

REGISTERED OFFICE
233B CHARLES STREET, LAUNCESTON, TAS 7250

TELEPHONE +61 3 6335 5290
FACSIMILE +61 3 6333 0646



(Receivers & Managers Appointed)
(In Liquidation) (GPL)

GUNNS PLANTATIONS LIMITED
ABN 36 091 232 209
AFSL NO. 238701
(Receivers & Managers Appointed) (In Liquidation)

A WHOLLY OWNED SUBSIDIARY OF GUNNS LIMITED
ABN 29 09 478 148
(Receivers & Managers Appointed) (In Liquidation)(Gunns)

Grower update – 15 July 2014

This update relates to Gunns Plantations Woodlot Schemes 2002 to 2006, 2008 and 2009 (GPL Woodlot Schemes)

**(Excludes the Great Southern Schemes and the GPL Woodlot Schemes
2000 and 2001)**

This update discusses the realisation process for the approximate 51,000 hectares of GPL Woodlot Schemes trees (Schemes Assets) located on non-Gunns owned land (Third Party Land), including approximately:

1. 27,000 hectares located on private landowners land
 - GPL Woodlot Schemes 2002 to 2006, 2008 & 2009
2. 10,000 hectares located on Australian Forestry Plantations Trust (Receivers and Managers Appointed) and Australian Forestry Plantations Trust Number 2 (Receivers and Managers Appointed) land (together AFPT)
 - GPL Woodlot Schemes 2003, 2006, 2008 & 2009
3. 14,000 hectares located on land owned by Forestry Tasmania
 - GPL Woodlot Schemes 2002 to 2006, 2008 & 2009

Separate Grower updates have been, and will continue to be provided to Growers on the sale of the Schemes Assets located on Gunns land.

1 Schemes Assets on private landowners land (GPL Woodlot Schemes 2002 to 2006 & 2009)

In our 5 March 2014 Grower Update, we advised that we had sought Supreme Court of Victoria (**Court**) directions that we are justified and otherwise acting reasonably and properly in:

- entering into, and performing contracts for the acquisition by private landowners of trees located on their property
- allocating the sale proceeds from any such agreements to the particular GPL Woodlot Scheme to which the Schemes Assets sold relate

(together the **Private Landowner Application**).

Disclaimer

Growers are encouraged to read this update in its entirety before making any decisions concerning their investment. Growers should make their own independent evaluation of the relevance and adequacy of the information contained herein.

PPB Advisory has not considered the investment objectives, financial situation or particular needs of individual Growers or any other person. Accordingly, this update should not be relied upon as the sole basis for any decision in relation to your investment. Growers should obtain and rely on professional advice from their own tax, legal, accounting and other professional advisers in respect of the Growers' investment objectives, financial position or particular needs.

The Court has determined that we are justified and acting reasonably and properly in entering into the proposed agreements with private landowners and on 12 June 2014 we received authenticated orders relating to the Private Landowner Application. The decision enables GPL to execute agreements with private landowners under which:

- private landowners purchase the Schemes Assets (i.e. trees) growing on their land
- private landowners release GPL and Growers from any past and future obligations (e.g. rent and maintenance)
- Grower rights in relation to Schemes Assets are surrendered.

The Court's decision is available on the GPL Liquidators website at www.ppbadvisory.com/creditor-information.

We consider the key benefits to Growers of these agreements are:

- the release by private landowners of GPL and Growers from all existing and potential liabilities related to unpaid rent or amounts due:
 - in a Court decision last year involving the GPL Woodlot Schemes 2002 to 2006 and 2008, the Court found that GPL, as responsible entity (**RE**), may be entitled to pay the rent owing to private landowners from the Schemes property, such as any proceeds realised for the trees. A full copy of the judgment is available on PPB Advisory's website www.ppbadvisory.com/creditor-information
- consideration being received for Schemes Assets on private landowner land (in certain cases) that may otherwise achieve no return for Growers
- avoiding potentially lengthy and costly legal action (discussed below).

We note that private landowners who do not elect to purchase the Schemes Assets may be entitled to:

- terminate their lease with GPL
- make a claim against GPL as the RE and the GPL Woodlot Schemes assets for accrued rental liabilities (as noted above).

Despite any termination of a lease, GPL as the RE for the Schemes will reserve the Growers' rights and interests in the trees on the land the subject of that lease, and may have a right to claim for relief against forfeiture on behalf of Growers.

Private landowners may also be required to account to Growers for any action taken with the Schemes Assets located on their property (e.g. harvesting, clearing or sale).

Resolution of these issues may require Court determination which may be a lengthy and costly process. All efforts are being made to avoid this scenario.

We will continue to work with private landowners to reach a resolution regarding the Schemes Assets located on their land. Any proceeds received as a result of GPL entering into agreements with private landowners will be allocated to the GPL Woodlot Scheme to which the Schemes Assets sold relate.

2 Schemes Assets on AFPT land (GPL Woodlot Schemes 2003, 2006, 2008 & 2009)

In our update to you on 5 March 2014, we advised we sought Court directions that we are justified and otherwise acting reasonably and properly in:

- terminating, relinquishing or surrendering the rights of Growers as contemplated under the AFPT Implementation Deed in return for an agreed allocation of proceeds to Growers from the sale of AFPT land

- allocating proceeds due under the AFPT Implementation Deed in proportion to the number of hectares of the AFPT Scheme Land is used in each of the GPL Woodlot Schemes 2003, 2006, 2008 & 2009

(together the **AFPT Application**).

On 21 May 2014, the Court handed down its decision on the AFPT Application allowing GPL to execute surrender documents to affect the AFPT Implementation Deed discussed in our update on 5 March 2014.

This decision is available on the GPL Liquidators website www.ppbadvisory.com/creditor-information.

As detailed in the GPL Liquidators' court submissions for the AFPT Application, we believe the AFPT Implementation Deed is in the best interest of Growers because (among other things):

- it results in some value being realised for Schemes Assets on AFPT Land that may otherwise achieve no return for Growers:
 - lease termination notices have been issued by AFPT for the AFPT land
 - based on independent forestry expert analysis, future rent and maintenance expenses would likely exceed the realisable value of trees on AFPT land at harvest resulting in no return to Growers
- it releases GPL and Growers from any past and future obligations (e.g. rent and maintenance) in respect of the AFPT land.

As detailed in our update of 5 March 2014, GPL will now surrender all rights and interests of the Growers and GPL in relation to AFPT land including:

- all Grower leases and forestry rights deeds
- Schemes Assets (i.e. trees) located on AFPT land

(together the **Surrender**).

As consideration for the Surrender the AFPT Receivers will pay GPL in its capacity as RE for the 2003, 2006, 2008 and 2009 Schemes, \$500,000 (**Set AFPT Amount**) from the net proceeds received from the purchaser.

3 Schemes Assets on Forestry Tasmania land (GPL Woodlot Schemes 2002 to 2006, 2008 & 2009)

We will continue our discussions with Forestry Tasmania following their termination of the schemes leases (as advised in our 5 March 2014 Grower update). We will update Growers with any material developments.

Further questions?

If you have any further questions please address them to the following contacts:

Contact	Contact Phone Number	Contact Email Address
GPL Client Services	(03) 6335 5290	gunns.plantations@gunns.com.au
PPB Advisory	(03) 9269 4160	gunns@ppbadvisory.com

Further information can also be found at:
www.ppbadvisory.com.au/creditor-information
www.abl.com.au/gunns/gunns.htm