

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

LIST B

No 8870 of 2009

TIMBERCORP LIMITED (IN LIQUIDATION)
ACN 055 185 067

First Plaintiff

TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)
ACN 092 311 469

Second Plaintiff

PLANTATION LAND LIMITED
ACN 090 443 333

Defendant

CERTIFICATE IDENTIFYING EXHIBIT

Date of document: 1 October 2009
Filed on behalf of: the Plaintiffs

Prepared by:
ARNOLD BLOCH LEIBLER
Lawyers and Advisers
Level 21
333 Collins Street
MELBOURNE 3000

Solicitor's Code: 54
DX 38455 Melbourne
Tel: 9229 9999
Fax: 9229 9900
Ref: 01-1499489
(Leon Zwier - lzwier@abl.com.au)

This is the exhibit marked "LZ-2" now produced and shown to **LEON ZWIER** at the time of swearing his affidavit on 1 October 2009.

Before me: 

Exhibit "LZ-2"

**Affidavit of Mark Anthony Korda dated 29 September 2009
and filed in the Timber Sale Approval Proceeding, less its
confidential exhibits**

BRIDGET ELLEN SLOCUM
Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne 3000
An Australian Legal Practitioner within the
meaning of the Legal Profession Act 2004

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

LIST A

No 9299 of 2009

IN THE MATTER OF TIMBERCORP SECURITIES LIMITED
(IN LIQUIDATION)

ACN 092 311 469

TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION) (ACN 092 311 469)
IN ITS CAPACITY AS RESPONSIBLE ENTITY OF EACH OF THE
MANAGED INVESTMENTS SCHEMES LISTED IN SCHEDULE 1
AND IN ITS CAPACITY AS MANAGER OF THE UNREGISTERED
MANAGED INVESTMENTS SCHEME LISTED IN
SCHEDULE 2 OF THE ORIGINATING PROCESS
First Plaintiff

MARK ANTHONY KORDA
Second Plaintiff

LEANNE KYLIE CHESSER
Third Plaintiff

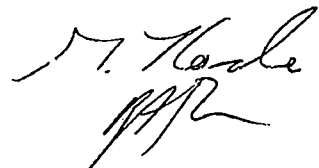
FIRST AFFIDAVIT OF MARK ANTHONY KORDA

Date of document: 29 September 2009
Filed on behalf of: the Plaintiffs

Prepared by:
ARNOLD BLOCH LEIBLER
Lawyers and Advisers
Level 21
333 Collins Street
MELBOURNE 3000

Solicitor's Code: 54
DX 38455 Melbourne
Tel: 9229 9999
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Ref: 01-1499489
(Leon Zwier lwier@abl.com.au)

- 1 I am the liquidator of the First Plaintiff, Timbercorp Securities Limited (TSL), and of the Second Plaintiff, Timbercorp Limited (TL), with Leanne Kylie Chesser.
- 2 Except where I otherwise indicate, I make this affidavit from my own knowledge. Where I depose to matters from information or belief, I believe those matters to be



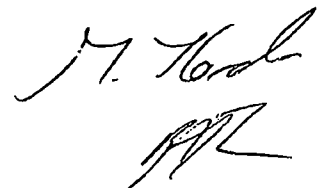
true. I am authorised by Ms Chesser to make this affidavit on her behalf. References in this affidavit to "we", "us", "our" or "ourselves" are references to Ms Chesser and me.

General background

- 3 I am a chartered accountant and a partner of the firm KordaMentha. I am a Registered Liquidator and an Official Liquidator of the Court. I am a member of the Insolvency Practitioners Association of Australia and a member of the Institute of Chartered Accountants. Before founding KordaMentha in 2002, I had a 24-year career with the firm Arthur Andersen, during which I held the positions of Director of Corporate Finance, Managing Partner Asia Pacific Corporate Recovery Services Practice and Managing Partner Australia Accounting and Audit Practice. I was also a Member of the Australian Executive Committee and Board of Partners. I have been practising in the area of corporate insolvency and financial reconstructions for 20 years.
- 4 On 23 April 2009, we were appointed as voluntary administrators of TL and TSL. Also on 23 April 2009, the respective directors of thirty nine (39) of TL's wholly owned subsidiaries (together **Timbercorp Group Companies**) appointed us and three other KordaMentha partners, namely Mark Francis Xavier Mentha, Craig Peter Shepard and Clifford Stuart Rocke, as administrators of those companies. All of the appointments were made pursuant to section 436A of the Corporations Act.
- 5 On 29 June 2009, at a meeting of the creditors of TL and the Timbercorp Group Companies and a separate meeting of the creditors of TSL, the creditors resolved to wind up the TL and Timbercorp Group Companies, and TSL respectively. We are therefore now the liquidators of TSL and TL.

Timbercorp schemes

- 6 TSL is currently the responsible entity of 11 forestry schemes which are registered managed investment schemes under Part 5C of the Act. In addition, there is one forestry scheme administered by the Timbercorp Group Companies which is not, and was not required to be, registered under Part 5C of the Act. I refer to these together as the **"Forestry Schemes"**. Now produced and shown to me marked **MAK-1** is a list of the Forestry Schemes.



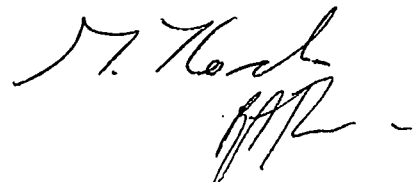
- 7 Each of the Forestry Schemes is governed by a complex suite of documents including a constitution and sub-leases. The members of the Forestry Schemes are referred to in the documents as "**Growers**" and I adopt that terminology here.
- 8 The purpose of the Forestry Schemes is the cultivation of Eucalyptus trees for commercial wood production. The Growers sublease from TL or TSL allotments of land, known in the Forestry Schemes variously as "Woodlots" (1 hectare) or Timberlots" (1/3 of a hectare) (**Lots**). The land is owned either freehold by a Timbercorp Group Company or is leased to TL or TSL by a third party landowner.

Purpose of Application

- 9 This affidavit is made in support of an application for a direction under section 511 of the *Corporations Act 2001* (Cth) (**Act**) that we are justified in procuring TSL to enter into and perform the sale and purchase deed (**SPD**) with the preferred bidder (**Buyer**), including terminating or surrendering the relevant Grower sub-leases in accordance with the SPD. The identity of the Buyer is confidential. However, I know that the Buyer is a viable company, which is respectable and solvent and will be capitalised in an amount exceeding \$500 million. The Buyer is also a global forestry operator. I believe the Buyer has the financial capacity to complete the purchase of the Forestry Assets, and to manage them.

Sale and Purchase Deed

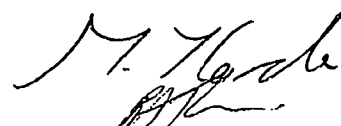
- 10 The SPD between:
- (a) TL
 - (b) TSL (in its capacity as responsible entity of the Forestry Schemes and in its personal capacity);
 - (c) Timbercorp Plantations 2002 IAB Pty Limited (In Liquidation) (ACN 100 116 827) (**Timbercorp Plantations 2002**);
 - (d) Timbercorp Plantations Pty Ltd (In Liquidation) (ACN 0964 789 554) (**Timbercorp Plantations**);



- (e) Timbercorp Lands Pty Ltd (In Liquidation) (ACN 085 886 835) (**Timbercorp Lands**);
 - (f) Timbercorp Properties Limited (In Liquidation) (ACN 074 825 675) (**Timbercorp Properties**);
 - (g) Timbercorp Forestry Pty Ltd (In Liquidation) (ACN 070 952 742);
 - (h) Timbercorp Lot Investments Pty Ltd (In Liquidation) (ACN 125 427 492);
 - (i) Us and our partners Mark Mentha and Cliff Rocke (in our personal capacity);
and
 - (j) The Buyer.
- 11 The parties are still negotiating the SPD and I intend to file a copy of the SPD as a confidential exhibit to a second affidavit I intend to swear before the hearing on 30 September 2009.
- 12 Our intention is that the SPD will be executed on or around 30 September 2009 with settlement on, or around, 2 November 2009.

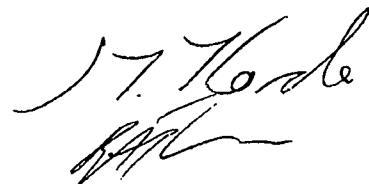
Sale Process

- 13 Since early July 2009, a number of parties have contacted KordaMentha to express their interest in the possible acquisition or recapitalisation of the various assets which are the subject of the Forestry Schemes. Richard Forbes, a partner of KordaMentha, has had responsibility for coordinating the expressions of interest. Mr Forbes has informed me of the matters which I depose to below.
- 14 On 31 July 2009, we published an advertisement in the *Australian Financial Review* in which we sought expressions of interest for the possible acquisition or recapitalisation of the assets the subject of the Forestry Schemes. Now produced and shown to me marked **MAK-2** is the advertisement that appeared in the 31 July 2009 edition of the *Australian Financial Review*.
- 15 A number of interested parties then executed a Confidentiality Agreement (**the Interested Parties**) and were subsequently given a copy of a Confidential Information Memorandum (**Information Memorandum**), and were granted access to an on-line Data Room. Now produced and shown to me marked **MAK-3** is an



anonymous list of the Interested Parties which details the number of documents viewed, printed and downloaded from the Data Room as at 12 August 2009 by those Interested Parties who had accessed the Data Room. Now produced and shown to me marked **Confidential Exhibit MAK-4** is a copy of the Confidential Information Memorandum in respect of which we will seek a confidentiality order. The Information Memorandum contains information which is confidential to the Timbercorp group of companies, including commercially sensitive information which may be of interest and/or benefit to competitors.

- 16 In Federal Court of Australia proceedings VID 595 of 2009 and VID 541 of 2009, we asked the Court to order that the Information Memorandum (which was an exhibit to several affidavits) be kept confidential. The Court granted that order. The Federal Court also ordered that a redacted copy of the Information Memorandum be placed upon the Court file and be made available for inspection in accordance with the Federal Court Rules. Now produced and shown to me marked exhibit **MAK-5** is a redacted copy of the Information Memorandum which was filed in Federal Court of Australia proceedings VID 595 of 2009 and VID 541 of 2009 and the Court orders regarding the Information Memorandum.
- 17 The assets that we are offering for sale are described in the Information Memorandum as follows:
- (a) 97,500 hectares of high-yielding premium quality *Eucalyptus globulus* distributed across various age classes, and located close to seaports (**Trees**) (The Buyer does not seek to acquire rights over about 5,500 hectares);
 - (b) 38,800 hectares of freehold land owned by Timbercorp Group Companies in the "Green Triangle" region in Victoria and South Australia, and in south-west Western Australia which has a total book value of \$238 million. These regions are regarded as amongst the best in the world for the cultivation of *Eucalyptus globulus*, with high average annual rainfall and premium quality soils (**Freehold Land**);
 - (c) 58,700 hectares of land leased by Timbercorp group companies in the Green Triangle region and in south-west Western Australia (however, the sale of the leasehold land rights is conditional upon the Liquidators determining to retain and assign those leases in connection with the liquidations or the sale process

A handwritten signature in black ink, appearing to read "J. Hord", with a stylized flourish underneath.

and obtaining the consent of the relevant landlord if necessary) (**Leased Land**);

- (d) a dedicated and highly skilled forestry management business, including seed-to-port management and harvesting capacity at maturity of up to 1.8 million GMT and EBITDA exceeding \$20 million per annum; and
- (e) part ownership of the Albany Chip Terminal which has a load capacity of 1.3 million GMT per annum. [50 percent interest in Plantation Pulpwood Terminals

(together "**Forestry Assets**")

Communication with the Growers

- 18 Throughout the liquidation and sale or recapitalisation process of the Forestry Assets, we have communicated with the key stakeholders including the Growers representatives. Our staff maintain a website at www.kordamentha.com.au with press releases, documents and court proceedings which is updated frequently. Our solicitors, Arnold Bloch Leibler, also maintain a website of all the Timbercorp Court proceedings that they have carriage of at www.abl.com.au.
- 19 A number of the Growers are part of the Timbercorp Growers Group (TGG) and the Timbercorp Growers Reference Group (GRG). Richard Forbes, another partner of KordaMentha and I, have been in regular contact with the TGG and GRG to inform them of progress throughout the sale and recapitalisation process.

Surrender of Sub Leases and Proprietary Interest in the Trees

- 20 In order for the sale or recapitalisation process to achieve the best outcome for the creditors of the Timbercorp Group Companies, including Growers, we believe that any purchaser needs to be satisfied that they can buy the Trees with clear title. If the potential bidders were not so satisfied, we expected that any bids for the Forestry Assets would be made at a large discount to the price which could be achieved if the Trees were offered with clear title. (Prior to the voluntary administration the Timbercorp Group Companies attempted to sell some Forestry Assets, but the



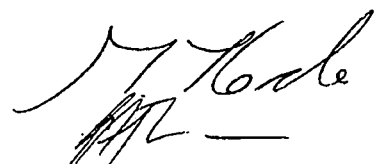
process failed in part because of the complexity of the structure and the inability to give clear title).

- 21 On 7 August 2009 we held an informal Meeting of Growers of the Forestry Schemes (**Meeting**) chaired by independent chair Matthew Walsh of Gadens Lawyers. The purpose of the Meeting was to:

- (a) provide Growers with an update on key issues facing the Forestry Schemes; and
- (b) put a non-binding resolution to the Growers to request their approval for us to seek a power of sale. The non-binding resolution was:

That the Liquidators' of TSL request the Federal Court of Australia to grant the Liquidators a power of sale to enable the implementation of the sale/recapitalisation strategy.

- 22 The results of the voting were recorded on a scheme by scheme basis. Voting was 1 vote per Lot. More than 90% of the Growers who voted, voted in favour of the non-binding resolution. Now produced and shown to me marked **MAK-6** are the results of the voting on the non-binding resolution on a scheme by scheme basis.
- 23 Following the meeting we applied to the Federal Court for a direction regarding TSL's power to sell the Trees. Now produced and shown to me marked **MAK-7** is the originating process and my supporting affidavits (without the exhibits) for that application, Federal Court Proceeding VID 595 of 2009.
- 24 Under the Sub-Leases and/or at common law, TSL arguably does not have legal title to the Trees. The Growers may own the Trees and also have a right to harvest them. The sub-leases also state that the Grower is granted an independent proprietary interest in the relevant Lots, to establish tend and manage the Trees and to harvest the Trees and remove and sell the products derived from the Trees. While there are differences between the Sub-leases for each of the Forestry Schemes, the clauses setting out these rights are common to all the sub-leases. Now produced and shown to me marked exhibit **MAK-8** is, by way of example, a sub-lease for the 2001 Timbercorp Eucalypts Project (ARSN 094 392 000). One way in which TSL can obtain clear title to the Trees is by terminating the Grower Sub-Leases. There is no express power to do so under the Grower Sub-Leases but I was provided with legal

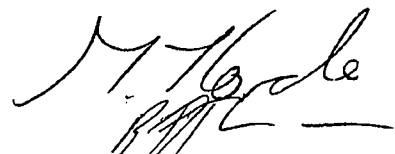


advice that under the constitutions, TSL has a right or power to terminate the Grower Sub-Leases, or that it is at least arguable that TSL has such a right or power.

- 25 To put the issue beyond doubt however, we sought and Finkelstein J ordered, on 18 August 2009 in Federal Court proceeding VID 595 of 2009, that we were justified in procuring TSL as responsible entity to amend the constitutions of the Forestry Schemes pursuant to section 601GC(1)(b) of the Act by executing a deed in the form contained in a schedule to the order for each of the constitutions. Now produced and shown to me marked exhibit **MAK-9** is the order of Finkelstein J of 18 August 2009.
- 26 On 1 September 2009 I filed the amendments to the Constitution in the form of the schedule attached to the order with the Australian Securities and Investment Commission (**ASIC**). TSL is therefore entitled to surrender the Grower sub-leases for consideration on behalf of the Growers. Now produced and shown to me marked exhibit **MAK-10** are the deeds amending the Forestry Scheme constitutions.

Bids for Forestry Assets

- 27 The Information Memorandum set out a timetable for the sale or recapitalisation process and stipulates that the closing date for first and final binding offers was 5:00pm AEST on Friday, 18 September 2009. (This timetable was communicated to the TGG and GRG).
- 28 The final binding offer had to include a completed Purchase Price Allocation schedule which required each bidder to ascribe a dollar value to the Trees and the Freehold and Leasehold Land in each of the Forestry Schemes. This was included to assist us in determining apportionment of sale proceeds between the various assets and various creditor groups. The issue was also discussed between counsel and Finkelstein J in Federal Court Proceedings VID 595 of 2009 and between counsel and Robson J in Supreme Court Proceeding VID 7114 of 2009. Now produced and shown to me marked exhibit **MAK-11** are the extracts of the transcripts from those discussions between Court and counsel.
- 29 We received seven bids for the Forestry Assets. The main terms of the bids, including allocation of price between the Forestry Assets and important conditions are summarised in the schedule of bids now produced and shown to me marked **confidential exhibit MAK-12**. It is information that has been kept confidential to KordaMentha and its advisers. I consider that the exhibit should remain confidential



as if bidders or the market are able to see the bids other parties have made, and the agreement with the Buyer does not reach completion, it will prejudice the stakeholder's interests as new bids will be altered based on this information.

