

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR URGENT ATTENTION. YOU SHOULD READ ALL OF IT TOGETHER WITH THE SUPPLEMENTARY SCHEME BOOKLET OR BOOKLETS SENT TO YOU. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH THESE DOCUMENTS, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL INVESTMENT ADVISOR IMMEDIATELY.

**GREAT SOUTHERN MANAGERS AUSTRALIA LIMITED
(IN LIQUIDATION) (RECEIVERS AND MANAGERS APPOINTED)
ACN 083 825 405**

GENERAL MEETING BOOKLET

Great Southern Plantations 1998 (ARSN 092 780 204)
Great Southern Plantations 1999 (ARSN 092 452 849)
Great Southern Plantations 2000 (ARSN 085 669 361)
Great Southern Plantations 2001 (ARSN 089 958 029)
Great Southern Plantations 2002 (ARSN 095 343 963)
Great Southern Plantations 2003 Scheme (ARSN 099 131 825)
Great Southern Plantations 2004 (ARSN 107 811 709)
Great Southern Plantations 2005 Project (ARSN 112 744 877)
Great Southern Plantations 2006 Project (ARSN 112 744 902)
(Schemes)

This General Meeting Booklet has been issued by Great Southern Managers Australia Limited ACN 083 825 405 (In Liquidation) (Receivers and Managers Appointed), the responsible entity of the Schemes (**GSMAL** or **Responsible Entity**).

IF YOU WISH TO EXERCISE YOUR VOTES ON THE GUNNS PROPOSAL, YOU SHOULD:

- **ATTEND THE MEETINGS TO BE HELD ON 23 DECEMBER 2009; OR**
- **LODGE YOUR PROXY FORM. PROXIES MUST BE LODGED BY 11:00 AM 21 DECEMBER 2009**

IMPORTANT NOTICE IN RELATION TO THE OFFER BY PULPWOOD PLANTATIONS PTY LTD

Growers will not have an opportunity to consider the Gunns Proposal if the offer by Pulpwood Plantations Pty Ltd (PPPL) is approved at meetings being held on 10 December 2009 by Growers in the 1998 to 2003 Great Southern Plantation Schemes.

Growers in those Schemes who may have previously submitted a proxy to vote in favour of the PPPL proposal in the PPPL meeting process and who now wish to support the Gunns Proposal should submit a new proxy or amend their existing proxy in the PPPL process to vote against the PPPL proposal instead. Refer to the letter by the Receivers and Managers contained in this Booklet at page 3 for further information.

Important Notices

This General Meeting Booklet provides information in relation to a Proposal by Gunns Limited that is common to the Schemes and being put forward for consideration by the Growers in the Schemes at the Meetings of the Schemes (to be held concurrently).

In addition to this General Meeting Booklet, Growers will also receive a Supplementary Scheme Booklet for each Scheme of which the Grower is a member.

Each Supplementary Scheme Booklet is colour coded for the relevant Scheme and provides the Scheme Information, Notice of Meeting for each Scheme, and a matching colour coded Proxy Form.

The General Meeting Booklet and the relevant Supplementary Scheme Booklets are being sent to each person who was registered as a Grower on the Register of one or more of the Schemes as at 5.00pm on 20 November 2009.

You should read both this General Meeting Booklet and the relevant Supplementary Scheme Booklet in their entirety before making a decision on the Resolutions proposed to be put forward at the Scheme Meetings. These documents together contain the information that makes up the explanatory memorandum for each Scheme.

The Scheme Meetings are being held at City Recital Hall 2-12 Angel Place, Sydney, New South Wales on **Wednesday 23 December 2009** at **11:00am** Australian Eastern Daylight Savings Time. The Meetings will take place concurrently. However only registered Growers in each Scheme as at the Voting Entitlement Time will vote on the Resolutions for the relevant Scheme.

Contents of this General Meeting Booklet

Receivers and Managers' Letter

Part A Preliminary Information

Part B Glossary

Part C Information relating to the Gunns Proposal

The information in Parts A and B has been prepared by GSMAL and the Receivers and Managers.

The information in Part C has been prepared by Gunns.

27 November 2009

Dear Grower

Great Southern Managers Australia Limited (In Liquidation) (Receivers and Managers appointed)

Great Southern Plantations – Grower Meetings

The Receivers and Managers (Receivers), on behalf of GSMAL, the Responsible Entity for the Schemes, are calling Meetings of Growers for the 1998 to 2006 Schemes (inclusive). The Meetings will be held concurrently at the **City Recital Hall, 2-12 Angel Place, Sydney, New South Wales** on Wednesday, 23 December 2009 at 11.00am AEDST.

The purpose of the Meetings is for:

- GSMAL to explain its reasons for wanting to retire as Responsible Entity of the Schemes. As Growers are aware, GSMAL is insolvent and is unable to continue to operate the Schemes; and
- Growers to consider a Proposal by Gunns for the future operation of the Schemes.

Growers should note as follows:

- the Gunns Proposal involves a restructure of the Schemes – the Schemes cannot be continued under the current arrangements; and
- whilst the Meetings will be held concurrently, voting on the Resolutions will be on a Scheme-by-Scheme basis.

The Receivers urge all Growers in each of the Schemes to carefully consider these materials, to consult with their professional advisors, and most importantly to exercise their vote.

Growers are reminded that should insufficient votes be cast by Growers on Resolution 4 in the Notice of Meeting, which requires that votes are cast by at least one half of the dollar value of all Woodlots on issue in the Scheme in favour of the Resolution, then the Gunns Proposal will not be passed.

1.0 Recommendation

1.1 The Gunns Proposal

The Receivers consider that the Gunns Proposal (as disclosed in Part C of this General Meeting Booklet and Part C of the Supplementary Scheme Booklets for each Scheme) is superior to the proposal by Pulpwood Plantations Pty Ltd (PPPL) as described on its website as at 20 November 2009 and invite Growers to compare the two proposals.

1.2 Recommendation of the Gunns Proposal compared to the PPPL proposal for the 1998-2003 Schemes

As Growers in the 1998 to 2003 Schemes will be aware, PPPL and Primary RE Ltd have separately outlined the terms of an offer to Growers in those schemes under which PPPL proposes to take over the role of responsible entity from GSMAL. Those proposals are the subject of a separate meeting process.

The Receivers recommend that Growers in the 1998 to 2003 Schemes vote in favour of the Gunns Proposal, in the absence of a superior proposal.

1.3 Key issues for a comparison of the Gunns Proposal and the PPPL Proposal

Some of the key issues which Growers may wish to consider in making their comparison include:

- whether or not there is a clear proposal in relation to your Scheme;

Comments by the Receivers for the assistance of Growers

The Gunns Proposal includes disclosure of its offer in respect of the 1998 to 2006 Schemes. Gunns has not made a proposal for the 2007 Scheme but intends to investigate the feasibility of doing so.

PPPL has stated it expects an offer to be available in the New Year for Growers in the 2004 to 2007 Schemes, only if it is successfully appointed as responsible entity for the 1998 to 2003 Schemes. There is no current offer made to Growers in the 2004, 2005 and 2006 Schemes.

- the amount of the additional fees that will be deducted from net harvest proceeds;

Growers should be aware both proposals involve additional fees being deducted from Net Proceeds of Sale. The table below shows the fees currently proposed by Gunns and PPPL to be charged in relation to their proposals so that you can consider which fees are lower.

Comparison of the additional fees of the Gunns & PPPL proposals

Total applicable fee (includes 5.5% of net harvest proceeds the responsible entity is currently entitled to, excludes expense recoveries and the Receivers' lien)

| Scheme | Gunns | PPPL | Lower additional fees |
|-------------|--------|-----------------------|-----------------------|
| 1998 Scheme | 7.00% | 7.50% ⁽²⁾ | Gunns |
| 1999 Scheme | 12.50% | 14.50% ⁽²⁾ | Gunns |
| 2000 Scheme | 17.50% | 19.50% | Gunns |
| 2001 Scheme | 20.50% | 24.50% | Gunns |
| 2002 Scheme | 27.50% | 30.50% | Gunns |
| 2003 Scheme | 32.50% | 35.50% | Gunns |
| 2004 Scheme | 37.50% | 45.50% ⁽¹⁾ | Gunns |
| 2005 Scheme | 50.00% | 50.50% ⁽¹⁾ | Gunns |
| 2006 Scheme | 55.00% | 55.50% ⁽¹⁾ | Gunns |

*Sources: PPPL website containing the Pulpwood Plantation proposal as at 20 November 2009.
GSMAL General Meeting Booklet*

Notes:

(1) PPPL has disclosed its fees for the 2004 to 2006 Schemes are subject to revision once it assesses the position on disclaimed and terminated leases. There is no formal offer for these Schemes.

(2) Gunns and PPPL have disclosed their additional fees for the 1998 and 1999 Schemes apply to proceeds from unharvested trees received after the date of appointment.

Growers should also consider what expenses will be deducted from Net Proceeds of Sale.

Gunns has negotiated an additional benefit of reduced rent payable by the 1998 to 2004 Schemes. No rent reduction has been negotiated by PPPL.

Both proposals are subject to the recovery from each Scheme of the Receivers' expenditure in relation to the Schemes that is secured by the Receiver' lien. Information about the Receiver' lien is contained in Section 3 of Part A of the General Meeting Booklet.

- the extent to which the proposals affect the rent payable by Growers (a deduction from Net Proceeds of Sale);

Gunns has negotiated that rent payable by the 1998 – 2004 Schemes is waived or reduced to a nominal sum. No rent reduction has been negotiated by PPPL.

Gunns has negotiated a reduction in rent for these Schemes which will benefit all Growers in those Schemes, in return for giving up any right to a second rotation. This benefit is in addition to the lower fees as were summarised above. The table below shows the additional benefit of the rent reduction:

Comparison of additional fees after rental reduction of the Gunns Proposal

Total applicable fee (includes 5.5% of net harvest proceeds the responsible entity is currently entitled to, excludes expense recoveries and the Receivers' lien)

| Scheme | Fee | | Gunns rental reduction (1) | Gunns net fee (1) |
|-------------|--------|--------|----------------------------|-------------------|
| | Gunns | PPPL | | |
| 1998 Scheme | 7.00% | 7.50% | 2.50% | 4.50% |
| 1999 Scheme | 12.50% | 14.50% | 2.50% | 10.00% |
| 2000 Scheme | 17.50% | 19.50% | 2.50% | 15.00% |
| 2001 Scheme | 20.50% | 24.50% | 2.25% | 18.25% |
| 2002 Scheme | 27.50% | 30.50% | 2.00% | 25.50% |
| 2003 Scheme | 32.50% | 35.50% | 2.25% | 30.25% |
| 2004 Scheme | 37.50% | 45.50% | 2.50% | 35.00% |
| 2005 Scheme | 50.00% | 50.50% | | 50.00% |
| 2006 Scheme | 55.00% | 55.50% | | 55.00% |

Sources: PPPL website containing the Pulpwood Plantation proposal as at 20 November 2009.
GSMAL General Meeting Booklet

Notes:

(1) Gunns proposal includes a rent reduction for the 1998 to 2004 Schemes in return for giving up any second rotation right. This is shown as a net fee (after rent reduction). No rent reduction has been negotiated by PPPL, but it asserts a second rotation right.

In contrast, while PPPL assert that Growers in the 1998 to 2004 Schemes have a right to be offered a second rotation, it is not clear on what terms (except in relation to the 1998 and 1999 Schemes). The economic feasibility and costs associated with the second rotation may depend on the level of Grower participation, and some Growers may not want to participate in a second rotation. Further, second rotation is only of potential benefit to those Growers who do elect to participate.

- the Receivers recommend that Growers in the 2004 to 2006 Schemes vote in favour of the Gunns Proposal, given the level of managed investment scheme and forestry experience claimed by Gunns and Gunns Plantations as compared to PPPL and Primary RE Limited;

Gunns and Gunns Plantations, respectively, have disclosed more extensive in-house experience in relation to both managed investment schemes and forestry than does PPPL (including its intended plantation manager Pulpwood International Ltd) and Primary RE Ltd.

- the information provided by Gunns and PPPL about their respective financial capacities to operate the Schemes;

The Gunns Proposal states that Gunns and Gunns Plantations will fund the above amounts required to operate the Schemes through a combination of Gunns' existing cash resources and debt facilities, including from \$45 million in funds raised by Gunns in September 2009. Gunns, an ASX listed public company, has stated in this General Meeting Booklet that it believes it has access to appropriate sources of debt or equity capital to enable Gunns Plantations to perform its obligations in relation to the Schemes.

PPPL has provided limited disclosure as to its financial capacity. It is a privately owned company and has private funding of up to \$20 million (no bank debt) which is to provide working capital for the 1998 to 2003 Schemes to see them through to completion. It has not disclosed funding in relation to the 2004 to 2007 Schemes if it proceeded with an offer in relation to those Schemes.

- the extent to which the proposals address issues related to existing breaches and events of default affecting the head leases for land on which the plantations are located;

Gunns have negotiated with the Receivers to secure additional cure periods of 3 months from the date of their appointment as responsible entity, to remedy existing breaches or events of default on leases from land-owning companies in the Great Southern Group companies which are controlled by the Receivers.

PPPL has not secured from the Receivers any cure period on these matters.

- the extent to which the proposals address issues related to the existing marketing rights for timber produced in relation to the Schemes;

At present, Great Southern Export Company Pty Ltd holds the right to harvest, market and sell timber that is sourced from each of the Schemes. The relevant contracts are described as irrevocable.

Gunns have co-operated with the Receivers and Managers and reached agreement in relation to the termination of these contracts.

In contrast, PPPL have not explained how they intend to deal with these contracts. If the contracts continue, PPPL will have no power over the harvest, marketing or sale of the timber sourced from the Schemes. If they attempt to terminate the contracts without agreement, this may result in legal action and further uncertainty for Growers.

- information disclosed in relation to the plant and equipment to be used in connection with the Schemes;

Gunns has disclosed that it intends to purchase plant and equipment from the Great Southern Group (which is not the property of the Schemes) but which has been used in operating the Schemes. It proposes to use those assets in the operation of the Schemes.

PPPL has not provided details about its operational infrastructure required to operate the Schemes. If any plant and equipment of the Great Southern Group that is not property of the Schemes will be needed for that purpose, PPPL will need to reach agreement with the Great Southern Group on the terms.

- the extent to which aspects of the proposals may remove uncertainties for Growers;

The Gunns Proposal addresses the issue of Growers in the 1998 to 2004 Schemes with respect to a second rotation. Gunns has negotiated a reduction in rent for these Schemes which will benefit all Growers in those Schemes, in return for giving up any right to a second rotation. This benefit is in addition to the lower fees summarised in the table above.

In contrast, while PPPL assert that Growers in those Schemes have a right to be offered a second rotation, it is not clear on what terms (except in relation to the 1998 and 1999 Schemes). The economic feasibility and costs associated with a second rotation may depend on the level of Grower participation, and some Growers may not want to participate in a second rotation. Further, a second rotation offer is only of potential benefit to those Growers who do elect to participate as investors. Finally, PPPL's views with respect to the right of Growers to be offered a second rotation assumes the duration of the head leases can be extended without the consent of the Secured Lenders. This is inconsistent with the views of the Secured Lenders and may require legal action to resolve the issue.

The proposals may however change, and you should continue to review any updates provided by Gunns and PPPL in relation to their offers at their websites.

1.4 Recommendation of the Gunns proposal for the 2004-2006 schemes

There is presently no formal PPPL proposal for Growers in the 2004-2006 schemes and no certainty that there will be any PPPL proposal.

The Receivers recommend that Growers in the 2004 to 2006 Schemes vote in favour of the Gunns Proposal, in the absence of a superior proposal.

1.5 The alternative of winding up the Schemes

GSMAL, the current Responsible Entity, is insolvent and unable to continue as Responsible Entity. There is only very limited funding available to GSMAL. This is not sufficient to maintain the operations of the Schemes and damage to scheme assets may occur. Should Growers not resolve to appoint a replacement responsible entity, GSMAL will likely make an application to the court for the winding up of the Schemes. There is considerable uncertainty as to the value of the Growers' interests in a winding up.

1.6 Action to change your PPPL vote if you support the Gunns Proposal

Growers who have previously submitted a proxy to vote in favour of the PPPL proposal in the PPPL meeting process and who now wish to support the Gunns proposal instead should:

- i. submit a new proxy or amend their existing proxy in the PPPL process to vote against the PPPL proposal; and
- ii. submit the attached proxy in the Gunns meeting process in support of the Gunns Proposal.

Growers should appreciate that the meeting called by PPPL to consider the PPPL proposal will occur before the meeting to consider the Gunns Proposal.

Should the PPPL proposal be approved by Growers for the 1998 to 2003 Schemes, there will be no opportunity for those Growers to consider the Gunns proposal.

As such, Growers wishing to support the Gunns Proposal should vote against the PPPL proposal, lodging or correcting their proxy accordingly.

2. Implementation of the Gunns Proposal in relation to all or some Schemes

For the Gunns Proposal to be implemented, the Resolutions for that Proposal must be separately approved by the Growers of each of the 1998 to 2006 Schemes.

It is not currently proposed that Gunns Plantations will become replacement responsible entity of only those Schemes that approve the Gunns Proposal. The reasons for this are twofold:

- as outlined in the Gunns Proposal, economies of scale are required to operate the Schemes. It would be uneconomic to assume the role of responsible entity for only a limited number of the Schemes; and
- the terms of the Gunns Proposal require that Great Southern Group companies sell certain personal (that is non-scheme) assets to Gunns to enable Gunns Plantations to operate the Schemes as responsible entity. If those assets were available for use in only those schemes for which Gunns Plantations were approved as the responsible entity, the operation of the other Schemes (for which an approval was not given) may be curtailed. Those other Schemes may be unable to proceed with any alternate proposal, and may have to be wound up.

The Gunns Proposal will be implemented if all Resolutions for the Gunns Proposal pass in respect of each of the Schemes.

