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-9" now produced and shown to **CRAIG DAVID CROSBIE** at the time of swearing his affidavit on 4 February 2011.

Before me: .....

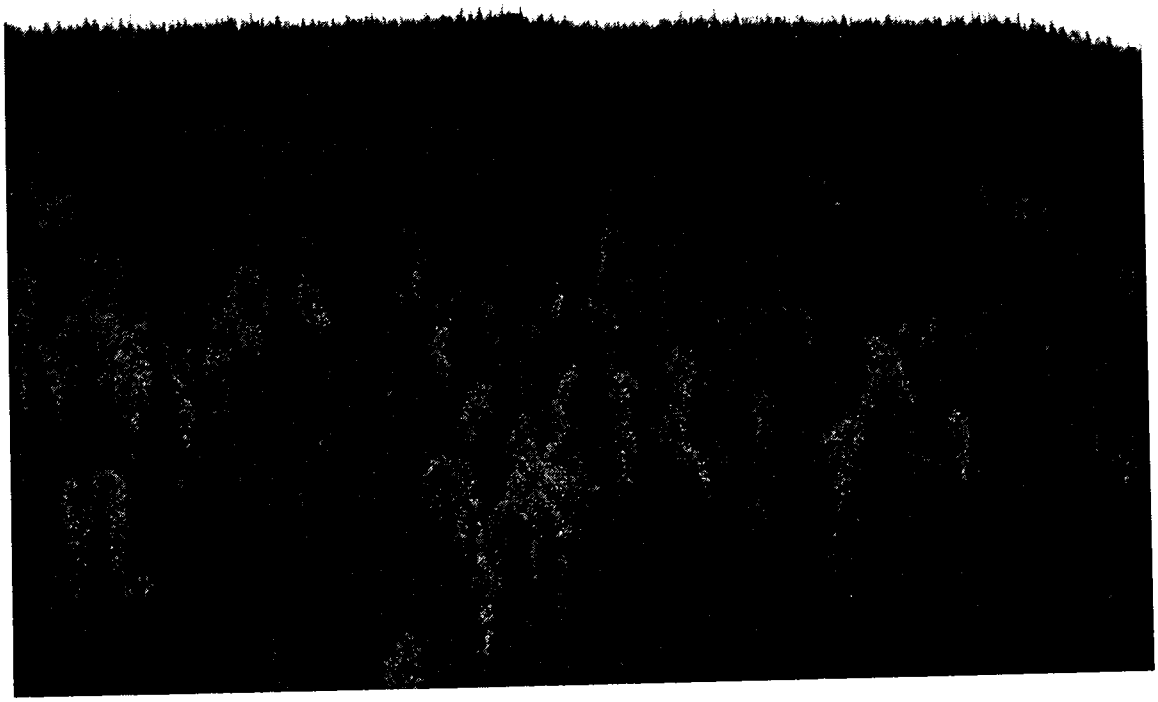
DANIEL JOSEPH BRIGGS
Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne 3000
An Australian Legal Practitioner within the meaning of the Legal Profession Act 2004

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

DX 38455 Melbourne
Tel: 9229 9999
Fax: 9229 9900
Ref: 01-1565015
(Leon Zwier)

FINAL REPORT

51A14830
19 January 2010



IAN CARSON AND CRAIG CROSBIE (ADMINISTRATORS FOR WILLMOTT FORESTS LTD)

Viability Analysis of the Willmott Forestry Projects

PÖYRY
Engineering balanced sustainability™

PÖYRY

PREFACE

This report is issued by Poyry Management Consulting (Australia) Pty Ltd (Pöyry) to Ian Carson and Craig Crosbie the Administrators for Willmott Forests Ltd (the Administrators).

The report contains the opinion of Pöyry as to the Viability Analysis of the Willmott Forestry Projects. The provision of this report is subject to the terms of the Disclaimer provided on the following page.

We hope this report proves useful to you and we would be pleased to provide expert assistance to you on future assignments.

