

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

LIST E

SCI 2009 10699

BETWEEN:

**BOSI SECURITY SERVICES LIMITED (ACN 009 413 852) as trustee for  
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED  
(ACN 005 357 522) and BOS INTERNATIONAL (AUSTRALIA) LIMITED  
(ACN 066 601 250) and WESTPAC BANKING CORPORATION  
(ACN 007 457 141)**

Plaintiff

and

**AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED  
(ACN 005 357 522) & ORS (according to the attached Schedule)**

Defendants

**CERTIFICATE IDENTIFYING EXHIBIT**

Date of document: 3 March 2010  
Filed on behalf of: the Second, Third and Fourth Defendants

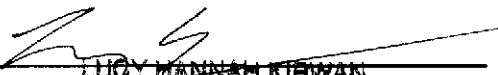
Prepared by:  
**ARNOLD BLOCH LEIBLER**  
Lawyers and Advisers  
Level 21  
333 Collins Street  
MELBOURNE 3000

Solicitor's Code: 54  
DX 38455 Melbourne  
Tel: 9229 9999  
Fax: 9229 9900  
Ref: [ ]

(Leon Zwier [lwier@abl.com.au](mailto:lwier@abl.com.au)/  
Lucy Kirwan [lkirwan@abl.com.au](mailto:lkirwan@abl.com.au))

This is the exhibit marked '**MAK-72**' now produced and shown to MARK ANTHONY  
KORDA at the time of swearing this affidavit on 3 March 2010.

Before me:

  
**LUCY HANNAH KIRWAN**  
Arnold Bloch Leibler  
Level 21, 333 Collins Street  
Melbourne 3000  
An Australian Legal Practitioner within the  
meaning of the Legal Profession Act 2004

**Exhibit 'MAK-72'**

**Copy of Ian Carson's Report**

3 September 2009

KordaMentha

Mr Ian Carson  
PPB  
Level 10, 90 Collins Street  
Melbourne VIC 3000

Dear Sir

**Mark Korda ("the Liquidator") as liquidator of Timbercorp Securities Limited (In Liquidation) ("the Company")**

The Liquidator and the Company have engaged you to perform a review of the reasonableness of an anticipated offer from Almond Land Pty Ltd (In Liquidation) to the Company in relation to the Almond Schemes ("the Engagement").

This letter sets out the terms of your Engagement. If you accept these terms they will govern our arrangements, including the way your costs are calculated and paid, and will constitute an agreement between us in relation to the Engagement that can be enforced in the same way as any other contract.

**Scope of Engagement**

The scope of the review we require you to undertake is as follows:

*In the event that Almond Land Pty Ltd (In Liquidation) makes an offer to the Company,*

- *provide an opinion as to whether this is an offer you would/would not accept as a reasonable compromise if you were the liquidator of the Company.*
- *provide a report supporting your opinion that details your reasons for recommending a particular range of apportionments of any sale proceeds which constitute scheme property to growers in return for the surrender of their subleases (and all other rights which the Company can exercise on behalf of the Growers) under the Schemes.*
- *In providing this opinion and report, you will:*
  - *meet with representatives of the Growers and secured creditors;*
  - *review submissions and material provided by representatives of the Growers and secured creditors;*
  - *meet with the Liquidator and review legal advice provided by Arnold Bloch Leibler to the Company and the Liquidator, and other material prepared by the Liquidator,*

*but you will not engage in any other activity, make any independent investigation or enquiry, or obtain separate legal advice, in relation to the matters the subject of your opinion and report.*

Melbourne		KordaMentha Offices		Cooperation with AlixPartners	
info@kordamentha.com www.kordamentha.com	KordaMentha Pty Ltd ACN 100 169 381 Level 24, 333 Collins Street Melbourne VIC 3000 GPO Box 2985 Melbourne VIC 3001 Office: 03 8623 3333 Fax: 03 8623 3399	Adelaide	Perth	Chicago	Munich
		Brisbane	Singapore	Dallas	New York
		Gold Coast	Sydney	Detroit	Paris
		Melbourne	Townsville	Düsseldorf	San Francisco
Liability limited by a scheme approved under Professional Standards Legislation		New Zealand		London	Shanghai
				Los Angeles	Tokyo
				Milan	

*For the purposes of your opinion and report you will assume that all legal advice and other documentation and materials provided to you by the Liquidator, the Company or Arnold Bloch Leibler is correct, and that the Scheme documents and other agreements provided to you by the Liquidator, the Company or Arnold Bloch Leibler are accurate and enforceable in accordance with their terms. You may seek independent legal advice to assist you in determining the effect of those legal advices and other materials.*

- while you are engaged by the Liquidator, you will act as if you have the same powers and duties as you would have if the court had appointed you as a special purpose liquidator in accordance with the terms of this retainer.

*Depending upon the outcome, your report may be provided to the Court.*

As referred to above, we will also provide you with access to Arnold Bloch Leibler's legal advice (on your express agreement to keep the material confidential such that the Liquidator's and the Company's legal professional privilege in that advice is maintained on the basis that the Liquidator, the Company and you have a common interest in it).

We will also arrange for you to meet with key stakeholders as referred to above.

This limited scope is based on our preliminary discussions with you and may be varied by agreement between us as the Engagement evolves. Any agreed variation will require a revision to the fee estimate set out below.

#### **Reporting**

On completion of our engagement, you will provide us with a high level written report outlining your findings and recommendations. You will also be available to discuss the report with the Liquidator and the Company in detail.

#### **Professional Fees**

Your costs for performing these services are in accordance with your usual arrangements set out in the enclosed General Terms and Conditions.

A time costing basis will be used to calculate your professional fees and will be based on your standard rates. Your current rates (exclusive of GST) are \$595 per hour for Partners, \$495 per hour for Directors and \$495 per hour for Consultants.

In addition to professional fees, we will be required to pay costs incurred by you on our behalf, for items such as printing, deliveries and any travel expenses you incur in performing the Engagement, and the legal fees of Mallesons Stephen Jaques in advising you in relation to your role.

#### **Capped Liability**

We agree that your liability arising out of the engagements, whether based on negligence or any other cause of action, will be capped to an amount equal to the fee that you are paid. No claim or claims may be made against you which, in aggregate, exceed that amount.

#### **The PPB Team**

The engagement team will be:

- Partner – Ian Carson
- Director – Alan Friday
- Consultant – Paul Beanland
- Consultant – Les Cullen.

Other professionals may become involved in the Engagement from time to time. Administrative work will be delegated to appropriate administrative staff.

#### **Timeframe**

Your opinion and report are to be provided by 16 September 2009. This deadline is subject to the Liquidator and the Company providing you with the required legal advices and materials in a timely fashion.

#### **Other Issues**

Any advice arising from this Engagement will be provided to the Liquidator and the Company in your capacity as independent consultants to the Liquidator and the Company. The decision to implement any or all of your recommendations will be entirely at the discretion of the Liquidator. At no stage will you assume any role in advising the management of the Company or in managing the affairs of the Company or in acting as a liquidator or manager.

As discussed, Rod Slattery (one of the partners of PPB) has private investments in some of the Almond investment products offered by Timbercorp. Rod Slattery will not be involved in the Engagement.

#### **Engagement Acknowledgement**

If you agree with the contents of this letter and the enclosed General Terms and Conditions (including the method and basis for the calculation of costs), please sign the copy of this letter included and return it to us.

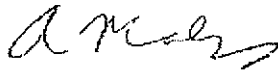
#### **Condition Subsequent**

If the court does not give a direction by 16 September 2009 that we are justified in entering into this agreement, you or we may terminate this retainer.

#### **Queries**

Should you have any queries in relation to this Engagement Letter, please do not hesitate to contact either myself on (03) 8623 3347 or Antony Munro on (03) 8623 3404.

Yours faithfully



ANDREW MALARKEY

Partner

For and on behalf of

MARK KORDA

Liquidator

**PPB agrees with the terms of this Engagement Letter and the General Terms and Conditions that accompanied it.**

Name:

Jan M. (a. n.)

Signed:

/s/ Jan M. (a. n.)

On behalf of:

PPB

Position:

PARTNER



**Timbercorp Securities Limited**  
**Regarding Offer By Almond Land To Timbercorp Securities Limited**

*4 October 2009*



## **CERTAIN DISCLOSURES AND OTHER CONSIDERATIONS**

*This report is provided to Mark Korda in his capacity as liquidator of TSL pursuant to the Engagement Letter. No other person is entitled to rely on this report. This report may only be relied on by Mark Korda in his capacity as liquidator of TSL for the purposes of considering any offer which is made by Almond Land in relation to TSL's or the Growers' interests in the Schemes.*

*The opinions expressed in this report are based on a number of assumptions which are set out in this report. Should these assumptions change, the opinions expressed in this report may also change.*



REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

TABLE OF CONTENTS

1. Scope of Engagement .....	5
2. Executive Summary .....	6
3. Summary of Process and Work Completed .....	8
4. Summary of the view points of various interested parties .....	9
a. The Growers .....	9
b. The Secured Lenders .....	13
5. Opinion Regarding Valuation of Growers Rights .....	14
a. Growers' Rights arising from scheme agreements .....	14
b. "Status Quo Going-Concern Scenario" Valuation of the Growers' Cropping Rights .....	15
c. "Restructured Scheme Scenario" Valuation of the Growers' Cropping Rights .....	17
6. Acceptance of Potential Offer by Almond Land .....	20
Appendix 1 – Glossary .....	21
Appendix 2 – Engagement Letter .....	23
Appendix 3 – Information Reviewed .....	24
a. Scheme documentation .....	24
b. Prior court rulings, court proceedings & affidavits .....	24
c. Submission on behalf of the TGG .....	24
d. Submissions on behalf of the Secured Lenders .....	24
e. Legal Advice .....	24
f. Other relevant documents .....	24
Appendix 4 – Schedule of Meetings .....	25
Appendix 5 – "Status Quo Going-Concern Scenario" DCF Valuation of Schemes .....	27
a. Methodology .....	27
b. Key assumptions .....	28
c. Summary of the Status Quo Going-Concern Scenario DCF Valuations .....	33
d. DCF Valuation Details .....	34
Appendix 6 – "Restructured Scheme Scenario" DCF Valuation of Schemes .....	39
a. Methodology .....	39
b. Key assumptions .....	40
c. Summary of Restructured Scheme Scenario DCF Valuations .....	45
d. DCF valuation details – Restructured Scheme Scenario .....	46



**REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED**

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**1. Scope of Engagement**

On 3 September 2009, I, Ian Menzies Carson, was engaged by Timbercorp Securities Limited (In Liquidation) ("TSL" or the "Company") and Mark Korda of KordaMentha in his capacity as a liquidator of the Company to provide a review of the reasonableness of an anticipated offer from Almond Land Pty Ltd (In Liquidation) ("Almond Land") to the Company in relation to the Almond Schemes.

A full copy of the engagement letter between the Company and I, dated 3 September 2009 (the "Engagement Letter") is provided in Appendix 2.

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

## 2. Executive Summary

In this report I provide:

- an opinion as to whether the offer made by Almond Land to TSL is an offer that I would/would not accept as a reasonable compromise if I were the liquidator of the Company;
- a summary of the process undertaken to form my view;
- a summary of the view points of the various interested parties, including the Timbercorp Growers Group (the "TGG") and the secured lenders to Almond Land (the "Secured Lenders"); and
- my opinion regarding the value of the Growers' rights.

I have only considered those portions of the Schemes that are operated on land owned by Almond Land. My scope does not include a review of schemes conducted upon land owned by other landlords. My scope does not include the rights or obligations of the Growers in the 2002 Private Offer, as this scheme is not administered by TSL (it does not have an RE), however I have referenced this scheme in my valuation discussions as it is conducted using some of the Almond Land assets being sold.

In accordance with the scope of my engagement, which was endorsed by Justice Robson of the Supreme Court of Victoria (In the matter of Timbercorp Securities Limited [2009] VSC 411) on 14 September 2009, I have relied upon the information and legal advice provided to me by the liquidators of TSL, the Company and Arnold Bloch Leibler ("ABL"). In some instances I have sought independent legal advice to assist me in determining the effect of those legal advices and other matters.

In considering whether the Offer of \$6.0 million is an offer that I would accept if I were the liquidator of TSL, I start with my conclusion that the present value of the Growers Cropping Rights, assuming a hypothetical going-concern scenario based on the current structure of the Schemes (represented herein by the Status Quo Going-Concern Scenario), is negative (refer to section 5.b).

However, the liquidator of TSL would seek to negotiate the best possible outcome (in terms of share of the sale proceeds) for the investor group. Although I have been instructed to assume the correctness of the ABL Advice, I note the following:

- (a) the ABL Advice recognises the existence of some difficult legal issues and concludes that the legal uncertainties provide some scope for argument on the part of Growers;
- (b) the ABL Advice relies heavily on an assumption that the Growers' interests can, in effect, be disclaimed by the liquidators of Almond Land. I have reservations about the correctness of that view, based upon my own legal advice;
- (c) the ABL Advice also notes that the Growers' interests are presently liable to be terminated for default. Whilst, to date, I have not sighted any credible evidence of their ability to do so, the Growers claim to have the right to seek to remedy any defaults (including by way of replacement of the RE and restructuring of the projects). Based on the project being restructured as suggested by the Growers (represented herein by the Restructured Schemes Scenario), in my opinion the hypothetical value of their restructured interests may be in the range \$10.9 million to \$16.4 million (refer to section 5.c);



REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

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- (d) The banks argue that the Growers' interests are worthless, due to the imminent and inevitable winding up of the Schemes. I see some circularity in that argument. It appears from the fact that the Court has to date declined to wind up the Schemes, and also from the nature of my appointment, that the Court is inclined to order the winding up of the Schemes only on the basis that a fair proportion of the sale proceeds is distributed to the Growers.
- (e) The validity of the securities held by the banks is also a relevant consideration which has been raised by the Growers. It has not been part of my instructions to consider, and I have not considered, whether the liquidators could challenge those securities or any of them.

The value of the giving up of these arguments and opportunities on the part of the Growers, in the current state of uncertainty of the legal position, is impossible to scientifically assess. It might be of some value from certain perspectives, such as that of the banks. Ultimately, in the absence of a credible and viable proposal being formulated for the restructuring of the projects behind the Schemes, and bound as I am to accept the ABL Advice as to the legal position, I believe that \$6.0 million represents an offer that I would accept if I were the liquidator of TSL, provided that I was satisfied that the offer is the product of a robust negotiation around the numerous, difficult issues. I am informed by the liquidators that such negotiations have occurred and are on-going.

