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(Receivers & Managers Appointed) (In Liquidation)

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

1998 TO 2006 GREAT SOUTHERN PLANTATIONS SCHEMES (TOGETHER, THE GSP SCHEMES)

FREQUENTLY ASKED QUESTIONS

PROPOSED ALLOCATION OF SALE PROCEEDS AND DISTRIBUTION TO GROWERS

These are summary answers. Refer to the explanatory notice to Growers dated 7 March 2014 for more details.

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UPDATE ON SALES PROCESS

1 What is the GSP Proceeding and how does it relate to me?

The GSP Proceeding is a legal proceeding which is currently in the Supreme Court of Victoria (SCI 2013 2095). The purpose of the GSP Proceeding is to confirm how proceeds from the sale of trees forming part of the GSP Schemes are to be allocated between the GSP Schemes and which members of those GSP Schemes are then entitled to share in the distribution of the net allocated proceeds.

If the Proposal is approved by the Supreme Court, you may receive a payment. You may also lose any right to argue for an alternative allocation and distribution proposal once approved by the Supreme Court.

2 When will the Supreme Court decide whether to approve the Proposal?

The Supreme Court has set the date for hearing on 12-13 May 2014.

The Court may take some time after the hearing to decide whether to approve the Proposal.

3 Can I ask questions or express my support or objection to the Proposal?

Yes. The RE has established a telephone hotline facility and a dedicated email address so that Growers may raise any comments or questions, confirm their support or raise any objections.

In addition, you are not required, but are able, to attend or appear at the Supreme Court hearing, and/or seek independent legal advice and/or obtain representation at that hearing. If you wish to do so, you will need to apply by 28 March 2014 as set out in the court orders made on 28 February 2014 (a copy is available on PPB Advisory's and ABL's websites). If you do so, any legal or other costs of doing so will be at your own expense unless the Supreme Court orders otherwise.

Depending on the level of Grower interest in participating in the hearing, the RE may ask the Supreme Court to appoint parties to appear and advocate on behalf of the different Grower interests.

4 Will the Supreme Court know that I have supported or objected to the Proposal?

Yes. At the hearing of the GSP Proceeding, the RE will disclose to the Supreme Court a summary of all comments, support or objections they have received from Growers prior to the hearing of the GSP Proceeding in relation to the Proposal or the GSP Proceeding. Personal details will be kept confidential. Any such comments, support or objections will be considered by the Supreme Court in the context of determining whether the Proposal should be approved.

5 Am I bound by the Proposal?

Yes. If the Proposal is approved by the Supreme Court, the RE will proceed to implement the Proposal and you may lose any right to argue for an alternative allocation and distribution proposal.

GPL'S PROPOSAL FOR THE ALLOCATION OF SALE PROCEEDS AND DISTRIBUTION TO GROWERS

6 How will the proceeds of sale be allocated between the GSP Schemes?

The RE and Liquidators are proposing that the sale proceeds of \$38.5 million be allocated between the GSP Schemes as follows, before the deduction of estimated costs:

GSP Schemes	Proposed gross allocation of sale proceeds (\$'000s)
GSP 1998	90
GSP 1999	110
GSP 2000	1,761
GSP 2001	1,328
GSP 2002	7,172
GSP 2003	17,469
GSP 2004	3,442
GSP 2005	3,988
GSP 2006	3,140
TOTAL	38,500

7 Why are some GSP Schemes getting more than others?

The Sale Proceeds have been allocated between the GSP Schemes to reflect the value of the relevant assets held by each of the GSP Schemes and of the rights of the Growers in each of the GSP Schemes which were extinguished as part of the sale. Some of the GSP Schemes were larger than other GSP Schemes and therefore may have had more trees. As the trees which formed part of the GSP Schemes were planted at different times, they were of different levels of maturity and had different values. The allocation of more value and Sale Proceeds to one of the GSP Schemes results in less value and Sale Proceeds being allocated to one or more other GSP Schemes.

8 How did the RE decide to allocate the sale proceeds like this?

During the negotiations for the sale, the RE requested that the purchaser (**FIT**) allocate the Sale Proceeds between the plantations being sold. As each plantation was used in a particular GSP Scheme, this allowed an allocation between the GSP Schemes to be made. The RE also requested that an independent forestry consultant (**URS**) allocate the Sale Proceeds between the various plantations.

