

TIMBERCORP PRIMARY INFRASTRUCTURE FUND

ARSN 116 024 830

31 July 2009

ASX Online

TPF Investor Update –

- ≈ **Senior Lender and TPF Bondholder arrangements**
- ≈ **Update on TPF activities**
- ≈ **The proposal to restructure TPF into an Almond Farming Business**
- ≈ **Short-term arrangements agreed in relation to TPF's citrus orchard**

Further to the announcement issued on 23 June 2009, Align Funds Management Limited (ACN 105 684 231) (**Align**), as the responsible entity of the Timbercorp Primary Infrastructure Fund (ARSN 116 024 830) (**TPF**), wishes to provide a further update to unit holders on the continuing discussions that it has been having with TPF's senior lender (**Senior Lender**), TPF's Bond Holders, the liquidators appointed to the Timbercorp Group of companies (**Liquidators**), Select Harvests Limited (**SHV**) (as the existing agri-manager of the almond orchards situated on TPF's land) and CostaExchange Group Limited (**CostaExchange Group**) (as the existing agri-manager of the citrus orchards situated on TPF's properties).

Subsequent to 23 June 2009 announcement the Senior Lender and TPF Bond Holders approved standstill agreements in respect of interest payments due in the 1 month period to 29 July 2009.

Since finalising these agreements the board of Align has maintained a commitment to a process aimed at dealing with:

- > the non-payment of rent and other amounts due under leases on all TPF properties as a consequence of the lessee (Timbercorp Limited) going into liquidation;
- > the management of the TPF properties with its asset manager (Timbercorp Asset Management Pty Ltd) also going into liquidation; and
- > the considerable uncertainty as to the payment of farm management expenses due and payable to the property farm managers (SHV in respect to the almond properties and CostaExchange Group in respect to the citrus properties) from the Timbercorp Group.

Following is a summary of the key activities on which Align has focused since 23 June 2009.

Senior Lender and TPF Bond Holder arrangements

Align submitted proposals to both the Senior Lender and the TPF Bond Holders for a further extension of the standstill agreements from 29 July 2009 until 29 August 2009.

TPF Bond Holders agreed to the extension subject to the Senior Lender extending its standstill to the same date. On 28 July 2009, the Senior Lender declined Align's request for a one month extension

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and informed Align that it would issue notices of default under its lending facilities with TPF should the interest payments due on 29 July 2009 of \$0.73 million not be made. After negotiation with the Senior Lender, Align (in its personal capacity) provided a loan to one of TPF's sub-trusts to assist in the interest amounts due on 29 July 2009 to be paid in full. The payment of interest to the Senior Lender avoided the requirement to enter into an extension of the standstill agreement. The loan from Align will be secured, although it will rank second in priority behind the Senior Lender.

The next interest payment under the Senior Lender's facilities is for an amount of \$1.5 million and must be made on 26 August 2009. The directors of Align are currently considering the options available to TPF to fund that interest payment as TPF does not currently have sufficient funds from which the payment may be satisfied.

The TPF Bond holders have agreed to a further extension of their standstill agreement until 26 August 2009.

Update on TPF activities

Since 23 June 2009, Align has focused on the following matters in connection with TPF:

- > Asset Management – Align has stepped in to provide asset management services for the TPF properties which were previously provided by Timbercorp Asset Management Pty Ltd (in liquidation). This has required the engagement of additional resources by Align.
- > Property outgoings – Responsibility for payment of lease outgoings on the TPF properties (rates, taxes and insurance) are the responsibility of the lessee, Timbercorp Limited (in liquidation). The Liquidators have advised there are no available funds to meet such outgoings. The cost of these outgoings are currently being met by TPF (with the assistance of CostaExchange Group in relation to the Solora South citrus orchard property as described below).
- > Farm Management – Align has endeavoured to work with the Liquidators to assist in the resolution of issues created by the insolvency of the Timbercorp Group. This has included:
 - in the case of the citrus property managed by CostaExchange Group (in conjunction with other properties managed by the CostaExchange Group for the Timbercorp Orchard Trust), the negotiation of an agreement that will allow the current citrus harvest to be completed and essential farm management costs such to be paid, at least for the next three months (see below for further information); and
 - in the case of the almond properties, extensive consideration of funding of SHV's ongoing orchard management costs in relation to the 2010 crop, in addition to TPF's ongoing interests costs in relation to the almond properties due to the Timbercorp Group not being in a position to pay any such costs, or rent to TPF. Align also notes that the Liquidators negotiated bank funded arrangements in connection with the pollination of all the almond orchards, including TPF's almond orchards.

