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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 – 19 October 2016

This update relates to all Gunns Plantations Woodlot Schemes except

2006 Option 3, 2008 Option 3, 2009 Option 2 and 2009 Option 3

(Excludes the Great Southern Schemes)

This communication provides an update on the settlement process with Forestry Tasmania (**FT**) including:

1. Background
2. Settlement of the claim
3. Distribution update
4. Next steps

In conjunction with this update please refer to the update to Growers dated 26 November 2015 and 5 March 2014 available at:

- www.ppbadvisory.com.au/creditor-information
- <http://www.abl.com.au/gunns/gunns.htm>

1. Background

Growers may recall from prior updates that trees in the GPL 2002 to 2006, 2008 and 2009 Schemes (**Scheme Trees**) were partly located on land owned by FT that was leased to GPL pursuant to various Forestry Rights Deed (**the Deeds**). Following termination by FT of the Deeds in 2013, FT re-entered the land and asserted ownership over and took the benefit of the Scheme Trees without paying anything to GPL in return. The area of land is approximately 14,000 hectares, which totals around 13% of the 2002 to 2006, 2008 and 2009 Gunns Woodlot Schemes (**GPL Schemes**) (as a percentage of total area).

As a result of FT's actions, the Liquidators made a claim (**Restitution claim**) against FT in respect of the Scheme Trees located on FT land on behalf of GPL in its capacity as Responsible Entity (**RE**) of the GPL Schemes. The claim made was for the reasonable value of the non-monetary benefits FT has received, being the improvement to FT's land from the planting of the Scheme Trees.

2. Settlement of the claim

Following mediation and settlement discussions between our office and FT, we agreed to settle the Restitution claim on a combined basis with another claim against FT in relation to an unfair preference (**the Preference claim**).

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

On 14 September 2016, FT signed a settlement deed in relation to both the:

- Restitution claim (of which the benefits and costs will accrue to the GPL Schemes)
- Preference claim (of which the benefit and costs of realisation will accrue to the creditors of GPL and other entities of the Gunns Group).

The terms of the settlement remain confidential and entry into the settlement deed by the Liquidators on behalf of GPL requires approval by the Supreme Court of Victoria (**Court**).

The settlement of the Restitution claim needs to be approved by the Court, because the settlement:

- requires the Liquidators to exercise the rights of GPL as RE; and
- affects, alters and/or terminates some of the rights, titles and interests of the RE and Growers.

We made an application to the Court on 14 October 2016 seeking directions that we are justified and otherwise acting reasonably and properly in entering into the settlement of the Restitution claim with FT, and carrying out the steps contemplated by the settlement deed.

The first directions hearing has been scheduled for Friday 21 October 2016 at 10:00 am in the Supreme Court of Victoria at 430 Little Bourke Street, Melbourne.

The court application, supporting affidavit and non-confidential exhibits have been published on our website at <https://www.ppbadvisory.com/creditor-information/v/297/gunns-limited-gunns-plantation-limited>. They will also shortly be available for download via our solicitors' website at <http://www.abl.com.au/Gunns/Gunns-Plantations-Limited/Current-Supreme-Court-applications>. If any growers would like a paper or electronic copy of those documents, please call the PPB Advisory number below or send an email to gunns@ppbadvisory.com.

3. Distribution and next steps

The above settlement proceeds **were not** included in distribution return estimates provided to growers in April 2016 as this matter had not been resolved at that time. However, the costs of the Court application have already been factored into the distribution estimate provided to growers in April 2016 and will therefore not reduce the distribution estimates.

We will not be delaying the upcoming distribution of proceeds payable to the Growers as a result of this claim. This is due to the uncertainty around timing of the Court hearing and subsequent judgment.

We will therefore distribute any settlement proceeds in relation to the Restitution claim approved by the Court separately in a second distribution.

We will keep you informed of future developments regarding the application.

Further questions?

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

| Contact | Contact Phone Number | Contact Email Address |
|---------------------|----------------------|--------------------------------------------------------------------------|
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