

Dear Steve

I am writing to advise that Taswood Growers, of which Forestry Tasmania is a 50 per cent share holder, has agreed to sell the forestry rights to its 46,000 hectare plantation estate to the Sydney based firm New Forests for \$156 million.

The deal, which we expect to be finalised early next month subject to Foreign Investment Review Board approval, will enable Forestry Tasmania to significantly reduce debt and put the organisation's balance sheet in a strong position to face the challenges associated with the re-structuring of the forest industry.

It is a logical extension of the decision FT took in 1999 to sell a half share in the largely softwood plantation estate and enter into a joint venture with GMO Resources. The Taswood Growers joint venture has been a commercial success for the past 12 years. .

In May this year, we established a board sub-committee with terms of reference to test the market to see if an appropriate price for Forestry Tasmania's 50 per cent share in the softwood joint venture could be achieved. When it became clear there was market interest in the estate, Taswood Growers appointed investment banker Morgan Stanley to conduct a sale process for the whole estate. Morgan Stanley contacted a wide range of parties to determine interest.

An Information Memorandum was sent to those who qualified and they were invited to submit Indicative Bids in Stage one. Based on those bids, a number of parties were invited to undertake due diligence and to submit a final proposal. New Forests, a Sydney based firm, which already has substantial forest holdings in Australia was our preferred buyer.

By going through this process, we were able to achieve a price consistent with a valuation provided in June by independent experts James W Sewall.

So what does this mean for the community? It means a financially stronger FT with an improved capacity to see through and assist with the industry re-structuring. We have now the opportunity to become, with the exception of superannuation liabilities, debt free.

The transaction is for the trees only. The land will remain owned by Forestry Tasmania. New Forests will establish, maintain and harvest the estate, which is mainly in northern Tasmania until the forestry rights expire in 2069.

The plantation estate will continue to supply the state of the art sawmill at Bell Bay, pulpwood for Norske Skog and a range of other processors. There will be negligible employment impacts.

New Forests (www.newforests.com.au) manages investments in sustainable forestry and associated environmental markets, such as carbon, biodiversity, and water, for institutional and other qualified wholesale investors. New Forests executes three investment strategies that provide clients with diversity and choice around risk-adjusted returns, geography, and market exposure: sustainable timberland investment in Australia and New Zealand; forestry investment in high-growth markets of the Asia Pacific region; and

conservation real estate and environmental markets investment in the United States. The company is headquartered in Sydney with offices in Singapore and San Francisco.

New Forests satisfied all of the criteria for the sale including a blemish free environmental record, and we wish the firm well in its endeavours.

Until next time,

Bob Gordon

Managing Director
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