However, in the event that the Resolutions are not passed for all Schemes, then GSMAL and Gunns may agree to waive the requirement for approval by every Scheme if a substantial majority of the Schemes have approved the Gunns Proposal and the Gunns Proposal remains feasible for both Gunns and the Great Southern Group from a commercial and legal perspective.

3. Information for Growers

The Proposal by Gunns is described in this General Meeting Booklet. The information was current as at 20 November 2009.

In addition to the General Meeting Booklet, you will also receive one or more Supplementary Scheme Booklets containing specific information for each Scheme in which you are a Grower.

The Supplementary Scheme Booklet contains:

- the Notice of Meeting for the Scheme;
- a personalised Proxy form containing your registration details for the Scheme; and
- details about the Proposal which are specific to the Scheme.

The Supplementary Scheme Booklets and Proxy forms are colour coded.

All Growers on the investor register as at 5pm on 20 November 2009 will have received the above information.

4. You must vote separately for each Scheme in which you are a Grower

If you are a Grower in more than one Scheme, in considering the resolutions for each Proposal, you must vote separately for each Scheme of which you are a member. A vote cast on one Scheme is not a vote cast in relation to any other Scheme.

In each Scheme you are being asked to vote on:

- whether to approve the Proposal;
- whether to approve Gunns Plantations to take over the operation of the Scheme if the Proposal is approved; and
- whether to approve a restructure of the Scheme's constitution and Grower Agreements in the manner contemplated in the Gunns Proposal.

It is important that you read the General Meeting Booklet in its entirety and the Supplementary Scheme Booklet(s), and seek financial or other professional advice if you are uncertain. The requirements in relation to the appointment of proxies are outlined at section 6 of Part A of this General Meeting Booklet.

5. Independent Chair

The Meetings will be chaired by an independent chairperson.

6. Grower Queries

If you have any queries in relation to the Meetings, a Scheme of which you are a Member or any information in the General Meeting Booklet or the Supplementary Scheme Booklet, the Grower hotline may be able to assist.

The phone number for the Grower hotline is 1800 258 348 from within Australia or + 61 8 9320 9700 from outside Australia.

Alternately, if you have any queries about the Gunns Proposal, please contact the Gunns hotline on 1800 242 300 or + 61 2 9207 3622 if calling from outside Australia.

Yours faithfully



Tony McGrath
Receiver and Manager
Great Southern Managers Australia Limited
(In Liquidation) (Receivers and Managers Appointed)

PART A: PRELIMINARY INFORMATION

Subject to the disclaimers set out in section 11 of Part A of this General Meeting Booklet, the Receivers and Managers (on behalf of GSMAL) accept responsibility for:

- pages 1 and 2 of the General Meeting Booklet including the sections entitled 'Important Notice' and 'Contents of this General Meeting Booklet';
- the Receivers and Managers' letter;
- Part A (Preliminary Information) of the General Meeting Booklet – refer to the disclosure statements at section 11;
- Part B (Glossary) of the General Meeting Booklet;
- pages 1 and 2 of each Supplementary Scheme Booklet including the section entitled 'Important Notices';
- Part A (General Information) of each Supplementary Scheme Booklet;
- Part B (Notice of Meeting) of each Supplementary Scheme Booklet; and
- the Schedule to each Supplementary Scheme Booklet.

1. Background information

1.1 Appointment of Administrators, Liquidators, and Receivers and Managers

GSMAL is a subsidiary of Great Southern Limited (In Liquidation) (Receivers and Managers appointed) (**GSL**).

On 16 May 2009, Martin Jones, Andrew Saker, Darren Weaver and James Stewart of Ferrier Hodgson were appointed as joint and several administrators over GSL and 34 related entities, including GSMAL.

The appointment was made pursuant to section 436A of the Corporations Act.

Subsequent to this, on 18 May 2009, Anthony McGrath, Colin Nicol, James Thackray and Simon Read were appointed by the Secured Lenders as joint and several Receivers and Managers over various companies in the Great Southern Group of companies, including GSMAL. Anthony McGrath, Colin Nicol, James Thackray and Simon Read were also appointed as Receivers over GSPM.

The Receivers and Managers have operational control of all entities over which they have been appointed, with the exception of GSPM. The appointment over GSPM was made pursuant to real property mortgages held by the Secured Lenders and RAPT Banks. These real property mortgages confer control over the specific properties over which mortgages were granted.

On 19 November 2009, the Administrators were appointed as liquidators over the 27 companies in the Great Southern Group which went into liquidation.

1.2 *Status of GSMAL*

GSMAL is insolvent and unable to fund the operations and management of the Schemes. Notwithstanding that GSMAL is insolvent, it remains as the Responsible Entity of each of the Schemes.

Whilst some funding has been available to the Receivers and Managers in order to undertake some critical work in relation to the Schemes, this funding has been limited. In order to best ensure that the Schemes are able to continue operating, the Receivers and Managers have sought to find a replacement responsible entity for the Schemes.

Below is an outline of the process undertaken by the Receivers and Managers.

1.3 *Assessment of the Schemes*

Following their appointment, the Receivers and Managers undertook an assessment of each of the Schemes. Following this assessment, the Receivers and Managers determined that for each Scheme the role of responsible entity was unlikely to be commercially attractive to any party under the current arrangements.

The Receivers and Managers determined, however, that the Schemes could potentially be viable if:

- a replacement company could be located to take over the role of responsible entity from GSMAL; and
- the replacement company put forward a proposal for amendments to the Scheme Constitutions and Grower Agreements and obtained the consent of Growers to those revised arrangements.

1.4 *Identification of prospective responsible entities*

In order to identify a replacement responsible entity, the Receivers and Managers engaged with a number of parties who had expressed an interest in taking on the role of responsible entity of some or all of the Schemes. To facilitate the sales process, an on-line data room was established including information in relation to each of the Schemes. On Thursday, 10 September 2009 an advertisement was placed in the Australian Financial Review calling for expressions of interest from parties interested in:

- replacing GSMAL as responsible entity of the Schemes; and / or
- acquiring pulpwood forestry assets and related infrastructure.

Expressions of interest were due by Wednesday, 16 September 2009 and indicative offers were due by Wednesday, 23 September 2009.

There were 29 parties granted access to the Great Southern forestry data room during the process, and the Receivers and Managers received 16 non-binding indicative offers. Of these, five non-binding indicative offers were received in relation to taking over the role of responsible entity for some or all of the Schemes. Over the course of the past two months, one of the parties withdrew their offer as a result of funding constraints whilst others revised the terms of their indicative offers.

The Receivers and Managers undertook an assessment of the various expressions of interest and indicative offers and liaised with each of the parties who had submitted proposals to act as replacement responsible entity. These parties had the opportunity to continue their due diligence during this further period.

The terms of the Gunns Proposal are the result of lengthy negotiations and the competitive tender process.

1.5 *Status of sale of land*

The Schemes are operated on land owned or leased by an entity in the Great Southern Group. Freehold land is, relevantly, owned by GSPM, GSPH and Great Southern Land Holdings Pty Ltd (in liquidation) (receivers and managers appointed) (**GSLH**), which are all companies over which the Receivers and Managers have been appointed as receivers and managers (or in the case of GSPM, as receivers).

As outlined above, the Receivers and Managers have called for expressions of interest for the sale of freehold land owned by GSPM, GSPH and GSLH. This sale process is ongoing but does not affect the proposed change of responsible entity.

2. **Scheme information**

2.1 *Nature of the Schemes*

Each of the Schemes is a registered managed investment scheme and is governed by its own Constitution which binds Growers in the Scheme. Each Grower in a Scheme has also entered into a Grower Agreement which contains arrangements for the lease of a Woodlot and the maintenance and subsequent harvesting of trees under a pooling arrangement for the common enterprise conducted by all Growers in the Scheme.

The Schemes are separate businesses from each other, so that Growers in one Scheme are only entitled to receive a return from the harvest of trees on the plantations established for that Scheme, and not from the other Schemes.

Whilst the Schemes are separate businesses, they have been operated in an integrated manner. In this regard, GSMAL has used common equipment (being assets of the Great Southern Group) in the operations and management of the different Schemes.

If this common equipment were to be sold or disposed of by the Great Southern Group, and not be made available for use in connection with the Schemes, the need to secure replacement equipment would potentially increase the costs of operating each Scheme.

2.2 *Plantations and Harvest profile*

Each of the Schemes consist of hardwood plantations and are comprised of Eucalyptus trees (predominantly *Eucalyptus globulus*).

Whilst earlier Schemes were generally planted in the year the Scheme was initiated (for example, the 1999 Scheme Plantation was planted during 1999), from 2003 onwards in some Plantations there was a delay of up to two calendar years between the commencement of the Scheme and the complete planting of trees.

Within each Scheme there are a number of different Plantations – each with its own harvest profile. For instance, within the 2003 Scheme, harvest dates for the various plantations range from 2010 to 2015.

Growers should refer to the paragraph entitled 'Harvesting of a Grower's forest produce' in Part C of this General Meeting Booklet in relation to the Gunns Proposal regarding the changes to the Constitutions and Grower Agreements in relation to the timing of harvest.

Harvesting has already commenced in relation to certain of the earlier Schemes. Set out below is a table providing information in relation to Schemes where harvesting has commenced and the extent to which harvesting has been completed.

| Great Southern - Forestry harvest profile | | | | |
|--|--------------------------|----------------------------|----------------------------------|---|
| Scheme | Harvest Commenced | Status (% Complete) | Scheduled Completion Date | Projected Profile by December 2010 |
| 1998 Scheme | January 2009 | 85% | June 2010 | Complete |
| 1999 Scheme | August 2008 | 36% | June 2011 | 75% Complete |
| 2000 Scheme | November 2009 | 0% | June 2012 | 25% Complete |

Source: Great Southern Forestry

The forestry harvest profile and scheduled completion dates are estimates only. In preparing this estimate the following considerations are relevant:

- the Plantations scheduled for harvesting from the 1999 Scheme and 2000 Scheme in the South Coast Region (Albany, Western Australia), are dependent on the sale volumes to be negotiated. To date, no vessels have been confirmed beyond March 2010; and
- the Plantations scheduled for harvesting from the 1999 Scheme and 2000 Scheme in the Green Triangle Region (Portland, Victoria), are dependent on the construction of a Chip Terminal in the Port of Portland and the finalisation of agreements with the proposed service providers. In addition, sale volumes and supply agreements will need to be negotiated.

2.3 Growers by Scheme

The table below summarises each of the Schemes by funds invested, number of Growers, minimum investment and size of Woodlot.

| Great Southern - 1998 to 2006 Forestry schemes | | | | |
|---|------------------------------|---------------------------|----------------------------------|------------------------|
| | Grower funds invested | Number of Woodlots | Cost per Woodlot (ex GST) | Size of Woodlot |
| | (\$'m) | | (\$) | ha |
| 1998 Scheme | 31 | 1,813 | 3,000 | 0.36 |
| 1999 Scheme | 38 | 2,268 | 3,000 | 0.36 |
| 2000 Scheme | 128 | 4,988 | 3,000 | 0.33 |
| 2001 Scheme | 42 | 2,055 | 3,000 | 0.33 |
| 2002 Scheme | 55 | 2,254 | 3,000 | 0.33 |
| 2003 Scheme | 158 | 4,393 | 3,000 | 0.33 |
| 2004 Scheme | 238 | 7,586 | 3,000 | 0.33 |
| 2005 Scheme | 342 | 9,847 | 3,000 | 0.33 |
| 2006 Scheme | 251 | 7,406 | 3,000 | 0.33 |
| Total | 1,282 | 42,610 | | |

Source: McGrathNicol scheme analysis

* In relation to those Schemes where some Woodlots were located on the Tiwi Islands (being the 2005 Scheme and the 2006 Scheme) the size of the Woodlot located on the Tiwi Islands was 0.50ha.

As outlined, there are 42,610 Woodlots across the 1998 to 2006 Schemes. These Woodlots are owned by approximately 29,000 Growers.

2.4 Location of Plantations by Scheme

With the exception of the 1998 Scheme, each of the Schemes is comprised of Plantations in a number of different locations. For example, the 2005 Scheme is comprised of Woodlots that have been planted throughout each of Great Southern's nine Plantation areas.

The location of Schemes by Plantation is summarised in the table below.

| Great Southern Plantations - Scheme Net Planted Area summary by region | | | | | | | | | | |
|---|---------------|----------------|-----------------------|---------------|------------------|-----------------|-------------------|-------------------|----------------|----------------|
| Scheme (Hectares) | Albany | Bunbury | Green Kangaroo | | | | | | Tiwi | TOTAL |
| | WA | WA | Triangle | Island | Gippsland | Tasmania | East Coast | East Coast | Islands | |
| | WA | WA | SA/VIC | SA | VIC | TAS | NSW | QLD | NT | |
| 1998 Scheme | 616 | - | - | - | - | - | - | - | - | 616 |
| 1999 Scheme | 2,873 | - | 1,027 | - | - | - | - | - | - | 3,900 |
| 2000 Scheme | 10,269 | - | 5,295 | - | - | - | - | - | - | 15,564 |
| 2001 Scheme | 1,869 | - | 1,752 | - | - | - | - | 1,115 | - | 4,737 |
| 2002 Scheme | 2,574 | 129 | 2,466 | - | - | - | - | 1,269 | - | 6,438 |
| 2003 Scheme | 6,420 | 228 | 9,753 | - | - | - | - | 3,604 | - | 20,005 |
| 2004 Scheme | 4,078 | 4,890 | 7,544 | 3,486 | - | 1,050 | 3,134 | 3,429 | - | 27,611 |
| 2005 Scheme | 3,989 | 4,450 | 8,010 | 3,733 | 1,296 | 3,613 | 1,816 | 1,202 | 14,032 | 42,140 |
| 2006 Scheme | 4,061 | 1,596 | 8,403 | 3,034 | 2,941 | 2,684 | 452 | - | 6,071 | 29,242 |
| TOTAL NPA | 36,750 | 11,293 | 44,249 | 10,253 | 4,236 | 7,347 | 5,402 | 10,619 | 20,103 | 150,252 |

Source: ForestryModelInput27Aug2009

2.5 Status of land on which each Scheme is operated

The table below summarises the manner in which the land on which each Scheme is operated is held, including the net plantable area of freehold land and the leasehold land and the extent to which the leases for the leasehold land have been terminated or may be terminated by the landlord. This information was prepared as at 27 August 2009 following a review by an independent forester.

Great Southern - Terminated and Terminable leases as at 20 November 2009

| Scheme (Hectares) | Freehold Land ⁽¹⁾ | Leasehold Land ⁽²⁾ | Leasehold Terminated ⁽³⁾ | Leasehold Terminable ⁽⁴⁾ |
|-------------------|------------------------------|-------------------------------|-------------------------------------|-------------------------------------|
| 1998 Scheme | 616 | - | - | - |
| 1999 Scheme | 3,809 | 91 | - | - |
| 2000 Scheme | 15,051 | 513 | - | - |
| 2001 Scheme | 4,414 | 323 | - | - |
| 2002 Scheme | 5,248 | 1,190 | - | - |
| 2003 Scheme | 17,699 | 2,306 | - | - |
| 2004 Scheme | 21,345 | 6,266 | 220 | 6,046 |
| 2005 Scheme | 25,949 | 16,191 | 14,190 | 2,002 |
| 2006 Scheme | 20,091 | 9,152 | 6,071 | - |

Source: McGrathNicol scheme analysis

Notes

(1) Freehold - Land owned by a Great Southern Group company and leased to GSMAL

(2) Leasehold - Land owned by a third party and leased (directly or indirectly) to GSMAL

(3) Terminated - relates to land for which a valid notice of termination has been issued

(4) Terminable - relates to situations where a s419A has been issued but no notice of termination has been received to date.

The column "Leasehold Terminated" shows the percentage of the leasehold land on which the relevant Scheme is operated where the lease has been terminated. As at 20 November 2009, there have been lease terminations in the 2004 to 2006 Schemes. Growers should refer to circulars in relation to leases released on 2 October 2009 which are available on the Great Southern website (www.great-southern.com.au). All terminations of leases referred to in the table in relation to the 2005 and 2006 Schemes (except for one lease) relate to the Tiwi Islands. The lease termination in the 2004 Scheme does not relate to the Tiwi Islands.

The column "Leasehold Terminable" shows the number of hectares of the leasehold land on which the relevant Scheme is operated where the rent has not been paid and may be terminated by the third party landlord (unless the landlord and the replacement responsible entity make arrangements for these leases to continue). Growers should refer to the section entitled 'Overview of the Gunns Proposal' in Part C of this General Meeting Booklet in respect of the Gunns Proposal in relation to affected Growers.

See the additional information regarding leases that are terminated or terminable included in relation to offers of insurance under paragraph 2.6(c) below.

If Growers are uncertain as to whether their Woodlots are on leased land where the lease either has been terminated or is terminable, this information may be accessed from: www.great-southern.com.au a list of Woodlots on land leased from third parties has been posted on the investor portal (<https://investors.great-southern.com.au>).

High Productivity Equivalent – Additional Resource Trees (HPE)

GSMAL has allocated 'additional trees' (HPE) to the 1998 to 2006 Schemes for the purpose of ensuring that the stated target yields for those schemes were achievable.

Trees on the following areas appear to the Receivers and Managers to be trust property in relation to the Scheme specified:

- 1998 Scheme: 92 ha;
- 1999 Scheme: 240 ha;
- 2000 Scheme: 1,835 ha;

- 2001 Scheme: 698 ha;
- 2002 Scheme: 464 ha;
- 2003 Scheme: 1,416 ha;
- 2004 Scheme: 1,603 ha;
- 2005 Scheme: 444 ha; and
- 2006 Scheme: 199 ha.

As set out in the table in section 2.2 above, some of the relevant trees in the 1998 Scheme, 1999 Scheme and 2000 Scheme have been harvested or are in the process of being harvested, with the proceeds being held on trust for Members of the relevant Scheme.

The obligation to hold the additional trees in relation to the Schemes referred to above for the benefit of Growers in that Scheme will transfer to Gunns Plantations under statute in the event Gunns Plantations replaces GSMAL as responsible entity of the Schemes.

