

IN THE FEDERAL COURT OF AUSTRALIA
DISTRICT REGISTRY

NOTICE OF FILING

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CASE DETAILS

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IN THE FEDERAL COURT OF AUSTRALIA

No. VID 541 of 2009

VICTORIA DISTRICT REGISTRY
GENERAL DIVISION

IN THE MATTER OF TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)

ACN: 092 311 469

AND

IN THE MATTER OF TIMBERCORP LIMITED (IN LIQUIDATION)

ACN: 055 185 067

TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)

ACN 092 311 469

and OTHERS

Plaintiffs

and

WA CHIP & PULP CO. PTY LTD

and OTHERS

ACN 008 720 518

Defendants

CERTIFICATE IDENTIFYING THE EXHIBIT

This is the exhibit marked "CJP-1" now produced and shown to **CHRISTOPHER JOHN PALMER** at the time of swearing his affidavit on 29 July 2009.

Before me:



Gregory John Dunne

A legal practitioner who has
held a practice certificate for
at least 2 years and who holds
a current practice certificate

Filed on behalf of the First and Second Defendants by

BLAKE DAWSON

2 The Esplanade
Perth WA 6000

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Ref: ACSC PHYM 09 2007 6478

SUB-LEASE

LEASE NUMBER	DESCRIPTION OF LAND (Note 1)	EXTENT	VOLUME	FOLIO
G251464	That part of Lot 5702 on Deposited Plan 206372 as is delineated and hachured on the map which is Annexure 'A'	Part	2068	365

LIMITATIONS, INTERESTS, ENCUMBRANCES and NOTIFICATIONS (Note 2)

NIL

SUB-LESSOR (Note 3)

W.A. CHIP & PULP CO PTY LTD ACN 008 720 518 of Post Office Box 2453, Bunbury, Western Australia

SUB-LESSEE (Note 4)

TIMBERCORP SECURITIES LIMITED ACN 092 311 469 of 8th Floor, 461 Burke Street, Melbourne, Victoria

TERM OF SUB-LEASE (Note 5)

12 Years and 118 Days

Commencing from the 1st day of January Year 2007

THE SUB-LESSOR as the proprietor of the above LEASE HEREBY SUB-LEASES TO THE SUB-LESSEE the land above described subject to the encumbrances as shown hereon being the (Note 6) **Whole** of the land in the said lease to be held by the Sub-Lessee for the above term at the clear yearly rental of (Note 7).

\$250.62 per annum for each hectare unit

PAYABLE (Note 8)

Quarterly in advance

Subject to the covenants and powers implied under the Transfer of Land Act 1893 as amended (unless hereby negated or modified) and also to the covenants and conditions contained herein.

The following covenants by the sub-lessee are to be construed according to section ninety - four of the Transfer of Land Act 1893 as amended (Note 9)

BETWEEN

W.A. CHIP & PULP CO. PTY LTD ACN 008 720 518 of Level 5, 28 The Esplanade, Perth, Western Australia ("the Lessor"); and

TIMBERCORP SECURITIES LIMITED ACN 092 311 469 of 8th Floor, 461 Bourke Street, Melbourne, Victoria, 3000 ("the Lessee").

RECITALS

- A. The Lessor holds the Head Lease in respect of the Leased Area.
- B. The Lessor has agreed to sub-lease the Leased Area to the Lessee on the terms and conditions contained in this Sub-Lease.

OPERATIVE PROVISIONS

Part 1 Grant of Sub-Lease

1.1 Sub-Lease

The Lessor leases to the Lessee the Leased Area for the Term upon the following terms and conditions.

Part 2 Conditions

2.1 Consents and approvals

This Sub-Lease is subject to and conditional upon the obtaining of the following consents and approvals within 12 months after the date of execution of this Sub-Lease on terms reasonably acceptable to the Lessee:

- (a) if required by law the approval of the Western Australian Planning Commission under:
 - (i) section 20(1)(a) of the Town Planning and Development Act 1928 (if such approval is required); or
 - (ii) sections 136 and 140 of the *Planning and Development Act 2005*; and

- (b) all local, State and Commonwealth government approvals, licences or permissions required for the establishment of the Plantation Crop on the Leased Area.

2.2 Each Party to use all reasonable endeavours to ensure the conditions are satisfied

Each of the Parties will use all reasonable endeavours to ensure that the conditions specified in clause 2.1 are satisfied as soon as is reasonably practicable, and will keep the other Party fully informed as to progress towards satisfaction of the conditions.

2.3 Failure of conditions

If any of the conditions referred to in clause 2.1 are not satisfied within the time limit in that clause, then:

- (a) this Sub-Lease shall be at an end and be deemed never to have been of any force or effect; and
- (b) the Lessor shall immediately repay to the Lessee any instalments of Annual Rent and all other moneys paid by the Lessee to the Lessor under this Sub-Lease.

Part 3 Rent

3.1 Annual Rent

The Lessee will duly and punctually pay to the Lessor during the Term the Annual Rent at the times specified in Item 3 of the Schedule as reviewed from time to time in accordance with clause 3.2.

3.1.1 The first payment shall be due and payable on the Commencement Date and shall, if necessary, be a pro rata amount for the period from the Commencement Date until the next succeeding Payment Date.

3.2 Rent reviews

The Annual Rent will be reviewed on the same dates and by the same method of review as are

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prescribed in the Head Lease for the review of the Head Lease Rent so that the Annual Rent is at all times the same amount as the Head Lease Rent PROVIDED THAT:-

- (a) the Lessee acknowledges that in addition to the Annual Rent the Lessee will be obliged to pay GST as prescribed in clause 3.3; and
- (b) if the Leased Area is only part of the land leased by the Head Lease then the Annual Rent will be that proportion of the Head Lease Rent as is the same proportion which the Net Plantable Area comprised within the Leased Area bears to the total of the Net Plantable Area from time to time remaining leased by the Head Lease.

3.3 Goods and Services Tax

- (a) The Annual Rent and any other amount, however it may be described which is payable by the Lessee to the Lessor under this Sub-Lease does not include GST.
- (b) To the extent that any supply made by the Lessor to the Lessee under this Sub-Lease is a taxable supply so that the Lessor is liable to pay GST, the Parties agree that the price or amount which relates to the supply (whether or not explicitly expressed in this Sub-Lease) is exclusive of GST and, the GST referable to that supply must also be paid by the Lessee in addition to any other amount payable upon the Lessor supplying the Lessee a proper tax invoice in the prescribed form.
- (c) Expressions used in this clause 3.3 have the same meaning given to those expressions in the A New Tax System (Goods and Services Tax) Act 1999, A New Tax System (Goods and Services Tax) Regulations 1999, associated Rulings, Determinations and any amendments thereto ("GST Laws").
- (d) This clause is not to be treated as affecting the period during which any supply under this Sub-Lease may be GST free under the GST Laws.
- (e) The Lessee is, by virtue of this clause, taken at the time of each taxable supply

made under this Sub-Lease to have requested the Lessor to provide the Lessee with a valid tax invoice for that taxable supply.

- (f) The provisions of this clause are to prevail over any conflicting provisions elsewhere in this Sub-Lease.

Part 4

Lessee's obligations

The Lessee agrees with the Lessor that the Lessee will at the Lessee's expense during the Term strictly observe and perform all of the Head Lease Covenants (other than the Head Lease Financial Obligations) as if the Lessee was the lessee under the Head Lease and shall indemnify and hold indemnified the Lessor against any Claim made against the Lessor by the Head Lessor or anybody else as a consequence of any breach by the Lessee of this covenant. The stipulation contained in the following clauses of this Sub-Lease of various covenants to be observed and performed by the Lessee is not to be construed as any limitation on the generality of the foregoing provisions of this clause and if the following covenants deal with the same subject matter as any of the Head Lease Covenants then the following covenants will be deemed to be supplemental to and not in derogation of the Lessee's covenant to comply with and observe all of the Head Lease Covenants (other than the Head Lease Financial Obligation). Accordingly the Lessee shall at its own expense during the Term:

4.1 Permitted use

Use the Leased Area for the purpose of growing, tending and harvesting a plantation or plantations of eucalyptus trees.

4.2 Forestry practice

Comply with sound silvicultural and environmental practices adopted within the forestry industry.

4.3 Comply with laws

Comply with all laws and regulations relating to the use and occupancy of the Leased Area.

4.4 Repairs

Promptly repair any damage caused by the Lessee or its employees, agents or contractors to any roads, tracks or fences on the Leased Area or on the Owner's Neighbouring Land.

4.5 Interference with activities

Take all reasonable steps to avoid causing any unreasonable interference to the operations of the Owner or the Lessor on the Owner's Neighbouring Land.

4.6 Chemicals and dangerous substances

Except in complying with any covenant in the Head Lease, not store or use any chemical, inflammable, noxious or dangerous substances in a manner which is likely to result in damage to vegetation, livestock, crops or water reserves on any neighbouring land.

4.7 Native vegetation

Except in complying with any covenant in the Head Lease, not cut down, damage or destroy any native vegetation on the Leased Area without the prior written consent of the Lessor.

4.8 Buildings

Not erect any buildings, structures or dwellings or use any caravans for either temporary or permanent accommodation on the Leased Area except where such structures are necessary to facilitate bona fide management and/or harvesting of the Plantation Crop and to remove any such facilities as soon as they are no longer required for the bona fide management and/or harvesting of the Plantation Crop.

4.9 Permit Lessor to enter

Permit the Lessor to enter upon the Leased Area from time to time with or without equipment for the purpose of performing the Lessor's obligations whether under the Head Lease or this Sub-Lease.

Part 5

Lessor's obligations

5.1 Prior to Commencement Date

The Lessor agrees with the Lessee that the Lessor will at the Lessor's expense prior to the

Commencement Date (or such later date as the Lessee may agree) to:

5.1.1 Boundary fence

Construct or cause to be constructed a fence along the external boundary of the Leased Area, or in such other location as the Lessor deems fit, to restrain livestock from straying onto the Leased Area.

5.1.2 Declared plants and animals

Take or cause to be taken all reasonable steps to control any plants or animals on or about the Leased Area which are "declared plants" or "declared animals" within the meaning of the Agriculture and Related Resources Protection Act 1976.

5.2 During the Term

The Lessor agrees with the Lessee that the Lessor will at the Lessor's expense during the Term:

5.2.1 Quiet enjoyment

Allow the Lessee to peaceably and quietly hold and enjoy the Leased Area without any interruption by the Lessor or any person claiming through or under the Lessor, other than the Head Lessor exercising its rights under the Head Lease.

5.2.2 Maintain boundary fence

Maintain or cause to be maintained the fence constructed pursuant to clause 5.1.1 on the Leased Area in good and substantial repair and condition.

5.2.3 Rates and taxes

Duly and punctually pay or cause to be paid all rates, taxes and other charges levied by any government or other authority in respect of the Leased Area.

5.2.4 Comply with laws

Comply with all laws and regulations relating to the use and occupancy of any neighbouring land occupied by the Lessor.

5.2.5 Chemicals and dangerous substances

Except for carrying out the requirements contained in clause 5.1.2, not store or use any

chemical, inflammable, noxious or dangerous substances in a manner which is likely to result in damage to vegetation, livestock, crops or water reserves on the Leased Area.

5.2.6 Comply with Head Lease

Comply with the provisions of the Head Lease and agree not to amend or vary the Head Lease without the prior written consent of the Lessee.

5.2.7 Control of fires

Take all necessary measures to ensure that any fires which may occur or be lit on any neighbouring land owned or occupied by the Lessor are properly controlled and supervised.

5.2.8 Lighting of fires

Not without the prior written approval of the Lessee (such approval not to be unreasonably withheld) light any fires:

- (a) on neighbouring land owned or occupied by the Lessor during "prohibited burning times" or "restricted burning times" within the meaning of the Bush Fires Act 1954; or
- (b) on the Leased Area at any time during the Term.

5.2.9 Notification of fires

Promptly notify the Lessee of:

- (a) any fire in the vicinity of the Leased Area which may threaten the Plantation Crop; and
- (b) any notice or notification received by the Lessor from the owner or occupier of any adjoining land pursuant to the provisions of the Bush Fires Act 1954.

5.2.10 Encumbrances

Not create any encumbrances over the Leased Area or any part thereof ranking in priority to the interests of the Lessee under this Sub-Lease.

Part 6 Lessee's rights

6.1 General

The Lessor hereby grants to the Lessee the rights set out in this Part and in clause 11.2 to be exercised by the Lessee during the Term.

6.2 Harvest

The Lessee is entitled to harvest the Plantation Crop and to remove and sell the products derived from the Plantation Crop and to retain all income from such sale.

6.3 Access

The Lessee shall be entitled to full and free access to the Leased Area along any road or track on the Owner's Neighbouring Land over which the Lessor has similar rights and which gives access to the Leased Area from a public road.

6.4 Construct roads and tracks

The Lessee may with the prior written consent of the Lessor (which consent shall not be unreasonably withheld) construct and maintain such roads and tracks (including, if necessary, bridges and culverts) on the Leased Area or on the Owner's Neighbouring Land in respect of which the Lessor has similar rights, as are reasonably required by the Lessee to provide access to the Leased Area from a public road.