The FIT allocation allocated greater value to the earlier schemes with more mature trees, while the URS allocation allocated greater value to the later schemes, which had significantly larger land areas but had less mature trees.

The RE reviewed both these allocations and considered that the most fair and reasonable method for allocating the Sale Proceeds would be to take a mid-point between the two allocations.

9 What were the other allocations?

The amount of Sale Proceeds which would be allocated to each of the GSP Schemes under the different allocations (before deducting any costs) is as follows:

GSP Schemes	FIT Land Hectares	Mid Point (\$'000s)	FIT (\$'000s)	URS (\$'000s)
GSP 1998	134	90	115	-
GSP 1999	344	110	115	-
GSP 2000	11,547	1,761	2,618	924
GSP 2001	4,412	1,328	2,118	577
GSP 2002	5,248	7,172	8,624	5,736
GSP 2003	17,690	17,469	18,480	16,478
GSP 2004	20,414	3,442	1,617	5,275
GSP 2005	23,984	3,988	2,657	5,352
GSP 2006	20,094	3,140	2,156	4,158
Total	103,867	38,500	38,500	38,500

10 Why is the RE proposing the mid-point allocation?

Based on the estimated net returns under each allocation, it would be expected that Growers in the earlier GSP Schemes would prefer the FIT allocation but Growers in the later GSP Schemes would prefer the URS allocation. It is not possible to satisfy both these preferences.

The Liquidators considered that the sale would only be of benefit to the Growers in a particular GSP Scheme if they were to receive reasonable consideration for giving up their rights in the Scheme trees and interest in the land on which they were planted. The Liquidators considered that it would be fair and reasonable and in the Growers' best interests to proceed with the sale if the Growers in each GSP Scheme would receive a return, subject to applicable estimated costs.

Having regard to the RE's statutory duty, the Liquidators believe that the mid-point allocation is in the best interests of Growers as it results in a return to Growers in all of the GSP Schemes, based on the estimated Scheme Costs. The Liquidators highlight the conflict of interest they have given the mid-point allocation is also likely to result in the Scheme Costs of the Liquidators being paid in full.

11 Do the Liquidators have an interest in how the sale proceeds are allocated?

Scheme Costs, including the remuneration and costs incurred by the Liquidators which relate to the GSP Schemes, will only be paid in full if the amount of the Sale Proceeds allocated to the relevant GSP Scheme is greater than the Scheme Costs for that GSP Scheme. If the amount of Sale Proceeds allocated to a GSP Scheme is less than the relevant Scheme Costs, either the Liquidators or the Receivers or both of them may not recover all of the amount owing to them and Growers in that GSP Scheme will not receive a return.

The Liquidators therefore have a conflict of interest, as they may have an interest in allocating the Sale Proceeds in such a way as to ensure that the Scheme Costs owing to them are paid in full.

This conflict of interest was considered by the Supreme Court at the hearing which took place on 16 and 17 December 2013. It will be raised with the Supreme Court at the hearing of the GSP Proceeding in the context of its impact on the allocation of the Sale Proceeds.

12 Which Growers in a GSP Scheme will share in the sale proceeds allocated to that scheme?

When each GSP Scheme was established, Growers were allocated woodlots but did not have a say in where their woodlots were located. Each woodlot was located on land which the RE had rights to use. The proceeds of harvest and sale of trees used in the GSP Scheme were pooled and distributed to Growers in proportion to the number of woodlots they held, regardless of where the Grower's woodlot was located.

When the Great Southern Group collapsed, some landowners purported to terminate the RE's right to use their land. Those landowners re-took possession of the land and assumed all rights to the trees located on that land. For example, this happened to the land located in the Tiwi Islands on which some scheme trees had been planted.

Growers who had woodlots on this terminated land were then treated as having an "impaired interest" in the GSP Scheme, which meant that they would not share in any future harvest or sale proceeds.

Since the Gunns Group collapsed, other landowners have sought to terminate the RE's right to use their land and the RE's right to use some land may have expired. This could mean that more Growers have an "impaired interest" and are denied the right to participate in future harvest or sale proceeds.

