



# walnut project No.2

PRODUCT DISCLOSURE STATEMENT



ABN 36 091 232 209 ARSN 125 191 531  
AFSL No. 238701

**PRODUCT DISCLOSURE STATEMENT**  
**and**  
**SUPPLEMENTARY PRODUCT DISCLOSURE STATEMENT**

**GUNNS PLANTATIONS LIMITED – WALNUT PROJECT No. 2**

**ARSN 125 191 531**

This is a Product Disclosure Statement (“PDS”), dated 30 April 2007 (“the Original PDS”<sup>+</sup>), and a Supplementary Product Disclosure Statement (“Supplementary PDS”), dated 1 November 2007, relating to the Gunns Plantations Limited Walnut Project No 2 (ARSN 125 191 531) (“the “Project”<sup>+</sup>”) issued by Gunns Plantations Limited (“GPL”<sup>+</sup> or the “Responsible Entity”<sup>+</sup>).

The Supplementary PDS is located at the rear of the Original PDS. The Original PDS contemplated investment by Late Growers<sup>+</sup> in the Project<sup>+</sup> pending the issue of a Product Ruling by the Australian Taxation Office (ATO) and the subsequent release of a Supplementary PDS. The ATO issued that ruling (PR 2007/89) on 22 August 2007 and the Supplementary PDS contains the updated information necessary to re-open the Project for Late Growers<sup>+</sup> in the financial year ending June 2008. Accordingly, the Original PDS is to now incorporate the amendments in the Supplementary PDS applicable to Late Growers<sup>+</sup>.

The Supplementary PDS must be read together with the PDS.

**Applications can only be accepted from the Supplementary PDS at the rear of this document.**

*<sup>+</sup> Denotes terms that are defined in the PDS<sup>+</sup>. The Supplementary PDS must accompany any copies of the PDS<sup>+</sup> that are given to an investor after the issue of the Supplementary PDS.*

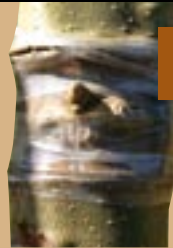


ABN: 36 091 232 209

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# THE LIFE CYCLE OF A WALNUT ORCHARD INVESTMENT



1

Bud grafting of young walnut



2

New walnut plantings



3

White washing of young walnut to prevent sun damage



4

Young walnuts at second leaf

5



Old hedged (close spacing) walnut orchard



6

Mature open spaced orchard



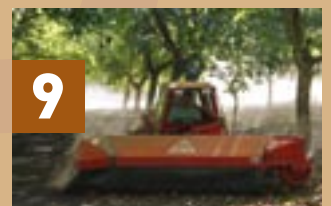
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Split hulls at harvest time



8

Tree shaker – dislodging walnuts as part of harvest process



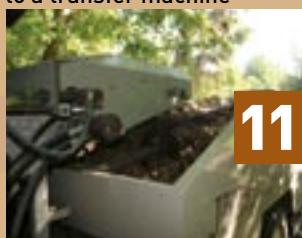
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Sweeper – sweeping walnuts into rows



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Harvester – harvesting walnuts



11

Transferring on the move to a transfer machine



12

Transfer machine delivering at processing plant



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Proceeding to hulling plant



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Grading line following hulling and washing



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Drying bins

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Young walnut fruit  
in the green hull

# Important information

## Responsible Entity

Gunns Plantations Limited (ABN 36 091 232 209) (GPL) is the Responsible Entity of the Gunns Plantations Ltd Walnut Project No. 2 (ARSN 125 191 531) (Project), and is the issuer of this Product Disclosure Statement (PDS). GPL has been issued with an Australian Financial Services Licence (AFSL), number 238701.

## Gunns Group

Gunns Limited (ABN 29 009 478 148) (Gunns) is the parent company of GPL. Gunns is also the parent company of Gunns Finance (ABN 58 091 861 700).

## Important Information

This PDS is dated 30 April 2007 and has been prepared by GPL. If you have received this PDS electronically we will give you a paper copy free on request. Please phone FREECALL 1800 015 023.

## Growers

Those investors who apply and are accepted as investors for the Project on or before 15 June 2007 will, for the purposes of this PDS, be known as Early Growers. The life of an Early Grower's interest in the Project is from Year 0 (2007) to Year 25 (2032). Those investors who apply for acceptance as investors in the Project in the period from 1 July 2007 to 13 June 2008 will be known as Late Growers. The life of a Late Grower's interest in the Project is from Year 0 (2008) to Year 25 (2033).

The Term of the Project may be extended by GPL for a further 2 years if the IRR for the Project is less than 9.5%, the Project has not been terminated before 30 June in Year 25 and GPL is reasonably satisfied that it is in the best interests of the Grower to extend the Term. (refer to Section 4 for more details).

## Offering Restrictions

No action has been taken to register or otherwise permit a public offering of the Project outside of Australia. This PDS does not constitute an offer or invitation in any place or to any person to whom it would not be lawful to make such an offer or invitation.

There is no minimum subscription amount under this PDS.

## Disclaimers

Your investment in the Project is subject to investment and other risks. Neither GPL, Gunns, any other member of the Gunns Group nor any other entity associated with the issue of this PDS gives any guarantee, warranty or assurance as to the performance of the Project or any particular return.

The information contained in this PDS is not financial product advice. This PDS does not take into account the investment objectives, financial situation and particular needs of any potential investor. Accordingly, before you invest you should read this PDS and any supplementary PDS in full. We also recommend that before making a decision to invest in the Project you consult a financial or other professional adviser.

The option for GPL to extend the Project if the IRR is less than 9.5% does not constitute a guarantee or representation from GPL that the Project will achieve any particular IRR, return or rate of return during any year of the Project, including any year during any extension to the term of the Project.

## Integrity of the PDS

The PDS is available in electronic format, including on the Internet at [www.gunns.com.au/plantations](http://www.gunns.com.au/plantations). While GPL believes it is unlikely that during the period of the offer the electronic version of the PDS will be tampered with or altered in any way, GPL cannot give any absolute assurance that this will not occur. Any investor in doubt concerning the validity or integrity of an electronic copy of the PDS should immediately request a paper copy of the PDS directly from GPL.

## Changes

Information that is not materially adverse information is subject to change from time to time and may be updated on the GPL website. A paper copy of any updated information will be provided free of charge upon request.

## Additional Information

GPL has a dispute resolution system available for investors. A 14 day cooling-off period exists for all applicants. See section 15 for details.

Only those pictures on pages 3, 24 and 30 depict staff members and property of the Gunns group.

A number of words and terms used in this PDS have defined meanings that appear in the Glossary.

# Chairman's letter

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Dear Investor,

## Gunns Plantations Ltd Walnut Project No. 2

I have great pleasure announcing the release of our second walnut project, Gunns Plantations Ltd's Walnut Project No. 2 (Project) and invite you to read this Product Disclosure Statement (PDS) in full.

In early September 2005, Gunns, GPL and Webster Limited entered into a major agreement to develop 3,350 hectares of Walnut orchard in the Riverina district of NSW over a four year period. In this, the second year, the plan is to develop an orchard, on behalf of investors, of approximately 1,200 hectares in size.

This PDS offers you a unique investment opportunity to become a Grower of walnuts by acquiring an interest in a 0.20 hectare Walnut Lot comprised of land selected in the productive New South Wales (NSW) Riverina district. Each 0.20 hectare Walnut Lot will comprise 0.07 hectares of orchard established that was planted in the spring of 2006 (Existing Orchard) and 0.13 hectares of orchard that will be established by 31 October in Year 1 of the Project (New Orchard). The Riverina is a region of southern NSW that comprises the agricultural and pastoral areas west of the Great Dividing Range, north and south of the Murrumbidgee River. It is one of the premier agricultural regions in the country.

The land is located near the regional towns of Griffith and Leeton, utilising water from the life giving Murrumbidgee Irrigation Scheme, one of Australia's most reliable irrigation schemes. Gunns has employed the services of Webster Limited, Australia's fourth oldest business and Australia's largest walnut orchard manager, to help identify sites suitable to develop world class orchards.

Webster Limited has been sub-contracted to manage the Walnut Lots offered by GPL. Webster Limited is an export-oriented food business involving aquaculture, onions, carrots and walnuts. Webster currently manages 650 hectares of walnut orchards on the East Coast and North West Coast of Tasmania and a further 785 hectares at Griffith NSW, as well as Australia's largest Walnut nursery at Forth on the North West Coast of Tasmania. Webster was also sub-contracted to establish and maintain the walnut orchard under GPL Walnut Project No. 1 and to date has performed its duties to a very high standard. As the only large scale producer of walnuts in Australia, there is an exciting opportunity to work with Webster in developing substantial export and substitute import opportunities.

Walnut Lots for the Project are competitively priced with a total upfront Application Fee of \$6,424 (including GST). The term of the Project will be 25 years. The Term of the Project may be extended by GPL for a further 2 years if the IRR for the Project is less than 9.5%, the Project has not been terminated before 30 June in Year 25 and GPL is reasonably satisfied that it is in the best interests of the Grower to extend the Term.

The first commercial crop can be expected from the Existing Orchard in Year 3 and the Project is anticipated to reach full production in approximately Year 8.

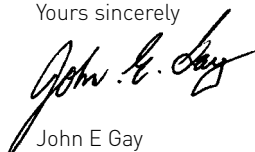
It is anticipated that Growers will be invoiced for the full Ongoing Fees in Years 1 and 2. From Year 3 onwards, it is anticipated that all Ongoing Fees will be offset against the Growers entitlement to Walnut Sale Proceeds. In the event that your Walnut Sale Proceeds are less than your total liability for Ongoing Fees in any Year, you will be invoiced for and required to pay the difference. It is anticipated that distributions to Growers will commence in Year 7 and then run for the duration of the Project.

GPL, as agent for the Growers, will agree to market, enter into negotiations for the sale of and sell the walnuts on the open market. Webster Limited has already undertaken to enter into a Walnut Sale Agreement for the purchase of a minimum of 75% of Growers' Walnuts grown under the project. These Walnuts form a significant part of Webster Limited's future resource supply for their growing walnut business. GPL prides itself on being a leading agribusiness investment manager and the inclusion of the Project builds upon the success of GPL's past 12 viticultural and forestry Projects.

Through investment programs like this Project, GPL and Gunns Limited are advancing confidently towards meeting their respective long term growth plans.

On behalf of the Directors of GPL, I commend you to consider this investment.

Yours sincerely



John E Gay  
Executive Chairman



# Key features

FEATURE	SUMMARY	SEE SECTION
<b>Opportunity</b>	To provide you with the chance to become a Grower of walnuts grown in the highly productive Riverina district of NSW.	Section 4
<b>Grower's Interest in the Project</b>	<p>As a Grower, you will acquire an Orchard Right over a Walnut Lot of approximately 0.20 hectares from GPL.</p> <p>Each 0.20 hectare Walnut Lot will comprise 0.07 hectares of Existing Orchard and 0.13 hectares of New Orchard.</p> <p>The Orchard Right entitles you to access your Walnut Lot for the purpose of conducting a Walnut growing business together with the Orchard Infrastructure necessary to operate your business including irrigation and drainage.</p>	Section 4
<b>Term</b>	Approximately 25 years. However, the Term of the Project may be extended by GPL for a further 2 years if the IRR for the Project is less than 9.5%, the Project has not been terminated before 30 June in Year 25 and GPL is reasonably satisfied that it is in the best interests of the Grower to extend the Term.	Section 4
<b>Risks</b>	The Project is a long term investment and accordingly subject to a number of risks.	Section 7
<b>Application Fee</b>	The Application Fee for each Walnut Lot is \$6,424 (including GST).	Section 8
<b>Orchard Right Fee</b>	<p>GPL is entitled to an annual Orchard Right Fee each Year from Year 1.</p> <p>The Orchard Right Fee is equal to \$220 (including GST), Indexed to CPI on 1 June in each Year from 2008.</p> <p>GPL is also entitled to an Orchard Right Fee of \$18.33 (including GST) in Year 0, which is included in the Application Fee. The Orchard Right Fee will be deducted from the Gross Proceeds Entitlement for each Year.</p>	Section 8
<b>Operating Fee</b>	<p>The Manager is entitled to an annual Operating Fee payable on 1 June each Year from Year 1.</p> <p>The Operating Fee includes a Deferred Management Fee and Sales Commission and is payable in return for the provision of the Maintenance Services and the Harvest and Processing Services, ensuring the availability of sufficient water and for the provision of water to the Walnut Lots and procuring the sale of the Walnuts. It is therefore calculated in three stages in line with the increased costs of harvest and processing, increasing water requirements of the trees and increased volumes of Walnuts for sale.</p> <p>The Operating Fee will be equal to:</p> <ul style="list-style-type: none"> <li>- in Years 1 and 2: \$990 (inclusive of GST), Indexed to CPI on 1 June each Year from 2008;</li> <li>- in Years 3 to 7: \$1,320, Indexed to CPI on 1 June each Year from 2008, plus 23.1% of the Gross Proceeds Entitlement (inclusive of GST);</li> <li>- in each subsequent Year: \$1,485, Indexed to CPI on 1 June each Year from 2008, plus 23.1% of the Gross Proceeds Entitlement (inclusive of GST).</li> </ul> <p>The Operating Fee will be deducted from the Gross Proceeds Entitlement for each Year.</p>	Section 8
<b>Fee Facility</b>	You may enter into a loan, by way of a Fee Facility with Gunns Finance to pay the Operating Fee and Orchard Right Fee in Years 1 – 4 of the Project. You will be required to pay monthly Principal and Interest payments on the drawdown amounts annually in arrears.	Section 18.5
<b>Distributions</b>	Where a Grower's Gross Proceeds Entitlement exceeds the Ongoing Fees, distributions will be paid to Growers.	Section 8

