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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 – 17 February 2014

This update relates to:
Great Southern Plantations Schemes 1998 to 2006 (GSP Schemes)

Supreme Court of Victoria (Court) Proceeding Update

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.

Dear Growers

This communication updates you on recent developments in our Court application relating to:

- 1. Allocation and distribution of proceeds of sale to Growers in the GSP Schemes from the FIT sale**
- 2. Potential agreements with other owners of land used in some of the GSP Schemes concerning the trees on their land**
- 3. Assessment of GSP Schemes related costs**

1. Allocation and distribution of proceeds of FIT Sale

Growers will recall that on 9 November 2013 we provided an update on the sale entered into with the Trust Company (Australia) Limited as trustee for the Forestry Investment Trust (**FIT**) in respect of the majority of the GSP Schemes trees (**FIT Sale**).

On 22 December 2013, we issued a further update to the GSP Schemes Growers outlining the outcome of the Court application (heard on 16 and 17 December 2013) in relation to the FIT Sale.

Following that hearing, the Court made orders that we (as the Liquidators of GPL) were justified and otherwise acting properly and reasonably in procuring GPL, in its capacity as the responsible entity of the GSP Schemes, to exercise its powers under the constitutions of those GSP Schemes to terminate, relinquish or surrender project documents and Grower rights of the GSP Schemes to the extent necessary to allow completion of the FIT Sale to occur.

These orders were made subject to the proceeds of sale of \$38.5 million being held on trust by the GPL Liquidators pending the hearing and determination by the Court of a proceeding to determine:

- the allocation of the sale proceeds as between the GSP Schemes; and
- the distribution or apportionment to Growers of the sale proceeds following that allocation,

(the FIT allocation and distribution hearing).

As noted in our update of 22 December 2013, the FIT Sale completed on 20 December 2013. The proceeds of sale are being held by us on trust pending the FIT allocation and distribution hearing.

We are currently preparing a proposal for consideration by the Court in relation to the Court process for the FIT allocation and distribution hearing. This proposal, among other matters, will address the process proposed by the GPL Liquidators for Growers wishing to participate at the FIT allocation and distribution hearing. This proposal also envisages that explanatory materials will be sent to Growers in relation to the FIT allocation and distribution hearing.

The FIT proceeding has been listed for directions before the Court on 28 February 2014 at 10.00am. At that directions hearing, we will submit to the Court our proposal for the court process for the FIT allocation and distribution hearing. We expect to write to GSP Schemes Growers shortly after that directions hearing, setting out the Court-ordered process for the FIT allocation and distribution hearing.

2. Third party land owner agreements

The GSP Schemes are partly operated on land leased from landowners other than FIT. We have previously informed the GSP Schemes Growers that:

- we are pursuing realisation options for the trees located on land leased by those land owners (who we refer to in this update as **Third Party Landowners**)
- offers had been received from a number of Third Party Landowners interested in purchasing the scheme assets on their land (i.e. the trees)
- we are seeking orders from the Court that we are justified and acting reasonably and properly in entering into agreements with any Third Party Landowners with whom we can reach agreement (**Third Party Landowner Application**); and
- the Third Party Landowner Application had been adjourned for hearing until February 2014.

The Third Party Landowner Application has been adjourned for a further short period and will now be heard on 11 and 12 March 2014 (commencing at 10.30am on each of those days) together with three other applications being made by the GPL Liquidators. At that hearing, we will be seeking **directions** that we are justified and otherwise acting properly and reasonably in procuring GPL (as the responsible entity) to:

- enter into and perform agreements with Third Party Landowners in accordance with the options set out below;
- exercise its powers under the constitutions of the GSP Schemes to terminate, relinquish or surrender project documents and grower rights to the extent necessary to enable entry into and performance of any Third Party Landowners agreement; and
- allocate the proceeds of sale from any such agreements to the relevant GSP Scheme to which the Third Party Landowner agreement related.

The proposed options with the Third Party Landowners include:

- the Third Party Landowners acquiring the trees on their land;
- where the trees on the Third Party land are ready for harvesting, GPL marketing and selling the harvesting rights to the trees; and
- the Third Party Landowners terminating the lease.

The question as to how any proceeds received under any Third Party Landowner agreement are to be distributed to growers will not be considered at the hearing on 11 and 12 March 2014. The

distribution question will be the subject of a separate hearing, details of which will be provided to Growers in due course.

The proposed allocation order is contained in the further amended interlocutory process filed on 27 December 2013. That document also contains the distribution orders to be sought by the GPL Liquidators at the further distribution hearing that is to take place.

Copies of the Court documents relating to the Third Party Landowners Application (including the further amended interlocutory process) 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 Third Party Landowner Application and/or access to the confidential documents should contact us using the details at the end of this update.

3. Assessment of GSP Schemes related costs

Prior to distributing any proceeds of sale, the GPL Liquidators will need to obtain orders from the Court for GSP Schemes related costs.

The Court has previously reviewed and approved the GPL Liquidators' GSP Schemes related costs for the period of administration from 25 September 2012 to 4 March 2013. The GPL Liquidators are currently seeking orders in respect of GSP Schemes related costs for the period of liquidation from 5 March 2013 up to 30 November 2013 (other than sale costs) 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 2013.

Once all GSP Schemes assets have been realised, we will need to seek orders in respect of GSP Schemes related costs in conducting the various sale processes as well as any other GSP Schemes related costs incurred since 30 November 2013 before making any distribution.

The GPL Liquidators will not draw down on the proceeds from any of the current sale processes (including any proceeds received under any Third Party Landowners agreements) 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 GSP 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)

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 Current Costs Application and/or access the confidential documents should contact us using the details at the end of this update.

Further questions?

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

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