Please also refer to the information provided by Gunns entitled 'High productivity equivalent reserve' in section 7.10 of Part C of this General Meeting Booklet.

2.6 *Current status of the Schemes*

(a) Maintenance

As detailed in section 3 below, the Receivers and Managers have undertaken limited work to protect and preserve the assets of the Schemes. Given the limited funding that is available, this work has been restricted to that which is regarded as critical to the Schemes. There will be a substantial backlog of maintenance requirements which will be the responsibility of any replacement responsible entity approved by Growers.

(b) Firebreaks

Fire prevention works commenced in early November and are currently in varying degrees of completion across the Plantations. There have been some delays due to access restrictions and weather conditions such as recent fire warnings in the East Coast and South Australia. Works are specific to properties and regions, but include:

- fire breaks including breaks within Plantations;
- reduction of fuel loads around infrastructure and where otherwise required; and
- grading where required.

(c) Insurance

As foreshadowed in a circular to Growers on 21 September 2009, the insurance of Grower's Woodlots previously arranged on behalf of Growers by the Responsible Entity expired on 30 September 2009. Therefore, absent insurance taken out specifically by Growers, Growers' Woodlots have been uninsured since 30 September 2009.

A circular to Growers released on 16 October 2009 set out details of an offer to insure Woodlots from Agricola Underwriting Management Pty Ltd (**Agricola**).

As set out in a circular to Growers on 18 November 2009, the offers and quotations for insurance by Agricola differ according to the Schemes and where Woodlots are located.

In particular, no offer of insurance has been made in respect of Woodlots on land located in the Tiwi Islands (i.e. certain Woodlots in the 2005 Scheme and 2006 Scheme). As a result of the termination of leases by the Tiwi Land Council, as landlord the Tiwi Land Council is now in possession of the land on which the Woodlots are located and under the terms of the lease, the landlord holds the legal interest in the trees on the land.

A list of Woodlots on the Tiwi Islands has been posted on the investor portal (<https://investors.great-southern.com.au>).

The 2004 Scheme and 2005 Scheme operate, in part, on land leased from third parties throughout Australia. The rental due to these landlords on 1 October 2009 was not paid. A number of these landlords have given a written notice of default and may have the right to terminate these leases. If these leases are terminated by the landlords, the title in the trees may pass to the landlord. For these reasons, Agricola has not provided an offer of insurance to investors with Woodlots on land leased from third parties in the 2004 Scheme and 2005 Scheme.

In respect of all other Schemes operating on land leased from third parties (other than third party leases on Tiwi Island Plantations and in the 2004 Scheme and 2005 Scheme) the Receivers and Managers have to date received limited funding to pay the rental due to third party landlords on a monthly basis.

A list of Woodlots on land leased from third parties has been posted on the investor portal (<https://investors.great-southern.com.au>).

Growers should refer to section 7.4 entitled 'Remuneration of the responsible entity out of Insurance Proceeds' in the description of the Gunns Proposal found in Part C of this General Meeting Booklet for information concerning Gunns Plantations' intentions regarding insurance if it becomes responsible entity.

(d) Contractual arrangements

GSMAL entered into a number of contracts in relation to the maintenance and management of the Plantations the subject of the Schemes as well as the harvesting, marketing and sale of timber from the Schemes. This included contracts with a number of Great Southern Group entities.

To the extent that these agreements were entered into by GSMAL on behalf of the Schemes, these contracts will novate to a replacement responsible entity as a result of the effect of certain provisions of the Corporations Act.

In relation to Gunns' intentions regarding some of these contracts, Growers should refer to the information in the section entitled 'Overview of the Gunns Proposal' in section 2.1 and 'Treatment of liabilities and contracts' in the summary of the terms of the Implementation Agreement in section 11.1 of Part C of the General Meeting Booklet.

2.7 *Maintenance Reserve Funds*

Under the Constitutions for the MRF Schemes (the 1998 to 2003 Schemes inclusive), Maintenance Reserve Funds are required to be established by the responsible entity from its own funds to make provision for the payment or reimbursement of any 'plantation expenses'. In respect of the 2000 to 2003 Schemes, the Maintenance Reserve Funds can also be disbursed in relation to 'head lease costs' (being rent or outgoings payable by the responsible entity under a third party lease in which it leases land related to that Scheme).

The Maintenance Reserve Funds are to be held by the responsible entity as a separate and distinct fund and can only be disbursed as provided for by the relevant MRF Scheme Constitutions. The Maintenance Reserve Funds cannot be applied to pay other Scheme expenses generally or to pay expenses of other Schemes where no MRF exists.

Under the MRF Scheme Constitutions, an independent forester must make an annual determination of the plantation expenses and, if relevant, head lease costs for each Scheme by 31 July in each year. If the revised amount for an MRF Scheme is greater than the amount in the Maintenance Reserve Fund, the responsible entity must pay the difference into the MRF.

The Receivers and Managers are currently assessing the extent that the available Maintenance Reserve Funds could be used to pay expenses which are permitted under the

relevant MRF Scheme Constitutions. To the extent that funds within a Maintenance Reserve Fund have been used to meet relevant expenses, the receipt of these funds will reduce the amount that is recoverable under the Receivers and Managers' lien. This does not affect the remaining Schemes that do not have a Maintenance Reserve Fund.

In relation to the future of Maintenance Reserve Funds under the Gunns Proposal, Growers should refer to the section entitled 'Maintenance Reserve Fund' in the description of the Gunns Proposal found in Part C of this General Meeting Booklet.

3. Receivers and Managers' lien

The Receivers and Managers have incurred expenses in the care, preservation, protection and realisation of scheme property in relation to the Schemes.

The Receivers and Managers have an entitlement to a lien over the Schemes' property and the product thereof, for their reasonable expenses and reasonable remuneration, which has been recognised by the Supreme Court of Victoria by order dated 19 August 2009.

A lien is a security right conferred by operation of law that is granted over an item of property to secure the repayment of expenses incurred in the care, preservation, protection and realisation of that property.

The amount of the reasonable expenditure and reasonable remuneration secured by the Receivers and Managers' lien will be deducted from the gross sale proceeds of harvest (prior to the deduction of all harvest related expenditure including fees payable to the responsible entity) for the Scheme to which the expenditure relates.

The types of expenses and remuneration in respect of which the lien may operate include:

- employee costs & contractor payments;
- air charter (Tiwi Islands);
- sea freight (Tiwi Islands);
- fuel & oil;
- materials (such as herbicides & defoliants);
- repairs and maintenance;
- operating lease, rent & hire;
- utilities;
- insurance;
- lease payments;
- legal fees; and
- Receivers and Managers' fees.

The total amount of expenditure and remuneration secured by the lien as at the date of this General Meeting Booklet has not been fully quantified. In the period to 30 September 2009, cash payments of approximately \$7.5 million were made by the Receivers and Managers in relation to the Schemes. This amount excludes uncleared cheque payments and accrued commitments as at 30 September 2009 which are being separately assessed.

The Receivers and Managers' expenditure and remuneration in relation to the Schemes and secured by the lien is ongoing.

Any return payable to Growers from Net Proceeds of Sale will be subject to deductions for:

- amounts recoverable under the Receivers and Managers' lien; and
- the fees payable to the replacement responsible entity and any other amounts that the Constitutions and Grower Agreements allow to be deducted.

For information in relation to the additional or increased fees to be payable to the responsible entity under the Gunns Proposal, and the additional expenses that may be deducted, see the information provided under the heading 'Details of the Gunns Proposal – Amendments to the Constitution and Growers Agreements' in Part C of this General Meeting Booklet.

See also the information under the heading "The Receivers and Managers' lien" in section 7.13 of Part C of this General Meeting Booklet in relation to the manner in which the Receivers and Managers' lien will be dealt with under the Gunns Proposal.

4. Second Rotation Crop

4.1 Extension of term of sub-lease between the Grower and the responsible entity

The Grower Agreements for the 1998 to 2004 Schemes provide that, prior to the expiration of the Grower's sub-lease, a Grower may make an application to the responsible entity (being the lessor) for an extension of the term of the sub-lease until the first harvest of coppice. This has been referred to generally as the 'Second Rotation Option'.

The Grower Agreements provide that the responsible entity has an absolute discretion as to whether to accept or reject such an application by a Grower, as well as to the commercial terms of any extension. Economically, the right of a Grower to make such a request will only have value to the extent that the responsible entity elects to offer suitable terms. There is no obligation on the responsible entity to do so.

4.2 Secured Lenders

GSMAL as the responsible entity leases property used in the Schemes from GSPM, GSPH or GSLH ('Head Leases'). GSMAL as responsible entity then sub-leases that land to each of the Growers in the Scheme.

In the event that the responsible entity in its absolute discretion determines to accept an application by a Grower to extend their sub-lease, the responsible entity would need to first secure an extension of the Head Lease in order to grant an extension of the sub-lease.

The Secured Lenders have charges over the assets and undertakings of GSMAL. While the charges do not extend to any 'scheme property' which is legally owned by GSMAL and held on trust for scheme members, the charges do extend to property 'in relation to a scheme', which is not scheme property. That property may transfer to a new responsible entity under the statutory novation provisions of the Corporations Act. The Receivers and Managers and the Secured Lenders, on whose behalf they were appointed, will continue to have rights in respect of those assets which are novated or transferred across to the new responsible entity under the charges, notwithstanding the novation.

This is particularly relevant in the case of the Head Leases.

The Receivers and Managers and the Secured Lenders consider that the Head Leases will remain subject to the charges, notwithstanding novation to a new responsible entity and that the new responsible entity will be required to seek the Secured Lenders' consent to any extension of a Head Lease.

4.3 RAPT Banks

As noted above, some of the property sub-leased to Growers by GSMAL has been leased by GSMAL from GSPM under a Head Lease. Most of the properties owned by GSPM are subject to mortgages held by the RAPT Banks.

In certain circumstances the RAPT Banks are not required to consent to the extension of any Head Leases between GSPM and GSMAL, eg if the extension is for other than market rent.

4.4 *Grower Considerations*

In summary, under the current Scheme Constitutions, the value to Growers of the Second Rotation Option, depends upon a range of factors including:

- the responsible entity exercising its absolute discretion to accept an application by a Grower for the extension of their sub lease;
- unknown future terms of any such extension, set by the responsible entity in its absolute discretion;
- ability of the responsible entity to obtain the consent of the Secured Lenders to an extension of the Head Lease and the risk that a court will uphold the right of the Secured Lenders to refuse that consent; and
- in addition, in relation to property of GSPM mortgaged in favour of the RAPT Banks and leased to GSMAL, the ability of the responsible entity to obtain the consent, where required, of the RAPT Banks to an extension of the Head Lease of that property.

Growers should carefully consider how any prospective replacement responsible entity intends to approach this issue.

In particular, Growers should refer to the section entitled 'Second Rotation' in the description of the Gunns Proposal found in section 7.12 of Part C of this General Meeting Booklet.

5. **Costs of Meetings**

At this stage, the Receivers and Managers estimate that the costs associated with the Meetings process for the Schemes with approximately 42,610 Woodlots and approximately 29,000 individual Growers will be in the order of \$1.3 million to \$1.6 million.

This estimate includes venue hire, registry costs, printing & postage and professional fees, Receivers and Managers' fees and legal fees.

The costs associated with the Meetings may be recoverable under the Receivers and Managers' lien. More details regarding the Receivers and Managers' lien can be found at section 3 of Part A above.

6. **Meeting information**

6.1 *Time, date and venue*

The Meetings will be held at **City Recital Hall 2-12 Angel Place, Sydney, New South Wales** on Wednesday 23 December 2009 at 11:00 am AEDST.

6.2 *Purpose of Meetings*

GSMAL is insolvent and cannot fund the operation and management of the Schemes. For this reason, GSMAL wishes to retire as responsible entity of the Schemes. Under the Corporations Act, it is calling a meeting of Growers of the Schemes to explain its reason for wishing to retire and to give the Growers the opportunity to appoint a new responsible entity of the Schemes.

Growers are being asked to consider the appointment of Gunns Plantations as the new responsible entity for the Schemes and to approve all aspects of the Gunns Proposal.

In broad terms, the Resolutions if passed and implemented ask Growers to approve:

- the Gunns Proposal;
- the appointment of Gunns Plantations as the new responsible entity; and
- the amendments to the Scheme Constitutions and Grower Agreements in the manner proposed under the Gunns Proposal.

6.3 *Chairman*

The Meeting will be chaired by an independent Chairman.

Members who wish to appoint the Chairman as their proxy may do so by marking the appropriate box on the Proxy Form. For details of how to appoint a proxy please see section 6.5.

6.4 *Voting*

If you are entitled to vote at the Meetings, you may vote by attending the Meetings in person, by attorney or proxy or, in the case of corporate Members, by a corporate representative.

Each Scheme will have a separate vote on the Gunns Proposal. The Resolutions for each Scheme are substantially the same. Broadly, the Resolutions for each Scheme can be categorised as:

- an **ordinary** resolution approving the Gunns Proposal;
- a **special** resolution amending the Scheme's constituent documents as set out in the Gunns Proposal;
- an **ordinary** resolution approving certain amendments being made to the Grower Agreements through the use of powers of attorney given by Growers in relation to the Scheme; and
- an **extraordinary** resolution appointing the nominee of Gunns, Gunns Plantations, as the new responsible entity of the Scheme.

Under the Corporations Act, different voting thresholds apply to the Resolutions:

- an ordinary resolution is a resolution that has been passed by at least a simple majority of votes cast by Members entitled to vote;
- a special resolution is a resolution that has been passed by at least 75% of votes cast by Members attending the Meeting in person or by proxy and entitled to vote; and
- an extraordinary resolution is a resolution that has been passed by at least 50% of the total votes that may be cast by Members entitled to vote (including Members who are not present in person or by proxy).

Given the high voting thresholds for special and extraordinary resolutions, it is important that Growers cast a vote. If you are unable to attend in person, you should consider lodging a Proxy Form (see section 6.5 for more information).

6.5 *Proxies*

If you are unable to attend the Meeting, you are strongly encouraged to complete and return a Proxy Form in accordance with the instructions on that form. You will have received a Supplementary Scheme Booklet in relation to each Scheme of which you are a Member. Each Supplementary Scheme Booklet contains a Proxy Form relevant to that Scheme.

Importantly, Growers should note that if you are a Member of more than one Scheme, you will need to complete a Proxy Form for each of those Schemes in order to cast your vote.

Each Member of a Scheme who is entitled to attend and cast a vote has a right to appoint a proxy to attend and vote for the Member at the Meeting of that Scheme.

If a Member is entitled to cast 2 or more votes, that Member may appoint 1 or 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportions or number is not specified, each proxy may exercise half of the votes (provided that any fractions of votes that result will be disregarded).

A proxy need not be a Member of any Scheme.

For an appointment of a proxy to be valid, the completed Proxy Form (and if signed by attorney, the authority under which the appointment was signed or a certified copy of the authority) must be:

- received by email at greatsouthern@computershare.com.au;
- received by post at Computershare Investor Services Pty Limited, GPO Box 242 Melbourne, Victoria, Australia 3001;
- received by facsimile at facsimile number: 1800 783 447 within Australia or + 61 3 9473 2555 outside Australia; or
- received in person at Computershare Investor Services Pty Ltd, 452 Johnston Street, Abbotsford, Victoria,

no later than 11.00am AEDST on 21 December 2009 (being 48 hours prior to the time of the Meetings).

6.6 *Voting in person or by representative*

Corporations that are Growers and eligible to vote on the Proposals and who wish to attend and vote at the relevant Meeting must appoint an individual as a representative who must bring with them the original document properly authorising their appointment under section 253B of the Corporations Act. A corporate representative form can be obtained from Computershare by calling 1300 850 505 (within Australia) and + 61 3 9415 4000.

If you have appointed an attorney, that attorney must provide sufficient evidence of its appointment to vote on your behalf.

If you plan to vote in person or, in the case of a corporation, by representative, please arrive **at least 1 to 2 hours** before the starting time so that we can register your attendance, confirm any appointment as representative, check the number of votes you are entitled to and issue you with voting papers. Please bring your (unused) Proxy Form(s) with you to assist in the registration process.

Registration will commence at 9.00am AEDST on the day of the Meetings.

6.7 *Voting Entitlement Time*

The Scheme constitutions provide that GSMAL may close the Registers for a period of up to 7 days subject to 14 days notice being given by way of placing a notice in a newspaper circulating generally throughout the State in which the Register for a Scheme is maintained.

GSMAL intends to give notice in The Australian newspaper that it will close the Registers from 5.00pm 14 December 2009 and re-open the Registers at 5.00pm on 21 December 2009. During this time, no transfers of Woodlots will be recorded by GSMAL in the Registers of the Schemes.

The purpose of closing the Registers is to ensure that all transfers submitted to GSMAL before the date on which the Registers are closed are accurately recorded in the Registers and that Registers are reconciled well before the Meetings so that voting entitlements can be

calculated. If you are recorded as a Grower in a Register of a Scheme at 11.00am on 21 December 2009 (**Voting Entitlement Time**), you will be entitled to vote at the relevant Meeting/s.

6.8 *Voting entitlements - general*

On a show of hands, each Grower has one vote. On a poll, each Grower has one vote for each dollar of the value of the total interest they have in a Scheme.

All Resolutions will be voted on as a poll.

The special and extraordinary Resolutions must be decided on a poll. Any other Resolutions put to the vote at a Meeting of the Growers must be decided on a show of hands unless a poll is demanded in accordance with the Corporations Act. The independent Chairman will demand that voting on each of the ordinary Resolutions is conducted by poll.

Each Grower will be given a vote for all Woodlots registered in their name based on the value of their Woodlots. The value of each Woodlot will be determined by GSMAL in accordance with the requirements of section 253F of the Corporations Act.

Following the insolvency of GSMAL, some leases in respect of land on which Woodlots are situated, have been terminated by the landowner (head lessor) where a default has occurred, for example non payment of rental. In the case of some other leases in respect of land on which Woodlots are situated rent has not been paid and the lease is terminable by the head lessor. Woodlots may be attributed different values for the purposes of the voting, where affected by these circumstances. GSMAL intends, prior to the date of the Meeting, to seek the directions of the Court in relation to the voting value of Woodlots for the purposes of section 253F of the Corporations Act.