<b>Tax</b>	<p>It is anticipated that approximately 100% of your Application Fee will be tax deductible in the financial year in which it is paid. It is also anticipated that 100% of the Ongoing Fees you pay will be tax deductible in the financial year in which they are paid.</p> <p>The GST legislation deems the sale of walnuts for human consumption to be a GST free transaction.</p> <p>In addition you may be entitled to a straight line depreciation deduction at 13% p.a. from Year 4 for the capital expenditure incurred in establishing the Project. GPL will advise you of the amount of the deduction (refer to Section 13 for further details).</p> <p>The tax deductibility of this investment will depend on your particular tax circumstances. You should seek professional advice.</p> <p>Product Ruling PR 2007/41 has been issued for the Project in respect of Early Growers. A copy of the Product Ruling can be obtained from our website or the ATO. GPL anticipates that a Product Ruling will be issued in due course which confirms that the taxation treatment for Late Growers is identical to that for Early Growers as set out above. The Responsible entity will not, however, accept applications from Late Growers unless or until such a Product Ruling has been issued.</p>	Section 13
<b>Selling Your Walnuts</b>	GPL has negotiated an off-take agreement with Webster for the purchase of at least 75% of Growers' Walnuts in the form of the Walnut Sale Agreement.	Section 5 & Section 18.6
<b>Walnut Markets</b>	<p>Strong opportunities exist for import replacement and exports, particularly to Northern Hemisphere countries to which the Southern Hemisphere has a counter seasonal advantage.</p> <p>Global consumption is growing strongly based on the health benefits of eating nuts, particularly walnuts.</p>	Section 12 & Section 16.3
<b>Finance</b>	<p>A range of competitive Principal &amp; Interest finance options are available to approved applicants from Gunns Finance Pty Ltd. In addition, Allco Managed Investments Ltd offer both Principal &amp; Interest and Interest Only loans.</p> <p>Applicants may also apply to GPL to enter into an interest free 12 month Terms Arrangement to pay the Application Fee.</p>	Section 5 or contact GPL
<b>Transferability</b>	You may assign your interest in the Project subject to conditions set out in the Management Agreement and Orchard Right Agreement. However, there is currently no active secondary market for your interest in the Project. You should consider an investment in the Project as long term.	Section 18
<b>Commissions</b>	GPL pays a standard commission rate of 8% of the Application Fee to licensed dealer groups. However, it may pay commissions of up to 10% of the Application Fee and may also pay trailing commissions. These commissions are paid out of GPL's own funds and are not an additional cost to Growers.	Section 8
<b>Location</b>	Walnut Lots will be located across two sites: a 990 hectare property north-west of Griffith and a 915 hectare property near Leeton, both in the NSW Riverina district. These sites were carefully chosen having regard to their suitability for the Project and have been subsequently approved by the Independent Expert.	Section 16.1
<b>Management</b>	The experience of the management staff of Gunns Ltd and Webster will be drawn upon in establishing and maintaining your Walnut Lot and harvesting your Walnuts.	Section 11
<b>Stocking Commitment</b>	GPL will use its best endeavours to achieve and maintain a stocking level as close to 100% of the average initial planting density as practicable for the first three years of the Term of the Project.	Section 7
<b>Water Security</b>	The Murrumbidgee Irrigation Area (MIA) is served by one of Australia's most reliable irrigation schemes. GPL has been able to secure a 5 year rolling evergreen options and on-call water agreement with Murrumbidgee Irrigation (MI) for the Tabbita Lane property. In addition GPL has access to high and general security water licences and has large water storages on both properties.	Section 6, Section 10 & Section 16.2



# The offer

The "Existing Orchard" at Tabbita Lane in its first leaf (Photo taken in January 2007)



GPL offers you the opportunity to participate in the Project by acquiring an Orchard Right over approximately a 0.20 hectare Walnut Lot. The Orchard Right includes the right to access and use the trees on your Walnut Lot and the Orchard Infrastructure.

Your Walnut Lot will be in the productive and vibrant Riverina district in NSW.

There will be approximately 1,200 hectares of land available for the Project, which will make available approximately 6,000 Walnut Lots, each totalling 0.20 hectares. Each 0.20 hectare Walnut Lot will contain approximately 62 trees. Each 0.20 hectare Walnut Lot will comprise 0.07 hectares of orchard that was planted prior to 1 January in Year 0 (Existing Orchard) and 0.13 hectares of orchard that will be established by 31 October in Year 1 of the Project (New Orchard).

The land to be used in the Project has been identified by Webster in their capacity as a contracted horticultural consultant. Refer to section 16.1 for further details on land selection.

The duration of the Project is approximately 25 years. However, the Term of the Project may be extended by GPL for a further 2 years if the IRR for the Project is less than 9.5%, the Project has not been terminated before 30 June in Year 25 and GPL is reasonably satisfied that it is in the best interests of the Grower to extend the Term.

The planting of walnut trees in the Existing Orchard (0.07 hectares of each Walnut Lot) occurred prior to 1 January in Year 0 and the planting of walnut trees in the New Orchard (0.13 hectares of each Walnut Lot) will be completed by 31 October in Year 1.

There are many different varieties of the common English or Persian walnut (*Juglans regia* L.). These "eating" varieties are typically grown on Black Walnut rootstocks (*Juglans hindsii*) or on Paradox rootstocks being hybrids of Black and English walnuts. The varieties chosen for this project have been chosen primarily on the basis of market acceptability/preference. The world market prefers walnuts that produce large, light coloured kernels and nuts that have a high crack-out rate of kernel halves. The estimated percentage of each variety to be planted is shown in the table opposite.



## Total plantings:

Variety	Proportion of orchard area	Harvest Timing
Vina	18%	Mid season
Howard	18%	Mid to Late season
Chandler	18%	Late season
Lara	18%	Late season
Serr	10%	Early season
Ashley	5%	Early season
Tulare	9%	Mid to Late season
Cisco	3%	Mid to Late season
Fernette	1%	Mid season

Walnuts are wind pollinated. The pollen release and stigma receptivity of many varieties of walnuts often fail to coincide and for this reason pollinator varieties need to be planted throughout the orchard to assist with pollination. The pollinators to be used for this project are shown in the table below.

## Main varieties and their pollinators:

Variety	Pollinator
Vina	Cisco
Howard	Cisco
Chandler	Cisco
Lara	Fernette
Serr	Cisco
Ashley	Self fertile
Tulare	Self fertile

The first harvest is anticipated to be in Year 3 for the Existing Orchard and by Year 8 of the Project the harvest is expected to approach full production. From Year 8, subject to risks set out in section 7, the harvest yield is expected to average approximately 1.12 tonnes per Walnut Lot per harvest for the remainder of the Project. Please refer to the Independent Expert's Report and Independent Market Report in section 16 of this PDS for more information on the anticipated yields.

A highly experienced team of professional horticulturists and Orchard managers from Gunns and Webster will manage the Orchard on behalf of GPL. For more information on Orchard management, please refer to section 11.

It is anticipated that Growers will receive a 100% tax deduction for the upfront Application Fee in the financial year that the Application Fee is paid. A 100% deduction is also expected for the Ongoing Fees paid by Growers. Product Ruling PR 2007/41 has been issued for the Project in respect of Early Growers. A copy of the Product Ruling can be obtained from our website or the ATO. GPL anticipates that a Product Ruling will be issued in due course which confirms that the taxation treatment for Late Growers is identical to that for Early Growers as set out above. The Responsible entity will not, however, accept applications from Late Growers unless or until such a Product Ruling has been issued. The Taxation Adviser's report sets out the general effect of a Product Ruling for investors in the Project in section 17 of this PDS. Before investing, you should seek independent taxation advice.

# Overview of the project



The "Existing Orchard" at Tabbita Lane in its first leaf (Photo taken in January 2007)

GPL and Webster signed an agreement in September 2005 to jointly establish over 3,350 hectares of walnut orchards in the Riverina district over a four year period, with Webster providing the establishment and maintenance services and GPL operating the managed investment scheme for the project.

## WEBSTER



The Riverina district in NSW is recognised nationally and internationally as a highly fertile agricultural region that yields high quality produce. Webster has existing Walnut Orchards on the East and North West coasts of Tasmania and at Goolgowi, near Griffith, in New South Wales. These Orchards have placed Webster as the only large scale producer of walnuts in Australia – providing exciting export and import substitution opportunities. It is our intention, through this Project, to develop and seize this opportunity to establish Australia as one of the world's premium walnut growing regions.

In this, the second project, the plan is to develop an orchard, on behalf of investors, of approximately 1,200 ha in size.

### Application Process

To participate in the Project you must complete the Application and Power of Attorney Form at the back of this PDS and pay the Application Fee. In completing the Application and Power of Attorney Form you will be required to nominate the number of Walnut Lots you wish to apply for.

Those investors who apply and are accepted as investors for the Project on or before 15 June 2007 will be Early Growers. Those investors who apply for acceptance as investors in the Project in the period from 1 July 2007 to 13 June 2008 will be Late Growers. The life of a Grower's interest in the Project is from Year 0 to Year 25 (2007 to 2032 for Early Growers or 2008 to 2033 for Late Growers).

The Term of the Project may be extended by GPL for a further 2 years if the IRR for the Project is less than 9.5% and GPL is reasonably satisfied that it is in the best interests of the Grower to extend the Term.





## Fee Facility

When you complete your Application and Power of Attorney Form, you may apply to take a loan from Gunns Finance (Fee Facility) to meet the Operating Fee and Orchard Right Fee for years 1 – 4 of the project. If you enter into the Fee Facility, you will be required to pay monthly Principal and Interest payments on the drawdown amounts annually in arrears. If you do not enter into a Fee Facility you will be required to meet the Operating Fee and Orchard Right Fee for years 1 – 4 annually.

## Joint Venture Growers

GPL is also offering investors the opportunity to enter into the project under a joint venture arrangement. The first joint venturer will be responsible for payment of the Initial Services & Orchard Right Fee in Year 0 (Application Fee), whilst the second joint venturer will be responsible for meeting all Ongoing Fees in Years 1 to 4. From and including Year 5, all liability for fees will be split in equal shares between the two joint venturers. All proceeds of sale will also be split in equal shares for the duration of the project.

If a Joint Venturer Applicant is a superannuation fund and is considering borrowing any part of the application fee or ongoing costs associated with the Project, the Joint Venturer Applicant should obtain independent financial advice on the consequences of that borrowing.

## Acquiring your Orchard Right

After your Application has been accepted, GPL as your authorised attorney will enter into an Orchard Right Agreement under which you will acquire an Orchard Right over your 0.20 hectare Walnut Lot (comprised of 0.07 hectares of Existing Orchard and 0.13 hectares of New Orchard), including the right to access and use the trees on your Walnut Lot and access and use all Orchard Infrastructure necessary to grow Walnuts on your Walnut Lot.

You will be provided with a statement setting out details of your Walnut Lots after you are accepted into the Project.

## Preparation of the Orchard

### Initial Services

By completing the Application and Power of Attorney Form, paying the Application Fee and upon acceptance into the Project, Early Growers will receive the following Initial Services on each Walnut Lot between 15 June and 30 June in Year 0 (2007) and Late Growers will receive the following Initial Services on each Walnut Lot between 13 June and 30 June in Year 0 (2008):

- maintaining and undertaking any necessary repairs in respect of:
  - fences;
- maintaining dams and irrigation channels;
- undertaking road maintenance and fire breaks;
- effectively managing native vegetation;
- undertaking pruning;
- maintaining mid-rows;
- maintaining Walnut Lots in accordance with good horticultural practice;
- effectively manage weeds, pests and vermin on the Walnut Lot, including:
  - spraying with insecticides, fungicides and herbicides as required from time to time; and
  - vermin control;
- undertaking applications of fertiliser;
- undertake tests to monitor nutrient analysis (foliar and soil);



## SECTION 5. OVERVIEW OF THE PROJECT

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- undertaking irrigation;
- destroying diseased trees;
- inspecting and where appropriate re-tying stakes and repositioning vermin guards;
- maintaining windbreaks;
- undertaking any other recurrent maintenance required;
- procuring a written report from the Independent Horticulturist by 30 June in Year 0 confirming that all Initial Services have been performed in accordance with good horticultural practice;
- procuring an independent marketing report by 30 June in Year 0;
- procuring a copy of the report prepared by the Independent Horticulturist and a copy of the marketing report for the Grower within 30 days of the Manager receiving the report;
- checking and supervising that the condition of the infrastructure and the Walnut Lot is of an appropriate standard and that all the required services have been provided;
- keeping proper and accurate records;
- conducting regular inspections;
- providing all other services which are ancillary;
- undertaking all administration tasks required to be undertaken in the provision of the Initial Services;
- preparing reports for Growers regarding allocation and locations of Walnut Lots;
- preparing statements to assist Growers in preparing income tax returns;
- preparing all other reports for Growers in accordance with the Management Agreement;
- undertaking general administrative management of the Project;
- reviewing sales and marketing plan for the Project;
- co-ordinating visits of Growers to inspect Walnut Lots; and
- during the month of June in Year 0 preparing, or arranging for the preparation of the Management Plan for the Project and a horticultural plan for the Orchard, horticultural program, operational plan and operational budgets and reviewing the plan and making amendments if needed.