Rudolf Rensburg
ASSOCIATE PRINCIPAL

Andrew Dickinson
SENIOR CONSULTANT

Contact details:

Andrew Dickinson
Level 13
390 St Kilda Road
MELBOURNE, VIC 3004
Australia
Tel. +61 3 9863 3733
Fax +61 3 9863 3707
E-mail: andrew.dickinson@poyry.com

Poyry Management Consulting (Australia) Pty Ltd

DISCLAIMER

This report has been prepared by Poyry Management Consulting (Australia) Pty Ltd (Pöyry) for Ian Carson and Craig Crosbie the Administrators for Willmott Forests Ltd (the Administrators). All other use is strictly prohibited and no other person or entity is permitted to use this report, unless otherwise agreed upon in writing by Pöyry.

Pöyry has agreed to provide its written consent for disclosure of the report, in its entirety, to third parties ("The Recipient") on the following basis:

- The report can be provided to potential Responsible Entities, potential buyers of the assets, or various grower groups on a non-reliance basis. Pöyry would require that as a condition of the disclosure, each party sign a copy of Pöyry's non-reliance letter before it receives the report.
- The report can be provided to individual Willmott Forest Ltd (Willmott) MIS investor growers, on the strict basis that the growers acknowledge and agree to the following:
  - The report was prepared for the use of the Administrators based on the agreed scope of work in the contract between Pöyry and the Administrators, dated around 06 December, 2010. Therefore, there is no certainty that the information addresses the specific requirements or interests of the receiver of the report. The individual circumstances of growers have not been taken into account in the preparation of the report.
  - Any reliance the receiver of the information chooses to place on the report is a matter for their judgment exclusively and solely at their risk.
  - Pöyry is not responsible for any actions (or lack thereof) taken as a result of relying on or in any way using the information in the report and in no event shall Pöyry be liable for any damages whatsoever of any nature resulting from reliance on or use of the report.
- The report can be provided to courts of competent jurisdiction.

By accepting delivery of this report, the Recipient acknowledges and agrees to the terms of this disclaimer.

The report contains the opinion of Pöyry as to the viability of Willmott MIS projects based on a desktop review of forecast project cash flows prepared by Willmott.

Nothing in this report is or shall be relied upon as a promise or representation of future events or results. Pöyry has prepared this report based on information available to it at the time of its preparation and has no duty to update this report.

Pöyry makes no representation or warranty, expressed or implied, as to the accuracy or completeness of the information provided in this report or any other representation or warranty whatsoever concerning this report. This report is partly based on information that is not within Pöyry's control. Statements in this report involving estimates are subject to change and actual amounts may differ materially from those described in this report depending on a variety of factors. Pöyry hereby expressly disclaims any and all liability based, in whole or in part, on any inaccurate or incomplete information given to Pöyry or liability towards third

parties other than the Recipient (including any third party that becomes a signatory of the Agreement) arising out of the negligence, errors or omissions of Pöyry or any of its officers, directors, employees or agents.

Pöyry expressly disclaims any and all liability arising out of or relating to the use of this report except to the extent that a court of competent jurisdiction shall have determined by final judgment (not subject to further appeal) that any such liability is the result of the willful misconduct or gross negligence of Pöyry. Pöyry also hereby disclaims any and all liability for special, economic, incidental, punitive, indirect, or consequential damages. **Under no circumstances shall Pöyry's total aggregate liability under or in relation to its agreement with the Recipient (including any breach thereof) or Services for any reason exceed the value of one million Australian dollars.**

All information contained in this report is confidential and intended for the exclusive use of the Recipient. The Recipient may transmit the information contained in this report to its directors, officers, employees or professional advisors provided that such individuals are informed by the Recipient of the confidential nature of this report. All other use is strictly prohibited.