However, the RE is proposing that all Growers and members in the GSP Schemes should share in the sale proceeds allocated to their GSP Scheme:

- regardless of where their woodlot was located
- regardless of whether their woodlot was situated on land which the RE had lost the right to use, either as a result of the collapse of the Great Southern Group or the Gunns Group
- regardless of whether their interest had previously been classified or could be classified as an "impaired interest", either as a result of the collapse of the Great Southern Group or the Gunns Group
- on the basis of their proportional interest in the GSP Scheme prior to any purported termination or expiry (other than through harvest) of the RE's right to use the land on which a Grower's woodlots were or are located.

13 What is the effect of sharing the sale proceeds allocated to a GSP Scheme among all Growers and members in that GSP Scheme?

As all Growers and members are being included, the number of woodlots in some GSP Schemes will be greater than if Growers with an interest that had previously been classified or could be classified as an "impaired interest" (refer question 12) were not entitled to participate in the distribution.

The amount of Sale Proceeds allocated to each of the GSP Schemes will not change. However, the larger number of woodlots per GSP Scheme will reduce the net estimated return per woodlot in the affected GSP Schemes.

The difference to the return per woodlot, under the RE's mid-point allocation is shown in the table which follows:

GSP Schemes	Incl. Impaired Interests		Excl. Impaired Interests	
	Woodlots	Mid Point Allocation return \$	Woodlots	Mid Point Allocation return \$
GSP 1998	10,204	6.30	10,204	6.30
GSP 1999	12,567	5.05	12,567	5.05
GSP 2000	42,479	28.37	42,479	28.37
GSP 2001	13,734	58.59	12,987	61.96
GSP 2002	16,677	328.88	15,140	362.27
GSP 2003	52,303	269.61	49,224	286.47
GSP 2004	79,247	4.93	78,468	4.98
GSP 2005	114,060	9.58	85,443	12.79
GSP 2006	83,562	4.57	71,290	5.36

14 What will be the allocation of the sale proceeds after the deduction of estimated costs?

After the deduction of estimated costs, the proposed allocation of sale proceeds between the GSP Schemes is as follows:

GSP Schemes	Proposed net allocation of sale proceeds (\$'000s)
GSP 1998	64
GSP 1999	64
GSP 2000	1,205
GSP 2001	805
GSP 2002	5,485
GSP 2003	14,101
GSP 2004	391
GSP 2005	1,092
GSP 2006	382
Total	23,589

These are estimates only. Actual costs may vary.

15 What is the proposed return per woodlot?

Under the proposed mid-point allocation, the return per woodlot in each of the GSP Schemes (based on estimated costs and assuming there are no other scheme liabilities) is as follows:

GSP Schemes	Return per woodlot \$
GSP 1998	6.30
GSP 1999	5.05
GSP 2000	28.37
GSP 2001	58.59
GSP 2002	328.88
GSP 2003	269.61
GSP 2004	4.93
GSP 2005	9.58
GSP 2006	4.57

These are estimates only. Actual returns may vary.

16 What is the return per woodlot under the other allocations?

The return per woodlot in each of the GSP Schemes (based on estimated costs and assuming there are no other scheme liabilities) under the different allocations is as follows:

GSP Schemes	Woodlots	Mid Point (\$)	FT (\$)	URS (\$)
GSP 1998	10,204	6.30	8.52	-
GSP 1999	12,567	5.05	5.44	-
GSP 2000	42,479	28.37	46.33	10.84
GSP 2001	13,734	58.59	109.74	9.96
GSP 2002	16,677	328.88	406.36	252.28
GSP 2003	52,303	269.61	286.81	252.75
GSP 2004	79,247	4.93	-	25.50
GSP 2005	114,060	9.58	-	20.22
GSP 2006	83,562	4.57	-	15.41

These are estimates only. Actual returns may vary.

17 What happens once the Sale Proceeds are allocated to the GSP Schemes?

The Sale Proceeds allocated to each GSP Scheme will be used to pay the relevant Scheme Costs and to satisfy any other liabilities of that GSP Scheme. The balance of the allocated Sale Proceeds will be distributed to Growers in that GSP Scheme (subject to any competing claim against a particular Growers' entitlement, for example, by a financier under a Grower loan).

18 Are there any other amounts which the RE holds on behalf of the GSP Schemes?

The RE holds some other amounts which form part of the scheme property of some GSP Schemes. These amounts, referred to as "General Scheme Funds", include harvest and thinnings proceeds from the trees used in a particular GSP Scheme. Following the payment of any applicable scheme costs or other scheme liabilities, these will be distributed to Growers in the same way as the sale proceeds (subject to any competing claim by a financier).