- 30 The Buyer was selected as the preferred purchaser as the terms and conditions the Buyer offered were clearly the most favourable to the stakeholders, including the Growers and the secured creditors.

Conditions Precedent

- 31 The conditions precedent of the SPD are set out in SPD (clause 3.1 as drafted at the
time of swearing this affidavit).
- 32 One of the conditions precedent is the release of all Forestry Assets encumbered by
charges and discharges of the mortgages over the Freehold Land on terms and
conditions acceptable to us and to the Buyer.

CBA Facilities and Securities

- 33 The Commonwealth Bank of Australia (**CBA**) has a facility with Timbercorp Lands
(**CBA Forestry Facility**). CBA holds securities over Forestry Assets including
mortgages over land used in the Forestry Schemes and owned by various
Timbercorp Group Companies (**CBA Forestry Securities**). The CBA Forestry
Facility will be approximately \$91.5m as at 1 November 2009.
- 34 CBA also has a loan facility with Olivecorp Land Pty Ltd (ACN 090 141 512)(In
Liquidation) (**Olivecorp Land**) and Olivecorp Processing Facility Pty Ltd (ACN 098
581 081)(In Liquidation) (**Olivecorp Processing**) (**CBA Olive Facility**) secured over
land used for four Timbercorp managed investment schemes for the cultivation of
olives (**CBA Olive Securities**). The CBA Olive Facility will be approximately \$54m.
- 35 There is a approximately a further \$6.5m to be paid to the CBA for funding agreement
establishment fees (\$37,000), Timbercorp treasury (\$5m), Forest.y leased assets
(\$1.2m), accrual for advisor fees (\$200,000).
- 36 The Timbercorp Group Companies have cross collateralised the debt totalling
approximately \$152m as at 1 November 2009 and correspondingly the securities held
by CBA over the Timbercorp Group Companies and assets.

17. Trade
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CBA Requires Payment in Full

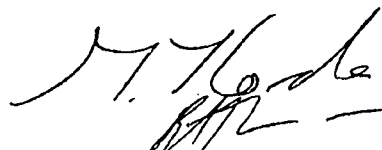
- 37 The Information Memorandum contains a condition precedent to that effect that unless the CBA releases the securities the agreement with the Buyer can not be completed. The CBA has told me throughout the sale process that the CBA will require full repayment of approximately \$152m for the CBA to discharge its securities.

Buyer's Apportionment

- 38 The Buyer's bid allocates \$123,585,797 net of costs of realisation to CBA's securities. This amount is not sufficient for the CBA to release their securities, leaving a shortfall of \$25,748,913.37 shortfall (**Shortfall**).
- 39 I believe that the Buyer's offer is so much better than the next best offer capable of acceptance, that even if we could not recover the Shortfall from Olivecorp Land, it would be in the best interests of the Growers to accept it. However I currently intend to try and recover the Shortfall in the following way, provided that it is lawful for me to do so.
- 40 From the proceeds of sale, TSL or special purpose vehicle (**SPV**) beneficially owned by Forestry Growers, will advance to Olivecorp Land, \$25,748,913.37 (an amount equivalent to the Shortfall) on a super-priority secured basis, with the consent of the CBA as security holder. Olivecorp Land will use the \$25,748,913.37 to repay the CBA Facility and CBA will assign the CBA Securities to TSL or the SPV to be dealt with by agreement between all the stakeholders or by Court order if an agreement cannot be reached.

Communication with the Stakeholders and Growers regarding the Buyer's offer

- 41 Since selecting the Buyer as the preferred bidder we have continued to maintain communication with the TGG, led by Chris Garnaut and the GRG led by Tom Weir, as well as the TSL Committee of Inspection. I believe Tom Weir is currently representing both TGG and GRG in the discussions about the Forestry Asset sale as Chris Garnaut has given Tom Weir his proxy.
- 42 Richard Forbes spoke to Tom Weir on 25 September 2009 and explained the options regarding the Buyer's proposal and the requirement that CBA's securities be released. He told Tom Weir of the proposal to assign the securities outlined in paragraph 38-40 above. He also discussed with him the possibility of using the sale



proceeds apportioned to the Trees to meet the Shortfall without any assignment of securities or the alternative of the Growers not consenting to the use of proceeds apportioned to the Trees. His preference was the proposal to assign the securities outlined in paragraph 38-40 above.

- 43 At 5:30 pm today we held a meeting of the TSL committee of inspection (**Committee**) to notify them of the latest developments in the process with the Buyer. The meeting was to update the Committee on short notice and we did not ask the Committee to pass any resolutions. The Committee generally accepted that the price to be paid by the Buyer for the Forestry Assets is reasonable. Some member¹²s of the committee of inspection expressed their concern that CBA is being paid the Shortfall from the sale proceeds attributed to Trees. One Grower said that he opposed the transaction. Another said that she wanted more time to consider the issues. Four or five members said they supported the transaction. The TGG and TRG have not made a final decision on whether or not to instruct counsel to appear at this application. I have agreed to fund the legal costs of the TGG/TRG's representative for this application whether the TGG/TRG consent, oppose or remain neutral to this application. PTC

Disclaimer of Leases by 30 September 2009

- 44 On 1 July 2009, approximately \$7.2 million of rental payments became due and payable by TSL for three months' rent to 30 September 2009 in relation to properties relevant to the Forestry Schemes (**the Forestry Properties**). The total annual rental liability for the Forestry Properties is approximately \$27 million.
- 45 TSL is hopelessly insolvent and is unable to make these rental payments.
- 46 On 6 July 2009, TSL obtained a judgment from Finkelstein J in the Federal Court of Australia that TSL was not using or occupying the Forestry Properties. On 27 August 2009 and 1 September 2009 we obtained orders extending the period we have to decide whether to disclaim the leases for the relevant properties to 4:15 pm on Wednesday 30 September 2009.
- 47 Tomorrow morning, 30 September 2009, we are applying for a further extension of the period to decide whether or not to disclaim the leases. The basis of this application is that we will use the deposit money paid by the Buyer pursuant to the SPD to pay the quarterly rent that fell due on 30 June 2009 and the rent from 1 October to settlement at 2 November 2009 (on a per diem basis). The notice of

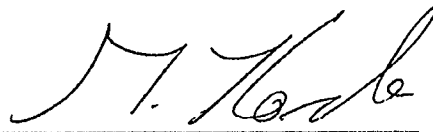


motion and supporting affidavit for that application are now produced and shown to me marked **MAK-13**.

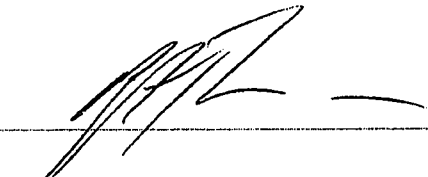
Notice of these Proceedings

- 48 My solicitors gave informal notice of these proceedings to ASIC by telephone, to the TGG by e-mail and to the CBA by e-mail and telephone on Monday 27 September 2009.
- 49 The TGG's solicitors, ASIC and the secured creditors were provided with copies of the originating process and draft orders by the same e-mail that these documents were sent to Pagone J's associate.

SWORN at)
in the State of Victoria)
by **MARK ANTHONY KORDA** this 29 day)
of September 2009)



Before me:



BRIDGETTE AILSA TOY-CRONIN
Arnold Bloch Leibler
Level 21, 333 Collins Street
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First Plaintiff

MARK ANTHONY KORDA
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CERTIFICATE IDENTIFYING EXHIBIT

Date of document: 29 September 2009
Filed on behalf of: the Plaintiffs

Prepared by:
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(Leon Zwier Izwier@abl.com.au)

This is the exhibit marked "MAK-1" now produced and shown to **MARK ANTHONY KORDA** at
the time of swearing his affidavit on 29 September 2009.

Before me: 

Exhibit "MAK-1"

List of Timbercorp Forestry Schemes

BRIDGETTE AILSA TOY-CRONIN
Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne 3000
An Australian Legal Practitioner within the
meaning of the Legal Profession Act

"MAK - 1"

Names of Timbercorp Forestry Schemes and Projects



Timbercorp Group of Companies (All In Liquidation)

6 August 2009

Managed Investment Scheme Name	Project Name
1997 Timbercorp Eucalypts Project (ARSN 112 309 234)	1997 Eucalypts Project 1997 Eucalypts - Double Rotation Project
1998 Timbercorp Eucalypts Project (ARSN 112 309 216)	1998 Eucalypts Project 1998 Eucalypts - Double Rotation Project
1999 Timbercorp Eucalypts Project (ARSN 085 827 872)	1999 Eucalypts Project
1999 Timbercorp Eucalypts Double Rotation Project (Private Offer)	1999 Eucalypts - Double Rotation PO Project
2000 Timbercorp Eucalypts Project (ARSN 091 172 093)	2000 Eucalypts Project
2001 Timbercorp Eucalypts Project (ARSN 094 392 000)	2001 Eucalypts Project
2002 Timbercorp Eucalypts Project (ARSN 098 233 571)	2002 Eucalypts Early Project 2002 Eucalypts Post June Project
2003 Timbercorp Eucalypts Project (ARSN 103 183 446)	2003 Eucalypts Early Project 2003 Eucalypts Pre Payment Project
2004 Timbercorp Eucalypts Project (ARSN 108 099 645)	2004 Eucalypts Pre Payment Project
2004 Timbercorp Timberlot (Single Payment) Project (ARSN 108 336 830)	2004 SP Timberlot - Post June Project 2004 SP Timberlot - Pre Payment Project
2005 Timbercorp Timberlot (Single Payment) Project (ARSN 111 683 491)	2005 SP Timberlot - Post-30 June Project 2005 SP Timberlot - Pre-30 June Project 2006 (2005 Post June) SP Timberlot Project
2007/2008 Timbercorp Timberlot (Single Payment) Project (ARSN 122 510 981)	2007 (2007/2008) SP Timberlot - Post-30 June Project 2007 (2007/2008) SP Timberlot - Pre-30 June Project 2008 FinYr (2007/2008) SP Timberlot - Post-30 June Project

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MANAGED INVESTMENTS SCHEMES LISTED IN SCHEDULE 1
AND IN ITS CAPACITY AS MANAGER OF THE UNREGISTERED
MANAGED INVESTMENTS SCHEME LISTED IN
SCHEDULE 2 OF THE ORIGINATING PROCESS
First Plaintiff

MARK ANTHONY KORDA
Second Plaintiff

LEANNE KYLIE CHESSEY
Third Plaintiff

CERTIFICATE IDENTIFYING EXHIBIT

Date of document: 29 September 2009
Filed on behalf of: the Plaintiffs

Prepared by:
ARNOLD BLOCH LEIBLER
Lawyers and Advisers
Level 21
333 Collins Street
MELBOURNE 3000

Solicitor's Code: 54
DX 38455 Melbourne
Tel: 9229 9999
Fax: 9229 9900
Ref: 01-1499489
(Leon Zwier lzwier@abl.com.au)

This is the exhibit marked "MAK-2" now produced and shown to **MARK ANTHONY KORDA** at
the time of swearing his affidavit on 29 September 2009.

Before me: 

Exhibit "MAK-2"

Advertisement from 31 July 2009 Edition of Australian Financial Review

BRIDGES ALISA TOY-ORON
ARNOLD BLOCH LEIBLER
Level 21, 333 Collins Street
Melbourne 3000
An Australian Legal Practitioner within the
meaning of the Legal Profession Act 2004

AUSTRALIA'S PREMIER FORESTRY ASSETS

Expressions of Interest Sought

Timbercorp Group

(In Liquidation)

The Liquidators of the Timbercorp Group in Australia are seeking expressions of interest to acquire or recapitalise:

- 97,500 hectares (241,000 acres) of high yielding premium quality Eucalyptus Globulus in various stages of growth located close to seaports
- 38,800 hectares (96,500 acres) of freehold land and leasehold interest in 58,700 hectares (145,000 acres) of land in the Green Triangle (Victoria and South Australia) and south west Western Australia - two of the world's best forestry locations for soil and climate
- An established and highly skilled forestry management business, awarded FSC Australia Award for best large forest manager in 2008 with seed to port management and processing norms for up to 1.8 million GMT/year
- 50% ownership in Albany Chip Terminal with loading capacity of 1.3 million GMT/year

Expressions of Interest are sought from parties to acquire or recapitalise the full complement of forestry assets.

For further information, please contact:

Scott Langdon on (09) 8623-3335 or by email on slangdon@kordamentha.com
www.kordamentha.com



KordaMentha

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

LIST A

No 9299 of 2009

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

TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION) (ACN 092 311 469)
IN ITS CAPACITY AS RESPONSIBLE ENTITY OF EACH OF THE
MANAGED INVESTMENTS SCHEMES LISTED IN SCHEDULE 1
AND IN ITS CAPACITY AS MANAGER OF THE UNREGISTERED
MANAGED INVESTMENTS SCHEME LISTED IN
SCHEDULE 2 OF THE ORIGINATING PROCESS
First Plaintiff

MARK ANTHONY KORDA
Second Plaintiff

LEANNE KYLIE CHESSE
Third Plaintiff

CERTIFICATE IDENTIFYING EXHIBIT

Date of document: 29 September 2009
Filed on behalf of: the Plaintiffs

Prepared by:
ARNOLD BLOCH LEIBLER
Lawyers and Advisers
Level 21
333 Collins Street
MELBOURNE 3000

Solicitor's Code: 54
DX 38455 Melbourne
Tel: 9229 9999
Fax: 9229 9900
Ref: 01-1499489
(Leon Zwier lzwier@abl.com.au)

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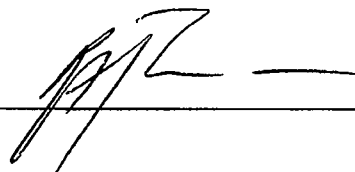


Exhibit "MAK-3"

Anonymous List of Interested Parties

BRIDGETTE AILSA TOY-CRONIN
Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne 3000
An Australian Legal Practitioner within the
meaning of the Legal Profession Act 2004

MAK-3

CONFIDENTIAL ANONYMISED LIST OF INTERESTED PARTIES

Party	Data Room Documents Viewed, Printed & Downloaded
Party A	
Party B	23
Party C	723
Party D	47
Party E	11
Party F	
Party G	33
Party H	932
Party I	85
Party J	199
Party K	31
Party L	32
Party M	2,715
Party N	302
Party O	5,018
Party P	
Party Q	29
Party R	
Party S	
Party T	294
Party U	
Party V	24
Party W	
Party X	101

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

LIST A

No 9299 of 2009

IN THE MATTER OF TIMBERCORP SECURITIES LIMITED
(IN LIQUIDATION)

ACN 092 311 469

TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION) (ACN 092 311 469)
IN ITS CAPACITY AS RESPONSIBLE ENTITY OF EACH OF THE
MANAGED INVESTMENTS SCHEMES LISTED IN SCHEDULE 1
AND IN ITS CAPACITY AS MANAGER OF THE UNREGISTERED
MANAGED INVESTMENTS SCHEME LISTED IN
SCHEDULE 2 OF THE ORIGINATING PROCESS
First Plaintiff

MARK ANTHONY KORDA
Second Plaintiff

LEANNE KYLIE CHESSE
Third Plaintiff

CERTIFICATE IDENTIFYING EXHIBIT

Date of document: 29 September 2009
Filed on behalf of: the Plaintiffs

Prepared by:
ARNOLD BLOCH LEIBLER
Lawyers and Advisers
Level 21
333 Collins Street
MELBOURNE 3000

Solicitor's Code: 54
DX 38455 Melbourne
Tel: 9229 9999
Fax: 9229 9900
Ref: 01-1499489
(Leon Zwier lzwier@abl.com.au)

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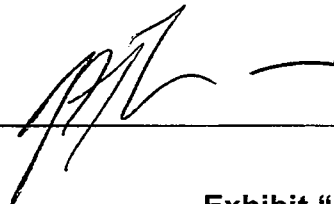


Exhibit "MAK-5"

Redacted Information Memorandum and Court Orders in Federal Court
Proceedings VID595 of 2009 and VID541 of 2009 regarding Information

Memorandum

BRIDGETTE AILSA TOY-CRONIN
Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne 3000
An Australian Legal Practitioner within the
meaning of the Legal Profession Act 2004

Order NOT Entered

MAK-5

**IN THE FEDERAL COURT OF AUSTRALIA
VICTORIA DISTRICT REGISTRY
GENERAL DIVISION**

No: (P)VID541/2009

**IN THE MATTER OF TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)
(ACN 092 311 469)**

And

IN THE MATTER OF TIMBERCORP LIMITED (IN LIQUIDATION) (ACN 055 185 067)

**TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION) (ACN 092 311 469)
AND OTHERS
Plaintiffs**

**WA CHIP & PULP CO. PTY LTD (ACN 008 720 518) AND OTHERS
Defendants**

ORDER

JUDGE: Justice Finkelstein

DATE OF ORDER: 24 September 2009

WHERE MADE: Melbourne

THE COURT ORDERS THAT:

1. Exhibit MAK-33 to the affidavit of Mark Anthony Korda sworn on 26 August 2009 be kept confidential.
2. A redacted version of the exhibit be placed on the Court file and be made available for inspection in accordance with the Court Rules.