GLOSSARY

Term	Definition
a	Annum/year
A Grade	Japan (higher) grade
AKD	Australian Kiln Dryers
APLPI	Australian Pine Log Price Index
AUD/GMt	Australian dollars per green metric tonne
AUD/ha	Australian dollars per hectare
AUD/ha/a	Australian dollars per hectare per year
AUD/m^3	Australian dollars per cubic metre
AUD/t/km	Australian dollars per tonne per kilometre
Biofuel	Biofuels are a wide range of fuels which are in some way derived from biomass. The term covers solid biomass, liquid fuels and various biogases.
CAPM	Capital Asset Pricing Model
CF	Clearfell
CHHWPA	Carter Holt Harvey Wood Products Australia
cm	Centimetre (10 mm)
Dbh	Diameter at breast height
dbhob	Diameter at breast height over bark
DECC	Department of Environment, Climate Change and Water NSW
Dob	Diameter over bark
FNSW	Forests New South Wales
FOB	Free On Board
GMt	Green metric tonne
GMt/a	Green metric tonnes per year
GRP	Grand Ridge Plantations
Green Triangle	One of Australia's major forest regions, spanning the border area between the south-eastern part of South Australia, and the south-western part of Victoria. Processing activities are centred around the cities of Mt Gambier in South Australia and Portland in Victoria.
Ha	Hectare
HVP	Hancock Victoria Plantations
IDR	Implied Discount Rates
IDR	Implied Discount Rate
J Grade	Japan grade
JAS	Joint Accreditation System
JAS	Japanese Agricultural Standard
K Grade	Korean grade
KI Grade	Korean industrial/lower grade
km	Kilometre (1 000 metres)
LED	Large-end diameter
LVL	Laminated veneer lumber
m	Metre (100 cm or 1 000 mm)
m^3	Cubic metre
MAFF	Ministry of Agriculture Forestry and Fisheries (NZ)
MAI	Mean Annual Increment

Term	Definition
MARVL	Method of Assessment of Recoverable Volume by Log type.
MCF	Mature clearfell
MDF	Medium-density fibreboard
MGP10, 12 etc.	Machine-graded pine
MIS	Managed Investment Schemes
NCT	Non-commercial thinning
NPV	Net Present Value
PV	Present Value
RE	Responsible Entity
SED	Small-end diameter
t	Metric tonne (1 000 kg)
T1, T2, T3	First, second, third thinning
TIMO	Timber Investment Management Organisations
WACC	Weighted Average Cost of Capital
WSR	Wood supply region
YTGen	Yield Table Generation software

EXECUTIVE SUMMARY

The Assignment

Pöyry was engaged to undertake a technical review and verification of MIS project valuations prepared by Willmott to form an opinion on the viability of each project.

Willmott has developed a cash flow model to forecast costs, harvest timings, yields and revenues for the company's plantation projects. The scope of Pöyry's work for this report was to review and adjust, where necessary, the key inputs and functioning of the Willmott cash flow model and use it to form an opinion on the viability of each MIS project. The work has been completed as a desk top exercise, and no physical inspections of any of the plantations have been undertaken.

The model acknowledges that rent has been prepaid by the growers, thus the Willmott cash flow model excludes the cost of land. A review of these costs was therefore also outside the scope of work undertaken by Pöyry. In Pöyry's experience, and as per applicable national and international financial reporting standards, the cost of land rentals, or the opportunity cost associated with the use of freehold land, should be accounted for in appraising tree crops as these costs can have a very significant effect on crop value (project NPV).

Key Inputs from the Client

The Willmott cash flow model incorporates key input assumptions on:

- Plantation areas
- Growth rates and yield forecasts
- The cost of harvesting plantations
- The cost to haul logs from each region to the most likely end markets
- The fees required to cover plantation maintenance and supervision costs, road construction, other direct costs and payments to the old and a potential new responsible entity (RE)
- Market demand and log prices.

Willmott has adjusted the areas allocated to woodlots based on historic failure rates. The failure rates were estimated by Willmott using initial planted area estimates and later remapped boundaries from aerial photography of its older plantations. Willmott removed three plantations from the cash flow model as they had failed. The failed areas were in the Willmott Forests 1995 - 1999 project, prospectus years 1996, 1997 and 1999. The early biofuel projects have a mix of silky oak and sheoak trees. In this case, the net stocked area is split evenly between the species.

Pöyry Changes to Key Inputs

Pöyry has compared Willmott's cost estimates for future plantation operations with costs incurred by other Australian plantation growers. Pöyry has adjusted cost estimates in the cash flow model for fertiliser, road construction, harvesting,

haulage, insurance and non-commercial thinning to costs it believes are more likely to be incurred.