Finally, Align has agreed with the Liquidators on a standstill agreement in relation to the rent payable under the leases of almond properties owned by TPF for the period until 5 August 2009.

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Restructuring TPF into an Almond Farming Business

Align has continued to consult with stakeholders to develop a proposal to restructure the present TPF business model involving property ownership and the charging of rent to a single tenant (now in liquidation) to the operation of a simplified Almond Farming Business (**AFB Proposal**).

The objective of the AFB Proposal is to simplify the structure of TPF to that of an entity that owns and operates the almond orchards with the assistance of SHV as farm manager. In seeking to make this transition in TPF's business model, Align has concluded that each stakeholder group is also offered a worthwhile option to mitigate their financial exposure and risk arising for the liquidation of the Timbercorp group of companies

To that end, Align has undertaken extensive negotiations with SHV in relation to the future management of the TPF almond orchards with the parties seeking to structure a sharefarming arrangement that allows for a reasonable sharing of risk and reward between the parties.

As part of this process, Align has also engaged with Growers and their representatives in developing the AFB Proposal to determine a set of terms and conditions upon which Growers would accept the termination of their rights under the Timbercorp Almond Projects in exchange for an equity interest in TPF and the right to subscribe for further equity in TPF. Align is presenting a high-level outline of the AFB Proposal at meetings of Growers of the Timbercorp Almond Projects on 31 July 2009. A copy of the presentation is attached to this announcement.

Align considers that a strong showing of support by Growers for the resolutions to be put to the meetings today will be of considerable assistance in the advancement of negotiations with other key stakeholders.

Align is also continuing to liaise with the Senior Lender and the TPF Bond Holders in relation to the AFB Proposal.

Align will continue to refine the AFB Proposal with the input of all stakeholders to a point where it may be formally submitted to TPF unitholders and Growers. Align will continue to update TPF unitholders accordingly.

Short-term arrangements agreed in relation to TPF's citrus orchards

Align has also been involved in extensive negotiations with the CostaExchange Group for the CostaExchange Group to manage the TPF citrus orchards and the citrus orchards of the Timbercorp Orchard Trust (ARSN 106 557 297) (**TOT**) on an interim basis whilst Align develops a long-term plan for these assets.

As noted in the 23 June 2009 announcement, the CostaExchange Group entered into crop sale agreements with the Liquidators in respect of the 2004 and 2005 Timbercorp Citrus Projects for the 2009 crop. These crop sale agreements allow for the costs of harvesting the 2009 citrus crop from each of the Projects. The crop sale agreements were due to terminate on 30 June 2009 unless TPF agreed to a rental reduction in respect of its Solora South citrus orchard property (and TOT has agreed to a rental reduction in respect of its Kangara citrus orchard property).

The termination of the crop sale agreements would have been expected to result in CostaExchange Group immediately withdrawing the provision of management services in relation to the Solora South citrus orchard property owned by TPF. Following extensive negotiations, a multi-party

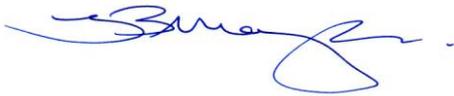
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agreement has been reached between TPF, TOT, CostaExchange Group, Grape Exchange Management Euston Pty Ltd, the Timbercorp Group and the Liquidators. The terms of the agreement allows for the extension of the crop sale agreements to 30 September 2009, with an option to further extend the agreement (and the crop sale agreements) for a further 2 months.