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

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**3. Summary of Process and Work Completed**

In providing my opinion and producing this report my staff or I have:

- reviewed a selection of Scheme documentation (refer Appendix 3 for details);
- reviewed a selection of court rulings, court proceedings and affidavits in this matter and other matters that may be relevant (refer Appendix 3 for details);
- conducted meetings with the TGG Executive and their advisers to obtain their opinions regarding the Growers' entitlements and valuation of the Growers' rights (a listing of meetings held with external parties is provided in Appendix 4);
- reviewed submissions made on behalf of the TGG;
- conducted meetings with the representatives of, and advisers to, the Secured Lenders to obtain their opinions regarding the Growers' entitlements and valuation of the Growers' rights (a listing of meetings held with external parties is provided in Appendix 4);
- reviewed submissions made on behalf of the Secured Lenders;
- conducted meetings with Mr. Stephen Lynch of Linvest regarding approaches to the valuation of Almond Land's assets and the assumptions that underpin the valuation of these assets; and
- reviewed the legal advice provided by ABL (refer Appendix 3 for details);
- reviewed selected other information provided by the Company, ABL, liquidators of TSL, Mr. Lynch and the TGG as detailed in Appendix 3.

Appendix 3 provides a listing of the information reviewed by me or my staff.

In preparing this report I have been advised by the liquidators of TSL that:

- there is insufficient cash available within TSL to allow TSL to continue to operate as the RE of the Schemes;
- there is insufficient cash available within Almond Land to enable Almond Land to meet its obligations in respect of capital works and provision of water licences for the Schemes;
- there is insufficient cash available within Almond Management Pty Ltd (In Liquidation) ("AMPL") to continue to meet its obligations under the Scheme Agreements;
- I am to rely on the ABL Advice and assume that it is correct.

For the purpose of this report I have assumed that this advice is correct.

Appendix 4 provides a summary of the meetings conducted between PPB and external parties, including the representatives of the TGG, the representatives of the Secured Lenders, KordaMentha, ABL and Mr. Lynch.

## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

## 4. Summary of the view points of various interested parties

## a. The Growers

The table below provides a summary of the Almondlots on land owned by Almond Land for each Scheme. Schemes not shown do not have any Almondlots on land owned by Almond Land.

## Summary of Almond Schemes on land owned by Almond Land

Scheme	Total		Almond Land	
	Almondlots	Growers	Almondlots	Growers
2002 Private Offer <sup>(1)</sup>	1,396	94	400	30
2002 Early	2,297	415	174	38
2002 Standard	711	171	711	171
2002 MIS Schemes <sup>(2)</sup>	3,008	586	885	209
2005	5,703	663	3,706	NA
2006	10,868	1,694	10,868	1,694
2007 Early	10,824	1,313	10,824	1,313
2007 Post June	981	163	981	163
2008 FinYr	4,496	685	4,496	685
2007+ MIS Schemes <sup>(3)</sup>	16,301	2,161	16,301	2,161
All MIS Schemes <sup>(4)</sup>	35,880	5,104	31,760	NA

Source: KordaMentha.

(1) The 2002 Private Offer is not administered by TSL and does not form part of the scope of my engagement.

(2) 2002 MIS Schemes represents the 2002 Early and 2002 Standard Schemes.

(3) 2007+ Schemes represents 2007 Early, 2007 Post June and 2008 FinYr Schemes.

(4) All MIS Schemes represents 2002 MIS Schemes, 2005, 2006 and 2007+ MIS Schemes.

The Almondlots fall in to one of the following three groups:

- 1) Almondlots owned by Growers that are represented by the TGG (excluding those Almondlots that have been financed by Timbercorp Finance Pty. Ltd (in Liquidation) ("TFL") that are presently in arrears).

- 2) Almondlots that may be able to be controlled by Timbercorp, including:

- o Almondlots owned by Timbercorp or its subsidiaries;
- o Almondlots that may be able to be controlled by TFL due to loans in default; and
- o Almondlots that may be able to be controlled by TSL due to payment default by Growers; and

- 3) Other Almondlots.

The number of Growers and Almondlots represented by the TGG is unclear.

The table below provides a summary of the Almondlots on land owned by Almond Land including a summary of those Almondlots that may be able to be controlled by TFL due to loans in default.

## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

## Summary of Schemes on land owned by Almond Land

Scheme	Almondlots			Growers		
	Total	Financed by TFL		Total	Financed by TFL	
		Total	In Arrears		Total	In Arrears
2002 Private Offer <sup>(1)</sup>	400	129	22	30	11	2
2002 Early	174	11	2	38	4	1
2002 Standard	711	142	79	171	23	11
2002 MIS Schemes <sup>(2)</sup>	885	153	81	209	27	12
2005	3,705	NA	NA	NA	NA	NA
2006	10,868	4,929	1,908	1,694	685	223
2007 Early	10,824	5,550	3,173	1,313	693	308
2007 Post June	981	803	391	163	118	43
2008 FinYr	4,496	3,376	1,784	685	483	195
2007+ MIS Schemes <sup>(3)</sup>	16,301	9,729	5,348	2,161	1,294	546
All MIS Schemes <sup>(4)</sup>	31,760	NA	NA	NA	NA	NA

Source: KordaMentha.

Note: As of 28 September 2009.

(1) The 2002 Private Offer is not administered by TSL and does not form part of the scope of my engagement.

(2) 2002 MIS Schemes represents the 2002 Early and 2002 Standard Schemes.

(3) 2007+ Schemes represents 2007 Early, 2007 Post June and 2008 FinYr Schemes.

(4) All MIS Schemes represents 2002 MIS Schemes, 2005, 2006 and 2007+ MIS Schemes.

## i. The Timbercorp Growers Group

I or my staff have conducted five meetings with the TGG Executive and their advisers, as listed in Appendix 4.

I have also received five written submissions from TGG's legal advisers, Clarendon Lawyers, as follows:

- submission dated 11 September 2009 ("First TGG Submission");
- submission dated 17 September 2009 ("Second TGG Submission");

- first submission dated 23 September 2009 regarding "Deed of Covenant" ("Third TGG Submission");
- second submission dated 23 September 2009 ("Fourth TGG Submission"); and
- submission dated 28 September 2009 ("Fifth TGG Submission").

Based on my meetings with the representatives of the TGG and the submissions provided by the representatives of the TGG, I understand that the TGG believes that:

- DCF analysis is a valid approach to valuing an Almond Scheme;
- under the existing Timbercorp cost structure (assuming a hypothetical going-concern value), each of the Schemes have a negative NPV;
- the value of the Schemes should be assessed under a different set of circumstances and alternative commercial assumptions on the basis that the existing Timbercorp structure would be renegotiated and restructured (this scenario is described below);
- the value of the rights that the Growers would be giving up as a result of terminating the sub-leases (the "TGG Value Opinion") is approximately \$51.1 million;
- the Secured Lenders have taken their interests in the land subject to the interest of the Growers as tenants in possession (under section 42(2)(e) of the Land Transfer Act) such that in any sale, the land would still be subject to the Growers' rights and interests;
- a disclaimer by the liquidators of Almond Land would have no effect on the subleases (under section 139 of the Property Law Act) as it would amount to surrender;
- in the event the subleases were able to be terminated or disclaimed, the Growers could seek relief against forfeiture (under section 146(4) of the

## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

Property Law Act) or have the disclaimer set aside (under section 568B of the Corporations Act); and

- the Growers are in compliance with their obligations under the Scheme Agreements, specifically in respect of required payments and the obligation to maintain the orchards.

### TGG's Suggested Valuation Approach

I understand that the TGG submits that the value of Growers' rights under the Schemes should not be valued on a going-concern basis under the existing cost structure as prescribed in the Scheme Agreements, but rather that the Schemes should be valued on a going-concern basis assuming a different hypothetical set of circumstances suggested by the TGG. This TGG hypothetical scenario assumes that the following hypothetical circumstances are possible:

- the RE of all Schemes may be replaced without affecting the Growers' rights;
- there exists an RE, with the appropriate qualifications, experience and funding, that would be willing to assume the role of RE for the Schemes, and thereby assume all of the liabilities of the Schemes (the Scheme liabilities presently exceed \$11.0 million);
- the necessary agreements in relation to the Schemes can be renegotiated and new agreements can be reached with all relevant stakeholders on terms which are more favourable to the Growers;

The TGG have provided me with a DCF analysis of their proposed scenario (the "TGG DCF Valuation Scenario") which provides a total NPV for all Schemes including the Private Offer of \$38.2 million. I have not reviewed the completeness, accuracy or validity of the TGG DCF Valuation Scenario.

The table below provides a summary of some of the key assumptions used in the TGG DCF Valuation Scenario.

Summary of TGG DCF Valuation Scenario Assumptions

Variable	Assumption
Almond Sale Price	A weighted-average almond sale price of \$5.50 in 2010, \$6.00 in 2011 and \$6.50 in 2012, indexed by 2.5% per annum thereafter (the "\$5.50 Scenario").
Crop Yield	3,459 kg per hectare of almonds at maturity.
PWR Allocations	40% in FY2010, 60% in FY2011, 80% in FY2012 and 100% thereafter.
Cost of Temporary Water	\$350 per ML in FY2010 (based on 40% PWR allocation); \$275 per ML in FY2011 (based on 60% PWR allocation); \$100 per ML in FY2012 (based on 80% PWR allocation); and \$60 per ML thereafter (based on 100% PWR allocation).
Orchard Operating Costs	As per Timbercorp Management estimates, except for Farm operating costs. Farm operating costs are assumed to be \$6,422 per ha in FY2010 and \$7,100 per ha from FY2011, indexed by 2.5% pa.
Other Contracted Obligations	
PWR Licences	No new PWRs are acquired by the asset lessor. PWR licences currently owned by Almond Land are leased to the Schemes. Additional water requirements of the Schemes are met

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

Capex	<p>by purchasing Temporary Water at the assumed prevailing rates.</p> <p>Outstanding capex requirements are to be funded by the Growers.</p> <p>Outstanding capex by Scheme is assumed to be:</p> <ul style="list-style-type: none"> <li>• Nil for the 2002 Schemes;</li> <li>• \$1.5 million for the 2005 Schemes, spread over two years;</li> <li>• \$5.7 million for the 2006 Schemes, spread over two years;</li> <li>• \$21.9 million for the 2007+ Schemes, spread over four years;</li> </ul>
Orchard Management Fees	<p>Orchard management fees (i.e. the management fees currently being paid to Select Harvest) are assumed to be \$680 per ha for all schemes, irrespective of the age of the orchards.</p>
Scheme Management Fees	<p>No longer payable.</p>
Administration Fees	<p>\$125 per ha indexed by 2.5% per annum.</p>
Licence Fees (Rent)	<p>Based on 9.0% of the value of the assets leased, where the value of the assets leased is assumed to be:</p> <ul style="list-style-type: none"> <li>• Land value (at \$20,000 per ha); plus</li> <li>• Value of the PWRs currently owned by Almond Land (at \$2,000 per ML); less</li> </ul>

- Outstanding capital expenditure requirements (set out above).

Discount Rate 15.0%.

The TGG has not provided me with sufficient evidence to support that this scenario or the assumptions adopted in this scenario are achievable.

The TGG DCF Valuation is approximately \$12.9 million lower than the TGG Value Opinion of \$51.1 million.

The TGG have advised that the difference is attributable to a "Flagfall" value of \$400 per ha (approximately \$12.9 million in total) that they believe the Growers are entitled to for the recovery of perceived "intangible losses" by the Growers.

ii. Timbercorp

I have been advised by KordaMentha, as the liquidators of Timbercorp, TFL and TSL, that there are not sufficient funds available to continue Timbercorp's participation in the Schemes.

iii. Other Almondlots

The viewpoint of the Growers who own or control the other Almondlots is unknown.



REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

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**b. The Secured Lenders**

I or my staff have conducted four meetings with the representatives of, and advisers to, the Secured Lenders as listed in Appendix 4.

I have also received three written submissions from the representatives of the Secured Lenders as follows:

- submission provided by FerrierHodgson regarding "Almond project valuation and applicable discount rate" dated 28 September 2009 ("Ferrier Submission")
- a confidential submission provided by Blake Dawson regarding the Growers' rights ("Secured Lenders' Submission"); and
- offer letter provided by Blake Dawson dated 28 September 2009 ("Secured Lenders' Offer").

Based on my meetings with the representatives of the Secured Lenders and the submissions provided by the representatives of the Secured Lenders, I understand that the Secured Lenders' submit the following:

- that the Schemes are insolvent;
- in the current circumstances, the Growers' rights are of nominal, if any, value;
- the Growers have no ownership interest in the PWRs;
- that there will be no future income stream to the Growers from the Schemes;
- if the Schemes were solvent and had continued for their full term, some of the Schemes may have had a positive NPV; and
- in order to facilitate the completion of the sale of assets to Olam as agreed in the Sale and Purchase Agreement executed on 18 September 2009, it may be in the best interests of the Secured Lenders to authorise the making of a monetary offer by Almond Land to TSL and AMPL in

consideration of the termination and surrender of all of the Growers' rights.

The Secured Lenders have authorised the liquidators of Almond Land to make a conditional offer of \$6.0 million to TSL and AMPL in consideration of the termination and surrender of all of the Growers' rights, as described in the Secured Lenders' Offer.

**REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED**

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**5. Opinion Regarding Valuation of Growers Rights**

**a. Growers' Rights arising from scheme agreements**

I have been provided with the following written legal advice by ABL in respect of the legal rights of the Growers in the 2002, 2005, 2006 and 2007 Schemes ("ABL Advice"):

- advice from Jane Sheridan of ABL dated 17 September 2009 ("First ABL Advice");
- advice from Jane Sheridan of ABL dated 28 September 2009 ("Second ABL Advice"); and
- advice from Jane Sheridan of ABL dated 1 October 2009 ("Third ABL Advice").

Please note that per the Engagement Letter, I have assumed that the ABL Advice is correct.

Mallesons has reviewed the ABL Advice and all of the submissions from the TGG and the Secured Lenders and Mallesons has explained the matters raised in those documents to me.

As a result of my review of the ABL Advice and all of the submissions, I believe that, pursuant to the Scheme agreements, the Growers presently have proprietary rights in relation to each of the Schemes ("Cropping Rights").



## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

**b. "Status Quo Going-Concern Scenario" Valuation of the Growers' Cropping Rights**

By adopting the hypothetical assumption that no parties to the Schemes are insolvent (i.e. assuming TSL, Almond Land and AMPL are all viable, and able to meet their contracted obligations), the Growers' Cropping Rights and obligations can be financially represented by a series of cash flows over a fixed period and therefore may be valued using a Discounted Cash Flow ("DCF") model.

