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Independent Forester's Report



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Date 6 February, 2007

Ref 51A08290

The Directors

AgriWealth Pty Ltd
Level 1/21-23 Grosvenor Street
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INDEPENDENT FORESTER'S REPORT

Dear Sirs,

This report has been prepared for inclusion in an Information Memorandum ("IM") to be issued by Stanford Finance Australia Limited and AgriWealth Pty Limited (the Project Manager), in relation to the offer of interests in a managed investment scheme (MIS) for the growing of radiata pine in the Tumut-Tumbarumba region of New South Wales (NSW). The project provides investors with the opportunity to invest in either or both the AgriWealth 31 March 2007 Radiata Pine Plantation Investment (the "Tree Project") or the AgriWealth 31 March 2007 Radiata Pine Land Trust (the "Land Trust").

Independent Forester Expertise

Pöyry Forest Industry Pty Ltd (Pöyry) is part of the Pöyry Group, which provides energy, forestry, infrastructure and environmental services to clients within Australia and around the world. The group operates a global network of over 6 000 employees in 45 countries.

Pöyry and its predecessor companies have had over 30 years of experience in the Australian forestry sector. Pöyry provides professional services to the forest sector through a team of highly experienced consultants. The Company offers multidisciplinary services across all components of the forest product chain including advice on forest establishment, tending, monitoring, harvesting, markets and utilisation.

Pöyry's contribution to the IM has been confined to the preparation of this Independent Forester's Report and the Independent Market Report.

1. THE PROJECT

The Project Manager plans to establish and manage plantations of *Pinus radiata* (radiata pine) in the region around Tumut-Tumbarumba in New South Wales (NSW). The forestry objective of the "Tree Project" is to establish plantations that will produce sawlogs and pulplogs within a rotation length of approximately 26 years ("The Rotation").

2. CAPACITY OF THE FOREST SERVICES PROVIDER

Forests NSW is a Public Trading Enterprise owned by the State of NSW. The organisation is responsible for the sustainable management of more than 2 million hectares (ha) of public forests within NSW. Forests NSW was incorporated in 1916 by an act of Parliament and directly employs more than 1 000 staff.

Forest Services Plantation Capability

Forests NSW manages 218 000 ha of softwood (pine) plantations located mainly around Tumut-Tumbarumba and Bombala in southern NSW, Bathurst/Oberon region in the central west and Walcha/Nundle in the north. Forests NSW produces approximately 1.5 million cubic metres (m³) of sawlogs and 1 million tonnes (t) of pulpwood annually, making Forests NSW Australia's largest softwood fibre producer. The organisation also manages approximately 30 000 ha of hardwood plantations.

Forests NSW will provide forestry services to the "Tree Project" under the "Forestry Management Contract AgriWealth 31 March 2007 Softwood Project" ("Management Agreement"). This agreement sets out the compliance requirements with the land selection protocol. It also details subsequent management obligations. Although management outcomes are specified in some instances (e.g. minimum stocking rates), the contract is not outcome-based with respect to achieving the projected yield. This is common practice for forest management contracts reflecting the view that yields may be influenced by a number of factors over the rotation and some of these factors are outside the control of the forest services provider.

Pöyry has inspected a sample of radiata pine plantations of different ages that Forests NSW have developed in the Tumut-Tumbarumba area. At each property the inspection addressed such matters as plantation layout, adequacy of site preparation, seedling survival, weed control, tree health, general growth rates, firebreak maintenance and road access. Pöyry is satisfied from the sample of properties inspected, and the practices and processes reviewed, that Forests NSW is capable of undertaking works and responsibilities required of the Forest Services Provider for the Project Manager.

Marketing Agent Capability

Forests NSW will act as the exclusive marketing agent for the "Tree Project" as defined within the "Forestry Management Contract AgriWealth 31 March 2007 Softwood Project". Under this agreement Forests NSW will be obliged to use all reasonable endeavours to negotiate and achieve log sales at the then prevailing market prices as such logs become available from first and second thinnings and from final clearfell operations at the end of the rotation.

Forests NSW is the largest softwood log supplier in NSW, and has long-term contractual arrangements with a number of key industry participants. The arrangements for sale of pulpwood from first thinning provide an initial return but importantly the thinned plantation is ideally suited for future sawlog production. Pöyry is satisfied that Forests NSW has the capacity to market the wood at levels matching the prices that it receives from its own sales.

