

IN THE FEDERAL COURT OF AUSTRALIA  
VICTORIA DISTRICT REGISTRY

No. VID 1019 of 2010

IN THE MATTER OF WILLMOTT FORESTS LIMITED (RECEIVERS AND MANAGERS  
APPOINTED) (ADMINISTRATORS APPOINTED)  
ACN 063 263 650

WILLMOTT FORESTS LIMITED (RECEIVERS AND MANAGERS APPOINTED)  
(ADMINISTRATORS APPOINTED)  
ACN 063 263 650

IN ITS PERSONAL CAPACITY AND IN ITS CAPACITY AS RESPONSIBLE ENTITY OF  
EACH OF THE MANAGED INVESTMENTS SCHEMES LISTED IN SCHEDULE 1 AND IN  
ITS CAPACITY AS MANAGER OF THE UNREGISTERED MANAGED INVESTMENT  
SCHEMES LISTED IN SCHEDULE 2  
First Plaintiff

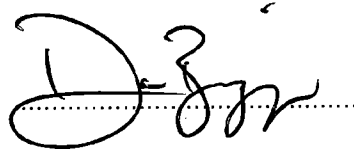
CRAIG DAVID CROSBIE  
Second Plaintiff

IAN MENZIES CARSON  
Third Plaintiff

**CERTIFICATE IDENTIFYING EXHIBIT**

This is the exhibit marked "CDC-11" now produced and shown to **CRAIG DAVID CROSBIE**  
at the time of swearing his affidavit on 4 February 2011.

Before me:



**DANIEL JOSEPH BRIGGS**  
Arnold Bloch Leibler  
Level 21, 333 Collins Street  
Melbourne 3000  
An Australian Legal Practitioner within the  
meaning of the Legal Profession Act 2004

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Filed on behalf of the Plaintiffs  
**ARNOLD BLOCH LEIBLER**  
Lawyers and Advisers  
Level 21  
333 Collins Street  
Melbourne 3000  
ABL/1352538v1