### Planting of Trees

Trees were planted at the Existing Orchard in June-September 2006 and will be planted at the New Orchard (0.13 hectares of each Walnut Lot) prior to 31 October in Year 1. All Planting Material to be planted as trees on Growers' Walnut Lots will be stored in Webster owned nurseries on the North West Coast of Tasmania and adjacent to the property at Griffith, NSW prior to planting. (Refer to photo on page 31).

### Harvest of your Walnuts

Annual harvest will ordinarily occur during the months of March, April and May. We do not anticipate that we will be conducting a commercial harvest until Year 3 of the Project for the Existing Orchard and Year 4 of the Project for the New Orchard. GPL has absolute discretion as to when the harvest will occur. Proceeds from each Year's harvest will be pooled with all other Contributing Growers' interests in the Project.

### Sale of your Walnuts

GPL has negotiated an off-take agreement for at least 75% of Growers' Walnuts for the entire term of the Project with Webster in the form of the Walnut Sale Agreement summarised in section 18.6. However there are circumstances in which Webster may not acquire your Walnuts. For example, if GPL, as your agent, receives a higher offer for your Walnuts from a third party and Webster does not match that offer, GPL may sell your Walnuts to the third party for the higher offer.

### Distribution of Proceeds

All proceeds from the sale of an individual Grower's Walnuts will be pooled with all other Contributing Growers in the Project. Each Contributing Grower will then be entitled to a proportion of the Walnut Sale Proceeds in proportion to their interest in the Project. The Custodian will pay Contributing Growers their Net Proceeds Entitlement after all relevant costs and fees have been deducted (i.e. Net Proceeds Entitlement = Gross Proceeds Entitlement – Ongoing Fees). Annual distributions are anticipated to commence from Year 7.

In certain circumstances, where the Ongoing Fees exceed the Gross Proceeds Entitlement, a distribution will not be paid to Growers. Instead, Growers will be invoiced for the shortfall. Any invoiced amount must be paid within 14 days of the date on the invoice.

## Management of your Walnut Lot

You will appoint GPL as Manager of your Walnut Lot for the Term of the Project by entering into a Management Agreement with GPL for this purpose. Gunns and Webster will be subcontracted to manage your Walnut Lot.

Each Walnut Lot will be managed by a team of experienced and professional horticulturists and orchard managers who operate in accordance with strict health, safety and environmental procedures and who have developed highly professional regimes for site selection, orchard establishment and maintenance.

GPL, as the Manager, and Gunns and Webster, as sub-contractors, will be responsible for certain services including:

- ongoing maintenance of your Walnut Lot including fertilisation, pest, disease and weed control, regular inspections and maintenance of Orchard Infrastructure;
- ensuring that Gunns replace any Orchard Infrastructure in accordance with its obligations under the Lease;
- ensuring that all administration needs and regulatory requirements are satisfied;
- monitoring the water requirements of the Orchard and delivery of water to the Trees;
- pruning the Trees on your Walnut Lot;
- harvesting the Walnuts on your Walnut Lot; and
- processing the harvested Walnuts.

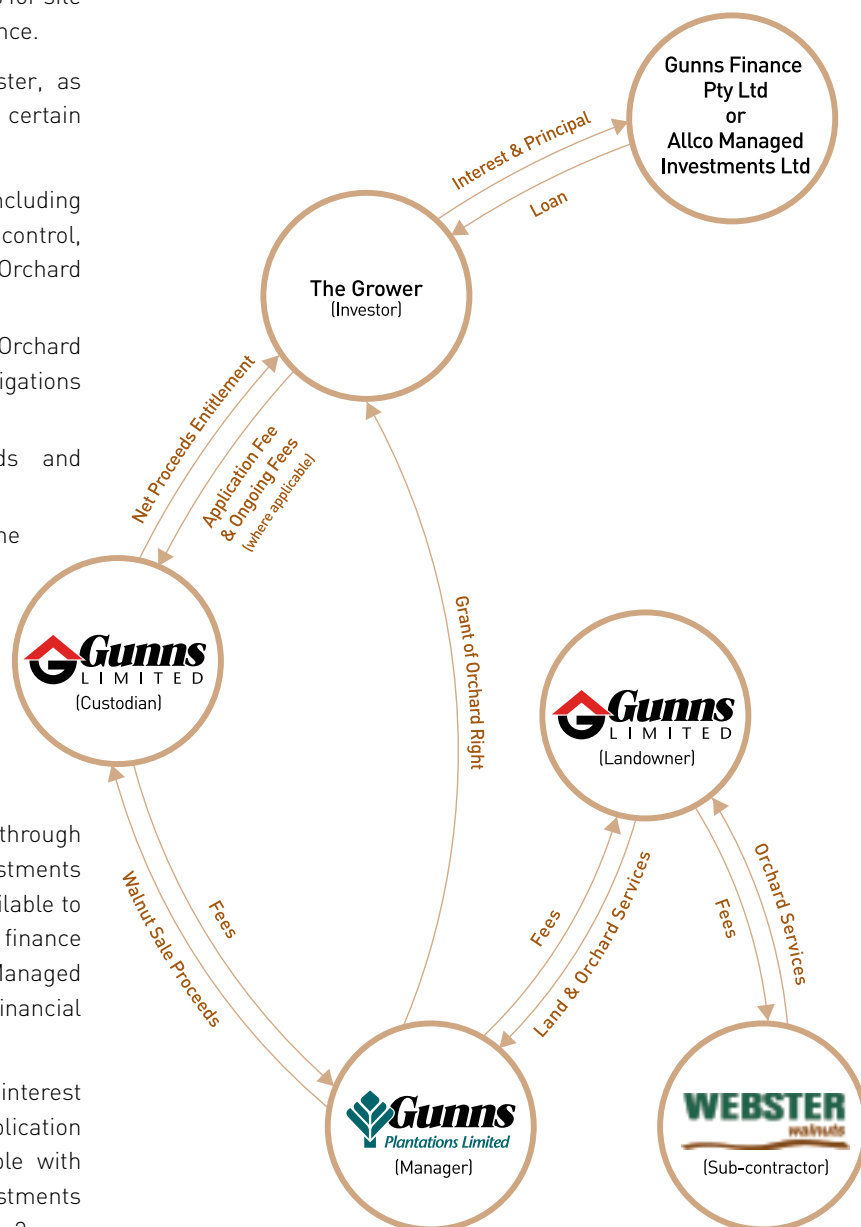
## Finance for your Investment

Finance for your investment may be available through Gunns Finance Pty Ltd or Allco Managed Investments Ltd. Please note that finance will be made available to approved applicants only. If you wish to apply for finance through Gunns Finance Pty Ltd or Allco Managed Investments Ltd, you should contact your financial adviser for further information.

Applicants may also apply to GPL to enter into an interest free 12 month Terms Arrangement to pay the Application Fee. Principal and Interest loans are available with Gunns Finance Pty Ltd and Allco Managed Investments Ltd. Allco Managed Investments also offer 2 & 3 year interest only facilities.

## Project Structure

The Project has been registered with ASIC as a managed investment scheme. GPL is the Responsible Entity for the Project and has been issued with an Australian Financial Services Licence (AFSL), number 238701, for this purpose. The Project will be managed by GPL in accordance with the terms of the Constitution and the Corporations Act. It is a term of GPL's AFSL that it appoints a custodian to hold the Application Fees and Walnut Sale Proceeds. Gunns has been appointed as Custodian for this purpose.



# Benefits of Investing



The existing 400 MgL dam located on the "New Orchard" at Leeton

The New South Wales Riverina district is one of Australia's most identifiable agricultural regions. With an approximate land area of 44,970 square kilometres, some of its agricultural land is situated in close proximity to the extensive channels of the long established Murrumbidgee Irrigation Scheme and has a temperate climate with a low risk of extreme weather conditions. The region is relatively sheltered from high winds and excessive rainfall.

Irrigation infrastructure at Tabbita Lane



## The Riverina's Natural Advantage

Agricultural production in the Murrumbidgee Catchment is worth \$1 billion per year, more than 16% of Australia's total agricultural production and combined irrigated agricultural production is worth around \$408 million.

The New South Wales Riverina district, and in particular the area centred around the regional towns of Griffith and Leeton, has already achieved recognition as a premium fresh produce exporter, especially of citrus and winegrapes. The Murrumbidgee Irrigation Area (MIA) is Australia's largest wine grape producer and home to about 80% of NSW carrot and 90% of potato production and much of the area is well suited to the growing of walnuts.

The Riverina enjoys a climate very similar to that of the Sacramento and San Joaquin valleys, which are the premier walnut growing regions of California, the world's largest exporter of walnuts.

The Murrumbidgee Irrigation Scheme was officially opened in 1912. The Scheme is now administered by Murrumbidgee Irrigation (M.I.), an unlisted public company whose shareholders are the owners of water entitlements in the MIA, and comprises an extensive network of irrigation and drainage channels of approx. 3,700 km in length distributing fresh, clean water from the Murrumbidgee River and the Snowy Mountains to over 2,750 farms.

Irrigation supplies are stored at Burrinjuck and Blowering Dams. The former, which has a capacity of 1,026,000 mega litres is located on the Murrumbidgee River about 60 km southwest of Yass. Blowering Dam, which has a capacity of 1,628,000 mega litres, is situated on the Tumut River about 11 km south of Tumut. It stores water discharged through the Tumut Power Stations of the Snowy Mountains Hydro Electric Scheme.

The combined storage capacity of Burrinjuck and Blowering Dams is 2,654,000 mega litres, which is more than five times the volume of water in Sydney Harbour.

# in the Project

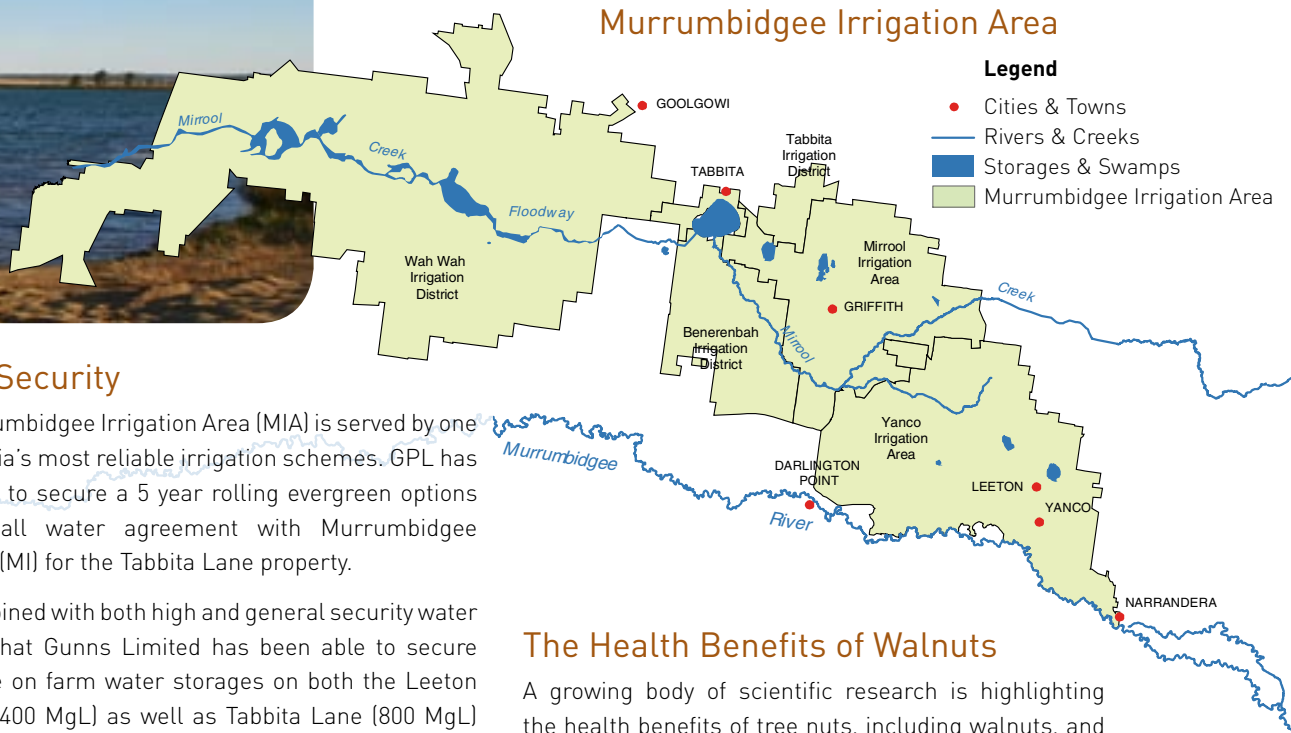
13



## Murrumbidgee Irrigation Area

### Legend

- Cities & Towns
- Rivers & Creeks
- Storages & Swamps
- Murrumbidgee Irrigation Area



## Water Security

The Murrumbidgee Irrigation Area (MIA) is served by one of Australia's most reliable irrigation schemes. GPL has been able to secure a 5 year rolling evergreen options and on-call water agreement with Murrumbidgee Irrigation (MI) for the Tabbita Lane property.

