

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.

W.A. BLUE GUM PROJECT 2011



W.A. BLUE GUM PROJECT 2011
ARSN 150 828 283

COMBINED
PRODUCT DISCLOSURE STATEMENT
AND FINANCIAL SERVICES GUIDE

CHAIRMAN'S LETTER

Dear Prospective Grower

The Directors of W.A. Blue Gum Limited invite you to participate in the W.A. Blue Gum Project 2011.

The Project will be developed on land in the south west of Western Australia, which the Project's Independent Forestry Expert, Mr Don Spriggins, considers is very suitable for the Establishment of Blue Gum plantations.

The Directors have been successful in procuring an agreement with the very experienced and reputable company W.A. Chip & Pulp Co. Pty Ltd to harvest and purchase the wood produced by the Project. W.A. Chip & Pulp Co. is owned by two extremely large Japanese companies, Marubeni Corporation and Nippon Paper Company. The Marubeni Corporation Group owns and manages tree plantations in Western Australia on a large scale and, in the opinion of the Project Manager, is an industry leader in plantation establishment and management, log harvesting and woodchipping. Marubeni is one of the large Japanese trading houses. Nippon Paper is among the largest paper manufacturers in Japan, which itself is the second or third largest paper making country in the world.

Every business, including agriculture, involves a degree of risk. The major risks identified by the Directors have been set out in this Combined Product Disclosure Statement and Financial Services Guide ("PDS"). While the Directors have taken steps to reduce these risks or minimise the adverse impact of such risks in the structuring of the Project, by the terms of the contracts to be entered into and by utilising and consulting leaders in the forestry sector, this Project should be considered long term and speculative.

The Directors have paid careful regard to ASIC's regulatory guides and to the stated objectives of the current product disclosure regime.

This PDS is divided into three parts. Part A of this PDS represents a summary of the key features, rights and obligations of subscribing to the Project. Having regard to the complexity of the choice to invest and volume of relevant information, Part A attempts to provide a clear, concise and effective disclosure of the main features, rights and obligations. However, current market expectations of prospective subscribers require significant detailed information to be provided to enable people to assess their participation in such products. Part B represents this extensive detailed information. Part C of this PDS is a Financial Services Guide which the Responsible Entity is required to provide to prospective subscribers. All parts should be read in their entirety.

Please give the Project your most careful consideration.

Yours sincerely

A. H. May
Chairman
W.A. Blue Gum Limited



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1. DIRECTORY

Responsible Entity and Project Manager W.A. Blue Gum Limited
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Level 21, 385 Bourke Street
Melbourne Victoria 3000

Directors of the Project Manager Anthony Henry May
Leon Gorr
Steven John Smith

Forestry Contractor WACAP Treefarms Pty Ltd*
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Level 2
53 Victoria St
Bunbury WA 6231

Wood Purchaser W.A. Chip & Pulp Co. Pty Ltd*
ACN 008 720 518
Level 2
53 Victoria St
Bunbury WA 6231

Custodian Sandhurst Trustees Limited
ACN 004 030 737
Level 5, 120 Harbour Esplanade
Docklands Victoria 3008

Independent Forestry Expert Don Spriggins, Dip. For., B. Sc. For.,
F.I.F.A., MACFA. RPF
11 Wattle Street
Bunbury WA 6230

Solicitors to the Project Manager Herbert Geer
Level 20, 385 Bourke Street
Melbourne Victoria 3000

*Both these companies are ultimately owned by Marubeni Corporation and Nippon Paper Company

PART A:

PRODUCT DISCLOSURE STATEMENT

EXECUTIVE SUMMARY

OVERVIEW

The W.A. Blue Gum Limited invites subscribers to sublease 3 or more identifiable allotments of land (1 hectare each), for an estimated 10 year term as part of a commercial Tasmanian Blue Gum (eucalyptus globulus) plantation. Each hectare is likely to contain between 900 and 1,100 trees, with an average of about 1000.

PULPWOOD INDUSTRY

The continued reliance on paper and paper products by developed countries and the increased consumption of these products by developing countries is leading to an increase in demand for the raw materials required for paper production. Hardwood fibre, extracted from Blue Gum is the preferred raw material for the production of high quality paper. In fact, most paper mills require that some, if not all, of their timber input be hardwood fibre.

THE OFFERING

The Project will consist of about 500 hectares, or more, subject to land of the required quality being available.

- Establishment fee per hectare: \$5,500 (including GST)
 - Minimum of 3** - \$16,500 (including GST)
- Ongoing fees per hectare:
 - Lease: \$539 (including GST)
 - Minimum 3** - \$1,617 (including GST) (Indexed) per annum
 - Tending: \$121 (including GST)
 - Minimum 3** - \$363 (including GST) (Indexed) per annum
- Other fees:
 - Harvest, transport costs: to be deducted from harvest proceeds
 - Harvest supervision fees: 3.3% (including GST) of net harvest proceeds
 - Incentive bonus: 15% of excess return above \$17,600 (including GST) (Indexed) per hectare
 - Insurance: approximately 0.7% of insured value (including GST)
 - Credit (or similar) card merchants fee for growers who make payments under the Project using a credit or similar card
- Project term: approximately 10 Years
- Offer closes: 30 June 2011
- Finance available

BENEFITS

Full 'Offtake' agreement with a 'Higher Price' exclusion

The harvested timber will be sold to W.A. Chip & Pulp Co. (jointly owned by the Marubeni Corporation and the Nippon Paper Company) unless the Project Manager can negotiate with any other potential buyers for a higher price. W.A. Chip & Pulp Co. has the option of meeting that higher price.

All Operations by Industry Experts

The Project Manager has contracted noted industry experts to assist with the operation of the project including WACAP Treefarms as Forestry Contractor (jointly owned by the Marubeni Corporation and the Nippon Paper Company) and a forestry consultant with extensive experience, particularly with Tasmanian Blue Gum.

Promoting Ecologically Sound plantation Forestry

The establishment of hardwood plantations in Australia reduces the harvesting pressure on native forests throughout the world, particularly on the tropical forests of Asia and the South Pacific. Additionally, plantations create a sink for greenhouse gasses and help relieve salinity and soil erosion.

Tax Effectiveness

A Grower should, upon payment, be entitled to an immediate tax deduction, pursuant to Division 394 of the ITAA 1997, being 100% of the total Application Amount payable. In addition, all the annual or other fees should also be deductible in the respective years of payment. Product rulings to that effect have been applied for to the Australian Tax Office.

Growers should seek independent advice in relation to all taxation issues.

Ongoing Government support

Successive Federal Governments have recently renewed their backing of the "2020 Vision" of trebling plantation forest areas in Australia in the period from the mid 1990's to 2020 to 3 million hectares, and the Division 394 tax legislation was introduced for the purpose of encouraging more tree plantations.

Date of PDS: This PDS is dated 24 May 2011

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Project Name: W.A. BLUE GUM PROJECT 2011 ARSN 150 828 283

The Project: The Project involves the establishment and tending of Tasmanian Blue Gum (*Eucalyptus globulus*) plantations for the harvesting and sale of timber. The Project is a managed investment scheme registered under the Corporations Act. W.A. Blue Gum Limited is the Responsible Entity and the Project Manager. The Project Manager has been involved in forestry operations for over 10 years and currently manages thousands of hectares of eucalypt plantations in Western Australia on behalf of subscribers to previous offer documents.

Pursuant to the Project Agreements the Project Manager will arrange the establishment, tending, felling and harvesting of Blue Gum plantations to be known as the "W.A. Blue Gum Project 2011".

The duties of the Project Manager include the following:

- establishing the Plantations within the Establishment Period for the purposes of felling and harvesting; and
- tending the Plantations until felling and harvesting take place.

The Project is to be established on land in the south west of Western Australia between Bunbury and Albany. The Project Manager seeks to raise approximately \$2,750,000 based on the present land availability outlook. The Project Manager may accept oversubscriptions, the amount of which will be subject to the availability of land of the desired quality. Each Grower will sublet a specific and identifiable area of the Project Land from the Project Manager pursuant to a Sub-lease.

The Project Manager leases the Project Land from various farmers or alternatively, sub-leases the Project Land from W.A. Chip & Pulp Co. or WACAP Treefarms. In all instances, the head lease between the Project Manager and the farmer, or alternatively, the sub-lease between the Project Manager and W.A. Chip & Pulp Co. or WACAP Treefarms is to be registered with the Office of Titles, Perth thereby protecting the Project Manager's and ultimately the Grower's interest in the Project Land.

Each Grower will enter into project agreements with the Project Manager. The project agreements consist of a Sub-lease, a Project Management Contract and a Wood Purchase Agreement.

Where there is no Project Land available for a particular Grower on or before 30 June 2011, the Project Manager may still accept the Grower's Application subject to a Sub-lease being entered into on behalf of the Grower and lodged for registration by 30 September 2012.

In these circumstances, the Grower will be required to enter into an Agreement to Sub-lease with the Project Manager.

It is anticipated that the blue gum trees Established and maintained under this Project will be available for harvesting as woodchips in about ten years. However, the timber may be sold at any time between 2020 and 2023.

Under the terms of the Wood Purchase Agreement, W.A. Chip & Pulp Co. will buy the wood unless the Project Manager can negotiate better terms with a reputable third party after first allowing the Purchaser the opportunity to match the price offered by the other party interested in purchasing the wood (see Section 9.6 of Part B of this PDS). The precise date of purchase will depend upon both the growing conditions that have applied during the term of the Project and an assessment by the Purchaser of the market conditions at the relevant time.

It is a possibility that the whole or part of the wood grown will be suitable for a higher value use such as flooring. If this turns out to be the case then the Growers and the Purchaser will decide together on the best way to deal with the grown wood. It cannot be predicted with any accuracy whether (and, if so, to what extent) it would be wise or necessary to allow a longer rotation in order to take advantage of the higher value. This PDS ignores completely the possibility of a use with a higher value than as woodchips.

All net income on the sale of a Grower's interest in the Plantations (plus any carbon and environmental credits) will be paid to the Custodian for distribution to each Grower. The proceeds from the sale of the wood will be pooled and the net proceeds distributed to Growers on a pro rata basis, ie. in the same proportion that the number of hectares held by each Grower bears to the total of all hectares comprising the Project.

If unforeseen expenses in relation to things such as fertiliser and/or insect issues arise, the Project Manager is entitled to convene a meeting of all Growers. The Growers may, by majority vote, agree to meet such expenses, in which case these expenses will be borne between all the Growers in proportion to the number of hectares held in the Project by each Grower.

It is the intention of the Project Manager to terminate the Project upon the distribution of the proceeds from the first harvesting of the Plantations. The Project may continue for the period ending up to 15 years after the date of the last acceptance by the Project Manager of an Application from an intending Grower unless otherwise determined by the Project Manager or the Growers.

Joint Venture Growers:

Two applicants may participate in the Project as Joint Venture Growers. Under this arrangement, the first Joint Venture Grower is responsible for all activities associated with the establishment of the Plantation and the fees payable in respect of those activities and the second Joint Venture Grower is responsible for the provision of land and tending of the Plantation and is responsible for the payment of all rent, tending and insurance fees. The Joint Venture Growers will each be entitled to 50% of the proceeds of sale of the timber from their Plantation.

Each Joint Venture Grower will be responsible for 50% of all harvesting, transportation and supervision costs and incentive fees payable out of the proceeds of the sale of the timber.

Throughout this Product Disclosure Statement, any reference to a Grower includes a reference to Joint Venture Growers.

Benefits:

Benefits of the Project include:

- (a) The soil characteristics and rainfall conditions of the Project Land has independently been assessed as being of superior quality for Blue Gum plantations.
- (b) The Project Manager has selected improved seedlings which analysis indicates can be expected to produce in the vicinity of over 20% more wood (in dry weight terms) than trees grown from average native forest seed.
- (c) The Project Manager has negotiated a wood purchase agreement with W.A. Chip & Pulp Co., another company owned by Marubeni Corporation and Nippon Paper Company. The

harvested timber will be sold to W.A. Chip & Pulp Co. at an agreed price provided that, if the Project Manager is able to negotiate a higher price with a genuine third party, the Project Manager will be free to sell the timber to that third party unless W.A. Chip & Pulp Co. matches the offer.

- (d) The Board of the Project Manager includes directors with extensive forestry expertise and proven performance in the management of Blue Gum plantations. Two of the directors have over 25 years experience in the growing of softwood and hardwood plantations. The Project's principal Forestry Contractor, WACAP Treefarms, is owned by Marubeni Corporation, a Japanese company which is one of the world's leading trading houses and the largest customer for pulpwood from Western Australia since 1976 together with Nippon Paper Company, one of Japan's largest paper making companies. In addition, the Project Manager has engaged one of Australia's leading foresters to assist in the supervision of the Forestry Contractor.
- (e) The Project Manager consults with and is advised by leading forestry experts, employs sound silvicultural and environmental practices and engages a leading forestry company to provide forestry services.
- (f) The pooling of receipts from the sale of wood both spreads the risk to each Grower and, at the same time, results in a more significant market presence at the time of selling the Wood.
- (g) Possible significant financial gains both before and after income tax is taken into account.
- (h) Tax deductibility of the costs of the Project.
- (I) The Federal Government is committed to the support and the expansion of the Australian plantation forestry industry, as confirmed in "Plantations for Australia: The 2020 Vision", which encourages the trees of plantation forest areas in Australia over a 25 year period to 3 million hectares.

Risks:

The Project is long term and, accordingly, speculative in nature and is subject to the risks of such an undertaking including (but not limited to):

- (a) Market risks such as:
 - (i) changes in demand and price for timber due to economic downturn, global and Australian competition and consumer product requirements and preferences;
 - (ii) oversupply of timber products to relevant markets;
 - (iii) changes in pulp technologies;
 - (iv) distributor consolidation and rationalisation; and
 - (v) changes in price for business inputs such as labour and materials;
- (b) Regulatory risks such as:
 - (i) obtaining all necessary government and regulatory approvals;
 - (ii) access to infrastructure (eg power, irrigation, transport, water);
 - (iii) changes in government and regulatory legislation and requirements (e.g. taxation);
 - (iv) changes in taxation, levies, duties and imposts;

- (v) the failure to obtain or the withdrawal of Product Rulings that have been applied for concerning the taxation treatment for the Project by the Australian Taxation Office for non compliance with the terms of the Product Ruling; and
 - (vi) withdrawal of this PDS or the Project Manager's Australian Financial Services licence by ASIC for non compliance with the Constitution, Compliance Plan and/or Corporations Act;
- (c) Agricultural risks such as:
- (i) natural disasters, climatic variance, fire, windstorms, flooding and other acts of God;
 - (ii) insect and vermin infestations and agricultural diseases;
 - (iii) quarantine restrictions and regulations in Australia and globally;
 - (iv) suitability of seedlings;
 - (v) suitability of forestry techniques;
 - (vi) environmental impact and obligations and regulations imposed by the government and other bodies;
 - (vii) accessing and adapting harvesting and processing technology and technologies generally;
 - (viii) regulatory approval;
 - (ix) misinterpreting transportation and harvesting requirements and locations; and
 - (x) misinterpreting soil, climatic, water and other site conditions.
- (d) Financial risks such as:
- (i) ability to achieve assumed yields and prices;
 - (ii) price and cost movements;
 - (iii) changes in the Australian exchange rate and foreign currency exchange rates; and
 - (iv) interest rate variations;
- (e) Other risks such as:
- (i) the solvency of the Project Manager, the Project Manager's associates, subcontractors and other relevant parties;
 - (ii) default by the Project Manager, the Project Manager's associates, subcontractors and other relevant parties under the material agreements;
 - (iii) loss of key staff;
 - (iv) Uncontrolled Events; and
 - (v) the Applicants' ability to pay their annual contributions.

The Project Manager has endeavoured to minimise these risks as far as possible by arranging particularly appropriate sites for the Plantations and by engaging experts as prominent and independent as the Forestry Contractor and the forestry consultant to provide the services mentioned in Sections 2.6 and 2.7 of Part B of this PDS respectively.

Fees and Other Costs:

Refer to Section 4 of this PDS.

Growers contribute a minimum of \$16,500 (including GST) (being the amount necessary to Establish 3 hectares of plantations at \$5,500 (including GST) per hectare and thereafter in multiples of \$5,500 (including GST) (for each extra hectare). There is no restriction on the maximum initial contribution that a Grower may make.

Taxation Information (General):

Division 394 of the ITAA 1997 contains a specific deduction provision for contributions to forestry schemes. In projects operating under this legislation, there is no longer a requirement for taxpayers to demonstrate that they are "carrying on a business" in order to access the deduction or that the amount paid is of a revenue nature. Division 394 provides that initial investors in forestry managed investment schemes will receive a tax deduction equal to 100% of their paid contributions (both initial and ongoing) and subsequent investors will receive a tax deduction for their ongoing contributions to forestry schemes, provided that the Project Manager will spend an amount equivalent in Net Present Value terms, to at least 70% of the amounts paid by Growers on establishing, tending and felling trees for harvesting ("70% DFE rule").

In addition to the 70% DFE rule, there are also other requirements such as:

- (a) the entity claiming the deduction must be a Grower in a forestry scheme whose purpose is establishing and tending trees for felling only in Australia;
- (b) a Grower does not have day-to-day control over the operation of the scheme;
- (c) the trees intended to be established in accordance with the scheme have all been established within 18 months of the end of the income year in which the first payment is made by a Grower;
- (d) the initial participant must hold an interest in the Project for at least four years.

Division 394 also contains some specific items which are not eligible for inclusion in the 70% DFE Rule.

Interest and borrowing costs paid by a Grower will not be covered by Division 394 and should continue to be deductible under the relevant provisions of the ITAA 1936 and the ITAA 1997 (eg, sections 8 1 and 25 25 of the ITAA 1997, respectively), provided the relevant tests for those provisions are met.

Where a Grower disposes of interests within 4 years, any deduction obtained by that Grower under Division 394 will be reversed in the income years claimed.

Where two Applicants apply as Joint Venture Growers the first Joint Venture Grower should be entitled to a deduction for the cost of establishing the Plantation ie the \$5,500 (including GST) per hectare which will be paid pursuant to the Project Management Contract and for interest on any borrowed funds used to finance its contribution, when incurred. The second Joint Venture Grower should be entitled to deductions for ongoing costs including annual tending, annual rent and insurance and for interest on any borrowed funds used to finance its ongoing costs, when incurred.

Under Division 394 the Project Manager will have the following obligations:

- (a) if trees are not planted within 18 months of the end of the income year when the establishment fee was paid by a Grower (i.e. 31 December 2012), within 3 months after the end of that 18 month period, to give the Commissioner of Taxation the statement required under Division 394 in relation to reasons why this condition was not satisfied; and
- (b) to use its best endeavours to keep records for the life of the project plus 5 years.

It is possible that there will be further changes in taxation or other legislation which may have a positive, or alternatively a negative, effect upon the Project.

A Product Ruling for this Project has been applied for from the Australian Taxation Office and copies of the Product Ruling will be available free of charge from the Project Manager or from the Australian Taxation Office (www.ato.gov.au) after it is issued.

The Tax Laws Amendment (2009 Budget Measures No. 2) Act 2009 (Cth) came into force in December 2009. The intention of the Act (among other things) is to amend the 'non-commercial losses rules' in relation to individuals with an 'adjusted' taxable income of \$250,000 or more. The non commercial losses rules will now not apply to individuals with an adjusted taxable income of \$250,000 or more only if they can satisfy the Australian Tax Office, based on an objective expectation, that the business activity will produce assessable income greater than available deductions within a commercially viable period for the industry concerned. The Australian Tax Office has always exercised a very similar discretion in its previous Product Rulings and it is anticipated that the Product Rulings applied for by the Responsible Entity for this Project will continue to provide this result.

