

Thank you for requesting this Product Disclosure Statement from Funds Focus.

Fee Reduction

As highlighted within our offers page, whilst most agribusiness schemes typically pay an entry fee of up to 8%. Applications lodged through Wealth Focus will receive a rebate of up to 8% in the form of a cheque once your application has been processed.

How to Apply

Please have a read through the PDS and if you would like to invest the application pages can generally be found towards the back of the document. You will only need to send the application section back with a cheque payable direct to the investment company (not ourselves). You should take note of any minimum investment amounts that may apply.

Then mail the completed application directly to us.

We will then check to ensure your form is completed correctly before forwarding your document on to the investment provider on your behalf.

Wealth Focus Pty Ltd
Reply Paid 760
Manly
NSW 1655

Please note that we are unable to track applications mailed directly to the product provider and therefore cannot guarantee that your discounts have been applied in these instances.

Should you wish to take advantage of our free annual valuation and tax report for all your investments you should complete our broker nomination form for The Wealth Focus Investment Service.

Regards

Suliaman Ravell
Managing Director

Wealth Focus Pty Ltd
ABN 87 123 556 730
56 The Corso, Manly, NSW 2095
Postal Address: Reply Paid 760, Manly, NSW 1655



Requirements for verifying your identity under the new Anti Money Laundering (AML)/Counter Terrorism Financing (CTF) Act

The AML/CTF Act came into effect on the 12th December 2007. All financial planning and fund management companies are now required to collect, verify and store specific customer information before arranging investment services for a client. It is designed to prevent, detect and protect Australian business from money laundering and the financing of terrorist activities.

As such, we request that all new applications are sent with 'certified documentation'.

We have found that the easiest way to provide the required documentation is to have a copy of your driving licence *or* passport certified by Australia Post or a Justice of the Peace (please see following page for a full list of individuals that can certify documentation).

Once this has been completed, under the current requirements we will not require you to send identification again.

What you need to do

You will need to enclose a certified piece of photographic evidence or one piece of primary non-photographic evidence and one piece of secondary evidence (please refer to the Identification Form for document requirements), with your application form and post to us at the following address

Wealth Focus Pty Ltd

Reply Paid 760

Manly

NSW 1655

Please do not send us original driving licences or passports as these can very easily get lost in the post. Copies of documents can be certified by an authorised individual, they will need to sight and verify that the copy is a 'certified true copy', sign, date, print their name and list their qualification.

**ANTI-MONEY LAUNDERING REQUIREMENT FOR NEW APPLICATIONS
IDENTIFICATION FORM A**

GUIDE TO COMPLETING THIS FORM

- Please contact us on 1300 55 98 69 if you have any queries.
- If you wish to apply in the name of a trust or company, please contact us for an alternative identification form.
SMSF's and retail superannuation applications do not need to provide ID (an online check will be performed for SMSFs)

Attach a certified copy of the ID documentation used as proof of identity. ID enclosed should verify your full name; and EITHER your date of birth or residential address.

- Complete Part I (or if the individual does not own a document from Part I, then complete either Part II or III.)

PART I – ACCEPTABLE PRIMARY ID DOCUMENTS

	Select ONE valid option from this section only
<input type="checkbox"/>	Australian State / Territory driver's licence containing a photograph of the person
<input type="checkbox"/>	Australian passport (a passport that has expired within the preceding 2 years is acceptable)
<input type="checkbox"/>	Card issued under a State or Territory for the purpose of proving a person's age containing a photograph of the person
<input type="checkbox"/>	Foreign passport or similar travel document containing a photograph and the signature of the person*

PART II – ACCEPTABLE SECONDARY ID DOCUMENTS – should only be completed if the individual does not own a document from Part I

	Select ONE valid option from this section
<input type="checkbox"/>	Australian birth certificate
<input type="checkbox"/>	Australian citizenship certificate
<input type="checkbox"/>	Pension card issued by Centrelink
<input type="checkbox"/>	Health card issued by Centrelink
	AND ONE valid option from this section
<input type="checkbox"/>	A document issued by the Commonwealth or a State or Territory within the preceding 12 months that records the provision of financial benefits to the individual and which contains the individual's name and residential address
<input type="checkbox"/>	A document issued by the Australian Taxation Office within the preceding 12 months that records a debt payable by the individual to the Commonwealth (or by the Commonwealth to the individual), which contains the individual's name and residential address. <i>Block out the TFN before scanning, copying or storing this document.</i>
<input type="checkbox"/>	A document issued by a local government body or utilities provider within the preceding 3 months which records the provision of services to that address or to that person (the document must contain the individual's name and residential address)
<input type="checkbox"/>	If under the age of 18, a notice that: was issued to the individual by a school principal within the preceding 3 months; and contains the name and residential address; and records the period of time that the individual attended that school

Who can verify customer identity documents?

Please find below a list of all the Approved Individuals that can certify documents:

- **A Justice of the Peace**
- **An agent of the Australian Postal Corporation** who is in charge of an office supplying postal services to the public, or a permanent employee with more than two years continuous service (who is employed in an office supplying postal services to the public)
- A notary public (for the purposes of the Statutory Declaration Regulations 1993)
- A person who is enrolled on the roll of the Supreme Court of a State or Territory, or the High Court of Australia, as a legal practitioner (however described)
- A judge, magistrate, registrar or deputy registrar of a court
- A chief executive officer of a Commonwealth Court
- A police officer
- An Australian consular or diplomatic officer (within the meaning of the Consular Fees Act 1955)
- An officer or finance company officer with two or more continuous years of service with one or more financial institutions (for the purposes of the Statutory Declaration Regulations 1993)
- An officer with, or authorised representative of, a holder of an Australian Financial Services Licence, having two or more continuous years of service with one or more licensees, and
- A member of the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants with more than two years continuous membership.

WILLMOTT FORESTS

PREMIUM FORESTRY BLEND – 2010 PROJECT



PRODUCT DISCLOSURE STATEMENT

ARSN 142 722 585

DIRECTORY

Responsible Entity

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ABN 17 063 263 650

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Licence No: 233215

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S David Pitt

Moore Stephens

Level 14, 607 Bourke Street
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Important Information

This Product Disclosure Statement (PDS) is dated 7 April 2010. Willmott Forests Limited (**Willmott Forests or Responsible Entity**) is the responsible entity of the Willmott Forests Premium Forestry Blend – 2010 Project ARSN 142 722 585 (**Project**) and the issuer of this PDS.

The Project is not intended to be a short term investment and is subject to the normal risks associated with commercial plantation forestry. The Responsible Entity does not guarantee any particular return to Investors or that any particular expenditure by Investors in relation to the Project will be tax deductible. A paper copy of this PDS can be obtained from or inspected at Willmott Forests (refer Directory above).

The PDS is available electronically from Willmott Forests website (www.willmottforests.com.au). The offer of this PDS is only available to persons receiving this PDS (electronically or otherwise) in Australia.

The information in this PDS is general information only and has not been prepared having regard to the investment objectives, financial situation, or the specific needs of a particular person. As an Investor you should consider whether the information in this PDS is appropriate for you in light of your objectives, financial situation and needs. You should seek professional advice before making an investment decision and consider the risk factors that could affect the financial performance of the Project.

The information in this PDS is up to date at the time when it was prepared. Information relating to the Project that is not materially adverse is subject to change from time to time and may be updated by the Responsible Entity. Where information is updated it can be found at any time on Willmott Forests' website at www.willmottforests.com.au. A paper copy of any updated information will be given to a person without charge on request.

Defined words and expressions used in this PDS are explained in the Glossary of Terms set out on page 67. Unless otherwise specified, photographs used in this PDS are for illustration only and should not be interpreted to mean that any person shown endorses the Project or Willmott Forests, or that Willmott Forests or any other person referred to directly or indirectly in the PDS owns, uses or has any rights in relation to any item shown.

This document is important and should be read in its entirety, before a decision is made to apply for Forestry Interests. If you are uncertain or have any doubts about applying for Forestry Interests, you should consult your financial advisor, solicitor or accountant. Forestry Interests will be issued only on receipt of a completed Application Form which is attached to or accompanies this PDS. No Forestry Interests will be issued on the basis of this PDS after the Offer Period closes, unless the relevant application was received prior to the Offer Period closing.

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1.0 SUMMARY OF THE PROJECT



Radiata pine

1.1 Introduction

This section contains a summary of the Project. However, to fully understand the Project you must read the whole PDS, including the material risks described in section 4.

1.2 Summary of the offer

The offer

Willmott Forests is offering you the opportunity to participate in a forestry Project that will establish Radiata pine, African mahogany and Silky Oak plantations by investing in Forestry Interests on the terms and conditions set out in this PDS.

Offer opens

7 April 2010.

Offer closes

30 June 2010.

Willmott Forests may, however, determine to extend the Offer Period or close the Offer Period earlier.

Application

To apply for one or more Forestry Interests you must complete and submit the Application Form which is attached to or accompanies this PDS and pay the Application Price. You may also elect to apply for a loan from Willmott Finance to fund the payment of the Application Price for each Forestry Interest you apply for. To do so you must complete and submit one of the Application Forms for finance attached to or accompanies this PDS. Details of payment options are set out in section 3.4 of this PDS.

Application Price

\$5,000 per Forestry Interest.

Minimum application

The minimum application is one Forestry Interest.

Minimum subscription and oversubscriptions

There is no minimum number of applications that must be received before the Project will proceed. This means that the Project will proceed irrespective of how many applications are received.

Acceptance of application

Willmott Forests will provide you with details of your Forestry Interests following acceptance of your Application for Forestry Interests. Valid Applications for Forestry Interests received during the Offer Period will be accepted progressively throughout the offer period. Willmott Forests has the discretion to refuse to accept an application for Forestry Interests.

You may withdraw your Application at any time prior to the date of acceptance of your Application. If your Application is rejected, you will be notified and any application money paid by you will be returned to you within 10 Business Days or such later date reasonably determined by Willmott Forests. Any interest earned on the application money will be retained by Willmott Forests and will become Project Property.

Cooling-off

Generally, you will not have any cooling-off rights in respect of an investment in the Project. See section 3.5 for further information in relation to cooling-off rights.

Allocation of Forestry Interests

Forestry Interests will generally be allotted to Investors in order of receipt of completed applications accompanied by application money.

1.3 Key features

The Project

Page 8

The Project is a registered managed investment scheme which will establish Radiata pine, African mahogany and Silky Oak plantations for supply of sawlogs to the domestic and export markets.

Project management

Page 9

Willmott Forests, is the Responsible Entity of the Project and is responsible for all aspects of the Project including the establishment, maintenance and marketing of the Trees.

As Responsible Entity of the Project, Willmott Forests will engage Willmott Forests Investment Management Pty Ltd (WFIM or the **Manager**), a wholly owned subsidiary of Willmott Forests, to manage the operational and technical aspects of the Project. WFIM, in turn, will engage both Willmott Forests' and external contractors to provide, or procure the provision of, all forestry services in connection with the Project.

Investors and Forestry Interests

Page 8

A person who invests in the Project is issued one or more Forestry Interests.

Each Forestry Interest gives the holder of that Forestry Interest a share in the beneficial interest in the Project Property. The Project Property will include the right to plant cultivate and harvest the Trees and any income derived from the Trees.

Term

Page 10

The term of the Project will be approximately 16 years after establishment of all of the Trees which is expected to occur within 18 months after 30 June 2010. The term of the Project encompasses the anticipated growth and harvest cycle of the African mahogany and Silky Oak plantations and the growth and sale of semi-mature standing timber from the Radiata pine plantations.

Project risks

Page 16

The Project encompasses a long term forestry project. A number of risks arise in relation to a forestry project. The material risks which have been identified are set out in section 4 of this PDS.



1.0 SUMMARY AND KEY FEATURES OF THE PROJECT CONTINUED



African mahogany

Land

Page 9

Obligation in relation to land

Willmott Forests will use reasonable endeavours, for each Forestry Interest, to procure Forestry Rights (itself or through a nominee) in respect of an area of land of at least, on average, 0.57 hectares, for each Forestry Interest on issue.

How land is secured

Willmott Forests will enter into one or more Land Agreements with WFIM to procure the Forestry Rights. Alternatively, WFIM may enter into one or more Land Agreements and hold its rights under these agreements on behalf of Willmott Forests or Willmott Forests may enter into a Land Agreement directly with a land provider.

Registration of Land Agreements

Where possible, the Land Agreements will be registered on title.

Payment of rent/licence fees by Willmott Forests

The Land Agreements between Willmott Forests and WFIM (or, where applicable, Willmott Forests and a land provider) will be structured so that rental/ licence fees are paid on a deferred basis (after receipt of Gross Timber Proceeds) to minimise the risk that the agreements can be terminated for non-payment of rental/licence fees prior to receipt by Willmott Forests of Gross Timber Proceeds.

Payment in advance of rent/licence fees by WFIM

The Land Agreements between WFIM and land providers will be structured so that rental/ licence fees are paid upfront on commencement for the term of the agreement, to minimise the risk that the agreements can be terminated for non-payment of rental/licence fees. In some instances, WFIM may be required to pay additional rental/licence fees on a deferred basis (after receipt of Gross Timber Proceeds by the Responsible Entity).

Fees and other costs

Page 20

The fees and costs for the Project are detailed in section 5.

Unless Willmott Forests becomes insolvent, the only ongoing payments which Investors are required to make are in relation to insurance.¹

If Willmott Forests becomes insolvent and is replaced as the Responsible Entity of the Project, you must pay the Annual Forestry Management Fee (unless the replacement responsible entity decides otherwise). The Annual Forestry Management Fee payable by Investors is intended to facilitate the ongoing viability of the Project.

Insurance

Page 11

Following the end of the Stacking Guarantee Period for a species of Tree, Willmott Forests will use reasonable endeavours to obtain and maintain an insurance policy in respect of that species which at a minimum, will cover fire. To the extent that insurance in relation to other events is available and Willmott Forests believes it is commercially prudent and economically viable to obtain such insurance it will obtain and maintain insurance in relation to these events.

The proceeds from an insurance claim form part of the Gross Timber Proceeds. See section 3.10.2 and 3.11.

¹ Fees and costs must also be paid in relation to insurance refer to 'Insurance Fees and Costs' under Additional explanations of Fees and Costs.

Harvesting and sale

Page 10

Willmott Forests anticipates harvesting the Trees (other than the Radiata pine Trees) at various times between 8 and 16 years after establishment, depending on the species of Tree, the region in which the Trees are located, prevailing market conditions and the forest management regime which has been adopted in relation to the Trees.

The semi-mature Radiata pine Trees will be sold as standing timber approximately 15 years after the Trees are established.

Species	Indicative timing of Harvest and sale (Age of Tree)					
Radiata pine				13	15*	
African mahogany	8		12			16
Silky Oak		10			15	

* Sold as standing timber.

Forestry Income

Page 11

You will be entitled to a share of the Forestry Income. This share will be determined on a pro rata basis by reference to the number of Forestry Interests you hold.

Willmott Forests anticipates paying Forestry Income to Investors on a periodic basis. Under the Constitution, Forestry Income must be paid within 12 months after it is received by Willmott Forests (unless Willmott Forests determines that it is impracticable to do so).

Information and reporting

Page 13

Willmott Forests will provide you:

- details of the Forestry Interests you hold;
- annual reports about the progress of the Plantations; and
- annual income and expense statements.

You will receive a paper copy of the Annual Report for the Project unless you elect on the Application Form to receive an electronic copy of the Annual Report.

Taxation

Page 9

Product Ruling PR 2010/4 has been issued in relation to the Project. Copies of the Product Ruling are available free of charge from the ATO (www.ato.gov.au), advisors or by downloading it at Willmott Forests' website at www.willmottforests.com.au. Refer to Independent Taxation Report on page 59.

Project returns

Page 25

Due to its nature, there are various factors (such as weather) that may impact upon the returns from the Project, many of which are outside Willmott Forests control. Accordingly, Willmott Forests is unable to predict with certainty the financial returns that participation in the Project will provide. Section 6 of this PDS sets out information in relation to the factors that are likely to impact Project returns to assist you to make your own assessment of the benefits of participating in the Project. You should also refer to the Independent Forestry Report in section 8 and the Independent Market Report in section 9 and seek professional advice when considering potential returns.



Silky Oak

2.0 BENEFITS OF THE PROJECT



2.1 Introduction

This section outlines the principal benefits to an Investor of investing in the Project. However, to fully understand the Project you must read the whole PDS including the risks described in section 4.

Tax Office Product Ruling

Page 9

The ATO has issued Product Ruling PR 2010/4 in relation to the Project. The Product Ruling is a binding public ruling in relation to the application of tax laws to the Project.

The Product Ruling confirms your entitlement to a tax deduction in relation to:

- the Application Price of \$5,000 per Forestry Interest in the year in which your application to participate in the Project is accepted; and
 - interest on borrowings from Willmott Finance to invest in the Project,
- provided the Project is carried out in accordance with the terms of the Product Ruling.

Established and high value species

Page 44

Radiata pine, African mahogany and Silky Oak plantations will be established under the Project. Radiata pine is a well established timber species and African mahogany and Silky Oak are high value hardwood species. Refer to the Independent Market Report in section 9.

Species	Target species allocation by area
Radiata pine	Approximately 75%
African mahogany	Approximately 20%
Silky Oak	Approximately 5%

Diversification

Page 44

The Project offers diversity by:

- the region in which Plantations are established;
- the species of Trees which are established; and
- the end markets for the Trees.

Investors will be able to participate in the Project which will establish Plantations on a scale, and in locations, which the Investor may not be able to establish if the Investor were investing on an individual basis. Refer to the Independent Market Report in section 9.

Low correlation with returns from other asset classes

Page 25

The factors that impact returns from an investment in plantation forestry are different from those that affect returns from more traditional investment asset classes such as shares, fixed interest and commercial property. This means that the returns from a plantation forestry investment are expected to have a low correlation to returns from investments in the more traditional investment asset classes.

Forestry Income

Page 11

The Project is expected to derive income from:

- the Thinning, harvesting and sale of the African mahogany and Silky Oak Trees; and
- the Thinning and sale of the semi-mature standing Radiata pine Trees.

Each Investor will receive a proportion of the Forestry Income determined by reference to the number of Forestry Interests held by the Investor.

Sale of Radiata pine as standing Trees

Page 11

The usual rotation (that is, the period of time from establishment to harvesting) of a Radiata pine Tree is 25 years. Under the Project, the semi-mature Radiata pine Trees will be sold as standing timber approximately 15 years after the Trees are established, through a tender process in which Willmott Forests may participate.

If the sale price of the Radiata pine Trees is below 90% of the market value of the Trees determined by independent valuation, Willmott Forests will contribute from its own assets the difference between the sale price and 90% of the market value of the Trees.

Stocking Guarantee

Page 11

Where, at the end of the period of 13 months from the date of completion of the planting of a species of Tree, more than 10% of the Trees of that species have been Materially Damaged, the affected species will be replanted so that the number of seedlings of the affected species following replanting is at least equal to 90% of the number of seedlings of the affected species initially planted.

Structure of the Project

Page 17

Willmott Forests has sought to structure the Project to facilitate the ongoing operation of the Project in the event that Willmott Forests or the Manager becomes insolvent.

Responsible Entity

Page 28

Willmott Forests is an ASX listed company. The Willmott Forests group of companies has net assets in excess of \$160 million as at 31 December 2009.

The Willmott Forests group of companies is a market leader in softwood plantation management with a proven track record of establishing and managing forestry projects over 30 years.

Willmott Forests is a publicly listed (ASX Code: WFL) and quality accredited company. Our core activities are establishing, managing, harvesting, processing and supplying timber products from plantation grown resources on behalf of our growers and shareholders. The Company employs over 150 people and manages in excess of 53,000 hectares of Radiata pine, Silky Oak, She-oak and African mahogany plantations, ranging from new plantings to mature trees.

By leveraging its economies of scale and expertise in cultivating, harvesting and processing it aims to deliver lower costs and maximise Investor returns.

Willmott Forests is accredited and certified under quality system AS/NZS ISO 9001:2008.

Government support

Commonwealth and State Governments are committed to the support and expansion of the Australian plantation forestry industry, as confirmed in *Plantations for Australia: The 2020 Vision*, which was launched in 1997, with a vision to treble the area of plantation estate to three million hectares by 2020.



3.0 PROJECT DETAILS

3.1 The offer

The Project is an opportunity to invest in a forestry enterprise that will establish Radiata pine, African mahogany and Silky Oak plantations. The mix of species, their end uses and maturity profiles and the location of Plantations is designed to mitigate Project risks.

Willmott Forests is the Responsible Entity of the Project. Under the Constitution, it is responsible for establishing, managing and harvesting plantations of Radiata pine, African mahogany and Silky Oak Trees. Plantations will be established in a number of regions. These regions may be in New South Wales, Victoria, Queensland and the Northern Territory. Plantations may be established in another State where land is available that satisfies Willmott Forests' land selection criteria. The location of the Plantations will be determined by climate and the availability of suitable land.

Applications are open for the period from the date of the PDS until 30 June 2010 unless Willmott Forests determines otherwise.

3.2 Forestry Interests

Investors are issued Forestry Interests. Each Forestry Interest represents a share in the beneficial interest in the Project Property. The Project Property includes the Land Agreements, the trees established for the purposes of the Project and the income derived from the harvesting and sale of the Trees. For each Forestry Interest on issue, Trees will be established on an area of land of at least, on average, 0.57 hectares. Investors will be entitled to a pro rata share of the Forestry Income, determined by reference to the number of Forestry Interests held by the Investor.

The minimum application for each Investor is one Forestry Interest.

There is no minimum subscription that must be satisfied before the Project will commence.

3.3 Application Price and fees

The Application Price per Forestry Interest is \$5,000. GST is not required to be paid when you apply to invest in a Forestry

Interest. Any interest earned on application money will be retained by Willmott Forests and form part of the Project Property, even if your application is rejected.

3.4 Payment options

You can pay the Application Price for Forestry Interests by credit card, direct debit or cheque or by arranging for finance.

All cheques should be made payable to 'Willmott Forests Premium Forestry Blend – Application Account'.

Finance through Willmott Finance Pty Ltd

Finance is available through Willmott Finance Pty Ltd (ABN 16 081 274 811), a wholly owned subsidiary of Willmott Forests, for 100% of the Application Price per Forestry Interest. The finance options are:

- a 12 month interest free loan under a 12 Month Interest Free Loan Agreement; and
- a principal and interest loan for 3 or 5 years under a Principal and Interest Loan Agreement.

For applications received before 30 June 2010, repayments are due on the last Business Day of each month commencing in July 2010. For further information refer to the terms of the finance facilities and the Application Form.

3.5 Cooling-off

A cooling-off period, during which you can ask to have your application money repaid to you, will generally not apply to an investment in Forestry Interests because the Project will generally be 'not liquid' for the purposes of the Corporations Act. However, there may be limited circumstances in which the Project will be 'liquid' for the purposes of the Corporations Act, during which a 'cooling-off period' will apply if you are a 'retail client' (for example, in the very early stages of the Offer Period when fees have not been paid to the Manager). Investors should contact Willmott Forests if they wish to know whether a 'cooling-off period' applies to their investment in the Project. If a cooling-off period applies, you have 14 days from the earlier of:

- when you received confirmation of the issue of Forestry Interest(s) to you; and

- the end of the fifth Business Day after the day on which the Forestry Interest(s) were issued to you.

Investors must notify Willmott Forests in writing or electronically to exercise cooling-off rights. Cooling-off rights lapse once an Investor exercises any rights or powers as an Investor in the Project.

Willmott Forests reserves the right to seek further information from you to clarify that you are investing as a 'retail client'. If on receipt of your notification, Willmott Forests determines that you are entitled to 'cool off', it will refund your investment and return the invested funds to you. The amount refunded will be adjusted, in accordance with the Corporations Act, to account for any tax or duty paid or payable. You may also be charged any reasonable administrative costs incurred by Willmott Forests in relation to the issue and termination of your Forestry Interests.

3.6 Fees

Willmott Forests is required to pay to the Manager under the Land Sourcing and Forestry Services Agreement:

- a land procurement and establishment fee of \$5,000 (excluding GST) per Forestry Interest; and
- a forestry management fee equal to the management fees to which Willmott Forests would otherwise be entitled under the Constitution.

These fees will be paid out of the Project Property.

Investors are required to pay the premium for the insurance cover maintained by Willmott Forests in respect of the Project, an insurance administration fee and any costs incurred in making a claim on insurance cover maintained by Willmott Forests in respect of the Project. The proportion of the premium borne by each Investor is determined by reference to the number of Forestry Interests held by each Investor.

Detailed information on the fees and costs payable under the Project is set out in section 5.

3.7 ATO Product Ruling

The ATO has issued Product Ruling PR 2010/4 in relation to Investors who enter the Project on or before 30 June 2010. The Product Ruling is a binding public ruling in relation to the application of tax laws to the Project and gives Investors certainty in relation to the proper taxation treatment of Project costs. The Product Ruling states that, subject to the terms of the Product Ruling:

- the Application Price of \$5,000; and
- interest on any amounts borrowed from Willmott Finance to invest in the Project, are fully tax deductible.

The Independent Taxation Report states that insurance costs incurred by you under the Project are also fully tax deductible. For more information refer to the Independent Taxation Report in section 10.

3.8 Structure of the Project

The Project is a managed investment scheme registered with ASIC under the Corporations Act. Willmott Forests is responsible for all aspects of the Project throughout its term. Refer to Figure 1.

3.8.1 Forestry services

Under the Constitution Willmott Forests is required to carry out or procure the carrying out of various forestry services in respect of the Trees. Willmott Forests has engaged the Manager, under the Land Sourcing and Forestry Services Agreement, to:

- procure land for the Project; and
- provide forestry services.

The forestry services involve managing the operational and technical aspects of the Project. This includes the following activities:

- preparing the land for planting of the Trees;
- supplying and planting the Trees;
- ongoing management and maintenance including weed control, maintenance of fire breaks and regular inspections; and
- harvesting and sales of the Trees.

The Constitution sets out in detail the forestry services which must be performed in relation to the Project. The forestry services must be conducted in accordance with prudent plantation management principles.

The Manager will engage Willmott Forests and third party contractors to undertake the forestry services on its behalf. Willmott Forests may also engage third party contractors to undertake forestry services.

3.8.2 Land sourcing

Responsible Entity

Willmott Forests as Responsible Entity of the Project is required, under the Constitution, to use reasonable endeavours to procure (itself or through a nominee) the Forestry Rights, in respect of at least, on average, 0.57 hectares of land, for each Forestry Interest, within 15 months of 30 June 2010. Willmott Forests will seek to procure the Forestry Rights by either:

- entering into Land Agreements with WFIM (which may be leases or licences) or Land Agreements directly with a land provider; or
- procuring that WFIM holds its rights under Land Agreements on behalf of Willmott Forests.

Where possible, the Land Agreements will be registered to protect Willmott Forests' interest as Responsible Entity in the relevant land.

Under each Land Agreement entered into by Willmott Forests as Responsible Entity of the Project, Willmott Forests will be required to pay rent/licence fees to WFIM equal to 2.2% (inclusive of GST) of the Gross Timber Proceeds which are referable to the land covered by the relevant Land Agreement. The rent/licence fees are payable within seven days of Willmott Forests receiving the Gross Timber Proceeds.

Manager

WFIM may enter into Land Agreements with:

- Willmott Forests (in relation to land owned by Willmott Forests); and
- third parties, in relation to land owned or licensed to those third parties,

to facilitate Willmott Forests procuring Forestry Rights in the manner described above.

The Land Agreements entered into by WFIM will be structured to minimise the risk that, prior to harvesting of the trees (or the sale of Radiata pine trees as standing timber), the agreements can be terminated for non-payment of rent or licence fees. Generally WFIM will pay rental/licence fees upfront on commencement for the term of the Land Agreement. In some instances, WFIM may also be required to pay additional rental/licence fees on a deferred basis (after receipt of Gross Timber Proceeds by the Responsible Entity).

Land will be selected for the Project based on the criteria outlined in the Independent Forestry Report.

Except in limited circumstances set out in the Constitution, Willmott Forests is

Figure 1: Project structure



3.0 PROJECT DETAILS CONTINUED

not permitted to, and must procure that a nominee does not, prior to the termination of the Project, deal in the land on which Trees are planted or the Forestry Rights in respect of the land on which the Trees are planted (for example, by selling the land or the Forestry Rights).

Willmott Forests will accept an application for a Forestry Interest if it reasonably believes that it will be able to procure the Forestry Rights in respect of the required area of land within 15 months from 30 June 2010. Willmott Forests and WFIM may not have entered into Land Agreements in respect of any or all the land to be used for the Project at the time Willmott Forests issues Forestry Interests to Investors.

3.9 Term

The Project is expected to have a term of approximately 16 years from completion of the planting of the Trees. This term encompasses the anticipated growth and harvest cycle of the African mahogany and Silky Oak plantations and the growth and sale of semi-mature standing timber from the Radiata pine plantations.

To comply with the Product Ruling, establishment of the Trees must be completed within 18 months from the end of 30 June 2010.

3.9.1 Planting

The ideal timing for planting varies for each species and region due to differences in climate. The proposed timing of the initial planting of each species is shown in Table 1 below.

The Plantations as a whole will comprise by area:

- approximately 75% Radiata pine, generally planted at an average minimum rate of 1,100 seedlings per hectare;

- approximately 20% African mahogany, generally planted at an average minimum rate of 1,000 seedlings per hectare; and
- approximately 5% Silky Oak, generally planted at an average minimum rate of 1,250 seedlings per hectare.

3.9.2 Timing of Harvest

Thinning involves removing some trees from a plantation. This increases the spacing between the remaining trees and therefore the amount of light, water and soil available to them. The purpose of thinning is to produce larger tree sizes. Final clearfell harvest involves harvesting all of the remaining trees.

The actual time at which income will be derived may vary depending on a number of factors including growth rates, the actual time of planting and market conditions. Willmott Forests, the Manager and contractors engaged by the Manager will liaise to determine the exact timing of thinning and clearfell activities having regard to market and productivity conditions. Harvesting operations may be delayed due to events beyond Willmott Forests' reasonable control and this may delay the time at which income is derived.

The age of the Trees at which harvesting is expected to occur is:

- in relation to Radiata pine, 13 years (thinning);
- in relation to African mahogany: 8 years (thinning), 12 years (thinning) and 16 years (clearfell); and
- in relation to Silky Oak: 10 years (thinning) and 15 years (clearfell).

Willmott Forests is permitted to delay, or procure the delay of, the harvesting of Trees due to events beyond the reasonable control of Willmott Forests.

If:

- more than 50% of the Trees on all the land used for the Project have been Materially Damaged;
- more than 50% of the Trees on an area of land used for the Project have been Materially Damaged; or
- a sufficient number of Trees on an area of land used for the Project have been Materially Damaged such that, in the opinion of Willmott Forests acting reasonably, it is no longer commercially viable to carry out forestry services in respect of that land,

Willmott Forests may, in its absolute discretion, determine to:

- in relation to the first two circumstances described above only, remove all the trees from the land (whether by way of harvesting or otherwise) irrespective of whether the trees have reached maturity and whether a claim has been, or is able to be made under the insurance maintained by Willmott Forests in accordance with the Constitution; and
- in relation to all of the circumstances described above, remove the affected trees from the relevant land (whether by way of harvesting or otherwise) irrespective of whether the trees have reached maturity and whether a claim has been, or is able to be, made under the insurance maintained by Willmott Forests in accordance with the Constitution.

Following the removal of the Trees, Willmott Forests is permitted to surrender the relevant land. Once land has been surrendered, Willmott Forests will no longer have an interest in that land as Responsible Entity of the Project.

Subject to the Corporations Act, Willmott Forests is not liable to the Investors for any loss suffered as a result of the removal of Trees in the circumstances described above.

Under the Constitution the Responsible Entity must determine commercial viability by reference to whether the forecast costs of conducting the forestry services in

Table 1: Proposed timing of initial planting period

Species	Proposed planting periods
Radiata pine	July 2010 – August 2010 and June 2011 – August 2011
African mahogany	December 2010 – February 2011
Silky Oak	January 2011 – April 2011 or September 2011 – December 2011

respect of the relevant Trees are anticipated to exceed the forecast revenue in respect of the relevant Trees.

If Willmott Forests is unable to perform or is delayed in performing an obligation under clause 12 of the Constitution (which sets out, in broad terms, Willmott Forests' obligations in relation to establishing, cultivating and harvesting the Trees) due to or as a result of a Force Majeure Event, the relevant obligation is suspended but only for so far and for so long as it is affected by the Force Majeure Event.

Subject to the Corporations Act, Willmott Forests will not be responsible for any loss or expense suffered or incurred by any Investor because of the Force Majeure Event.

3.9.3 Sale of the Radiata pine Trees as standing timber

Under the Constitution, Willmott Forests is required to use its reasonable endeavours to enter into an arrangement to sell the Project's semi-mature Radiata pine plantation (as standing timber) when the plantation is 15 years old. Willmott Forests aims to sell the standing timber through a tender process. The benefit of selling the Radiata pine plantation as semi-mature standing timber is that Investors are able to realise the value of a long rotation softwood plantation without having to wait until maturity (typically a Radiata pine plantation takes approximately 25 years to mature).

Prior to commencing the tender process, Willmott Forests will engage an independent valuer to prepare a detailed valuation of the semi-mature Radiata pine plantations or to verify its own valuation of these Plantations. The independent valuer must be qualified to determine, and have relevant market experience in determining, the market value of forestry plantations or similar assets. One common methodology used to value Trees involves the calculation of future cashflows expected to be derived from the plantation and discounting those cashflows to determine a net present value. The methodology involves estimating the volumes of different grades and qualities of logs and forecasting Stumpage Prices for those grades and qualities.

If Willmott Forests is unable to sell the semi-mature standing Radiata pine Plantations to a third party for a sale price at least equal to 90% of the market value determined or verified by the independent valuer, Willmott Forests will either:

- 'top-up' the sale price from its own resources, so that the sale price of the Plantation equals 90% of the market value; or
- purchase (or arrange for a nominee to purchase) the Plantations for at least 90% of the market value.

3.10 Stocking guarantee and insurance

3.10.1 Stocking guarantee

If, at the end of the period of 13 months from the date of completion of the planting of a species (Stocking Guarantee Period), more than 10% of that species is Materially Damaged, the affected species will be replanted, at Willmott Forests' own expense, so that the number of seedlings of the affected species following replanting is at least equal to 90% of the number of seedlings of the affected species initially planted.

3.10.2 Plantation insurance

Willmott Forests will use reasonable endeavours to obtain and maintain for the period commencing on the first day following the end of the Stocking Guarantee Period for a species of tree and ending on the earlier of:

- the sale of all the Trees (whether as standing timber or otherwise);
- the removal of all the Trees in accordance with the Constitution; and
- the termination of the Project in accordance with the Constitution,

an insurance policy covering each species of Tree for which the Stocking Guarantee Period has ended which, at a minimum, will cover fire.

To the extent that it is possible to insure the Trees against damage caused by events other than fire and in its opinion it is commercially prudent and economically viable to obtain insurance cover for these events, Willmott Forests will obtain and maintain insurance in relation to these events.

Investors must pay a proportion of the premium for the insurance obtained by Willmott Forests (determined by reference to the number of Forestry Interests held by each Investor) and an annual insurance administration fee. See section 5.

Willmott Forests will use reasonable endeavour to arrange insurance for an agreed value equal to the higher of:

- the Application Price multiplied by the number of Forestry Interests on issue; and
- the value of the Trees determined in accordance with the Constitution.

No guarantee can be given that Willmott Forests will successfully obtain insurances at these amounts.

The availability and terms of the insurance for the Trees will depend upon various factors including the locations of the Plantations, market conditions at the time, Willmott Forests' claim history and the amount of cover required.

In the event that proceeds are received from a claim on the insurance maintained, the proceeds will form part of the Gross Timber Proceeds.

Please refer to section 5 for further information on amounts payable by Investors under the Project.

3.10.3 Public liability

Willmott Forests will arrange and maintain, at its own expense, public liability insurance for no less than \$10 million against any claim which may be made by any person in relation to land under Willmott Forests management or the owner or occupier of any land adjoining or neighbouring such land.

3.11 Forestry Income

The income of the Project (the "Gross Timber Proceeds") equals the aggregate of:

- the proceeds from the harvesting and sale of harvested Trees net of various costs incurred in connection with the harvesting and sale of harvested Trees (this will reflect the yield in cubic metres from the harvested Plantations multiplied by the Stumpage Price per cubic metre);

3.0 PROJECT DETAILS CONTINUED

- the net proceeds from the sale of Trees as standing timber (or the sale of the Forestry Rights in respect of such Trees);
- the proceeds from any claim in respect of the insurance policy maintained for the Project;
- the net proceeds from the removal of Trees that have been Materially Damaged; and
- any interest earned in respect of these proceeds.

The income which is distributed to the Investors (the “**Forestry Income**”) equals the Gross Timber Proceeds plus any other cash which is Project Property less (without double counting):

- any fees which have been paid or are payable under the Constitution; and
- any expenses which have been or are to be paid out of the property of the Project, other than any amounts paid in connection with the issue of Forestry Interests.

Forestry Income will be distributed to Investors on a pro rata basis determined by reference to the number of Forestry Interests each Investor holds on the date Willmott Forests decides to distribute Forestry Income. Forestry Income which has not been paid when a transfer of Forestry Interests is registered will remain credited to the transferor of the Forestry Interest. Forestry Income to which an Investor is entitled will be paid to the bank account nominated by the Investor.

Willmott Forests must distribute all Forestry Income, however, the Forestry Income can be distributed periodically in instalments. Forestry Income must be distributed no later than 12 months after receipt by Willmott Forests, unless Willmott Forests considers that it is impractical to do so, in which event it must distribute the relevant Forestry Income as soon as reasonably practicable.

Forestry Income cannot be reinvested in the Project.

3.12 Transfer of Forestry Interests

Subject to the Constitution and the Corporations Act, an Investor, may elect to transfer some or all of their Forestry Interests to a different entity or person.

Transfer forms may be obtained from us in order to affect such transfers. Section 5 contains details of the transfer fee payable to us.

Willmott Forests may, in its discretion, refuse to register a transfer without giving any reason for the refusal. At the date of the PDS, there is no active secondary market for Forestry Interests and Willmott Forests does not guarantee that any such market will be created.

New taxation arrangements for forestry managed investment schemes were introduced on 1 July 2007. These arrangements provide legislative support for the secondary trading of forestry interests after a holding period of four years by the initial investor. It is recommended that you seek independent legal, financial and taxation advice about the potential tax implications of transferring your Forestry Interests. You should also refer to the Independent Taxation Report in section 10 and the Product Ruling for the Project in relation to transferring your Forestry Interests.

Under the Constitution, prior to offering its Forestry Interests for sale, an Investor must first offer the Forestry Interests to Willmott Forests and must indemnify Willmott Forests for any loss caused by the Investor failing to offer its Forestry Interests to Willmott Forests in accordance with the Constitution.

An Investor who wishes to sell their Forestry Interests must serve a written notice on Willmott Forests offering to sell a specified number of Forestry Interests and specifying the sale price and terms of payment (including a payment date no earlier than 30 days after receipt of the notice by Willmott Forests). Such a notice is irrevocable.

Willmott Forests, or its nominee, must accept or reject the offer in whole by giving notice to that effect to the Investor within 30 days of receipt of the notice.

If the Responsible Entity, or its nominee, accepts the offer, the Investor must sell the relevant Forestry Interests and Willmott Forests, or its nominee, must purchase the relevant Forestry Interests on the terms set out in the notice.

If Willmott Forests rejects the offer, the Investor may, within 45 days of the date Willmott Forests rejects the offer, sell all but not part of the Forestry Interests offered for sale under the notice given to Willmott Forests on terms which are no more favourable than the terms specified in the notice given to Willmott Forests.

If Willmott Forests, or its nominee, accepts the offer, the Investor must do all things necessary to complete the sale of the Forestry Interests to Willmott Forests or to Willmott Forests' nominee as expeditiously as possible.

If the Investor does not sell the Forestry Interests offered for sale under the notice given to Willmott Forests within 45 days of the date the Responsible Entity rejects the offer, the Investor may not offer to sell such Forestry Interests without complying with the sale procedures set out in the Constitution prior to the subsequent offer.

3.13 Withdrawal rights

Investors do not have a right to withdraw their investment in Forestry Interests.

3.14 Dispute resolution

Investors can make a formal complaint about any aspect of the Project. All complaints are treated seriously and Willmott Forests will deal with them in a timely manner and, in any event, within 45 days of the complaint being made.

Staff receiving verbal complaints will attempt to settle them immediately or will involve another staff member who may be able to resolve the complaint. All written complaints and any verbal complaints that cannot be resolved in a timely manner will be referred to Willmott Forests' Complaints Officer.

Willmott Forests will notify you within 14 days of receipt of a written complaint to advise that the complaint is being considered. If a complaint cannot be resolved to your satisfaction, then you can refer it to the Financial Ombudsman Services (FOS).

The contact details for FOS are set out following:

Financial Ombudsman Service
Level 13, 31 Queen Street
Melbourne, Victoria 3000
Telephone 1300 780 808

3.15 Reporting

You will receive the following information from us:

Upon acceptance

Confirmation of the issue of Forestry Interest(s)

Upon transfer of Forestry Interests

Confirmation of the transfer of Forestry Interest(s)

Annually

- Plantation Report (which contains information on the progress of the Plantations), commencing in the year following the completion of the initial planting of the Trees.
- The Annual Report (which contains financial information on the Project).
- Annual income and expense summaries.

You will receive a paper copy of the Annual Report unless you elect to receive an electronic copy of the Annual Report by ticking the appropriate box in the Application Form.

In addition, you will be kept informed of relevant developments which are directly relevant to the Project, including:

- relevant marketing trends and developments; and
- changes to relevant laws including tax laws.

Communications may be made in a variety of ways, including newsletters or through updates to Willmott Forests' website www.willmottforests.com.au



THE PROJECT IS AN OPPORTUNITY TO INVEST IN A FORESTRY ENTERPRISE THAT WILL ESTABLISH RADIATA PINE, AFRICAN MAHOGANY AND SILKY OAK PLANTATIONS.



An aerial photograph of a vast forest. The background is a dense, uniform forest of tall, thin softwood trees, likely eucalyptus, with a rich green color. The foreground shows a different type of forest with shorter, more rounded trees, possibly a hardwood forest, with a slightly more yellowish-green hue. The text is overlaid on the softwood forest area.

