

REGISTERED OFFICE
233B CHARLES STREET, LAUNCESTON, TAS 7250
PO BOX 588, LAUNCESTON, TAS 7250
TELEPHONE +61 3 6335 5290
FACSIMILE +61 3 6333 0646



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 – 28 November 2013

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

(Excludes the Great Southern Schemes and
Gunns Plantation Woodlot Schemes 2000 & 2001)

GPL Woodlot Schemes sale process update – Third party land

This update provides Growers with information relating to GPL Woodlot Schemes' assets (Scheme Assets) located on third party land (i.e. land not owned by Gunns).

1. Previous Grower updates
2. AFPT and AFPT 2 – GPL Woodlot Schemes 2003, 2006, 2008 & 2009
3. Private Landowners – GPL Woodlot Schemes 2002 to 2006, 2008 & 2009
4. Next Steps

1. Previous update

On 18 November we provided Growers with a GPL Woodlot Schemes sale process update that included a note regarding the sale of Scheme Assets located on non-Gunns owned GPL land that includes land owned by:

- Australian Executor Trustees Limited as trustee for the Australian Forest Plantations Trust (Receivers and Managers Appointed) (**AFPT**)
- Wesley Vale Engineering Pty Ltd (in Liquidation)(Receivers and Managers Appointed) as trustee for the Australian Forest Plantations Trust Number 2 (Receivers and Managers Appointed) (**AFPT 2**)
(together **AFPT Land**)

And:

- Land leased to approximately 378 third party landowners (**Private Landowners**)

All other Grower updates may be found at PPB Advisory's website www.ppbadvisory.com (click through to the "Creditor Information" section of the website).

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

Peter Anderson and Shaun Fraser of McGrathNicol are joint receivers and managers of AFPT and AFPT 2 (**AFPT Receivers**). The AFPT Land used in the relevant GPL Woodlot Schemes comprises approximately 10,000 hectares. AFPT and AFPT 2 leased this land to Gunns and Gunns subsequently sub-leased the land to GPL for use in the relevant GPL Woodlot Schemes. Gunns failed to pay the rent due under its leases with AFPT and AFPT 2 and, as a result, AFPT and AFPT 2 terminated these leases. The termination of the head leases had the effect of terminating the sub-leases to GPL.

Following negotiations with the AFPT Receivers, the GPL Liquidators have entered an implementation deed with the AFPT Receivers and Gunns Receivers regarding the sale of the AFPT Land and Scheme Assets located on that land (**Implementation Deed**).

The Implementation Deed ensures:

- A pre-agreed amount from the proceeds of sale will be allocated to GPL Growers
- The AFPT Receivers release GPL and the relevant GPL Woodlot Schemes from any potential liabilities relating to unpaid rent or other amounts due.

Under the Implementation Deed, the AFPT Receivers will run the sale of the AFPT Land and Scheme Assets located on the land.

The GPL Liquidators consider that entering into the Implementation Deed is in the best interests of Growers because (among other things):

- It may result in some value being realised for Scheme Assets on AFPT Land that may otherwise achieve a zero return for Growers.
- The AFPT Receivers terminated the head leases with Gunns and have retaken possession of the AFPT Land. This had the effect of terminating the sub-leases to GPL (we note that the GPL Liquidators reserved any Grower rights relating to the Scheme Assets).
- Assuming the lease arrangements could be re-established, pre and post appointment back rent payment in excess of \$8 million may be required to make good the leases on AFPT Land.
- The majority of trees on the AFPT Land are not ready for harvest. Significant ongoing rent and maintenance expenses would be incurred to continue the lease arrangements until the trees were ready for harvest.
- There is currently no party that has expressed interest in taking over the Responsible Entity role for these schemes.
- The Scheme Assets on the AFPT Land were excluded from the previous Macquarie/WABG proposal.

We have applied to the Court for directions that we are justified and acting reasonably and properly in entering into the Implementation Deed. The application is to be heard on 16 December 2013. Growers may seek to be appear and make submissions at that hearing. Court documents are available [here](#).

3. Private Landowners – GPL Woodlot Schemes 2002 to 2006, 2008 & 2009

Our Grower update of 9 November 2013 described a parallel sale process which included a sale by the GPL Liquidators of Scheme Assets. That sale includes Scheme Assets on land leased from Private Landowners that in aggregate comprises approximately 25% of all GPL Scheme land (there are over 378 leases with Private Landowners).

Once this sale process is advanced, we can determine whether parties wish to acquire these trees and lease interests, and if the Court provides directions that the GPL Liquidators are justified in entering into agreements with Private Landowners, the GPL Liquidators will then coordinate a process that will provide Private Landowners with the following options:

- Enter into a new Forestry Right Agreement (**FRA**) with an incoming purchaser of the Scheme Assets
- Private Landowner acquires the Scheme Assets on their land, for consideration, from the GPL Woodlot Schemes

- Combined sale of Private Landowner’s land and Scheme Assets
- FRA termination

If Private Landowners seek to terminate FRAs the GPL Liquidators will reserve any Grower rights relating to the respective Scheme Assets.

To allow a transparent and fair sale process we will not disclose the value attributed to these Scheme Assets by an independent forestry expert as this may prejudice any future offers the GPL Liquidators may receive for Scheme Assets.

We consider entering into arrangements is in the best interests of Growers for the following reasons:

- Private Landowner leases either are at risk of termination or may have been terminated potentially resulting in Growers losing any interest in the Scheme Assets.
- Other than parties participating in the GPL Liquidators’ sale process (which remains confidential) no parties other than the relevant Private Landowners have to date expressed an interest in acquiring trees.
- GPL is insolvent and has a limited ability to maintain the land and trees relating to the Private Landowner leases.
- The fire risk is increasing putting at risk the value of the trees as well as the safety of neighbouring properties.
- There is currently no party that has expressed interest in taking over the Responsible Entity role for these schemes.

We have applied to the Court for directions that we are justified and acting reasonably and properly in entering into any agreement with Private Landowners. The application is to be heard on 16 December 2013. Growers may seek to appear and make submissions at that hearing. Court documents are available [here](#).

4. Next steps

The GPL Liquidators will continue to advance the sale process above and endeavour to keep Growers informed with relevant developments.

We will provide a further update to Growers in mid-December 2013.

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

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.