My Status Quo Going-Concern Scenario DCF valuation for each Scheme is a range based on two assumption scenarios in relation to the price of almonds, being the "\$5.00 Scenario" and the "\$5.50 Scenario".

These two scenarios are based on a number of assumptions, some of which are summarised in the table below.

**Summary of Status Quo Going-Concern Scenario DCF Assumptions**

Variable	Assumption
Almond Sale Price	<p>A range based on two scenarios, the "\$5.00 Scenario" and the "\$5.50 Scenario", as follows:</p> <ul style="list-style-type: none"> <li>the "\$5.00 Scenario" assumes a weighted-average almond sale price of \$5.00 in 2010, \$5.50 in 2011 and \$6.50 in 2012, indexed by 2.5% per annum thereafter.</li> <li>The "\$5.50 Scenario" assumes a weighted-average almond sale price of \$5.50 in 2010, \$6.00 in 2011 and \$6.50 in 2012, indexed by 2.5% per annum thereafter.</li> </ul>
Yield	3,459 kg per hectare of almonds on average at maturity.

PWR Allocations	40% in FY2010, 60% in FY2011, 80% in FY2012 and 100% thereafter.
Cost of Temporary Water	\$350 per ML in FY2010 (based on 40% PWR allocation), \$275 per ML in FY2011 (based on 60% PWR allocation), \$100 per ML in FY2012 (based on 80% PWR allocation) and \$60 per ML thereafter (based on 100% PWR allocation).
Orchard Operating Costs	<p>As per Timbercorp Management estimates, except for Farm operating costs.</p> <p>Farm operating costs are assumed to be \$6,422 per ha in FY2010 and \$7,100 per ha from FY2011, indexed by 2.5% pa.</p>
Other Contracted Obligations	As specified in the various existing Scheme Agreements.
Discount Rate	17.5%

For the avoidance of doubt, the only difference between the "\$5.00 Scenario" and the "\$5.50 Scenario" is the weighted-average almond sale price assumptions, as listed in the table above.

Full details of the Status Quo Going-Concern Scenario DCF valuations, including methodology and assumptions adopted, can be found in Appendix 5.

The table below provides a summary of the Status Quo Going-Concern Scenario DCF valuation ranges to the Growers of the Almond Schemes under the assumptions outlined above and provided in Appendix 5.

## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

Summary of Status Quo Going-Concern Scenario DCF Valuation Ranges <sup>(1)</sup>

Scheme	Value Range Per Lot	
	"\$5.00 Scenario"	"\$5.50 Scenario"
2002 Private Offer	(\$849)	(\$372)
2002 MIS Schemes	(\$806)	(\$330)
2005	(\$2,586)	(\$2,205)
2006	(\$4,034)	(\$3,750)
2007+ Schemes	(\$5,053)	(\$4,889)

Sources: PPB, Linvest, Timbercorp Management.

(1) Refer to Appendix 5 for full details of this analysis, including methodology and assumptions adopted.

This table shows that none of the Schemes have a positive net present value ("NPV") based on the assumptions applied.

I am advised that the key contributors to the expected financial underperformance of the Schemes are:

- the historically low almond sale price in Australian dollars;
- the historically low PWR allocations; and
- the historically high Temporary Water costs.

Please note, the values listed in the table above do not include any net proceeds from harvests prior to the FY2010 crop harvest (i.e. the FY2008 and FY2009 crops) because the Scheme agreements require that the proceeds from the sale of these crops are distributed to the Growers net of costs and other applicable set-offs. The Growers are entitled to receive the net proceeds of the FY2008 and FY2009 crop harvests irrespective of, and in

addition to, any value the that the Growers may have arising from the Cropping Rights for the FY2010 and later harvests.

Please note that this valuation scenario is not intended to provide my view of the likely current value of the Schemes to Growers given the prevailing circumstances (whereby TSL, Almond Land and AMPL are all insolvent). Rather this valuation is provided as a benchmark valuation of the value the Growers may have reasonably expected if all contracted obligations under the Scheme Agreements were met by all parties (i.e. it is a going-concern valuation status quo with respect to contracted obligations). *This valuation does not consider the value the Growers may have in the event they are able to modify their payment obligations under the Scheme Agreements.*

The value of the Growers Cropping Rights under the prevailing circumstances is affected by a number of factors, notably including the insolvency of TSL, Almond Land and AMPL, and the actions of the Growers since the announced insolvency.

My opinion regarding the value of the Growers Cropping Rights under the prevailing circumstances is provided in Section 6 below.

## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

## c. "Restructured Scheme Scenario" Valuation of the Growers' Cropping Rights

This section provides the Restructured Scheme Scenario DCF valuations of the Almond Schemes to the Growers by adopting the hypothetical assumption that the Schemes may be restructured in a manner as proposed by the TGG, including that:

- the RE of all Schemes may be replaced without affecting the Growers' rights;
- there exists an RE, with the appropriate qualifications, experience and funding, that would be willing to assume the role of RE for the Schemes, and thereby assume all of the liabilities of the Schemes; and
- the necessary agreements in relation to the Schemes can be renegotiated and new agreements can be reached with all relevant stakeholders on terms which are more favourable to the Growers.

## I note the following by way of caution:

- This section is not intended to provide my view of the likely current value of the Schemes to Growers given the prevailing circumstances (whereby TSL, Almond Land and AMPL are all insolvent).
- I have not had sufficient opportunity to test any of the information provided by TGG in this regard.
- In providing this additional analysis, I should not be taken to be providing any view at all as to the veracity of the above hypothetical assumptions or the possibility that they might eventuate.

- Accordingly, this Restructured Scheme Scenario DCF valuation should be regarded as untested, unreliable and provided only for the limited purpose of illustrating the impact on the Status Quo Going-Concern Scenario DCF valuation caused by the insertion of different assumptions for certain of the variables and circumstances assumed in or implied by the Timbercorp Models.

As with the Status Quo Going-Concern Scenario DCF valuation, the DCF valuation of Schemes in the Restructured Scheme Scenario is a range based on two assumption scenarios in relation to the price of almonds, being the "\$5.00 Scenario" and the "\$5.50 Scenario".

The Restructured Scheme Scenario is based on a number of assumptions some of which are summarised in the table below.

## Summary of Restructured Scheme Scenario Assumptions

Variable	Assumption
Almond Sale Price	A range based on two scenarios, the "\$5.00 Scenario" and the "\$5.50 Scenario" – the same as in the Status Quo Going-Concern Scenario.
Crop Yield	The same as in the Status Quo Going-Concern Scenario.
PWR Allocations	The same as in the Status Quo Going-Concern Scenario.
Cost of Temporary Water	The same as in the Status Quo Going-Concern Scenario.
Farm operating costs	The same as in the Status Quo Going-Concern Scenario.
Contracted Obligations	

## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

PWR Licences	No new PWRs are acquired by the asset lessor. PWR licences currently owned by Almond Land are leased to the Schemes. Additional water requirements of the Schemes are met by purchasing Temporary Water at the assumed prevailing rates, funded by the Growers.
Capex	Outstanding capex requirements are to be funded by the Growers. Outstanding capex by Scheme is assumed to be: <ul style="list-style-type: none"> <li>• Nil for the 2002 Schemes;</li> <li>• \$1.5 million for the 2005 Schemes, spread over two years;</li> <li>• \$5.7 million for the 2006 Schemes, spread over two years;</li> <li>• \$21.9 million for the 2007+ Schemes, spread over four years;</li> </ul>
Orchard Management Fees	Orchard management fees (i.e. the management fees currently being paid to Select Harvest) are assumed to be \$680 per ha for all schemes, irrespective of the age of the orchards.
Scheme Management Fees	No longer payable.
Administration Fees	\$125 per ha indexed by 2.5% per annum.
Licence Fees (Rent)	Based on 9.0% of the value of the assets leased, where the value of the assets leased is assumed to be:

- Land value (at \$20,000 per ha); plus
- Value of the PWRs currently owned by Almond Land (at \$2,000 per ML); less
- Outstanding capital expenditure requirements.

Discount Rate 17.5% – the same as in the Status Quo Going-Concern Scenario.

Full details of the Restructured Scheme Scenario DCF valuations, including methodology and assumptions adopted, can be found in Appendix 6.

The table below provides a summary of the Restructured Scheme Scenario DCF valuation ranges to the Growers of the Almond Schemes under the assumptions outlined above and provided in Appendix 6.

Summary of Restructured Scheme Scenario DCF Valuation Ranges <sup>(1)</sup>

Scheme	Value Range Per Lot	
	"\$5.00 Scenario"	"\$5.50 Scenario"
All 2002 Schemes (incl 2002 PO)	\$788	\$1,334
2005	\$658	\$1,057
2006	\$688	\$987
2007+ Schemes	(\$1,079)	(\$909)

Sources: PPB, TGG, Linvest, Timbercorp Management.

(1) Refer to Appendix 6 for full details of this analysis, including methodology and assumptions adopted.

The above table indicates that, subject to the underlying assumptions, the 2007+ Schemes have a negative NPV, meaning that a rational investor would not choose to continue to invest in these schemes, irrespective of his (or her) existing sunk investment costs. As a rational investor would terminate his (or



REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

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her) investment in the schemes with a negative NPV, these schemes should be considered to have no value, rather than a negative value.

Please note, the values listed in the table above do not include any net proceeds from harvests prior to the FY2010 crop harvest (i.e. the FY2008 and FY2009 crops) because the Scheme agreements require that the proceeds from the sale of these crops are distributed to the Growers net of costs and other applicable set-offs. The Growers are entitled to receive the net proceeds of the FY2008 and FY2009 crop harvests irrespective of, and in addition to, any value that the Growers may have arising from the Cropping Rights for the FY2010 and later harvests.

The total value of the schemes (including the 2002 Private Offer) with a positive NPV may be between approximately \$10.9 million and \$16.4 million.

The value of the Growers Cropping Rights under the prevailing circumstances is affected by a number of factors, notably including the insolvency of TSL, Almond Land and AMPL, and the actions of the Growers since the announced insolvency.

My opinion regarding the value of the Growers Cropping Rights under the prevailing circumstances is provided in Section 6. below.



REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

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**6. Acceptance of Potential Offer by Almond Land**

In considering whether the Offer of \$6.0 million is an offer that I would accept if I were the liquidator of TSL, I start with my conclusion that the present value of the Growers Cropping Rights, assuming a hypothetical going-concern scenario based on the current structure of the Schemes (represented herein by the Status Quo Going-Concern Scenario), is negative (refer to section 5.b).

However, the liquidator of TSL would seek to negotiate the best possible outcome (in terms of share of the sale proceeds) for the investor group. Although I have been instructed to assume the correctness of the ABL Advice, I note the following:

- (a) the ABL Advice recognises the existence of some difficult legal issues and concludes that the legal uncertainties provide some scope for argument on the part of Growers;
- (b) the ABL Advice relies heavily on an assumption that the Growers' interests can, in effect, be disclaimed by the liquidators of Almond Land. I have reservations about the correctness of that view, based upon my own legal advice;
- (c) the ABL Advice also notes that the Growers' interests are presently liable to be terminated for default. Whilst, to date, I have not sighted any credible evidence of their ability to do so, the Growers claim to have the right to seek to remedy any defaults (including by way of replacement of the RE and restructuring of the projects). Based on the project being restructured as suggested by the Growers (represented herein by the Restructured Schemes Scenario), in my

opinion the hypothetical value of their restructured interests may be in the range \$10.9 million to \$16.4 million (refer to section 5.c.);

- (d) The banks argue that the Growers' interests are worthless, due to the imminent and inevitable winding up of the Schemes. I see some circularity in that argument. It appears from the fact that the Court has to date declined to wind up the Schemes, and also from the nature of my appointment, that the Court is inclined to order the winding up of the Schemes only on the basis that a fair proportion of the sale proceeds is distributed to the Growers.
- (e) The validity of the securities held by the banks is also a relevant consideration which has been raised by the Growers. It has not been part of my instructions to consider, and I have not considered, whether the liquidators could challenge those securities or any of them.

The value of the giving up of these arguments and opportunities on the part of the Growers, in the current state of uncertainty of the legal position, is impossible to scientifically assess. It might be of some value from certain perspectives, such as that of the banks. Ultimately, in the absence of a credible and viable proposal being formulated for the restructuring of the projects behind the Schemes, and bound as I am to accept the ABL Advice as to the legal position, I believe that \$6.0 million represents an offer that I would accept if I were the liquidator of TSL, provided that I was satisfied that the offer is the product of a robust negotiation around the numerous, difficult issues. I am informed by the liquidators that such negotiations have occurred and are on-going.



## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

## Appendix 1 – Glossary

Term	Definition		
ABL	Arnold Bloch Liebler, legal counsel to TSL.	(ML)	
ABL Advice	Written legal advice provided by Jane Sheridan of ABL including: <ul style="list-style-type: none"> <li>the First ABL Advice;</li> <li>the Second ABL Advice; and</li> <li>the Third ABL Advice.</li> </ul>	NPV	Net Present Value
Almond Land	Almond Land Pty Ltd (In Liquidation) (ACN 091 460 392) of Level 8, 461 Bourke Street, Melbourne, Victoria.	pa	per annum
AMPL	Almond Management Pty Ltd (In Liquidation) (ACN 094468845) of Level 8, 461 Bourke Street, Melbourne, Victoria, Australia.	Permanent Water Rights (PWR)	Legally recognised secure shares of the water available to be taken from a defined water system (river, dam or channel). PWR may be owned or leased. See Section 5 for a more comprehensive description of PWRs.
Almondlot	A single unit of almond trees and related infrastructure, amounting to one quarter of one hectare.	Responsible Entity	A licenced entity or body that operates a managed investment scheme. Timbercorp Securities Limited ("TSL") is the Responsible Entity of the Schemes.
ANZ	Australia and New Zealand Banking Group Limited.	Schemes	Any or all of 2002 Private Offer, the 2002 MIS Schemes, the 2005 Schemes, the 2006 Scheme and the 2007+ Schemes.
BOSI	Bank of Scotland International Limited.	Scheme Agreements	The agreements which constitute the Schemes pursuant to their respective prospectuses or product disclosure statements, including, but not limited to, the constitutions of the Schemes, various leases, sub-leases and operating agreements.
Company	TSL.	Secured Lenders	Lenders to Timbercorp holding security over assets of Almond Land, including ANZ, BOSI, Westpac.
Corrs	Corrs Chambers Westgarth, legal counsel for the liquidators of Timbercorp.	Select Harvests	Select Harvests Limited (ACN 000 721 380) of 360 Settlement Road, Thomastown, Victoria, Australia.
Cropping Rights	The Growers proprietary rights in relation to each of the Schemes as a result the relevant Scheme Agreements.	TGG	Timbercorp Growers Group, a representative group for some Growers of managed investment schemes operated by TSL.
DCF	Discounted Cash Flow.	Temporary Water	Unused water allocations that are sold/traded to a third party for an irrigation season.
Discount Rate	The rate at which cash flows are discounted in a DCF model to provide the NPV of those cash flows.	TFL	Timbercorp Finance Pty Limited (In Liquidation) (ACN 054 581 190) of Level 8, 461 Bourke Street, Melbourne, Victoria, Australia.
Growers	Investors in any of the Schemes.	Timbercorp	Timbercorp Limited (In Liquidation) (ACN 055 185 067) of Level 8, 461 Bourke Street, Melbourne, Victoria, Australia
ha	Hectares	TPIF	Timbercorp Primary Infrastructure Fund (ARSN 116 024 830) of Level 33, 360 Collins Street, Melbourne, Victoria, Australia.
KordaMentha	KordaMentha Pty. Ltd. (ACN 100 169 391) of Level 24, 333 Collins St, Melbourne Victoria, Australia.		
Mallesons	Mallesons Stephen Jacques, legal counsel for Ian Carson/PPB.		
mega litre	One million litres.		