Date that entry is stamped:

Deputy District Registrar

Order NOT Entered

**IN THE FEDERAL COURT OF AUSTRALIA
VICTORIA DISTRICT REGISTRY
GENERAL DIVISION**

No: (P)VID595/2009

**IN THE MATTER OF TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)
(ACN 092 311 469)**

**TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION) (ACN 092 311 469)
AND OTHERS
Plaintiffs**

ORDER

JUDGE: Justice Finkelstein

DATE OF ORDER: 24 September 2009

WHERE MADE: Melbourne

THE COURT ORDERS THAT:

1. Exhibit MAK-16 to the affidavit of Mark Anthony Korda sworn on 26 August 2009 be kept confidential.
2. A redacted version of the exhibit be placed on the Court file and be made available for inspection in accordance with the Court Rules.

Date that entry is stamped:

Deputy District Registrar



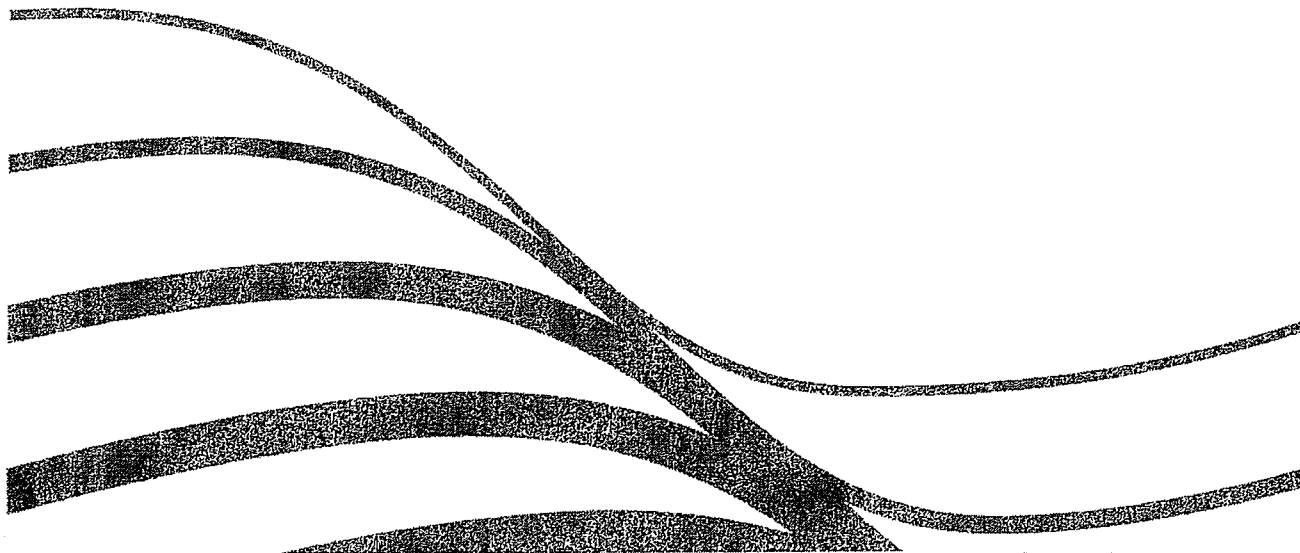
KordaMentha

Timbercorp Forestry

Confidential Information Memorandum

July 2009

Copy for Insert



Confidentiality Statement and Disclaimer

Confidentiality

By accepting the information contained in this IM, information appended to this IM or information subsequently provided to the Recipient of this IM, whether orally or in writing by or on behalf of Mark Korda, Mark Mentha, Leanne Chesser, Craig Shepard and Clifford Rocke as Liquidators of various companies within the Timbercorp Group (Appendix A) (together, "Information"), KordaMentha, or any person named in or involved in the preparation of the Information or any of their respective directors, officers, shareholders, partners, affiliates, employees or agents (collectively the "Discloser"), the Recipient agrees to keep the information confidential. The Recipient should become familiar with this and other obligations as to which the Recipient is subject to pursuant to the Confidentiality Deed Poll.

Disclaimer

The Information is provided to the Recipient solely for the purpose of assisting the Recipient and their professional advisors in deciding whether to proceed with a further investigation of the Forestry Assets and in considering whether to acquire the Forestry Assets. The Information is provided on the express understanding that it is to be used for that purpose only. Further, the Information is not intended to provide any recommendation either expressly or by implication with respect to the proposed sale.

The Information may not be appropriate for some persons and it is not possible for the Discloser to have regard to the investment objectives, financial situation and particular needs of each person who reads or uses the Information. Further, the Information does not purport to contain all the information which may be material to prospective purchasers.

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1. the accuracy or completeness of the Information; or
2. the future performance of the Forestry Assets.

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The Discloser is not liable to reimburse or compensate the recipient or any of their representatives for any costs or expenses incurred in conducting their review, submitting a registration of interest or detailed proposal, making an offer or otherwise in connection with the proposed sale.

In furnishing the Information, the Discloser does not undertake any obligation to provide the Recipient with access to any additional information or to correct any inaccuracies in it which may exist or become apparent.

The Recipient acknowledges that any estimates, projections, targets, opinion, or forecasts concerning the anticipated future performance of the Forestry Assets and the industry in which the Forestry Assets operates or assumptions ("Forward Looking Statements") in this Information Memorandum are based on best estimates only and may prove to be incorrect. The Disclosers make no representation or warranty (express or implied) as to the accuracy or completeness of such statements or assumptions or that any such statements will be achieved. Each Recipient acknowledges that except as specifically provided in this Information Memorandum, no audit or review has been undertaken by any third party of the assumptions, data, results, calculations, and Forward Looking Statements contained or referred to in this Information Memorandum. The Recipient should make its own independent review of the relevant assumptions upon which the Forward Looking Statements are based.

In some cases, financial calculations have been rounded to the nearest whole number.

Any Forward Looking Statements contained in the Information Memorandum have been prepared by Timbercorp and the Liquidators, and involve:

- a significant element of subjective judgment and analysis which may or may not be correct; and
- estimates based on uncertain events.

No representation or warranty is made by the Disclosures that there is a reasonable basis for any Forward Looking Statement.

References to areas under plantation are estimates provided by Timbercorp management only and are not warranted as being correct. Bidders should form their own views on these estimates

Contact Details

KordaMentha

Scott Langdon
Associate Director
T: +61 3 8623 3335
E: slangdon@kordamentha.com
Level 24, 333 Collins Street
Melbourne Victoria 3000

Richard Forbes
Partner
T: +61 3 8623 3324
E: rforbes@kordamentha.com
Level 24, 333 Collins Street
Melbourne Victoria 3000

Timbercorp

Andrew Jones
Timbercorp
T: +61 3 8615 0643
E: a.jones@timbercorp.com.au
Level 8, 461 Bourke Street
Melbourne Victoria 3000

Samuel Beaton
Timbercorp
T: +61 3 8615 0650
E: s.beaton@timbercorp.com.au
Level 8, 461 Bourke Street
Melbourne Victoria 3000

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Glossary

Term	Definition
ASIF	Australian Sustainable Investment Fund (ASIF) is a wholesale, unlisted infrastructure fund with a focus on forestry assets
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
BDMT	Bone dry metric tonne
CAGR	Compound annual growth rate
C-horizon	C horizon is a distinctive layer that occurs towards the base of a soil profile, simply named so because it comes 'after' A and B within the profile
Coppice	The multiple stems that arise from a tree stump following harvesting of the tree
CRC	Cooperative Research Centre
CSIRO	Commonwealth Scientific and Industrial Research Organisation
Disclosures	Defined as 'Disclosing Party' in the Confidentiality Deed Poll
Forestry Assets	<ol style="list-style-type: none"> <i>Plantations</i> Approximately 97,500 hectares of high-yielding premium quality <i>Eucalyptus globulus</i> distributed across various age classes, located close to seaports; <i>Freehold Land</i> Approximately 38,800 hectares of freehold land in the Green Triangle region (Victoria and South Australia) and south-west Western Australia (book value \$238 million) – two growing regions regarded as amongst the best in the world for the cultivation of the <i>Eucalyptus globulus</i> species with high average annual rainfall and premium quality soils; <i>Leasehold Interests</i> Approximately 58,700 hectares of leasehold interest in leased land in the Green Triangle region (Victoria and South Australia) and south-west Western Australia; <i>Forestry Services Business</i> An established, dedicated and highly skilled forestry management business – awarded FSC Australia Award for best large forest manager in 2008 – including seed-to-port management and harvesting capacity at maturity of up to 1.8 million GMT and EBITDA exceeding \$20 million per annum; and <i>Albany Chip Terminal (50%)</i> Part ownership of the Albany Chip Terminal with loading capacity of 1.3 million GMT per annum.
FSC	Forestry Stewardship Council
Freehold Land Estate	Comprises the portion of the Land Estate which is freehold
GMT	Green metric tonne
Greenfield	New treefarms or plantations
Green Triangle	A region in south-east South Australia and south-west Victoria
Gross Freehold Land	The Gross Freehold Land includes all the freehold area of the land estate including plantations, roads, tracks, firebreaks, non-planted easements including road reserves and power transmission and gas pipe lines, buildings, creeks, rivers, remnant vegetation including individual native trees and bushland, and other areas not planted due to non-suitability for plantation development
ha	Hectares

Term	Definition
Harvest	The cutting down, felling or logging of trees on the plantations and the extraction and/or processing of those trees to a collection point either on or adjacent to the relevant plantation, whether conducted as one operation or more than one operation
HBU	Higher and better use
km	Kilometres
kt	Thousands of tonnes
Land Estate	Gross land used for timber plantations which Timbercorp holds either leasehold or freehold. The area of the Land Estate is expressed as Net Planted Area unless stated otherwise
Leasehold Land Estate	Comprises the portion of the Land Estate which is leased
Liquidators	Mark Korda, Mark Mentha, Leanne Chesser, Craig Shepard and Clifford Rocke as Liquidators of various companies within the Timbercorp Group (Appendix A)
m	Million
MSP	Mass supplementary pollination
MIS	Managed investment scheme ("MIS") projects whereby investors (i.e. growers) lease a portion of land from TSL, and engage Timbercorp Forestry to grow and market timber from their portion of land, and receive their share of the pool of net proceeds from the sale of timber
Net Planted Area	The Net Planted Area includes only areas planted with plantations and specifically excludes roads, tracks, firebreaks, non-planted easements including road reserves and power transmission and gas pipe lines, buildings, creeks, rivers, remnant vegetation including individual native trees and bushland, and other areas not planted due to non-suitability for plantation development
Pa	per annum
Plantation	Hardwood timber (<i>Eucalyptus globulus</i> species) trees grown on the Land Estate
PLL	Plantation Land Limited is a special purpose vehicle that was established by Timbercorp in 1999 for the purpose of purchasing forestry land. PLL was funded through the issue of a stapled debt and equity instrument. PLL is a controlled entity of Timbercorp under the accounting standards, despite not being a subsidiary.
PPE	Plantations Pulpwood Exports is a company jointly owned by Timbercorp and ITC to market and export woodchip
PPT	Plantation Pulpwood Terminals is a company jointly owned by Timbercorp and ITC to establish and manage the Albany Chip Terminal
Pulp	Derived from wood fibre and used in the manufacture of paper. Wood is processed into pulp by breaking down the bond between the cellulose fibres and the wood that bonds the cellulose fibres together
Rotation Age	The number of years required to grow a plantation to a desired size or maturity
Replant	Activity of replanting existing farms with new tree seedlings
Recipient	As defined in the Confidentiality Deed Pool
Responsible Entity	A licensed entity or body that operates a managed investment scheme. Timbercorp Securities Limited is the Responsible Entity of Timbercorp's forestry MIS projects
SA	South Australia
Silviculture	Silviculture is the art and science of controlling the establishment, growth, composition, health, and quality of forests to meet the diverse needs and values of the many landowners, societies and cultures over those parts of the globe that are covered by dry land
South-west WA	A region in south-west Western Australia

Term	Definition
Stumpage	The value of standing trees in a forest
Thinning	A partial cut in an immature, overstocked stand of trees used to increase the stand's growth by concentrating on individual stands with the best potential
Timbercorp	Timbercorp Limited (ACN 055 185 067) of Level 8, 461 Bourke Street, Melbourne, Victoria, Australia
Timbercorp Forestry	Timbercorp Forestry is an integrated forestry service business consisting of a Treefarm Operation and a Industrial Operation division
Timbercorp Securities Limited (TSL)	Timbercorp Securities Limited is a wholly owned subsidiary of Timbercorp and is the Responsible Entity of Timbercorp's MIS projects
t	Tonnes
Timberlot projects	Timbercorp forestry MIS projects whereby the investor makes a single upfront payment covering the plantation establishment over years 1 to 3. An additional fee for rent and maintenance of 6% of the net proceeds is deducted from the sale proceeds net of the harvesting, processing, haulage and despatch costs
VIC	Victoria
WA	Western Australia
WAPRES	Western Australia Plantations Resources Pty Ltd
Woodlots projects	Timbercorp forestry MIS whereby the investor makes an upfront payment covering the plantation establishment and initial rent. Annual rent and maintenance fees are made throughout the life of the project. The investor receives the net proceeds of the wood sales after deduction of the harvesting, processing haulage and despatch costs
Wood fibre	Generic term to refer to wood in an unprocessed or minimally processed form, e.g., log and woodchips

1 Opportunity Overview

1.1 Introduction

Appointment of Voluntary Administrators and Liquidators

On 23 April 2009 Mark Korda, Mark Mentha, Leanne Chesser, Craig Shepard and Clifford Rocke, all KordaMentha Partners, were collectively appointed as Voluntary Administrators of all 41 entities within the Timbercorp Group of Companies pursuant to Section 436A of the Corporations Act 2001 (Cth). The same KordaMentha Partners were subsequently appointed as Liquidators of all of the Timbercorp Group companies on 29 June 2009. Refer to Appendix A for a full listing of Timbercorp Group companies.

Assets and Undertakings for Sale or Recapitalisation

Following an assessment of options available for the future of the Forestry Assets which are owned and/or controlled by the Timbercorp Group, the Liquidators have determined to invite offers from interested parties to acquire or recapitalise all of the Timbercorp Forestry Assets as a single package.

Although the assets are being marketed collectively, each individual asset class on offer effectively represents the financial interests of different stakeholders. Most pertinently, the Plantations are owned by MIS grower investors, whereas the freehold land is owned by Timbercorp Group companies but charged to a secured creditor. The Liquidators are not restricted from transacting in relation to any individual asset class by the status of any other asset class.

In summary, the Liquidators are seeking offers for the following package of assets together:

1. Plantations

97,500 hectares of net planted leasehold area of high-yielding premium quality *Eucalyptus globulus* distributed across various age classes, located close to seaports;

2. Freehold Land

38,800 hectares of net planted freehold area (49,797 hectares of gross freehold land) in the Green Triangle region (Victoria and South Australia) and south-west Western Australia (book value \$238 million) – two growing regions regarded as amongst the best in the world for the cultivation of the *Eucalyptus globulus* species with high average annual rainfall and premium quality soils;

3. Leasehold Interests

58,700 hectares of leasehold interest in leased land in the Green Triangle region (Victoria and South Australia) and south-west Western Australia;

4. Forestry Services Business

An established, dedicated and highly skilled forestry management business – awarded FSC Australia Award for best large forest manager in 2008 – including seed-to-port management and harvesting capacity at maturity of up to 1.8 million GMT and EBITDA exceeding \$20 million per annum; and

5. Albany Chip Terminal (50%)

Part ownership of the Albany Chip Terminal with loading capacity of 1.3 million GMT per annum.

