The FORESTRY investment SPECIALIST that's OUTGROWING the rest

Fact Sheet No.2

A committed focus has positioned Forest Enterprises Australia Ltd (FEA) to deliver higher growth rates and place itself at the forefront of Australia's forestry investment industry.

What's more, FEA is a vertically integrated forestry and forest products company with a 22-year track record of success.

We select land, establish plantations, grow trees and value-add hardwood timber through our timber processing facilities and the marketing of our branded **EcoAsh**®, **EcoAshclear**®, and **SmartFibre** timber products.

We also buy additional timber – including a contract to purchase approximately 290,000 tonnes per year of pine to value-add for our softwood **BassPine**™ product range.

FEA will soon be Tasmania's largest sawmiller – almost twice the size of its nearest rival.

FEA sticks with what we've already proven we're good at – timber! Following the same philosophy, we've also chosen to concentrate on commercially proven tree species. Frankly, in agribusiness - as with other traditional sectors of investing - if it sounds too good to be true, it probably is.

FEA mainly specialises in eucalypt forestry – establishing mainstream Australian species with a long history of successful cultivation and developing domestic and international markets for their timber and timber products.

FEA's forestry expertise, specialisation and integration are the keys to our success, and are the same factors that give our investors the confidence to keep coming back to us year after year.

A forestry specialist knows how to grow trees

When it's all said and done, the only real test of how good a forestry investment is – how well your trees grow. Healthier trees and better growth mean better relative investment returns.

Plantation growth rates are expressed in terms of Mean Annual Increment (MAI).

This is quite simple – MAI is the average volume of timber produced (in cubic metres) per hectare per year (m^3/ha/year) over the life of the plantation.

For example, an MAI of 29 m^3/ha/year equates to a harvest volume on a 1 hectare Woodlot investment, after say 13 years, of 29 x 1 x 13 = 377 m^3 of timber.

Multiply this volume of timber by the price(s) achieved for the products of that timber, less losses and expenses (such as harvesting and transport) and you have your final investment return.

This is slightly simplistic in that thinning in order for FEA to produce quality sawlogs is planned to occur around year 9. However, MAIs achieved provide a valid direct comparison of various investments providing the timber species and forestry regimes are comparable.

For example:

Investment A – MAI 29m^3/ha/year provides 29 x 1 x 13 = **377m^3** of marketable timber per hectare, versus

Investment B – MAI 15m^3/ha/year providing 15 x 1 x 13 = **195m^3** of marketable timber per hectare.

Which investment would you rather have made?

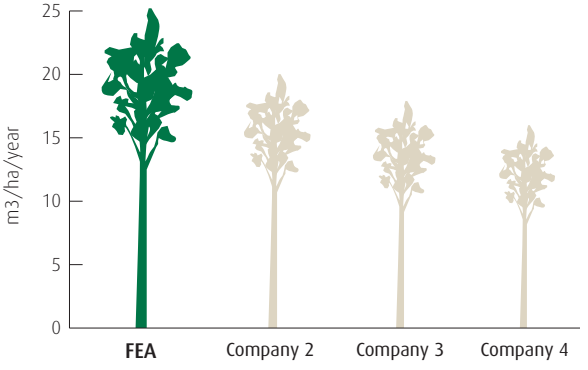
A track record of success

Some of Australia's major forestry investment companies have now been operating for long enough now that it is possible to broadly compare MAIs for their early projects and ultimately, investment returns achieved.

IndustryEdge is a specialist independent forestry research company that produces reports on a wide range of forestry topics. The tables on the following page contain the yield estimates as reported by *IndustryEdge*[1] for four major forestry investment managers for their past eucalypt projects.

Based on the data in the report, we can compare only one year – 1998 – across all projects.

Estimated growth rates for 1998 Eucalyptus timber projects at 8 years.