Environmental Management

Forests NSW's forestry operations are independently audited and certified to meet the ISO 14001 Standard for environmental management. This verifies that all relevant State and Federal environmental regulations and statutes with respect to plantation management are being met.

Forests NSW's forest management practices are certified to the Australian Forestry Standard (AFS). The AFS independent certification demonstrates Forests NSW is managing forests to meet standards covering social, economic and environmental aspects. In addition, the AFS is recognised by the Program for the Endorsement of Forest Certification Schemes (PEFC), the world's largest forest certification scheme.

3. PLANTATION LAND CHARACTERISTICS

The IM requires sites to be selected that are capable of producing radiata plantations with a mean annual increment (MAI) of 18 m³/ha/a at age 26. Land will be selected subject to guidelines for the evaluation of individual properties. These guidelines are described in a Land Selection Protocol that is included as a schedule to the Management Agreement between the Project Manager and Forests NSW.

In general terms, the Land Selection Protocol guidelines can be summarised as:

- *Land clearance:* Each site should be substantially cleared land. Any areas of intact native vegetation will be retained for conservation purposes.
- *Climate:* Each site should have an average rainfall in excess of 800 mm/a.
- *Soils:* Each site should have adequate soil depth, nutrient level and drainage, and have site microclimate conditions such that it is capable of meeting the required tree growth objective.
- *Access to markets:* This includes adequate access within the plantation area for operational vehicles and harvesting equipment, close proximity to the public road network and the distance is 100 km as the crow flies from Tumut.

Pöyry have reviewed the site selection guidelines set out in the Land Selection Protocol. If these guidelines are diligently applied the resulting sites will be capable of meeting the "Tree Project" objectives.

4. PLANTATION ESTABLISHMENT AND ONGOING MAINTENANCE

The selected species for the Project is radiata pine (*Pinus radiata*). Radiata pine is a species for which there is extensive information on establishment, management and research available. Forests NSW has a long history of managing this species in the region.

Globally, including in Australia, extensive tree breeding and selection work has been undertaken to genetically improve the species and this has been successful in increasing growth rates, improving wood quality and tree form.

Pöyry has reviewed the silvicultural regime proposed by Forests NSW. The process included an interview with forestry staff and a field visit to the region.

As the contracted services provider Forests NSW will prepare a specific Plantation Establishment and Management Plan for each project site. These plans will detail the proposed management regime for the site and the operations required to implement the regime. Forests NSW advise that the operations are likely to vary depending on site specific circumstances and to other factors that cannot be predicted in advance, such as weather conditions.

The basic management regime is set out below:

- On-site planning and identification of areas suitable for planting
- Clearing residual vegetation
- Preparation of roads and fire-breaks
- Site preparation for planting by ripping, or ripping and mounding
- Control weeds and browsing animals

- Provide suitable genetic and nursery stock, usually rated equivalent to GF23+ but may be modified according to conditions
- Plant trees at a density of 1000 stems/ha
- Application of suitable fertiliser after planting, as necessary
- Follow up control of weeds based on monitoring
- Monitor plantation after planting to estimate survival, followed by replanting if necessary
- Strategic foliar analysis followed by remedial treatment if required
- Assess plantation and undertake first thinning at approximately age 13 years, primarily for pulpwood
- Assess plantation and undertake second thinning at age 20 for pulp and sawlog
- Final harvest at approximately 26 years of age, primarily for sawlog production.

To ensure that growth and health are maintained, Forests NSW undertake a number of monitoring programs (tree survival, tree growth, forest health). Information from these monitoring programs is used for management purposes.

Pöyry has reviewed the site preparation, establishment, maintenance and monitoring methods proposed by Forests NSW and consider them to be appropriate for meeting the “Tree Project” objectives.

5. POTENTIAL PRODUCTIVITY

Project sites are selected by Forests NSW to have an expected average minimum productivity of 18 m³/ha/a (average volume of merchantable timber produced on each productive hectare each year) over a rotation of 26 years. That is over a full rotation of 26 years on average each productive hectare of plantation will produce a minimum of approximately 468 m³/ha of gross merchantable timber. Under the Management Agreement between Forests NSW and the Project Manager there is the option to extend the rotation up to 32 years if required. This flexibility to extend the rotation length increases the likelihood the “Tree Project” will meet its objectives.