A Product Ruling issued by the Australian Taxation Office is only a ruling on the application of taxation law and is in no way expressly or impliedly a guarantee or endorsement of the commercial viability of the Project, of the soundness or otherwise of the Project, or of the reasonableness or commerciality of any fees charged in connection with the Project. Further, a Ruling is only binding on the Commissioner if the Project is implemented in the specific manner provided in that Product Ruling.

However, it is possible that the law may be amended at any time or that the interpretation thereof by the Courts may alter. If any deduction claimed by a Grower is disallowed by the Commissioner of Taxation, penalties and interest may be imposed.

Growers will be liable to pay to the Project Manager an amount equivalent to the whole of the GST liability (if any) of the Project Manager in respect of supplies made to each Grower under the Project Agreements. However, provided that a Grower has an Australian Business Number and receives a tax invoice in relation to the payment, the Grower should be able to obtain a credit or refund in relation to any GST component paid because the Grower is likely to be carrying on an "enterprise" within the meaning of the GST legislation.

Growers should seek independent advice in relation to all taxation issues.

Uncomplicated Finance:

All participating Growers may borrow up to 80% of the Application Money from Albany Financial Pty Ltd, company associated with the Project Manager. Amounts borrowed are to be repaid in monthly instalments by way of direct debit over the period ending on 15 June 2016. Each instalment is of both principal and interest. Interest is charged on the reducing principal at an indicative interest rate will be 12.95% per annum (see Section 2.5 of Part B of this PDS). There is no loan establishment fee payable in respect of this finance package.

Growers will not be required to submit any financial information in order to obtain this finance. No security (other than a charge over the Grower's interest in the Project and the proceeds of sale of wood) will be required.

Dispute Resolution:

The Constitution has an internal complaints handling procedure requiring the Project Manager to provide written details of the procedure which includes endeavouring to provide a final response in respect of a complaint within 45 days of receiving the complaint. Section 5.8 of Part B of this PDS provides a summary of the complaints handling procedure.

If a Grower is not satisfied with the outcome of the internal complaints handling procedure then the matter can be referred to the Project Manager's external dispute resolution scheme, the Financial Ombudsman Service Limited. The Project Manager is a member of that scheme.

Ethical Considerations:

Ethical Considerations: The extent to which labour standards or environmental, social, or ethical considerations were, are and will be considered by the Project Manager in the selection, retention or realisation of the investment are:

- (a) Blue gum plantations offer significant environmental benefits including:
 - (i) the mitigation of carbon dioxide emissions;
 - (ii) the lowering of water tables to prevent salinity;
 - (iii) the improvement of soil structure and drainage; and
 - (iv) effective wildlife corridors for native fauna.
- (b) The Project Manager will have regard to the Fair Work Act 2009 (Cth), industrial awards and industry standards affecting its employees.
- (c) The Project Manager has assumed that any subcontractor will have regard to the Fair Work Act 2009 (Cth), industrial awards and industry standards affecting the subcontractor's employees.
- (d) The Project Manager will have regard to the directions of the government bodies and other regulations affecting the Project Land.
- (e) The Project Manager has chosen the south west region of Western Australia for its climate, soil and rainfall conditions. Most of the relevant local Councils have actively encouraged the region as a centre of forestry expertise with excellent infrastructure and a skilled labour force suitable to achieving the objectives of the Project.
- (f) The establishment of Plantations usually reduces the risk of fire. In most cases, Blue Gum plantation fires spread far more slowly than grass, crop or native bush fires under the same conditions resulting in less area being burnt. The risk of damage by fire is further minimised by the Project Manager through its maintenance of access roads and firebreaks and its procedures for early fire detection and suppression.
- (g) The Project Manager is committed to providing best practice forestry and to ensuring compliance with the Code of Practice for Timber plantations in Western Australia and other relevant national and international industry standards.

Commissions:

The Project Manager may pay commissions not exceeding 10% in total of the Application Money to eligible intermediaries. This amount may be paid over a period of one or more years.

Secondary Markets:

Division 394 enables Growers to trade interests in forestry schemes through a secondary market. Under Division 394, deductibility of Growers' contributions will not be affected if Growers dispose of their interests in the Project prior to harvest but have held the interests in the Project for at least 4 years from the end of the financial year in which Growers made a first payment to the Project Manager.

A market value pricing rule will apply for existing interests in forestry schemes that are traded by Growers.

Growers should seek independent advice in relation to the taxation treatment of subsequent growers in the secondary market.

Continuous Disclosure:

The Project Manager, as Responsible Entity, will be subject to regular and continuous reporting and disclosure obligations if interests in the Project are ED securities.

Interests in the Project will be ED securities if 100 or more people hold interests in the Project.

No Cooling Off Period:

Due to the nature of the Project there is no cooling off period for Applicants.

No Minimum Subscription for the Project:

There is no minimum subscription required for the Project to commence.

Application:

Applications can only be made on the attached Application Form and are accepted by the Project Manager in its absolute discretion.

Closing Date:

The Project Manager will not accept applications received after 30 June 2011.

AFS Licence:

Refer to Section 5.3 of this PDS.

ASIC:

ASIC takes no responsibility for the content of this PDS.

Further Information:

Copies of this PDS and documents specified in the PDS or required by law may be obtained or inspected at such reasonable times as agreed by contacting the Project Manager.

Copies of the following documents lodged with ASIC in relation to the Project may be obtained or inspected by contacting ASIC:

- (a) the annual financial report; and
- (b) if the interests are ED securities, any:
 - (i) half-yearly financial report; and
 - (ii) continuous disclosure notices.





PART B: DETAILED INFORMATION

IMPORTANT NOTICE

This PDS relates to the offer of Interests in the registered managed investment scheme known as the W.A. Blue Gum Project 2011 ARSN 150 828 283. Applications for Interests can only be made on the Application Form attached to or accompanying this PDS.

This PDS does not constitute an offer or invitation in any jurisdiction or to any person where, or to whom, it would be unlawful to make an offer or invitation. Persons who come into possession of this PDS should seek advice on and observe any restrictions on accepting an offer or distributing this PDS. Any failure to comply might constitute a violation of applicable securities laws. While a foreign applicant is entitled to invest in the Project, an Application may need to be made to the Foreign Investment Review Board for approval.

This is an important document and you should read it carefully. In particular you should consider the risk factors set out in Part A of this PDS that could affect the performance of the Project. You should carefully consider these factors in light of your personal circumstances (including your financial and taxation circumstances). You may wish to consult your stockbroker, accountant, independent financial advisor or lawyer.

No person guarantees the success of the Project nor any particular financial outcome from participation in the Project nor the taxation consequences of participating in the Project.

Some words in this PDS have defined meanings. The definitions appear in the glossary in Section 11. Financial amounts are in Australian Dollars unless otherwise specified.

Photographs used in this PDS are for illustrative purposes only. They do not represent the proposed Project.

This PDS does not constitute an offer in any jurisdiction other than Australia.



2. PARTICULAR ATTRACTIVE FEATURES OF THE PROJECT

The particular attractive features of the W.A. Blue Gum Project 2011 are as follows:

2.1 Quality of the Land

Growers will sub-lease from the Project Manager land situated in the south west of Western Australia in areas which have both high rainfall and deep, fertile soils. The sites have been selected based on their suitability for use as plantations for blue gum.

Sites with such higher rainfall and deep, fertile soils are rare and hard to come by, which means that the Project will of necessity be conducted on a small and "boutique" basis.

As the plantings of blue gums in Australia have expanded, it has been noted that it has been necessary for many companies to establish and plant in more marginal land. The Project Manager has steadfastly refused to follow this trend, as to do so is entirely inconsistent with its policy of maximising each Grower's ultimate returns.

The Project Manager uses rigorous site selection techniques and protocols to identify land of exceptionally high quality. The small scale of operations has the advantage as this enables the Project Manager to select sites which may not otherwise have been considered by larger companies, offering a competitive advantage in site acquisition.

The land offered to be sub-let to Growers under this PDS has an anticipated yield of wood that is much higher than is usually found in projects offered for public subscription. The land is targeted to have a weighted average MAI of about 34 cubic metres per hectare per annum using certain assumptions. Whether this will be achieved in 10 years or slightly longer is subject to a number of factors including soil type, rainfall and any climatic changes between the time of establishment and harvesting.

There is a direct correlation between the MAI of land and the anticipated returns to Growers. Land which has an MAI which is say 33% higher than other land will be likely to yield to a Grower a gross return at the end of the project 33% greater than the other block of land and an even larger net return, especially when it is appreciated that many of the expenses are fixed rather than variable and that harvesting costs are usually cheaper per unit of wood on higher productivity sites.

In order to treat all Growers equitably, the proceeds of the Harvest will be pooled between all Growers participating in this Project in proportion to the size of the respective subscriptions.

2.2 Forward Sale of all the Wood

The harvested timber will be sold to W.A. Chip & Pulp Co. (jointly owned by the Marubeni Corporation and the Nippon Paper Company) but allowing the Project Manager to negotiate with any other potential buyers for a higher price. W.A. Chip & Pulp Co. then has the right to match these better terms, in which case W.A. Chip & Pulp Co. will be the buyer. The market for Blue Gum is usually competitive and there does not appear to be any reason why this will change during the life of the Project.

2.3 Improved Seedlings

An analysis of nearly 70,000 trees grown from seed collected throughout a range of blue gum trees has shown that significant gains can be made by growing trees from seeds collected from the best native forest locations. Trees grown from seeds collected in the best five native forest locations can be expected to produce up to over 20% more wood (in dry weight terms) than trees grown from the average native forest seeds.

The Project Manager has made arrangements for WACAP Treefarms to supply the Project entirely with high quality seedling stock (scientifically improved but not genetically modified) being produced by WACAP Treefarms which are ready for planting in 2011.

2.4 Experienced and Cutting Edge Operations

WACAP Treefarms has been engaged by the Project Manager to supply and to plant the Blue Gum seedlings and tend the Plantations. Under the terms of the Wood Purchase Agreement (refer to Section 9.6), W.A. Chip & Pulp Co. will harvest and buy all the wood unless the Project Manager can negotiate better terms with a reputable third party.

WACAP Treefarms has been growing hardwood plantations in Western Australia since the late 1980's and currently owns or manages in that state and in the Green Triangle region of Victoria and South Australia about 40,000 hectares of globulus plantations. It has established approximately 60,000 hectares.

WAPRES is a leader in the Western Australian plantation and wood chip export industry. WAPRES is certified to Australian Forestry Standard AS 4708 and International Standard ISO 14001: Environmental Management Systems and its forestry staff use state of the art procedures developed through its membership of the Industry Pest Management Group and the Forestry Co.-operative Research Centre. The Project is able to take the full commercial advantage of the certifications.

2.5 Uncomplicated Finance

All participating Growers may borrow up to 80% of the Application Money (including GST) from Albany Financial Pty Ltd, a company associated with the Project Manager. Amounts borrowed are to be repaid in equal monthly instalments (which include both principal and interest) by way of direct debit over the period ending on 15 June 2016. Each instalment is of both principal and interest. Interest is charged on the reducing principal at an indicative fixed rate of 12.95% per annum. There is no loan establishment fee payable in respect of this finance package. Growers will not be required to submit any financial information in order to obtain this finance. No security (other than a charge of the Grower's interest in the Project and the proceeds of sale of wood) will be required. Albany Financial Pty Ltd is entitled to pass on to a Grower the appropriate merchant's fee on the use of a credit card.

Growers will not be required to submit any financial information in order to obtain this finance. No security (other than a charge over the Grower's interest in the Project and the proceeds of sale of wood) will be required.

The outstanding principal may be repaid earlier at any time without penalty.

2.6 Involvement of Marubeni Corporation and Nippon Paper Company

WACAP Treefarms and W.A. Chip & Pulp Co. are both owned by the Marubeni Corporation and Nippon Paper Company. These companies, through their holding company, WAPRES, own and manage tree plantations in Western Australia on a large scale and, in the opinion of the Project Manager, are industry leaders in plantation Establishment and management, log harvesting and woodchipping. Marubeni Corporation and Nippon Paper Company have not been involved in the preparation of this PDS. They are independent parties (see also Section 10.3).

2.7 Experienced Forestry Consultant

A forestry consultant which with very extensive experience in the growing of Tasmanian Blue Gum has been engaged to provide independent and professional advice to the Project Manager on an ongoing basis, including advice on the management of the plantations and marketing of the timber.

2.8 Carbon and Environmental Credits and Debits

Trading in carbon credits has already commenced in a voluntary way, and it is highly likely that a legislated scheme will be introduced in the next few years. It is also possible that other environmental credits (e.g. salinity) will also be established. It is clear that tree growing is the only carbon positive sector in the Australian

economy. If carbon or other environmental credits are able to be attached to the trees to be grown in this project they may have not insignificant value.

To the extent permitted by law, all carbon and other environmental credits will be treated the same as the revenue from the sale of the wood and will belong to the Growers in the Project. If any carbon or other environmental debits accrue in the carrying out of the Project they will be deducted from the revenue otherwise payable to Growers.

Blue Gum plantations provide a range of environmental benefits including the capture of carbon dioxide, reduction of salinity, soil protection, and improved biodiversity.

About 50 per cent of a tree's dry weight is carbon. If a plantation is established on land which has already been cleared, the growth of the trees dramatically increases the total amount of carbon stored on the land. It is estimated that planting 100,000 hectares of new trees can remove approximately one million tonnes of carbon per year from the atmosphere.

In addition, the harvesting of plantations can further contribute to greenhouse gas reduction if some of the wood is used to generate electricity and replaces fossil fuels like coal, oil or natural gas for this purpose. When trees are used for wood products, carbon continues to be stored in this form for a very long period. The amount of carbon captured by trees is estimated from the volume of the trees, calculated from the heights and diameters. For example, a fast-growing eucalypt plantation averaging a stem growth rate of 20 cubic metres of wood per hectare may yield 500kg of dry wood per cubic metre, which equates to 10 tonnes per hectare and contains 50 per cent carbon, i.e. 5 tonnes per hectare of carbon in one year.

Carbon credits are recognised reductions or absorptions of carbon. Credits need to be certified. Over time, companies or individuals who create more certificates than they need can sell these to others who need to reduce their greenhouse gas emissions.

Australia's forest industry currently stores over 20 million tonnes of carbon dioxide equivalent to over 1 million hectares of Kyoto compliant plantation forests.

Furthermore, plantations can improve the saline quality of the water in the areas in which they grow. It is not clear whether salinity credits will be established, and, if so, what their value might be.

3. WHY BECOME A GROWER OF BLUE GUM

3.1 Attributes of the Species

Blue Gum has an international reputation as one of the best species for production. The species is particularly suited for paper production due to its short, narrow fibres, high strength and low chemical requirements for bleaching because of its light colouring.

As Blue Gum has a shorter harvest time (approximately 10 years) and a pulp yield very much higher than wood fibre from native mixed-age and mixed-species, plantation grown Blue Gum attracts a premium price.

3.2 Growing Demand

The growing of Blue Gum plantations in Western Australia has resulted from the increasing demand for pulp and paper products worldwide. There is an increasing gap between world demand and supply of wood fibre. Asia is the largest fibre deficit region in the world. Asia is also the main focus for growth in fibre demand for pulp and paper.

Continued reliance on paper and paper products by developed countries and the increased consumption of these products by developing countries is leading to an increase in demand for the raw materials required for paper production. The Asian region is projected to account for approximately 40% of the total increase in world demand by about 2015. Hardwood fibre, extracted from Blue Gum is a preferred raw material for the production of high quality paper. In fact, most mills require that some, if not all, of their timber input be hardwood fibre.

The increase in demand for hardwood fibre must be viewed in conjunction with the growing awareness of the importance of preservation of native forests throughout the world, including Australia.

3.3 Growing Returns

In addition to the suitability of the species for paper production, good returns to the subscriber are possible due to the high growth rates achievable in the sites selected for the Project in the south west of Western Australia. Such sites are virtually not available in other states or in other parts of Western Australia. In fact, such sites are extremely hard to obtain even in the south west of Western Australia. The plantations to be established are expected to be amongst the fastest growing in Australia and will rival plantations grown elsewhere in the world. Growth rates are maximised by the implementation of silvicultural techniques (especially in relation to the optional use of fertiliser) which have been developed over more

than a decade of research and development and by using genetically improved seedlings that have been especially selected.

Given the number of variables involved, it is not possible to forecast future cashflows and returns to Growers with any certainty. Anticipated events may not occur exactly as expected or unforeseen circumstances may arise which are outside the control of the Project Manager. As a result, the directors have elected not to provide forecast returns for the Project.

Each Grower's net return is calculated by gross sales less all costs and the Project Manager's incentive fee.

At the time of preparation of this PDS, it is estimated that the net price payable to Growers per green metric tonne of wood is:

Mill door log price	\$81.00
Production and supervision costs and Project Management's Incentive Fee	<u>(\$32.00)</u>
	\$49.00

Other risks and factors as set out on pages 8 to 9 of this PDS may also affect a Grower's return. It is recommended that professional advice be obtained when considering the possible Project returns and to assist in determining whether the participation in the Project is suitable to you.

3.4 International Markets

In 2008 a most substantial increase in Blue Gum woodchip price was negotiated between Australian suppliers and Japanese buyers which led to a very large increase in the net royalty payable to growers of Blue Gum trees in Australia. Notwithstanding the global financial crisis, the same price was maintained throughout 2009 and 2010. There is reason for optimism regarding further increases over the term of the project.

The suitability of plantations of Blue Gum in Western Australia for supplying the international market is evidenced by the interest shown by a number of major Asian trading houses and paper companies in establishing plantations to secure their supplies. Over 250,000 hectares of Blue Gum plantations have already been successfully established in Western Australia by a variety of companies, thereby providing a platform for this industry. Western Australia has more Blue Gum plantations than any other State.

Growers' wood will be sold either for manufacture into woodchips for sale to pulp and paper companies or for a higher value use. The Marubeni Group and Nippon Paper Company are significant importers and users of Australian

hardwood chips from plantations (to an ever increasing extent) and native forest (to an ever decreasing extent). A number of sources suggest that hardwood woodchip prices will remain stable in real terms over the short to medium term.

Not only is Australia in a good geographical position to supply hardwood woodchip to the Asian market, because competitors for the Asian market are further away from Asia than Australia and therefore suffer the cost of extra transport to the Asian market, Western Australia is closer to Asia than other parts of Australia where Blue Gum is grown commercially. Demand in the Asian market is expected to grow strongly in the medium term with a predicted shortfall in that market of five million cubic metres per annum by about 2020.

In 2002, China imported hardwood chips from Australia for the first time. As the result of a logging ban now operating in China, domestic hardwood chips supplies remain limited and the country has moved from becoming a net exporter of woodchips to becoming a major importer - accordingly it is expected that there will be a growing market in that country. China's hardwood chip imports are expected to rise from approximately 1.1 million tonnes in 2007 to 3.5 million tonnes in 2012 - in 2009 China trebled its imports of woodchips, despite the adverse economic conditions affecting other importers. Paper production in China has trebled since 1990 and it is now the world's second largest importer of woodchips.

China currently consumes approximately 50 million tonnes of paper per year. Research indicates there is a direct correlation between economic growth and demand for paper products. China which has averaged more than 8% growth for the past 26 years, has an enormous potential for demand of paper products. Hence, there is no doubt that the continuing growth and development of China will have massive implications for world trade and forest products trade in particular. This suggests a possible new export market for Australian woodchips.

