

PERTH

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18 January 2010

**GREAT SOUTHERN TIMBER HOLDINGS PTY LTD ACN 128 160 145
(Administrators Appointed)("GSTH")**

CIRCULAR TO CREDITORS

I refer to the appointment of Andrew Saker, Darren Weaver, James Stewart and I as Joint and Several Administrators of GSTH pursuant to section 436A of the Corporations Act 2001 ("the Act") on 16 May 2009.

At the second meeting of creditors held on 19 November 2009 creditors resolved to adjourn the meeting for a period of up to 45 business days to allow the Administrators further time to continue discussions with a number of interested parties with regard to the possible restructure and recapitalisation of GSTH ultimately leading to a Deed of Company Arrangement ("DOCA") proposal being put forward to creditors.

Enclosed is my further report to creditors pursuant to section 439A(4)(a) of the Corporations Act 2001. You will note that the Administrators recommendation is that creditors accept a holding DOCA for GSTH.

At the reconvened second meeting, the following options are available to creditors regarding the company's future:

- That the administration should end and control of the company revert to its directors; or
- That the company accept a holding DOCA; or
- That the company should be wound up.

In view of the above I enclose the following with respect to the reconvened meeting of creditors:

1. **Notice of Meeting.** Please note that the reconvened second creditors' meeting is to be held on 27 January 2010 commencing at **11.00am (WST)**. You should arrive for registration at least 15 minutes prior to the meeting.
2. **Informal Claim Form for Voting Purposes.** If you submitted one of these for the purposes of the first meeting of creditors, you do not need to submit another one for this meeting;

A person is not entitled to vote at the meeting unless they provide particulars of their debt or claim to the Administrators before the meeting. **Please note this**

gstH-d3-reconvened 2nd creditors meeting circular-dke-15.01.2010

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FORENSICS

CORPORATE RECOVERY

FORM 529

CORPORATIONS ACT 2001

Subregulation 5.6.12(2)

NOTICE OF MEETING OF CREDITORS
GREAT SOUTHERN TIMBER HOLDINGS PTY LTD
(ADMINISTRATORS APPOINTED)
ACN 128 160 145 ("the Company")

NOTICE is given that a meeting of the creditors of the Company will be held at the offices of Ferrier Hodgson, Level 26 BankWest Tower, 108 St Georges Terrace, Perth, Western Australia, on Wednesday, 27 January 2010 at 11:00am (WST).

A G E N D A

1. To receive the report of the Administrators.
2. Questions from creditors.
3. For creditors to resolve:
 - a. that the Company enter into the proposed holding DOCA; or
 - b. that the Company be wound up; or
 - c. that the administration end and control of the Company revert back to its directors.
4. To approve the Administrators' remuneration.
5. If the Company enters into a DOCA, to approve the Deed Administrators' future remuneration.
6. If the Company is wound up, to approve the Liquidators' future remuneration.
7. If the Company is wound up, to consider whether to appoint a committee of inspection.
8. If the Company is wound up, to consider the destruction of the books and records at the conclusion of the winding up.
9. Any other business that may be lawfully brought forward.

All Proof of Debt and Proxy Forms should be lodged with the Administrators by no later than 4.00pm on Tuesday 26 January 2010 via the following means:

Mail: Attn: Geoff Webb
Ferrier Hodgson
GPO Box 2537
PERTH WA 6001

Email: gwebb@perth.fh.com.au

Facsimile: (08) 9214 1400

Please note that if you are lodging your Proxy Form via facsimile or email Corporations Regulation 5.6.36A requires that you must lodge the original of the Proxy Form with the Administrators' office within 72 hours of lodging the electronic copy.

A creditor can only be represented by Proxy or by an attorney pursuant to Corporations Regulations 5.6.28 and 5.6.32 (inclusive) or if a body corporate by a representative appointed pursuant to Section 250D.

In accordance with Regulations 5.6.23(1) and 5.6.26 of the Corporations Regulations, creditors will not be entitled to vote at the meetings unless they have previously lodged particulars of their claim against the company (and supporting documentation) in accordance with the Corporations Regulations and that claim has been admitted for voting purposes by the Voluntary Administrator or the Chairman of the meetings.

Should you have any queries in relation to this matter, please do not hesitate to contact Tom Birch or Geoff Webb of this office.

DATED this 18th day of January 2010



MARTIN JONES
Joint and Several Administrator of
Great Southern Timber Holdings Pty Ltd

INFORMAL PROOF OF DEBT FORM

Regulation 5.6.47

GREAT SOUTHERN TIMBER HOLDINGS PTY LTD ACN 128 160 145
(ADMINISTRATORS APPOINTED)

Name of creditor:

Address of creditor:

ABN:

Telephone number:

Amount of debt claimed: \$..... (including GST \$.....)

Consideration for debt (i.e. the nature of goods or services supplied and the period during which they were supplied):

.....
.....

Is the debt secured? YES/NO

If secured, give details of security including dates, etc:

.....
.....

Other information:

.....
.....

Signature of Creditor
(or person authorised by creditor)

Notes:

Under the Corporations Regulations, a creditor is not entitled to vote at a meeting unless (Regulation 5.6.23):

- a. his or her claim has been admitted, wholly or in part, by the Joint and Several Administrators; or
- b. he or she has lodged with the Joint and Several Administrators particulars of the debt or claim, or if required, a formal proof of debt.

At meetings held under Section 436E and 439A, a secured creditor may vote for the whole of his or her debt without regard to the value of the security.

Proxies must be made available to the Joint and Several Administrators.

**CORPORATIONS ACT 2001
APPOINTMENT OF PROXY CREDITORS MEETING**

**GREAT SOUTHERN TIMBER HOLDINGS PTY LTD ACN 128 160 145
(AMINISTRATORS APPOINTED)**

*I/*We¹
of
a creditor of Great Southern Timber Holdings Pty Ltd (Administrators Appointed), appoint²
or in his absence as

*my/our *(i) general OR *(ii) special proxy³ to vote at the meeting of creditors to be held on Wednesday, 27 January 2010 or at any adjournment of that meeting, to vote

- (i) on all matters arising at the meeting; OR
- (ii) on each of the following kinds of resolution in the manner specified:

