



31 August 2010

Dr. Hans Drielsma  
Executive General Manager  
Forestry Tasmania  
79 Melville Street  
Hobart, Tasmania - 7000

RE: Forestry Tasmania Appraisal

Dear Hans:

We are pleased to submit this appraisal of the state forest managed by Forestry Tasmania. We understand that Forestry Tasmania intends to use Sewall's estimate of Fair Market Value for financial reporting purposes. Forestry Tasmania is our client and the sole intended user of this report.

It is reasonable to represent FT's ownership interest, and thus the subject property of our appraisal, as a leasehold interest. FT controls the land base at the mercy of the Crown. FT pays no rent, and the soil expectation value (SEV) of the FT land base is negative for all zones (General, Special Timbers, and Formal Reserves). Therefore, the market value of the leasehold interest is zero, aside from the contributory value of the current crop.

Based on our inspection of the property and our investigation and analyses of market data, the estimated fair value of the entire subject property, encompassing some 1.492 million hectares, as at June 30, 2010, is:

**AUD TWO HUNDRED NINETY-SIX MILLION SEVEN HUNDRED THOUSAND**

**AU \$296,700,000**

**Value range: AU \$270 million to \$325 million**

You requested that we provide separate valuations for the following portions of Forestry Tasmania's estate:

- Multiple-Use Forest (1.270M ha)
  - General Forest Zone – native and planted (1.193M ha) = \$362.5 million
  - Special Timbers Zone (77k ha) = (\$12.2 million)
- Formal Forest Reserves (222k ha) = (\$53.6 million)

The present value for the General Forest Zone is \$362.5 million. Community service obligation (CSO) costs are included in this figure. It would be incorrect to assert that, since the land value is negative, the current crop value exceeds \$362.5 million. The CSOs fulfilled by FT accrue to both the land and the trees. In fact, it can be argued that tree conservation fulfills more CSOs than land conservation, particularly in terms of the forest and its habitat being the real focus of ecological and recreational interests. There is no objective way to segregate the actual CSOs

Offices nationwide  
info@sewall.com  
sewall.com

136 Center Street  
PO Box 433  
Old Town, ME 04468  
207 827 4456  
fax: 207 827 3641

131 Matthews Street  
Suite 2E  
Matthews, NC 28105  
704 846 1450  
fax: 704 846 0190

between the trees and the land. The fact of the matter is that the trees and the land operate together as an integrated ecological or biotic community, producing a multitude of benefits and thereby satisfying the full range of CSOs. Therefore, the \$362.5 million represents the full range of forest benefits offered by the General Forest Zone – benefits produced by conserving both trees and land.

We recognize two alternatives for booking the land value on FT's balance sheet: (a) zero, as per our economic analysis; or, (b) the Valuer General's full value less 75%. We regard Option "a" as economically rational, and option "b" as somewhat arbitrary but potentially expedient when compared to how other publicly-held assets are sometimes treated.

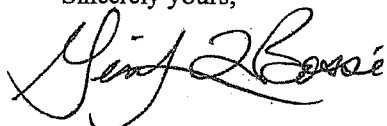
We understand that FT staff have presented our analysis to FT's Board, and that the Board is in favour of option "a" because FT cannot control the sale of its property interest in the land, and is not entitled to the proceeds from any such sale, or compensation for its loss. We further understand that Mike Blake, Auditor General, has approved of this position.

Therefore, the current crop value should be booked at  $\$362.5M - \$0.0M = \$362.5$  million.

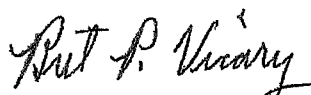
For the Special Timbers and Formal Reserves, it is likewise sensible to book land value at zero. We also recommend booking the value of the current crops at zero because these areas of the forest do not produce positive net cash flow from timber harvesting. It nevertheless remains the case that CSOs are met by conserving both land and trees in these areas as well.

This appraisal is documented in a summary report. The following report presents assumptions and limiting conditions, pertinent facts about the market and the subject property, and the reasoning leading to our conclusions. It conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) and the Australian Accounting Standards Board (AASB) 141 standards. The signed Certification of Value is attached as Appendix A.

Sincerely yours,



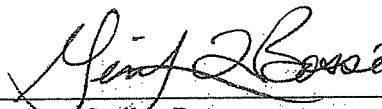
Gerilyn L. Bosse, CGA  
Senior Consultant  
James W. Sewall Company



Bret P. Vicary, Ph.D. MAI  
Vice President, Forestry and Natural Resources  
James W. Sewall Company

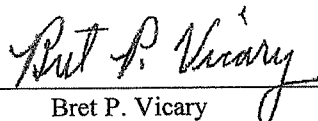
## CERTIFICATION OF VALUE

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the subject property, nor do we have a personal interest or bias with respect to parties involved.
4. Our compensation is not contingent upon: (a) the reporting of a predetermined value or direction in value that favours the cause of the client, (b) the amount of the value estimate, (c) the attainment of a stipulated result, or (d) the occurrence of a subsequent event.
5. The use of this report is subject to the requirements of the U.S. Appraisal Institute relating to review by its duly authorized representatives.
6. Gerilyn Bosse, Ernest Bowling, and Bret Vicary of Sewall inspected the subject property between April 9 and 12, 2010.
7. No one outside James W. Sewall has provided significant professional assistance to us in preparing the report.
8. Our analyses, opinions and conclusions were developed and presented in conformity with and subject to the U.S. Appraisal Institute's Code of Professional Ethics and U.S. Standards of Professional Appraisal Practice and the Uniform Standards of Professional Appraisal Practice.
9. Our valuation of the fair market value of the tree crop asset complies with the AASB 141 standards.

