

IN THE FEDERAL COURT OF AUSTRALIA
VICTORIA DISTRICT REGISTRY

No. 541 of 2009

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

AND

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

TIMBERCORP SECURITIES LIMITED (IN
LIQUIDATION) and OTHERS
(ACN 092 311 469)

Plaintiff

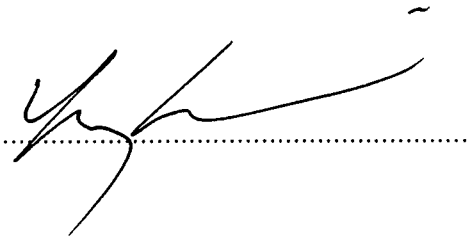
WA CHIP & PULP CO. PTY LTD
and OTHERS
(ACN 008 720 518)

Defendants

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "**MAK-11**" now produced and shown to **MARK ANTHONY KORDA** at the time of swearing his affidavit on 23 July 2009.

Before me:



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

Filed on behalf of the Plaintiffs

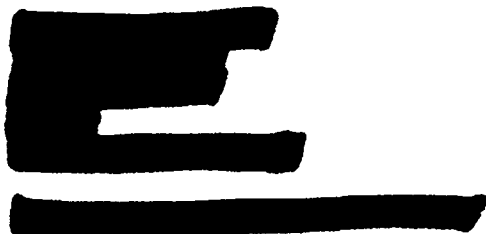
ARNOLD BLOCH LEIBLER
Lawyers and Advisers
Level 21
333 Collins Street
Melbourne 3000

DX 38455 Melbourne
Tel: 9229 9999
Fax: 9229 9900
Ref: 01-1499489
(Leon Zwier/Lucy Kirwan)



KordaMentha

15 June 2009



Dear Sir

Timbercorp Group of Companies (All Administrators Appointed) ("the Companies")

We refer to our previous letter dated 28 April 2009 advising that certain Partners of KordaMentha were appointed Administrators of the Companies on 23 April 2009. Since our appointment as Administrators of the Companies, we have been faced with a number of difficulties including the significant issue that Timbercorp Securities Limited (Administrators Appointed) is hopelessly insolvent.

Accordingly, the Administrators now propose a "standstill" arrangement in relation to leases in relation to the properties listed in the enclosed Lessor Agreement ("the Leases"):

- a) landlords will agree to a standstill on the payment of rent for the period from 1 July 2009 to 30 September 2009 ("September Quarter");
- b) existing arrangements under the Leases will be maintained and the Companies will continue to use, occupy and remain in possession of the leased properties;
- c) the Administrators will not personally adopt any of the Leases and will not be personally liable for rent for the September Quarter; and
- d) landlords' claims against the relevant Companies will not be affected - you will still be able to claim in the administration, or subsequent liquidation, of the relevant Company for rent payable for the September Quarter.

The proposed standstill arrangement will give the Administrators time to finalise their investigations into the Companies and examine whether there are ways for the various Timbercorp horticultural and forestry managed investment schemes ("Projects") to continue. This may benefit all stakeholders including the grower investors, landlords, trade creditors, shareholders and financiers of the Companies and the rural communities who are reliant on the continuation of the Projects.

We will not reach a final position regarding the viability of each Company and Project prior to 30 June 2009. Updates in relation to the Administrations are available on our website (www.kordamentha.com) for your information.

Corporate Recovery Services
Turnaround & Restructuring Services
Real Estate Advisory
Forestry

info@kordamentha.com
www.kordamentha.com

Liability limited by a scheme
approved under Professional
Standards Legislation

Melbourne

KordaMentha Pty Ltd
ACN 100 169 391
Level 24, 333 Collins Street
Melbourne VIC 3000
GPO Box 2985
Melbourne VIC 3001
Office: 03 8623 3333
Fax: 03 8623 3399

KordaMentha Offices

Adelaide Perth
Brisbane Singapore
Gold Coast Sydney
Melbourne Townsville
New Zealand

Cooperation with AlixPartners

Chicago Munich
Dallas New York
Detroit Paris
Düsseldorf San Francisco
London Shanghai
Los Angeles Tokyo
Milan

Would you please carefully consider this proposal and if acceptable, please sign and return the attached Lessor Agreement to Jonathon Stokes at KordaMentha, Level 24, 333 Collins Street, Melbourne (or by email (jstokes@kordamentha.com) or fax (+61 3 8623 3399)) on or before 22 June 2009.

If you do not agree to the standstill arrangement, please advise us in writing (or email) by 22 June 2009.