Pre-Conditions of Sale

There are a number of conditions and qualifications to the sale which are discussed throughout this Information Memorandum and will be included in the sale documentation. However, the key pre-conditions are highlighted as follows:

- the sale of the freehold land is conditional upon satisfaction of the Secured Chargeholder's indebtedness and release of its registered security over the freehold land;
- the sale of the leasehold land rights is conditional upon the Liquidators determining to retain and assign those leases in connection with the liquidations or the sale process and obtaining the consent of the relevant landlord if necessary;
- the sale or recapitalisation of the plantations on behalf of the MIS investor growers is conditional upon the Liquidators (in their capacity as Responsible Entity) seeking and obtaining necessary powers to do so; and
- the sale of the 50% ownership of the Albany Chip Terminal may be potentially be subject to pre-emptive or option rights in relation to that asset.

The Liquidators will discuss and update interested parties throughout the sale process with regards to the status and progress in satisfying each of the above pre-conditions to facilitate a full sale.

Current Status of Managed Investment Schemes

Set out at Appendix B is an overview of MIS, how they work and Timbercorp's involvement as a Responsible Entity since 1992.

Timbercorp Securities Limited (In Liquidation) is currently the Responsible Entity charged with the rights and obligations of managing the 11 Timbercorp Forestry MIS on behalf of the investor growers. The investor growers, via their interests in the MIS, own the proprietary interests to 95,229 hectares of *Eucalyptus globulus* Plantations.

Given the many negative consequential impacts that the financial collapse of the Timbercorp Group has had on the future operability of the MIS and of the Responsible Entity for the MIS, it appears that some, or all, of the 11 MIS managed by Timbercorp may not be able to continue and the plantation assets may be sold to a new owner via the sale process outlined in this Information Memorandum. Net sale proceeds from the sale or recapitalisation of the MIS plantations will be paid to the grower investors and those schemes would thereafter be extinguished.

The Liquidators, in their capacity as Responsible Entity, have commenced processes to determine the future of the MIS which is likely to involve direct engagement with the grower investors and potentially the assistance of the courts. The processes are expected to be finalised prior to the due date for submission of binding offers by interested parties.

However, should any of the 11 MIS continue to operate beyond completion of the sale or recapitalisations, the Liquidators currently intend to deal with the assets as follows:

1. immediately accept and deal exclusively with the preferred bidder;
2. deduct from the preferred bidder's offer that amount ascribed by it to any plantation timber which relates to any of the 11 MIS which continue to operate (refer section 1.3);
3. immediately move to settle on the sale of all of the remaining assets, including plantation assets for MIS that will not continue to operate; and
4. work collaboratively and exclusively with the preferred bidder to provide a Responsible Entity solution to any MIS which continue to operate.

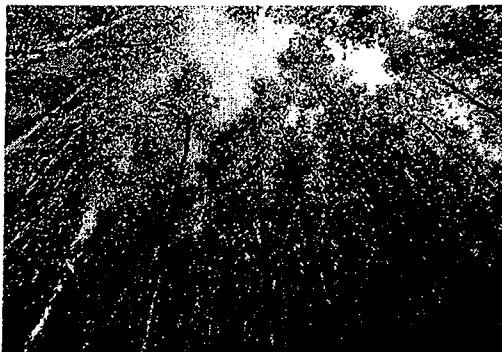
1.2 Overview of the Timbercorp Forestry Assets

1.2.1 *Hardwood Timber Plantations*

The Liquidators are seeking offers to acquire outright 97,500 net planted hectares of *Eucalyptus globulus* plantations which are currently owned by Timbercorp Group entities and Grower Investors who participated in the 11 MIS managed by Timbercorp. The Plantations range in current age from one to 12 years old and are planted across numerous owned and leased properties in the Green Triangle and South-west WA.

Eucalyptus globulus (Tasmanian bluegum) is considered one of the best hardwood species in the world for producing fine quality paper due to its high pulp yield, strong fibre and very white base colour.

Eucalyptus globulus can be harvested on relatively short 10 to 15 year rotations with coppice potential available for additional rotations. Further, plantation grown hardwood fibre is preferred over wood fibre from native mixed-age, mixed-species forests by wood fibre customers and attracts a premium price in Asian export markets.



1.2.2 Freehold and Leasehold Land Estate

Timbercorp Forestry has established hardwood timber plantations for more than 10 years and has accumulated a pre-eminent Freehold and Leasehold Land Estate.

Timbercorp Forestry currently has a Land Estate of approximately 97,500 hectares of hardwood timber plantations. In south-west Western Australia ("South-west WA") it has approximately 6,000 hectares of freehold land and 27,900 hectares of leasehold land. In south-east South Australia and south-west Victoria (an area known as the "Green Triangle"), Timbercorp has approximately 32,800 hectares of freehold land and 30,800 hectares of leasehold land.

The Liquidators are seeking offers to acquire:

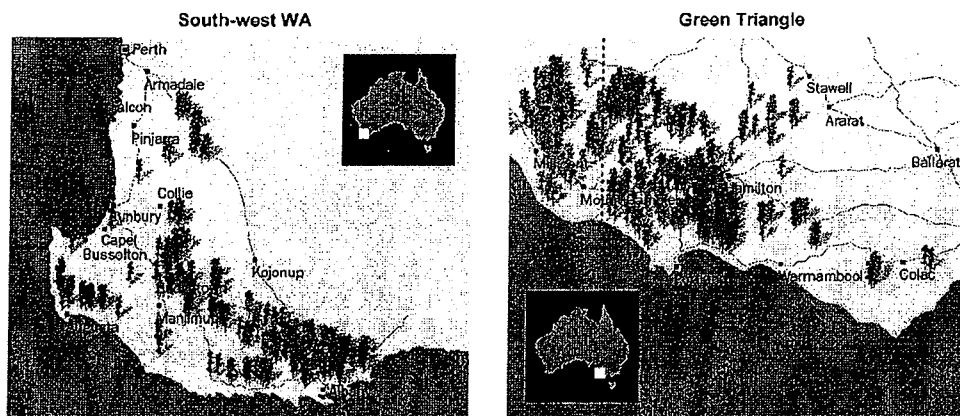
1. 38,768 net planted hectares (49,797 hectares of gross freehold land) (subject to release of the Secured Chargeholder's security); and

2. leasehold rights to 58,728 net planted hectares of leased land (subject to the Liquidators determining whether to retain and assign those leases in connection with the liquidations or the sale process).

The Land Estate, including both Freehold and Leasehold land, is located in very attractive hardwood plantation growing regions. These regions are favoured for the rapid growth of the *Eucalyptus globulus* species of hardwood and generate excellent fibre yield and pulping qualities.

The Land Estate spans approximately individual treefarms in Western Australia, South Australia and Victoria.

Figure 1: Timbercorp Forestry Plantations



1.2.3 Forestry Services Business

Timbercorp's Forestry Services business holds the exclusive rights to manage and harvest the majority of the 97,500 net planted hectares of *Eucalyptus globulus* plantations and all subsequent future plantations on the Land Estates.

At full harvesting production (1.8 million GMT), Timbercorp's Forestry Services business is expected to generate stand alone EBITDA in excess of \$20 million per annum.

Timbercorp commenced commercial farming of *Eucalyptus globulus* trees in 1998 and has established itself as a market leader in hardwood plantation project management.

As a vertically integrated forestry business, Timbercorp Forestry manages all aspects of its forestry assets from seeding-to-ship and has a proven track record of establishing and managing successful forestry projects as demonstrated by the accreditations and awards detailed below.

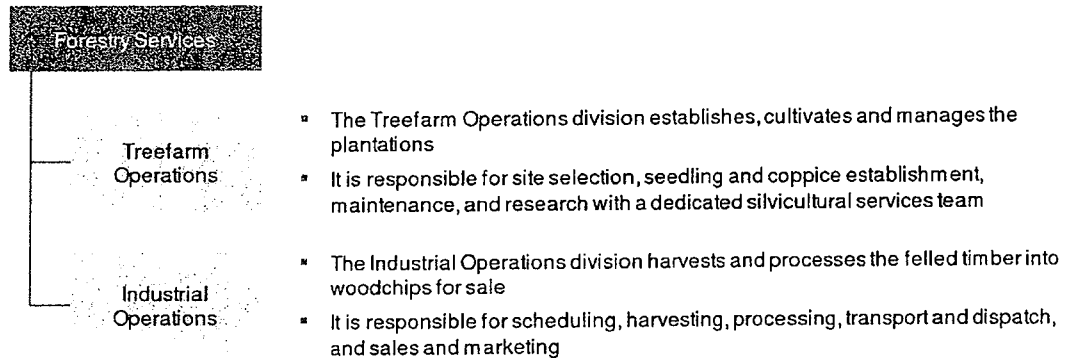
Timbercorp Forestry has been recognised internationally for its excellence in plantation forest management, winning the "Best Australian Large Forest Manager of the Year" award from the Forest Stewardship Council (FSC) in 2008. The award recognises outstanding responsibility in ensuring that forests are managed in a socially, environmentally and economically sustainable manner.

Timbercorp Forestry is managed by a highly experienced and dedicated senior management team with an average of years experience in forestry. Although Timbercorp Forestry is a wholly owned subsidiary of Timbercorp, it was corporatised a number of years ago such that it now operates with an independent management team and corporate function.



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The Liquidators are seeking offers to acquire Timbercorp's Forestry Services business which includes:



1.2.4 Albany Chip Terminal

The Liquidators are seeking offers to acquire Timbercorp's 50% ownership of Plantation Pulpwood Terminals Pty Ltd ("PPT"), which owns and operates the Albany Chip Terminal at the Port of Albany.

PPT is a 50:50 joint venture between Timbercorp and ITC Limited.

PPT provides the service of managing and overseeing the day-to-day operations of the Albany Chip Terminal on behalf of the Joint Venture Partners. The services include, but are not limited to; truck receiving, unloading, screening, sampling and transfer, storing, reclaiming and exports of woodchips, maintenance of equipment, stockpile grooming and management, sampling, stevedoring, and administration activities.

The Albany Chip Terminal has capacity to handle over 1.3 million GMT p.a.
and can store up to GMT at any one time. The terminal features

1.3 Sale Process

1.3.1 Overview

The sale process will involve:

- provision of this Information Memorandum;
- access to information made available in an on-line data room;
- access to independent productivity and environmental reports prepared by URS Forestry;
- ability to request further information or clarification from Timbercorp, as detailed in section 1.3.3;
- a management presentation (if required);
- site tours (if required); and
- one offer stage only, being submission of first and final binding offers.

1.3.2 Timetable

The sale process timetable is as follows:

- Distribution of Information Memorandum (23 July 2009);
- Due Diligence Period (23 July to 18 September 2009);
- Closing date for first and final binding offers (5:00pm AEST on Friday, 18 September 2009); and
- Execution of Sale & Purchase Agreements (before 30 September 2009).

1.3.3 Conditions of the Sale Process

The Liquidators may, without providing any reason to any Recipient, in their absolute discretion:

- Cancel or vary the sale process at any time;
- Determine whether to retain and assign the leases in relation to the Leasehold Land Estate in connection with the liquidations or the sale process;
- Provide to all interested parties any further information provided to one or more other interested parties;
- In the evaluation of submitted offers, apply such evaluation criteria as the Liquidators see fit in their absolute discretion; or
- Exclude an interested party from further participation in the sale process, or accept or reject any submitted offer or proposed sale agreement whether or not it complies with the requirements.

1.3.4 Further Information

Due Diligence Information

To provide interested parties with timely responses in relation to due diligence information, the interested parties may call Andrew Jones directly and seek clarity or further information. At his own discretion as to the clarity sought or further information requested, Andrew Jones may require the Bidder to follow the Q&A process detailed in the Data Room Rules. Under no circumstances should

interested parties directly contact any other Timbercorp employee without the prior written consent of the Liquidators or their KordaMentha representatives.

To provide interested parties with timely access to information, Timbercorp will provide an opportunity to interview management.

All interested parties should ensure they have activated email alerts for new documents to ensure notification is provided via email when information is updated in the data room.

Andrew Jones	Samuel Beaton
Timbercorp	Timbercorp
T: +61 3 8615 0643	T: +61 3 8615 0650
E: a.jones@timbercorp.com.au	E: s.beaton@timbercorp.com.au
Level 8, 461 Bourke Street	Level 8, 461 Bourke Street
Melbourne Victoria 3000	Melbourne Victoria 3000

Sale Process Information

Requests for further information and updates in relation to the sale process or the form of the binding offers for the Forestry Assets should be directed to the following representatives of the Liquidators. Further, interested parties should contact the Liquidators representatives below should they wish to attend either a management presentation or undertake a site tour.

Scott Langdon	Richard Forbes
Associate Director	Partner
KordaMentha	KordaMentha
T: +61 3 8623 3335	T: +61 3 8623 3324
E: slangdon@kordamentha.com	E: rforbes@kordamentha.com
Level 24, 333 Collins Street	Level 24, 333 Collins Street
Melbourne Victoria 3000	Melbourne Victoria 3000

1.4 Offers

The sale process will be conducted in one stage only. Interested parties are required to submit a written First and Final Binding Offer before 5.00pm (AEST) on Friday 18 September 2009 to:

Mr Richard Forbes
Partner, KordaMentha
Level 24, 333 Collins Street
Melbourne VIC 3000
Australia

Offer Content

The Final Binding Offer must:

- include the identity of the bidder(s), where relevant their beneficial owners, contact details and an overview of the bidder(s) background and current operations;
- provide a summary of the bidder's relevant operational experience and expertise;
- include a statement detailing and evidence supporting the bidder's capacity to fund the proposed transaction;
- detail the assets and liabilities to be acquired;
- detail the assets and liabilities to be excluded;
- include a properly completed Purchase Price Allocation schedule (below);
- be entirely unconditional, subject only to obtaining regulatory approval where necessary; and
- identify any other matters the bidder may wish to bring to the Liquidators attention.

Evaluation of Offers

In evaluating the Final Binding Offers, the Liquidators will give preference to offers for all of the assets as one package and will give particular consideration to the following criteria (in addition to such other criteria as the Liquidators may deem relevant):

- total purchase price;
- funding capability; and
- other terms or conditions.

Purchase Price Allocation

Final Binding Offers must include a properly completed Purchase Price Allocation schedule below.

Forestry Asset Element	Offer (\$)	
1. Plantations		
Timbercorp Owned <i>Eucalyptus globulus</i>	1,590 ha	\$
1997 Timbercorp Eucalypts Project	834 ha	\$
1998 Timbercorp Eucalypts Project	12,305 ha	\$
1999 Timbercorp Eucalypts Project	28,483 ha	\$
2000 Timbercorp Eucalypts Project	10,323 ha	\$
2001 Timbercorp Eucalypts Project	4,112 ha	\$
2002 Timbercorp Eucalypts Project	3,568 ha	\$
2003 Timbercorp Eucalypts Project	5,791 ha	\$
2004 Timbercorp Eucalypts Project	1,741 ha	\$
2004 Timbercorp Timberlot (Single Payment) Project	4,163 ha	\$
2005 Timbercorp Timberlot (Single Payment) Project	11,582 ha	\$
2007/2008 Timbercorp Timberlot (Single Payment) Project	12,327 ha ¹	\$
Less Unpaid Property Rental to 30 September 2009		(\$ 7,222,705)
Total	96,819 ha²	\$
2. Freehold Land		
38,767 Net Planted Hectares		\$
3. Forestry Services Business		
Property, Plant & Equipment (Owned)		\$
Property, Plant & Equipment (Leased)		\$
Goodwill		\$
Inventory		\$
Less Financing Lease Liabilities		(\$)
Less Employee Entitlements Allowance		(\$)
Total		\$
4. Port of Albany Interests		
50% Ownership In PPT		\$
Grand Total		\$

¹ Approximately 2,840ha of the 2007/2008 Timbercorp Timberlot (Single Payment) Project have not been planted

² This represents the net planted area of the current rotation on Timbercorp's estate, and also forms the basis of the financial projections. The difference between this area and the total estate size of 97,495ha represents third party leased areas over particular freehold properties. Timbercorp does not generally hold rights to the wood for these areas (generally pine or other non-*Eucalyptus globulus* species) and therefore not scheduled as part of Timbercorp's net harvested area.

2 Hardwood Timber Plantations

2.1 Introduction

The Liquidators are seeking offers to acquire outright 97,500 ha of Plantations which are currently owned by Timbercorp Group entities and Grower Investors who participated in the 11 MIS managed by Timbercorp. The plantations range in current age from one to 12 years old and are planted across numerous owned and leased properties in the Green Triangle and South-west WA.