  
\_\_\_\_\_  
Gerilyn Bosse

31 August 2010

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Bret P. Vicary

31 August 2010

\_\_\_\_\_  
Date

## APPRAISAL QUALIFICATIONS

**BRET P. VICARY, PH.D., MAI, LPF**

**VICE PRESIDENT FOREST & NATURAL RESOURCES CONSULTING**

Mr. Vicary joined James W. Sewall Company in 1989 as an economist specializing in appraisal and investment analysis. He has appraised forestland and standing timber on ownerships up to several million acres in size, across the U.S. and Canada, and in Hawaii, Australia, New Zealand, Brazil, Uruguay, Argentina, and Chile. With an emphasis in natural resource-related properties, Mr. Vicary has also appraised conservation easements, common and undivided interests, limited partnerships, forest and water recreation properties, coastal property, land to be developed for residential subdivision, peat bogs and wetlands, sawmills, hydro-electric facilities, and other commercial and industrial properties. Typical clients include forest products firms, oil companies, banks, attorneys, state and federal agencies, investor groups, pension funds, limited partnerships, land trusts, conservation groups, estates, and private individuals. Mr. Vicary has published numerous articles and taught annual intensive courses on forestland appraisal, forestry investment analysis, and appraisal report writing at the University of Maine and other institutions in U.S. and Canada. He has evaluated parcelization and the real estate market for the USFS Northern Forest Land Study. Mr. Vicary also works extensively with private, public, and institutional clients in forest management, forest policy and economics, timber taxation, forest investment analysis, and litigation. He is a Faculty Associate at the University of Maine.

### Education

Ph.D., Forest Resources, University of Maine, 1986

(Thesis: *The Theory and Practice of Timberland Appraisal*)

MBA, University of Maine, 1987

M.S., Forestry, University of Maine, 1982

(Thesis: *Polymorphic Site Index Curves for Even-aged Spruce-fir Stands in Maine*)

B.S., Forestry, State Univ. of New York College of Environmental Science & Forestry, 1976

B.S., Syracuse University, 1976

Duke University, Forestland Appraisal, 1979

Appraisal Institute Courses: *Real Estate Appraisal Principles (1A1), Basic Valuation Procedures (1A2), Capitalization Theory and Techniques (1BA, 1BB), Case Studies in Real Estate Valuation (2-1), Report Writing and Valuation Analysis (2-2), Litigation Valuation (4), Standards of Professional Practice (SPP).*

### Professional Affiliations & Licenses

Licensed & Certified General Appraiser, Maine, New York, North Carolina, Michigan & Minnesota

Society of American Foresters

Licensed Professional Forester, Maine, New Hampshire, and Alabama

Association of Consulting Foresters

MAI Designation, Appraisal Institute

Faculty Associate, College of Natural Resources, Forestry & Agriculture, Univ. of Maine



## Relevant Experience

1989 - Present, James W. Sewall Company

*Appraiser/Resource Analyst:* Resource Appraisal, Economics, Investment, Management & Policy

March 1987 - Nov. 1989 - The Irland Group

*Senior Associate:* Real Estate Appraisal, Investment Analysis and Forest Management

March 1983 - Sept. 1983 - Thompson Appraisal Company

*Appraiser:* Real Estate Appraisal

1977 - 1980 - Sizemore & Sizemore

*Forester/Appraiser:* Timberland Appraisal, Inventory and Management

## Selected Clients

### FOREST INDUSTRY

International Paper, Georgia-Pacific, Boise Cascade, Mead Corporation, SAPPI Ltd., Fort James, J.D. Irving Ltd., Kimberly Clark, Champion International, Inexcon, Huber Resources, Plum Creek Timber, R. Leon Williams, W.J. Cowee, P.H. Chadbourne

### TIMBER INVESTMENT MGT. ORG'S

Hancock Timber Resource Group, Timberland Investment Services, The Forestland Group, Wachovia Timberland Investment Mgt., UBS Brinson Resource Investments, GMO Renewable Resources, GATX Capital, Clerical Medical Forestry Ltd.