**DOMESTIC SOFTWOOD GROWING AND PROCESSING
INDUSTRIES ARE INTEGRAL TO THE FUTURE
BUILDING OF AUSTRALIA.**

4.0 RISKS OF INVESTING IN THE PROJECT

The following is a summary of the risks that have been identified which could affect an investment in the Project. Should one or more of these risks materialise the returns to Investors could be materially adversely affected. Where practicable, Willmott Forests will pro-actively work to manage and mitigate these risks.

4.1 Plantation risk

Fire

Fire is a natural component of native forest ecosystems in Australia. Fires may occur in plantations as a result of a fire spreading from an adjacent area, lightning strikes or deliberate or accidental lighting. Higher intensity fires that can damage the crown of the trees are a particular concern for the Project.

Whilst the geographic diversification of the Plantations helps to reduce the risk of a significant loss to the Project from fire, Willmott Forests undertakes activities aimed at minimising the risk and consequences of a fire breaking out. Some of these activities include:

- installing firebreaks in accordance with Good Forestry Practices during the establishment of a Plantation and carrying out regular maintenance to ensure firebreaks are clear of excessive fuels and that regrowth and fuel build-up is minimised;
- ensuring that Willmott Forests maintains an active registered industry fire brigade, where possible;
- making regular monetary contributions to local fire brigades in regions in which the Plantations are situated;
- maintaining a fleet of four wheel drive vehicles with varying levels of fire fighting capacity in close proximity to the Plantations;
- engaging the services of industry fire fighting brigades with trained crews;
- maintaining close liaison with regional fire fighting agencies; and
- where possible, maintaining access to water supply for fire fighting purposes.

Climate and drought

Site and plantation productivity are affected by rainfall. Long term or short term deviations from rainfall patterns may impact on the survival, growth

and the health of trees. While excessive rainfall may cause some inundation or saturated soils in localised areas, the main impact on the growth (and the yield of trees) is rainfall which is less than the long term average rainfall. Deviations from long term rainfall patterns may exist for short periods or sustained periods of time.

The Plantations are located in different geographical regions which may reduce any adverse effect on the returns from the Project from lower than average rainfall.

In the land selection process, Willmott Forests targets areas with an average rainfall greater than 650mm per annum for Radiata pine and 950mm per annum for African mahogany and Silky Oak. Long term average rainfall is considered to be an appropriate guide to areas that will be suitable for the long term growth and productivity of the Plantations.

Wind, hail and snow

Some plantations may be situated in regions which may be exposed to one or more of wind, hail and snow.

Windstorms occasionally affect plantations in southern Australia by blowing down or breaking trees. They tend to affect recently thinned plantations, especially where thinning of trees is undertaken later than scheduled. Where thinning of trees is undertaken on schedule and to specification, the risk of damage to trees because of windstorms is generally reduced.

Hailstorms occur occasionally in plantations in south-eastern Australia. Damage occurs through pitting on the stems and damage to buds and growing points or through infection by fungal disease in the wounds caused by hail. The result of hail damage may be deformity of a tree or multiple stems on a tree which can greatly reduce a tree's value.

Snowfalls periodically occur in higher elevation plantations. Snow may lead to branch damage on larger trees together with stem breakage in some circumstances. Young trees are most at risk as they may be buried or flattened by snow drift causing stems to be distorted. The effect of windstorms, hailstorms and snowfalls cannot be predicted or planned for.

Frost

Some plantations are situated in regions which may be exposed to frost. Frost is mainly a risk for newly planted Radiata pine and Silky Oak seedlings. Young Silky Oak seedlings are less frost tolerant than Radiata pine seedlings. The risk of frost damage is largely managed through appropriate site selection.

Cyclones

Cyclones are a relatively regular occurrence in Northern Australia, however, cyclones have not been recorded in the Douglas Daly/Katherine areas where the African mahogany plantation will be situated and in the regions where Radiata pine and Silky Oak will be planted. Accordingly cyclones are considered a low risk to the Project. The selected site for the African mahogany plantation is located approximately 160km inland and typically cyclones are downgraded to tropical lows by the time the weather system reaches the selected site. Tropical lows are generally considered unlikely to cause significant damage to Tree plantations. While tropical lows can result in heavy periodic rainfall events, the site selected for the African mahogany plantation has good drainage properties, which reduces the likelihood of perched water resulting in Tree death.

Silvicultural, yield and quality risks

Silvicultural risks arise where the manager of the plantation has insufficient or limited information in relation to how to manage the plantation. In the case of Radiata pine plantations, these risks are considered to be low because of the long history of commercial management of, and research on Radiata pine plantations. The risks are higher with Silky Oak and African mahogany species mainly because of the limited experience of industry operators in establishing and managing plantations of these species. Willmott Forests is undertaking research to improve its knowledge in relation to the establishment and management of African mahogany and Silky Oak plantations.

Timber growth rates, yields and quality may vary over time and may be negatively impacted by various factors including land and soil type, rainfall conditions and other environmental factors. Timber yields, growth rates and quality may vary over time and yield volumes are not guaranteed.

Agricultural risk

Each plantation is subject to agricultural risk which refers to any physical risks, that has the ability to impact on growth rates, and subsequent yields and sawlog quality at harvest time. There is a risk that plantation yields may vary materially over a period of time due to a number of external factors including those listed earlier in this section of the PDS.

Agricultural risks are largely outside of Willmott Forests' control but they may be mitigated to some extent through geographic and species diversification, suitable site selection processes, a higher concentration of plantations on proven plantation land (second rotation sites), use of seedlings with improved genetics, (where available) and implementing forestry best practices in planting, site preparation and management.

The factors which may mitigate agricultural risks should be noted in any comparison of current projects to past projects and performance.

4.2 Biological risk

Animal damage

Animals, such as wallabies and rabbits may occasionally cause damage to young seedlings, bark and buds. Some damage may also occur from domestic grazing animals if they are allowed in the plantations too early. The damage caused by grazing animals are generally negligible and grazing animals can be managed to minimise effects. Grazing animals are valuable in many plantations as they reduce grass which competes for resources with the growing trees. By reducing grass, the risk of the grass acting as fuel for fires is reduced.

Pests and diseases

In any agricultural pursuit there are a number of pests, diseases or infestations that can affect the natural growth of the Trees. In plantation forestry, the problems associated with pests and diseases are well understood and are managed as part of the ongoing plantation management system.

Softwood plantations may be affected by a number of pests and diseases including attacks by fungal organisms such as *Dothistroma*, *Diplodia* and *Sphaeropsis*.

These organisms are generally present in all plantations and only causing damage under specific environmental conditions and/or when Trees are under stress. Plantations impacted by hail may have associated damage from the fungus *Diplodia pinea*, leading to dieback or death. Other fungi may cause loss of foliage and minor loss of growth. While the effects cannot be predicted, monitoring systems and immediate treatment where appropriate, can reduce the impact of fungal organisms.

A number of insect pests can cause damage or defoliation and, in some cases, death of Radiata pine Trees. Attacks are often related to plantations under stress, for example because of drought. *Sirex* wood wasp has been the greatest pest problem for the industry, however, the build up of *Sirex* wood wasp populations can be managed through monitoring and biological control. *Essigella* is another insect which affects Radiata pine plantations in Australia and can cause thinning of crowns and lower growth.

At the date of this PDS, no significant pests or diseases affecting Silky Oak have been noted.

Termites, particularly *Mastotermes* can cause damage to African mahogany Trees. Their impact, which cannot be foreseen or predicted, may be partly reduced through appropriate site selection criteria. Tip borers are another common pest that may cause deformity in the African mahogany Trees, and several other leaf eating insects can reduce growth and value in African mahogany Trees.

The affect of insect pests on all Plantations will be assessed through monitoring and, where possible, corrective measures will be put in place to treat the potential effects of insect pests.

4.3 Market risk

Demand and price risk

The species of Trees grown under the Project have different profiles in relation to market demand, market supply and pricing. The demand for and price of these species may rise as well as fall. The market for the Trees may be affected by a number of external factors which are beyond the control of Willmott Forests. For further

information refer to the Independent Market Report in section 9.

Insurance may not be available

The availability and the terms of insurance for the Project's plantations depends upon various factors including prevailing market conditions, previous claims history and the quantum of cover required. Further, insurance coverage may be subject to sub-limits in respect of certain types of loss (e.g. hail loss).

If any Trees are damaged after the Stocking Guarantee Period for the relevant species of Tree and the Responsible Entity has been unable to obtain insurance for the event which caused the damage to the Trees, the returns from the Project may be adversely impacted.

Currency movement

If Willmott Forests exports sawlogs produced from the Project, their value will depend upon the international price of the sawlogs and the prevailing exchange rate. Willmott Forests does not at the date of this PDS, intend to enter into any hedging arrangements to mitigate the risk of adverse exchange rate movements.

4.4 Other risks

Responsible Entity insolvency

If Willmott Forests is insolvent or is otherwise unable to meet its financial obligations (and it is not possible to secure a replacement responsible entity for the Project) there is a risk that the Project will end.

Based on its current financial position, Willmott Forests does not consider that there is a significant risk that it, or its subsidiaries (such as WFIM) will be unable to meet their existing financial obligations.

If Willmott Forests is replaced as Responsible Entity of the Project and the new responsible entity does not maintain the existing contractual arrangements in respect of the Project, the new responsible entity may cease to have an interest in the plantations. If this occurs there is likely to be a material adverse effect on the returns from the Project.

The Annual Forestry Management Fee is intended to facilitate the ongoing operation of the Project in the event Willmott Forests

4.0 RISKS OF INVESTING IN THE PROJECT CONTINUED

is insolvent. The ability of a replacement responsible entity to provide forestry services in respect of the Project and the ongoing operation of the Project may be affected by Investors who fail to pay the Annual Forestry Management Fee when due.

Failure to secure adequate land

There is a risk that Willmott Forests is unable to secure sufficient suitable land for the Project within 15 months from 30 June 2010. If this occurs:

- the returns from the Project are likely to be adversely affected; and
- there may be tax consequences for Investors (see section 10).

Willmott Forests:

- has already identified the majority of land that may be used in the Project, which at the date of this PDS has set aside 7,660 hectares of land;
- will not issue a Forestry Interest unless it reasonably expects to be able to secure Forestry Rights in respect of the required area of land within 15 months from 30 June 2010; and
- has existing arrangements in place with Hancock Victoria Plantations Pty Limited and the Forestry Commission of NSW for the supply of Radiata pine land in Victoria and New South Wales respectively and is negotiating with both parties to source land for this Project.

Willmott Forests has a long track record of successfully identifying and securing suitable land to fulfil obligations for its Projects within the required time frame. However, this does not mean that the Responsible Entity will necessarily be able to secure sufficient suitable land for the Project.

Land Security

Willmott Forests' interest in the land used for the purposes of the Project may be adversely affected by a dealing in that land (for example, by the sale of the land where the land is owned by a third party). To mitigate this risk Willmott Forests will, where possible, register the Land Agreements on title.

In some circumstances, the Forestry Rights in respect of land used for the purposes of the Project may be held by WFIM on behalf of Willmott Forests. If WFIM became insolvent, there may be a risk that these Forestry Rights will not be able to be transferred to Willmott Forests. If this occurred, the returns from the Project are likely to be adversely affected.

WFIM will pay rental/licence fees upfront on commencement of the Land Agreements with land providers and, in some instances, an additional rental/licence fee on a deferred basis (after receipt of Gross Timber Proceeds by the Responsible Entity). This fee structure has been designed to minimise the risk that the Land Agreements can be terminated against WFIM for non payment of rental/licence fees. In addition, WFIM will be required to pay annual outgoings, such as rates, under the Land Agreements. Should WFIM default in payment of these outgoings, there is a risk that the relevant land provider may terminate the Land Agreement. If a Land Agreement is terminated by a land provider the returns from the Project are likely to be adversely affected. Based on the current financial position of the Willmott group of companies, Willmott Forests does not consider that there is a significant risk that WFIM will be unable to meet its obligations under the Land Agreement.

Failure to plant Trees within 18 months of 30 June 2010

The product ruling and the Independent Taxation Report state that the Responsible Entity must plant the Trees within 18 months after 30 June 2010. If the Trees are not planted by 31 December 2011, Investors will lose the right to claim a deduction under Division 394 of the Tax Act in the financial year ending 30 June 2010. For further information, see the Independent Taxation Report in section 10.

Willmott Forests debt refinancing risk

Willmott Forests has:

- low current debt representing 2.5% of current assets as at 31 December 2009;
- non-current debt facilities that are split into two tranches with the first to be reset in March 2011 and the second to be reset in 2012;

- significant net assets in excess of \$160 million as at 31 December 2009; and
- sound financial management.

There is a risk that WFIM may be unable to complete the planting program under the Land Sourcing and Forestry Services Agreement if Willmott Forests fails to renegotiate the first tranche of the debt facility in March 2011 and there is an absence of other available funds. Should this occur, returns from the Project are likely to be adversely affected. Willmott Forests considers that it operates a robust capital management and cashflow plan and at the date of this PDS, considers that it would be able to negotiate a renewal of the debt facility or attract alternative funds should they be required at the relevant time.

Reliance on the skills of the Responsible Entity

Investors will have no direct control over day-to-day management decisions and must rely on the skill of Willmott Forests and any contractors used in the Project's operations.

Escalation of future plantation management and harvesting costs

Any increases in the costs associated with harvesting and selling the Silky Oak and African mahogany trees and the costs incurred in selling the Radiata pine trees as standing timber will reduce the Gross Timber Proceeds.

Changes in taxation or Government legislation

Changes in tax legislation may have an adverse effect on:

- the deductibility of fees and costs payable under the Project; and/or
- the returns (if any) from the Project.

Loss of key personnel

Willmott Forests has assembled a key management team and has particular expertise in operating large scale forestry projects which has been gained over many years. The loss of members of the key management team may affect the ability of Willmott Forests to operate the Project. However, the Chief Executive Officer and other senior executives are employed

under service contracts and Willmott Forests has a succession plan in place for key executives.

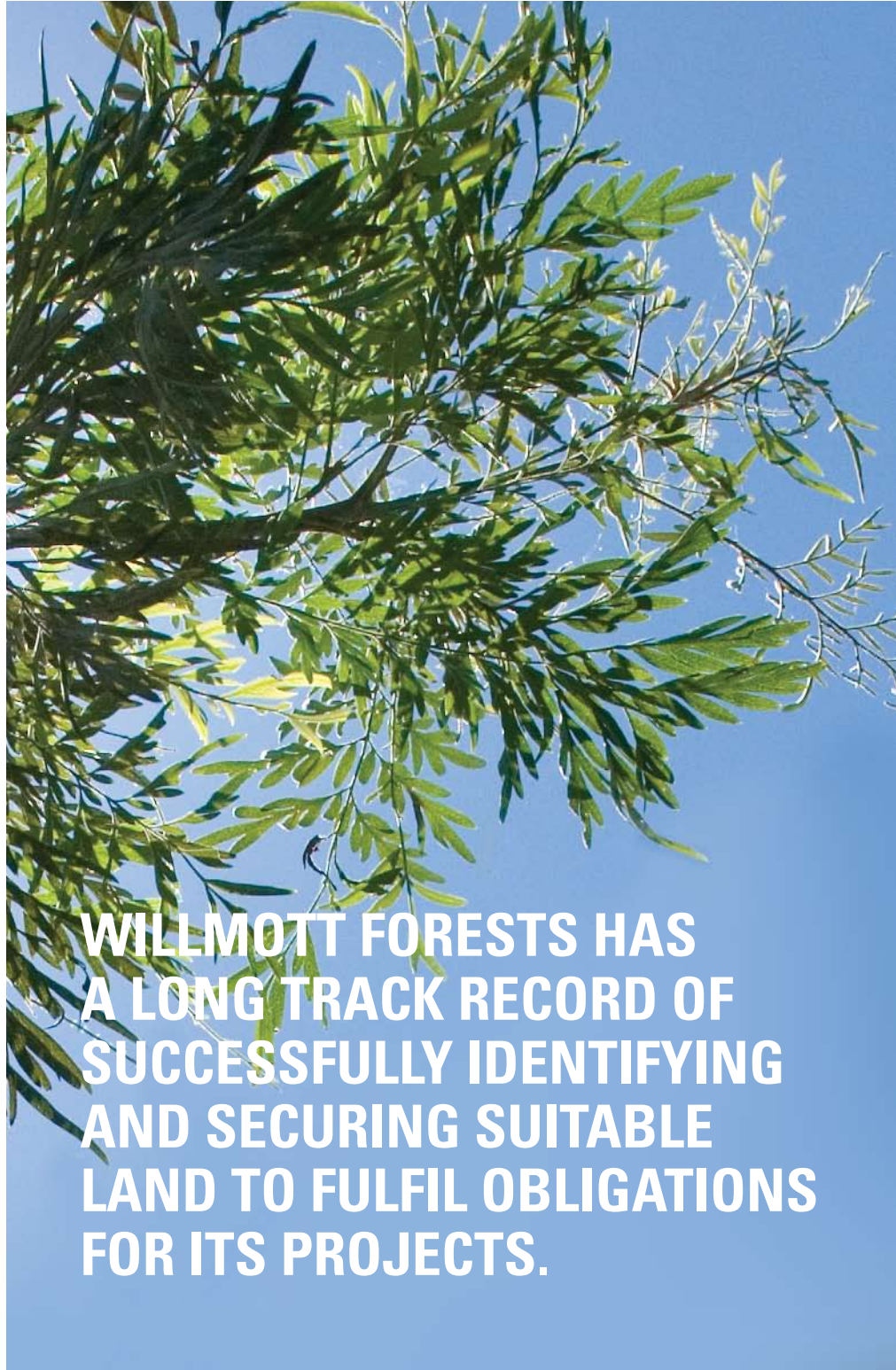
Counterparty risk

There is a risk that the parties who are required to provide services in connection with the Project may fail to provide these services (for example, because of insolvency). If this occurs the returns of the Project may be adversely affected.

Lack of secondary market for Forestry Interests

There is a risk that you will not be able to sell your Forestry Interests. Willmott Forests is under no obligation to re-purchase Forestry Interests and no active secondary market currently exists for Forestry Interests. An investment in the Project should be viewed as a long term investment.

Under the new legislation that came into effect on 1 July 2007, Investors may sell their Forestry Interests without adverse taxation consequences, after satisfying a four year holding rule and a market value pricing rule. The market value pricing rule will apply to any Forestry Interests that are sold by the initial or any subsequent Investor.



**WILLMOTT FORESTS HAS
A LONG TRACK RECORD OF
SUCCESSFULLY IDENTIFYING
AND SECURING SUITABLE
LAND TO FULFIL OBLIGATIONS
FOR ITS PROJECTS.**

5.0 FEES AND COSTS

5.1 Consumer advisory warning

Note: The form of this consumer advisory warning is prescribed under the Corporations Regulations. You are not able to negotiate any of the fees and costs payable in respect of the Project.

Did you know

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investment Commission (ASIC)** website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

5.2 Fees and other costs

This table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Project assets as a whole. Taxes are set out in another part of this document. You should read all of the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when
Fees when your money moves in or out of the project		
Establishment fee This is the fee to open your initial investment	N/A	N/A
Contribution fee The fee on each amount contributed to your investment	N/A	N/A
Withdrawal fee The fee on each amount you take out of your investment	N/A	N/A
Termination fee The fee to close your investment	N/A	N/A
Management costs – the fees and costs for managing your investment¹		
Land Procurement and Establishment Fee This is the fee payable for procuring land and establishing plantations	\$5,500 per Forestry Interest (inclusive of GST)	Payable by the Responsible Entity to the Manager from the Project Property within two business days after the issue of a Forestry Interest
Forestry Management Fee This is the fee payable for forestry management	11% of Gross Timber Proceeds (inclusive of GST) (\$5,500 for every \$50,000 of Gross Timber Proceeds)	Payable by the Responsible Entity to the Manager from the Project Property on receipt of the Gross Timber Proceeds by the Responsible Entity ¹
Rent This is the rental/licence fees payable to the Manager and third parties	2.2% of the Gross Timber Proceeds (inclusive of GST) (\$1,100 for every \$50,000 of Gross Timber Proceeds)	Payable by the Responsible Entity from the Project Property within seven days of receipt of the Gross Timber Proceeds by the Responsible Entity
Insurance fees and costs These are the fees and costs payable in relation to the insurance maintained by the Responsible Entity for the Project	Refer to the heading 'Insurance Fees and Costs'	Payable by Investors each year in or about October, generally within 14 days of the issue on an invoice by the Responsible Entity

1. An annual fee amount may be paid by each Investor. Refer to section 5.11 Annual Forestry Management Fee.

Type of fee or cost	Amount	How and when
Additional service fees²		
Switching fee This is the fee for when you switch between investment options	N/A	N/A

2. A Transfer Administration Fee is also payable in relation to the transfer of a Forestry Interest. Refer to section 5.6 Forestry Interest transfer fee.

5.3 Additional explanation of Fees and Costs

Constitution

Under the Constitution:

- Willmott Forests is entitled to be paid a fee of \$5,000 per Forestry Interest (Application Fee) out of the Project Property; and
- Willmott Forests is entitled to a Deferred Forestry Management Fee of the greater of:
 - 10% of Gross Timber Proceeds less the aggregate of all Annual Forestry Management Fees paid (or required to be paid); and
 - zero,
 out of and at the time Willmott Forests receives the Gross Timber Proceeds.

Willmott Forests will waive the Application Fee in respect of a Forestry Interest if it is not able to procure the Forestry Rights in respect of the required area of land in relation to that Forestry Interest.

The Constitution provides for the Application Fee and the Deferred Forestry Management Fees to which Willmott Forests is entitled to be reduced by an amount equal to any fees of the same type which Willmott Forests is required to pay to the Manager in relation to the Project.

5.4 Fees payable to the Manager

Under the Land Sourcing and Forestry Services Agreement, Willmott Forests is required to pay to the Manager:

- a Land Procurement and Establishment Fee of \$5,500 (inclusive of GST) for each Forestry Interest which is; and
- all the management fees which it is entitled to receive in respect of the Project, including the Deferred Forestry Management Fee (plus GST of 10%) (\$5,500 for every \$50,000 of Gross Timber Proceeds). The management

fees are generally payable on receipt of the Gross Timber Proceeds by the Responsible Entity.

The fees paid to the Manager are paid out of the Project Property as an expense. The management fees paid to the Manager reduce the Forestry Income which is paid to Investors.

Under the Land Sourcing and Forestry Services Agreement, Willmott Forests is also required to pay to the Manager a rental fee of 2.2% (inclusive of GST) of the Gross Timber Proceeds (\$1,100 per \$50,000 of Gross Timber Proceeds) within seven days of receipt of the Gross Timber Proceeds. This rental fee is reduced by the rent/licence fees paid by Willmott Forests to the Manager and third parties under the Land Agreements. Each Land Agreement generally provides for the Responsible Entity paying a rent/licence fee of 2.2% of the Gross Timber Proceeds (\$1,100 per \$50,000 of Gross Timber Proceeds) received by the Responsible Entity in respect of the Trees which were planted on the land covered by the Land Agreement.

The rental fee and the rental/licence fees to be paid by Willmott Forests under the Land Agreements are paid out of the Project Property as an expense and will reduce the Forestry Income which is paid to Investors.

Willmott Forests will claim an input tax credit for the amount of GST payable under the Land Agreements and the Land Sourcing and Forestry Services Agreement. For further information, please see the Independent Taxation Report.

Under the Constitution but subject to the Corporations Act, Willmott Forests is permitted to pay or be reimbursed for all expenses which it incurs in relation to the proper performance of its duties in respect of the Project.

The fees and costs set out in the 'Fees and other costs' table reflect the fees and costs payable by the Responsible Entity under the Land Sourcing and Forestry Services Agreement and the Land Agreements.

5.5 Insurance Fees and Costs

Each Investor must pay a proportion of the annual premium for the insurance held by Willmott Forests in relation to the Trees. The proportion will reflect the percentage of the total number of Forestry Interests on issue which are held by the Investor.

The first invoice for insurance costs will be issued to Investors in October 2012 for the 12 month period ending 30 September 2013. Thereafter, invoices are expected to be issued annually in advance in October of each year. Investors will generally be given 14 days to pay the insurance fees and costs which they are invoiced.

Investors must also pay:

- an administration fee equal to the lesser of 10% of the proportion of the premium payable by the Investor and \$100; and
- a proportion of the costs (including any excess) incurred by the Responsible Entity in making a claim on the insurance held by the Responsible Entity in relation to the Trees. The proportion will reflect the percentage of the total number of Forestry Interests on issue which are held by the Investor.

The amount of the insurance fees and costs is likely to change each year and Willmott Forests is not required to obtain the consent of the Investors in respect of such a change.

For example, if the premium was 0.65% of the sum insured, 10 Forestry Interests are on issue, each Investor holds one Forestry

5.0 FEES AND COSTS CONTINUED

Interest and the sum insured is \$50,000, the annual amount payable by Investors would be calculated as follows:

Insurance Fees and Costs	
\$50,000 x 0.65%	= \$325.00
Plus Administrative Fee	+ \$32.50
Total Fee	= \$357.50

For further details on insurance cover, see section 3.10.2.

Any amount which an Investor does not pay in respect of insurance within the prescribed time period will incur interest, calculated on a daily basis, at the rate of 15% per annum or such lesser percentage determined by the Responsible Entity.

The average premium on insurance for existing plantations managed by Willmott Forests in 2009, including GST, stamp duty and administrative charges, was approximately 0.65% of the insured value of the relevant plantation. Please note that the cost of insurance for existing plantations managed by Willmott Forests is not indicative of future costs for insurance. The cost of insurance can increase for a number of reasons.

5.6 Forestry Interest transfer fee

An administration fee of \$100 is payable by a transferring Investor to the Responsible Entity at the time of lodging of a transfer form. This fee is payable by the Investor.

5.7 Loan fee

Payment default fee

Under the 12 Month Interest Free Loan Agreement and the Principal and Interest Loan Agreements, a payment default fee, currently \$100 is charged for any monthly payment which is rejected by the borrower's nominated financial institution.

Loan contribution fee (Principal and Interest Loan Agreements)

Under the Principal and Interest Loan Agreements, an approved borrower must pay an upfront loan fee of \$250 or 0.3% (whichever is greater) of the loan amount. This amount will be included by Willmott Finance as part of the total financed amount.

For example, if an Investor applies for 10 Forestry Interests, the loan fee is calculated

as follows: $\$5,000 \times 10 \times 0.3\% = \150 . However, as this is less than \$250, the loan fee will be the minimum amount of \$250.

5.8 Taxation and GST

For information on the taxation treatment of an investment in Forestry Interests, please refer to the Independent Taxation Report in section 10.

Willmott Forests will claim GST input tax credits in relation to the fees payable to the Manager and third parties out of the Project Property. As a result the net fees paid out of the Project Property after claiming GST input tax credits are:

- a Land Procurement and Establishment Fee of \$5,000 per Forestry Interest;
- a Forestry Management Fee of 10% of Gross Timber Proceeds (\$5,000 for every \$50,000 of Gross Timber Proceeds); and
- Rent of 2% of Gross Timber Proceeds (\$1,000 for every \$50,000 of Gross Timber Proceeds).

5.9 Adviser remuneration

Willmott Forests may pay remuneration to your financial adviser out of its own funds in relation to your investment in the Project. The remuneration will be at a rate not exceeding 5% (excluding GST) of the investment amount (\$250 per Forestry Interest, excluding GST). Willmott Forests may also pay your financial adviser an annual ongoing remuneration fee of up to 1% per Forestry Interest (excluding GST) (\$50 per Forestry Interest, excluding GST) for nine years after your investment or an additional fee equal to 5% (excluding GST) (up to \$250 per Forestry Interest, excluding GST) of the Application Price upfront. Willmott Forests may negotiate alternative remuneration arrangements with dealer groups or advisers, if requested to do so.

It is a requirement of the Corporations Act that a financial adviser discloses to Investors who are 'retail clients' information in relation to any commissions and other benefits received in connection with providing financial product advice to the Investor.

5.10 Removal of the Responsible Entity

If Willmott Forests or a replacement responsible entity is replaced as the Responsible Entity of the Project (other

than in various circumstances set out in the Constitution, which include fraud, negligence or wilful default), the outgoing responsible entity is entitled to be paid out of the Project Property an amount ("Removal Fee") equal to:

- the Deferred Forestry Management Fee to which it would otherwise have been entitled if it had not been replaced as Responsible Entity

multiplied by:

- the proportion of the term of the Project for which Willmott Forests was the responsible entity.

The Deferred Forestry Management Fee payable to a Responsible Entity is reduced by the aggregate of the Removal Fee payable to each previous responsible entity.

5.11 Annual Forestry Management Fee

If Willmott Forests is replaced as the responsible entity of the Project because it is insolvent, each Investor must pay the replacement responsible entity (unless the replacement responsible entity indicates otherwise in writing) an annual amount of \$142.50 per Forestry Interest held by the Investor ("Annual Forestry Management Fee"). The Annual Forestry Management Fee must be paid within the period specified on the invoice.

Any amount of the Annual Forestry Management Fee which an Investor does not pay within the prescribed period will incur interest, calculated on a daily basis, at a rate of 15% per annum or such less amount determined by the Responsible Entity.

The Deferred Forestry Management Fee is reduced by the amount of Annual Forestry Management Fees paid (or required to be paid) by all Investors. The responsible entity is not required to make a payment to the Project if the amount of the Deferred Forestry Management Fee less the amount of the Annual Forestry Management Fees paid (or required to be paid) by all Investors is less than zero.

The Annual Forestry Management Fee is designed to facilitate, if the responsible entity of the Project is insolvent, the Project having sufficient funds available to meet the ongoing costs. There is no certainty that the Project will continue if Willmott Forests becomes insolvent.

Example of annual fees and costs

This table gives an example of how the fees and costs for the Project can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Example		Balance of \$50,000 with a contribution of \$5,000 during year
Contribution fees	N/A	For every additional \$5,000 you put in, you will be charged nil
Plus Management costs	\$5,500 per Forestry Interest plus 11% Forestry Management Fee plus 2.2% Rent (inclusive of GST)	And, for every \$50,000 received as Gross Timber Proceeds, the Project will be charged a fee of \$6,600 The Project will also be charged \$5,500 for each Forestry Interest
Equals Cost of Project		For every \$50,000 received as Gross Timber Proceeds, the Project will be charged fees of \$6,600 (inclusive of GST) The Project will also be charged \$5,500 for each Forestry Interest
		What it costs you will depend on the fees you negotiate with the responsible entity or your financial adviser

Note:

- The form of this example is prescribed under the Corporations Regulations.
- The management costs described above reflect the fee paid under the Land Sourcing and Forestry Services Agreement and the Land Agreements. Willmott Forests will claim GST input tax credits in relation to fees and costs payable to the Manager and third parties. This means that for every \$50,000 received as Gross Timber Proceeds, the net charge to the Project will be \$6,000.
- The fees payable to the Manager (other than in respect of a Forestry Interest) and third parties are paid following receipt by Willmott Forests of the Gross Timber Proceeds.
- Once the Offer Period closes, you cannot make an application for additional Forestry Interests.
- You cannot negotiate the amount of any of the fees and costs for the Project with Willmott Forests.



**WILLMOTT FORESTS IS
A LEADING PLANTATION
LAND AND FORESTRY
BUSINESS WITH A 30
YEAR HISTORY.**

6.0 PROJECT RETURNS

There are a number of variables that may impact the returns to Investors in the Project. Given the Project's agricultural and long term nature many of these variables are outside the Responsible Entity's control which makes it difficult to determine future cashflows or returns from the Project with certainty.

To help you make your own assessment of the benefits and risks of participating in the Project, Willmott Forests has set out below the major factors that may impact Project returns. Willmott Forests has exercised due care in preparing and reviewing this information and believes that there is a reasonable basis for this information. Willmott Forests does not guarantee the success of, or financial returns from, the Project.

You should seek your own professional advice in determining whether participation in the Project suits your objectives and financial situation. You should consider the information set out below in conjunction with the taxation features discussed in the Independent Taxation Report in section 10 and the risks analysis described in section 4.

6.1 Factors which impact Project performance

The main factors that can affect the return on the Project are yield, price, the timing of harvest and sale, Project costs and the demand and supply for each of the species of Tree planted under the Project.

6.2 Yield

Yield is the total amount or volume of timber produced in a plantation, generally measured in terms of tonnage or cubic metres.

The yield productivity for the Project will be affected by the location of the Projects' plantations, soil types, climatic conditions, rainfall over the Project term and silvicultural practices. Trees will only be established on land that meets the land selection criteria for the relevant species. The land selection criteria for each of the species is discussed in the Independent Forestry Report in section 8. Risks that can affect yield are discussed in section 4.

It is difficult to predict the future productivity of the Radiata pine plantations with complete accuracy and there are no long term commercial plantations of Silky Oak or African mahogany that can provide reliable estimates or comparative yields. Individual plantations or parts of plantations of the same species may yield more or less than other plantations of the same species.

The Independent Forestry Report states that past plantations established by Willmott Forests' contractors have yielded a range of mean annual volume increments (MAI) from 14 to 30m³ per hectare per annum.

Since 2006, Willmott Forests has provided a range of yield estimates for newly established softwood plantations in the relevant Independent Foresters Report. That range has been between 14m³ per hectare per annum and 25m³ per hectare per annum.

In excess of 97% of all plantations established and managed by Willmott Forests are demonstrating growth yields within these ranges.

Until 2005 Willmott Forests' general practice was to estimate specific growth yields. When these figures are applied to current estimated growth yields across Willmott Forests' plantation estate:

- the indicated variances are up to 30%; and
- 80% of the plantation estate is currently within a 20% variance.

Willmott Forests believes that the variances are principally due to the below average rainfall experienced over the last six years and because the analysis was based predominantly on immature plantations.

Failure to achieve projected estimated growth yields may have a material impact on Investor returns. Growth yields are not guaranteed and past performance should not be regarded as an indication of future performance.

6.3 Price

Market demand and supply and economic conditions during:

- thinning, harvesting and sale of Silky Oak and African mahogany Trees; and
- the sale of semi-mature standing Radiata pine plantations,

will impact upon the prices commanded for these species.

Prices will be affected by Tree form, the grade and quality of sawlogs and other specific attributes to the Tree species, such as the proportion of heartwood versus sapwood in African mahogany logs and the medullary rays in the Silky Oak logs. Prior to harvesting and sale, Willmott Forests, the Manager and contractors appointed by the Manager and Willmott Forests will conduct an assessment of the Plantations and market conditions to determine the best way to maximise returns to Investors.

6.4 Low correlation with other returns from other asset classes

The factors that impact returns from an investment in plantation forestry are different from those that affect returns from more traditional investment asset classes such as shares, fixed interest and commercial property. This means that the returns from a plantation forestry investment are expected to have a low correlation to returns from investments in the more traditional investment asset classes.

6.5 The Trees – characteristics, end uses and markets

Radiata pine (*Pinus Radiata*)

Selected regions for planting

New South Wales and Victoria, including the Central Tablelands, Murray Valley, Bombala, Central Gippsland, Ballarat-Otway and the Green Triangle region, all of which are major softwood planting regions. Other regions which meet the land selection criteria for the Project may also be used.

6.0 PROJECT RETURNS CONTINUED

Uses

Radiata pine is a softwood timber which can be used for most building applications in Australia. Larger Radiata pine logs are commonly used for the production of structural timbers. Smaller logs are used for a range of industrial timber applications while sawmill timber residues are used to produce woodchips which can be used for pulp and paper products or panel products such as medium density fibreboard (MDF) and particleboard. Smaller diameter straight logs are used for posts and other landscaping products.

The species is a popular choice with builders and tradesmen due to its excellent machining, painting and staining properties. Radiata pine is a light coloured and even textured wood that produces timber which is largely homogenous in terms of density.

Markets

The demand and markets for Radiata pine products are well established, both domestically and internationally. Demand for softwood sawn timber is generally satisfied through long term log supply agreements with stable price review mechanisms. As the major use for softwood sawn timber in the local market is in house construction the demand for the structural softwood sawn timber is closely correlated with construction activity. Whilst the construction industry is cyclical in nature, Australia is facing a widening gap between demand for and supply of housing and new housing stock numbers remains low due to continued population growth boosted by higher immigration, a long term trend of declining household size and construction of larger houses, and government aid to first home buyers. If, as expected by some commentators, Australia faces a substantial supply deficit of sawn timber due to the needs of the domestic sawn timber market outpacing the growth of new plantation establishment, prices for sawn timber will increase. However, the extent of this increase will depend in part on the availability and prices of imports of sawn timber.

Australia is one of the world's largest woodchip exporters. Japan which dominates the world trade in woodchips, is Australia's largest market accepting the majority of Australia's softwood woodchip exports. Softwood sawn timber exports have traditionally been low as Australia has used the majority of its softwood sawn timber production domestically, although softwood sawn timber exports have grown over the past 10 years. The recent introduction of high tariffs on Russian roundwood log exports has increased prices for softwood sawlogs in Europe and Asia. This not only protects the domestic market from cheaper imports but increases export price competitiveness for domestic softwood sawn timber.

The emergence of Timberland Investment Management Organisations (TIMOs) as large scale investors in the secondary market for timberland assets in North America and, more recently, in Australia, principally in softwood plantations, has created new market opportunities. TIMOs are attracted by the inflation hedging characteristics of plantation assets and the negative correlation between the return of plantation assets and with the returns of traditional investments such as shares and property.

African mahogany (*Khaya Senegalensis*)

Selected regions for planting

Douglas Daly/Katherine region, Northern Territory.

Uses

The wood of African mahogany is highly sought after and is distinguished by its colour which varies from yellow, red, pink or salmon coloured when freshly cut to a deep rich red to reddy brown as the wood matures with age. The timber is stable, durable and has high resistance to decay and it is these properties along with its excellent finishing qualities that makes it a sought after timber for use in high quality furniture, musical instruments such as pianos, trimming of fine boats, cabinetry, joinery flooring and decorative veneers.

Markets

There is demand for African mahogany in both domestic and international markets. Whilst the current domestic market is small, the domestic market is expected to grow once volumes become available and domestic end users become aware of its unique features. However until the lack of domestic processing facilities is addressed, domestic operators of African mahogany plantations are likely to export their logs. The demand from South East Asian and Chinese markets, into which shipping costs from northern Australia compare favourably with costs from West African countries, is potentially very large.

The key driver of the price and demand for African mahogany on the international market is the supply of South American mahogany. As the supply of South American mahogany tightens due to its protected species status, the demand for substitute species, such as African mahogany, increases. At present, the international trade in African mahogany is also limited due to the increasing difficulty in sourcing natural grown mahogany as a result of over harvesting and political instability in several of the countries that have previously supplied large volumes. With limited volumes currently exported from Australia, higher prices are consequently being commanded.

Despite these factors, the potential for African mahogany trees to be sold to international markets is hard to predict. If as expected, processors are forced to seek alternate species with similar characteristics to South American mahogany, there will be greater international demand for African mahogany. Provided that this demand is sustained when the Project's African mahogany plantation are harvested, investors may benefit from the close proximity of northern Australia to Singapore, where much of South East Asia's timber is traded.

Silky Oak (*Grevillea robusta*)

Selected regions for planting

Dry upper reaches of the coastal rivers region in New South Wales and southern Queensland.

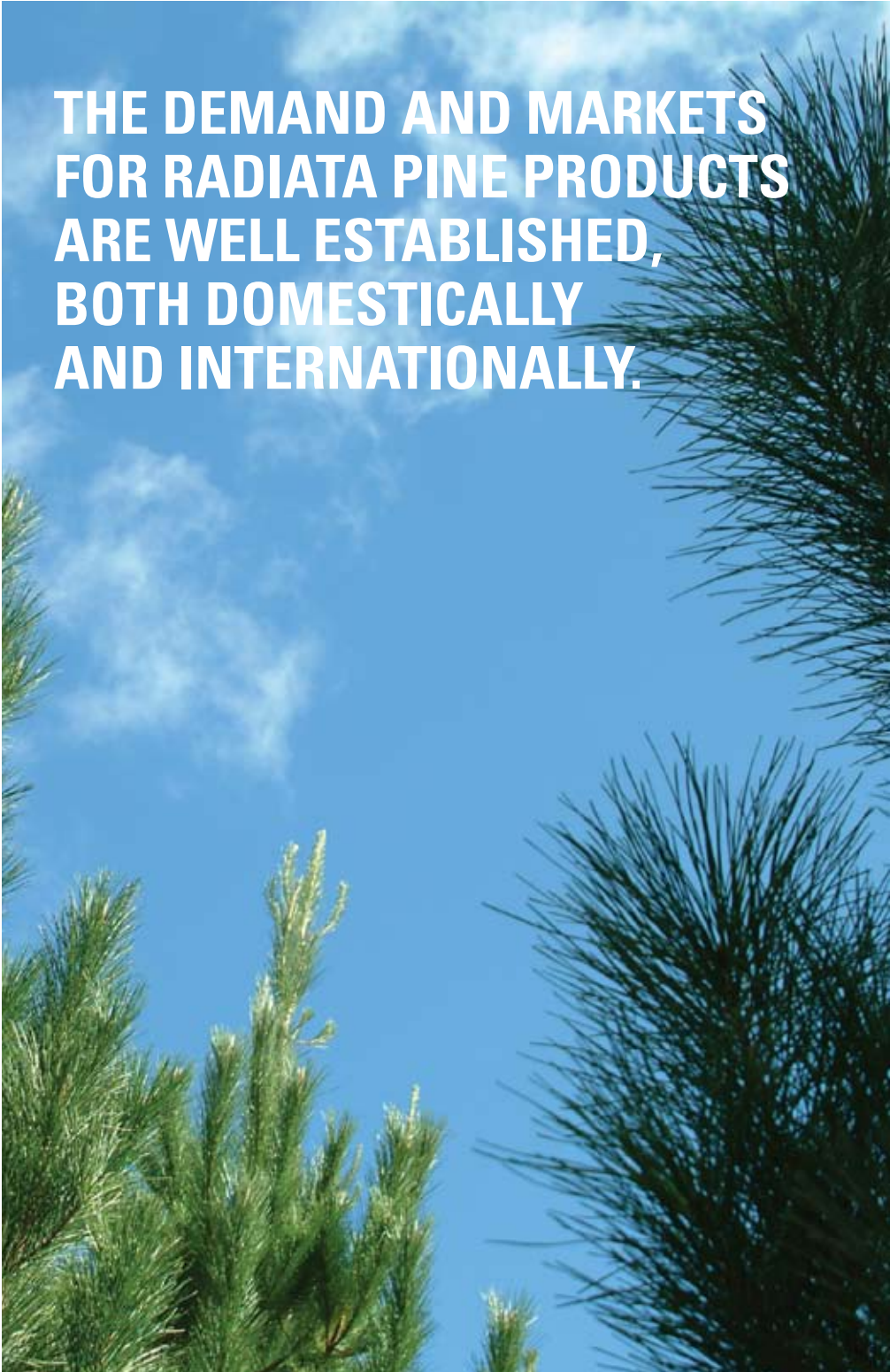
Uses

Silky Oak is a medium to hard timber that is pink to brown in colour and has what is referred to as 'medullary rays', which gives the appearance of an oak grain with a sheen or high lustre not dissimilar to European oak species. The timber has been used by cabinet makers and other craftsmen for well over a century especially for cabinet work, furniture, turning, panelling, plywood and, previously, for coach building and also decorative veneers.

