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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 – 5 March 2014

This update relates to Gunns Plantations Woodlot Schemes 2000 to 2006, 2008 and 2009 (GPL Woodlot Schemes) (Excludes the Great Southern Schemes)

GPL Woodlot Schemes sale process update and Supreme Court of Victoria (Court) Proceeding Update

This update provides GPL Woodlot Schemes Growers with information relating to the sale process for the GPL Woodlot Schemes assets (Schemes Assets), including:

1. **Joint Sale Process with the Gunns Receivers**
2. **Third party land (i.e. Non Gunns owned land) containing Schemes Assets**
 - a. **Forestry Tasmania – GPL Woodlot Schemes 2002 to 2006 & 2009**
 - b. **Private landowners – GPL Woodlot Schemes 2002 to 2006 & 2009**
 - c. **AFPT Land – GPL Woodlot Schemes 2003, 2006, 2008 & 2009**
3. **Next steps**

1. Joint Sale Process with the Gunns Receivers

In our Grower update dated 23 December 2013, we advised Growers that no final offers were received for Scheme Assets in the GPL Liquidator's Standalone Sale Process. The GPL Liquidators are now participating in the Joint Sale Process with the Receivers and Managers of Gunns Limited (**Gunns Receivers**).

Under the Joint Sale Process with the Gunns Receivers:

- the assets being offered for sale include a wood-chipping business, land, timber plantations and an opportunity to build a pulp mill
- seven parties have been invited to progress to the second stage of due diligence of the Joint Sale Process following the assessment of numerous indicative bids
- final bids are to be submitted by 31 March 2014.

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, financial position or particular needs.

The GPL Liquidators will continue to provide updates to Growers. However, in order to protect the integrity of the sale process, updates for the time being will remain general in nature. Providing sensitive information in a public forum may impact upon final outcomes, which we consider would not be in the best interests of Growers. It will be a condition of any sale resulting from the Joint Sale process that the GPL Liquidators seek and obtain directions from the Court that they are justified and acting reasonably in completing the sale.

2. Third party land containing Schemes Assets

2a. Forestry Tasmania - GPL Woodlot Schemes 2002 to 2006 & 2008 to 2009

We previously advised Growers that we were in discussion with Forestry Tasmania with regard to the sale of the Schemes Assets located on land leased from Forestry Tasmania.

Growers may recall that approximately 14,000 hectares of land controlled by Forestry Tasmania contained GPL Woodlot Schemes trees, or 13% of the 2002 to 2006 and 2008 to 2009 GPL Woodlot Schemes (as a percentage of total area).

Forestry Tasmania was asserting among other things, it was owed unpaid rent and the leases were in default.

Despite these discussions, Forestry Tasmania made the decision to terminate all scheme leases with GPL and assert that ownership of the trees now reverts to it.

Having regard to the status of the Joint Sale Process (refer item 1 above), the GPL Liquidators considers the Forestry Tasmania's actions were premature and disproportionate to the prejudice caused to the interests of Growers.

In the interim, the GPL Liquidators have written to Forestry Tasmania reserving all rights and remedies of GPL and the Growers, including the right to recover the loss and damage caused by Forestry Tasmania's actions and the Growers' right, title and interest in the trees growing on Forestry Tasmania land.

2b. Private landowners – GPL Woodlot Schemes 2002 to 2006 & 2009

Some GPL Woodlot Schemes are partly operated on land leased from private landowners. The GPL Liquidators have previously informed the GPL Woodlot Schemes Growers that:

- they had been in discussions with a number of the private landowners with a view to the private landowners acquiring the GPL Woodlot Schemes Assets (i.e. trees) located on private land and releasing the GPL Woodlot Schemes from all liability in respect of outstanding and future rent
- they had sought directions from the Court that they are justified and acting reasonably in entering into such agreements with private landowners (Private Landowner Application)
- the Private Landowner Application had been adjourned for hearing until 13 February 2014.

The Private Landowner Application has been adjourned for a further short period and will now be heard on 11 and 12 March 2014.

At the hearing of the Private Landowner Application, the GPL Liquidators will seek orders that they are justified and acting reasonably in:

- entering into agreements with the private landowners to sell to the landowners the Schemes Assets (i.e. trees) located on private land
- allocating the proceeds of sale from any such agreements to the particular GPL Woodlot Schemes to which the Schemes Assets sold relate.