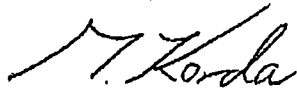
If you (and other lessors) fail to agree to this standstill proposal we may:

- seek an order from the Court that we, as Administrators of the Companies, will not be personally liable for amounts owing under the Leases to which the Companies are a party; and/or
- not assert a right against you to continue to occupy, or be in possession of, the property subject to the Leases for the purposes of section 443B(6) of the Corporations Act 2001.

The Administrators would be grateful for your cooperation in these difficult times.

If you have any queries in relation to this letter, please do not hesitate to call Jonathon Stokes on (03) 8623 3428.

Yours sincerely



MARK KORDA
Administrator

Enc.

LESSOR AGREEMENT

Leased Properties

According to the books and records of the Companies, the following land and/or properties are leased by one or more of the Companies from your organisation:

- Various Properties (refer to enclosed Schedule A)

Additional Leased Properties

Please insert any additional land and/or properties leased by one or more of the Companies that relate to any of the forestry and horticultural schemes and provide details or attach copies of all lease agreements to this response:

.....
.....

Agreement

I, (name), in my capacity as (capacity) for and on behalf of (lessor name) agree that:

- a) the Administrators of the Companies will not be personally liable for any amounts payable under or in connection with any leases or occupancy agreements with you ("the Leases") arising during or payable in respect of the September Quarter;
- b) the lessor will not claim against the Administrators of any of the Companies pursuant to section 443A or 443B of the Corporations Act 2001 for any rent, licence fee or other amount which may be due and payable under or in connection with the Leases during the September Quarter; and
- c) you will notify any transferee or assignee of your interest in the land subject to the Leases of the terms of this agreement.

Capitalised terms have the same meaning as in the letter from the Administrators dated 15 June 2009.

The Administrators acknowledge that the signing of this Lessor Agreement is without prejudice to your right to make a claim against any Company at a later stage after the expiry of the September Quarter or the commencement of the liquidation of the relevant Company, however your agreement not to claim against the Administrators personally will be ongoing.

SIGNED for and on behalf of the lessor in the)
presence of:)

Signature of witness

Signature of lessor representative

Name of witness (print)

Name of lessor representative (print)

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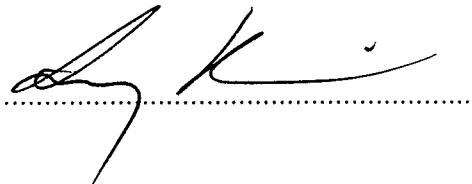
WA CHIP & PULP CO. PTY LTD
and OTHERS
(ACN 008 720 518)

Defendants

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "MAK-12" now produced and shown to **MARK ANTHONY KORDA** at the time of swearing his affidavit on 23 July 2009.

Before me:



LUCY HANNAH KIRWAN

Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne 3000

An Australian Legal Practitioner within the
meaning of the Legal Profession Act 2004

Filed on behalf of the Plaintiffs

ARNOLD BLOCH LEIBLER
Lawyers and Advisers
Level 21
333 Collins Street
Melbourne 3000

DX 38455 Melbourne
Tel: 9229 9999
Fax: 9229 9900
Ref: 01-1499489
(Leon Zwier/Lucy Kirwan)



KordaMentha

2 July 2009



Dear Sir/Madam

Timbercorp Group of Companies (All In Liquidation) ("the Companies")

We refer to our previous letter dated 15 June 2009, written when we were the Administrators of the Companies. In that letter, we requested a "standstill" arrangement in relation to specified leases ("Leases").

The vast majority of lessors have either declined to accept our proposal or not responded to it.

On 29 June 2009, the creditors of the Companies resolved to wind up the Companies and we have now been appointed the liquidators ("Liquidators").

As Administrators, we advised that we would not and did not adopt or ratify the Leases. As Liquidators, we again advise that we will not and do not adopt or ratify the Leases.

As you also know, all the Leases were entered into by the Companies prior to our appointments.

The Liquidators give you notice that, as and from 2 July 2009, the Liquidators will not use or occupy the property the subject of the Leases. The Liquidators will not enter onto the land or perform any of the obligations under the Leases.

The Liquidators will allow all lessors to lodge proofs of debt for their losses (claims) in the liquidation of the companies. However, the Liquidators currently are of the view that they have not personally incurred any cost or expense in the liquidation for using or occupying the land. The Liquidators acknowledge that lessors may take a different view of the law.