Markets

The markets for Silky Oak are sawn timber production for domestic and export use, log export and decorative sliced veneer production. At present the majority of hardwood timbers used in these activities is either trees which have been harvested from native forests or imported tropical hardwoods. Both these resources are under significant pressure principally due to a shortage in supply from major supplying countries such as Malaysia and Indonesia following decades of unsustainable forest management, the progressive introduction of steep export log tariffs on Russian logs and the increasing demand from the main centres of manufacture such as China. These factors have combined to cause rapidly rising prices over recent years.

In Australia, as the New South Wales government has reduced access for logging in many of the state forests plantation grown hardwoods are becoming more valuable sources of supply to the hardwood processing industry in New South Wales. At present a significant volume of southern Silky Oak is not traded in international markets and therefore the market outlook is difficult to predict. The demand for Silky Oak is expected to come from furniture and cabinet makers in the Asia-Pacific region and the domestic market.



**THE DEMAND AND MARKETS
FOR RADIATA PINE PRODUCTS
ARE WELL ESTABLISHED,
BOTH DOMESTICALLY
AND INTERNATIONALLY.**

7.0 WILLMOTT FORESTS LIMITED

7.1 Introduction

Willmott Forests is a publicly listed (ASX Code: WFL) and quality accredited company. The Willmott Forests group of companies had net assets in excess of \$160 million as at 31 December 2009. The Willmott Forests business and core activities are establishing, managing, harvesting, processing and supplying timber products from plantation grown resources for domestic and export markets. Willmott Forests employs over 150 people and manages in excess of 53,000 hectares of Radiata pine, Silky Oak, She-oak and African mahogany plantations, ranging from new plantings to mature trees.

Willmott Forests' forestry managed investment products, plantation management, harvesting operations, downstream timber processing and biomass activities create a completely vertically integrated forestry business.

Over its long history, Willmott Forests has continued to grow and remained an industry leader with an exemplary reputation for reliability and quality in establishing, and providing ongoing plantation management for plantations of a variety of species.

7.2 About the Project Species



Radiata pine plantation regions

New South Wales and Victoria including the Central Tablelands, Murray Valley, Bombala, Central Gippsland, Ballarat-Otway and the Green Triangle region, all of which are major softwood planting regions and any other region which meets the land selection criteria for the Project.



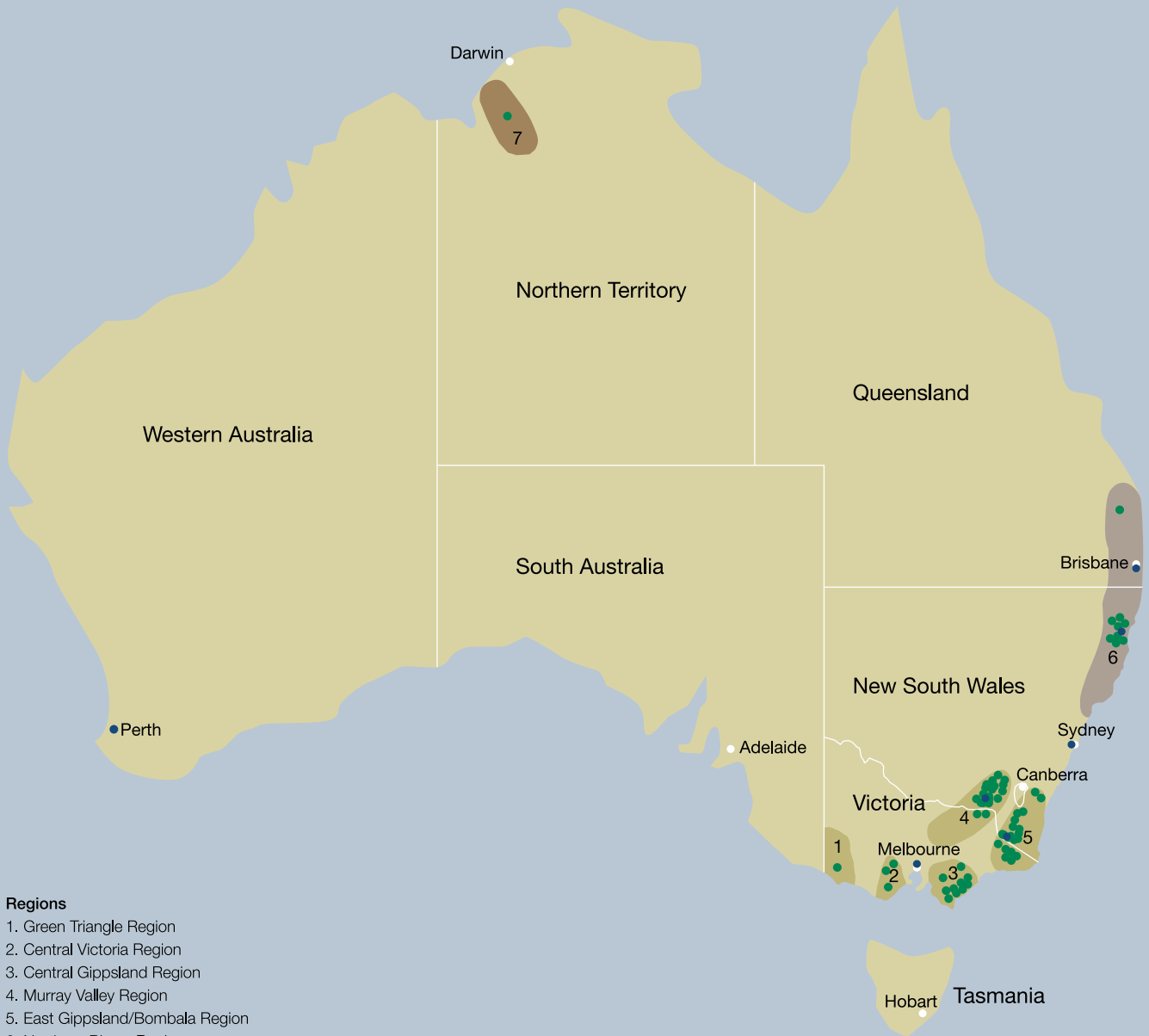
African mahogany plantation regions

Douglas Daly/Katherine region, Northern Territory.



Silky Oak plantation regions

Northern Rivers region in New South Wales and southern Queensland.



Regions

- 1. Green Triangle Region
- 2. Central Victoria Region
- 3. Central Gippsland Region
- 4. Murray Valley Region
- 5. East Gippsland/Bombala Region
- 6. Northern Rivers Region
- 7. Douglas Daly/Katherine Region

- Willmott Forests plantations ● Willmott Forests offices
- Radiata pine plantation regions ■ African mahogany plantation regions ■ She-oak and Silky Oak plantation regions

7.0 WILLMOTT FORESTS LIMITED CONTINUED

7.3 Plantations

Willmott Forests is the market leader in the establishment of *Pinus radiata* ('Softwood' or 'Pine') Plantations in Australia. Pine is one of, if not, the most important Tree species to the Australian forestry industry.

With 30 years experience in developing and managing softwood Plantations, Willmott Forests has applied its extensive Plantation establishment and management expertise to the integration and growth of Silky Oak and She-oak plantations and more recently African mahogany plantations.

The Silky Oak plantations managed by Willmott Forests are one of the largest plantation resources in Australia for high-value timber. The She-oak plantations managed by Willmott Forests are used as a fuel in generating renewable energy.

7.4 Environmental sustainability, labour standards and social and ethical considerations

Willmott Forests' sustainability policy operates in conjunction with its timber plantations practices code and plantation operation plans. Willmott Forests has an extensive planning process that considers the environmental, social and cultural impacts of the Plantation resources that it establishes and manages. Plantation forestry is starting to receive recognition for its sustainable environmental benefits such as producing clean air, clean water, storing atmospheric carbon and improving soil health.

Willmott Forests' growing Plantation estate under management sequesters atmospheric carbon every single day. The carbon stored in finished wood products is another important carbon sink, but one that is not yet recognised by carbon accounting rules and policies. Wood-based carbon sinks are an important part of the solution to the problem of increasing levels of atmospheric carbon that causes climate change. Long-rotation forestry is a better carbon sink than short-rotation forestry, although short-rotation, Plantation grown biomass can be used to replace fossil energy sources.

Willmott Forests is proudly establishing both kinds of Plantation forestry and is heavily committed to renewable bioenergy projects.

Willmott Forests takes into account labour standards and environmental, social and ethical considerations in operating its business but not for the purpose of selecting, retaining or realising the investments of the project.

Standards of Forest Management

Willmott Forests is a member of A3P (Australian Plantation Products and Paper Industry Council) which is the peak Plantation forestry industry association in Australia. It is committed to ongoing involvement with federal and state governments in the process of reviewing the regulatory environment under which the industry operates. Plantation forestry is the most highly regulated rural industry in Australia. Despite the industry's environmental credentials, Willmott Forests has stringent controls applied to all of its activities. The Company is proud of its record of working with government authorities to ensure the best outcomes for all stakeholders.

Willmott Forests' field operations take place in three states and the Northern Territory and cover a wide range of environmental compliance activities including control of erosion, applications of herbicides and fertilisers, fire protection measures, flora and fauna management and pollution control (for example in relation to dust, noise). In addition Willmott Forests maintains a good neighbour policy and is an active community member – maintaining boundary fences, leasing suitable Plantation areas for cattle grazing and contributing to social activities in the towns and regions where it operates.

Willmott Forests endeavours to adopt best practices in all Plantation activities to facilitate compliance with relevant Acts and Codes of Practices. The Company continues to be widely regarded as a leader in this industry due in part to its commitment to responsible forestry practices and sustainable resource management.

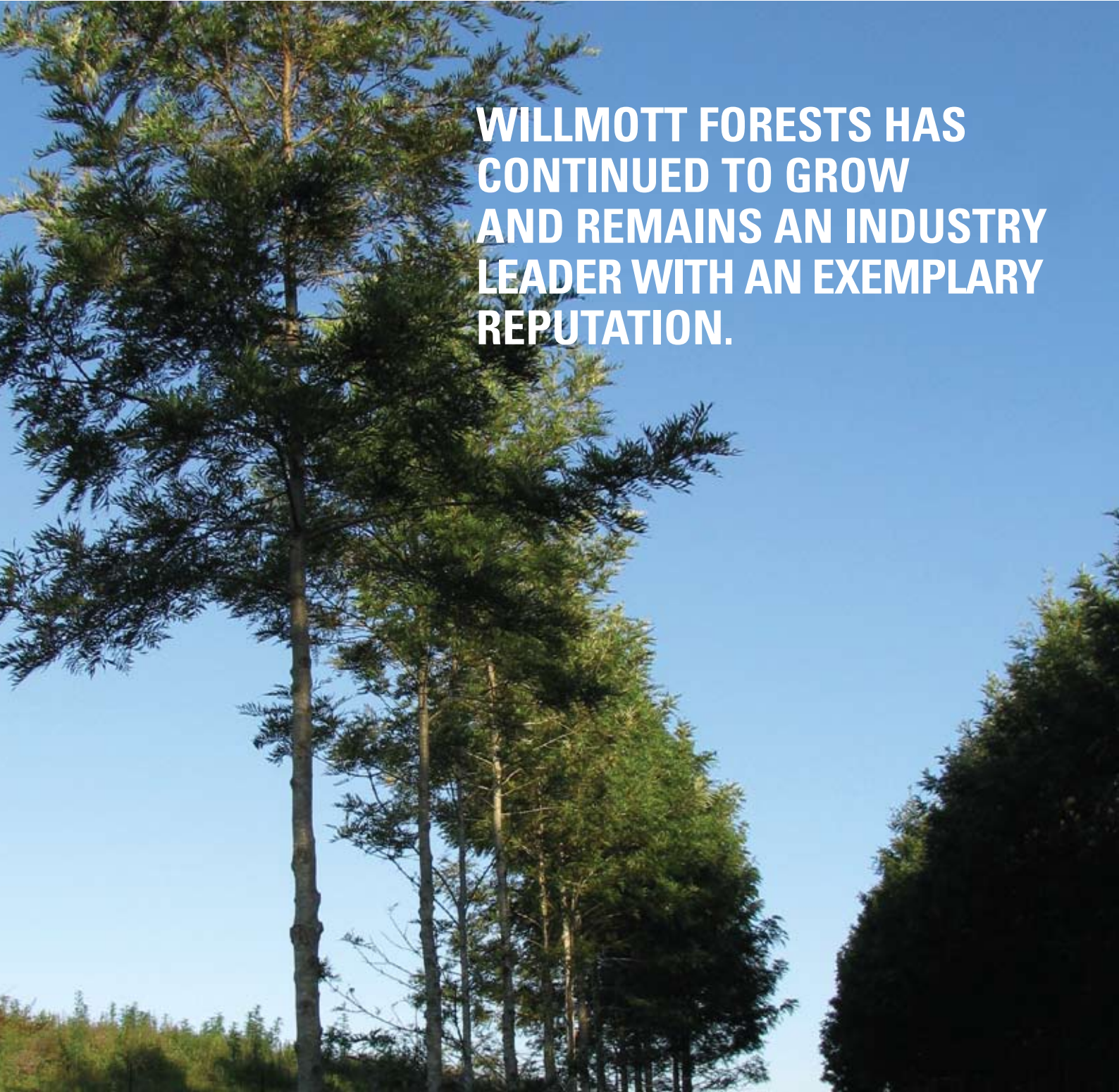
As part of its daily operations, Willmott Forests maintains a high level of workplace safety standards and a continued focus on environmental, social and ethical considerations. It is a proud member of the communities in which it operates and seeks to contribute positively to employment, economic diversity and the resilience of rural communities.

7.5 Quality system

Willmott Forests maintains a documented quality system accredited under Quality System AS/NZS ISO 9001:2008. Continuous improvement is achieved by regular management review meetings, internal and external audits, systematic reporting and monitoring and implementation of feedback from clients, suppliers and employees.

7.6 Financial management

The most recent Annual Financial Report for Willmott Forests can be obtained from Willmott Forests' website www.willmottforests.com.au



**WILLMOTT FORESTS HAS
CONTINUED TO GROW
AND REMAINS AN INDUSTRY
LEADER WITH AN EXEMPLARY
REPUTATION.**

7.0 WILLMOTT FORESTS LIMITED CONTINUED



7.7 The Board

The Board presently consists of five members, comprising the Chief Executive Officer and four Non-Executive Directors. Further information about the Board is outlined as follows:

Jonathan David Madgwick BBus, ACA **Non-Executive Chairman**

Mr Madgwick has over 27 years' experience in public practice accountancy and is a Chartered Accountant, registered company auditor, registered tax agent and a member of the Australian Institute of Company Directors. He graduated from the Royal Melbourne Institute of Technology in 1984 with a Bachelor of Business Degree with distinction. Mr Madgwick has been directly involved in an advisory capacity for Willmott Forests' commercial forestry projects since 1990. He has been a Non-Executive Board member of Willmott Forests Limited since 1994, Company Secretary from 2003 to 2009 and was appointed Chairman of the Board in 2009. He has long been recognised by the plantation industry as being expert in taxation matters and has, on numerous occasions since 2001 represented the interests of the plantation forestry investment sector with Federal Treasury, the Australian Taxation Office and ASIC in successfully negotiating and drafting provisions regarding taxation treatment of forestry based managed investment schemes. Mr Madgwick is Chairman of Willmott Forests' Nomination Committee and a member of Willmott Forests' Audit and Risk Management Committee.

Marcus Derham FAICD, FAIM **Chief Executive Officer**

Mr Derham has been involved in the forestry industry since 1985 at both middle and senior management level and has been the Chief Executive Officer of Willmott Forests Limited since 1991. During that time he has dealt with all facets of practical forest management from site preparation through to utilisation. Mr Derham has been involved in the management and administration of all of Willmott Forests' projects since 1989. Mr Derham is affiliated with a number of industry associations. He is currently a Board member of the Australian Plantations Products and Paper Industry Council known as A3P and is also a Government appointee to the New South Wales Forests and Forest Products Ministerial Advisory Council. Mr Derham holds a Certificate of Applied Management. He is a Fellow of the Australian Institute of Management and the Australian Institute of Company Directors. He is a member of the Willmott Forests' Nomination Committee.



James William Antony Higgins
LLB, LLM, FCPA
Non-Executive Director

Mr Higgins has spent most of his professional life practising corporate and commercial law and has been involved in the legal aspects of managed investment schemes since 1981. He is currently self-employed as a partner of James Higgins & Co, specialising in estate planning and commercial law. Previously, he worked as a Partner of Mallesons Stephen Jaques from 1974 to 1998. Mr Higgins is currently a Member of the Compliance Committees of Legg Mason Asset Management Australia Ltd and National Mutual Funds Management Ltd and he is the Chairman of Secure Funding Pty Ltd. Mr Higgins has Bachelor of Laws and Master of Laws Degrees from the University of Melbourne. He is a Fellow of the Australian Society of Certified Practising Accountants and of the Australian Institute of Company Directors. Mr Higgins has been an Independent Director of Willmott Forests Limited since 2000, Chairman of the Board from 2000 to 2009, and a member of Willmott Forests' Nomination Committee, and is the current Chairman of Willmott Forests' Audit and Risk Management Committee.



Hugh Thomas Davies BA, LLB
Non-Executive Director

Mr Davies has been a practising solicitor since 1966. He is currently self employed as a lawyer and mediator. He was formerly a Partner of Rigby Cooke Solicitors from 1971 to 1995 and was Managing Partner of that commercial law firm from 1989 to 1995. Mr Davies holds qualifications in the development of quality systems and as a mediator in all court jurisdictions. He has been a sessional member of the Victorian Civil and Administrative Tribunal since 1998 and is the Chairperson of the Fisheries Licensing Appeals Tribunal (Victoria). He graduated from the University of Melbourne with Bachelor of Laws and Bachelor of Arts degrees. Mr Davies has been an Independent Director of Willmott Forests Limited since 2000, Chairman of the Willmott Forests' Compliance Committee and a member of its Remuneration Committee.



Raymond Maxwell Smith
FAICD, FCPA, Dip Comm.
Non-Executive Director

Mr Smith was the Chief Financial Officer of Smorgon Steel Group Limited (SSGL) from 1996 to 2007. During that period, SSGL was at the forefront of the rationalisation of the Australian Steel Industry, culminating in the merger of SSGL and OneSteel Limited in 2007. Mr Smith brings with him a wealth of corporate and financial experience, including in the areas of strategy, acquisitions and disposals, and treasury and fund raising. Mr Smith is currently an Independent Director of K&S Corporation Limited (ASX Code: KSC), and of WHK Group, and a Trustee of the Melbourne and Olympic Park Trust. Mr Smith is an Independent Director of Willmott Forests Limited, and a member of the Willmott Forests' Remuneration Committee and its Audit and Risk Management Committee.

24 March 2010

The Directors
Willmott Forests Limited
249 Park Street
South Melbourne Victoria 3205

Introduction

This report is prepared for the Directors to provide an independent assessment of the forestry component of Willmott Forests Limited (Willmott Forests) proposed Premium Forestry Blend project to be included in the 2010 Product Disclosure Statement. This report has been prepared by Forsci Pty Ltd based on Forsci's plantation management experience and knowledge, information provided by Willmott Forests together with independent assessments by Forsci Pty Ltd of Willmott Forests' plantations and forest management operations.

The Principals of Forsci Pty Ltd each have more than 40 years experience in forest science both within Australia and internationally, focusing on the management of forest plantations. Forsci Pty Ltd undertakes and manages research projects for Willmott Forests mainly in the areas of site evaluation, silvicultural practices and nutrition. Forsci Pty Ltd also provides technical information on an ongoing basis in these and related areas. There are no other financial interests between the project proponent and Forsci Pty Ltd.

Development of the Project proposal

The proposed project invites investment in a blended forestry product comprising multiple, separately planted species which are designed to provide a revenue stream spread over a 16-year period including the potential to sell the standing timber at that time. The blend includes the following species and rotation lengths:

- Radiata pine (*Pinus radiata*) plantations that produce a mixture of timber products from thinning operations at Year 13 and the sale of standing timber at around Year 15;
- high value timber species including Silky Oak (*Grevillea robusta*) and African mahogany (*Khaya senegalensis*) producing a range of timber products from various thinning events and high value timber from either clearfall operations or the sale of standing timber around Year 15 to 16.

The species will be planted in different locations in eastern and south-eastern Australia and into the Northern Territory matching them to their individual site growing requirements and markets. A summary of the species, products and product stream is depicted in Table 1 below.

General mixed product component

Selection of Radiata pine

Radiata pine (*Pinus radiata*) will be planted to produce pulp and sawn products with residues available for biofuels. Forest plantations are a major industry within Australia with currently more than 1.7 million established hectares of which more than 1 million hectares is softwood, 75% of which is Radiata pine (Parsons *et al.* 2006). Over the last five years, the Radiata pine estate has increased nationally by about 6,000 hectares per year. In addition to this expansion there is an ongoing replanting program (replacing one rotation at the end of the previous rotation) of more than 25,000 hectares each year. In Australia, Radiata pine has one of the longest histories of planting of a commercial forest species and there is now an extensive base of technical knowledge and extensive commercial experience in all facets of the management of this species. The application of this accumulated knowledge has led to continuous improvements in productivity and value; and this has significantly reduced potential risks over the life of the rotation.

Willmott Forests have specifically selected and planted Radiata pine for more than 25 years. It is demonstrably a successful softwood species which is extensively planted in Australia, New Zealand and

Table 1. Timing of product flows from the different plantation species in the Willmott Forests Premium Forestry Blend – 2010 Project.

Crop	Species	Principal products	Product stream (plantation age in years)					
General mixed	Radiata pine	Pulp logs for cardboard and paper				13	15 (standing timber sold)	
		Sawlogs for a range of structural and other uses						
Specialty	African mahogany	High value hardwood	8		12			16
	Silky Oak	High value hardwood		10			15	

in a number of South American countries with smaller areas in countries such as South Africa and Spain. Radiata pine is a versatile species with high survival and high growth rates across a wide range of sites and has wood properties suitable for numerous commercial purposes and it is relatively easy to improve its properties through tree breeding programs.

While Radiata pine is naturally found in a limited geographic area, it has proven to be well adapted to temperate areas and to be maintaining good and consistent growth rates. It has been planted over a wide range of climatic regimes and soil types (Turner *et al.* 2001, Turner and Lambert 2004). Extensive work has been undertaken to improve the characteristics of the species through genetic improvement programs, especially in the last two decades. The work, undertaken in both Australia and New Zealand, has successfully increased the growth rates, disease resistance, tree form and wood quality.

Most Radiata pine plantations are grown on a 25 to 30 year rotation with intermediate commercial harvests or thinnings undertaken during this period. Each thinning provides a financial return and also leads to an improvement in the growth and value of the remaining crop. The material removed during the first thinning is usually pulpwood, the raw material for paper production used in paper products such as newsprint, cardboard or absorbent papers such as tissue. The older thinnings and the final crop are used for higher quality sawn products or veneer together with a proportion of pulp material. Some steeper, yet high yielding areas may not be thinned in favour of growing directly through to final harvest. There are well established markets and demand for Radiata pine products, both domestically and internationally.

Site selection for Radiata pine

The combination of climate, soil characteristics, topography and the effects of prior land use are referred to as site or site characteristics. The success of plantations is dependent on the selection of sites which have a suitable productive capacity and appropriate management of those characteristics. Willmott Forests

applies stringent evaluation of environmental, management and economic factors to potential plantation regions. Potential sites are categorized within zones within regions to evaluate the effects of distance for transport of timber to markets. Each of the regions differ in their environmental characteristics (such as rainfall, seasonal rainfall distribution, temperature, soils and topography) and, while all regions used are suitable for commercial plantation development, these differences in characteristics are reflected in the growth, health and form of the trees.

A number of factors are evaluated when selecting individual land properties for use of commercial plantation development. All land considered for plantation establishment is either cleared or is predominantly cleared or previously harvested plantation land. Acceptable criteria for land selection include:

- an average minimum rainfall of 650mm per annum;
- suitable seasonal rainfall distribution within the region to ensure adequate soil moisture;
- suitable soil parent material (geology);
- suitable soil characteristics including depth;
- undulating topography and well drained soils;
- existing land use such as predominantly cleared of native vegetation or previous plantation use;
- accessibility including complementary roading and infrastructure;
- reasonable haulage distance to target or expected processing operations (markets); and
- acceptable performance of existing Radiata pine within the immediate area and/or from the previous harvested rotation.

Initial estimates of the potential productivity of an area are undertaken using climatic, site information and reference to previous plantation performance. The process of site selection eliminates those areas known to have low productivity and those difficult to manage. Within the areas selected for planting, the interaction between climatic and soil factors leads to a range in productivity and responsiveness to

management practices with gains made from site specific management strategies. Some of the most productive soils are well drained soils derived from basalt parent material; that have developed into deep, well structured clay loams. Other productive soils are derived from materials such as granite and fine grained sediments. Differences in topography and soil type affect management practices such as those in relation to the application of fertiliser, the type of planting stock used, the location and design of roads on new plantation sites.

The accessibility and location of the plantation in relation to the market (mill or port) affects the returns to the Project, primarily through effects on harvesting and haulage costs. Land with a lower productive capacity but in close proximity to a mill may be acquired. Independent advice from Forsci Pty Ltd is sought to verify the suitability of the sites for growing Radiata pine. The information obtained is evaluated by Willmott Forests to determine the potential value of the site for the plantation program.

Project planning for Radiata pine

Willmott Forests intends to establish and manage Radiata pine plantations located in New South Wales and Victoria and any other region that meets the land selection criteria. The main objective of establishing these plantations is for the production of higher value sawlogs although silvicultural thinning practices will also produce pulpwood for commercial sale. To achieve this, plantations are grown on a rotation length of approximately 25 years. Regions identified for plantation establishment at this time include Bombala, the Murray Valley region in New South Wales; and the Gippsland, Ballarat, south west and north east regions in Victoria. All these regions have a long history of successful plantation management of Radiata pine and all are well supported by processing mills and dedicated infrastructure.

The most extensive area of planting established by Willmott Forests to date has been in the Bombala/Braidwood region where approximately 19,500 hectares has been planted over the last 28 years.

8.0 INDEPENDENT FORESTRY REPORT CONTINUED

This estate is complemented by an additional 28,000 hectares established in the region by Forests New South Wales. The ultimate objective is to establish a combined public and private resource of about 60,000 hectares in this region which is considered suitable for supporting world class processing facilities. To this end a proposed joint venture Bombala sawmill between Dongwha Holdings and Willmott Timbers is planned for development around 2011. In addition to the expansion of the new plantation sites in this region, Willmott Forests will also utilise second rotation sites of Forests New South Wales for establishment of its plantations. Another major area of establishment is in the Murray Valley region where approximately 12,000 hectares has been established to date. Planting has been undertaken both on previous pasture sites and on second rotation land (areas previously carrying pine). The total area of publicly and privately owned plantations in the Murray Valley region is in excess of 180,000 hectares (Parsons *et al.* 2006). The bulk of this plantation estate is located north of Albury, New South Wales and is the basis for a wide range of integrated industries throughout the region. The products generated from Willmott Forests plantations will be fully compatible with those currently being produced from existing plantations in the area.

Further Radiata pine plantation establishment is being undertaken in Victoria under an agreement with Hancock Victorian Plantations (HVP). Willmott Forests has developed this agreement with HVP to provide access to plantation land in the north east, Gippsland and south west regions of Victoria. The selected land has carried productive Radiata pine plantations in the first rotation, which is a very good indication of expected future yields and returns given the well established processing market existing around this significant plantation estate.

Plantation management for Radiata pine

The Radiata pine management systems may vary between and within regions reflecting the differences in site type, capacity and previous land use history. The objective in all cases is to use Best Management Practices and Willmott

Forests applies this to each property through their management planning systems. The key management operations on cleared pastoral land are as follows:

- plantation planning including identification of areas unsuitable or unavailable for planting, location of roads, water points, firebreaks and other special requirements. Planning has to comply with the State's Codes of Practice, relevant legislation and developed guidelines;
- removal of residual vegetation as approved under the planning application;
- soil preparation/cultivation to assist moisture and nutrient retention and to promote rapid root development. Ripping, cultivation and/or mounding is undertaken to a minimum depth of 60cm;
- spraying with purpose approved herbicides to control weeds;
- planting genetically improved nursery stock (cuttings or seedlings) at a target stocking rate of between 1,100 and 1,500 stems/ha dependent on site characteristics;
- early age (three to five years) fertiliser application based on the results of nutritional monitoring. Boron, a trace element, is applied routinely as a fertiliser in most cases, however, other fertilisers may also be applied depending on the particular site characteristics;
- follow-up weed control treatments where necessary based on monitoring;
- first commercial thinning of the plantation at about 13 years of age. Timing and intensity of this activity depending upon markets and stand conditions near the time of harvest;
- fertiliser applications after thinning on select sites based on plantation assessment results; and
- Willmott Forest proposes to sell the standing timber at Age 15 based upon a discounted cash flow methodology. They have advised that the valuation model will take into account the future predicted net revenues from second thinning operations (nominally at Age 18) and expected net revenues from clearfall operations (nominally at Age 25).

On sites where plantations are replacing existing plantations (second rotation sites), establishment methods and silvicultural practices may be modified by Willmott Forests to include the following:

- assessment of site characteristics, including logging residue levels, and selection of the most appropriate establishment techniques and treatments with the aim of maintaining nutrients contained within the previous plantations logging residues;
- soil preparation, including ripping, mounding or spot cultivation where appropriate, to ensure suitable planting conditions;
- additional use of weedicides to overcome established weeds and or wildlings (regenerating Radiata pine from previous plantation); and
- appropriate fertiliser treatment.

As the Radiata pine component of the project is spread across a number of regions, including a variety of site types and a number of different markets and products, the optimum harvesting schedule will be assessed by the manager with the aim of obtaining the highest possible value to the Project. This will mean the timing of harvest and length of rotation may vary to achieve this result. These management decisions will be reflected in the valuation of the plantation as determined at the point of sale for the standing timber at around Year 15.

Productivity of Radiata pine

Potential productivity of Radiata pine has been evaluated using a number of methods. On second rotation sites, the productivity of the first rotation is taken into account whilst consideration is given to improvements in genetic development, site preparation, silvicultural and management techniques. On cleared land, the productivity of plantations is considered using both the productivity of established plantations on nearby equivalent sites and models developed to predict growth based on conservative climatic and soil factors. All such assessments are on the proviso that environmental conditions will be similar to the long term averages or the conditions experienced during the first

rotation. If there is a significant shift to such conditions, such as a reduction in annual rainfall (drought), growth expectations will subsequently be reduced accordingly.

Many of the existing plantations used to obtain base level productivity information, have had comparatively low levels of genetic improvement with minimal management inputs and hence the derived growth estimates are often conservative. The highest average growth rates have been achieved in areas with high annual rainfall and deep, well drained soils. On a 30-year rotation, these sites have demonstrated a total mean annual volume increment (MAI) in excess of 20m³/ha/yr. With lower rainfall or on poorer, shallower soils, the productivity levels may be lower. For example, if the average annual rainfall is about 600mm, the productivity baseline can be expected to be below 15m³/ha/yr. Willmott Forests targets a minimum long term average annual rainfall of 650mm. Such figures are averages and may be affected by longer term climatic

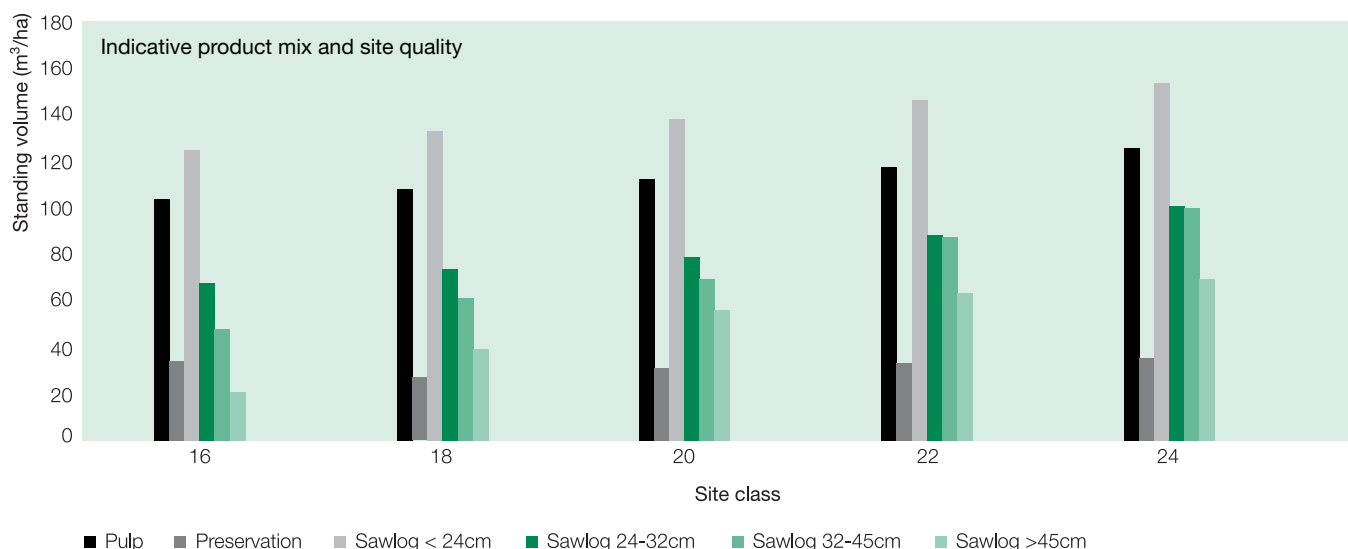
conditions. Prolonged droughts, such as that experienced in recent years, could significantly reduce the overall volume of timber ultimately produced while periods of above average rainfall may significantly increase productivity. Information provided to Willmott Forests indicates that past plantations established on HVP and FNSW sites yielded a range of MAI's from 14 through to 30m³/ha/yr. New lands for plantations in the other regions are mainly in ex-pasture sites and productivity can be expected to fall within the range from 14 to more than 24m³/ha/yr with the bulk of plantations expected to yield in the middle of this range.

A number of research trials in eastern Australia have demonstrated that the base productivity is increased by the appropriate use of improved genetic material, better nursery stock, higher nutritional inputs and other forms of intensive management. In recent years, there have been significant improvements in the available genetic stock of Radiata pine. All current plantations are established

using improved genetic stock, either as seedlings or cuttings, and this has produced plantation stands with higher productivity and better quality. As this program of genetic improvement continues, Willmott Forests has research programs in place to test the suitability of the genetic material for a range of plantation sites and regions.

In addition to productivity variations across sites, the actual mix of products and royalties paid by processing mills will also vary across the different regions. Considering the range of sites and the variation in potential markets, it is not possible to define a standard product mix and yield. The pattern of products according to site type is demonstrated in the Figure below. The timber produced from the plantations is suitable for preserved material, higher quality sawn products, veneer and chip. The sites with higher productive capacity have a greater range of potential products.

Figure 1: Generalised pattern of the variation in product mix with changes in site productive capacity. Values are total over-bark production for a product over a 25-year rotation.



8.0 INDEPENDENT FORESTRY REPORT CONTINUED

A more detailed outline of potential product mix for one of the higher productivity forests is tabulated below (Table 2).

Table 2: Potential total production of different product classes (m³/ha) in a higher site quality Radiata pine plantation over a 25-year rotation. The actual product mix will vary according to location and be modified by silvicultural history.

Product	Age and activity			Total
	13 years first thin	18 years second thin	25 years Clearfall	
Pulpwood	62	30	26	118
Preservation	16	10		26
Sawlog <24cm	12	35	100	147
Sawlog 24-32cm		30	59	89
Sawlog 32-45cm		21	75	96
Large sawlog			63	63
Total	90	126	323	539
Mean annual increment over 25 years (m ³ /ha/yr)				21.6

High value timber species

High value timbers are traditionally used for their appearance and/or specialty purposes. Appearance timbers include veneers or sawn timber for flooring, panelling and/or exposed joinery in houses or craft work while specialty timbers may be used for joinery in boats. As such, the timbers are expected to have appropriately developed colour, grain and lustre and therefore command relatively higher prices.

The two high value hardwood species offered in this project include Silky Oak to be planted in coastal northern New South Wales and SE Queensland; and African mahogany to be planted in the Douglas Daly/Katherine region of the Northern Territory.

Silky Oak (*Grevillea robusta*)

Selection of Silky Oak

Southern Silky Oak, more commonly just known as Silky Oak, has been selected by Willmott Forests as a high value hardwood plantations species. While it is a species native to Australia, it is not extensively commercially planted here, however it has been developed overseas as a high value plantation species. High value hardwood plantations are becoming more important as sources decline from native forests around the world. In the past this species

has been sought as a high value cabinet timber from native forests (see Francis 1951). Extensive areas of hardwood plantation areas have been established within Australia (more than 950,000 hectares reported by National Forest Inventory), the bulk of these are short rotation hardwood plantations for pulp products with only very small areas established to meet the higher value end of the market. Higher value hardwoods are often imported and from declining, non-sustainable sources.

Silky Oak grows naturally in the dry upper reaches of coastal rivers in northern New South Wales and southern Queensland. It grows well in a number of sites in terms of both rainfall and soil type (Boland *et al.* 2006). The species produces a high quality light coloured timber valuable for panelling, furniture, joinery and finishing (Walker 1989). It has been grown successfully in plantations overseas for many years although it is usually planted as a roadside tree or specialty planting in eastern Australia. It grows readily under a wide range of site conditions and maintains very good form with only limited damage from pests and diseases. Under suitable conditions, it will grow as a very good plantation species in monoculture or mixed plantings.

Site selection for Silky Oak

Silky Oak has been noted as a species which establishes and grows naturally under a wide range of conditions. Annual rainfall ranges from 720 to 1,700mm/year and soils include those derived from alluvium, basalt and sediments where there is good drainage. The relationships between productivity and site conditions have not been fully quantified at this time and so guidelines for site selection have been based on sites where the best trees have been noted. This approach is conservative and will mean potentially suitable areas will not be used until more research on their potential productivity is undertaken. Criteria for site selection include:

- sites to receive more than 950mm mean annual rainfall;
- potential planting areas on cleared land (i.e. pasture land);
- texture through the profile of loams, clay loams or light clays;
- well drained soils;
- cultivation depth to at least 70cm to encourage root development;
- absence of sodicity or high salinity in the B soil horizon of the soil; and
- soil pH between 4.5 and 6.

Project planning and management for Silky Oak

The proposed planting areas are to be located from Newcastle in northern New South Wales to Gympie in south east Queensland. The plantation establishment will be modified according to site characteristics with the primary aim of producing high value sawlogs. At this time, the actual markets or mills that will receive this timber have not been selected, however, a number of local domestic processing mills and export markets have been identified. The proposed plantation management systems involve:

- plantation planning including identification of areas suitable for planting, location of roads, water points, firebreaks and other special requirements. Planning has to comply with the State's Codes of Practice, relevant legislation and developed guidelines;
- clearing of residual vegetation as permitted;
- ripping and soil cultivation to a depth of 60cm;
- pre-plant spraying to reduce weed competition;
- planting of seedlings produced from the most suitable seedlots and provenances at between 1,250 and 1,600 stems/ha;
- post-plant weedicide spraying as necessary;
- application of establishment fertiliser;
- non-commercial thinning to approximately 800 stems/ha at Age 4 years;
- pruning of stems to about 2.5 metres at about Age 4 years;
- pruning of stems to approximately six metres prior to Age 10 years;
- thinning to approximately 400 stems/hectare at Age 10 years; and
- clearfall at approximately 15 years of age or the sale of standing timber depending on plantation growth and/or markets.

There is considerable variation in the genetics of Silky Oak. In the initial plantings, improved seed is being obtained from overseas but a program is being developed to provide high quality seed from within Australia.

The trees will be regularly monitored and the timing of operations may be modified to optimise results. Monitoring will be undertaken for growth, health and nutritional status and treatments applied as necessary. The actual timing of thinning and harvesting will be modified according to stand conditions and markets. The objective of all operations is to maximise productivity and value.

Growth and products of Silky Oak

Commercial Silky Oak plantations have been successfully established overseas, however, in Australia there are no extensive commercial plantations to provide comparative yields. Therefore, conservative yield estimates have been taken by Willmott Forests from existing small scale plots within the region of operation. They showed that at Age 10 years, a total yield of about 90m³/ha could be expected with approximately 220m³/ha after Age 15 years. Further research work is being undertaken by Willmott Forests to improve these analysis.

African mahogany (*Khaya senegalensis*)

Selection of African mahogany

A number of high value timbers have traditionally been derived from tropical areas including Teak (*Tectona grandis*), Rosewoods (*Dalbergia* species), American mahoganies (*Swietenia* species) and African mahoganies (*Khaya* species). The demand for such timbers is increasing internationally, however, supplies from the natural forests are declining due to exports being restricted leading to an increasing reliance on plantation resources.

The characteristics that make the high value timber valuable, include:

- the amount of heartwood;
- the colour and intensity of colour in the heartwood;
- occurrence of features in the grain including lustre;
- ease of drying the timber and maintaining stability; and
- absence of defects such as knots or insect damage.

The development of these characteristics is a factor of environment, genetics, management and age and therefore

determining the actual rate of development, is still being analysed.

The objective of this Project is to grow African mahogany in the Northern Territory for the purpose of producing high value timber on a sustainable basis. African mahogany is one of several species of Khaya and is found naturally in Africa. Khaya has been grown successfully and productively in commercial plantations overseas as well as in trial sites within Australia (Zuhaidi *et al.* 1994, Reilly *et al.* 2004, Hiratsuka *et al.* 2005). Timber of *Khaya senegalensis* is highly valued due to its beautiful figurative grain and its rich reddish mahogany brown colour and reputedly it has the best surface-finishing of all the African mahogany timber species and is used for quality furniture and cabinet work, joinery, fixtures, flooring, boat building, decorative veneers and construction. (Arnold 2004, TRADA 2004). Studies are being undertaken on African mahogany grown in the Northern Territory and initial results have shown it is of high quality (Armstrong *et al.* 2007).