Grower distribution questions, such as how proceeds of sale are apportioned between Growers in each GPL Woodlot Schemes and any competing claim to proceeds arising out of Grower loans, will be streamlined with the determination of these matters in relation to other GPL Woodlot Schemes Assets.

Copies of the Court documents relating to the Private Landowner Application are available at:

- www.abl.com.au/gunns/gunns.htm
- www.ppbadvisory.com (by clicking through to the creditor information section)

We note that some confidential documents have been exhibited to the Court documents and accordingly are not available on the websites above.

Interested parties seeking to participate in the Private Landowner Application and/or access the confidential documents should contact us using the details at the end of this update.

2c. AFPT Land – GPL Woodlot Schemes 2003, 2006, 2008 & 2009

Growers will recall from our previous updates that approximately 10,000 hectares of land controlled by two trusts, referred to collectively as the **AFPT**, contained GPL Woodlot Schemes trees, being less than 10% of the 2003, 2006, 2008 and 2009 schemes (as a percentage of the total area used in those schemes).

The rights to use the land (referred to as the **AFPT Land**) were granted by AFPT to Gunns Limited, which in turn granted sub-rights to use that land to GPL as the responsible entity of the relevant schemes.

Following the collapse of the Gunns Group, Gunns Limited defaulted in its rental payment obligations to AFPT and this led to the termination of its rights to use the AFPT Land. The receivers in control of AFPT or its assets (**AFPT Receivers**) re-took possession of the AFPT Land and asserted that AFPT had assumed the rights to the trees on the AFPT Land. The GPL Liquidators reserved the rights of Growers to the trees on the AFPT Land.

On 28 November 2013, we informed GPL Woodlot Schemes Growers that the GPL Liquidators had entered into an implementation deed with the AFPT Receivers and the Gunns Receivers to facilitate the sale of the AFPT land and Schemes Assets located on that land (**AFPT Implementation Deed**).

Key terms of the AFPT Implementation Deed

The AFPT Implementation Deed is a confidential document and sets out a process for the sale by the AFPT Receivers of the AFPT Land and the Schemes Assets (i.e. the trees) on that land, pursuant to a sale and marketing campaign to be undertaken by the AFPT Receivers. As part of any such sale, the GPL Liquidators are required to surrender all rights and interests of the Growers and GPL in relation to the AFPT Land, including all grower leases and forestry rights deeds, and the trees on the AFPT Land (**Surrender**).

As consideration for the Surrender, the AFPT Receivers are to pay to GPL in its capacity as RE for the schemes, a set amount (**Set AFPT Amount**) from net sale proceeds received from the purchaser. GPL will not be entitled to recover any additional amount from the AFPT Receivers or the sale proceeds for any costs incurred by the GPL in relation to the sale. The GPL Liquidators will apply to the Court at a later date for approval for the costs incurred in relation to the AFPT sale and the Surrender. These costs, if approved, will be paid from the assets of the relevant GPL Woodlot Schemes, including the Set AFPT Amount.

The AFPT Implementation Deed provides that the Surrender by GPL be subject to the GPL Liquidators seeking and obtaining orders from the Court that they are justified and acting properly in

surrendering the rights and interests of the Growers in return for the payment of the Set AFPT Amount.

If the Court does not make those orders, the AFPT Implementation Deed provides that the AFPT Receivers would pay 10% of the net sale proceeds into Court. A new application would then be made to the Court to determine the consideration to be paid to GPL for the Surrender. That consideration would be limited to the amount paid into Court, but could be less than the amount paid into Court. The net sale proceeds are calculated by deducting all costs (including taxes, duties and legal costs) reasonably incurred by the AFPT Receivers in relation to the sale from the amount paid by the purchaser.

The arrangement as to the payment into Court is also subject to the GPL Liquidators seeking and obtaining orders from the Court that they are justified and acting properly in surrendering the rights and interests of the Growers on condition that 10% of the net sale proceeds were paid into Court, pending the subsequent determination of the consideration to be paid to the GPL. The subsequent determination may result in the GPL receiving less than 10% of the net sale proceeds and/or less than the Set AFPT Amount as consideration for the Surrender. If there is a payment into Court and the amount ultimately determined to be payable to GPL is less than the GPL Liquidators' costs, the AFPT Receivers will pay the shortfall, up to a maximum aggregate recovery equal to the Set AFPT Amount.

In addition to paying the consideration (whether the Set AFPT Amount or the subsequently determined amount), the AFPT Receivers would release the Growers and GPL from any outstanding or unpaid rents or other amounts due in relation to the AFPT Land.