China has now installed and continues to install very large paper making mills which contain the most cutting edge technology. In order to best exploit the potential efficiency of these mills they require the highest quality fibre inputs, particularly Blue Gum which will replace inferior species which make up the bulk of China's imports to date.

Japan is one of the world's major market for woodchips and Australia is its principal supplier. In 2009, Japan imported approximately 15.1 million cubic metres of hardwood chips of which Australia supplied about 40%. Japan uses hardwood woodchip imported from Australia for

the production of writing and printing paper. Over the past few years there has been a downward trend in the volume of woodchip exports from the United States to Japan as they are consumed domestically. Also, significant environmental pressure due to current harvests being almost exclusively from native forests has resulted in reduced production volumes. Consequently, Australian woodchip exports to Japan have increased.

In recent years Australia's major competition into the Japanese market has been from Chile and South Africa. It appears that supply from both those countries into Japan is likely to fall. Chile now has new and large milling facilities at home and will continue to use more of its tree fibre for domestic production of paper for ultimate sale into North America. South Africa has a reduced supply because of water and other limitations.

It is suggested that Japan's dependence on imported woodchips would likely result in its willingness to pay higher premiums on the supply of woodchips as plantation grown Eucalypts from South America and South Africa are consumed domestically or marketed to North America. It is also expected that the quality of Australian produced woodchips will lead to Australian woodchips replacing woodchips sourced from tropical countries.

It is predicted that there is sound prospect for hardwood woodchip demands in Asia, and Australia can look forward to growth in emerging markets such as China and re-emerging demand from Japan.

Indonesia is also a potential market given the large increase in its milling capacity in recent years which may not be able to be supplied by local resources. There is a shortfall of wood fibre in Indonesia, which has opened the market for Australia and other exporters of wood fibre in Asia. There is also current discussion about the possibility of the Indian economy starting to emerge.

The domestic market prospects for hardwood plantations in Western Australia are enhanced by the possible development of a future domestic pulp and paper industry based on the plantations. There are good export facilities at the Bunbury port that have been used for over 25 years. Additionally, export facilities at the Albany port commenced operation in March 2002. The land in this Project will be situated within a commercially viable distance from one or other of these ports.

Given Australia's increasing hardwood plantation supply volumes, its expanding distribution abilities and close proximity to Asia, Australia is well positioned to have continued success in the hardwood woodchip market.

3.5 Environmentally Beneficial

As well as providing excellent market prospects, participation in a Blue Gum plantation also has many local environmental benefits. Also, the establishment of hardwood plantations in Australia reduces the harvesting pressure on native forests throughout the world, particularly on the tropical forests of Asia and the South Pacific.

Blue Gum plantations will also serve to slow or reverse the effects of salination in the agricultural areas of Western Australia. The replacement of pasture with plantations returns the water usage pattern closer to that of native forests which can alleviate salination problems downstream from the plantation and prevent salination within the plantation itself.

The rapid growth of hardwood plantations requires the trees to fix large amounts of carbon from carbon dioxide, contributing to the reduction of this greenhouse gas in the atmosphere. It appears highly likely that in the near future a system of "carbon credit" trading will develop as has already been commenced elsewhere in Australia. Under such an arrangement the growers of trees may be paid a fee by enterprises which emit excessive carbon into the atmosphere so as to improve their net emissions. These arrangements may add further value to the trees grown in the Project and, if they do, it will be (to the extent permitted by law) entirely to the benefit of the Growers as it will be treated as equivalent to the sale of the timber as will income from any other environmental credit.

It has been estimated that by 2020 (which is the around the time that the harvesting of the trees grown in the Project is likely to take place) that over 75% of hardwood woodchips in Australia will be derived from plantations rather than native forest. There has been a sharp decrease in the amount of native forest available in Australia for wood production, with a fall of about 30% in the 11 years to 2008.

Another aspect relating to the environment is that there is currently active planning for the establishment of a bio mass plant in the South-west of Western Australia. Such a plant will most probably require fibre resulting from timber harvesting operations. Accordingly, it is possible that some additional revenue will be derived by

Growers. The use of bio mass as an example of electricity production from renewable resources. It is expected that over time, the renewable energy sector will compete with paper producers for wood fibre which would have previously been used in traditional markets.

3.6 Diversification of Asset Classes

Well-managed agribusiness ventures are business opportunities outside of the traditional asset classes. They do not normally follow the cycles in the property and share markets. Accordingly, they may be suitable for people who want to diversify their portfolio.

3.7 Government Support

Federal Governments of both persuasions have often renewed their backing for the "2020 Vision" of trebling plantation forest areas in Australia in the period from the mid 1990's to 2020 to 3 million hectares. Under this policy, a targeted average of 80,000 hectares is required to be planted each year.

In this context, the Division 394 legislation regarding taxation of forestry was introduced for the exclusive purpose of encouraging further plantation growth in order to reduce reliance on both native forests and overseas imports (see Part A: General Taxation Information).

3.8 Employment Opportunities

Blue Gum projects are generally supported by the communities in which they are grown as they encourage employment and regional growth. According to the Bureau of Rural Sciences, "the presence of processing facilities in regional areas can help to reduce or prevent population decline by providing an alternative source of employment". The study also shows that over time new businesses are established in the regions to provide goods and services to the growing plantation sector.

4. FEES AND OTHER COSTS

This Section details the fees and other costs payable by a Grower. However, to fully understand these matters you should read the whole PDS before deciding whether to participate.

CONSUMER ADVISORY WARNING

By law, prior to setting out the fees and other costs for the Project, we are obliged to provide you with the following Consumer Advisory Warning, which applies generally to managed funds investment products such as equity funds, insurance and superannuation products. The warning below refers to your "fund balance", however there is no concept of "your fund balance" in the Project, nor is the duration of the Project a 30 year period, nor are there any fees or costs in the Project that are able to be negotiated.

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 member 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 Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

This information is required by Australian law.

INTRODUCTION

This document shows fees and other costs in respect of each hectare that you may be charged if you wish to participate as a Grower in the Project. These fees and costs may be paid from your money.

Taxes and insurance costs are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your subscription.

Table 1 identifies the types of fees and other costs, whether they are fixed or variable and, where applicable, explains the method of calculation.

Table 2 apportions the fees and other costs between Joint Venture Growers.

Table 3 gives an example of how the fees and other costs charged on participation in the Project can affect your return. The fees and costs are payable by Growers. You should use this table to compare this product with other similar agribusiness managed investment products.

TABLE 1 FEES AND OTHER COSTS (PER HECTARE - MINIMUM 3 HECTARES)				
TYPE OF FEE OR COST	AMOUNT (PER HECTARE)			HOW AND WHEN PAID
Fees when your money moves in to the Project	Financial Year 1 (Until 30 June 2011)	Financial Year 2 (1 July 2011 to 30 June 2012)	Subsequent Financial Years	
<i>Establishment fee</i> ² This is the fee for services associated with the Establishment of the Plantation	\$5,500 (including GST)	Nil	Nil	Included in Application Amount which is payable on Application
<i>Contribution fee</i> The fee on each amount contributed to your investment	N/A	N/A	N/A	N/A
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	N/A			N/A
<i>Termination fee</i> The fee to close your investment	N/A			N/A
Management Costs - The fees and costs for managing your investment	Financial Year 1 (Until 30 June 2011)	Financial Year 2 (1 July 2011 to 30 June 2012)	Subsequent Financial Years	
<i>Tending fee</i> ³ This is the annual fee payable to manage the Plantation	Nil	\$121 (including GST) Indexed ¹ from 30 June 2011	Amount payable in previous Financial Year Indexed ²	Payable on 30 November 2011 and thereafter on 30 September in each year from the Grower's own money
<i>Rental fee</i> ⁴ This is the annual fee payable for rental of the leased land	Nil	\$539 (including GST) Indexed ¹ from 30 June 2011	Amount payable in previous Financial Year Indexed ¹	Payable on 30 November 2011 and thereafter on 30 September in each year from the Grower's own money
<i>Insurance fee</i> ⁵ This is the annual fee payable to insure the Plantation against fire	Nil	Approximately 0.7% of the insured value ⁵	Refer to Financial Year 2 (previous column)	Payable on 15 November 2011 and thereafter on 15 November in each year from the Grower's own money
<i>Harvesting, Transportation & Supervision fees</i> ⁶ These costs are the actual costs incurred by the Project Manager for harvesting, transportation and supervisory activities	Nil	Nil	The precise amounts will be determined at the time of harvest. A 3.3% (including GST) harvest supervision fee is payable to WA Chip & Pulp Co Ltd	These fees will be paid by the Grower to the Project Manager. The Project Manager has discretion to deduct these fees from the proceeds of sale of the timber prior to making any distributions to the Grower
<i>Incentive fee</i> ⁷ This is a fee payable to the Project Manager for achieving higher than a nominated return	Nil	Nil	15% of the amount by which the net proceeds from the sale of the timber exceeds the sum of \$17,600 (including GST) per hectare (Indexed ¹ from 30 June 2011)	These fees will be paid by the Grower by way of deduction from the net proceeds from the sale of the timber prior to making any distributions to the Grower
<i>Credit (or similar) Card Merchant Fee</i> ⁸ In any case where an amount is paid by credit or similar card, there shall be added the appropriate merchants fee charge on the use of the card	This fee is paid by a Grower who uses a credit or similar card to pay fees under the Project			
<i>Unforeseen Expenses</i> ⁹ This is a fee for unforeseen expenses incurred by the Project Manager e.g. in relation to fertiliser and/or insect issues	Nil	Refer to "How and When Paid"	Refer to "How and When Paid"	This fee can only be imposed if Growers vote to meet such expenses at a meeting of all Growers convened by the Project Manager This fee is payable from the Grower's own money upon the issue of an invoice by the Project Manager
Services fees	Financial Year 1 (Until 30 June 2011)	Financial Year 2 (1 July 2011 to 30 June 2012)	Subsequent Financial Years	
<i>Investment switching fee</i> The fee for changing investment options	N/A			N/A
<i>Transfer of Interest</i> The cost of transferring or assigning an interest in the Project to a different entity	The Project Manager will charge an administration fee of \$330 (including GST) to process a transfer of a Grower's interest in the Project to another entity in a secondary market			This fee is payable from the Grower's own money upon the issue of an invoice by the Project Manager

ADDITIONAL EXPLANATION OF FEES AND COSTS

Indexation

1. Indexed means adjusted by the percentage change in the Consumer Price Index (All Groups, Perth) most recently published by the Australian Bureau of Statistics for the previous 12 months or if the Consumer Price Index is no longer published, such other replacement or substitute as is used by the Australian Bureau of Statistics as the measure of inflation in Australia.

Establishment Fee

2. Growers contribute a minimum of \$16,500 (including GST) (being the amount necessary to establish 3 hectares of plantations at \$5,500 (including GST) and thereafter in multiples of \$5,500 (including GST) per hectare). There is no restriction on the maximum initial contribution that a Grower may make.

It is expected that an average of about 1000 trees will be planted on each hectare of plantable land. The number of trees is determined by the soil, rainfall and other characteristics of each individual block.

Tending Fee

3. Growers will be charged an annual tending fee of \$121 (including GST) per hectare to manage the Plantation. The annual tending fee is indexed from 30 June 2011, with the first payment on 30 November 2011 and thereafter on 30 September in each year from the Grower's own money.

Rental Fee

4. Growers will be charged an annual rental fee of \$539 (including GST) per hectare for rental of leased land. The rental fee is indexed from 30 June 2011, with the first payment on 30 November 2011 and thereafter on 30 September in each year from the Grower's own money.

Insurance Fee

5. Growers will be charged an insurance fee of approximately 0.7% (including GST) of the insured value together with a fee equivalent to 10% of the premium for the Project Manager's service to arrange such insurance for the Plantation. The Project Manager will use its best endeavours to arrange such insurance at the best price. The insurance fee is payable on 15 November 2011 and thereafter on 15 November in each year from the Grower's own money.

Harvesting, Transportation & Supervision Fee

6. Growers will be charged harvesting, transportation & supervision fees incurred by the Project Manager for harvesting, transportation and supervisory activities. A 3.3% (including GST) harvest supervision fee is payable to WA Chip & Pulp Co. The Grower will pay these fees by way of deduction from the proceeds of sale of the timber prior to making any distributions to the Grower.

Incentive Fee

7. Growers will be charged incentive fee for achieving higher than a nominated return. The incentive fee is 15% of the amount by which the net proceeds from the sale of timber exceeds the sum of \$17,600 (including GST) per hectare, Indexed from 30 June 2011. The Grower will pay these fees by way of deduction from the proceeds of sale of the timber prior to making any distributions to the Grower.

Credit (or similar) Card Merchants Fee

8. In any case where an amount is paid under the Project by a Grower using a credit or similar card, there shall be added the appropriate merchants fee charge on the use of the card.

Unforeseen Expenses

9. This is a fee for unforeseen expenses incurred by the Project Manager (eg. in relation to fertiliser and/or insect issues). This fee can only be imposed if Growers vote to meet such expenses at a meeting of all Growers convened by the Project Manager. This fee is payable from the Grower's own money upon the issue of an invoice by the Project Manager.

Taxation

For information about taxation and deductions, including the treatment of GST, you should read the section titled "General Taxation Information" on pages 12 and 13 of the PDS.

Commissions

For information about commissions, you should read the section titled "Commissions" on page 16 of the PDS.

Guarantee

The Project Manager may require, where the Grower is a corporation, that one or more of the directors of that corporation provide a Guarantee and Indemnity in respect of the Grower's obligations under the Project Agreements.

TABLE 2 - JOINT VENTURE GROWERS: APPORTIONMENT OF FEES AND OTHER COSTS (PER HECTARE)

Joint Venture Growers	Two applicants may participate in the Project as Joint Venture Growers. Under this arrangement, the first Joint Venture Grower is responsible for all services associated with the Establishment of the Plantation and the fees payable in respect of those services and the second Joint Venture Grower is responsible for the provision of land and tending of the Plantation and is responsible for all rent, tending and insurance fees. The Joint Venture Growers will each be entitled to 50% of the proceeds of sale of the timber from their Plantation.
	The first Joint Venture Grower is required to pay the Establishment fee ie a minimum of \$16,500 (including GST) (being the amount necessary to establish 3 hectares of plantations at \$5,500 (including GST) and thereafter in multiples of \$5,500 (including GST) (equivalent to 1 hectare). The Second Joint Venture Grower is required to pay both an annual sum for rental of the leased property and fees for the ongoing tending and insurance of the Plantations. The first annual sum for rental will be \$539 (including GST) per hectare (Indexed from 30 June 2011) and is payable on 30 November 2011. The first annual sum for tending will be \$121 (including GST) per hectare (Indexed from 30 June 2011) and will be payable on 30 November 2011. Subsequent amounts for both rental and plantation tending will be Indexed in each subsequent year to take account of inflation.
	Each Joint Venture Grower will be responsible for 50% of all harvesting, transportation and supervision costs and incentive fees payable out of the proceeds of the sale of the timber.
	Throughout this Product Disclosure Statement, any reference to a Grower includes a reference to Joint Venture Growers.

TABLE 3 - PRESCRIBED EXAMPLE OF ANNUAL FEES AND OTHER COSTS (PER ANNUM)

This table gives an example of how the fees and other costs charged on participation in the Project can affect a Grower's return. The table is based on the Project not offering a 'balanced investment option' (as defined in the Corporations Act). This table should be used to compare this product with other similar agribusiness managed investment products.

In accordance with the requirements of the Corporations Act, this table is based on a \$50,000 subscription. However it should be noted that fractions of a hectare are not issued and it is not possible to make an application for hectares of plantations where the application amount totals exactly \$50,000 when GST is taken into account. Accordingly, the calculations below assume a Grower invests \$50,000 on a GST exclusive basis which equates to 10 hectares (i.e. \$55,000 on a GST inclusive basis).

Please note that amounts in the table are for illustrative purposes and have been subject to rounding.

GROWER		
EXAMPLE - cost of fund in the financial year ending 30 June 2011 for a Grower who holds 10 hectares (at \$5,000 per hectare exclusive of GST)		BALANCE OF \$50,000 (excluding GST) with no further contributions
Contribution fees		For every \$50,000 (excluding GST) you put in you will be charged \$0 in Contribution Fees
Management Costs (for 10 hectares)	<ol style="list-style-type: none"> Rent \$539 (including GST) x 10 = \$5,390 Indexed Tending Fees \$121 (including GST) x 10 = \$1,210 Indexed 	<p>For every \$50,000 (excluding GST) you have invested in the Project you will be charged fees in the financial year ending 30 June 2012 of \$6,600 (including GST) Indexed.</p> <p>Note that the calculation has not taken into account insurance expenses which are approximately 0.7% of the insured value⁵.</p> <p>Also note that additional fees will also apply in later years.</p>
Cost of fund (for 10 hectares)		If you had an investment of \$50,000 (excluding GST) during the financial year ending 30 June 2012, you would be charged fees and costs of \$6,600 (including GST) Indexed.

5. OTHER DETAILS OF THE PROJECT

5.1 Insurance

Every Grower is required to insure his Plantations every year against fire, if such insurance is available at a reasonable cost. In recent years the annual premium has been at a rate of about 0.7% of the insured value. It is possible that in the future the premiums will be more expensive. The Project Manager will use its best endeavours to arrange such insurance at the best price and will be entitled to charge a fee equivalent to 10% of the premium for this service. As the trees mature the value of the Plantations is expected to rise. A decision will be made separately each year as to the insured value, which may be less than the full market value. However, Project Manager will endeavour to ensure that the insured value will not be less than \$5,000 per hectare.

5.2 Reports

The Project Manager will provide Growers with a report following completion of the planting of the Plantations setting out the areas which have been planted with Blue Gum trees in accordance with the Plantation Development and Tending Plan.

Thereafter, the Project Manager will report to the Growers no later than 30 November in each year detailing any changes to the Plantation Development and Tending Plan, the actual operations performed on the land, details regarding the health and vigour of the Plantations and any other matter which may affect the performance or viability of the Plantations.

In addition, a consulting forester will provide a separate professional report at least annually, and at other times if necessary.

5.3 The Responsible Entity

The Project Manager is the Responsible Entity of the Project and is responsible for the operation and management of the Project. The Responsible Entity is an unlisted public company.

The Responsible Entity was granted its current Australian Financial Services Licence on 22 December 2003 authorising the Responsible Entity to operate the Project. The Responsible Entity's Licence was varied by ASIC on:

- (a) 5 August 2004 to authorise the Responsible Entity, in addition to operating the Project, to provide general product financial advice for interests in the Project to wholesale and retail clients;
- (b) 9 June 2006 to ensure consistency with the extension of the "12 month rule" under the Tax Laws Amendment (2005 Measures No. 5) Act 2005 (Cth) and to incorporate

the most current standard licence conditions that apply to licensees;

- (c) 6 February 2008 to extend the maximum period for registering members' interests in the land to 15 months from the end of the income year in which the member first invests in the Project and to incorporate the most current standard licence conditions that apply to licensees;
- (d) 28 May 2010 to permit the Responsible Entity to act as the responsible entity for another project (which is not proceeding at present) and to add an additional "responsible manager"; and
- (e) On or about the date of this PDS to permit the Responsible Entity to act as the responsible entity for the Project.

The Responsible Entity, in its own capacity, maintains a cash deposit to ensure that it meets the financial requirements under its Australian Financial Services Licence including the minimum net tangible asset requirement of \$50,000.