In these circumstances, the Liquidators are applying to Justice Finkelstein in the Federal Court on 6 July 2009 for an order to confirm that the Liquidators are not using or occupying the land. If this order is obtained, any liabilities or costs in relation to the occupation of the land the subject of the Leases (including rent) will not constitute an expense of the liquidation of the Companies for the purposes of section 556(1)(a) or section 556(1)(dd) of the Corporations Act. One lessor, Plantation Land Limited (ACN 090 443 333), has agreed to argue the contrary position to that of the Liquidators. All Court documents will be posted on the KordaMentha website, the ABL website and the Timbercorp website. ASIC will also appear on the hearing of the application.

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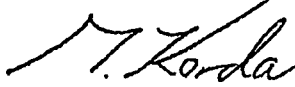
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Dallas	New York
Detroit	Paris
Düsseldorf	San Francisco
London	Shanghai
Los Angeles	Tokyo
Milan	

We recommend that you obtain your own independent legal advice in relation to what impact this notice may have on you and whether you should do anything to protect your own rights.

If you have any queries in relation to this letter, please do not hesitate to call Jonathon Stokes on (03) 8623 3428.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Korda', written in a cursive style.

MARK KORDA
Liquidator

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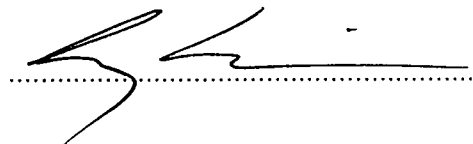
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Defendants

CERTIFICATE IDENTIFYING EXHIBIT

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Before me:



LUCY HANNAH KIRWAN
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Ref: 01-1499489
(Leon Zwier/Lucy Kirwan)



KordaMentha

Timbercorp Group of Companies

(All Administrators Appointed)

Report by Administrators

18 June 2009

Pursuant to Section 439A
of the Corporations Act





- In regard to the olive plantations, management projections indicate \$66.2m is required for plantation maintenance, overheads, land and equipment rental and capital expenditure in relation to the 2010 harvest;
- Group management have estimated that approximately \$14m is required for plantation maintenance, overheads, land and equipment rental and capital expenditure in relation to the 2010 mango harvest;
- Group management have estimated that approximately \$23m is required for plantation maintenance, overheads, land and equipment rental and capital expenditure in relation to the 2010 avocado harvest;
- Group management have estimated that approximately \$13m is required for plantation maintenance, overheads, land and equipment rental and capital expenditure in relation to the 2010 table grape harvest; and
- Group management have estimated that approximately \$19m is required for plantation maintenance, overheads, land and equipment rental and capital expenditure in relation to the 2010 citrus harvest.

The above amounts exclude any necessary allocation of costs in relation to maintaining the head office function (including grower management and IT staff) and the employment of the twelve remaining horticulture staff.

2.1.2 Forestry

Unlike the horticulture operations, the Group's forestry operations were performed in-house and included two divisions, being tree farm planting and maintenance and the harvesting operations.

Our financial assessment of the forestry operations revealed that the primary cost in relation to the management of the Group's forestry plantations relates to land holding costs associated with the 700 plus forestry plantation properties. The quarterly rental cost (payable in advance) associated with the forestry plantation properties is estimated at \$8.3m (\$33.2m/year). Additionally, equipment leases relating to the harvesting and maintenance operations are approximately \$1.3m per quarter.

It is noted that prior to our appointment, all land relating to the forestry plantations had been pre-paid to 30 June 2009.

As the forestry business was not required to pay rental costs in June 2009, in order to maintain the value of the entire forestry business and following the negotiation of a further ship to be provided by Japanese trading house, Marubeni, in late June 2009, the decision was made to recommence forestry harvesting operations on 5 June 2009.

From 1 July 2009, daily lease liabilities will accrue at a rate of over \$90,000 per day. Accordingly on 15 June 2009, letters were sent to all external forestry land holders requesting that a lease stand-still agreement be entered into for the period from 1 July 2009 to 30 September 2009. Responses to these letters are required by 22 June 2009. Without the land owners' agreement to these lease stand-still agreements, notification of the intention to no longer utilise these properties in accordance with section 443B of the Act will need to be provided to lessors.

During mid to late May 2009, invoices for the payment of maintenance in arrears (to 30 June 2009) and rental in advance (for the period 1 July 2009 to 30 June 2010) was sent to all 1998 and 1999 single rotation forestry MIS grower investors. The total value of the invoices issued was \$16.1m, however at the time of writing, fewer than 50% of grower investors from both Schemes had paid their invoices. Given the relatively poor payment of these invoices to date, all monies received from grower investors are being held on trust until the legal ownership of these monies is determined.