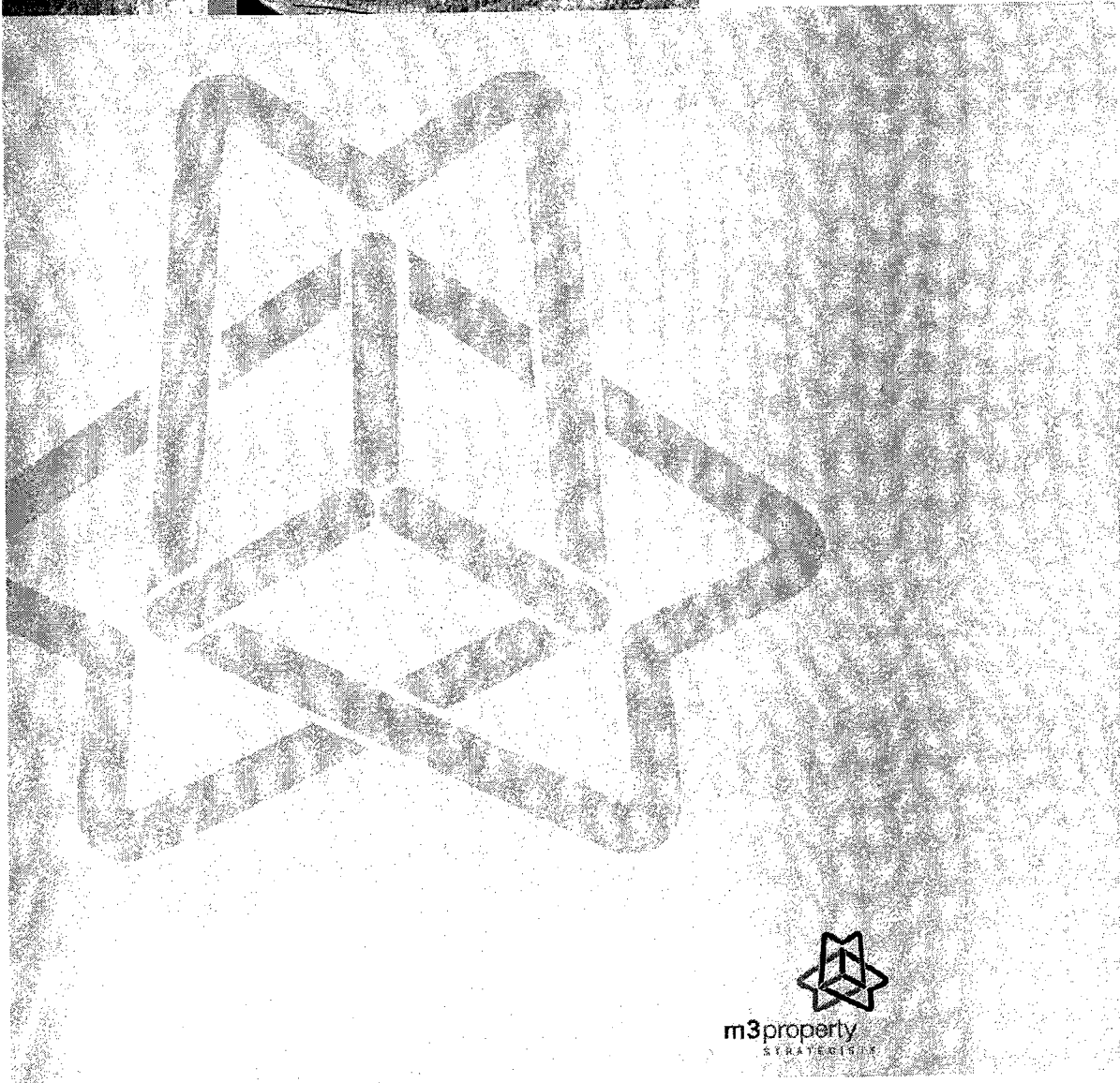
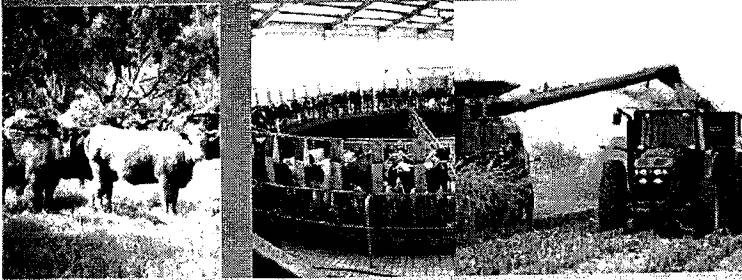
DX 38455 Melbourne  
Tel: 9229 9999  
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Ref: 01-1565015  
(Leon Zwier)

# Report

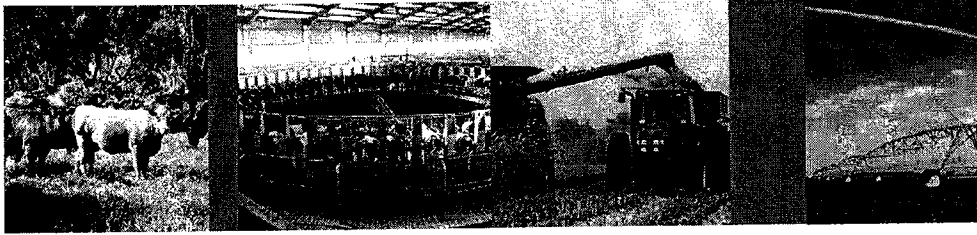
**Advisory Report**

Willmott Forests Portfolio (Part)

Bombala, NSW



**m3property**  
STRATEGY



## Contents

1.0	<b>EXECUTIVE SUMMARY</b> .....	1
2.0	<b>INTRODUCTION</b> .....	2
3.0	<b>RATIONALE</b> .....	4
4.0	<b>DISCLAIMER</b> .....	7