6.5 Use of sand and gravel

For the purposes of constructing and maintaining the roads and tracks referred to in clause 6.4 the Lessee may take and use sand, gravel and other material available from a place approved by the Lessor (which approval must not unreasonably be withheld) on the Leased Area or on the Owner's Neighbouring Land in respect of which the Lessor has similar rights, in such quantities as the Lessee reasonably requires. If the Lessee exercises its rights under this clause, the Lessee must rehabilitate the surface of the land to an appearance as near as possible to the appearance of the surface of the surrounding land.

6.6 Graze livestock

In the event that the Owner does not exercise its right under the Head Lease and clause 7.2 of this Sub-Lease to graze livestock on the Leased Area, then the Lessee may graze livestock on the Leased Area and retain all income derived therefrom. Under no circumstances may the Lessor graze livestock or permit any other person, other than the Owner in accordance with clause 7.2, to graze livestock on the Leased Area.

6.7 Security

The Lessee may at its own expense padlock any gates on roads or tracks entering the Leased Area and take such other measures to exclude trespassers as the Lessee reasonably considers appropriate. Upon request, the Lessee must provide the Lessor with a key to any padlocks, or if the Lessee has taken any other measures under this clause, such other means of entry, to the Leased Area.

6.8 Signs

The Lessee may at its own expense erect and maintain a sign on the Leased Area detailing such matters as the Lessee reasonably considers appropriate.

Part 7

Lessor's and Head Lessor's rights

7.1 General

The Lessor hereby reserves unto itself and where applicable, the Head Lessor, those rights provided under the Head Lease as set out in this part as may be exercised by the Lessor or the Head Lessor during the Term.

7.2 Graze livestock

The Owner pursuant to the terms of the Head Lease may graze livestock on the Leased Area and retain all income derived therefrom. Grazing will not be permitted prior to the Plantation Crop (including any replanted areas), reaching 18 months of age, or where the Lessee deems, in its absolute discretion, that grazing is or may be detrimental to the Plantation Crop

7.4 Access

The Owner under the Head Lease and its employees, agents and contractors shall in accordance with the provisions of the Head Lease be entitled to full and free access for the purpose of grazing livestock with or without vehicles to the Leased Area along any road or track or any neighbouring land owned or occupied by the Lessor which gives access to the Leased Area from a public road.

7.5 Further access

The Lessor and its employees agents and contractors shall be entitled to full and free

access with or without vehicles to the Leased Area for the purpose of accessing neighbouring land owned or occupied by the Lessor.

7.6 Use of sand and gravel

The Lessor may with the approval of the Lessee take and use sand, gravel and other material from a place on the Leased Area which does not derogate from the productivity of the Plantation Crop. The Lessee may withhold the approval in the event that it believes that the removal of the sand, gravel and other material will derogate from the productivity of the Plantation Crop.

Part 8

Extension of the Term

8.1 Extension for late harvesting

If the Lessee is prevented from:

- (a) harvesting the Plantation Crop; or
- (b) processing the products derived from the Plantation Crop,

due to an Event of Force Majeure, the Lessee may by giving written notice to the Lessor elect to extend the Term for a period of time equal to the duration of the event of Force Majeure. Upon receipt of such notice from the Lessee, the Lessor shall forthwith give written notice of such force majeure to the Head Lessor as required under the provisions of the Head Lease. PROVIDED FURTHER THAT the maximum period for which the Lessee may extend the Term in accordance with this clause cannot exceed the maximum period for which the Lessor as lessee under the Head Lease can extend the Term of the Head Lease

8.2 Definition of Force Majeure

In clause 8.2, "Event of Force Majeure" means:

- (a) Act of God, fire, explosion, earthquake, landslide, flood, wash-out, lightning, storm or tempest;
- (b) strikes, lockouts, stoppages, restraints of labour or other industrial disturbances;
- (c) war, acts of public enemies, riot, civil commotion or sabotage;
- (d) breakdown of or accident to plant, machinery or equipment except where such breakdown is due to a failure by

the Lessee claiming Force Majeure to maintain the plant, machinery or equipment in a proper manner;

- (e) restraints, embargoes or other unforeseeable actions by the government of Western Australia or the government of the Commonwealth of Australia; or
- (f) any Act of Parliament, regulation, by-law, order, ordinance or rule.

Part 9

Early termination and reduction of the Leased Area

9.1 Termination by Lessee

- (a) If the Lessor breaches any of its covenants under this Sub-Lease and:-
 - (i) if that default is capable of being remedied and it is not remedied within the time required for it to be remedied specified in a notice given to the Lessor in accordance with clause 9.1(b) ("General Default Notice") or such other period as is determined to be the period within which it must be remedied as determined in accordance with clause 9.1(d) ; or
 - (ii) if the breach is one which is incapable of being remedied and the Lessor fails to pay the amount of compensation for the breach demanded in the General Default Notice or the amount determined in accordance with clause 9.1(d) within a period of 30 days of the General Default Notice being given to the Lessor

then subject to clause 9.1(d) the Lessee may give to the Lessor a further written notice complying with clause 9.1(c) having immediate effect terminating the Term ("General Termination Notice") unless prior to the General Termination Notice being given the default has been rectified or the compensation demanded in the General Default Notice or

determined in accordance with clause 9.1(d) has been paid.

- (b) To constitute and be effective as a General Default Notice the notice given must specify:-

- (i) the default;
- (ii) if the default is capable of remedy:-
 - (A) what the Lessee requires to be done to rectify the default; and
 - (B) such period as the Lessee acting reasonably considers having regard to the nature and extent of the default it is practicable for the Lessor to rectify the default within; or
- (iii) if the default is incapable of being remedied, the amount of compensation that the Lessee acting reasonably considers is proper and adequate compensation to the Lessee for the Lessee's loss or damage suffered as a consequence of the unremediable default.
- (iv) be sent separately by registered post to the following persons at the following addresses or such other persons or addresses by written notice given in accordance with clause 13.3 prescribes as the addressees and addresses for notices under this clause 9.1:-

The Company Secretary
W.A. Chip & Pulp Co Pty Ltd
PO Box 2453
BUNBURY WA 6231 ; and

The Managing Director
W.A. Chip & Pulp Co Pty Ltd
PO Box 2453
BUNBURY WA 6231

- (c) to constitute and be effective as a General Termination Notice for the purpose of clause 9.1(a) the notice given must:-

- (i) enclose an original signed by the Lessee or true photocopy of the signed General Default Notice given;
- (ii) use clear words of termination; and
- (iii) be sent separately by registered post to the following persons at the following addresses or such other persons or addresses by written notice given in accordance with clause 13.3 prescribes as the addressees and addresses for notices under this clause 9.1:-

The Company Secretary
W.A. Chip & Pulp Co Pty Ltd
PO Box 2453
BUNBURY WA 6231 ; and

The Managing Director
W.A. Chip & Pulp Co Pty Ltd
PO Box 2453
BUNBURY WA 6231

- (d) If, prior to the expiration of the period of notice stipulated in the General Default Notice for the default to be rectified or the amount of compensation claimed paid, the Lessor gives to the Lessee written notice ("the Objection Notice") claiming any one or more of the following things:-

- (i) the Lessor is not in default or is not in default as claimed in the General Default Notice;
- (ii) the time prescribed for rectification of the default stated in the General Default Notice is inadequate;
- (iii) the rectification prescribed by the Lessee is incorrect; or
- (iv) the amount of compensation claimed by the Lessee is excessive

and the parties are unable to reach agreement as to all matters in dispute, the subject of the Objection Notice, then the dispute is to be referred by either of the

parties who is the first to refer it, to the President or the Chapter Chairman of the Chapter of the State in which the Leased Area is situate of The Institute of Arbitrators and Mediators Australia to nominate an expert to determine the dispute who will be acting as an expert not an arbitrator whose decision the parties agree to be bound by and whose fees the parties shall bear equally.

- (e) Until all matters, the subject of the dispute stated in the Objection Notice after either agreed in writing between the Lessee and the Lessor or determined the operation of the General Default Notice will be suspended and will only operate including the full period for rectification of default or payment of compensation (as determined by agreement or by the expert as abovementioned) recommencing afresh as and from the date the parties resolve their dispute by agreement in writing or the date that the expert has informed the parties in writing of his determination notwithstanding what period has expired between the General Default Notice first having been given and the date of the agreement or determination as to the matters the subject of the Objection Notice.
- (f) Termination pursuant to the provisions of this clause 9.1 will be without prejudice to any other accrued rights existing as at the date of termination or any other consequences of breach of this Lease.
- (g) (i) If the Term is terminated by the Lessee in accordance with this clause 9.1 then the Lessee is hereby licensed to enter the Leased Area with contractors, employees and agents and their vehicles and machinery to harvest and remove the Plantation Crop from the Leased Area within the number of Business Days following termination as is calculated as follows:-

$$RP = 2.0 \times NPA$$

where "RP" means the number of Business Days which is the period of the licence; and

"NPA" means Net Plantable Area of the Plantation Crop as at the date of termination.

- (ii) Any part of the Plantation Crop not removed from the Leased Area within the licence period described in clause 9.1(g) becomes the absolute property of the Lessor at the end of that licence period.

9.2 Termination by Lessor

- (a) If the Lessee defaults in the payment of any instalment of Annual Rent and that default is not rectified within 30 days of the Lessor having given to the Lessee a default notice complying with clause 9.2(b) ("Rent Default Notice") then the Lessor may give to the Lessee a further written notice complying with clause 9.2(b) having the immediate effect of terminating the Term upon it being given ("Rent Termination Notice") unless prior to the Rent Termination Notice being given the default has been rectified.
- (b) To constitute and be effective as a Rent Default Notice for the purpose of clause 9.2(a), the notice given must:-
 - (i) be signed by the Lessor and clearly dated;
 - (ii) specify the exact amount of Annual Rent overdue for payment;
 - (iii) specify the date the overdue amount should have been paid;
 - (iv) demand payment of the overdue amount within 30 days of the date of the notice being deemed given and state that the consequence of non-payment will be the issue of a Rent Termination Notice;
 - (v) be sent separately by registered post to the following persons at the following addresses or such other

person or addresses that the Lessee by written notice give in accordance with clause 13.3 prescribes as the addressees and addresses for the Rent Default Notices:-

The Company Secretary
Timbercorp Securities Limited
8th Floor
461 Bourke Street
MELBOURNE VIC 3000; and

The General Manager
Timbercorp Forestry
Level 4
50 Colin Street
WEST PERTH WA 6005

- (c) To constitute and be effective as a Rent Termination Notice for the purpose of clause 9.2(a) the notice given must:-
 - (i) enclose an original copy signed by the Lessor or true photocopy of the signed Rent Default Notice given;
 - (ii) use clear words of termination; and

otherwise comply with the same requirements as are specified for a Rent Default Notice in accordance with clauses 9.2(b)(i) and (v).
- (d) The time at which a Rent Default Notice or a Rent Termination Notice will be deemed to have been given will be the same time as a notice given in accordance with clause 13.3 is deemed to have been given.
- (e) If the Lessee breaches any of its covenants under the Lease other than its covenant to pay Annual Rent and:-
 - (i) if that default is capable of being remedied and it is not remedied within the time required for it to be remedied specified in a notice given to the Lessee in accordance with clause 9.2(f) ("General Default Notice") or such other period as is determined to be the period within which it must be

remedied as determined in accordance with **clause 9.2(h)** ; or

- (ii) if the breach is one which is incapable of being remedied and the Lessee fails to pay the amount of compensation for the breach demanded in the General Default Notice or the amount determined in accordance with **clause 9.2(h)** within a period of 30 days of the General Default Notice being given to the Lessee

then the Lessor may give to the Lessee a further written notice complying with **clause 9.2(g)** having immediate effect terminating the Term ("**General Termination Notice**") unless prior to the General Termination Notice being given the default has been rectified or the compensation demanded in the General Default Notice or determined in accordance with **clause 9.2(h)** has been paid.

- (f) To constitute and be effective as a General Default Notice the notice given must specify:-

- (i) the default;
- (ii) if the default is capable of remedy:-
 - (A) what the Lessor requires to be done to rectify the default; and
 - (B) such period as the Lessor acting reasonably considers having regard to the nature and extent of the default it is practicable for the Lessee to rectify the default within; or
- (iii) if the default is incapable of being remedied, the amount of compensation that the Lessor acting reasonably considers is proper and adequate compensation to the Lessor for the Lessor's loss or

damage suffered as a consequence of the unremediable default

and must otherwise comply with the provisions of **clause 9.2(b)(i)** and (v) as if the General Default Notice was a Rent Default Notice.

- (g) to constitute and be effective as a General Termination Notice for the purpose of **clause 9.2(e)** the notice given must:-

- (i) enclose an original signed by the Lessor or true photocopy of the signed General Default Notice given;
- (ii) use clear words of termination; and
- (iii) otherwise comply with the provisions of **clause 9.2(b)(i)** and (v) as if the General Termination Notice was a Rent Default Notice.

