

6 August 2009

Reliance Restricted

Mr Mark Korda
Liquidator
Timbercorp Securities Limited (in liquidation)
Level 24
333 Collins Street
Melbourne VIC 3001

Dear Mark,

Timbercorp Forestry Project Cash Flow Model Procedures - Project Green

In accordance with your instructions, we have performed the agreed upon procedures set out in our engagement letter to you dated 5 August 2009 in connection with certain financial information to be presented to the Timbercorp Forestry Schemes' Growers Consultation meetings (the "Meetings") scheduled for 7 August 2009.

1.0 Purpose of our report and restrictions on its use

This report was prepared on the specific instructions of the liquidators of Timbercorp Securities Limited (in liquidation) ("the Liquidators") in relation to information in connection with the Meetings and should not be used or relied upon for any other purpose. As set out in the attached engagement letter, it should not be quoted, referred to or shown to any other parties not referred

to in our engagement letter other than the Growers relating to the projects, unless so required by court order or a regulatory authority, without our prior consent in writing which will not be unreasonably withheld. This report including appendices should be read in its entirety, and should not be summarised or quoted from.

To the extent permitted by law, we do not accept responsibility to anyone except the Liquidators for the consequences of any reliance on our work or this report, or for any purpose other than that for which our report was prepared.

2.0 Scope and nature of our work

We have performed the procedures agreed with you as detailed in our engagement letter dated 5 August 2009 and described below.

The Liquidators and Timbercorp management are responsible for the accuracy of the information provided to us. All the information we have received is the responsibility of the Liquidators and Timbercorp management. We have not sought to establish the reliability of information given to us except as specifically stated in the report. Consequently, we give no assurance on such financial information.

2.1 Agreed upon procedures

The following procedures were performed on model version "090805-Timbercorp Forestry model.xlsm saved on 5 August 2009 at 5.19pm with a size of 8,436,000 bytes":

- 2.1.1 In relation to the specific tabs impacting the information presented to Growers in the forecast cash flow model (the "model") of the Timbercorp Group Forestry Projects Managed Investment Schemes (the "Forestry Schemes"), we considered whether certain stated assumptions, as provided to Ernst & Young, as set out in Appendix 1, were consistently reflected in the model.

2.1.2 In relation to the summarised information extracted from the model proposed to be presented to the Meetings (being the table disclosed as part of the Grower Information, titled: Estimated Forecast Forestry Project Cash Flow), a copy of which is attached at Appendix 2, we considered the consistency of the extracted information with the underlying model upon which our procedures at (2.1.1) above have been performed.

In respect of item 2.1.2, and aspects of 2.1.1, above, please refer to the financial model limited scope review below.

2.2 Limited scope model review

In relation to the Forestry Scheme's model, we have reviewed the logic and mathematical integrity of the formulae in the calculations within the model, noting no matters have come to our attention which indicate that these are not materially correct.

Refer to Appendix 3 for further details on the limited scope model review

3.0 Our report of factual findings

Our work commenced on 29 July 2009 and was completed on 5 August 2009. Therefore our report does not take account of events or circumstances arising after that date.

3.1 Agreed upon procedures

We report as follows:

3.1.1 With respect to procedure 2.1.1 above, we note that the stated assumptions attached at Appendix 1 to this report have been applied on a consistent basis throughout the model to the extent applicable to information presented to the proposed Meetings.

3.1.2 With respect to procedure 2.1.2 above, we note that the summarised financial information extracted from the model proposed to be presented to the Meetings is consistent with the model on which our procedures were performed.

Our engagement in relation to 2.1 above was undertaken in accordance with Australian Auditing Standards applicable to Agreed Upon Procedures engagements. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the Liquidators and Timbercorp management.

Because certain procedures of 2.1 above do not constitute either an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements, we do not express any audit or review assurance on the procedures we have performed, nor on the financial information. Had we performed additional procedures or had we performed an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements, other matters might have come to our attention that would have been reported to you.

3.2 Limited Scope Model Review

We report as follows:

With respect to procedure 2.2 above, we have reviewed the logic and mathematical integrity of the formulae in the calculations within the model, noting no matters have come to our attention which indicate that these are not materially correct.

Please note that our report relates to the model provided to us by the Liquidators and Timbercorp management only, reflecting the assumptions contained and selected in the version of the model we have reviewed.

