

14 April 2010

## ASX ANNOUNCEMENT

### **Forest Enterprises Australia Limited (FEA) enters Voluntary Administration**

FEA's financiers, namely the Commonwealth Bank of Australia Ltd (CBA) and the Australia and New Zealand Banking Group Ltd (ANZ) have provided a formal notice, via their Security Trustee, to FEA and relevant FEA guarantor companies. The Banks have elected to take action, relying on the event of default previously advised to the market and as a result, each of the charges granted to the Security Trustee are enforceable and the previous floating charges over all of FEA's assets have converted into fixed charges.

As a result, the Company is now required to deposit the proceeds of realisation of any charged assets into a separate bank account for the sole benefit of the Banks.

This has placed the Board in an untenable position as it prevents the ability of the Company to access the necessary funds to operate its normal business activities. As such, the Board has no option but to place the Company in Voluntary Administration.

As illustrated by regular announcements to the ASX during the first quarter of the 2010 calendar year FEA has been in the process of developing and refining a restructure and refinancing plan with a focus on retirement of debt as well as on-going initiatives to reduce operating costs.

In addition to asset sales, particularly in relation to FEA's land estate, FEA has been negotiating a potential transaction with third parties which, if completed, would have resulted in a restructure of FEA via a major finance raising coupled with a merger with an industry player. Should such a transaction have completed, the Directors' believe that FEA would have stabilised and been in a position to further grow as a major forest and forest products Company. FEA had requested a standstill arrangement on its banking facilities to pursue this transaction.

Although the Company had received non binding letters of intent that support a due diligence and negotiation process for these transactions, the Company has not been able to negotiate a sufficient period of time from its Banks to enable these transactions to be progressed to a more definite stage.

The Banks have now advised the Company that they are not prepared to agree to a standstill.

In announcing the decision to enter voluntary administration FEA's Chairman, Mr Will Edwards, said that the development was an extreme disappointment as the Company, Board and staff who have worked tirelessly to reduce debt and restructure the business to deliver stability to the Company in anticipation of a future recovery by international and domestic timber and forestry investing markets.

After steady growth in profitability over the preceding 6 years, the Company's revenue over the past 18 months has been adversely impacted by the effects of the global financial crisis which impacted on markets for forestry investment, timber and export woodfibre.

The Company advises that the Banks had progressively limited FEA access to its overdraft facilities and also the remaining \$12 million of the \$39.5 million of capital remaining from the equity raised in October 2009 expressly for working capital purposes, FEA had been to date trading off the proceeds generated mainly from its log trading, timber processing and the revenue from its highly performing loan book.

BRI Ferrier has been appointed as Voluntary Administrators of the following FEA entities:

- Forest Enterprises Australia Limited ACN 009 553 548
- FEA Plantations Limited ACN 035 969 429
- Tasmanian Plantation Pty Ltd ACN 009 560 963
- FEA Carbon Pty Ltd ACN 009 505 195

It is anticipated that the Administrators will make public announcements on the administration process in due course.

All enquiries should be referred to Brian Silvia on (02) 8263 2300 or by email at [fea@briferriernsw.com.au](mailto:fea@briferriernsw.com.au)

On behalf of the Board

Will Edwards  
Chairman