balance held by the Trustee. It is not possible to provide any meaningful estimate of the likely final return to the Bond Holders until the horticultural land has been sold and all fees (such as accrued Trustee and legal costs as well as valuation and marketing costs) have been taken into account.

The Trustee will endeavour to post further updates (as appropriate) on the Timbercorp website.

Yours faithfully

**STEN SILAVECKY**  
**HEAD OF STRUCTURED FINANCE SERVICES**

Contact details for investor questions – please direct any questions relating to the administration to the Administrators:

**Timbercorp Hotline: 1800 628 188** or:  
Mike Smith 0411 055 306

Korda Mentha Pty Ltd  
Level 24, 333 Collins Street  
Melbourne 3000

Tel. (03) 8623 3333  
Fax (03) 8623 3399

In the event your question is of a type that only the Trustee may answer, your query will be referred to the Trustee by the Administrators.