	For	Against	Abstain
(a) A resolution that the company be wound up	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b) A resolution that the company accept the proposed holding DOCA as detailed in the Administrators' report dated 18 January 2010	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(c) A resolution that the administration end	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(d) A resolution that the Administrators' remuneration, as set out in the Administrators' remuneration report for the period 19 November 2009 to 31 December 2009 in the sum of \$17,571.00 exclusive of GST be approved	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(e) A resolution that a provision for the Administrators' future remuneration for the period 1 January 2010 to 26 January 2010 in the amount of \$20,000.00 exclusive of GST be approved but subject to upward or downward adjustment by resolution of creditors and that the Administrators be authorised to draw their fees monthly in arrears	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(f) If the company is placed into DOCA, a resolution that a provision for the Deed Administrators' future remuneration for the period 27 January 2010 to the Execution of the DOCA in the sum of \$15,000.00 exclusive of GST be approved but subject to upward or downward adjustment by resolution of creditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(g) If the company is placed into DOCA, a resolution that a provision for the Deed Administrators' future remuneration in the amount of \$250,000.00 exclusive of GST for the DOCA period be approved subject to upward or downward adjustment by resolution of creditors and that the Deed Administrators' be authorised to draw their fees monthly in arrears	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(h) If the company is placed into liquidation, a resolution that a provision for the Liquidators' future remuneration for the period 27 January 2010 to the conclusion of the liquidation in the amount of \$300,000.00 exclusive of GST be approved but subject to upward or downward adjustment by resolution of creditors or by resolution of the committee of inspection and that the Liquidators be authorised to draw their fees monthly in arrears	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(i) If the company is placed into liquidation, a resolution that a Committee of Inspection be appointed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(j) If the company is placed into liquidation, a resolution that the books and records of the company be disposed of 5 years after the dissolution of the company or earlier at the discretion of the ASIC.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

DATED this _____ day of _____ 2010 / 2011

* Strike out if inapplicable

¹ If a firm, strike out "I" and set out the full name of the firm.

² Insert the name, address and description of the person appointed.

³ If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.

.....
Signature⁵ of individual or person⁶
authorised by corporate resolution to
represent the corporation

OR The Common Seal of⁴

was hereunto affixed in the
presence of

.....
Director

.....
Secretary

CERTIFICATE OF WITNESS⁷

I, of

.....
certify that the above instrument appointing a proxy was completed by me in the presence of and at the
request of the person appointing the proxy and read to him before he attached his signature or mark to the
instrument.

DATED this day of 2009 / 2010

.....
Signature of Witness

.....
Description

.....
Place of Residence

⁴ The method of affixing the Common Seal is prescribed in Section 127(2) of the Corporations Act 2001 and, usually, the creditor corporation's constitution.

⁵ The signature of the creditor is not to be attested by the person nominated as proxy.

⁶ A corporation may only be represented by proxy or by an attorney appointed pursuant to Corporations Regulations 5.6.28 and 5.6.31A respectively or, by a representative appointed under Section 250D of the Corporations Act 2001. Copy of authority/power of attorney to be annexed.

⁷ This certificate is to be completed only where the person giving it is blind.

Second Administrators' Report

Pursuant to Section 439A of the Corporations Act 2001

GREAT SOUTHERN TIMBER HOLDINGS PTY LTD ACN 128 160 145 (Administrators Appointed)

Martin Jones

Andrew Saker

Darren Weaver

James Stewart

18 January 2010





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GLOSSARY OF TERMS

Abbreviation	Description
Act	The Corporations Act 2001
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
GSL	Great Southern Ltd
the GSL Group	Great Southern Ltd and Subsidiaries
HPI	Hansol P.I. Pty Ltd

LISTING OF ANNEXURES

Annexure 1	The Firm's Schedule of Hourly Rates & General Guide to Staff Experience
	Administrators' Remuneration
	Estimated Deed Administrators' Remuneration
	Estimated Liquidators' Remuneration
Annexure 2	Summary of Receipts and Payments



EXECUTIVE SUMMARY

Martin Jones, Andrew Saker, Darren Weaver and James Stewart were appointed as Joint and Several Administrators of Great Southern Timber Holdings Pty Ltd (“GSTH” or “the Company”) on 16 May 2009, pursuant to Section 436A of the Act.

The second meeting of creditors of GSTH was held on 19 November 2009 at which creditors resolved to adjourn the second meeting of creditors for a period not exceeding 45 business days. This adjournment was recommended by the Administrators in order to allow further time to for interested parties to formulate and put forward a Deed of Company Arrangement (“DOCA”) proposal to creditors and to allow the Administrators further time to progress the potential sale of GSTH’s assets.

Reference should be made to the First Administrators Report dated 9 November 2009, a copy of which is available on the Ferrier Hodgson website at www.ferrierhodgson.com.

GSTH’s assets predominately comprise interests in approximately 14,000 ha of land the subject of Profit a Prendre (“PaP”) and leases, known as the Hansol Estate. In addition, GSTH has a Wood Purchase Agreement and Service Agreement with HPI which provides for the harvest and sale of wood from the Hansol Estate, and the maintenance of the properties. GSTH’s other assets are associated with this business, except for the loan to GSMAL.

Following our appointment as Voluntary Administrators and the subsequent appointment of Receivers and Managers to the relevant companies in the Group, GSTH was required to fund its own working capital requirements.

The Administrators have continued the operation of the businesses of GSTH during the course of the administration on the basis that the going concern value of GSTH’s assets will exceed the liquidation value of the assets however, since our appointment GSTH has been unfunded.

As funding was not available from other sources, the Administrators entered into a loan agreement for a working capital facility with HPI which provides for the use of sales proceeds due to GSTH on a quarterly basis, to fund the harvest and haulage costs owed to HPI pursuant to the Service Agreement incurred during the quarter and for the payments due to landowners under the various PaP agreements.

As at the date of this Report, the Administrators have received two (2) DOCA proposals involving the assets of GSTH. One proposal is conditional on the DOCA proponent acquiring an asset of a GSL subsidiary which also remains under the control of the Administrators. As this has not yet come to fruition, the DOCA proposal is unable to be put to creditors at this stage. The second proposal is for the joint restructuring of a number of GSL’s subsidiaries which remain under the Administrators’ control. However, due to the collective nature of this proposal, it is also unable to be presented to creditors at this stage.



During the course of the administration, the Administrators have also received a number of expressions of interest in relation to either the purchase of the assets of GSTH, or the restructuring of GSTH by way of a DOCA. However, at this stage, no proposals are sufficiently progressed to a form that may be considered by creditors. At the date of this Report, I advise 14 parties have registered their interest in GSTH.

In view of the above, the Administrators consequently, propose a holding DOCA ("the Holding DOCA") which they consider will allow them:

- Sufficient time to progress and satisfy the conditions precedent of the current DOCA proposal so that the proposal may be voted upon by creditors;
- With further time to enable the parties who have expressed an interest in GSTH's assets to complete their due diligence and submit indicative offers or other proposals.
- An opportunity to analyse and assess the merits of each proposal and offer, and provide a recommendation prior to the next creditors' meeting; and
- To continue to preserve GSTH's assets by continuing to trade on a going concern basis.

A meeting of creditors of GSTH has been convened for **Wednesday, 27 January 2010 at 11.00 am WST** at the offices of Ferrier Hodgson, Level 26, BankWest Tower, 108 St George's Terrace, Perth, Western Australia. At this meeting, the following options are available to creditors regarding GSTH's future:

- a) That the company enter into the proposed Holding DOCA; or
- b) That the administration end and control of the company revert to its directors;
or
- c) That the company be wound up.

As the proposals are not complete, we are not currently able to provide an estimate of what the likely or potential return to creditors will be. That said, we are of the opinion that creditors should vote in favour of the Holding DOCA at the meeting of creditors.