4.0 Limitations

The limited scope of our engagement did not extend to:

- An assessment or review of the reasonableness, completeness or accuracy of the underlying assumptions, nor any other assumptions or the resulting outputs;
- an assessment of the reasonableness of the accounting treatments adopted in any financial reporting relating to the model;
- any underlying cash flow analyses or supporting system inputs into the model figures presented, nor an assessment of the risk factors associated with the amounts therein;
- reconciliation of the model data to other information sources available within the Timbercorp Group;
- any taxation or regulatory matters;
- a review of any sensitivities or alternative scenarios; and
- a review of any VBA (Macro) coding within the model

Furthermore, Ernst & Young makes no recommendation regarding the valuation of the Forestry Schemes, collectively or individually.

5.0 Prospective financial information ("PFI")

We did not assist the Liquidators or Timbercorp in the preparation of the PFI or in the development of any assumptions therein. It is the Growers' responsibility to consider the information presented, and to make their own decision based on the information available.

Other than in relation to item 3.2 above, we have not provided any opinion, conclusion or any type of assurance about specific assumptions or components of the PFI or on the PFI as a whole.

There will usually be differences between estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We take no responsibility for the achievement of projected results.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or distributed to any party other than the Growers. This report relates only to the matters specified above and does not extend to any financial report or analysis of Timbercorp Group, taken as a whole.

Yours faithfully

A handwritten signature in black ink, appearing to read 'John Patton', with a large, stylized flourish at the end.

John Patton
Partner

For and on behalf of Ernst & Young

Appendix 1 – Assumptions consistently applied in the model

1. Basis of the model

- The model has been prepared on a real dollar basis - i.e. it excludes inflation impacts or contracted escalations in rent and other costs
- It is assumed that all of the schemes will remain on foot (i.e. no schemes will opt out)
- It is assumed growers will continue to meet their obligations
- It is assumed the costs associated with forestry management services will continue to incur a margin

2. Sales price

- Current contracted export gross price per bone dry metric tonne (BDMT) to 31 December 2009 = \$207.40
- Assumed moisture content per GMT = 47%
- Sales and marketing provision of 1% is deducted from the net price
- Net price Assumed per green metric tonne (GMT) \$108.82

3. Industrial operational costs

- Harvesting cost (\$/GMT)

Harvest Expense Rates			(\$/ GMT)
Yield GMT/ Hectare			
0	to	150	\$38.32
151	to	200	\$35.62
201	to	250	\$32.92
251	to	300	\$29.96
301	to	1,000	\$27.26

- Port cost (\$/GMT)

	(\$/GMT)	Region
Albany	\$ 12.50	WA
Bunbury	\$ 12.50	WA
Portland	\$ 12.50	GT

- Haulage cost (\$/GMT) - The cost is dependent upon the distance from the plantation to the port. If distance (km) to the relevant port less than 40kms, the semi-trailer rates are applicable. For distances greater than 40km to the port, the road train rates are applicable.

Haulage rates		Road Train	Semi Trailer
Km		\$/GMT	\$/GMT
0	19.9	8.65	10.38
20	29.9	8.90	10.68
30	39.9	9.16	11.00
40	49.9	9.99	11.99
50	59.9	11.33	13.59
60	69.9	12.15	14.58
70	79.9	12.98	15.58
80	89.9	13.81	16.57
90	99.9	14.63	17.56
100	109.9	15.72	18.86
110	119.9	16.54	19.85
120	129.9	17.37	20.84
130	139.9	18.20	21.84
140	149.9	19.02	22.83
150	159.9	20.11	24.13
160	169.9	20.93	25.12
170	179.9	21.76	26.11
180	189.9	22.59	27.10
190	199.9	23.41	28.10
200	209.9	24.24	29.09
210	219.9	25.07	30.08
220	229.9	25.89	31.07

- Roading cost (\$/GMT)

Supervision and roading cost = \$3.00 per GMT

Supervision and roading cost relates to maintaining public roads and constructing private roads within the plantations for harvest access.