Site selection

The proposed planting areas are in the Douglas Daly and Katherine Regions of the Northern Territory, south of Darwin. These areas have about 1,000 to 1,250mm annual rainfall, with a five to six month dry season. The species grows naturally in areas with annual rainfall between about 750 and 1,800mm with a dry season of two to six months and over a range of soil types. This climatic regime falls within that of the naturally occurring stands.

The selected sites are either cleared or have recent regrowth which may be cleared following permit approvals from the Northern Territory planning regulators.

The sites are well drained with little evidence of water logging, sodicity or termite (especially *Mastotermes*) infestation. Soils are selected on the basis of acceptable depth and texture, eliminating very sandy or gravelly soils and those with very heavy clays. Existing land capability maps will be used as a basis for initial selection of areas and identifying site specific management practices. There will be some variation in the silviculture used and productivity depending on the specific soil types.

8.0 INDEPENDENT FORESTRY REPORT CONTINUED

Many of the soils in the Northern Territory are either low in nutrients or are imbalanced and hence fertiliser application will be required. The fertiliser program will be determined based upon foliage analysis and fertiliser trial programs.

Planting stock

The type and quality of the planting stock affects survival, growth rates and the characteristics of the wood. Seedlots from the native stands will have the required characteristics but will be generally variable. With a higher level of genetic improvement, among other things, growth rates may be expected to increase and therefore the level of variability in properties is reduced. This greater uniformity can also be obtained through use of clonal or cutting material.

At present, the planting stock available within Australia for *Khaya senegalensis* establishment has not been extensively genetically improved. The alternative sources for planting stock are either from the seeds collected from selected trees (i.e. trees with good growth and form) in the natural range of the species; or seeds from selected trees growing in Northern Australia; or plants from current Investors in Australia (e.g. Forests Products Commission in Kununurra, Western Australia). The Department of Primary Industry in the Northern Territory has open-pollinated seed orchards coming into production together with programs which are developing clonal material from selected trees so that there will be a continual genetic and planting stock improvement. The proposed silvicultural regime of high initial stocking levels will allow for a greater selection of final crop trees with good form and straightness. As the better planting stock comes on, the silvicultural regime can be altered accordingly. It is expected that working through the Northern Territory Department of Primary Industry, cutting material will be used progressively within the next two years.

African mahogany management regime

The objective of the management regime is to maintain suitable productivity and ensure high wood quality properties. After site selection and planning processes, the management program will involve:

- clearing of any residual vegetation and debris;
- ripping of soils to a depth of more than 60cm and formation of a low mound or cultivated planting zone at a three to four metre spacing depending on soil type and topography;
- weedicides will be applied prior to planting and as appropriate, to maintain a weed-free zone in the planting lines for the first three growing seasons;
- plants will be planted at the beginning of the wet (early November) using material obtained from commercial nurseries. The actual time of the commencement of the wet season is variable;
- fertilisers will be applied at time of planting, the form depending on soil type, to stimulate early growth;
- trees will be planted at a density between 1,000 and 1,600 stems/ha depending on the site;
- foliage analysis will be carried out at Age 2-4 years and thereafter as required and necessary corrective or balancing fertiliser applications will be applied;
- a non-commercial thinning may be carried out at Age 3-5 years to remove non-performing trees;
- where required, form pruning, to improve stem form, will be undertaken at Age 3-5 years to a height of approximately four metres and at Age 6-7 years to a height of six metres;
- commercial thinning to 500-650 stems/ha will be evaluated at about 8-10 years of age. The actual timing of the thinning will depend on tree size and development of heartwood and market availability;
- a second thinning will be undertaken at approximately 12-13 years of age to 250-300 stems/ha; and
- clearfall, or sale of standing timber, will be undertaken at approximately 16-18 years of age with the potential to extend the rotation to increase value.

The specific schedule will depend on stand condition at any given time and will be determined by the manager to optimise returns. There is also the potential to leave the residual trees for a longer period to further increase value.

Productivity and yield

There are no reliable estimates of long term growth and yield for *Khaya senegalensis* in the Northern Territory. Some conservative estimates of growth can be made based on early trials in Australia and also draw some comparative growth data from plantations overseas. Yield is impacted by tree form, damage and breakage and this will be significant in the early plantations. Estimates of productivity are speculative but conservative, and take into account variation in productivity and quality across sites. Less productive sites may be expected to have a greater proportion of high quality heartwood.

A potential productivity schedule would be:

- first commercial thinning of logs (Ages 8-10 years) with removal of a total volume of 24-30m³/ha;
- the second commercial thinning (Age 12-13 years) will remove a sawlog volume of 36-54 m³/ha; and
- Clearfall at a nominal age of 16-18 years producing a volume of 125-160m³/ha or the sale of standing timber depending on plantation growth and/or markets.

The sawn product productivity of this regime would then be in the range of 10.8 to 14.5m³/ha/yr, depending on the site. The future impact of improved planting stock and the effects of fertiliser applications have not been considered in the productivity estimates.

Risks associated with the Project

As with all primary industries, forestry projects have associated risks which may have direct impacts on returns. Some risks can be minimised through appropriate management while others, such as natural events, are beyond management control. Some risks may be insured against. The main areas of risk potentially affecting plantations are outlined below.

Environmental risks

Climate

Estimates of productivity are based on estimated long term averages. Long term or short term deviations from these patterns will impact on survival, growth and health of trees. While excessive rainfall may cause some inundation or saturated

soils in localised areas, the main impact on productivity will be as a result of less than expected rainfall. Parts of Australia have been, and still are suffering from extended drought which has had and will affect the growth of trees. The Willmott Forests plantations are geographically diverse and this reduces impacts of such occurrences, however, there will be some impacts which cannot be controlled.

Fire

Fire is a natural component of native forest ecosystems in Australia. Fires may occur in plantations as a result of spreading from an adjacent area, lightning strikes or deliberate or accidental lighting. The greatest concern arises from higher intensity fires, especially where crowns are directly affected. A plantation fire protection strategy includes systems to minimise spread of fire onto plantations (firebreaks) and systems to suppress fires that have moved into the plantation.

Willmott Forests attempts to reduce risk of fire through plantation protection measures and has inputs to fire fighting capacity in regions. The diversity of its plantations requires a number of strategies including reliance on HVP to protect plantations under its management and maintaining some fire fighting capacity in other areas. Willmott Forests is an Industry Fire Fighting Brigade in its own right with equipment and trained crews which are integrated within regional fire fighting networks. The effectiveness of the approach has proven successful with fires in recent years. Similar systems are being developed in other regions including complementary agreements with other established fire fighting agencies.

Potential losses can be covered through appropriate insurance available in the Project.

Frost

Frost is mainly a risk for newly planted seedlings and is usually in specific topographical situations. Prediction of impacts is difficult and is managed by replacement of affected seedlings.

Wind, hail and snow

Windstorms occasionally affect plantations in southern Australia leading to blow-down

or breakage of trees in some situations. The most common occurrence is in recently thinned stands, especially where thinning is undertaken later than scheduled. Thinnings undertaken on schedule and to specification reduce the risk of windthrow. Windstorms and their effects cannot be predicted and no guarantee of safety from wind damage can be built into forestry projects.

Hailstorms occur occasionally in plantations in south-eastern Australia. Damage occurs through pitting on the stems and damage to buds and growing points and often there may be infection by fungal disease in the wounds. The results may be deformity or multiple stems which, while not killing trees, lead to greatly reduced value. Hailstorms cannot be predicted or planned for in forestry projects.

Snowfalls periodically occur in the higher elevation plantations. Heavy weights of snow may lead to branch damage on larger trees together with stem breakage in some circumstances. The major risk occurs in young trees which may be buried or flattened by drift and while not killed, the stem may be distorted. Neither snow storms nor their effects can be predicted.

Cyclones

Cyclones are a relatively regular occurrence in Northern Australia and have impacted on some plantation areas. However, cyclones have not been recorded in the Katherine and Douglas Daly areas and hence they are considered a low risk. The selected sites are located 160km inland and typically are downgraded to tropical lows by the time the weather system reaches the selected sites. Tropical lows are generally considered unlikely to cause any significant damage.

Biological risks

Animal damage

Animal damage may occur in plantations, especially in younger stands. Native animals, such as wallabies, occasionally damage bark and buds. Some damage may occur from domestic grazing animals if they are allowed in the plantations too early. These effects are generally negligible and grazing animals can be managed to minimise effects, such as, allowing animals

into an area when trees have reached a minimum size. Grazing animals are valuable in many plantations as they reduce grass which competes with the growing trees. By reducing grass, this also reduces the risk of the grass acting as fuel for fires.

Pests and diseases

Softwood plantations may be affected by a number of pests and diseases. The diseases include attacks by fungal organisms such as *Dothistroma*, *Diplodia* and *Sphaeropsis* which are generally present in all plantations, only causing damage under specific environmental conditions and/or when trees are under stress. Plantations impacted by hail may have associated damage from the fungus *Diplodia pinea*, leading to dieback or death. Other fungi may cause loss of foliage and minor loss of growth. While the effects cannot be predicted, monitoring systems and immediate treatment where appropriate, can reduce impacts.

A number of insect pests cause damage or defoliation, and in some cases death of pine trees. Attack is often related to plantations under stress such as drought or other stresses. *Sirex* wood wasp has been the greatest problem for the industry; however, the build up of populations can be managed through monitoring and biological control (specifically nematodes) through the cooperative *Sirex* fund. There have been no reports to date of the presence of *Sirex* in plantations under Willmott Forests management. The aphid, *Essigella*, affects Radiata pine plantations in Australia leading to thinning of crowns and loss in production.

A number of pests and diseases may affect the mahogany plantations. In northern Australia, there are potential problems from damage to trees by termites, especially *Mastoterms*. The impacts in some areas may be reduced through management procedures such as site selection. There are some potential corrective measures but while Best Management will be undertaken to reduce any potential impacts, the impacts of termites cannot be foreseen or predicted. Tip borers may cause deformity and management has planned for monitoring and proposed corrective actions. There are a number of potential leaf eating

8.0 INDEPENDENT FORESTRY REPORT CONTINUED

insects which can reduce potential productivity and value. These will be assessed through monitoring and treatments developed in relation to potential effects.

Silvicultural and management risks

The silvicultural risks relate primarily to insufficient or limited information for management of the project to achieve the project objectives. In the case of Radiata pine, these risks are low because of the long history of management and research within the species. The risks are higher with Silky Oak and African mahogany species mainly because of the limited experience with establishment and management of plantations of these species in Australia. There are risks associated with the estimates of productivity for Silky Oak and African mahogany species primarily because of the limited amount of information available. Willmott Forests has recognised this and is using the best information available for the plantings and also is undertaking extensive research to provide continual improvement and reduce risk. All decisions at present are based on the most conservative estimates and updated when more information becomes available.

Capacity of plantation manager

Willmott Forests has extensive experience in the establishment and management of plantations in the Bombala, Murray Valley and North Coast regions of New South Wales. Management expertise and a trained labour force have been developed over the last 30 years and a high proportion of the infrastructure required for successful plantation management and protection, exists in these regions. Additionally, Willmott Forests utilises the management skills of HVP, Forests New South Wales for the establishment of Radiata pine plantations on second rotation sites in Victoria and New South Wales.

Willmott Forests is developing a strong professional staff to manage and lead operations across a range of regions.

The forestry industry overall has developed a strong infrastructure and contractual support base and Willmott Forests is developing a more flexible contractual management system to utilise existing expertise.

Staffing, and staff training are constantly being reviewed and modified to match project requirements. The management system is a Quality Assurance program certified as complying with AS/NZS ISO 9001:2008.

Willmott Forests long term plans

Willmott Forests has stated that it plans to be a long term and key component of the softwood plantation business in eastern Australia together with additional supporting industries. In the Bombala region, the objective is to maintain and continue plantings to establish an overall regional total (State plus private) of about 60,000 ha. This will support a sustainable, integrated industry in which Willmott Forests will be an integral part of forest management and processing. This planting program is dependent on land availability and other factors and may take 7-10 years, however, Willmott Forests is committed to this vision. The expansion into timber processing is part of the overall commitment to maximising the value of the products.

In other regions, Willmott Forests will be a component of the much larger existing softwood industry. Over the next decade, the Company plans to continue developing its resource and become a significant part of the regional timber industry.

The Company strongly supports Research and Development in this and other key species projects.

The development of high value timber species in a blend with Radiata pine assists to increase returns and reduce the risk associated with the establishment of a single species in a single plantation location. Such expansion also provides greater market diversification.

Project role of Forsci Pty Ltd

Forsci Pty Ltd acts as the Advising Forester to the Willmott Forests Projects. In this role, land proposed for the project is inspected and advice is provided on suitability and specific management requirements. plantations are inspected and the results of operations assessed after establishment together with reporting of outcomes and provision of recommendations to the Manager. A minimum objective is to undertake assessments annually. Reports on the progress of the plantations are forwarded by Willmott Forests management on an annual basis.

Qualifications

John Turner has 40 years experience in plantation and native forest research and management in Australia and overseas. His qualifications include a Bachelor of Science in Forestry (ANU) and a Doctor of Philosophy (University of Washington) undertaken in forest science. His research has covered a number of areas and he has undertaken extensive research in pine plantations especially in relation to site, productivity and plantation management regimes. He has more than 185 scientific publications. Professional memberships include the Institute of Foresters of Australia, the Institute of Biology, the Association of Consulting Foresters of Australia, the Australian Forest Investors and the Soil Science Society of Australia Inc. He is a Registered Professional Forester with the IFA, registered as a professional in forestry science and research. His experience has been developed from extensive research in the areas of intensive forest management which includes site selection, site specific management, and the maintenance and evaluation of sustainable long term productivity. In 2005, he was the recipient of the Scientific Achievement Award from the International Union of Forest Research Organisations.

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This report should be read in full. No responsibility is accepted for use of part of this report in any other context or for any other purposes, or for use by third parties.

In accordance with regulation 7.6.01(u) of the Corporations Regulations 2001, Forsci makes the following disclosures:

1. Forsci has been retained by the Project Manager to provide an Independent Forestry Report for inclusion in the PDS.

2. Forsci anticipates that further engagements in relation to the provision of forestry consulting advice may be entered into with Willmott Forests on an as-required basis.
3. Forsci does not have any direct investment in Willmott Forests or its business interests, and has no commercial interests in the financial products being offered other than as a service provider to Willmott Forests.
4. Forsci does not hold an Australian Financial Services Licence and is not operating under such a licence in providing this report.

22 March 2010

The Directors
Willmott Forests Limited
249 Park Street
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The Softwood Market Review (Radiata pine) and High Value Hardwood Market Review for African mahogany and southern Silky Oak have been prepared by Pöyry for inclusion in the Willmott Forests Premium Forestry Blend Project 2010 Product Disclosure Statement (PDS). Pöyry's contribution to the PDS has been confined to the preparation of this report. Pöyry is part of the Pöyry Group, which provides energy, forestry, infrastructure and environmental services to clients within Australia and around the world. The group operates a global network of 8,000 experts in 49 countries.

Pöyry and its predecessor companies have over 30 years of experience in the Australian forestry sector, and provide professional services to the forest sector through a team of highly experienced consultants. The Company offers

multidisciplinary services across all components of the forest product chain including advice on forest establishment, tending, monitoring, harvesting, markets and utilisation.

Softwood Market Review (Radiata pine)

Characteristics of Radiata pine and its uses

Pinus radiata is a softwood tree species. Radiata logs are commonly used for the production of structural timbers. It is the predominant timber used for applications such as the construction of new dwellings or for building renovations. In some regions, larger diameter (prime) logs are peeled or sliced for veneers to make plywood.

Smaller or secondary radiata logs are used for a range of industrial timber applications, for example the manufacturing of packaging materials.

Small logs, including sawmill timber residues are used to produce wood chips which can be used for the manufacturing of a

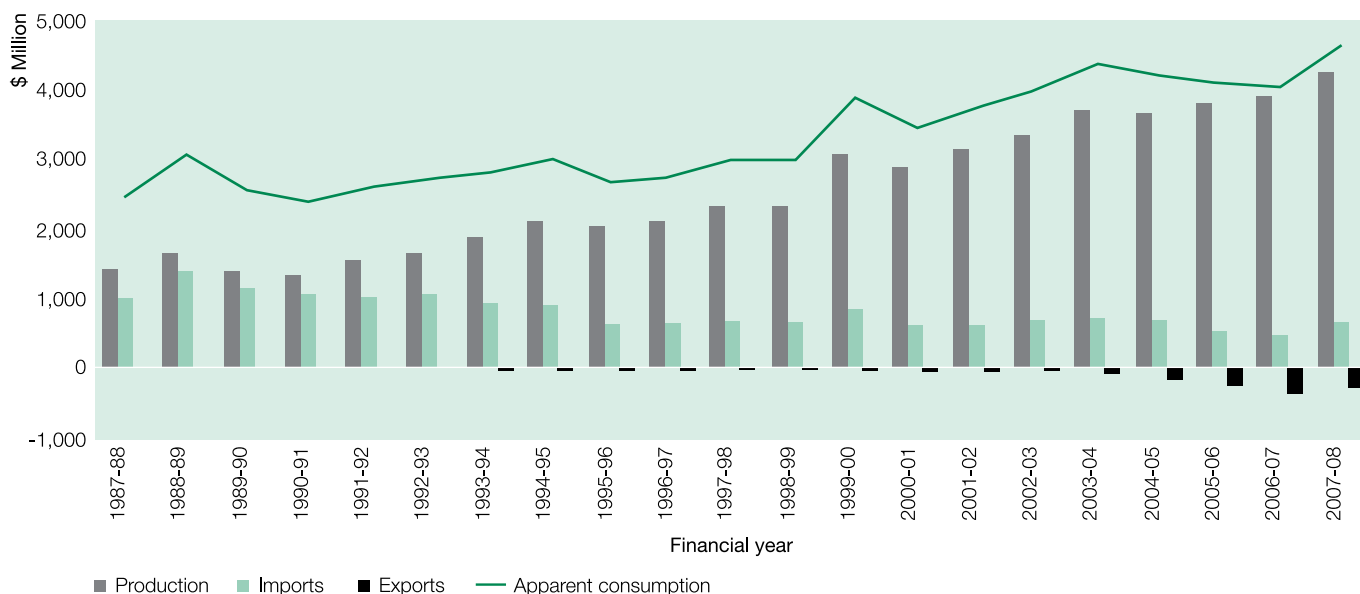
broad range of pulp and paper products (domestic or abroad) or panel products such as medium density fibreboard (MDF) and particleboard.

Some regions have preservation markets where generally smaller diameter straight logs are processed and impregnated with chemical preservative for use as posts and other landscaping products.

Radiata pine is a popular choice with builders and tradesmen due to its excellent machining, painting and staining properties – a light coloured and even textured wood. The timber is largely homogenous in terms of density. It is easy to dry with good dimensional stability and offers a good strength to weight ratio. Radiata timber also has good nail holding and gluing ability and is resistant to nail splitting.

Almost all of the softwood plantations in Australia are managed to produce both sawlogs (for sawn structural timber) and pulpwood (for pulp and paper product manufacturing).

Figure 1: Apparent domestic consumption of softwood sawn timber



Source: ABARE 2000-2008, Pöyry.

Demand and supply for softwood

Domestic softwood sawn timber demand

The volume of softwood sawn timber produced in Australia has increased significantly, as has consumption (Figure 1). Since 1987/88 production has grown from approximately 1.44 million m³/a to 4.26 million m³/a in 2007/08, at an average rate of 6.2%/a over the last 10 years. This increase is mainly due to softwood plantations established in the 1960s reaching maturity and the corresponding increase in production capacity to absorb the additional volume available. Apparent domestic consumption of softwood sawn timber has mirrored this trend, increasing over the last 10 years at an average rate of 4.5%/a.

The New Zealand forest industry views Australia as a potential growth market for its competitively priced softwood sawn timber. New Zealand's available supply of Radiata pine sawlogs will increase significantly over the next 10 years, stabilising or possibly

declining slightly thereafter. However, the characteristics of the New Zealand grown softwood timber are somewhat different, making it better suited for non-structural uses. As a result, structural softwood timber produced in Australia is likely to remain competitive, particularly in the nearby Melbourne, Sydney and Brisbane markets.

Domestic softwood sawn timber market

The major use for softwood sawn timber in Australia is in house construction, and alterations and additions. Consequently, structural softwood sawn timber demand is closely correlated with construction activity such as dwelling commencements and dwelling approvals. Figure 2 illustrates the cyclical nature of the construction industry. Currently, the Australian building industry is at a low point in the cycle due to the prevailing global economic slowdown. However, Australia continues to face a widening gap between demand for and supply of housing, and housing stock numbers remain low. Pöyry therefore expects to see an increase in new dwelling unit commencements in the

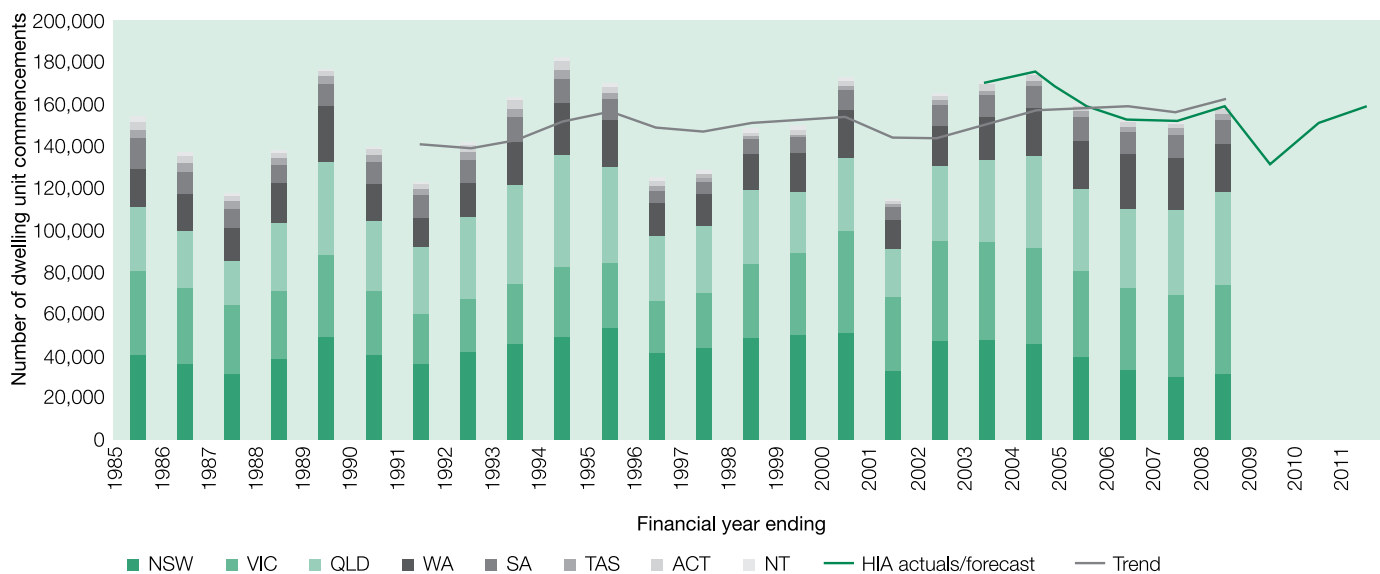
medium term and therefore an increase in demand for structural softwood sawn timber.

The growth in domestic softwood sawn timber consumption in Australia has largely been at the expense of the domestic hardwood structural sawn timber market.

Major softwood timber processors with modern mills are able to produce sawn timber more cost efficiently in a market where supplies of roundwood from native forests is declining.

The major softwood timber sawmills in Australia (defined as having an annual intake capacity in excess of 150,000m³) are shown in Table 1.

Figure 2: Australian dwelling unit commencements (houses and units) seasonally adjusted



Source: ABS 2008, HIA 2009, Pöyry.

9.0 INDEPENDENT MARKET REPORT CONTINUED

Table 1: Major Australian sawmills (with annual intake capacity in excess of 150,000m³)

Company	State	Wood Supply Region	Location	Intake Capacity (m ³ /a)
Allied Timber Products (ATP)	NSW	Central Tablelands	Bathurst	200,000
Associated Kiln Driers (AKD)	VIC	Central Victoria	Colac	260,000
Carter Holt Harvey (CHH)	QLD	South East Queensland	Caboolture	320,000
	NSW	Murray Valley	Tumut	600,000
	SA	Green Triangle	Mt Gambier	540,000
	SA	Green Triangle	Mt Gambier	385,000
	VIC	Central Gippsland	Morwell	420,000
	VIC	Murray Valley	Myrtleford	255,000
FEA Timber	TAS	Tasmania	Bell Bay	300,000
Gunns (Auspine)	TAS	Tasmania	Scottsdale	240,000
	SA	Green Triangle	Tarpeena	600,000
Highland Pine Products (HPP)	NSW	Central Tablelands	Oberon	725,000
Hyne & Son Pty Limited	NSW	Murray Valley	Tumbarumba	850,000
	QLD	South East Queensland	Tuan	600,000
	QLD	South East Queensland	Imbil	250,000
Wespine Industries	WA	Western Australia	Dardanup	400,000
Willmott Timbers (TASCO)*	NSW	South East New South Wales	Bombala	400,000**

Source: Pöyry.

* A redeveloped timber processing facility operating under a 50:50 joint venture between Willmott Timbers and Dongwha. The facility is expected to be at full production from 2012.

** Tonnes.

Table 2: Major Australian pulpwood processors (annual intake capacity in excess of 150,000m³)

Company	Facility Type	State	Wood Supply Region	Location	Intake Capacity (m ³ /a)
CHH Panels	MDF	NSW	Central Tablelands	Oberon	570,000
	Particleboard	NSW	Central Tablelands	Oberon	160,000
	Particleboard	NSW	Murray Valley	Tumut	220,000
Norske Skog	Pulp and paper	NSW	Murray Valley	Albury	520,000
Visy Pulp & Paper ¹	Pulp and paper	NSW	Murray Valley	Tumut	1,900,000
Kimberly-Clark Australia	Pulp	SA	Green Triangle	Millicent	450,000
Alpine MDF	MDF	VIC	Murray Valley	Wangaratta	250,000
D&R Henderson	Particleboard	VIC	Murray Valley	Benalla	230,000
Australian Paper	Pulp	VIC	Central Gippsland	Maryvale	750,000
Laminex	MDF	QLD	South East Queensland	Gympie	410,000
	MDF	WA	Western Australia	Welshpool	250,000
	Particleboard	WA	Western Australia	Dardanup	341,000

Source: Pöyry.

1. Resource input figures cited for Visy are estimates of requirements after the commissioning of their second paper machine currently under construction. Start-up is anticipated in late 2009.

Approximately 58 smaller scale softwood sawmills also operate in Australia. As can be seen, Carter Holt Harvey (CHH) is the largest sawmilling company in Australia supplying approximately 34% of the market. Hyne & Son has the next largest market share at 16%. Imported timber makes up approximately 12% of the domestic softwood sawnwood market.

Domestic softwood pulpwood market

Softwood pulpwood logs are primarily used in the production of wood panels, plywood, medium density fibreboard (MDF) and particleboard as well as for the production of pulp and paper products, including newsprint, tissue and packaging.

Table 2 shows the major Australian pulpwood and panel producers with annual mill intake capacities in excess of 150,000m³.

Approximately 33 smaller scale pulpwood processors also operate in Australia.

Over the past decade, there has been an increase in production capacity in the Australian wood products industry, which has levelled out since 2005.

Demand for softwood pulpwood has grown over the past decade. Production capacity of packaging paper and paperboard has expanded with the commissioning of Visy's Tumut mill in 2001. Demand for packaging and paperboard products is growing slowly, and it is the only pulp and paper sector where local production exceeds apparent consumption, resulting in a significant proportion being exported. Visy's planned further expansion of the Tumut mill (expected to be complete by late 2009) will effectively double existing fibre requirements, adding significantly to pulpwood demand in the Murray Valley wood supply region.

International trade in softwood logs and timber products

Australia is one of the world's largest woodchip exporters, and Japan, which dominates the world trade in woodchips, is Australia's largest market, accepting the majority of Australia's softwood woodchip exports.

Pöyry expects this market to remain relatively stable in the medium term.

Softwood sawn timber exports have traditionally been low, as Australia has used the majority of its softwood sawn timber production domestically. While sawn timber exports in 2006/07 were only 9.3% of production, they have grown over the last 10 years, from 21,000m³/a in 1998/99 to 282,000m³/a in 2007/08 at an average of 38.8%/a. The percentage of total Australian softwood sawn timber production exported grew from 0.9% in 1998/99 to 6.6% in 2007/08. Over the same period, exports of softwood roundwood logs have also increased. Both trends reflect the development of overseas markets complimenting the traditional domestic markets. With the softwood plantations in a mature phase of development, the annual sawlog harvest is expected to stabilise at around 10 million m³/a. Domestic consumption is expected to increase and Pöyry expects log availability for export markets to decline.

The introduction of high tariffs on Russian roundwood log exports has also increased prices for softwood sawlogs in Europe and Asia. This development serves to help protect the domestic market from cheaper imports while, in combination with a weaker

Figure 3: Latest weighted average domestic sawlog and pulpwood stumpage prices and ranges reported by APLPI (Jun-Dec 2008)

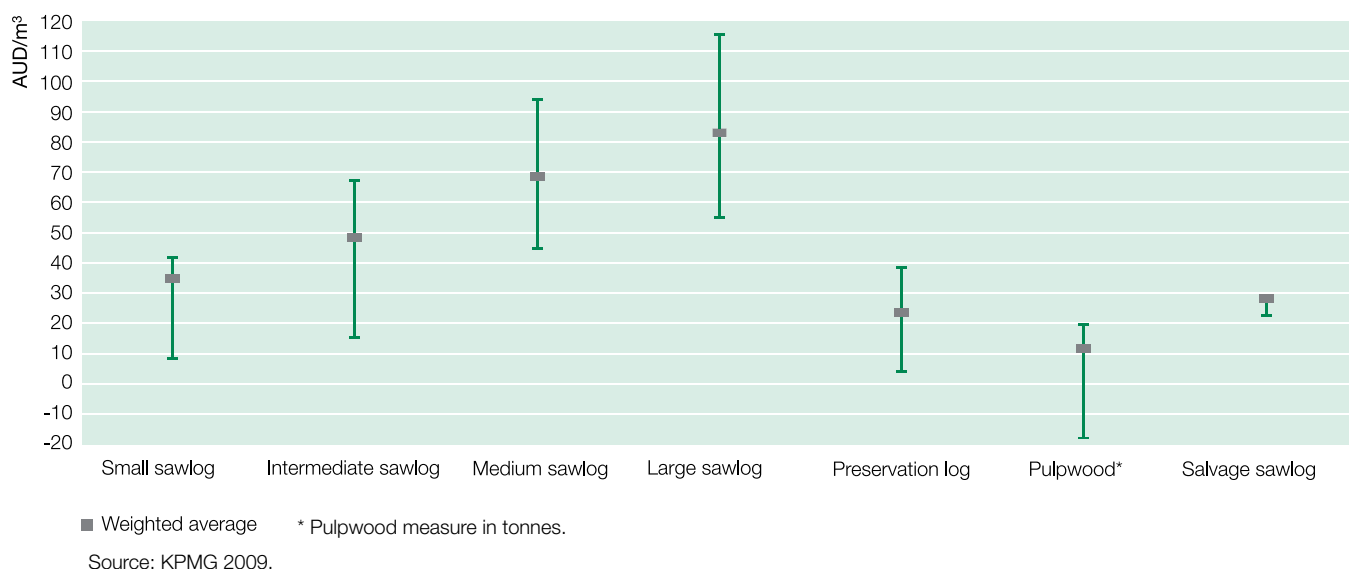


Table 3: Data table for Figure 3 AUD/m³ (pulpwood AUD/tonnes)

	Small Sawlog	Intermediate Sawlog	Medium Sawlog	Large Sawlog	Preservation Log	Pulpwood	Salvage Sawlog
Weight Average	35.20	48.59	68.84	83.54	23.78	11.76	28.34
Minimum	8.46	15.45	45.17	55.47	4.24	-17.95	22.71
Maximum	42.02	67.68	93.94	116.43	38.63	19.70	29.40

Source: KPMG 2009.

9.0 INDEPENDENT MARKET REPORT CONTINUED

Australian dollar, it helps to further export price competitiveness in the short term.

Log prices

The Australian forest products industry is characterised by long term log supply contracts (up to 20 years), with stable price review mechanisms based on various revenue or cost indicators. Not much wood is sold on a strictly free market basis. As a result, details of individual log sales transactions are not publicly available, making it difficult to identify market log prices. However, the Australian Pine Log Price Index (APLPI) publication provides weighted average stumpage prices² and indices for various grades of sawlogs and pulpwood as sold by key log sellers throughout Australia.

Domestic sawlog and pulplog prices

The government-owned softwood plantation investors, Forests New South Wales, Forestry SA, Forestry Plantations Queensland and the Forest Products Commission of Western Australia; and the large private softwood plantation investors, Hancock's Victorian Plantations, Taswood Investors, Willmott Forests and Global Forest Products, are the major sellers of softwood sawlogs and pulpwood in the Australian market, and log sales between various other parties tend to be referenced to prices paid to these major investors in their respective operational

regions. In those regions where supply deficits occur, large private investors can expect to achieve prices in the higher end of the APLPI.

The average weighted softwood sawlog and pulpwood stumpage prices reported by APLPI are detailed in Figure 3. Vertical lines represent price ranges.

The increasing demand for pulpwood and small sawlogs resulting from the expansion of the Visy's pulp and paper mill at Tumut and the ATP mill at Bathurst are expected to increase demand for small logs in these major softwood plantation growing areas. Willmott Forests has been able to take advantage of this expansion by entering into a 10 year wood supply agreement with Visy. This increase is expected to allow greater market access for products from thinning operations from private investors which in turn will improve the quality of products produced and returns from their plantation resources at clearfell.

From 1998, sawlog stumpage prices have been maintained or have increased slightly in nominal terms while in real terms (adjusted for inflation), shown in Figure 4, have fallen over the last 10 years, a decrease of 9% for sawlogs. This is because long term contracts incorporating stable price review mechanisms based on various revenue or cost indicators are the most common arrangements for log sales in Australia.

As long term contracts are renegotiated, and as an expected overall supply deficit develops (see Figure 5) Pöyry expects long term prices to increase provided that domestically produced logs remain price competitive against imported product.

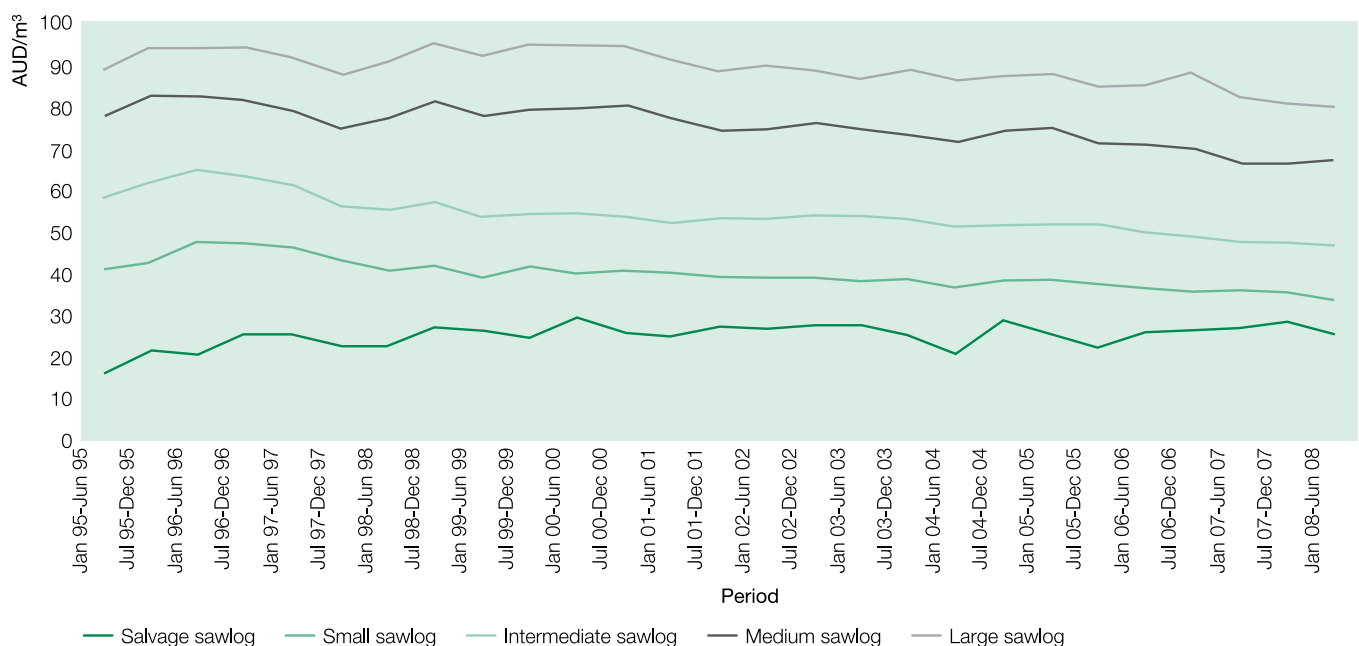
In Pöyry's experience, regions with large, varied and integrated markets for, and higher quality plantations of, softwood sawlogs such as the Murray Valley region, tend to attract higher prices than those that do not, which would contribute to the broad range of prices reported by the APLPI.

Key drivers for the market outlook

The major use for softwood sawn timber in Australia is in house construction, alterations and renovations. The structural softwood sawn timber demand is closely correlated with housing construction activity.

Currently, the Australian building industry is at a low point in the cycle (Figure 2) due to the prevailing global economic downturn. However, Australia continues to face a widening gap between demand for and supply of housing and housing stock numbers remain low. Pöyry therefore expects to see an increase in new dwelling unit commencements in the medium term and at a rate in excess of the historic average of 0.2%/a. Demand growth can be expected to be particularly strong in the fast growing south-east. Stable

Figure 4: APLPI real price series 1995-2008 (indexed to Jan-Jul 2008 prices)



Source: KPMG 2008.

2. Stumpage prices are the prices paid for the wood at the stump (after deducting the costs of harvest, loading and transport to the mill or wharf gate).

macroeconomic trends should underpin good levels of business investment and consumer confidence over the medium to long term. Continued population growth, boosted by higher immigration, a long term trend of declining household size and construction of larger houses, and continued government aid to first home buyers combine to support stable housing demand over the long term.

Based on Pöyry's analysis, Australia will face a substantial supply deficit in softwood sawn timber in the future due to the needs of the domestic sawn timber market outpacing the growth of new plantation establishment (Figure 5). This will lead to an increase in demand for structural softwood timber. Such an increase will have a positive impact on prices. The level of impact depends on the production of domestic processors and the availability and prices of imports.

Secondary markets for softwood plantation

Willmott Forests proposes to offer investors the opportunity to establish softwood plantations in Australia and then sell these plantations at around Age 15 years. The following is an overview of the development and characteristics of the secondary markets.

Investment in secondary timber markets

Investors with a long term investment horizon view plantation forests as an alternative asset class. During the term of the investment the investor may receive income through the sale of interim products (e.g. thinning volumes) while the final return is based on steady biological tree growth and the changes in the value of wood/timber.

Plantation forest investment is distinctly different if compared to bonds or other fixed income securities. Specifically, the biological tree growth and expected land appreciation provides a natural hedge against inflation, i.e. it preserves capital by minimizing inflation's erosive effects. Large-scale participation in timberland investments started by the 1980s, but it is the recent rate of expansion that is noteworthy.

In 1975, over 30 publicly traded, vertically integrated forest products companies existed in North America. They owned or controlled over 22 million hectares (ha) of forest land to support their manufacturing facilities in the US. Timberlands were a relatively unknown commodity at this time, and were greatly undervalued.

As of early 2008, 10 of the largest 17 private-sector timberland owners in North America were Timber Investment

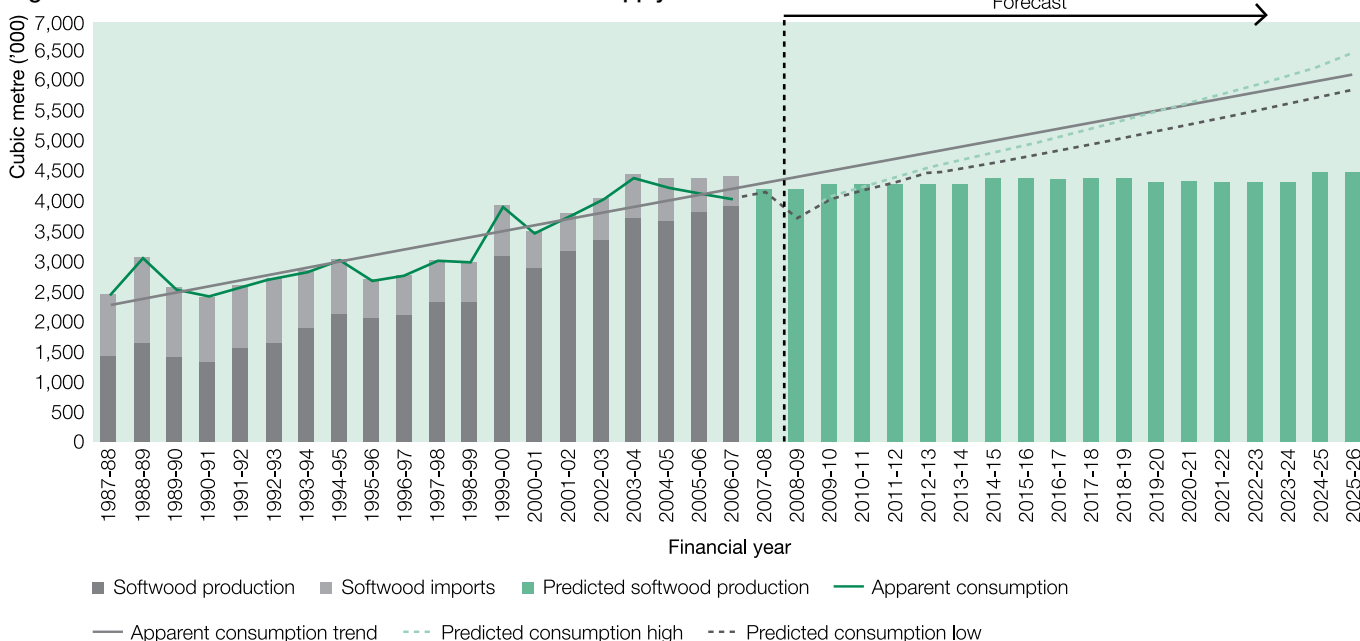
Management Organisations (TIMOs). As the name implies, these entities manage the placement of investment funds in forests. In some cases, the TIMO may be placing some of its own organisation's funds, but the more general model involves the TIMO placing funds on behalf of other institutional investors. A common form of the latter has been pension funds. The core business is astute acquisition of timberland and then holding it for both income and appreciation returns. While TIMOs are the most dominant investor group in the North America, there are also other investor types that are active in this market.

