



Forestry Scheme Growers' Consultation Meetings

7 August 2009

Agenda

- **Independent Chairman's Welcome**
- **Scheme Update and Key Issues**
- **Statement on Independent Accountant's Report**
- **Statement on Independent Forestry Expert Report**
- **Address from Grower Representatives**
- **Sale/Recapitalisation Strategy and Update**
- **Questions**
- **Growers' Vote**

Independent Chairman's Welcome

Forestry Schemes List

- 1997 Timbercorp Eucalypts Project (ARSN 112 309 234);
- 1998 Timbercorp Eucalypts Project (ARSN 112 309 216);
- 1999 Timbercorp Eucalypts Project (ARSN 085 827 872);
- 1999 Timbercorp Eucalypts Double Rotation Project (Private Offer);
- 2000 Timbercorp Eucalypts Project (ARSN 091 172 093);
- 2001 Timbercorp Eucalypts Project (ARSN 094 392 000);
- 2002 Timbercorp Eucalypts Project (ARSN 098 233 571);
- 2003 Timbercorp Eucalypts Project (ARSN 103 183 446);
- 2004 Timbercorp Eucalypts Project (ARSN 108 099 645);
- 2004 Timbercorp Timberlot (Single Payment) Project (ARSN 108 336 830);
- 2005 Timbercorp Timberlot (Single Payment) Project (ARSN 111 683 491); and
- 2007/2008 Timbercorp Timberlot (Single Payment) Project (ARSN 122 510 981).

Scheme Update and Key Issues

Timeline of events

- **April '09** Timbercorp Group appointed Voluntary Administrators
- **June '09** 2nd Creditors Meeting voted to put Companies into Liquidation
- **July '09** Court maintains “status quo” of leases
- **August '09** Court granted extension to disclaimer period
- **August '09** Forestry Scheme Growers' Consultation Meetings

Update on forestry operations

- **Foreign buyers are experiencing a reduction in demand for woodchips and no further sales of woodchips are anticipated in the near term**
- **Forestry operations have been suspended and we have terminated 23 maintenance staff**
- **Subject to finalising some privacy related issues, we anticipate Agririsk will commence dealing direct with forestry growers in respect of insurance cover**
- **On 1 July 2009, \$7.2m of forestry land rent fell due and was not paid. On the basis that the Liquidators are not in use or occupation of the land the leases were not disclaimed**
- **While this maintains the status quo for growers all care and maintenance work has stopped**

Land lease considerations

- **The majority of forestry land is externally leased with rental payments due quarterly in advance (59,000 ha is leased from 202 individual lessors, 36,000 ha is owned land)**
- **Rental payments due to be made on 1 July 2009 of \$7.2m were not paid**
- **All leases are now in default with most having a default expiry period of 30 September 2009. Some leases have a shorter expiry period and the liquidators are negotiating with landlords in respect of the leases**
- **At the end of the default period the landlords have the right to terminate the leases**
- **A significant proportion of the land leases have a clause to the effect that in the event of termination the ownership of the trees may revert to the landlord**

Land lease considerations

- **The Federal Court has granted the Liquidator an extension to 1 September 2009 to determine whether to disclaim the various leases. The liquidator can apply to the Court for a further extension**

- **While it remains the liquidators' position that the growers own the trees, if the schemes are not recapitalised or underlying assets sold in the short term further complications will arise;**
 - are the lease terms enforceable?
 - will the landlords assert ownership of the trees?
 - who will pay for the ensuing Court action?
 - how long will it take for stakeholder rights to be clarified?
 - will the plantations be appropriately maintained?

Funding Considerations

- **The Schemes require a total of at least \$342m in cash to be invested over their remaining lives**
 - \$169m is the amount the growers have already committed to pay
 - \$173m is the responsibility of the RE (the RE is insolvent and in liquidation)

- **Growers hold diverse views**
 - Some want to make further contributions and have the ability to do so
 - Some want to make further contributions but do not have the ability to do so
 - Some do not want to make any further contributions
 - Some believed they had paid all future contributions in advance

An overview of scheme solvency and viability

- **We have completed a significant amount of work reviewing the solvency and viability of each forestry project and scheme**
- **Our analysis shows that:**
 - Assuming the RE funds the \$173m shortfall all projects and schemes are forecast to achieve a positive net cash flow for growers, the RE's immediate cash requirements remain unmet
 - if \$342m was injected into the schemes they could be anticipated to generate a positive cash return for growers of \$590m over the next 19 years