The RE also holds some amounts which are referable to specific Growers in some GSP Schemes. These amounts, referred to as "Specific Grower Funds" include insurance proceeds and amounts reflecting unrepresented cheques. They are not shared between all Growers in a GSP Scheme but relate only to specific Growers. They will be paid to the relevant Growers, subject to any priority claims specific to that Grower (such as those by Grower's financiers).

The amounts currently held by the RE are:

GSP Schemes	General Scheme Funds (\$'000)	Specific Grower Funds (\$'000)
GSP 98	177	-
GSP 99	910	-
GSP 00	1,829	195
GSP 01	26	237
GSP 02	29	-
GSP 03	277	-
GSP 04	-	260
GSP 05	-	5
GSP 06	-	13
Schemes to be confirmed	-	348
TOTAL	3,248	1,058

SCHEME RELATED COSTS AND OTHER LIABILITIES

19 What costs will be deducted from the Sale Proceeds?

The Scheme Costs are payable in priority to any payment to Growers. The Scheme Costs to be deducted from the Sale Proceeds include:

- the remuneration and costs incurred by the Liquidators which relate to the GSP Schemes (which have been approved or are still to be considered and approved, if reasonable, by the Supreme Court)
- amounts which became payable following the collapse of the Great Southern Group and were approved by the Supreme Court in 2011. These amounts became payable to GPL after it became the RE and are under the control of the receivers of GPL. They are referred to as the "Receivers Lien"
- the future remuneration and costs incurred by the Liquidators which relate to the GSP Schemes, including costs of the current proceeding and of distributing the Sale Proceeds to Growers (which have been approved or are still to be considered and approved, if reasonable, by the Supreme Court).

The Scheme Costs allocated to a particular GSP Scheme will only be paid from the assets of that GSP Scheme. Unless the relevant Scheme Costs for a particular GSP Scheme are paid in full, Growers in that GSP Scheme will not receive a return.

The estimated amount of Scheme Costs per GSP Scheme, based on the RE's mid-point allocation is:

GSP Schemes	Liquidators, legal and third party costs (\$'000s)	Receivers' Lien (\$'000s)	Total (\$'000s)
GSP 1998	26	-	26
GSP 1999	47	-	47
GSP 2000	556	-	556
GSP 2001	273	250	523
GSP 2002	985	703	1,687
GSP 2003	2,548	819	3,368
GSP 2004	1,887	1,165	3,051
GSP 2005	1,906	989	2,896
GSP 2006	1,683	1,075	2,758
TOTAL	9,911	5,001	14,911

20 Why are the estimated costs greater for some GSP Schemes?

Some costs relate only to one GSP Scheme (such as maintenance), while others are shared between all the GSP Schemes on a per hectare basis. The estimated costs related to the sale and the approval of the allocation and distribution process are shared between the sale in proportion to the amount of sale proceeds allocated to that GSP Scheme.

21 Will the Liquidators be paid the Scheme Costs owing to them under each of the allocations?

Based on the estimated Scheme Costs, the RE's proposed mid-point allocation results in all of the Scheme Costs for each GSP Scheme being paid in full and a return to Growers in each GSP Scheme. The FIT allocation and the URS allocation would have a different result.

Under the FIT allocation, the Sale Proceeds allocated to the 2004, 2005 and 2006 GSP Schemes will not be enough to pay the Scheme Costs. Growers in those GSP Schemes would not receive a return and the Liquidators and Receivers will not be paid for a total of \$1,819,000 of Scheme Costs which have been incurred.

Under the URS allocation, the Sale Proceeds allocated to the 1998 and 1999 GSP Schemes will not be enough to pay the Scheme Costs. Growers in those GSP Schemes would not receive a return and the Liquidators will not be paid for a total of \$50,000 of Scheme Costs which have been incurred.