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

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TSL Timbercorp Securities Limited (In Liquidation) (ACN 092 311 469) of  
Level 8, 461 Bourke Street, Melbourne, Victoria, Australia.

Westpac Westpac Banking Corporation.

\$ or dollars Australian dollars, unless otherwise stated

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Liquidators of Relevant Timbercorp Entities

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Entity	Liquidators
TSL	Mark Korda and Leanne Chesser of KordaMentha.
Almond Land	Mark Korda and Leanne Chesser of KordaMentha.
TFL	Mark Korda and Craig Shepard of KordaMentha.
Timbercorp	Mark Korda and Leanne Chesser of KordaMentha.

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*Timbercorp Securities Limited*

**REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED**



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**Appendix 2 – Engagement Letter**



REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

**Appendix 3 – Information Reviewed**

In providing my opinion and producing this report, my staff or I have reviewed the documentation listed below.

**a. Scheme documentation**

- A selection of the scheme agreements and documentation for the 2002 Private Offer;
- A selection of the scheme agreements and documentation for the 2002 Schemes;
- A selection of the scheme agreements and documentation for the 2005 Scheme;
- A selection of the scheme agreements and documentation for the 2006 Scheme; and
- A selection of the scheme agreements and documentation for the 2007+ Schemes.

**b. Prior court rulings, court proceedings & affidavits**

- A selection of court rulings, court proceedings and affidavits in the matter of Timbercorp Securities Limited [2009] VSC 411;
- A selection of court rulings and court proceedings for other court cases that may be relevant to my opinion.

**c. Submission on behalf of the TGG**

- the First TGG Submission;
- the Second TGG Submission;
- the Third TGG Submission;
- the Fourth TGG Submission; and
- the Fifth TGG Submission.

**d. Submissions on behalf of the Secured Lenders**

- the Ferrier Submission;
- Secured Lenders' Submission; and
- the Secured Lenders' Offer.

**e. Legal Advice**

- the First ABL Advice;
- the Second ABL Advice; and
- the Third ABL Advice.

**f. Other relevant documents**

- Memorandum of advice from Mr. Lynch ("Linvest Advice").
- A selection of other documents and financial models provided to me by the Company and the liquidators of TSL that may be relevant to my opinion.
- A selection of other documents and financial models provided to me by the TGG that may be relevant to my opinion.

## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

## Appendix 4 – Schedule of Meetings

## Schedule of Meetings

Date	Time	Location	Attendees	Purpose
4/09/2009	11:15 AM	ABL's Office	Leon Zwier, Mark Korda, Antony Munro, Hal Bolitho, Ian Carson, Alan Friday, Paul Beanland.	Discuss the engagement and terms of engagement.
4/09/2009	2:15 PM	KM's Office	Antony Munro, Alan Friday, Paul Beanland.	Overview of schemes and engagement.
7/09/2009	3:30 PM	Garnaut Office	Michael Fernon, Mark Bland, Chris Garnaut, Owen Lennie, Hal Bolitho, Ian Carson, Paul Beanland.	Meet TGG executive and discuss TGG's position.
8/09/2009	11:30 AM	Blake's Office	Peter McCluskey, James Shady, Ross McClymont, David McEvoy, Clint Hinchin, Matthew Whittle, Ian Carson, Paul Beanland, Hal Bolitho.	Meet with representatives of the Secured Lenders and discuss Secured Lenders' position.
8/09/2009	2:30 AM	KM's Office	Leon Zwier, Jane Sheridan, Bridgett Toy-Cronin, Antony Munro, Hal Bolitho, Ian Carson, Paul Beanland.	Discuss and draft engagement letter.
9/09/2009	12:45 PM	Call	Stephen Lynch, Alan Friday, Paul Beanland, Les Cullen.	Call to discuss engagement of Stephen Lynch as an independent expert for our engagement.
10/09/2009	3:00 PM	PPB's Office	Stephen Lynch, Alan Friday, Paul Beanland, Les Cullen.	Discuss the horticultural assumptions that underpin management's model and models provided by the liquidators of TSL.
11/09/2009	3:00 PM	KM's Office	Antony Munro, Andrew Ryan, Paul Beanland, Alan Friday.	Discuss security position.
15/09/2009	10:00 AM	KM's Office	Antony Munro, Andrew Malarkey, Andrew Ryan, Leon Zwier, Bridgett Toy-Cronin, Chris Garnaut, Owen Lennie, Mark Bland, Michael Fernon, Ian Carson, Alan Friday, Paul Beanland, Les Cullen, Hal Bolitho, Samantha Kinsey, and by phone Kerree Bezencon and Neil White.	Consultation with Growers regarding sale process and preferred bidder.
16/09/2009	11:00 AM	PPB's Office	Alex Gulabovski (for Kerree Bezencon), Chris Garnaut, Owen Lennie, Mark Bland, Michael Fernon, Ian Carson, Paul Beanland, Hal Bolitho, Samantha Kinsey.	Discuss TGG's position.
16/09/2009	5:30 PM	Call	Antony Munro, Leon Zwier, Bridgett Toy-Cronin, Ian Carson, Paul Beanland, Hal Bolitho.	Discuss legal advice and TGG meeting.

Continued on next page.

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

Schedule of Meetings (cont.)

Date	Time	Location	Attendees	Purpose
23/09/2009	11:45 AM	Blake's Office	Peter McCluskey, Ross McClymont, another solicitor from Blake, David McEvoy, Clint Hinchin, Ian Carson, Alan Friday, Paul Beanland, Hal Bolitho, Samantha Kinsey.	Discuss Secured Lenders' position.
24/09/2009	3:15 PM	PPB's Office	James Shady, Christine Oliver, Paul Beanland, Les Cullen.	Discuss Secured Lenders' valuation.
25/09/2009	11:00 AM	PPB's Office	Ian Carson, Peter McCluskey, David McEvoy.	Discuss Secured Lenders' position and potential offer.
1/10/2009	2:00 PM	PPB's Office	Owen Lennie, Kerree Bezencon, Tom Wier, Rex Booker (of AIL), Ian Carson, Paul Beanland, Tony Troiani, Samantha Kinsey.	Discuss TGG's position and the offer authorised by the Secured Lenders.
2/10/2009	1:30 PM	PPB's Office	Les Cullen, Owen Lennie, Rex Booker (of AIL).	Discuss TGG's DCF valuation model and the assumptions to the model.

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

Appendix 5 – “Status Quo Going-Concern Scenario” DCF Valuation of Schemes

a. Methodology

This section provides Status Quo Going-Concern Scenario DCF valuations of the Almond Schemes to the Growers by adopting the hypothetical assumption that no parties to the Schemes are insolvent (i.e. assuming TSL, Almond Land and AMPL are all viable, and able to meet their contracted obligations to the Growers).

This section is not intended to provide my view of the likely current value of the Schemes to Growers given the prevailing circumstances (whereby TSL, Almond Land and AMPL are all insolvent), but rather it is provided as a benchmark valuation of the value the Growers may have reasonably expected if all contracted obligations were met.

The obligation of the growers is to make a series of payments to TSL and/or Almond Land over the life of the Schemes in order to grow, harvest and sell the almonds.

In return for these payments, the Growers receive a series of annual payments from TSL for a fixed period, representing the net proceeds of the sale of the almond crops.

The Growers’ Cropping Rights and obligations can thus be financially represented by a series of cash flows over a fixed period and therefore may be valued using a DCF model.

DCF is a commonly used financial valuation technique, and is one of the most commonly used techniques in the valuation of limited term projects, such as the Schemes, due to the flexibility of the technique and its ability to incorporate easily and appropriately, the collective effects of multiple variables on the value of the project.

I am advised by Mr Stephen Lynch that DCF analysis of an orchard’s cash flows is the most commonly adopted approach to valuing an Almond Orchard.

The Company has provided me with DCF valuation models for each of the Schemes (the “Timbercorp Models”). I have reviewed the Timbercorp Models and have used them as the *basis* for my financial analysis. The assumptions that I have used in the DCF model for the Status Quo Going-Concern Scenario are detailed in subsection b. below.

*In valuing the schemes, I have assumed the Growers’ rights to receive the net proceeds of the crop, subject to paying certain costs, are maintained until the date each scheme would have ordinarily terminated.*

Please note, the model does not include any net proceeds from harvests prior to the FY2010 crop harvest (i.e. the FY2008 and FY2009 crops) because the Scheme agreements require that the proceeds from the sale of these crops are distributed to the Growers, net of costs and other applicable set-offs. That is, the Growers are entitled to receive the net proceeds of the FY2008 and FY2009 crop harvests irrespective of, and in addition to, any value that the Growers may have arising from the Cropping Rights for the FY2010 and later harvests.

My DCF valuation model values the Schemes on a pre-tax, all equity basis. I have not considered or made any assumptions with respect to individual Growers’ tax position or individual Growers’ choices with respect to funding their investments in the Schemes.

The forecast cash flows have been discounted to provide an NPV as of 1 July 2009, assuming that forecast annual cash flows occur on the last day of the year (i.e. on the basis of a full-year discounting convention). This is the same methodology adopted by Timbercorp Management and Mr. Lynch.

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

**b. Key assumptions**

Subsection c. below provides DCF valuation ranges for the Status Quo Going-Concern Scenario for each individual scheme and is calculated based on assumptions regarding the following major variables:

- almond price;
- timing of crop receipts between years;
- crop yield;
- water rights (licence allocations and Temporary Water costs);
- orchard operating costs;
- other contracted obligations; and
- discount rate.

My assumptions regarding each of these variables and the basis for making these assumptions is provided below.

No representation or warranty is given as to the accuracy, completeness, likelihood of achievement, or reasonableness of any forecasts, projections or forward-looking statements contained in this report. Forecasts, projections and forward-looking statements are by their nature subject to significant uncertainties and contingencies. Readers should make their own independent assessment of the information and seek their own independent professional advice in relation to the information and any action taken on the basis of the information.

In forming my view regarding these assumptions, I have consulted with Mr Stephen Lynch of Linvest (Aust) Pty Ltd, who is a recognised agricultural expert in the almond industry. Mr. Lynch has acted as a consultant to the TGG

and the liquidators of TSL in respect of various inputs to their respective valuations of the Schemes, including forecast long-term price for almonds, yields, water requirements, other farm operating expenses, as well as the typical risk adjusted discount rate appropriate for such projects.

**i. Almond Sale Price**

I have been provided with forecast almond sale price estimates by Timbercorp Management and Mr. Lynch.

The almond sale price estimates provided represent the weighted average price of the different types of almonds grown by the Schemes. The almonds grown by the Schemes are an equal mix of the nonpareil and 'pollinator' varieties.

Almond Prices are heavily influenced by production and inventories in the USA and there is presently an overhang of production and inventory in the USA.

The current weighted average price of almonds is approximately \$4.90 per kg.

The weighted average almond sale price estimates provided by Timbercorp Management are summarised in the table below.



REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

Timbercorp Management Forecast Weighted Average Almond Sale Price

	Sale Price	
	\$ / kg	Increase
FY2010	\$6.09	20.0%
FY2011	\$6.70	10.0%
FY2012	\$7.04	5.0%
FY2013	\$7.21	2.5%

After FY2013, Timbercorp Management has assumed that the weighted average sale price will increase in line with inflation, which they have assumed to be 2.5% per annum.

Mr Lynch has advised that:

- The weighted average sale price of almonds is likely to trade between \$6.00 and \$7.00 per kg in the long-term and substantially lower in the next two years, due to recent high production in the USA, market conditions and the AUD/USD foreign exchange rate.
- The global price of almonds is set by the USA, as the USA represents 85% of annual global production.

Following detailed discussions with Mr. Lynch, I have assumed a range of potential almond sale prices represented by two scenarios, referred to herein as the "\$5.00 Scenario" and the "\$5.50 Scenario".

The table below provides a summary of the assumed almond price by financial year for each of the scenarios.

Forecast Weighted Average Almond Sale Price

	"\$5.00 Scenario"		"\$5.50 Scenario"	
	Sale Price		Sale Price	
Year	\$/kg	Increase	\$/kg	Increase
FY2010	\$5.00	(1.6%)	\$5.50	8.3%
FY2011	\$5.50	10.0%	\$6.00	9.1%
FY2012	\$6.50	18.2%	\$6.50	8.3%
FY2013	\$6.66	2.5%	\$6.66	2.5%

After FY2013, Mr. Lynch has assumed that the weighted average sale price will increase at 2.5% per annum, which is in line with Timbercorp Management's assumption.

ii. Timing of Crop Receipts

Timbercorp Management has advised that the receipt of proceeds from a crop harvest is typically staged over three years, with approximately 10% of receipts received in the crop harvest year, 80% in the year following harvest, and the remaining 10% in the second year following harvest.

I have adopted Timbercorp Management's estimates for the timing of crop receipts.

Please note, the model does not include any net proceeds from harvests prior to the FY2010 crop harvest (i.e. the FY2008 and FY2009 crops) because the Scheme agreements require that the proceeds from the sale of these crops are distributed to the Growers net of costs and other applicable set-offs. That is, the Growers are entitled to receive the net proceeds of the FY2008 and

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

FY2009 crop harvests irrespective of, and in addition to, any value that the Growers may have arising from the Cropping Rights for the FY2010 and later harvests.