Under the agreement:

- > CostaExchange Group will provide management services for the Solora South citrus and the Kangara citrus orchard properties, amongst others, for the period 11 July 2009 to 30 September 2009 (subject to the option to extend the term for a period not exceeding 2 months), on the terms set out in the agreement;
- > the CostaExchange Group will make a financial contribution towards the rent that was payable by Timbercorp to TOT and TPF under the leases of the Kangara citrus orchard and the Solora South citrus orchard, as well as pay outgoings in relation to these orchards for the term of the agreement. The costs associated with the CostaExchange Group providing the management services in respect of each citrus orchard will be deducted from, or set-off against, the financial contribution the CostaExchange Group is to make to the rent for each orchard.

Yours sincerely



TREVOR MOYLE
CHAIRMAN

Presentation July 2009



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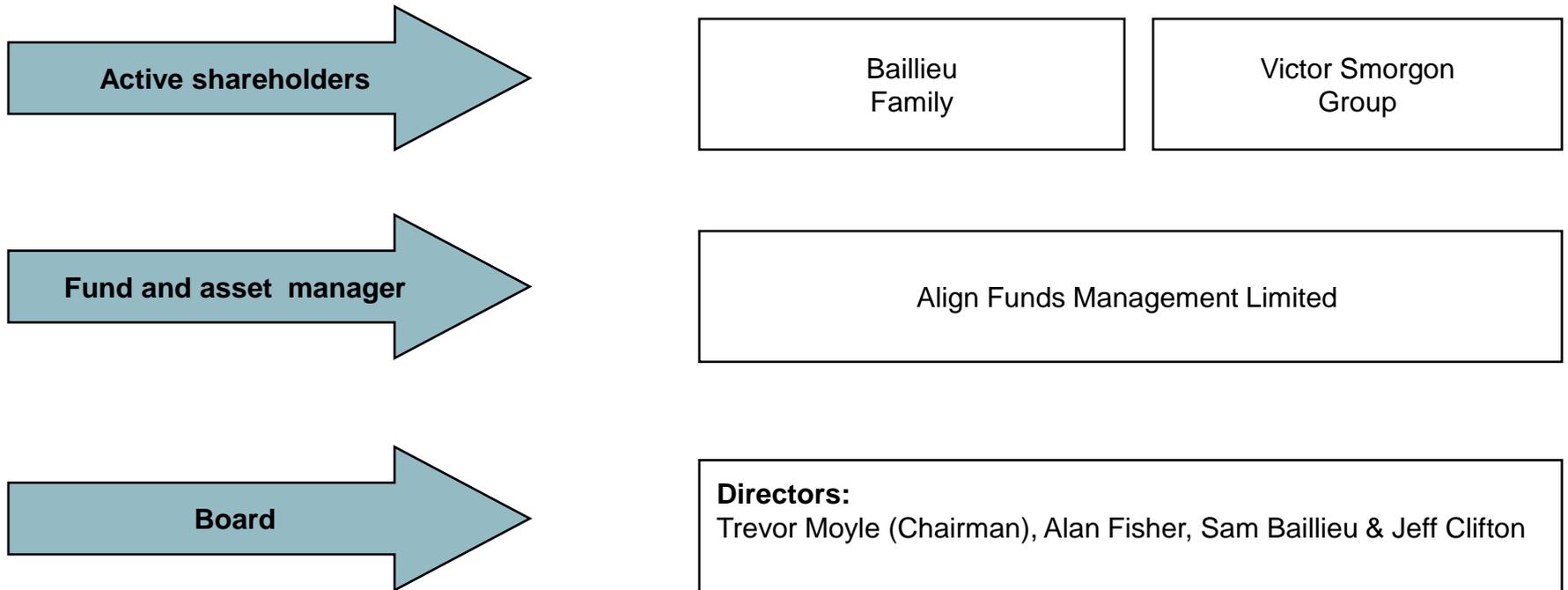