Growers may call the Grower Hotline on 1800 258 348 or review the Great Southern investor relations website (<https://investors.great-southern.com.au/>) for further information regarding the status of the leases for Woodlots registered in their name.

6.9 *Voting entitlements – clients of financial adviser banned by ASIC*

The Receivers and Managers are aware of claims by persons currently recorded as Growers that they were not aware of, or were misled as to the nature of, their investment in the 2003 to 2006 Schemes.

It is proposed that the affected persons be treated as Growers for the purposes of calculating eligible votes at the relevant Meetings. If the votes that could be cast by such persons could impact on the results of the Meetings (i.e. the results are very close and could turn upon the counting or discounting of their votes), the Receivers and Managers will consider seeking Court directions as to the eligibility of the affected persons to vote.

6.10 Voting exclusions

In accordance with section 253E of the Corporations Act, the Responsible Entity and its associates (as defined in the Corporations Act) are not entitled to vote their interests on a Resolution at the Meetings if they have an interest in the Resolution or matter other than as a Member.

The following Great Southern Group companies hold Woodlots in the Schemes:

| Great Southern ownership interests in 1998 to 2006 Forestry schemes | | | | | | |
|--|-------------------------------------|---|---|--------------------------|---------------------------|--------------|
| Scheme | GSPH Interest ⁽¹⁾ | GSF Direct Interest ⁽²⁾ | GSF Indirect Interest ⁽³⁾ | Total GS Interest | Growers % interest | Total |
| 1998 Scheme | 13.10% | 0.05% | 1.55% | 14.70% | 85.30% | 100% |
| 1999 Scheme | 14.60% | 0.00% | 0.48% | 15.08% | 84.92% | 100% |
| 2000 Scheme | 14.70% | 0.10% | 1.32% | 16.11% | 83.89% | 100% |
| 2001 Scheme | 24.20% | 0.00% | 2.79% | 26.99% | 73.01% | 100% |
| 2002 Scheme | 26.20% | 0.05% | 2.46% | 28.72% | 71.28% | 100% |
| 2003 Scheme | 27.10% | 0.05% | 6.93% | 34.08% | 65.92% | 100% |
| 2004 Scheme | 0.00% | 0.00% | 3.55% | 3.55% | 96.45% | 100% |
| 2005 Scheme | 0.00% | 0.30% | 9.66% | 9.96% | 90.04% | 100% |
| 2006 Scheme | 0.00% | 0.00% | 3.32% | 3.32% | 96.68% | 100% |

Source: McGrathNicol scheme analysis; GSF company records as at 13 November 2009

Notes:

(1) Woodlots held in the name of Great Southern Plantation Holdings (largely as a result of Project Transform).

(2) Woodlots held in the name of Great Southern Finance.

(3) Indirect interests refer to woodlots over which GSF currently have voting rights (note that this is based on the position as at 13 November 2009 and may change).

As illustrated, GSPH and GSF hold interests in the Schemes. As they are entities associated with GSMAL, they are prohibited from voting on the Resolutions if they have an interest in the Resolution or matter other than as a Member.

Growers should refer to section 7 in relation to court directions being sought in respect of this issue.

GSMAL also holds a small number of interests in some Schemes but will not vote any interests held by it.

Notwithstanding section 253E of the Corporations Act, GSMAL and its associates may vote as proxy for a person who is entitled to vote provided they vote in accordance with directions given on the Proxy Form.

A challenge to a right to vote may only be made at the Meetings and must be determined by the Chairman whose decision is final.

7. The Gunns Proposal

7.1 Summary

The Gunns Proposal is set out in Part C of the General Meeting Booklet, with specific information for each Scheme included in Part C of each Supplementary Scheme Booklet.

In broad terms, the Gunns Proposal comprises:

- a subsidiary of Gunns, Gunns Plantations, assuming the role of responsible entity of the Schemes and GSMAL retiring as the current Responsible Entity; and
- a restructure of the fees and expenses that may be deducted from Net Proceeds of Sale and other amendments to the Constitutions and Grower Agreements.

There are other changes proposed to your Scheme and Grower Agreements and you should ensure that you read in full the details of the Gunns Proposal (see Part C of this General Meeting Booklet and Part C of each Supplementary Scheme Booklet for full details).

In addition, Gunns proposes to acquire various other assets of the Great Southern Group that will be used by the Gunns group in connection with Gunns Plantations' role as responsible entity of the Schemes. The Receivers and Managers and certain Great Southern Group entities have entered into, or intend to enter into agreements with Gunns in relation to the Gunns Proposal (see section 11 of Part C of the General Scheme Booklet).

Court directions

In considering proposals for the Schemes, and amending the existing structure for continuation of the Schemes under a new responsible entity, some important legal issues have arisen. The Receivers and Managers believe it is both necessary and appropriate for GSMAL to obtain directions of the Court in relation to the proposal having regard to these issues.

It is important for Growers to understand the relevance of these issues as they affect competing proposals which are received for the continuation of the Schemes. For the Gunns Proposal, there is an implementation agreement with GSMAL which includes provisions relating to these issues.

The Receivers and Managers note that the Court's directions may be given before or shortly after you receive this General Meeting Booklet or that the issues may remain under consideration by the Court at the time of the meetings for the PPPL proposal or the Gunns Proposal.

The Court is being asked in connection with the Gunns Proposal to give directions or orders that, GSMAL and the Receivers and Managers would be justified, or acting reasonably or appropriately, in calling meetings insofar as the resolutions purport to confirm or acknowledge the entitlement of, or otherwise enable, a responsible entity of the schemes to effect the proposed variations to the Scheme Constitutions and Grower Agreements.

The Court is also being asked to give directions or orders that GSMAL and the Receiver and Managers would be justified, or acting reasonably or appropriately, in:

- (a) using a nominal dollar value for the value of votes cast by Growers having regard to their Woodlots and a discount where the Woodlots are held in respect of areas where the head lease has been forfeited;

- (b) holding Meetings of all Schemes concurrently and at the same place and time as meetings for each other Scheme.

Finally, the Court is being asked for directions or orders that GSMAL or the Receivers and Managers would be justified in relying on any resolution voted on by GSPH and GSF (see discussion at paragraph 6.10 above)

If the Resolutions are approved by Growers, then the Receivers and Managers, GSMAL and Gunns Plantations, before the date of Gunns Plantations becoming the responsible entity, propose to seek Court directions in the form of judicial advice to the effect that either GSMAL or Gunns Plantations is justified, or is acting reasonably and appropriately, in acting upon or otherwise implementing the Resolutions and /or a declaration that the amendments made by the Resolutions are effective to amend the relevant Constitution and authorise the responsible entity to amend the Grower Agreement.

As soon as practicable after Court orders are made, details will be provided to Growers via the Great Southern website: www.great-southern.com.au. You are encouraged to check this website for details of the application to Court for directions.

7.2 *Interdependency of Resolutions*

The Resolutions to be voted on by each Scheme for the Gunns Proposal will only be passed and can only take effect if all Resolutions for the Gunns Proposal are passed by Growers of each of the Schemes. However, the Responsible Entity and Gunns Plantations may agree to waive the requirement for the approval of every Scheme to be obtained if a substantial majority of Schemes have approved the Gunns Proposal, and the Gunns Proposal remains feasible for both Gunns and the Great Southern Group from a commercial and legal perspective.

7.3 *What happens if the Gunns Proposal is not approved in relation to all Schemes?*

If the Gunns Proposal is not approved by the requisite majority of Growers passing all Resolutions in relation to all Schemes but this approval is given for a substantial majority of Schemes, the Gunns Proposal may still be implemented in relation to the Schemes for which the approval by Growers is given, but only if Gunns and GSMAL subsequently agree to waive the requirement for the approval by Growers of every Scheme.

If the Gunns Proposal is not approved by Growers for a substantial majority of Schemes or if approval is given for a substantial majority of Schemes but the requirement for approval to be given in respect of all Schemes is not waived, the Gunns Proposal will not be implemented in respect of any Scheme.

In these circumstances, GSMAL acting through Receivers and Managers will take such steps that it considers are appropriate to be taken in the best interests of Growers. This will depend on the reasons the Gunns Proposal was not successful, whether Gunns is prepared to revise its offer, the status of competing proposals, whether there is support among stakeholders (including ASIC) for the appointment of a temporary responsible entity to all or any of the Schemes, and whether the secured creditors (or any other parties) are prepared to fund relevant expenses.

Options include convening a second meeting to consider the same or a revised proposal or proposals, seeking the assistance of ASIC or Growers for the appointment of Gunns Plantations as temporary responsible entity of the Schemes under the Corporations Act, or seeking to wind up the Schemes so that the available assets can be realised for the benefit of Growers. In considering these options, account will be taken of all relevant factors including the level of support for Gunns Plantations to assume the role of responsible entity as shown by the voting for the Gunns Proposal and the views of Gunns Plantations.

7.4 *Amendment to the Gunns Proposal*

Growers should be aware that the Gunns Proposal may be amended after the date of the Notices of Meeting.

If GSMAL receives notice of any changes to the Gunns Proposal, the details will be posted on the Great Southern website at: www.great-southern.com.au.

Growers are strongly encouraged to check the website regularly for any updates.

Those Growers that lodge Proxy Forms but later wish to revoke or amend their proxy appointment (in light of amendments to the Proposals or for any other reason) may do so by submitting another Proxy Form (further copies can be obtained by calling the Grower Hotline: 1800 258 348 within Australia and + 61 8 9320 9700 outside Australia).

Proxies cannot be amended after the proxy cut-off time which is 11.00am AEDST on 21 December 2009.

8. Information for Growers who financed their investment in Woodlots

A number of Growers financed the acquisition of their interest in the Schemes by obtaining a loan for some or all of their subscription monies. This loan documentation may contain a promise by those Growers not to do certain things without the approval of their lender.

Growers who financed their acquisition should note that some loan agreements may provide that the lender will be entitled to vote the Member's interests on the basis that an 'acceleration event' has occurred. Insofar as a Growers' scheme property is presently uninsured, an 'acceleration event' would have occurred.

Growers who obtained a loan in order to enter the Scheme should refer to their loan documentation.

Any person, including a lender, seeking to cast a vote for or on behalf of a Grower must ensure that they are properly appointed under a power of attorney or as a proxy for the Grower.

9. What you need to do

You should read the following documents relating to the Gunns Proposal in full:

- this General Meeting Booklet;
- the Supplementary Scheme Booklet. You should have a Supplementary Scheme Booklet for each of the Schemes of which you are a Grower. The Supplementary Scheme Booklet gives details of the amendments to the Constitution and Grower Agreement that is specific to your Scheme and also includes the Notice of Meeting and your Proxy Form.

If you are Member of the 1998 Scheme, 1999 Scheme, 2000 Scheme, 2001 Scheme, 2002 Scheme and / or 2003 Scheme, you should review the PPPL proposal documents sent to you as they relate to your Scheme/s and consider both proposals as they relate to your circumstances. You should decide whether you wish, after reviewing these documents, to change the votes you have cast on the PPPL resolutions at its meetings for Growers in the 1998 to 2003 Schemes.

If you are in doubt as to what to do, you should consult with your legal, financial or other professional adviser.

If you are a Grower that financed their investment in Woodlots, you should consider consulting with your lender as to any requirements they may have.

You should regularly check the Great Southern website at www.great-southern.com.au for any updates regarding the proposals.

If you cannot attend the Meeting/s in person, you should complete the Proxy Form. You must lodge your proxy by 11.00am AEDST on 21 December 2009. Remember that if you are a Grower of more than one Scheme, you should fill out a Proxy Form for each Scheme.

If you have any other queries, you should contact the Grower Hotline (see details below).

10. Grower Hotline

If you have any queries in relation to the Meeting, a Scheme of which you are a Member or the information in this General Meeting Booklet or the Supplementary Scheme Booklet, the Grower Hotline may be able to assist.

The phone number for the Grower Hotline is 1800 258 348 from within Australia or + 61 8 9320 9700 from outside Australia between 9.00am and 8.00pm AEDST.

Alternatively, if you have any queries about the Gunns Proposal, please contact the Gunns hotline on 1800 242 300 or + 61 2 9207 3622 if calling from outside Australia.

11. Limitations in relation to responsibility for meeting documents

The Receivers and Managers' letter, Part A and Part B of this General Meeting Booklet, and Part A, Part B and the schedule of each Supplementary Scheme Booklet, have been prepared by the Receivers and Managers (**GSMAL Information**).

The GSMAL Information has been prepared using information provided by, or on behalf of, Great Southern Group representatives (**GS Records**), publicly available information, and information separately gathered or compiled by the Receivers and Managers.

To the fullest extent permissible by law, each of the Receivers and Managers, McGrathNicol, any of their officers, employees, agents or advisers and GSMAL (the **Disclosing Parties**) disclaim liability from claims, losses, liabilities and damages (whether arising from negligence or otherwise) for, or based on, or relating to the GSMAL Information to the extent that the GSMAL Information:

- (a) relies on, refers to, or incorporates GS Records and the GS Records are inaccurate, incomplete or contain misleading or deceptive information or omit any information that makes the GSMAL Information misleading or deceptive; or
- (b) relies on, refers to, or incorporates information provided by Gunns (or its related entities) in respect of the Gunns Proposal.

To the extent any forward looking statements (actual or implied), including forecasts or statements in a recommendation, are included in the GSMAL Information, none of the Disclosing Parties makes any representation or warranty, express or implied as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of those statements. Such statements are by their nature subject to significant uncertainties and contingencies.

The Disclosing Parties are not responsible for the information contained in Part C of the General Meeting Booklet and Part C of each Supplementary Scheme Booklet. That information has been prepared, and its publication has been authorised, by Gunns (and its related entities) who are solely responsible for its completeness and accuracy (**Gunns Information**).

None of the Disclosing Parties makes any representation or warranty (express or implied) as to the accuracy, reliability, reasonableness or completeness of the contents of the Gunns Information and disclaims all liability from all claims, losses, liabilities and damages (whether arising from negligence or otherwise) for, or based on, or relating to information contained in

the Gunns Information, or for any errors in, or omissions from, Gunns Information, except to the extent of any liability which cannot be excluded as a matter of law.

The GSMAL Information does not contain financial product advice, investment advice or recommendations. You should consult your professional adviser if you require such advice or recommendations.

PART B. GLOSSARY

| | |
|------------------------------|--|
| 1998 Scheme | Great Southern Plantations 1998 (ARSN 092 780 204) |
| 1999 Scheme | Great Southern Plantations 1999 (ARSN 092 452 849) |
| 2000 Scheme | Great Southern Plantations 2000 (ARSN 085 669 361) |
| 2001 Scheme | Great Southern Plantations 2001 (ARSN 089 958 029) |
| 2002 Scheme | Great Southern Plantations 2002 (ARSN 095 343 963) |
| 2003 Scheme | Great Southern Plantations 2003 Scheme (ARSN 099 131 825) |
| 2004 Scheme | Great Southern Plantations 2004 (ARSN 107 811 709) |
| 2005 Scheme | Great Southern Plantations 2005 Project (ARSN 112 744 877) |
| 2006 Scheme | Great Southern Plantations 2006 Project (ARSN 112 744 902) |
| \$ | Australian Dollars |
| Administrators | Martin Jones, Andrew Saker, Darren Weaver and James Stewart, the administrators of GSPH, Great Southern Timber Holdings Pty Ltd and Great Southern Infrastructure Pty Ltd |
| AEDST | Australian Eastern Daylight Savings Time |
| Alpha Wealth Decision | <i>Alpha Wealth Financial Services Pty Ltd v Frankland River Olive Co. Ltd</i> (2008) 66 ACSR 594, a decision of the Court of Appeal of the Supreme Court of Western Australia which created some uncertainty as to the basis on which Grower Agreements can be amended by amendments made to the Constitution |
| Asset Sale Agreement | the agreement by this name to be entered into between Gunns, Gunns Plantations, GSL, GSMAL, the Receivers and Managers, and other members of the Great Southern Group in relation to the sale of various assets to and the assumption of various liabilities by Gunns and Gunns Plantations |
| ARSN | Australian Registered Scheme Number |
| ASIC | Australian Securities and Investments Commission |
| ATO | Australian Taxation Office |
| Booklets | the General Meeting Booklet and the Supplementary Scheme Booklet (which includes a Notice of Meeting and Proxy Form) |
| Constitution | the constitution of a Scheme |
| Commissioner | the Commissioner of Taxation |
| Computershare | Computershare Investor Services Pty Ltd (ABN 48 078 279 277) |
| Corporations Act | Corporations Act 2001 (Cth) |
| Forester's Report | means the annual report procured by the responsible entity from an independent expert under the Constitution, containing a review of the operations of the Scheme, any significant changes in the responsible entity's |