### ANNEXURES

1	Copy of Instructions
2	Rehabilitation Costs
3	Discount Rate Selection

## 1.0 Executive Summary

<b>SUMMARY</b>			
<b>Prepared for</b>	Mr Craig Crosbie and Mr Ian Carson, Administrators, Willmott Forests Ltd.		
<b>Purpose</b>	To provide advice for the purpose of ascertaining the potential range of values that may be attributable to part of the Willmott Forests Portfolio assuming that the land only is available for sale, but is encumbered by the planted forests (without rental income) until harvest under the various Managed Investment Scheme projects, subject to a range of potential scenarios / configurations.		
<b>Description</b>	Portfolio of 64 freehold land parcels in 41 aggregations, located in the Bombala region of New South Wales.		
<b>Land Area</b>	<b>Total Freehold Area</b>	<b>27,860 hectares</b>	
	Total Planted Area	19,499 hectares	
<b>Property Value Changes</b>	In order to provide this advice, we have identified the anticipated percentage change in market value levels since our previous valuation dated 30 June 2010. Thereafter, we have applied broad market adjustments to account for what we believe is the general movement in the market, and then used these adjusted levels of value to provide the requested estimates.		
	<b>Assessed Unencumbered Value (30 June 2010)</b>	<b>Estimated Percentage Change</b>	<b>Estimated Unencumbered Value (December 2010)</b>
Low	\$52,157,000	-20.0%	\$41,725,600
High	\$52,157,000	-10.0%	\$46,941,300
<b>Estimates of Value</b>			
	Land only – no lease payments (without allowance for rehabilitation)	Low	\$9,250,000
		High	\$10,400,000
	Land only – no lease payments (with allowance for rehabilitation)	Low	\$2,140,000
		High	\$3,250,000
<b>Valuers</b>	<b>William Barton AAPI</b> Certified Practising Valuer / Associate Director Registration No: VAL021484 (New South Wales)		
	<b>Daniel Thomas AAPI</b> Certified Practising Valuer / Director Registration No. VAL081921 (New South Wales)		

## 2.0 Introduction

### 2.1 INSTRUCTIONS

We have been instructed by Mr Craig Crosbie and Mr Ian Carson, Administrators, Willmott Forests Ltd to provide advice for the purpose of ascertaining the potential range of values that may be attributable to the "Bombala Land" assuming that the land only is available for sale, but is encumbered by the planted forests (without rental income) until harvest under the various Managed Investment Scheme projects.

We understand that our advice may be used to assist the Administrators in advising the Court of some (but not all) of the potential risks associated with securing funding using the "Bombala Land" as security. You have advised that this funding is required in order to meet the costs of the administration whilst expressions of interest are called to recapitalise or restructure the company or to find an alternative Responsible Entity.

In order to provide this advice, we have identified the anticipated percentage change in market value levels since our previous valuation dated 30 June 2010. Thereafter, these values will be used as the basis of our advice. You have requested that we address the following matters;

- The anticipated impact on value with and without an allowance for rehabilitation of the planted areas after harvest (i.e. assuming sale for an alternate use (and hence a requirement to remediate the land) and assuming ongoing forestry use post first harvest (with no requirement to remediate));
- The time that may be required from last harvest to realisation/settlement of the properties;
- Issues that may affect the realisation of the properties; and
- An explanation of all critical assumptions adopted in our calculations as well as corresponding sensitivity analysis.

A copy of the instructions in respect of this request is contained in Annexure 1.

### 2.2 DATE OF ADVICE

24 December 2010

Due to possible changes in market conditions and other circumstances this advice can only be regarded as relevant at the date of advice.

### 2.3 INFORMATION RELIED UPON

In completing our advice we have had regard to the following information.

#### PREVIOUS INVOLVEMENT

- m3property were engaged to assess the Fair Value for Financial Reporting purposes as at 30 June 2010, assuming the land was available and rehabilitated for non-forestry purposes. This task included the valuation of 143 properties comprising 98 aggregations located in Victoria, New South Wales, Queensland and the Northern Territory.
- In August 2010 m3property were engaged to complete a Land Report for inclusion in an Information Memorandum prepared by Willmott Forests for the proposed sale and leaseback of their forestry portfolio. This report included analysis of comparable sales, analysis of historic land values and a discussion on anticipated long term capital growth for the portfolio.

Given our involvement with the portfolio over the past twelve months, we have a working knowledge of the portfolio and have used this knowledge in ascertaining the potential range of values disclosed in this advice.

Our understanding of what constitutes the "Bombala Land" is summarised in the following table.

Number of Properties	Number of Aggregations	Total Plantable Area	Total Freehold Area
64	41	19,499 hectares	27,860 hectares

#### EXTERNAL INPUTS

You have provided us with a spreadsheet containing the anticipated last harvest year for each aggregation under the relevant Managed Investment Scheme project assuming that an alternate Responsible Entity is installed and the projects continue.