This combined with both high and general security water licences that Gunns Limited has been able to secure plus large on farm water storages on both the Leeton property (400 Mg/L) as well as Tabbita Lane (800 Mg/L) provides a high level of water security for at least the next 5 years during which time the options agreement may be extended.

Gunns is also committed to securing additional water licences (both High and General security) during this time.

Both properties are located beside, or bisected by, existing irrigation channels that are part of the Murrumbidgee Irrigation infrastructure.

Gunns in conjunction with MI is upgrading the channel on the Tabbita Lane Walnut Orchard to take the flow rate from it's current level of 10 Mg/L/day to 99 Mg/L/day.

Gunns are currently in negotiation with MI for a similar on-call and options water agreement for the Leeton property.

## Southern Hemisphere Advantage

Any southern hemisphere producer of walnuts has a distinct advantage over northern hemisphere growers in their ability to supply fresh walnuts for the commencement of the European Christmas period which is a period of peak consumption. Many of the walnuts that currently supply that market are last seasons walnuts from California. As such southern hemisphere growers of walnuts currently enjoy a price premium.

## The Health Benefits of Walnuts

A growing body of scientific research is highlighting the health benefits of tree nuts, including walnuts, and hence in this ever increasingly health conscious society, the consumption of nuts is growing substantially.

The Australian Nut Industry with support from Horticulture Australia Limited has embarked upon an education initiative called "Nuts for Life". The Nuts for Life web-site has extensive information relating to the health benefits of tree nuts including walnuts and can be found at: [www.nutsforlife.com.au](http://www.nutsforlife.com.au)

Nuts generally are a very good source of essential nutrients and are a good source of healthy fats and fibre which can assist in reducing cholesterol.

Amongst the tree nuts, walnuts stand out as a great source of Omega-3 (more than nine times than any other nut). Omega-3 fatty acids are a subgroup of polyunsaturated fatty acids. They are essential for good health and normal growth of our brain, retina and heart ([www.ais.org.au](http://www.ais.org.au)). In addition, walnuts have been rated as one of 14 "Super Foods", which are foods that are filled with nutrients and other agents that contribute to good health. Specifically, walnuts may reduce the risk of developing coronary heart disease, diabetes and cancer (Pratt, S. & Matthews, K., Super Foods RX – 14 Foods that will change your life, 2003).



# Risks and safeguards

## 7.1 RISKS

Investment in the project is subject to a variety of risks, both anticipated and unanticipated. Risks can potentially have a material affect on returns achieved by Growers in the Project.

### General Risks of a Walnut Orchard

Participation in the Project is subject to the general risks associated with Orchards including:

- frost;
- excessive rainfall;
- pest and disease (including damage by cockatoos and other birds);
- wind;
- inadequate or excessive heat (especially during the fruit formation and ripening period);
- fire;
- drought or lack of sufficient irrigation water; and
- storm damage (including hail and wind).

A number of the risks involve influences outside of GPL's control including the climatic conditions throughout the life of the Project. However, sites selected for the Project will be managed to minimise the risk especially the more common of pests, diseases and availability of water.

### Market Risks

The development of further Orchards and increased walnut production could lead to increased competition and a resulting decrease in market price. Similarly, the introduction of, or increased competitiveness of, alternative suppliers in the world for walnuts, or an over supply of walnuts could have an impact on market demand, and therefore the market price for walnuts. Any shift in market demand of walnuts could potentially have a significant impact on the price obtained by GPL for Growers' Walnuts and therefore the returns achieved by investors in the Project.

A decline in walnut consumption could also adversely affect the demand for Growers' Walnuts. Walnut prices and yields can also fluctuate significantly due to seasonal conditions and are likely to fluctuate over the Term of the Project.

GPL has negotiated an off-take agreement for at least 75% of Growers' Walnuts for the life of the project with Webster in the form of the Walnut Sale Agreement summarised in section 18. The Walnut quality and market conditions and therefore the market price for your Walnuts may fluctuate substantially from year to year. Neither Gunns nor GPL provide any guarantee as to the proceeds obtainable from the sale of Growers' Walnuts.

For further information in relation to general risks see the Independent Expert's Report and Independent Market Report in section 16.

### Grower Liability

While it is not anticipated that Growers will have any liability flowing from the Project other than for Ongoing Fees, it is not possible to give an assurance that the liability of Growers is limited. In the event that Ongoing Fees exceed the Growers Gross Proceeds Entitlement in any given Year, Growers will not receive a distribution in that Year and will be invoiced for and required to pay the difference within 14 days of the invoice date.

### Assignment of Your Interest

Whilst you will have the right to assign your interest in the Project, your right is subject to compliance with the provisions of the Constitution, the Orchard Right Agreement, the Management Agreement and the Corporations Act. There is currently no active secondary market for interests in the Project.

### Taxation

#### (i) Deductibility

GPL does not guarantee the amount or timing of any tax deduction and there remains the risk that the ATO may disallow any such claim. If GPL does not operate the Project in accordance with the Product Ruling then deductions may be denied. A copy of the Product Ruling, once issued, can be obtained from our website or the ATO.

#### (ii) GST

There is always a risk of changes to the GST regime including but not limited to a change to the current rate of GST of 10%. If the rate of GST does increase then any unpaid and future Fees will be adjusted to reflect the changed rate.

## 7.2 SAFEGUARDS

### Site Selection

Considerable care has been taken in land selection to minimise the agricultural risks faced by the Orchard. For example, the properties selected are unlikely to be affected by frost and are well serviced by channelled irrigation water from the Murrumbidgee Irrigation Scheme. Similarly, windbreaks will be provided to minimise the risk of wind damage and the latest technology will be utilised to protect walnut crops from birds. For further information on site selection, please refer to the Independent Expert's Report and Independent Market Report at section 16.

### Custodian

GPL has appointed Gunns as Custodian to hold Application Fees and Walnut Sale Proceeds.

### Assignment by GPL

Under the terms of the Management Agreement, GPL is not able to assign its rights and obligations without first obtaining a deed of covenant in the name of the assignee assuming all of its rights and obligations.

### Gunns' Involvement

Gunns owns the land, the trees and the Orchard Infrastructure and will sub-contract Webster to undertake the Establishment Services including planting. However, Growers are responsible for the Initial Services and ongoing maintenance and repairs of the Orchard and Orchard Infrastructure so as to maintain satisfactory tree growth, yield and quality. Maintenance and repair expenses for the Orchard Infrastructure are included in the Operating Fee.

### Independent Horticulturist's Inspection

GPL will obtain a Report from the Independent Horticulturist by 30 June in Year 0 confirming that all the Initial Services have been performed in accordance with good horticultural practice and that they have been provided on behalf of investors prior to 30 June in Year 0.

The Independent Horticulturist will also inspect the Walnut Lots annually for Years 2 to 4 of the Project and prepare a written report in relation to the progress of

growth and condition of the Trees by 31 December of each year. The first report will be issued on or before 31 December Year 2. From Year 4, GPL will engage the Independent Horticulturist to prepare a written report every second year, unless there is a materially adverse change that may affect a Grower's interest, in which case a report will be produced for that year. You will be provided with a copy of the Independent Horticulturist's Report within 30 days of it being produced.

### Pooling and Proceeds

All proceeds from harvesting will be pooled for the mutual benefit of Contributing Growers in the Project. In this way, the risk of material losses and damage resulting from diseases, pests and the impact of weather and climatic events to individual Walnut Lots will be reduced.

### Insurance

GPL will arrange for insurance in its name and the names of the Growers against public liability arising out of the use of the Project land up to an amount of \$10,000,000. GPL will pay for the cost of public liability insurance.

In addition, Growers are free to insure the income from their Walnut Lots against loss due to fire, hail and other horticultural risks if they wish to do so. If requested in writing, GPL will use its best endeavours to arrange for any insurance requested by Growers. The Grower will be invoiced for the cost of insurance plus a 10% service charge, plus GST. Any trees destroyed for any reason during the first three years of the Term will be replanted to as close to 100% of the initial planting density as practicable at no additional cost to the Grower.

In the event that a Grower takes out additional insurance and makes a successful claim, that Grower will not be entitled to a distribution in respect of the relevant Walnut Lot from the pooled Walnut Sale Proceeds. In this event the Grower must pay the Manager a fee equal to the Ongoing Fees for that Walnut Lot and all other amounts owing or to be reimbursed by the Grower and the Management Agreement and the Orchard Right Agreement and any other outstanding fees identified by GPL.

Gunns will insure the walnut Orchard Infrastructure for the life of the Project.

# Fees and Charges

## 8.1 Investment Summary

Gunns will be contracted to plant walnuts on Growers' Walnut Lots and maintain the Growers' Walnut Lots for a period of approximately 25 Years commencing from Growers' acceptance into the Project. It is anticipated that Gunns will sub-contract the experienced Webster to meet these obligations.

The up-front Application Fee will cover the Initial Services and Orchard Right Fee for Year 0. The Custodian or Manager will deduct Ongoing Fees from Growers' Gross Proceeds Entitlements every Year from the first harvest (anticipated to be in Year 3 for the Existing Orchard) onwards in accordance with the Constitution and pay them to GPL.

Where Ongoing Fees exceed your Gross Proceeds Entitlement, you will not receive a distribution and you will be invoiced for and required to pay the difference within 14 days of the date on the invoice. It is anticipated that such a contribution from Growers will be required for the maintenance and harvesting costs in Years 1 to 6.

## 8.2 Application Fee

Payment of the Application Fee constitutes full payment for the Initial Services and Orchard Right Fee for Year 0. In paying the Application Fee, Growers do not acquire the Orchard Infrastructure. This is paid for and owned by Gunns and is leased to GPL, who in turn execute Orchard Right Agreements in favour of Growers. As a result of this you will not have an interest in the Orchard Infrastructure at the end of the Term.

## 8.3 Ongoing Fees

Ongoing Fees are generally paid from the Growers' Gross Proceeds Entitlements every Year from the first harvest. As the first harvest will not commence until Year 3 for the Existing Orchard, Growers will be invoiced for the full Ongoing Fees for Years 1 and 2.

It is anticipated that from Year 3 and for the remainder of the term of the Project, the Ongoing Fees will be deducted by the Custodian on behalf of the Manager from the Gross Proceeds Entitlement and paid to the Manager in accordance with the Constitution. Where a Grower's obligation to pay the Ongoing Fees exceeds the Gross Proceeds Entitlement, an invoice will be sent to the Grower for the shortfall. This is anticipated to occur in Years 1 to 6. The Gross Proceeds Entitlements are expected to exceed the Ongoing Fees from Year 7.

The Ongoing Fees consist of the Orchard Right Fee and the Operating Fee.

### Orchard Right Fee

The Orchard Right Fee for Early Growers is equal to \$220 (inclusive of GST) in Year 1 and Indexed to CPI on 1 June in each subsequent Year. For Late Growers, the Orchard Right Fee is equal to \$220, Indexed to CPI on 1 June in Year 1 and Indexed to CPI on 1 June in each subsequent Year.

GPL is also entitled to an Orchard Right Fee of \$18.33 (inclusive of GST) in Year 0, which is included in the Application Fee.

### Operating Fee

The Manager is entitled to an annual Operating Fee payable on 1 June each Year from Year 1. The Operating Fee includes a Deferred Management Fee and Sales Commission and is payable in return for the provision of the Maintenance Services and the Harvest and Processing Services, ensuring the availability of sufficient water and for the provision of water to the Walnut Lots and procuring the sale of the Walnuts.

It is therefore calculated in three stages in line with the increased costs of harvest and processing, increasing water requirements of the trees and increased volumes of Walnuts for sale.

Transfer pump station at Tabbita Lane (Existing Orchard)







The first stage of the Operating Fee is a fixed fee and is payable in Years 1 and 2 of the Project. For Early Growers, the first stage of the Operating Fee is a fixed fee of \$990 (including GST) in Year 1 and in Year 2 a fixed fee \$990 (including GST), Indexed to CPI on 1 June in Year 1 (2008). For Late Growers, the first stage of the Operating Fee in both Years 1 and 2 is equal to \$990 (including GST), Indexed to CPI on 1 June in each Year from Year 0 (2008).