Copies of the audited annual financial reports of Responsible Entity are available from ASIC or by contacting Responsible Entity.

The Responsible Entity operates the Scheme through a discretionary trust known as the W.A. Blue Gum Management Trust ("Trust"). The Responsible Entity is the trustee of the Trust and receives the income from Growers in the Scheme in its capacity as trustee of the Trust. It also meets the expenses of the Scheme from this income.

Accordingly the Responsible Entity receives all amounts payable by Growers in its capacity as trustee of the Trust. The Responsible Entity holds these funds as trustee on the terms of the trust deed (referred to below) and utilises these funds to meet expenses of the Scheme. Where the Trust makes a profit in a particular period, the Responsible Entity has the power to distribute those amounts to beneficiaries in the Trust.

Harvest income is held by the Custodian in a dedicated bank account and does not form part of the income or assets of the Trust.

The Responsible Entity does not believe its status as trustee of the Trust creates any conflict of interest with its duties as responsible entity of the Project. The Responsible Entity notes that Growers in the Scheme are independent and separate to the Trust, and do not become beneficiaries in the Trust.

As well as the financial statements of the Responsible Entity, in its own capacity, accounts are also prepared and audited annually which show the income and expenses of the Trust.

Copies of the audited annual financial reports for the Trust are also available by contacting The Responsible Entity.

The trust deed constituting the Trust includes the following:

- (a) the Responsible Entity its capacity as trustee for the Trust holds trust property on behalf of the Trust's beneficiaries to be distributed to such beneficiaries in such proportions as the Responsible Entity in its discretion sees fit;
- (b) a broad right of indemnity for the Responsible Entity to be indemnified out of the assets of the Trust for all expenses relating to the Trust or incurred in the administration of the Trust; and
- (c) a broad power to invest and deal with the assets of the Trust; and
- (d) other terms typically found in a discretionary trust.

Accordingly where this PDS refers to payments being made to the Responsible Entity, the Responsible Entity receives those amounts in its capacity as trustee of the Trust.

5.4 Compliance Plan

The Project is regulated by Chapter 5C of the Corporations Act.

Accordingly, the Responsible Entity's operations and business activities are subject to both the Project's Constitution and Compliance Plan. Both documents have been lodged with ASIC in accordance with the requirements of the Corporations Act.

The Compliance Plan outlines how the Responsible Entity will operate the Project to ensure that it complies with the Corporations Act, the Constitution and any other operating requirements set down by the Board of Directors of the Responsible Entity.

The principal purpose of the Compliance Plan is to ensure that the interests of Growers are protected. The Compliance Plan sets out the systems and methods by which the Board of Directors, its officers, agents and employees will ensure that the Project and the Responsible Entity continue to comply with the Corporations Act and the Constitution and to continually monitor and review such compliance.

All Growers are entitled to obtain a copy of the Compliance Plan free of charge from the registered office of the Responsible Entity.

5.5 Compliance Committee

The Responsible Entity has established a Compliance Committee in accordance with the terms of the Compliance Plan. The Compliance Committee members are:

- (a) Paul Luntz M.Comm. (Wits), CA, Registered Tax Agent, Registered Company Auditor (Chairman);
- (b) Manish Sundarjee B.Acc, CA, FPA (Aff); and
- (c) Anthony Henry May B.Ec. LL.B.

Paul Luntz and Manish Sundarjee are external members of the Compliance Committee.

The Compliance Committee is scheduled to meet at least once every quarter and is responsible for monitoring the extent to which the Responsible Entity observes, performs and complies with its duties and obligations pursuant to the Constitution, the Corporations Act and the Compliance Plan.

The Compliance Committee is required to report to the Board of Directors of the Responsible Entity any findings of the Committee in relation to any failure by the Responsible Entity to comply with the Compliance Plan, any inadequacy in the Compliance Plan and any recommendations for changes that the Committee considers should be made to the Compliance Plan, any breach or alleged breach of the Corporations Act involving the Project and any breach or alleged breach of the provisions of the Constitution. If the Compliance Committee is of the view that the Board of Directors has not taken and does not propose to take appropriate action to deal with a matter reported to the Board of Directors by the Committee under the Compliance Plan, the Committee must report that matter to ASIC as soon as practicable.

5.6 Audit of the Compliance Plan

- (a) Both the financial and compliance audits are conducted on an annual basis; and
- (b) The auditor must, as soon as possible, notify ASIC and the Compliance Committee in writing if the auditor has reasonable grounds to suspect that a contravention of the Corporations Act has occurred in relation to the Project and believes that the contravention has not been and will not be adequately dealt with by commenting on it in the auditor's

report or bringing it to the attention of the Responsible Entity.

The auditor:

- (a) has a right of access at all reasonable times to all of the books and records of the Project and the Compliance Committee; and
- (b) may require an officer of the Responsible Entity or a member of the Compliance Committee to give the auditor information and explanations for the purposes of the audit.

5.7 Conflicts of Interest

The Responsible Entity has established detailed procedures for managing conflicts of interest to enable it to:

- (a) provide a structured and systematic management process that takes into account the Responsible Entity's and the Project Manager's obligations under the Corporations Act;
- (b) identify, assess and evaluate the risk of conflicts of interest arising wholly, or partially, in relation to the provision of financial services by the Responsible Entity and the Project Manager as part of their financial services businesses;
- (c) establish and maintain measures, processes and procedures (including compliance measures, processes and procedures) designed to manage these conflicts of interest; and
- (d) ensure that the quality of financial services provided by the Responsible Entity and the Project Manager is not significantly compromised by the presence of conflicts of interest.

5.8 Complaints by Growers

The Responsible Entity has established detailed procedures for the handling of complaints by Growers, including the appointment of a Complaints Handling Officer. Growers can make a complaint about any aspect of the Project by contacting the Responsible Entity or the Complaints Handling Officer of the Responsible Entity.

The Responsible Entity will treat all complaints seriously and will deal with them in a timely manner having regard to the nature of the complaint. The Responsible Entity will endeavour to provide a final response to any complaints within 45 days of receiving a complaint. The Responsible Entity will act

reasonably in attempting to resolve a complaint. If a complaint is not resolved to the satisfaction of the Grower, the Grower is entitled to initiate a formal dispute resolution process which involves attendance at a settlement conference with an independent person, and an independent expert's determination in the event that the dispute cannot be resolved.

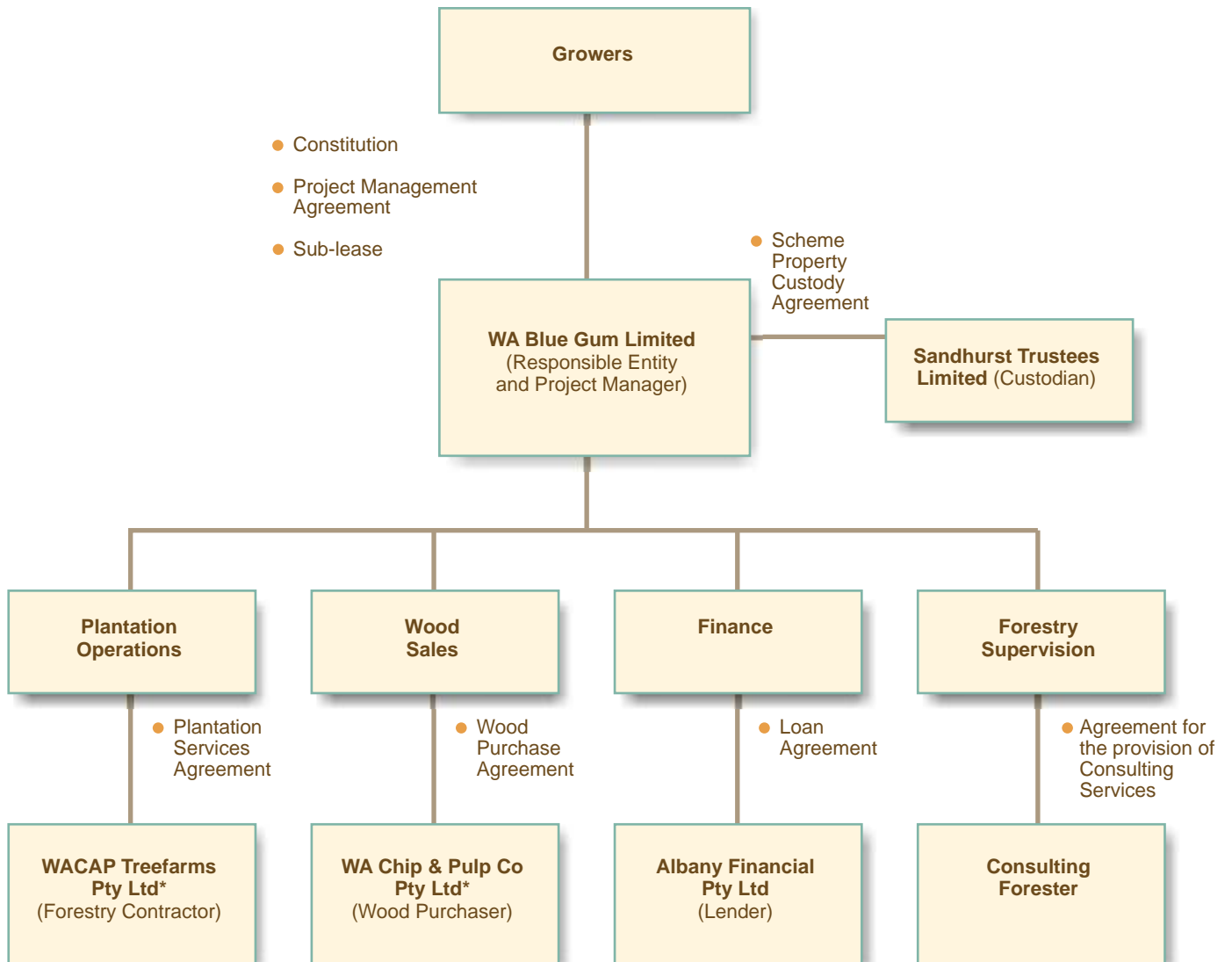
As additional protection for Growers, the Project Manager is a member of the Financial Ombudsman Service Limited Scheme. FOS is an entirely independent organisation whose role is to receive, investigate and finalise complaints made against the Responsible Entity. FOS is located at Level 12, 31 Queen Street, Melbourne, telephone 1300 78 08 08.

5.9 Anti Money Laundering and Counter Terrorism Financing Amendment Act 2007

AUSTRAC has advised that the Project is subject to the Anti Money Laundering and Counter Terrorism Financing Amendment Act 2007 (Cth). Therefore, it may be necessary for Applicants to provide proof of identity in accordance with the provisions of that Act.



6. STRUCTURE OF THE PROJECT



* Both these companies are ultimately owned by Marubeni Corporation and Nippon Paper Company.

7. INDEPENDENT FORESTRY EXPERT'S REPORT

December 13th 2010

The Directors
WA Blue Gum Limited
Level 21
385 Bourke St
MELBOURNE VIC 3000

Dear Sirs,

RE: Product Disclosure Statement - WA Blue Gum Project 2011 ("Project")

This report has been prepared for inclusion in a Product Disclosure Statement to be dated on or about 20th February 2011 through which the public may participate in the development of *Eucalyptus globulus* plantations in Western Australia.

Introduction

WA Blue Gum has always placed a high priority in securing excellent quality land in high rainfall areas for sub lease for the growing of *Eucalyptus globulus* and has entered into arrangements for marketing the produce. *Eucalyptus globulus* is very well regarded on the international market as an excellent source of fibre for pulp and paper manufacture. These three key factors, confining plantings to excellent quality land in close proximity to Ports, well established marketing arrangements and appointment of a reputable plantation manager are very important in determining the success of any private forestry venture in Australia.

Although the primary market for *Eucalyptus globulus* is for pulpwood, research trials by the CSIRO have demonstrated that provided early pruning is carried out, good quality sawn material can be produced from 15 year old logs. For the foreseeable future though whilst demand and prices for *Eucalyptus globulus* fibre remain high the priority will be to concentrate on the pulpwood fibre market.

John Tredinnick the forestry supervisor of this Project, is internationally recognised as a reputable forestry consultant. The Project Manager, WA Blue Gum Limited, has subcontracted the business of establishment and ongoing tending to WACAP Treefarms (formerly Bunnings Treefarms) a wholly owned subsidiary of WAPRES (W.A. Plantation Resources Pty Ltd). WAPRES is a 50/50% joint venture between Marubeni Corporation, one of Japan's leading trading houses and Nippon Paper Industries, one of Japan's largest pulp and paper makers.

I have been closely involved with eucalypt planting in the South West of Western Australia from 1976 to 1994 whilst Regional Manager with the Department of Conservation & Land Management and more so since 1995 as a forestry consultant which has given me a good understanding of what is required to produce high yielding *Eucalyptus globulus* plantations.

Land to be obtained for this project's plantings has not been finalised. As in the past the aim is to obtain land within approximately 100km of one of the three major chip mills in the South West of WA, the Diamond Chip Mill near Manjimup, chipping facilities at the Port of Bunbury or the chip mill close to the Port of Albany. This land is within the high rainfall zone of the South West of WA.

As with any short rotation tree crop there are factors such as below average rainfall, insect attack, fire, disease and windstorms that can affect growth rates and actual yields obtained at the time of harvesting. Investors need to be aware that it is difficult to forecast the occurrence of these factors.

Several factors need to combine to provide good prospects for a profitable forest enterprise. Some of the factors are elaborated upon to explain the project for the benefit of intending investors.

Managerial Capacity

Immediate control of operational activity is the responsibility of WACAP Treefarms under an agreement with the Project Manager. WACAP Treefarms and its predecessor Bunnings Treefarms have established over 55,000 hectares of new *E.globulus* plantations in the South West over the last twenty years and currently manage approximately 30,000 hectares of plantations, of which about 5,000 hectares are managed on behalf of WA Blue Gum Pty Ltd. There are approximately 300,000 hectares of *Eucalypt globulus* plantations in the south west corner of Western Australia which has resulted in significant economic and employment benefits.

During 2009-2010 there was great change in the *Eucalyptus globulus* plantation industry in Australia. Almost all the major blue gum MIS plantation companies except WA Blue Gum were forced to appoint receivers and sell their assets. Timbercorp plantations were sold to Australian Bluegum Plantations for a reported figure of \$345 million. Gunns who hopes to build a pulp and paper mill in Tasmania and intend to use only plantation fibre as their feedstock were appointed as the new Responsible Entity (RE) for most of the of Great Southern projects. A new Japanese company is believed to be in the process of purchasing the Hansol International plantations that were sold to Great Southern a few years ago and It is understood Elders is reviewing it's forestry business. The reasons for the changes in ownership stemmed from the Global Financial collapse, a marked reduction in applicants wishing to invest in MIS schemes as a result and ventures of some companies into the growing of other crops such as olives and almonds. By comparison WA Blue Gum Pty Ltd continued to focus its efforts on *Eucalyptus globulus* plantations only and remain within their capacity to service the plantations they manage. As a result of these policies they were not affected.

WACAP Treefarms has a team of competent foresters with a good reputation as reliable and socially responsible members of the community. They place great store on maintaining good communication and relationships with landowners as well as the various Local, State and Federal Government organisations and have a Good Neighbour policy statement.

This includes an active role in fire protection and suppression work through a series of formal inter-agency agreements and informal arrangements. They have supplied several bush fire brigades with additional equipment to bolster the effectiveness of local brigades in fire suppression. Together with pre suppression agreements and assistance to landowners and brigades, fire protection of plantations is of a high standard. In 2008 an external review of their fire management systems was carried out.

Eucalyptus globulus has been planted extensively for the last 20 years in the South West by a number of groups including government and several major plantation companies. During this time a considerable amount of information and expertise in *Eucalyptus globulus* silviculture has been developed. WACAP Treefarms are recognised as one of the leaders in *Eucalyptus globulus* plantation management. This reinforces the wisdom of the choice of operational contractor.

Land Selection and Suitability of the Selected Species

The aim is to select properties for lease that are within a radius of approximately 100km from chip mills at Bunbury Port, Albany or the Diamond Chip mill. Preferred soils are gravely sand and loams, over deep well structured clays on gentle topography and on farms supporting well developed pasture with a history of at least 5 years of effective fertiliser application. Increasingly second rotation sites with a proven capacity to grow productive plantations are producing a second crop. WACAP Treefarms have also successfully converted several former pine plantations to *Eucalyptus globulus* plantations. Remnant forest vegetation is a good indicator of site and large sized paddock trees of Marri (*Corymbia calophylla*), Karri (*Eucalyptus diversicolor*), and Jarrah (*Eucalyptus marginata*), are a useful indicator of a high site quality. Annual rainfall is important and an annual rainfall of greater than 700mm per year is necessary for reliable growth.

Properties selected by WA Blue Gum Limited are normally in the greater than 900mm/year rainfall zone. Reliable and adequate rainfall is an essential ingredient for the growth of *Eucalyptus globulus* and in the lower south of the State, less evapo-transpiration moisture loss and occasional summer rainfall is beneficial for survival and growth rates. The South West of WA experienced one of the driest winter rainfall recorded during 2010. Because WACAP Treefarms only select properties for planting that are in the higher rainfall zones the impact on existing plantations has been minimal although it is expected the growth of plantations during 2010 will naturally be less than in previous years. The South West has had low rainfall years in the past but these have been followed by a return to more normal conditions in subsequent years.

Productivity

Projections of productivity are made by sampling existing plantations and relating the measured growth rate up to that point in time with a series of site related volume curves. A series of these have been drawn up including factors such as soils, rainfall and topography. Common forestry practice is to use a series of average annual rates of production (Mean Annual Increment - MAI) for the range of site classifications to establish a number of Site Qualities (SQ), each representing a level of MAI.

Sample checks of standing volume and recording of actual yields obtained from harvesting to date supports the current basis of yield projection based on site quality assessment before planting and monitoring growth from age 4.5. Growth monitoring at age 7.5 has proven to be a good predictor of harvest volume at age 10. In 1994, Bunnings Treefarms carried out the first operational harvesting of *Eucalyptus globulus* and exported 40,000 tonnes of high quality woodchips that attracted a premium price compared with woodchips from native forest sources. Since 2003, WAPRES have been exporting about 750,000 tonnes of *Eucalyptus globulus* woodchips per year ex Bunbury Port. Although there was a downturn in the Japanese economy during 2009 and 2010 more than 600,000 tonnes of *Eucalyptus globulus* woodchips were still exported from Bunbury Port by WAPRES in 2010.

Improvements in tree breeding and plantation practices are continuous and should lead to further improvements in yield. This will help offset the reduction in annual rainfall in the South West since 1972 although 2010 has been a very dry year. It is always difficult to place a guarantee on the expected yields from a long term crop such as trees however the good performance of past plantings by WA Blue Gum Limited over several years and the quality of land being secured in the high rainfall zone of the South West are reasons to believe that yields will be above average.

Leasing arrangements with landholders are developed following extensive on site discussion with the owner and relevant land use authorities and fire protection agencies. The concept is to draw up a final plan, which the landowner, authorities, WACAP Treefarms and the Project Manager all agree upon.