### NON-INDUSTRIAL PRIVATE

Pingree Associates, Six Rivers Ltd. P'ship, Webber Estate, Geneen Estate, Huber Estate, Louis Hilton, Phillips Estate, Platt Estate, Jamie Wyeth, Highfield Forestry Ltd., Gardiner Logging, Lyme Timber Co., Yorkshire Timber Co. Green Woodlands, Sylvan Properties, Franklin Falls Timberlands

### LENDING INSTITUTIONS

John Hancock Mutual Life Insurance, Chemical Bank, Morgan Stanley, Bank of Boston, Bank of Montreal, Fleet Bank, Key Bank, Farm Credit Service, Bangor Savings Bank

### UTILITIES

Central Maine Power, Union Water Power, Bangor Water District, Maritimes & Northeast Pipeline, Bangor Hydro

### PUBLIC & INSTITUTIONAL

U.S. Forest Service, National Park Service, U.S. Department of Justice, Internal Revenue Service, State of Maine, State of New York, Penobscot Indian Nation, Passamaquoddy Indian Nation, City of Bangor, Town of Granby VT, Taconic Foundation, University of Maine, Johns Hopkins University, Columbia University

### NGOs & LAND TRUSTS

Nature Conservancy, Trust for Public Land, Conservation Fund, Maine Coast Heritage Trust, Vermont Land Trust, Coastal Mountains Land Trust, Island Institute

### LAW FIRMS

Rudman & Winchell, Verrill & Dana; Eaton, Peabody, Bradford & Veague; Pierce, Atwood et al.; Choate, Hall & Stewart; Martin, Shudt, Wallace, DiLorenzo & Johnson

### FOREST MANAGERS & CONSULTANTS

Fountain Forest Ltd., Wagner Forest Management Ltd., Seven Islands Land Co., Prentiss & Carlisle Management Co., Resource Management Services, Wesley Rickard Inc., Olympic Resource Management, Jaakko Poyry Consulting

**GERILYN L. BOSSE, LPF****SENIOR CONSULTANT**

Gerilyn Bosse joined James W. Sewall Company in 2002 as a Forest Resource Analyst/Appraiser. Her project work combines appraisal projects, timber valuation, and forest management. Ms. Bosse is a licensed professional forester and licensed certified general appraiser. She has appraised timberland and standing timber across the eastern U.S., Lake States, and Pacific Northwest. She has also appraised conservation easements, common and undivided interests, and recreation properties. Ms. Bosse brings to Sewall's forestry staff 15 years' experience at Fort James Corporation as a Project Forester, Procurement Forester, and Operations Analyst.

**Education**

B.S., Forestry, University of Maine, 1987

Appraisal Institute Courses: *Appraisal Principles (Course 110), Appraisal Procedures (Course 120), Basic Income Capitalization (Course 310), Standards of Professional Practice A & B (Courses 410 and 420), General Applications (Course 320), Advanced Income Capitalization (Course 510), Advanced Sales Comparison and Cost Approaches (Course 530)*. Appraisal Institute Seminars: Uniform Appraisal Standards for Federal Land Acquisitions.

**Professional Affiliations & Licenses**

Maine Certified General Appraiser #CG2570

Maine Licensed Professional Forester #LF1079

Notary Public, Maine

Associate Member, Appraisal Institute

Candidate Member, Association of Consulting Foresters

Xi Sigma Pi (Forestry Honor Society)

**Relevant Experience**

September 2002 – Present, James W. Sewall Company

*Senior Consultant.* Real Estate Appraisal, Timber Valuation, and Forest Management

1987–2002, Fort James Corporation (currently Georgia Pacific)

*Group Analyst.* Managed a linear program model used for strategic sourcing of Georgia Pacific's facilities in Maine.

*Procurement Forester/Analyst.* Purchased hardwood roundwood for two chip plants and spruce/fir/hemlock tree-length for a studmill.

*Project Forester.* Timberland Acquisitions and Sales, Lease Management, and Forest Management



## **Selected Clients**

### FOREST INDUSTRY

International Paper, J.D. Irving Ltd,  
Katahdin Forest Management Co,  
Plum Creek Timber Company,  
Huber Resources Corporation,  
Smurfit-Stone

### FOREST MANAGERS & CONSULTANTS

Fountain Forest Ltd., Wagner Forest  
Management Ltd., Prentiss & Carlisle  
Management Company

### NON-INDUSTRIAL PRIVATE

Webber Estate, Lyme Timber Company,  
Phillips Estate, Gardner Land Company,  
R. J. Carrier Logging

### PUBLIC & INSTITUTIONAL

State of New York, State of Maine,  
CalPERS, Harvard Management Company

### TIMBER INVESTMENT MGT. ORG'S

Hancock Timber Resource Group, GMO Renewable  
Resources, Timbervest, Forest Investment  
Associates, Clerical Medical Forestry Ltd,  
Resource Management Services, RMK,  
Global Forest Partners

### NGOs & LAND TRUSTS

The Nature Conservancy, The Trust for Public Land,  
The Conservation Fund

### LENDING INSTITUTIONS

GE Corporate Finance, Farm Credit Service,  
J.P Morgan Chase Bank