The second stage of the Operating Fee is in Years 3 to 7 and includes a fixed component and a variable component. The second stage of the Operating Fee for Early Growers will be equal to a fixed component of \$1,320 (including GST) in each Year, Indexed to CPI on 1 June in each Year from Year 1 (2008), plus a variable component of 23.1% (including GST) of the Gross Proceeds Entitlement in each Year. The second stage of the Operating Fee for Late Growers will be equal to a

fixed component of \$1,320 (including GST) in each Year, Indexed to CPI on 1 June in each Year from Year 0 (2008), plus a variable component 23.1% (including GST) of the Gross Proceeds Entitlement in each Year.

The third stage of the Operating Fee is from Year 8 to the end of the Project and includes a fixed component and a variable component. The third stage of the Operating Fee for Early Growers will be equal to a fixed component of \$1,485 (including GST) in each Year, Indexed to CPI on 1 June in each Year from Year 1 (2008), plus a variable component of 23.1% (including GST) of the Gross Proceeds Entitlement in each Year. The second stage of the Operating Fee for Late Growers will be equal to a fixed component of \$1,485 (including GST) in each Year, Indexed to CPI on 1 June in each Year from Year 0 (2008), plus a variable component 23.1% (including GST) of the Gross Proceeds Entitlement in each Year.

**Table 1: Breakdown of Ongoing Fees**

Fee	Amount	How & When Paid
<b>Orchard Right Fee</b> (Note 1, 2 & 3)	GPL is entitled to an Orchard Right Fee of \$18.33 for Year 0 and \$220 per Walnut Lot per Year from Year 1.	The Orchard Right Fee for Year 0 is included in the Application Fee. Growers will be invoiced for the Orchard Right Fee for Years 1 and 2. From Year 3, the Orchard Right Fee will be offset against your Gross Proceeds Entitlement prior to any distribution being made.
<b>Operating Fee</b> (Note 1, 2, 3 & 4)	GPL is entitled to an Operating Fee of: - in Years 1 and 2: \$990; - in Years 3 to 7: \$1,320 + 23.1% of the Gross Proceeds Entitlement; - in each subsequent Year of the Project: \$1,485 + 23.1% of the Gross Proceeds Entitlement.	Growers will be invoiced for the Operating Fee for Years 1 and 2. From Year 3, the Operating Fees will be offset against your Gross Proceeds Entitlements prior to any distribution being made.
<b>Interest and Fee Facility Payments</b>	Fee Facility payments will consist of monthly principal and interest payments against the outstanding balance of each drawdown.	Payments will be invoiced monthly by Gunns Finance and be payable 14 days from the date of invoice.

Note 1: These Ongoing Fees are Indexed to CPI from 1 June 2008.

Note 2: If the Gross Proceeds Entitlement is not sufficient to cover the Ongoing Fees from Year 3, you will be invoiced for the difference.

Note 3: All fees are inclusive of GST.

Note 4: Operating Fee includes **Sales Commission** equal to 5.5% of the Gross Proceeds Entitlement in each Year from the first harvest and for the remainder of the Project and the **Deferred Management Fee** payable for additional maintenance expenditure incurred in Years 1 and 2 equal to 5.5% of the Gross Proceeds Entitlement in each Year from the first harvest year and for the remainder of the Project.



### 8.4 Fee Facility Payments

In Years 1 – 4 Growers may not receive sufficient Walnut Sales Proceeds against which the Operating Fee and Orchard Right Fee can be off-set. Gunns Finance will offer to loan Growers an amount equal to the actual Operating and Orchard Right fees for Years 1 – 4 less a Deposit of 10% as and when these fees are incurred.

The Operating and Orchard Right Fees are charged on the 1st of June in the year in which they are incurred. Monthly principal and interest payments for a term of ten years are then payable on the outstanding balance commencing on the last business day of the following month.

If a Joint Venturer Applicant is a superannuation fund and is considering borrowing any part of the application fee or ongoing costs associated with the Project, the Joint Venturer Applicant should obtain independent financial advice on the consequences of that borrowing.

### 8.5 Joint Venture Growers

Investors may also apply to enter into the project under a Joint Venture arrangement.

The First Joint Venturer will be solely responsible for paying the following fees and other amounts:

- in Year 0, the Initial Services Fee and Orchard Right Fee (Application Fee);
- from and including Year 5, 50% of the Operating Fee and Orchard Right Fee for the duration of the Project; and
- the First Joint Venturer will bear all other liabilities and participate in all other benefits of the Joint Venture equally with the Second Joint Venturer.

The Second Joint Venturer will be solely responsible for paying the following fees and other amounts:

- for Years 1 to 4, the Operating Fee and Orchard Right Fee in each of those Years; and
- from and including Year 5, 50% of the Operating Fee and Orchard Right Fee for the duration of the Project; and
- the Second Joint Venturer will bear all other liabilities and participate in all other benefits of the Joint Venture equally with the First Joint Venturer.

### 8.6 Important additional disclosure items

#### Income

It is anticipated that Growers will receive their first income from the Year 7 harvest. The Grower's income will be:

#### Gross Proceeds Entitlement – Ongoing Fees

As a broad rule of thumb, Growers can expect the following crop levels for their Walnut Lots relative to full production by Year 8:

- Year 3 – 0 to 5%
- Year 4 – 10 to 15%
- Year 5 – 20 to 25%
- Year 6 – 35 to 45%
- Year 7 – 65 to 75%
- Year 8 – 90 to 100%

By Year 7 the Walnut Lots will have sufficiently matured such that commercial returns on your investment can be anticipated to commence.

However, from Year 3, where the Gross Walnut Sale Proceeds from a particular harvest do not exceed Ongoing Fees, you will be invoiced for and required to pay the difference in that Year. This calculation will be performed annually and you will either be invoiced or receive a distribution of income in each Year.

#### Returns to Growers

It is difficult to project with certainty the returns to Growers from investing in the Project having regard to the Term of the Project. Factors that will affect Walnut Sale Proceeds are yield, quality of the Walnuts, development of Walnut Lots and the timing of Harvest. These factors are discussed in the Independent Expert's Report and Independent Market Report in section 16.

#### Adviser Remuneration

Commissions paid to advisers or persons involved in distribution or promotion of interests in this Project will be paid by GPL from its own funds and do not represent an extra amount to be paid by you or from your investment in the Project. GPL's standard commission rate is 8% of the total Application Fee. However, in certain circumstances GPL may pay commissions up to a maximum of 10% of the Application Fee to a licensed adviser and may also pay trailing commissions.

Table 2: A worked example of anticipated costs for Early Growers for one Walnut Lot will be as follows:

YEARS	FINANCIAL YEAR END	CASH FLOW ITEM	AMOUNT	
0	Early Growers - June 2007	Application Fee, including completion of the Initial Services and the Orchard Right Fee for Year 0.	\$6,424	
1 and 2	Early Growers - June 2008 to June 2009	Ongoing Fees, including: <ul style="list-style-type: none"><li>• Orchard Right Fee; and</li><li>• Operating Fee.</li></ul> TOTAL ONGOING FEES	YR. 1 \$220 \$990 \$1,210	YR. 2 \$226 \$1,019 \$1,245
First Harvest				
3 to 7	Early Growers – June 2010 to June 2014	Ongoing Fees, including: <ul style="list-style-type: none"><li>• Orchard Right Fee; and</li><li>• Operating Fee.</li></ul>	Ongoing Fees estimated to be approximately: <ul style="list-style-type: none"><li>- \$1,669 in Year 3;</li><li>- \$1,829 in Year 4;</li><li>- \$1,996 in Year 5;</li><li>- \$2,239 in Year 6; and</li><li>- \$2,697 in Year 7.</li></ul> Off-set against Gross Proceeds Entitlement in each Year.	
First Income Received				
8 to 25	Early Growers – June 2015 to June 2032	Ongoing Fees, including: <ul style="list-style-type: none"><li>• Orchard Right Fee; and</li><li>• Operating Fee.</li></ul>	Total Ongoing Fees estimated to be \$3,332 (approximately) from Year 8, which will be off-set against Gross Proceeds Entitlement each Year.	
26 to 27	Early Growers – June 2033 to June 2034	If the IRR at the end of Year 25 is less than 9.5% and GPL exercises its discretion to extend the term of the project, then Ongoing Fees are payable, including the: <ul style="list-style-type: none"><li>• Orchard Right Fee; and</li><li>• Operating Fee.</li></ul>	Total Ongoing Fees in Years 26 and 27, which will be off-set against Gross Proceeds Entitlement each Year.	

Note 1: The Orchard Right Fee and Operating Fee are indexed annually to CPI from 1 June 2008 (estimated indexation included in table).

Note 2: All fees are inclusive of GST.

Note 3: From Year 4, Ongoing Fees will be offset against the Gross Proceeds Entitlement. Where the Gross Proceeds Entitlement is not sufficient to cover the payments, you will be invoiced for the difference.

Note 4: Actual costs may vary.

### 8.7 Enhanced Fee Disclosure Requirements

The following section is included in this PDS solely to comply with the new enhanced fees and costs disclosure regulations pursuant to the Corporations Act that came into force on 1 July 2006.

- The information required to be provided by the new regulations is shown in green. Although GPL is obliged by law to provide the following information, GPL is of the view that some of the prescribed information requirements are not relevant for agricultural managed investments schemes such as the Project.
- Those parts which are not relevant, as they do not apply to the Project, are shown in orange.
- The other information refers to the nature of the Project as it relates to the new regulations.

#### Fees and other costs

Consumer Advisory Warning

##### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period

(for example, reduce it from \$100 000 to \$80 000)

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

##### TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a [superannuation or managed investment fee] calculator to help you check out different fee options.

Note: GPL is obliged to provide you with the above Consumer Advisory Warning. Please note that some of the information contained in it is not relevant to the Project. The warning refers to "your fund balance" but there is no concept of "your fund balance" in the Project. The duration of the Project is not for a 30 year period. There are no fees or costs in the Project that are able to be negotiated. The ASIC website referred to does not allow for a comparison of fees for agricultural managed investment schemes like the Project.

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the fund assets as a whole.

Taxes and insurance costs are set out in another part of this document.

You have 2 different fee payment options:

- (a) to pay contribution fees upfront, at the time when you make each investment into the fund; or
- (b) to pay contribution fees later (for example, on the termination of your investment or by way of other increased fees).

Note You may pay more in total fees if you choose to pay contribution fees later.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Note: The above comments are not relevant to the Project as there are no different prepayment options. In this PDS, we refer to “your money” as the Application Fee.

**Table 3**

TYPE OF FEE OR COST	AMOUNT		HOW AND WHEN PAID
	Option to pay contribution fees upfront	Option to pay contribution fees later	
<b>Fees when your money moves in or out of the fund</b>			
<b>Establishment fee</b> The fee to open your investment	Not applicable	Not applicable	Not applicable
<b>Contribution fee<sup>1</sup></b> The fee on each amount contributed to your investment – either you or your employer	Not applicable	Not applicable	Not applicable
<b>Withdrawal fee<sup>1</sup></b> The fee on each amount you take out of your investment	Not applicable	Not applicable	Not applicable
<b>Termination fee<sup>1</sup></b> The fee to close your investment	Not applicable	Not applicable	Not applicable
<b>Management Costs</b>			
The fees and costs for managing your investment <sup>1</sup>	Refer to Table 4 below	Refer to Table 4 below	Refer to Table 4 below.
The amount you pay for specific investment options is shown at page [insert page number]. Not inserted as there are no options available for this Project	Not applicable.	Not applicable.	Not applicable.
<b>Service fees<sup>2</sup></b>			
<b>Investment switching fee</b> The fee for changing investment options	Not applicable	Not applicable	Not applicable

<sup>1</sup> [Where relevant] This fee includes an amount payable to an adviser. [See ‘adviser remuneration’ under the heading ‘Additional Explanation of Fees and Costs’.]

<sup>2</sup> [If there are other service fees, such as advisor service fees or special request fees, include a cross reference to the ‘Additional Explanation of Fees and Costs’.]



Table 4

TYPE OF FEE OR COST	AMOUNT		HOW AND WHEN PAID
	Option to pay contribution fees upfront	Option to pay contribution fees later	
Fees when your money moves in or out of the fund			
Application Fee The upfront fee payable in respect of each Walnut Lot applied for under this PDS.	\$6,424.00 (inc. GST) - no options available.		On application.
Management Costs - The fees and costs for managing your investment			
Orchard Right Fee (Notes 1 & 2)	\$220.00 per Walnut Lot per annum – no options available.		The Application Fee will include payment for the Orchard Right Fee for Year 0. From Year 1 and for the remainder of the Project, the Orchard Right Fee will be offset against your Gross Proceeds Entitlement prior to any distribution being made (Note 4).
Operating Fee (Notes 2 & 3)	GPL is entitled to an Operating Fee each Year throughout the Project.  The Operating Fee is charged in 3 stages:  In Years 1 and 2: \$990 (inclusive of GST);  In Years 3 to 7: \$1,320 + 23.1% of the Gross Proceeds Entitlement (inclusive of GST);  In each subsequent year of the Project: \$1,485 + 23.1% of the Gross Proceeds Entitlement (inclusive of GST).  There are no options available.		The Operating Fees will be offset against your Gross Proceeds Entitlements prior to any distribution being made (Note 4).