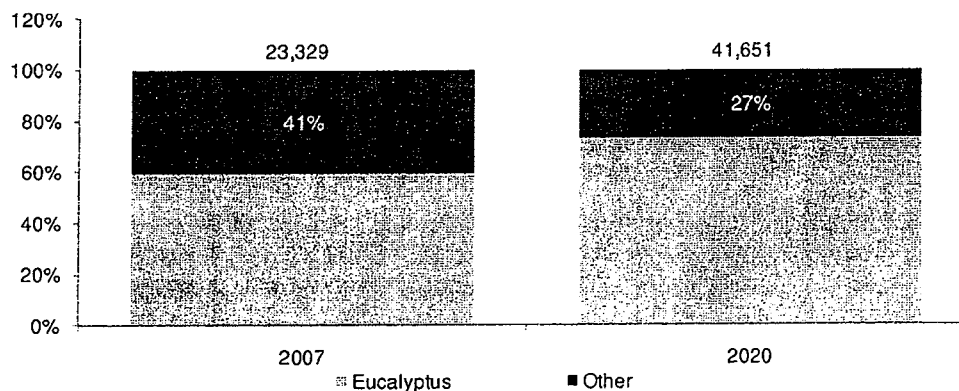
The plantations consist of 100% *Eucalyptus globulus* species. This type of wood is particularly suitable for pulping compared to other wood fibre due to its high yield pulp, strength and low chemical requirement for bleaching. It has a shorter growth time of approximately 10 to 15 years and a pulp yield around 14% higher than wood fibre from native mixed-age, mixed-species.

Its short fibres fit closely together to provide the opacity and smooth surface required for producing fine paper. Other lesser uses for *Eucalyptus globulus* could include decorative veneer, other engineered wood products such as oriented strand board and laminated veneer timber, poles for roundwood and pallets.

Eucalyptus globulus also has a proven yield advantage over other hardwoods grown internationally and in Australia. Further, *Eucalyptus globulus* achieves a significantly higher price than native wood fibre.

Eucalypt wood fibre is becoming an increasingly traded commodity, taking a greater share of internationally-traded hardwood pulp. In 2007, an estimated 59% (see figure 2) of internationally traded hardwood pulp was eucalypt, and by 2020 it is predicted that eucalypt pulp will comprise 73% (see figure 2) of this market.

Figure 2: Internationally-traded hardwood pulp by home market (in '000 GMT)



Source: RISI 2008

2.2 Plantations on Offer

Timbercorp Group entities currently own approximately 1,590 hectares (roughly 1%) of the Plantations being offered for sale.

The remaining 95,229 hectares of Plantations being offered for sale are currently owned by the Grower Investors who participated in the 11 MIS managed by Timbercorp. The Liquidators are therefore offering the Plantations, on a fully unencumbered basis, for sale in their capacity as the Responsible Entity of the 11 schemes. Net sale proceeds from the sale of these plantations will be paid to the Grower Investors and the schemes will be extinguished.

Although all of the 96,819 hectares of Plantations are being offered for sale together and in one line, the Liquidators and the Grower Investors segment the Plantations by Scheme for ease of reference.

The table below summarises the net planted area of the current rotation on Timbercorp's estate, and also forms the basis of the financial projections. The difference between the total net planted area and the total estate size of approximately 97,500ha represents third party leased areas over certain freehold properties. Timbercorp generally does not hold rights to the wood for these areas (generally pine or other non-*Eucalyptus globulus* species) and therefore they are not scheduled as part of Timbercorp's net planted area.

Total Plantations of Offer	
<i>Eucalyptus globulus</i> owned by Timbercorp Entities	1,590 ha
1997 Timbercorp Eucalypts Project	834 ha
1998 Timbercorp Eucalypts Project	12,305 ha
1999 Timbercorp Eucalypts Project	28,483 ha
2000 Timbercorp Eucalypts Project	10,323 ha
2001 Timbercorp Eucalypts Project	4,112 ha
2002 Timbercorp Eucalypts Project	3,568 ha
2003 Timbercorp Eucalypts Project	5,791 ha
2004 Timbercorp Eucalypts Project	1,741 ha
2004 Timbercorp Timberlot (Single Payment) Project	4,163 ha
2005 Timbercorp Timberlot (Single Payment) Project	11,582 ha
2007/2008 Timbercorp Timberlot (Single Payment) Project*	12,327 ha
Total	96,819 ha

* Note: Approximately 2,840ha of the 2007/2008 Timbercorp Timberlot (Single Payment) Project have not been planted.

2.3 Harvest Volume and Yield

Since 2005, Timbercorp Forestry has harvested million GMT of timber in South-west WA. The charts below illustrate historical and forecast volumes harvested and historical and forecast harvest yield. The historical and forecast volumes harvested and harvest yields was prepared by Timbercorp management and has not been audited, confirmed or approved by the Liquidators.

Figure 3: Historical and forecast harvest volumes ('000 GMT)

Figure 4: Historical harvested yield by age for each property (GMT/ha)

Figure 5: Historical and forecast average yield by year of harvest (GMT/ha)

2.3.1 Plantation History and Locations

Plantations on Freehold Land Estate

The chart below shows the plantation areas by region and by Plantation year for the Freehold Land Estate.

Figure 6: Plantation Areas (Freehold Land Estate)



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The table below shows the timbered hectares by age class for the Freehold Land Estate.

Figure 7: Timbered hectares by age class (Freehold Land Estate)

Age class	Green Triangle	South-west WA	Total
<=1 year			
1 to 2 years			
2 to 3 years			
3 to 4 years			
4 to 5 years			
5 to 6 years			
6 to 7 years			
7 to 8 years			
8 to 9 years			
9 to 10 years			
10 to 11 years			
11 years+			
Total	32,423	5,666	38,089

Plantations on Leasehold Land Estate

The chart below shows the plantation areas by region and Plantation year for the Leasehold Land Estate.

Figure 8: Plantation areas by region and plantation year (Leasehold Land Estate) –'000 hectares

The table below shows the timbered hectares by age class for the Leasehold Land Estate.

Figure 9: Timbered hectares by age class (Leasehold Land Estate)

Age class	Green Triangle	South-west WA	Total
<=1 year			
1 to 2 years			
2 to 3 years			
3 to 4 years			
4 to 5 years			
5 to 6 years			
6 to 7 years			
7 to 8 years			
8 to 9 years			
9 to 10 years			
10 to 11 years			
11 years+			
Total	30,789	27,940	58,729

2.3.2 Estimated harvest yield

The estimated harvest yield data below provides an estimate of the yield prediction of timber at age 10. Yield assumptions are based on:

- For age classes 0-4, calculated using the ;
- For age classes 5-7, mid rotation inventory measurements based on the ; and
- For age classes 8-10, late age inventory measurements based on to age 10.

Freehold Land Estate

The table below shows the GMT yield by age and region for the Freehold Land Estate.

Figure 10: Estimated yield at age 10 by region and age (Freehold Land Estate, GMT/ha)

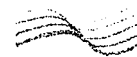
Age Class	Green Triangle	South-west WA	Weighted Average
<= 1 year			
1 to 2 years			
2 to 3 years			
3 to 4 years			
4 to 5 years			
5 to 6 years			
6 to 7 years			
7 to 8 years			
8 to 9 years			
9 to 10 years			
10 to 11 years			
11 years +			
Total			

Leasehold Land Estate

The table below shows the GMT yield by age and region for the Plantation on the Leasehold Land Estate.

Figure 11: Estimated yield at age 10 by region and age (Leasehold Land Estate, GMT/ha)

Age Class	Green Triangle	South-west WA	Weighted Average
<= 1 year			
1 to 2 years			
2 to 3 years			
3 to 4 years			
4 to 5 years			
5 to 6 years			
6 to 7 years			
7 to 8 years			
8 to 9 years			
9 to 10 years			
10 to 11 years			
11 years +			



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Age Class	Green Triangle	South-west WA	Weighted Average
Total			

2.4 Australian Hardwood Forests: Native and Plantation

With the continued decline in access to the world's native forests, plantation grown hardwood provides a viable alternative to native forest products.

Sustainable plantation forestry relieves pressure on native forests, as well as providing environmental benefits and offsetting greenhouse gas emissions. When environmentally certified, the end product is becoming increasingly valued by customers wanting to support responsible forestry practice.

The majority of Australia's native forests are managed by government forest agencies. The amount of native forest available for harvesting in Australia has significantly declined through time and is expected to reduce further through public pressure. Native forests in Australia currently provide around 10 million cubic metres pa of fibre which consists of approximately three million cubic metres pa of sawlogs and seven million cubic metres pa of pulpwood. Political factors are expected to continue to influence the rate of future native plantation harvesting.

While land available for conversion to plantation forestry is also becoming increasingly scarce, Australia currently has approximately 800,000 hectares of hardwood plantation, which is expected to provide increasing, albeit limited, volumes of quality pulpwood.

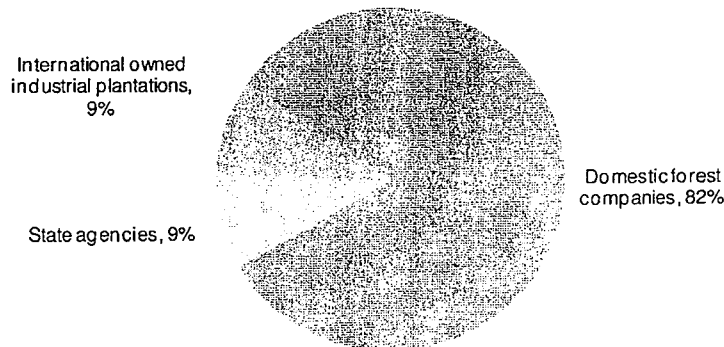
2.5 Plantation growers in Australia

There are three major classes of commercial plantation growers in Australia:

Class of grower	Major players
Domestic forest companies	<ul style="list-style-type: none"> • Timbercorp • ITC • Great Southern • FEA • Macquarie • Gunns • Midway
International owned industrial plantations	<ul style="list-style-type: none"> • Japanese pulp and paper companies and trading houses • American timberland investment companies
State agencies	<ul style="list-style-type: none"> • Forestry Tasmania • Forestry Plantations Queensland • Forest Products Commission (WA) • Forests New South Wales

Figure 12 shows the dominance of domestic forest companies in the ownership of hardwood plantations, as well as the significant influence of international owned industrial plantations investments.

Figure 12: Australian hardwood plantation area by ownership type (2007 - 800,000ha)

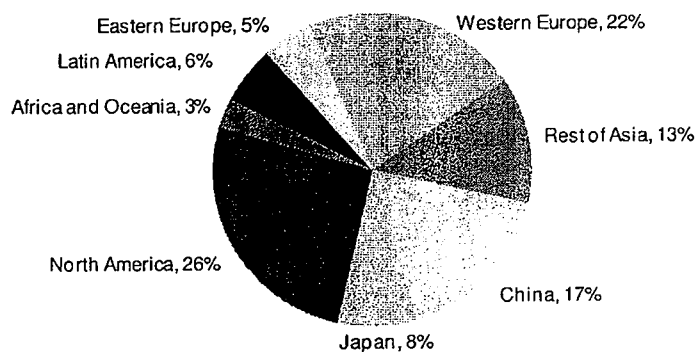


Source: RISI 2008

2.6 The market for hardwood fibre

The primary market for Australian hardwood fibre is paper and paperboard. Consumption of paper and paperboard is growing rapidly across most of Asia, and the region already accounts for approximately 40% of global consumption. By contrast, North America and Europe account for almost 50% of global consumption.

Figure 13: Global demand for paper and paperboard (2007)



Source: Pöyry Australian and Asia-Pacific Hardwood Woodchip Market Review 2007

The largest export market for hardwood fibre is Japan, which in 2006 accounted for 88% of all wood fibre trade in the Asia-Pacific region. Japan is the third largest producer and consumer of paper and paperboard in the world consuming approximately 35.5 million tonnes in 2005, behind the United States and more recently China, which consumes approximately 50 million tonnes.

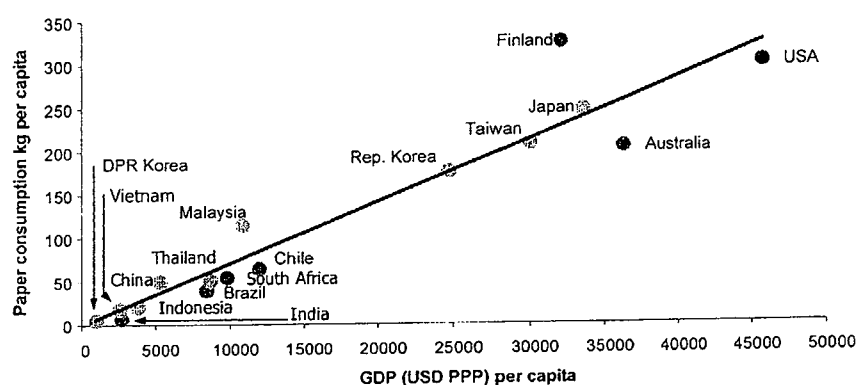
The major importers for hardwood fibre are Japan (11.2 million BDMT), the Republic of Korea (0.62 million BDMT), Taiwan (0.88 million BDMT) and China (0.3 million BDMT), which together account for virtually all the hardwood fibre traded (shipped) in the world.

In 2005, Australia was Japan's largest supplier of hardwood fibre, accounting for 32% of the total volume imported. Japan was also Australia's largest buyer of hardwood fibre accounting for 84% and 85% of exports in 2005-06 and 2006-07 respectively.

2.7 Key drivers of demand

Rising standards of living continue to drive growth in GDP leading to overall growth in the consumption of paper and paperboard products. Above average GDP growth in key Asian countries is expected to drive growth in paper consumption.

Figure 14: Paper consumption and GDP (purchasing power parity) per capita



Source: RISI International Pulpwood Trade Review 2008

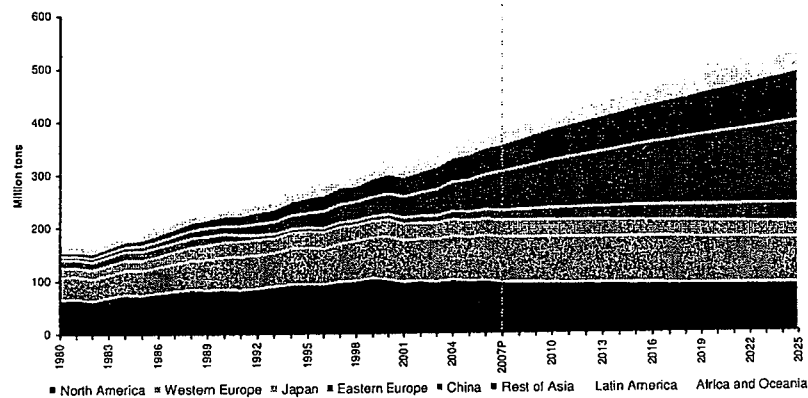
2.8 Market outlook

World growth in demand for paper and paperboard from 1980 to 2007 had a CAGR of 3.0%, with China (8.9%) and the rest of Asia (6.6%) being the strongest drivers.

Japanese demand is expected to continue at present levels for at least 10 years given its policy of using greater volumes of plantation grown wood fibre.

While the current financial crisis is likely to cause a slowdown in consumption in 2009 and 2010, China and the rest of Asia are expected to continue to experience above average annual growth in the long term with CAGRs of 4.2% and 3.4% respectively in the period 2007 to 2025 (see figure 15) driven primarily by growth in GDP in Asia as its developing economies undergo industrialisation, compared to a slower global CAGR of 1.9%.

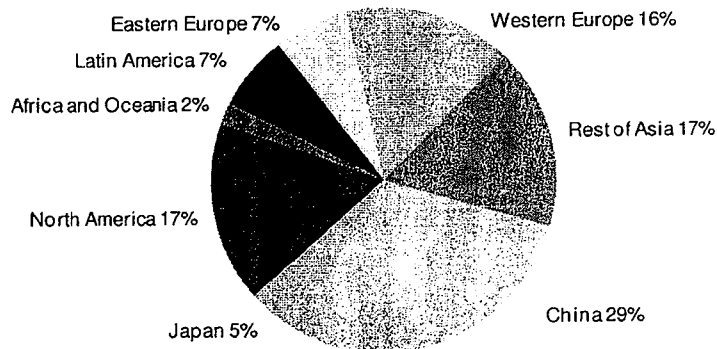
Figure 15: Global demand for paper and paperboard (1980-2025E)



Source: Pöyry Australian and Asia-Pacific Hardwood Woodchip Market Review 2007.

Note: this chart reflects historical data to 2007. The current financial crisis is likely to see lower consumption in 2009 and 2010, but based on current knowledge, forecasts for 2015 onwards are considered realistic (Pöyry)

Figure 16: Global demand for paper and paperboard (2025E)



Source: Pöyry Australian and Asia-Pacific Hardwood Woodchip Market Review 2007

3 Freehold and Leasehold Land Estate

3.1 Introduction

The Liquidators are seeking offers to acquire:

1. 49,797 hectares of gross freehold land (38,768 net planted hectares) (subject to release of the Secured Chargeholder's security); and
2. Leasehold rights to 58,728 net planted hectares of leased land (subject to the Liquidators determining whether to retain and assign those leases).