**iii. Crop Yield**

I have been provided with crop yield estimates by Timbercorp and Mr. Lynch.

Mr. Lynch has advised that:

- mature trees yield approximately 3,459 kg of fruit per ha pa on average under normal farm operating conditions;
- trees begin to bear fruit after three years and take approximately nine years to mature;
- yields can be depressed due to sub-optimal water supply, pruning or fertiliser application, and other factors;
- yields of most of the Schemes are expected to be negatively affected for the next two years, reflecting lower water allocations and sub-optimal farming practices; and
- the 2005, 2006 and 2007+ Schemes have lower yields, as the almond trees are younger and have received sub-optimal watering.

Timbercorp Management's estimated non-mature crop yields are very similar to those provided by Mr. Lynch:

- the estimates are different for the 2002 Schemes in FY2010 and FY2011 by less than 7%;
- otherwise, the estimates are the same.

I have adopted the estimates provided by Mr Lynch. The following table provides the crop yields by scheme and financial year, as provided by Mr. Lynch.

Forecast Crop Yields (in kg per ha)

Year	Scheme			
	2002	2005	2006	2007+
FY2010	3,200	2,100	1,500	650
FY2011	3,300	2,700	2,100	1,500
FY2012	3,459	3,000	2,700	2,100
FY2013	3,459	3,300	3,000	2,700
FY2014	3,459	3,459	3,300	3,000
FY2015	3,459	3,459	3,459	3,300
FY2016+	3,459	3,459	3,459	3,459

**iv. Water Costs (Licence Allocations and Temporary Water Costs)**

Timbercorp management has provided me with budgeted allocations of water from its PWRs, and the estimated cost of purchasing Temporary Water.

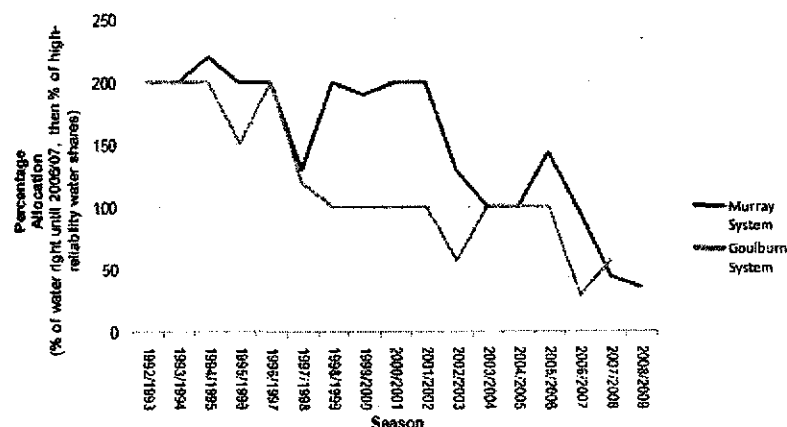
Timbercorp Management has forecast PWR allocations of 40% in FY2010, 60% in FY2011, 80% in FY2012 and 100% thereafter. These allocations affect the amount and cost of Temporary Water needed to cultivate the almond crops. Mr. Lynch has advised that Timbercorp Management's estimated water allocations appear reasonable, and that he has no basis for recommending alternative assumptions.



REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

A detailed description of PWRs is provided in section 5.1.1 "Victorian Permanent Water Entitlements" of the Timbercorp Almonds CIM. The table below, an excerpt from the Timbercorp Almonds CIM, provides the historical PWR allocations from FY1993 to present.

Historical Seasonal Permanent Water Allocations by System



Source: Goulburn-Murray Water, as presented on page 38 of the Timbercorp Almonds CIM.

Timbercorp Management has forecast that the cost to purchase Temporary Water may be approximately \$350 per ML during the period to FY2013.

Mr Lynch has advised that the cost of Temporary Water is likely to decline if PWR allocations increase. The table below provides a summary of the forecast Temporary Water costs provided by Mr. Lynch.

Forecast Cost of Temporary Water

Year	PWR Allocation	Cost of Temp Water \$/ ML
FY2010	40%	\$350
FY2011	60%	\$275
FY2012	80%	\$100
FY2013+	100%	\$60

The amount of water that will actually be allocated under the PWRs is dependent on climatic conditions and therefore cannot be accurately predicted. Any material variations in the allocation of water may materially affect the cash flow and the value of the Schemes.

v. Orchard Operating Costs

I have been provided with estimated orchard operating costs by Timbercorp Management and have also been advised by Mr. Lynch regarding orchard operating costs.

Orchard operating costs include farm operating costs, harvest costs, hulling and cracking costs, sorting and packing costs, and marketing costs.

Mr Lynch has advised that it may be possible to reduce the mature orchard farm operating costs estimated by Timbercorp Management by approximately 8% (approximately \$540 per ha per annum) to approximately \$7,100 per ha per annum, without affecting crop yields, mostly by reducing pruning costs and soil amelioration costs.

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

I have adopted Mr Lynch's estimated farm operating costs.

I have adopted Timbercorp Management's estimates for all other orchard operating costs (i.e. harvest costs, hulling and cracking costs, sorting and packing costs, and marketing costs).

As with revenues, some operating costs are also staged between years. These expenses include hulling and cracking (assumed 80%/20% between the crop year and the following year); sorting and packing (40%/60%); and marketing (30%/70%).

**vi. Other Contracted Obligations**

I have assumed that other contracted costs, including licence fees, management fees (to Timbercorp and to Select Harvests), incentive fees and administration fees are as specified in the various Scheme Agreements.

I have assumed that all parties to the Scheme Agreements meet all of their obligations as they fall due, including that:

- all Growers pay all contracted costs as and when they fall due;
- all Timbercorp entities are able to provide all services as required; and
- contracted capital assets, infrastructure and water rights are available for each of the relevant schemes at the required level as contracted and/or estimated by Timbercorp. This includes Timbercorp's assumptions regarding the allocation of 'disassociated water rights' to the individual schemes.

**vii. Discount Rate**

The discount rate applied to determine the NPV of any project should reflect the level of risk associated with the project.

Establishing an almond orchard is considered to be a high risk investment.

Almond projects are affected by a number of potential risks, including, but not limited to, the following risks as described in sections 4.2.3 to 4.2.12 of the Timbercorp Almonds CIM:

- yields, pests and diseases;
- drought and failure of water supply;
- water quality;
- irrigation systems;
- infrastructure and services;
- almond prices;
- consumer demand;
- changes in technology; and
- local competition.

With regard to discount rates, Mr. Lynch has advised me that:

- he has experience in assessing agribusiness investments and working with valuers who undertake valuations of almond projects; and
- a reasonable range of pre-tax discount rates in valuing almond projects is 17.0% to 18.5%, which adequately reflects the risk level of the investment.

Following discussions with Mr. Lynch, I have assumed a pre-tax discount rate of 17.5%, which approximates the median discount rate used by Mr. Lynch to value similar almond projects.

The discount rate applied can materially affect the calculated NPV of the cash flows.

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

c. Summary of the Status Quo Going-Concern Scenario DCF Valuations

Summary the Status Quo Going-Concern Scenario Valuations<sup>(1)</sup>

Scheme	Value Range Per Lot	
	"\$5.00 Scenario"	"\$5.50 Scenario"
2002 Private Offer	(\$849)	(\$372)
2002 MIS Schemes	(\$806)	(\$330)
2005	(\$2,586)	(\$2,205)
2006	(\$4,034)	(\$3,750)
2007+ Schemes	(\$5,053)	(\$4,889)

Sources: PPB, Linvest, Timbercorp Management.

(1) Refer to subsections a. and b. for details of methodology and assumptions adopted.

The above table indicates that subject to the underlying assumptions, none of the schemes have a positive NPV; meaning that a rational investor would not choose to continue to invest in these schemes, irrespective of his (or her) existing sunk investment costs.

Please note, the values listed in the table above do not include any net proceeds from harvests prior to the FY2010 crop harvest (i.e. the FY2008 and FY2009 crops) because the Scheme agreements require that the proceeds from the sale of these crops are distributed to the Growers net of costs and other applicable set-offs. The Growers are entitled to receive the net proceeds of the FY2008 and FY2009 crop harvests irrespective of, and in addition to, any value the that the Growers may have arising from the Cropping Rights for the FY2010 and later harvests.

For details of the specific cash flows of each scheme in the Status Quo Going-Concern Scenario, refer subsection d. below.

## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

## d. DCF Valuation Details

The following tables set out the detailed results of the DCF calculations for each of the schemes under the Status Quo Going-Concern Scenario assumptions set out in subsection b. above.

## i. 2002 Private Offer

## "\$5.00 Scenario"

\$ per hectare	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Yield (kg/ha)	3,200	3,300	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459		
Price (\$/kg)	\$ 5.00	\$ 5.50	\$ 6.50	\$ 6.66	\$ 6.83	\$ 7.00	\$ 7.17	\$ 7.35	\$ 7.54	\$ 7.73	\$ 7.92	\$ 8.12	\$ 8.32		
Receipts	1,600	14,615	18,368	22,106	23,047	23,623	24,214	24,819	25,440	26,076	26,727	27,396	28,081	25,833	2,878
Less 10% joint venture share	(160)	(1,462)	(1,837)	(2,211)	(2,305)	(2,362)	(2,421)	(2,482)	(2,544)	(2,608)	(2,673)	(2,740)	(2,808)	(2,583)	(288)
Cash inflows	1,440	13,154	16,532	19,896	20,742	21,261	21,792	22,337	22,896	23,468	24,055	24,656	25,272	23,249	2,590
Timbercorp Management Fee (3%)	43	395	496	597	622	638	654	670	687	704	722	740	758	697	78
Farm Operating Costs	5,780	6,390	6,550	6,713	6,881	7,053	7,230	7,410	7,596	7,786	7,980	8,180	8,384		
Admin Fee	252	258	265	271	278	285	292	299	307	315	322	330	339		
SHV Management Fee	833	854	875	897	920	943	966	990	1,015	1,041	1,067	1,093	1,121		
Harvest Costs	778	778	778	778	778	778	778	778	778	778	778	778	778		
Temporary water	1,575	866	225	-	-	-	-	-	-	-	-	-	-		
Licence/Rent Fee (\$852/lot indexed)	3,699	3,792	3,887	3,984	4,083	4,185	4,290	4,397	4,507	4,620	4,735	4,854	4,975		
Hulling & Cracking	910	1,195	1,280	1,324	1,357	1,391	1,426	1,462	1,498	1,536	1,574	1,613	1,654	339	
Sorting & Packing	743	1,928	2,052	2,163	2,217	2,272	2,329	2,387	2,447	2,508	2,571	2,635	2,701	1,661	
Marketing	167	577	613	649	665	682	699	716	734	752	771	791	810	581	
Other	(28)														
Cash outflows	14,753	17,033	17,020	17,377	17,802	18,228	18,664	19,111	19,570	20,039	20,521	21,014	21,520	3,279	78
Net grower cash flow	(13,313)	(3,880)	(489)	2,519	2,940	3,033	3,128	3,226	3,326	3,429	3,534	3,642	3,752	19,970	2,513
Discounted at 17.5% pa	(11,330)	(2,810)	(301)	1,321	1,313	1,153	1,012	888	779	684	600	526	461	2,089	224
Net Present Value	(3,394)	=	(849)	per almond lot											

## "\$5.50 Scenario"

Net cash inflows	1,584	14,454	17,864	20,044	20,742	21,261	21,792	22,337	22,896	23,468	24,055	24,656	25,272	23,249	2,590
Cash outflows	14,758	17,072	17,060	17,381	17,802	18,228	18,664	19,111	19,570	20,039	20,521	21,014	21,520	3,279	78
Net grower cash flow	(13,174)	(2,618)	803	2,663	2,940	3,033	3,128	3,226	3,326	3,429	3,534	3,642	3,752	19,970	2,513
Discounted at 17.5% pa	(11,212)	(1,896)	495	1,397	1,313	1,153	1,012	888	779	684	600	526	461	2,089	224
Net Present Value	(1,490)	=	(372)	per almond lot											

## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

## ii. 2002 Schemes

## "\$5.00 Scenario"

\$ per hectare	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Yield (kg/ha)	3,200	3,300	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459		
Price (\$/kg)	\$ 5.00	\$ 5.50	\$ 6.50	\$ 6.66	\$ 6.83	\$ 7.00	\$ 7.17	\$ 7.35	\$ 7.54	\$ 7.73	\$ 7.92	\$ 8.12	\$ 8.32		
Receipts	1,600	14,615	18,368	22,106	23,047	23,623	24,214	24,819	25,440	26,076	26,727	27,396	28,081	25,833	2,878
Less 10% joint venture share	(160)	(1,462)	(1,837)	(2,211)	(2,305)	(2,362)	(2,421)	(2,482)	(2,544)	(2,608)	(2,673)	(2,740)	(2,808)	(2,583)	(288)
Cash inflows	1,440	13,154	16,532	19,896	20,742	21,261	21,792	22,337	22,896	23,468	24,055	24,656	25,272	23,249	2,590
Timbercorp Management Fee (3%)	43	395	496	597	622	638	654	670	687	704	722	740	758	697	78
Farm Operating Costs	5,780	6,390	6,550	6,713	6,881	7,053	7,230	7,410	7,596	7,786	7,980	8,180	8,384	-	-
Admin Fee	252	258	265	271	278	285	292	299	307	315	322	330	339	-	-
SHV Management Fee	833	854	876	897	920	943	966	991	1,015	1,041	1,067	1,093	1,121	-	-
Harvest Costs	778	778	778	778	778	778	778	778	778	778	778	778	778	-	-
Temporary water	1,575	866	225	-	-	-	-	-	-	-	-	-	-	-	-
Licence/Rent Fee (\$852/lot indexed)	3,699	3,792	3,887	3,984	4,083	4,185	4,290	4,397	4,507	4,620	4,735	4,854	4,975	-	-
Hulling & Cracking	910	1,195	1,280	1,324	1,357	1,391	1,426	1,462	1,498	1,536	1,574	1,613	1,654	339	-
Sorting & Packing	743	1,928	2,052	2,163	2,217	2,272	2,329	2,387	2,447	2,508	2,571	2,635	2,701	1,661	-
Marketing	167	577	613	649	665	682	699	716	734	752	771	791	810	581	-
Other	(228)														
Cash outflows	14,553	17,033	17,020	17,377	17,802	18,228	18,664	19,111	19,570	20,040	20,521	21,015	21,521	3,279	78
Net grower cash flow	(13,113)	(3,880)	(489)	2,519	2,940	3,033	3,128	3,226	3,326	3,428	3,534	3,641	3,752	19,970	2,513
Discounted at 17.5% pa	(11,160)	(2,810)	(301)	1,321	1,313	1,152	1,012	888	779	683	600	526	461	2,089	224
Net Present Value	(3,225)	=	(806)	per almond lot											