- (h) If, prior to the expiration of the period of notice stipulated in the General Default Notice for the default to be rectified or the amount of compensation claimed paid, the Lessee gives to the Lessor written notice ("**the Objection Notice**") claiming any one or more of the following things:-

- (i) the Lessee is not in default or is not in default as claimed in the General Default Notice;
- (ii) the time prescribed for rectification of the default stated in the General Default Notice is inadequate;
- (iii) the rectification prescribed by the Lessor is incorrect; or
- (iv) the amount of compensation claimed by the Lessor is excessive

and the parties are unable to reach agreement as to all matters in dispute, the subject of the Objection Notice, then the dispute is to be referred by either of the parties who is the first to refer it, to the President or the Chapter Chairman of the Chapter of the State in which the Leased Area is situate of The Institute of

Arbitrators and Mediators Australia to nominate an expert to determine the dispute who will be acting as an expert not an arbitrator whose decision the parties agree to be bound by and whose fees the parties shall bear equally.

- (i) Until all matters, the subject of the dispute stated in the Objection Notice after either agreed in writing between the Lessor and the Lessee or determined the operation of the General Default Notice will be suspended and will only operate including the full period for rectification of default or payment of compensation (as determined by agreement or by the expert as abovementioned) recommencing afresh as and from the date the parties resolve their dispute by agreement in writing or the date that the expert has informed the parties in writing of his determination notwithstanding what period has expired between the General Default Notice first having been given and the date of the agreement or determination as to the matters the subject of the Objection Notice.
- (j) Termination pursuant to the provisions of this clause 9.2 will be without prejudice to any other accrued rights existing as at the date of termination or any other consequences of breach of this Lease.
- (k) (i) If the Term is terminated by the Lessor in accordance with clause 9.2(a) or clause 9.2(e) then the Lessee is hereby licensed to enter the Leased Area with contractors, employees and agents and their vehicles and machinery to harvest and remove the Plantation Crop from the Leased Area within the number of Business Days following termination as is calculated as follows:-

$$RP = 2.0 \times NPA$$

where "RP" means the number of Business Days which is the period of the licence; and

"NPA" means Net Plantable Area of the Plantation Crop.

- (ii) Any part of the Plantation Crop not removed from the Leased Area within the licence period described in clause 9.2(k) becomes the absolute property of the Lessor at the end of that licence period.

9.3 Loss of Plantation Crop

- (a) If:
 - (i) the whole or a substantial part of the Plantation Crop is damaged or destroyed whether by fire or any other cause whatsoever; and
 - (ii) an independent forestry consultant commissioned by the Lessee reasonably determines that the whole or a substantial part of the Plantation Crop is no longer commercially viable,

then the Lessee may terminate this Sub-Lease by giving not less than one (1) month's prior written notice of such termination to the Lessor. Termination under this clause shall take effect on and from the expiration of the period specified in the notice.

- (b) If the Lessee exercises its option to terminate this Sub-Lease pursuant to this clause, the Lessee shall not be entitled to reimbursement from the Lessor for any Yearly Rental which has been previously paid.
- (c) If so directed by the Lessor in writing within two (2) months after receipt of the Lessee's notice of termination, the Lessee shall at the Lessee's expense forthwith remove from the Leased Area all trees, logs, stumps and debris forming part of or derived from the Plantation Crop. The Lessor hereby indemnifies and holds free the Lessee from any Claim made against it by reason the Owner because of the carrying out the Lessor's directive under this clause 9.3 in accordance with the Lessor's directions PROVIDED THAT the indemnity does not extend to any Claim arising out of any neglect, default

or omission by the Lessee, its officers, employees, agents or contractors.

9.4 Reduction of the Leased Area

(a) If:

- (i) any part of the Plantation Crop is damaged or destroyed whether by fire or any other cause whatsoever; and
- (ii) an independent forestry consultant commissioned by the Lessee reasonably determines that any part of the Plantation Crop is no longer commercially viable;

the Lessee may terminate this Sub-Lease in respect of that portion of the Leased Area on which the affected part of the Plantation Crop is or was growing ("the Surrendered Area"), by giving not less than two (2) month's prior written notice of such termination to the Lessor, and reduce the Yearly Rental payable in proportion to the reduction in the Net Plantable Area. The termination and reduction to take effect from the expiration of the period specified in the notice.

- (b) Where the Net Plantable Area is reduced in accordance with this clause, The Yearly Rental shall not be reduced until clause 9.4(c) has been complied with. Nor shall the Lessee be entitled to reimbursement of any of the Yearly Rental which fell due and was paid before compliance with clause 9.4(c).
- (c) If so directed by the Lessor in writing within two (2) months after receipt of the Lessee's notice of termination, the Lessee shall at the Lessee's expense forthwith remove from the Surrendered Area all trees, logs, stumps and debris forming part of or derived from the Plantation Crop and, provided it is reasonably practicable to do so, fence off the Surrendered Area from the remainder of the Leased Area, and provide the Lessor and the lessor or sub-lessor under the Head Lease with reasonable access to the Surrendered Area. The Lessor hereby indemnifies and holds free the Lessee from any

Claim made against it by reason of by the Owner because of the carrying out the Lessor's directive under this clause 9.4 in accordance with the Lessor's directions PROVIDED THAT the indemnity does not extend to any Claim arising out of any neglect, default or omission by the Lessee, its officers, employees, agents or contractors.

9.5 Effect of termination

- (a) Termination of the whole or any part of this Sub-Lease under clauses 9.1, 9.2, 9.3 or 9.4 shall be without prejudice to any rights or obligations which may have accrued prior to the date of termination.
- (b) Termination of this Sub-Lease in respect of part of the Leased Area under clause 9.3 shall not affect the rights or obligations of the Parties in respect of any other part of the Leased Area.

9.6 Limited right of termination

Except as expressly provided in this Part, neither Party shall be entitled to terminate or rescind this Sub-Lease and the Lessor shall not be entitled to re-enter the Leased Area or forfeit this Lease, at any time prior to the expiration of the Term (as extended or renewed).

Part 10

Rights and obligations on expiration or termination

10.1 Removal of stumps, roads and tracks

The Lessor acknowledges and agrees with the Lessee that, except to the extent that clauses 9.3(c) and 9.4(c) apply, the Lessee will not be liable to remove or to pay for the removal of:

- (a) any stumps from the Leased Area; or
- (b) any roads or tracks constructed on the Leased Area or on the Owner's Neighbouring Land under clause 6.4,

at the expiration or earlier termination of this Sub-Lease.

10.2 Removal of products and equipment

During the three (3) month period following the expiration of this Sub-Lease, the Lessee may enter upon the Leased Area and remove any plant, equipment, implements or other things brought onto the Leased Area by or on behalf of the Lessee during the Term.

10.3 Products and equipment left by the Lessee

- (a) Any plant, equipment, implements or other things brought onto the Leased Area by or on behalf of the Lessee, which are not removed by the Lessee within the three (3) month period referred to in clause 10.2; and
- (b) any part of the Plantation Crop not harvested by the Lessee during the Term (as extended or renewed),

shall to the extent permitted by law, be the property of the Lessor.

Part 11
Ownership of the Plantation Crop**11.1 Ownership**

The Lessor acknowledges and agrees with the Lessee that the Plantation Crop will be and shall remain the property of the Lessee (or, where applicable any other person who derives title to the Plantation Crop through the Lessee) for the period referred to in clause 11.3.

11.2 Additional Rights

The Lessor hereby transfers and grants to the Lessee the following rights in addition to the other rights granted to the Lessee under this Sub-Lease:

- (a) to establish, prune, tend and manage the Plantation Crop and to cultivate and plant seedling trees as part of the Plantation Crop;
- (b) to enter upon the Leased Area with or without vehicles and, to the exclusion of the Lessor and all other persons, to harvest the Plantation Crop and remove and sell the products derived from the Plantation Crop; and
- (c) to exercise and enjoy such of the rights and powers granted to the Lessee under

this Lease as may be necessary to enable the Lessee to exercise the rights referred to in paragraphs (a) and (b) above.

11.3 Independent Proprietary Interest

- (a) The rights and interests granted to the Lessee under clauses 11.1 and 11.2 constitute an independent and severable grant of a proprietary interest in the Leased Area by the Lessor to the Lessee.
- (b) In the event that the Term or the leasehold interest of the Lessee under this Sub-Lease:
 - (1) ends; or
 - (2) is terminated (other than by effluxion of time or by the operation of Parts 2 or 9); or
 - (3) becomes void whether by reason of some act or default of the Lessor or of the trustee in bankruptcy, receiver, receiver and manager, controller, administrator or liquidator of the Lessor, or for any other reason whatsoever,

the rights and interests granted to the Lessee under clauses 11.1 and 11.2 shall, unless expressly surrendered by the Lessee, continue in full force and effect and may be exercised and enjoyed by the Lessee until the date on which the Term (as extended or renewed) would have ended by effluxion of time.

Part 12
Mining and petroleum activities**12.1 Definitions**

In this part, the following expressions have the following meanings:

"Mining Activities" means all activities that may be carried out pursuant to a Mining Tenement.

"Mining Tenement" means any right or title available under the Mining Act 1978, and includes a permit to enter on private land.

"Petroleum Activities" means all activities that may be carried out pursuant to a Petroleum Title.

"Petroleum Title" means any right or title available under the Petroleum Act 1967, and includes a permit to enter on private land.

12.2 Application for Mining Tenement or Petroleum Title

If any person applies for a Mining Tenement or a Petroleum Title over any part of the Leased Area, then the following provisions shall apply:

- (a) The Lessor shall promptly notify the Lessee.
- (b) Neither the Lessor nor the Lessee shall consent to the application or do any act or thing that may assist the grant of the application without the prior written consent of the other Party.
- (c) The Lessee shall be entitled to object to or resist the application or to restrict the scope of the rights to be obtained by virtue of the grant of the application, to the fullest extent permitted by law.
- (d) For the purpose of giving full effect to **clause 12.2(c)** above, the Lessor shall sign such documents as the Lessee may require, and the Lessee shall be entitled to take such proceedings in the name of the Lessor as the Lessee considers appropriate. The Lessee hereby indemnifies the Lessor for any loss suffered by the Lessor as a direct consequence of the Lessee exercising its rights under this **clause 12.2(d)**.
- (e) The Lessor hereby appoints the Lessee its lawful attorney to execute the documents and to do the things referred to in **clause 12.2**.

12.3 Grant of Mining Tenement or Petroleum Title

If a Mining Tenement or a Petroleum Title is granted over any part of the Leased Area, then the following provisions shall apply:

- (a) The Lessor shall keep the Lessee informed as to the Mining Activities or Petroleum Activities carried out upon the Leased Area, and shall forward copies of all communications with the persons carrying out or proposing to carry out such activities.

- (b) The Lessor shall not consent to any use of water, felling of trees, stripping of bark or cutting of timber on the Leased Area.
- (c) If any compensation becomes payable by virtue of or in respect of Mining Activities or Petroleum Activities on the Leased Area, then the Lessor and the Lessee shall be entitled to compensation according to their respective interests in the area affected by those activities. The Lessor and the Lessee shall each be responsible for negotiating and recovering such compensation.
- (d) If the whole or part of this Sub-Lease is terminated under **clause 9.3** or **9.4** as a result of Mining Activities or Petroleum Activities being carried out on the Leased Area, the provisions of **clauses 9.3(c)** and **9.4(c)** shall not apply in respect of such termination.

Part 13 General

13.1 Warranties

The Lessor represents and warrants that:

- (a) as at the date of execution of this Sub-Lease, the Head Lease is valid and subsisting and there is no unremedied default under it;
- (b) the Lessor is entitled under the Head Lease to grant this Sub-Lease to the Lessee without the consent of the Head Lessor; and
- (c) any consents which may be required to the granting of this Sub-Lease (other than those referred to in **clause 2.1**) have been obtained.

13.2 Costs

- (a) The Lessee agrees to pay the costs of and incidental to the preparation and negotiation of this Sub-Lease incurred by the Lessor.
- (b) The Lessee agrees to pay all stamp duty and any registration fees payable on this Sub-lease.

- (c) Each Party agrees to pay its own costs of and incidental to the service of any notice requiring the other Party to remedy a default under this Sub-Lease.

13.3 Notices

All notices, consents, approvals and other communications required or authorised to be given under this Sub-Lease ("Notices") must be in writing and may be personally delivered or sent by pre-paid post or facsimile to the addressee's address specified in this Sub-Lease or such other address as the addressee may have notified from time to time. A Notice shall be deemed to be received:

- (a) if personally delivered, upon receipt;
- (b) if sent by pre-paid post within Australia, on the third day after posting;
- (c) if sent by pre-paid post outside Australia, on the seventh day after posting; and
- (d) if sent by facsimile, upon production of a successful transmission report by the sender's facsimile machine.

13.4 Dealings

- (a) The Lessee may sub-lease or grant a licence to occupy the whole or any part of the Leased Area without having to obtain the consent of the Lessor but only on terms and conditions that are not inconsistent with this Sub-Lease.
- (b) Subject to clause 13.4(c) neither Party may assign this Sub-Lease without first obtaining the consent of the other Party (which consent shall not be unreasonably withheld) and arranging (at the assigning party's cost) for the assignee to enter into a deed of covenant with the other party in a form approved by the other party under which the assignee agrees to comply with and be bound by the provisions of this Sub-Lease as if the assignee were named in this Sub-Lease in the place of the assigning party.
- (c) The Lessee is only entitled to assign this Sub-Lease under clause 13.4(b) if the assignee has entered into a deed of covenant with the Lessor under which

the assignee agrees to comply with and be bound by the provisions of any Plantation Services Agreement and or Wood Purchase Agreement existing between the Parties in respect of the Leased Area as if the assignee were named in that or those agreements in the place of the Lessee.