Secondary market development

Timberland as an asset class has proven attractive to institutional investors, and those with a long term perspective. Timberland is capable of absorbing sizeable quantities of funds and therefore offers an efficient placement option for large-scale investors. The flipside of such assets tends to exclude smaller investors with non-divisible investment structures.

A recent review by DANA identifies 18 TIMOs in the US, but the population is dynamic, and has expanded rapidly over the last decade. Most of the TIMOs are based in North America, and the majority of their investments have been located there (Table 4). Overseas investments are still relatively small in comparison, but are growing.

Figure 5: Australia's softwood sawn timber demand and supply outlook



Source: ABS 2008, Parsons, Frakes & Gavran 2007, ABARE 2000-2008, Pöyry.

9.0 INDEPENDENT MARKET REPORT CONTINUED

Table 4: Global investment of North American TIMOs (as at 15 March 2007)

Region	Number of TIMOs	Total hectares		Total dollars	
		Number	Per cent	USD billion	Per cent
US	18	8 177 551	77	19,7	75
Canada	3	1 263 034	12	1,4	5
South America	4	242 813	2	1,1	4
Australia-NZ	4	930 785	9	3,9	15
Total	19	10 614 183	100	25,7	100

Source: James W. Sewall Company, 2007.

TIMO Investment in Australian plantations

TIMOs have taken a healthy interest in softwood plantations in Australia, with management of 36% of the total softwood plantations in the country (19% of all plantations in Australia) as shown in Figure 6. In contrast, they have been less active with hardwood plantations, which are predominately managed by Managed Investment Scheme (MIS) companies. Recently, some TIMOs have ventured into establishing small-scale high-value African mahogany plantations in northern Australia.

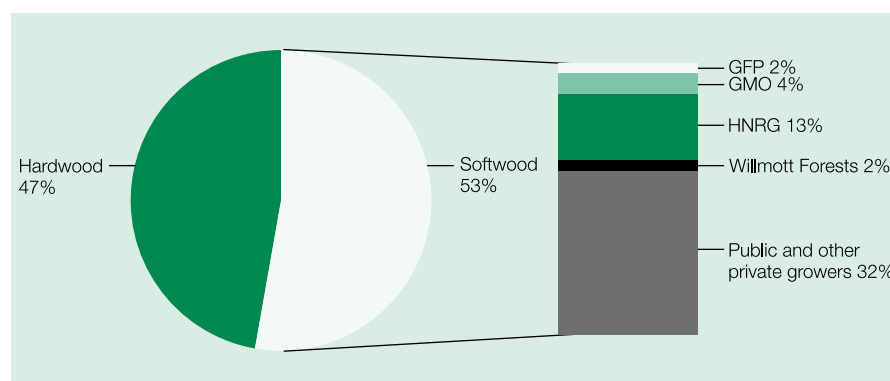
Hancock Natural Resource Group (HNRG)

HNRG is a US-based investment management company and one of the largest timber industry investment management organisations in the world. A division of HNRG, Hancock Timber Resource Group (HTRG) manages timber investments on behalf of institutional investors such as US and Australian superannuation funds.

In 1998, HNRG acquired the state-owned plantation business, Victorian Plantation Corporation (VPC). This was the first HNRG timber investment acquisition outside North America.

HVP Plantations (HVP) was set up in 1998 to manage the acquired ex VPC plantations on behalf of HNRG. HVP owns and manages around 245,000ha of forest plantations across Victoria; approximately 80% of area under management is softwood plantations. This makes HVP the largest private softwood plantation

Figure 6: Plantation in Australia by species and ownership (softwood only)



Source: BRS Plantation Inventory Update 2008 and Pöyry.

owner in Australia. It supplies over three million tonnes of plantation-grown softwood and 300,000 tonnes of plantation-grown hardwood to sawmillers, panel producers and pulp and paper mills in Australia and overseas. Willmott Forests has an agreement with HVP to use HVP's 2nd rotation land, which provides Willmott access to HVP's wood supply agreement.

Grantham, Mayo, Van Otterloo and Co (GMO)

GMO is a US-based privately held global investment management firm servicing clients in the corporate, public, endowment, and foundation marketplaces. GMO Renewable Resource Group was formed in 1997 to increase the depth of alternative investment capabilities at GMO, with a focus on forestry. In 2007, GMO Renewable Resource Group launched the Long Horizons Forestry strategy, which invests in non-traditional species with a 15 to 20 year rotation time.

In 1999, GMO entered into a joint venture with Forestry Tasmania. The joint venture is named Taswood Investors and GMO has a 50% ownership. Taswood Investors owns 42,000 ha of softwood plantation in Tasmania and the resource is currently managed by Timberlands Pacific Pty Ltd.

In November 2008, GMO purchased the cutting rights to a single rotation of 33,000ha of Gunns' softwood plantation (ex Auspine) in the Green Triangle region of South Australia and Victoria.

GMO also owns some small-scale African mahogany plantations in northern Australia.

Global Forest Partners LP (GFP)

GFP is one of the largest timber investment management organisations. It ventured into the Australian market in the late 1990s, in a joint venture with Weyerhaeuser to

purchase 20,000 ha of CSR's softwood plantations in the Green Triangle region of South Australia and Victoria. In 2005, a subsidiary of GFP acquired 12,000 ha of private softwood forest in New South Wales, and an additional 7,000 ha since 2005.

Characteristics of timberland as an asset class

Timberland as an asset class has a long-held reputation for providing dependable returns. Unique qualities presented by this asset class include biological growth and land appreciation that offers an inflation hedge and has a stabilising effect. To a degree, the harvesting of timberlands can also be managed by adjusting the harvest rate and timing according to the prevailing market, i.e. product prices. This is the case as a forest can function as both a factory and a warehouse. Trees are grown and can be 'stored on the stump'. This provides flexibility of harvesting trees when wood/timber prices are up, and delaying harvest when prices are down.

Timberland managers can also potentially (to a certain extent) choose between alternative markets at different times. For example, when housing starts are low due to problems in the real estate markets, as is presently the case, timberland managers can sell more timber to pulp and paper companies or other forest product companies.

Other unique characteristics of timberland asset lies in the fact that it is a renewable resource that increases in value as trees mature. Trees not only grow in volume but also in value. Larger diameter trees are disproportionately more valuable than smaller ones. In addition, professional and sustainable management of the forest can enhance growth rates.

The above special characteristics and qualities of timberlands combine to create an alternative investment class which is especially attractive in today's turbulent global economic climate.

The useful characteristics of the asset class are generally cited as:

- long-lived (matching the demographic characteristics of pension funds);
- self-generating (with forests being both the factory and the product);
- self-maintaining; and
- offering an option value:
 - tangible;
 - environmentally friendly; and
 - aesthetically rewarding.

Figure 7 shows that, historically, forest investments have had an attractive risk-return profile, both in the US and in Finland.

In the US, investors have historically expected nominal un-levered returns of about 10% for domestic timberland investments, and 15% in emerging economies. Scandinavian investors have been using leverage to achieve comparable capital returns. The returns of a forest asset investment are derived from a combination of the income and capital gains: cash from sales of trees and capital gains in the form of steady biological tree growth and the changes in the value of wood/timber. If land ownership is also included then land appreciation can also contribute towards capital gains.

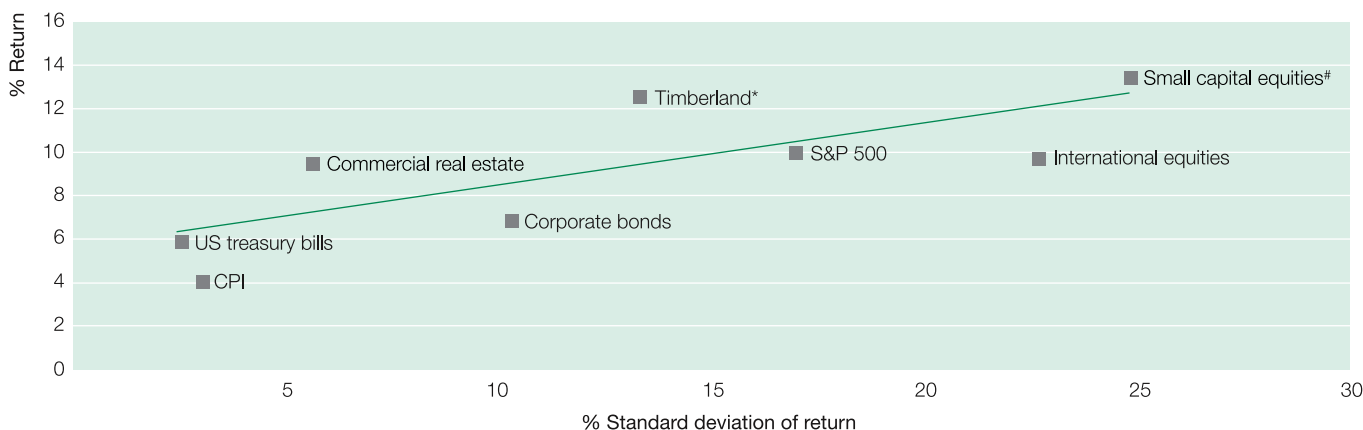
Data from the NCREIF Timberland Property Index-South indicate:

- last 10 years, nominal annualised returns before fees of 8.7%; and
- last 20 years, nominal annualised returns before fees of 11.2%.

Note: This index is largely reflective of pine plantations.

Timberland returns in the US have been declining over the past two decades, possibly due to the number of transactions that occurred which lowered the returns (competition raises timberland prices, thus reducing returns to timberland buyers). In the late 1980s and early 1990s, based on a limited number of transactions, timberland returns appeared very attractive.

Figure 7: Investment returns of large forest funds in the US 1960-2002



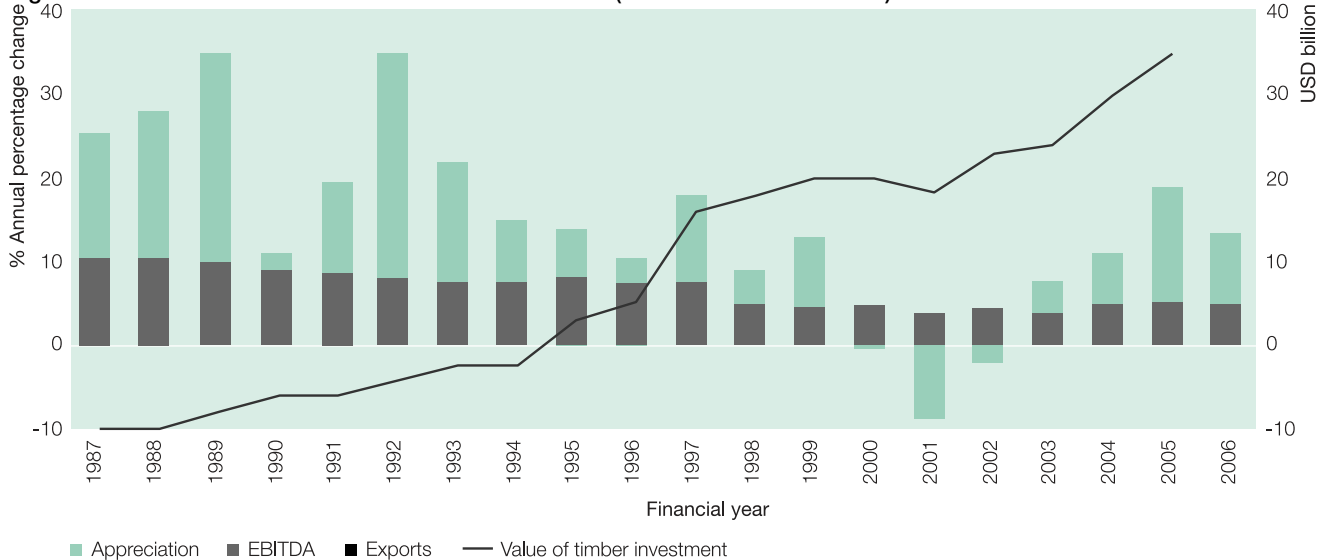
* NCREIF Timberland Index, Data from 1979-1998.

Data from 1979-1998.

Source: Pöyry.

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Figure 8: US Institutional forest assets investment returns (NCREIF timberland index)



Source: NCREIF, Data 1987-2006.

The more recent aggressive bidding in global forest transactions has gradually 'equalised' the return and correlation to other investments, as shown in Figure 8. However, returns to forest owners selling their assets into the secondary market improved.

Timberland Investments as an Asset Class in Portfolios

In the selection of assets, institutional investors typically consider objectives such as diversification and liability matching in trying to create an efficient portfolio, i.e. one that provides the greatest return for a given level of risk.

Secondary timberland investments present the portfolio manager an alternative to cash, stocks and bonds. Given the nature of the investment, investors obviously need to have a longer-term perspective. The features associated with this asset class include:

- Favourable returns. Forest investments have proven to generate favourable returns, in real terms, compared to other asset classes. However, in recent years, timberland returns have been declining in the US.
- Stable returns. Constant and known biological growth, generating a stable cash flow. Flat historical real price development. Raw material with many uses. Favourable risk – return profile.

- Asymmetric return structure. Due to flexibility in utilisation of the forest resource, the effect of low points in the price cycle can be reduced, and upsides fully utilised.

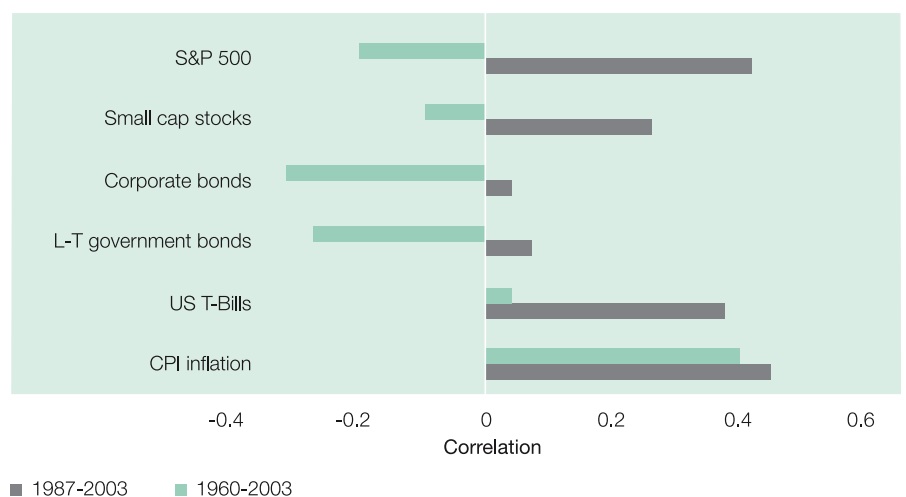
Historically, forest assets have shown negative correlation with traditional investments, providing excellent characteristics as a portfolio instrument. In more recent times, this trend has changed and timberlands tend to move with the market (Figure 9). Evidence exists to show that timberland assets have a positive correlation with inflation and provides a natural hedge against it.

One possible hypothesis is that the shift from long term sawlog contracts to spot contracts has caused the returns to move with market demand.

Over the years, timber investments have continued to gain interest from both institutional and retail investors for their diversification and inflation hedging characteristics, and as a good alternative to stocks and bonds.

Public and private pension funds, private equity investments in limited partnerships (LP), commingled funds and insurance company separate

Figure 9: Changing timberland betas overtime



Source: Timber Mart-South, 2005.

accounts have all invested in timberland assets. This trend is expected to accelerate as more of the available timberland transfers from forest products companies, increasing the number of investment products and making the market more liquid and efficient. These fundamental market changes are creating a more robust market in timber and in ancillary investments, including those based on supply contracts.

According to JP Morgan Investment Analytics and Consulting, timberland falls within the alternative asset class and, like private equity and real estate, provides a good complement to the traditional asset classes of equity and fixed income. An allocation to timberland aids in creating a more efficient portfolio while providing a better match for longer-term pension liabilities or the long term horizon of endowments and foundations.

Expected return on the selling of new plantation assets in secondary markets

It is observable that TIMO investors to date have preferred investment in existing plantations through acquisition rather than investing in new plantation projects. Through its proposed MIS project, Willmott Forests plans to develop a plantation asset and position this asset for on selling into a secondary market at about mid-rotation age. The assumption of the existence of and investor interests in such a market is based on the evidence provided. However, not all of the unique characteristics of timberland investment as previously outlined apply directly to MIS investors. MIS investors's income will principally accrue from the sales transaction. The nature of the investment in the MIS project is therefore similar to investment in a zero-coupon bond.

In acquiring a timberland asset, investors will value the current crop based on expected future cash flows. The valuation methodology applied in Australia usually conforms with the AASB141 (Agriculture), and the ACFA Australian Standard for Valuing Commercial Forests Version. The attractiveness of a particular asset and therefore the actual bid price are likely to be influenced by a number of factors:

- The geographic location(s) of the asset (the closer to markets the more attractive).

- Age (or age-classes) of the trees (the older and the more age-classes the more attractive).
- The size of the asset (the larger the asset in terms of future wood flow volume and duration, the more attractive).
- The market power of the bidder (number of bidders).

Timberland investment outlook

Experts believe there is in the order of USD50 billion in potential investment money (equity and debt) available for timberland investments around the world (Vicary, 2009).

The forest ownership restructuring trend which is prominent in the US and Europe has started in Australasia, and is likely to start in other markets such as Asia, provided the legal structures are in place and the investment market is mature enough. This development has provided, and will continue to provide, investment opportunities in the US and Europe as well as in Australasia.

With the dramatic changes in exchange rates, there has been a corresponding shift in the global cost curve for wood fibre.

Generally speaking, the relative attractiveness of timberland has increased if it is located in countries with a weak currency since the timber is now more cost competitive. Prospective buyers with funds in strong currencies should be particularly interested in these assets due to their greater purchasing power. As a result, the case for Chinese and Japanese companies buying timberland in Brazil, Australia and New Zealand is suddenly stronger.

According to the CIBC report, the secular trend in real timberland prices is upward. Despite improvements in intensive forest management and the future development of the Russian forest resource, this view is based on the following pressures:

- Continued growth in Asia's wood fibre deficit.
- Structural declines in the Canadian wood supply.
- Increasing demand for non-timber values from the forest (e.g. carbon).

- Growing limitations on the supply of good-quality land.
- Secular upward trends in energy and food prices, and the convergence of the markets for food, fuel and fibre.

The impact of the current financial meltdown will dissipate over time. However, to the extent the various bailout packages result in higher external debt/GDP ratios, there is arguably a greater probability of inflationary pressures in the future.

In response to a prospective increase in inflation, it is logical for long term investors to increase their bias in favour of 'real assets' (e.g., timberland). An added distinguishing feature of timber as a real asset is that even if demand is subdued over the short/medium term, the asset literally continues to grow in volume if it is not harvested. This is not the case for minerals or real estate in general.

Most likely a meaningful share of the increase in government spending in developed countries will be directed towards the alternative energy sector. Through its exposure to the biofuel and biomass segments of the alternative energy sector, timberland is a potential beneficiary of this development over time.

CIBC reports that it was positive on the long term prospects for timberland as an investment prior to the current financial crisis. Despite the expected negative impact over the next one to three years, it predicts that the crisis could ultimately make its long term outlook even more positive.

High value hardwood market review (African mahogany and southern Silky Oak)

Background and uses

African mahogany

African mahogany (*Khaya senegalensis*) is a hardwood tree native to central and western tropical Africa. It was first planted in Australia in the 1950s as roadside plantings and in public parks, initially with limited research as to its potential as a possible plantation species. Over the past decade, significant interest has developed into the plantation potential of this species, as natural resources in Africa become increasingly depleted

9.0 INDEPENDENT MARKET REPORT CONTINUED

following years of over-harvesting. To Pöyry's knowledge, about 7,500ha of African mahogany has been planted to date in Australia.

The wood of African mahogany is highly sought after, and is used in the manufacturing of fine cabinetry and furniture, musical instruments such as pianos, trimming of fine boats, as well as turnery, carving and others. The wood is distinguished by its colour, which varies from yellowish, reddish, pinkish, or salmon-coloured when freshly cut, to a deep rich red, to reddish brown as the wood matures with age. Mahogany has a fine to medium texture, with uniform to interlocking grain, ranging from straight to wavy or curly. It polishes well, with excellent working and finishing characteristics. It also responds well to hand and machine tools, has good nailing and screwing properties, and turns and carves superbly.

Southern Silky Oak

Southern Silky Oak (*Grevillea robusta*) is a medium-size rainforest hardwood species. It grows naturally in the coastal region between northern New South Wales and Maryborough in Queensland (Bootle 2005). It has also been introduced in eastern Africa, Africa, India, Sri Lanka, Brazil and the US in Hawaii, California and Florida.

The heartwood of southern Silky Oak is pale pink to red-brown with a silky lustre and prominent rays of darker colour. Southern Silky Oak is prized for its lace-like features and the heartwood is easy to work with. The sapwood is pale in colour and susceptible to pinhole borers. Southern Silky Oak is similar to South American mahogany (*Swietenia*) in most strength properties (The Wood Explorer 2009). It is used for fine furniture, moulding, cabinet making and other decorative applications. The timber has been used by local furniture makers and craftsmen for well over a century. Southern Silky Oak also veneers very well. Radially sliced veneer produces a very attractive and unique pattern. Other uses include panelling and the manufacture of small wooden items such as pen and gift boxes.

Overview of the high-value hardwood market

The vast majority of global high-value hardwood is sourced from tropical regions. The global market for tropical hardwood logs in 2006 was approximately 144 million m³, with China, India, Japan, Taiwan and Thailand being the largest importing countries.

High-value tropical hardwood logs are used for the manufacture of a broad range of wood products, from decorative veneer to joinery, fine cabinetry, furniture and others. Mahogany wood, in particular, is regarded by many as a premier wood for fine cabinetry and furniture, musical instruments such as pianos, and trimming of fine boats, turnery, carving and others. Southern Silky Oak is also prized by the cabinet and furniture makers for its unique features and good workability.

After a long period of relatively stagnant prices up until 2003/2004, tropical hardwood log prices in Asia-Pacific have been rising noticeably. The main reason is the growing shortage in hardwood supply from forest resources in major supplying countries such as Malaysia and Indonesia. In addition, prices have responded to the progressive introduction of export log tariffs on Russian logs.

Strong demand growth in the Chinese and Indian markets has also helped strengthen log prices. In Japan, log prices have been comparatively stagnant, as import volumes of logs have decreased.

The prices of Malaysia's representative export log species have all risen sharply in recent years. This has been driven chiefly by the region's tightening supply of quality hardwood species, whilst the market demand has remained relatively consistent. The prices have fallen about 20% since July 2008 due to a decrease in demand from processors as a result of the economic down turn. Indonesian domestic demand also experienced a similar decline. However, Pöyry holds the view that this is likely to be a temporary setback. Supply remains fundamentally constrained due to decades of unsustainable management of south-east Asia's tropical forest

resources. The tropical hardwood log prices recovered strongly following the 1997 Asia financial crisis, and in a similar vein, Pöyry expects the prices to recover in the medium to long term, despite the current financial situation.

International demand and supply trends

In general, tropical hardwood logs tend to be consumed domestically. Thus, the largest tropical hardwood log producing countries are naturally the major consumers. Brazil, Indonesia, Malaysia, and India were the largest tropical hardwood log producers in 2006, and presented the largest markets for the product. However, high-value tropical hardwood deviates slightly from this model in the Asia-Pacific region. This is because the main centres of manufacturing such as China do not have their own high-value tropical hardwood resources, and other manufacturing centres, such as Vietnam and Malaysia are facing a shortage of resources in their own countries. Furthermore, the high prices commanded for the end-products of high-value tropical hardwood enable the manufacturers to source logs from further away and still make a reasonable profit. These factors lead to a healthy international trade of high-value hardwood throughout the region.

Although China is only the fifth largest tropical hardwood log consumer, low levels of domestic supply have resulted in China being the largest importer by a considerable margin. Other key tropical hardwood log consumers relying upon imports include some of the Asian and European industrialised countries such as Japan, Taiwan, South Korea, France, Italy and Portugal.

Furniture production and interior decoration in Asia is forecast to remain strong in the medium to long term, led by China's expected GDP growth and manufacturing nations with competitive labour costs, such as Thailand and Vietnam. In these countries, the growth is founded upon growing domestic demand as well as exports of finished products.

African mahogany

The two major mahogany supply regions of the world are South America and central and western Africa.

South American mahogany is native to South America, and often referred to as big-leaf mahogany or 'true' mahogany. African mahogany is referred to as dry-land mahogany, and is native to Africa, as is Lagos mahogany *Khaya ivorensis*, which is common in Ghana.

South American mahogany (*Swietenia* spp.) has been listed in Appendix II of the Convention on International Trade in Endangered Species (CITES). This listing means the species is not necessarily threatened with extinction, but trade must be controlled in order to avoid utilisation incompatible with its survival. This has led to a tightening supply of South American mahogany.

The ITTO reports that the extreme tightness of South American mahogany supplies has lent strength to the demand for, and prices of woods of similar appearance and properties, such as African mahogany.

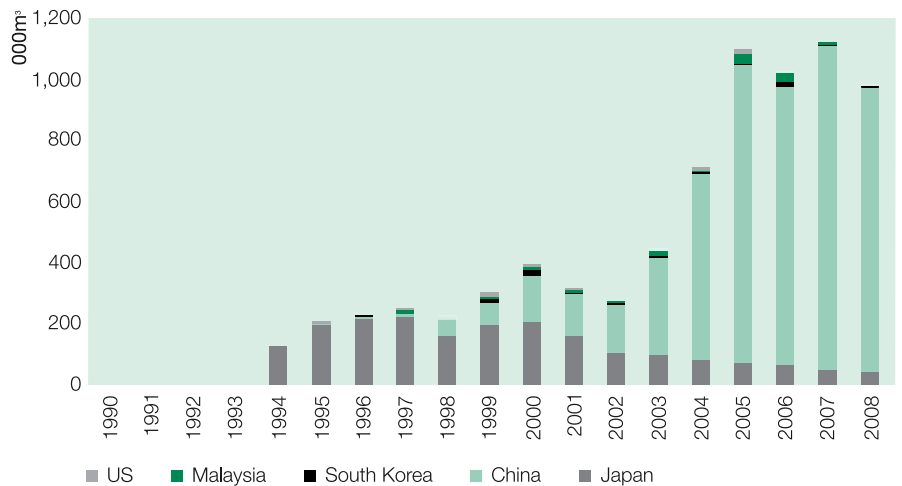
Southern Silky Oak

Currently, there is no significant volume of southern Silky Oak traded on the international market. The plantation log produced in Africa is consumed locally, and there is no evidence of exports to date.

In the US, southern Silky Oak is referred to as 'lacewood', due to its large medullary rays which resemble oak when quartersawn. There is demand for lacewood in the US, but due to cost and limited supply, it is rare to find Australian Silky Oak in the US. Most of the US lacewood is sourced from Brazilian lacewood (*Roupala brasiliensis*), which has similar features to southern Silky Oak, but is slightly darker in colour (Kaiser 2007).

Small quantities of northern Silky Oak (*Cardwellia sublimia*) veneer logs have been harvested and exported to South Korea from Cairns in northern Queensland.

Figure 10: Import of Oak (*Quercus*) of selected countries in the Pacific Rim



Source: World Trade Atlas.

Key drivers for the market, opportunities and threats

African mahogany

The key driver for African mahogany on the international market is the supply of South American mahogany. As the supply of South American mahogany tightens due to its protected species status, the demand for substitute species, such as African mahogany including plantation-grown, increases as processors attempt to find suitable substitutes.

Southern Silky Oak

The potential market driver for southern Silky Oak is the demand from furniture and cabinet makers in the Asia-Pacific region and the domestic market. These manufacturers then sell the finished products domestically or internationally.

Given the similar appearance and uses of southern Silky Oak and Oak (*Quercus*), there is an opportunity for southern Silky Oak finished products to be sold on the US furniture market.

In the Pacific Rim region, the import of oak logs has increased dramatically since 1998. This increase was driven by demand from China to supply its wood product industry, including furniture manufacturing.

The Chinese demand for raw material is driven by demand for manufactured goods domestically and from other countries such as the US. Russia is, by far, the major supplier of oak logs into China. However, Russian log supply is set to decline in the future. The Russian government has announced the implementation of steep log export tariffs, now delayed until late 2009 or early 2010. Given the expected Russian log export decline, Chinese buyers are expected to explore alternative sources.

Log prices

Sawlog prices are a function of log type, and characteristics such as tree stem form, wood quality, log size and other attributes. The wood characteristics of native trees and plantation-grown trees of the same species differ and are influenced by a number of factors such as the harvest age of the plantation-grown variety, the proportion of heartwood versus sapwood and other parameters. Native logs typically achieve a price premium. Published prices can therefore not be directly applied to plantation-grown logs. However, the price trend of native forest logs provides an indication of the expected future price changes for plantation logs.

9.0 INDEPENDENT MARKET REPORT CONTINUED

Domestic sawlog price

The suitability of Australian plantation-grown African mahogany for specific applications and markets will largely govern the potential of the species. To date, very little plantation timber has been available for assessment or use by industry, and the majority of Australian-grown mahogany currently available has been sourced from street trees and other sources.

A price of AUD250/m³ was recently achieved at an auction in northern Queensland (Nikles *et al.* 2007). This was reportedly for butt logs, approximately 6m in length and with an over barks diameter at breast height (DBH) of 40-60cm, with minimal taper and knots. Nikles *et al.* (2007) also noted that a rotation length of 20-25 years would be required to achieve this diameter, based on current growth rates. This price is below the native grown log price which is about AUD410/m³ ³ free-on-board (FOB).

Plantation-grown southern Silk Oak has yet to reach harvest age in Australia. Most of the southern Silky Oak logs harvested are sourced from mature street and garden trees. Therefore, a market price for plantation-grown sawlog is difficult to estimate. The log prices for veneer logs vary greatly due to different grades and sizes. The timber price is

estimated to be around AUD1,000m³ for green timber, and AUD1,500-3,500 m³ for dried timber. Based on Pöyry's modelling, the current timber prices translate to an estimated stumpage range from AUD 150/m³ to AUD220/m³.

Key price drivers and market outlook for domestic sawlogs

While the Australian domestic market for African mahogany and southern Silky Oak is small, partly due to limited supply, the demand from south-east Asian and Chinese markets are potentially very large. Due to the lack of local processing facilities, African mahogany plantation owners in northern Australia are likely to export their logs. Willmott Forests has the option of selling the logs from its planned southern Silky Oak resources in northern New South Wales to the local sawmills and plywood mills or to export the sawlogs through the port of Brisbane.

At present, the domestic market demand for African mahogany and southern Silky Oak is small. This is primarily due to limited supply. Both species have desirable features and good workability and have a long history of utilisation. Hence, the domestic market outlook is positive, once volumes become available and the domestic end-users become aware of the unique features of both species.

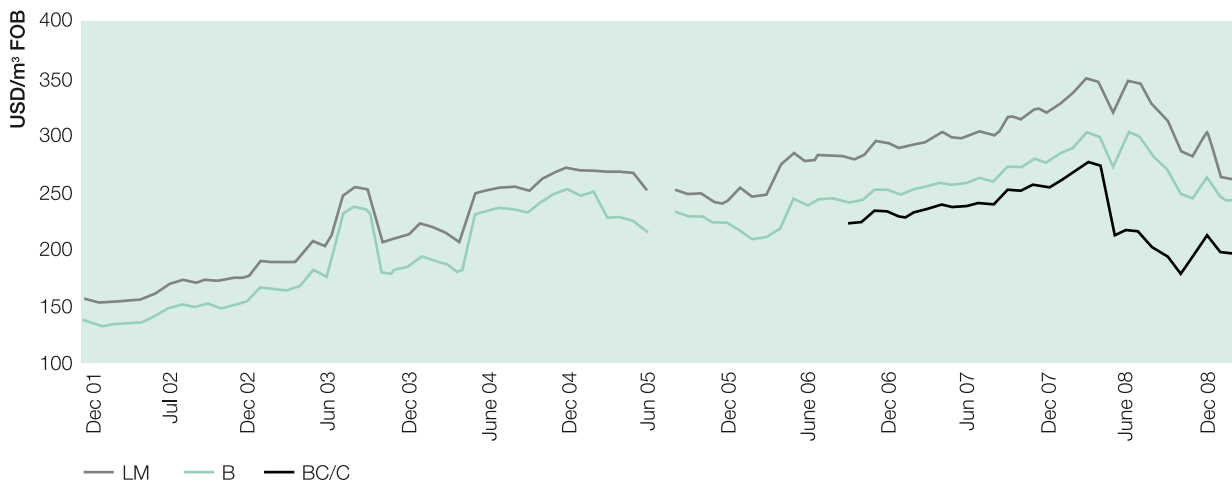
International sawlog prices

No published market data is available for plantation-grown African mahogany, as the plantations have yet to reach maturity. Pöyry has illustrated the recent price trend using native sawlog FOB prices of western African khaya (African mahogany), which is readily traded on the international market, see Figure 11. As of February 2009, the native African mahogany sawlog FOB prices range from USD260 to USD194/m³ (AUD356 to AUD265/m³)⁴ depending on the grades. Shipping costs to the Asian market from northern Australia compares favourably with shipping from West African countries.

To Pöyry's knowledge, no southern Silky Oak logs are traded on the international market.

Prices for large diameter, naturally grown logs of African mahogany from central and western Africa have increased significantly since 2002, driven in part by the dwindling supplies of mahogany available from South America as well as by strong demand from the US, China and India. The economic downturn caused the export prices to drop in late 2008 and early 2009.

Figure 11: West African native Khaya species log prices FOB USD/m³ (Asian market)



Note:

LM: Loyale merchant, a grade of log parcel.

B: log grade, face veneer grade B.

BC/C: log grade, face veneer grade BC, back veneer grade C.

Grade decrease from B, BB, C, CC etc. original price unit in €, converted to USD.

Source: ITTO 2009.

3. Reported price is USD300/m³ as at 2007. Assumed long term exchange rate of AUD1 = USD0.73.

4. Based on assumed long term exchange rate of AUD1 = USD0.73

Key price drivers and market outlook for international sawlogs

The key price driver of African mahogany is the imbalance between the world's demand for wood products such as veneer and furniture, and the supply availability of high-value sawlogs. The decreasing supply of South American mahogany forces processors to seek alternate species with similar features, such as African mahogany. This increasing shift in demand and the general decline in supply of natural forest tropical hardwood, including African mahogany, make the long term outlook for native African mahogany log prices very positive. The prospects for plantation-grown African mahogany should also benefit from this as processors are increasingly searching for alternatives.

As there is no international market for southern Silky Oak, the market outlook is difficult to estimate. However, several factors contribute to an encouraging outlook for potential international markets for southern Silky Oak:

- Good marketability, stemming from its unique features.
- Compatibility with existing and widely adapted species such as oak, in a large consumer market such as the US.
- Popular with users such as furniture and cabinet makers, therefore demand is expected to be reasonable.

However, the success of southern Silky Oak on the international market depends on factors such as:

- Market demand from existing international processors.
- Ability to consistently supply a sufficient volume of good quality logs in order to develop a southern Silky Oak -based processing industry.

Disclaimer

Pöyry Forest Industry Pty Ltd (Pöyry) has prepared this report for Willmott Forests Limited (the Project Manager) in accordance with the scope of work outlined in its Management Consulting Agreement with the Project Manager. The Project Manager requested this report to be prepared for inclusion in a PDS.

In preparing this report, Pöyry has relied on information made available by the Project Manager together with other information which is outlined in this report. Whilst this information has been checked for accuracy, there is a range of factors

that can impact on the results achieved. Neither Pöyry nor its employees responsible for the production of this report take responsibility for omissions or errors in any other matters in the PDS that are not referred to in this report.

Nothing in the report is, or should be relied upon as a promise by Pöyry as to the future volumes and prices that will eventuate in the Australian market. Actual sales prices at the time the Project plantations are harvested may be significantly above or below the current prices given in this report. The forest industry has similar inherent risks as other forms of land based primary production, and a long investment period. These risks may be material to the expected outcomes. Pöyry does not accept responsibility for updating the information contained in the report after the date of production.

This report should be read in full. No responsibility is accepted for use of part of this report in any other context or for any other purposes, or for use by third parties.

In accordance with regulation 7.6.01(u) of the Corporations Regulations 2001, Pöyry makes the following disclosures:

1. Pöyry has been retained by the Project Manager to provide an Independent Market Report for inclusion in the PDS.
2. Pöyry anticipates that further engagements in relation to the provision of forestry consulting advice may be entered into with the Project Manager on an as-required basis.
3. Pöyry does not have any direct investment in Willmott Forests Limited (the Project Manager) or its business interests, and has no commercial interests in the financial products being offered other than as a service provider to the Project Manager.
4. Pöyry does not hold an Australian Financial Services Licence and is not operating under such a licence in providing this report.

Yours sincerely,



Rudolf van Rensburg
Senior Consultant
Pöyry

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9.0 INDEPENDENT MARKET REPORT CONTINUED

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6 April 2010

The Directors
Willmott Forests Limited
249 Park Street
South Melbourne VIC 3205

Dear Sirs

Following is our Independent Tax Consultant Opinion (the Report) setting out the Income Tax and Goods and Services Tax (GST) consequences for Investors that are initial participants investing in the Willmott Forests Premium Forestry Blend – 2010 Project (the Project) issued by Willmott Forests Limited (Willmott Forests) under a product disclosure statement dated 7 April 2010 ('PDS').

The following opinion is based upon the Income Tax Assessment Act 1936 (ITAA 1936), the Income Tax Assessment Act 1997 (ITAA 1997), and the A New Tax System (Goods and Services Tax) Act 1999 (GST Act) in their current form. KPMG's Tax practice is not licensed to provide financial product advice under the Corporations Act and taxation is only one of the matters that must be considered when making a decision on a financial product. Investors should consider taking advice from an Australian Financial Services Licence holder before making any decision on a financial product.

Executive summary

Subject to the comments and exclusions discussed below, the following is a brief summary of the general taxation implications for Investors who are initial investors in the Project:

- The Application Price of \$5,000 per Forestry Interest (Application Price), Forestry Management Fee and Insurance Fees paid by an Investor will be deductible under section 394-10 of the ITAA 1997 when paid. The deductibility of these amounts is not restricted by the prepayment provisions in ITAA 1936.

- Interest incurred on amounts borrowed from Willmott Finance Pty Ltd or an External Lender will be deductible when incurred under section 8-1 of the ITAA 1997. Any borrowing costs payable in connection with any finance facility will be spread over the period of the loan, or over five years (whichever is the shorter period) under section 25-25 of the ITAA 1997.
- Where an Investor disposes of Forestry Interests after having claimed a tax deduction for the above amounts (except in some circumstances beyond the Investor's control):
 - the Investor's assessable income for the income year of disposal will include the market value of the Forestry Interests disposed of; and
 - tax deductions previously claimed will be denied if the disposal occurs within four years of the end of the income year in which the Investor first pays an amount under the Project (i.e. on or before 30 June 2014 for amounts paid prior to 30 June 2010).
- Where the Trees are planted within 18 months of the end of 30 June 2010 i.e. 31 December 2011, deductions previously claimed will not be denied.
- The non-commercial loss rules only apply to business related losses. As Investors are not carrying on a business by participating in the Project, these rules will not apply to defer tax deductions claimed under Division 394.
- The Application Price, Insurance Fees, and Forestry Management Fees (Deferred and/or Annual fees) relate to an interest in the Managed Investment Scheme (MIS) and as such are not subject to GST. In such circumstances Investors cannot claim input tax credits on these fees.
- The general anti avoidance rules contained in Part IVA of the ITAA 1936 will not apply to deny deductions available to Investors provided the Project is operated in the manner described in the PDS and the Investors enter into the Project with the dominant commercial purpose of making a profit.

1. Background

This Report has been prepared for inclusion in the PDS to be issued by Willmott Forests. Some of the specific features of the Project include:

- Investors will acquire a proportionate interest in the whole Project.
- Willmott Forests will act in the capacity of Responsible Entity of the Project.
- Willmott Forests Investment Management Pty Ltd (WFIM) is the Manager of the Project.
- WFIM will provide land under the Land Sourcing and Forestry Services Agreement to the Responsible Entity.

Please refer to the PDS for further details of the Project.

This Report is based solely on the information provided by the Responsible Entity and based on the assumption that the Project will be carried out in the manner described.

2. Tax deductibility of Application Price, Forestry Management Fee and Insurance Fees

An Investor will be entitled to a tax deduction for the Application Price of \$5,000 per Forestry Interest and Forestry Management Fee (Deferred and/or Annual fees). This is confirmed in paragraphs 25 to 29 of Product Ruling PR 2010/4.

The above mentioned fees are deductible when paid and are not subject to the prepayment rules contained in section 82KZL – 82KZO of the ITAA 1936. This is confirmed in paragraph 38 of Product Ruling PR 2010/4.

An Investor cannot deduct the Application Price if a Capital Gains Tax (CGT) Event happens in relation to its Forestry Interest in the Project within four years of the end of the income year in which the Investor first pays an amount under the Project i.e. on or before 30 June 2014 for amounts paid on or before 30 June 2010.

10.0 INDEPENDENT TAXATION REPORT CONTINUED

The Federal Government has introduced legislation in relation to forestry MIS to ensure that Investors cannot fail the four year holding rule as a result of events genuinely outside the control of the Investor. These events will include insolvency of the MIS manager, the death of the Investor or the cancellation of an MIS interest due to trees being destroyed by fire, flood or drought. This legislation has not been enacted at the date of this report.

Insurance Fees

Investors will be required to pay a proportion of the insurance fees annually from the end of the Stocking Guarantee Period. We consider these amounts will be deductible in the year in which they are paid under section 394-10 of the ITAA 1997, subject to the other conditions for deductibility that are stated above being satisfied.

Insurance Fees are deductible under section 394-10 of the ITAA 1997 as the amounts are paid under the Project and are not specifically excluded payments under section 394-40 of the ITAA 1997 and paragraphs 394-45(4),(a),(b), or (c) of the ITAA 1997.

