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

Filed on behalf of the Plaintiffs
ARNOLD BLOCH LEIBLER
Lawyers and Advisers
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Melbourne 3000

DX 38455 Melbourne
Tel: 9229 9999
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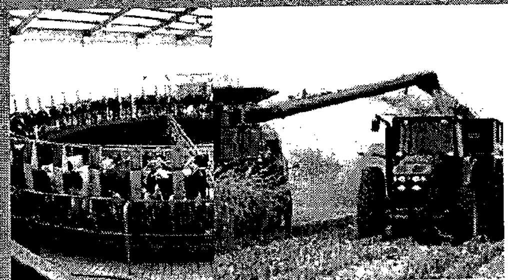
Ref: 01-1565015
(Leon Zwier)
ABL/1352538v1

Report

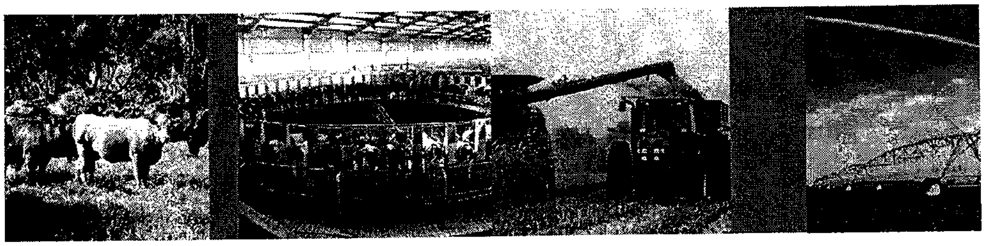


Advisory Report

Willmott Forests Portfolio (Part)

Bombala, NSW

m3property
STRATEGISTS



Contents

1.0 Executive Summary

SUMMARY				
Prepared for	Mr Craig Crosbie and Mr Ian Carson, Administrators, Willmott Forests Ltd.			
Purpose	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.			
Description	Portfolio of 64 freehold land parcels in 41 aggregations, located in the Bombala region of New South Wales.			
Land Area	**Total Freehold Area**	**27,860 hectares**		
	Total Planted Area	19,499 hectares		
Property Value Changes	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.			
	Assessed 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	
Estimates of Value				
	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	
Valuers	**William Barton AAPI** Certified Practising Valuer / Associate Director Registration No: VAL021484 (New South Wales) **Daniel Thomas AAPI** 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 <u>with</u> and <u>without</u> 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

- **m3**property 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 **m3**property 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	**$9,250,000 ex GST**
	High	**$10,400,000 ex GST**
Land only – no lease payments (with allowance for rehabilitation)	Low	**$2,140,000 ex GST**
	High	**$3,250,000 ex GST**

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%	**$9,250,000**	$5,510,000	**$2,140,000**	–$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%	**$10,400,000**	$6,620,000	**$3,250,000**	–$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 **m3**property Pty Ltd shall have any liability to any third party who does.

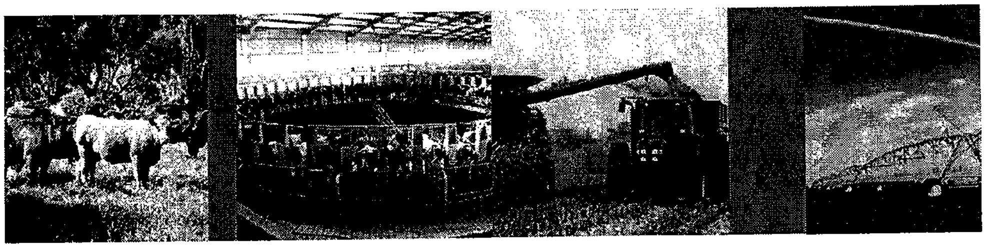
Only a signed original of this advice should be relied upon and no responsibility will be accepted for photocopies of the advice.

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

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 STRATEGISTS

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.

KEY PERSONNEL

Daniel Thomas, Director, Agribusiness

Danny commenced employment with the company in March 2008 and heads up the Agribusiness Division. Danny has a strong rural background with practical experience on his family's farm in Northern Victoria.