Estimated forecast forestry scheme cash position

Project	Grower future contribution (beyond 31/7/09)	RE future funding requirement	Combined future funding requirement	Grower future project distribution	Project future net return (undiscounted)	
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$/ha)
1997 Eucalypts	-	(4)	(4)	7	4	3,010
1998 Eucalypts	(11)	(29)	(40)	131	91	5,590
1999 Eucalypts Double Rotation (PO)	-	(4)	(4)	11	7	7,809
1999 Eucalypts Single Rotation	(61)	5	(55)	243	188	6,712
2000 Eucalypts	(37)	-	(37)	92	55	5,347
2001 Eucalypts	(16)	(2)	(17)	41	24	5,715
2002 Eucalypts	(13)	(1)	(14)	28	14	3,812
2003 Eucalypts	(23)	-	(23)	41	18	3,022
2004 Eucalypts Pre Payment	(8)	(0)	(8)	23	15	8,329
2004 Timberlots	-	(16)	(16)	50	34	8,143
2005 Timberlots	-	(50)	(50)	137	86	7,460
2007/2008 Timberlots	-	(73)	(73)	127	55	4,429
	(169)	(173)	(341)	931	590	

RE needs to invest this amount



Potentially returned over the next 19 years

Role of independent experts

- **To help facilitate the decision making process for growers in respect of the proposed resolution both the Liquidators and the Timbercorp Growers Group (TGG) saw benefit in engaging Independent Experts**
- **Ernst and Young were engaged as Independent Expert Accountants**
- **URS Australia were engaged as Independent Forestry Experts**
- **The Independent Chairman will now read a short extract from the independent expert reports**

Statement on Independent Accountant's Report

Independent Accountant 's Report extract

“We report as follows:



...we note that the stated assumptions [in respect of the estimated forecast forestry project cash flows] attached at Appendix 1 to [the] report have been applied in a consistent manner throughout the model

...we note that the summarised financial information extracted from the model proposed to be presented to the Meetings [in our report] is consistent with the model on which our procedures were performed

...we have reviewed the logic and mathematical formulae in the calculations within the model, noting no matters have come to our attention which indicate that these are not materially correct”

These comments should be read in conjunction with the other comments contained in the E&Y report, a copy of which has been posted on the website.

Statement on Independent Forestry Expert's Report

Extract of Independent Forestry Experts Report

Executive Summary

“In relation to Timbercorp’s mapping processes, the methodology used is systematic and appears reasonable.

In relation to Timbercorp’s inventory processes, the methodology used is consistent with good forestry practice.

In relation to Timbercorp’s site productivity estimates using age 7.5 inventory data, the URS review found that Timbercorp’s approach is robust.

In relation to Timbercorp’s site productivity estimates using age 4.5 inventory data, the URS review found that the WA model is a reasonable predictor of current growth, while the Green Model over predicted volumes to age 7.5 by an average of 16%.

In relation to Timbercorp’s site productivity estimates made prior to establishment, the URS review found that the estimates are on average 26% higher than the projected age 10 volumes derived from other plantations in the same region where inventory data or actual harvest yields was available. URS considers the pre-plant estimates are generally higher than are likely to be realised.”

These comments should be read in conjunction with the other comments contained in the URS report, a copy of which has been posted on the website.

Address from Grower Representatives

An aerial photograph showing a vast, dense forest with a thick canopy of green trees. The perspective is from directly above, looking down on the forest floor.

Chris Garnaut

Chairman, Timbercorp Growers Group

Temporary Responsible Entity?

“... if Timbercorp were to become insolvent, TSL would be unable to remain as responsible entity of the project. ... ASIC will seek to appoint an alternative responsible entity to the project and ... Any financier/ mortgagee would liaise closely with ASIC and the replacement responsible entity to ensure that the project continues to operate ...”

Gideon Melzer

Timbercorp Limited

General Counsel & Company Secretary

December 2008

DIY Regulation?

“ASIC appears happy to sit back and watch as litigation funders take on the role of ‘keeping the bastards honest’.”

Tony Boyd

Privatising regulation

Business Spectator

18 June 2009

Where We Were Going

“... we currently intend to apply to the court to seek an early termination of the forestry schemes. ... not all growers may support this approach and the court will provide a forum for those voices ...”