On settlement, the Liquidators will assign to the Purchaser all of the Timbercorp Group's interests in the land leases. The land leases have mostly only been paid up to 30 June 2009 and will be three months in arrears by 30 September 2009 (estimated settlement date). The Purchaser will therefore be required to pay any arrears immediately prior to effecting an assignment of the leases. The lease payment arrears for the whole land estate as at 30 September 2009 is estimated to be approximately \$9.068 million.

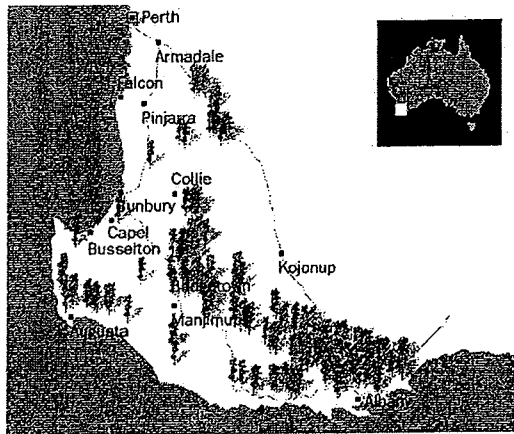
The Land Estate, including both Freehold and Leasehold land, is located in very attractive hardwood plantation growing regions. These regions are favoured for the rapid growth of the *Eucalyptus globulus* species of hardwood and generate excellent fibre yield and pulping qualities.

The Land Estate spans approximately individual treefarms in Western Australia, South Australia and Victoria.

Figure 17: Timbercorp Forestry plantations

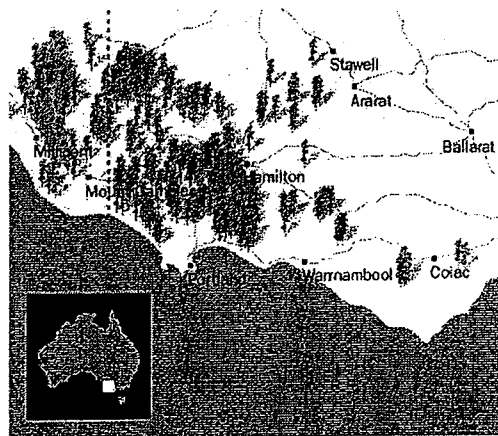
South-west WA

- 33,916 hectares of plantation land including:
 - 5,977 freehold planted hectares
 - 27,939 leasehold planted hectares
- Plantations located within 180km of nearest port
- Gross freehold land of 8,018 hectares
- Harvesting commenced in 2002



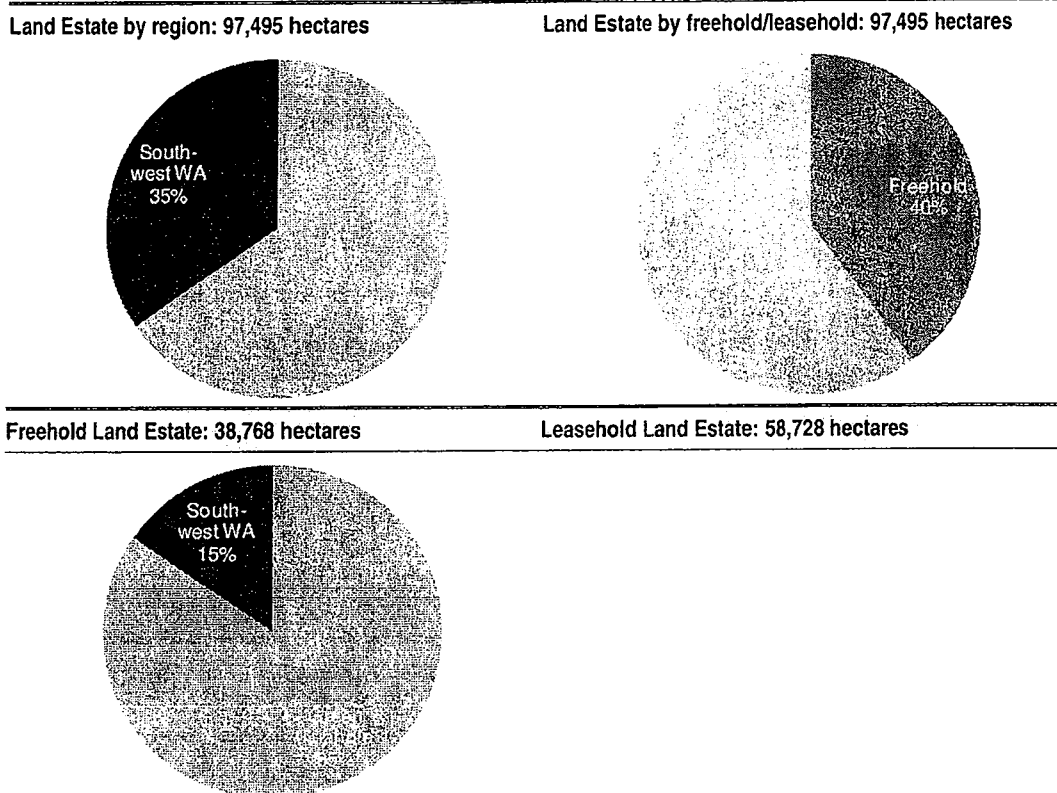
Green Triangle

- 63,579 hectares of plantation land including:
 - 32,790 freehold planted hectares
 - 30,789 leasehold planted hectares
- Plantations located within 200km of nearest port
- Gross freehold land of 41,779 hectares
- Harvesting expected to commence in 2010



The charts below show a breakdown of the land by location and title.

Figure 18: Breakdown of the Land Estate by hectares of plantation



Source: Timbercorp management

3.2 Carrying book value of Freehold Land Estate

Timbercorp is required to periodically value the Freehold Land Estate in accordance with accounting standards (AASB 140 'Investment Properties').

As at 30 September 2008, the Freehold Land Estate currently owned by Timbercorp had a carrying book valuation of approximately \$238,000,000⁵.

A sale of the Freehold Land Estate is conditional upon satisfaction of the Secured Chargeholder's indebtedness and release of its registered security.

⁵ As at 30 September 2008, Timbercorp valued the Freehold Land Estate at \$286m (classified in the Financial Report as assets held for sale). The assumptions to this valuation are set out in note 15 to the 30 September 2008 Financial Report, however Timbercorp did not proceed with the acquisition of approximately \$48m of land owned by Plantation Lands Limited ("PLL") that was previously included in the value of the Freehold Land Estate in the 30 September 2008 Financial Report.



3.3 Overview of Leasehold Land Estate

The Leasehold Land Estate includes approximately 58,700 net planted hectares and is leased by Timbercorp from a range of independent third parties. Roughly of the leasehold land is leased from three institutional lessors (), with the remaining leased from local individual farmers.

Each of the three institutional lessors has given in-principle consent for the Liquidators to assign those leases to a properly funded bona fide purchaser of the Timbercorp Forestry business. The Liquidators will consider whether or not to retain and assign those leases in connection with the liquidations or the sale process.

The table below summarises the general terms and conditions of the leases.

Local Farmers x				
Net Planted Hectares				
Properties				
Annual Lease Payment				
Ave. \$ / ha				
Term	• Generally 12 years but recent leases have been for 14 years	• Maximum of 23 years (including renewal)	• Up to 15 years	• 12 years
Options	• Right to extend for a second rotation	• Right to extend for a second rotation but subject to a maximum term of 23 years	• Right to extend for a second rotation	• Right to extend for a second rotation
Reviews	• No rent review but adjusted for annual CPI movements	• No rent review but adjusted for annual CPI movements	• No rent review but adjusted for annual CPI movements	• No rent review but adjusted for annual CPI movements
Status	• Most leases are in their first rotation	• Most leases are in their 2 nd rotation (i.e. option to renew has been exercised)	• Lease is in its first rotation	• Leases are in their first rotation
Legal Status	• In default for non-payment and the majority have 90 day rectification period ends 30 September 2009.	• In default for non-payment and a combination of 30 days and six month rectification period.	• In default for non-payment and 90 day rectification period ends 30 September 2009	• In default for non-payment and a combination of 30 days and 90 days rectification period.

3.4 Access to Established Infrastructure

The South-west WA plantations have good access to established infrastructure and are in close proximity to ports. The Land Estate has access to road infrastructure capable of carrying timber and is within 180km of the nearby ports of Albany and Bunbury. Timbercorp and ITC each own 50% of a woodchip terminal at the Port of Albany which has facilities for wood fibre collection, storage and shipping.

The Green Triangle Land Estate is located within 200km of the nearby Port of Portland in Victoria where Timbercorp and at least 15 other interested parties have been negotiating with the Port of Portland authority to build and secure ship loading and storage infrastructure. The Port of Portland authority is currently tendering for the rights to build, own and operate a new facility and expects to reach an agreement with a preferred party in September 2009. Construction of the new facility is expected to take approximately 12 months to complete thereafter.

Figure 19: Distances from nearest port by plantation area (by hectares of plantation)

3.5 Site quality

3.5.1 Selection

Site selection is fundamental to the success of plantation forestry and Timbercorp Forestry has invested significant time in identifying premium locations with high rainfall and premium quality soils. As a result of Timbercorp's rigorous selection process, about of all sites considered are rejected.

The evaluation process for Greenfield and Coppice sites is set out below.

Evaluation Process

Greenfields Sites	Coppice Sites
•	•
•	•
•	•
	•

For all sites, the following general selection criteria apply:

Site Selection Criteria

Criteria	Threshold
Rainfall	<ul style="list-style-type: none"> Sites must receive more than 650 mm average annual rainfall or have access to shallow underground water tables
Preparation	<ul style="list-style-type: none"> Sites must have been cleared and pastured in accordance with Forest Stewardship Council principles or previously used for plantation forestry
Infrastructure	<ul style="list-style-type: none"> Sites should be located adjacent to formed public or private roads capable of carrying the produce from the site to the point of sale For the Western Australian ports (Bunbury and Albany) the average road haulage distance to port should be within 100km, with the outer limit being 180km For the Victorian port of Portland, the average road haulage distance to port should be 100km with the outer limit being 200km

3.5.2 Soil

The Land Estate contains high quality soil well suited to the growth of *Eucalyptus globulus*.

Region	Description
South-west WA	<ul style="list-style-type: none"> Research by the Western Australian Department of State Development has shown that the soils and climate in South-west WA are among the best in the world for growing the <i>Eucalyptus globulus</i> species Soils in South-west WA are generally derived from weathered granite and are generally deep with older formations being deeper and more fertile Topography of the region consists of undulating hills dissected by water courses where hilltop topsoil profiles consist of either loose laterite coarse fragments or small laterite pans within sandy-clays or loams <ul style="list-style-type: none"> Mid to lower portions of these profiles are comprised of light to medium clays with the younger soils having a silty clay component Towards the base of the profile, if reached during the evaluation, the C-horizon is a recently weathered granite saprolite Within the valley profiles the soils change to topsoils of, generally, sandy loams. These profiles are primarily comprised of sandy clays that are moist Towards the west coast of South-west WA (e.g. Scott River region) the soils are derived from deposited sediments. These profiles generally consist of deep sandy clays and a water table is present, often within four meters
Green Triangle	<ul style="list-style-type: none"> Soil in the Green Triangle is generally recognised as highly productive for forestry based crops <ul style="list-style-type: none"> The basalt derived soils in the region offer some of the best growing conditions in the world for <i>Eucalyptus globulus</i>. Fertility of these basalt soils is inherently high with only total soil depth restricting forestry land use on these soils of the region The quaternary and tertiary sedimentary soil types of the Green Triangle are equally productive particularly on ex-pasture sites with adequate soil water available This region contains a wider range of soil than South-west WA with young volcanic soils and marine sedimentary deposits. These soils are generally shallower than South-west WA The volcanic soils of south-west Victoria have rich topsoil that has high clay content. These topsoils are generally a light clay over silty clays and at times heavy clays can be encountered The marine sediments in South Australia sit on top of limestone bedrock. These soils are sand dominated with sandy topsoils over sandy clays and a water table is present

3.5.3 Rainfall

The Land Estate is located across high rainfall areas. Timbercorp's plantations receive an average annual rainfall of 785 mm in South-west WA and 715 mm in the Green Triangle region.⁶

The maps below set out the rainfall bands across the Land Estate.

Figure 20: Timbercorp plantations against historical rainfall bands: South-west WA based on Australian Government Bureau of Meteorology rainfall data from circ. 1900 to 2001 (mm p.a.)

Figure 21: Timbercorp plantations against historical rainfall bands: Green Triangle based on Australian Government Bureau of Meteorology rainfall data from circ. 1900 to 2001 (mm p.a.)

⁶ These are averages of Timbercorp Forestry's plantations in each region based on Australian Government Bureau of Meteorology measurements taken over the period of circ. 1900 to 2001.

3.6 Alternative Land Uses

Some elements of the Freehold Land Estate owned by Timbercorp have Higher Better Use potential. The Freehold Land Estate consists of high quality cleared farm land situated in the higher rainfall zones of southern Australia with a predominant winter rainfall pattern. Further, the original selection criteria for forestry required deep fertile soil and accordingly much of the Land Estate was proven to be above average in terms of its previous traditional agricultural performance.

The scope of alternative land uses could be any of a number of pursuits including agricultural uses such as dairy, livestock grazing for fibre and meat production (sheep and cattle), cereal and oilseed cropping and irrigation crops on those properties with underground water, which are primarily located in South Australia. Other intensive crops that could be grown on specific areas within the Freehold Land Estate include grapes, flowers, potatoes, irrigated fodder crops and commercial grass seed production.

4 Timbercorp Forestry Services Business

4.1 Introduction

The Liquidators are seeking offers to acquire Timbercorp's Forestry Services business which includes:

1. Treefarm Operations (establishes, cultivates and manages the plantations); and
2. Industrial Operations (harvests, processes, transports and markets the wood chip).



Timbercorp's Forestry Services business holds the exclusive rights to manage and harvest the majority of the 97,500 hectares of *Eucalyptus globulus* plantations and all subsequent future plantations on the Land Estates.

At full harvesting production (1.8 million GMT), Timbercorp's Forestry Services business is expected to generate stand alone EBITDA of in excess of \$20 million per annum.

Timbercorp commenced commercial farming of *Eucalyptus globulus* trees in 1998 and has established itself as a market leader in hardwood plantation project management.

As a vertically integrated forestry business, Timbercorp Forestry manages all aspects of its forestry assets from seeding-to-ship and has a proven track record of establishing and managing successful forestry projects as demonstrated by the accreditations and awards detailed below.

Timbercorp Forestry has been recognised internationally for its excellence in plantation forest management, winning the "Best Australian Large Forest Manager of the Year" award from the Forest Stewardship Council (FSC) in 2008. The award recognises outstanding responsibility in ensuring that forests are managed in a socially, environmentally and economically sustainable manner.

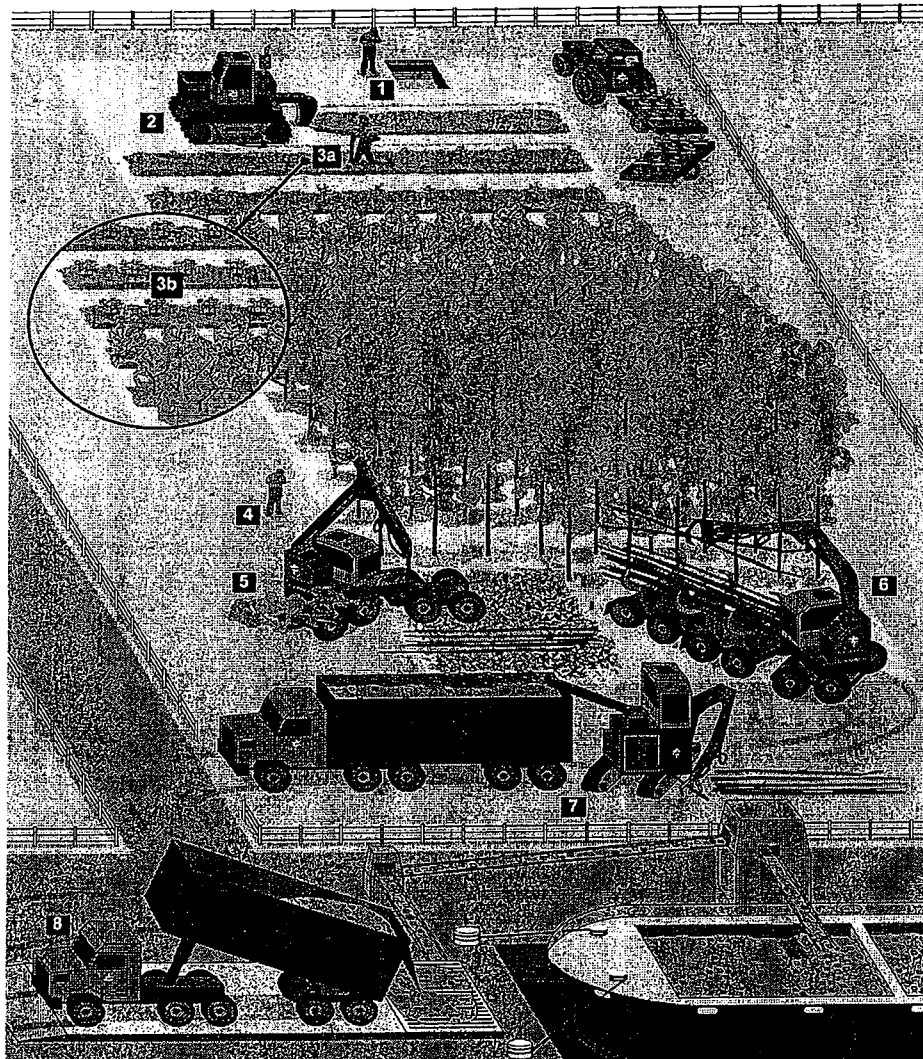
Accreditations	Awards	
 <p>The Trademark of the FSC⁷ indicates that the wood used to make the product comes from a forest which is well managed according to strict environmental, social and economic standards⁸</p>	 <p>Timbercorp Forestry is FSC certified by Rainforest Alliance Smartwood Program⁹</p>	 <p>FSC awarded Timbercorp the FSC Australia award for the Best Australian Large Forest Manager in 2008.</p>

⁷ FSC is an international, non-profit association whose membership comprises environmental and social groups and progressive forestry and wood retail companies working in partnership to improve forest management worldwide.