We acknowledge that for a small number of aggregations, it would be beneficial to consider their component properties on an individual basis as there is a significant difference between first and last harvest dates across the aggregation. However given the Unencumbered Values assessed as at 30 June 2010 assumed adjoining properties were aggregated, it is not possible to reconsider the portfolio on an individual property basis without revisiting the original valuations.

## 3.0 Rationale

As discussed in **Section 2.1 Instructions** we have been instructed to provide advice for the purpose of ascertaining the potential range of values that may be attributable to the “Bombala Land” assuming that the land only is available for sale, but is encumbered by the planted forests (without rental income) until harvest under the various Managed Investment Scheme projects.

### 3.1 POTENTIAL PURCHASERS & RISK PROFILE

The likely purchaser for the portfolio in this configuration is a Special Opportunities Fund with the equity to treat on the portfolio without any short term investment return. The portfolio has a weighted average time to realisation (by Estimated Unencumbered Value – December 2010) of 19.3 years and purchasers will therefore have an expectation of a significant discount in recognition of the absence of a rental income for that term.

The absence of a rental return means that the purchaser assumes a neutral position for the term of encumbrance and relies solely on the expectation of potential capital growth via exposure to the rural property market or that the land at reversion will be sought after as “timberland” by a Timber Investment Management Organisation or “TIMO” (an organisation that seeks out and invests in both land and trees (timberlands) on behalf of institutional investors). There is also the potential for an “alternate land use play” at the end of the term certain.

Potential purchasers may include, but are not limited to the following;

- Alberta Investment Management Company (AIMCo);
- Deutsche Asset Management;
- Global Forest Partners (GFP);
- GMO Renewable Resources;
- Harvard Management Company;
- Hancock Natural Resource Group (HTRG) / Rural Funds Management;
- Macquarie Forestry Fund;
- New Forests Asset Management; and
- Various European, Asian and Middle Eastern Sovereign Funds

### 3.2 ESTIMATED UNENCUMBERED VALUE

In order to provide this advice, we have identified the anticipated percentage change in market value levels since our previous valuation dated 30 June 2010 and then used these adjusted levels of value to provide the requested advice. The abovementioned valuation (as at 30 June 2010) represented the Fair Value of the properties, ignoring the planted forests, the term encumbrance created by the plantation forests as well as any third party "Grower Interests".

The following table outlines the anticipated percentage change in the Unencumbered Value as at 30 June 2010 which has been applied to arrive at an Estimated Unencumbered Value as at December 2010. We note that whilst these figures represent our estimate of the change in rural land values between 30 June 2010 and December 2010, these allowances are estimates only and have been applied at an aggregate level.

	Unencumbered Value (30 June 2010)	Estimated Percentage Change	Estimated Unencumbered Value (December 2010)
Low	\$52,157,000	-20.0%	\$41,725,600
High	\$52,157,000	-10.0%	\$46,941,300

### 3.3 ASSUMPTIONS

- We have assumed that all assets are divested following first harvest (i.e. no second rotation);
- Assuming that the Highest and Best Use of the land is considered to be Plantation Forestry, a purchaser would assume ongoing use of the land for forestry purposes and would therefore not make an allowance for rehabilitation cost. We acknowledge however that these considerations may change subject to the purchaser's particular circumstances and we have therefore modeled two scenarios assuming;
  - a) that the purchaser does not allow for the costs of rehabilitation of the land at first harvest; and
  - b) that the purchaser does allow for the cost of rehabilitation of the land at first harvest;
- We have adopted a rate of \$1,000 per hectare for rehabilitation, assuming that this cost is incurred at the time of harvest (Annexure 2 – Rehabilitation Costs) and discounted this deferred liability at 6.0%;
- When it is assumed that the purchaser allows for the costs of rehabilitation of the land at first harvest, asset realisations have been modeled to occur 12 months post harvest allowing for rehabilitation of the land and an appropriate selling period. When the converse is true, asset realisations have been modeled to occur 6 months post harvest allowing for an appropriate selling period only; and
- A Discount Rate of 8.5% has been applied in calculating the Present Value of the deferred realisation (See Annexure 3 – Discount Rate).



### 3.4 CONCLUSION

We advise the following ranges subject to the qualifications and assumptions contained within the body of this advice.