| | |
|--|---|
| | policy and whether or not the responsible entity has carried out the services in a proper and efficient manner. |
| General Meeting Booklet | Parts A, B, and C of this document |
| Great Southern Group | GSL and each of its subsidiaries from time to time |
| Grower or Member | a member of the Schemes |
| Grower Agreement | (a) for those agreements entered into by Members on or before 3 March 2003, either a Lease and Management Agreement, or a Forest Right and Management Agreement if the Woodlot is located in Queensland; or (b) for those agreements entered into by Members on or after 4 March 2003, a Land and Management Agreement, together with either a Lease or a Forest Right Agreement if the Woodlot is located in Queensland |
| GSF | Great Southern Finance Pty Ltd ABN 47 009 235 143 (In Liquidation) |
| GSL | Great Southern Limited ABN 54 052 046 536 (In Liquidation) (Receivers and Managers appointed) |
| GSMAL | Great Southern Managers Australia Limited ABN 80 083 825 405 (In Liquidation) (Receivers and Managers appointed) |
| GSPH | Great Southern Plantation Holdings Pty Ltd ABN 78 132 912 184 (Administrators appointed) |
| GSPHL | Great Southern Property Holdings Limited (Receivers and Managers appointed) (Administrators appointed) (in relation to the asset sale agreement, in its capacity as trustee of the Great Southern Property Trust No 2) |
| GSPM | Great Southern Property Managers Limited ABN 66 108 409 641 (In Liquidation) (Receivers appointed) |
| GST Act | A New Tax System (Goods and Services Tax) Act 1999 (Cth) |
| Gunns | Gunns Limited ABN 29 009 478 148 |
| Gunns Plantations | Gunns Plantations Limited ABN 36 091 232 209, the nominee of Gunns to act as replacement responsible entity of the Schemes |
| Gunns Proposal | the proposal by Gunns in relation to the Schemes as set out in Part C of the General Meeting Booklet and each of the Supplementary Scheme Booklets |
| Gunns Resolutions | the Resolutions to be put at the Meeting in relation to the Gunns Proposal |
| Implementation Agreement | the agreement by this name between, amongst others, Gunns, Gunns Plantations, GSL, GSMAL and the Receivers and Managers |
| Liquidators | the liquidators of certain companies in the Great Southern Group, including GSL and GSMAL |
| Maintenance Reserve Fund or MRF | a fund provided for in the MRF Schemes' Constitutions which relates to certain costs and expenses regarding those MRF Schemes |
| Meetings | the meeting of members of the Schemes to be convened at City Recital Hall, 2-12 Angel Place, Sydney, New South Wales on Wednesday 23 December 2009 at 11:00AM Australian Eastern Daylight Savings Time to consider the |

| | |
|-------------------------------------|--|
| | Proposals referred to in this General Meeting Booklet and the Supplementary Scheme Booklet (and Meeting means any one of the Meetings) |
| MRF Schemes | the 1998 Scheme, the 1999 Scheme, the 2000 Scheme, the 2001 Scheme, the 2002 Scheme and the 2003 Scheme and MRF Scheme means any one of them |
| Net Proceeds of Sale | has the meaning given to it in the Grower Agreements |
| Notice of Meeting | the notice of meeting convening the Meeting for each Scheme (contained in the Supplementary Scheme Booklet) |
| Plantation | in relation to a Scheme, each parcel of land divided into Woodlots for that Scheme |
| PPPL | Pulpwood Plantations Pty Ltd ABN 46 138 148 339 |
| Proxy Form | the proxy form accompanying the Notice of Meeting which you must use if you wish to vote by way of proxy |
| RAPT Banks | Australia and New Zealand Banking Group Limited, BOS International (Australia) Limited, GE Capital Finance Pty Limited as trustee for the GE Capital Commercial Real Estate Financing & Services (Australia) Unit Trust and United Overseas Bank Limited |
| Receivers and Managers | Simon Read, James Thackray, Colin Nicol and Anthony McGrath, the joint and several Receivers and Managers of GSMAL, acting in that capacity |
| Register | the register of members of the Schemes and Registers means the register of members of all of the Schemes |
| Related Body Corporate | the meaning given to that term in section 50 of the Corporations Act |
| Resolutions | the resolutions to be put to Growers at the Meetings |
| Responsible Entity | GSMAL, in its capacity as the responsible entity of the Schemes |
| Scheme | any of: the 1998 Scheme, the 1999 Scheme, the 2000 Scheme, the 2001 Scheme, the 2002 Scheme, the 2003 Scheme, the 2004 Scheme, the 2005 Scheme and the 2006 Scheme and Schemes means all of them |
| Scheme Information | specific information relevant to each Scheme and details of the changes to the Constitution and Grower Agreements in relation to each Scheme of which you are a Member for the purpose of each Scheme Proposal |
| Secured Lenders | Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, Mizuho Corporate Bank Limited and Bank of Western Australia Ltd |
| Supplementary Scheme Booklet | means each of the booklets accompanying this General Meeting Booklet which includes: <ul style="list-style-type: none"> • General Information; • a Notice of Meeting in respect of each Scheme of which you are a Grower; and • a Proxy Form in relation to each Scheme of which you are a Grower |
| Voting Entitlement Time | 11.00am on Monday, 21 December 2009 being the time at which Grower's entitlements to vote for each Scheme will be determined based on the Register |

| | |
|----------------|--|
| | at that time |
| Woodlot | the specified part of a Plantation which is leased to a Grower or over which a forest right has been granted (as the case may be) under a Grower Agreement |

PART C: GUNNS PROPOSAL

Part C of the General Meeting Booklet has been prepared by Gunns. Gunns accepts full responsibility for the content of the information in this Part of the General Meeting Booklet and any information in Part C of the Supplementary Scheme Booklet (including the Notice of Meeting).

1. Gunns Chairman Letter

Dear Grower



Gunns Proposal to Great Southern Growers

Gunns is pleased to sponsor a proposal which we believe will offer Great Southern Growers the best solution to the circumstances which have arisen from the insolvency of the Great Southern Group.

Gunns has been in the forestry business for over 130 years and is one of Australia's largest owners and managers of hardwood estates. We run our own hardwood managed investment schemes and have a strong interest in the survival of the industry which we believe is well placed to be a major supplier of pulpwood to the world markets. Importantly, Gunns is a forestry operator – not just a financial player. We have a long term commitment to the industry.

Essentially, we see the position of Growers as follows:

| Current position of Growers | Position if the Gunns Proposal is implemented |
|---|--|
| <ul style="list-style-type: none"> Very uncertain future. There is still potential for Schemes to be wound up if Growers choose not to support the Gunns Proposal or any other viable alternative proposal. Trees, if saleable, could be sold in a "fire sale". Estate is difficult to market due to size and geographic diversity | <ul style="list-style-type: none"> Schemes to be administered by Gunns Plantations Limited, an experienced scheme operator |
| <ul style="list-style-type: none"> Enhanced risk before wind up – expenditure on fire mitigation and other maintenance has been reduced or suspended | <ul style="list-style-type: none"> Growers keep their trees – to be harvested as planned, but up to 13 years and 6 months to allow for drought and market conditions |
| | <ul style="list-style-type: none"> No additional up front fees from Growers – all additional fees and expenses deducted at harvest or sale |
| | <ul style="list-style-type: none"> Increased fees – to cover the costs of completing the projects and allow them to be properly managed. Some additional receivership and other costs will also be deducted |
| | <ul style="list-style-type: none"> Reduced rent for some Schemes , but no offers to be made for a "second rotation" |
| | <ul style="list-style-type: none"> Flexibility for a sale of the trees to occur before harvest if a good offer for all the trees is received and Growers approve |

We believe our proposal offers a number of benefits compared to the proposal by PPPL – particularly in respect of the additional fees we would require to see the harvest out:

| Scheme | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|------|------|------|--------|------|--------|--------------------|--------------------|--------------------|
| Additional PPPL fee | 2% | 9% | 14% | 19% | 25% | 30% | 40% ⁽¹⁾ | 45% ⁽¹⁾ | 50% ⁽¹⁾ |
| Additional Gunns fee | 1.5% | 7% | 12% | 15% | 22% | 27% | 32% | 44.5% | 49.5% |
| Additional Gunns fee (after allowing for rental reduction)⁽²⁾ | -1% | 4.5% | 9.5% | 12.75% | 20% | 24.75% | 29.5% | 44.5% | 49.5% |

1. Fees are indicative only and conditional on PPPL's proposal for the 1998 to 2003 Schemes being successful. PPPL have indicated they also intend to make a proposal in relation to the 2007 Scheme on the same basis, with an additional fee of 55%. Gunns has not currently made a proposal in respect of the 2007 Scheme but intends to investigate the feasibility of doing so.

2. The 2.5% rental fee currently payable will be reduced or waived entirely for the 1998 to 2004 Schemes. See section 7.11 for further information.

3. Gunns' Additional Fee and PPPL's additional fee in relation to the 1998 and 1999 Schemes, for which harvesting has commenced, are payable only on proceeds received after the relevant entity is appointed as responsible entity.

If our proposal is implemented, we will spend approximately \$8.7 million to acquire assets from Great Southern and offer to employ certain Great Southern forestry employees (other than those located in the Northern Territory) to complement our existing forestry staff in the management of the plantations. Employing Great Southern forestry employees will ensure there is no loss in the skills and experience specific to the Plantations and coupled with our own forestry resource will ensure proper management of your trees.

This investment includes an offer from Gunns to purchase interests in the Schemes which Great Southern owns so we would, if accepted, also have a vital interest in the Schemes being successful. We will also have to provide funding of the Schemes right through to harvest.

For this proposal to be accepted, it needs your support – each Scheme needs the support of 75% of Growers by value who are represented and entitled to vote at the meeting (in person or by proxy) and 50% of all Growers by value and entitled to vote whether they are represented or not.

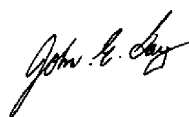
It is important that every Scheme supports the proposal to maintain "critical mass" in the business to make it work.

I urge you to give our proposal serious attention and read the entire booklet (this letter is just a summary). Please participate by attending the meeting in Sydney or sending in a Proxy Form. This proposal needs strong support to succeed.

We understand that many Growers feel aggrieved at the collapse of the Great Southern Group. Growers, shareholders, lenders and other creditors have all suffered. Gunns is trying to help find a solution for Growers. We hope you will support our proposal.

Please contact us if you have any questions. Our information line is 1800 242 300.

Your faithfully,



John Gay
Chairman
Gunns Limited

2. Summary of the Gunns Proposal

2.1 Overview of the Gunns Proposal

At the Meetings you will be asked to consider and vote on a Resolution to replace the existing responsible entity for the Schemes, GSMAL, with Gunns Plantations on the retirement of GSMAL.

The Schemes were established on the basis that Growers would make an up-front payment for the establishment of their trees. GSMAL as responsible entity would fund the management and maintenance of Growers' trees to the point of harvest, in return for the fees that would be paid by Growers from the proceeds of the sale of their trees. GSMAL does not have sufficient funds, and it is not viable for GSMAL to pay the amounts necessary to manage and maintain Growers' trees.

However, Gunns Plantations is willing to assume the role of responsible entity of the Schemes and fund the costs of management and maintenance in return for increased remuneration and some other changes to the way the Schemes are managed, which are explained in more detail in section 7 of this Part C. The additional remuneration that will be payable to Gunns Plantations will be paid by Growers from the proceeds of the sale of their trees following harvest. Under the new arrangements Growers will not be required to contribute any additional out of pocket cash payments to fund the Schemes.

In addition, Gunns (the parent company of Gunns Plantations) proposes to acquire various other (non-Scheme) assets of the Great Southern Group that will be used by the Gunns group in connection with Gunns Plantations' role as responsible entity of the Schemes. These include:

- leases and other contracts pertaining to the Schemes that are held by members of the Great Southern Group other than GSMAL;
- plant and equipment and other assets used by the Great Southern Group in servicing the Schemes; and
- making offers of employment to certain personnel in the Great Southern forestry business, other than those located in the Northern Territory.

Gunns also proposes to acquire certain forestry assets not associated with the Schemes and certain ownership interests that the Great Southern Group has in the Schemes. At this stage, Gunns has no specific proposal to acquire any freehold land owned by Great Southern Group entities that is used in connection with the Schemes or other assets, but it intends to work co-operatively with the Receivers and Managers to seek a satisfactory long-term solution for all stakeholders regarding that freehold land.

As part of the acquisition of the above assets, Gunns' intention is to pay the Receivers and Managers of GSMAL an amount in final settlement of all present and future rights GSMAL may have to receive fees for the services that it has provided and to terminate all sales, management and harvesting contracts and other contracts (excluding leases) between GSMAL and the members of Great Southern Group. Gunns will then be entitled to deduct from the proceeds funds amounts that would have otherwise have been payable by Growers to the Receivers and Managers from the proceeds of the sale of Growers' trees.

Finally, if the Gunns Proposal is adopted, the rental payable under leases of the land used in the 1998 to 2004 Schemes from the Great Southern Group will be waived or reduced to a nominal sum, which will increase the ultimate return to Growers. In return, the option that the responsible entity has to extend those leases for a period of time will be terminated. This will mean that the responsible entity will not be able to offer an opportunity for Growers to participate in a second rotation with respect to the Plantations the subject of those Schemes. Further information is contained in sections 7.11 and 7.12.

As described in section 2.5 of Part A of this General Meeting Booklet, Growers with Woodlots under the 2005 Scheme and 2006 Scheme located on the Tiwi Islands, and a small number of Growers with Woodlots from the 2004 Scheme on other land where the leases of that land have been terminated (Affected Growers), will have no ongoing interest in the relevant Schemes, and no entitlement to Net Proceeds of Sale for those Schemes. Under the Gunns Proposal, Affected Growers will continue to receive the Forester's Report and all other information relevant and ordinarily provided to Growers under the Schemes, however the voting rights of the Affected Growers will reflect the very limited

economic value of their interests in the Schemes. In addition, certain leases related to the 2003 to 2006 Schemes are terminable and, if terminated other than by reason of any default by Gunns, Gunns intends to treat Growers in the relevant Schemes in the same manner.

2.2 Gunns Plantations as responsible entity

Gunns Plantations is a wholly owned subsidiary of Gunns which is Australia's largest fully integrated hardwood-based forest products company and is listed on the Australian Securities Exchange. Gunns Plantations has a proven track record as a responsible entity. It currently manages 15 managed investment schemes in wood, wine grapes and walnuts with a total of approximately \$620 million of funds under management. Gunns Plantations has the knowledge, expertise and strategic rationale to propose this attractive solution for the Schemes. Further information on Gunns Plantations and Gunns is contained in section 8.

As at the date of this General Meeting Booklet, Gunns Plantations had consented, in writing, to becoming the responsible entity of the Schemes. The Gunns Resolutions will only be put at the Meetings if Gunns Plantations has not withdrawn its consent to act as responsible entity prior to the Meetings. Gunns Plantations will not withdraw its consent to be responsible entity except in circumstances where the conditions precedent to the Implementation Agreement (as described in section 11.1) are not met or the counterparties to those agreements do not comply with them.

2.3 Implementation of the Gunns Proposal

Gunns anticipates the following timetable for implementation of its proposal:

- General Meeting Booklet and Supplementary Scheme Booklets (including the Notice of Meeting) sent to Growers: 27 November 2009;
- Meeting of Growers to consider the Resolutions: 23 December 2009;
- If the Gunns Proposal is successful at the Meeting, subject to all conditions precedent to completion under the Implementation Agreement being met, Gunns Plantations will be appointed as new responsible entity and Constitutions and Grower Agreements will be amended: expected to be shortly after the meeting.

If all Gunns' Resolutions are passed and take effect in relation to the Scheme, then Gunns Plantations intends to implement all of the amendments for the Scheme as set out in the Supplementary Scheme Booklet once it is appointed as responsible entity if they have not already been implemented by the current Responsible Entity.

Upon Gunns Plantations' appointment as responsible entity for the Schemes, the Growers will not be required to take any further action nor contribute any additional out of pocket expenses to fund the ongoing operation of the Schemes. However, additional remuneration and expenses will be deducted from the Net Proceeds of Sale.

3. The Pulpwood Plantations Pty Ltd proposal

Growers may be aware that prior to Gunns announcing its proposal, PPPL announced a proposal to remove and replace GSMAL as the responsible entity for the 1998 to 2003 Schemes, and subject to the success of their proposal for these Schemes, the 2004 to 2007 Schemes. The meeting of Growers of the 1998 to 2003 Schemes for the PPPL proposal is scheduled for 10 December 2009.

The PPPL proposal for the 1998 to 2003 Schemes is a similar structure to the Gunns Proposal, but in Gunns' view the Gunns Proposal represents superior value to Growers for a number of reasons:

- The increased Grower charges under the Gunns Proposal are less than those sought under the PPPL proposal. A comparison of the additional fees payable under the Gunns Proposal and the PPPL proposal is provided below:

| Scheme | Existing Fee (% of Net Proceeds of Sale) | Gunns Additional Fee (% of Net Proceeds of Sale) | Gunns Rental Reduction (% of Net Proceeds of Sale)² | Gunns Total Fee (% of Net Proceeds of Sale) | PPPL Additional Fee | PPPL Total Fee (% of Net Proceeds of Sale) |
|---------------|---|---|---|--|----------------------------|---|
| 1998 | 5.50% | 1.5% ³ | (2.50%) | 4.50% ³ | 2% | 7.5% |
| 1999 | 5.50% | 7% ³ | (2.50%) | 10% ³ | 9% | 14.5% |
| 2000 | 5.50% | 12% | (2.50%) | 15% | 14% | 19.5% |
| 2001 | 5.50% | 15% | (2.25%) | 18.25% | 19% | 24.5% |
| 2002 | 5.50% | 22% | (2.00%) | 25.50% | 25% | 30.5% |
| 2003 | 5.50% | 27% | (2.25%) | 30.25% | 30% | 35.5% |
| 2004 | 5.50% | 32% | (2.5%) | 35% | 40% ¹ | 45.5% |
| 2005 | 5.50% | 44.5% | 0.00% | 50% | 45% ¹ | 50.5% |
| 2006 | 5.50% | 49.5% | 0.00% | 55% | 50% ¹ | 55.5% |

1. Fees are indicative only and conditional on PPPL's proposal for 1998 to 2003 Schemes being successful. PPPL have indicated they also intend to make a proposal in relation to the 2007 Scheme on the same basis, with an additional fee of 55%. Gunns has not currently made a proposal in respect of the 2007 Scheme but intends to investigate the feasibility of doing so.

2. The 2.5% rental fee currently payable will be reduced or waived entirely for the 1998-2004 Schemes. See section 7.11 for further information.

3. Gunns' Additional Fee and PPPL's additional fee in relation to the 1998 and 1999 Schemes, for which harvesting has commenced, are payable only on proceeds received after the relevant entity is appointed as responsible entity.