13.5 Caveat

- (a) The Lessee may lodge a subject to claim caveat at the Office of Titles, Midland in respect of its interest under this Sub-Lease.
- (b) The Lessor agrees to provide to the Lessee all plans and other details reasonably necessary to enable the Lessee to lodge a subject to claim caveat.
- (c) Upon the expiration or earlier termination of this Sub-Lease, the Lessee must promptly withdraw at its own expense any caveat lodged under this clause.

13.6 Further assurances

Each Party agrees to sign such documents and do all such acts, matters and things as may be reasonably required by the other Party to give effect to this Sub-Lease.

13.7 Voiding insurances

Each Party agrees that it will not do or permit or suffer to be done any act, matter or thing which may prejudice or render void or voidable any insurances in respect of the Leased Area or the Plantation Crop, or result in the premiums for such insurances being increased.

13.8 Transfer of Land Act

To the extent permitted by law, all provisions implied by the Transfer of Land Act 1893 are expressly excluded from this Sub-Lease.

13.9 Property Law Act

The provisions of sections 80 and 82 of the Property Law Act 1969 shall not apply to this Sub-Lease.

13.10 No partnership

Nothing contained in this Sub-Lease shall constitute either Party the partner or agent of the other Party and each Party agrees that it will not hold itself out as the partner or agent of the other Party. Subject to clause 13.4(c), this Sub-Lease is not for the benefit of any person not a party to this Sub-Lease and shall not be deemed to give any right or remedy to any such person.

13.11 Waivers

No waiver by a Party of any breach of this Sub-Lease shall be deemed a waiver of any preceding or succeeding breach of this Sub-Lease.

13.12 Proper law

This Sub-Lease shall be governed by and construed in accordance with the laws of the State of Western Australia and the Parties agree to submit to the jurisdiction of the courts of that State.

13.13 Severability

If any provision of this Sub-Lease is or becomes void or unenforceable, that provision shall be severed from this Sub-Lease to the intent that the remaining provisions of this Sub-Lease shall continue in full force and effect.

13.14 Parties may act through agents

All rights granted to a Party and all obligations imposed on a Party under this Sub-Lease may be enjoyed or performed (as the case may be) by that Party's employees, agents and contractors.

Part 14
Definitions and interpretation

14.1 Definitions

In this Sub-Lease, the following words and expressions have the following meanings:

"**Annual Rent**" means the rent specified in Item 3 of the Schedule as reviewed from time to time in accordance with clause 3.2.

"**Claim**" includes any allegation, debt, cause of action, liability, claim, proceeding, suit or demand of any nature howsoever arising and whether present or future, fixed or

unascertained, actual or contingent, whether law, in equity, under statute or otherwise.

"**Commencement Date**" means the commencement date of this Sub-Lease referred to in Item 2 of the Schedule.

"**Force Majeure**" has the meaning as ascribed to it in clause 8.3.

"**General Default Notice**" means a notice given in accordance with either clause 9.1(b) or clause 9.2(f).

"**General Termination Notice**" means a notice either, complying with the provisions of clause 9.1(c) and given pursuant to clause 9.1(a), or complying with the provisions of clause 9.2(g) and given pursuant to clause 9.2(b).

"**GST**" means the Goods and Services Tax payable pursuant to the GST Laws.

"**GST Laws**" has the meaning as is ascribed to that term in clause 3.3.

"**Head Lease**" means the head lease referred to in Item 4 of the Schedule.

"**Head Lease Covenants**" all expressed or implied positive and negative covenants of any description which the Lessor is obliged to comply with under the terms of the Head Lease.

"**Head Lease Financial Obligations**" mean any of the Head Lease Covenants which oblige the Lessor to pay money to the Head Lessor.

"**Head Lease Rent**" means the rent payable by the Lessor in accordance with the Head Lease.

"**Head Lease Term**" means the remaining term of the Head Lease current as at the Commencement Date.

"**Head Lessor**" means the person occupying the position of lessor under the Head Lease.

"**Leased Area**" means the land described in Item 1 of the Schedule (as reduced pursuant to this Sub-Lease if applicable).

"**Net Plantable Area**" has the same meaning as is ascribed to that term in the Head Lease.

"**Objection Notice**" means a notice given by one Party to the other pursuant to either the provisions of clause 9.1(d) or clause 9.2(h).

"**Owner**" has the same meaning as is ascribed to that term in the Head Lease or if no

described in the Head Lease has the same meaning as "The Head Lessor".

"Owners Neighbouring Land" has the same meaning as is ascribed to that term in the Head Lease or if not given a meaning in the Head Lease means all land owned, occupied or controlled by the Head Lessor which is in the neighbourhood of the Leased Area.

"Party" means the Lessor or the Lessee, as the case may be.

"Payment Date" means the last day of March, June, September and December in each year of the Term.

"Plantation Crop" means the crop or crops of eucalyptus trees planted and tended or to be planted and tended on the Leased Area by the Lessee (as reduced pursuant to this Sub-Lease if applicable).

"Related Body Corporate" has the meaning given to that term in section 9 of the Corporations Law.

"Rent Default Notice" means a notice given pursuant to clause 9.2(a).

"Rent Termination Notice" means the second notice to be given pursuant to clause 9.2(a).

"Review Dates" means the dates referred to in clause 3.2.

"Term" means the term of this Sub-Lease, comprising the initial term specified in Item 2 of the Schedule and, where the context permits, any extension of that term under Part 8.

14.2 Interpretation

In this Sub-Lease, unless the context otherwise requires:

- (a) the singular number includes the plural and vice versa and a word denoting one gender includes each of the other genders;
- (b) "person" includes a firm, a corporation and any incorporated body;
- (c) headings are for convenience only and do not affect the interpretation of this Sub-Lease;
- (d) a reference to an Act of Parliament shall be read as a reference to that Act as amended, modified or replaced from

time to time and includes any regulations, by-laws, orders, ordinances or rules made under that Act;

- (e) a reference to a Party to this Sub-Lease includes that Party's transferees, successors and permitted assigns;
- (f) if the Lessee comprises more than one person, the provisions of this Sub-Lease binds all of them jointly and each of them severally;
- (g) If the Lessee or any of the persons comprising the Lessee is a trustee, this Sub-Lease binds that person in its capacity as trustee and personally; and
- (h) where the word "include" or "includes" is used, it is to be read as if the expression "(but is not limited to)" immediately followed such word and where the word "including" is used, it is to be read as if the expression "(but not limited to)" immediately followed such word.

SCHEDULE

Item 1 Leased Area:

That part of Lot 5702 on Deposited Plan 206372 (being whole of the land in Certificate of Title Volume 2068 Folio 365) as is delineated and hachured on the map annexed hereto.

Net Plantable Area: 210 hectares

Item 2 Initial Term:

The period commencing on 1 January 2007 (the "Commencement Date") and expiring on the earliest of:

- (a) 28 April 2019;
- (b) the day immediately preceding the termination date of the Head Lease; and
- (c) such other date as is determined in accordance with this Sub-Lease.

Item 3 Annual Rent:

For each Hectare Unit the sum of \$250.62 per annum payable quarterly in advance on or before 31 March, 30 June, 30 September, 31 December during each year of the Term which is to be adjusted at the same times and in the same manner as the Head Lease Rent is adjusted pursuant to the terms and conditions of the Head Lease and which is payable quarterly in advance on each of the Payment Dates.

Provided that upon termination of this Sub Lease, if the Annual Rent has been paid in respect of any period after the date of termination, the Lessor shall forthwith refund that amount to the Lessee and, if the Annual Rent has not been paid in respect of any period up to and including the date of termination, the Lessee shall forthwith pay that amount to the Lessor.

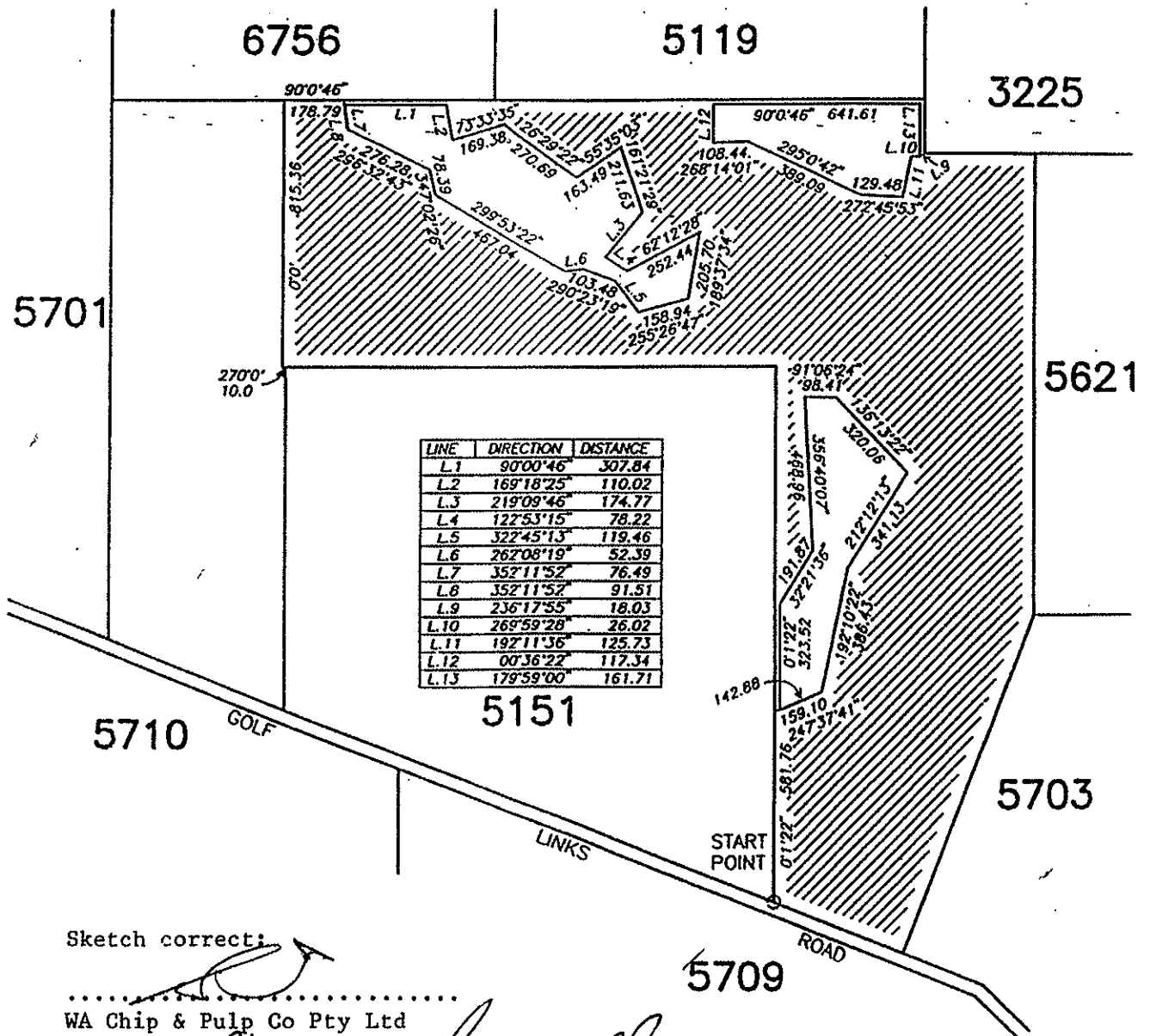
Item 4 Head Lease:

Registered Lease No G251464

- (1) Date of Head Lease: 7 June 1996
- (2) Termination date: 29 April 2019
- (3) Name of lessor or sub-lessor under the Head Lease:
Elbert Geluk and Sharynn Margaret Geluk

ANNEXURE 'A'

SHANBREL 96 TREEFARM
PLANTAGENET LOC. 5702
SCALE 1:20000



Sketch correct:

WA Chip & Pulp Co Pty Ltd

Timbercorp Securities Limited

NORTH

ATTESTATION SHEET

Dated this

27TH

day of

February

Year 2007

SUB - LESSOR/S SIGN HERE (Note 10)

The Common Seal of W.A. Chip & Pulp Co
Pty Ltd A.C.N. 008 720 518 was hereunto
affixed with the authority of the directors in
the presence of:

Director

Director / Secretary



SUB - LESSEE/S SIGN HERE (Note 10)

The Common Seal of Timbercorp Securities
Limited A.C.N. 092 311 469 was hereunto
affixed with the authority of the directors in
the presence of:

Director

Director / Secretary



THIS PAGE IS INTENTIONALLY LEFT BLANK

INSTRUCTIONS

1. If insufficient space in any section, Additional Sheet, Form B1, should be used with appropriate headings. The boxed sections should only contain the words "see page ..."
2. Additional Sheets shall be numbered consecutively and bound to this document by staples along the left margin prior to execution by the parties.
3. No alteration should be made by erasure. The words rejected should be scored through and those substituted typed or written above them, the alteration being initialled by the persons signing this document and their witnesses.
4. Duplicate Lease to be produced.

NOTES

1. DESCRIPTION OF LAND

Lot and Diagram/Plan/Strata/Survey-Strata Plan number or Location name and number to be stated.