3. Tax deductibility of interest incurred on amounts borrowed to finance the Application Price and loan application fees

Investors may finance their participation in the Project through a Loan Agreement with Willmott Finance Pty Ltd or an External Lender.

Where the interest incurred in respect of such financing is paid under a Loan Agreement to finance the Investor's interest in the Project, we consider such interest will be deductible under section 8-1 of the ITAA 1997 in the income year in which it is incurred. Deductibility of interest incurred in respect of loans from Willmott Finance Pty Ltd is confirmed in paragraph 33 of Product Ruling PR 2010/4.

The tax deductibility of borrowing costs is determined under section 25-25 of the ITAA 1997. We consider that a tax deduction will be allowed for any borrowing costs incurred under a Loan Agreement, and such costs are to be deductible over the period of the loan, or over five years, (whichever is the shorter period). The

deductibility of borrowing costs arising in respect of loans from Willmott Finance Pty Ltd is confirmed in paragraph 33 of Product Ruling PR 2010/4.

Stamp duty on the loan may also be payable by the borrower and may be charged at a later date. This is also deductible as a borrowing expense under section 25-25 of the ITAA 1997, over the lesser of five years or the period of the loan.

Investors who finance their participation in the Project through a Loan Agreement with an External Lender may obtain a private binding ruling from the Australian Taxation Office confirming the deductibility of such costs related to the Project.

4. Assessable income derived when an Investor disposes of its interest in the Project

Where a CGT event happens to a Forestry Interest held by an initial Investor, the market value of the Forestry Interest will be included in the Investor's assessable income under Division 394. This is confirmed in paragraph 34 of Product Ruling PR 2010/4. The actual proceeds received by the Investor on the occurrence of the CGT event will be deemed to be non-assessable non-exempt income.

In most instances the actual proceeds received by the Investor will be equalled to the market value of the Forestry Interest.

Based on the amendments proposed in *Tax Laws Amendment (2010 Measures No. 1) Bill 2010*, where an Investor intends to dispose of one or more Forestry Interests within four years of the end of the income year in which the Investor first pays an amount under the Project, tax deductions may be denied unless the CGT event arises as a result of events genuinely outside the control of the Investor. Investors intending to dispose of Forestry Interests should seek their own taxation advice regarding the tax implications of doing so.

5. Assessable income derived from the thinning, sale and harvesting of trees

Thinnings

An amount received by an Investor in respect of a thinning of trees grown under the Project will constitute a distribution of

ordinary income that arises as an incident of the Investor holding a Forestry Interest. Where this is the case, Investors must include such amounts received in their assessable income in the income year in which those amounts are derived under section 6-5 of ITAA 1997. This is confirmed in paragraph 37 of Product Ruling PR 2010/4.

Please refer to section 3.9.2 of the PDS for more information on the thinning of trees under the Project.

Harvesting and sale

On the clearfell harvesting of African mahogany trees, Silky Oak trees, and the sale of Radiata pine as standing timber (at approximately year 15 after establishment of the Project), the market value of the Forestry Interests will be included in the Investor's assessable income in the year of harvesting. This is confirmed in paragraphs 34 to 36 of Product Ruling PR 2010/4. In most instances the actual proceeds received by the Investor will be equivalent to the market value of the Forestry Interest.

Please note the CGT discount rules will not apply to any Investors as the amount is included in assessable income under Division 394 of the ITAA 1997.

6. Application of the prepayment rules

The prepayment rules do not limit the deductibility of the Application Price. This is confirmed in paragraph 38 of Product Ruling PR 2010/4.

The prepayment rules may apply if an Investor in this Project chooses, or is required to prepay interest under a loan agreement. Prepayment of interest is not covered by this Report. Affected Investors should seek their own independent taxation advice or request a private binding ruling from the Australian Taxation Office confirming the tax consequences of prepaying interest.

7. Application of the non-commercial loss deferral rules

The non-commercial loss provisions contained in Division 35 of the ITAA 1997 prevent business losses of individuals from non-commercial business activities from being offset against other assessable income in the year the loss is incurred.

In such a case, the loss is deferred to a later year until sufficient income is derived.

Losses arising from participation by an Investor in the Project are not losses in connection with a business, and are therefore not within the scope of Division 35 of the ITAA 1997. This is confirmed in paragraph 21 and paragraph 38 of Product Ruling PR 2010/4.

The law has also recently been amended to defer business losses where one of the four tests contained in Division 35 has been passed and the adjusted taxable income of the individual is greater than \$250,000. These rules will not apply to Investors in the Project as Investors are not considered to be carrying on a business.

8. Secondary market trading of Forestry Interests

One of the objects of Division 394 of the ITAA 1997 is to allow secondary market trading of interests in forestry MIS. For initial participants, under Division 394 of the ITAA 1997, payments made under the Project will continue to be deductible provided the Forestry Interests are held for at least four years after the end of the income year in which the payment is made. The market value of Forestry Interests disposed of will be included in the assessable income of Investors.

For Investors who acquire Forestry Interests from initial participants (subsequent participants), a deduction will not be allowed for the initial cost, however any ongoing costs such as interest and insurance will be deductible under Division 394 of the ITAA 1997.

On disposal of these Forestry Interests by the subsequent participant prior to harvest, an amount equal to the net deductions previously claimed by the subsequent participant will be included as assessable income under Division 394 of the ITAA 1997.

A capital gain will arise to the subsequent participant where the sale proceeds received exceed the initial cost paid by the subsequent participant increased by the net deductions previously claimed by the subsequent participant under Division 394 of the ITAA 1997.

9. GST

Investors are not carrying on an enterprise for GST purposes merely as a result of the investment in the Project and are not, therefore, entitled to be registered for GST purposes as a result of the investment in the Project.

Fees in respect of the MIS

Section 40-5 of the GST Act provides that 'financial supplies' are input taxed and have the meaning given by the A New Tax System (Goods and Services Tax) Regulations 1999 (GST Regulations). The issue of the Forestry Interest in the Project is the issue of a security, being an interest in a MIS for the purpose of the GST Act, and is therefore an input taxed supply.

The following fees as described in the PDS are either payable upfront on issue of the MIS interest or debited against an Investors account in the MIS and as such are not subject to GST:

- Application Price;
- Forestry Management Fees (Deferred and Annual fees); and
- an administration fee payable by a transferring Investor to the Responsible Entity in respect of a transfer of its forestry interest.

In addition to the above fees Investors are required to pay annual amounts described in the PDS as 'insurance fees and costs'. We note that while such amounts are calculated with reference to Willmott Forests' annual insurance premium obligations, they do not constitute the provision of insurance to Investors. Rather these fees relate to the Investors ongoing contribution to the scheme and are more appropriately considered to be part of the investment or contribution to the scheme. Accordingly, such payments would also not be subject to GST.

As GST is not charged on such fees debited against an Investors account, Investors cannot claim an input tax credit in respect of these fees.

Investors share of proceeds from harvest and sale of Trees

The Investor's share of proceeds from the harvest and sale of the Trees (whether or not as standing timber) is not consideration

for a supply made by the Investors for GST purposes. Accordingly, the Investors will not be required to pay GST in relation to their proportion of the Forestry Income and are not required to be registered for GST purposes in relation to the receipt of these amounts.

Costs of the Responsible Entity

The Responsible Entity of the Project is carrying on an enterprise for GST purposes, and therefore it is the Project that incurs all of the costs (e.g. rent) in relation to the Project and makes the relevant supply of the Trees on Harvesting for GST purposes. GST on the Harvest and sale of the Trees is the responsibility of the Responsible Entity.

Fees in respect of loans

The following are fees payable in certain circumstances by Investors in respect of loan obligations owing to Willmott Finance Pty Ltd, and as such are not subject to GST on the basis they relate to a financial supply (being the loan):

- A payment default fee charged for any monthly payment which is rejected by the borrower's nominated financial institution; and
- An upfront loan contribution fee of \$250 or 0.3% (whichever is greater) of the loan amount payable under the Principal and Interest Loan Agreements.

If there is a change in the GST treatment of any Project costs, Willmott Forests has a right to be indemnified for the GST either out of Project Property or by an Investor.

10. General tax anti-avoidance measures

For Part IVA of the ITAA 1936 to apply there must be a 'scheme' (section 177A of the ITAA 1936), a 'tax benefit' (section 177C of the ITAA 1936) and a dominant purpose of entering into the scheme to obtain a tax benefit (section 177D of the ITAA 1936).

The Project will be a 'scheme'. An Investor will obtain a 'tax benefit' from entering into the scheme, in the form of tax deductions for the amounts incurred in respect of the scheme, that would not have been obtained but for the scheme. However, in our opinion it is not open to conclude the

10.0 INDEPENDENT TAXATION REPORT CONTINUED

scheme will be entered into or carried out with the dominant purpose of obtaining this tax benefit.

In determining the dominant purpose of the scheme, the Commissioner must take into account the following eight matters:

1. The manner in which the scheme was entered into or carried out.
2. The form and substance of the scheme.
3. The time at which the scheme was entered into and the length of the period during which it was carried out.
4. The income tax result that, but for Part IVA, would be achieved by the scheme.
5. Any change in the financial position of the taxpayer that has resulted, will result, or may be reasonably expected to result, from the scheme.
6. Any change in the financial position of any person who has, or has had, any connection (whether of a business, family or other nature) with the taxpayer, being a change that has resulted, will result, or may reasonably be expected to result, from the scheme.
7. Any other consequence for the taxpayer, or for any person referred to in (6) above, of the scheme having been entered into or carried out.
8. The nature of any connection (whether of a business, family or other nature) between the taxpayer and any person referred to in (6) above.

There are no facts that would suggest that Investors have the dominant purpose of obtaining a tax benefit from entering into the Project. There is no non-recourse financing, the Project does not contain round robin characteristics, and there is no indication that the parties are not dealing at arm's length or, if any parties are not dealing at arm's length, that any adverse tax consequences result. Further, having regard to the factors to be considered under paragraph 177D(b) of the ITAA 1936, it cannot be concluded on the information available, that participants will enter into the scheme for the dominant purpose of obtaining a tax benefit. This is confirmed in paragraph 38 of Product Ruling PR 2010/4.

11. Product Ruling

Product Ruling PR 2010/4 has been issued by the ATO confirming that the tax benefits set out in the Product Rulings and described in this Report are available to Investors provided the arrangement is carried out in the manner described.

12. Declarations

We recommend that intending Investors consult their own professional advisers for independent advice that an investment in the Project is appropriate for their individual circumstances. Intending Investors should also note that:

- the involvement of KPMG in the preparation of this PDS is limited to the preparation of this Report for which normal professional fees will be received;
- KPMG provides Willmott Forests Limited with certain other professional services for which normal professional fees will be received;
- KPMG has not been involved in any other aspect of the PDS and did not authorise or cause the issue of any other part of the PDS and has only issued our consent in respect of inclusion of this Report in the PDS;
- the giving of our consent for the inclusion of this Report in this PDS should not be taken as an endorsement of the Project or a recommendation by KPMG of any participation in the offer by any intending Investors; and
- KPMG gives no assurance or guarantee whatsoever in respect of the future success or financial returns associated with the interests being offered pursuant to this PDS.

Our income tax advice is based on current taxation law as at the date our advice is provided. You will appreciate that the tax law is frequently being changed, both prospectively and retrospectively. A number of key tax reform measures have been implemented, a number of other key reforms have been deferred and the status of some key reforms remains unclear at this stage.

Unless special arrangements are made, this advice will not be updated to take account of subsequent changes to the tax legislation, case law, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of taxation authorities. It is your responsibility to take further advice, if you are to rely on our advice at a later date.

We are, of course, unable to give any guarantee that our interpretation will ultimately be sustained in the event of challenge by the Australian Commissioner of Taxation.

These comments are made specifically in response to your request for advice on behalf of Willmott Forests Limited. Accordingly, neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person or company other than Willmott Forests Limited for any errors or omissions in the advice given, however caused.

These comments are made specifically in response to your request for advice on behalf of Willmott Forests Limited. Accordingly, neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person or company who markets or otherwise encourages the promotion of Willmott Forests Limited.

Yours sincerely



Peter R Siebels
Partner
KPMG

11.0 ADDITIONAL INFORMATION

11.1 Constitution

The Project is a managed investment scheme established under a Constitution dated 11 March 2010.

Willmott Forests may amend the Constitution where it considers the amendment will not adversely affect Investors' rights or where a special resolution of Investors has approved the amendment.

You may obtain a copy of the Constitution free of charge by contacting Willmott Forests (refer to the Directory on the inside front cover of this PDS) during normal business hours.

The Constitution contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both Willmott Forests, as the responsible entity of the Project, and Investors. Some of the provisions of the Constitution are discussed elsewhere in this PDS (in particular, section 3). Provisions in the Constitution that relate to an Investor's rights include:

- what an Investor is entitled to receive if the Project is wound up;
- the nature of the Forestry Interests (subject to the rights and obligations attaching to any class of Forestry Interests, each Forestry Interest confers an equal, undivided interest in the Project Property); and
- an Investor's rights to attend and vote at meetings. Resolutions passed at a meeting are binding on all Investors.

The Constitution sets out the powers and duties of Willmott Forests. Under the Constitution:

- Willmott Forests has, subject to the Corporations Act, all the powers of a natural person in relation to the Project Property, including the ability to appoint agents and delegates and to borrow money;
- an obligation to cause the Project Property to be valued in accordance with the Corporations Act;
- Willmott Forests can retire as responsible entity of the Project when permitted by law; and
- Willmott Forests can be removed as responsible entity of the Project when required by law.

The Constitution sets out the circumstances in which the Project can be terminated.

Under the Constitution:

- Willmott Forests is permitted to deal with itself, to hold Forestry Interests, to engage associates to provide services in respect of the Project, to be interested in contracts or transactions with itself, to retain profits or benefits from such contracts and transactions and to act as trustee of other managed investment schemes and trusts;
- Willmott Forests is not liable in contract, tort or otherwise to Investors for any loss suffered in any way relating to the Project except to the extent the Corporations Act imposes such a liability;
- Willmott Forests is entitled to be indemnified out of the Project Property for any liability incurred by it (or by an agent or delegate) in properly performing or exercising any of its powers or duties in relation to the Project;
- the liability of an Investor is generally limited to the amount unpaid in relation to their subscription for Forestry Interests (although the law in this area has not been fully tested). The Constitution contains a number of provisions which facilitate Willmott Forests recovering from an Investor costs it incurs in respect of Investors, including in respect of tax. For example, WFL is permitted to deduct amounts from distributions and, subject to the Corporations Act, redeem Forestry Interests; and
- an Investor must not, among other things, interfere with any rights or powers of Willmott Forests under the Constitution.

11.2 Land Sourcing and Forestry Services Agreement

The Land Sourcing and Forestry Services Agreement ("LSFSA") will set out the terms on which Willmott Forests engages the Manager to procure land for the Project and provide forestry services in relation to the Project (the "Services"). The Services which the Manager must perform are set out in detail in the LSFSA and reflect the services which Willmott Forests must ensure are provided in respect of the Project under the Constitution.

The LSFSA contains a number of provisions relating to the obligations and rights of Willmott Forests and the Manager in relation to the Services. In broad terms, under the LSFSA:

- the Manager must provide the Services for the fees set out in the LSFSA and provide reports to Willmott Forests;
- the Manager must promptly pay to Willmott Forests any money received in performing the Services (other than the Manager's fees);
- the Manager has all powers in respect of the Trees that it requires in order to carry out its functions under the LSFSA and is permitted to execute, on behalf of Willmott Forests, all documents it considers necessary for the purposes of providing the Services;

11.0 ADDITIONAL INFORMATION CONTINUED

- the Manager must act in accordance with the reasonable directions of Willmott Forests; and
- the Manager may authorise any person to act as its agent or delegate to perform the Services and is liable for acts or omission of any such appointed agent or delegate.

Willmott Forests is entitled to be indemnified by the Manager against all loss (other than consequential loss) suffered from, or in connection with, the Manager performing or failing to perform its obligations under the LSFSA, except where the loss is caused by a breach of the LSFSA or the negligence, fraud or dishonesty of Willmott Forests.

The Manager is not liable to Willmott Forests in respect of any liability arising out of Willmott Forests' non-compliance with any of its obligations in relation to the Project (except where the non-compliance has been caused by or resulted from a failure by the Manager to comply with the LSFSA) and is not responsible for any loss or expense suffered or incurred by Willmott Forests or an Investor because of a Force Majeure Event.

11.3 Other information

11.3.1 Compliance Committee

The Responsible Entity has established a Compliance Committee, which has three members of which a majority are external members. If any Compliance Committee member incurs a liability in their capacity as a Compliance Committee member in good faith, the member is entitled to be indemnified out of the assets of the Project in respect of the liability to the extent permitted by the Corporations Act.

11.3.2 Compliance Plan

The Compliance Plan of the Project must set out adequate measures that the Responsible Entity is to apply in operating the Project to facilitate compliance with the Corporations Act and with the Constitution. Each year the Compliance Plan is audited and the audit report is lodged with ASIC.

11.3.3 Audits

In accordance with the Corporations Act, the Responsible Entity is required annually to arrange an audit of the financial accounts of Willmott Forests, the financial accounts of the Project and an audit of the Compliance Plan.

Audit reports must be lodged with ASIC within three months of the end of each financial year.

Details of the auditors are set out in the Directory on the inside front cover.

11.3.4 Disclosing entity

The Project is not currently a disclosing entity under the Corporations Act. If the Project becomes a disclosing entity, the Project will be subject to regular reporting and disclosure obligations. Copies of any documents lodged with ASIC in relation to the Project may then be obtained from or can be inspected at, an ASIC office and investors will have a right to obtain a copy of the following documents in respect of the Project, free of charge:

- the most recent annual financial report;
- any half yearly financial report lodged with ASIC after that financial report but before the date of this PDS; and
- any continuous disclosure notices lodged with ASIC after that financial report but before the date of this PDS.

You can call the Responsible Entity on 1800 801 866 for general information in relation to the Project.

11.3.5 Litigation

To the knowledge of Willmott Forests, there is no litigation of a material nature pending or threatened which may significantly affect the Willmott Forests group or the Project.

11.3.6 Formation and issue expenses

All expenses of the issue of this PDS, including commissions, legal, accounting, auditing and expert fees, promotion, registration and duties, will be paid by Willmott Forests.

11.3.7 Related party transactions

The Responsible Entity and its associates are entitled to enter into or be interested on their own account in any transactions entered into on behalf of the Project or with any company who provides services to the Project. Any such transactions will be on arm's length commercial terms. The Responsible Entity and its associates are also permitted to hold Forestry Interests in any capacity.

11.3.8 Agreement with African mahogany (Australia) Pty Limited

Willmott Forests has appointed African Mahogany (Australia) Pty Limited (ACN 125 481 192) ('AMA') to provide forestry management services in relation to the African mahogany plantations. The terms of the appointment of AMA are arm's length and the appointment contains terms which are usual for the provision of forestry management services. Whilst AMA is not a related party of the Responsible Entity, for the purposes of the Corporations Act, one of the directors of AMA, Mr Simon Penfold, is an employee of the Responsible Entity.

11.4 Disclosure of interests, fees, payments and benefits

Each of the independent experts is paid professional remuneration in connection with the preparation of their reports contained in this PDS.

In addition:

Forsci Pty Ltd has contractual arrangements with the Responsible Entity to provide ongoing consulting services to the Responsible Entity.

Pöyry Management Consulting (Australia) Pty Ltd provides market advice to the Responsible Entity as required on a case by case basis.

KPMG provides taxation advice to the Responsible Entity as required on a case by case basis.

Mallesons Stephen Jacques provides ongoing legal advice to the Responsible Entity as required on a case by case basis.

Hugh Davies, a director of the Responsible Entity, is entitled to be paid fees from time to time for services rendered in his capacity as a lawyer and mediator and as a member of the Project's Compliance Committee.

11.5 Consents

Forsci Pty Ltd has given, and has not before the date of this PDS, withdrawn its consent to the Independent Forestry Report in section 8 being included in this PDS and all statements by it or said to be based on statements made by it in the form and context in which they are included.

Pöyry Management Consulting (Australia) Pty Ltd has given, and has not before the date of this PDS, withdrawn its consent to the Independent Market Report in section 9 being included in this PDS and all statements by it or said to be based on statements made by it in the form and context in which they are included.

KPMG has given, and has not before the date of this PDS, withdrawn its consent to the Taxation Report in section 10 being included in this PDS in the form and context in which it is included.

Armstrong Partners has given, and has not before the date of this PDS, withdrawn its consent to be included in this PDS in the form and context in which it is included.

Willmott Forests Investment Management Pty Ltd has given, and has not before the date of this PDS, withdrawn its consent to be included in this PDS in the form and context in which it is included.

Willmott Finance Pty Ltd has given, and has not before the date of this PDS, withdrawn its consent to be included in this PDS in the form and context in which it is included.

11.6 Privacy

Willmott Forests and Willmott Finance collect and use the personal information requested in the 2010 Application Form and Loan Application Forms respectively and by any other means in the future for the primary purpose of assessing your eligibility to apply for Forestry Interests in the Project, administering your participating in the Project and providing or arranging finance.

There are also a number of related purposes for which your personal information will be collected and these are to comply with Australian taxation laws, the Corporations Act, the Anti-Money Laundering and Counter-Terrorism Act 2006 (Cwlth) and other laws and regulations.

Willmott Forests and Willmott Finance assess your eligibility partly by undertaking credit reference checks. They are unable to process your application(s) and provide you with the requested number of Forestry Interests or finance without this information.

Willmott Forests and Willmott Finance may disclose your information (or parts thereof) to external parties including:

- persons and companies who provide administrative, distribution and other services to them;
- persons and companies who act on their behalf in the operation of their business from time to time;

11.0 ADDITIONAL INFORMATION CONTINUED

- government authorities or other bodies as required by the law; and
- credit reporting agencies.

Willmott Forests and Willmott Finance may also disclose your information to external parties on your behalf, such as your financial adviser, unless you have instructed otherwise.

Willmott Forests and Willmott Finance may use your information on occasion, to advise you about other products offered by them but will give you the opportunity to opt out of receiving these direct marketing communications.

If you default under the terms of your Loan Agreement, your personal information may be provided to an external Credit Reporting agency.

Please contact Willmott Forests should you wish to update, or request access to, your information or if you have any queries regarding this statement or the company's Privacy Policy.

Further information on how Willmott Forests handles your personal information is provided in the Company's Privacy Statement which is located on the website – www.willmottforests.com.au

11.7 Anti-money laundering

The Responsible Entity is bound by laws about the prevention of money laundering and the financing of terrorism, including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Laws). By applying to invest in the Project you agree that:

- (a) you do not subscribe to the Project under an assumed name;
- (b) any money used by you to invest in Forestry Interests is not derived from or related to any criminal activities;
- (c) the proceeds of your investment will not be used in relation to any criminal activities;
- (d) if asked, you will provide to Willmott Forests additional information reasonably required for the purposes of AML/CTF Laws (including information about a holder of Forestry Interests, any beneficial interest in the Forestry Interests, or the source of funds used to invest);
- (e) Willmott Forests may obtain information about you or any beneficial owner of a Forestry Interests from third parties if we believe this is necessary to comply with AML/CTF Laws;
- (f) you will inform Willmott Forests if you become known by a name other than the name provided on the Application Form while you are a holder of Forestry Interests; and
- (g) in order to comply with AML/CTF Laws Willmott Forests may be required to take action, including:
 - (i) delaying or refusing the processing of any application for Forestry Interests; or
 - (ii) disclosing information that we hold about you or any beneficial owner of the Forestry Interests to related bodies corporate of Willmott Forests or services provider or any relevant regulators of AML/CTF Laws (whether in or outside of Australia).

Identification information and documents

To comply with its obligations under the anti-money laundering and counter-terrorism financing legislation, Willmott Forests must collect certain information about each applicant, supported by relevant identification documents.

Examples of identification documents include driver's licences and passports for individuals, and evidence of registrations for entities such as companies. The documents you will need to provide are listed in the form you complete at the time of applying for Forestry Interests in the Project.

11.8 Collection of tax file numbers

Collection of tax file numbers is authorised, and their use and disclosure strictly regulated by tax laws and the Privacy Act. It is not an offence to not provide your tax file number to the Responsible Entity. If you do not provide your tax file number and do not claim an exception, the Responsible Entity is required to deduct tax from your distributions at the highest marginal tax rate plus the Medicare levy.

12.0 GLOSSARY OF TERMS

In this PDS and any supplementary PDS, these words and phrases have the following meanings:

12 Month Interest Free Loan Agreement

The Agreement between Willmott Finance and an Investor whereby interest free loans are extended to an approved applicant.

African mahogany

The species *Khaya senegalensis* – a high value hardwood timber suitable for furniture and decorative veneers.

Annual Forestry Management Fee

The fee described in section 5 under the heading Annual Forestry Management Fee.

Application Form

The Application Form attached to or accompanying the PDS.

Application Price

\$5,000 per Forestry Interest.

ASIC

Australian Securities and Investments Commission.

ATO

Australian Taxation Office.

Business Day

Means a day other than a Saturday or Sunday on which banks are open for general banking business in Melbourne.

Clearfell/Clearfall

The final cutting down or logging of the Trees from the Plantation.

Compliance Committee

The committee established by the Responsible Entity under Part 5C.4 of the Corporations Act and described in section 11.3.1.

Compliance Plan

The compliance plan prepared by the Responsible Entity under Part 5C.4 of the Corporations Act and described in section 11.3.2.

Constitution

The Constitution dated for the Project as amended from time to time.

Corporations Act

Corporations Act 2001 (Cth).

Deferred Forestry Management Fee

The fee described under the heading 'Contribution fee and Deferred Forestry Management Fee' in section 5.

Force Majeure Event

Includes any act of God, strike, lock out or other interference with work, war declared or undeclared, blockade, disturbance, riot, lightning, fire, earthquake, storm, flood, snowfall, hail, ice, drought, pestilence, natural disaster, explosion, governmental or quasi-governmental restraint, expropriation, prohibition, intervention, direction or embargo, unavailability or delay in availability of equipment or transport, inability or delay in obtaining governmental or quasi-governmental approvals, consents, permits, licences, authorities or allocations and any other cause which is not reasonably within the control of Willmott Forests.

Forestry Income

Has the meaning given in section 3.11.

Forestry Interest

A beneficial interest in the Project Property.

Forestry Right

In respect of land to be used to plant Trees, an interest in that land, granted by the owner or any other person entitled to grant such an interest, under which the recipient of the interest is, among other things, entitled to enter the land to establish, maintain and harvest a crop of Trees on the land.

Good Forestry Practice

Silvicultural, forestry and commercial practice commonly accepted by the plantation forestry industry in Australia.

Gross Timber Proceeds

Has a meaning given in section 3.11.

GST

Goods and Services Tax.

Investor

An applicant who is accepted into the Project.

Land Agreement

An agreement under which the Manager or Willmott Forests (as Responsible Entity of the Project) is granted Forestry Rights in respect of land to be used for the Project.

Land Sourcing and Forestry Services Agreement

An agreement between the Responsible Entity and the Manager, WFIM, under which WFIM is engaged to plant the Trees, carry out plantation management services and harvest and sale services.

Loan Agreement

Either a 12 month Interest Free Loan Agreement or a Principal and Interest Loan Agreement, as the context requires.

Manager or WFIM

Willmott Forests Investment Management Pty Ltd ABN 50 098 718 837.

Materially Damaged

Means destroyed or damaged so that, in the reasonable opinion of an independent forester appointed by the Responsible Entity, there is a materially adverse impact on the value of long term viability of the relevant Trees.

Offer Period

The period during which Willmott Forests accepts applications for Forestry Interest.

Plantation or Plantations

Land on which Radiata pine, African mahogany and Silky Oak Trees are planted in connection with the Project.

Principal and Interest Loan Agreement

A 3 or 5 year principal and interest loan agreement between Willmott Finance and an Investor.

12.0 GLOSSARY OF TERMS CONTINUED

Product Ruling

Means Product Ruling PR 2010/4.

Project

Willmott Forests Premium Forestry Blend – 2010 Project (ARSN 142 722 585).

Project Property

All the property rights and income of the Project which are acquired and held by the Responsible Entity on behalf of the Investors in accordance with section 601FC(2) of the Corporations Act, but not application money in respect of which Forestry Interests have not yet been issued.

Radiata pine

The species *Pinus radiata* – a softwood timber used to produce sawlogs and pulplogs. The primary use of softwood sawlogs sold in Australia is the production of structural sawn timber used in house construction and this market is dominated by softwood.

Responsible Entity

Willmott Forests Limited
ABN 17 063 263 650.

Silky Oak/Southern Silky Oak

The species *Grevillea robusta* – a native high value sawn hardwood timber resource suitable for furniture and decorative veneers.

Stocking Guarantee Period

In respect of a species of Tree, the period of 13 months from the date the initial planting of that species of Tree is completed.

Stumpage Price

The net price for timber after deducting the costs of harvesting (that is, the cutting down of trees) and haulage (the cost of transporting sawlogs to the mill or wharf gate).

Tax Act

The Income Tax Assessment Act 1936 (Cth) (as amended) or the Income Tax Assessment Act 1997 (Cth) (as amended), as required.

Thinning(s)

The first cutting down or logging of the Trees from a Plantation.

TIMO

Timberland Investment Management Organisation.

Tree or Trees

The Radiata pine, African mahogany and/or Silky Oak Trees planted under the Project, as the context requires.

Willmott Finance

Willmott Finance Pty Ltd
ABN 16 081 274 811.

13.0 COMPLETING THE APPLICATION FORMS – CHECK LIST

Eligible applicants

Applicants who are individuals must be over the age of 18. If you are applying on behalf of a minor, the Forestry Interests must be held in trust. Tax deductions can only be offset against Australian incomes.

Please submit completed application forms to:

Willmott Forests Limited
Locked Bag 4011
South Melbourne Victoria 3205

If you have any queries, please feel free to contact our Client Relations Team on freecall 1800 801 866.

Individual or Joint applicants

- Complete, sign and witness Form 1; and
- Certified current photo ID of Applicant/s.

And for Individual applicants seeking Finance:

(Willmott Finance Pty Ltd):

- Complete, sign and witness Form 4; and
- Include one current pay slip and one current tax return; or
- Include two previous tax returns.

AML requirements:

AML/CTF Identification and Verification Documentation to be supported and provided by all applicants. Refer to Check List on page 71.

Company applicants

- Complete, sign and witness Form 2; and
- Certified current photo ID of Applicant/s.

And for Company applicants seeking Finance:

(Willmott Finance Pty Ltd):

- Complete, sign and witness Form 4; and
- Include two previous tax returns; or
- Copy of previous two years signed accounts.

AML requirements:

AML/CTF Identification and Verification Documentation to be supported and provided by all applicants. Refer to Check List on page 71.

Trust or Super Fund applicants

- Complete, sign and witness Form 3; and
- Certified current photo ID of Applicant/s; and
- Include certified Trust Deed or Extract of Trust Deed.

And for Trust or Super Fund applicants seeking Finance:

(Willmott Finance Pty Ltd):

- Complete, sign and witness Form 4; and
- Include two previous tax returns; or
- Copy of previous two years signed accounts.

AML requirements:

AML/CTF Identification and Verification Documentation to be supported and provided by all applicants. Refer to Check List on page 71.

ANTI-MONEY LAUNDERING AND COUNTER TERRORISM FINANCING

QUESTIONS AND ANSWERS

What are the new anti-money laundering laws?

The Government has introduced new laws in the Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) Act 2006. The new laws require businesses that provide certain financial services to identify their customers before providing a service and report suspicious transactions.

What is money laundering?

Money laundering is the process criminals use to disguise the source of illegally obtained money so that it appears to have come from legitimate sources.

What is Terrorist Financing?

Terrorist Financing is the act of providing financial support to terrorists or terrorist organisations to enable them to carry out terrorist acts.

Why has the new legislation been introduced?

Australia has implemented new laws to improve its existing anti-money laundering and counter terrorism financing system and bring it in line with international standards. The new laws will make it harder for criminals to use the proceeds of crime and terrorists to receive money to carry out terrorist acts.

What does the new legislation mean for me?

When applying for a new product/s, individuals will need to provide verification information such as a certified copy of a passport or driver's licence. For non-individuals such as companies and trusts, more information will be required, for example a certified copy of an ASIC certificate of registration or trust deed. Please refer to the below table for example of documents.

Can a Tax File Number be used to verify my identity?

No. A Tax File Number cannot be used or disclosed to establish or confirm your identity.

Will my personal information be safe?

All financial services providers covered by the new legislation are required to keep client information in a safe and secure environment, as required by the AML/CTF Act and the Privacy Act 1988 (Privacy Act). The Privacy Act covers the collection, use, disclosure, quality and security of personal information. You can view our privacy statement on www.willmottforests.com.au

Who can certify your documents?

To have documents certified, please take the original documents and photocopies to any one of the following persons for him/her to certify that they are true and correct copies of the originals:

- a lawyer; a person who is enrolled on the roll of the Supreme Court of a State or Territory, or High Court of Australia, as a legal practitioner (however described);
- a bank officer with two or more continuous years of service;
- a postal agent; a permanent employee of the Australian Postal Corporation with two or more years of continuous service who is employed in an office supplying postal services to the public;
- a bank officer with two or more continuous years of service;
- a police officer;
- a teacher employed on a full-time basis at a school or tertiary education institution;
- a finance company officer with two or more years continuous years of service;
- an officer with, or authorised representative of, a holder of an Australian financial services licence, having two or more continuous years of service with one or more licensees; and
- an accountant, a member of the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants with two or more years of continuous membership.

The above is a non-exhaustive list obtained from Statutory Declarations Regulations 1993. Please contact us if you are unsure as to who is an appropriate person to certify your documents.

The authorised person will need to write in English. Certification must include the name, address, type of authority (i.e. dentist or pharmacist etc) and telephone number of certifying authority.

Faxed copies of certified documents do not comply with our identification requirements and are not acceptable.

CHECKLIST

If you are investing direct or through a financial planner, adviser or via an authorised representative of Willmott Forests Limited, you will need to provide us with the following identification material for AML/CTF purposes.

Please tick the relevant identification material you have attached with your application form:

Individual

Please provide a certified copy of:

- an Australian Driver's Licence that contains a photograph of the licence/permit holder; or
- an Australian Passport; or
- a foreign Passport or similar travel document containing a photograph and the signature of the person.

Partnership

Please provide:

- the documentation required for individuals for one of the partners; and
- certified copy or certified extract of the partnership agreement; or
- a certified copy or certified extract of minutes of a partnership meeting; and
- the full name and residential address of each partner in the partnership; and
- documentation evidencing the full business name of the partnership (where relevant).

Company

Please provide:

A full company search of the ASIC database showing:

- the full name of the company; and the ACN; and
- the registered office address of the company; and
- the principal place of business of a company; and
- the names of each director of the company (only for a propriety company); and
- if the company is a regulated company, a search of the licence or other records of relevant Commonwealth, State or Territory regulator; and
- if the company is listed, a search of the relevant financial market.

Trust or superannuation fund

Please provide:

- certified copy or certified extract of a trust deed confirming the full name of the trust, the type of trust (i.e. unit trust) and the country where the trust is established; and
- the name of each beneficiary of class of beneficiary; and
- the full business name of the trustee; and
- if the trustee is an individual, please also provide documentation required for individuals (above); or
- if the trustee is a company, please also provide documentation required for companies (above).

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2010 APPLICATION FORM – ADDITIONAL INFORMATION



Before completing or signing this Application Form please read the Product Disclosure Statement and any supplementary PDS ("PDS") for the Willmott Forests Premium Forestry Blend – 2010 Project. The PDS must be provided to you with this Application Form. Please read the Privacy information on page 65 and the AML/CTF on page 70 of the PDS. It will help you to understand the product and decide if it is appropriate to your needs.

Willmott Forests Premium Forestry Blend – 2010 Project

- (1) This application form accompanies the PDS for the Project dated 7 April 2010 and issued by Willmott Forests Limited (ABN 17 063 263 650, AFSL 233215).
- (2) A person who gives another person access to this application form must, at the same time and by the same means, give that other person access to the PDS and any supplementary PDS issued by Willmott Forests Limited.
- (3) While the PDS is current and the offer for Forestry Interest(s) in the Project is open, Willmott Forests Limited and any authorised representative or independent licensed financial adviser who has provided an electronic copy of the PDS will provide paper copies of the PDS, and any Supplementary PDS issued in respect of the Project and the 2010 Application Form, on request and without charge.
- (4) Unless otherwise specified in this application form, terms defined in the PDS have the same meaning in this application form.
- (5) Willmott Forests Limited is not obliged to redeem, repurchase or cause to be repurchased your Forestry Interest in the Project.
- (6) By signing this application form, each Investor acknowledges and agrees:
 - (a) that prior to completing this application form, the Investor was given access to and has read and understood the PDS, whether in electronic or printed form;
 - (b) that Willmott Forests Limited may accept or reject this application in respect of Forestry Interest(s) in whole or in part;
 - (c) that Willmott Forests Limited will use reasonable endeavours to arrange insurance on behalf of the Investors on the terms described in the PDS and that the Investor will pay the relevant premium and any other amounts the Investor is required to pay in relation to insurance, on receipt of the relevant invoice;
 - (d) the Project is intended to be a medium to long term investment and the Investor acknowledges the risks of the Project, as set out in section 4 of the PDS.

By signing the 2010 Application Form, each Investor agrees to be bound by the terms of the Constitution (as amended from time to time).

Privacy

For information on collection and use of personal information requested in the 2010 Application Form and Loan Application Forms, refer to section 11.6 Privacy, of the PDS.

In order to assist us to administer your personal information please check the following tick boxes where applicable:

Financial Adviser or Corporate Authorised Representative Authority

- By ticking this box the applicant indicates that they **do not** wish for their Financial Adviser or Corporate Authorised Representative to have access to their investment, terms or Finance information.

Other Product Information

- By ticking this box the applicant indicates that they **do not** wish to receive information regarding other products offered by Willmott Forests Limited.

Information and Reporting

You will receive a paper copy of the Annual Financial Reports and Annual Grower's Reports unless you elect to receive a copy of these documents electronically.

- By ticking this box you elect to receive the Annual Financial Reports and the Annual Grower's Reports electronically to the email address notified to us from time to time for this purpose.

The Annual Financial Reports and the Annual Grower's Reports are also available online at www.willmottforests.com.au

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FORM 1: 2010 APPLICATION – INDIVIDUAL OR JOINT APPLICANTS



Before completing or signing this Application Form please read the Product Disclosure Statement and any supplementary PDS ("PDS") for the Willmott Forests Premium Forestry Blend – 2010 Project. The PDS must be provided to you with this Application Form. Please read the Privacy information on page 65 and the AML/CTF on page 70 of the PDS. It will help you to understand the product and decide if it is appropriate to your needs.

Applicant 1				
Mr	Mrs	Ms	Miss	Other
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Last Name				
<input type="text"/>				
First Name		Second Name		
<input type="text"/>		<input type="text"/>		
ABN				
<input type="text"/>				
Date of Birth		Are you Registered for GST		
<input type="text"/>		<input type="checkbox"/> Yes <input type="checkbox"/> No		
Driver's Licence				
<input type="text"/>				
Residential Address (not PO Box)				
<input type="text"/>				
Suburb		State	Postcode	
<input type="text"/>		<input type="text"/>	<input type="text"/>	
Country of Residency				
<input type="text"/>				
Postal Address (if different from above)				
<input type="text"/>				
Suburb		State	Postcode	
<input type="text"/>		<input type="text"/>	<input type="text"/>	
Telephone BH				
<input type="text"/>				
Telephone AH				
<input type="text"/>				
Mobile				
<input type="text"/>				
Email				
<input type="text"/>				
Fax Number				
<input type="text"/>				

Applicant 2				
Mr	Mrs	Ms	Miss	Other
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Last Name				
<input type="text"/>				
First Name		Second Name		
<input type="text"/>		<input type="text"/>		
ABN				
<input type="text"/>				
Date of Birth		Are you Registered for GST		
<input type="text"/>		<input type="checkbox"/> Yes <input type="checkbox"/> No		
Driver's Licence				
<input type="text"/>				
Residential Address (not PO Box)				
<input type="text"/>				
Suburb		State	Postcode	
<input type="text"/>		<input type="text"/>	<input type="text"/>	
Country of Residency				
<input type="text"/>				
Postal Address (if different from above)				
<input type="text"/>				
Suburb		State	Postcode	
<input type="text"/>		<input type="text"/>	<input type="text"/>	
Telephone BH				
<input type="text"/>				
Telephone AH				
<input type="text"/>				
Mobile				
<input type="text"/>				
Email				
<input type="text"/>				
Fax Number				
<input type="text"/>				

Important: There is a PDS dated 7 April 2010 with information about investing in Forestry Interests in the Willmott Forests Premium Forestry Blend – 2010 Project (ARSN 142 722 585). Before signing the 2010 Application Form, you should read the PDS and any supplementary product disclosure statements containing information about investing in the Project.

Signed	<input type="text"/>
X	SIGN HERE
Applicant 1 Name	<input type="text"/>
Date	<input type="text"/>

Signed	<input type="text"/>
X	SIGN HERE
Applicant 2 Name	<input type="text"/>
Date	<input type="text"/>

Wealth Focus Pty Ltd
PO Box 760
Manly
NSW 1655
Tel: 1300 559 869
AFSL: 314872

FORM 1: 2010 APPLICATION – INDIVIDUAL OR JOINT APPLICANTS CONTINUED

Before completing or signing this Application Form please read the Product Disclosure Statement and any supplementary PDS (“PDS”) for the Willmott Forests Premium Forestry Blend – 2010 Project. The PDS must be provided to you with this Application Form. Please read the Privacy information on page 65 and the AML/CTF on page 70 of the PDS. It will help you to understand the product and decide if it is appropriate to your needs.

Payment Options for Forestry Interests

Applicant Name

Cash
 x Forestry Interests @ \$5,000 ea

12 Months Interest Free Loan (Willmott Finance Pty Ltd)
 x Forestry Interests @ \$5,000 ea

Principal and Interest Loan (Willmott Finance Pty Ltd)
 3 Years P&I x Forestry Interests @ \$5,000 ea

5 Years P&I x Forestry Interests @ \$5,000 ea

Payment Method

Cheque (for cash option only):
 Please make cheque payable to the Willmott Forests Premium Forestry Blend – Application Account

Credit Card (for all payment options):
 Visa Mastercard

Cardholder Name

 Card Number

 Card Expiry Date
 /
 Daily Limit (if applicable)
 \$

Request and Authority to debit the account named below to pay Willmott Forests Limited or Willmott Finance Pty Ltd:

Direct Debit (for all payment options):
 Financial Institution

 Account Name

 Account Number

 BSB Number (must be six digits)

I/we request and authorise each of Willmott Forests Limited (APCA User ID 067742 ABN 17 063 263 650) and Willmott Finance Pty Ltd, (APCA User ID 069471 ABN 16 081 274 811) to arrange, through its own financial institution, a debit to my/our nominated account any amount Willmott Forests Limited or Willmott Finance Pty Ltd has deemed payable by me/us, including all amounts owing by me/us under the Constitution and the Loan Agreement. This debit or charge will be made through the Bulk Electronic Clearing System (BECS) from your account held in the financial institution I/we have nominated above and will be subject to the terms and conditions of the Direct Debit Service Agreement outlined on page 89).