## "\$5.50 Scenario"

Net cash inflows	1,584	14,454	17,864	20,044	20,742	21,261	21,792	22,337	22,896	23,468	24,055	24,656	25,272	23,249	2,590
Cash outflows	14,558	17,072	17,060	17,381	17,802	18,228	18,664	19,111	19,570	20,040	20,521	21,015	21,521	3,279	78
Net grower cash flow	(12,974)	(2,618)	803	2,663	2,940	3,033	3,128	3,226	3,326	3,428	3,534	3,641	3,752	19,970	2,513
Discounted at 17.5% pa	(11,041)	(1,897)	495	1,397	1,313	1,152	1,012	888	779	683	600	526	461	2,089	224
Net Present Value	(1,320)	=	(330)	per almond lot											

## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

## iii. 2005 Schemes

## "\$5.00 Scenario"

\$ per hectare	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Yield (kg/ha)	2,100	2,700	3,000	3,300	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459		
Price (\$/kg)	\$ 5.00	\$ 5.50	\$ 6.50	\$ 6.66	\$ 6.83	\$ 7.00	\$ 7.17	\$ 7.35	\$ 7.54	\$ 7.73	\$ 7.92	\$ 8.12	\$ 8.32	\$ 8.53	\$ 8.74	\$ 8.96		
Cash inflows	1,050	9,885	14,880	19,284	21,901	23,517	24,214	24,819	25,440	26,076	26,727	27,396	28,081	28,783	29,502	30,240	27,819	3,099
Timbercorp Management Fee (4.5%)	47	445	670	868	986	1,058	1,090	1,117	1,145	1,173	1,203	1,233	1,264	1,295	1,328	1,361	1,252	139
Farm Operating Costs	6,422	7,100	7,278	7,459	7,646	7,837	8,033	8,234	8,440	8,651	8,867	9,089	9,316	9,549	9,787	10,032	-	-
Admin Fee	233	239	245	251	257	264	270	277	284	291	298	306	313	321	329	337	-	-
SHV Management Fee	808	828	849	870	892	914	937	960	984	1,009	1,034	1,060	1,087	1,114	1,142	1,170	-	-
Harvest Costs	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	-	-
Temporary water	1,744	963	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licence/Rent Fee (Note 1)	1,818	5,091	5,218	5,349	5,482	5,619	5,760	5,904	6,051	6,203	6,358	6,517	6,680	6,847	7,018	7,193	-	-
Hulling & Cracking	595	937	1,094	1,236	1,340	1,387	1,421	1,457	1,493	1,531	1,569	1,608	1,648	1,690	1,732	1,775	364	-
Sorting & Packing	486	1,388	1,715	1,945	2,149	2,265	2,322	2,380	2,439	2,500	2,563	2,627	2,692	2,760	2,829	2,899	1,783	-
Marketing	109	406	509	578	642	679	696	714	732	750	769	788	808	828	849	870	624	-
Other	535																	
Cash outflows	13,663	18,261	18,692	19,420	20,259	20,889	21,394	21,907	22,433	22,973	23,525	24,092	24,672	25,268	25,878	26,503	4,023	139
Net grower cash flow	(12,613)	(8,376)	(3,812)	(137)	1,643	2,629	2,820	2,912	3,006	3,103	3,202	3,304	3,408	3,515	3,624	3,737	23,796	2,960
Discounted at 17.5% pa	(10,735)	(6,067)	(2,350)	(72)	733	999	912	801	704	619	543	477	419	368	323	283	1,534	162
Net Present Value	(10,346)	=	(2,586)	per almond lot														

## "\$5.50 Scenario"

Net cash inflows	1,155	10,860	16,065	19,419	21,901	23,517	24,214	24,819	25,440	26,076	26,727	27,396	28,081	28,783	29,502	30,240	27,819	3,099
Cash outflows	13,668	18,305	18,745	19,426	20,259	20,889	21,394	21,907	22,433	22,973	23,525	24,092	24,672	25,268	25,878	26,503	4,023	139
Net grower cash flow	(12,513)	(7,445)	(2,680)	(8)	1,643	2,629	2,820	2,912	3,006	3,103	3,202	3,304	3,408	3,515	3,624	3,737	23,796	2,960
Discounted at 17.5% pa	(10,650)	(5,392)	(1,652)	(4)	733	999	912	801	704	619	543	477	419	368	323	283	1,534	162
Net Present Value	(8,821)	=	(2,205)	per almond lot														

Note 1: Licence/rent is \$500 per lot (incl GST) to 2010, then \$1400 per lot (incl GST) indexed to CPI



## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

## iv. 2006 Scheme

## "\$5.00 Scenario"

\$ per hectare	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Yield (kg /ha)	1,500	2,100	2,700	3,000	3,300	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459		
Price (\$/kg)	\$ 5.00	\$ 5.50	\$ 6.50	\$ 6.66	\$ 6.83	\$ 7.00	\$ 7.17	\$ 7.35	\$ 7.54	\$ 7.73	\$ 7.92	\$ 8.12	\$ 8.32	\$ 8.53	\$ 8.74	\$ 8.96	\$ 9.18	\$ 9.41	\$ 9.65	\$ 9.89		
Cash inflows	750	7,155	11,745	17,194	19,999	22,449	24,105	24,819	25,440	26,076	26,727	27,396	28,081	28,783	29,502	30,240	30,996	31,771	32,565	33,379	30,707	3,421
Timbercorp Management Fee (5%)	38	358	587	860	1,000	1,122	1,205	1,241	1,272	1,304	1,336	1,370	1,404	1,439	1,475	1,512	1,550	1,589	1,628	1,669	1,535	171
Farm Operating Costs	6,128	6,546	8,125	8,328	8,536	8,750	8,969	9,193	9,423	9,658	9,900	10,147	10,401	10,661	10,927	11,201	11,481	11,768	12,062	12,363	-	-
Admin Fee (\$200/ha indexed)	226	231	237	243	249	255	262	268	275	282	289	296	304	311	319	327	335	344	352	361	-	-
SHV Management Fee	705	722	740	759	778	797	817	838	859	880	902	925	948	971	996	1,021	1,046	1,072	1,099	1,127	-	-
Harvest Costs	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	-	-
Temporary water	1,308	887	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licence/Rent Fee (Note 1)	2,800	2,800	5,849	5,995	6,145	6,299	6,456	6,618	6,783	6,953	7,127	7,305	7,487	7,674	7,866	8,063	8,265	8,471	8,683	8,900	-	-
Hulling & Cracking	417	704	941	1,099	1,241	1,346	1,392	1,427	1,463	1,499	1,537	1,575	1,615	1,655	1,696	1,739	1,782	1,827	1,873	1,919	393	-
Sorting & Packing	340	1,011	1,394	1,722	1,952	2,158	2,274	2,331	2,389	2,449	2,510	2,573	2,637	2,703	2,771	2,840	2,911	2,984	3,058	3,135	1,928	-
Marketing	77	293	407	511	580	644	682	699	717	735	753	772	791	811	831	852	873	895	918	940	675	-
Other	728																					
Cash outflows	13,924	14,972	18,548	19,513	20,457	21,323	21,987	22,521	23,062	23,617	24,186	24,769	25,366	25,979	26,607	27,250	27,910	28,586	29,279	29,990	4,532	171
Net grower cash flow	(13,174)	(7,817)	(6,803)	(2,319)	(458)	1,125	2,118	2,298	2,377	2,458	2,542	2,627	2,714	2,804	2,895	2,989	3,086	3,184	3,286	3,389	26,175	3,250
Discounted at 17.5% pa	(11,212)	(5,662)	(4,194)	(1,217)	(205)	428	685	633	557	490	431	379	334	293	258	226	199	175	153	135	885	94
Net Present Value	(16,134)	=	(4,034) per almond lot																			
\$5.50 Scenario																						
Net cash inflows	825	7,860	12,660	17,299	19,999	22,449	24,105	24,819	25,440	26,076	26,727	27,396	28,081	28,783	29,502	30,240	30,996	31,771	32,565	33,379	30,707	3,421
Cash outflows	13,927	15,007	18,594	19,518	20,457	21,323	21,987	22,521	23,062	23,617	24,186	24,769	25,366	25,979	26,607	27,250	27,910	28,586	29,279	29,990	4,532	171
Net grower cash flow	(13,102)	(7,147)	(5,934)	(2,219)	(458)	1,125	2,118	2,298	2,377	2,458	2,542	2,627	2,714	2,804	2,895	2,989	3,086	3,184	3,286	3,389	26,175	3,250
Discounted at 17.5% pa	(11,151)	(5,177)	(3,658)	(1,164)	(205)	428	685	633	557	490	431	379	334	293	258	226	199	175	153	135	885	94
Net Present Value	(15,000)	=	(3,750) per almond lot																			

Note 1: Licence/rent is \$770 per lot (incl GST) to 2011, then \$1608 per lot (incl GST) indexed to CPI

## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

## v. 2007+ Schemes

## "\$5.00 Scenario"

\$ per hectare	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Yield (kg /ha)	650	1,500	2,100	2,700	3,000	3,300	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459		
Price (\$/kg)	\$ 5.00	\$ 5.50	\$ 6.50	\$ 6.66	\$ 6.83	\$ 7.00	\$ 7.17	\$ 7.35	\$ 7.54	\$ 7.73	\$ 7.92	\$ 8.12	\$ 8.32	\$ 8.53	\$ 8.74	\$ 8.96	\$ 9.18	\$ 9.41	\$ 9.65	\$ 9.89	\$ 10.14		
Receipts	325	3,425	8,290	13,544	17,805	20,499	23,010	24,708	25,440	26,076	26,727	27,396	28,081	28,783	29,502	30,240	30,996	31,771	32,565	33,379	34,213	31,474	3,507
Direct selling costs/levy	10	103	249	406	534	615	690	741	763	782	802	822	842	863	885	907	930	953	977	1,001	1,026	944	105
Cash inflows	315	3,322	8,041	13,138	17,271	19,884	22,320	23,967	24,676	25,293	25,926	26,574	27,238	27,919	28,617	29,332	30,066	30,817	31,588	32,378	33,187	30,530	3,401
Timbercorp Management Fee (3.25%)	10	108	261	427	561	646	725	779	802	822	843	864	885	907	930	953	977	1,002	1,027	1,052	1,079	992	111
Timbercorp Management Fee 2 (3.5%)	-	-	-	460	604	696	781	839	864	885	907	930	953	977	1,002	1,027	1,052	1,079	1,106	1,133	1,162	1,069	119
Farm Operating Costs	5,753	6,422	7,100	7,278	7,459	7,646	7,837	8,033	8,234	8,440	8,651	8,867	9,089	9,316	9,549	9,787	10,032	10,283	10,540	10,803	11,074	-	-
Admin Fee (\$200/ha Indexed)	219	225	230	236	242	248	254	261	267	274	281	288	295	302	310	318	326	334	342	351	359	-	-
SHV Management Fee	646	662	678	695	713	730	749	767	787	806	826	847	868	890	912	935	958	982	1,007	1,032	1,058	-	-
Harvest Costs	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	-	-
Temporary water	959	785	226	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licence/Rent Fee (Note 1)	2,800	2,800	2,800	5,856	6,003	6,153	6,306	6,464	6,626	6,791	6,961	7,135	7,314	7,496	7,684	7,876	8,073	8,275	8,481	8,694	8,911	-	-
Hulling & Cracking	174	456	695	928	1,084	1,225	1,328	1,374	1,408	1,443	1,479	1,516	1,554	1,593	1,633	1,674	1,716	1,759	1,803	1,848	1,894	388	-
Sorting & Packing	142	554	998	1,375	1,699	1,926	2,129	2,244	2,300	2,358	2,416	2,477	2,539	2,602	2,667	2,734	2,802	2,872	2,944	3,018	3,093	1,902	-
Marketing	32	152	289	402	504	572	636	673	690	707	725	743	762	781	800	820	841	862	883	905	928	666	-
Cash outflows	11,600	13,028	14,143	18,522	19,735	20,708	21,611	22,299	22,842	23,392	23,955	24,532	25,124	25,730	26,352	26,989	27,642	28,312	28,998	29,701	30,422	5,017	230
Net grower cash flow	(11,285)	(9,705)	(6,101)	(5,385)	(2,464)	(824)	709	1,668	1,834	1,902	1,971	2,042	2,114	2,189	2,265	2,343	2,424	2,506	2,590	2,676	2,765	25,513	3,172
Discounted at 17.5% pa	(9,604)	(7,030)	(3,761)	(2,825)	(1,100)	(313)	229	459	430	379	334	295	260	229	202	178	156	137	121	106	94	734	78
Net Present Value	(20,213)	=	(5,053)	per almond lot																			

## "\$5.50 Scenario"

Net cash inflows	347	3,647	8,655	13,210	17,271	19,884	22,320	23,967	24,676	25,293	25,926	26,574	27,238	27,919	28,617	29,332	30,066	30,817	31,588	32,378	33,187	30,530	3,401
Cash outflows	11,601	13,038	14,162	18,527	19,735	20,708	21,611	22,299	22,842	23,392	23,955	24,532	25,124	25,730	26,352	26,989	27,642	28,312	28,998	29,701	30,422	5,017	230
Net grower cash flow	(11,254)	(9,391)	(5,508)	(5,317)	(2,464)	(824)	709	1,668	1,834	1,902	1,971	2,042	2,114	2,189	2,265	2,343	2,424	2,506	2,590	2,676	2,765	25,513	3,172
Discounted at 17.5% pa	(9,578)	(6,802)	(3,395)	(2,789)	(1,100)	(313)	229	459	430	379	334	295	260	229	202	178	156	137	121	106	94	734	78
Net Present Value	(19,557)	=	(4,889)	per almond lot																			

Note 1: Licence/rent is \$770 per lot (incl GST) to 2012, then \$1610.45 per lot (incl GST) Indexed to CPI

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

Appendix 6 – “Restructured Scheme Scenario” DCF Valuation of Schemes

a. Methodology

This section provides “Restructured Scheme Scenario” DCF valuations of the Almond Schemes to the Growers under the hypothetical assumption that the Schemes may be restructured in a manner as proposed by the TGG, including that:

- the RE of all Schemes may be replaced without affecting the Growers’ rights;
- there exists an RE, with the appropriate qualifications, experience and funding, that would be willing to assume the role of RE for the Schemes, and thereby assume all of the liabilities of the Schemes; and
- the necessary agreements in relation to the Schemes can be renegotiated and new agreements can be reached with all relevant stakeholders on terms which are more favourable to the Growers.