1. INTRODUCTION

1.1 Second Meeting of Creditors

A second meeting of creditors of the GSL Group was held concurrently at the Melbourne Park Function Centre in Melbourne on Thursday, 19 November 2009. At that meeting, creditors resolved to adjourn the meeting for a period of up to 45



business days in accordance with the Administrators' recommendation. The bases of this recommendation were:

- a) To allow the Administrators further time to continue discussions with a number of interested parties with regard to the possible restructure and recapitalisation of the Company ultimately leading to a Deed of Company Arrangement ("DOCA") proposal being put forward to creditors; and
- b) Following resolution of the above matters, to allow the Administrators to be in a better position to assess the Company's financial position and advise of the potential return to creditors under the various options that are proposed regarding the future of the Company.

1.2 Reconvened Second Meeting of Creditors

The reconvened second meeting of creditors of GSTH will be held on Wednesday, 27 January 2010 at the offices of Ferrier Hodgson, Level 26, BankWest Tower, 108 St George's Terrace, Perth WA at 11.00am.

At the reconvened second meeting, the following options are available to creditors regarding the Company's future:

- a) That the company enter into the proposed Holding DOCA; or
- b) That the administration end and control of the company revert to its directors; or
- c) That the administration end and the company be wound up.

1.3 Purpose of Report

Section 439A(4) of the Act explains the purpose of an Administrators' report in providing that the notice (of second meeting) must be accompanied by a copy of:

- (a) *A report by the Administrator about the company's business, property, affairs and financial circumstances; and*
- (b) *A statement setting out the Administrator's opinion about each of the following matters:*
 - *Whether it would be in the creditors' interests for the company to execute a DOCA; and*
 - *Whether it would be in the creditors' interest for the administration to end;*
 - *Whether it would be in the creditors' interest for the company to be wound up;*
 - *His or her reasons for those opinions; and*



- (c) *If a DOCA is proposed – a statement setting out details of the proposed deed.*

1.4 Non-Disclosure of Certain Information

We recognise the need to provide creditors with complete disclosure of all necessary information relating to the company. However, the terms of the proposal, which remains subject to certain conditions, are not disclosed owing to their commercial sensitivity.

1.5 Statement of Independence

We, Martin Jones, Andrew Saker, Darren Weaver and James Stewart of Ferrier Hodgson have undertaken a proper assessment of the risks to our independence prior to accepting our appointments as Joint and Several Administrators of the Company. This assessment identified no real or potential risks to our independence. We were not aware of any reasons that would prevent us from accepting these appointments. These matters are discussed in greater detail below:

1.5.1 Relevant Relationships

Except as disclosed below, neither Martin Jones, Andrew Saker, Darren Weaver or James Stewart, nor our firm, have, or have had within the preceding twenty-four months, any other relationships with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any person or entity that has a charge on the whole or substantially whole of the Company's property.

The firm does have a professional relationship with major Australian trading banks and other financial institutions. This of itself does not cause any conflict to our appointment as Administrators to the Company.

1.5.2 Prior Engagements with the Company

Aside from preliminary advice in relation to this appointment, neither Martin Jones, Andrew Saker, Darren Weaver or James Stewart, nor our firm, have undertaken any prior engagements for the Company.

There are no other prior professional relationships or engagements that should be disclosed.

1.5.3 Indemnities

Martin Jones, Andrew Saker, Darren Weaver and James Stewart have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute.



We also confirm that we have not been provided with any indemnity, guarantee or contribution from the directors or their associated businesses, a creditor or any other party for any of our fees and expenses.

Martin Jones, Andrew Saker, Darren Weaver and James Stewart are partners of Ferrier Hodgson. Ferrier Hodgson is Australia's and the Asia-Pacific's largest independent corporate restructuring practice with 40 partners and over 300 staff throughout Australia and Asia. Ferrier Hodgson does not provide accounting, audit, legal or taxation services.

Further information regarding Ferrier Hodgson and the Administrators can be obtained from the firm's website at www.ferrierhodgson.com.

2. HISTORICAL FINANCIAL INFORMATION

Please refer to the Administrators' Report to Creditors dated 9 November 2009 for details regarding the Company's historical financial information which incorporates historical profit and loss results as well as historical balance sheets.

3. STATEMENT OF POSITION

Please refer to the Administrators' Report to Creditors dated 9 November 2009 for our detailed discussion with respect to the directors' statement about the company's business, property, affairs and financial circumstances and Administrators' estimated realisable value of GSTH's assets and liabilities.

We table below our updated Statement of Position as at 18 January 2010:

GSTH	Amount \$
Assets:	
Cash at Bank	7,249
Net HPI Receivable	2,604,270
Intercompany Loan- GSMAL	TBD
Hansol Estate	TBD
Total Available Assets	TBD
Liabilities:	
Administrators Fees Approved and Outstanding	(149,229)
Administrators/Deed Administrators Future Fees and Expenses	(250,000)
Assets Available to Priority Creditors	TBD
Priority Creditors	(54,390)
Assets Available to Unsecured Creditors	TBD
Unsecured Creditors	
Contingent Creditors	Unknown
Intercompany debt – GSL	42,829,000
Total Unsecured Creditors	42,829,000
Estimated Surplus/(Deficiency)	TBD
Estimated cents in \$	TBD



3.1 Cash at Bank

This amount represents the current cash at bank held in the Administrators' bank account.

3.2 Net HPI Receivable

The next quarterly payment due from HPI to GSTH is on 31 January 2010. The costs for the quarter ended 31 January 2010 remain subject to reconciliation but are forecasted to total \$3.032 million. The forecasted net balance of the facility due to GSTH at 31 January 2010 is \$2.6 million reconciled as follows:

Quarterly Payment 31 January 2010 (Forecasted)	(\$)
Balance due to GSTH from Previous Quarter	1,195,384
Due to GSTH from HPI at 31 January 2010 (under WPA)	4,441,182
Total Due to GSTH	5,636,566
Harvest and Haulage Costs	2,714,505
PaP Annuities and Cropshare Revenue Payments	311,300
Interest	6,490
Total Amount due to HPI	3,032,296
Balance (Forecasted)	\$2,604,270

3.3 The Hansol Estate

The Hansol Estate comprises of interests in approximately 14,000 ha of land pursuant to various PaP agreements and leases utilised for plantation timber. GSTH has a Wood Purchase Agreement and Service Agreement with HPI which govern the harvest, haulage and sale of timber from these properties.

3.4 Unsecured creditors

These amounts represent likely unsecured creditor claims based upon the Company's records and Informal Proofs of Debt received to date. The Administrators have not called for formal proofs of debt in relation to GSTH.

The trade creditors disclosed in the balance sheet as at 16 May 2009 relate to amounts due to HPI in relation to services provided for harvest and haulage. This debt has been set-off against amounts due to GSTH as at the date of our appointment. In addition, some of the accruals disclosed in the balance sheet as at 16 May 2009 relate to amounts due to land owners under various PaP's and lease agreements. These amounts have been paid since our appointment in order to remedy the defaults and preserve GSTH interest to the timber.



