

18 May 2009

Dear Grower,

Grower Update – Gunns Plantations Ltd

Due to the recent speculation surrounding some companies' operations we felt it timely to remind existing Growers of the strengths of investing in an agricultural tax effective investment with Gunns Plantations Ltd (GPL). Whilst we choose not to comment on other companies, we feel that it is very important that we differentiate GPL, and our parent company Gunns Limited (Gunns), from companies that are currently experiencing problems within the Managed Investment Scheme (MIS) sector.

Ever since GPL entered the agribusiness investment market we have consistently maintained the same message:

- Our greatest strength is that the Gunns group is a diversified business with diverse income streams.
- The Gunns group is not solely reliant upon MIS for ongoing revenues. MIS currently only makes up between 10 – 15% of current revenues of the Gunns group.
- The Gunns group is principally a forest products company who uses MIS as a funding mechanism to develop high quality resource for its potential use, which would otherwise need to be funded by some other means. This has enabled Gunns to focus the use of its own capital on the acquisition of businesses – businesses aimed at strengthening the Gunns group and its ability to downstream process and market wood products into the future. Examples of this have been the acquisition of Boral's (\$72.5 Mil.) and North Forest Products' (\$335 Mil.) plantation and processing assets in Tasmania, and more recently Auspine's (\$349.3 Mil.) plantation and processing assets in South Australia, Victoria and Tasmania.
- Gunns has also historically secured a large amount of land through acquisitions of these forest products businesses; land that could then subsequently be used as part of our forestry investment projects, but importantly, land that was not purchased on the open market, at open market prices.
- Gunns was founded in 1875 and is the world's largest exporter of hardwood woodchips.

- The Gunns group has considerable, existing income generating assets some of which will also provide potential markets for growers' wood. These include:
 - * Five (5) deep water export ports;
 - * Five (5) dedicated wood fibre processing facilities;
 - * Eight (8) sawmills operating on either hardwood or softwood;
 - * One (1) veneer mill;
 - * Eight (8) Mitre 10 hardware stores and specialised timber distribution centres;
 - * Two (2) wineries operated by Tamar Ridge Estates;
 - * Approximately 35,000 hectares of plantations owned outright by the Gunns group; and
 - * Owns over 250,000 hectares of freehold forestry land.
- GPL has consistently maintained its focus on the development of plantations in Tasmania (and more recently the Tumbarumba region of NSW – softwood only);
 - o due to the superior growth rates being achieved;
 - o due to its proven ability to grow plantation trees successfully; and
 - o due to the existence of a large amount of existing infrastructure and markets for considerable volumes of wood.
- Gunns has a long history (since the 1920's) in establishing and managing plantations, and in tree breeding programmes, which growers in our forestry investment projects are reaping the benefits of.
- Gunns has a strong commitment to environmental management and sustainability. Gunns was the first company in Australia to have its forest management practices certified to an internationally recognised standard.

Whilst the message over the last ten years has not changed, I am pleased to say that over recent years the Gunns' story has only improved:

- Since the full acquisition of the Auspine business in 2007, Gunns is now also Australia's third largest producer of softwood sawn timber behind the likes of Carter Holt Harvey and Hyne & Son.
- Gunns is proceeding with the development of a \$2.2 billion plantation based pulp mill using world's best technology and environmental standards. The mill has the necessary approvals required to commence construction and is awaiting financial closure before construction will begin.

- GPL's first two forestry investment projects (Woodlot Project 2000 and Woodlot Project 2001) are currently being commercially thinned, giving returns to growers in both of these projects. The yields are both ahead of schedule and above original prospectus forecasts.

Earlier this financial year Gunns took pro-active efforts to significantly reduce its debt levels and control costs to ensure a profitable asset base. This has resulted in a strong balance sheet that is well positioned to deal with the current economic climate and take advantage of emerging opportunities (refer table below).

- The Gunns group's gearing at 31 December 2008 was 32% with net interest bearing debt of \$810.1 Mil. This compares with an asset value of \$2,627.9 Mil., including the recently acquired Auspine business which generates in excess of \$220 Mil. annually in revenue to the group.
- Subsequent to the end of the half year the Company completed the sale of 31,000 hectares of standing timber to GMO Resources. The proceeds of this transaction (\$170 Mil.) have principally been applied to further reduce debt, with gearing levels currently now approximately 26%.
- Gunns' senior debt facilities are due for refinancing in January 2012.