Application to the Court

In a further update of 29 November 2013, we informed Growers that, as part of the proceeding to be heard on 16 December 2013, the GPL Liquidators were seeking orders and directions from the Court that they were justified and acting properly and reasonably in terminating, relinquishing or surrendering the rights of Growers as contemplated under the AFPT Implementation Deed (**AFPT Application**). As set out in the Grower update of 23 December 2013, the hearing of the AFPT Application was adjourned to 13 February 2014. The hearing was subsequently adjourned to 11 and 12 March 2014.

Sale contract

The GPL Liquidators have now been informed by the AFPT Receivers that contracts of sale in respect of the AFPT Land and trees located on that land were entered into on 26 February 2014 (**AFPT Sale Contracts**). The GPL Liquidators were provided with a copy of the AFPT Sale Contracts on condition that they kept the terms of the AFPT Sale Contracts confidential. The AFPT Receivers have consented to the GPL Liquidators disclosing that:

- the AFPT Sale Contracts are subject to a number of conditions including that the Court provide the orders sought in the AFPT Application
- 10% of the net sale proceeds is more than the Set AFPT Amount.

The GPL Liquidators continue to believe that acceptance of the Set AFPT Amount under the AFPT Implementation Deed is in the best interests of Growers, because (among other things):

- it results in some value being realised for Scheme Assets on AFPT Land that may otherwise achieve a zero return for Growers; and
- based on an analysis undertaken by an independent forestry expert, future rent and maintenance expenses would likely exceed the value of trees on AFPT Land resulting in no return to Growers.

Status of the AFPT Application

The AFPT Application is set down for hearing on 11 and 12 March 2014.

In addition to seeking directions regarding the Surrender of Growers' Rights pursuant to the AFPT Implementation Deed, the GPL Liquidators are also seeking directions (at the 11-12 March 2014 hearing) that any proceeds received by them in relation to the AFPT Land and trees (whether it be the Set AFPT Amount or some other amount) be allocated between the relevant Gunns Woodlot Schemes in proportion to the number of hectares each scheme held on the AFPT Land.

Following allocation of the proceeds between the relevant schemes, the GPL Liquidators intend to hold those proceeds on trust, to be pooled with other scheme proceeds of sale and distributed, following the deduction of any scheme costs incurred, at the one time. These matters will be the subject of a further court application by the GPL Liquidators (further details of which are set out below).

Copies of the court documents relating to the AFPT Application are available at:

- www.abl.com.au/gunns/gunns
- www.ppbadvisory.com (by clicking through to the creditor information section)

We note that some confidential documents have been exhibited to the Court documents and accordingly are not available on the websites above.

Growers seeking to participate in the AFPT Application and/or access the confidential documents should contact us using the details at the end of this update. Gunns Grower Group Pty Ltd has indicated that it will be participating in the AFPT Application and has appointed lawyers to represent it in the Court proceeding.

3. GPL Woodlot Schemes related costs

Prior to distributing any proceeds of sale (including any proceeds from the AFPT sale), the GPL Liquidators will need to obtain orders from the Court for their GPL Woodlot Schemes related costs.

The Court has previously reviewed and approved the GPL Liquidator's GPL Woodlot Schemes related costs for the period of administration.

The GPL Liquidators are currently seeking orders in respect of our GPL Woodlot Schemes related costs for the period of liquidation up to 30 November 2013 as part of the current Court application (**Current Costs Application**). The Current Costs Application is also set down to be heard on 11 and 12 March 2014.

Once all the Schemes Assets have been realised, the GPL Liquidators will need to seek orders in respect of our GPL Woodlot Schemes related costs in conducting the various sale processes (including any proceeds from the AFPT sale) as well as any other GPL Woodlot Schemes related costs incurred since 30 November 2013 before distributing making any distribution.

The GPL Liquidators will not draw down on the proceeds from any of the current sale processes (including the AFPT sale and third party landowner sales discussed above) until we have obtained orders from the Court that we are justified in entering into the sale and how those sale proceeds should be allocated between the GPL Woodlot Schemes.

Copies of the court documents relating to the Current Costs Application are available at:

- www.abl.com.au/gunns/gunns
- www.ppbadvisory.com (by clicking through to the creditor information section)

Some confidential documents have been exhibited to the Court documents.

Interested parties seeking to participate in the Current Costs Application and/or access the confidential documents should contact us using the details at the end of this update.

4. Next steps

The GPL Liquidators will continue to advance the sale process for the Schemes Assets and will keep Growers informed 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
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