- Under the Gunns Proposal the rental payable for the 1998 to 2004 Schemes will be waived or reduced to a nominal sum. This rental reduction is not available under the PPPL proposal. In return, the responsible entity's rights to seek to extend those leases for a second rotation and offer a further investment opportunity to Growers are forfeited. PPPL maintain there is value in a second rotation, however (as discussed in section 4 of Part A of the General Meeting Booklet) the Secured Lenders are of the view that the lease options cannot be extended without their consent and thus there is no guarantee that a responsible entity (as lessor) could offer Growers a second rotation.
- The Gunns Proposal covers a total of 9 schemes operated by GSMAL, whereas the PPPL proposal covers only 6 of the Schemes (and subject to the success of their proposal for these Schemes, they have indicated they will put a proposal for 4 other schemes). Gunns also intends to further investigate whether a proposal for the 2007 Scheme is viable. Given Gunns Proposal is for 9 of the Schemes, Gunns may be able to gain greater economies of scale in the management of the Schemes and secure better terms in contracts for inputs and for the sale of trees for the benefit of Growers.
- Gunns' financial position, with net assets at 30 June 2009 at \$1.3 billion, is strong relative to PPPL's.
- Gunns is an experienced player in the agribusiness sector, particularly forestry.

The Receivers and Managers believe it is appropriate that Growers be given the opportunity to consider the Gunns Proposal, and the Receivers and Managers have convened the Meetings to allow the Resolutions to be put to Growers for their consideration.

The Receivers and Managers have recommended the Gunns Proposal in the absence of a superior proposal (see the Receivers and Managers' recommendation in the cover letter to this General Meeting Booklet).

4. Why you should support the Gunns Proposal

In Gunns' view, the Gunns Proposal offers the following advantages for Growers:

- (a) Growers retain a right to receive proceeds from the sale of their trees – The Gunns Proposal will give Growers their best chance under the circumstances to see a return on their initial investment in the Schemes and does not significantly change the overall structure of Growers' initial investment in the Schemes. The Gunns Proposal will allow Growers to retain an interest in their Woodlot during the life of the Schemes and also preserve Growers' ability to receive a portion of the proceeds of the sale of their trees following harvest.
- (b) Growers face significant uncertainty if the Schemes are wound up – The Gunns Proposal will help ensure the ongoing survival of the Schemes. GSMAL, as current responsible entity, is unable to fund the maintenance of the Schemes. If GSMAL is not replaced by Gunns Plantations or another responsible entity, there is a significant risk that the Schemes will be wound up, in which case the Schemes' assets, to the extent saleable, will be sold in distressed sale circumstances which may deliver less than their full value.
- (c) The Gunns Proposal is superior to other proposals - The Gunns Proposal is superior to the PPPL proposal, as explained in section 3 above. No other proposals have been formally proposed to Growers to date.
- (d) The Gunns Proposal will cause minimal disruption to the operation of the Schemes – The Gunns Proposal will not require Growers to make any additional up-front payments and, following the change of responsible entity, the operation of the Schemes will continue in largely the same manner (except as otherwise disclosed in this General Meeting Booklet and the Supplementary Scheme Booklets) as they did prior to the change of responsible entity. There will be additional remuneration payable to Gunns Plantations and additional expenses that will be recovered by it, however this will be met from the harvest proceeds by a reduction in the percentage which is available for distribution to Growers.
- (e) The Gunns Proposal is simple to implement – Upon Growers in all Schemes voting in favour of all Resolutions for the Gunns Proposal at the Meeting, no further action need be undertaken by Growers to implement the Gunns Proposal. Gunns Plantations will take the action described in section 2.3 above.
- (f) Gunns is an experienced operator - Gunns has had extensive experience in the management and operation of managed investment schemes in the agribusiness sector and the forestry sector in particular.
- (g) Gunns' financial position - Gunns is an Australian company with strong revenues and, given it is listed on the Australian Securities Exchange, has access to capital markets.

5. Risks and disadvantages associated with the Gunns Proposal

Risks

The risks faced by Growers if the Gunns Proposal is successful are of the same nature as those disclosed in the prospectus or product disclosure statement under which Growers acquired their interest in the Schemes. These risks are similar to those of any agricultural venture and include:

- environmental and growing risks such as drought, frosts, wind, hail, insects, pests, diseases and other acts of God;
- risks that the Schemes will fail to deliver expected volumes of wood produce;
- market and commercial risks such as technological advances, reduced demand for woodchips, falling commodity prices and increased costs associated with harvesting and delivery;

- risk of an unfavourable change in government legislation (including taxation legislation);
- risks associated with general economic conditions and international issues;
- risks associated with the absence of a secondary market for the Growers' interests under the Schemes; and
- risks associated with the financial position of the responsible entity (and in the case where Gunns Plantations is appointed responsible entity, Gunns, as Gunns is providing financial support to Gunns Plantations).

In addition, the ability of the Schemes to continue to harvest, and therefore for Growers to earn a return from their investment, is dependent on the responsible entity remaining solvent and in a position to fund the operations of the Schemes to the point of harvest. Accordingly, where Gunns Plantations is appointed as the responsible entity, if Gunns Plantations (or Gunns which is providing financial support to Gunns Plantations) experiences financial difficulty, this may have an adverse impact on the value of the interests of Growers in a similar fashion to that demonstrated in the case of GSMAL becoming insolvent.

These prior disclosed risks have been further highlighted by the recent global financial crisis as reflected in the financial position of the current responsible entity.

However, Gunns has extensive experience in the agribusiness sector and, where possible, will seek to minimise and mitigate the risks discussed above.

Another risk that Growers may face in the future would arise if the Receivers and Managers, the Administrators or a liquidator appointed at any point, were to seek to disclaim or terminate leases that would affect the ongoing operation of the Schemes. Under the Implementation Agreement, the Receivers and Managers have agreed that they will perform the leases related to the Schemes where they are the receivers and managers of the Great Southern Group company that is that the landlord under that lease, provided the tenant's obligations are performed. Any attempt by a liquidator to disclaim the lease would be resisted by Gunns Plantations.

Disadvantages

In addition to the risks associated with the Gunns Proposal, it is important for Growers to be aware of the following:

- (a) Growers may consider voting against the Gunns Proposal if they hold the view that a superior proposal may emerge.
- (b) Under the Gunns Proposal, Growers will pay higher fees from the proceeds of sale of their trees than they would have if the current arrangements had continued and additional expenses will be recoverable by Gunns Plantations. In particular, Growers will be required to pay the Additional Fee for each Scheme as set out in section 7.2. However, in the absence of the Gunns Proposal, or another entity being approved to replace GSMAL (which is insolvent) as the responsible entity, then the Schemes may be wound up and Growers may not receive any distribution or very little after allowance is made for the costs of realisation and payment of the amounts secured under the Receivers and Managers' lien.
- (c) As indicated in section 2.1 above, if the Gunns Proposal proceeds, in exchange for rental being waived or reduced to a nominal sum for the land in the 1998 to 2004 Schemes (where land is owned by members of the Great Southern Group), the option to extend leases of land for the 1998 to 2004 Schemes will be terminated. This means it will not be possible for Gunns Plantations to offer Growers an opportunity to participate in any second rotation of plantations the subject of those Schemes by making a further investment based on those leases.
- (d) Under the Gunns Proposal, a wide range of costs and expenses may be deducted from the proceeds of sale of the trees – including costs arising from liabilities inherited from the Responsible Entity and those payable under the Receivers and Managers' lien (as described in section 7.13 below). As it is not possible to quantify these

amounts at this time, Gunns is not able to determine the ultimate percentage of the proceeds of sale of the trees which will be made available to Growers. However, any other proposal made will also be subject to the Receivers and Managers' lien and liabilities inherited from the Responsible Entity and may also involve recovery of expenses, though the extent to which expenses may be recovered under other proposals may differ.

- (e) Gunns Plantations will contribute to the Schemes any additional forest produce or Woodlot plantations which is transferred from GSMAL (called HPE Reserve and further described in section 7.10). However, Gunns Plantations does not propose to commit any additional resources or trees for the benefit of the Schemes outside the HPE Reserve transferred from GSMAL.
- (f) In relation to the 1998 Scheme, 1999 Scheme, 2000 Scheme, 2001 Scheme, 2002 Scheme and 2003 Scheme only (referred to as the 'MRF Schemes'), under the Gunns Proposal, if there is any amount in the Maintenance Reserve Funds of the MRF Schemes at the point that Gunns Plantations replaces GSMAL as the responsible entity of the MRF Schemes, that amount will be paid out to GSMAL and Gunns Plantations will establish a replacement Maintenance Reserve Fund of that amount for each of the MRF Schemes. However, Gunns Plantations will not be obliged to review and top up the Maintenance Reserve Fund annually as is the case under the current arrangements. If the amount in the Maintenance Reserve Fund is insufficient to bring the MRF Schemes to harvest then Gunns Plantations intends to fund this amount, utilising the financial support of Gunns. See section 7.1 below for more details.

6. What to do next to support the Gunns Proposal

You should carefully consider the Gunns Proposal and (if relevant to you) the PPPL proposal in relation to your Scheme(s), as well as the potential for other proposals to emerge.

If you would like the Gunns Proposal to proceed, you should:

- vote for the Gunns Proposal by attending the Meeting for each Scheme of which you are a Member scheduled for 23 December 2009 or submitting your Proxy Form attached to the Supplementary Scheme Booklets for each such Scheme and voting in favour of all of the Resolutions proposed by Gunns;
- if you are a member of the 1998 Scheme, 1999 Scheme, 2000 Scheme, 2001 Scheme, 2002 Scheme and/or 2003 Scheme, vote against the PPPL proposal, by attending the PPPL meeting for those Schemes of which you are a Member scheduled for 10 December 2009 or submitting any proxy form PPPL may have provided for each such Scheme and voting against the resolutions proposed by PPPL; and
- if you are a member of the 1998 Scheme, 1999 Scheme, 2000 Scheme, 2001 Scheme, 2002 Scheme and/or 2003 Scheme, and have returned a proxy form in favour of the resolutions proposed by PPPL, submit a new proxy, or amend your existing proxy to vote against the PPPL proposal or attend the meeting convened by PPPL scheduled for 10 December 2009 and vote against the resolutions proposed by PPPL.

7. Details of the Gunns Proposal - Amendments to the Constitution and Grower Agreements

Each of the Schemes is governed by a legal document known as the Constitution. In return for Gunns Plantations agreeing to take on the role of the responsible entity and commit its funds in order to manage and maintain your trees until harvest, Gunns Plantations is asking Growers participating in all of the Schemes to approve the following key changes to the Constitution and to the Grower Agreements. There may be some variation between the Schemes required as a result of differences in the structure of the Schemes. You should refer to the Supplementary Scheme Booklet for each Scheme of which you are a Member – the Supplementary Scheme Booklets include information specific to the amendments for that Scheme.

7.1 *Maintenance Reserve Fund*

Note this section only applies to Schemes with a Maintenance Reserve Fund, being the 1998 Scheme, the 1999 Scheme, the 2000 Scheme, the 2001 Scheme, the 2002 Scheme and the 2003 Scheme.

The Constitution of each of the MRF Schemes currently requires the responsible entity to pay its own money into a Maintenance Reserve Fund. The amount that must be held in the MRF is that which is sufficient to cover the expenses for the costs of managing and maintaining all trees in that Scheme up to harvest. Additionally, for the 2000 Scheme, 2001 Scheme, 2002 Scheme and 2003 Scheme the amount that must be held in the MRF must be sufficient to cover any costs associated with the head leases for the Scheme. The amount in the MRF is required to be reviewed each year so that it is sufficient to continue to fund that Scheme.

The Constitutions of the MRF Schemes provide that on a change of responsible entity the amount in the MRF (if any) must be paid to the outgoing responsible entity and the new responsible entity must pay an amount into the MRF that is assessed as sufficient to fund certain expenses until the anticipated time of harvest.

Under the Gunns Proposal, amendments will be made to the Constitutions of the MRF Schemes that will provide that:

- within 10 business days of Gunns Plantations being appointed as responsible entity, it will pay into the MRF the amount of money that was in the fund immediately prior to Gunns Plantations being appointed as responsible entity;
- once that amount is paid into the MRF, it can be drawn upon to pay the expenses of the Scheme, but there is no obligation on Gunns Plantations to review the amount in the MRF or to adjust it; and
- once all of the trees in the Scheme have been harvested, the responsible entity is entitled to receive the balance of the amount in the MRF (if any) and if there is a change in the responsible entity then the responsible entity immediately prior to the change is entitled to receive the amount in the MRF.

If the amount in the MRF is insufficient to fund the management and maintenance of all trees in the MRF Scheme to harvest, Gunns Plantations intends to fund the shortfall from its own funds. As discussed above, Gunns Plantations is a wholly owned subsidiary of Gunns and Gunns will provide financial support to Gunns Plantations as required so that it can meet its obligations. Gunns' financial resources are discussed in section 8.3 below.

7.2 *Remuneration of the responsible entity*

Under the current arrangements, the responsible entity is entitled to remuneration for services post the establishment of the Plantations of an amount of the Net Proceeds of Sale at the time those proceeds are paid by the responsible entity to the Grower. For the 2000 Scheme, 2001 Scheme, 2002 Scheme, 2003 Scheme, 2004 Scheme, 2005 Scheme and 2006 Scheme the amount is 3% (plus GST) of Net Proceeds of Sale, whilst for the 1998 Scheme and 1999 Scheme the amount is 3% (made up of separate fees of 0.5% and 2.5%) of the Net Proceeds of Sale.

The services provided by the responsible entity include all services to manage the trees in accordance with good silvicultural and forestry practices including cultivating, tending, culling, fertilising and otherwise dealing with the trees.

Under the Gunns Proposal, as part of its remuneration for providing the services in its role as responsible entity of the Scheme, Gunns Plantations will receive a fee in addition to the existing fees discussed above (**Additional Fee**). That Additional Fee will be payable by Growers from their Net Proceeds of Sale and will only be payable at the time the Net Proceeds of Sale are actually received. As a consequence of Gunns Plantations becoming the responsible entity, the rental applicable to the 1998 to 2004 Schemes will also be reduced (see further discussion in section 7.11).

The remuneration of the responsible entity under the Schemes is as follows:

| Scheme | Existing Fee (% of Net Proceeds of Sale) | Additional Fee (% of Net Proceeds of Sale) | Rental Reduction (% of Net Proceeds of Sale) | Total Fee (% of Net Proceeds of Sale) |
|---------------|---|---|---|--|
| 1998 | 5.50% | 1.5% | (2.50%) | 4.5% |
| 1999 | 5.50% | 7% | (2.50%) | 10% |
| 2000 | 5.50% | 12% | (2.50%) | 15% |
| 2001 | 5.50% | 15% | (2.25%) | 18.25% |
| 2002 | 5.50% | 22% | (2.00%) | 25.5% |
| 2003 | 5.50% | 27% | (2.25%) | 30.25% |
| 2004 | 5.50% | 32% | (2.50%) | 35% |
| 2005 | 5.50% | 44.5% | 0.00% | 50% |
| 2006 | 5.50% | 49.5% | 0.00% | 55% |

Gunns Plantations requires the Additional Fee in order to cover the costs of providing the services for the management and maintenance of Growers' trees to the point of harvest. If the Additional Fee is not made payable by Growers from their Net Proceeds of Sale, it will not be economically viable for the responsible entity to carry the costs of providing the services to the point of harvest. The current Responsible Entity is not able to fund those costs, which is one of the reasons the Gunns Proposal is being put to Growers.

The Additional Fee reflects the anticipated costs and expenses incurred in managing and maintaining the Plantations of the Scheme until harvest. As each Scheme is to be harvested at different points in time, the Additional Fee payable out of Net Proceeds of Sale for each Scheme will differ.

Although the Additional Fee is not payable until the Net Proceeds of Sale are actually received, Gunns Plantations' entitlement to 50% of the Additional Fee will arise on the date on which Gunns Plantations is appointed as the responsible entity of the Schemes and that appointment is recorded by ASIC. This gives Gunns Plantations certainty that if it is replaced as the responsible entity of the Schemes prior to harvest, it will still be entitled to that portion of the Additional Fee in order to cover its costs in its role as responsible entity and in performing the services for Growers up to the time it is replaced. The entitlement to the remaining 50% will accrue when the responsible entity commences harvesting.

Finally, Gunns Plantations will be entitled to be indemnified for certain costs beyond what may be currently recoverable under the Constitutions (see section 7.8) and will also recover various costs incurred by the Receivers and Managers (see section 7.13). In both cases, these sums are also paid out of the Net Proceeds of Sale and will affect the final return to Growers.

7.3 Grower's appointment of attorney

If the Gunns Proposal is adopted, Growers will be asked to specifically approve Great Southern Managers Pty Limited ACN 058 213 791 (In Liquidation) (formerly Great Southern Managers Limited), GSMAL or Gunns Plantations using the power of attorney that Growers granted in their application forms submitted at the time of applying for interests in the Scheme. If Gunns Plantations is appointed responsible entity, the powers of attorney transfer to it under law.

Additionally, Growers will irrevocably appoint the responsible entity, and each director and company secretary of the responsible entity, to the maximum extent permitted by law, as its attorney, on similar terms to GSMAL's appointment, and also to:

- amend the Grower Agreements; and
- take any action (including Court action and registration of an instrument on the relevant title) to enforce and protect Grower's rights.

The responsible entity may deduct all costs (including legal costs) properly incurred in acting as the Grower's attorney from the Net Proceeds of Sale and the Grower undertakes to ratify all that Gunns lawfully does so as the Grower's attorney.

These amendments are designed to give the responsible entity authority to act on behalf of Growers to ensure that the Schemes can continue and their rights are not compromised prior to each Scheme running its full course and Growers being paid the proceeds from sale of their trees. Additionally these amendments will ensure Grower Agreements are made consistent with the amended Constitution.

7.4 Remuneration of the responsible entity out of Insurance Proceeds

Under the current arrangements, the Responsible Entity, on behalf of Growers, is required to use its best endeavours to arrange insurance of the Grower's Woodlot (except to the extent reduced – see section 7.11). The Grower is required to annually pay insurance premiums in respect of any such insurance policy.