An estimated cost for the Administration relating to the projects has been included. Pöyry has adjusted Willmott's cost estimates for overheads. In Pöyry's opinion, the adjusted cost estimates are appropriate.

Pöyry Key Assumptions and Inputs

In the absence of field work, Pöyry has assumed that the plantations have been professionally managed and maintained to date, and that any maintenance operations that may have been missed due to Willmott's current financial situation will be brought up to date in 2011. This assumption is of particular importance in relation to the yield estimates made by Pöyry, as the quality of plantation maintenance work is generally known to have a significant impact on crop yield.

Pöyry has not audited the net stocked areas of any of the Willmott plantations and has assumed the area estimates in the cash flow model to be correct.

Pöyry has assumed that payments in arrears to HVP and FNSW for plantation maintenance will be made, and has allocated these costs to schemes with plantations managed by these organisations.

In developing its opinion on the viability of each project, Pöyry has made the assumption that funding will be raised/made available for the future maintenance and upkeep of the plantations. **Given the relative young age of the plantations, none of the existing projects will be viable in the absence of further and ongoing maintenance work.**

It has been assumed that an up-front contribution will be made by the growers, to cover the maintenance, overheads and administration costs. In some projects, the old RE (Willmott) receives a proportion of the maintenance fee for work done to date. Pöyry has assumed that growers will pay the estimated ongoing costs in 2011 to complete the schemes. Unless the costs are received for each specific scheme, the scheme will be non-viable. The estimated growers' contribution required to cover all costs (AUD123.2 million) including the 15% contingency are shown in Table S-2.

Areas of Uncertainty

Estimation of growth is a key driver of the volume and type (e.g. log quality and size) of the products yielded from a plantation. Growth rates are affected by the genetic makeup of the trees planted, site quality, the effectiveness of maintenance, fertilisation history, rainfall and other variables. Unfortunately, for most of the Willmott projects, there are no project-specific, reliable growth data available.

Limited inventory data was collected for the Bombala pine plantations in 2004-2007. Sheoak and silky oak plantations are not commonly grown in Australia and therefore experience with the possible yields that these crops may achieve is limited. The fact that 80% of the Willmott plantations are young (six years or younger) exacerbates the problem, as extrapolation of early growth performance may not provide a reliable yield estimate at the time of clearfell.

Given these limitations, Pöyry adopted alternative approaches to estimate yields for the various species. In the case of pine, log yield forecasts are based on historic regional average yields, with the exception of some Bombala plantations, where the 2004-2007 inventory data was used. In the absence of any alternative data, it is Pöyry's opinion that the use of regional average yields for the young pine plantations is appropriate.

The growth assumptions for the pine plantations managed by Hancock Victoria Plantations (HVP) and Forests New South Wales (FNSW) were based on the growth achieved by the previous rotation of plantations. In the absence of inventory data, previous crop yields can be used as a proxy for future yield estimates on the assumption that silvicultural treatments and climatic conditions remain comparable, and that the genetic material deployed is better than, or at least equal to, the previous crop.

As far as Pöyry is aware, no relevant yield projection data is available for silky oak, sheoak and African mahogany plantations on similar sites to the Willmott plantations. In the absence of available commercial plantation yield data, Pöyry has developed yield forecasts for these species using approaches as described below.

In the case of African mahogany, Pöyry undertook a review of limited research plot data available for African mahogany in northern Queensland, and reviewed available research literature for this species. Pöyry has assumed a growth rate within a typical range for this species. For sheoak, Pöyry has maintained Willmott's growth assumptions. Due to the uncertain growth forecast rates for silky oak, Pöyry has, based on Willmott's growth assumption and Pöyry's experience, reduced Willmott's growth assumption for this species by 7%.

Pöyry has relied on its internal databases and published export prices for the log prices applied in the cash flow model, and has used the log prices from an existing Willmott contract for pine pulp prices applied in the cash flow model. Pöyry has assumed that pine logs from the Bombala region, African mahogany logs and silky oak logs will be exported. In Pöyry's opinion, it is reasonable to assume that the non-Bombala pine sawlogs and all pine pulplogs can be absorbed by the domestic market at the log prices applied in the cash flow model.