Mark Korda

Administrator

Timbercorp Securities Limited

Email to Forestry Scheme Growers

16 June 2009

Almond and Olive Schemes

June 5

Korda Mentha goes to Court to seek wind up of “*hopelessly insolvent*” schemes. With lawyers acting *pro bono*, growers intervene and gain adjournment.

July 15 -July 21

Timbercorp Growers Group represents growers and gains adjournment of wind up application with orders for meetings of growers – schemes now have “*some short term cash issues*”.

TGG

Short History

- ❑ **First Creditors' meeting 5 May 2009**
- ❑ **Second Creditors' meeting 29 June 2009**
- ❑ **Just 2 months old**

Objectives

- ❑ **Oppose summary wind up of schemes**
- ❑ **Ensure that Growers make the decision**

TGG Achievements

- ❑ Major fundraising for litigation
- ❑ Assembled formidable legal team
- ❑ TGG website to inform growers
- ❑ Uncovered responsible entities
- ❑ Laid out real alternatives to wind up
- ❑ Conducted effective media campaign
- ❑ Legal victory for Olives and Almonds
- ❑ Precedent set for forestry schemes

Today's Meeting

Possible Outcomes –

- ❑ Sale with fair value of trees to growers
[Marubeni?]
- ❑ Continue with MIS and new RE
[Gunns?]
- ❑ Continue with restructure and opt out
 - *Pay rent and maintenance to harvest*
 - *Manager pays and deducts from proceeds*
 - *Sell trees*

[TC Growers]

TGG Process Enhancements

Forecast of forestry position

URS verified sales

No Timbercorp fees or overhead recovery

Calculations reviewed by E&Y

CBA has no access to forestry proceeds

Growers involved with TC Growers

Proposals to be reviewed by E&Y

Safeguards

Mark Mentha has agreed:

- ☐ **Cashflow assumptions on website**
- ☐ **E&Y reviewed cashflows to be held by Chairman**
- ☐ **TGG will have access to cashflows once proposals are in**
- ☐ **Proponents have not been told that CBA must get \$150m for land**
- ☐ **Growers will be funded for final appearance at Court**

Differences

Wind Up

- ☐ No possibility of schemes continuing
- ☐ Growers' rights fall away

Power of Sale

- ☐ MIS may continue
- ☐ Growers' rights remain to the end

Process

Today's Meeting

Selection of Proposal

Court Hearing

COMPARE

Growers'
Information

E&Y verified
Cash Flows

TC Growers
Valuation

Features of the Process

Safeguards

Hold on default by landowners

Competitive Process

Range of Solutions Possible

Information on Value of trees

Timbercorp costs eliminated

No court costs

Sale or Recapitalisation Strategy

Overview of Sale or Recapitalisation Strategy

- The liquidators are conducting a properly structured and competitive sale/recapitalisation process that provides a level playing field for all interested parties
- Interested parties can offer to purchase all of the assets or recapitalise the schemes
- More than 50 EOIs and more than 20 “substantial” parties invited into data room
- Final binding offers are due on 18 September 2009
- Transaction must be concluded and outstanding rent paid by 30 September 2009
- Strong market feedback is that maximum value will be achieved through keeping all assets together as an integrated forestry business
- 100% of net proceeds of the trees will be returned to growers

What options do the forestry growers have?

- **The Liquidators appreciate that this is a very difficult situation however, broadly speaking, growers have two options;**
 - 1. Support the proposed sale/ recapitalisation process (vote YES)**
 - Enable liquidators to approach court with grower support
 - Liquidator aiming to complete sale by 30 September 2009
 - 100% of net proceeds from sale of trees to go to growers
 - 2. Disagree with the proposed sale/ recapitalisation process (vote NO)**
 - Liquidators will go to court seeking direction
 - May have no choice but to halt sale/ recapitalisation process
 - May have no choice but to disclaim leases to protect growers ownership of trees
 - May result in protracted legal action with uncertain outcome

Questions?

Non Binding Proposal

- **The meeting will now move to a vote by poll on the following non binding proposal;**

“That the Liquidators of TSL request the Federal Court of Australia to grant the Liquidators a power of sale to enable the implementation of the sale / recapitalization strategy.”