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Overview of FEA's yield estimates for past projects 1993 – 2001[1]		
Project Year	**Age at Inventory**	**Estimated MAI**
1993	13	32 m^3/ha/year
1994	12	36 m^3/ha/year
1995	11	20 m^3/ha/year
1996	10	29 m^3/ha/year
1997	9	24 m^3/ha/year
1998	8	26 m^3/ha/year
1999 to 2001	5-7	N/A

Overview of Company 2 yield estimates for past projects 1996 – 2001[1]		
Project Year	**Age at Inventory**	**Estimated MAI**
1996	10	20 m^3/ha/year
1997	9	20 m^3/ha/year
1998	8	20 m^3/ha/year
1999	7	20 m^3/ha/year
2000	6	21 m^3/ha/year
2001	5	22 m^3/ha/year

Overview of Company 3 yield estimates for past projects 1996 – 2001[1]		
Project Year	**Age at Inventory**	**Subsequent Estimated MAI**
1996	10	18–21 m^3/ha/year
1997	9	14–18 m^3/ha/year
1998	8	14–18 m^3/ha/year
1999	7	15–20 m^3/ha/year
2000	6	16–21 m^3/ha/year
2001	5	17–22 m^3/ha/year

Overview of Company 4 yield estimates for past projects 1998 – 2000[1]			
Project Year	**Age at Inventory**	**Weighted Average Standing Volume (m^3)**	**Subsequent Estimated MAI**
1998	8	112	14 m^3/ha/year
1999 - WA	7	51-65	7–9 m^3/ha/year
1999 - Green Triangle	7	69-97	10–14 m^3/ha/year
1999 - Esperance	7	37-50	5–7 m^3/ha/year
2000 - Esperance	6	48	8 m^3/ha/year
2000 - Green Triangle	6	71	12 m^3/ha/year
2000 - WA	6	67	11 m^3/ha/year
2000 - Queensland	6	23	4 m^3/ha/year

The common factors *IndustryEdge* mention in respect to the lower than anticipated growth rates for all these other companies relate to silvicultural management (silviculture is the growing and tending of trees), land selection and reduced rainfall due to drought over large areas of Australia. **To quote *IndustryEdge*,**

"The timber harvest volume for the early FEA projects should meet or significantly exceed the respective targets all except the 1995 project which is comparable with the best yields being reported by other companies."

This information current as at December 2007

***IndustryEdge* concluded,**

"In general, the published and reported growth rates of these early projects which have been harvested have been disappointing with actual yields for most companies being around 20% below the lowest end of their forecast range. The exception to date has been FEA – the anticipated return for its inaugural project should not only exceed the growth rate forecast by 16%, but exceed the actual harvested plantation yield of its peers by between 45% and 75%."

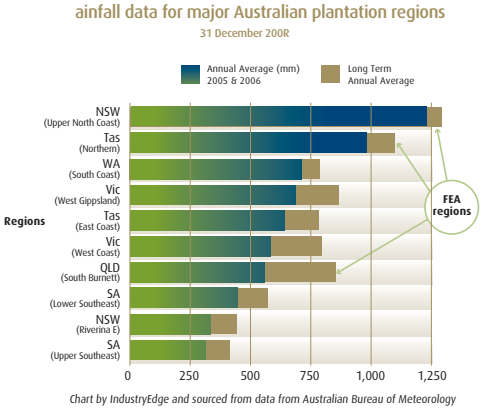
We encourage you to read the *IndustryEdge* report carefully and fully. Please contact us if you would like a copy of the report. It is located on *IndustryEdge's* website www.industryedge.com.au

Why has FEA performed well?

Forestry operations/silviculture: FEA's forestry operations have been independently rated as "Good-Excellent" by an independent industry analyst. FEA's highly qualified in-house forestry team has a 22-year record of experience and specialisation in eucalypt forestry. This expertise, coupled with the very latest in techniques and technology, ensures the highest standards of forestry and silvicultural management aimed at achieving plantation growth objectives and outperforming industry standards.

Land selection: FEA has targeted land in Tasmania, northern NSW and southeast Queensland that are fertile and have deep soil profiles – factors that are crucial to successful eucalypt plantation growth.

Rainfall: The land selected by FEA has long term average annual rainfall of 800 to 1100mm.



For a forestry investment that really grows, talk to FEA

Although past performance is never a guarantee of future success, FEA's record of plantation growth rates is very strong.

FEA is one of Australia's leading forestry and forest products businesses.

As we've outlined, we're specialists that do one thing – and do it very well.

That one thing is forestry and the subsequent processing, value-adding and marketing of its products.

Add to that a record of strong performance on the only thing that really counts – successfully growing better performing plantations – and your investment choice is clear.

[1] *IndustryEdge* "Comparison of pooled Eucalypt timber investment growth rates" report dated December 2007

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