As noted in section 2.6(c) of Part A of this General Meeting Booklet above, the insurance of Grower's Woodlots previously arranged on behalf of Growers by the Responsible Entity expired on 30 September 2009. Therefore, absent insurance taken out specifically by Growers, Growers' Woodlots have been uninsured since 30 September 2009. As per the current arrangements described above, if Gunns Plantations is appointed as responsible entity, it intends to use its best endeavours to arrange insurance of the Growers' Woodlots following its appointment.

In the event of a successful claim under such an insurance policy, the Responsible Entity is currently entitled to retain 2.5% of the Grower's insurance proceeds as rent for the Woodlot and a further amount of the Grower's insurance proceeds by way of further remuneration. For the 2000 Scheme, 2001 Scheme, 2002 Scheme, 2003 Scheme, 2004 Scheme, 2005 Scheme and 2006 Scheme and this further amount is 3% (plus GST) of Net Proceeds of Sale, whilst for the 1998 Scheme and 1999 Scheme the amount is 3% of Net Proceeds of Sale.

This is to account for the fact that the responsible entity will have rendered the services and leased the land and, as the trees have been destroyed, it will not receive those amounts from the Net Proceeds of Sale.

Under the Gunns Proposal, if a Grower's trees are damaged or destroyed by an insurable event (such that insurance proceeds are received instead of proceeds of sale), a portion of the insurance proceeds (plus GST) will be payable to the responsible entity, on top of the existing amounts already payable. This is the same percentage for each Scheme as the percentages set out in the table in section 7.2 above. The fee does not become payable until Grower's insurance proceeds are actually received. The reason for this Additional Fee being deducted from insurance proceeds is the same as that for the Additional Fee described in section 7.2 above.

Growers may also voluntarily and at their own cost and expense take out additional insurance in respect of their Woodlot. Where Growers have done so, the additional fee will not apply to insurance proceeds received by Growers from their own insurance.

For those Growers seeking to take out additional insurance in respect of their Woodlot, Gunns Plantations will endeavour to ensure such Growers receive offers for insurance from third party insurers.

7.5 Harvesting of a Grower's forest produce

Under the current Constitutions and Grower Agreements for all Schemes, Growers' trees are to be harvested when either they reach a certain size or maturity and in any event not later than 11 years after commencement of each Scheme, except in limited circumstances.

This criteria for harvest is prescriptive and, in some cases, has the potential to require Growers' trees to be harvested when more value may be realised for Growers by harvesting at some other point in time.

Under the Gunns Proposal, the Constitution and Grower Agreements will be amended so that the trees in the Schemes may be harvested at the time the responsible entity determines having regard to various factors including the maturity of the trees, the requirements for contracts for the sale of Growers' trees, logistical constraints and the market for forest produce generally. In any event, the

trees must not be harvested more than 13 years and 6 months after Growers were granted their Woodlot unless the responsible entity believes to do so would be in the best interests of Growers.

These changes give the responsible entity an additional level of discretion regarding when to harvest the trees. As an experienced participant in the timber industry, Gunns Plantations is well positioned to determine the optimal time to harvest the trees in each Scheme so as to generate maximum returns for Growers having regard to all the circumstances. In addition, as the responsible entity's fees (discussed above) are a percentage of the Net Proceeds of Sale, the interests of the responsible entity are aligned with the interests of Growers in realising the maximum return from sales of the trees in their Schemes.

7.6 Electronic communications to Growers

Under the Gunns Proposal, in order to reduce the time it takes for Growers to receive documents from the responsible entity and the volume of documents the responsible entity is required to post to Growers, the responsible entity will be entitled to provide documents to Growers by email where the Grower has provided their email address.

The responsible entity may also make documents that it is required to provide to Growers available on a website rather than posting them to Growers. This is already permitted for some Schemes in respect of the Forester's Report, but the amendment will extend this ability to other documents that the responsible entity may be required to provide to Growers.

7.7 Deduction of postage costs

In cases not covered by the amendment described in section 7.8 below, where the responsible entity is required to post documents to Growers, the responsible entity will be entitled to deduct postage costs which are properly paid or incurred by it from the proceeds fund.

7.8 Responsible entity's indemnity

The responsible entity's right to be indemnified out of the proceeds of the sale of trees currently applies only to a limited range of expenses, being out of pocket costs related to harvesting and sale, taxes and regulatory fees.

If the Gunns Proposal is adopted, this right of indemnity will be expanded so that the responsible entity will also be entitled to be indemnified for:

- any other costs or liabilities incurred by it in performing its duties and acting in accordance with the Constitution of the relevant Scheme and the Grower Agreements; and
- any liabilities incurred by a prior responsible entity which are assumed by the current responsible entity or for which it becomes responsible.

The amounts recoverable under this indemnity are to be deducted from Net Proceeds of Sale and so will affect the final return to Growers.

The expanded indemnity would cover items such as costs incurred by the responsible entity in dealing with any legal action that relates to the Scheme, including Gunns Plantations defending any legal action against it relating to the actions of any prior responsible entity.

In addition, the indemnity applies to allow Gunns Plantations to deduct from the Net Proceeds of Sale those amounts that would be payable under the Receivers and Managers' lien.

Where the responsible entity is entitled to recover an amount under this indemnity which relates to more than one Scheme, the responsible entity may apportion the amount across all relevant Schemes in a manner it considers fair and appropriate.

Growers will not be personally liable to the responsible entity in regards to this indemnity – all amounts payable will be deducted from Net Proceeds of Sale. As required by law, this indemnity will only apply where the responsible entity has properly performed its duties.

It is not possible at this point in time to estimate the quantum of those costs. This amendment is intended to include unforeseen or abnormal expenses that are not within the current specified expenses, but are either necessarily incurred as part of the responsible entity's duties in order to assist Growers to earn income from the Scheme, or are expenses for which the responsible entity, becomes liable but were previously incurred by the previous Responsible Entity, and so should properly be borne by Growers.

7.9 Sale of Growers' crop before harvest

Under the current arrangements, the responsible entity can sell the forest produce within the Scheme to a purchaser on such terms and conditions as the responsible entity considers appropriate provided this decision is made in the best interests of the Growers. This could be at a time prior to harvest. When making this decision the responsible entity will have regard to its view of the proceeds which would be received by Growers from the sale and the terms of sale, compared with its best assessment of likely future proceeds payable to Growers following harvest. If the Gunns Proposal is adopted, Gunns Plantations would seek the assistance of an independent expert to make this evaluation.

If the Gunns Proposal is adopted, the Constitutions and Grower Agreements will be amended so that prior to the responsible entity exercising its power to sell the forest produce within the Scheme before harvest, the responsible entity will require at least a 75% vote from the Growers in a particular scheme year (represented at a meeting) to approve the proposed sale and the winding up of the Schemes. If such a resolution is passed, the responsible entity will no longer be responsible for the harvesting of the trees and forest produce within the Schemes. As a result, any Grower who has previously made an election to collect the forest produce from their Woodlot upon harvest, will cease to have such an entitlement.

If this power is exercised, Gunns Plantations would not recover the fees set out in section 7.2. Instead it would recover a fee for performing its services as responsible entity up to and including the sale and the services involved in giving effect to the sale. The fee for certain Schemes will vary depending on the time of any such sale. The fees for each Scheme are as follows:

| Scheme | | Total Fee (% of Net Proceeds of Sale) | % of Total Fee payable on early sale | Fee on Sale of Crop before Harvest commences |
|-------------|----------------------------|---------------------------------------|--------------------------------------|--|
| 1998 Scheme | | 4.50% | 100.00% | 4.50% |
| 1999 Scheme | | 10.00% | 100.00% | 10.00% |
| 2000 Scheme | | 15.00% | 80.00% | 12.00% |
| 2001 Scheme | | 18.25% | 60.00% | 10.95% |
| 2002 Scheme | | 25.50% | 60.00% | 15.30% |
| 2003 Scheme | | 30.25% | 60.00% | 18.15% |
| 2004 Scheme | | 35.00% | 60.00% | 21.00% |
| 2005 Scheme | Sold in 2010 | 50.00% | 50.00% | 25.00% |
| | Sold in 2011 | 50.00% | 60.00% | 30.00% |
| | Sold in 2012 | 50.00% | 70.00% | 35.00% |
| | Sold in 2013 | 50.00% | 80.00% | 40.00% |
| | Sold in 2014-2015 or later | 50.00% | 90.00% | 45.00% |
| 2006 Scheme | Sold in 2010 | 55.00% | 50.00% | 27.50% |
| | Sold in 2011 | 55.00% | 60.00% | 33.00% |
| | Sold in 2012 | 55.00% | 70.00% | 38.50% |
| | Sold in 2013 | 55.00% | 80.00% | 44.00% |
| | Sold in 2014-2015 | 55.00% | 90.00% | 49.50% |
| | Sold in 2016 or later | 55.00% | 100.00% | 55.00% |

Gunns would also be entitled to deduct from the sale proceeds any amounts which it is entitled to recover under the indemnity (see section 7.8) or Receivers and Managers' lien.

7.10 High productivity equivalent reserve

From time to time, in relation to certain Schemes, GSMAL represented that it intended to obtain additional trees to be pooled with the Growers' trees at harvest for the purpose of improving the yield of various Schemes and consequently the returns to Growers. These allocations were referred to as additional resource trees or high productivity equivalent (**HPE Reserve**). Trees intended for the HPE Reserve are detailed in section 2.5 of Part A of this General Meeting Booklet.

Gunns Plantations will contribute to the Schemes any additional forest produce or Woodlot plantations which is designated by GSMAL as part of the HPE Reserve and which is transferred from GSMAL. However, Gunns Plantations does not propose to commit any additional resources or trees for the benefit of the Schemes, outside that portion of the HPE Reserve which has been transferred from GSMAL. The Constitutions and Grower Agreements for each scheme will be amended so that Growers explicitly acknowledge this fact.

7.11 Rent

Under current arrangements, the responsible entity, in its capacity as lessor of the Woodlot, is entitled to receive rental of 2.5% (plus GST) of the Net Proceeds of Sale.

If the Gunns Proposal is implemented, the rental applicable to land used by the 1998 to 2004 Schemes (and which is owned by members of the Great Southern Group) will be waived or reduced.

The reduction in rental for each Scheme is as follows:

| Scheme | Existing Rent payable (% of Net Proceeds of Sale) | Rental reduction (% of Net Proceeds of Sale) | Total Rent payable after reduction (% of Net Proceeds of Sale) |
|---------------|--|---|---|
| 1998 Scheme | 2.5% | (2.5%) | 0% |
| 1999 Scheme | 2.5% | (2.5%) | 0% |
| 2000 Scheme | 2.5% | (2.5%) | 0% |
| 2001 Scheme | 2.5% | (2.25%) | 0.25% |
| 2002 Scheme | 2.5% | (2.0%) | 0.5% |
| 2003 Scheme | 2.5% | (2.25%) | 0.25% |
| 2004 Scheme | 2.5% | (2.50%) | 0% |

The Grower Agreements will be amended so that the responsible entity will have the capacity to reduce the amount of rent which Gunns Plantations is entitled to deduct from Net Proceeds of Sale to reflect the reduction in rental payable by the responsible entity to members of the Great Southern Group.

7.12 Second rotation

Note this section is only relevant to the 1998 Scheme, 1999 Scheme, 2000 Scheme, 2001 Scheme, 2002 Scheme, 2003 Scheme and 2004 Scheme.

If the Gunns Proposal is adopted, in return for the rental payable potentially being reduced as described in section 7.11, Growers will forgo any right to apply to participate in the first harvest of coppice or secondary plantation following the harvest of their Scheme. Gunns understands that no assurances have been given to Growers that the responsible entity would grant an application to participate in a second rotation. Some of the Grower Agreements provide Growers with an opportunity to apply to participate in any secondary rotation, with any such grant of such an application expressed to be at the absolute discretion of the responsible entity on such terms and conditions as the responsible entity determines. The Receivers and Managers and Secured Lenders are of the view that the head lease option to renew or extend the lease may not be able to be exercised without secured creditors' consent. It may not be possible to offer Growers a second rotation without that consent (see section 4 of Part A of the General Meeting Booklet).

7.13 *The Receivers and Managers' lien*

As part of the Gunns Proposal and to provide certainty to all parties, under the Implementation Agreement, Gunns Plantations has agreed to purchase the right to be paid the amount of the Receivers and Managers' lien out of the harvest proceeds. Gunns will then be entitled to deduct from the proceeds fund amounts that would otherwise have been payable by the Growers to the Receivers and Managers from the proceeds of the sale of Growers' trees. For further information see the information concerning the Receivers and Managers' lien in Part A of this General Meeting Booklet and under the heading 'Purchase of Receivers and Managers' lien' in the summary of the Implementation Agreement in section 11 below.

7.14 *Additional miscellaneous amendments*

The 1998 and 1999 Scheme Constitutions and Grower Agreements are also amended to:

- introduce the concept of GST being added to remuneration and rent; and
- introduce chipping as an expense that can be paid from the proceeds of sale,

as these concepts were not contemplated at the time the 1998 and 1999 Schemes were established.

These and certain additional definitions and minor amendments to existing definitions in the 1998 to 2002 Scheme constitutions and Grower Agreements have been made to ensure consistency with the remainder of the Schemes.

8. **Details of the Gunns Proposal - Retirement and appointment of responsible entity**

Resolution 4 is a resolution to replace the existing responsible entity, GSMAL, with Gunns Plantations on the retirement of GSMAL.

8.1 *Information about Gunns Plantations*

Gunns Plantations is a wholly owned subsidiary of Gunns. Gunns Plantations has a proven track record as a responsible entity and has the knowledge, expertise and strategic rationale to propose this attractive solution for the Schemes. Gunns Plantations holds an Australian Financial Services Licence with the appropriate authorisations to allow it to operate the Schemes as the responsible entity.

Gunns Plantations was formed in November 1999 for the specific purpose of building a forestry resource business for third party investors. Gunns Plantations has established 15 managed investment schemes in wood, wine grapes and walnuts with approximately \$620 million of funds under management.

Gunns Plantations currently manages 104,840 hectares of forestry projects, drawing upon the extensive experience and expertise of its parent in managing the plantations and vineyards associated with its wood and wine grape projects.

Gunns is widely regarded as an industry leader in the agribusiness investment sector given both the high ratings that its projects have received over the years from independent research houses and the integrated nature of its business model (with Gunns' demand for plantation grown timber and its operation of existing infrastructure to process growers' wood).

The directors of Gunns Plantations are:

- **John E Gay** – Mr Gay is the Chairman of Gunns and Gunns Plantations. Mr Gay has been a Director of Gunns since 1986 and was last re-elected in 2006. Mr Gay has substantial knowledge of the forestry and manufacturing industries gained through over 30 years experience in management of the Gunns group.
- **Leslie R Baker** – Mr Baker is a Gunns Executive and Director of Gunns Plantations. Mr Baker was responsible for overseeing the development of the Gunns Managed Investment Scheme Project. Mr Baker has extensive experience in the forestry industry since 1978.

- **Robin Gray** – Mr Gray is a Non-Executive Director of Gunns Plantations. Mr Gray has been a Director of Gunns since 1996 and was last re-elected in 2009. Mr Gray is an agricultural consultant and is the Chairman of Botanical Resources Australia Pty Ltd.
- **Rodney J Loone** – Mr Loone is an Independent Director of Gunns Plantations. Mr Loone is a Fellow of the Institute of Chartered Accountants and is the Managing Principal of the chartered accounting firm, Garrotts with particular expertise in accounting, taxation, and the agriculture and forestry industries.
- **Patrick J Sullivan** – Mr Sullivan is an Independent Director of Gunns Plantations. Mr Sullivan is a retired solicitor who practiced in the area of commercial law. He has previous experience as a board member of both private and public companies.
- **Robert H Graham** – Mr Graham is an Independent Director of Gunns Plantations. Mr Graham has a history of, and currently holds, executive and non-executive board positions principally on companies servicing the timber and building industries in both Australia and overseas.

All directors except Robert Graham and Robin Gray were appointed as directors of Gunns Plantations on 21 February 2000. Mr Graham was appointed 16 April 2008 and Mr Gray was appointed 24 February 2009.

Gunns Plantations' Compliance Committee is comprised of the members of Gunns Plantations' Board. Robert Wood, Gunns Plantations' Compliance Officer, reports to the Compliance Committee every second month.

8.2 *Information about Gunns Limited*

Gunns, founded in 1875, is one of Australia's oldest businesses and is Australia's largest fully integrated hardwood-based forest products company. The company has experienced strong business growth, employs approximately 2,600 people and had annual revenue of around \$769.3 million for the 12 months to 30 June 2009 and earnings before interest and tax of \$110.8 million.

Gunns has five core business divisions; Forest Products, Managed Investment Schemes, Retail, Construction and Wine. The company is headquartered in Launceston and has operations in Tasmania, Victoria, South Australia and Western Australia.

Gunns owns over 280,000 hectares of freehold land, which is utilised in its forest operations. There are approximately 800,000 hectares of hardwood plantations in Australia and Gunns manages in excess of 200,000 hectares (including its interests in joint ventures with major customers) of hardwood plantations. In addition, the company holds contracts with government agencies for the supply of forest products in both Tasmania and Western Australia.

The export wood fibre business operates from four processing sites located in Tasmania and Victoria. The Tasmanian operations are located in each of the State's key resource regions (in the north with the two Tamar mills, in the north-west at Burnie and on the east coast at Triabunna). The Victorian mill is located in Portland. Each of the mills is located close to port and ship-loading facilities providing a strong competitive edge.

Gunns currently exports all of its eucalyptus hardwood chips to Asian-based pulp and paper manufacturers. Gunns has a majority share of the Australian hardwood export market to Japan, (one of the largest paper and board producing nations globally) and a large share of the total Japanese hardwood market. Historically, 10 to 12% of Gunns' hardwood exports are to other Asia-Pacific countries including Korea, Indonesia and China.

Gunns has developed plans to build a plantation based bleached kraft pulp mill at Bell Bay in Northern Tasmania. The rationale for the mill is to leverage the value of plantation resource into a higher value product into a global market. The mill project provides critical infrastructure for the creation of value from Australia's plantation resource – providing a significant domestic market to complement export opportunities for wood fibre.