Note 1: The Orchard Right Fee is Indexed to CPI annually from 1 June 2008.

Note 2: If the Gross Proceeds Entitlement is not sufficient to cover the Ongoing, you will be invoiced for the difference.

Note 3: The fixed component of the Operating Fee is Indexed to CPI annually from 1 June 2008.

Note 4: It is anticipated that walnuts will be harvested in Years 3 to 6, however the harvests are expected to produce nominal yields as the Trees will not have reached maturity.

Note 5: All fees are inclusive of GST.

## Additional Explanation of Fees and Costs

### Taxation

For information about taxation costs and deductions, including the treatment of GST, you should read section 17 of this PDS.

## 1. Worked Example of Fees and Costs

Example of annual fees and costs for managed investment products.

This table gives an example of how the fees and costs in the balanced investment option for this product can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

EXAMPLE – the Balanced Investment Option		BALANCE OF \$50 000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution Fees	0-4%	For every additional \$5,000 you put in, you will be charged between \$0 and \$200.
PLUS Management Costs	1.3%	And, for every \$50,000 you have in the fund you will be charged \$650 each year.
EQUALS Cost of fund		<p>If you had an investment of \$50, 000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of from: \$650 to \$850*</p> <p>What it costs you will depend on the investment option you choose and the fees you negotiate with your fund or financial adviser.</p>

\* Additional fees may apply:

Establishment fee - \$50

And, if you leave the fund early, you may also be charged withdrawal fees of between 0 and 5% of your total fund balance (between \$0 and \$2,500 for every \$50,000 you withdraw)

Note: GPL is obliged by law to insert a table giving an example of how the fees and costs for this product can affect your investment over a one year period.

GPL believes that it is not appropriate to provide worked examples of the Orchard Right Fee and Operating Fee because it is not possible to make a reasonable estimate of the variable component of the Operating Fee. This is because the variable component is based on a percentage of the Gross Proceeds Entitlement. It is not possible to make a reasonable estimate of these sale proceeds as they will be received many years into the future and as a number of variables will affect the Gross Proceeds Entitlement.

GPL also believes that it is not appropriate to provide worked examples of the costs of sale, because it is not possible to make a reasonable estimate of these costs given that they relate to costs which will be paid many years into the future.

Furthermore, the Corporations Act prohibits prospective financial information being provided where it can not be given on reasonable grounds.

There is a cash flow calculator available on the GPL website which can be used to assess the likely impact of an investment on a potential investor's cash flow and taxation position.

## 2. Example of Annual Fees and Costs on a balance of \$50,000

Note: GPL is required by law to give an example of how the fees and the Project can affect your investment over a one year period based on a fund balance of \$50,000 with a contribution of \$5,000 during the year so that you can compare this product with other managed investment products.

While such an example is relevant for other products, there is no concept of fund balance or additional contributions for the Project, nor is there a Contribution Fee.

The Project does have ongoing Orchard Right Fees and Operating Fees. However, GPL believes that it is not possible to give the prescribed \$50,000 balance example in relation to the Orchard Right Fees and Operating Fees because it is not possible to make a reasonable estimate of the variable component of the Operating Fee. This is because the variable component is based on a percentage of the Gross Proceeds Entitlement. It is not possible to make a reasonable estimate of these sale proceeds as they will be received many years into the future and as a number of variables will affect the Gross Proceeds Entitlement.

There is a cash flow calculator available on the GPL website which can be used to assess the likely impact of an investment on a potential investor's cash flow and taxation position.

# The Gunns Group



Gunns Limited Head Office in Launceston, Tasmania

## Gunns Limited

Gunns Limited (Gunns) was established in 1875 and has a 132 year history. Gunns is a publicly listed company and forms part of the ASX top 200 companies. Gunns had a market capitalisation of approximately AUD 1.25 billion (May 2007) and is the parent company of Gunns Plantations Limited (GPL), which is one of Australia's premier agribusiness investment managers.

Gunns have contracted the services of Webster for the development and ongoing maintenance of the Walnut Orchards. Webster has experience in developing walnut orchards with projects currently underway on the East coast of Tasmania and at Griffith, New South Wales, including GPL's Walnut Project No. 1. All trees for this Project are sourced from Webster's expansive nurseries at Forth on the North West coast of Tasmania and at Griffith, NSW. The nurseries employ a highly skilled team of horticulturists and nursery staff and utilises the latest technologies for tree propagation.





**WEBSTER**

## Relationship with GPL & Webster

GPL is a wholly owned subsidiary of Gunns, established for the specific purpose of building a resource business for third party investors. GPL was established in November 1999 and since that time has established a number of managed investment schemes and has over AUD 314 million of funds under management.

In early September 2005, Gunns, GPL and Webster Limited entered into a major agreement to develop 3,350 hectares of walnut orchards in the Riverina District of NSW over the next four years with Webster providing the establishment and maintenance services and GPL operating the managed investment scheme for the Project.

Webster is Australia's fourth oldest company, dating back to 1831. Webster is a company with diversified interests in agribusiness, aquaculture and industrial services. They are a major shareholder in Tassal, the Tasmanian based salmon producer and specialise in the production and marketing of fresh food including carrots, onions and walnuts to domestic customers as well as export customers throughout Europe and Asia.

Webster has been establishing walnut orchards for over 10 years and has successfully established 650 hectares of walnut orchards on the East Coast and North West Coast of Tasmania and a further 785 hectares at Griffith NSW. GPL will draw upon the considerable skills and

experience of both Gunns and Webster in establishing and maintaining your Walnut Lots.

All Orchard management obligations under the Management Agreement will be subcontracted to Gunns and Webster. Webster will also be contracted to prepare all of the Trees required for the Project at their nurseries at both Forth, Tasmania as well as at Griffith, NSW. Webster will be paid for the provision of the Maintenance Services and the Harvest and Processing Services in accordance with the agreement signed in September 2005. This arrangement will ensure that Growers have the benefit of Webster's expertise and experience in orchard management.

It should be noted however, that Webster is a subcontractor and not the issuer of the Project and does not in any way guarantee the income or performance of the Project.

As the parent company of GPL, Gunns has a vested interest in the outcome of the Project. However, Gunns is not the issuer and does not in any way guarantee the income or the performance of the Project. The Walnuts to be grown under the Project are seen by Webster as an important source of high quality walnuts in fulfilling its contractual commitments and growth plans. Webster has committed to entering into an off-take agreement with GPL for the purchase 75% of Growers' Walnuts over the life of the project (see Section 18.6 for further details).



# Commonly asked Questions

Set out below are some commonly asked questions in relation to an investment by a Grower under this PDS.

## Why invest with GPL?

GPL is a wholly owned subsidiary of Gunns, Australia's oldest and largest fully integrated hardwood forest products company with a market capitalisation of approximately AUD 1.25 billion as at May 2007. Gunns has over three decades of experience in establishing and managing timber plantations and is one of Australia's largest plantation owners and managers of hardwood plantations. It also has extensive interests in viticulture in Tasmania.

GPL was first established in November 1999 to offer investment to the Australian public in timber plantations with off-take agreements for the resultant wood with its parent company, Gunns. GPL's Woodlot projects have been rated by independent research houses amongst the highest ranked agribusiness projects in the marketplace. It offered its first viticultural investment offering in 2004 with an off-take agreement with Tamar Ridge, Gunns Ltd's wine business.

GPL, Gunns and Webster signed an agreement in September 2005 to jointly establish over 3,000 hectares of walnut orchards in the Riverina district over a four year period, with Webster providing the establishment and maintenance services and GPL operating the managed investment scheme for the Project.

GPL is the first Australian company to offer a managed investment scheme based on walnuts.

## What am I investing in?

As a Grower you will be growing walnuts. You will have an interest in the Walnuts and the Orchard Infrastructure through an Orchard Right Agreement. It is GPL's intention to sell the Walnuts for human consumption in both the domestic Australian and burgeoning international market.

Webster has committed to enter into an off-take agreement to purchase at least 75% of the resultant Walnuts at market prices for the life of the project.

## Who owns the land my Walnuts are grown on?

The land will be owned by Gunns. An Orchard Right over your Walnut Lot will be granted to you. GPL will ensure that the lease over the land from Gunns to GPL is registered in the name of GPL as trustee for the Growers prior to or immediately after issuing Walnut Lots.

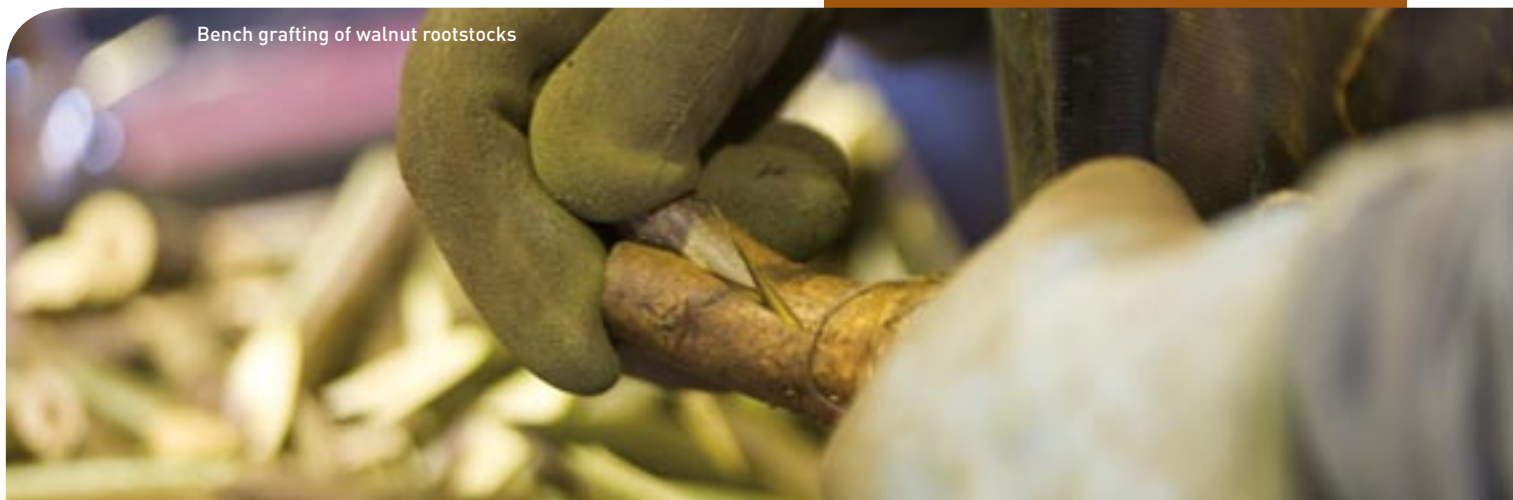
## Who owns the irrigation and drainage systems used to grow my Walnuts?

Gunns pays for and owns the Orchard Infrastructure used to grow the Walnuts. At the end of the Term of the Project all rights to the Orchard Infrastructure will revert back to Gunns.

## What is an Orchard Right?

An Orchard Right is a bundle of rights over a Walnut Lot granted to a Grower through the Orchard Right Agreement. The Orchard Right includes a right to access the Walnut Lot, use the Orchard Infrastructure and an exclusive right to benefit from the walnuts produced on the trees for the purpose of operating a Walnut growing business.

Bench grafting of walnut rootstocks



## Can I sell my Walnut Lot?

You have the right to assign your interest in the Project subject to conditions set out in the Management Agreement and Orchard Right Agreement. However, there is no active secondary market for interests in the Project.

## How are my Walnuts sold?

GPL has negotiated an off-take agreement with Webster for the sale of at least 75% of Growers' Walnuts for the life of the project which is the Walnut Sale Agreement summarised in section 18.6.

## Why enter into the Fee Facility?

If you enter into a Fee Facility with Gunns Finance, you will not be invoiced for the full amount of the Operating Fee and the Orchard Right Fee in each of years 1 – 4. Instead you will be provided with a loan for the amount of the fees (less a 10% deposit) which is to be repaid by Principal and Interest monthly payments against the Outstanding Balance commencing on the last business day of the month following the Drawdown of the Fee Facility. The Term will be ten years from the Drawdown date.

## Is the supply of water secure?

The properties chosen for this project are situated in the Murrumbidgee Irrigation Area. The Murrumbidgee Irrigation Scheme was officially opened in 1912 and comprises an extensive network of irrigation and drainage channels of approx. 3,700 km in length distributing fresh, clean water from the Murrumbidgee River and the Snowy Mountains to over 2,750 farms.

Over the life of the Murrumbidgee Irrigation Scheme, General Security Water Licences have had an allocation in excess of 70%. The catchment area of the scheme has proven to be very reliable.