Extent - Whole, part or balance of the land comprised in the Certificate of Title to be stated. If part, define by recital and/or sketch.

The Volume and Folio number to be stated.

2. LIMITATIONS, INTERESTS, ENCUMBRANCES and NOTIFICATIONS

In this panel show (subject to the next paragraph) those Limitations, interests, encumbrances and notifications affecting the land being sub-leased recorded against the lease:

(a) On the certificate(s) of title:

(i) In the Second Schedule; or

(ii) If no Second Schedule, that are encumbrances;

(b) On the lease, that are encumbrances not recorded on the certificate(s) of title (unless to be removed by action or document before registration hereof).

Do not show any:

(a) Easement Benefits or Restrictive/Covenant Benefits; or

(b) Subsidiary interests or changes affecting a limitation, etc, that is to be entered in the panel (eg, if a mortgage is shown, do not show any partial discharges or any document affecting either).

The documents shown are to be identified by nature and number. The plan/diagram encumbrances shown are to be identified by nature and plan/diagram number. Strata/survey-strata plan encumbrances are to be described as "interests on strata/survey-strata plan". If none show "nil".

3. SUB-LESSOR

State the full name of the Sub-Lessor/Sub-Lessors (Lessee as shown in Lease) and the address/addresses to which future notices can be sent.

4. SUB-LESSEE

State full name of the Sub-Lessee/Sub-Lessees and the address/addresses to which future notices can be sent.

5. TERM OF LEASE

Term of Sub-Lease must be less than Head Lease. Term to be stated in years, months and days or as the case may be and commencement day of Sub-Lease to be shown.

6. State whole or part of land in Head Lease.

7. State amount of yearly rental in figures.

8. State term of payment.

9. Insert any Covenants required.

10. SUB-LESSOR/SUB LESSEE EXECUTION

A separate attestation is required for every person signing this document. Each signature should be separately witnessed by an Adult Person. The address and occupation of the witness must be stated.

EXAMINED

DUPLICATE

K114341 SL

08 Mar 2007 15:44:41 Bunbury

SUB-LEASE

Lodged By

Address

SLEE ANDERSON & PIDGEON

BARRISTERS & SOLICITORS

PO BOX 63 BUNBURY 6231

PH: (08) 97 920 920

FAX: (08) 97 211 271

DX: 60420 BUNBURY

Phone No.

Fax No

E-Mail

Reference No. DDK:PJR:PH:260816 (01)

Issuing Box No.

Prepared By Slee Anderson & Pidgeon

Level 1

Address 9 Stirling Street
Bunbury WA 6230

Phone No. 97 920 920

Fax No. 97 211 271

E-Mail

Reference No. DDK:PJR:PH:260816 (01)

Issuing Box No.

INSTRUCT IF ANY DOCUMENTS ARE TO ISSUE TO OTHER THAN LODGING PARTY.

TITLES, LEASES, DECLARATIONS ETC. LODGED HERewith

1. _____	Received Items
2. _____	
3. _____	Nos.
4. _____	
5. _____	Receiving Clerk
6. _____	

Registered pursuant to the provisions of the TRANSFER OF LAND ACT 1893 as amended on the day and time shown above and particulars entered in the Register.



IN THE FEDERAL COURT OF AUSTRALIA

No. VID 541 of 2009

VICTORIA DISTRICT REGISTRY
GENERAL DIVISION

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

AND

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

TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)

ACN 092 311 469

and OTHERS

Plaintiffs

and

WA CHIP & PULP CO. PTY LTD

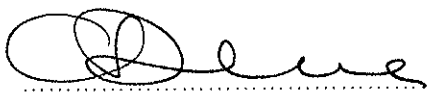
and OTHERS

ACN 008 720 518

Defendants

CERTIFICATE IDENTIFYING THE EXHIBIT

This is the exhibit marked "CJP-2" now produced and shown to **CHRISTOPHER JOHN PALMER**
at the time of swearing his affidavit on 29 July 2009.

Before me: 

Gregory John Dunne

A legal practitioner who has
held a practice certificate for
at least 2 years and who holds
a current practice certificate

Filed on behalf of the First and Second Defendants by

BLAKE DAWSON
2 The Esplanade
Perth WA 6000

Tel: 08 9366 8000
DX: 169 Perth
Fax: 08 9366 8111
Email: paul.mac@blakedawson.com
Ref: ACSC PHYM 09 2007 6478

HEAD SUB-LEASE
DUNCTON 98 TREEFARM

BETWEEN

BUNNINGS TREEFARMS PTY LTD

A.C.N. 009 378 607

("the Lessor")

-and-

TIMBERCORP EUCALYPTS LIMITED

A.C.N. 055 185 067

("the Lessee")

-and-

PERMANENT TRUSTEE COMPANY LIMITED

A.C.N. 000 000 993

("the Representative")

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THIS SUB-LEASE is made on 30 June 1998.

BETWEEN

BUNNINGS TREEFARMS PTY LTD ACN 009 378 607 of 2-10 Adams Drive, Welshpool, Western Australia (the "Lessor");

TIMBERCORP EUCALYPTS LIMITED ACN 055 185 067 of 7th Floor, Stalbridge Chambers, 443 Little Collins Street, Melbourne, Victoria, ("the Lessee"); and

PERMANENT TRUSTEE COMPANY LIMITED ACN 000 000 993 of 294-296 Collins Street, Melbourne, Victoria ("the Representative").

RECITALS

- A. The Lessor holds a lease or sub-lease in respect of the Leased Area.
- B. The Lessor has agreed to sub-lease the Leased Area to the Lessee on the terms and conditions contained in this Sub-Lease.
- C. The Representative is a party to this Sub-Lease only in its capacity as Representative for each several Grower under the Agency Deed and for the sole purpose of assuming the rights, duties and obligations of the Lessee in the circumstances and on the terms and conditions set out in clause 14.4(d).

OPERATIVE PROVISIONS

Part 1 Grant of Sub-Lease

1.1 Sub-Lease

The Lessor leases to the Lessee the Leased Area for the Term for the purpose of growing, tending and harvesting the Plantation Crop.

Part 2 Conditions

2.1 Consents and approvals

This Sub-Lease is subject to and conditional upon the obtaining of the following consents and approvals, on terms reasonably acceptable to the Lessee, within twelve (12) months after the date of execution of this Sub-Lease:

- (a) The approval of the Western Australian Planning Commission under section 20(1)(a) of the Town Planning and Development Act 1928 (if such approval is required).
- (b) All local, State and Commonwealth government approvals, licences or permissions required for the establishment of the Plantation Crop.

The condition referred to in paragraph (b) above shall be deemed to be a condition subsequent.

2.2 Other agreements

This Sub-Lease is subject to and conditional upon the Lessee or its Related Body Corporate entering into the following agreements with the Lessor or its Related Body Corporate in respect of the Plantation Crop on or prior to the Commencement Date:

- (a) Plantation Services Agreement; and
- (b) Wood Purchase Agreement.

2.3 Each Party to use all reasonable endeavours to ensure conditions satisfied

Each of the Parties will use all reasonable endeavours to ensure that the conditions specified in clause 2.1 are satisfied as soon as is reasonably practicable, and where required will keep the other Party fully informed as to progress towards satisfaction of the conditions.

2.4 Failure of conditions

If any of the conditions referred to in clauses 2.1 or 2.2 are not satisfied within the time limited in those clauses:

- (a) this Sub-Lease shall be at an end and be deemed never to have been of any force or effect; and

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- (b) the Lessor shall immediately repay to the Lessee any instalments of Annual Rent or other moneys paid by the Lessee to the Lessor under this Sub-Lease.

Part 3 Rent

3.1 Annual Rent

The Lessee shall duly and punctually pay to the Lessor during the Term the rent specified in Item 3 of the Schedule as reviewed from time to time in accordance with clause 3.2.

3.2 Rent reviews

The Annual Rent shall be reviewed on the first 30 June after the date of execution of this Sub-Lease (whether or not the date of execution of this Sub-Lease falls before or after the Commencement Date) and each 30 June thereafter during the Term ("Review Dates"). The Annual Rent payable on and from each Review Date shall be the lesser of:

- (a) the Annual Rent payable immediately prior to the relevant Review Date increased by eight per cent (8%); and
- (b) the amount calculated in accordance with the following formula:

$$NR = R \times \frac{NCPI}{CPI}$$

Where:

NR is the Annual Rent payable on and from the relevant Review Date.

R is the Annual Rent payable immediately prior to the relevant Review Date.

NCPI is the Consumer Price Index (All Groups) for the City of Perth (or any substitute accepted by the government of the Commonwealth of Australia) as last published by the Australian Bureau of Statistics prior to the relevant Review Date.

CPI is the Consumer Price Index (All Groups) for the City of Perth (or any substitute accepted by the government of the Commonwealth of Australia) as last published by the Australian Bureau of Statistics prior to

the immediately preceding Review Date or, in the case of the first review, as last published by the Australian Bureau of Statistics prior to the Commencement Date.

3.3 Discontinuation or suspension of CPI

If the Consumer Price Index (All Groups) for the City of Perth is discontinued or suspended, the method of review set out in clause 3.2(b) will cease to apply and will be replaced with such alternative method as is mutually agreed between the Parties or, if the Parties fail to agree, such alternative method as in the opinion of an expert appointed by the President for the time being of the Institute of Chartered Accountants (Western Australia Division) at the request of either Party most closely reflects changes in the cost of living for the City of Perth. The cost of any expert determination carried out under this clause shall be borne equally between the Parties.

Part 4 Lessee's obligations

The Lessee agrees with the Lessor that the Lessee will at the Lessee's expense during the Term:

4.1 Permitted use

Use the Leased Area for the purpose of growing, tending and harvesting a plantation or plantations of eucalyptus trees.

4.2 Forestry practice

Comply with sound silvicultural and environmental practices adopted within the forestry industry.

4.3 Comply with laws

Comply with all laws and regulations relating to the use and occupancy of the Leased Area.

4.4 Repairs

Promptly repair any damage caused by the Lessee or its employees, agents or contractors to any roads, tracks or fences on the Leased Area or on any neighbouring land.

4.5 Interference with activities

Take all reasonable steps to avoid interfering with the activities carried out on any neighbouring land by the owner or occupier of that land.

4.6 Chemicals and dangerous substances

Not store or use any chemical, inflammable, noxious or dangerous substances in a manner which is likely to result in damage to vegetation, livestock, crops or water reserves on any neighbouring land.

4.7 Native vegetation

Not cut down, damage or destroy any native vegetation on the Leased Area without the prior written consent of the Lessor.

4.8 Buildings

Not erect any buildings, structures or dwellings or use any caravans on the Leased Area for accommodation purposes except to the extent that such facilities are reasonably required by the Lessee for the bona fide management of the Plantation Crop.

4.9 Remove facilities

Remove any building, structure, dwelling or caravan from the Leased Area as soon as it is no longer reasonably required by the Lessee for the bona fide management of the Plantation Crop.

4.10 Permit Lessor to enter

Permit the Lessor to enter upon the Leased Area from time to time with or without equipment for the purpose of performing the Lessor's obligations under any Project Document.

4.11 Comply with other agreements

Comply with the provisions of the Plantation Services Agreement and comply, or use its best endeavours to procure compliance by the Lessee's Related Body Corporate (as applicable), with the Wood Purchase Agreement.

Part 5 Lessor's obligations

5.1 Prior to Commencement Date

The Lessor agrees with the Lessee that the Lessor will at the Lessor's expense prior to the Commencement Date (or such later date as the Lessee may agree):

5.1.1 Boundary fence

Construct or cause to be constructed a fence along the external boundary of the Leased Area, or in such other location as the Lessor deems fit, suitable to restrain livestock from straying onto the Leased Area.

5.1.2 Declared plants and animals

Take or cause to be taken all reasonable steps to control any plants or animals on or about the Leased Area which are "declared plants" or "declared animals" within the meaning of the Agriculture and Related Resources Protection Act 1976.

5.2 During the Term

The Lessor agrees with the Lessee that the Lessor will at the Lessor's expense during the Term:

5.2.1 Quiet enjoyment

Allow the Lessee to peaceably and quietly hold and enjoy the Leased Area without any interruption by the Lessor or any person claiming through or under the Lessor.

5.2.2 Maintain boundary fence

Maintain or cause to be maintained the fence constructed pursuant to clause 5.1.1 on the Leased Area in good and substantial repair and condition.

5.2.3 Rates and taxes

Duly and punctually pay or cause to be paid all rates, taxes and other charges levied by any government or other authority in respect of the Leased Area.

5.2.4 Comply with laws

Comply with all laws and regulations relating to the use and occupancy of any neighbouring land occupied by the Lessor.

5.2.5 Chemicals and dangerous substances

Not store or use any chemical, inflammable, noxious or dangerous substances in a manner which is likely to result in damage to vegetation, livestock, crops or water reserves on the Leased Area.

5.2.6 Comply with Head Lease

Comply with the provisions of the Head Lease.

5.2.7 Graze livestock

To the extent that the Lessor is reasonably able to do so, graze livestock on the Leased Area in a manner which will reduce the fire hazard of grass growing on the Leased Area but will not damage the Plantation Crop.