I note the following by way of caution:

- This section is not intended to provide my view of the likely current value of the Schemes to Growers given the prevailing circumstances (whereby TSL, Almond Land and AMPL are all insolvent).
- I have not had sufficient opportunity to test any of the information provided by TGG in this regard.
- In providing this additional analysis, I should not be taken to be providing any view at all as to the veracity of the above hypothetical assumptions or the possibility that they might eventuate.
- Accordingly, this Restructured Scheme Scenario DCF valuation should be regarded as untested, unreliable and provided only for the limited purpose of illustrating the impact on the Status Quo Going-Concern Scenario DCF valuation caused by the insertion of different

assumptions for certain of the variables and circumstances assumed in or implied by the Timbercorp Models.

As with the Status Quo Going-Concern Scenario DCF valuations (refer to Appendix 5), I have used the Timbercorp Models as the *basis* for my financial analysis of the Restructured Scheme Scenario DCF valuations. The assumptions that I have used in the DCF model for the Restructured Scheme Scenario are detailed in subsection b. below.

As with the Status Quo Going-Concern Scenario DCF valuations, in valuing the schemes, I have assumed the Growers’ rights to receive the net proceeds of the crop, subject to paying certain costs, are maintained until the date each scheme would have ordinarily terminated.

Please note that as with the Status Quo Going-Concern Scenario DCF valuations, the model used to value the Restructured Scheme Scenario does not include any net proceeds from harvests prior to the FY2010 crop harvest (i.e. the FY2008 and FY2009 crops) because the Scheme agreements require that the proceeds from the sale of these crops are distributed to the Growers, net of costs and other applicable set-offs. That is, the Growers are entitled to receive the net proceeds of the FY2008 and FY2009 crop harvests irrespective of, and in addition to, any value that the Growers may have arising from the Cropping Rights for the FY2010 and later harvests.

As with the Status Quo Going-Concern Scenario DCF valuations, my DCF valuation model values the Schemes on a pre-tax, all equity basis. I have not considered or made any assumptions with respect to individual Growers’ tax position or individual Growers choices with respect to funding their investments in the Schemes.

As with the Status Quo Going-Concern Scenario DCF valuations, the forecast cash flows in the Restructured Scheme Scenario have been discounted to provide an NPV as of 1 July 2009, assuming that forecast annual cash flows occur on the last day of the year.

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**b. Key assumptions**

Subsection c. below provides DCF valuation ranges for the Restructured Scheme Scenario for each individual scheme and is calculated based on assumptions as summarised in the table below.

Summary of Restructured Scheme Scenario Assumptions

Variable	Assumption
Almond Sale Price	A range based on two scenarios, the "\$5.00 Scenario" and the "\$5.50 Scenario" – the same as in the Status Quo Going-Concern Scenario.
Crop Yield	The same as in the Status Quo Going-Concern Scenario.
PWR Allocations	The same as in the Status Quo Going-Concern Scenario.
Cost of Temporary Water	The same as in the Status Quo Going-Concern Scenario.
Orchard Operating Costs	The same as in the Status Quo Going-Concern Scenario.
Contracted Obligations	
PWR Licences	No new PWRs are acquired by the asset lessor. PWR licences currently owned by Almond Land are leased to the Schemes. Additional water requirements of the Schemes are met by purchasing Temporary Water at the prevailing rates.
Capex	Outstanding capex requirements are to be funded by the Growers. Outstanding capex by Scheme is assumed to be:

- Nil for the 2002 Schemes;
- \$1.5 million for the 2005 Schemes, spread over two years;
- \$5.7 million for the 2006 Schemes, spread over two years;
- \$21.9 million for the 2007+ Schemes, spread over four years;

**Orchard Management Fees** Orchard management fees (i.e. the management fees currently being paid to Select Harvest) are assumed to be \$680 per ha for all schemes, irrespective of the age of the orchards.

**Crop Sale Agreement** Select Harvests is assumed to fund the farm operating expenses, its orchard management fees and admin fees for three months against the crop proceeds/Grower contributions when received.

**Scheme Management Fees** No longer payable.

**Administration Fees** \$125 per ha indexed by 2.5% per annum.

**Licence Fees (Rent)** Based on 9.0% of the value of the assets leased, where the value of the assets leased is assumed to be:

- Land value (at \$20,000 per ha); plus
- Value of the PWRs currently owned by Almond Land (at \$2,000 per ML); less

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

	<ul style="list-style-type: none"><li>• Outstanding capital expenditure requirements.</li></ul>
Discount Rate	17.5% – the same as in the Status Quo Going-Concern Scenario.

My assumptions regarding each of these variables and the basis for making these assumptions is provided below.

No representation or warranty is given as to the accuracy, completeness, likelihood of achievement or reasonableness of any forecasts, projections or forward-looking statements contained in the document. Forecasts, projections and forward-looking statements are by their nature subject to significant uncertainties and contingencies. Readers should make their own independent assessment of the information and seek their own independent professional advice in relation to the information and any action taken on the basis of the information.

As with the Status Quo Going-Concern Scenario DCF valuations (refer to Appendix 5), in forming my view regarding some of these assumptions, I have consulted with Mr Lynch. Mr. Lynch has stated that he does not agree with some of the assumptions the TGG have provided in respect of their hypothetical scenario.

**i. Almond Sale Price**

I have adopted the same assumptions for almond sale price as was adopted in the Status Quo Going-Concern Scenario (refer to Appendix 5 section b.i.).

**ii. Timing of Crop Receipts**

I have adopted the same assumptions for timing of crop receipts as was adopted in the Status Quo Going-Concern Scenario (refer to Appendix 5 section b.ii.).

**iii. Crop Yield**

I have adopted the same assumptions for crop yield as was adopted in the Status Quo Going-Concern Scenario (refer to Appendix 5 section b.iii.).

**iv. Water Costs (Licence Allocations and Temporary Water Costs)**

I have adopted the same assumptions for PWR Licence allocations and Temporary Water costs as was adopted in the Status Quo Going-Concern Scenario (refer to Appendix 5 section b.iv.).

The amount of water that will actually be allocated under the PWRs is dependent on climatic conditions and therefore cannot be accurately predicted. Any material variations in the allocation of water may materially affect the cash flow and the value of the Schemes.

**v. Orchard Operating Costs**

I have adopted the same assumptions for Orchard Operating Costs as was adopted in the Status Quo Going-Concern Scenario (refer to Appendix 5 section b.v.).

**vi. Other Contracted Obligations**

The Restructured Scheme Scenario is based upon the principal assumption that the Schemes may be restructured in a manner as proposed by the TGG.

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The TGG have provided me with their view of how they believe that the contracted obligations may be able to be restructured.

I have not been provided with sufficient evidence to support that their assumptions regarding contracted obligations are likely to be legally or commercially achievable.

The changes to the contracted obligations that I have adopted are based upon the assumptions provided by the TGG and are provided below.

**a. PWR Licences**

Under the existing Scheme Agreements, Almond Land is obliged to purchase additional PWRs for some of the schemes over time.

The TGG have assumed that that under a hypothetical restructuring scenario the PWR licences currently owned by Almond Land would continue to be leased to the Schemes, but that no new PWRs would be acquired by Almond Land or any potential new asset lessor. Instead, the TGG has assumed that the additional water requirements of the Schemes would be met by purchasing Temporary Water at the assumed prevailing rates, funded by the Growers.

For the purposes of the Restructured Scheme Scenario, I have adopted the assumption provided by the TGG regarding PWR licences.

**b. Capex**

Under the existing Scheme Agreements, Almond Land is obliged to meet the outstanding capex requirements for some of the schemes over time.

The TGG has assumed that under a hypothetical restructuring scenario the outstanding capex requirements would be funded by the Growers.

The assumed outstanding capex by Scheme provided to me by the TGG is:

- Nil for the 2002 Schemes;
- \$1.5 million for the 2005 Schemes, spread over two years;
- \$5.7 million for the 2006 Schemes, spread over two years;
- \$21.9 million for the 2007+ Schemes, spread over four years;

For the purposes of the Restructured Scheme Scenario, I have adopted the TGG's assumption that the outstanding capex requirements will be funded by the Growers and I have adopted the TGG's assumption regarding the amount and timing of the outstanding capex.

Please note that the TGG has assumed that the Growers would finance the capex via loans and that the capex would be amortised over the life of the Schemes. These assumptions are not relevant to my valuation as I have valued the Schemes on a pre-tax, all equity basis.

- I have not considered how the Growers choose to fund their investments in the Schemes, however it may have an impact on the returns to the individual Growers.
- A DCF model only incorporates expected cash flows. Capex is a cash flow item. Depreciation or amortisation associated with capex is not a cash flow item, however it may have a cash flow impact in respect of taxes if the depreciation or amortisation associated with capex is tax-deductible. I have not considered the impact of depreciation or amortisation associated with capex as I have valued the Schemes on a pre-tax basis, however it may have an impact on the returns to the individual Growers.

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

**c. Orchard Management Fees**

The TGG has provided me with an estimate of orchard management fees and costs that they believe could be achieved assuming that the orchard management agreement (whereby Select Harvest is currently subcontracted as the orchard manager) could be renegotiated under a hypothetical restructuring scenario.

I have not been provided with sufficient evidence to support that this assumption is likely to be legally or commercially achievable.

The TGG has assumed that Orchard management fees may be renegotiated to be \$680 per ha for all schemes, irrespective of the age of the orchards.

I have adopted the orchard management fees assumption as provided by the TGG for the purposes of the Restructured Scheme Scenario.

**d. Scheme Management Fees**

The TGG has assumed that the Scheme Management Fees currently paid to TSL under the existing Scheme Agreements would no longer be payable under a hypothetical restructuring scenario.

I have not been provided with sufficient evidence to support that this assumption is likely to be legally or commercially achievable.

For the purposes of the Restructured Scheme Scenario, however, I have adopted the TGG's assumption in respect of Scheme Management Fees.

**e. Administration Fees**

The TGG has assumed that under a hypothetical restructuring scenario, the Administration Fees currently paid to TSL under the existing Scheme Agreements could be renegotiated to \$125 per ha per annum.

I have not been provided with sufficient evidence to support that this assumption is likely to be legally or commercially achievable.

For the purposes of the Restructured Scheme Scenario, however, I have adopted the TGG's assumption in respect of Administration Fees.

**f. Licence Fees (Rent)**

The TGG has assumed that, under a hypothetical restructuring scenario, the licence fees (rent) could be renegotiated such that the licence would be based on 9.0% of the value of the assets leased, where the value of the assets leased is assumed to be:

- Land value (at \$20,000 per ha); plus
- Value of the PWRs currently owned by Almond Land (at \$2,000 per ML); less
- Outstanding capital expenditure requirements.

I have not been provided with sufficient evidence to support that this assumption is likely to be legally or commercially achievable.

For the purposes of the Restructured Scheme Scenario, however, I have adopted the TGG's assumption in respect of Licence Fees.

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

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**vii. Discount Rate**

The discount rate applied to determine the NPV of any project should reflect the level of risk associated with the project.

The level of risk associated with the underlying horticultural project is not altered by the assumptions that have been adopted in the Restructured Scheme Scenario.

I have adopted the same assumption for the Discount Rate as was adopted in the Status Quo Going-Concern Scenario (refer to Appendix 5 section b.vii.).

The discount rate applied can materially affect the calculated NPV of the cash flows.



## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

## c. Summary of Restructured Scheme Scenario DCF Valuations

## Summary of Restructured Scheme Scenario DCF Valuation Ranges

Scheme	Value Range Per Lot	
	"\$5.00 Scenario"	"\$5.50 Scenario"
All 2002 Schemes (incl 2002 PO)	\$788	\$1,334
2005	\$658	\$1,057
2006	\$688	\$987
2007+ Schemes	(\$1,079)	(\$909)

Sources: PPB, TGG, Linvest, Timbercorp Management.

(1) Refer to subsections a. and b. for details of methodology and assumptions adopted.

The above table indicates that subject the underlying assumptions, the 2007+ Schemes have a negative NPV, meaning that a rational investor would not choose to continue to invest in these schemes, irrespective of his (or her) existing sunk investment costs. As a rational investor would terminate their

investment in the schemes with a negative NPV, these schemes should be considered to have no value, rather a negative value.

The total value of the schemes with a positive NPV may be between approximately \$10.9 million and \$16.4 million.

Please note, the values listed in the table above do not include any net proceeds from harvests prior to the FY2010 crop harvest (i.e. the FY2008 and FY2009 crops) because the Scheme agreements require that the proceeds from the sale of these crops are distributed to the Growers net of costs and other applicable set-offs. The Growers are entitled to receive the net proceeds of the FY2008 and FY2009 crop harvests irrespective of, and in addition to, any value that the Growers may have arising from the Cropping Rights for the FY2010 and later harvests.

For details of the specific cash flows of each scheme, refer subsection d. below.

## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

## d. DCF valuation details – Restructured Scheme Scenario

The following tables set out the detailed results of the DCF calculations for each of the schemes under the Restructured Scheme Scenario assumptions set out in subsection b. above.