By signing and/or providing us with a valid instruction in respect to your Direct Debit Request, you have understood and agreed to the terms and conditions governing the debit arrangements between you and Willmott Forests Limited or Willmott Finance Pty Ltd as set out in the Request and in your Direct Debit Request Service Agreement.

If payments are being drawn from an account that requires more than one signature, both signatories must sign below.

Account Holder Signature
 SIGN HERE
 Account Holder Name

 Date

Account Holder Signature
 SIGN HERE
 Account Holder Name

 Date

Dealer/Financial Adviser Information (if applicable)

To ensure we can communicate your investment details to your Financial Planner/Adviser please complete the below:

Dealer Group	AFSL No
Adviser Name	AR No
Contact Name (if other than Adviser)	

FORM 2: 2010 APPLICATION – COMPANY APPLICANTS



Before completing or signing this Application Form please read the Product Disclosure Statement and any supplementary PDS ("PDS") for the Willmott Forests Premium Forestry Blend – 2010 Project. The PDS must be provided to you with this Application Form. Please read the Privacy information on page 65 and the AML/CTF on page 70 of the PDS. It will help you to understand the product and decide if it is appropriate to your needs.

Company Applicant

Company Name

ABN/ACN

Is the Company Registered for GST Yes No

Are you a Sole Director Yes No

Note: If you have more than two Directors, please copy this page and complete with details of additional Directors.

Registered Address

Suburb State Postcode

Postal Address (if different from above)

Suburb State Postcode

Telephone BH Fax Number

Email

Director 1

If you are a Director of the company, please complete the below:

Mr Mrs Ms Miss Other

Last Name Given Names

Date of Birth Driver's Licence

Residential Address (not PO Box)

Suburb State Postcode

Country of Residency

Telephone BH Mobile

Email

Fax Number

Director 2

If you are a Director of the company, please complete the below:

Mr Mrs Ms Miss Other

Last Name Given Names

Date of Birth Driver's Licence

Residential Address (not PO Box)

Suburb State Postcode

Country of Residency

Telephone BH Mobile

Email

Fax Number

Important: There is a PDS dated 7 April 2010 with information about investing in Forestry Interests in the Willmott Forests Premium Forestry Blend – 2010 Project (ARSN 142 722 585). Before signing the 2010 Application Form, you should read the PDS and any supplementary product disclosure statements containing information about investing in the Project.

Signed

X SIGN HERE

Director 1 Name

Date

Signed

X SIGN HERE

Director 2 Name

Date

FORM 2: 2010 APPLICATION – COMPANY APPLICANTS CONTINUED

Before completing or signing this Application Form please read the Product Disclosure Statement and any supplementary PDS (“PDS”) for the Willmott Forests Premium Forestry Blend – 2010 Project. The PDS must be provided to you with this Application Form. Please read the Privacy information on page 65 and the AML/CTF on page 70 of the PDS. It will help you to understand the product and decide if it is appropriate to your needs.

Payment Options for Forestry Interests

Applicant Name

Cash

 x Forestry Interests @ \$5,000 ea

12 Months Interest Free Loan (Willmott Finance Pty Ltd)

 x Forestry Interests @ \$5,000 ea

Principal and Interest Loan (Willmott Finance Pty Ltd)

 3 Years P&I x Forestry Interests @ \$5,000 ea

 5 Years P&I x Forestry Interests @ \$5,000 ea

Payment Method

Cheque (for cash option only):

 Please make cheque payable to the Willmott Forests Premium Forestry Blend – Application Account

Credit Card (for all payment options):

 Visa Mastercard

 Cardholder Name

 Card Number

 Card Expiry Date
 /

 Daily Limit (if applicable)

\$

Request and Authority to debit the account named below to pay Willmott Forests Limited or Willmott Finance Pty Ltd:

Direct Debit (for all payment options):

 Financial Institution

 Account Name

 Account Number

 BSB Number (must be six digits)

I/we request and authorise each of Willmott Forests Limited (APCA User ID 067742 ABN 17 063 263 650) and Willmott Finance Pty Ltd, (APCA User ID 069471 ABN 16 081 274 811) to arrange, through its own financial institution, a debit to my/our nominated account any amount Willmott Forests Limited or Willmott Finance Pty Ltd has deemed payable by me/us, including all amounts owing by me/us under the Constitution and the Loan Agreement. This debit or charge will be made through the Bulk Electronic Clearing System (BECS) from your account held in the financial institution I/we have nominated above and will be subject to the terms and conditions of the Direct Debit Service Agreement outlined on page 89).

By signing and/or providing us with a valid instruction in respect to your Direct Debit Request, you have understood and agreed to the terms and conditions governing the debit arrangements between you and Willmott Forests Limited or Willmott Finance Pty Ltd as set out in the Request and in your Direct Debit Request Service Agreement.

If payments are being drawn from an account that requires more than one signature, both signatories must sign below.

Account Holder Signature

 SIGN HERE

 Account Holder Name

 Date

Account Holder Signature

 SIGN HERE

 Account Holder Name

 Date

Dealer/Financial Adviser Information (if applicable)

To ensure we can communicate your investment details to your Financial Planner/Adviser please complete the below:

 Dealer Group

 AFSL No

 Adviser Name

 AR No

 Contact Name (if other than Adviser)

FORM 3: 2010 APPLICATION – TRUST OR SUPER FUND APPLICANTS

Before completing or signing this Application Form please read the Product Disclosure Statement and any supplementary PDS (“PDS”) for the Willmott Forests Premium Forestry Blend – 2010 Project. The PDS must be provided to you with this Application Form. Please read the Privacy information on page 65 and the AML/CTF on page 70 of the PDS. It will help you to understand the product and decide if it is appropriate to your needs.

Trust or Super Fund Applicant

Trust or Super Fund Name

ABN

Is the Trust or Fund Registered for GST Yes No

Are you a Sole Director Yes No

Note: If you have more than two Directors, please copy this page and complete with details of additional Directors.

Registered Address

Suburb State Postcode

Postal Address (if different from above)

Suburb State Postcode

Telephone BH Fax Number

Email

Trustee 1

Company (if Trustee is a Company) ABN/ACN Number

Mr Mrs Ms Miss Other

Last Name Given Names

Date of Birth Driver's Licence

Residential Address (not PO Box)

Suburb State Postcode

Country of Residency

Telephone BH Mobile

Email

Fax Number

Trustee 2

Company (if Trustee is a Company) ABN/ACN Number

Mr Mrs Ms Miss Other

Last Name Given Names

Date of Birth Driver's Licence

Residential Address (not PO Box)

Suburb State Postcode

Country of Residency

Telephone BH Mobile

Email

Fax Number

Important: There is a PDS dated 7 April 2010 with information about investing in Forestry Interests in the Willmott Forests Premium Forestry Blend – 2010 Project (ARSN 142 722 585). Before signing the 2010 Application Form, you should read the PDS and any supplementary product disclosure statements containing information about investing in the Project.

Signed

SIGN HERE

Director/Trustee 1 Name

Date

Signed

SIGN HERE

Director/Trustee 2 Name

Date

FORM 3: 2010 APPLICATION – TRUST OR SUPER FUND APPLICANTS

Before completing or signing this Application Form please read the Product Disclosure Statement and any supplementary PDS ("PDS") for the Willmott Forests Premium Forestry Blend – 2010 Project. The PDS must be provided to you with this Application Form. Please read the Privacy information on page 65 and the AML/CTF on page 70 of the PDS. It will help you to understand the product and decide if it is appropriate to your needs.

Payment Options for Forestry Interests

Applicant Name

Cash

x Forestry Interests @ \$5,000 ea

12 Months Interest Free Loan (Willmott Finance Pty Ltd)

x Forestry Interests @ \$5,000 ea

Principal and Interest Loan (Willmott Finance Pty Ltd)

3 Years P&I x Forestry Interests @ \$5,000 ea

5 Years P&I x Forestry Interests @ \$5,000 ea

Payment Method

Cheque (for cash option only):

Please make cheque payable to the Willmott Forests Premium Forestry Blend – Application Account

Credit Card (for all payment options):

Visa Mastercard

Cardholder Name

Card Number

Card Expiry Date

 /

Daily Limit (if applicable)

\$

Request and Authority to debit the account named below to pay Willmott Forests Limited or Willmott Finance Pty Ltd:

Direct Debit (for all payment options):

Financial Institution

Account Name

Account Number

BSB Number (must be six digits)

I/we request and authorise each of Willmott Forests Limited (APCA User ID 067742 ABN 17 063 263 650) and Willmott Finance Pty Ltd, (APCA User ID 069471 ABN 16 081 274 811) to arrange, through its own financial institution, a debit to my/our nominated account any amount Willmott Forests Limited or Willmott Finance Pty Ltd has deemed payable by me/us, including all amounts owing by me/us under the Constitution and the Loan Agreement. This debit or charge will be made through the Bulk Electronic Clearing System (BECS) from your account held in the financial institution I/we have nominated above and will be subject to the terms and conditions of the Direct Debit Service Agreement outlined on page 89).

By signing and/or providing us with a valid instruction in respect to your Direct Debit Request, you have understood and agreed to the terms and conditions governing the debit arrangements between you and Willmott Forests Limited or Willmott Finance Pty Ltd as set out in the Request and in your Direct Debit Request Service Agreement.

If payments are being drawn from an account that requires more than one signature, both signatories must sign below.

Account Holder Signature

X SIGN HERE

Account Holder Name

Date

Account Holder Signature

X SIGN HERE

Account Holder Name

Date

Dealer/Financial Adviser Information (if applicable)

To ensure we can communicate your investment details to your Financial Planner/Adviser please complete the below:

Dealer Group

AFSL No

Adviser Name

AR No

Contact Name (if other than Adviser)

FORM 4: 2010 APPLICATION – LOAN APPLICATION



Before completing or signing this Loan Form please read the Product Disclosure Statement and any supplementary PDS ("PDS") for the Willmott Forests Premium Forestry Blend – 2010 Project. The PDS must be provided to you with this Loan Form. Please read the Privacy information on page 65 and the AML/CTF on page 70 of the PDS. It will help you to understand the product and decide if it is appropriate to your needs.

Details of Loan (please complete the number of Forestry Interests below)

12 Months Interest Free Loan x Forestry Interests @ \$5,000 ea = \$ Principal Amount

Principal and Interest Loan x Forestry Interests @ \$5,000 ea = \$ Principal Amount

Using: 3 Year; or 5 Year loan option (please tick which option)

Applications for Principal and Interest finance will generally only be considered where the borrower has applied for between 10 and 20 Forestry Interests under the Product Disclosure Statement.

Applicant 1/Director 1

Mr	Mrs	Ms	Miss	Other
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Last Name				
<input type="text"/>				
First Name		Second Name		
<input type="text"/>		<input type="text"/>		
Date of Birth		Driver's Licence		
<input type="text"/>		<input type="text"/>		
Current Residential Address (not PO Box)				
<input type="text"/>				
Suburb		State	Postcode	
<input type="text"/>		<input type="text"/>	<input type="text"/>	
How many years have you been a resident at the above address?				
<input type="text"/>				
Postal Address (if different from above)				
<input type="text"/>				
Suburb		State	Postcode	
<input type="text"/>		<input type="text"/>	<input type="text"/>	
Telephone BH		Telephone AH	Mobile	
<input type="text"/>		<input type="text"/>	<input type="text"/>	
Email				
<input type="text"/>				

Applicant 2/Director 2

Mr	Mrs	Ms	Miss	Other
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Last Name				
<input type="text"/>				
First Name		Second Name		
<input type="text"/>		<input type="text"/>		
Date of Birth		Driver's Licence		
<input type="text"/>		<input type="text"/>		
Current Residential Address (not PO Box)				
<input type="text"/>				
Suburb		State	Postcode	
<input type="text"/>		<input type="text"/>	<input type="text"/>	
How many years have you been a resident at the above address?				
<input type="text"/>				
Postal Address (if different from above)				
<input type="text"/>				
Suburb		State	Postcode	
<input type="text"/>		<input type="text"/>	<input type="text"/>	
Telephone BH		Telephone AH	Mobile	
<input type="text"/>		<input type="text"/>	<input type="text"/>	
Email				
<input type="text"/>				

Corporate/Trust Applicants (Director(s) to complete Applicant(s) details above)

Company Name or Trustee
<input type="text"/>
Trust Name (ATF)
<input type="text"/>
Contact Person
<input type="text"/>
ABN/ACN
<input type="text"/>
Number of Directors
<input type="text"/>

Registered Address		
<input type="text"/>		
Suburb	State	Postcode
<input type="text"/>	<input type="text"/>	<input type="text"/>
Postal Address (if different from above)		
<input type="text"/>		
Suburb	State	Postcode
<input type="text"/>	<input type="text"/>	<input type="text"/>
Telephone BH	Mobile	Fax Number
<input type="text"/>	<input type="text"/>	<input type="text"/>
Email		
<input type="text"/>		

FORM 4: 2010 APPLICATION – LOAN APPLICATION CONTINUED

Applicant 1/Director 1

Residential Status

Owned Mortgage on Home Renting

Boarding Living with Parents Other

Have you had legal proceedings taken against you for debt, been bankrupt or insolvent? If yes, provide details.

Name and address of nearest relative/friend in Australia **not** living with you.

Address

Suburb State Postcode

Telephone BH Telephone AH Mobile

Employment Details

Current Employer

Occupation

Number of Years with Current Employer

Full Time Part Time Casual

Self Employed Retired Other _____

Previous Employer

Number of Years with Previous Employer

Particulars

Marital Status

Single Married Defacto

Spouse Name

Number of Dependents

Please include all relevant supporting documentation including tax returns and pay slips as outlined on pages 69.

I/we have supplied per applicant:

One current pay slip and one current tax return; or

Two previous tax returns

Note: A Notice of Assessment can be substituted for one tax return.

Applicant 2/Director 2

Residential Status

Owned Mortgage on Home Renting

Boarding Living with Parents Other

Have you had legal proceedings taken against you for debt, been bankrupt or insolvent? If yes, provide details.

Name and address of nearest relative/friend in Australia **not** living with you.

Address

Suburb State Postcode

Telephone BH Telephone AH Mobile

Employment Details

Current Employer

Occupation

Number of Years with Current Employer

Full Time Part Time Casual

Self Employed Retired Other _____

Previous Employer

Number of Years with Previous Employer

Particulars

Marital Status

Single Married Defacto

Spouse Name

Number of Dependents

Capitalisation of fees

The Loan Establishment Fee by default will be capitalised in the Loan Amount. Please tick the below box if you do not wish to capitalise this fee.

I/we do not wish to capitalise the Loan Establishment Fee in the Loan Amount.

Before completing or signing this Loan Form please read the Product Disclosure Statement and any supplementary PDS ("PDS") for the Willmott Forests Premium Forestry Blend – 2010 Project. The PDS must be provided to you with this Loan Form. Please read the Privacy information on page 65 and the AML/CTF on page 70 of the PDS. It will help you to understand the product and decide if it is appropriate to your needs.

Print Applicant Name/s

--

Statement of Income (Applicant and Spouse)

Current Gross Salary Per Annum (Applicant) \$		Current Gross Salary Per Annum (Spouse if applicable) \$	
Gross Rental Income Per Annum \$		Dividend Income Per Annum \$	
Other Income Per Annum \$	Specify Type	Other Income Per Annum \$	Specify Type

Statement of Assets and Liabilities of Applicant Only

Assets			Mortgages		
Residential Property					
Address			Postcode		
Mortgage Provider	Date Purchased	Market Value	Purchase Amount	Monthly Payments	Balance Owing
	/ /	\$	\$	\$	\$
Investment Property (if there is more than one investment property you will need to copy this page to complete)					
Address			Postcode		
Mortgage Provider	Date Purchased	Market Value	Purchase Amount	Monthly Payments	Balance Owing
	/ /	\$	\$	\$	\$
Other Assets			Other Loans		
Cash on deposit at financial institutions		Value			
		\$			
		\$			
Shares (provide list if share portfolio is greater than two)		Market Value	Shares – Investment Loan		
		\$	Loan Provider	Monthly Payments	Balance Owing
		\$		\$	\$
		\$		\$	\$
Vehicles (make and model)		Insured Value	Vehicles Lease/Hire Purchase		
		\$	Loan Provider	Monthly Payments	Balance Owing
		\$		\$	\$
		\$		\$	\$
Home Contents		Insured Value	Home Contents – Personal Loan		
		\$	Loan Provider	Monthly Payments	Balance Owing
		\$		\$	\$
Other Agribusiness (MIS)		Purchase Price	Agribusiness Loan		
		\$	Loan Provider	Monthly Payments	Balance Owing
		\$		\$	\$
Other Assets (description)		Market Value	Other Loan/s		
		\$	Loan Provider	Monthly Payments	Balance Owing
		\$		\$	\$
		\$		\$	\$
Credit Card					
Issuer	Type	Limit	Outstanding		
		\$	\$		
Issuer	Type	Limit	Outstanding		
		\$	\$		

FORM 4: 2010 APPLICATION – LOAN APPLICATION CONTINUED

I/we hereby apply to Willmott Finance Pty Ltd for a Loan, in accordance with the Loan Agreement outlined on pages 90 or 95 (as applicable) in the PDS, in consideration of the amount that is due and payable by me under the 2010 Application Form for the Willmott Forests Premium Forestry Blend – 2010 Project which I/we have completed and signed. I/we warrant that all of the personal information including asset and liability information provided by me at the date of my application is true and correct. I/we acknowledge that Willmott Finance Pty Ltd is not obligated to accept my Loan Application.

Privacy Act Consent and Declaration

Notice of disclosure of your credit information to a credit reporting agency or credit provider.

I/we acknowledge that Willmott Finance Pty Ltd may give information about me/us to a credit reporting agency for the following purposes:

- to obtain a consumer credit report about me/us; and/or
- to allow the credit reporting agency or credit provider to create or maintain a credit information i.e. containing information about me/us.

Willmott Finance Pty Ltd may give information which is required or permitted to be given to a credit reporting agency or credit provider by the Privacy Act,

Including:

- identity particulars – my/our name(s), including any known aliases, sex, address (and the previous two addresses), date of birth, name of employer and drivers licence number;
- my/our application for commercial credit – the fact that I/we have applied for credit and the amount;
- the fact that Willmott Finance Pty Ltd is a current credit provider to me/us;
- loan repayments which are overdue by more than 60 days, and for which debt collection action has started;
- advice that my/our loan repayments are no longer overdue in respect of any default that has been listed;
- information that, in the opinion of Willmott Finance Pty Ltd, I/we have committed a serious credit infringement (that is, acted fraudulently or shown an intention not to comply with my/our credit obligations);

- dishonoured cheques – drawn by me/us for \$100 or more which have been dishonoured more than once; and
- that Willmott Finance Pty Ltd has ceased to be a credit provider for me/us.

I/we understand this information may be given before, during or after the provision of credit to me/us.

Assessing commercial credit application

I/we agree that Willmott Finance Pty Ltd may obtain a consumer credit report containing information about me/us from a credit reporting agency for the purpose of assessing my/our application for commercial credit.

Business purpose declaration

I/we declare that the credit to be provided to me/us by Willmott Finance Pty Ltd is to be applied wholly or predominantly for business or investment purposes (or for both purposes).

Power of Attorney

I/we appoint any Director/Secretary or Chief Executive Officer for the time being of Willmott Forests Limited ABN 17 063 263 650 of 249 Park Street, South Melbourne, Victoria (**Attorney**) to be my/our attorney and in my/our name and on my/our behalf and as my/our act and deed to:

- complete the Loan Agreement in a manner that is consistent with this Loan Application including but not limited to dating and completing any blanks in the Loan Agreement;
- execute the Loan Agreement;
- make amendments, alterations or additions to the Loan Agreement in a manner that is not inconsistent with this Loan Application; and
- if applicable, stamp and register this Power of Attorney.

I/we will agree to ratify and confirm whatever the Attorney does in the exercise of the powers granted to it and agree to indemnify the Attorney against all claims, demands, costs, damages, losses and expenses consequent upon the exercise of the power granted by me/us. Any person or corporation dealing with the Attorney in good faith may accept a written statement signed by the Attorney to the effect that this power of attorney has not been revoked as conclusive evidence of that fact. This power of attorney is irrevocable until the loan has been paid in full and is governed by the laws of Victoria.

Important

You should not sign this declaration unless this Loan is wholly or predominantly for business or investment purposes. By signing this declaration you may lose your protection under the Consumer Credit Code.

I/we declare that I/we signed this declaration before entering into this credit contract.

Signature of Applicant 1/Director 1

X SIGN HERE

Applicant Name

Signature of **Witness** for Applicant 1/Director 1

X SIGN HERE

Witness Name

Date

Signature of Applicant 2/Director 2

X SIGN HERE

Applicant Name

Signature of **Witness** for Applicant 2/Director 2

X SIGN HERE

Witness Name

Date

WILLMOTT FORESTS – 2010 PROJECT LOAN APPLICATION – GUARANTEE AND INDEMNITY

Date

Important Notice to Guarantors

This document is an important document. You must read this document, and the warnings in it, carefully before you sign.

Details

Parties Willmott Finance and the Borrower

Willmott Finance

Name Willmott Finance Pty Ltd (Willmott Finance)

ABN 16 081 274 811

Address 249 Park Street
South Melbourne, Victoria 3205

Telephone (03) 9696 1355

Facsimile (03) 9696 5567

Attention Chief Financial Officer

Borrower

Last Name Given Names

Address

Suburb State Postcode

Guarantor

Last Name Given Names

Address

Suburb State Postcode

Guarantee Limit

Guarantee Limit is:

- (a) \$ (comprising the Principal Amount); plus
- (b) interest, fees, costs, charges and other expenses (including enforcement expenses) payable by the Borrower under the Loan Agreement.

Governing law Victoria

Date of agreement See Signing page

General terms

The Guarantor agrees to be bound by the terms and conditions of this Guarantee and Indemnity as follows.

1. Definitions

1.1 Terms used in this deed

Guarantee and Indemnity means this agreement.

Guarantee Limit has the meaning given in the Details.

Guarantor, I or we means the person named as the guarantor in the details. If there are more than one, the Guarantor means each of them individually and every two or more of them jointly.

Loan Agreement means the loan agreement between Willmott Finance and the Borrower entered into on or about the date of this Guarantee and Indemnity to fund the Borrower's interest in the Willmott Forests Premium Forestry Blend – 2010 Project.

Willmott Finance means Willmott Finance Pty Ltd ABN 16 081 274 811.

1.2 Loan Agreement

Unless otherwise defined, expressions used in this Guarantee and Indemnity have the meanings given to them in or for the purposes of Loan Agreement.

2. Guarantee and Indemnity

2.1 Consideration

The Guarantor acknowledges that Willmott Finance is acting in reliance on the Guarantor in incurring obligations and giving rights under this Guarantee and Indemnity.

2.2 Guarantee

The Guarantor unconditionally and irrevocably guarantees that the Borrower will:

- (a) pay all amounts payable by the Borrower under the Loan Agreement; and
- (b) perform all of the Borrower's obligations under the Loan Agreement.

If the Borrower does not pay the amounts on time and in accordance with the Loan Agreement then the Guarantor agrees to pay the amounts to Willmott Finance on demand from Willmott Finance up to the Guarantee Limit. A demand may be made at any time and from time to time and whether or not Willmott Finance has made demand on the Borrower.

2.3 Indemnity

The Guarantor indemnifies Willmott Finance against any liability or loss arising, and any costs it suffers or incurs:

- (a) if the Borrower does not, or is unable to, pay the amounts due in accordance with the Loan Agreement; or
- (b) if an obligation the Borrower would otherwise have to pay Willmott Finance is found to be void, voidable or unenforceable; or
- (c) if an obligation the Guarantor would otherwise have under clause 2.2 ("Guarantee") is found to be void, voidable or unenforceable; or

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- (d) if Willmott Finance is obliged, or agrees, to pay an amount to a trustee in bankruptcy or liquidator (of an insolvent person) in connection with a payment by the Guarantor or the Borrower. (For example, Willmott Finance may have to, or may agree to, pay interest on the amount); or
- (e) if the Guarantor defaults under this Guarantee and Indemnity; or
- (f) in connection with any person exercising, or not exercising, rights under this Guarantee and Indemnity.

The Guarantor agrees to pay amounts due under this indemnity on demand from the Financier up to the Guarantee Limit.

2.4 Acknowledgement

The Guarantor acknowledges that it is responsible for making itself aware of the financial position of the Borrower and any other person who guarantees payment of amounts under the Loan Agreement.

3. Extent of Guarantee and Indemnity

3.1 Nature of Guarantee

Each of the Guarantee in clause 2.2 (“Guarantee”) and the indemnity in clause 2.3 (“Indemnity”) is a continuing obligation despite any intervening payment, settlement or other thing and extends to all amounts due under this Guarantee and Indemnity.

The Guarantor waives any right it has of first requiring Willmott Finance to commence proceedings or enforce any other right against the Borrower or any other person before claiming from the Guarantor under this Guarantee and Indemnity.

3.2 Continuance of the Guarantors liability

The Guarantor agrees that its liability under the Loan Agreement is not affected by any act or omission by Willmott Finance or by anything which might affect it under law or otherwise including:

- (a) the fact that:
 - (i) vary or replace the Loan Agreement, such as by extending the term;
 - (ii) we enter into the Loan Agreement as agent or as principal;
 - (iii) we either release, lose the benefit of or do not obtain any Security Interest or do not register any Security Interest that could be registered;
 - (iv) we release the Borrower or give them a concession, such as more time to pay;
 - (v) we release any person who guarantees the customers obligations under the Loan Agreement;
 - (vi) the obligations of any person who guarantees the customers obligations under the Loan Agreement may not be enforceable; or
 - (vii) any person who was intended to guarantee the customers obligations under the Loan Agreement does not do so or does not do so effectively;
- (b) the death, mental or physical disability or insolvency of any person including the guarantor or the customer; or

- (c) changes in the membership, name or business of a firm, partnership, committee or association.

4. Transfer of Interest, agency

- (a) I/we must not assign, create any interest in or otherwise deal with all or any of my/our rights under this Guarantee and Indemnity without the prior written consent of Willmott Finance.
- (b) Willmott Finance may assign, create any interest in or otherwise deal with all or any of its rights under this Guarantee and Indemnity and the Loan Agreement (including without limitation the Mortgaged Property) at any time as it sees fit. Willmott Finance may, without the consent of or notice to us, assign, transfer, sub participate or otherwise deal with any of its rights under this Guarantee and Indemnity to a trustee of a trust, a company or any other entity which is established for the purpose of securitisation. Any assignment by Willmott Finance may be made free from any equities, set off or cross claim. Willmott Finance may disclose any confidential information in respect of this Guarantee and Indemnity or us to any potential assignee, participant or sub participant of Willmott Finance’s rights under this Guarantee and Indemnity or to any other person who is considering taking an interest in or otherwise entering into any arrangements with Willmott Finance (including in each case any employee, agent or independent contractor engaged by any such person) in respect of or relating to this Guarantee and Indemnity.
- (c) Willmott Finance may appoint another party to act as its agent.

5. Discharge

Willmott Finance will discharge this Guarantee and Indemnity and release any Mortgaged Property when all of the terms and conditions of the Loan Agreement have been complied with including the repayment of all monies owing.

6. Willmott Finance as attorney

I/we hereby irrevocably appoint Willmott Finance to be my/our attorney to execute any deed, assignment, contract or document or do any other act in connection with the Mortgaged Property or this Guarantee and Indemnity or to do any other act required of me/us under the terms of the Loan Application as set out in the Loan Agreement or this Guarantee and Indemnity. Willmott Finance as attorney may exercise its powers even if Willmott Finance has a conflict of duty or has a direct or personal interest in the means or result of that exercise of power. I/we agree to ratify anything done by Willmott Finance as attorney or the delegate pursuant to this clause.

7. Trustee warranties

If I/we enter into this Guarantee and Indemnity, any related security as trustee or any trust, I/we represent and warrant that, or where relevant undertake to ensure:

- (a) I/we have power under the deed constituting the trust (the “Trust Deed”) and have obtained any authorisations necessary to enter into and comply with my/our obligations under this Guarantee and Indemnity, any related security; and

- (b) I/we have a right to be fully indemnified out of the assets of the trust (the "Trust Fund") in respect of obligations incurred by me/us under this Guarantee and Indemnity, any related security, and the Trust Fund is sufficient to satisfy that right of indemnity and all other obligations in respect of which I/we have a right to be indemnified out of the Trust Fund; and
- (c) I/we am/are not, and never have been, in default under the Trust Deed; and
- (d) I/we have carefully considered the purpose of this Guarantee and Indemnity, any related security and consider that entry into those documents is for the benefit of the beneficiaries and the terms of those documents are fair and reasonable; and
- (e) At Willmott Finance's request, I/we agree to exercise my/our right of indemnity from the Trust Fund and the beneficiaries of the trust in respect of obligations incurred by me/us under this Guarantee and Indemnity, any related security; and
- (f) I/we will not do anything which effects or facilitates the retirement, removal or replacement of me/us as trustee of the Trust, or could affect my/our right of indemnity from the Trust Fund in respect of obligations incurred by me/us under this Guarantee and Indemnity, any related security; or effects or facilitates the termination of the trust, variation of the Trust Deed, or the resettlement of the Trust Fund.

8. Privacy

8.1 Acknowledgment and authority that credit information may be given to a credit reporting agency.

I/we understand that section 18E(8)(c) of the Privacy Act allows Willmott Finance to give a credit reporting agency certain personal information about me/us which I/we authorise Willmott Finance to do so. The information which may be given to a credit reporting agency is covered by section 18E(1) of the Act and includes:

- (a) Identity particulars as permitted by the Privacy Commissioner's determination issued under section 18E(3) of the Privacy Act.
- (b) The fact that I/we have applied for credit and the amount.
- (c) The fact that Willmott Finance is a credit provider to me.
- (d) Payments which become overdue more than 60 days and for which debt collection action has started.
- (e) Advice that payments are no longer overdue.
- (f) In specified circumstances, that in the opinion of Willmott Finance, I/we have committed a serious credit infringement.
- (g) That the credit provided to me/us by NAB has been discharged.

8.2 Authority for Willmott Finance to obtain certain credit information.

To enable Willmott Finance to assess my/our application for personal or commercial credit, I/we authorise Willmott Finance:

- (a) To obtain from a credit reporting agency a credit report containing personal information about me in relation to personal credit provided by Willmott Finance.

- (b) To obtain from a credit reporting agency a credit report containing personal credit information about me in relation to commercial credit provided by Willmott Finance. This is in accordance with section 18K(1)(b) of the Privacy Act.
- (c) To obtain a report containing information about my commercial activities or commercial creditworthiness from a business which provides information about the commercial creditworthiness of a person in relation to personal credit provided by Willmott Finance. This is in accordance with section 18L(4) of the Privacy Act.
- (d) To obtain a report from a credit reporting agency and other information in relation to my commercial credit activities.

8.3 Authority to exchange information with other credit providers.

In accordance with section 18N(1)(b) of the Privacy Act, I authorise Willmott Finance to give to and obtain from credit providers named in this credit application and credit providers that may be named in a credit report issued by a credit reporting agency information about my credit arrangements.

I understand this information can include any information about my creditworthiness, credit standing, credit history or credit capacity that credit providers are allowed to give or receive from each other under the Privacy Act 1988.

I understand the information may be used for the following purposes:

- (a) To assess an application by me for credit.
- (b) To assist me to avoid defaulting on my credit obligations.
- (c) To notify other credit providers of a default by me.
- (d) To assess my creditworthiness.

8.4 Authority to exchange information between related bodies corporate.

I/we understand and agree that Willmott Finance and WFL may share our personal information (including credit information) with related bodies corporate. Information will be shared in accordance with the Privacy Act.

9. General

9.1 Notices

- (a) Any notice, certificate, consent, approval or other communication between us must be in writing and where directed to me/us may be left at my/our residential or business address last known to Willmott Finance, sent by post to my/our postal or residential or business address last known to you or given in any other way permitted by law.
- (b) A communication is taken to have been given in the case of a communication personally on the date it is given or if sent by post on the day it should have been delivered in the ordinary course of post.
- (c) If directed by Willmott Finance communications may be sent by email to the last notified email address of Willmott Finance or of me/us.

WILLMOTT FORESTS – 2010 PROJECT LOAN APPLICATION – GUARANTEE AND INDEMNITY CONTINUED

- (d) An email will be taken to be received:
- (i) when the sender receives an automated message confirming delivery; or
 - (ii) four hours after the time sent (as recorded on the device from which the sender sends the email) unless the sender receives an automated message that the email has not been delivered,

whatever happens first.

- (e) Willmott Finance may serve any document in a court action on me/us by leaving it at my/our residence or business address last known to Willmott Finance.

9.2 Certificates

- (a) Willmott Finance may give me/us a certificate about a matter or about an amount payable under this Guarantee and Indemnity. The certificate is sufficient evidence of the matter or amount unless it is proven to be incorrect.
- (b) If Willmott Finance does not exercise a right or remedy fully at any given time it can still exercise it later. Willmott Finance will not be liable for loss caused by the exercise or attempt to exercise or failure to exercise or delay in exercising a right or remedy.
- (c) Willmott Finance's rights and remedies under this Guarantee and Indemnity are in addition to any other rights and remedies Willmott Finance may have at law.
- (d) This Guarantee and Indemnity or a right created hereunder may not be waived or varied except in writing.

9.3 Jurisdiction

The terms of this Guarantee and Indemnity are governed by the law of Victoria. I/we submit to the non exclusive jurisdiction of the courts of Victoria.

9.4 Taxes

I/we must, on demand, pay or reimburse Willmott Finance for all Taxes (excluding any Tax on the overall net income of Willmott Finance) and fees (including, without limitation, registration fees) together with any related fines and penalties which may be payable or determined to be payable in connection with this Guarantee and Indemnity or any payment or receipt or other transaction contemplated by this Guarantee and Indemnity.

10. Interpretation

- (a) Words used as singular may mean plural and vice versa.
- (b) Capitalised terms not defined have the meaning given to them in the Constitution constituting the Project and/or the Product Disclosure Statement.

Executed as a deed.

Signing page

Date

Important Notice to Guarantors and Acknowledgment

- You should seek independent legal and financial advice on the effect of the Guarantee and Indemnity in this document before signing.
- You can refuse to sign this document.
- There are financial risks involved in signing this document. For example, it may become necessary for you to sell your assets so that you can pay us. It is also likely that we will be able to resort to any mortgage or other security which we already hold or which you give us in the future as security for the amounts covered by this document. If you are an individual this would include any mortgage we hold over the family home.
- By signing this document, you become personally responsible instead of, or as well as, the customer for amounts up to the Guarantee Limit described in the Definitions even if you have given us separate security. These amounts may include amounts which can increase, for example if an asset finance agreement is terminated early for any reason or if this document or an asset finance agreement is varied or amended.
- You can become responsible for additional amounts not included in the Guarantee Limit described in the Definitions.
- You have the right to limit your liability under this Guarantee and Indemnity as allowed by law.
- You can request information about any investment to be guaranteed.

By signing this agreement the guarantor:

- Agrees to be bound by this Guarantee and Indemnity.
- Declares that its attention has been drawn to the warnings set out in this Guarantee and Indemnity and in particular the recommendation that legal and financial advice should be obtained before signing.
- Declares that it has received a copy of the proforma Loan Agreement and the Borrower's Loan Application and has read the terms and conditions of those documents and understands the obligations contained in it.
- Declares that it has obtained legal and financial advice as necessary or if it has not obtained such advice, declares that it does not regard any such advice as necessary and prefers to proceed without it.
- Declares that it is fully aware of the nature of, and risks in signing this Guarantee and Indemnity and is signing it voluntarily.

Signed, sealed and delivered by

Signature of Guarantor

X SIGN HERE

Guarantor Name

In the presence of:

Signature of Witness

X SIGN HERE

Name of Witness (block letters)

This is your Direct Debit Service Agreement with Willmott Forests Limited (APCA User ID 067742 ABN 17 063 263 650) and Willmott Finance Pty Ltd, (APCA User ID 069471 ABN 16 081 274 811). It explains what your obligations are when undertaking a Direct Debit arrangement with us. It also details what our obligations are to you as your Direct Debit provider. Please keep this agreement for future reference. It forms part of the terms and conditions of your Direct Debit Request (DDR) and should be read in conjunction with your DDR authorisation.

Definitions

Account means the account held at your financial institution from which we are authorised to arrange for funds to be debited.

Agreement means this Direct Debit Request Service Agreement between you and us.

Business day means a day other than a Saturday or a Sunday or a public holiday listed throughout Australia.

Debit day means the day the payment by you to us is due.

Debit payment means a particular transaction where a debit is made.

Direct Debit Request means the Direct Debit Request between us and you.

Us or we means Willmott Forests Limited and Willmott Finance Pty Ltd, (the Debit User) you have authorised by requesting a Direct Debit Request.

You means the customer who has signed or authorised by other means the Direct Debit Request.

Your financial institution means the financial institution nominated by you on the DDR at which the account is maintained.

1. Debiting your account

- 1.1 By signing a Direct Debit Request or by providing us with a valid instruction, you have authorised us to arrange for funds to be debited from your account. You should refer to the Direct Debit Request and this agreement for the terms of the arrangement between us and you.
- 1.2 We will only arrange for funds to be debited from your account as authorised in the Direct Debit Request; or We will only arrange for funds to be debited from your account if we have sent to the address nominated by you in the Direct Debit Request, a billing advice which specifies the amount payable by you to us and when it is due.
- 1.3 If the debit day falls on a day that is not a banking day, we may direct your financial institution to debit your account on the previous banking day. If you are unsure about which day your account has or will be debited you should contact Willmott Forests Limited.

2. Amendments by us

- 2.1 We may vary any details of this agreement or a Direct Debit Request at any time by giving you at least fourteen (14) days written notice.

3. Amendments by you

You may change, stop or defer a debit payment, or terminate this agreement by providing us with at least thirty (30) days notification before the next debit day by writing to:

Willmott Forests Limited at Locked Bag 4011 South Melbourne Victoria 3205; or

by telephoning us on freecall 1800 801 866 or 03 9696 1355 during business hours; or

arranging it through your own financial institution, which is required to act promptly on your instructions.

4. Your obligations

- 4.1 It is your responsibility to ensure that there are sufficient clear funds available in your account to allow a debit payment to be made in accordance with the Direct Debit Request.

- 4.2 If there are insufficient clear funds in your account to meet a debit payment:

- (a) you may be charged a fee and/or interest by your financial institution;
- (b) you may also incur fees or charges imposed or incurred by us; and
- (c) you must arrange for the debit payment to be made by another method or arrange for sufficient clear funds to be in your account by an agreed time so that we can process the debit payment.

- 4.3 You should check your account statement to verify that the amounts debited from your account are correct.

5. Dispute

- 5.1 If you believe that there has been an error in debiting your account, you should notify us directly on freecall 1800 801 866 or telephone 03 9696 1355 and confirm that notice in writing with us as soon as possible so that we can resolve your query more quickly. Alternatively you can take the matter up directly with your financial institution.
- 5.2 If we conclude as a result of our investigations that your account has been incorrectly debited we will undertake to refund amounts due.
- 5.3 If we conclude as a result of our investigations that your account has not been incorrectly debited we will respond to your query by providing you with reasons and any evidence for this finding.

6. Accounts

You should check:

- (a) with your financial institution whether direct debiting is available from your account as direct debiting is not available on all accounts offered by financial institutions;
- (b) your account details which you have provided to us are correct by checking them against a recent account statement; and
- (c) with your financial institution before completing the Direct Debit Request if you have any queries about how to complete the Direct Debit Request.

7. Confidentiality

- 7.1 We will keep any information (including your account details) in your Direct Debit Request confidential. We will make reasonable efforts to keep any such information that we have about you secure and to ensure that any of our employees or agents who have access to information about you do not make any unauthorised use, modification, reproduction or disclosure of that information.

- 7.2 We will only disclose information that we have about you:

- (a) to the extent specifically required by law; or
- (b) for the purposes of this agreement (including disclosing information in connection with any query or claim).

8. Notice

- 8.1 If you wish to notify us in writing about anything relating to this agreement, you should write to Willmott Forests Limited at Locked Bag 4011 South Melbourne Victoria 3205.
- 8.2 We will notify you by sending a notice in the ordinary post to the address you have given us in the Direct Debit Request.
- 8.3 Any notice will be deemed to have been received on the third banking day after posting.

LOAN AGREEMENT – 12 MONTH INTEREST FREE

Dated <XX Month 2010>

Willmott Finance Pty Ltd
ABN 16 081 274 811

<Insert investors details>

1. Schedule of parties

Parties Willmott Finance and the Borrower

Willmott Finance

Name Willmott Finance Pty Ltd (Willmott Finance)
ABN 16 081 274 811
Address 249 Park Street
South Melbourne, Victoria 3205
Telephone (03) 9696 1355
Facsimile (03) 9696 5567
Attention Chief Financial Officer

The Borrower (I or we)

Name <Investor_Title> <Investor_FirstName>
<Investor_SurnameCompany> <Investor_Joint Holder>
<Investor_Trust>
Address <Investor_ResAddress1> <Investor_ResAddress2>
<Investor_ResSuburb> <Investor_ResState>
<Investor_ResPostcode>

Willmott Finance, and the Borrower agree to be bound by the terms and conditions of this agreement as follows:

2. Definitions

Relevant payment and application information

Loan Application means the 12 Month Interest Free Loan Application form attached to the Willmott Forests Premium Forestry Blend – 2010 Project Product Disclosure Statement dated 7 April 2010 and accepted by Willmott Finance on <Accepted date>.

Number of Monthly Payments is 12 (twelve).

Monthly Payments is <\$XX>.

Number of Forestry Interest(s) is <XXX>.

Default Interest Rate is 15.0% per annum.

Principal Amount is <\$XX> (Forestry Interest/s x \$5,000) repayable by the Monthly Payments.

Total Loan <total loan> (Forestry Interest/s x \$5,000).