⁸ The forest of origin has been independently inspected and evaluated according to the principles and criteria for forest management agreed and approved by the FSC.

⁹ The Rainforest Alliance is an international non-profit conservation organisation that certifies forestry and agricultural operations, ensuring that they meet rigorous standards for the conservation of natural resources and the rights and welfare of workers and local communities.

4.2 Overview of Forestry Services Activities



Tree farm operations

- 1 Site evaluation and planning
- 2 Land preparation for planting
- 3 3a: Seeds planted; or
3b: Trees coppiced
- 4 Plantation maintenance, tending and management



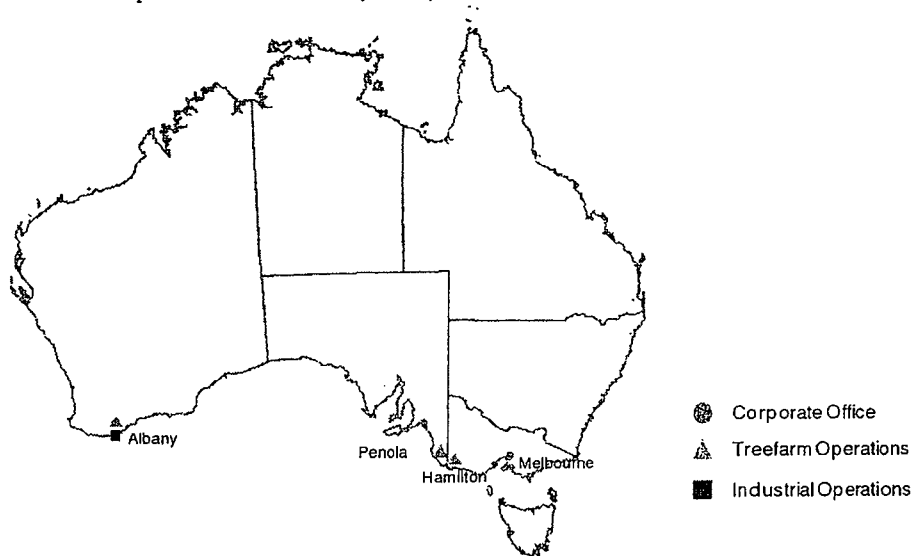
Industrial operations

- 5 Trees felled, delimbed and debarked
- 6 Logs extracted to compartment breaks for processing
- 7 Logs processed with in-field processing equipment
- 8 Wood fibre transported to chip terminal at port prior to export



4.3 Location of Operations

Timbercorp Forestry operates from a number of locations across Australia. Treefarm Operations are located in Hamilton (Victoria), Penola (South Australia) and Albany (Western Australia), whilst the Industrial Operations are currently solely located in Albany.



The corporate function is currently located at Timbercorp's Group Head Office in Melbourne (Victoria), providing support services to the Forestry Services business such as accounting and finance, sales and marketing along with the majority of legal, human resources and IT support.

The Industrial Operations division is expected to commence harvesting in the Green Triangle region in 2010, with operations to be established in Hamilton and Penola.

4.4 Management and Employees

4.4.1 Management

Timbercorp Forestry's senior management are strategically located across south-west WA and the Green Triangle regions. The senior management team has significant experience in all aspects of forest management and has extensive experience managing timber assets. Timbercorp Forestry's key regional managers have an average of years experience in forestry and is supported by a highly skilled and dedicated team of foresters and core harvesting staff.

A summary of the senior management structure is provided on the following page.

Figure 22: Forestry senior management structure

4.4.2 Employees

Immediately prior to the Timbercorp Group having Voluntary Administrators appointed in late April 2009, Timbercorp Forestry Services employed 80 staff, including the senior management team.

A breakdown of employees by location and function employed by Timbercorp Forestry Services immediately prior to the appointment of Voluntary Administrators is set out below.

Location	Treefarm Operations	Industrial Operations	Land and Admin	Corporate	Total
Hamilton, VIC					
Penola, SA					
Albany, WA					
Perth, WA					-
Total					80

However, given the Voluntary Administrators' funding constraints, the employment of a number of non-essential employees has unfortunately either been terminated, or employees have elected to take leave without pay until the business can be sold. Purchasers will have the ability to re-employ the terminated staff should both parties so desire.

A breakdown of employees by location and function currently (21 July 2009) employed by the Liquidators of Timbercorp Forestry Services is also set out below.

Location	Treefarm Operations	Industrial Operations	Land and Admin	Corporate	Total
Hamilton, VIC					
Penola, SA					
Albany, WA					
Perth, WA					
Total					53¹⁰

¹⁰ Includes two employees who elected to take leave without pay to 30 September 2009 – one from the Corporate division and one from Treefarm Operations division

4.4.3 Employee agreements

of Timbercorp Forestry Services' 53 employees are covered by Australian Workplace Agreements (now referred to as Individual Transitional Employment Agreements) with the majority of these employees working in the Industrial Operations division. The remaining employees are covered by common law contracts.

None of Timbercorp Forestry Services employees have any union involvement and Timbercorp Forestry Services has not been the subject of any industrial action.

4.4.4 Occupational health and safety

Timbercorp's occupational health and safety ("OH&S") system is documented to comply with the National Health and Safety standard AS 4801.

Within Timbercorp Forestry Services, the overall Policy framework is the same that applies across the wider Timbercorp Group. However, specific safe work procedures exist in the Timbercorp Forestry Services manual which is a standalone integrated management system that Timbercorp Forestry Services works to.

Timbercorp engages an OH&S consultant to periodically audit the whole system and to look specifically at safe work practices in all Timbercorp Forestry Services offices and operations. Both South-west WA and the Green Triangle operations were signed off as fully compliant to OH&S and this was confirmed at the most recent surveillance audits.

Timbercorp Forestry Services engages many contractors for capital works and ongoing operations and has implemented a comprehensive contractor management and audit programme that ensures contractors of any size meet minimum statutory OH&S requirements. This function forms an important part of Timbercorp's 'Duty of care' under State and Federal OH&S legislation.

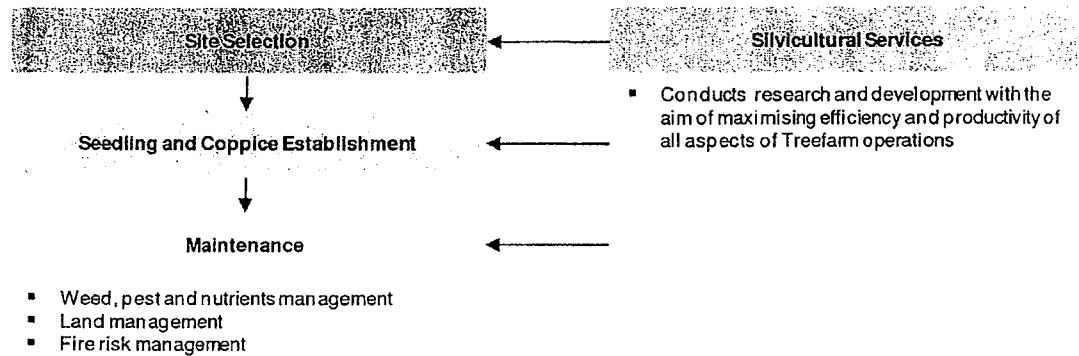
Timbercorp Forestry Services monitors accident and incident trends and reports this to the Timbercorp Board. This is a regulatory requirement under Australian Standard AS 4801. In addition, Timbercorp Forestry Services is required under AS 1885.1 to have a statistical analysis based on these indices in place to track and show variations in trends. Timbercorp Forestry Services maintains statistics that enable reporting of key indicators.

4.5 Treefarm Operations

The Treefarm Operations division establishes, cultivates and manages the plantations on the Land Estate. It was established in 1998 with these services provided by a third party prior to this. The Treefarm Operations division ensures that the Land Estate is managed in a sustainable manner and that the plantations on the Land Estate are managed using precision farming methods to ensure that sites reach their full capability.

The following diagram provides an overview of the services of the Treefarm Operations division.

Figure 23: Overview of the services of the Treefarm Operations division



A small area of the plantation management around the Bunbury region in South-west WA is outsourced to WAPRES, while all site preparation, ripping, mounding, spraying, planting, fertilising and coppice pruning is subcontracted to specialised contractors under the supervision of Timbercorp Forestry Services.

4.5.1 Seedling and coppice establishment

The Treefarm Operations division is also responsible for seedling and coppice establishment. Trees are established either by planting new seedlings or coppicing of previously harvested trees.

4.5.1.1. Seedling

4.5.1.2. Coppice

4.5.2 Maintenance

Weed

Nutrition

Pests

Fire risk management

In order to protect the Land Estate as well as the surrounding environment and local communities, Timbercorp Forestry Services has established numerous control measures to prevent or limit fire damage including:

- Staff and contractors are formally trained in fire control;
- Fire breaks are maintained within and surrounding the Land Estate;
- All forestry operations are stopped on days of total fire ban;
- Staff are rostered on throughout the fire danger period;
- Fire prevention works are conducted annually; and
- The annual fire plan is distributed to all staff, contractors and local fire brigades.

4.5.3 Silvicultural Services

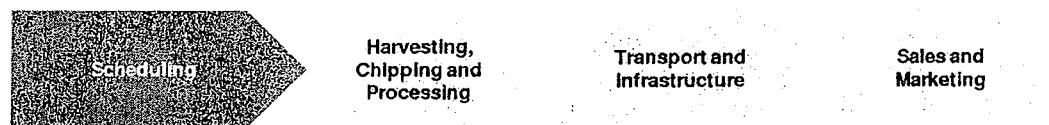
Silvicultural Services is a team within Treefarm Operations that is responsible for research projects to maximise tree growth and operational efficiency through new technologies and techniques from site selection and tree-breeding through to harvest.

4.5.4 Gene Technologies

4.6 Industrial Operations

The Industrial Operations division harvests, processes, transports and markets processed wood fibre from the plantations on the Land Estate. The diagram below sets out the responsibilities of the Industrial Operations division.

Figure 24: Responsibilities of the Industrial Operations division



While the majority of these activities are undertaken by the Industrial Operations division, the prime movers used to tow chip vans from plantations on the Land Estate to the Albany Chip Terminal are sub-contracted.

Immediately prior to the appointment of the Voluntary Administrators in late April 2009, the Industrial Operations division employed 41 employees including operators, fitters, trainees and corporate staff and has offices and workshop facilities in Albany, Western Australia. With harvesting in the Green Triangle expected to commence in 2010, Timbercorp Forestry Services anticipates that a further 10 employees (excluding contractors) will be required in the Industrial Operations division.

4.6.1 Scheduling

Timbercorp Forestry Services has developed an industry leading harvest scheduling system which aims to maximise . Some key constraints of the scheduling process are outlined below:

The scheduling tool developed by Timbercorp Forestry Services helps to capture each of the key variables allowing for various scenarios to be analysed ensuring optimal outcomes for growers as a whole. Some of the functionality includes

4.6.2 Harvesting, Chipping and Processing

Harvest of the plantations takes place between 10 and 15 years after the establishment of the trees and the Industrial Operations division operates its own fleet of harvesting and in-field processing equipment.

The steps below summarise the harvesting process:

4.7 Capital equipment

4.7.1 Timbercorp Finance Leases

Approximately of the harvesting, chipping and processing equipment used by Timbercorp Forestry Services has been acquired using lease finance facilities. Timbercorp Forestry Services currently has separate finance leases with and of the finance leases have expired however the Liquidators are negotiating with to extend those lease facilities. As part of the sale of the business, the Liquidators intend to assign the finance leases to the purchaser.



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Lessor	Termination Date	Initial Equipment Cost	Monthly Lease Payment	Lease Length (Months)	Residual Value
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TOTAL

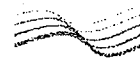
4.7.2 Owned and Leased Capital Assets

At original cost, Timbercorp Forestry Services acquired million of plant and equipment under finance lease and million of plant and equipment without the need for external finance. Below is a summary of plant and equipment at original cost.

Asset Type	No. of Leased Assets	Original Leased Asset Cost	No. of Owned Assets	Original Owned Asset Cost
------------	----------------------	----------------------------	---------------------	---------------------------

TOTAL






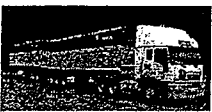
Note: some of the leased equipment consists of components that are owned



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The table below presents the major categories of capital equipment (both leased and owned) currently being utilised in the industrial operations division in south-west WA and the capital equipment anticipated to be required in the Green Triangle when harvesting is fully operational.

Over the next three years, Timbercorp Forestry is expected to require additional capital equipment to increase harvesting capacity, predominantly in the Green Triangle. This equipment is expected to increase harvesting capacity from GMT pa to GMT pa once fully commissioned.

	Capital Equipment	South-west WA	Green Triangle ¹¹
	Chippers		
	Forwarders and Log Trailers		
	Harvester bases		
	Harvesting heads		
	Trucks		
	Chip vans		

¹¹ To accommodate the harvesting activities in the Green Triangle, this equipment is expected to be acquired over the next 3 years.

4.8 Transport and Infrastructure

4.8.1 Roads

Timbercorp's Land Estates have access to roads and infrastructure which allow efficient transporting of timber to the nearest port. All land leases include either easement to public roads or the right to traverse neighbouring properties to gain access to the Land Estates from public roads.

Under relevant state based traffic regulations, Timbercorp Forestry Services is required to repair damage caused to roads as a result of its operations. This requirement translates into working with the local government to upgrade and maintain roads used for timber transportation.

4.8.2 Albany Chip Terminal

Wood fibre from plantations in the Albany port area is transported by road to the Albany Chip Terminal after harvest and in-field processing. The Albany Chip Terminal was commissioned in 2005 and is owned and managed by PPT, which is jointly (50:50) owned by Timbercorp and ITC (refer Section 5).

capacity to handle approximately 1.3m GMT pa if operated
store up to GMT at any one time.

It has a
and can

4.8.3 WAPRES Bunbury port facility

Wood fibre from plantations in the Bunbury port area is harvested, processed and exported by WAPRES on behalf of Timbercorp Forestry Services under a reciprocal arrangement with WAPRES. The WAPRES facility was the first port chip terminal in WA and was recently upgraded to handle

4.8.4 Proposed Portland port facility

Wood fibre from the plantations in the Green Triangle is expected to be shipped from the Port of Portland in Victoria. Timbercorp had previously been negotiating with the Port of Portland and other interested stakeholders to secure the port and other infrastructure access. With external controllers being appointed to both Great Southern and Timbercorp, the Port of Portland have advised a new syndicate structure will be required to invest in the port and other infrastructure. The Port of Portland also advised that there are numerous parties interested in investing in the infrastructure and is likely to go ahead, albeit with a different syndicate of investors.

This infrastructure will provide the necessary access to markets for plantations on the Land Estate in the Green Triangle. Approval has been obtained for an amendment to the local planning scheme to allow the use and development of land at the Port to expand its woodchip handling and storage facility. An environmental management plan has also been prepared for the project by the Port which was approved by the Glenelg Shire Council, the Environment Protection Authority and VicRoads.

4.9 Historical Financial Information

The information presented in this section has been derived from historical and forecast information prepared by Timbercorp's management teams.

All financial information is presented in A\$, for a September year end and is derived from the audited accounts.

