

Great Southern Managers Australia Limited  
(Administrators appointed)  
(Receivers and Managers Appointed)  
("GSMAL")  
ACN 083 825 405

CORPORATE RECOVERY

Forestry Pulpwood Schemes as set out in Appendix A  
(together the "Pulpwood Schemes")

## PLEASE READ-IMPORTANT INFORMATION FOR INVESTORS

For the latest Investor updates please go to

[www.great-southern.com.au](http://www.great-southern.com.au)

or register for email alerts at

[gsp@great-southern.com.au](mailto:gsp@great-southern.com.au)

GSMAL is insolvent and unable to meet its obligations as Responsible Entity ("RE") of the Pulpwood Schemes without securing additional sources of funding.

The Pulpwood Schemes require significant funding and are not viable under the existing Scheme Constitutions. The funding required across all the Schemes until harvest is in excess of \$160 million.

We have identified two potential outcomes:

1. Find a suitably qualified and capitalised replacement RE and amend the Scheme Constitutions to make the Pulpwood Schemes commercially attractive to them; or,
2. Wind up the Pulpwood Schemes consensually or by court order.

The Receivers and Managers of GSMAL are in discussions with several parties who have expressed interest in becoming the new RE.

We have started a competitive process to generate offers for the assets of Great Southern and offers from prospective replacement REs.

Any offers to act as the replacement RE will need to be approved by Investors at meetings to consider the alternative proposals on offer to the Investors. We will provide analysis of those offers to assist Investors in considering the alternatives.

Should Investors receive offers from alternate REs who have shown a desire to replace GSMAL as the RE of those schemes, we recommend that they await alternative proposals from the competitive process.

We are aware that a proposal is being formulated by Pulpwood Plantation Pty Limited ("PPL"). The former deputy CEO of the Great Southern Group, Phillip Butlin is a board member of PPL. We welcome the interest shown by PPL and other parties in these Pulpwood Schemes, and we have invited them to participate in the competitive process being conducted by the Receivers and Managers.

It is our view that Investors' interests are best protected by considering all offers, including PPL's offer, in the context of other offers generated through a competitive process.

The secured creditors have provided substantial funding since the appointment of the Receivers and Managers but we cannot be assured of funding after 1 October. After that date, unless circumstances change, the Pulpwood Schemes will be unfunded.

## **Background**

Since our appointment on 18 May 2009 we have spent considerable time:

- + Stabilising operations;
- + Assessing the viability of operations and the Pulpwood Schemes;
- + Restructuring operations to reduce the immediate cash requirements of the Pulpwood Schemes in light of the limited available funding;
- + Negotiating substantial funding from the secured creditors;
- + Assessing strategies to deal with the assets of Great Southern and Investors;
- + Preparing detailed information for potential replacement REs for the Pulpwood Schemes and buyers of the assets of Great Southern; and
- + Ensuring that the Pulpwood Scheme assets are protected and insured.

## **Scheme solvency and viability**

GSMAL, the RE of the Pulpwood Schemes, is insolvent and is unable to meet its obligations to manage the Pulpwood Schemes in accordance with the Pulpwood Scheme Constitutions. The secured creditors have to date provided limited funding to meet critical costs to protect the assets. However, GSMAL only has access to short term funding.

As reported previously, we have commenced an analysis of the solvency and viability of each of the schemes. That work is substantially complete, but we are waiting on the results of a review by an independent expert before finalising that work.

Management prepared long term forecasts for the life of each scheme and the independent expert has been engaged to provide their opinion on those forecasts. Preparation of the forecasts took longer than anticipated as Great Southern had not previously recorded the costs of each scheme separately. We also spent considerable time reviewing the forecasts and questioning the assumptions with management.

Our preliminary conclusions are that:

- + There are substantial funding requirements for the Pulpwood Forestry business – in excess of \$160m to harvest;
- + Under the existing Pulpwood Scheme Constitutions the schemes are not commercially viable to an RE; and
- + There is a prospect that with suitable amendment of the Pulpwood Scheme Constitutions the schemes could be made commercially attractive to an RE.