Background

- ▶ Align Funds Management (AFSL 234554) is the Responsible Entity for Timbercorp Primary Infrastructure Fund (TPF)
- ▶ TPF owns two major almond properties - "Liparoo" and "Yungera"
 - ▶ Timbercorp 2001 - 2005 almond projects operate on the properties
- ▶ The 2002, 2005 & 2006 projects also operate on two other almond properties – “Nenandie” and "Carina" which are owned by Timbercorp (in liquidation)
- ▶ Select Harvests Limited (SHV) undertakes the farm management, harvesting, processing and marketing of the almond crops
- ▶ Align is in a unique position to manage the on-going operations and maximise all parties’ interests



Who we are



Proposal - Rationalization of stakeholder interests

- ▶ TPF Equity issued to Growers for 2009 crop proceeds and termination of MIS Schemes
- ▶ Entitlement offer to Growers at discount for further equity in TPF
- ▶ TIM contracts unwound & other claims eliminated
- ▶ Independent Expert Report on proposal
- ▶ Approval:
 - ▶ At Grower meetings
 - ▶ At TPF unit holder meeting
- ▶ Restructure of SHV contracts with TPF directly
- ▶ Elimination of MIS interests which affect Senior lender's security



Consolidation of land & MIS interests by offer to Growers

- ▶ Alignment of interest by issue of TPF equity in exchange for
 - ▶ Cancellation of MIS schemes
 - ▶ Transfer of 2009 crop proceeds
 - ▶ Entitlement subscription to TPF
- ▶ Result
 - ▶ Land, water, orchards, crop, farm infrastructure & future income from 3,854 Ha. owned by TPF



Consolidation of land & MIS interests by offer to Growers (cont)

- ▶ **Growers**
 - ▶ **Projects**
 - ▶ 2001- 2005 projects (TPF orchards)
 - ▶ 2006 - 2008 projects (proposal continues to be developed/negotiated)
 - Align understands the importance of a total solution for all almond growers
 - ▶ **Basis of offers**
 - ▶ Crop proceeds at fair value
 - ▶ Entitlement offer will be at a discount reflecting the value of the current grower rights



Recapitalization of TPF

- ▶ Equity
 - ▶ Subscription of crop proceeds for units
 - ▶ Entitlement offer to Growers and unitholders
- ▶ Debt
 - ▶ Substantial repayment of senior debt by:
 1. Application of equity raising
 2. Sale of water rights
 - ▶ Establishment of new facilities



Orchard Management

- ▶ Renegotiate SHV Orchard management, processing & marketing contracts
 - ▶ Share farm arrangement
 - ▶ Operating costs – variable and reduced
- ▶ TPF provides working capital for farm & processing/marketing
- ▶ Result
 - ▶ Better alignment between TPF & SHV
 - ▶ Lower risk & risk share enhance robustness of TPF



Opportunity to acquire TIM orchards

- ▶ Acquisition of 2808 Ha
 - ▶ Nenandie/Narcooyia
 - ▶ Carina
- ▶ Future capex of \$7.3m
- ▶ Present water allocation of 20,500 ML



Grower entitlement to crop proceeds

2009 crop proceeds

- ▶ Estimate only, as advised by orchard manager and subject to the deduction of project fees and costs, if any
- ▶ Growers will receive TPF units for their 2009 net crop proceeds

| Project | Crop Proceeds | |
|---------|---------------|----------|
| | \$Per Lot | \$m |
| 2001 | 2,057 | 1.85 |
| 2002 | 2,057 | 9.05 |
| 2003 | 1,711 | 7.62 |
| 2004 | 1,543 | 7.53 |
| 2005 | 949 | 5.41 |
| 2006 | - | - |
| Total | | \$31.46m |