5.2.8 Control of fires

Take all necessary measures to ensure that any fires which may occur or be lit on any neighbouring land owned or occupied by the Lessor are properly controlled and supervised.

5.2.9 Lighting of fires

Not without the prior written approval of the Lessee (such approval not to be unreasonably withheld) light any fires:

- (a) on neighbouring land owned or occupied by the Lessor during "prohibited burning times" or "restricted burning times" within the meaning of the Bush Fires Act 1954; or
- (b) on the Leased Area at any time during the Term.

5.2.10 Notification of fires

Promptly notify the Lessee of:

- (a) any fire in the vicinity of the Leased Area which may threaten the Plantation Crop; and
- (b) any notice or notification received by the Lessor from the owner or occupier of any adjoining land pursuant to the provisions of the Bush Fires Act 1954.

5.2.11 Encumbrances

Not create any encumbrances over the Leased Area or any part thereof ranking in

priority to the interests of the Lessee under this Sub-Lease OTHER THAN the Plantation Services Agreement and Wood Purchase Agreement and any fixed and floating charge granted in favour of the Lessor by the Lessee or any Related Body Corporate of the Lessee.

Part 6 Lessee's rights

6.1 General

The Lessor hereby grants to the Lessee the rights set out in this Part to be exercised by the Lessee during the Term.

6.2 Harvest

The Lessee shall be entitled to harvest the Plantation Crop and to remove and sell the products derived from the Plantation Crop and to retain all income from such sale.

6.3 Access

The Lessee shall be entitled to full and free access to the Leased Area along any road or track on any neighbouring land over which the Lessor has similar rights and which gives access to the Leased Area from a public road.

6.4 Construct roads and tracks

The Lessee may with the prior written consent of the Lessor (which consent shall not be unreasonably withheld) construct and maintain such roads and tracks (including, if necessary, bridges and culverts) on the Leased Area or on any neighbouring land in respect of which the Lessor has similar rights, as are reasonably required by the Lessee to provide access to the Leased Area from a public road for log haulage.

6.5 Use of sand and gravel

For the purposes of constructing and maintaining the roads and tracks referred to in clause 6.4 the Lessee may take and use sand, gravel and other material available from a place approved by the Lessor on the Leased Area or on any neighbouring land in respect of which the Lessor has similar rights, in such quantities as the Lessee reasonably requires. If the Lessee exercises its rights under this clause, the Lessee must rehabilitate the surface of the land to an

appearance as near as possible to the appearance of the surface of the surrounding land.

6.6 Graze livestock

In the event that the owner under the Head Lease or the Lessor does not graze livestock under clauses 5.2.7 or 7.2 then the Lessee may graze livestock on the Leased Area and retain all income derived therefrom.

6.7 Bees

In the event that the owner under the Head Lease or the Lessor does not keep bees under clause 7.3 then the Lessee may keep bees on the Leased Area and retain all income derived therefrom.

6.8 Security

The Lessee may at its own expense padlock any gates on roads or tracks entering the Leased Area and take such other measures to exclude trespassers as the Lessee reasonably considers appropriate. Upon request, the Lessee must provide the Lessor with a key to any padlocks, or if the Lessee has taken any other measures under this clause, such other means of entry, to the Leased Area.

6.9 Signs

The Lessee may at its own expense erect and maintain a sign on the Leased Area detailing the name, area, tree species, year of planting or such other matters as the Lessee reasonably considers appropriate.

Part 7 Lessor's rights

7.1 General

The Lessee hereby grants to the Lessor the rights set out in this part to be exercised by the Lessor during the Term.

7.2 Graze livestock

The owner under the Head Lease or the Lessor may graze livestock on the Leased Area and retain all income derived therefrom.

7.3 Bees

The owner under the Head Lease or the Lessor may keep bees on the Leased Area and retain all income therefrom.

7.4 Access

The Lessor and its employees, agents and contractors shall be entitled to full and free access for the purposes of grazing livestock and/or keeping bees with or without vehicles to the Leased Area along any road or track or any neighbouring land owned or occupied by the Lessor which gives access to the Leased Area from a public road.

7.5 Further access

The Lessor and its employees agents and contractors shall be entitled to full and free access with or without vehicles to the Leased Area for the purpose of accessing neighbouring land owned or occupied by the Lessor.

7.6 Use of sand and gravel

The Lessor may with the approval of the Lessee take and use sand, gravel and other material from a place on the Leased Area which does not derogate from the productivity of the Plantation Crop. The Lessee may withhold the approval in the event that it believes that the removal of the sand, gravel and other material will derogate from the productivity of the Plantation Crop.

Part 8 Extension of the Term

8.1 Lessee's option to extend Term

Subject to the Lessor having the right to extend the term of the Head Lease, the Lessee may by giving written notice to the Lessor ("the Lessee's Notice") not less than four (4) months prior to the expiration of the Term, elect to extend the Term for the purpose of growing, tending and harvesting a second rotation of the Plantation Crop:

- (a) in respect of the whole of the Leased Area; or
- (b) at the absolute discretion of the Lessor, in respect of any part of the Leased Area;

for the period expiring on the day immediately preceding the termination date of the Head Lease. Upon receipt of the Lessee's notice the Lessor must immediately extend the term of the Head Lease for a further 12 years.

If the Lessee elects to extend the Term under this clause in respect of part only of the Leased Area and the Lessor permits the Lessee to do so, references in this Sub-Lease to the "Leased Area" and to "Land Units" thereof shall during the period of extension be deemed to be references to that part of the Leased Area or its constituent Land Units as applicable.

8.2 Extension of other Agreements

Any extension of the Term under this Part operates to extend the term of the Plantation Services Agreement and the Wood Purchase Agreement for a similar period.

8.3 Extension for late harvesting

If the Lessee is prevented from:

- (a) harvesting the Plantation Crop;
- (b) removing from the Leased Area the products derived from the Plantation Crop; or
- (c) processing the products derived from the Plantation Crop,

due to an event of Force Majeure, the Lessee may by giving written notice to the Lessor elect to extend the Term for a period of time equal to the duration of the event of Force Majeure.

Part 9 Force Majeure

9.1 Definition of Force Majeure

For the purposes of clause 8.4 "Force Majeure" means:

- (a) Act of God, fire, explosion, earthquake, landslide, flood, wash-out, lightning, storm or tempest;
- (b) strikes, lockouts, stoppages, restraints of labour or other industrial disturbances;
- (c) war, acts of public enemies, riot, civil commotion or sabotage;
- (d) breakdown of or accident to plant, machinery or equipment except where such breakdown is due to a failure by the Party claiming Force Majeure to maintain the plant, machinery or equipment in a proper manner;

- (e) restraints, embargoes or other unforeseeable actions by the government of Western Australia or the government of the Commonwealth of Australia; or
- (f) any Act of Parliament, regulation, by-law, order, ordinance or rule.

9.2 Lack of funds

Performance or fulfilment of an obligation shall not be taken to be prevented by Force Majeure if it is prevented by lack of funds or by inability to use available funds resulting from Force Majeure.

9.3 Claiming benefit of Force Majeure

A Party claiming the benefit or protection of clause 8.3 shall:

- (a) promptly give notice to the other Party of the occurrence and circumstances in respect of which the claim arises;
- (b) take all reasonable steps to ameliorate and remedy the consequences of that occurrence without delay; and
- (c) resume performance in full of its obligations under this Sub-lease as soon as reasonably practicable.

9.4 Strikes, etc

Notwithstanding anything to the contrary contained in clause 9.3, no Party is by clause 9.3 required to settle any strikes, lockouts or other industrial disputes or disturbances on terms which in the opinion of such Party are contrary to its interests.

Part 10 Early termination and reduction of the Leased Area

10.1 Termination during extended Term

If the Term has been extended under clause 8.1 then the Lessee may elect to terminate this Sub-Lease by giving written notice of termination to the Lessor at least 4 months prior to commencement of harvesting of the second rotation of the Plantation Crop. If the Lessee gives notice of such termination to the Lessor under this clause 10.1, then this Sub-Lease will terminate on the date on which such harvesting is completed.

10.2 Termination by Lessee

The Lessee may terminate this Sub-Lease with immediate effect if the Lessor commits a material breach of this Sub-Lease and fails to remedy the breach or make reasonable compensation in money within one month after the Lessee has served a written notice on the Lessor requiring the Lessor to remedy the breach.

10.3 Termination by Lessor

- (a) Subject to clause 10.4, the Lessor may terminate this Sub-Lease with immediate effect if the Lessee fails to pay any instalment of Annual Rent or any other monetary sum payable under any Project Document by the due date for payment and such amount is not paid in full within six (6) months after the Lessor has served a written notice on the Lessee requesting payment.
- (b) The Lessor may terminate this Sub-Lease in respect of a Land Unit with immediate effect if the Lessee commits a material breach of this Sub-Lease in respect of that Land Unit (other than a failure to pay any instalment of Annual Rent or any other monetary sum payable by the Lessee under any Project Document) and fails to remedy the breach or make reasonable compensation in money within thirty (30) days after the Lessor has served a written notice on the Lessee requiring the Lessee to remedy the breach.

If this Sub-Lease is terminated in respect of a Land Unit under this clause 10.3, the provisions of clauses 10.4(b)(2), (3) and (4) shall apply to that termination as if references in those clauses to Defaulting Land Units were references to the Land Unit(s) in respect of which there has been a termination under this clause 10.3(c).

10.4 Termination of Defaulting Land Units

- (a) If:
 - (1) the Lessee fails to pay the whole or part of any instalment of Annual Rent or any other

monetary sum payable by the Lessee under any Project Document (the "Overdue Amount") within six (6) months after the due date for payment;

- (2) the non-payment of the Overdue Amount was due to the failure of a Grower to pay rent or other moneys to the Lessee in respect of a Land Unit ("the Defaulting Land Units");
- (3) the Lessee has given written notice to the Lessor clearly identifying the Defaulting Land Units and requesting that the Lessor not exercise any rights it has or may have under clause 10.2(b) in respect of the non-payment of the Overdue Amount; and
- (4) the Lessee has no right of termination under clause 10.5 or 10.6 in respect of any part of the Defaulting Land Units,

then the Lessor shall not be entitled to exercise its rights under clause 10.3(a) in respect of the non-payment of the Overdue Amount but may, in lieu of those rights, terminate this Sub-Lease with immediate effect in respect of the Defaulting Land Units.

- (b) If this Sub-Lease is terminated in respect of any Defaulting Land Units, with effect on and from the date of such termination:

- (1) the Lessee will be excused and released from its obligation to pay the Overdue Amount to the extent that the Overdue Amount relates to the Defaulting Land Units;
- (2) all right, title, estate and interest of the Lessee and the Grower in the Defaulting Land Units and in the Plantation Crop growing on the Defaulting Land Units ("the Forfeited Trees") shall terminate and vest in the Lessor;

- (3) the Defaulting Land Units will cease to form part of the Leased Area; and
- (4) subject to paragraph (5), the following provisions shall apply to the harvesting of the Forfeited Trees:

- (A) The Lessee shall harvest or cause to be harvested the Forfeited Trees at the same time as the Plantation Crop.
- (B) The Lessor shall pay to the Lessee an amount in respect of harvesting costs calculated in accordance with the following formula:

$$A = X \times \frac{Y}{Y+Z}$$

Where:

A is the amount payable by the Lessor to the Lessee under this sub-clause in respect of harvesting costs.

X is the total amount of the costs directly and reasonably incurred by the Lessee in harvesting the Plantation Crop and the Forfeited Trees.

Y is the total number of Defaulting Land Units in respect of which there has been a termination under this clause 10.4.

Z is the total number of Land Units (excluding any Defaulting Land Units) comprised in the Leased Area as at the date of harvesting.

- (C) All logs and other products derived from the Plantation Crop and the Forfeited Trees will be pooled as between the Lessor and the Lessee and the Lessor will receive

that proportion of such logs and other products as is determined in accordance with the following formula:

$$P = \frac{Y}{Y+Z} \times 100$$

Where:

P is the proportion of the total logs and other products derived from the Plantation Crop and the Forfeited Trees which the Lessor is entitled to receive expressed as a percentage.

Y is the total number of Defaulting Land Units in respect of which there has been a termination under this clause 10.4.

Z is the total number of Land Units (excluding any Defaulting Land Units) comprised in the Leased Area as at the date of harvesting.

- (4) Notwithstanding paragraph 10.4(b)(4), where any of the Defaulting Land Units are readily identifiable as a whole management compartment (being an area of Trees surrounded by firebreaks and/or access roads or tracks), the Lessor may elect that paragraph 10.4(b)(4) does not apply to those Defaulting Land Units. Where the Lessor so elects, the Lessor is to harvest the Forfeited Trees on those Defaulting Land Units and is to retain the product derived from those Forfeited Trees.

10.5 Loss of Plantation Crop

(a) If:

- (1) the whole or a substantial part of the Plantation Crop is

damaged or destroyed whether by fire or any other cause whatsoever; or

- (2) an independent forestry consultant commissioned by the Lessee reasonably determines that the whole or a substantial part of the Plantation Crop is no longer commercially viable,

the Lessee may terminate this Sub-Lease by giving not less than three (3) months' prior written notice of such termination to the Lessor. Termination under this clause shall take effect on and from the 30 June next following the expiration of the period of notice.