The Administrators have been put on notice that a claim may be made by growers either as creditors of GSTH or against the assets of GSTH. We have been requested by solicitors representing some growers to provide an undertaking to refrain from disposing of the assets of GSTH without providing 10 business days notice. We have rejected this request, but instead, provided an undertaking until 31 January 2010 to provide 48 hours notice prior to the disposition of the proceeds from the sale of GSTH's assets

4. CAUSES OF FAILURE

Please refer to the Administrators' Report to Creditors dated 9 November 2009 for details regarding the causes of failure of GSTH identified by the directors and the Administrators.

5. TRADING BY ADMINISTRATORS

5.1 Summary of Receipts and Payments

The receipts and payments for the Company for the period 16 May 2009 to 31 December 2009 are attached as Annexure 2.

6. SALE OF ASSETS

As part of their marketing campaign, the Administrators ran advertisements in the Australian Financial Review and The Australian newspapers calling for expressions of interest in the assets of GSTH by 14 January 2010.

The advertisements appeared in the following editions:

Publication	Editions
The Australian	30 Dec 2009 6 Jan 2010
The Australian Financial Review	5 Jan 2010 6 Jan 2010

As at the date of the Report, we have received a total of 14 interests for GSTH's assets as a result of the advertising campaign.

We are currently in the process of preparing an information memorandum and dataroom which interested parties will be able to access following an execution of a confidentiality deed.



It is expected that the sale and marketing campaign will take approximately two (2) months. This time frame will be sufficient for interested parties to complete their due diligence, submit an indicative offer, allow the Administrators time to review the offers and provide their recommendation to creditors for consideration.

7. STATUTORY INVESTIGATIONS

Please refer to the Administrators' Report to Creditors dated 9 November 2009 for full details of the Administrators' statutory investigations into GSTH.

Our review has identified that at the date of appointment, GSTH had a working capital deficiency and had operated with such a deficiency since at least the financial year ending 30 September 2008, indicating that the entity was financially constrained. However, it would appear from our review that GSTH was able to maintain its cash flow solvency through reliance on funding from GSL. There was no expectation that the GSTH loan would be called for payment although this was not documented.

In our view GSTH therefore became insolvent when GSL was unable to continue funding and the GSL loan became repayable on GSL's insolvency.

Our preliminary conclusion is that, given our limited review, the summaries of events in this report are not conclusive of an earlier date of insolvency for GSTH other than 15 May 2009.

We have completed our preliminary investigations into the affairs of GSTH, but have not, at this stage, identified any voidable transactions that would be recoverable by a Liquidator for the benefit of creditors.

8. PROPOSED HOLDING DOCA

We table below the terms of the proposed Holding DOCA to be put forward;

Key Elements	Proposed Variations to DOCA
Deed Administrators	<ul style="list-style-type: none">The Administrators continue as Deed Administrators for the purposes of the DOCA.
Purpose of the Deed Proposal	<ul style="list-style-type: none">To enable sufficient time to realise the assets of GSTH or negotiate a financial reorganisation of the affairs of GSTH.The Deed will extend for the period ending 31 May 2010 or such other period as agreed by creditors at a meeting of creditors.
Conditions	<ul style="list-style-type: none">The Deed Administrators continue a marketing and sale campaign of GSTH's assetsThe Deed Administrators must convene and hold a meeting by 31 May 2010. The Administrators must include a report incorporating any reorganisation proposals to creditors and their



Key Elements	Proposed Variations to DOCA
	recommendations with the notice of meeting.
Application of Proceeds	<ul style="list-style-type: none"> • The monies distributed to the Deed Administrators from asset realisations, will be applied (with reference to sections 556, 560 and 561 of the Act) in the manner and order of priority as follows: <ul style="list-style-type: none"> (a) To pay any liabilities properly incurred by the Administrators and Deed Administrators during the course of the Administration and the DOCA; next to (b) To pay the Administrators and Deed Administrators' remuneration and out of pocket expenses in the course of them carrying out their duties; next to (c) In the absence of any outstanding employee entitlements, to pay dividends to the ordinary unsecured creditors of the company whose debts and claims arose on or before 16 May 2009 and are admitted to proof. • Section 444DB of the Act applies to the DOCA.
Enforcement against the company	<ul style="list-style-type: none"> • From the time of execution of the DOCA, the company, any officer or member of the company or any creditor bound by the provisions of the DOCA must not make any application to wind up the company, continue any such application or commence or continue any enforcement process in relation to the property of the company.
Convening of Creditors' Meetings	<ul style="list-style-type: none"> • The DOCA will terminate and the appointment of the Deed Administrators will come to an end on any of the following events: <ul style="list-style-type: none"> (a) the lapse of the period for which the DOCA remains on foot (31 May 2010 or such other period as agreed by creditors at a meeting of creditors); (b) a resolution of creditors at a meeting convened by the Deed Administrators in accordance with the Act; or (c) by an order of the Court.
Other terms	<ul style="list-style-type: none"> • That any other terms and conditions as contained in Schedule 8A of the Corporations Regulations be incorporated so as to give effect to the DOCA. • Sections 440C and 440D will apply while the DOCA is on foot.

8.1 Key Commercial Features

In the event that no DOCA proposals capable of creditor acceptance are received by the Administrators prior to 31 May 2010, the DOCA will automatically terminate and GSTH will enter into liquidation unless the DOCA is varied following prior approval by creditors of GSTH.

In the event that the Administrators consider no DOCA proposal capable of creditor acceptance are likely to be put forward or other unforeseen circumstances arise, the Deed Administrators will, as soon as practicable, issue a report to creditors explaining the relevant circumstances and convene a meeting to consider a resolution to vary or terminate the DOCA.



9. CREDITORS' OPTIONS, DIVIDEND ESTIMATES AND COST ESTIMATES

Pursuant to Section 439A(4)(b) of the Act, we are required to provide creditors with a statement setting out our opinion on whether it is in the creditors' interests for the:

- a) Administration to end;
- b) GSTH to be wound up; or
- c) GSTH to execute a DOCA.

In forming our opinion, it is necessary to consider an estimate of the dividend creditors might expect, and the likely costs, under each option. We note that we are unable to comment on the estimated return to creditors as a result of the non-disclosure aspects of this Report and the absence of a valuation with respect to GSTH's interests in approximately 14,000 ha of land the subject of PaP and leases. We provide our comments on each alternative below:

9.1 Administration to End

Creditors may resolve that the administration should end if it appears the company is solvent or, for some other reason, control of the company should revert to its directors.

Based on our preliminary investigations and analysis of GSTH's financial information, the company is insolvent. Accordingly, there appears to be no valid commercial reason why control of the Company should revert to its directors. If the administration were to end, there is no mechanism controlling an orderly realisation of assets and distribution to creditors. We are unable to say what the Company might ultimately pay creditors or what costs they might incur. Therefore, our opinion is that it is not in the creditors' interest for the administration of GSTH to end.

