

The Directors
FEA Plantations Limited
233B Charles Street
Launceston TAS 7250

6 May 2009

Dear Directors,

FEA Plantations Project 2009 – Independent Taxation Opinion

This opinion has been prepared at the request of the Directors for inclusion in the FEA Plantations Project 2009 Product Disclosure Statement (PDS). We have prepared this opinion considering the information contained in the PDS and Australian Taxation Office (ATO) Product Rulings PR 2009/23, PR 2009/24, PR 2009/25, PR 2009/26 and PR 2009/27 (the Product Rulings) as at 6 May 2009.

1 Application of ATO Product Rulings

The Product Rulings provide certainty for Investors who are accepted into the Project on or after the date of the Product Rulings and have executed the Project Agreement on or before 30 June 2009. The Product Rulings are legally binding on the ATO and therefore protect Investors from underpaid tax, penalties or interest provided they are within the class of entities specified by the Product Rulings as 'Investors' and comply with the requirements of the Project as published in the Product Rulings.

2 Carrying on a business

Investors in the Project are not treated as carrying on a business of primary production.

3 Allowable deductions

The Commissioner of Taxation has determined that the Project will satisfy the requirements of subsection 394-10(1) of the *Income Tax Assessment Act 1997* (ITAA 1997) provided the trees are established by 31 December 2010. If the trees are not established by 31 December 2010 an Investor cannot deduct an amount under subsection 394-10(1) ITAA 1997.

In Woodlot Options 1,2,3,4 and 5, the Establishment Fees and land sourcing and management fees and in Woodlot Options 2 and 5 pruning fees paid by Investors in the Project will be allowable deductions in the income year in which they are incurred under sections 8-5 and 394-10 ITAA 1997, provided no 'CGT event' happens to the 'forestry interest' of an Investor before 1 July 2013 for Investors who are initial participants.

Deductions will be available under section 8-1 ITAA 1997 for interest paid on loans with financiers specified in the Product Rulings under a finance package offered in conjunction with the PDS. Deductions for borrowing costs paid to financiers specified in the Product Rulings under a finance package offered in conjunction with the PDS, such as loan establishment fees over \$100 are available under section 25-25 ITAA 1997 spread over the life of the loan or 5 years (whichever is shorter).

You should note that losses arising from participation in the Project are not within the scope of the non-commercial loss provisions of ITAA 1997. Also, interest paid to financiers specified in the Product Rulings under a finance package offered in conjunction with the PDS does not fall within the scope of the prepayment provisions.

For interest incurred on finance obtained from alternative sources it is recommended that the Investor seek confirmation from the ATO in the form of a private ruling as to whether the prepayment rules may apply.

Deductions for insurance costs incurred by Investors are not included within the scope of the Product Rulings. Insurance costs necessarily incurred in gaining assessable income may be generally deductible under section 8-1 ITAA 1997; however Investors should seek their own independent taxation advice as to whether insurance costs relating to their investments in the Project will be deductible in their circumstances.

4 Assessable income

If a 'CGT event' happens in relation to the 'forestry interest' such as if a 'forestry interest' is sold or otherwise extinguished or if there has been a full or partial Clearfall harvest of the trees grown under the Project (excluding Thinning), an amount is included in the Investor's assessable income under sections 6-10, 10-5 and 394-25(2) ITAA 1997. Amounts derived by an Investor in respect of Thinning will be assessable as ordinary income under section 6-5 ITAA 1997.

5 GST

On the basis that, as may be indicated by the Product Rulings issued by the ATO, Investors are not considered to be carrying on a business in relation to the holding of the investment, fees and charges payable by the Investor are unlikely to be subject to GST. This would be the case where such payments are classified as further consideration for an interest in a managed investment scheme.

6 Superannuation funds

The Product Rulings do not address the provisions of the *Superannuation Industry (Supervision) Act 1993*.

7 Secondary markets for forestry scheme interests

Deductions under Division 394 ITAA 1997 will not be allowable to initial participants if a 'CGT event' happens in relation to the 'forestry interest' before 1 July 2013.

8 Tax avoidance

The general anti-avoidance provisions will not be applied to cancel a tax benefit obtained by Investors participating in the Project.

9 Disclaimer

This opinion is based on the Australian tax law as it applied at the time the PDS was prepared and does not take into account or anticipate changes in Australian tax law after this time, nor does it take into account the taxation laws of countries apart from Australia. Investors who are non-residents under Australian tax law should also consider the taxation consequences under the laws of their country of taxation residence together with any taxation consequences under Australian law.

All Investors should obtain specific taxation advice relating to their particular circumstances from a suitably qualified taxation advisor before participating in the Project.

This Taxation Opinion is given by a taxation agent registered under Part VIIA of the *Income Tax Assessment Act 1936* and is given in the ordinary course of our activities as such an agent. Taxation is only one of the matters that must be considered when making a decision on a financial product. Potential Investors should consider taking advice from an Australian financial services licence holder before making a decision on a financial product.

Yours faithfully,

DELOITTE GROWTH SOLUTIONS PTY LIMITED



Tim Maddock
Director