- (b) If so directed by the Lessor in writing within two (2) months after receipt of the Lessee's notice of termination, the Lessee shall at the Lessee's expense forthwith remove from the Leased Area all trees, logs, stumps and debris forming part of or derived from the Plantation Crop and re-seed pasture on the Leased Area.

10.6 Reduction of the Leased Area

- (a) If:
 - (1) the whole or any part of the Plantation Crop on a Land Unit is damaged or destroyed whether by fire or any other cause whatsoever; or
 - (2) an independent forestry consultant commissioned by the Lessee reasonably determines that the whole or any part of the Plantation Crop on a Land Unit is no longer commercially viable,

the Lessee may terminate this Sub-Lease in respect of that portion of the Land Unit on which the affected part of the Plantation Crop is or was growing ("the Surrendered Area"), by giving not less than three (3) months prior written notice of such termination to the Lessor. Termination under this clause shall take effect on and from the later of:

- (1) the 30 June next following the expiration of the period of notice; and

- (2) the date on which the Lessee has met all of its obligations under clause 10.6(b).

- (b) If so directed by the Lessor in writing within two (2) months after receipt of the Lessee's notice of termination, the Lessee shall at the Lessee's expense forthwith remove from the Surrendered Area all trees, logs, stumps and debris forming part of or derived from the Plantation Crop and, provided it is reasonably practicable to do so, fence off the Surrendered Area from the remainder of the Leased Area, re-seed pasture on the Surrendered Area and provide the Lessor and the lessor or sub-lessor under the Head Lease with reasonable access to the Surrendered Area.

10.7 Effect of termination

- (a) Termination of the whole or any part of this Sub-Lease under clause 10.1, 10.2, 10.3, 10.5 or 10.6 shall be without prejudice to any rights or obligations which may have accrued prior to the date of termination.
- (b) Termination of this Sub-Lease in respect of a Land Unit under clause 10.3(c), 10.4 or 10.6 shall not affect the rights or obligations of the Parties in respect of any other part of the Leased Area.
- (c) Termination of this Sub-Lease in respect of part of a Land Unit under clause 10.5 shall not affect the rights or obligations of the Parties in respect of any other part of that Land Unit.

10.8 Limited right of termination

Except as expressly provided in this Part, neither Party shall be entitled to terminate or rescind this Sub-Lease and the Lessor shall not be entitled to re-enter the Leased Area or forfeit this Lease, at any time prior to the expiration of the Term (as extended or renewed).

Part 11

Rights and obligations on expiration or termination

11.1 Removal of stumps, roads and tracks

The Lessor acknowledges and agrees with the Lessee that, except to the extent that clauses 10.4(b) and 10.5(b) apply, the Lessee will not be liable to remove or to pay for the removal of:

- (a) any stumps from the Leased Area; or
- (b) any roads or tracks constructed on the Leased Area or on any neighbouring land under clause 6.4,

at the expiration or earlier termination of this Sub-Lease.

11.2 Removal of products and equipment

During the three (3) month period following the expiration of this Sub-Lease, the Lessee may enter upon the Leased Area and remove any plant, equipment, implements or other things brought onto the Leased Area by or on behalf of the Lessee during the Term.

11.3 Products and equipment left by the Lessee

- (a) Any plant, equipment, implements or other things brought onto the Leased Area by or on behalf of the Lessee, which are not removed by the Lessee within the three (3) month period referred to in clause 11.2; and
- (b) any part of the Plantation Crop not harvested by the Lessee during the Term (as extended or renewed),

shall be the property of the Lessor.

Part 12

Ownership of the Plantation Crop

12.1 Ownership

Subject to clause 10.3, the Lessor acknowledges and agrees with the Lessee that the Plantation Crop will be and shall remain the property of the Lessee or any Grower for the period referred to in sub-clause 12.3.2.

12.2 Additional Rights

The Lessor hereby transfers and grants to the Lessee the following rights in addition to the other rights granted to the Lessee under this Sub-Lease:

- (a) to establish, tend and manage the Plantation Crop and to cultivate and plant seedling trees as part of the Plantation Crop;
- (b) to enter upon the Leased Area with or without vehicles and, to the exclusion of the Lessor and all other persons, to harvest the Plantation Crop and remove and sell the products derived from the Plantation Crop; and
- (c) to exercise and enjoy such of the rights and powers granted to the Lessee under this Lease as may be necessary to enable the Lessee to exercise the rights referred to in paragraphs (a) and (b) above.

12.3 Independent Proprietary Interest

12.3.1 The rights and interests granted to the Lessee under clauses 12.1 and 12.2 constitute an independent and severable grant of a proprietary interest in the Leased Area by the Lessor to the Lessee.

12.3.2 In the event that the Term or the leasehold interest of the Lessee under this Sub-Lease:

- (a) ends; or
- (b) is terminated (other than by effluxion of time or by the operation of Parts 2 or 10); or
- (c) becomes void whether by reason of some act or default of the Lessor or of the trustee in bankruptcy, receiver, receiver and manager, controller, administrator or liquidator of the Lessor, or for any other reason whatsoever,

the rights and interests granted to the Lessee under clauses 12.1 and 12.2 shall, unless expressly surrendered by the Lessee, continue in full force and effect and may be exercised and enjoyed by the Lessee until the date

on which the Term (as extended or renewed) would have ended by effluxion of time.

Part 13

Mining and petroleum activities

13.1 Definitions

In this part, the following expressions have the following meanings:

"Mining Activities" means all activities that may be carried out pursuant to a Mining Tenement.

"Mining Tenement" means any right or title available under the Mining Act 1978, and includes a permit to enter on private land.

"Petroleum Activities" means all activities that may be carried out pursuant to a Petroleum Title.

"Petroleum Title" means any right or title available under the Petroleum Act 1967, and includes a permit to enter on private land.

13.2 Application for Mining Tenement or Petroleum Title

If any person applies for a Mining Tenement or a Petroleum Title over any part of the Leased Area, then the following provisions shall apply:

- (a) The Lessor shall promptly notify the Lessee.
- (b) Neither the Lessor nor the Lessee shall consent to the application or do any act or thing that may assist the grant of the application without the prior written consent of the other Party.
- (c) The Lessee shall be entitled to object to or resist the application or to restrict the scope of the rights to be obtained by virtue of the grant of the application, to the fullest extent permitted by law.
- (d) For the purpose of giving full effect to paragraph (c) above, the Lessor shall sign such documents as the Lessee may require, and the Lessee shall be entitled to take such proceedings in the name of the Lessor as the Lessee considers appropriate. The Lessee

hereby indemnifies the Lessor for any loss suffered by the Lessor as a direct consequence of the Lessee exercising its rights under this paragraph (d).

- (e) The Lessor hereby appoints the Lessee its lawful attorney to execute the documents and to do the things referred to in paragraph (d).

13.3 Grant of Mining Tenement or Petroleum Title

If a Mining Tenement or a Petroleum Title is granted over any part of the Leased Area, then the following provisions shall apply:

- (a) The Lessor shall keep the Lessee informed as to the Mining Activities or Petroleum Activities carried out upon the Leased Area, and shall forward copies of all communications with the persons carrying out or proposing to carry out such activities.
- (b) The Lessor shall not consent to any use of water, felling of trees, stripping of bark or cutting of timber on the Leased Area.
- (c) If any compensation becomes payable by virtue of or in respect of Mining Activities or Petroleum Activities on the Leased Area, then the Lessor and the Lessee shall be entitled to compensation according to their respective interests in the area affected by those activities. The Lessor and the Lessee shall each be responsible for negotiating and recovering such compensation.
- (d) If the whole or part of this Sub-Lease is terminated under clause 10.4 or 10.5 as a result of Mining Activities or Petroleum Activities being carried out on the Leased Area, the provisions of clauses 10.4(b) and 10.5(b) shall not apply in respect of such termination.

Part 14

General

14.1 Warranties

The Lessor represents and warrants that:

- (a) as at the date of execution of this Sub-Lease, the Head Lease is valid and subsisting;
- (b) the Lessor is entitled under the Head Lease to grant this Sub-Lease to the Lessee; and
- (c) any consents which may be required to the granting of this Sub-Lease (other than those referred to in clause 2.1) have been obtained.

14.2 Costs

- (a) Each Party agrees to pay its own costs of and incidental to the preparation and negotiation of this Sub-Lease.
- (b) The Lessor agrees to pay all stamp duty and any registration fees payable on this Sub-lease.
- (c) Each Party agrees to pay its own costs of and incidental to the service of any notice requiring the other Party to remedy a default under this Sub-Lease.

14.3 Notices

All notices, consents, approvals and other communications required or authorised to be given under this Sub-Lease ("Notices") must be in writing and may be personally delivered or sent by pre-paid post or facsimile to the addressee's address specified in this Sub-Lease or such other address as the addressee may have notified from time to time. A Notice shall be deemed to be received:

- (a) if personally delivered, upon receipt;
- (b) if sent by pre-paid post within Australia, on the third day after posting;
- (c) if sent by pre-paid post outside Australia, on the seventh day after posting; and
- (d) if sent by facsimile, upon production of a successful transmission report by the sender's facsimile machine.

Each Party who sends a notice under this Sub-Lease agrees to immediately forward to the Representative a copy of any notice sent to the other Party if non compliance by the

recipient of the notice may give the sender grounds for termination of this Sub-Lease.

14.4 Dealings

- (a) The Lessee may sub-lease or grant a licence to occupy the whole or any part of the Leased Area without having to obtain the consent of the Lessor but only on terms and conditions consistent with this Sub-Lease and with the agreements and arrangements referred to in clause 2.2.
- (b) Subject to clause 14.4(c) neither Party may assign this Sub-Lease without first obtaining the consent of the other Party (which consent shall not be unreasonably withheld) and arranging (at the assigning party's cost) for the assignee to enter into a deed of covenant with the other party in a form approved by the other party under which the assignee agrees to comply with and be bound by the provisions of this Sub-Lease as if the assignee were named in this Sub-Lease in the place of the assigning party.
- (c) If for any reason whatsoever the Lessee ceases to be the Project Manager under the Agency Deed the Lessor will consent to the assignment of this Sub-Lease to any person fulfilling the position of Project Manager under the Agency Deed for the time being, subject to the proposed assignee assuming all the obligations of the Lessee under the Project Documents.
- (d) Notwithstanding anything to the contrary express or implied in this Sub-Lease, if the Lessee has failed to pay any instalment of Annual Rent or any other monetary sum payable by the Lessee under this Sub-Lease or under the Plantation Services Agreement and the Lessor has served notice on the Lessee requesting payment the Representative may, at its sole discretion, remedy such default by the Lessee and, upon doing so, and for so long as it continues to perform all duties and meet all

liabilities of the Lessee under this Sub-Lease, assume all the rights of the Lessee under this Sub-Lease provided that:

- (i) the Representative will assume no personal liability for doing so but will do so only in its capacity as Representative under the Agency Deed;
- (ii) the Representative is not bound to comply with the obligations contained in paragraphs 10.4(b) and 10.5(b) PROVIDED THAT:
 - (A) the Representative must re-imburse the Lessor the direct and reasonable costs incurred by the Lessor in performing any works under sub clauses 10.4(b) and 10.5(b) in respect of any Land Unit or part of a Land Unit out of any proceeds that the relevant Grower is entitled to receive in respect of that Land Unit; and
 - (B) the Representative must provide the Lessor and the lessor under the Head Lease with reasonable access to the Surrendered Area.
- (iii) a liability arising under this Sub-Lease can be enforced against the Representative only to the extent to which the Representative is entitled to be indemnified for the liability out of the property of the relevant Timbercorp Eucalypts Project under the Agency Deed; and
- (iv) this limitation of the Representative's liability applies despite any other provision of this Sub-Lease and extends to all liabilities and obligations of the Representative in any way

connected with any representation, warranty, conduct, omission, agreement or transaction related to the 1998 Timbercorp Eucalypts Project or this Sub-Lease provided that the Representative exercises its powers in good faith.

- (e) The Lessee is only entitled to assign this Sub-Lease under clause 14.4(b) or clause 14.4(c) if the assignee has entered into a deed of covenant with the Lessor in a form approved by the Lessor under which the assignee agrees to comply with and be bound by the provisions of the Wood Purchase Agreement as if the assignee were named in that agreement as Project Manager in the place of the Lessee.

14.5 Caveat

- (a) The Lessee may lodge a subject to claim caveat at the Office of Titles, Midland in respect of its interest under this Sub-Lease.
- (b) The Lessor agrees to provide to the Lessee all plans and other details reasonably necessary to enable the Lessee to lodge a subject to claim caveat.
- (c) Upon the expiration or earlier termination of this Sub-Lease, the Lessee must promptly withdraw at its own expense any caveat lodged under this clause.

14.6 Further assurances

Each Party agrees to sign such documents and do all such acts, matters and things as may be reasonably required by the other Party to give effect to this Sub-Lease.

14.7 Voiding insurances

Each Party agrees that it will not do or permit or suffer to be done any act, matter or thing which may prejudice or render void or voidable any insurances in respect of the Leased Area, the Plantation Crop, any Defaulting Land Units in respect of which there has been a termination under clause 10.4 or any Forfeited Trees, or result in the

premiums for such insurances being increased.

14.8 Transfer of Land Act

To the extent permitted by law, all provisions implied by the Transfer of Land Act 1893 are expressly excluded from this Sub-Lease.