9.2 Winding up of the Group

Based upon the information in this report, detailed in particular through section 3 of the same, where the company is wound up, I am unable to determine with certainty whether any dividend would be payable to creditors. I note that my costs as Administrator are entitled to be paid out in priority to creditors, and any realisations from assets would be applied initially to our outstanding fees and costs.

The costs of winding up the company's affairs are estimated at \$300,000 although these costs could be considerably higher.

It will only be possible to provide an estimate of the likely return, and the timing of same, to creditors after the company's assets have been realised.



9.3 Execute a DOCA

As discussed above, the Administrators have not received a DOCA proposal from an external party currently at a stage capable of creditor acceptance. The Administrators propose a Holding DOCA on the terms outlined in section 8.

I am unable to provide an estimate of the likely return to creditors at this time because the DOCA is a holding DOCA which provides time for a restructuring of GSTH's affairs.

The costs of administering the future DOCA are estimated at \$250,000.

10. ADMINISTRATORS' OPINION

As stated in section 9.1 above, the option of the administration ending is clearly not viable. The only remaining options available to creditors are to wind up the company or accept the proposed DOCA.

The Holding DOCA on the terms proposed will allow the Administrators:

- Sufficient time to progress and satisfy the conditions precedent of the current DOCA proposal so that the proposal may be voted upon by creditors;
- With further time to enable the parties who have expressed an interest in GSTH's assets to complete their due diligence and submit indicative offers or other proposals.
- An opportunity to analyse and assess the merits of each proposal and offer, and provide a recommendation prior to the next creditors' meeting; and
- To continue to preserve GSTH's assets by continuing to trade on a going concern basis.

In addition, the Administrators consider the proposed Holding DOCA is likely to provide a better return to creditors than an immediate winding up of GSTH because:

- The costs associated with the DOCA should, consistent with general practice, be lower than those of a liquidation; and ;
- In a liquidation, recoveries from the voidable and other transactions are unlikely; and
- There is uncertainty as to whether any realisation of the company's assets will occur in a timely manner.



Based on the above, it is our opinion that creditors should resolve that the company enter into the proposed Holding DOCA.

11. REMUNERATION AND DISBURSEMENTS

At the reconvened second meeting of creditors, we intend seeking approval for the following remuneration.

11.1 Administrators' Remuneration

Administrators' remuneration for the period 19 November 2009 to 31 December 2009 in the amount of \$17,571 excluding GST in accordance with the summary as set out in Annexure 1.

Administrators' remuneration for the period 1 January 2010 to 26 January 2010 in the amount of \$20,000 excluding GST in accordance with the summary as set out in Annexure 1.

11.2 Prospective Deed Administrators' Remuneration

In the event creditors vote to accept either of the proposed DOCA's, that a provision for the Deed Administrators' remuneration in the amount of \$15,000 excluding GST be approved for the period from the date of the meeting until the execution of the DOCA. The amount is an estimate only as it is not possible, at this stage, to state a precise amount however an actual fee summary will be presented to creditors for approval. A summary of the anticipated tasks is set out in Annexure 1.

In the event creditors vote to accept the proposed holding DOCA, that a provision for the Deed Administrators' remuneration in the amount of \$10,000 excluding GST be approved for the period from the date of the meeting until the execution of the DOCA. The amount is an estimate only as it is not possible, at this stage, to state a precise amount however an actual fee summary will be presented to creditors for approval. A summary of the anticipated tasks is set out in Annexure 1.

In the event creditors vote to accept the proposed holding DOCA, that a provision for the Deed Administrators' remuneration in the amount of \$250,000 excluding GST be approved for the period from the date of the execution of the DOCA until its completion (or termination). The amount is an estimate only as it is not possible, at this stage, to state a precise amount however an actual fee summary will be presented to creditors for approval. A summary of the anticipated tasks is set out in Annexure 1.

11.3 Prospective Liquidators' Remuneration

In the event creditors vote to wind up the Company, that a provision for the Liquidators' remuneration in the amount of \$300,000 excluding GST be approved. The amount is an estimate only as it is not possible, at this stage, to state a precise



amount however an actual fee summary will be presented to creditors for approval. A summary of the anticipated tasks is set out in Annexure 1.

The Administrators, (or, where appointed, Liquidators) seek approval of their remuneration on a time basis in accordance with Ferrier Hodgson's schedule of hourly rates set out in Annexure 1.

12. FURTHER QUERIES

We will advise creditors in writing, if practicable, of any additional matters that come to our attention after the dispatch of this report that, in our view, is material to creditors' deliberations.

In the meantime, should creditors have any queries, please do not hesitate to contact either Tom Birch or Geoff Webb at this office.

DATED this 18th day of January 2010.

A handwritten signature in black ink, appearing to read 'Martin Jones', with a large, sweeping flourish underneath.

MARTIN JONES
Joint and Several Administrator of
Great Southern Timber Holdings Pty Ltd



Annexure 1

The Firm's Schedule of Hourly Rates

Administrators' Remuneration

Deed Administrators' / Trustees' Remuneration

Liquidators' Remuneration



CORPORATIONS ACT 2001

Section 449E

GREAT SOUTHERN TIMBER HOLDINGS PTY LTD ACN 128 160 145 (Administrators Appointed)(“GSTH”)

REMUNERATION REPORT

The Administrators' Remuneration Report, prepared pursuant to Section 449E of the Corporations Act 2001, takes the following format:

Part A

- A1 Schedule of hourly rates and general guide to staff experience
- A2 Tasks undertaken by the Administrators and remuneration claimed for the period 19 October 2009 to 18 November 2009
- A3 Tasks undertaken by the Administrators and remuneration claimed for the period 19 November 2009 to 31 December 2009
- A4 Administrators anticipated tasks and estimated remuneration for the period 1 January 2010 to 26 January 2010
- A5 Where Deed Administrators are appointed, a schedule of anticipated tasks and remuneration estimate from 27 January 2010 to the execution of the DOCA
- A6 Where Deed Administrators are appointed, a schedule of anticipated tasks and remuneration estimate for the DOCA period
- A7 Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and estimated remuneration from 27 January 2010 to the conclusion of the liquidation
- A8 Remuneration approved and drawn to date
- A9 Resolutions regarding remuneration to be put to creditors at the reconvened second creditors meeting to be held on 27 January 2010

Part B

- B1 Administrators' Disbursements for the period 16 May 2009 to 31 December 2009
- B2 Summary of Receipts and Payments for the period 16 May 2009 to 31 December 2009
- B3 Other creditor information on remuneration
- B4 Initial advice to creditors