Having worked across many asset classes since commencing his career with Valuer General Victoria in 1997, Danny has specialised in the valuation of rural property for clients who range from high wealth private investors to corporate farmers and Institutional clients. Danny is a registered valuer in all States of Australia and is based in the Melbourne office.

William Barton, Associate Director, Agribusiness

Will commenced employment with the company in April 2008 and works within the Agribusiness Division. Will has an agribusiness background gaining practical experience through involvement in both his family's meat processing facility and pastoral holdings in Gundagai.

Will has completed a Bachelor of Applied Science (Property Valuations) (1st Hons) at RMIT and was recently awarded the Young Achiever of the Year Award by the Australian Property Institute. Will is experienced in undertaking financial reporting valuations for both Australian based and International Investment Funds across a range of assets types, particularly large intensive horticultural holdings benefitted by water entitlements and forestry portfolios. Will is a registered valuer in all States of Australia and is based in the Sydney office.

INSURANCE COVER

We advise that **m3**property hold the following minimum cover;

(a) **Public Liability Insurance:** $10,000,000

(b) **Professional Indemnity Insurance:** $20,000,000

(c) **Workers Compensation:** as required by law

(d) **Motor Vehicle, Watercraft and Equipment Insurance:** all employees of **m3**property (Vic) Pty Ltd are provided with a car allowance and utilise their own vehicles for valuation assignments. All other transport arrangements are by commercial arrangement with nationally accredited companies.

REQUIRED INFORMATION

The information required to undertake our valuation is as follows:

- Details of scheduled harvest years for each property / aggregation (already provided); and
- Any other information you may consider relevant.

Some of the information that we request may be considered to be of a proprietary nature and accordingly we advise that such information is collected, analysed, stored and reported in accordance with Privacy Principles for valuation purposes only by the team at **m3**property Pty Ltd. If this information is not provided then we may not be able to fully conduct the services requested.

Once again, thank you for the opportunity to submit our proposal. If you require any further information or wish to discuss any aspect of our submission, please do not hesitate to contact the writer.

Yours sincerely
m3property

William Barton
Associate Director
will.barton@m3property.com.au

Authorised and accepted by Mr Craig Crosbie, Administrator, Willmott Forests Ltd.

Signature..

Print Name Craig Crosbie

Title Administrator

Date 23/12/10

ANNEXURE 2

Rehabilitation Costs

REHABILITATION COSTS

Upon cessation of a forestry rotation, the land may require rehabilitation for a "highest and best" **non-forestry** use if continued forestry use is not considered to be viable. Across the various land holdings, the "highest and best" alternative use will typically be a return to grazing and cropping. The issue of reversion costs is a vexed one which has been extensively debated in the press following the succession of forestry Managed Investment Scheme (MIS) providers including Timbercorp, Great Southern, Forest Enterprises Australia and Willmott Forests entering either voluntary administration or receivership in the recent past.

There has been a great deal of speculation about the affect of this land being sold out of forestry by the various Administrators/Receivers, and what affect this might have on the general rural land market. Furthermore, several prominent critics of MIS have suggested that reversion costs for land coming out of short rotation forestry could be as high as $3,000 per hectare.

On 30 April 2009 an article was written by Marius Cuming in the "Stock & Land" newspaper entitled *"Life after MIS: How to reclaim blue gum country"*. In short, the article outlines the experience of Mr Ian Jeffries in rehabilitating land from which he had recently harvested blue gums.

On 8 June 2009 we contacted Mr Jeffries to discuss the facts outlined in the article and to inspect the rehabilitated land. Mr Jeffries advised that the cost of $1,200 that was advanced in the article accurately reflected the cost to him of rehabilitating approximately 40 hectares of land located at the north-east corner of Portland-Casterton Road and Jeffries Road, Hotspur (Western Victoria). We inspected the land following our conversation with Mr Jeffries and include the following photographs for your information.