Land only – no lease payments (without allowance for rehabilitation)	Low	<b>\$9,250,000 ex GST</b>
	High	<b>\$10,400,000 ex GST</b>
Land only – no lease payments (with allowance for rehabilitation)	Low	<b>\$2,140,000 ex GST</b>
	High	<b>\$3,250,000 ex GST</b>

We reiterate that these figures are not to be misconstrued as a formal valuation of the portfolio, but rather an independent opinion of the potential range of values that may be attributable to the "Bombala Land" assuming that the land only is available for sale, but is encumbered by the planted forests (without rental income) until harvest under the various Managed Investment Scheme projects.

### 3.5 SENSITIVITY ANALYSIS

We provide the following sensitivity analysis in relation to both the Cost of Rehabilitation as well as the Discount Rate applied for both "low" and "high" scenarios.

LOW		Cost of Rehabilitation			
		\$0 /ha	\$500 /ha	\$1,000 /ha	\$1,500 /ha
Discount Rate	8.00%	\$10,000,000	\$6,250,000	\$2,880,000	-\$490,000
	8.25%	\$9,610,000	\$5,870,000	\$2,500,000	-\$870,000
	8.50%	<b>\$9,250,000</b>	\$5,510,000	<b>\$2,140,000</b>	-\$1,230,000
	8.75%	\$8,900,000	\$5,160,000	\$1,790,000	-\$1,580,000
	9.00%	\$8,570,000	\$4,830,000	\$1,460,000	-\$1,900,000

HIGH		Cost of Rehabilitation			
		\$0 /ha	\$500 /ha	\$1,000 /ha	\$1,500 /ha
Discount Rate	8.00%	\$11,250,000	\$7,450,000	\$4,080,000	\$710,000
	8.25%	\$10,820,000	\$7,030,000	\$3,660,000	\$290,000
	8.50%	<b>\$10,400,000</b>	\$6,620,000	<b>\$3,250,000</b>	-\$120,000
	8.75%	\$10,010,000	\$6,230,000	\$2,860,000	-\$510,000
	9.00%	\$9,640,000	\$5,860,000	\$2,490,000	-\$880,000

## 4.0 Disclaimer

This advice is for the private and confidential use only of Mr Craig Crosbie and Mr Ian Carson, Administrators, Willmott Forests Ltd and PPB Advisory and for the specific purpose for which it has been requested. No third party is entitled to use or rely upon this advice in any way and neither the valuer nor m3property Pty Ltd shall have any liability to any third party who does.

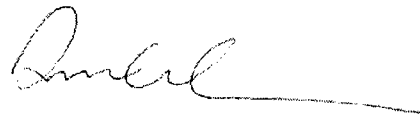
Only a signed original of this advice should be relied upon and no responsibility will be accepted for photocopies of the advice.

No part of this advice or any reference to it may be included in any other document or reproduced or published in any way without written approval of the form and context in which it is to appear.

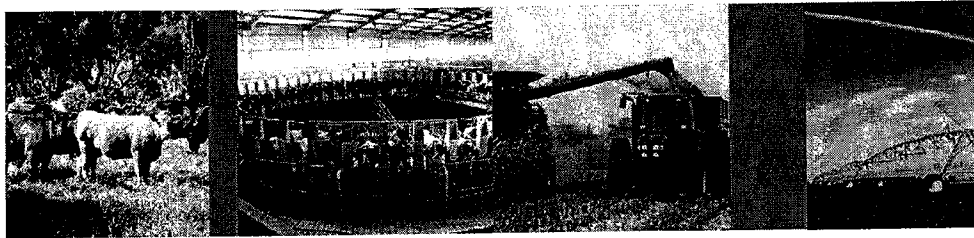
This advice is current as at the date of advice only. The advice provided herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to a particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume responsibility or accept any liability where the advice is relied upon after the expiration of ninety (90) days from the date of advice, or such earlier date if you become aware of any factors that have any effect on this advice.



William Barton AAPI  
Certified Practising Valuer / Associate Director  
Registration No: VAL021484 (NSW)



Daniel Thomas AAPI  
Certified Practising Valuer / Director  
Registration No. VAL081921 (NSW)



## Annexures

- 1 Copy of Instructions
- 2 Rehabilitation Costs
- 3 Discount Rate Selection

**ANNEXURE 1**

**Copy of Instructions**

WJB:wjb  
TBA/TBA



22 December 2010

Mr Craig Crosbie  
Administrator, Willmott Forests Ltd  
c/- PPB Advisory  
Level 21, 181 William Street  
Melbourne VIC 3000

Dear Craig,

**RE: QUOTATION FOR ADVISORY SERVICES  
(PART) WILLMOTT FORESTS PORTFOLIO – BOMBALA, NEW SOUTH WALES**

I refer to our recent discussions and your subsequent email in which you requested we provide a quote for the provision of professional services. You have requested that we provide a report to the Administrators disclosing a range of advice in relation to the abovementioned forestry portfolio located in the Bombala forestry region of New South Wales.