PART A

A1 SCHEDULE OF HOURLY RATES & GENERAL GUIDE TO STAFF EXPERIENCE

Title	Rate(\$)	Experience
Partner	595	The Partner/Appointee is a registered liquidator and member of the ICAA and IPAA bringing specialist skills to the administration or insolvency task. For specific experience and other details of the appointee/s, please visit our website at www.ferrierhodgson.com
Principal / Director	540 / 500	Generally, minimum of 12 years experience at least 2 years of which is to be at Manager level. University degree; member of the ICAA and IPAA with deep knowledge and lengthy experience in relevant insolvency legislation and issues.
Senior Manager	445	Generally, more than 7 years experience with at least 2 years as a Manager. University degree; member of the ICAA and IPAA; very strong knowledge of relevant insolvency legislation and issues.
Manager	370	Generally, 5-7 years chartered accounting or insolvency management experience. University degree; member of the ICAA and IPAA; sound knowledge of relevant insolvency legislation and issues.
Supervisor	315	Generally, 4-6 years chartered accounting or insolvency management experience. University degree; member of the ICAA; completing IPAA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues.
Senior 1	280	Generally, 2-4 years chartered accounting or insolvency management experience. University degree; completing the ICAA's CA, program. Good knowledge of basic insolvency legislation and issues.
Senior 2	250	Generally, 2-3 years chartered accounting or insolvency management experience. University degree, commenced ICAA's CA program.
Intermediate 1	220	0 to 2 years experience. Has completed or substantially completed a degree in finance/accounting. Under supervision, takes direction from senior staff in completing more complex administrative tasks.
Intermediate 2	185	0 to 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes direction from senior staff in completing more detailed administrative tasks.
Professional Staff Junior	145	0 to 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes directions from senior staff in completing administrative tasks.
Senior Secretary	180	Appropriate skills including machine usage.
Clerk	145	Generally non qualified administrative assistant. Classification depends on experience, salary and complexity of work to be completed.

Notes:

1. The hourly rates are exclusive of GST.
2. The guide to staff experience is intended only as a general guide to the qualifications and experience of our staff engaged in the administration. Staff may be engaged under a classification that we consider appropriate for their experience.
3. Time is recorded and charged in six-minute increments.
4. Rates are subject to change from time to time.



A2. Tasks undertaken by the Administrators and remuneration claimed for the period 19 October 2009 to 18 November 2009

Administrators' fees, based on the tasks detailed below and covering the period 19 October 2009 to 18 November 2009 are \$7,223.50 (excl. GST)

Task Area	General Description	Includes
Administration 14.90 hours \$4,735.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence via email, telephone and fax with stakeholders ▪ Responded to creditor enquiries via email and telephone ▪ Reviewed correspondence to various parties
	Document maintenance/ file review/ checklist	<ul style="list-style-type: none"> ▪ Filed documents
	Bank account administration	<ul style="list-style-type: none"> ▪ Prepared bank reconciliations at month's end ▪ Prepared receipts and payments listing
	Insurance	<ul style="list-style-type: none"> ▪ Internal discussions regarding various insurance issues ▪ Liaised with insurers
Assets 1.70 hours \$314.50	Leasing	<ul style="list-style-type: none"> ▪ Internal discussions regarding various leasing issues ▪ Liaised with owners/lessors
	Sale of the business as a going concern	<ul style="list-style-type: none"> ▪ Liaised with various interested parties
Creditors 1.70 hours \$464.00	Creditor reports/circulars	<ul style="list-style-type: none"> ▪ Prepared, reviewed and amended company annexure for the s439A report
	Creditor enquiries	<ul style="list-style-type: none"> ▪ Received and followed up creditor enquiries via telephone and email ▪ Reviewed and prepared correspondence to creditors and their representatives via facsimile, email and post
	Dealing with proofs of debt	<ul style="list-style-type: none"> ▪ Received, photocopied and filed POD's ▪ Input POD's into the POD register
Trade On 4.50 hours \$1,710.00	Trade-on management	<ul style="list-style-type: none"> ▪ Reviewed various invoices and corresponded with GSL staff
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Prepared and authorised purchase orders ▪ Prepared and maintained purchase order register ▪ Entered receipts and payments into Insol accounting system ▪ Corresponded with creditors regarding payment of post-appointment invoices



A2. (cont)

Calculation of remuneration for the period 19 October 2009 to 18 November 2009.

Employee	Position	Charge Rate	Total		Administration		Assets		Creditors		Trade On	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Andrew Saker	Partner	595	0.90	535.50	0.70	416.50	-	-	-	-	0.20	119.00
Ben Johnson	Manager	370	13.90	5,143.00	9.20	3,404.00	-	-	0.40	148.00	4.30	1,591.00
Julia Dicheria	Senior 1	280	0.50	140.00	-	-	-	-	0.50	140.00	-	-
Derek Keir	Senior 2	250	0.20	50.00	0.20	50.00	-	-	-	-	-	-
Lauren McCann	Intermediate 1	220	0.80	176.00	-	-	-	-	0.80	176.00	-	-
Adam Puddy	Intermediate 2	185	1.70	314.50	-	-	1.70	314.50	-	-	-	-
Adrian Di Menna	Intermediate 2	185	3.60	666.00	3.60	666.00	-	-	-	-	-	-
Melissa Kroon	Senior Secretary	180	0.70	126.00	0.70	126.00	-	-	-	-	-	-
Dorothy Radisich	Clerk	145	0.50	72.50	0.50	72.50	-	-	-	-	-	-
Total			22.80	7,223.50	14.90	4,735.00	1.70	314.50	1.70	464.00	4.50	1,710.00



A3. Tasks undertaken by the Administrators and remuneration claimed for the period 19 November 2009 to 31 December 2009

Administrators' fees, based on the tasks detailed below and covering the period 19 November 2009 to 31 December 2009 are \$17,571.00 (excl. GST)

Task Area	General Description	Includes
Administration 30.70 hours \$10,789.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence via email, telephone and fax with stakeholders ▪ Responded to creditor enquiries via email and telephone
	Document maintenance/ file review/ checklist	<ul style="list-style-type: none"> ▪ Filed documents
	Bank account administration	<ul style="list-style-type: none"> ▪ Prepared bank reconciliations at month's end ▪ Prepared receipts and payments listing
	Planning and review	<ul style="list-style-type: none"> ▪ Collated and reviewed information to assist with the preparation of company position paper ▪ Prepared and reviewed company position paper ▪ Made amendments to company position paper as necessary ▪ Internal discussions regarding company position paper
Assets 7.80 hours \$2,864.00	Leasing	<ul style="list-style-type: none"> ▪ Liaised with owners/lessors ▪ Internal discussions regarding various leasing issues ▪ Received and followed up lessor enquiries via telephone and email
	Sale of the business as a going concern	<ul style="list-style-type: none"> ▪ Preparing and reviewing advertisements ▪ Preparing correspondence to interested parties ▪ Meetings with various interested parties
Creditors 0.20 hours \$50.00	Creditor enquiries	<ul style="list-style-type: none"> ▪ Received and followed up creditor enquiries via telephone and email ▪ Reviewed and prepared correspondence to creditors and their representatives via facsimile, email and post
Trade On 10.20 hours \$3,868.00	Trade-on management	<ul style="list-style-type: none"> ▪ Reviewed various invoices and corresponded with GSL staff
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Prepared and authorised purchase orders ▪ Prepared and maintained purchase order register ▪ Entered receipts and payments into Insol accounting system ▪ Corresponded with creditors regarding payment of post-appointment invoices



A3. (cont)

Calculation of remuneration for the period 19 November 2009 to 31 December 2009.