Risks

In past years where rainfall was low some drought deaths of *Eucalyptus globulus* occurred in plantations in the South West. This was a reflection of below average rainfall and the limits of knowledge on soil types and other factors when the first broad scale plantings were made. Since then responsible operators such as WACAP Treefarms carry out a soil drilling or backhoe digging survey to a minimum of three metres depth over the property to exclude unfavourable sections. The drilling depth may be extended to five metres or more where there is uncertainty about the nature of the deeper material. This practice combined with only selecting properties for this Project likely to receive greater than 900 mm of rainfall per year greatly minimises the risk of tree death in a low rainfall year. An observed 10% decrease in rainfall in the South West since the 1970's due to natural variation and or other causes may reduce future growth rates. Any reduction is more likely to be experienced in lower rainfall areas where blue gum plantations are already marginal than in the higher rainfall zones where WA Blue Gum plantations will be established.

Rising saline groundwater has been a widespread problem in farmland in parts of the South West. Soil salinities greater than EC 50 mS/m have been shown to affect growth rates and survival of *Eucalyptus globulus*. WACAP Treefarms routinely carry out salinity sampling of land to be planted and exclude those areas where salinity could be a problem in the future. This is very sound practice and minimises the risk of future salinity effects on a plantation.

On first rotation sites the fire risk to bluegum plantations is very low up until about age 8 when leaf litter begins to build up. On second rotation sites the residual debris after clearfelling means that these plantations are exposed to a higher fire risk than did the first rotation. All plantation companies are aware of this and take steps to reduce the risk by disposing of clearfelling debris for a zone around the perimeter before establishing the new crop. To date the loss of plantations in WA due to fire has been very low. The proposed biomass plant to be built near Diamond is designed to burn plantation debris to produce energy and this is likely to help to reduce fuel levels after harvesting. Exactly when the biomass plant will be built is uncertain due to the downturn in the economy which affected the proponent, Babcock and Brown.

Management Operations

Local contractors under WACAP Treefarms supervision carry out planting and tending. After rain, a combination of knockdown and residual herbicide is applied to the mound or ripped planting line prior to planting. Fertiliser type, rate and application methods are selected following pre-plant soil sampling and site assessment. Having seen most of the *Eucalyptus globulus* plantation establishment in the South West and the Green Triangle in South Australia over many years, I rate current practice and results by WACAP Treefarms as being of an extremely high standard.

Seedlings are raised in the WACAP Treefarms nursery at Manjimup. This nursery, constructed in 1993, has a capacity to produce up to ten million seedlings each year and uses some of the best nursery technology available and consistently produces good quality seedlings. Up to three years sowing requirements are held in secure storage, which ensures security of seed supply. Trees are planted in rows either 4 or 5 metres apart, aiming for a stocking rate of 800 - 1,000 seedlings per hectare, depending on soil conditions and rainfall. With the detailed attention given to pre planting establishment, seedling survival is often close to 100%. Further herbicide spraying is carried out in late Spring if required and additional fertiliser application takes place during the rotation if growth rate monitoring indicates a benefit will be obtained.

WACAP Treefarms have been a long term member of the Southern Tree Breeders Association and involved in a cooperative breeding program to further improve the genetic strain of *Eucalyptus globulus*. Seed Orchards to supply elite seed in the future have been established using seed from identified superior parent trees as well as clones and grafts of superior individuals. Due to a lack of other member companies following the collapse of most MIS scheme companies, membership of the Southern Tree Breeders Association is being reviewed.

Processing and Logistics

Harvesting by a mechanical harvester is an efficient and low cost operation at about 10 years of age. Piece size, which has an important bearing on harvesting costs, has been very satisfactory in harvesting carried out so far. Limiting initial stocking to 800 -1000 trees per hectare on most sites promotes the development of larger diameter trees at the time of clearfelling. Mechanical harvesters utilise down to a small diameter limit thus ensuring greater yield of chiplog and minimal waste.

WA Chip and Pulp another wholly owned subsidiary of WAPRES purchase and process the timber. The major chipping facilities are at the WA Chip and Pulp mill at Bunbury Port. A loading facility is available at Bunbury Port. A chip mill north of Albany and loading facilities at Albany Port have been operating for five years with woodchips being exported from Albany Port.

Market Outlook and Product Potential

The fibre obtained from *Eucalyptus globulus* has now become the principal source of woodchip exports. Karri (*Eucalyptus diversicolor*) woodchips previously obtained from State managed native forests in the South West have fallen to about 200,000 tonnes per year as a consequence of State government forest policies on harvesting in native forests. Samples taken from *Eucalyptus globulus* grown in Western Australia by WACAP Treefarms have been shown by CSIRO to provide significantly better quality and higher pulp yields than from native forest timbers from Tasmania. Consequently, woodchips from *Eucalyptus globulus* should always command a higher price in the export market. The Wood Purchase Agreement provides a secure market arrangement for growers.

Background and Expertise

I am an independent professional forester who has worked in forestry and the forestry industries in Australia for over 40 years. Since setting up my private consultancy in 1995 I have worked on many projects involving blue gum plantations and have provided advice on many aspects including log pricing. Whilst working in the Forests Department of WA and later the Department of Conservation & Land Management as a Regional Manager I was closely involved with log sales, log pricing and making estimates of future returns from both softwood and hardwood plantations.

All foresters study forest economics as part of their graduate degree and accordingly have a good grasp of the fundamentals of economic theory in relation to forest products. Computer modelling has allowed many of the variables to be tested in predicting different scenarios but in the final analysis an important factor is a judgement based on experience and up to date knowledge of the pulp and paper industry. I have experience in these matters.

Conclusion

Despite the extent of variables that can impact on returns to growers in the short term there are many reasons to have confidence in the financial viability of *Eucalyptus globulus* plantations in WA that are established on high quality sites, arid within 100km of processing plants and continue to receive adequate rainfall. In addition I believe the following factors are relevant and have been taken into account.

1. All export sales of woodchip are denominated in Australian dollars, thus establishing a meaningful nexus with the Australian inflation rate. Australian export woodchip prices have historically remained steady against inflation. Export contracts have traditionally been written in Australian dollars. A rise in the value of the A\$ would be expected to result in lower prices and a fall in the Australian dollar would lead to price increases. However, when in recent years the A\$ has appreciated in value, woodchip prices have been maintained.
2. The production and export of woodchips in the past was based entirely on a resource derived from native forests. By comparison with other States, WA producers have gained considerable experience many years in marketing wood fibre derived largely from plantations.

With the exception of 2009-2010 when the world economy was affected by the global financial downturn, WA Chip and Pulp have been exporting about 750,000 tonnes per year of *Eucalyptus globulus* chips from Bunbury Port since 2003. By 2011 it is expected the demand for paper will have improved however the supply of *Eucalypt globulus* woodchips is expected to rise as the larger areas established in the South West by all companies will start to come on stream.

3. Buyers have been prepared in the past to pay a premium of 15-20% for *Eucalyptus globulus* woodchips compared to native forest chips. The rapid reduction in the native forest woodchip export business and the recent decision of Gunn's to discontinue woodchip production from native forests in Tasmania is a reflection of buyer preference for a higher quality and more uniform product that can only be produced from plantations.
4. Demand for paper pulp and chiplogs from which most paper is made will increase as world population increases. Small increases in living standards in some of the developing countries such as China and India will very likely result in greatly increased consumption of writing paper.
5. The benefits of tree breeding for better pulp yield and fibre quality should soon show up in woodchips produced from plantations.
6. The price of woodchips in the past has largely been based on the native forest resource. The increases in yield and consistency of quality from a plantation resource are recognised by buyers by way of higher prices than for native forest woodchips. Scope exists for sellers to negotiate further price increases due to the much higher quality product produced from plantations although this will be offset in the short term by greater volumes *Eucalyptus globulus* woodchips becoming available from 2011 due to increased planting rates across the industry from 2000 onwards.
7. There is now growing in one region in Australia a plantation resource of *Eucalyptus globulus* of almost 300,000 hectares which would be large enough to establish an internationally viable large scale pulp mill. Although there are no recent developments there is potential to establish a paper mill in the South West based entirely on a *Eucalyptus globulus* resource.
8. The South West of Western Australia is located closer to the Japanese and other Asian export markets thus having a significant freight advantage. This region is best placed to substitute chip exports sourced from Chile, southern States of the United States and South Africa. For these reasons it is likely that Australia will maintain and possibly increase its market share in Japan. In the United States there has also been a move away from pulp log to saw log production. This reduces the wood available for export, as does the strong United States domestic demand.
9. Australia is even closer to the highly promising Indonesian market where in recent years several very large pulp plants have been completed. Because of mismanagement, there is a shortage of local fibre and Australia (and especially the South West of Western Australia) has the potential to benefit.

10. In March 2002, Australia made its first sale of wood chips to China. In that country there are two sets of dynamics that provide opportunity:
 - (a) strongly increasing demand, at about 80% per annum (the per capita use of paper is still less than 10% of that in the United States);
 - (b) a very quick and abrupt closing down of native forest logging for environmental reasons, as major waterways are becoming dangerously polluted.
11. It is expected that India, the country with the world's second largest population and the world's largest middle class, will increase its usage of paper. It is known that India has made enquiries of Australian log suppliers but in WA the current government is opposed to export of hardwood logs but has no objections to export of plantation grown woodchips. India's paper usage per head is about 1% of that in the United States. Other emerging markets are Korea and Taiwan. China has been a major supplier to Taiwan and this is likely to be curtailed.
12. This Project has a Wood Purchase Agreement with WA Chip & Pulp Co Pty Ltd a wholly owned subsidiary of WAPRES which is a Joint Venture between Marubeni Corporation of Japan and Nippon Paper Industries, two of Japan's largest pulp importers.
13. In-forest chipping methods are now being used as well as transporting logs to fixed chip mills. On lower yielding sites in-forest chipping techniques are used to reduce the cost of chip production by reducing transport costs from forest to Port in that chips, not logs, are transported.
14. The particular characteristics and location of properties in this Project strongly influence the returns from sale of woodchips on export markets. Transport is a major cost as oil prices rise but the significance of the closeness of land to be secured for the 2011 Project to process plants or Bunbury Port cannot be overstated when considering the prices to be obtained by growers in the project.
15. Certified plantation crops planted after 1990 are very favourably placed to take advantage of the Emission Trading Scheme (ETS) which both the Commonwealth and State governments are committed to have operating by the end of 2011. Methods of carbon accounting should be more clearly defined by then but the potential for WA Blue Gum to sell carbon credits and improve returns from this project are very real.

Growth in demand worldwide for high quality woodchips as derived from *Eucalyptus globulus* plantations has shown a steady increase and this is projected to continue for at least a decade. The demand from China for high quality woodchips is increasing at a much higher rate than other countries and the tightening of demand over supply was one of the factors that led to a 9.5% increase in the FOB price in 2008 for *Eucalyptus globulus* woodchips. Recent declines in the world economy including Japan make precise forecasts of prices difficult to make in the short term as so many factors are involved. The statement of timber prices and costs in section 3.3 of the product disclosure statement are reasonable.

The information contained in this report has been gained as a result of my own enquires and I have not relied on any representations made to me by the Project Manager, WACAP Treefarms or any other person.

D Spriggins

8. DIRECTORS OF THE PROJECT MANAGER

Anthony Henry May B.Ec. LL.B.

Mr May has been a solicitor in practice for over 30 years. For more than 25 years he has advised many clients who have become involved in forestry operations in various locations throughout Australia. He has also advised some of the largest forestry public company groups in relation to aspects of their activities.

Mr May has been an active grower of both softwood and hardwood timber on his own account and is a director of a number of timber growing companies. He has been a member of Australian Forest Growers (formerly called Australian Forestry Development Institute) for about 20 years and is a member of the Committee of the Melbourne branch. He is a member of the Board of the National Association of Forest Industries. He has represented the forestry sector in negotiating with the Australian Government over taxation and regulatory issues on a number of occasions, including most recently in relation to the design and implementation of the Division 394 legislative package. He was for over 25 years a member of the Council of Monash University and for much of that time was a trustee of the University Superannuation Scheme. He is a partner of Herbert Geer and has been a director of W.A. Blue Gum Limited since its inception.

Leon Gorr B.Juris LL.B. M.Admin

Mr Gorr has been a solicitor specialising in Corporate and Revenue Law for over 30 years. For more than 25 years he has advised forest plantation managers, promoters and participants concerning their various forestry operation activities. During this period, he has been active personally as a grower in the softwood and hardwood plantation industries.

Some partners and clients of Herbert Geer, of which Mr Gorr has been Senior Partner, have been substantial participants in the forestry industry for over 25 years. He has been a director of W.A. Blue Gum Limited since its inception and during that time that company has been the Project Manager under annual Prospectuses / Product Disclosure Statements in relation to projects of a similar nature to this Project.

Steven John Smith LL.M.

Mr Smith has practised in areas of commercial law since 1981 and has been a partner of Herbert Geer since 1995. His clients are involved in a wide range of commercial and entrepreneurial activities and he has been involved in preparing prospectuses for a number of them. He has been a director of W.A. Blue Gum Limited since 23 April 2001.



9. PRINCIPAL AGREEMENTS

This section contains a summary of various provisions of the Constitution and other principal agreements. All Growers are entitled to obtain a copy of the Constitution free of charge from the registered office of the Responsible Entity. Growers should not rely on this summary but should refer to the documents themselves. Copies of the agreements are available for inspection at the registered office of the Responsible Entity during normal business hours.

9.1 Summary of Constitution

(a) Establishment Of The Project

The Constitution is the document under which the Project is established and is registered with ASIC.

(b) Parties

The parties to the Constitution are the Responsible Entity and each Grower. By signing the Application Form attached to this Product Disclosure Statement, the Applicant will be agreeing to be bound by the terms of the Constitution as if the Applicant had signed the document.

(c) Application Moneys

In order to acquire an Interest in the Project, an Applicant must pay to the Custodian the Application Moneys specified in the Constitution.

The Responsible Entity will maintain an account with a bank or other financial institution into which all Application Moneys will be deposited ("the Application Fund"). The Custodian will disburse the funds in the Application Fund to the Responsible Entity for Establishment of the Plantation Allotments.

(d) Project Property

The Responsible Entity will hold all Project Property for the Growers for the term of the Project. However, the Responsible Entity may appoint an agent or Custodian to hold the Project Property subject to the terms of the Constitution.

(e) Fees and Rentals

All fees and rentals will be paid directly by the Growers to the Responsible Entity in accordance with the Constitution.

(f) Distributions of Income

(i) All income and other proceeds due to the Growers will be payable to the Responsible Entity and deposited into a Proceeds Fund. As soon as convenient after receipt of payment of any monies into the Proceeds Account, the Responsible Entity will distribute such Harvest Income as follows:

(A) first, the Responsible Entity will be paid by each grower by way of reimbursement for all costs, expenses and outgoings properly incurred in carrying out the harvesting of the timber on the Plantation Allotments and any other general administrative expenses directly incurred in relation to the sale of the timber;

(B) secondly, the Responsible Entity will be entitled to be paid by each grower any amounts specified as payable to the Responsible Entity in the Constitution;

© subject to Clause 8 of the Constitution, the balance will be distributed pro rata to the Growers in respect of whose Plantation Allotments the Harvest Income was derived. In the case of Joint Venture Growers the balance will be distributed among them in equal shares.

(ii) Notwithstanding (i) above, the Responsible Entity will be entitled to deduct from the Harvest Income to be distributed to Growers:

(A) any outstanding amount due to the Responsible Entity in respect of insurance premiums paid by it;

(B) any lease rental owing by a Grower to the Responsible Entity;

(C) any fees owing by a Grower to the Responsible Entity.

(g) Responsible Entity's Remuneration

Under the Constitution, the Responsible Entity will be entitled to receive the following amounts by way of remuneration:

- (i) all of the Application Money from the Application Fund;
- (ii) all tending fees and rent payable by the Growers to the Responsible Entity;
- (iii) any incentive fee which becomes payable to the Responsible Entity;
- (iv) any other amounts due (e.g. credit card fees);
- (v) all payments authorised by a meeting of Growers to meet unforeseen expenses in relation to fertiliser and/or insect issues.

(h) Register of Growers

The Responsible Entity will maintain a register of Growers containing the names and addresses of the Growers, a description of the Plantation Allotments leased by each Grower, the date when each Grower was entered in the Register, the date on which the person ceased to be a Grower and if applicable, that they are Joint Venture Growers.

(i) Assignment of Interest

Subject to the Constitution and the terms of the Project Agreements, each Grower may assign its rights and privileges under the Constitution, the Project Management Contract, the Sub-lease and the Wood Purchase Agreement. Each assignment must be in writing and in a form acceptable to the Responsible Entity and executed by the assigning Grower and by the Assignee and delivered to the Responsible Entity. The assigning Grower will be deemed to remain the proprietor of the Interest assigned until the Assignee is entered in the Register.

(j) Power to Borrow

The Responsible Entity may borrow for the purposes of the Project and may pledge the Project Property as security for the borrowings.

(k) Indemnity and Liability

- (i) The Responsible Entity has a right of full indemnity out of the Project Property in respect of:
 - (A) any liability incurred by the Responsible Entity in performance of its duties under the Project; and

- (B) all fees payable and costs recoverable by the Responsible Entity under the Constitution.

This indemnity continues after the Responsible Entity ceases to be the responsible entity for the Project, unless it is a result of negligence, fraud, breach of duty or breach of trust by the Responsible Entity.

- (ii) If any member of the Compliance Committee established in connection with the Project incurs a liability in that capacity, in good faith, and in accordance with the Compliance Plan registered for the Project, that person is entitled to be indemnified from the Project Property to the extent permitted by law.

(l) No Right to Withdraw

Once a Grower's interest has been registered, the Grower has no right to withdraw from the Project or to require the Responsible Entity to purchase its Interest.

(m) Additional Powers of the Responsible Entity

- (i) The Responsible Entity must not pay money from the Project Property unless authorised by the Constitution or the Corporations Act or where the payment is in respect of:
 - (A) ordinary bank charges and statutory fees;
 - (B) any payments which are required to be made in relation to investments made from money held in the Proceeds Fund or Application Fund from time to time (including stamp duty and transactional costs); or
 - (C) payments authorised by an ordinary resolution of a meeting of Growers.

- (ii) In addition to the powers under the Constitution and the Corporations Act, the Responsible Entity may do anything necessary for the proper and efficient Establishment, management and development of the Project.

(n) **Other Activities of the Responsible Entity**

Subject to the Corporations Act, the Responsible Entity may:

- (I) establish, manage or promote any other project or managed investment scheme as a responsible entity;
- (ii) deal with itself in its capacity as manager, trustee or responsible entity of any other trust or scheme or in any other capacity;
- (iii) be interested in any contract or transaction with itself or any Grower in its capacity as manager, trustee or responsible entity from any other trust or managed investment scheme or in any other capacity.

(o) **Change of Responsible Entity**

The Responsible Entity may only be changed in accordance with Part 5C.2 of Division 2 of the Corporations Act.

(p) **Meetings of Growers**

- (i) The provisions of Part 2G.4 of the Corporations Act apply to meetings of Growers.
- (ii) The Responsible Entity may convene a meeting of Growers for such purpose as it sees fit.
- (iii) A quorum of 2 Growers is sufficient for a meeting of Growers.
- (iv) Every group of Joint Venture Growers shall be treated for all purposes as a single Grower and cannot act or vote other than in concert with each other.

(q) **Period of the Project**

- (i) The Project will terminate 15 years from the date of acceptance by the Responsible Entity of the last Application. However, the Growers may by special resolution extend the Project, provided that the Responsible Entity agrees to such extension and that the rule against perpetuities is not infringed.
- (ii) Upon termination of the Project, all rights and obligations under the Project Agreements will cease and terminate.