As can be seen in the photographs above, the land has not been levelled and would not be suitable for either cultivation or harvesting of fodder (pasture hay or silage), and the immediate use of the land would be limited to grazing.

Whilst the above information relates to short rotation blue gum plantations, it provides a starting point for our considerations, and whilst the costs of rehabilitation will vary for each land class, in broad terms our investigations reveal the following:

STUMP REMOVAL-MULCH

We have investigated this cost with a contractor (Mr. Max Grant via Penola) who operates in the "Green Triangle". The rehabilitation process involves mulching of stumps to slightly below ground level with that portion of the stump and roots below ground left to "rot-out" over 4-5 years. This process ensures minimal soil disturbance and retention of the fertility "locked" in the stumps and roots.

We are advised that the typical cost of this process is around $600 to $800 per hectare, where the lower end represents the typical cost for poorer land with less vegetative material and the higher end represents the typical cost for more fertile land with higher vegetative material.

Given the Bombala land comprises softwood Radiata Pine plantations rather than the hardwood plantations for which the above costs have been explored, we suggest adoption of the following rates for the subject properties.

Poorer Land	$300/ha
Average Land	$400/ha

SOIL CULTIVATION

While this will generally be the same for most properties, there will be local variability depending upon topography and distance from contractors. We suggest adoption of a range of $75/ha to $100/ha as cultivation will typically be limited to "light discing" or "scarifying" subsequent to mulching.

FENCING

We suggest a rate of $250 per hectare to replace internal fencing and establish typical paddock sizes.

STOCK WATER

Many of the holdings enjoy existing stock water infrastructure, albeit bores and mills are regularly no longer equipped. Broadly, an allowance of $50 - $100/ha would be satisfactory.

PASTURE ESTABLISHMENT

Typically, most new pasture would be sown in Autumn for grazing/harvest in the following Spring. The mulching and discing processes ensure minimal soil disturbance such that grazing should be possible once pastures are established.

An annual and perennial mix should ensure establishment of an appropriately dense pasture base.

Despite a decline in commodity prices, seed costs remain stable due principally to a lack of supply as a result of prevailing drought conditions. Assuming an application rate of 20-25kgs/ha of an appropriate pasture mix, our investigations reveal an anticipated applied cost of approximately $115/ha to $150/ha.

FERTILISER

Whilst the costs of all classes of fertiliser had declined slightly during 2009, these costs increased early in 2010 and are currently experiencing volatility in-line with crude oil prices. Application rates will vary from 100kgs/ha to 250kgs/ha depending on land use.

Across the land classes, we suggest allowances as follows:

Poorer Land	$60/ha
Average Land	$150/ha

TOTAL REHABILITATION COST

We caution that there will be localised variability as to the likely costs of reversion between the different agricultural districts within which the various properties are located. The reasons for this variability would include annual rainfall, soil type / geology and fertility, access, topography and the availability of contractors. The foregoing breakdown of the anticipated costs involved is provided to assist PPB Advisory and should not be construed as definitive advice as to reversion costs at either a portfolio or individual property level. Should more definitive advice be required we recommend the engagement of a suitably qualified agricultural consultant.

The following table summarises our considerations.

Operation	Low	High
Stump Removal / Mulch	$300 /ha	$400 /ha
Soil Cultivation	$75 /ha	$100 /ha
Fencing	$250 /ha	$250 /ha
Stock Water	$50 /ha	$100 /ha
Pasture Establishment	$115 /ha	$150 /ha
Fertiliser	$60 /ha	$150 /ha
Total	**$850 /ha**	**$1,150 /ha**

We therefore consider a reasonable rate per hectare for reversion to be $1,000 per hectare for the purpose of our advice.

ANNEXURE 3

Discount Rate Selection

DISCOUNT RATE – LAND ONLY

The considerations in the selection of an appropriate Discount Rate to apply in 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 are provided below.