Employee	Position	Charge Rate	Total		Administration		Assets		Creditors		Trade On	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Andrew Saker	Partner	595	8.60	5,117.00	6.30	3,748.50	1.80	1,071.00	-	-	0.50	297.50
Ben Johnson	Manager	370	25.00	9,250.00	13.50	4,995.00	1.90	703.00	-	-	9.60	3,552.00
Tom Birch	Supervisor	315	2.50	787.50	0.50	157.50	2.00	630.00	-	-	-	-
Derek Keir	Senior 2	250	1.50	375.00	0.20	50.00	1.10	275.00	0.20	50.00	-	-
Adam Puddy	Intermediate 2	185	6.30	1,165.50	5.30	980.50	1.00	185.00	-	-	-	-
Adrian Di Menna	Intermediate 2	185	3.60	666.00	3.50	647.50	-	-	-	-	0.10	18.50
Jacqui westwood	Senior Secretary	180	0.20	36.00	0.20	36.00	-	-	-	-	-	-
Dorothy Radisich	Clerk	145	1.20	174.00	1.20	174.00	-	-	-	-	-	-
Total			48.90	17,571.00	30.70	10,789.00	7.80	2,864.00	0.20	50.00	10.20	3,868.00



A4. Administrators anticipated tasks and estimated remuneration for the period 1 January 2010 to 26 January 2010

Administrators' anticipated tasks and estimated remuneration, based on the tasks detailed below and covering the period 1 January 2010 to 26 January 2010 are \$20,000.00 (excl. GST)

Task Area	General Description	Includes
Administration \$8,000.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence via email, telephone and fax with stakeholders ▪ Respond to creditor enquiries via email and telephone
	Document maintenance/ file review/ checklist	<ul style="list-style-type: none"> ▪ File documents ▪ File reviews ▪ Update checklists
	Bank account administration	<ul style="list-style-type: none"> ▪ Prepare receipts and payments listing
	Planning and review	<ul style="list-style-type: none"> ▪ Discussions regarding status of administration
Assets \$5,000.00	Leasing	<ul style="list-style-type: none"> ▪ Liaise with owners/lessors ▪ Internal discussions regarding various leasing issues ▪ Receive and follow up lessor enquiries via telephone and email
	Sale of the business as a going concern	<ul style="list-style-type: none"> ▪ Prepare and review correspondence to interested parties ▪ Meetings with various interested parties ▪ Internal discussions regarding the sale process
Creditors \$2,000.00	Creditor enquiries	<ul style="list-style-type: none"> ▪ Receive and followed up creditor enquiries via telephone and email ▪ Review and prepared correspondence to creditors and their representatives via facsimile, email and post
Trade On \$5,000.00	Trade-on management	<ul style="list-style-type: none"> ▪ Review various invoices and corresponded with GSL staff
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Prepare and authorise purchase orders ▪ Prepare and maintain purchase order register ▪ Enter receipts and payments into Insol accounting system ▪ Correspond with creditors regarding payment of post-appointment invoices



A5. Where Deed Administrators are appointed

Deed Administrators' fees, based on the tasks detailed below and covering the period 27 January 2010 to the execution of the DOCA are \$15,000.00 (excl. GST)

Task Area	General Description	Includes
Administration \$5,000.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence ▪ Finalise DOCA documents ▪ Liaise with DOCA party for execution of the DOCA
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Update checklists ▪ File documents ▪ File reviews
	Bank account administration	<ul style="list-style-type: none"> ▪ Bank account reconciliations
	ASIC forms	<ul style="list-style-type: none"> ▪ Correspond with ASIC regarding statutory forms
	Planning and review	<ul style="list-style-type: none"> ▪ Discussions regarding status of administration
Assets \$5,000.00	Leasing	<ul style="list-style-type: none"> ▪ Liaise with owners/lessors ▪ Internal discussions regarding various leasing issues
	Sale of business	<ul style="list-style-type: none"> ▪ Liaising with selected party ▪ Accept and settle offers ▪ Finalise sale / restructure of GSHT ▪ Assist with recapitalisation / audit of accounts ▪ Internal discussion regarding above
Creditors \$2,500.00	Creditor Enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post
Trade On \$2,500.00	Trade-on Management	<ul style="list-style-type: none"> ▪ Review various invoices and corresponded with GSL staff
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Prepare and authorise purchase orders ▪ Prepare and maintain purchase order register ▪ Enter receipts and payments into Insol accounting system ▪ Correspond with creditors regarding payment of post-appointment invoices



A6. Where Deed Administrators are appointed

Deed Administrators' fees, based on the tasks detailed below and covering the DOCA period are \$250,000.00 (excl. GST)

Task Area	General Description	Includes
Administration \$100,000.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Updating checklists ▪ Filing of documents ▪ File reviews
	Bank account administration	<ul style="list-style-type: none"> ▪ Bank account reconciliations ▪ Corresponding with bank regarding specific transfers
	ASIC forms	<ul style="list-style-type: none"> ▪ Corresponding with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ BAS and taxation reporting
	Planning and review	<ul style="list-style-type: none"> ▪ Discussions regarding status of administration
Assets \$75,000.00	Leasing	<ul style="list-style-type: none"> ▪ Liaise with owners/lessors ▪ Internal discussions regarding various leasing issues
	Sale of business	<ul style="list-style-type: none"> ▪ Liaising with selected party ▪ Finalise sale / restructure of GSHT ▪ Assist with recapitalisation / audit of accounts ▪ Internal discussion regarding above
Creditors \$50,000.00	Creditor enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Correspondence with committee of creditors members
	Creditor reports/circulars	<ul style="list-style-type: none"> ▪ Preparing circular to creditors ▪ General reporting to creditors
Trade On \$25,000.00	Trade on management	<ul style="list-style-type: none"> ▪ Liaise with suppliers in closing accounts and satisfying accounts ▪ Preparing and authorising receipt vouchers ▪ Preparing and authorising payment vouchers
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Entering receipt and payments into accounting system



A7. Where Liquidators are appointed

Administrators' fees, based on the tasks detailed below and covering the period 27 January 2010 to the conclusion of the liquidation are \$300,000.00 (excl. GST)

