

NOTE

The below document was sent to all growers together with the Notice of Meeting of Growers (NoM) to consider the Black Tree proposal. Growers will have already received these electronically (via email) or are shortly expected to receive these by mail.

You can also obtain a copy of the NoM from Black Tree's website.

<http://www.blacktreeltd.com.au/FEA/ForestEnterprisesAustraliaProposal/tabid/763/Default.aspx>

Dear Grower

Important information - FEA Projects (1999 to 2008) - Notice of Meeting

Enclosed is a Notice of Meeting of Growers.

The Growers Meeting is to vote on the Black Tree Proposal and resolutions to replace the responsible entity and to restructure the Project to enable it to continue.

You have only received a Notice for the Projects(s) (dated 1999 to 2008) in which you have invested.

Resolutions

Details of the Black Tree Proposal will be set out in an Explanatory Memorandum, which will be sent to you separately within 2 to 3 weeks.

In essence, the proposed changes will mean that your Project will be under new management, with Black Tree Pty Ltd ABN 61 138 039 488 (**Black Tree**) as the new forestry manager and Primary RE Ltd ABN 24 129 444 300, AFSL No 323852, as the new Responsible Entity.

Black Tree is a specialist forestry manager that provides management solutions to distressed forestry schemes and whose credentials will be detailed in the Explanatory Memorandum.

New management and a new structure will enable the Projects to move into the future with more certainty following the FEA Group being placed into voluntary administration some months ago.

To understand the changes, you should carefully read the Explanatory Memorandum when you receive it.

In our opinion the Black Tree Proposal provides for:

- stabilising the Projects on a permanent basis;
- choice for Growers;
- the ability to consider other commercial restructuring proposals; and
- a better platform to engage in negotiations for the benefit of Growers.

Proxies

Please read the enclosed Notice of Meeting for details about appointing a proxy.

FEA Growers Group recommends you nominate "Robert Burns" (Chairperson of FEAGG) as proxy.

Also enclosed is an update on recent developments from FEA Growers Group which we urge you to read.

Yours sincerely

A handwritten signature in black ink, appearing to read 'RB', with a long horizontal flourish extending to the right.

Robert Burns
Chairperson
FEA Growers Group Inc. A0054610B

FEAGG GROWERS COMMUNICATION UPDATE NO.12

2 February 2011

Court ruling

On 21 December 2010 the Federal Court handed down its judgment on the legal proceedings brought by the Receivers (Deloitte) to terminate the head leases held by FEAP over plantation land.

Importantly, the court ruled that FEA owes FEAP (the responsible entity) \$11 million and FEAP can set off rent due to FEA against that \$11 million. This is likely to cover rental payments until approximately August 2011.

In practical terms, this means that the Receivers cannot terminate the leases for non-payment of rent, in the short term. It allows breathing space for the Projects to be kept on foot.

The Receivers are appealing the judgment. BRI Ferrier and the FEAGG will be looking to preserve this offset for the benefit of Growers by contesting the appeal.

Grower Invoices issued by BRI Ferrier

The judgment does not affect the need for Growers to continue to pay invoices for rent due under the Grower sub leases, as recommended in previous communications to Growers. From communications from both BRI Ferrier and the FEAGG you should be aware that the invoices have been reissued for significantly less to take into account this offset and a shorter time frame whereby we hope the Projects will be stabilised in a new operating environment.

In addition to the \$11 million offset, BRI Ferrier has identified other offsets that may be available for the benefit of Growers and they are pressing their claims on these amounts against the Receivers. We understand that these could amount to an additional \$5 million.

These offsets are extremely valuable to both Growers, the existing responsible entity (RE) and to a replacement RE.

It remains essential that the amended invoices issued by BRI Ferrier are paid. This will allow maintenance works, external rents and the like to be paid in the interim period while a resolution around the future of the Projects is finalised.

In principle agreement has been reached with BRI Ferrier that any unused cash flow from the invoices will be passed to any replacement RE appointed. In addition, we are working with BRI Ferrier and Black Tree to develop a mechanism that rewards those who support the Projects during the interim period.

Other Commercial Parties

We are aware that other commercial parties also continue to work on possible restructuring of the Projects.

The Black Tree Proposal does not prevent any alternate commercial offers of this nature being put forward. However, in the event that Growers vote on another option (other than the appointment of a new RE) there would need to be commercial compensation to the new RE in recognition of its time and effort spent.

In addition, we also understand the Receivers, acting for the Banks, prefer a one-line sale of the plantation land and tree assets, if certain conditions do not occur. The appointment of a replacement RE would not preclude consideration of this option, if it is in the interests of Growers. A replacement RE in this situation would mean Growers were bargaining from a stronger position.

Other Projects

The Black Tree Proposal does not include the 1994 to 1998 Projects. It is envisaged these Projects will continue to be realised under the early harvest model proposed by BRI Ferrier (as Administrators of FEAP).

Currently, the Receivers are in dispute with BRI Ferrier over the Receivers declining to sign forestry practice plans to allow the harvest of sites to commence.

The Black Tree Proposal also does not include the 2009 Project because of viability issues.