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GUNNS PLANTATIONS LIMITED
ABN 36 091 232 209
AFSL NO. 238701

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

Grower update – 16 May 2013

Gunns Plantations Woodlot Schemes 2002 to 2006 and 2008 (GPL Nominated Woodlot Schemes)

(Excludes the Gunns Plantation Woodlot Schemes 2000 to 2001 and 2009
and the Great Southern Schemes 1998 to 2006)

Summary of this update

This update provides information to Growers of the GPL Nominated Woodlot Schemes relating to:

1. **current status of sale process including how our sale program will remain separate from the Receivers' sale and fully within our control (and subject to Supreme Court of Victoria (Court) review)**
2. **important information should scheme leases be terminated prior to any new responsible entity (RE) appointment (i.e. a new RE's inability to seek relief against forfeiture and protect your interests)**
3. **a Grower teleconference that we intend to conduct at 7pm AEST on 21 May 2013**
4. **Grower meetings that we will hold around mid to late June 2013**

Recap from 9 May 2013 update

We set out in our update to Growers dated [9 May 2013](#) our concerns that the complex Restructure Proposal presented by WA Blue Gum and Macquarie has a number of risks compared to our Court approved sale process and that it could:

- cost you more than a Court approved sale process - it contains a complex fee structure and we estimate at least \$21m more in the first year alone
- could require you to make additional cash contributions
- see significant amounts of fees accrue to the alternate RE and service provider for many years
- threaten the prospects of maximising the value of your investments
- put your previously claimed tax deductions at risk

We also observed that, if you have borrowed funds from Gunns Finance Limited (Receivers and Managers Appointed) (In Liquidation) to fund your investments, your loan could be called up if the Restructure Proposal is accepted.

We do not recommend that Growers support the complex Restructure Proposal.

Growers are encouraged to read this update in its entirety before making a decision as to how to vote. Growers should make their own independent evaluation of the proposal and of the relevance and adequacy of the information contained herein, and should make such investigations as they deem necessary to determine whether and how to vote at the meetings.

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.

1. Sale process

Set out in this section is a brief discussion on the sale process that we intend to adopt.

Three step sale process

There are three basic steps that are required to be followed:

- I. obtain a power of sale by the Court (currently underway and as described in our various updates to Growers)
- II. conduct a robust, competitive and orderly sale process (3 to 4 months), described below
- III. if on the receipt of offers of sufficient value for the scheme assets, and the Liquidators are able to determine that acceptance will be in the best interest of Growers, apply to the Court for approval to accept an offer.

In short, the process is not complex, will be robust and transparent and will focus on achieving best value for Growers, whilst at all times being subject to Court review and approval.

Preliminary sale actions

Encouragingly, we have already received a strong level of interest from a variety of domestic and international parties despite not yet having advertised the Grower trees for sale or formally commenced the sale process.

We will be in a position to inform the market of our intended process once a power of sale has been granted by the Court, currently expected on 30 May 2013, and stakeholders consulted.

Preparatory work on the sale process has commenced including:

- preparing a potential purchaser list
- secure data room set-up
- drafting information memorandum
- drafting advertisements and promotional material

In the meantime, scheme assets (i.e. Growers' trees) have been and continue to be appropriately maintained to ensure compliance with Forest Stewardship Council certification.

Liquidators are independent and in control of Growers' trees

The above measures, together with the standstill agreement that is in place with the Receivers of Gunns Limited (Receivers and Managers Appointed) (In Liquidation) (**Gunns**) (*referred to in item 2 below*), will ensure that, on obtaining a power of sale from the Court, we will be in a position to swiftly and formally commence a competitive and orderly sale process.

An added benefit of the cooperative dialogue with the Gunns Receivers (via the standstill agreement), is that they will concurrently market assets under their control (e.g. the port assets, saw mills, timber estates and land owned by Gunns) at the same time as the sale program that we will separately conduct on behalf of Growers. This may increase the pool of prospective buyers interested in acquiring the assets and be a complementary and value enhancing measure.

Although run concurrently with the Gunns Receivers' asset sale process, importantly our sale program will remain separate and fully within the control of the Liquidators and subject to Court approval.

This will provide the best opportunity to achieve maximum value for the benefit of Growers.

Court oversight

The Court will provide oversight to the sale process and consider the merits of and approve (where it deems in the best interests of Growers and other stakeholders):

- our application for the power of sale
- any offer received for Grower assets which the Liquidators consider should be accepted.

Growers and other relevant stakeholders are able to apply to have their voices heard as part of the Court approved sale process.

It is important to note that we do not have to accept an offer for your assets if it is deemed not in the best interests of Growers. We will continue to explore other options if an acceptable offer is not obtained.

Further details of this process will be discussed at the forthcoming Grower teleconference (7pm AEST on 21 May 2013 and Grower meeting in June 2013.

Our previous updates of [5 April 2013](#) and [14 April 2013](#) outlined the rationale for our conclusion that it was in the interests of Growers and stakeholders to pursue a Court approved sale process of Growers' trees.

2. Important information in relation to the leases on which the Growers' trees are located.

Growers will be aware that we have entered into a standstill agreement with the Gunns Receivers whereby they have agreed not to terminate the head leases between Gunns and GPL (**Gunns Limited Leases**) subject to proceeding to an orderly realisation of the Gunns Tasmanian Forestry Estate.

The Gunns Limited Leases represent approximately 50,000 Ha and forms the vast majority of the leases subject to the Restructure Proposal.

Should WA Blue Gum replace GPL as RE, the Gunns Receivers have advised that they will immediately terminate the Gunns Limited Leases. This will affect the vast majority of the land on which the GPL Woodlot Nominated Schemes are located.

Should the leases be validly terminated and following the principles established in a closely analogous Court decision (*Primary RE Ltd v Great Southern Property Holdings Ltd [2011] VSC 242*), WA Blue Gum will have no standing to apply for relief against forfeiture.

We have sought an explanation from WA Blue Gum as to how the GPL Woodlot Nominated Schemes will be operated in circumstances where it will have no access to the land (subject to the Gunns Limited Leases).

We have also written to the Australian Securities and Investments Commission to inform them of our concerns relating to the Restructure Proposal.

For the reasons set out above and in our previous updates, we believe that the complex Restructure Proposal is not in the interests of Growers and accordingly we do not recommend this to Growers.

3. Grower teleconference – at 7pm AEST on 21 May 2013

We will be hosting a Grower information teleconference on 21 May 2013 at 7pm AEST, with dial in details below.

At the teleconference we will provide Growers with an overview and update regarding many of the frequently asked questions that have been posted through our grower hotline and further explain the status of the Court and sale processes.

Dial in details are as follows:

- Toll free number: 1800 098 754
- Conference code: 73739171

4. Grower meetings will be held around mid to late June 2013

We will be hosting Grower meetings in Melbourne and Sydney, around mid to late June 2013.

Meeting times and venue details will be circulated in the coming days.

At the meetings, Growers will be updated with the outcomes of the Court hearing (in relation to the power of sale application) and progress in relation to the sale of the assets of the GPL Woodlot Nominated Schemes.

This will be a further opportunity to interact directly with the Liquidators of the RE, GPL, and exchange views and ideas on how the best outcomes for Growers may be achieved.

5. 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