In respect of the portfolio, we note the following:

- Comprises 41 aggregations (64 properties), with a range of land sizes, land types and rainfall zones across a diverse geographic area, and in this regard represents a large rural portfolio.
- Does not produce an income as the assets are encumbered by Third Parties who have no obligation to pay rent.
- The weighted average time to realisation (by Estimated Unencumbered Value – December 2010) is approximately 19 years.
- The Lessor will be responsible for all holding costs, such as municipal rates, insurance and repairs and maintenance.
- The Lessee has no obligation to make good (remediate the land for stumps or remaining organic matter).
- The underlying land value for each property may appreciate over the term until clearfall and reversion.
- Yields for rural land are significantly lower than for other forms of property, being typically in the range of 2% to 6% of capital value.
- Whilst there are a range of opportunities that ensue from the size of the holdings (aggregation or subdivision, as befits each market) and their location in typically high rainfall areas, the physical size of the whole portfolio and the absence of income significantly reduces the range of potential purchasers.

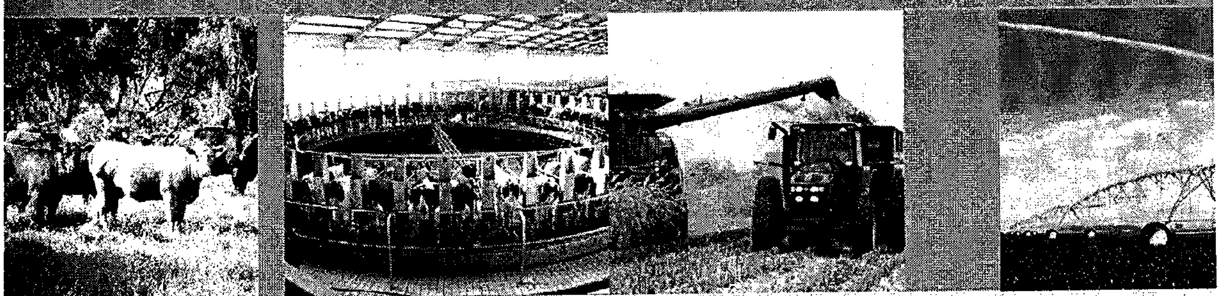
Typical Discount Rates applied to other institutional investment class assets are as follows;

- Commercial Office	8.0% - 8.5%
- Retail	8.5% - 9.0%
- Industrial	9.0% - 10.0%
- Retirement	11.5% - 12.5%
- Horticultural	12.0% - 14.0%
- Pastoral	6.0% - 8.0%

Concerning the Discount Rate, the "safest" return for an investment is a 10 year Government Bond, with a significantly "softer" rate applicable to various forms of real estate. It is generally considered that commercial office, retail and industrial real estate carries a greater risk because it is affected by constant changes in building design and construction. Retirement assets are considered to carry a higher risk as there is uncertainty surrounding cash flows due to fluctuating occupancy. Horticultural assets are considered to have higher risk due to the proportion of value "above the ground" and the increased likelihood of accelerated obsolescence. Locational risk is also a strong influence on the adopted Discount Rate. Whilst the subject portfolio is negatively impacted by its size and lack of income, the underlying asset (the land) would generally be discounted at a lower rate (as for Pastoral above).

As we understand it, sophisticated forestry investors (generally domiciled in the United States) who have entered the Australian market typically apply a discount rate of 8.0% - 8.5% in quantifying the value for non-MIS forestry assets (land and trees). The most notable example of this would be Global Forest Partner's acquisition of the **Timbercorp** assets (in receivership), which we believe indicates a Discount Rate toward the lower end of this range, albeit for a purchase at an enterprise level (incorporating a high proportion of trees on leasehold land, Port facilities, plant and equipment and Administration offices / depots).

Against this background, we consider that a slightly higher discount rate should be adopted for the subject portfolio to reflect the opportunity cost of lost income over the period of encumbrance, together with the physical size of the portfolio as compared to the **Timbercorp** transaction. In our view, the range is more likely to be 8.0% - 9.0% for the subject asset, given the range of positive and negative attributes that the portfolio holds. To this extent, we would strike a Discount rate at the midpoint, being **8.5%.**



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