2.5.3 Forestry plantation insurance

Forestry plantation insurance in place prior to the appointment of the Administrators was paid up to 1 May 2009 by the Group. It covered the peak fire danger period for the year ending October 2009. The funds received from grower investors in relation to forestry plantation insurance were not held in trust by the Group at appointment to pay the remaining \$1.4 million due on the policy up to October 2009. Due to the absence of available funds, as of 1 May 2009, the premium funding arrangements have not been continued.

The Administrators have been working towards a solution to address the grower investors' concerns regarding the insurance of their trees. During the interim period, the Administrators have recommended that should grower investors wish to insure their trees, they should do so directly, via an appropriate underwriter/broker. We will also provide further information on insurance, where appropriate, at a later stage.

2.5.4 AgriRisk Proposal

After negotiations with the Group's pre-appointment broker, AgriRisk, and certain assurances offered to the underwriters, AgriRisk intends to present the Administrators with the following proposal:

- The existing policy be cancelled effective 1 May 2009 on the basis that a new policy in the name of the grower investors be established from 1 May 2009 to 1 October 2010;
- AgriRisk will approach grower investors to offer forestry plantation insurance cover directly;
- Grower investors who accept the offer will pay insurance premiums directly to AgriRisk, not to the Group; and
- The total premium will be reduced from what grower investors have paid to the Group in past years and will cover 17 months instead of 12.

Subject to receiving and authorising AgriRisk's formal proposal, the Administrators will provide the necessary information on the KordaMentha and Timbercorp websites to inform grower investors of what they need to do should they wish to participate.

We note that the AgriRisk proposal is still in draft and is yet to be finalised. Given the current status of the Group, it will be appropriate that any future policy be established directly by AgriRisk and involve the payment of growers investors' insurance funds directly to AgriRisk.

2.6 Sale of business

2.6.1 Forestry

In the six months prior to the appointment of Administrators, the Group commenced a sale process for its forestry assets and businesses. Whilst there was significant interest from potential bidders, the Group did not execute a sale agreement.

Since our appointment as Administrators, we have undertaken the following actions in relation to the sale and realisation of the forestry assets:

- Commenced determining the composition of the forestry assets which will be realised through the Administration process. To do this, we are undertaking a review of each Scheme to determine its financial, commercial and legal viability;
- Held discussions with each of the bidders in the sale process undertaken by the Group;
- Commenced drafting an information memorandum;



- Commenced reviewing and updating the financial and technical content of sales information in the data-room;
- Formulated a sales process and timetable, for commencement once the forestry assets are determined;
- Devised and formulated our marketing and advertising campaign, which will include an international element;
- Attended to and recorded expressions of interest in the sale of the forestry assets; and
- Attended to meetings with key stakeholders in the sales process, including creditors, equipment financiers, landlords, customers and suppliers.

2.6.2 Sale of Horticulture Assets

Prior to the appointment of Administrators (and in conjunction with similar processes for forestry assets), the Group commenced a sale process for selected horticulture assets. Specifically, the Group sought interest on the sale and lease-back of some Almond Orchards and the Boort Olive Grove and Processing Facility whilst preserving all the rights and obligations of the grower investors. Despite significant interest, the Group did not execute sale agreements with any parties.

Since appointment, the Administrators have undertaken the following actions in relation to the sale of horticulture assets:

- Commenced determining the composition of the Group's horticulture assets – both Scheme and non-Scheme related – that could be realised through the Administration process. To do this, we are undertaking a review of each Scheme to determine its financial, commercial and legal viability;
- Entered into agreements for the sale of the 2009 crop for various horticulture schemes to the current project partner to ensure the harvest could be funded and the value of the assets maintained. Specifically, crop sale agreements were entered into for olives with Boundary Bend, Queensland avocados with Simpson Farms and citrus products with Costa Exchange Ltd. Crop sale agreements were entered into where they were deemed to be in the best interests of grower investors;
- Worked closely with all horticulture project partners to try to maintain the value of any crop and underlying land assets;
- Commenced drafting information memorandums for selected horticulture assets;
- Commenced reviewing and updating the financial, technical and legal content of information in the data room for almond assets;
- Held informal discussions with project partners who have expressed interest in various assets;
- Recorded and attended to expressions of interest in the sale of horticulture assets; and
- Attended to meetings with key stakeholders in the sales process including creditors, equipment financiers, landlords, customers and suppliers.



3.2.3 Overview of Forestry Operations

Overview of forestry activities

The forestry operations are owned and managed in-house by the Group and comprise the following business segments:

- The harvesting operations; and
- The tree farm division.

