



From the desk of
Kristen McPhail



FEA continues to seek financier agreement to significant debt-elimination strategy

Good afternoon

You may be interested to read the attached article from today's Launceston Examiner regarding Forest Enterprises Australia Limited (FEA).

Andrew White, the Chief Executive Officer of FEA, today confirmed **the company remained in discussions with its financiers over its restructuring plan and financing arrangements.** The Company requested a suspension of its shares last week pending the outcome of these negotiations.



Mr White said that the **plan for asset realisation FEA has presented provides the best opportunity for the Company to repay the majority of its current bank debt** and pave the way for **a return to profitability** as the markets for its core businesses

improve over time.

FEA has current debts of approximately \$216 million through loan facilities of \$235 million with its two financiers. These facilities, maturing in January 2011, are backed by assets of over \$500 million dollars.

FEA is **not currently seeking increased facilities from its financiers**, but rather **ongoing support from its financiers** and their patience to allow it to greatly reduce its banking debt through unlocking value from its quality assets.

“Primarily as a result of the recent global financial crisis (GFC), the Australian forestry and forest products industry has experienced challenging trading conditions for timber products, wood-fibre and forestry investments which has already resulted in some company failures in the forestry investments sector and



improve over time.

this has unfortunately created uncertainty for financiers about the entire forestry and forest products industry,” said Mr White.

“However, over the past 12 months, **FEA has undergone an integrated corporate restructure** in order to benefit from the market recovering in the future, with plans for reduced debt secured over our significant suite of assets.

“FEA undertook a significant and successful capital raising last year and coupled with the commencement of an orderly asset sales program, this **has enabled us to start the process to reduce debt and strengthen our balance sheet**. Our plans for asset sales have been consistently presented to the market in our Investor Presentations.

“We believe **we have presented a rational, realistic and workable plan** that will enable us to effectively **reduce our current debt**.

“We have been encouraged in recent days by the receipt of **strong support from the Tasmanian Labor Government and the Liberal opposition**.

“The **Tasmanian State Government was immediately responsive** when we contacted them seeking assistance with our restructuring plan.

“We will continue to work closely with the Government to seek a solution that preserves the value that FEA delivers to the State.

“FEA has played a key role in developing a high quality Australian plantation resource over the past 25 years, **reducing our reliance on native forest timber** and **creating significant employment and revenue** in downstream timber processing.

“Together with our management team and Board of Directors, **we will do everything within our power to ensure that the company – and our industry – continue to have a sound future**.

“We **remain optimistic** that our current negotiations can result in **an agreement that is mutually beneficial for FEA and its financiers**,” concluded Mr White.

We'll be back in touch shortly, but in the meantime, if you require any further assistance, please **contact your local FEA Forestry Investment team member** – their details are listed below, **Freecall 1800 600 009** or email marketing@fealtd.com

Kind regards,

Kristen McPhail
General Manager - Forestry Investments
Forest Enterprises Australia Limited
Mobile: 0412 202 244
Email: kristenm@fealtd.com
Website: www.fealtd.com