(r) **Winding Up of the Project**

The Responsible Entity shall wind up the Project or cause the Project to be wound up in any of the following circumstances:

- (i) the Project comes to the end of its term;
- (ii) the Growers direct the Responsible Entity to wind up the Project by extraordinary resolution;
- (iii) the Responsible Entity considers that the purpose of the Project has been accomplished or cannot be accomplished and:
 - (A) gives to the Growers and to ASIC, a notice in writing;
 - (B) explaining the proposal to wind up the Project, including explaining how the Project's purposes has been accomplished or why that purposed cannot be accomplished;
 - (C) informing the Growers of their rights to take action under Division 1 of Part 2G.4 of the Corporations Act for the calling of a meeting of Growers to consider the proposed winding up of the Project and to vote on any Extraordinary Resolution Growers propose about the winding up of the Project; and
 - (D) informing the Growers that the Responsible Entity is permitted to wind up the Project unless a meeting is called to consider the proposed winding up of the Project within 28 days of the Responsible Entity giving notice to the Growers;
- (iv) a court orders the Project be wound up; or
- (v) the Growers pass a resolution removing the Responsible Entity but do not, at the same meeting, pass a resolution choosing a company to be the new responsible entity that consents to becoming the new responsible entity.
- (vi) The Responsible Entity may retain from the proceeds of the realisation of the Project Property sufficient amounts to:
 - (A) meet future payments or possible payments due after the distribution to Growers; and

- (B) pay its own remuneration and expenses following the realisation of the Project Property.
- (s) **Amendment of the Constitution**
- The Constitution may be modified in accordance with the Corporations Act by the Responsible Entity. The Responsible Entity shall obtain the approval of an ordinary resolution of Growers at a duly convened meeting of Growers in respect of any amendment to the Constitution unless the Responsible Entity reasonably believes the proposed amendment will not adversely effect the rights of any Grower.
- (t) **Complaints Handling**
- (i) The Responsible Entity has appointed a Complaints Handling Officer and if there is any vacancy, the Secretary of the Responsible Entity will be deemed to be the Complaints Handling Officer.
- (ii) Any Grower may make a complaint about the Project by writing to the Responsible Entity or telephoning and speaking with the Complaints Handling Officer. The complaint must specify the identity of the Grower making the complaint and all necessary details to allow the Responsible Entity to deal with the complaint.
- (iii) Unless a complaint is resolved to the complainant's satisfaction by the end of the next Business Day from when the complaint was received and the complainant has not requested a response in writing, the Responsible Entity must use its best endeavours to provide a complainant with a final response to a complaint within 45 days after receiving the complaint. If the Responsible Entity is unable to provide a final response in respect of a complaint within 45 days, the Responsible Entity must:
- (A) inform the complainant of the reasons for the delay;
- (B) advise the complainant of their right to refer the complaint to external dispute resolution; and
- (C) provide the complainant with the name and contact details of the relevant external dispute resolution scheme to which they can complain.
- (iv) If the complaint cannot be resolved to the satisfaction of the complainant then the complainant may proceed under the dispute resolution procedures under the Constitution or take whatever other action is open to it under the general law.
- (u) **Dispute Resolution**
- Except where the complaint handling procedure applies, any party asserting a dispute in relation to the Project must give the other party to the dispute a Dispute Notice stating the matter in dispute, the arguments of the party giving the Dispute Notice and what should be done to rectify the dispute. The party receiving the Dispute Notice must respond in writing within 5 Business Days of receipt of the Dispute Notice.

9.2 Summary of Scheme Property Custody Agreement

The Project Manager has engaged Sandhurst Trustees Ltd ACN 004 030 737 ("Sandhurst") to act as custodian of the Project Property, which shall include all Application Moneys and timber sale proceeds until disbursed or distributed in accordance with the Constitution and the Project Agreements. Sandhurst is required to hold the Project Property in a proper and safe manner and to ensure that at all times it is clearly identifiable and is held separately from other assets. Sandhurst is required to maintain proper custodial standards and to maintain proper and accurate records in relation to the Project Property and all dealings by it in relation to the Project Property and to report any material events which may be of interest or concern to the Project Manager. Sandhurst is to act only in accordance with the authorised instructions of the Project Manager. Sandhurst's performance as custodian will be subject to regular review. The Project Manager will pay to Sandhurst an agreed annual fee and will indemnify Sandhurst in respect of any liability it incurs as a result of performing its obligations under this agreement or acting in accordance with authorised instructions from the Project Manager. The Custody Agreement may be terminated by either party with three months written notice. The Custody Agreement may also be terminated by either party if there is a breach of the Custody Agreement and the requisite notice is given.

9.3 Summary of Project Management Contract

(a) Parties

The Project Management Contract will be between each Grower (including Joint Venture Growers) and W.A. Blue Gum Limited ("the Project Manager").

(b) Services to be Provided by Project Manager

The Project Manager will perform or cause to be performed all the services in relation to the Land and the Plantation as are set out in the Plantation Development and Tending Plan and will do so in accordance with sound silvicultural and environmental practices, including:

- (i) the establishment of the Plantation within the Establishment Period (including the provision of sufficient healthy Blue Gum seedlings to achieve the stocking rate/spacing set out in the Plantation Development and Tending Plan and the planting of the seedlings) for the purposes of felling and harvesting;
- (ii) tending the Plantation in a proper and skilful manner in accordance with the Plantation Development and Tending Plan; and
- (iii) tending, maintaining and generally monitoring and caring for the Plantation so as to ensure as far as is reasonable the health and vigour of the Plantation.

(c) Term of the Contract

The Contract will terminate when the whole of the Plantation has been Harvested for the first time. If all necessary approvals for the Establishment of the Plantation are not obtained within 17 months, the Grower may give notice to the Project Manager and the Contract will then be at an end and all amounts paid are to be refunded.

(d) Recommendations by Grower

A Grower may express opinions and give recommendations to the Project Manager relating to any matters the subject of the Contract and object to and disallow any changes to the Plantation Development and Tending Plan, provided that this right is not exercised unreasonably.

(e) Reports by Project Manager

The Project Manager shall provide:

- (i) a report not later than 30 November of each year, detailing since the commencement of the Contract, or thereafter since the last report, any changes to the Plantation Development and Tending Plan, the actual operations performed on the Land or to the Plantation, details of the health and vigour of the Plantation including details of any unforeseen outcomes which have affected the performance or viability of the Plantation, details of any foreseen outcomes which are likely to affect the performance or viability of the Plantation, and the outcome of any inventory of volume assessments which have been taken; and
- (ii) a report as soon as practicable following the completion of the planting of the Plantation setting out the area comprising the Plantable Area.

(f) Assignments

- (i) A Grower shall not assign or otherwise dispose of its rights and obligations under the Contract, unless the Grower provides to the Project Manager a guarantee and indemnity in a form approved by the Project Manager in respect of the performance by the proposed Assignee of each obligation of the Grower.
- (ii) The Project Manager may assign its rights and obligations to a suitably qualified person who must covenant to perform all the responsibilities of the Project Manager. The Project Manager may contract to another person any of its responsibilities under the Contract.

(g) Force Majeure

Every party to the Contract shall be excused from performance of or any failure in the fulfilment of any obligation imposed upon it by the Contract if and only to the extent and for the time that such performance or fulfilment is prevented by Force Majeure or the consequences of Force Majeure which the Party claiming Force Majeure could not have prevented or overcome by exercising a reasonable standard of care and prudence.

(h) Payments to the Project Manager

The Grower agrees to pay to the Project Manager all the amounts payable to the Project Manager, which are contained in the Project Management Contract.

(i) Termination in the Event of Default

(i) The Project Manager will be entitled to terminate the Contract if the Grower defaults under the Contract and the default shall have continued, in the case of an obligation to pay money, for a period of 14 days and in any other case, for a period of 1 month after receipt by the Grower of written notice from the Project Manager specifying the default and requiring the default to be rectified.

(ii) The Grower will be entitled to terminate the Contract if the Project Manager is in default of any obligation under the Contract and such default shall have continued for a period of 6 months after receipt by the Project Manager of written notice from the Grower specifying the default and requesting that the default be remedied.

(iii) Either party may terminate the Contract if the Sub-lease is terminated.

(j) Dispute Resolution

In the event any dispute between any of the parties to the Contract arises relating to the subject matter of the Contract, any party may give to the other notice in writing of the matter. The parties to the dispute may themselves appoint an expert to determine the dispute. If the parties cannot agree on the expert within 7 days, any party can then request the President of the Law Society of Western Australia to appoint an independent expert to determine the dispute.

9.4 Summary of Sub-lease**(a) Parties**

The Sub-lease will be between W.A. Blue Gum Limited ("the Landholder") and each several Grower, or in the case of Joint Venture Growers, the second Joint Venture Grower.

(b) Approval by Planning Commission

Where approval is required for the Sub-lease pursuant to Sections 136 and 140 of the *Planning and Development Act 2005* (WA), the Sub-lease is entered into on the

basis that the approval is obtained within 17 months from the date of the Sub-lease.

(c) Rent

The Grower will pay to the Landholder during the Term the Rent as follows:

- (i) for the period until 30 June 2011 (if any) - nil;
- (ii) for the year commencing 1 July 2011, the sum of \$539 (including GST) (Indexed) per hectare, payable on 30 November 2011; and
- (iii) for the second and subsequent years of the Term, including any extended Term, the amount payable for the previous year adjusted by the increase (if any) in the Consumer Price Index (All Groups, Perth) during the preceding 12 months payable on 30 September in each year,
- (iv) subject to the right of the Grower to adjust the Plantable Area in accordance with Section 9.4(g) below.

In the event that the Project Harvest Date occurs after the expiry of the Term a Grower's obligation to pay Rent will continue until the Project Harvest Date.

(d) Grower's Covenants

The Grower's covenants include:

- (i) to punctually pay the Rent;
- (ii) to establish, tend and manage the Plantation in a proper and skilful manner and in accordance with sound silvicultural and environmental practices adopted within the forestry industry and as and when appropriate prepare, cultivate, spray herbicides and insecticides, fertilise and Harvest the Plantation;
- (iii) to comply with and obey all Acts and regulations, by-laws, orders, ordinances and rules made in respect of or applying to the use or occupancy of the Leased Area.

(e) The Landholder's Covenants

The Landholder's covenants include:

- (i) to permit the Grower, upon paying the Rent to peaceably and quietly hold and enjoy the Leased Area during the Term, without any interruption by the Landholder or any person or persons claiming under or through the Landholder;
- (ii) to comply with the provisions of the

- Head Lease;
- (iii) to punctually pay all rates, taxes and other charges levied on the Landholder by any local or other Government Authority in respect of the Leased Area;
 - (iv) not to create any encumbrances over the Leased Area or any part thereof ranking in priority to the interests of the Grower under the Sub-lease.
- (f) **Further Covenants**
- The Landholder and the Grower agree (inter alia) that:
- (i) the Landholder shall be entitled to such trees, Wood or other vegetation not Harvested during the Term and to all plant, equipment, implements and other things brought onto the Leased Area by or on behalf of the Grower and not removed within 3 months after the termination of the Sub-lease;
 - (ii) each party shall have the right with the approval of the other party (which approval shall not be unreasonably withheld) to assign or otherwise dispose of its rights under the Sub-lease provided that the transferring party first obtains a deed of covenant by the proposed assignee or person who receives the disposal (the "Grantee") containing a covenant by the Grantee in favour of the non-transferring party that the Grantee will at all times during the Term observe and perform all or any of the covenants contained or implied in the Sub-lease to be observed or performed by the transferring party;
 - (iii) the Plantation and carbon environmental or any other credits derived from the Plantation (if any) are and shall remain to the extent permitted by law, the property of the Grower until the end of the Term and the Grower shall be entitled to harvest the Plantation and to retain all income from the sale thereof. Any corresponding debits arising out of the activities of the Grower will be debited to the Grower upon those debits occurring;
 - (iv) the Grower may lodge a caveat over the Leased Area. Upon the termination of the Sub-lease for any reason whatsoever, the Grower must promptly withdraw (at its expense) any such caveat.
- (g) **Damage to or Reduction in the Viability of the Plantation**
- (i) If the whole or a substantial part of the Plantation is damaged by fire or any other cause whatsoever or an independent forestry consultant commissioned by the Grower determines that it is no longer commercially viable to continue to operate the Plantation or any portion thereof, then the Grower shall be entitled to assess the extent of the damage to the Plantation and may terminate the Sub-lease or reduce the Plantable Area by the area which has been damaged or is no longer viable.
 - (ii) If the Sub-lease is terminated or the Plantable Area is reduced, the Grower shall, if so directed by the Landholder:
 - (A) in the case of termination of the Sub-lease, harvest and remove all stumps, Wood and debris from the Leased Area and reseed to pasture; or
 - (B) in the case of reduction of the Plantable Area, harvest and remove all stumps, Wood and debris from the area which has been damaged or is no longer viable, and (if practicable) fence off and reseed to pasture that area.
- (h) **Termination in the Event of Default**
- (i) The Landholder may terminate the Sub-lease if the Grower fails to perform or observe any covenants conditions or stipulations contained in the Sub-lease and such default shall have continued in the case of an obligation to pay money for a period of 14 days or in any other case for a period of one month after receipt by the Grower of written notice from the Landholder requiring the default to be rectified.
 - (ii) The Grower shall be entitled to terminate the Sub-lease if the Landholder is in default of any obligation under the Sub-lease and such default shall have continued for a period of one month after receipt by the Landholder of written notice from the Grower requesting that the default be remedied.

(I) Summary of Agreement to Sub-lease (if applicable)

The Agreement to Sub-lease will be between W.A. Blue Gum Limited ("WABG") and the Grower, or in the case of Joint Venture Growers, the second Joint Venture Grower.

- (i) The parties undertake to enter into a Sub-lease of the Land on or before the Starting Date, which date shall be no later than 30 September 2012.
- (ii) WABG will promptly apply for and obtain all approvals from all relevant authorities for the use of the Land for the purposes of the Project.
- (iii) The Grower irrevocably authorises WABG to complete the Sub-lease by inserting relevant details.

The parties will obey, and are bound by, all the provisions of the Sub-lease from the Starting Date.
- (iv) WABG may assign any of its obligations under the Agreement or enter into a contract to sell or transfer its interest in the Land provided that any assignee or purchaser agrees to assume the obligations of WABG and the assignee or purchaser is a respectable and solvent person capable of performing the obligations of WABG under the Agreement.
- (v) In the event any dispute concerning the Agreement, the provisions described in Section 9.3(j) above shall apply mutatis mutandis.

Plantation (including the acquisition and planting of sufficient healthy Blue Gum seedlings to achieve the minimum survival rate set out in the Plantation Development and Tending Plan);

(B) the tending of the Plantation in a proper and skilful manner in accordance with the Plantation Development and Tending Plan;

(c) Term of the Agreement

The Agreement shall terminate upon the first to occur of the completion of the Harvest of the Plantation or the termination of the Head Lease.

9.6 Summary of Wood Purchase Agreement**(a) Parties**

The Wood Purchase Agreement is between each several Grower, the Project Manager and W.A. Chip & Pulp Co. Pty Ltd ("the Purchaser").

(b) Sale and Purchase of Wood

The Project Manager agrees to sell and the Purchaser agrees to purchase all Wood for woodchipping or by mutual agreement for a higher yield return subject to the terms and conditions set out in the Agreement.

(c) Purchase Price

- (i) The Purchase Price for Wood must be a fair and reasonable price for each grade of wood taking into account, inter alia:
 - (A) the price or prices being paid by the Purchaser for wood of the same or similar species, quantity and quality in Western Australia;
 - (B) the price or prices being paid by other bona fide wood processors for wood of the same or similar species, quantity and quality in Western Australia;
 - (C) relevant information supplied by any party including statistics or indices relevant to wood prices published from time to time by the Australian Bureau of Agricultural and Resource Economics, the Australian Bureau of Statistics or any other government authority or industry body.

(ii) If the Project Manager does not

9.5 Summary of Plantation Services Agreement**(a) Parties**

The Plantation Services Agreement is between the Project Manager and WACAP Treefarms ("Forestry Contractor").

(b) Services to be Provided by the Forestry Contractor

- (i) The Forestry Contractor will perform all the services in relation to each Plantation in accordance with sound silvicultural and environmental practices adopted within the forestry industry.
- (ii) The services referred to above include:
 - (A) the Establishment of the

approve the Purchase Price and obtains an alternative offer in writing from a genuine buyer to purchase that grade of Wood on substantially the same terms and conditions as the offer from the Purchaser but at a higher price than the Proposed Purchase Price then the Purchaser shall have an option for one month from the date of delivery to the Purchaser of the alternative offer to purchase the Wood for such higher price. If the Purchaser fails to respond within such time, or decides not to so purchase that grade of Wood and advises the Project Manager accordingly, the Project Manager may sell that Wood to another buyer on the terms and conditions of the alternative offer.

(d) **Harvesting and Delivery**

- (i) The Project Manager shall Harvest and Deliver the Wood taking due and proper care for the safe-keeping and handling of the said Wood until it has been Delivered;
- (ii) The Purchaser shall be entitled to deduct from the Purchase Price a fee not exceeding 5% of the value of the Wood after deducting harvesting and delivery costs for planning, administering and supervising the Harvest and Delivery of the Wood.
- (iii) Ownership of and risk in relation to the Wood shall pass to the Purchaser only upon the Delivery of the Wood to the facility or facilities nominated and accepted by the Purchaser.

(e) **Force Majeure**

The provisions described in Section 9.3(g) above apply mutatis mutandis to this Agreement.

(f) **Termination in the Event of Default**

- (i) The Project Manager on behalf of any Grower and any Grower, shall be entitled to terminate the Agreement if the Purchaser is in default of any obligation under the Agreement and such default shall have continued, in the case of an obligation to pay money, for a period of 14 days or in any other case, for a period of 1 month after receipt by the Purchaser of written notice from the Project Manager specifying the default and requiring the default to be rectified.

- (ii) The Purchaser shall be entitled to terminate the Agreement if the Grower is in default of any obligation under the Agreement and such default shall have continued for a period of 1 month after receipt by the Grower of written notice from the Purchaser specifying the default and requesting that the default be remedied.

(g) **Dispute Resolution**

In the event any dispute between any of the parties to the Agreement arises relating to the subject matter of the Agreement, the provisions described in Section 9.3(j) above shall apply mutatis mutandis.

(h) **Extension of the Agreement**

The terms of the Agreement shall extend to the second Harvest of the Plantation if the Grower extends its Sub-lease from the Project Manager and the parties agree on delivery dates in respect of the Second Harvest.

9.7 Summary of Joint Venture Agreement (if applicable)

(a) **Parties**

Where there are Joint Venture Growers, each of them will be the parties.

(b) **Responsibilities**

The First Joint Venture Grower is responsible for Establishment and the Second Joint Venture Grower is responsible for rent, management and insurance.

The First Joint Venture Grower and the Second Joint Venture Grower are responsible, in equal shares, for the expenses of harvesting, transportation of the Wood, and for the incentive fee and any other fees payable to the Project Manager under the Project.

(c) **Entitlements**

Each party is entitled to 50% of the wood and the receipts (including carbon credits and insurance).

10. ADDITIONAL INFORMATION

10.1 Material Contracts

The following agreements have been entered into or will be entered into as a result of Growers making their respective subscriptions in the Project:

- (a) The Constitution referred to in Section 9.1;
- (b) The Scheme Property Custody Agreement referred to in Section 9.2;
- (c) The Project Management Contract referred to in Section 9.3;
- (d) The Sub-lease Agreement (and if relevant the Agreement to Sub-lease) referred to in Section 9.4;
- (e) The Plantation Services Agreement referred to in Section 9.5;
- (f) The Wood Purchase Agreement referred to in Section 9.6; and
- (g) The Joint Venture Agreement referred to in Section 9.7; and
- (h) The Agreement for the Provision of Consulting Services referred to in Section 9.8.