4. Rent payable by Grower (\$/ha)

Name	Rent \$/ha
1997 Eucalypts Double Rotation	N/A
1997 Eucalypts Single Rotation	71.15
1998 Eucalypts Double Rotation	N/A
1998 Eucalypts Single Rotation	326.39
1999 Eucalypts Double Rotation Private Offer	N/A
1999 Eucalypts Single Rotation	315.75
2000 Eucalypts	352.16
2001 Eucalypts	338.29
2002 Eucalypts Early	334.94
2002 Eucalypts Post June	334.94
2003 Eucalypts Early	326.18
2003 Eucalypts Pre Payment	326.18
2004 Eucalypts Pre Payment	320.36

N/A - Growers in double rotation woodlot projects pay maintenance and rent upfront as part of their establishment fee.

For Timberlot projects, the model has been prepared with the removal of Grower rent costs of 3% of net harvest proceeds, payable under the project product disclosure statement (PDS). Rental costs payable have been included in the model as an RE funding requirement at market rates.

5. Maintenance payable by Grower (\$/ha)

Name	Maintenance \$/ha
1997 Eucalypts Double Rotation	N/A
1997 Eucalypts Single Rotation	22.13
1998 Eucalypts Double Rotation	N/A
1998 Eucalypts Single Rotation	102.00
1999 Eucalypts Double Rotation Private Offer	N/A
1999 Eucalypts Single Rotation	98.67
2000 Eucalypts	97.82
2001 Eucalypts	92.26
2002 Eucalypts Early	93.30
2002 Eucalypts Post June	93.30
2003 Eucalypts Early	90.86
2003 Eucalypts Pre Payment	90.86
2004 Eucalypts Pre Payment	87.83

N/A - Growers in double rotation woodlot projects pay maintenance and rent upfront as part of their establishment fee

For Timberlot projects, the model has been prepared with the removal of Grower maintenance costs of 3% of net harvest proceeds, payable under the project product disclosure statement (PDS). Forecast maintenance costs payable have been included in the model as an RE funding requirement.

6. Insurance and tax

Insurance costs and income tax charges are excluded from the model

7. Consistency of operating cost application

All operating costs are assumed to be consistent across geographical regions

Appendix 2 - Copy of Estimated Forecast Forestry Project Cash Flow presented to the Growers by the Liquidators

Estimated Forecast Forestry Project Cash Position Timbercorp Group (All In Liquidation)												
Project	Number of Growers in Project	Growers with loans (%)	Net Planted hectares (ha)	Years to final harvest (incl 2009) (years)	Net grower contribution (\$m)	Grower future contribution (beyond 31/7/09) (\$m)	RE future funding requirement (\$m)	Combined future funding requirement (\$m)	(\$/ha)	Grower future project distribution (\$m)	Project future net return (\$m)	(\$/ha)
1997 Eucalypts Double Rotation	73	30%	1,029	15	(14.0)	-	(3.6)	(3.6)	(3,536)	6.1	2.5	2,390
1997 Eucalypts Single Rotation	604	0%	220	1	(2.0)	-	-	-	-	1.3	1.3	5,913
1998 Eucalypts Double Rotation	439	95%	8,260	17	(51.8)	-	(31.5)	(31.5)	(3,814)	59.1	27.6	3,342
1998 Eucalypts Single Rotation	1,264	0%	8,074	7	(61.4)	(11.0)	2.6	(8.4)	(1,040)	72.1	63.7	7,890
1999 Eucalypts Double Rotation (PO)	10	90%	948	19	(6.3)	-	(4.0)	(4.0)	(4,221)	11.4	7.4	7,809
1999 Eucalypts Single Rotation	3,243	29%	28,010	8	(205.9)	(60.6)	5.4	(55.2)	(1,971)	243.2	188.0	6,712
2000 Eucalypts	1,189	0%	10,323	10	(79.7)	(37.0)	-	(37.0)	(3,584)	92.2	55.2	5,347
2001 Eucalypts	529	0%	4,112	10	(31.0)	(15.5)	(1.5)	(17.0)	(4,134)	40.5	23.5	5,715
2002 Eucalypts Early	482	1%	3,317	10	(23.2)	(12.6)	(0.9)	(13.5)	(4,069)	25.9	12.4	3,738
2002 Eucalypts Post June	38	0%	250	6	(1.7)	(0.5)	0.1	(0.4)	(1,598)	1.6	1.2	4,793
2003 Eucalypts Early	106	2%	1,025	11	(6.6)	(3.0)	0.3	(2.7)	(2,635)	10.5	7.8	7,612
2003 Eucalypts Pre Payment	435	1%	4,766	11	(31.1)	(20.1)	(0.3)	(20.4)	(4,280)	30.1	9.7	2,035
2004 Eucalypts Pre Payment	169	17%	1,741	12	(10.4)	(8.2)	(0.2)	(8.4)	(4,825)	22.9	14.5	8,329
2004 Timberlots Post June	13	46%	51	9	(0.5)	-	(0.2)	(0.2)	(3,908)	0.5	0.3	5,862
2004 Timberlots Pre Payment	853	23%	4,112	12	(36.8)	-	(15.6)	(15.6)	(3,794)	49.2	33.6	8,171
2005 Timberlots Post 30-June	997	38%	5,416	14	(42.8)	-	(22.1)	(22.1)	(4,080)	58.8	36.7	6,776
2005 Timberlots Pre-30 June	1,423	27%	6,166	13	(56.1)	-	(28.3)	(28.3)	(4,590)	78.0	49.7	8,061
2007/2008 Timberlots Post-30 June	1,086	76%	6,024	16	(56.6)	-	(43.1)	(43.1)	(7,154)	64.6	21.5	3,569
2007/2008 Timberlots Pre-30 June	881	39%	6,302	14	(45.0)	-	(29.7)	(29.7)	(4,713)	62.8	33.1	5,252
	13,834		100,146		(762.9)	(168.5)	(172.6)	(341.1)		930.8	589.7	

