

15 February 2010



Mr Dean Litis  
Principal Adviser, Issuers  
ASX Markets Supervision Pty Ltd  
525 Collins Street  
Melbourne, Victoria 3000

Dear Dean,

### **Forest Enterprises Australia Limited – Price Query**

With reference to your Price Query letter of 15 February 2010, we provide the following information (using your numbering).

1. The Company is not aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company.
2. Not applicable.
3. The Company's operating loss before abnormal items and income tax for the half year ended 31 December 2009 will vary from the corresponding period by more than 15%, however the Company believes that the likely operating loss compared with the corresponding period is not an explanation for recent trading in the securities of the Company.

We note that the market has already been updated with respect to the Company's revenue recognition from prior year sales of forestry investment projects being approximately \$12.8 million for the current financial year compared with \$52.4 million for the prior financial year. This is the portion of revenue recognised as plantation establishment obligations are completed. The drop in revenue to be recognised is due to lower forestry investment sales in FY09 versus FY08, as previously announced to the market (including announcements on 1 July 2009, 16 September 2009, 30 September 2009, and 28 October 2009). The Company has classified some of its assets as available for sale. Should sales of some of those assets crystallise, there may be an effect on profit.

We refer to our answer at paragraph 5 below as to our view on the possible reasons underlying recent trading.



4. Subject to any matters arising from either finalisation of the Company's accounts or completion of the current review by external auditors, the Company does not expect to record any material abnormal or extraordinary items for the half year ended 31 December 2009.
5. The cause of the decrease in the Company's share price from 6.1 cents at close of trading on 2 February 2010 to a low of 4.6 cents at the time of ASX sending its Price Query letter to the Company is not known.

However, the Company noted in its release of 31 December 2009 that it was working with its financiers on the resetting of its banking covenants. That release stated that the Company had been granted a conditional suspension of needing to comply with its covenants until 19 February 2010 to enable the proper completion of re-set discussions. The discussions with the Company's financiers are ongoing.

6. The Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Yours sincerely

Fergus Leicester  
CFO and Company Secretary



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15 February 2010

Mr Fergus Leicester  
Chief Financial Officer  
Forest Enterprises Limited

By e-mail only

Dear Fergus

**Forest Enterprises Limited- Price Query**

We have noted a change in the price of the Company's securities from 6.1 cents at close of trading on 2 February 2010 to a low of 4.6 cents at time of writing today.

In light of the price change, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any reason to think that there may be a change in the operating loss before abnormal items and income tax so that the figure for the half year ended 31 December 2009 would vary from the previous corresponding period by more than 15%? If so, please provide details as to the extent of the likely variation.
4. Is there any reason to think that the Company may record any material abnormal or extraordinary items for the half year ended 31 December 2009? If so, please provide details.
5. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?
6. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by e-mail at [dean.litis@asx.com.au](mailto:dean.litis@asx.com.au). It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (i.e. before **9.30 a.m. AEDST**) on **Tuesday 16 February 2010**.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

### **Listing rule 3.1**

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

### **Trading halt**

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely

[Sent by electronic means without signature]

Dean Litis

**Principal Adviser, Issuers**