Viability Findings

Pöyry has estimated the present value of future plantation maintenance, overheads and administration costs for all the Willmott projects to be in the order of AUD107.1 million. This estimate includes the cost of maintaining plantation projects owned by Willmott. Pöyry has assumed the growers' contribution to be AUD123.2 million, which is the estimated costs plus a contingency of 15%. Pöyry has assumed that this funding will be available immediately for an assumed new RE to manage the plantations, in order to ensure adequate funds are available to see the projects through to maturity.

In considering cash flows, Pöyry understands that existing growers have been participants in the projects from the onset, and may be interested in their overall return, i.e. total money invested from the onset versus expected future proceeds. However, from a perspective of evaluating the viability of the individual projects, as they currently stand, Pöyry recognises the breakpoint in the investment cycle that was brought about by the Willmott receivership, and Pöyry's cash flows are

forward looking, i.e. they only test viability by considering future costs against future returns.

Based on the expected future cash flows, Pöyry has classified the projects into three viability categories (as detailed in Table S-2 below):

1. **Long-Term Viable Schemes** are schemes that have a positive NPV and which, on the face of it, make commercial sense to be maintained by way of additional voluntary grower contributions.
2. **Potentially Viable Schemes** are listed as "Viable* or Non-viable*" in Table S-1. Non-viable* indicates that these schemes are non-viable unless there is an increase in yield/price/log grade of at least 25%, and further investment is made in the short term by way of additional voluntary grower contributions. Viable* indicates that the scheme has a positive NPV, but that a decrease in yield/price/log grade of 25% or more would make them non-viable. Pöyry has defined this category due to the uncertainty regarding the future yields and prices. The viability will depend on maintenance requirements, actual growth rates going forward and actual prices received.
3. **Long-Term Non-Viable Schemes** are schemes which are clearly unviable in the long term, and which, on the face of it, there is no commercial merit in maintaining. The project is estimated to have a clearly negative NPV. The project would require an increase of greater than 25% to net proceeds in order to generate a positive NPV to the grower.

The Schemes with silky oak and sheoak plantation on the North Coast of NSW have been assessed as financially non viable. The current and forecast price for sheoak chips results in minimal proceeds net of harvesting and haulage costs. Recent inspections by Willmott staff of the silky oak plantations has revealed intensive weed competition which will add to weed control costs and reduce growth rates. Increased cost estimates and reduced growth forecast have not been applied to the cash flow model. The north coast plantations will require a large cash injection to bring them up to a productive state while the expected returns from the plantations are modest.

All schemes require a large upfront contribution to cover costs. The estimated per-ha contributions required for each scheme are shown in Table S-2. The required contributions are estimated on the assumption that all growers expcept Willmott will contribute to the costs. If say, one third of growers by area does not contribute to costs, the required contribution per ha of the contributing growers will increase by 50%. In Pöyry's opinion, it appears likely that for younger schemes that require large contributions per-ha relative to their NPV per ha, many growers may not contribute to costs.

Sensitivity Analysis

Due to the long-term nature of the plantation investments, the NPV of the growers' cash flow estimate is strongly influenced by the discount rate applied. Pöyry has considered available market evidence, both in the form of implied discount rates from relevant recent plantation forest transactions and CAPM derivations. In Pöyry's opinion, the appropriate discount rate for the projects is 11%, applied to pre-tax cash flows in nominal dollars. Areas of uncertainty, where possible, have been addressed in the cash flows through the adjustments made by Pöyry and the

application of the 25% yield/price test. However, Pöyry has also undertaken a sensitivity analysis of viability at discount rates of 13% and 15%. The results of these analyses are presented in Table S-1 and Table S-2.