Appendix 3 – Additional details on the limited scope model review

Model review procedures

Phase 1 of our review is a detailed line by line review, testing each unique formula in the Model (as identified by Spreadsheet Detective™). We will provide you with a report detailing any errors identified. We will then check subsequent versions of the Draft Model for resolution of these errors, in doing so we will rely on the compare worksheet functions in Spreadsheet Detective TM / Spreadsheet Professional TM. Upon correction of these errors we will commence Phase 2 which is a high-level analytical review of the Model and the key outputs.

We will not be responsible for performing any of the following tasks:

- reviewing more than one amended version of the Model for each Phase of our review;
- commenting on the completeness or reasonableness of the assumptions, including accounting, tax and regulatory-related assumptions; or
- commenting on the probability of the projections being achieved; or
- considering the cash flows or other balances from the perspective of specific shareholders and lenders, other than to the extent that they are explicitly represented in the Model; or
- reviewing links to files outside the Model; or
- assessing whether the financial statements are presented in a format suitable for public financial or tax reporting; or
- reviewing commentary embedded within cell notes.; or
- commenting on the Model's compliance with generally accepted accounting principles or tax legislation; Responsibility for Information

Our findings relate to the Base Case of the Forestry Scheme's Model only, reflecting the assumptions contained and selected in the version of the Model that we have reviewed.

We have performed no scenario or sensitivity testing as part of this review. It is possible that certain combinations of assumptions (including extreme values outside the designated limits) could produce unexpected results. We are unaware of any circumstances likely to produce such an error, but the user is advised that, if assumptions or input data are changed, the resulting output should be reviewed to ensure that the results are not materially misstated.

Model Review Findings

A full list of issues identified coded as Category 1 or 2 has been provided to The Liquidators using the following definitions:

- Category 1: Affects the calculations in versions of the Model within the scope of our review.
- Category 2: May affect the calculations under assumptions outside the scope of our review.

Category 1 issues are those which required correction in order to produce results which are materially reliable under the terms of this review. These issues have been resolved to our satisfaction.

Category 2 issues did not have to be corrected for the purpose of this review, but may represent a risk to users of the Model under changed assumptions.

In performing our review, we have relied upon various explanations provided by The Liquidators and Timbercorp in response to our comments and queries.

Information received

All the information we have received is the responsibility of the Liquidators management. We have not sought to establish the reliability of information given to us except as specifically stated in the report. Consequently, we give no assurance on such financial information.

References to Ernst & Young in the report relate to our advice, recommendations and analysis and do not indicate that we take any responsibility for the information concerned or are assembling or associating ourselves with any financial information including prospective financial information.

The information contained in this report has been primarily based on information and explanations provided by Timbercorp staff and considered by the Liquidators.