Task Area	General Description	Includes
Administration \$100,000.00	Correspondence	<ul style="list-style-type: none"> ▪ General correspondence
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> ▪ Updating checklists ▪ Filing of documents ▪ File reviews
	Bank account administration	<ul style="list-style-type: none"> ▪ Bank account reconciliations ▪ Corresponding with bank regarding specific transfers
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> ▪ Preparing and lodging ASIC forms including 524 and 911 etc ▪ Corresponding with ASIC regarding statutory forms
	ATO & other statutory reporting	<ul style="list-style-type: none"> ▪ BAS and taxation reporting
	Planning and review	<ul style="list-style-type: none"> ▪ Discussions regarding status of administration
	Books and records / storage	<ul style="list-style-type: none"> ▪ Dealing with records in storage ▪ Sending job files to storage
Assets \$50,000.00	Sale of business as a going concern	<ul style="list-style-type: none"> ▪ Liaising with purchasers ▪ Internal meetings to discuss / review offers received ▪ Accept and settle offers ▪ Prepare and review the necessary asset sale documentation
Creditors \$50,000.00	Creditor enquiries	<ul style="list-style-type: none"> ▪ Receive and follow up creditor enquiries via telephone ▪ Maintaining creditor enquiry register ▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post ▪ Attendance of creditors meeting
	Creditor reports/circulars	<ul style="list-style-type: none"> ▪ Preparing circular to creditors following resolution of liquidation ▪ General reporting to creditors
Investigations \$50,000.00	Statutory investigations	<ul style="list-style-type: none"> ▪ Prepare and lodge section 533 report with ASIC
Trade On \$50,000.00	Trade on management	<ul style="list-style-type: none"> ▪ Liaise with suppliers in closing accounts and satisfying accounts ▪ Preparing and authorising receipt vouchers ▪ Preparing and authorising payment vouchers
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Entering receipt and payments into accounting system
	Budgeting & financial reporting	<ul style="list-style-type: none"> ▪ Finalising trading profit or loss ▪ Meetings to discuss trading position



If costs exceed the estimates made above, we will advise creditors accordingly and seek further approval at future meetings of creditors.

A8 Remuneration approved and drawn to date

Set out below is a summary of remuneration approved and drawn to date for GSTH:

Period	Amount Approved (\$)	Amount Drawn (\$)
16 May 2009 to 18 October 2009	119,228.95	0.00
19 October 2009 to 18 November 2009	30,000.00	0.00
Total	\$149,228.95	\$0.00

A9 Resolutions regarding remuneration to be put to creditors at the reconvened second creditors meeting to be held on 27 January 2010

At the reconvened second meeting of creditors of GSTH convened for 27 January 2010, creditors will be asked to consider the following resolutions in relation to the Administrators remuneration.

"That the Administrators' remuneration, as set out in the Administrators' remuneration report for the period 19 November 2009 to 31 December 2009 in the sum of \$17,571.00 exclusive of GST be approved and that the Administrators be entitled to monies when funds come to hand."

"That a provision for the Administrators' future remuneration for the period 1 January 2010 to 26 January 2010 in the amount of \$20,000.00 exclusive of GST be approved but subject to upward or downward adjustment by resolution of creditors and that the Administrators be authorised to draw their fees monthly in arrears."

If the company is placed into a Deed of Company Arrangement

"That a provision for the Administrators' future remuneration for the period 27 January 2010 to the Execution of the DOCA in the sum of \$15,000.00 exclusive of GST be approved but subject to upward or downward adjustment by resolution of creditors."

"That the Deed Administrators' future remuneration in the amount of \$250,000.00 exclusive of GST for the DOCA period be approved subject to upward or downward adjustment by resolution of creditors and that the Deed Administrators' be authorised to draw their fees monthly in arrears."

If the company is placed into Liquidation:

"That a provision for the Liquidators' future remuneration for the period 27 January 2010 to the conclusion of the liquidation in the amount of \$300,000.00 exclusive of GST be approved but subject to upward or downward adjustment by resolution of creditors or by resolution of the committee of inspection and that the Liquidators be authorised to draw their fees monthly in arrears."



PART B

B1 Administrators' Disbursements

Disbursements are divided into three types **D1**, **D2** and **D3**.

- D1 Disbursements are all externally provided professional services and are recovered at cost. An example of a D1 disbursement is legal fees.
- D2 Disbursements are externally provided non-professional costs such as travel, accommodation and search fees. D2 disbursements are recovered at cost.
- D3 Disbursements are internally provided non-professional costs such as photocopying and document storage. This type of disbursement is charged at cost except for photocopying and printing which are charged at a rate which is intended to recoup both variable and fixed costs.

The relevant rates at which disbursements are charged are set out below:

Disbursements	Charges (Excluding GST)
Postage	At cost
Telephone	At cost
Document Production & Photocopying	35 cents per page
Facsimile	At cost
Company Search	At cost
Advertising	At cost
Storage – Per Box	At cost
Storage – Per File	At cost
Couriers	At cost

Disbursements incurred by the Administrators for the period 16 May 2009 to 31 December 2009 are set out below. As at the date of this report, no disbursements have yet been drawn.

Disbursement	Amount \$
Legal Fees	25,060.92
Postage	169.55
Company Search	66.00
Telephone	83.15
Printing	134.40
Photocopying	220.85
Total	\$ 25,734.87



B2 Summary of Receipts and Payments for the period 16 May 2009 to 31 December 2009

A summary of the Administrators' receipts and payments for the period 16 May 2009 to 31 December 2009 are set out below for GSTH.

Receipts and Payments Summary 16 May 2009 to 31 December 2009	
RECEIPTS	<u>Amount (\$)</u>
Bank Interest	10.00
Funds from Pre-Appointment Bank Account	27,350.87
Lease Receipts	59,809.67
Total Receipts	87,170.54
PAYMENTS	
Bank Charges	(10.00)
Equipment Purchases	(3,695.30)
Fuel and Oil	(1,433.60)
Hire and Lease Payments	(59,809.67)
Motor Vehicle Expenses	(2,066.40)
Rent and Rates	(4,314.35)
Subcontractors	(8,566.85)
Sundry Expenses	(25.77)
Total Payments	(79,921.94)
Cash at Bank as at 31 December 2009	7,234.60

B3 Other creditor information on remuneration

The partners of Ferrier Hodgson are members of the Insolvency Practitioners Association of Australia and follow the IPA Code of Professional Practice. A copy of the Code of Professional Practice may be found on the IPA website at www.ipaa.com.au

An information sheet concerning approval of remuneration in external administrations can also be obtained from the IPA website.

B4 Initial Advice to Creditors

Remuneration Methods

There are four basic methods that can be used to calculate the remuneration charged by an insolvency Practitioner. They are:

- 1. Time based / hourly rates**
This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.
- 2. Fixed Fee**
The total fee charged is normally quoted at the commencement of the administration and is the total cost for the administration. Sometimes a Practitioner will finalise an administration for a fixed fee.
- 3. Percentage**
The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of assets realisations.
- 4. Contingency**
The practitioner's fee is structured to be contingent on a particular outcome being achieved.

Method chosen



Given the nature of this administration we propose that our remuneration be calculated on time based / hourly rates.

This method was selected as it is the most practical method, and provides the most transparency to creditors given the nature of this administration.

Dated this 18th day of January 2010

A handwritten signature in black ink, appearing to read 'MARTIN JONES', written over a horizontal line.

MARTIN JONES
Joint and Several Administrator of
Great Southern Timber Holdings Pty Ltd