## **Process to identify potential REs and for the sale of the assets of Great Southern**

We have spent considerable time collating information that would be required by any party with an interest in the pulpwood assets of Great Southern (ie non scheme assets) and/or in the role of RE for the Pulpwood Schemes or alternatively interested in the collapse of the Schemes and the distribution of the value of the scheme assets to the Investors. We have also prepared an open, competitive process whereby all interested parties will be invited to access detailed information in order to prepare a proposal for Investors to consider.

Any proposal for the scheme assets will be a matter for the Investors of that Scheme to consider.

We will contact you with further information should suitable alternative REs come forward.

It is likely that any replacement RE will seek to renegotiate the financial terms with Investors in individual schemes on the basis current arrangements are commercially unattractive. In our view, a competitive process will provide the best structure to ensure that Investors' interests are protected.

Investors in the 1998-2003 Pulpwood Schemes may have received direct communication from Pulpwood Plantation Pty Limited ("PPL") who have shown a desire to replace GSMAL as the RE of those schemes. While we welcome the interest shown by PPL in these schemes, it is our view that Investors' interests are best protected by considering PPL's offer in the context of other offers which may be generated as a result of a competitive process as proposed by the Receivers and Managers.

In evaluating any proposal, Investors need to carefully consider the following:

- + Is the proposal based upon complete and accurate information;
- + Is it comparable to other proposals;
- + Is the proposal realistic in the current circumstances of the industry;
- + Has the proposal been verified by a qualified independent expert; and
- + Does the proponent have sufficient funding to meet the future operational and capital requirements of the Scheme?

Our process is structured to provide you assurance you have the necessary information to consider your options.

### **Ongoing funding**

The Pulpwood Schemes will continue to require funding during the process to locate a new RE. We expect to have sufficient short term funding but are unable to confirm that funding will be available beyond 30 September 2009. After that date the Pulpwood Schemes will be unfunded. Accordingly, if a potential replacement RE has not been identified by that date for the relevant scheme we may need to transition to the process of winding up of the scheme, unless Investors are in a position to fund the ongoing requirements of that scheme. If there is no available funding, then unless the schemes are wound up, the value of scheme property may be adversely affected to the detriment of Investors.

### **Communication**

We will update Investors as we progress with our process and receive expressions of interest.

Throughout the process, the Consultative Committee will be kept informed, together with ASIC and the Voluntary Administrator.

Investors with questions should in the first instance refer to the Frequently Asked Questions on the Great Southern website ([www.great-southern.com.au](http://www.great-southern.com.au)). Alternatively, specific questions may be emailed to [gsp@great-southern.com.au](mailto:gsp@great-southern.com.au) or to [fm-gs@mcgrathnicol.com](mailto:fm-gs@mcgrathnicol.com) or you may call the Investor Hotline on 1800 258 348.

Yours faithfully



Simon Read  
*Receiver and Manager*

7 September 2009

**Appendix A  
Forestry Pulpwood Schemes listing**

| <b>SCHEME NAME</b>                          | <b>ARSN</b> |
|---|-------------|
| Great Southern Plantations 1994             | 092 782 735 |
| Great Southern Plantations 1995             | 092 782 155 |
| Great Southern Plantations 1996             | 092 781 292 |
| Great Southern Plantations 1997             | 092 780 820 |
| Great Southern Plantations 1998             | 092 780 204 |
| Great Southern Plantations 1999             | 092 452 849 |
| Great Southern Plantations 2000             | 085 669 361 |
| Great Southern Plantations 2001             | 089 958 029 |
| Great Southern Plantations 2002             | 095 343 963 |
| Great Southern Plantations 2003             | 099 131 825 |
| Great Southern Plantations 2004             | 107 811 709 |
| Great Southern Plantations 2005 Project     | 112 744 877 |
| Great Southern Plantations 2006 Project     | 112 744 902 |
| Great Southern Plantations 2007             | 124 053 390 |
| Great Southern Plantations 2008             | 124 053 274 |
| Sylvatech Tropical Timbers 2003             | 103 855 821 |
| Sylvatech Tropical Timbers 2004             | 107 390 796 |
| Great Southern 2008 Renewable Fibre Project | 124 053 274 |
| Great Southern 2009 Renewable Fibre Project | 130 492 081 |
| Great Southern 2010 Renewable Fibre Project | 131 092 049 |