Table S- 1:
Summary of Sensitivity Analysis – Viabile Area at Alternative Dicount Rates

Discount Rate	Viable	Viable*	Non-Viable*	Non-Viable	Total
	NSA (ha)				
11%	38 072	1 316	4 495	9 008	53 208
13%	17 387	20 777	1 240	13 804	53 208
15%	6 648	6 642	12 681	27 237	53 208

PÖYRY

Table S- 2:
Viability Assessment and Estimate of Growers Contribution required to complete the Schemes

				Sensitivity analysis	
Willmott Scheme	**Viability Assessment at 11%**	**PV of Contributions Required (AUD 2010)**	**Growers Contribution per MIS area (AUD/ha)**	**Viability Assessment at 13%**	**Viability Assessment at 15 %**
1983 No Project Scheme	Viable	116 028	1 028	Viable	Viable
1984 No Project Scheme	Viable	70 531	1 915	Viable	Viable
1985 No Project Scheme	Viable	91 791	1 175	Viable	Viable
1986 No Project Scheme	Viable	151 008	1 082	Viable	Viable
1987 No Project Scheme	Viable	148 594	1 297	Viable	Viable
1989 No Project Scheme	Viable	75 321	2 430	Viable	Viable
Willmott Forests 1989 - 1991 Project - 1989 Prospectus	Viable	80 334	5 021	Viable	Viable
Willmott Forests 1989 - 1991 Project - 1990 Prospectus	Viable	172 268	1 526	Viable	Viable
Willmott Forests 1989 - 1991 Project - 1990 IM	Non-Viable*	63 071	5 256	Non-Viable*	Non-Viable
Willmott Forests 1989 - 1991 Project - 1991 Prospectus	Viable	413 870	1 598	Viable	Viable
1990 No Project Scheme	Viable	110 047	2 038	Viable	Viable
1991 No Project Scheme	Non-Viable*	54 132	7 868	Non-Viable*	Non-Viable*
1994 Grimsey and Associates - Forestry Partnership No 1	Viable	317 728	1 869	Viable	Viable
1994 Grimsey and Associates - Forestry Partnership No 2	Viable	358 728	1 878	Viable	Viable
1994 Grimsey and Associates - Forestry Partnership No 3	Viable	196 304	2 111	Viable	Viable
1993 McKenzie and Partners - Forestry Partnership No 1	Viable	142 107	2 292	Viable	Viable
1994 McKenzie and Partners - Forestry Partnership No 2	Viable	111 150	2 850	Viable	Viable
1995 No Project Scheme	Viable*	81 951	4 098	Non-Viable*	Non-Viable
Willmott Forests 1995 - 1999 Project - 1995 Prospectus	Viable	1 616 292	1 705	Viable	Viable
Willmott Forests 1995 - 1999 Project - 1996 Prospectus	Viable*	1 379 079	2 186	Non-Viable*	Viable
Willmott Forests 1995 - 1999 Project - 1997 Prospectus	Viable	2 664 961	2 107	Viable	Viable
Willmott Forests 1995 - 1999 Project - 1998 Prospectus	Viable	2 742 321	2 095	Viable	Viable
Willmott Forests 1995 - 1999 Project - 1999 Prospectus	Viable*	1 326 670	1 534	Non-Viable*	Non-Viable
Sharp Reed Plantation Project - 1998 IM	Viable	329 407	2 422	Viable	Viable
2001 No Project Scheme (entirely owned by Willmott)	Non-Viable	131 834	Negative	Non-Viable	Non-Viable
Willmott Forests - Professional Investor 2001 Scheme	Viable	580 751	2 016	Viable	Viable*
Willmott Forests - Professional Investor 2002 Scheme	Viable	541 977	2 038	Viable	Viable*