## i. 2002 Schemes

\$ per hectare	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Yield (kg /ha)	3,200	3,300	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459		
Price (\$/kg)	\$ 5.00	\$ 5.50	\$ 6.50	\$ 6.66	\$ 6.83	\$ 7.00	\$ 7.17	\$ 7.35	\$ 7.54	\$ 7.73	\$ 7.92	\$ 8.12	\$ 8.32		
Receipts	1,600	14,615	18,368	22,106	23,047	23,623	24,214	24,819	25,440	26,076	26,727	27,396	28,081	25,833	2,878
Less joint venture share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash inflows	1,600	14,615	18,368	22,106	23,047	23,623	24,214	24,819	25,440	26,076	26,727	27,396	28,081	25,833	2,878
Farm Operating Costs	6,422	7,100	7,278	7,459	7,646	7,837	8,033	8,234	8,440	8,651	8,867	9,089	9,316		
Admin Fee	125	128	131	135	138	141	145	149	152	156	160	164	168		
SHV Management Fee	680	697	714	732	751	769	789	808	829	849	870	892	915		
Harvest Costs	865	865	865	865	865	865	865	865	865	865	865	865	865		
Crop sale agreement	(1,776)	(174)	(49)	(50)	(51)	(52)	(54)	(55)	(57)	(58)	(59)	(61)	(62)	2,558	
Temporary water	1,750	963	250	-	-	-	-	-	-	-	-	-	-		
Rent	4,050	4,151	4,255	4,361	4,470	4,582	4,697	4,814	4,935	5,058	5,184	5,314	5,447		
Hulling & Cracking	1,011	1,328	1,422	1,471	1,508	1,546	1,584	1,624	1,665	1,706	1,749	1,793	1,837	377	
Sorting & Packing	826	2,142	2,280	2,403	2,463	2,525	2,588	2,653	2,719	2,787	2,857	2,928	3,001	1,846	
Marketing	186	641	681	721	739	757	776	796	816	836	857	878	900	646	
Cash outflows	14,139	17,841	17,827	18,098	18,529	18,971	19,423	19,887	20,363	20,850	21,350	21,862	22,387	5,426	
Net grower cash flow	(12,539)	(3,226)	541	4,008	4,518	4,653	4,791	4,932	5,077	5,225	5,378	5,534	5,694	20,407	2,878
Discounted at 17.5% pa	(10,672)	(2,337)	333	2,103	2,017	1,768	1,549	1,357	1,189	1,042	912	799	700	2,134	256
Net Present Value	3,152	=	788	per almond lot											
\$5.50 Scenario															
Net cash inflows	1,760	16,060	19,848	22,271	23,047	23,623	24,214	24,819	25,440	26,076	26,727	27,396	28,081	25,833	2,878
Cash outflows	14,139	17,841	17,827	18,098	18,529	18,970	19,423	19,887	20,363	20,850	21,350	21,862	22,387	5,426	
Net grower cash flow	(12,379)	(1,781)	2,021	4,173	4,518	4,653	4,791	4,932	5,077	5,226	5,378	5,534	5,694	20,407	2,878
Discounted at 17.5% pa	(10,535)	(1,290)	1,246	2,189	2,017	1,768	1,549	1,357	1,189	1,042	912	799	700	2,134	256
Net Present Value	5,334	=	1,334	per almond lot											

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

ii. 2005 Schemes

"\$5.00 Scenario"

\$ per hectare	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Yield (kg /ha)	2,100	2,700	3,000	3,300	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459		
Price (\$/kg)	\$ 5.00	\$ 5.50	\$ 6.50	\$ 6.66	\$ 6.83	\$ 7.00	\$ 7.17	\$ 7.35	\$ 7.54	\$ 7.73	\$ 7.92	\$ 8.12	\$ 8.32	\$ 8.53	\$ 8.74	\$ 8.96		
Cash inflows	1,050	10,659	14,880	19,284	21,901	23,517	24,214	24,819	25,440	26,076	26,727	27,396	28,081	28,783	29,502	30,240	27,819	3,099
Farm Operating Costs	6,422	7,100	7,278	7,459	7,646	7,837	8,033	8,234	8,440	8,651	8,867	9,089	9,316	9,549	9,787	10,032		
Admin Fee	125	128	131	135	138	141	145	149	152	156	160	164	168	172	177	181		
SHV Management Fee	680	697	714	732	751	769	789	808	829	849	870	892	915	937	961	985		
Harvest Costs	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865		
Crop sale agreement	(1,776)	(174)	(49)	(50)	(51)	(52)	(54)	(55)	(57)	(58)	(59)	(61)	(62)	(64)	(66)	(67)	2,754	
Temporary water	2,191	1,689	602	264	264	264	264	264	264	264	264	264	264	264	264	264		
Rent	3,060	3,136	3,215	3,295	3,377	3,462	3,548	3,637	3,728	3,821	3,917	4,015	4,115	4,218	4,323	4,432		
Hulling & Cracking	595	937	1,094	1,236	1,340	1,387	1,421	1,457	1,493	1,531	1,569	1,608	1,648	1,690	1,732	1,775	364	
Sorting & Packing	486	1,388	1,715	1,945	2,149	2,265	2,322	2,380	2,439	2,500	2,563	2,627	2,692	2,760	2,829	2,899	1,783	
Marketing	109	406	509	578	642	679	696	714	732	750	769	788	808	828	849	870	624	
Capex	1,305	1,194																
Cash outflows	14,063	17,366	16,074	16,459	17,120	17,617	18,029	18,452	18,885	19,329	19,784	20,250	20,728	21,218	21,721	22,235	5,525	
Net grower cash flow	(13,013)	(6,707)	(1,194)	2,825	4,781	5,900	6,184	6,367	6,555	6,747	6,943	7,145	7,352	7,564	7,781	8,004	22,293	3,099
Discounted at 17.5% pa	(11,075)	(4,858)	(736)	1,482	2,135	2,242	2,000	1,752	1,535	1,345	1,178	1,032	903	791	693	606	1,437	170
Net Present Value	2,633	=	658	per almond lot														

"\$5.50 Scenario"

Net cash inflows	1,155	11,634	16,065	19,419	21,901	23,517	24,214	24,819	25,440	26,076	26,727	27,396	28,081	28,783	29,502	30,240	27,819	3,099
Cash outflows	14,063	17,366	16,074	16,459	17,120	17,617	18,029	18,452	18,885	19,329	19,784	20,250	20,728	21,218	21,721	22,235	5,525	
Net grower cash flow	(12,908)	(5,732)	(9)	2,960	4,781	5,900	6,184	6,367	6,555	6,747	6,943	7,145	7,352	7,564	7,781	8,004	22,293	3,099
Discounted at 17.5% pa	(10,986)	(4,152)	(6)	1,553	2,135	2,242	2,000	1,752	1,535	1,345	1,178	1,032	903	791	693	606	1,437	170
Net Present Value	4,230	=	1,057	per almond lot														

## REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

## iii. 2006 Scheme

## "\$5.00 Scenario"

\$ per hectare	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Yield (kg/ha)	1,500	2,100	2,700	3,000	3,300	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459		
Price (\$/kg)	\$ 5.00	\$ 5.50	\$ 6.50	\$ 6.66	\$ 6.83	\$ 7.00	\$ 7.17	\$ 7.35	\$ 7.54	\$ 7.73	\$ 7.92	\$ 8.12	\$ 8.32	\$ 8.53	\$ 8.74	\$ 8.96	\$ 9.18	\$ 9.41	\$ 9.65	\$ 9.89		
Cash inflows	750	7,584	11,745	17,194	19,999	22,449	24,105	24,819	25,440	26,076	26,727	27,396	28,081	28,783	29,502	30,240	30,996	31,771	32,565	33,379	30,707	3,421
Farm Operating Costs	5,891	6,422	7,100	7,278	7,459	7,646	7,837	8,033	8,234	8,440	8,651	8,867	9,089	9,316	9,549	9,787	10,032	10,283	10,540	10,803		
Admin Fee (\$200/ha indexed)	125	128	131	135	138	141	145	149	152	156	160	164	168	172	177	181	186	190	195	200		
SHV Management Fee	680	697	714	732	751	769	789	808	829	849	870	892	915	937	961	985	1,009	1,035	1,061	1,087		
Harvest Costs	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865		
Crop sale agreement	(1,643)	(137)	(174)	(49)	(50)	(51)	(53)	(54)	(55)	(57)	(58)	(60)	(61)	(63)	(64)	(66)	(67)	(69)	(71)	(73)	2,973	
Temporary water	1,771	1,469	762	384	384	384	384	384	384	384	384	384	384	384	384	384	384	384	384	384		
Rent	2,720	2,788	2,858	2,929	3,002	3,077	3,154	3,233	3,314	3,397	3,482	3,569	3,658	3,749	3,843	3,939	4,038	4,139	4,242	4,348		
Hulling & Cracking	417	704	941	1,099	1,241	1,346	1,392	1,427	1,463	1,499	1,537	1,575	1,615	1,655	1,696	1,739	1,782	1,827	1,873	1,919	393	
Sorting & Packing	340	1,011	1,394	1,722	1,952	2,158	2,274	2,331	2,389	2,449	2,510	2,573	2,637	2,703	2,771	2,840	2,911	2,984	3,058	3,135	1,928	
Marketing	77	293	407	511	580	644	682	699	717	735	753	772	791	811	831	852	873	895	918	940	675	
Capex	1,128	1,121																				
Cash outflows	12,370	15,361	14,998	15,605	16,323	16,979	17,470	17,875	18,291	18,717	19,154	19,602	20,060	20,531	21,013	21,507	22,013	22,532	23,064	23,610	5,969	
Net grower cash flow	(11,620)	(7,776)	(3,253)	1,589	3,676	5,470	6,635	6,944	7,148	7,358	7,574	7,794	8,020	8,252	8,489	8,733	8,982	9,238	9,500	9,769	24,738	3,421
Discounted at 17.5% pa	(9,889)	(5,632)	(2,006)	833	1,641	2,078	2,146	1,911	1,674	1,467	1,285	1,125	986	863	756	662	579	507	444	388	837	91
Net Present Value	2,753	=	688	per almond lot																		
"\$5.50 Scenario"																						
Net cash inflows	825	8,289	12,660	17,299	19,999	22,449	24,105	24,819	25,440	26,076	26,727	27,396	28,081	28,783	29,502	30,240	30,996	31,771	32,565	33,379	30,707	3,421
Cash outflows	12,370	15,361	14,998	15,605	16,323	16,979	17,470	17,875	18,291	18,717	19,154	19,602	20,060	20,531	21,013	21,507	22,013	22,532	23,064	23,610	5,969	
Net grower cash flow	(11,545)	(7,071)	(2,338)	1,694	3,676	5,470	6,635	6,944	7,148	7,358	7,574	7,794	8,020	8,252	8,489	8,733	8,982	9,238	9,500	9,769	24,738	3,421
Discounted at 17.5% pa	(9,826)	(5,122)	(1,441)	889	1,641	2,078	2,146	1,911	1,674	1,467	1,285	1,125	986	863	756	662	579	507	444	388	837	91
Net Present Value	3,947	=	987	per almond lot																		

REGARDING OFFER BY ALMOND LAND TO TIMBERCORP SECURITIES LIMITED

iv. 2007+ Schemes

"\$5.00 Scenario"

\$ per hectare	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Yield (kg /ha)	650	1,500	2,100	2,700	3,000	3,300	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	3,459	
Price (\$/kg)	\$ 5.00	\$ 5.50	\$ 6.50	\$ 6.66	\$ 6.83	\$ 7.00	\$ 7.17	\$ 7.35	\$ 7.54	\$ 7.73	\$ 7.92	\$ 8.12	\$ 8.32	\$ 8.53	\$ 8.74	\$ 8.96	\$ 9.18	\$ 9.41	\$ 9.65	\$ 9.89	\$ 10.14		
Receipts	325	3,425	8,290	13,544	17,805	20,499	23,010	24,708	25,440	26,076	26,727	27,396	28,081	28,783	29,502	30,240	30,996	31,771	32,565	33,379	34,213	31,474	3,507
Direct selling costs/levy	10	103	249	406	534	615	690	741	763	782	802	822	842	863	885	907	930	953	977	1,001	1,026	944	105
Cash inflows	315	3,322	8,041	13,138	17,271	19,884	22,320	23,967	24,676	25,293	25,926	26,574	27,238	27,919	28,617	29,332	30,066	30,817	31,588	32,378	33,187	30,530	3,401
Farm Operating Costs	5,617	5,957	6,422	7,100	7,278	7,459	7,646	7,837	8,033	8,234	8,440	8,651	8,867	9,089	9,316	9,549	9,787	10,032	10,283	10,540	10,803	-	-
Admin Fee	125	128	131	135	138	141	145	149	152	156	160	164	168	172	177	181	186	190	195	200	205	-	-
SHV Management Fee	680	697	714	732	751	769	789	808	829	849	870	892	915	937	961	985	1,009	1,035	1,061	1,087	1,114	-	-
Harvest Costs	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	865	-	-
Crop sale agreement	(1,574)	(89)	(121)	(174)	(49)	(50)	(51)	(53)	(54)	(55)	(57)	(58)	(60)	(61)	(63)	(64)	(66)	(67)	(69)	(71)	(73)	2,979	-
Temporary water	1,225	1,513	729	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	-	-
Rent	2,277	2,334	2,392	2,452	2,513	2,576	2,640	2,706	2,774	2,843	2,915	2,987	3,062	3,139	3,217	3,298	3,380	3,464	3,551	3,640	3,731	-	-
Hulling & Cracking	174	456	695	928	1,084	1,225	1,328	1,374	1,408	1,443	1,479	1,516	1,554	1,593	1,633	1,674	1,716	1,759	1,803	1,848	1,894	388	-
Sorting & Packing	142	554	998	1,375	1,699	1,926	2,129	2,244	2,300	2,358	2,416	2,477	2,539	2,602	2,667	2,734	2,802	2,872	2,944	3,018	3,093	1,902	-
Marketing	32	152	289	402	504	572	636	673	690	707	725	743	762	781	800	820	841	862	883	905	928	666	-
Capex	3,035	1,752	509	70																			
Cash outflows	12,597	14,317	13,624	14,335	15,232	15,935	16,576	17,054	17,447	17,850	18,264	18,687	19,122	19,567	20,023	20,491	20,970	21,462	21,965	22,482	23,011	5,936	-
Net grower cash flow	(12,282)	(10,995)	(5,583)	(1,198)	2,038	3,949	5,744	6,913	7,229	7,443	7,662	7,886	8,116	8,352	8,594	8,842	9,096	9,356	9,623	9,896	10,176	24,594	3,401
Discounted at 17.5% pa	(10,453)	(7,964)	(3,441)	(628)	910	1,501	1,858	1,903	1,693	1,484	1,300	1,139	997	874	765	670	586	513	449	393	344	708	83
Net Present Value	(4,316)	=	(1,079)	per almond lot																			
"\$5.50 Scenario"																							
Net cash inflows	347	3,647	8,855	13,210	17,271	19,884	22,320	23,967	24,676	25,293	25,926	26,574	27,238	27,919	28,617	29,332	30,066	30,817	31,588	32,378	33,187	30,530	3,401
Cash outflows	12,597	14,317	13,624	14,335	15,232	15,935	16,576	17,054	17,447	17,850	18,264	18,687	19,122	19,567	20,023	20,491	20,970	21,462	21,965	22,482	23,011	5,936	-
Net grower cash flow	(12,250)	(10,670)	(4,969)	(1,125)	2,038	3,949	5,744	6,913	7,229	7,443	7,662	7,886	8,116	8,352	8,594	8,842	9,096	9,356	9,623	9,896	10,176	24,594	3,401
Discounted at 17.5% pa	(10,426)	(7,728)	(3,063)	(590)	910	1,501	1,858	1,903	1,693	1,484	1,300	1,139	997	874	765	670	586	513	449	393	344	708	83
Net Present Value	(3,637)	=	(909)	per almond lot																			