This section contains Forward Looking Statements as defined in the Disclaimer and is provided subject to the assumptions and limitations expressed in the Disclaimer. It is included here only on the basis that the recipient of this Information Memorandum will not rely on any Forward Looking Statement and will make its own independent financial assessment of Timbercorp Forestry Services and its future prospects. In addition and as indicated in the Disclaimer, in some cases calculations have been rounded to the nearest whole number.

4.9.1 Harvesting History

Timbercorp's Industrial Operations division began harvesting in the Albany region in 2005.

The table below outlines actual harvest hectares and GMT yields over the past three years.

Figure 25: Historic harvest schedule

September YE	2006	2007	2008
Harvest history ¹³			
Hectares harvested			
GMT harvested			
Implied GMT/ha (yield)			

¹³ Hectares and timber harvested excludes hectares containing timber belonging to third parties.

4.9.2 Historical Financial Performance

Timbercorp's Forestry Services business has historically generated income by providing Treefarm Operations and Industrial Operations services to the owner (or manager) of the plantations.

Set out below is a summary of the historical financial information of Timbercorp's Forestry Services business and further below, a summary of notes to key line items.

Figure 26: Forestry Services historical financials

A\$m, September YE	FY06	FY07	FY08	FY09 (6 Mths)
Treefarm Operations				
Revenue				
Establishment Costs				
Maintenance Costs				
Total Costs				
EBITDA				
Margin				
Industrial Operations				
Revenue				
Harvesting Costs ¹⁴				
Port Costs				
Haulage, roading, supervision Costs				
Total Costs				
EBITDA				
Margin				
Other				
Other Revenue				
Other Direct Operating Expenditure				
Total Other Direct Operating Expenditure				
Total Forestry Services Group EBITDA				

¹⁴ Port, haulage, roading and supervision costs are included in the harvest cost for 2006.

Key Financial Performance Items

Treefarm Operations	Establishment	<ul style="list-style-type: none"> Plantation owner (or manager) pays an establishment fee of \$/ha in year (compared to an approximate cost of \$/ha over years). Includes costs associated with establishing new plantations. May vary depending on whether the plantation is Greenfield, Coppice or Replant.
	Maintenance	<ul style="list-style-type: none"> Plantation owner (or manager) pays an annual fee (from year onwards) equal to \$/ha to maintain the plantation (compared to an approximate cost of \$/ha p.a. from year onwards).
Industrial Operations	Harvest	<ul style="list-style-type: none"> Includes costs associated with felling the timber, processing and loading it into trucks as outlined in section 4.6.3 Also includes fuel, labour, and repairs and maintenance costs associated with the equipment as well as to in-forest roads and lease payments to Timbercorp. Generally, Timbercorp Forestry Services generates a gross margin on the harvesting activities which includes trees chopped, delimed and debarked; logs extracted to compartment breaks and process infield.
	Port, haulage and roading	<ul style="list-style-type: none"> Includes costs associated with taking the woodchip from the harvested plantation to the port. There is also a fee charged
		<ul style="list-style-type: none"> Timbercorp Forestry Services generates between and per GMT on haulage activities depending upon if the distance is greater than km from port and per GMT on roading activities. In addition, Timbercorp Forestry Services generates up to per GMT on the port throughput.
Other Direct Operating Expenditure		<ul style="list-style-type: none"> Other Direct Operating Expenditure includes the employees within Timbercorp Forestry Services. In FY08, the total employee expense was m. Other Direct Operating Expenditure does not include ITEA employees. These numbered circa in FY08 and currently stand at . The ITEA employee expense is included in the Industrial Operations direct operating costs. The professional costs are inclusive of auditors, general insurance, legal, consultants, research & development, consultants and subscriptions. In FY08, the professional costs were . The equipment costs were m in FY08 and consist of motor vehicle expenses and other lease payments. The occupancy expense is the office costs associated with operating the Forestry Services business and was m in FY08. Communications and general office expenditure was m in FY08. Technical services expense in FY08 was m. The advertising and marketing cost are excluded from the historical financials as it predominantly related to MIS schemes and other marketing which a purchaser will not incur (FY06: m; FY07: m; and FY08: m)
Other	Capex	<ul style="list-style-type: none"> The majority of machinery is currently
	Other Revenue	<ul style="list-style-type: none"> Income received from leasing or renting the non-plantation land and residential houses (2006: m, 2007: m and 2008: m)



4.10 Forecast Financial Performance

The forecast financial performance for [redacted] is based on Timbercorp's management forecasts prepared during June 2009 having regard to the current economic and operating conditions (a forecast through to [redacted] in attached at Appendix D).

The forecast information has been prepared assuming a sale of all of Timbercorp's Forestry Assets (land, land leases, plantations, Forestry Services Business) and as such, the Purchaser will continue to provide forestry services in relation to the plantations. As timber on the Land Estates is progressively harvested, the Purchaser will be able to replant or coppice for subsequent rotations.

The forecast information is modelled in real terms and therefore does not forecast any changes to future timber prices or operating costs. Clearly all potential Purchasers will hold and model their own views in relation to this key economic assumption.

Additionally, the forecast information does not include an allowance for any synergistic benefits that a Purchaser may achieve, nor does it include the potential earnings from the growth opportunities.

Set out below is an overview of the key assumptions used to build up the Timbercorp management forecast financial performance in Sections 4.10.1 and 4.10.2. Section 4.10.1 contains the forecast harvest information. Section 4.10.2 contains the forecast operating and corporate costs associated with the current rotation and subsequent rotations undertaken by the Buyer for their own benefit.

Assumption	Overview
Forecast Horizon	<ul style="list-style-type: none"> The forecast information has been prepared from [redacted] This time period was [redacted] selected as this includes [redacted]
Harvest Schedule	<ul style="list-style-type: none"> The harvest schedule is presented to show the progressive harvesting of the plantations as land becomes available for a Purchaser to replant. The harvest schedule for the current rotation is determined using a scheduling tool developed by Timbercorp Forestry Services which seeks to capture each of the key variables allowing for various scenarios to be analysed. The financial projections assumes up to a further [redacted] rotations are undertaken by the Purchaser after harvesting of the current rotation and that these rotations are each for a period of [redacted] years from harvest. The financial projections assumes that [redacted]
Treefarm Operations	<ul style="list-style-type: none"> Treefarm Operations are based on forecast establishment and maintenance profiles. Income is driven by an [redacted] Accordingly, it is assumed that the plantation owner pays an establishment fee of [redacted] /ha in year [redacted] (compared to an approximate cost of [redacted] /ha over years [redacted]) and an annual maintenance fee equal to [redacted] /ha p.a. from year [redacted] onwards (compared to an approximate cost of [redacted] /ha p.a. from year [redacted] onwards). These fees include only planned activities and specifically exclude mid-rotation fertilising, thinning or pest control, which when required are undertaken and paid for separately. The forecasts are driven by the number of hectares in each different year of the rotation cycle for each type of plantation (Greenfield, Coppice and Replant).

Assumption	Overview
Industrial Operations	<ul style="list-style-type: none"> Industrial Operations income and costs are based on the requirements of the harvest schedule. Income is driven by an Accordingly, it is assumed that Timbercorp Forestry Services generates a gross margin on the harvesting activities which includes trees chopped, delimbed and debarked; logs extracted to compartment breaks and processed infield. It is further assumed that Timbercorp Forestry Services generates between and per GMT on haulage activities depending upon the and per GMT on roading activities. It is assumed that Timbercorp Forestry Services generates up to per GMT on the port throughput. It is assumed that Timbercorp Forestry Services does not Industrial Operations costs are It is assumed that when the harvesting equipment reaches the end of its useful life,
Other Direct Operating Expenditure	<ul style="list-style-type: none"> The Other Direct Operating Expenditure forecast is based on historical results. These costs have been adjusted to reflect the higher cost associated with the expansion of the Industrial Operations when harvesting begins in the Green Triangle. All Forestry Services employees are included in the Other Direct Operating Expenditure with the exception of the ITEA employees. Other Direct Operating Expenditure also includes professional, legal and compliance fees, occupancy costs of offices, communications, and lease payments. It excludes sales and marketing costs. A summary of the corporate expenditure during FY08 is included in section 4.9.2 (see Other Operating Expenditure) and provides the basis for forecasts.
Capex	<ul style="list-style-type: none"> Timbercorp Forestry is expected to require an additional million of new harvesting equipment as it increases its harvesting capacity in the Green Triangle. In the forecasts provided, the effective capital costs associated with this additional capex are included in the harvesting operating cost assumptions (i.e. it is assumed that).
Leasehold Land Estate	<ul style="list-style-type: none"> Timbercorp's Liquidators determining to retain and assign those leases in connection with the liquidations or the sale process and then will assign the leases for the Leasehold Land Estate to the Purchaser based on their current contractual lease rates and terms. Not all leases over the Leasehold Land Estate have options for renewal. In line with Timbercorp Forestry's current approach, the forecasts assume that any leases that are not renewed will be replaced with leases over new land at a similar productivity and comparable rental rate in order to maintain the size and forecast yield assumptions of the existing Leasehold Land Estate.
Freehold Land Estate	<ul style="list-style-type: none"> It is assumed that the Freehold Land owning entity will charge the Plantation Owner property rental at an /ha p.a. The forecast information does not include any revaluation with respect to the Freehold Land Estate.
Timber prices	<ul style="list-style-type: none"> The forecast information assumes a woodchip price of GMT. It is derived from the gross price of per bone dry metric tonne currently at for plantation grown <i>Eucalyptus globulus</i> wood fibre sold FOB (from Albany and Bunbury, WA). The gross price per GMT of wood fibre is based on the Bone Dry Metric Tonne price adjusted for the moisture content. Historically, of the volume of wood fibre is moisture. Accordingly, the net GMT is of or . A marketing provision is deducted to provide a net GMT of

4.10.1 Harvest Forecast

	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total hectares harvested												
<i>WA</i>												
Leasehold	'000											
Freehold	'000											
Total WA	'000											
<i>GT</i>												
Leasehold	'000											
Freehold	'000											
Total GT	'000											
Total	'000											
Total tonnes harvested												
<i>WA</i>												
Leasehold	kt											
Freehold	kt											
Total WA	kt											
<i>GT</i>												
Leasehold	kt											
Freehold	kt											
Total GT	kt											
Total	kt											

4.10.2 Timbercorp Forestry Forecasts

Year Ending 31 December (AUD\$m)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Land											
<i>Freehold</i>											
Revenue											
Land holding costs											
Total Freehold	-										
<i>Leasehold</i>											
Notional lease income											
Paid for leasehold land											
Total Leasehold	-										
<i>Other Direct Operating Expenditure</i>	-										
EBITDA											
Forestry Business											
<i>Treefarm Operations</i>											
Revenue											
Establishment costs											
Maintenance costs											
Total Treefarm Operations	-										
<i>Industrial Operations</i>											
Revenue											
Harvest											
Port											
Haulage, roading and supervision											
Total Industrial Operations	-										
<i>Other Direct Operating Expenditure</i>	-										
EBITDA											
Plantation Owner											
Revenue											
Cost - treefarm											
Cost - industrial											
Cost - leasehold land											
Cost - freehold land											
Total	-										
<i>Other Direct Operating Expenditure</i>	-										
EBITDA											



Group EBITDA

4.10.3 Historical Balance Sheet Extract

Set out below are the balance sheet items being offered for sale in relation to the Timbercorp Forestry Services business. Values are net book values as at 30 September 2008. The Liquidators will transfer each of these assets and liabilities to the Purchaser in a Business and Assets Sale & Purchase Agreement.

Figure 27: Timbercorp Forestry Services key balance sheet items

Balance Sheet Items	30-Sep-08
Assets	A\$'000
Property, plant and equipment (leased)	
Property, plant and equipment (owned)	
Goodwill	
Inventory	
Total Assets	
Liabilities	
Financing lease liabilities	
Employee entitlements allowance	
Total Liabilities	
Net Book Value of Assets Available For Sale	

Notes to the key balance sheet items.

Item	Overview
Property, plant and equipment (leased)	<ul style="list-style-type: none"> Predominately harvesting equipment currently subject to finance leases
Property, plant and equipment (owned)	<ul style="list-style-type: none"> Includes the Penola and Hamilton offices and equipment that is owned directly by Timbercorp Forestry
Inventory	<ul style="list-style-type: none"> Stores inventory
Financing lease liabilities	<ul style="list-style-type: none"> Finance lease liability for harvesting assets at 30 September 2008
Employee entitlements allowance	<ul style="list-style-type: none"> Employee entitlements for forestry staff at 30 September 2008

4.11 Sales and Marketing

4.11.1 Markets

Harvested *Eucalyptus globulus* plantations may be sold as chips (e.g. hardwood fibre) or unprocessed (e.g. logs or standing trees). Timbercorp Forestry Services targets the markets for processed wood, including export and planned domestic pulp mill markets. *Eucalyptus globulus* fibre is ideal for conversion into hardwood fibre for transport and then conversion to pulp and paper, due in part to the density and physiology of the wood.

Australia's main pulp and paper mill markets are located in Asia and in particular Japan with developing prospective markets in China and Indonesia. Australia sells nearly all of its hardwood fibre to Japan due to the absence of suitable pulp or pulp and paper mills in Western Australia, South Australia or South-west Victoria.

4.11.2 Current Status of Supply Contracts

Timbercorp has maintained a supply relationship with Marubeni, Japan's largest wood fibre trading house, for more than 15 years. This supply relationship has continued during the Voluntary Administration and Liquidation periods to date.

In 2007, Timbercorp Forestry signed memoranda of understanding (MOU) to supply more than tonnes of wood fibre from Green Triangle plantations to pulp and paper manufacturers over an initial three-year period.

However, due to the appointment of Voluntary Administrators (and subsequently Liquidators), any wood fibre supply contracts entered into prior to 23 April 2009 may no longer be binding or valid on either party. The Liquidators will work with the Purchaser in this regard.

4.11.3 Sales and Prices

Wood fibre contracts with Japanese pulp and paper companies are typically entered into with trading houses acting for the pulp and paper companies with the following characteristics:

- Agreements focus on supply, shipping and quality specifications conditions;
- Term of the agreements usually between (although the current contract with); and
- Price is set annually by negotiation on a regional basis.

Each region nominates one supplier to act as lead negotiator with a similarly appointed pulp and paper company. The lead negotiator is typically the largest supplier to the largest importer from that region. In 2008 and for 2009, was appointed lead negotiator as they were the largest supplier to

However, Timbercorp is still the largest overall supplier of *Eucalyptus globulus* wood fibre and

On 27 March 2009 Timbercorp, Great Southern and ITC announced the conclusion of negotiations for the 2009 benchmark price for Australian plantation grown Tasmanian bluegum woodchip for export to Japan. It was announced that a price of A\$207.40 per BDMT (free on board) had been agreed for plantation grown Tasmanian bluegum until 1 July 2009. Subsequently on 30 June 2009 ITC announced that negotiations had concluded for the second half 2009 benchmark price for Australian plantation grown Tasmanian bluegum woodchip for export to Japan. The negotiations secured maintenance of the existing price of \$207.40 free on board (FOB) per bone dry metric tonne (BDMT), for environmentally certified plantation grown bluegum exported from Australia. The price is applicable for sales from 1 July to 31 December 2009. These agreements represent a nil increase on 2008 benchmark pricing.

In Timbercorp Forestry has a reciprocal arrangement with to process and export the other party's wood through their respective Albany port facilities. This arrangement allows for orderly marketing, processing and handling of wood fibre for each party.

5 Plantation Pulpwood Terminals

5.1 Introduction

The Liquidators are seeking offers to acquire Timbercorp's 50% ownership of Plantation Pulpwood Terminals Pty Ltd ("PPT") together with Timbercorp's interest in shareholder loans to PPT. PPT owns and operates the Albany Chip Terminal, subject to the terms of a lease with the Albany Port Authority. PPT is a 50:50 joint venture between Timbercorp and ITC Limited ('ITC') (collectively 'the Joint Venture Partners').

PPT was originally capitalised through the issue of 50,000 ordinary shares to each of the Joint Venture Partners.

PPT provides the service of managing and overseeing the day-to-day operations of the Albany Chip Terminal on behalf of the Joint Venture Partners. The services include, but are not limited to; truck receiving, unloading, screening, sampling and transfer, storing, reclaiming and exports of woodchips, maintenance of equipment, stockpile grooming and management, sampling, stevedoring, and administration activities.

The Albany Chip Terminal has capacity to handle over 1.3 million GMT p.a. if operated and can store up to GMT at any one time. The terminal features

5.2 PPT Management Structure

PPT directly employs staff, which includes

The Board of Directors of PPT is made up of two representatives from Timbercorp (currently Mark Diedrichs and Charlie Saykao) and three representatives from ITC (Vince Erasmus, Ockert LeRoux and Tony Davies). Tony Davies is the Chairman of the Board of Directors.