14.9 Property Law Act

The provisions of sections 80 and 82 of the Property Law Act 1969 shall not apply to this Sub-Lease.

14.10 No partnership

Nothing contained in this Sub-Lease shall constitute either Party the partner or agent of the other Party and each Party agrees that it will not hold itself out as the partner or agent of the other Party. Subject to paragraphs 14.4(c) and (d), this Sub-Lease is not for the benefit of any person not a party to this Sub-Lease and shall not be deemed to give any right or remedy to any such person.

14.11 Waivers

No waiver by a Party of any breach of this Sub-Lease shall be deemed a waiver of any preceding or succeeding breach of this Sub-Lease.

14.12 Proper law

This Sub-Lease shall be governed by and construed in accordance with the laws of the State of Western Australia and the Parties agree to submit to the jurisdiction of the courts of that State.

14.13 Severability

If any provision of this Sub-Lease is or becomes void or unenforceable, that provision shall be severed from this Sub-Lease to the intent that the remaining provisions of this Sub-Lease shall continue in full force and effect.

14.14 Parties may act through agents

All rights granted to a Party and all obligations imposed on a Party under this Sub-Lease may be enjoyed or performed (as the case may be) by that Party's employees, agents and contractors.

Part 15 Definitions and interpretation

15.1 Definitions

In this Sub-Lease, the following words and expressions have the following meanings:

"Agency Deed" means the agency deed made on 1 May 1992 between the Lessee, the Representative and each several Grower (as amended from time to time).

"Annual Rent" means the rent specified in Item 3 of the Schedule as reviewed from time to time in accordance with clause 3.2.

"Commencement Date" means the commencement date of this Sub-Lease referred to in Item 2 of the Schedule.

"Defaulting Land Unit" is defined in clause 10.4(a)(2).

"Forfeited Trees" is defined in clause 10.4(b)(2).

"Grower" means the sub-lessee of the Lessee.

"Head Lease" means the head lease referred to in Item 4 of the Schedule.

"Land Unit" means any of the pieces of land, each of approximately one hectare in area, which together comprise the Leased Area and which are specified in Item 1 of the Schedule and/or identified on the map attached to this Sub-Lease.

"Leased Area" means the land described in Item 1 of the Schedule (as reduced pursuant to this Sub-Lease if applicable).

"month" means calendar month.

"Overdue Amount" is defined in Clause 10.4(a)(1).

"Party" means the Lessor or the Lessee, as the case may be, or where the Representative has assumed the rights, duties and obligations of the Lessee under paragraph 14.4(d), the Lessor or the Representative, as the case may be.

"Plantation Crop" means the crop or crops of eucalyptus trees planted and tended or to be planted and tended on the Leased Area by the Lessee (as reduced pursuant to this Sub-Lease if applicable).

"Plantation Services Agreement" means an agreement to provide plantation services in respect of the Plantation Crop entered into between the Lessor (or its nominee) and the Lessee (or its nominee) on or before the Commencement Date.

"Project Documents" means this Sub-Lease and the Plantation Services Agreement.

"Related Body Corporate" has the meaning given to that term in section 9 of the Corporations Law.

"Review Dates" means the dates referred to in clause 3.2.

"Term" means the term of this Sub-Lease, comprising the initial term specified in Item 2 of the Schedule and, where the context permits, any extension of that term under Part 8.

"Wood Purchase Agreement" means an agreement to purchase the produce from the Plantation Crop entered into between the Lessor (or its nominee) and the Lessee (or its nominee) on or before the Commencement Date.

15.2 Interpretation

In this Sub-Lease, unless the context otherwise requires:

- (a) the singular number includes the plural and vice versa and a word denoting one gender includes each of the other genders;
- (b) "person" includes a firm, a corporation and any incorporated body;
- (c) headings are for convenience only and do not affect the interpretation of this Sub-Lease;
- (d) a reference to an Act of Parliament shall be read as a reference to that Act as amended, modified or replaced from time to time and includes any regulations, by-laws, orders, ordinances or rules made under that Act;
- (e) a reference to a Party to this Sub-Lease includes that Party's transferees, successors and permitted assigns;
- (f) if the Lessee comprises more than one person, the provisions of this Sub-Lease binds all of them jointly and each of them severally;
- (g) except to the extent that the Representative may assume the rights of the Lessee, if the Lessee or any of the persons comprising the Lessee is a trustee, this Sub-Lease binds that person in its capacity as trustee and personally; and
- (h) where the word "include" or "includes" is used, it is to be read as if the expression "(but is not limited to)" immediately followed such word and where the word "including" is used, it is to be read as if the expression "(but not limited to)" immediately followed such word.

SCHEDULE

Item 1 Leased Area (attach map clearly identifying each Land Unit):

Those portions of Nelson Location 2657 and 5864 (Lot 7 on Diagram 31302) being part of the land described in Certificate of Title Volume 1886 Folio 820, and those parts of Nelson Location 2935 (Lot 3 on Diagram 29345) being part of the land described in Certificate of Title Volume 1886 Folio 817, as are delineated into one hectare units numbered from 1 to 134 on the map annexed hereto.

Hectare Units: 134

Item 2 Initial Term:

The period commencing on 30 June 1998 (the "Commencement Date") and expiring on the earliest of:

- (a) the date 12 years after the Commencement Date;
- (b) the date harvesting of the Plantation Crop is completed for the first time; and
- (c) the day immediately preceding the termination date of the Head Lease.

Item 3 Annual Rent:

For each Land Unit the sum of two hundred and thirty-five dollars (\$235.00) per annum payable annually in advance on 30 June during each year of the Term.

PROVIDED THAT upon termination of this Sub-Lease, if Annual Rent has been paid in respect of any period after the date of termination, the Lessor shall forthwith refund that amount to the Lessee and, if Annual Rent has not been paid in respect of any period up to and including the date of termination, the Lessee shall forthwith pay that amount to the Lessor.

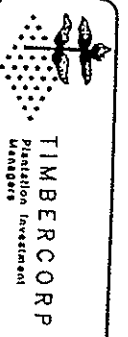
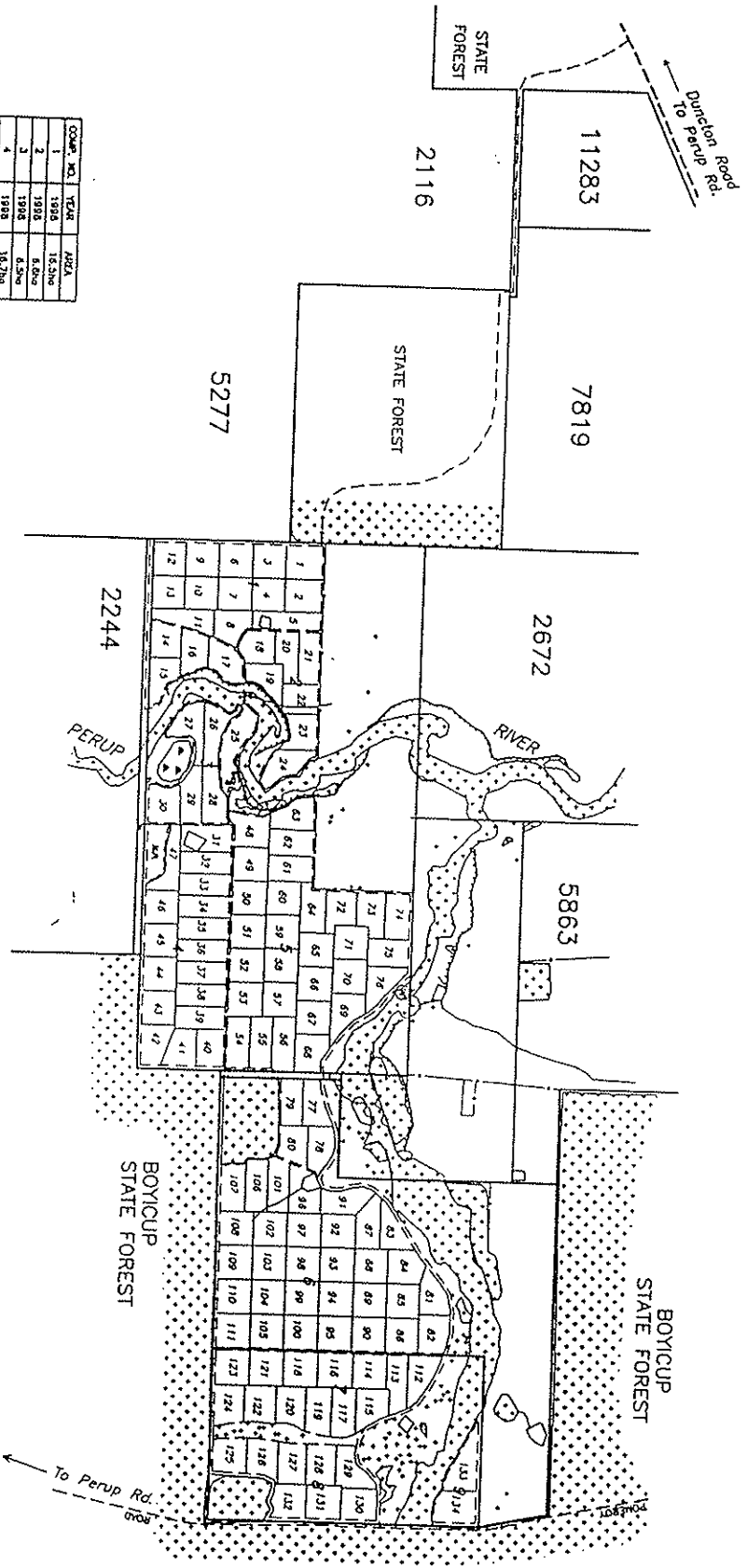
Item 4 Head Lease:

- (1) Commencement Date: 15 March 1998
- (2) Termination date: 14 March 2016
- (3) Name of lessor or sub-lessor under the Head Lease:

Barry Phillip EDWARDS, Maurice Graham EDWARDS, and Christine EDWARDS

Plantation Code : DUT
134 Woodlots

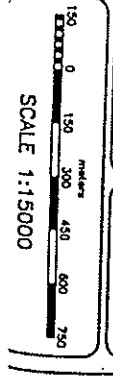
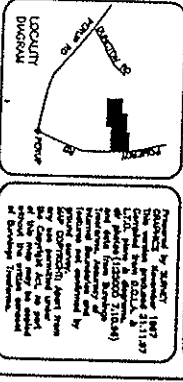
Comp. No.	Year	Area
1	1982	16,200
2	1983	8,000
3	1984	8,500
4	1985	16,700
5	1986	21,000
6	1987	21,000
7	1988	13,400
8	1989	8,100
9	1990	2,200



DUNCION 98 TREEFARM
NELSON LODS. 2657.237, 5664.235 & 6090
TOTAL AREA : 260,100
OWNERS : DUNCION & SONS
SHED : 1000
MAIN ACCESS : POLICE RD. DUNCION RD.
CATCHMENT : PERUP RIVER
CALLY PLAN : POLICE RD.

PLANTATION DETAILS
TOTAL AREA : 260,100
PLANTABLE AREA : 134,100
1998 AREA DESIGNATIONS :-
ECOLOGICAL 1998 : 134,100
AREA OF RETAINED BUSH : 12,000
RELANDING AREA IMPLANTED : 2,800
FIREBREAKS : 10m ADJACENT TO PRIVATE PROPERTY
10m ADJACENT TO STATE FOREST
15m ADJACENT TO SHED ROAD RESERVES
15m BUFFER ZONE OF TRANSMISSION LINES
6m BETWEEN COMPARTMENTS

MANAGEMENT LEGEND
1st CLASS ROAD (4x4)
2nd CLASS ROAD (4x4)
FIREBREAK/COMPARTMENT Bdy
TRANSMISSION LINE
TELEPHONE LINE
FENCE LINE
RIVER CREEK
WATER POINT DEVELOPED
FARM DAM
PLANTABLE AREA
MAYNE BUSH
ROCK OUTCROP
FLATS/SWAMPS
LOW SCORP
NOT PLANTABLE
EXISTING PLANTATION
RESEARCH PLOT
BANDWIDTH PLOT
LOADING ROAD
ACCESS DATE
BUILDINGS



EXECUTED as a deed.

THE COMMON SEAL of BUNNINGS TREEFARMS PTY LTD is affixed in accordance with its Articles of Association in the presence of:

Secretary/Director

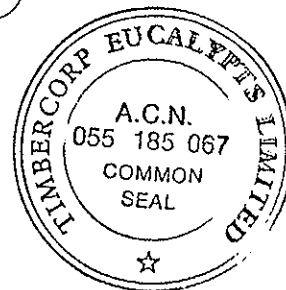
Director



THE COMMON SEAL of TIMBERCORP EUCALYPTS LIMITED is affixed in accordance with its Articles of Association in the presence of:

Secretary

Director



EXECUTED in Melbourne by PERMANENT TRUSTEE COMPANY LIMITED by being SIGNED SEALED AND DELIVERED by its

attorney _____
pursuant to a Power of Attorney dated

25 JUN 1998

in the presence of:

Witness: _____

Name of Witness: W Williams

S. SILAVECKY
MANAGER
Permanent Trustee Co Ltd