Additionally, there is on farm water storages on both the Existing Orchard at Tabbita Lane (800 MgL) and at Leeton (400 MgL). These water storages will buffer against any adverse events during the normal delivery of water to the properties by Murrumbidgee Irrigation.

There are water entitlements attached to the Tabbita Lane property and the provision of additional water has been secured by GPL having entered into water purchase and options agreements with Murrumbidgee Irrigation. This will ensure the adequate supply of water for the Project to be conducted to a high agricultural standard.

In addition Gunns has already been and will be active in the water market to ensure that water supply to these properties will be adequate for optimum tree growth.

Refer Section 16.1 and 16.2.

## What is "pooling"?

All proceeds from harvesting the Walnuts will be pooled for the mutual benefit of all Contributing Growers in the Project. In this way, the impact of any losses and damage resulting from diseases, pests and the impact of weather and climatic events will be spread across all Contributing Growers. A Grower that does not contribute to the "pool" at all will not be entitled to a portion of the "pool".

## How will I know how my Walnut Lot is performing?

GPL will obtain a Report from the Independent Horticulturist by 30 June Year 0 confirming that all the Initial Services have been performed in accordance with good horticultural practice.

The Independent Horticulturist will inspect the Orchards annually for Years 2 to 4 and every second Year thereafter for the term of the Project to ensure that the Walnut Lots are being maintained in accordance with good horticultural practice. Following each inspection the Independent Horticulturist will prepare a report for GPL. You will be provided with a copy of the Independent Horticulturist's Report within 30 days of GPL having received the report. Where, at any other time, there is a materially adverse change to the Orchard, GPL may procure an Independent Horticulturist Report for that year to ensure Growers are kept informed.

## What about insurance?

GPL will arrange for insurance in its name and the names of the Growers against public liability arising out of the use of the Project land up to an amount of \$10,000,000.

GPL will pay for the cost of public liability insurance. Growers may take out fire, hail and other horticultural risk insurance at their discretion. For the first three years of the Term, any trees destroyed for any reason will be replanted to as close to 100% of the initial planting density as practicable at no additional cost to the Grower.

Gunns will insure the walnut Orchard Infrastructure for the life of the Project.

### How well do Walnuts grow in the New South Wales Riverina district?

The New South Wales Riverina region has a climate very similar to the main walnut growing regions of California the worlds largest exporter of Walnuts. Its summer averages range between 15°C and 30°C and its winters between 3°C and 14°C. These climates result in much faster growth rates than the cooler areas of southern Australia but yet still provide the chilling required to promote even flowering. In addition, irrigation channels of the Murrumbidgee Irrigation Scheme provide fresh, clean water to the orchard sites.

### Are my payments tax deductible?

It is anticipated that 100% of the Application Fee is deductible in the financial year in which it is paid and a deduction of 100% for all Ongoing Fees is expected in the year in which they are paid (refer to section 13 of this PDS). It is anticipated that Joint Venture Growers will also be entitled to tax deductions for those costs for which they are directly responsible. In addition, you may be entitled to a straight line depreciation deduction at 13% per annum commencing from Year 4 in respect of the capital expenditure incurred in establishing the Trees. Please note that independent taxation advice should be sought however.

If you are registered for GST then you may be entitled to claim an input tax credit from the ATO for the GST component. This will reduce your deductible component. Deductibility will depend upon your individual circumstances. You should consult your tax adviser and also read the Product Ruling in full before claiming any deduction. A copy of the Product Ruling, once issued, can be obtained from our website or the ATO.

### What are my payment options for the Application Fee?

You can either pay the full applicable Application Fee by way of cheque or credit card payment, apply for a loan from Gunns Finance Pty Ltd or Allco Managed Investments Ltd, or enter into an interest free 12 month Terms Arrangement with GPL.

### What are my payment options for the Ongoing Fees?

If you are invoiced in any particular year for the Ongoing Fees you can pay the amount owing either by way of cheque or credit card payment.

Harvester – harvesting walnuts









# Project Management

John E Gay



Leslie R Baker



Ian M Blanden



Chris J Dare



## GPL Directors

### Executive Chairman

**John E Gay - Age 64**

Mr Gay is Executive Chairman of GPL. As Executive Chairman, Mr Gay has overall responsibility for the operations of GPL and its management, administration and development.

Mr Gay is also Executive Chairman of Gunns and has 40 years experience in the timber and associated industries. Mr Gay's experience with Gunns has encompassed the processing of sawn timber, pulpwood and veneers, manufacture of value added timber products, management of private forest operations as well as responsibility for merchandising, construction and viticulture businesses. Mr Gay is a Director of the National Association of Forest Industries (NAFI) and also a Director of the Forest Industries Association of Tasmania (FIAT).

### Executive Director

**Leslie R Baker, BSc (Forestry) - Age 54**

Mr Baker is Executive Director of GPL. He has been responsible for overseeing the development of the Project.

Mr Baker is currently General Manager – Tasmanian Pulp Mill Project. In this role Mr Baker is responsible for Gunns' plans to build a world scale Bleached Kraft Pulp mill in Tasmania.

Mr Baker has extensive experience in the forestry industry. He is a qualified forester and has been employed in the sector since 1978 being actively involved in the management and development of both hardwood and softwood forestry businesses. Mr Baker is a Director of NAFI, a Director of AFS (Australian Forestry Standard) Limited, a former Director of FIAT and is a member of the Institute of Company Directors.

In addition Mr Baker oversees the operation of the Tamar woodchip facility. This facility is the world's largest woodchip export facility, exporting over 2 million tonnes per annum.

## Non-Executive Directors

### Non-Executive Director

**Rodney J Loone - Age 52**


Mr Loone is a Fellow of the Institute of Chartered Accountants and is the managing principal of the chartered accounting firm, Garrotts. He has substantial experience in providing accounting, taxation and financial services to many industries, including the agricultural and forestry industries. Mr Loone has experience as a board member of several companies.

### Non-Executive Director

**Patrick J Sullivan, LLB (Hons.) - Age 70**

Mr Sullivan is a retired solicitor whose practice was largely in the area of commercial law. He has had previous experience as a board member of both private and public companies.





Walnut orchard at Tabbita Lane property – Griffith, NSW

## GPL Management

The principal executives of GPL are:

### Executive Director

Leslie R Baker, BSc (Forestry) - Age 54  
(refer previous page)

### Manager- GPL

Ian M Blanden, BSc (Forestry),  
Cert. Forest Eng. - Age 41

Mr Blanden has considerable managerial experience operating managed investment schemes. He has overseen the development of the full list of GPL's managed investment schemes since inception in 1999. As a consequence, Mr Blanden has been responsible for the establishment of managed investment schemes encompassing in excess of 60,000 hectares of plantation eucalypt and pine, the maintenance of an estate of over 200,000 hectares of land and over 200 hectares of vineyard. Mr Blanden has over 20 years experience in the forest industry. Mr Blanden is Chairman of the Tasmanian Agricultural Productivity Group (TAPG) and a Director of Tree Plantations Australia (TPA).

## Orchard Management

The principal Gunns' personnel responsible for overseeing the development and maintenance of the orchards by Webster:

### Project Manager

Chris J Dare, Bsc (Forestry) - Age 34

Chris has over 12 years experience in the forest industry. Chris commenced employment with Gunns in 2003 after working in other parts of the Tasmanian and Victorian timber industries. In his roles with Gunns, Chris has been responsible for overseeing the establishment of over 8,000 hectares of plantations annually and the maintenance of an estate of approx 20,000 hectares. Chris is currently the Plantation Manager - Southern NSW for Gunns Limited. His history in the forest industry and very good understanding of plantation establishment and maintenance, coupled with an expertise in transport logistics allow a good overview of the Walnut project.

Chris also plays a lead role in managing two arms of Gunns' research in collaboration with the CRC (Forestry). The first area is studying site growth and productivity and the second being water, social assessment and biodiversity. This should dovetail well with the work being done in the Walnut project.

Mature open spaced walnut orchard



# Market Information

A seasonal window of opportunity exists for exports of fresh walnuts to Asian and European markets during the Christmas period and through the northern hemisphere winter. Being an overwhelmingly net importer of walnuts, strong import replacement potential also exists for Australian producers.

There are numerous species of walnut trees, however the three of the main types are the English (or Persian) walnut, *Juglans regia*; the Black walnut, *Juglans nigra*; and the White walnut, *Juglans cinerea* (also known as the butternut walnut). The English walnut is generally the most popular variety and features a thinner shell that is easily broken. The Black walnut has thicker shells that are harder to crack and a more distinctive flavour. The White walnut is sweeter and oilier than the other two varieties but is not as widely available ([www.whfoods.com](http://www.whfoods.com)).

The varieties of English Walnut selected for this project have been chosen primarily on the basis of market acceptability/preference. The world market prefers walnuts that produce large, light coloured kernels and nuts that have a high crack-out rate of kernel halves.

Walnuts are sold either on an in-shell basis or on a shelled basis. Walnuts sold under the Project will, at least initially, be marketed towards the premium end of the in-shell market.

The global market for walnuts is dominated by the U.S.A., who is the leading global exporter of walnuts and second only to China in terms of production. Total global consumption of walnuts was 1,534,000 tonnes in 2004, a 33% increase over the preceeding ten years (FAO, 2006).

The leading importers of walnuts in 2006 were Western Europe and Japan (FAO, 2006). Accordingly, the Northern Hemisphere dominates the global walnut market. This provides market opportunities for Southern Hemisphere countries such as Australia to increase production to satisfy counter seasonal demand. There is also an opportunity in the domestic market to replace imports and for increased walnut consumption as convenience and health foods grow in popularity and the value of walnuts is recognised in these sectors.

## The California Experience

Being the world's dominant market for walnuts, the U.S.A. provides an excellent opportunity to study the potential of the walnut industry. GPL management visited the U.S.A. in late 2005 for this purpose, specifically spending time in the San Joaquin valley, which is the premier walnut growing region of California.

## Production

California is the dominant producer of walnuts in the U.S.A., producing 99% of the U.S.A.'s walnuts ([www.walnuts.org](http://www.walnuts.org)). Accordingly, California is currently the world's premier walnut producing region. The official crop for 2006 published by the California Agricultural Statistics Service (C.A.S.S) was 334,331 short tons (312,375 metric tonnes) (in-shell).

## Sales

Sales of Californian walnuts have been increasing markedly over the past 6 years as shown in Figure 12.1 ([www.crainranch.com](http://www.crainranch.com)). The growth from 2000 to 2005 represents growth of almost 45%.

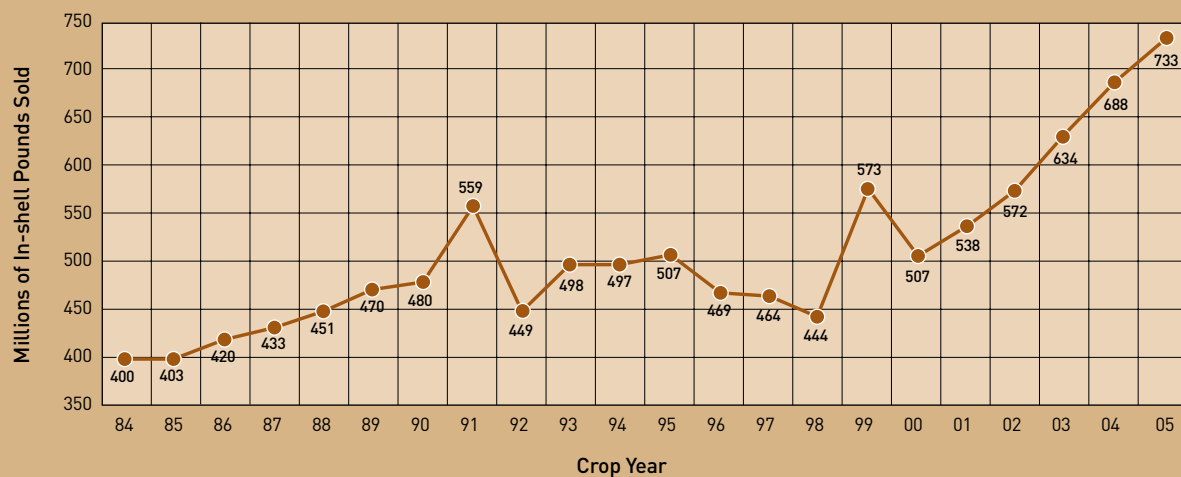
This increase in sales is seen as being due to an increase in the size of the global market as opposed to encroaching on the market share of other countries. The 2005 crop of 308,443 tonnes is forecast to match the previous year's consumption, therefore meaning there will be insufficient supply to continue to expand developing markets.

About 90% of California's walnuts are sold shelled (i.e. as kernels) ([www.ers.usda.gov](http://www.ers.usda.gov)). Kernel sales continue to increase as shown in Figure 12.2. Due to the unavailability of good-quality in-shell walnuts, consumption has only remained steady, however it is anticipated that with the increased production of high quality in-shell walnuts that future demand will be met and consumption and sales will grow in line with the growth in consumption and sales of walnut kernels (see Figure 12.3).