Prior to providing a quote we are obligated to disclose our previous involvement in relation to the portfolio. The following table provides a summary of same.

Date	Task Description	Total Fee (incl. GST)
30 June 2010	Valuation of 143 properties comprising 98 aggregations located in Victoria, New South Wales, Queensland and the Northern Territory. m3property were engaged to assess the Fair Value for Financial Reporting purposes assuming the land was available and rehabilitated for non-forestry purposes.	\$176,000
31 August 2010	Land Report for inclusion in an Information Memorandum prepared by Willmott Forests for the proposed sale and leaseback of their forestry portfolio. This report included analysis of comparable sales, analysis of historic land values and a discussion on anticipated long term capital growth for the portfolio.  We advise that our fee in relation to this matter remains outstanding and we are therefore an unsecured creditor.	\$16,500 (not paid)

m3property (Vic) Pty. Ltd.  
ABN 99 472 148 297  
Level 5/114 William Street  
Melbourne Vic 3000  
Telephone 03 9605 1000  
Facsimile 03 9670 1658  
info@m3property.com.au  
www.m3property.com.au



Given our extensive involvement with the portfolio over the past twelve months, we are well equipped to provide advice in a timely manner. Our understanding of what constitutes the "Bombala land" is summarised in the following table.

Number of Properties	Number of Aggregations	Total Plantable Area	Total Freehold Area
64	41	19,499 hectares	27,860 hectares

We understand that our report may be used to assist the Administrators in advising the Court of some (but not all) of the potential risks associated with securing funding using the "Bombala land" as security. You have advised that this funding is required in order to meet the costs of the administration whilst expressions of interest are called for to recapitalise or restructure the company or to find an alternative Responsible Entity.

We confirm our quote and terms of business as below.

#### **OUR CLIENT**

Mr Craig Crosbie and Mr Ian Carson, Administrators, Willmott Forests Ltd.

#### **BASIS OF ADVICE**

You have requested that we provide advice for the purpose of ascertaining the potential range of values that may be attributable to the "Bombala land" assuming that the land only is available for sale, but is encumbered by the planted forests (without rental income) until harvest under the various Managed Investment Scheme projects.

In order to provide this advice, we will identify the anticipated percentage change in market value levels, if any, since our previous valuation dated 30 June 2010. Thereafter, these values will be used as the basis of our advice which will address the following;

- The anticipated impact on value with and without an allowance for rehabilitation of the planted areas after harvest (i.e. assuming sale for an alternate use and assuming ongoing forestry use post first harvest);
- The time that may be required from last harvest to realisation/settlement of the properties;
- Issues that may affect the realisation of the properties; and
- An explanation of all critical assumptions adopted in our calculations as well as corresponding sensitivity analysis.



This report should not be misconstrued as a formal valuation of the "Bombala land", but rather an independent opinion of the potential range of values that may be attributable to the "Bombala land" assuming that the land only is available for sale, but is encumbered by the planted forests (without rental income) until harvest under the various Managed Investment Scheme projects.

#### **FEE**

**\$10,000** (exclusive of GST) but inclusive of all disbursements.

PPB Advisory will have every opportunity to discuss the findings with us following completion of our report.

Our fee includes the provision of two (2) original reports. Provision of additional copies following completion of the task will incur an additional cost.

A tax invoice for our professional fees will be rendered at the completion of the matter unless interim invoices are warranted due to the nature or length of the transaction.

Our terms of payment are 14 days from receipt of the relevant tax invoice. Should you require the invoice to be addressed to a particular person or a specific company name, or include other reference details such as your company ABN or a purchase order number, please advise us prior to commencement of the task.

#### **TIMING**

We anticipate completion of our report by COB Friday 24 December 2010. This completion date is contingent upon receiving our instructions by 10am Thursday 23 December 2010.