Willmott Scheme	Viability Assessment at 11%	PV of Contributions Required (AUD 2010)	Growers Contribution per MIS area (AUD/ha)	Sensitivity analysis	
				Viability Assessment at 13%	Viability Assessment at 15 %
Willmott Forests - Professional Investor 2003 Scheme	Viable	4 106 045	1 890	Viable*	Non-Viable*
Willmott Forests - Professional Investor 2004 Scheme	Viable	12 223 497	2 324	Viable	Viable*
Willmott Forests - Professional Investor 2006 Scheme	Viable	1 444 428	2 628	Viable*	Non-Viable
Willmott Forests Project - 1999 Prospectus	Viable*	154 428	2 808	Non-Viable*	Non-Viable
Willmott Forests Project - 2000 Prospectuses	Viable	1 206 703	2 011	Viable	Viable
Willmott Forests Project - 2001 Prospectus	Viable	1 577 957	2 065	Viable	Viable
Willmott Forests Project - 2002 Prospectus	Viable	1 476 326	1 958	Viable	Viable*
Willmott Forests Project - 2003 Prospectus	Viable	2 405 420	1 903	Viable*	Non-Viable*
Willmott Forests Project - 2004 PDS	Viable	9 909 458	1 976	Viable*	Non-Viable*
Willmott Forests Project - 2006 PDS	Viable	10 668 473	2 262	Viable	Non-Viable*
Willmott Forests Project - 2007 PDS	Viable	31 476 843	2 556	Viable*	Non-Viable
2005 BioForest Wholesale Project No 2	Viable*	203 216	2 128	Viable*	Non-Viable*
BioForest Dual Income Project 2006 PDS	Viable*	722 903	2 359	Non-Viable*	Non-Viable
BioForest Sustainable Timber and Biofuel Project 2007 PDS	Non-Viable*	10 746 515	2 328	Non-Viable	Non-Viable
Willmott Forests Premium Forestry Blend Project 2008 PDS	Non-Viable	20 088 881	2 897	Non-Viable	Non-Viable
Willmott Forests Premium Forestry Blend Project 2010 PDS	Non-Viable		Not Planted	Non-Viable	Non-Viable
Willmott Forests Premium Timberland Fund No 1	Non-Viable	703 521	38 215	Non-Viable	Non-Viable
		123 182 870			

CONTENTS

Appendices

1 INTRODUCTION

Messrs Ian Carson and Craig Crosbie (the "Administrators") have been appointed administrators for Willmott Forests Limited (Willmott). The Administrators have engaged Pöyry to undertake a technical review and verification of project valuations prepared by Willmott to form an opinion on the viability of each project.

Pöyry has provided an Independent Forestry Expert (IFE) perspective on the assumptions of the plantation cash flow models prepared by Willmott, and has formed an opinion on the viability of the forestry projects. Pöyry has also provided an opinion on each of the key assumptions that influence the project cash flows.

Pöyry's work has been undertaken as a desk top exercise utilising Wilmott supplied information and our own experience and databank information. No field work has been undertaken.

The Willmott cash flow model excludes the cost of land. A review of these costs was therefore also outside the scope of work undertaken by Pöyry. In Pöyry's experience, and as per applicable national and international financial reporting standards, the cost of land rentals, or the opportunity cost associated with the use of freehold land should be appropriately accounted for in appraising tree crops, as these costs can have a very significant effect on crop value, in the range of AUD250-350/ha/a. It therefore needs to be specifically recognised that in the absence of land costs, the cash flows presented by Pöyry cannot be used to estimate tree crop values. Instead, these cash flows only have utility in developing an opinion on the viability of the projects.

Pöyry has reviewed Willmott's cost assumptions and adjusted them where it is believed the likely costs to be incurred differ from the Willmott estimates. Pöyry introduced new costs for insurance, Administrator's costs and a profit margin for an assumed new RE. Pöyry used its existing log price information and published export prices. Pöyry did not contact exporters or domestic purchasers to gauge their intentions regarding supplier volume and price. Pöyry has used the cash flow model without auditing for internal calculation errors.

Pöyry has classified the projects into three categories:

1. **Long-Term Viable Schemes** are schemes that have a positive NPV and which, on the face of it, make commercial sense to be maintained by way of additional voluntary grower contributions.
2. **Potentially Viable Schemes** are listed as "Viable* or Non-viable*" in Table S-1. Non-viable* indicates that these schemes are non-viable unless there is an increase in yield/price/log grade of at least 25%, and further investment is made in the short term by way of additional voluntary grower contributions. Viable* indicates that the scheme has a positive NPV, but that a decrease in yield/price/log grade of 25% or more would make them non-viable. Pöyry has defined this category due to the uncertainty regarding the future yields and prices. The viability will depend on maintenance requirements, actual growth rates going forward and actual prices received.
3. **Long-Term Non-Viable Schemes** are schemes which are clearly unviable in the long term, and which, on the face of it, there is no commercial merit in maintaining. The project is estimated to have a clearly negative NPV. The

project would require an increase of greater than 25% to net proceeds in order to generate a positive NPV to the grower.