10.2 Inspection of Documents

The following documents are available for inspection during normal business hours at the registered office of the Project Manager at Level 21, 385 Bourke Street, Melbourne, Victoria (except to the extent that there is unreasonable prejudice to the Project Manager) -

- this Product Disclosure Statement dated 24 May 2011;
- the Memorandum and Articles of Association of W.A. Blue Gum Limited;
- the Constitution and Agreements referred to in Section 9 of this Product Disclosure Statement;
- the consents referred to in Section 10.3 of this Product Disclosure Statement.

10.3 Consents of Experts and Disclaimers

The following parties have given, and have not before the date of the PDS withdrawn, their consent to being named in this PDS in the form and context in which they are named and, in the case of Mr D. Spriggins, to the inclusion of his Independent Forestry Report in the form and context in which it is included, in accordance with the Corporations Act:

- (a) Mr D. Spriggins;
- (b) WACAP Treefarms;

- (c) W.A. Chip & Pulp Co.;
- (d) Sandhurst Trustees Limited;
- (e) Herbert Geer; and
- (f) Albany Financial Pty Ltd.

Persons proposing to participate in the W.A. Blue Gum Project 2011 as Growers should note that Marubeni Corporation, Nippon Paper Company, WACAP Treefarms and W.A. Chip & Pulp Co. (other than as set out in sub paragraph) have not:

- (i) been involved in the preparation of this PDS;
- (ii) authorised or caused the issue of this PDS;
- (iii) been involved as a promoter of the W.A. Blue Gum Project 2011 or the PDS;
- (iv) performed any function in a professional advisory or other capacity for W.A. Blue Gum Limited or for or in relation to the issue or proposed issue of interests under this PDS; or
- (v) taken any responsibility for the correctness of any disclosure in this PDS of terms of contracts to which Marubeni Corporation, Nippon Paper Company, WACAP Treefarms or W.A. Chip & Pulp Co. are a party.

None of Marubeni Corporation, Nippon Paper Company, WACAP Treefarms or W.A. Chip & Pulp Co. are associated with W.A. Blue Gum Limited or any other party referred to in this PDS (except as disclosed). WACAP Treefarms and W.A. Chip & Pulp Co. are contractors to W.A. Blue Gum Limited for the provision respectively of the afforestation, marketing and supervisory and advisory services detailed in the summary of material contracts contained in this PDS.

References to any of Marubeni Corporation, Nippon Paper Company, WACAP Treefarms and W.A. Chip & Pulp Co. ought not be taken as an endorsement by any of them of the W.A. Blue Gum Project 2011 or a recommendation of participation by an intending Grower.

10.4 Interests of Directors and Experts

Full particulars of:

- (a) the nature and extent of the interest (if any) of every director of the Project Manager and the Custodian and every expert, in the

- promotion of, or in any property proposed to be acquired by the Growers; and
- (b) where the interest of such a director or such an expert consists of being a partner in a firm, the nature and extent of the interest of that firm;
- together with a statement of all amounts paid or agreed to be paid to him or to the firm in cash or shares or otherwise by any persons:
- (c) in the case of a director, either to induce him to become, or to qualify him as, a director, or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Project; or
- (d) in the case of an expert, for services rendered by him or the firm in connection with the promotion or formation of the Project;

are as follows:

- (i) Mr D. Spriggins has acted as independent forestry expert and has prepared the Report set out in Section 6 of Part B of this PDS and will receive professional fees of not more than \$7,700 (including GST) for his services in accordance with his usual charges;
- (ii) Sandhurst Trustees Ltd is the Custodian and will receive fees not exceeding \$12,100 (including GST) for the first year and thereafter;
- (iii) the Directors of the Project Manager may receive Director's fees;
- (iv) the Directors of the Project Manager and any firm in which they are partners have no interest in the promotion of this PDS or in any property to be acquired by Growers AND no amount has been paid (either in cash or shares or otherwise) to any of the Directors of the Project Manager to induce any of them to become or to qualify them as Directors or otherwise for services rendered by any of them or for services rendered by that firm in connection with the promotion of this PDS, other than that each of the Directors and other partners (or associates) in Herbert Geer, the solicitors to the Project Manager are beneficiaries of the Trust of which the Project Manager is the Trustee and Mr Gorr and Mr May are directors and shareholders of the

companies that are shareholders in Albany Financial Pty Ltd and are Directors of Albany Financial Pty Ltd, and that each Director holds one ordinary share in the Project Manager. The net income of the Trusts includes the revenue earned from the Project and may be distributed to beneficiaries. The Directors are partners in Herbert Geer. Fees at or below normal rates plus GST will be paid to Herbert Geer for the provision of infrastructure support and for legal services in relation to all aspects of the Project;

- (v) each employee of the Project Manager or the Custodian who is to be regarded as a promoter of the Project, is entitled to receive his or her salary and other emoluments from the Project Manager or the Custodian (as the case may be) in his or her capacity as such employee.

10.5 Interests of the Custodian

The Custodian has no interest in relation to the Project, in the promotion of the Project, or in the property proposed to be acquired for the purposes of the Project, other than the remuneration to which the Custodian is entitled in its capacity as Custodian (which is stated in Section 10.4(d)(ii) and without limiting the generality of the foregoing no amount has been paid or agreed to be paid to the Custodian in cash or otherwise by any person:

- (a) to induce the Custodian to act in that or another capacity; or
- (b) for other services rendered by the Custodian in connection with the Project,

other than the amounts of that remuneration that have accrued or will accrue to the Custodian from time to time under the Scheme Property Custody Agreement.

10.6 Interests of the Project Manager

The Project Manager has no interest in relation to the Project, in the promotion of the Project or in the property proposed to be acquired for the purposes of the Project, other than the remuneration to which the Project Manager is entitled in its capacity as Project Manager. The Project Manager may make payments of commissions not exceeding 10% in total in respect of moneys subscribed under this Project. This amount may be paid over a period of years.

11. GLOSSARY OF TERMS

In this Product Disclosure Statement, unless the contrary intention appears, the following words have the following meanings:

Agreement to Sub-lease	means (when applicable) the agreement to sub-lease between W.A. Blue Gum Limited and the Grower, or in the case of Joint Venture Growers, the second Joint Venture Grower, pursuant to which that Grower agrees to take a sub-lease of property on which to establish Plantations, details of which are set out in Section 9.4
Applicant	means a person who has duly completed and submitted an Application to the Responsible Entity
Application	means a duly completed Application Form pursuant to which an Applicant applies for an Interest in the Project
Application Form	means the application form attached to and accompanying this PDS
Application Fund	means the bank account opened by the Project Manager for the purpose of receiving all Application Moneys
Application Money	means the amount which every Applicant is required to pay for an Interest in the Project (i.e. \$5,500 (including GST) per hectare, the minimum amount being \$16,500 (including GST) being the amount required to establish 3 hectares of plantations)
ASIC	means the Australian Securities and Investments Commission
Constitution	means the Constitution (as defined in Section 10 of the Corporations Act) of the Project
Corporations Act	means the <i>Corporations Act 2001 (Cth)</i>
Custodian	means Sandhurst Trustees Limited ACN 004 030 737 or such other custodian of the Project as may be appointed from time to time
Directors	means the directors of W.A. Blue Gum Limited ACN 060 179 982, being the Responsible Entity and Project Manager
Division 394	means Division 394 of the ITAA 1997
Establishment	means all silvicultural activities until and including the first planting of the Plantation and the application of fertilisers and herbicides at the time of the first planting of the Plantation
Establishment Period	means the period described in Division 394 of the ITAA 1997 ending no later than 18 months after the end of the year of income in which the Application Amount is paid
Forestry Contractor	means WACAP Treefarms
Grower	means a person who holds an Interest in the Project (and in the case of Joint Venture Growers, both of them) and whose name has been entered into the register of Growers

Harvest	means the cutting down, felling or logging of trees and the extraction or removal of the trees so cut down, felled or logged to a loading point, whether conducted as one operation or more than one operation and Harvested and Harvesting have a similar meaning
Indexed	means adjusted by the percentage increase (if any) in the Consumer Price Index (All Groups, Perth) during the preceding 12 months or during such other period as may be specified
Interest	means the combined interest of a Grower in a Plantation and in that Grower's Project Agreements
ITAA 1936	means the <i>Income Tax Assessment Act 1936 (Cth)</i>
ITAA 1997	means the <i>Income Tax Assessment Act 1997 (Cth)</i>
Joint Venture Agreement	means the agreement between Joint Venture Growers, details of which are set out in Section 9.7
MAI	means Mean Annual Increment being a measure of the rate of growth of trees
PDS	means this document, other than Part C
Plantation Development and Tending Plan	means the plan for the tending of each Plantation which is to be annexed to the Plantation Services Agreement
Plantations	means the plantations of Tasmanian Blue Gum tree to be Established on the Project Land to be leased by the Growers
Proceeds Fund	means the bank account opened by the Responsible Entity for the purpose of receiving all sale proceeds from the sale of the timber
Project	means the W. A. Blue Gum Project 2011 (ARSN 150 828 283)
Project Agreements	means the Sub-lease, Project Management Contract and Wood Purchase Agreement and if relevant to a particular Grower, an Agreement to Sub-lease
Project Harvest Date	means the date on which the Harvesting of all the trees in the Project is completed for the first time
Project Land	means the land in the South-west of Western Australia between Bunbury and Albany on which the Project will be situated
Project Management Contract	means the contract to be entered into by each Grower and the Project Manager in relation to the Establishment and tending of the Plantations, details of which are set out in Section 9.3
Project Manager	means W.A. Blue Gum Limited ACN 060 179 982 in its capacity as manager of the Project
Project Property	means the scheme property of the Project as defined in Section 10 of the Corporations Act
Purchaser (or Wood Purchaser)	means W.A. Chip & Pulp Co.
Responsible Entity	means W.A. Blue Gum Limited ACN 060 179 982 which is named in ASIC's record of scheme registration as the responsible entity

Sub-lease	means the sub-lease between W.A. Blue Gum Limited and each Grower pursuant to which each Grower sub-leases property on which to establish Plantations, details of which are set out in Section 9.4
Uncontrolled Events	means an act of God, strike, lock out or other interference with work, war declared or undeclared, blockage, disturbance, lightning, fire, drought, earthquake, storm, flood, explosion, government or quasi government restraint, exploration, 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, or any other cause whether of the kind specifically set out above or otherwise which is not reasonably within the control of the party relying on the Uncontrolled Event
W.A. Chip & Pulp Co.	means W.A. Chip & Pulp Co. Pty Ltd ACN 008 720 518
WACAP Treefarms	means WACAP Treefarms ACN 009 378 607
WAPRES	means WA Plantation Resources Pty Ltd ACN 094 151 792
Wood Purchase Agreement	means the agreement for the sale of the timber from the Plantations details of which are set out in Section 9.6

12. HOW TO PARTICIPATE

IMPORTANT

PLEASE READ THESE INSTRUCTIONS CAREFULLY IF YOU WISH TO PARTICIPATE

	Check
<p>1. ALL APPLICANTS: complete and sign an Application Form at either:</p> <ul style="list-style-type: none"> • Section 13 [A] (Single Applicants and First Joint Venture Applicants) <p style="text-align: center;">AND IF APPLICABLE</p> <ul style="list-style-type: none"> • Section 13 [B] (Additional Applicants and Second Joint Venture Applicants) 	
<p>2. ALL APPLICANTS: complete and sign the Power of Attorney at Section 14 [C] and ensure that the Power of Attorney is signed in accordance with the relevant State law and in the presence of an adult witness.</p>	
<p>3. COMPANY APPLICANTS: the Guarantor for the company must complete and sign the Power of Attorney in Section 15 [D].</p>	
<p>4. FINANCE APPLICANTS: (refer to Section 2.5 of Part B of this PDS) complete and sign the Application for Finance in Section 16.</p>	
<p>5. SINGLE APPLICANTS and FIRST JOINT VENTURE APPLICANTS: provide a bank cheque for the Application Money payable to SANDHURST TRUSTEES LIMITED ACF WA BLUE GUM PROJECT 2011 or provide your full credit card details.</p>	
<p>6. ALL APPLICANTS: send application documents and payment to W.A. Blue Gum Limited, Level 21, 385 Bourke Street, Melbourne Vic. 3000 - Attention: Mr Tom May.</p>	
<p>7. ALL APPLICANTS: ensure that:</p> <ul style="list-style-type: none"> • Your name(s) and address(es) are correct. • The number of Hectares and the Application Amount in A\$ are specified. • The Application Form is signed and dated. • The Power of Attorney is signed and dated. • The Guarantee is signed and dated. • If applicable, the Application for Finance is signed and dated. • In the case of a Grower being a Company, the Company executes its application in accordance with its Constitution and the Corporations Act. • Your bank cheque is enclosed (or full credit card details are provided). 	
<p>PLEASE NOTE THAT BY SIGNING THE APPLICATION FORM YOU ACKNOWLEDGE THAT:</p> <ul style="list-style-type: none"> • You have read the PDS for the W.A. Blue Gum Project 2011 to which the Application Form relates. • You agree to be bound by the provisions of the Constitution as amended from time to time of the Project. • The Project Manager has the right to accept or reject your application in whole or in part. • You agree that acceptance of your application may be constituted by execution of the Project Agreements by the Project Manager on your behalf without communication of such acceptance to you. • You acknowledge that by becoming a party to the Constitution and the Project Agreements you irrevocably appoint the Project Manager as your attorney to enter into any agreement for the sale of the wood. • You authorise the Project Manager to place your name(s) on the Register in respect of the area leased pursuant to your application. 	

13. APPLICATION FORMS

[A] SINGLE APPLICANTS AND FIRST JOINT VENTURE APPLICANTS

PLEASE COMPLETE IN BLOCK LETTERS

I/We hereby apply to W.A. Blue Gum Limited for the Project Agreements in relation to the number of hectares detailed below.

Number of hectares _____ (Minimum Number - 3 hectares) Application Amount \$ _____

The Application Amount is \$5,500 (including GST) for each hectare.

Dr/Mr/Mrs/Ms/Miss _____ First Name _____ Surname _____

Date of Birth ____ / ____ / _____ Occupation _____

Company Name (if a company) _____

Residential/Site Address _____

Suburb/Town City _____ State _____ Postcode _____

Mailing Address (if different from above) _____

Suburb/Town City _____ State _____ Postcode _____

ACN (if a company) _____ ABN _____

Are you registered for GST Yes No

Tel: Work _____ Tel: Home _____

Mobile _____ Fax _____

Email _____

Are you applying as Joint Venture Grower (see Part A of the PDS)? Yes No

Are you applying as a trustee? Yes No

If yes please state the name of the trust or superannuation fund

(If applicable) Is the trust or superannuation fund registered for GST Yes No

SIGNING CLAUSE AND PAYMENT DETAILS ON PAGE 52

Wealth Focus Pty Ltd
 PO Box 760
 Manly, NSW 1655
 Tel: 1300 559869
 AFSL: 314872

INDIVIDUAL APPLICANT (NOT BEING A COMPANY)

DATE OF SIGNING _____ / _____ / _____

Signature _____

Signature of Witness _____

Name of Witness _____

Address _____

COMPANY APPLICANT

DATE OF SIGNING _____ / _____ / _____

Are you the sole director Yes No

Executed in accordance with its Constitution by:

Director _____ Director/Secretary _____

Print Name _____ Print Name _____

ALL APPLICANTS - METHOD OF PAYMENT

CHEQUE ENCLOSED: ALL CHEQUES MUST BE PAYABLE TO SANDHURST TRUSTEES LIMITED ACF WA BLUE GUM PROJECT 2011

OR

CREDIT CARD: PLEASE CHARGE MY:

VISA BANKCARD MASTERCARD

CARD NUMBER:

EXPIRY DATE: /

CCV NO. (LAST 3 DIGITS ON THE BACK OF YOUR CARD):

NAME ON CREDIT CARD: _____

FOR THE AMOUNT OF: \$ _____

SIGNATURE OF CARDHOLDER: _____

DATE: _____ / _____ / _____

THIS APPLICATION FORM AND POWER OF ATTORNEY MUST NOT BE CIRCULATED OR DISTRIBUTED UNLESS ATTACHED TO A COPY OF THIS PRODUCT DISCLOSURE STATEMENT. NO PROJECT AGREEMENTS WILL BE ENTERED INTO ON THE BASIS OF THIS PRODUCT DISCLOSURE STATEMENT LATER THAN 30 JUNE 2011.

[B] ADDITIONAL OR SECOND JOINT VENTURE APPLICANTS

PLEASE COMPLETE IN BLOCK LETTERS

I/We hereby apply to W.A. Blue Gum Limited for the Project Agreements in relation to the number of hectares detailed below.

Number of hectares _____ (Minimum Number - 3 hectares) Application Amount \$ _____

The Application Amount is \$5,500 (including GST) for each hectare.

Dr/Mr/Mrs/Ms/Miss _____ First Name _____ Surname _____

Date of Birth ____ / ____ / ____ Occupation _____

Company Name (if a company) _____

Residential/Site Address _____

Suburb/Town City _____ State _____ Postcode _____

Mailing Address (if different from above) _____

Suburb/Town City _____ State _____ Postcode _____

ACN (if a company) _____ ABN _____

Are you registered for GST Yes No

Tel: Work _____ Tel: Home _____

Mobile _____ Fax _____

Email _____

Are you applying as Joint Venture Grower (see Part A of the PDS)? Yes No

Are you applying as a trustee? Yes No

If yes please state the name of the trust or superannuation fund

(If applicable) Is the trust or superannuation fund registered for GST Yes No

SIGNING CLAUSE AND PAYMENT DETAILS ON PAGE 54

INDIVIDUAL APPLICANT (NOT BEING A COMPANY)

DATE OF SIGNING _____ / _____ / _____

Signature _____

Signature of Witness _____

Name of Witness _____

Address _____

COMPANY APPLICANT

DATE OF SIGNING _____ / _____ / _____

Are you the sole director Yes No

Executed in accordance with its Constitution by:

Director _____ Director/Secretary _____

Print Name _____ Print Name _____

ALL APPLICANTS - METHOD OF PAYMENT

CHEQUE ENCLOSED: ALL CHEQUES MUST BE PAYABLE TO SANDHURST TRUSTEES LIMITED ACF WA BLUE GUM PROJECT 2011

OR

CREDIT CARD: PLEASE CHARGE MY:

VISA BANKCARD MASTERCARD

CARD NUMBER:

EXPIRY DATE: /

CCV NO. (LAST 3 DIGITS ON THE BACK OF YOUR CARD):

NAME ON CREDIT CARD: _____

FOR THE AMOUNT OF: \$ _____

SIGNATURE OF CARDHOLDER: _____

DATE: _____ / _____ / _____

THIS APPLICATION FORM AND POWER OF ATTORNEY MUST NOT BE CIRCULATED OR DISTRIBUTED UNLESS ATTACHED TO A COPY OF THIS PRODUCT DISCLOSURE STATEMENT. NO PROJECT AGREEMENTS WILL BE ENTERED INTO ON THE BASIS OF THIS PRODUCT DISCLOSURE STATEMENT LATER THAN 30 JUNE 2011.