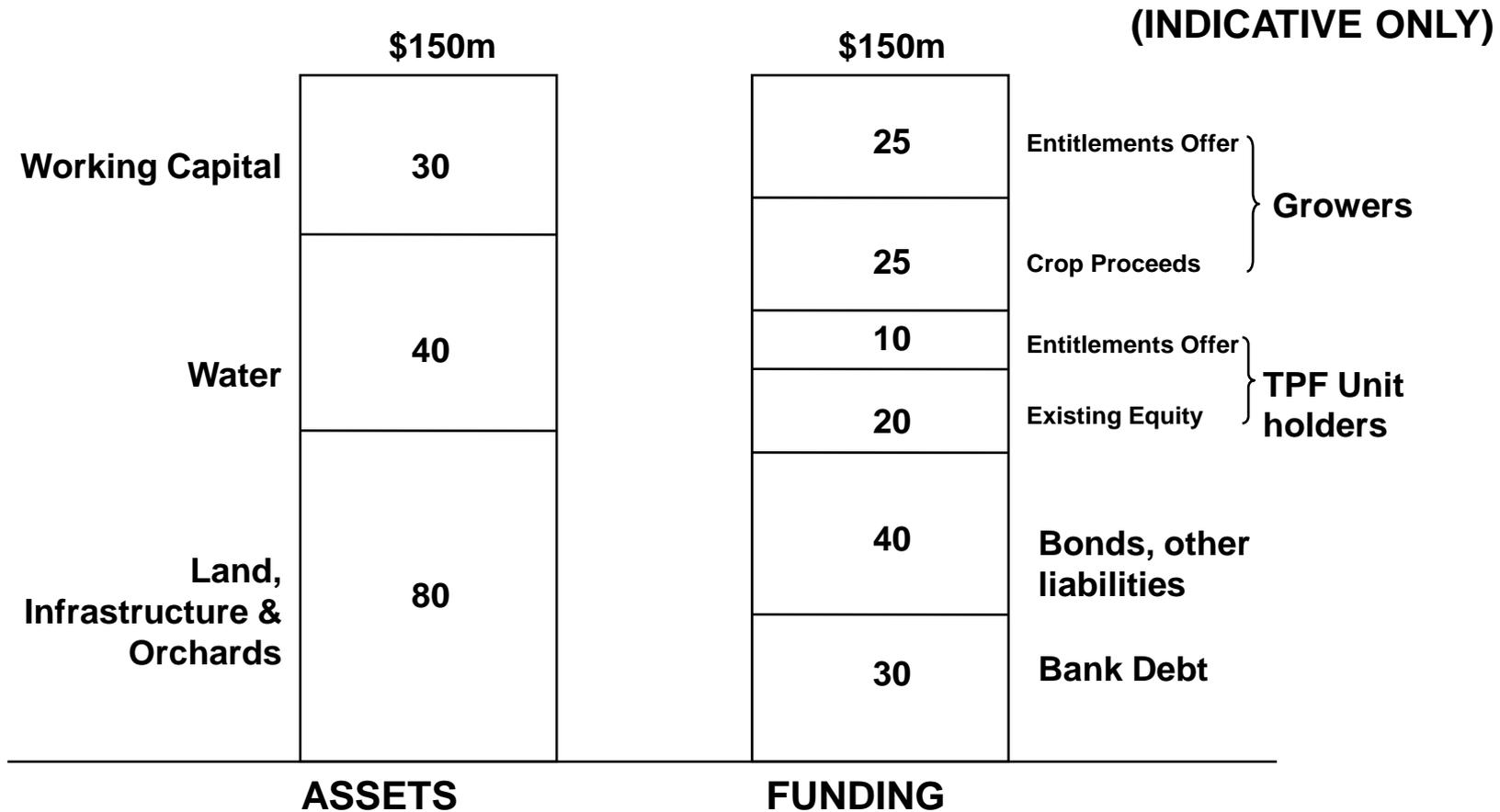


Advantages for Growers

- ▶ Crystallises value of crop proceeds (2009)
- ▶ Opportunity to continue investment in world class almond orchards with enhanced economics
- ▶ Eliminates on-going contribution obligation
- ▶ One-off entitlement for further participation in TPF on attractive terms
- ▶ Transfer of limited term crop right for permanent interest in land, water and orchards
- ▶ Eliminates requirement for litigation
- ▶ Fair value exchange of TPF units for MIS interests
- ▶ Provides efficient mechanism for Growers to exit investment through sale of units on the Stock Exchange