Performance Highlights – Gunns Limited's Half Yearly results 2008/2009

	First Half 2009	First Half 2008	% change
Revenue	\$427.65 Mil.	\$368.5 Mil.	UP 16%
EBIT	\$69.3 Mil.	\$44.2 Mil.	UP 57%
Underlying EBIT	\$60.8 Mil.	\$53.2 Mil.	UP 14%

- GPL is now in the enviable position of being able to sustainably offer in the order of 9,000-10,000 hectares of investment annually through the use of existing freehold land owned by Gunns and the occasional strategic land purchase or lease.

In a similar vein the walnut agricultural investment schemes have been managed with the same conservative style of management:

- The walnut orchards making up GPL's Walnut Project No. 1, Walnut Project No. 2 and Walnut Project No. 3 have been limited to 1,350 hectares in size thus keeping our exposure to existing global supply-demand balances to manageable levels.
- The orchards are located in the Murrumbidgee Irrigation Area – widely recognised as Australia's most reliable irrigation area.
- The orchards are managed under sub-contract by Webster Limited; an existing agricultural processing and marketing company and Australia's fourth oldest listed company.
- Webster Limited has already constructed the processing facility required to process the first walnut harvest due to take place next year (2010).

- GPL does not need to secure any more land to satisfy the requirements of the Walnut Project No. 3.

In relation to our current woodlot projects:

- The plantations comprising Woodlot Project 2008 have already been planted,
- The land required for Woodlot Project 2009 has already been secured,
- The seedlings required for Woodlot Project 2009 are already growing in the company's nursery at Somerset in north-west Tasmania.
- Optional insurance is available for growers in all of our projects and if elected, and paid for in full, GPL will arrange for crop insurance for those growers,
- GPL operates a strict compliance regime to ensure that all scheme assets (Application monies and proceeds) are held separately in custodial bank accounts and used for the intended purpose.

I certainly hope that the above information has been useful in detailing the strong credentials of both Gunns Plantations Ltd and our parent company Gunns Ltd.

We once again thank you for your support.

Yours sincerely,



Ian Blanden
Manager – Gunns Plantations Ltd

* Gunns Plantations Limited ACN 091 232 209 (GPL) is a subsidiary of Gunns Limited ACN 009 478 148 (Gunns). Gunns has not authorised or caused the issue of this document and takes no responsibility for any statement in this document other than the references to its name and statements attributed to it.

GPL is the issuer of the product disclosure statements offering investors an opportunity to subscribe for interests in the Gunns Plantations Ltd Woodlot Project 2009 ARSN: 135 490 292 (the Woodlot Project) and the Gunns Plantations Ltd Walnut Project No 3 ARSN: 136 845 022 (the Walnut Project). A copy of either product disclosure statement (PDS) may be obtained from GPL by phoning FREECALL 1800 015 023 or via our website: www.gunns.com.au/plantations.

The information contained in this document is general in nature and does not take into account the individual investment objectives, financial situation or particular needs of any potential investor. All prospective investors should read the PDS and any supplementary PDS in full prior to making a decision regarding an investment in the Woodlot Project or the Walnut Project. Allocations of interests in the projects will only be made to successful applicants that have properly completed an Application and Power of Attorney Form attached to a current PDS. We recommend you obtain personal financial and legal advice before making a decision to invest.

GPL has also previously issued the Gunns Plantations Woodlot Project 2000 ARSN: 092 354 535, Gunns Plantations Woodlot Project 2001 ARSN: 094 182 279, Gunns Plantations Ltd Woodlot Project 2008 ARSN: 128 933 237, Gunns Plantations Limited Walnut Project No. 1 ARSN 119 514 724, Gunns Plantations Ltd Walnut Project No. 2 ARSN: 125 191 531, Gunns Plantations Ltd Walnut Project No. 3 ARSN: 136 845 022 and other similar projects. These projects are now closed for investment. The performance of these past projects is not an indicator of the potential performance of any future or current projects.