

Forestry Projects Cash Flow Analysis



Timbercorp Group of Companies (All In Liquidation)

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Disclaimer:

The following analysis of Timbercorp's Forestry Scheme Cash Flow is based on the Timbercorp's internal financial model.

The Liquidators do not warrant or provide any guarantees in relation to the accuracy, appropriateness or underlying assumptions contained in the model.

Forestry Projects Cash Flow Analysis

The forestry project cash flow analysis (detailed at Appendix 1) has been prepared on a project basis using real forecast proceeds and costs, which exclude any CPI impact and potential contract cost escalations. The cash flow forecast reflects historical and future cash flows for growers and the responsible entity ("RE") under:

- the terms of the original product disclosure statements ("PDS") for each project, and
- the assumptions detailed below.

The model materially reflects the historical and anticipated future cash flows as at 31 July 2009.

All data has been obtained from Timbercorp and the analysis prepared with the assistance of Timbercorp staff.

Commentary

Grower Types

Growers have entered into management and sublease agreements which are governed by the respective scheme PDS.

There are three types of project that growers may have invested in. All three include the payment of establishment costs at the commencement of the grower's interest in the scheme together with:

- woodlot (single rotation): growers pay rent and maintenance pursuant to the sublease and management agreements.
- woodlot (double rotation): growers pay rent and maintenance amounts at the outset of the project.
- timberlot: growers incur rent and maintenance amounts as an offset against harvest proceeds at the time of distribution.

In addition, all distributions to growers are net of industrial operations costs incurred at harvest.

Timbercorp

Timbercorp Securities Limited (In Liquidation) as RE for the schemes was placed into liquidation on 29 June 2009.

- Historically, the Timbercorp group underwrites the operation of the schemes by:
 - Honouring contracts (leases, utilities, rates, etc.) even though not all Growers had met their share of costs.
 - Funding the working capital requirements of the schemes, that is meeting the costs of the scheme before they could be recovered from Growers.
- The Timbercorp group met the cost of capital expenditure necessary for the operation of the schemes.
- Timbercorp Finance Pty Ltd (In Liquidation) provided finance to many Growers to fund their participation in the schemes.
- The Timbercorp Group is in liquidation and does not have the funds to continue underwriting/funding the schemes.
- If, as occurred pre appointment, the Growers do not pay all invoices, there is no way of paying all the costs of operating the schemes.

Following is a commentary to aid in understanding the financial analysis by project below.

Net grower contribution

Net grower contribution to 31 July 2009 represents the total amount invoiced to Growers to 31 October 2008 less net distributions made to Growers by the RE.

This reflects the funds applied to manage the projects using either Grower receipts or Timbercorp funds and is offset by distributions already made in the 1997 and 1998 projects.

Invoiced amounts subsequent to 31 October 2008 that have not yet been applied to the rent and maintenance components of the operations have been included in the future grower investment amount.

Grower future contribution (beyond 31 July 2009)

As stated above, the analysis assumes that the obligations under the PDS extend until the forecast completion date. The forecast completion date is based on Timbercorp management's forecast harvest timetable which anticipates harvesting will not be completed until significantly later than envisaged in the PDS. Please refer to the Harvesting and Yield Schedules on the KordaMentha and Timbercorp websites for further forecast details.

Grower future contribution (beyond 31 July 2009) is the sum of future amounts due under the respective scheme PDS until completion date. These Grower contributions represent establishment, maintenance and rent payments, excluding plantation insurance, made in accordance with management and sublease agreements and vary in accordance with the type of project (Woodlot Single Rotation, Woodlot Double Rotation or Timberlot).

It assumes Growers will continue to remit all monies under these agreements until completion of harvest.

Note that in respect of the 1998 SR and 1999 SR projects invoiced in May 2009 the amounts invoiced for rent form part of the Grower future contribution amounts for the 1998 SR and 1999 SR projects.

RE future funding requirement

The RE future funding requirement comprises key costs such as establishment, maintenance, leasing and forestry operational overheads for the remaining life of each project to completion. Note that forestry operational overheads includes staff salaries and on-costs, professional, legal, marketing, office, communications, occupancy, IT and vehicles. It does not include RE head office corporate overheads.

The RE is insolvent and is not in a position to fund the projects.

Combined future funding requirement

The combined future funding requirement represents the funds required to continue the projects assuming the PDS is adhered to until completion. It is the sum of the grower future contribution and the RE future funding requirement.

It is presented on both a whole project basis and a per hectare basis so that individual growers can apply the future funding requirement to the number of lots they hold in each project.

(1 woodlot = 1 ha; 1 timberlot = 1/3 ha)

Grower future project distribution

Woodchip proceeds are based on the current contracted woodchip price and forecast harvest and yield timetables prepared by Timbercorp (refer to Harvesting and Yield Schedules on websites).