14. POWER OF ATTORNEY

[C] ALL APPLICANTS

I/We the person(s) or company named below (the Grantor), HEREBY APPOINT(S) any person being a Director of W.A. Blue Gum Limited from time to time to be the Grantor's Attorney (the Attorney) to exercise, subject to any conditions and limitations specified in Clause 2 below, the authority conferred on the Attorney hereby and to do on the Grantor's behalf anything the Grantor has lawfully authorised the Attorney to do.

1. In the exercise of the authority conferred by this Power of Attorney, the Attorney is authorised to execute any assurance or other document or to do any other act whereby a benefit is conferred on the Attorney.
2. This Power of Attorney is expressly limited to conferring on the Attorney authority to:
 - (a) Enter into and execute on the Grantor's behalf a Sub-lease (and if relevant an Agreement to Sub-lease), Project Management Contract and Wood Purchase Agreement ("the Project Agreements") as referred to in the Product Disclosure Statement for the W.A. Blue Gum Project 2011 and a Loan Agreement with Albany Financial Pty Ltd.
 - (i) date the said Project Agreements and the Loan Agreement and complete as appropriate any blank spaces in the Schedules thereto; and
 - (ii) make and initial any alterations to the Project Agreements and the Loan Agreement which are not prejudicial in the opinion of the Attorney to the Grantor's interests.
 - (b) Without limiting the foregoing and following make, do and sign all such acts, deeds and things as may be necessary to give effect to procure the stamping of the said Project Agreements and the Loan Agreement.
 - (c) Alter, modify, add to or cancel the provisions of the Project Agreements and the Loan Agreement provided that such alteration, modification, addition or cancellation:
 - (i) in the opinion of the Attorney does not and is not likely to adversely affect the interests of the Grantor;
 - (ii) is in the opinion of the Attorney, or of a barrister or solicitor instructed by the Attorney, necessary or expedient to comply with the provisions of any statute, ordinance, rule, regulation or by-law which may be passed and which affects projects of the nature of the Project, or is a requirement of any competent statutory authority; or
 - (iii) is in the opinion of the Attorney made to correct a manifest error or is of a formal, technical or administrative nature only; or

provided that in the case of any proposed alteration, modification, addition or cancellation which in the opinion of the Attorney may adversely affect the rights of the Grantor, such alteration, modification, addition or cancellation may be effected only if it has been approved by an Ordinary Resolution of Growers at a meeting of Growers convened for the purposes of passing that resolution.
 - (d) Appoint one or more substitute attorneys to exercise the powers granted to the Attorney and to revoke any appointment of any substitute attorney or attorneys made under the relevant document.
3. The Grantor agrees that the Grantor shall indemnify and keep indemnified the Attorney against all claims demands, costs, damages, losses and expenses, however arising consequent upon the exercise of the Power of Attorney hereby granted, and further agrees to ratify and confirm whatever the Attorney shall do in the exercise of the power hereby granted.
4. This Power of Attorney will be governed by and construed in accordance with the laws of Victoria.
5. Words and expressions used in this Power of Attorney have the same meanings as in the Constitution unless the contrary requires.
6. This Power of Attorney is irrevocable until the expiration of the Project under the Constitution.

SIGNING CLAUSE AND PAYMENT DETAILS OVER PAGE

Executed as a Deed on the _____ day of _____

SINGLE APPLICANTS and FIRST JOINT VENTURE APPLICANTS

INDIVIDUAL APPLICANT (NOT BEING A COMPANY)

DATE OF SIGNING _____ / _____ / _____

Signature _____

Signature of Witness _____

Name of Witness _____

Address _____

COMPANY APPLICANT

DATE OF SIGNING _____ / _____ / _____

Are you the sole director Yes No

Executed in accordance with its Constitution by:

Director _____ Director/Secretary _____

Print Name _____ Print Name _____

ADDITIONAL OR SECOND JOINT VENTURE APPLICANTS

INDIVIDUAL APPLICANT (NOT BEING A COMPANY)

DATE OF SIGNING _____ / _____ / _____

Signature _____

Signature of Witness _____

Name of Witness _____

Address _____

COMPANY APPLICANT

DATE OF SIGNING _____ / _____ / _____

Are you the sole director Yes No

Executed in accordance with its Constitution by:

Director _____ Director/Secretary _____

Print Name _____ Print Name _____

15. (IF APPLICABLE) POWER OF ATTORNEY WHERE THE APPLICANT IS A COMPANY

[D] COMPANY APPLICANTS

PLEASE COMPLETE IN BLOCK LETTERS

Whereas:

- A. The person named below (the Grantor) is a director of the company named below (the Company).
- B. The Company has executed an application form to become a Grower.
- C. At the request of the Grantor W.A. Blue Gum Limited has agreed to accept the Company as a Grower.
- D. (If applicable), at the request of the Grantor Albany Financial Pty Ltd has agreed to enter into a loan agreement between Albany Financial Pty Ltd and the Company (the Loan Agreement).
- E. In consideration of the premises the Grantor has agreed to provide a Guarantee and Indemnity in respect of the Company's Obligations under the Project Agreements (as defined in the Constitution for the WA Blue Gum Project 2011) and, where relevant, the Loan Agreement.

The Grantor, HEREBY APPOINT(S) any person being a Director of W.A. Blue Gum Limited from time to time to be the Grantor's Attorney (the Attorney) to exercise, subject to any conditions and limitations specified in Clause 2 below, the authority conferred on the Attorney hereby and to do on the Grantor's behalf anything the Grantor has lawfully authorised the Attorney to do.

1. In the exercise of the authority conferred by this Power of Attorney, the Attorney is authorised to execute any assurance or other document or to do any other act whereby a benefit is conferred on the Attorney.
2. This Power of Attorney is expressly limited to conferring on the Attorney authority to:
 - (a) Enter into and execute on the Grantor's behalf a Guarantee and Indemnity of the Company's obligations under the Project Agreements (the Project Guarantee) and, where relevant, a separate Guarantee and Indemnity of the Company's obligations under the Loan Agreement (the Loan Guarantee):
 - (i) date the said Project Guarantee and, where applicable the Loan Guarantee, and complete as appropriate any blank spaces in the Schedules thereto; and
 - (ii) make and initial any alterations to the Project Guarantee and, where applicable the Loan Guarantee, which are not prejudicial in the opinion of the Attorney to the Grantor's interests.
 - (b) Without limiting the foregoing and following make, do and sign all such acts, deeds and things as may be necessary to give effect to procure the stamping of the said Project Guarantee and, where applicable the Loan Guarantee.
 - (c) Alter, modify, add to or cancel the provisions of the Project Guarantee and, where applicable the Loan Guarantee provided that such alteration, modification, addition or cancellation:
 - (i) in the opinion of the Attorney does not and is not likely to adversely affect the interests of the Grantor;
 - (ii) is in the opinion of the Attorney, or of a barrister or solicitor instructed by the Attorney, necessary or expedient to comply with the provisions of any statute, ordinance, rule, regulation or by-law which may be passed and which affects projects of the nature of the Project, or is a requirement of any competent statutory authority; or
 - (iii) is in the opinion of the Attorney made to correct a manifest error or is of a formal, technical or administrative nature only.

Whereas:

- A. The person named below (the Grantor) is a director of the company named below (the Company).
- B. The Company has executed an application form to become a Grower.
- C. At the request of the Grantor W.A . Blue Gum Limited has agreed to accept the Company as a Grower.
- D. (If applicable), at the request of the Grantor Albany Financial Pty Ltd has agreed to enter into a loan agreement between Albany Financial Pty Ltd and the Company (the Loan Agreement).
- E. In consideration of the premises the Grantor has agreed to provide a Guarantee and Indemnity in respect of the Company's Obligations under the Project Agreements (as defined in the Constitution for the WA Blue Gum Project 2011) and, where relevant, the Loan Agreement.

The Grantor, HEREBY APPOINT(S) any person being a Director of W.A. Blue Gum Limited from time to time to be the Grantor's Attorney (the Attorney) to exercise, subject to any conditions and limitations specified in Clause 2 below, the authority conferred on the Attorney hereby and to do on the Grantor's behalf anything the Grantor has lawfully authorised the Attorney to do.

Name of Grantor _____ Name of Company _____

Executed as a Deed on the _____ day of _____

Grantor sign below

DATE OF SIGNING _____ / _____ / _____

Signature _____

Signature of Witness _____

Name of Witness _____

Address _____

16. APPLICATION FOR FINANCE

[D] FINANCE APPLICANTS

Wealth Focus Pty Ltd
 PO Box 760
 Manly, NSW 1655
 Tel: 1300 559869
 AFSL: 314872

*I/We hereby apply to **ALBANY FINANCIAL PTY LTD** for finance in relation to this Application. (*delete if not applicable). You must complete the Direct Debit Request section below.

WHAT AMOUNT OF FINANCE IS REQUESTED FROM ALBANY FINANCIAL PTY LTD?

(Refer to Section 2.5 of Part B of this Product Disclosure Statement)\$

DIRECT DEBIT REQUEST

Request and Authority to Debit the Account named below to pay Albany Financial Pty Ltd:

SURNAME OR COMPANY NAME: _____

GIVEN NAME OR ACN/ABN: _____

ADDRESS: _____

I/We hereby request and authorise Albany Financial Pty Ltd (User ID:320134) to arrange for any amount Albany Financial Pty Ltd may debit or charge me/us to be debited through the Bulk Electronic Clearing System ("BECS") from an account held at the financial institution identified below subject to the terms of the Service Agreement and any further instructions provided below.

NAME OF FINANCIAL INSTITUTION
 AT WHICH THE ACCOUNT IS HELD: _____

ADDRESS: _____

STATE: _____ POSTCODE: _____

ACCOUNT NAME: _____

BRANCH NUMBER (BSB): -

ACCOUNT NUMBER:

SERVICE AGREEMENT

I/We understand and acknowledge that:

1. The financial institution may, in its absolute discretion, at any time by notice in writing to me/us, terminate this request as to future debits.
2. Albany Financial Pty Ltd may, by prior notice in writing to me/us within 14 days, vary the timing of future debits.
3. Where the due date does not fall on a business day and I/we am/are uncertain whether sufficient cleared funds will be available to meet the direct debit, I will contact the financial institution directly and ensure that sufficient cleared funds are available.
4. I/We can modify or defer this regular Direct Debit Request at any time by giving Albany Financial Pty Ltd 14 days notice, in writing. I/We need to do this by the 1st day of the month for the change I/we are requesting to take effect in that month.
5. I/We can stop or cancel the regular Direct Debit Request at any time by giving Albany Financial Pty Ltd 14 days notice in writing. I/We need to do this by the 1st day of the month for cancellation to take effect in that month.
6. If at any time I/we feel that a direct debit against my/our nominated account is inappropriate or wrong it is my/our responsibility to notify Albany Financial Pty Ltd as soon as possible.
7. If I/we believe there has been an error in debiting my/our account, I/we will notify Albany Financial Pty Ltd directly and confirm by notice in writing with Albany Financial Pty Ltd as soon as possible so that Albany Financial Pty Ltd can resolve my/our query more quickly. If Albany Financial Pty Ltd concludes as a result of its investigations that my/our account has been incorrectly debited, it will respond to my/our query by adjusting my/our account accordingly. Albany Financial Pty Ltd will also notify me/us in writing of the amount by which my/our account has been adjusted. If Albany Financial Pty Ltd concludes as a result of its investigation that my/our account has not been incorrectly debited it will respond to my/our query by providing me/us with reasons and with evidence of its finding.
8. Direct debiting through BECS is not available on all accounts. I/We can check my/our account details against a regular statement or check with the financial institution as to whether I/we can request a direct debit from my/our account.
9. It is my/our responsibility to ensure that there are sufficient cleared funds in my/our nominated account to honour the Direct Debit Request. I/We understand that the Direct Debit Request will be automatically cancelled if three direct debit payments are dishonoured because of insufficient funds within a 12 month period. Albany Financial Pty Ltd will give me/us 14 days notice in writing if they intend to cancel my/our Direct Debit Request. Albany Financial Pty Ltd will also charge the cost of dishonoured direct debits against my/our account.
10. Albany Financial Pty Ltd may need to pass on details of my/our Direct Debit Request to their sponsor bank in BECS to assist with the checking of any incorrect or wrongful debits to my/our nominated account.

I/We acknowledge that I/we have read and understand the terms and conditions governing the direct debit agreement between me/us and Albany Financial Pty Ltd as set out above.

The first direct debit may be made on the 15 July 2011 and at monthly intervals thereafter, unless otherwise agreed.

By signing below I/we hereby certify that I/we are authorised signatories to the account named above and have the authority to enter into this Direct Debit Request.

SIGNATURE: _____

PRINT NAME: _____

DATE: ____/____/____

SIGNATURE: _____

PRINT NAME: _____

DATE: ____/____/____

Wealth Focus Pty Ltd
 PO Box 760
 Manly, NSW 1655
 Tel: 1300 559869
 AFSL: 314872

SINGLE APPLICANT and FIRST JOINT VENTURE APPLICANTS

INDIVIDUAL APPLICANT (NOT BEING A COMPANY)

DATE OF SIGNING _____ / _____ / _____

Signature _____

Signature of Witness _____

Name of Witness _____

Address _____

COMPANY APPLICANT

DATE OF SIGNING _____ / _____ / _____

Are you the sole director Yes No

Executed in accordance with its Constitution by:

Director _____ Director/Secretary _____

Print Name _____ Print Name _____

ADDITIONAL OR SECOND JOINT VENTURE APPLICANTS

INDIVIDUAL APPLICANT (NOT BEING A COMPANY)

DATE OF SIGNING _____ / _____ / _____

Signature _____

Signature of Witness _____

Name of Witness _____

Address _____

COMPANY APPLICANT

DATE OF SIGNING _____ / _____ / _____

Are you the sole director Yes No

Executed in accordance with its Constitution by:

Director _____ Director/Secretary _____

Print Name _____ Print Name _____

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PART C:

W.A. BLUE GUM PROJECT 2011

FINANCIAL SERVICES GUIDE

Dated: 24 May 2011 W.A. Blue Gum Limited

ABN 91 060 179 982

AFS Licence Number 246264

1. ABOUT THIS DOCUMENT

This Financial Services Guide ('FSG') is an important document, which we are required to give to you under the requirements of our Australian Financial Services Licence. It provides you with information about W.A. Blue Gum Limited (the 'Company', 'we', 'us' or 'our') to help you decide whether to use the financial services we provide. This FSG explains the services we can offer to you and the types of products we offer. It also explains how we (and other related persons) are remunerated for these services, and includes details of our internal and external complaints handling procedures and how you can access them.

To invest in any of our financial products you must complete the application form attached to the Product Disclosure Statement ('PDS'). The PDS contains information about the particular product and will assist you in making an informed decision about that product.

We only provide general financial product advice and you must seek independent personal financial product advice to meet your individual financial situation. Personal financial product advice is advice that takes into account one or more of your objectives, financial situation and needs.

2. WHO ARE WE?

The Company is licensed under the Corporations Act to provide these services to you. Our Australian Financial Services Licence Number is 246264.

We do not act as a representative of any other licensee in relation to the services we provide to you.

You can contact us by:

- calling 1300 888 511;
- writing to us at Level 21, 385 Bourke Street, Melbourne VIC 3000;
- emailing us at info@wabluegum.com.au; or
- visiting our website at www.wabluegum.com.au.

W.A. Blue Gum Limited is an unlisted public company which was incorporated on 19 May 1993. The Company is the Responsible Entity of a managed investment scheme, WA Blue Gum Project 2011 ARSN 150 828 283. The project involves the Establishment and tending, felling and harvesting of Tasmanian Blue Gum (*Eucalyptus Globulus*) plantations in the south west of Western Australia.

3. WHAT FINANCIAL SERVICES AND PRODUCTS DO WE OFFER?

The Company is authorised to offer the following financial services:

- (a) deal in a financial product by:
 - (i) issuing, applying for, acquiring or disposing of interests in the W.A. Blue Gum Project 2011 ARSN 150 828 283;
 - (ii) applying for, acquiring, varying or disposing of deposit and payment products (limited to basic deposit products and deposit products) and general insurance products on behalf of another person;
- (b) provide general financial product advice in respect of interests in the W.A. Blue Gum Project 2011 ARSN 150 828 283; and
- (c) operate the registered managed investment scheme, W.A. Blue Gum Project 2011 ARSN 150 828 283.

We do not provide financial planning services and only provide general financial product advice in respect of interests in the W.A. Blue Gum Project 2011 ARSN 150 828 283. We will not give you personal financial advice if you contact us by phone or in writing.

4. HOW CAN YOU TRANSACT WITH US?

You must complete the Application Form in the PDS. Before signing the Application Form, applicants should read the PDS.

The Application Form must not be circulated or distributed unless attached to a copy of the PDS.

You can contact us in writing or another method as agreed by us.

5. HOW ARE WE PAID FOR THE SERVICES WE PROVIDE?

The Company does not receive any fees, nor do we charge you additional fees, for providing general financial product advice.

6. WHAT COMMISSIONS, FEES OR OTHER BENEFITS ARE RECEIVED?

Employees of the Company who give you general financial product advice do not receive payments or commissions for the giving of that advice. These employees and our directors may receive salaries, bonuses and other benefits from us.

7. THE PDS OR OFFER DOCUMENT FOR THE PARTICULAR PRODUCT WILL DISCLOSE FURTHER DETAILS

You may receive advice in relation to the products we offer from financial advisers who do not work for this Company. These advisers may receive remuneration from us. The adviser's remuneration is included in the fees you pay when subscribing in our product.

The amount of this remuneration is set out in the PDS. Your adviser is also required to set out the remuneration and commissions they receive in a Statement of Advice ('SOA'), which they must give to you. Some of these advisers may be representatives of other licensees.

We may pay commissions of up to 10% of the Application Amount to third parties for referring customers to us.

8. WHAT SHOULD YOU DO IF YOU HAVE A COMPLAINT?

You have the right to enquire into or complain about the operation of our product and service to the extent that it relates to you or your subscription. We have established procedures to ensure all enquiries and complaints are properly considered and dealt with. If you have an enquiry or complaint, please telephone or email us.

If you are not satisfied with our handling of your complaint you may lodge a complaint with the Financial Ombudsman Service Limited Scheme. FOS can be contacted by telephone on 1300 78 08 08 or by writing to Financial Ombudsman Service Limited, GPO Box 3, Melbourne Vic 3001.

9. PRIVACY

We respect your privacy and are totally committed to upholding your rights to privacy protection under the Privacy Act and the National Privacy Principles.

This Privacy Statement provides a summary of how we collect, use and disclose personal information.

Your personal information is information or an opinion which can be used to personally identify you. We only collect personal information that is necessary and relevant for us to provide our services. Subject to any legal requirements, we handle personal information in accordance with the purpose of its collection. Accordingly, failure to provide any personal information which we request may affect our ability to meet our obligations to you.

We take reasonable steps to ensure that the personal information collected and held by us is protected from misuse, loss, unauthorised access, modification or disclosure. We also endeavour to ensure that the personal information we hold about you is up to date, complete and accurate. If you believe that any personal information we hold about you is inaccurate, incomplete or out-dated, please notify our Privacy Officer.

Any queries regarding our Privacy Policy should be directed to our Privacy Officer:

Privacy Officer: Mr Tom May
Phone: 1300 888 511
Address: Level 21
 385 Bourke Street
 Melbourne VIC 3000

**W.A. BLUE GUM PROJECT 2011
ARSN 150 828 283**

**COMBINED PRODUCT DISCLOSURE STATEMENT
AND FINANCIAL SERVICES GUIDE**



**W A B L U E G U M
L I M I T E D**

**W.A. BLUE GUM LIMITED
ACN 060 179 982
AFS Licence Number 246264**