Gunns has a proven track record in successfully acquiring and integrating businesses. The company recently acquired Auspine Limited (a forestry company involved in the growing and harvesting, manufacturing and sales of timber products in both domestic and export markets with processing

facilities located in the Green Triangle) and a stake in Forest Enterprises Australia Limited. It is currently proceeding with the acquisition of ITC Timber. The completion of this transaction is currently subject to review by the competition regulator.

Gunns has a strong commitment to sustainability principles in its forest management. This is demonstrated in becoming the first Australian forest products company to be audited and receive certification under the Australian Forestry Standard (AFS). The AFS is now recognised under the international PEFC accreditation banner.

The directors of Gunns are John Gay (Chairman), Robin Gray, Richard Millar, Chris Newman, David Simmons and Paul Teisseire.. The company secretary is Wayne Chapman and Chief Executive Officer is Greg L'Estrange.

8.3 Gunns' financial resources

The Gunns Proposal will require it to fund the acquisition of certain operational assets of the Great Southern Group under the asset sale agreements as discussed in section 11.2 and 11.3 below, as well as requiring Gunns Plantations to establish new Maintenance Reserve Funds (for Schemes that have Maintenance Reserve Funds) as required under the relevant Scheme Constitutions. Moreover, the continued solvency of Gunns and Gunns Plantations is essential to ensure Growers achieve a return.

In the longer term, Gunns Plantations will be required to fund any amounts required over and above the amount in the Maintenance Reserve Funds, or where there is no MRF, in order to manage and maintain the trees up to the point of harvest.

Gunns and Gunns Plantations will fund the above amounts through a combination of Gunns' existing cash resources and debt facilities.

Gunns' debt facilities

As at 30 June 2009 the Consolidated Gunns Group held net assets of approximately \$1.3 billion, with gearing of 36% (net debt expressed as a percentage of net debt and net equity).

Gunns' senior debt facility, a \$720 million facility, is due for refinance in January 2012. \$400 million of this facility is currently drawn for corporate purposes.

In addition to this debt facility, Gunns' working capital facilities total \$90 million and are reviewed annually. This working capital facility is comprised of two tranches: (1) \$50 million of which is due to be reviewed in December; and (2) \$40 million of which to due be reviewed in April. The two tranches are with separate banks and are reviewed annually.

Gunns' access to equity markets

Gunns is an ASX listed company with ready access to capital markets. On 30 September this year, Gunns' completed a rights issue, under which it raised approximately \$40 million to be deployed in acquisitions in this sector including opportunities such as Great Southern (on top of \$100 million to support its acquisition of ITC Hardwood's hardwood sawmilling operations).

Where future funding is required, Gunns believes it has access to appropriate sources of debt or equity capital to be able to perform its obligations in relation to the Schemes. Further information about Gunns' financial position is available in Gunns' 2009 Annual Report available at www.asx.com.au and www.gunns.com.au.

9. The conditions attaching to the Resolutions

9.1 Interconditionality of Resolutions

Each Resolution is conditional on each of the other Resolutions passing. Thus the Constitutional and Grower Agreement amendments will not be made unless the Gunns Proposal is approved as well as the replacement of the responsible entity and vice versa.

9.2 Interconditionality with resolutions relating to all of the Schemes

The implementation of all resolutions for each Scheme is conditional upon similar resolutions being passed, and taking effect, at Meetings of Growers in respect of all of the Schemes.

The reason for the interconditionality with the Resolutions relating to the all of the Schemes is that Gunns needs certainty of economies of scale in return for its commitment of time, expenditure and resources to maintain, harvest and sell the trees under the new arrangements. In addition, suitable arrangements with sub-contractors for harvesting, transport, loading and chipping, as well as with purchasers of the end-product, can only be achieved if all, or a sufficient number of the projects, commit to Gunns Plantations being their responsible entity.

However, the Responsible Entity and Gunns Plantations may agree to waive the requirement for the approval of every Scheme to be obtained if a substantial majority of Schemes have approved the Gunns Proposal and the Gunns Proposal remains feasible for both Gunns and the Great Southern Group from a commercial and legal perspective.

10. Taxation considerations

If the Gunns Proposal becomes effective, there will be a change of responsible entity of the Schemes and an increase in the fees payable to the responsible entity from Growers' gross proceeds of sale under the Schemes. Apart from these changes, the Schemes will continue in largely the same manner as they did prior to the change of responsible entity.

10.1 Draft taxation determination regarding a change of responsible entity

The ATO has issued a draft taxation determination, TD 2009/D9, setting out the Commissioner's preliminary view regarding the tax consequences for investors of a change of the responsible entity of a registered agricultural managed investment scheme.

Broadly, the draft taxation determination provides that:

- where, despite the change of the responsible entity, the managed investment scheme continues to be implemented in accordance with the relevant product ruling – the Commissioner considers that the ruling will continue to apply and may be relied upon by investors; however
- where the change of the responsible entity results in there being a 'material difference' in the implementation of the managed investment scheme – an investor will not be able to rely on the product ruling.

In the example provided by the ATO in the draft taxation determination a 'variation to the on going charges to be levied on investors under the management agreement' should not constitute a 'material difference' in the implementation of the managed investment scheme.

The draft taxation determination further provides that if there is a 'material difference' in the implementation of the scheme, then the relevant product ruling will be withdrawn with effect from the time the material difference occurred. In particular, the non-binding explanation in Appendix 1 to the draft taxation determination provides that:

“... where the arrangement commences and subsequently changes from the ruled scheme, the withdrawal may take effect from immediately before the time the material difference

occurred. This may enable participants to be able to rely on the ruling in relation to deductions already incurred and claimed.”

The above suggests that despite the change in responsible entity and the increase in the fees payable under the Schemes, the product ruling relied upon by Growers at the time of acquiring their interests in the Schemes should continue to apply and may be relied upon by Growers. However, the draft taxation determination is a draft only and the above statement is a general statement only. Growers are encouraged to refer to the ATO website for any updates on the tax position of Growers and to seek and obtain their own taxation advice in relation to the transaction and any impact on their personal position.

10.2 Potential claw-back of deductions if the Schemes are terminated

The taxation treatment for Growers if the Gunns Proposal does not proceed, another entity is not appointed as responsible entity and the Schemes are wound up is less clear.

There has recently been some concern expressed publicly that, under current tax legislation, there is the potential for the ATO to claw-back tax deductions previously claimed by investors in failed forestry managed investment schemes. The ATO has issued two draft taxation determinations, TD 2009/D15 and TD 2009/D16, which set out the Commissioner's preliminary view on this issue. Broadly, these taxation determinations provide that, under current tax legislation, claw-back of tax deductions may occur where:

- a CGT event happens in relation to an investor's interest in a forestry managed investment scheme within four years after the end of the income year in which the investor first incurred expenditure under the scheme; and
- the investor first incurred expenditure under the scheme prior to 30 June 2008.

However, on 21 October 2009, the Federal Government announced that it intends to amend the current tax legislation to protect investors in forestry managed investment schemes from unintended and adverse tax outcomes which would otherwise arise under current tax legislation as a result of events which occur within four years of the investors first incurring expenditure under the scheme and which are genuinely beyond the control of the investors. By way of example, the announcement provides that the amendments to the tax legislation should apply to investors affected by the insolvency of a responsible entity of a forestry managed investment scheme.

At the time of writing, draft legislation to implement the announced amendments to the tax legislation has not been released and therefore it is not clear whether the amendments will apply to Growers. Accordingly, Growers are encouraged to refer to the ATO website for any updates on the tax position of Growers and to seek and obtain their own taxation advice in relation to the transaction and any impact on their personal position.

11. Material contracts

GSL, GSMAL, other members of the Great Southern Group, the Receivers and Managers, Gunns and Gunns Plantations have entered into the Implementation Agreement and will enter into the Asset Sale Agreement. These agreements, amongst other things, govern the proposal by Gunns to replace GSMAL as the responsible entity of the Schemes.

The material terms of those documents are summarised below.

11.1 Implementation Agreement

Under the Implementation Agreement, the parties have agreed that, provided the necessary resolutions are passed and other conditions are satisfied, Gunns Plantations will replace GSMAL as responsible entity of the Schemes.

Implementation

GSMAL must convene a meeting of Growers of each of the Schemes pursuant to the Corporations Act and propose the necessary resolutions for the appointment of Gunns Plantations as responsible entity and the amendment of the Constitutions and Grower Agreements.

Gunns Plantations will become the responsible entity and implement the Gunns Proposal provided the following conditions are satisfied or waived:

- the Resolutions put to all of the Schemes are passed or Resolutions relating to a substantial majority of the Schemes are passed and, if any Resolutions are not passed, the parties to the Implementation Agreement agree that the transaction remains feasible from a commercial and legal perspective;
- Gunns Plantations does not withdraw its consent to becoming responsible entity;
- certain court directions are obtained;
- the Receivers and Managers continue to recommend the Gunns Proposal on the terms set out in this document;
- no material adverse change occurs in relation to the Schemes and other events do not occur such as GSMAL ceasing to be responsible entity; the making of other amendments to the Constitutions; new receivers being appointed to the Great Southern Group; or other material events occur in relation to Great Southern's forestry operations including the disposal of material assets, material changes are made to the business, new charges are granted over it, long term contracts are entered into, material disputes are settled or defaults are waived; and
- no breaches of material terms of the Implementation Agreement occur.

Gunns can waive the above conditions other than the condition regarding the passing of the Resolutions, the receipt of court directions and the condition that Gunns Plantations has not withdrawn its consent to becoming responsible entity.

As discussed in section 9.2 above, the parties may waive the requirement for the approval of Resolutions for every Scheme to be obtained if Resolutions for a substantial majority of Schemes are approved and the Gunns Proposal remains feasible for both Gunns and the Great Southern Group from a commercial and legal perspective.

Gunns has consented to become responsible entity of the Schemes and will not withdraw its consent unless the above conditions are not satisfied or the counterparties to the Implementation Agreement breach that agreement.

GSL and GSMAL must provide Gunns with reasonable access to the business of GSL and GSMAL and their subsidiaries for the purpose of implementing the transactions.

Rights of retiring Responsible Entity to receive fees

Gunns Plantations will acquire the rights of the retiring Responsible Entity to receive fees from the Schemes for the performance of its services to date. Gunns Plantations will pay the retiring Responsible Entity \$4 million.

Rental reduction

The parties agree to implement the reduction in rental and termination of an option to extend certain leases between the responsible entity and the Great Southern Group as described in sections 7.11 and 7.12 above.

Treatment of liabilities and contracts

On the date the Responsible Entity is replaced (the Replacement Date), GSMAL will be entitled to retain each Maintenance Reserve Fund pertaining to each MRF Scheme and must notify Gunns of the amount of each fund on that date so that Gunns Plantations can establish a Maintenance Reserve Fund for each MRF Scheme.

The agreement clarifies the position with respect to historical amounts owing to GSMAL from the Great Southern Group and to the Great Southern Group from GSMAL. These amounts will remain assets and liabilities of GSMAL and will not transfer to Gunns Plantations to the extent that they do not relate to the Schemes.

The agreement also provides for the termination of the agreements entered into by GSMAL with Great Southern Group entities that concern the forestry business (except the internal leases), including internal management, harvesting, marketing and sales agreements for consideration of \$1,000,000. Gunns Plantations will enter its own agreements in respect of these functions.

Purchase of Receivers and Managers' lien

Gunns agrees to complete the purchase of the Receivers and Managers' lien described in Part A of this General Meeting Booklet. The purchase by Gunns of the Receivers and Managers' lien is subject to the Court determining the expenditure to which the Receivers and Managers are entitled to be indemnified and the Court determining, or a Senior Counsel giving an opinion that, (i) the sale of the Receivers and Managers' lien will be effective by way of assignment or subrogation and recoverable by Gunns Plantations from scheme property and (ii) the manner in which the expenditure and remuneration may be recovered from scheme property.

Gunns will pay the Receivers and Managers the net present value of the Receivers and Managers' lien, according to the time when payments of the lien are expected to be recovered, and applying an 11% per annum discount rate.

Notification of approaches

The Receivers and Managers must notify Gunns of any approaches they receive from other parties to become the responsible entity of the Schemes or to acquire Scheme assets or other Great Southern Group assets relevant to the Great Southern forestry business.

Agreement to put future offers to Growers

Gunns has agreed with the Receivers and Managers that if any offer is received in the future from a third party to acquire the Plantations as well as the assets used in servicing the Plantations and the Great Southern freehold estate, Gunns Plantations will put resolutions to Growers to authorise the sale by Gunns Plantations of the Plantation on behalf of Growers.

This will occur where an independent expert states that the financial terms of the offer are reasonable to Growers having regard to the likely returns to Growers from the harvest of the Plantations as planned in the Project, compared to the return to Growers from the early sale on the terms offered.

Other advice will also be required to support any such offer, including financial and legal advice regarding the ability of the buyer to complete the sale, the reasonableness of the terms to Growers and the absence of any legal impediment to the sale.

No sale will proceed unless approved by 75% of Growers (represented at a meeting) of all Schemes. The Responsible Entity and Gunns Plantations may waive the requirement for the approval of every Scheme to be obtained if a substantial majority of Schemes have approved the Gunns Proposal and the proposal remains feasible for both Gunns and the Great Southern Group from a commercial and legal perspective.

As referred to in section 7.2 above, Gunns Plantations is entitled to deduct fees and expenses from the sale proceeds. In certain circumstances, Gunns Plantations may be compensated by members of

the Great Southern Group for the cost of terminating contracts which are not assigned to a purchaser of the Plantations.

Gunns Plantations has also agreed that if a bona fide offer is received to purchase harvested wood from the Plantations over a future period, Gunns must engage an independent expert to report on the financial terms of the offer and, if those terms are reasonable to Growers, Gunns Plantations must negotiate the proposal, consistent with Gunns Plantations' fiduciary and statutory duties.

Termination

Any party may terminate the agreement by written notice if:

- an event occurs which would prevent the conditions described above being satisfied;
- completion under the Asset Sale Agreement has not occurred by 26 February 2010;
- the other party is in material breach, the party wishing to terminate has given written notice and the relevant circumstances continue to exist for a further 5 business days; or
- a Court or government agency prevents the transactions from taking place.

11.2 Asset Sale Agreement – Great Southern forestry assets

As part of the Gunns Proposal, it is proposed that certain Great Southern Group entities will enter into an agreement to sell to Gunns certain forestry assets relating to the Schemes including certain plant and equipment, certain water licences certain woodchip, chemical and fertilizer inventory and certain plantations that Great Southern holds as principal (and are not part of the Schemes). The final form of the Asset Sale Agreement is to be agreed by the proposed parties to it as soon as possible after the execution of the Implementation Agreement.

Gunns will also agree under the Asset Sale Agreement to assume, perform and discharge the liabilities under certain forestry contracts, leases with third parties, water licences and employment contracts. The forestry contracts include certain timber purchase agreements, harvesting and cleanup agreements, log harvesting and processing agreements and woodchip processing and haulage agreements.

Gunns will also make an offer of employment to certain employees of the Great Southern Group who are employed in the forestry business (other than those based in the Northern Territory).

This will, amongst other things, allow Gunns Plantations to provide services to the Schemes as responsible entity if the Resolutions are passed.

The consideration for the sale of the assets is the assumption of the liabilities as referred to above, the payment of an aggregate of \$1.6 million for the water licences (payable in instalments upon transfer of each relevant licence) and \$7.1 million for the other assets (payable at completion).

Conditions precedent

The transfer of assets under the Asset Sale Agreement will be conditional upon the conditions under the Implementation Agreement being satisfied or waived in accordance with its terms.

Period between signing and completion

Between the date of the agreement and completion the Receivers and Managers of the relevant Great Southern Group company (or receivers only, as applicable) and each Great Southern entity which is a vendor of assets under the agreement will agree:

- not to acquire or dispose of any material assets;
- not to encumber any of the forestry assets;
- not to terminate or vary the terms of employment of any person employed in the forestry business or employ any new person; and

- to maintain the relationships with customers, suppliers, licensors and licensees and others having business dealing with the forestry business.

Gunns will, following signing of the Asset Sale Agreement, also be entitled to reasonable access to the forestry assets, employees, offices and other facilities related to the forestry assets.

Gunns will also, following signing of the Asset Sale Agreement, be entitled to appoint a reasonable number of observers who will be exposed to and involved in the day-to-day operation of the forestry business. Such observers will have the opportunity to provide comments and suggestions regarding the conduct of the forestry business.

Termination

The Asset Sale Agreement will provide that if Completion has not occurred by 26 February 2010 either party may give written notice terminating the agreement. If the Asset Sale Agreement is terminated each party is released from its continuing obligations, except those imposing obligations of confidentiality.

11.3 Offer to acquire other Great Southern assets

Gunns also intends to offer to acquire certain other assets from other companies in the Great Southern Group. These include shares in a company with an interest in a woodchip handling facility near Albany WA and in a mill in Bunbury WA and, from a different seller, certain interests in the Schemes acquired by the Great Southern Group under "Project Transform" as described in section 6.11 of the General Meeting Booklet.

12. General Meeting Booklet - Responsibility statement and disclaimer of liability

The information provided in this Part C to the General Meeting Booklet has been prepared and supplied by Gunns, which is solely responsible for this information. Neither GSMAL, nor its Receivers and Managers are responsible for any of the information in this Part C to the General Meeting Booklet or Part C of the Supplementary Scheme Booklet for each Scheme.

To the extent this document contains any forward looking statements (actual or implied) including forecasts, prospects or returns, except as required by law, neither Gunns, Gunns Plantations, nor their officers, employees or agents make any representation or warranty, express or implied as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of those statements. Such statements are by their nature subject to significant uncertainties and contingencies.

Neither Gunns, Gunns Plantations nor their officers, employees or agents have authorised any person to make or provide any statement, representation or information to Growers which is inconsistent with the information contained in this Part C of the General Meeting Booklet or Part C of the Supplementary Scheme Booklets. Any such information is not authorised by them and should not be relied upon by Growers.

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