Proposed funding structure will provide exposure to TPF almond farm assets at attractive valuation



Indicative margins at full production deliver attractive returns on capital employed

| | | At "Medium" Water Allocations & "Low" Temporary Water Prices | | At "Low" Water Allocations & "High" Temporary Water Prices | |
|---|-------|--|---------|--|---------|
| Almond Price | \$/kg | 5.25 | 6.25 | 5.25 | 6.25 |
| Less: Farm Costs | \$/kg | 3.32 | 3.32 | 3.32 | 3.32 |
| Less: Temp. Water Costs | \$/kg | 0.20 | 0.20 | 0.59 | 0.59 |
| Farm Operating Margin | \$/kg | 1.73 | 2.73 | 1.34 | 2.34 |
| TPF Earnings Before Interest & Tax (EBIT) | \$m | \$12.6m | \$21.4m | \$9.2m | \$17.9m |
| Return on Capital Employed | % | 9% | 14% | 6% | 13% |

Assumptions:

| | | | | | |
|------------------------------|-------|-------|-------|-------|-------|
| • Capital Employed | \$m | 142.3 | 148.6 | 147.1 | 142.8 |
| • Permanent Water Allocation | % | 75 | 75 | 50 | 50 |
| • Temporary Water Price | \$/ML | 100.0 | 100.0 | 250.0 | 250.0 |

Please note: The above are estimates only and no assurance can be given that they will be achieved. Based on a full maturity year.



Combination of TPF's farm assets with the MIS scheme crop rights creates a viable world-class almond operation

| | |
|---------------------------|---|
| Farms: | Liparoo & Yungera |
| Grower Schemes: | 2001 to 2005 |
| Orchard Area: | 3,854 ha |
| Yield At Full Production: | - 1,300 kg/acre - 3,212 kg/ha |
| Full Production: | 12.4 million kgs |
| Proposed Water Regime: | 10 ML/ha (based on current almond & water prices) |
| Permanent Water Rights: | - currently 12.5 ML/ha - possibly reducing to 5.0 - 7.0 ML/ha and relying on temporary water for the balance |
| Farm Operating Costs: | \$3.32 per kg (assuming target yield) |
| Temporary Water Costs: | Depends on level of permanent water holdings and market price for temporary water |



Why Growers should support the Restructure Resolutions

- ▶ Provides opportunity to review and subsequently approve the proposed Restructure (subject to all relevant approvals being obtained by Align)
- ▶ The Restructure will enable Growers to:
 - ▶ Invest in the underlying Almond farming operations in perpetuity (rather than finite crop rights)
 - ▶ Hold a tradable security which can be realised for cash
 - ▶ Benefit from improved farm operating costs and the upside of any turn in the almond, water & farm input price cycles
 - ▶ Avoid the uncertainty for Growers in an outright sale of the TIM orchards by the liquidator
 - ▶ Make a single capital contribution that will be less than the Oct 09 MIS invoice, rather than ongoing future contributions



Disclaimer

- ▶ Align Funds Management Limited (AFSL No. 234554) is the Responsible Entity of the Timbercorp Primary Infrastructure Fund (TPF).
- ▶ This presentation is not an offer to acquire Units in TPF. No offer is currently being made. Any offer in the future will be made via a Product Disclosure Statement.
- ▶ Nothing in this presentation constitutes investment, legal, tax or other advice. Please note that this presentation does not take into account any person's individual investment objectives, financial situation or needs. Before making an investment decision you should consider the suitability of an investment in light of your particular investment needs, objectives and financial circumstances and consult an independent professional financial or other adviser.
- ▶ The Align/TPF Restructure Proposal is still to be formalised and is subject to documentation being entered into by the relevant parties. The final negotiated terms of the Align/TPF Restructure Proposal may differ materially from that outlined in this presentation and it may also be subject to a number of conditions, including compliance with all relevant regulatory requirements, court approvals, unit holder and grower approvals, financing approvals, completion of the equity raisings, any tax rulings considered necessary and an independent expert's report being obtained in respect of the proposal.
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