Operations are conducted in two regions, south west Western Australia and 'the Green Triangle' (south east South Australia and south-west Victoria). The tree farm operations team are located in Western Australia (Perth and Albany), South Australia (Penola) and Victoria (Hamilton). The harvesting operations are based in Western Australia (Albany).

The tree farm division is responsible for the establishment, cultivation, management and maintenance of the forestry plantations. The harvesting division is responsible for the harvest and processing of the felled timber into woodchips for sale. This includes the scheduling, harvesting, processing, transport and dispatch, and sales and marketing activities. On appointment, the division, which is operated through Timbercorp Forestry, employed 37 staff including machine operators and mechanics.

The Group operates 11 forestry MIS and one private offer scheme on land estate holdings of approximately 100,000 hectares. In south west Western Australia, approximately 6,000 hectares comprise freehold land and 28,000 hectares are leasehold. In the 'Green Triangle', the Group holds 33,000 hectares of freehold land and 31,000 hectares of leasehold land.

The Group currently operates MIS projects established between 1997 and 2008.

The MIS established up to and including 2004 are known as "Woodlots", whereby grower investors make an upfront payment followed by annual payments of rent and maintenance fees throughout the term of the project. Harvesting costs are deducted from proceeds of the sale of the woodchips.

From 2004, the forestry MIS were arranged as "Timberlots", whereby grower investors made a single upfront payment covering establishment fees. Rent and maintenance fees are deferred and expected to be paid out of proceeds of sale together with harvesting costs. The table below outlines the forestry MIS projects operated by the Group, location and plantation hectares:

Scheme Description	Green Triangle		South-west WA	
	Single rotation (ha)	Double rotation (ha)	Single rotation (ha)	Double rotation (ha)
1997 Eucalypts			547	658
1998 Eucalypts	3,150	2,277	3,186	1,937
1999 Eucalypts Double Rotation Private Offer	267		2,111	
1999 Eucalypts Single Rotation	21,106		7,042	
2000 Eucalypts	9,757		773	
2001 Eucalypts	3,891		222	
2002 Eucalypts	3,252		308	
2003 Eucalypts	4,928		936	
2004 Eucalypts Pre Payment	1,600		140	
2004 Timberlots	2,612		1,703	

Scheme Description	Green Triangle		South-west WA	
	Single rotation (ha)	Double rotation (ha)	Single rotation (ha)	Double rotation (ha)
2005 Timberlots	7,440		4,183	
2007/2008 Timberlots	2,287		10,076	
(Not allocated)	1,114		28	
Grand Total	61,403	2,277	31,254	2,595

3.3 Statutory information and Group structure

3.3.1 Structure

The parent company within the Group is TL, which is a publicly listed company on the Australian Stock Exchange. Set out below are details of the capital structure of the Group:

Security	Status	Number on Issue
Ordinary Shares (TIM)	Listed (TIM)*	352,071,429
Reset Preference Shares	Listed (TIMPB)*	34,743,527 (\$2 face value)
Unsecured Subordinate Reset Convertible Notes	Listed (TIMG)*	830,000 (\$100 face value)
Unsecured Bonds	Listed (TIMHB)*	500,000 (\$100 face value)
Finance Bonds	Unlisted (TIMFB)	91,440 (\$100 face value)
Indexed Annuity Bonds	Unlisted	

* Suspended from listing upon announcement of appointment of VA on 23 April 2009

A diagram of the Group structure is available at Appendix 6.

Registered Charges according to ASIC records are set out in Appendix 5.

Details in relation to the incorporation date, registered office, company directors and secretaries of each company in the Group as obtained from ASIC searches around the date of our appointment are set out in Appendix 7.

The following table summarises the top 20 TIM shareholders as at 6 April 2009 according to the 'Thomson Reuters' website.

Shareholder name	Number of shares held	Percentage Held	Class of share
Timbercorp WA Pty Ltd/Robert Hance	52,353,961	14.9%	Ordinary
PM Capital Ltd	20,689,337	5.9%	Ordinary
Deutsche (Institutional Group)	11,598,306	3.3%	Ordinary
DFA Australia Ltd.	11,192,987	3.2%	Ordinary
Victor & Loti Smorgon	10,000,000	2.8%	Ordinary
Rodney Fitzroy	4,440,494	1.3%	Ordinary
GAM Ltd	3,592,595	1.0%	Ordinary
Fidelity (Institutional Group)	3,389,452	1.0%	Ordinary
UBS (Private Clients) (Group)	2,725,744	0.8%	Ordinary