The amount of estimated Scheme Costs which would not be recovered by the Liquidators, the Receivers or both of them and the estimated net return to Growers in each GSP Scheme under the different allocations is as follows:

GSP Schemes	Midpoint		FIT		URS	
	Net Grower return (\$'000s)	Deficit to Liquidators / Receivers (\$'000s)	Net Grower return (\$'000s)	Deficit to Liquidators / Receivers (\$'000s)	Net Grower return (\$'000s)	Deficit to Liquidators / Receivers (\$'000s)
GSP 1998	64	-	87	-	-	(16)
GSP 1999	64	-	68	-	-	(34)
GSP 2000	1,205	-	1,968	-	460	-
GSP 2001	805	-	1,507	-	137	-
GSP 2002	5,485	-	6,777	-	4,207	-
GSP 2003	14,101	-	15,001	-	13,220	-
GSP 2004	391	-	-	(1,233)	2,021	-
GSP 2005	1,092	-	-	(92)	2,306	-
GSP 2006	382	-	-	(494)	1,288	-
Total	23,589	-	25,408	(1,819)	23,639	(50)

The total amount available to Growers after payment of Scheme Costs is the highest under the FIT allocation. However, this total net amount would only be shared between the Growers in the GSP Schemes from 1998 to 2003. No amount would be available to Growers in the 2004, 2005 and 2006 GSP Schemes.

22 What other liabilities could the GSP Schemes have?

Other scheme liabilities could include amounts payable to other landowners for rent or other amounts owing under leases entered into in relation to the relevant GSP Scheme. The Receivers have also indicated that they have claims relating to amounts paid by Gunns Limited, on behalf of the GSP Schemes, for rent in relation to certain leases and for fees payable to GPL in its personal capacity under the scheme constitutions.

MY INVESTMENT

23 Which of the GSP Schemes am I in?

Call the hotline on (03) 9269 4160 or email gunns@ppbadvisory.com.

24 How many Woodlots do I have?

Call the hotline on (03) 9269 4160 or email gunns@ppbadvisory.com.

PAYMENT PROCESS TO GROWERS

25 When am I going to receive my entitlement under the Proposal?

If the Proposal is approved by the Supreme Court, you will be notified of the anticipated timing of payments. The timing of a Grower's payment of their Sale Proceeds entitlement will depend, in part, on their individual circumstances.

If a Grower does not have any Grower Loan, the RE will pay the Grower's Sale Proceeds entitlement to its nominated bank account as soon as practicable following the necessary approvals being obtained from the Supreme Court.

Growers who have a Grower Loan will be able (should they choose) to direct that their Sale Proceeds entitlements are paid, in whole or in part, to their Financier to pay, to the extent possible, their Grower Loan.

A Direction to Pay Form is available from:

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

www.abl.com.au/gunns/gunns.htm

If you have a Grower Loan you can (if you choose) give your directions to the RE by completing and returning a Direction to Pay Form. To arrange for a Direction to Pay Form to be sent to you, call the hotline on (03) 9269 4160 or email gunns@ppbadvisory.com.

If you do not execute a Direction to Pay Form for any Grower Loan and your Financier has asserted a proprietary interest in and/or security claim over your Sale Proceeds, the RE will hold your Sale Proceeds on trust pending an agreement or court order in relation to the competing claims of Grower and Financier. The GSP Proceeding will not determine the respective rights of the Financiers and Growers with Grower Loans.

26 How am I going to receive my payment?

To receive your Sale Proceeds entitlement (if payable to you having regard to your Grower Loan, if any), you must notify the RE of the bank account you nominate to receive payment. You can notify the RE of your bank account details by completing and returning the bank account nomination form available from:

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

www.abl.com.au/gunns/gunns.htm

To arrange for a bank account nomination form to be sent to you, call the hotline on (03) 9269 4160 or email gunns@ppbadvisory.com.

27 Are there tax consequences for me as a result of the Proposal?

The Proposal and payment of the Sale Proceeds entitlement may have tax consequences for each Grower. The consequences for each Grower will depend on the Grower's individual circumstances. You may wish to seek advice from your personal financial or taxation adviser about the potential tax consequences of receiving your Sale Proceeds entitlement and any choice you may make to give directions to pay your Sale Proceeds entitlement to the Financier.

RESOURCES

28 Where can I get copies of the documents?

Documents are available online at:

www.ppbadvisory.com.au/creditor-information

www.abl.com.au/gunns/gunns.htm

Alternatively, call the hotline on (03) 9269 4160 or email gunns@ppbadvisory.com.

29 Where can I get a copy of the governing documents for my Scheme?

The governing documents for the GSP Schemes, such as the constitution, head lease or lease and management agreement are available on line at <http://www.abl.com.au/gunns/gunns.htm>