Terms used in this Agreement

Administration Fee means a fee charged by Willmott Finance and advised to the Borrower in accordance with clause 13.

Constitution means the constitution of the Project as amended from time to time.

Direct Debit Services Request Agreement means an agreement under which Willmott Finance is authorised to arrange for funds to be debited from the Borrower's financial institution account.

Financed Amount means the Principal Amount repayable by payment of the Monthly Payments.

Forestry Interest(s) means the number of Interest/s (as defined in the Constitution) for which I/we have applied pursuant to the Project Application and includes my/our present and future right, title and interest in any Assets (as defined in the Constitution) of the Project.

Loan Agreement means this agreement.

Monies Owning means the Principal Amount, all interest and all other monies (including any Administration Fee and Loan Application Fee, if any) actually or contingently owing under the Loan Application or this Loan Agreement and Constitution.

Mortgaged Property means the Forestry Interests (and any part thereof) and all other rights held by me/us as a member of the Project under the Constitution.

Payment Date means the last business day of each month in Victoria commencing July 2010.

Product Disclosure Statement means the product disclosure statement or other disclosure document in relation to the Project issued by WFL and any amendment or replacement of such.

Project means the Willmott Forests Premium Forestry Blend – 2010 Project ARSN 142 722 585.

Project Application means the application form attached to the Willmott Forests Premium Forestry Blend – 2010 Product Disclosure Statement dated 7 April 2010 and accepted by WFL on <Accepted date>.

Remaining Principal Amount means that part of the Principal Amount which has become immediately due and payable in accordance with clause 7(b)(i) and which but for the operation of clause 7(b)(i) would have been payable by Monthly Payments under this Loan Agreement.

Security Interest means any security for the payment of money or a performance of an obligation, including a mortgage, charge, pledge, trust or power. It also includes a guarantee or indemnity.

Tax means any tax, levy, impost, stamp or transaction or other duty, charge, deduction or withholding of any kind whatsoever imposed or levied by any government body, including any goods and services tax, together with any related interest, fines, penalties and expenses.

Trees means the trees referred to in the Product Disclosure Statement.

WFL means Willmott Forests Limited (ABN 17 063 263 650).

3. Advances

- (a) Willmott Finance will advance to me/us an amount equal to the Principal Amount in order to meet my/our payment obligations under the Project Application. Willmott Finance will make this advance on the date directed by WFL and into the account nominated by WFL.
- (b) I/we acknowledge and declare that the Monies Owing have been advanced to me/us pursuant to this Loan Agreement as a holder of Forestry Interests in the Project and that this Loan Agreement is supplementary to the Loan Application and details the terms of payment of the Principal Amount due hereunder.
- (c) I/we acknowledge that Willmott Finance has relied on the information in the Loan Applications and Project Application in determining whether or not to enter into this Loan Agreement and to make the advance under this clause.

4. Conditions precedent

I/we agree that the advance described in clause 3(a) will not be made unless Willmott Finance is satisfied that:

- (a) the Project Application has been, or will be, accepted by WFL;
- (b) the Loan Application has been accepted by Willmott Finance;
- (c) this Loan Agreement has been executed by me/us, or by WFL on our behalf pursuant to an irrevocable power of attorney given by me/us to WFL to execute the Loan Agreement on my/our behalf;
- (d) I/we have provided an irrevocable power of attorney to WFL to execute all the relevant agreements (if any) in relation to the Project on my/our behalf; and
- (e) any guarantees that are required to be executed by me/us at the request of Willmott Finance have been executed.

5. Agreement

I/we agree:

- (a) to pay the Principal Amount by the Monthly Payments on each Payment Date in the manner indicated by me/us on the Loan Application and in accordance with this Loan Agreement;
- (b) to pay Default Interest calculated and accrued daily on the Remaining Principal Amount owing pursuant to clause 7(b)(i);
- (c) to make any payments without set-off or counterclaim and free and clear of any withholding or deduction for taxes unless that is prohibited by law in immediately available funds to the account or address notified to me/us by Willmott Finance;
- (d) to pay all of the costs, charges and expenses of Willmott Finance in entering into, exercising any of its rights under and enforcing the Loan Application or this Loan Agreement (including legal costs on a full indemnity basis, and all internal and external investigative costs incurred in reviewing or enforcing any of its rights under the Agreement) and all

stamp and transaction duties, registration fees and taxes on or in connection with the Mortgaged Property or the Loan Application or any other document or arrangement in connection herewith. I/we agree it is not necessary for Willmott Finance to incur expense before making a claim under this clause;

- (e) to pay all insurance premiums properly payable by me/us under the Constitution. Each such policy must note the interests of WFL or Willmott Finance as directed by Willmott Finance (or WFL on its behalf), and must be on approved terms and for an approved amount. I/we will ensure that nothing occurs which may result in the coverage being cancelled or decreased, or any claim being declined;
- (f) if requested by Willmott Finance, to execute all such further documents and provide such other assistance as requested by Willmott Finance to register the mortgage contained in this Loan Agreement or in order to substitute or vary the terms set out in this Loan Agreement or in order to provide additional security of payment of the Monies Owing;
- (g) if requested by Willmott Finance to provide Willmott Finance with satisfactory personal guarantees for better securing payment of the Monies Owing and to execute the guarantee documentation within the specified time;
- (h) to repay the whole of the Monies Owing if the proceeds of any claim under an insurance policy or otherwise in respect of damage or destruction to my/our Trees are paid to me/us or at my/our direction and I/we do not apply the whole of the proceeds in replacement of the damaged or destroyed Trees;
- (i) that any obligation imposed upon me/us by the terms of this Loan Agreement and the Loan Application is a joint and several obligations. This includes repayment of any Monies Owing; and
- (j) to ensure I/we are not in default under this Loan Agreement or the Constitution.

6. Mortgage

- (a) In consideration of the terms of payment I/we, as mortgagor and as beneficial owner mortgages to Willmott Finance by way of equitable assignment all my/our right, title and interest in the Mortgaged Property to hold for the purpose of securing the payment of all Monies Owing and the performance of my/our obligations herein. I/we agree to comply on time with the terms of the Loan Application, and this Loan Agreement.
- (b) I/we acknowledge that Willmott Finance and /or its agents, at its cost, may effect and maintain on my/our life for Willmott Finance's own benefit a policy of term life insurance ("Policy") for an amount not less than the Principal Amount until repayment of all of the Monies Owing. I/we agree to do all things necessary to enable Willmott Finance and /or its agents to do so and maintain the Policy in full force and effect and not do anything which would prevent money being recovered under it.
- (c) I/we agree not to create or allow to exist any Security Interest or other interest in the Mortgaged Property except as set out in this Loan Agreement and not to dispose (or agree to dispose) or part with possession of the Mortgaged Property without Willmott Finance's prior written consent.

LOAN AGREEMENT – 12 MONTH INTEREST FREE CONTINUED

7. Default

- (a) I/we agree that we will be in default of the terms of this Loan Agreement if:
- (i) I/we do not pay any Monies Owing by the time and in the manner required by this Agreement;
 - (ii) I/we otherwise fail to comply with the terms of this Loan Agreement;
 - (iii) I/we do something I/we have agreed with you not to do or do not do something I/we have agreed with you to do;
 - (iv) I/we (or either of us) become insolvent or bankrupt or commit an act of bankruptcy or steps are taken to do any of the above;
 - (v) any information I/we have given to Willmott Finance in support of my/our Loan Application is in any way incorrect or misleading;
 - (vi) Willmott Finance reasonably believes that I/we or another person has acted fraudulently in connection with this Loan Agreement or the Mortgaged Property;
 - (vii) I/we or a guarantor is in default under the provisions governing the Mortgaged Property;
 - (viii) Willmott Finance believes on reasonable grounds that urgent action is necessary to protect any Mortgaged Property;
 - (ix) Willmott Finance reasonably believes that the my/our ability or the ability of the guarantor to comply with this Loan Agreement has been reduced due to a change in my/our or the guarantor's assets or financial position;
 - (x) I/we die; or
 - (xi) I/we are in breach under the Constitution.
- (b) If I/we are in default of the terms of this Loan Agreement:
- (i) Willmott Finance may give me/us a notice that we are in default. Upon the giving of the notice, to the extent not already due for payment, the Monies Owing shall become immediately due and payable; and/or
 - (ii) Willmott Finance may do one or more of the following as well as anything else the law allows Willmott Finance to do as a mortgagee:
 - (I) take legal action to recover the Monies Owing;
 - (II) take possession of the Mortgaged Property and give notice or take any other step necessary to perfect the mortgage;
 - (III) do anything an owner or receiver or receiver and manager of the Mortgaged Property could do, including improving, selling or leasing it;
 - (IV) appoint a receiver or receiver and manager to do any of these things and anything else the law allows a receiver or manager to do;
 - (V) notify any credit reporting agency of your default.
- (c) A purchaser or other person dealing with Willmott Finance or any receiver or any attorney Willmott Finance may appoint need not enquire whether any Monies Owing are in fact owing

or payable; or whether default has occurred; or whether a right, power or remedy which Willmott Finance has exercised or purport to exercise has been properly exercised; or about any other thing in connection with the exercise or purported exercise of a right, power or remedy.

8. Secondary market

- (a) I/we acknowledge that there may be no secondary market for the Mortgaged Property. In the event of Willmott Finance (or any assignee, agent or transferee of Willmott Finance) exercising its rights under this Loan Agreement, a sale price may be accepted by Willmott Finance as bona fide and reasonable if certified as such by Willmott Finance or some other person experienced in valuing assets of a like nature. If Willmott Finance or a receiver or receiver and manager exercise Willmott Finance rights under the Project Application or this Loan Agreement, neither Willmott Finance nor the receiver is liable to account as mortgagee in possession. Willmott Finance may give up possession of the Mortgaged Property at any time.
- (b) If a law provides that a period of notice or lapse of time must be stipulated or fixed by this Loan Agreement before a right, power or remedy is exercised, one day is stipulated and fixed as that period of notice or lapse of time.

9. Obligations

I/we acknowledge that our obligations under this Loan Agreement are personal and that they may not be assigned, transferred or dealt with in any manner without the written consent of Willmott Finance.

10. Default interest

Default interest shall be calculated daily at the Default Interest Rate on the outstanding balance of the loan from time to time, and accrued daily.

11. Payments and accounts

- (a) I/we acknowledge and agree that any amounts payable by me/us under this Loan Agreement may be debited by Willmott Finance directly from the account nominated by me/us in the Loan Application.
- (b) I/we will advise Willmott Finance of any changes to these account details as soon as practicable.

12. Application of payments

Willmott Finance may use any money received under this Loan Agreement or the Loan Application towards paying any part of the Monies Owing as Willmott Finance may choose.

13. Administration Fee

Willmott Finance may charge me/us an Administration Fee where a Monthly Payment or any other repayment which is due under the terms of this Loan Agreement is rejected by my/our financial institution. A rejection includes but is not limited to a dishonoured cheque or rejection of any other direct debit facility arrangement (including credit card facilities). This Administration Fee is in addition to what I/we may be charged by my/our financial institution under the Direct Debit Services Request Agreement.

14. Harvest

I/we undertake not to opt out of any marketing and harvesting arrangements until there are no Monies Owing. If I/we provide WFL with any instructions which are inconsistent with this undertaking, then I/we direct WFL to disregard the inconsistent instructions.

15. Transfer of interest, agency

- (a) I/we must not assign, create any interest in or otherwise deal with all or any of my/our rights under this Loan Agreement without the prior written consent of Willmott Finance.
- (b) Willmott Finance may assign, create any interest in or otherwise deal with all or any of its rights under this Loan Agreement (including without limitation the Mortgaged Property) at any time as it sees fit. Willmott Finance may, without the consent of or notice to us, assign, transfer, sub participate or otherwise deal with any of its rights under this Loan Agreement to a trustee of a trust, a company or any other entity which is established for the purpose of securitisation. Any assignment by Willmott Finance may be made free from any equities, set off or cross claim. Willmott Finance may disclose any confidential information in respect of this Loan Agreement or us to any potential assignee, participant or sub participant of Willmott Finance's rights under this Loan Agreement or to any other person who is considering taking an interest in or otherwise entering into any arrangements with Willmott Finance (including in each case any employee, agent or independent contractor engaged by any such person) in respect of or relating to this Loan Agreement.
- (c) Willmott Finance may appoint another party to act as its agent.

16. Discharge

Willmott Finance will discharge this Loan Agreement and release any Mortgaged Property when all of the terms and conditions of this Loan Agreement have been complied with including the repayment of all Monies Owing.

17. Willmott Finance as attorney

I/we hereby irrevocably appoint Willmott Finance to be my/our attorney to execute any deed, assignment, contract or document or do any other act in connection with the Mortgaged Property or this Loan Agreement or to do any other act required of me/us under the terms of the Loan Application as set out in this Loan Agreement. Willmott Finance as attorney may exercise its powers even if the Willmott Finance has a conflict of duty or has a direct or personal interest in the means or result of that exercise of power. I/we agree to ratify anything done by Willmott Finance as attorney or the delegate pursuant to this clause.

18. Trustee warranties

If I/we enter into this Loan Agreement or provide any related security as trustee of any trust, I/we represent and warrant that, or where relevant undertake to ensure:

- (a) I/we have power under the deed constituting the trust (the "Trust Deed") and have obtained any authorisations necessary to enter into and comply with my/our obligations under this Loan Agreement, any related security; and

- (b) I/we have a right to be fully indemnified out of the assets of the trust (the "Trust Fund") in respect of obligations incurred by me/us under this Loan Agreement, any related security, and the Trust Fund is sufficient to satisfy that right of indemnity and all other obligations in respect of which I/we have a right to be indemnified out of the Trust Fund; and
- (c) I/we am/are not, and never have been, in default under the Trust Deed; and
- (d) I/we have carefully considered the purpose of this Loan Agreement, any related security and consider that entry into those documents is for the benefit of the beneficiaries and the terms of those documents are fair and reasonable; and
- (e) At Willmott Finance's request, I/we agree to exercise my/our right of indemnity from the Trust Fund and the beneficiaries of the trust in respect of obligations incurred by me/us under this Loan Agreement, any related security; and
- (f) I/we will not do anything which effects or facilitates the retirement, removal or replacement of me/us as trustee of the Trust, or could affect my/our right of indemnity from the Trust Fund in respect of obligations incurred by me/us under this Loan Agreement, any related security; or effects or facilitates the termination of the trust, variation of the Trust Deed; or the resettlement of the Trust Fund.

19. Notices

- (a) Any notice, certificate, consent, approval or other communication between us must be in writing and where directed to me/us may be left at my/our residential or business address last known to Willmott Finance, sent by post to my/our postal or residential or business address last known to you or given in any other way permitted by law.
- (b) A communication is taken to have been given in the case of a communication personally on the date it is given or if sent by post on the day it should have been delivered in the ordinary course of post.
- (c) If directed by Willmott Finance communications may be sent by email to the last notified email address of Willmott Finance or of me/us.
- (d) An email will be taken to be received
 - (i) when the sender receives an automated message confirming delivery; or
 - (ii) four hours after the time sent (as recorded on the device from which the sender sends the email) unless the sender receives an automated message that the email has not been delivered, whatever happens first.
- (e) Willmott Finance may serve any document in a court action on me/us by leaving it at my/our residence or business address last known to Willmott Finance.

20. Certificates

Willmott Finance may give me/us a certificate about a matter or about an amount payable under the Loan Application or as set out in this Loan Agreement. The certificate is sufficient evidence of the matter

LOAN AGREEMENT – 12 MONTH INTEREST FREE CONTINUED

or amount unless it is proven to be incorrect. If Willmott Finance does not exercise a right or remedy fully at any given time it can still exercise the right or remedy later. Willmott Finance will not be liable for loss caused by the exercise or attempt to exercise or failure to exercise or delay in exercising a right or remedy. Willmott Finance's rights and remedies under the Loan Application as set out in this Loan Agreement are in addition to any other rights and remedies Willmott Finance may have at law. This Loan Agreement or a right created hereunder may not be waived or varied except in writing.

21. Jurisdiction

The terms of this Loan Agreement are governed by the law of Victoria. I/we submit to the non exclusive jurisdiction of the courts of Victoria.

22. Taxes

I/we must, on demand, pay or reimburse Willmott Finance for all Taxes (excluding any Tax on the overall net income of Willmott Finance) and fees (including, without limitation, registration fees) together with any related fines and penalties which may be payable or determined to be payable in connection with this Loan Agreement or any payment or receipt or other transaction contemplated by this Loan Agreement.

23. Privacy

Acknowledgment and authority that credit information may be given to a credit reporting agency.

I/we understand that section 18E(8)(c) of the Privacy Act allows Willmott Finance to give a credit reporting agency certain personal information about me/us which I/we authorise Willmott Finance to do so. The information which may be given to a credit reporting agency is covered by section 18E(1) of the Act and includes:

- (a) Identity particulars as permitted by the Privacy Commissioner's determination issued under section 18E(3) of the Privacy Act.
- (b) The fact that I/we have applied for credit and the amount.
- (c) The fact that Willmott Finance is a credit provider to me.
- (d) Payments which become overdue more than 60 days and for which debt collection action has started.
- (e) Advice that payments are no longer overdue.
- (f) In specified circumstances, that in the opinion of Willmott Finance, I/we have committed a serious credit infringement.
- (g) That the credit provided to me/us has been discharged.

Authority for Willmott Finance to obtain certain credit information.

To enable Willmott Finance to assess my/our application for personal or commercial credit, I/we authorise Willmott Finance:

- (a) To obtain from a credit reporting agency a credit report containing personal information about me in relation to personal credit provided by Willmott Finance.
- (b) To obtain from a credit reporting agency a credit report containing personal credit information about me in relation to commercial credit provided by Willmott Finance. This is in accordance with section 18K(1)(b) of the Privacy Act.

- (c) To obtain a report containing information about my commercial activities or commercial creditworthiness from a business which provides information about the commercial creditworthiness of a person in relation to personal credit provided by Willmott Finance. This is in accordance with section 18L(4) of the Privacy Act.
- (d) To obtain a report from a credit reporting agency and other information in relation to my commercial credit activities.

Authority to exchange information with other credit providers.

In accordance with section 18N(1)(b) of the Privacy Act, I authorise Willmott Finance to give to and obtain from credit providers named in this credit application and credit providers that may be named in a credit report issued by a credit reporting agency information about my credit arrangements.

I understand this information can include any information about my creditworthiness, credit standing, credit history or credit capacity that credit providers are allowed to give or receive from each other under the Privacy Act 1988.

I understand the information may be used for the following purposes:

- (a) To assess an application by me for credit.
- (b) To assist me to avoid defaulting on my credit obligations.
- (c) To notify other credit providers of a default by me.
- (d) To assess my creditworthiness.

Authority to exchange information between related bodies corporate.

I/we understand and agree that Willmott Finance and WFL may share our personal information (including credit information) with related bodies corporate. Information will be shared in accordance with the Privacy Act.

24. Interpretation

- (a) Words used as singular may mean plural and vice versa;
- (b) Capitalised terms not defined have the meaning given to them in the Constitution constituting the Project and/or the Product Disclosure Statement.

LOAN AGREEMENT – 3 OR 5 YEAR PRINCIPAL AND INTEREST

Dated <XX Month 2010>

Willmott Finance Pty Ltd
ABN 16 081 274 811

<Insert investor details>

1. Schedule of parties

Parties Willmott Finance and the Borrower

Willmott Finance

Name Willmott Finance Pty Ltd (Willmott Finance)
ABN 16 081 274 811
Address 249 Park Street
South Melbourne, Victoria 3205
Telephone (03) 9696 1355
Facsimile (03) 9696 5567
Attention Chief Financial Officer

The Borrower (I or we)

Name <Investor_Title> <Investor_FirstName>
<Investor_SurnameCompany> <Investor_Joint Holder>
<Investor_Trust>
Address <Investor_ResAddress1> <Investor_ResAddress2>
<Investor_ResSuburb> <Investor_ResState>
<Investor_ResPostcode>

Willmott Finance and the Borrower agree to be bound by the terms and conditions of this agreement as follows:

2. Definitions

Relevant payment and application information

Loan Application means the Finance Application form attached to the Willmott Forests Premium Forestry Blend – 2010 Project Product Disclosure Statement dated 7 April 2010 and accepted by Willmott Finance <Accepted date>.

Daily Interest Rate means the Initial Rate and thereafter on each 1 June and 1 December during the term, the rate will be reset to a rate which: (a) where the Number of Monthly Payments at commencement is 36, 930 basis points above the prevailing BBSY 180 day average rate as published by the Australian Financial Review at the relevant time; and (b) where the Number of Monthly Payments at commencement is 60, 1,030 basis points above the prevailing BBSY 180 day average rate as published by the Australian Financial Review at the relevant time.

Loan Application Fee the higher of:

- (a) \$250; and
- (b) 0.30% of the Principal Amount.

Number of Monthly Payments at commencement is <insert>.

Number of Forestry Interests is <ForestryInterestsTotal>.

Default Interest Rate is 5% per annum and is in addition to the Daily Interest Rate.

Principal Amount <TermsPrincipal> repayable by payment of the Monthly Payments.

Project Application means the application form attached to the Willmott Forests Premium Forestry Blend – 2010 Project – Product Disclosure Statement dated 7 April 2010 and accepted by WFL on <Accepted date>.

Total Loan <total loan> ((Forestry Interest x \$5,000) + Loan Application Fee).

Terms used in this agreement

Administration Fee means a fee charged by Willmott Finance and advised to the Borrower in accordance with clause 13.

Constitution means the constitution of the Project as amended from time to time.

Direct Debit Services Request Agreement means an agreement under which Willmott Finance is authorised to arrange for funds to be debited from the Borrower's financial institution account.

Forestry Interest(s) means the Number of Forestry Interest/s for which I/we have applied pursuant to the Project Application and includes my/our present and future right, title and interest in Assets (as defined in the Constitution) of the Project.

Initial Rate means the following rates determined by Willmott Finance on 30 June 2010:

- (a) Where the Number of Monthly Payments at commencement is 36, the rate of 14% per annum provided that the BBSW 180 days average rate as published by the Australian Financial Review does not exceed 5%. If the BBSW 180 days average rate exceeds 5%, then the rate is equal to the prevailing BBSW 180 days average rate plus 930 basis points.
- (b) Where the Number of Monthly Payments at commencement is 60, the rate of 15% per annum provided that the BBSW 180 days average rate as published by the Australian Financial Review does not exceed 5%. If the BBSW 180 days average rate exceeds 5%, then the rate is equal to the prevailing BBSW 180 days average rate plus 1,030 basis points.

Loan Agreement means this agreement.

Monies Owning means the residual balance of the Principal Amount, all interest and all other monies (including any Administration Fee and Loan Application Fee, if any) actually or contingently owing under this Loan Agreement and the Constitution.

Monthly Payments means the amount or amounts separately notified to the Borrower as the Monthly Payment for the purposes of this Loan Agreement from time to time. Principal and interest repayments will be calculated on the basis of the projected amount required to amortize the Residual Loan Balance during the term of the loan and any fees or charges imposed on Willmott Forests by

LOAN AGREEMENT – 3 OR 5 YEAR PRINCIPAL AND INTEREST CONTINUED

financial institutions as a result of a breach or default by the Borrower. The Monthly Payments will include interest on the outstanding Principal Amount calculated at the Daily Interest Rate on the basis of actual days elapsed and a year of 365 days.

Mortgaged Property means the Forestry Interests (and any part thereof) and all other rights held by me/us as a member of the Project under the Constitution.

Payment Date means the last business day of the month in Victoria commencing July 2010.

Penalty Interest means interest payable at the Penalty Interest Rate on overdue Monthly Payments calculated daily from and including the date on which the overdue amount was due for payment until the date on which the overdue amount is received in cleared funds.

Privacy Act means the Privacy Act 1988 (Cth).

Product Disclosure Statement means the product disclosure statement or other disclosure document in relation to the Project issued by WFL and any amendment or replacement of such.

Project means the 2010 Willmott Forests Premium Forestry Blend – 2010 Project ARSN 142 722 585.

Residual Loan Balance means the residual balance of the Principal Amount remaining to be paid under this Loan agreement together with any accrued and unpaid interest.

Security Interest means any security for the payment of money or a performance of an obligation, including a mortgage, charge, pledge, trust or power. It also includes a guarantee or indemnity.

Tax means any tax, levy, impost, stamp or transaction or other duty, charge, deduction or withholding of any kind whatsoever imposed or levied by any government body, including any goods and services tax, together with any related interest, fines, penalties and expenses.

Trees means the trees referred to in the Product Disclosure Statement and the Constitution.

WFL means Willmott Forests Limited ABN 17 063 263 650.

3. Advances

- (a) Willmott Finance will advance to me/us an amount equal to the Principal Amount in order to meet my/our payment obligations under the Project Application; Willmott Finance will make this advance on the date directed by WFL and into the account nominated by WFL.
- (b) I/we acknowledge and declare that the terms for payment of Monies Owing have been advanced to me/us pursuant to the Loan Agreement as a holder of Forestry Interests in the Project carrying on forestry operations and the Project Application and that this Loan Agreement is supplementary to the Loan Application so as to detail the terms of payment of the Principal Amount due hereunder.

- (c) I/we acknowledge that Willmott Finance has relied on the information in the Loan Applications and Project Application in determining whether or not to enter into this Loan Agreement and to make the advance under this clause.

4. Conditions precedent

I/we agree that the advance described in clause 3(a) will not be made unless Willmott Finance is satisfied that:

- (a) the Project Application has been, or will be, accepted by WFL;
- (b) the Loan Application has been accepted by Willmott Finance;
- (c) this Loan Agreement has been executed by me/us, or by WFL on our behalf pursuant to an irrevocable power of attorney given by me/us to WFL to execute the Loan Agreement on my/our behalf;
- (d) I/we have provided an irrevocable power of attorney to WFL to execute all the relevant agreements (if any) in relation to the Project on my/our behalf; and
- (e) any guarantees that are required to be executed by me/us at the requested of Willmott Finance have been executed.

5. Agreement

I/we agree:

- (a) to pay the Monthly Payments on each Payment Date in the manner indicated by me/us on the Loan Application and in accordance with this Loan Agreement;
- (b) to pay Default Interest calculated and accrued daily on the Monies Owing pursuant to 7(b)(i);
- (c) to make any payments without set-off or counterclaim and free and clear of any withholding or deduction for taxes unless that is prohibited by law in immediately available funds to the account or address notified to me/us by Willmott Finance;
- (d) to pay all of the costs, charges and expenses of Willmott Finance in entering into, exercising any of its rights under and enforcing the Loan Application or this Loan Agreement (including legal costs on a full indemnity basis, and all internal and external investigative costs incurred in reviewing or enforcing any of its rights under the Agreement) and all stamp and transaction duties, registration fees and taxes on or in connection with the Mortgaged Property or the Loan Application or any other document or arrangement in connection herewith. I/we agree it is not necessary for Willmott Finance to incur expense before making a claim under this clause;
- (e) to pay all insurance premiums properly payable by me/us under the Constitution. Each such policy must note the interests of Willmott Finance, and must be on approved terms and for an approved amount. I/we will ensure that nothing occurs which may result in the coverage being cancelled or decreased, or any claim being declined;
- (f) if requested by Willmott Finance, to execute all such further documents and provide such other assistance as requested by Willmott Finance to register the mortgage contained in this Loan Agreement or in order to substitute or vary the terms set out in this Loan Agreement or in order to provide additional security of payment of the Monies Owing;

- (g) if requested by Willmott Finance to provide Willmott Finance with satisfactory personal guarantees for better securing payment of the Monies Owing and to execute the guarantee documentation within the specified time;
- (h) to repay the whole of the Monies Owing if the proceeds of any claim under an insurance policy or otherwise in respect of damage or destruction to my/our Trees are paid to me/us or at my/our direction and I/we do not apply the whole of the proceeds in replacement of the damaged or destroyed Trees;
- (i) that any obligation imposed upon me/us by the terms of this Loan Agreement and the Loan Application is a joint and several obligations. This includes repayment of any Monies Owing; and
- (j) to ensure I/we are not in default under this Loan Agreement or the Constitution.

6. Mortgage

- (a) In consideration of the terms of payment I/we, as mortgagor and as beneficial owner mortgages to Willmott Finance by way of equitable assignment all my/our right, title and interest in the Mortgaged Property to hold for the purpose of securing the payment of all Monies Owing and the performance of my/our obligations herein. I/we agree to comply on time with the terms of the Loan Application, and this Loan Agreement.
- (b) I/we acknowledge that Willmott Finance and/or its agents, at its cost, may effect and maintain on my/our life for Willmott Finance's own benefit a policy of term life insurance ("Policy") for an amount not less than the Principal Amount until repayment of all of the monies owing. I/we agree to do all things necessary to enable Willmott Finance and/or its agents to do so and maintain the Policy in full force and effect and not do anything which would prevent money being recovered under it.
- (c) I/we agree not to create or allow to exist any Security Interest or other interest in the Mortgaged Property except as set out in this Loan Agreement and not to dispose (or agree to dispose) or part with possession of the Mortgaged Property without Willmott Finance's prior written consent.

7. Default

- (a) I/we agree that we will be in default of the terms of this Loan Agreement if:
 - (i) I/we do not pay any Monies Owing by the time and in the manner required by this Agreement;
 - (ii) I/we otherwise fail to comply with the terms of this Loan Agreement;
 - (iii) I/we do something I/we have agreed with you not to do or do not do something I/we have agreed with you to do;
 - (iv) I/we (or either of us) become insolvent or bankrupt or commit an act of bankruptcy or steps are taken to do any of the above;
 - (v) any information I/we have given to Willmott Finance in support of my/our Loan Application is in any way incorrect or misleading;
 - (vi) Willmott Finance reasonably believes that I/we or another person has acted fraudulently in connection with this Loan Agreement or the Mortgaged Property;

- (vii) I/we or a guarantor is in default under the provisions governing the Mortgaged Property;
 - (viii) Willmott Finance believes on reasonable grounds that urgent action is necessary to protect any secured property;
 - (ix) Willmott Finance reasonably believes that the my/our ability or the ability of the guarantor to comply with this Loan Agreement has been reduced due to a change in my/our or the guarantor's assets or financial position; or
 - (x) I/we die;
 - (xi) I/we are in breach under the Constitution.
- (b) If I/we are in default of the terms of this Loan Agreement:
 - (i) Willmott Finance may give me/us a notice that we are in default. Upon the giving of the notice, to the extent not already due for payment, the Monies Owing shall become immediately due and payable; and/or
 - (ii) Willmott Finance may do one or more of the following as well as anything else the law allows Willmott Finance to do as a mortgagee:
 - (I) take legal action to recover the Monies Owing;
 - (II) take possession of the Mortgaged Property, and give notice or take any other step necessary to perfect the mortgage;
 - (III) do anything an owner or receiver or receiver and manager of the Mortgaged Property could do, including improving, selling or leasing it;
 - (IV) appoint a receiver or receiver and manager to do any of these things and anything else the law allows a receiver or manager to do;
 - (V) notify any credit reporting agency of your default;
 - (c) a purchaser or other person dealing with Willmott Finance or any receiver or any attorney of Willmott Finance may appoint need not enquire whether any Monies Owing are in fact owing or payable; or whether default has occurred; or whether a right, power or remedy which Willmott Finance has exercised or purport to exercise has been properly exercised; or about any other thing in connection with the exercise or purported exercise of a right, power or remedy.

8. Secondary market

- (a) I/we acknowledge that there may be no secondary market for the Mortgaged Property. In the event of Willmott Finance (or any assignee, agent or transferee of Willmott Finance) exercising its rights under this Loan Agreement, a sale price may be accepted by Willmott Finance as bona fide and reasonable if certified as such by Willmott Finance, or some other person experienced in valuing assets of a like nature. If Willmott Finance or a receiver or receiver and manager exercise Willmott Finance's rights under the Loan Application or this Loan Agreement, neither Willmott Finance nor the receiver is liable to account as mortgagee in possession. Willmott Finance may give up possession of the Mortgaged Property at any time.

LOAN AGREEMENT – 3 OR 5 YEAR PRINCIPAL AND INTEREST CONTINUED

- (b) If a law provides that a period of notice or lapse of time must be stipulated or fixed by this Loan Agreement before a right, power or remedy is exercised, one day is stipulated and fixed as that period of notice or lapse of time.

9. Obligations

I/we acknowledge that our obligations under this Loan Agreement are personal and that they may not be assigned, transferred or dealt with in any manner without the written consent of Willmott Finance.

10. Daily interest and default interest

- (a) Daily interest shall be calculated daily and accrued monthly at the Daily Interest Rate on the balance of the Principal Amount which has not been repaid from time to time.
- (b) Default interest shall be calculated daily at the Default Interest Rate from and including the date on which the overdue amount was due for payment until the date on which the overdue amount is received in cleared funds, and accrued daily.

11. Payments and accounts

- (a) I/we acknowledge and agree that any amounts payable by me/us under this Loan Agreement may be debited by Willmott Finance directly from the account nominated by me/us in the Loan Application.
- (b) I/we will advise Willmott Finance of any changes to these account details as soon as practicable.

12. Application of payments

Willmott Finance may use any money received under this Loan Agreement or the Loan Application towards paying any part of the Monies Owing as Willmott Finance may choose.

13. Administration Fee

Willmott Finance may charge me/us an Administration Fee where a Monthly Payment or any other repayment which is due under the terms of this Loan Agreement is rejected by my/our financial institution. A rejection includes but is not limited to a dishonoured cheque or rejection of any other direct debit facility arrangement (including credit card facilities). This Administration Fee is in addition to what I/we may be charged by my/our financial institution under the Direct Debit Services Request Agreement.

14. Loan Application Fee

I/we agree to pay the Loan Application Fee on the date on which Willmott Finance accepts my/our Loan Application. The Loan Application Fee will be funded by inclusion within the Principal Amount advanced under this Loan Agreement. Willmott Finance will apply the Loan Application Fee towards payment of any stamp duty payable on this Loan Agreement, the Mortgage or any other security in favour of Willmott Finance, and once this is done may apply any remaining part of the Loan Application Fee towards such other costs or matters determined by it.

No part of the Loan Application Fee is refundable once paid. If the amount of such stamp duty exceeds the amount of the Loan Application Fee, I/we will on demand, pay or reimburse Willmott Finance for such additional amounts together with any related fines and penalties which may be payable or determined to be payable.

15. Early repayment

I/we acknowledge that I/we may repay any portion of the Monies Owing without penalty provided that any repayment installment must be for an amount equal to or greater than 20% of the Principal Amount at commencement.

16. Harvest

I/we undertake not to opt out of any marketing and harvesting arrangements until there are no Monies Owing. If I provide WFL with any instructions which are inconsistent with this undertaking, then I direct WFL to disregard the inconsistent instructions.

17. Transfer of interest, agency

- (a) I/we must not assign, create any interest in or otherwise deal with all or any of my/our rights under this Loan Agreement without the prior written consent of Willmott Finance.
- (b) Willmott Finance may assign, create any interest in or otherwise deal with all or any of its rights under this Loan Agreement (including without limitation the Mortgaged Property) at any time as it sees fit. Willmott Finance may, without the consent of or notice to us, assign, transfer, sub participate or otherwise deal with any of its rights under this Loan Agreement to a trustee of a trust, a company or any other entity which is established for the purpose of securitisation. Any assignment by Willmott Finance may be made free from any equities, set off or cross claim. Willmott Finance may disclose any confidential information in respect of this Loan Agreement or us to any potential assignee, participant or sub participant of Willmott Finance's rights under this Loan Agreement or to any other person who is considering taking an interest in or otherwise entering into any arrangements with Willmott Finance (including in each case any employee, agent or independent contractor engaged by any such person) in respect of or relating to this Loan Agreement.
- (c) Willmott Finance may appoint another party to act as its agent.

18. Discharge

Willmott Finance will discharge this Loan Agreement and release any Mortgaged Property when all of the terms and conditions of this Loan Agreement have been complied with including the repayment of all Monies Owing.

19. Willmott Finance as attorney

I/we hereby irrevocably appoint Willmott Finance to be my/our attorney to execute any deed, assignment, contract or document or do any other act in connection with the Mortgaged Property or this Loan Agreement or to do any other act required of me/us under the terms of the Loan Application as set out in this Loan Agreement. Willmott Finance as attorney may exercise its powers even if the Willmott Finance has a conflict of duty or has a direct or personal interest in the means or result of that exercise of power. I/we agree to ratify anything done by Willmott Finance as attorney or the delegate pursuant to this clause.

20. Trustee warranties

If I/we enter into this Loan Agreement, any related security as trustee or any trust, I/we represent and warrant that, or where relevant undertake to ensure:

- (a) I/we have power under the deed constituting the trust (the "Trust Deed") and have obtained any authorisations necessary to enter into and comply with my/our obligations under this Loan Agreement, any related security; and
- (b) I/we have a right to be fully indemnified out of the assets of the trust (the "Trust Fund") in respect of obligations incurred by me/us under this Loan Agreement, any related security, and the Trust Fund is sufficient to satisfy that right of indemnity and all other obligations in respect of which I/we have a right to be indemnified out of the Trust Fund; and
- (c) I/we am/are not, and never have been, in default under the Trust Deed; and
- (d) I/we have carefully considered the purpose of this Loan Agreement, any related security and consider that entry into those documents is for the benefit of the beneficiaries and the terms of those documents are fair and reasonable.
- (e) At Willmott Finance's request, I/we agree to exercise my/our right of indemnity from the Trust Fund and the beneficiaries of the trust in respect of obligations incurred by me/us under this Loan Agreement, any related security; and
- (f) I/we will not do anything which effects or facilitates the retirement, removal or replacement of me/us as trustee of the Trust, or could affect my/our right of indemnity from the Trust Fund in respect of obligations incurred by me/us under this Loan Agreement, any related security; or effects or facilitates the termination of the trust, variation of the Trust Deed; or the resettlement of the Trust Fund.

21. Notices

- (a) Any notice, certificate, consent, approval or other communication between us must be in writing and where directed to me/us may be left at my/our residential or business address last known to Willmott Finance, sent by post to my/our postal or residential or business address last known to you or given in any other way permitted by law.
- (b) A communication is taken to have been given in the case of a communication personally on the date it is given or if sent by post on the day it should have been delivered in the ordinary course of post.
- (c) If directed by Willmott Finance communications may be sent by email to the last notified email address of Willmott Finance or of me/us.
- (d) An email will be taken to be received:
 - (i) when the sender receives an automated message confirming delivery; or
 - (ii) four hours after the time sent (as recorded on the device from which the sender sends the email) unless the sender receives an automated message that the email has not been delivered,
 whatever happens first.
- (e) Willmott Finance may serve any document in a court action on me/us by leaving it at my/our residence or business address last known to Willmott Finance.

22. Certificates

Willmott Finance may give me/us a certificate about a matter or about an amount payable under the Application or as set out in this Loan Agreement. The certificate is sufficient evidence of the matter or amount unless it is proven to be incorrect. If Willmott Finance does not exercise a right or remedy fully at any given time it can still exercise it later. Willmott Finance will not be liable for loss caused by the exercise or attempt to exercise or failure to exercise or delay in exercising a right or remedy. Willmott Finance's rights and remedies under the Loan Application as set out in this Loan Agreement are in addition to any other rights and remedies Willmott Finance may have at law. This Loan Agreement or a right created hereunder may not be waived or varied except in writing.

23. Jurisdiction

The terms of this Loan Agreement are governed by the law of Victoria. I/we submit to the non exclusive jurisdiction of the courts of Victoria.

24. Taxes

I/we must, on demand, pay or reimburse Willmott Finance for all Taxes (excluding any Tax on the overall net income of Willmott Finance) and fees (including, without limitation, registration fees) together with any related fines and penalties which may be payable or determined to be payable in connection with this Loan Agreement or any payment or receipt or other transaction contemplated by this Loan Agreement.

25. Privacy

Acknowledgment and authority that credit information may be given to a credit reporting agency.

I/we understand that section 18E(8)(c) of the Privacy Act allows Willmott Finance to give a credit reporting agency certain personal information about me/us which I/we authorise Willmott Finance to do so. The information which may be given to a credit reporting agency is covered by section 18E(1) of the Act and includes:

- (a) Identity particulars as permitted by the Privacy Commissioner's determination issued under section 18E(3) of the Privacy Act.
- (b) The fact that I/we have applied for credit and the amount.
- (c) The fact that Willmott Finance is a credit provider to me.
- (d) Payments which become overdue more than 60 days and for which debt collection action has started.
- (e) Advice that payments are no longer overdue.
- (f) In specified circumstances, that in the opinion of Willmott Finance, I/we have committed a serious credit infringement.
- (g) That the credit provided to me/us by NAB has been discharged.

Authority for Willmott Finance to obtain certain credit information.

To enable Willmott Finance to assess my/our application for personal or commercial credit, I/we authorise Willmott Finance:

- (a) To obtain from a credit reporting agency a credit report containing personal information about me in relation to personal credit provided by Willmott Finance.

LOAN AGREEMENT – 3 OR 5 YEAR PRINCIPAL AND INTEREST CONTINUED

- (b) To obtain from a credit reporting agency a credit report containing personal credit information about me in relation to commercial credit provided by Willmott Finance. This is in accordance with section 18K(1)(b) of the Privacy Act.
- (c) To obtain a report containing information about my commercial activities or commercial creditworthiness from a business which provides information about the commercial creditworthiness of a person in relation to personal credit provided by Willmott Finance. This is in accordance with section 18L(4) of the Privacy Act.
- (d) To obtain a report from a credit reporting agency and other information in relation to my commercial credit activities.

Authority to exchange information with other credit providers.

In accordance with section 18N(1)(b) of the Privacy Act, I authorise Willmott Finance to give to and obtain from credit providers named in this credit application and credit providers that may be named in a credit report issued by a credit reporting agency information about my credit arrangements.

I understand this information can include any information about my creditworthiness, credit standing, credit history or credit capacity that credit providers are allowed to give or receive from each other under the Privacy Act 1988.

I understand the information may be used for the following purposes:

- (a) To assess an application by me for credit.
- (b) To assist me to avoid defaulting on my credit obligations.
- (c) To notify other credit providers of a default by me.
- (d) To assess my creditworthiness.

Authority to exchange information between related bodies corporate.

I/we understand and agree that Willmott Finance and WFL may share our personal information (including credit information) with related bodies corporate. Information will be shared in accordance with the Privacy Act.

26. Interpretation

- (a) Words used as singular may mean plural and vice versa;
- (b) Capitalised terms not defined have the meaning given to them in the Constitution constituting the Project and/or the Product Disclosure Statement.



Willmott Forests



**Quality
Endorsed
Company**
ISO9001 Lic12133
SAS Global