Pöyry has applied the 25% rule as an estimate in attempting to capture some of the uncertainties in the model such as, for example, future yield and product mix estimates, costs and log price movements, and foreign exchange fluctuations. It needs to be recognised that these uncertainties can have multiplicative effects.

Pöyry's cash flows also estimate the cash required for ongoing plantation maintenance work until the time of harvest (AUD123.2 million). In the absence of further maintenance work, none of the projects will be viable.

2 FOREST DESCRIPTION

2.1 Forest Inspection

No physical inspection of any of the Willmott plantations has been included in this project.

2.2 Forest Areas

Pöyry has not audited the net stocked area of the plantations. Willmott estimated the initial planted area with a GPS survey of the prepared land. Willmott conducts survival counts to determine the stocking at about 9 months after planting. The company has stated that it replants areas if the stocking is found to be 10% or more below the planted density. This statement has been accepted by Pöyry, without audit.

Willmott has a program of remapping the net stocked areas at about 3 years after planting. It has then calculated an area adjustment factor by comparing the remapping area estimates with the initial GPS estimates. These factors have been applied across similar plantation types. Three properties that had failed plantations due to snow damage were adjusted to have no area. These were in the Willmott Forests 1995 – 1999, 1996 prospectus and Willmott Forests 1995 – 1999, 1998 prospectus schemes. The net stocked area used for estimating log yields and maintenance costs in the cash flow is the initial net stocked area estimate at planting minus the percentage shown in the 'Willmott area adjustment' column in Table 2-1.

The adjusted areas have been used in the cash flow model for forecasting revenues and costs. The areas are shown in Table 2-1. Figure 2-1 and Figure 2-2 present the adjusted area-age-class distribution of radiata pine and the other minor species respectively.

Table 2-1:
Net Stocked Area Estimates after Adjustments

Willmott Schemes	Total	Pine	Silky Oak	Sheoak	Mahogany	Wilmott Area Adjustment	Adjusted Area
	Area (ha)					(%)	(ha)
1983 No Project Scheme	114	114				-8	105
1984 No Project Scheme	37	37				-8	34
1985 No Project Scheme	78	78				-8	72
1986 No Project Scheme	146	146				-8	134
1987 No Project Scheme	125	125				-8	115
1989 No Project Scheme	31	31				-8	29
Willmott Forests 1989 - 1991 Project - 1989 Prospectus	28	28				-8	26
Willmott Forests 1989 - 1991 Project - 1990 Prospectus	120	120				-8	110
Willmott Forests 1989 - 1991 Project - 1990 IM	12	12				-8	11
Willmott Forests 1989 - 1991 Project - 1991 Prospectus	288	288				-8	265
1990 No Project Scheme	54	54				-8	50
1991 No Project Scheme	7	7				-8	6
1994 Grimsey and Associates - Forestry Partnership No 1	170	170				-8	156
1994 Grimsey and Associates - Forestry Partnership No 2	196	196				-8	180
1994 Grimsey and Associates - Forestry Partnership No 3	93	93				-8	86
1993 McKenzie and Partners - Forestry Partnership No 1	62	62				-8	57
1994 McKenzie and Partners - Forestry Partnership No 2	39	39				-8	36
1995 No Project Scheme	20	20				-8	18
Willmott Forests 1995 - 1999 Project - 1995 Prospectus	970	970				-8	892
Willmott Forests 1995 - 1999 Project - 1996 Prospectus	1 030	1 030				-50	518
Willmott Forests 1995 - 1999 Project - 1997 Prospectus	1 288	1 288				-7	1 200
Willmott Forests 1995 - 1999 Project - 1998 Prospectus	1 309	1 309				-8	1 204
Willmott Forests 1995 - 1999 Project - 1999 Prospectus	876	876				-61	339
Sharp Reed Plantation Project - 1998 IM	136	136				-8	125
2001 No Project Scheme (entirely owned by Willmott)	40	40				-8	37
Willmott Forests - Professional Investor 2001 Scheme	288	288				-8	265