It is intended that the plantation will be selectively thinned at approximately 13 years of age removing a pulp crop (expected to average approximately 84 m³/ha). At approximately 20 years of age, a second thinning will be undertaken removing on average 84 m³/ha of timber of which 34 m³ is expected to be pulpwood and the remainder will be small and medium sized sawlogs. At approximately 26 years of age, the final harvest will be undertaken removing on average 300 m³/ha. This will be made up of 276 m³/ha of sawlogs and 24 tonnes of pulpwood. The above yields are anticipated to be produced on sites with the minimum site quality criteria. With all other factors being equal, yields will potentially be higher if site qualities of properties purchased are above the minimum.

If the site selection guidelines are diligently applied and the management regime is carefully administered it is Pöyry’s opinion that the resulting plantations will be capable of meeting the “Tree Project” productivity objectives.

6. RISKS

Radiata pine plantations are similar to many other agricultural enterprises in that they are subject to climatic, biological and economic risks. This report does not examine the economic risks associated with the “Tree Project”. Some risks can be alleviated through sound management while others, such as natural events, are more difficult to predict but can often be insured against.

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In Australia, fire is considered a major risk for forest plantations. Management can reduce this risk in many ways. Forests NSW undertakes to include the "Tree Project" within its own plantation protection program. This includes establishment and maintenance of fire breaks, fire fuel hazard reduction and maintenance of access roads.

Evidence is emerging of changing climates across south-eastern Australia. Among other changes, there appears to be an increased incidence of below average rainfall seasons. This has the potential to reduce the growth rate of trees measured across the rotation.

Damage and losses may occur through biological agents such as pests (for example, Sirex wood wasp) and diseases (for example, Dothistroma needle fungus). Forests NSW conduct routine assessments within its plantations to detect any outbreaks of pests and disease. Forests NSW will undertake appropriate remedial actions to minimise the impacts.

Markets for forest products are evolving. The long period of the rotation (26 years) implies that there will likely be unforeseen changes in markets over this time. However, Forests NSW as the dominant supplier will be in a strong position to adapt and to manage the implications of any changes.

7. CONCLUSION

Pöyry has reviewed the structure of the "Tree Project" from a forestry perspective and has assessed the capability of Forests NSW to manage the forestry aspects of the "Tree Project" in accordance with the "Forestry Management Contract AgriWealth 31 March 2007 Softwood Project". As a result of this review, Pöyry believes that Forests NSW has the capacity and experience to successfully implement the "Tree Project".

8. DISCLAIMER

Pöyry Forest Industry Pty Ltd (Pöyry) has prepared this report for Stanford Finance Australia Limited and AgriWealth Pty Limited (the Project Manager) in accordance with the scope of work outlined in its Management Consulting Agreement with the Project Manager. The Project Manager requested this report to be prepared for inclusion in an Information Memorandum (IM).

In preparing this report, Pöyry has relied on information made available by the Project Manager and Forests NSW, together with other information, which is outlined in this report. Whilst this information has been checked for reasonableness and accuracy there are a range of factors that can impact on the results achieved. Neither Pöyry nor its employees responsible for the production of this report take responsibility for omissions or errors in any other matters in the IM that are not referred to in this report, and do not guarantee the performance of the "Tree Project" due to the inherent risks in investments of this nature. Pöyry does not accept responsibility for updating the information contained in the report after the date of production.

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

In accordance with regulation 7.6.01(u) of the Corporations Regulations 2001, Pöyry Forest Industry Pty Ltd make the following disclosures:

1. Pöyry has been retained by the Project Manager to provide an Independent Forester's Report and an Independent Market Report for inclusion in the IM.
2. Pöyry anticipates that further engagements in relation to the provision of forestry consulting advice may be entered into with the Project Manager on an as-required basis.

3. Pöyry does not have any direct investment in Stanford Finance Australia Limited or AgriWealth Pty Limited (the Project Manager) or their business interests and has no commercial interests in the financial products being offered other than as a service provider to the Project Manager.
4. Pöyry does not hold an Australian Financial Services Licence and is not operating under such a licence in providing this report.

Yours sincerely

A handwritten signature in black ink, appearing to read "A Haywood", enclosed within a hand-drawn oval.

Andrew Haywood
CONSULTANT