Woodchip proceeds received by the RE are offset by the cost to harvest and where applicable the management and sublease amounts (refer Growers section above regarding types of projects). Timbercorp has calculated the cost to harvest at the rates historically incurred.

Note that for the timberlot projects, the rent and maintenance costs were to be recovered from woodchip proceeds as per the PDS (3% of proceeds for rent and 3% of proceeds for maintenance). However, since rent and maintenance liabilities are captured in the RE future funding requirement amount, the recovery pursuant to the PDS is excluded and does not reduce the Grower future project distribution for the timberlot projects.

Project future net return

Project future net return is the Grower future project distribution offset by the combined future funding requirement.

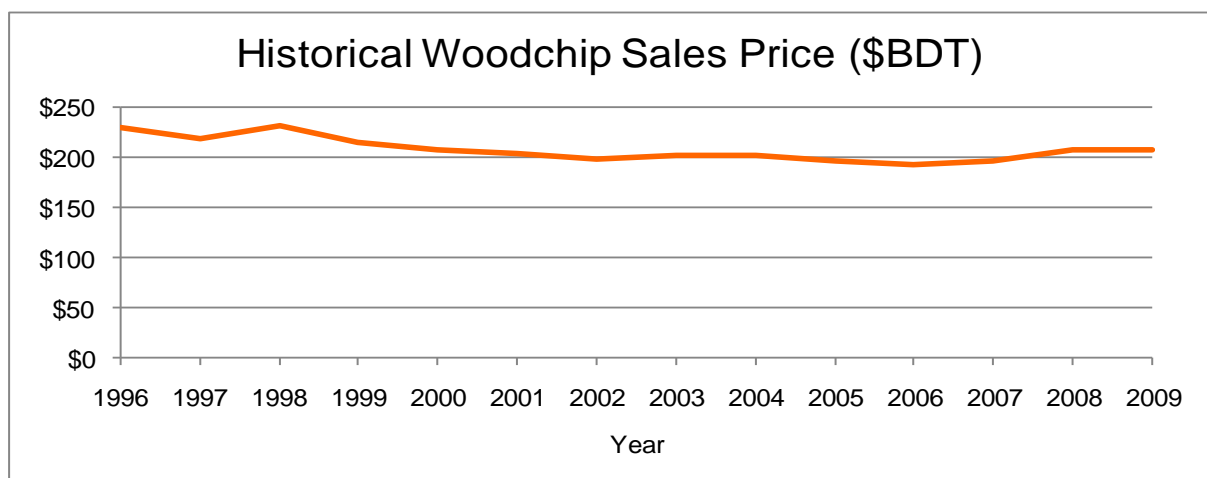
It is presented on both a total units cash amount to the per project basis and also a dollar value per hectare analysis so that individual growers can apply the number of lots they hold in each project.

Key Assumptions

Item	Key Drivers	Assumption	
		Quantitative	Qualitative
Price	- demand	\$207.40 per bone dry metric tonne = \$109.92 green metric tonne	Last contracted price pre-appointment
	- sales/marketing provision	1% of price	Consideration for achieving sale of woodchips
	- moisture content	47%	Consistent with past harvests in Albany
Yield	- age - growth rate	Refer Forestry Schemes' Yield Schedule on websites	Total volume of woodchips produced over the projects' lives (measured in Green Metric Tonnes) per hectare of harvested land.
Harvest schedule	- demand - capacity	Refer Forestry Schemes' Harvest Schedule on websites	Expected harvesting completion dates for the twelve Timbercorp Forestry Schemes (eleven MIS and one Private Offer Scheme) currently in existence.
Net distribution	- cost to harvest - PDS amounts payable by Growers	Gross proceeds offset by industrial operations and Grower PDS contributions	Industrial operations costs charged by forestry operator. Grower rent and maintenance fees payable at harvest.
Maintenance costs payable by grower	The maintenance costs paid for from 1 Jan 2009 (prior to appointment) to 31 July 2009 (post appointment) were minimal. Therefore the model includes a full year of maintenance costs for each of the schemes (including substantial establishment costs for the 07/08 post June timberlot scheme).		

Historical Price Analysis

MBAC Consulting Pty Ltd is an independent forestry consulting firm that has provided independent forester's reports for Timbercorp PDS' over recent years. The reports reflect the historical market prices achieved for plantation grown hardwood. The following graph indicates the stable price achieved historically, restated to current dollars.



Appendix 1: Summary extract from forestry project model as at 31 July 2009

Timbercorp Group (All in Liquidation)

Project	Number of Growers in Project	Growers with loans	Net Planted hectares	Years to final harvest (incl 2009)	Net grower contribution	Grower future contribution (beyond 31/7/09)	RE future funding requirement	Combined future funding requirement	Grower future project distribution	Project future net return
		(%)	(ha)	(years)	(\$m)	(\$m)	(\$m)	(\$m) (\$/ha)	(\$m)	(\$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		(762.8)	(168.5)	(172.6)	(341.1)	930.8	589.7