Figure 12.1

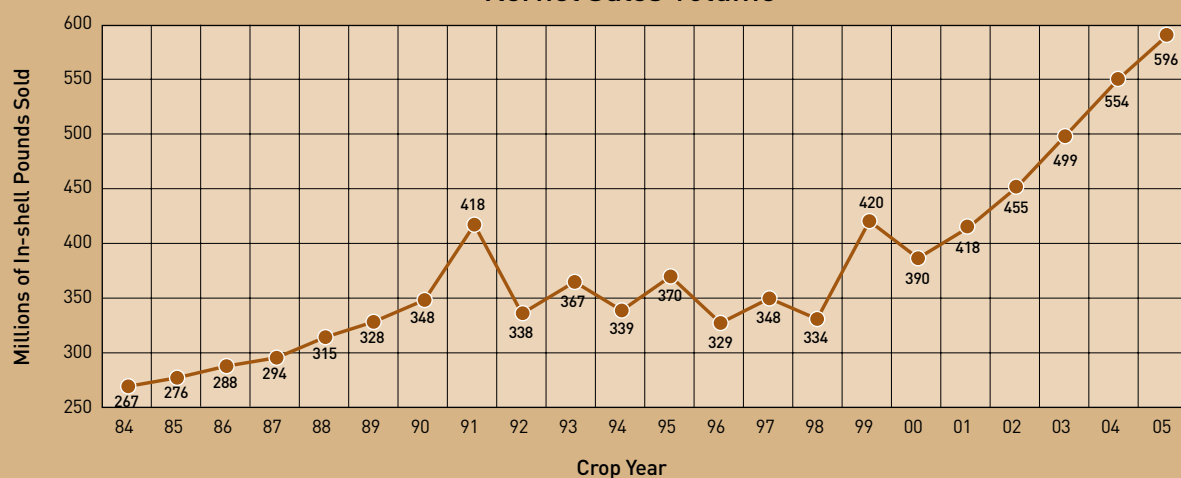
### Annual California Walnut Total Sales Volume



Source: www.crainranch.com

Figure 12.2

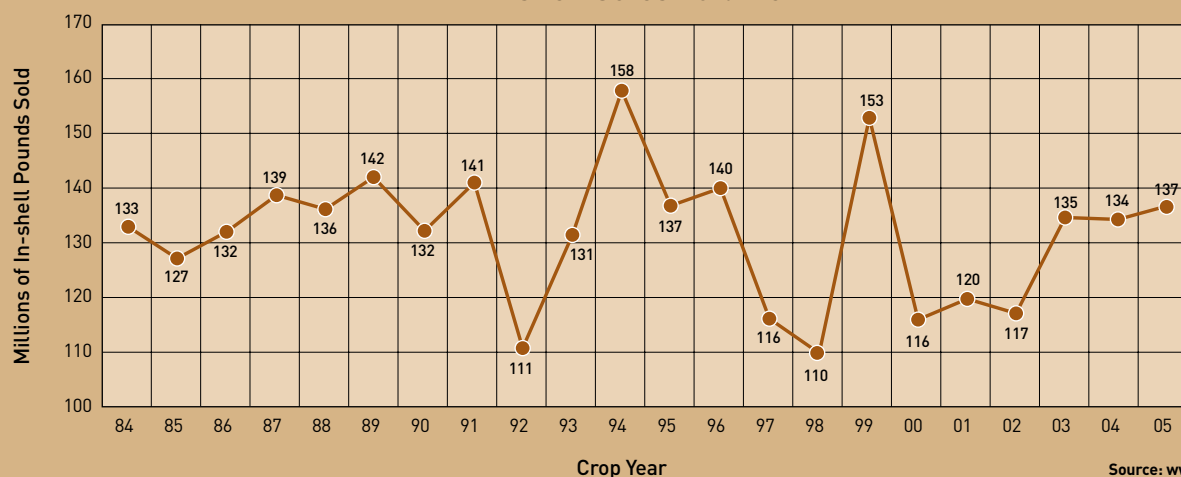
### Annual California Walnut Kernel Sales Volume



Source: www.crainranch.com

Figure 12.3

### Annual California Walnut In-shell Sales Volume



Source: www.crainranch.com



### World Market

As can be seen in Figure 12.4, the U.S.A. and China are the world's leading walnut producers.

However, the U.S.A. is the only one of the top five walnut producing countries that is also in the leading five exporters – meaning that much of the production from the other leading producers is consumed domestically (refer to Figure 12.5).

Walnuts represent approximately 13% of the global tree nut exports (Webster Ltd, 2005).

### Counter Seasonal Demand

It is noteworthy that all countries mentioned as leading producers, exporters and importers are Northern Hemisphere countries. Accordingly, an opportunity exists for a Southern Hemisphere country to meet the counter seasonal demand of the Northern Hemisphere, as the growing season is beginning in the Southern Hemisphere as it concludes in the Northern Hemisphere. Therefore, Australia would be in the advantageous position of being able to export fresh walnuts in time for the lucrative Christmas market in Europe when the other major exporters of walnuts are out of season.

### Growing Consumption

#### The Health Benefits of Eating Walnuts

Demand for walnuts is growing globally implying that there are growing opportunities for walnut producers. This increasing demand is principally due to the well publicised health benefits of eating nuts and in particular walnuts.

A driving factor behind growth in domestic consumption in the U.S.A to a record high was the introduction of the popular Fruit and Walnut Salad by McDonalds to their restaurants ([www.ers.usda.gov](http://www.ers.usda.gov)).

Tree nuts generally are a very good source of essential nutrients and are a good source of healthy fats and fibre which can assist in reducing cholesterol ([www.nutsforlife.com.au](http://www.nutsforlife.com.au)).

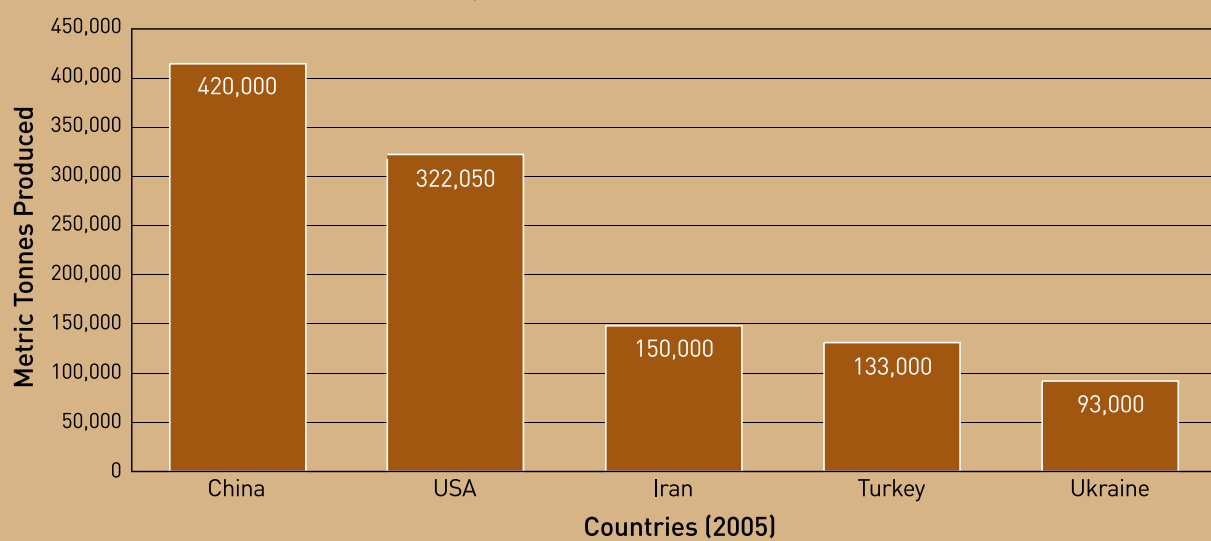
Amongst the tree nuts, walnuts stand out as a great source of Omega-3 (more than nine times than any other nut) ([www.walnuts.org](http://www.walnuts.org)). Omega-3 fatty acids are a subgroup of polyunsaturated fatty acids. They are essential for good health and normal growth of our brain, retina and heart ([www.ais.org.au](http://www.ais.org.au)). The consumption of walnuts has also been proven to significantly lower cholesterol levels ([www.walnuts.org](http://www.walnuts.org)). In addition, walnuts have been rated as one of 14 Super Foods that are filled with nutrients and other agents that contribute to good health. Specifically, walnuts may reduce the risk of developing coronary heart disease, diabetes and cancer (Pratt, S. & Matthews, K., Super Foods RX – 14 Foods that will change your life, 2003).





Figure 12.4

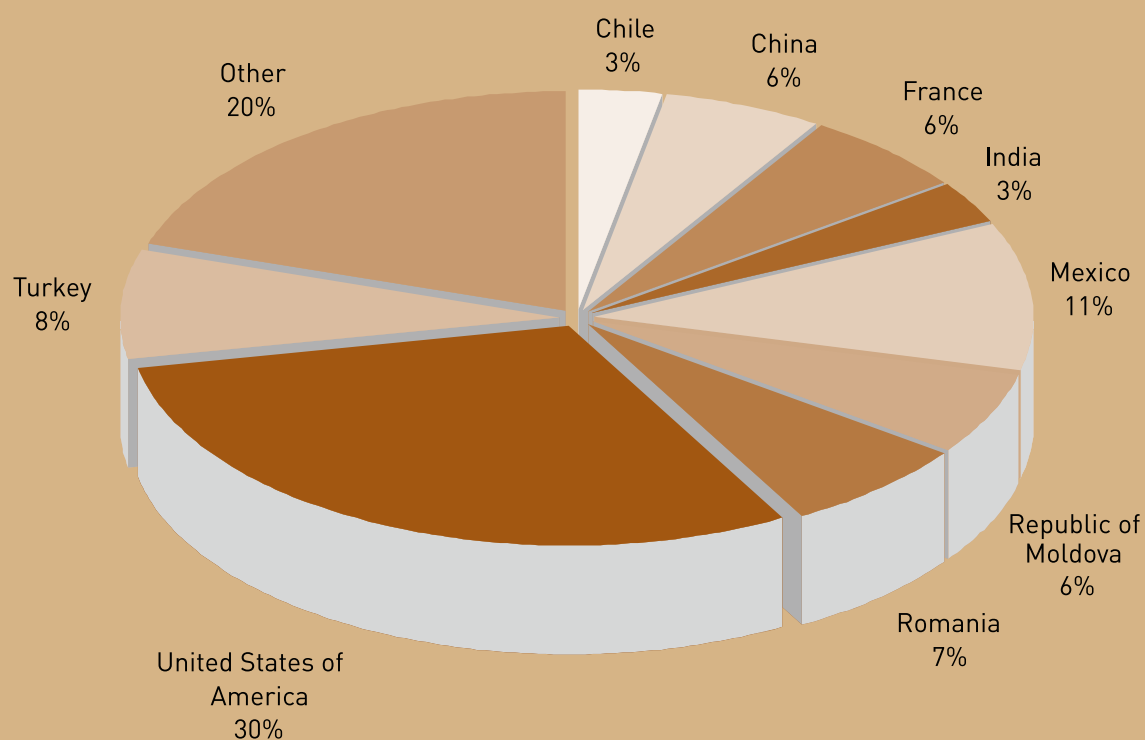
## Key Walnut Producers (In-shell)



Source: FAO, 2006

Figure 12.5

## 2004 Export Market Share



Source: FAO, 2006

## Australian Situation

Many parts of southern Australia have ideal climatic conditions for growing walnuts. Compared with the USA, Australia has the advantages of fewer pests and disease of walnuts, clean air and water, and a reduced threat from the urbanisation of agricultural land.

Australia can become self-sufficient in walnuts, replace imports, and allow export of quality nuts into the profitable European and Asian markets during winter in the northern hemisphere. In Australia, walnuts have been grown for over 65 years, but the industry is small, with great opportunities for expansion ([www.rirdc.gov.au](http://www.rirdc.gov.au)).

Most walnuts produced in Australia are sold in-shell, with only a very small percentage marketed as processed (cracked to extract the kernel), in spite of the potential for value-adding and the bonus of using kernels recovered from damaged nuts. In contrast, the world trade in walnuts is largely in kernels, which also reflects the major end-use of the product in the baking and confectionary industries. In future, more Australian walnuts may be processed to provide an outlet for damaged and small nuts, or simply to increase the product range and allow the producer to move into the kernel market. However, it is quality and freshness that are the key to marketing Australian walnuts in the face of competition from overseas ([www.rirdc.gov.au](http://www.rirdc.gov.au)).

With less than 3.5% of the domestic market supplied by Australian walnuts, considerable opportunity exists

for import replacement and for the development of exports into the Northern Hemisphere (ABS 2006). Australia currently imports 8413 tonnes of in-shell equivalent walnuts per year. Unsurprisingly, these are predominantly imported from the U.S.A. as shown in Figure 12.8.

Furthermore, there is the possibility of increasing the rates of Australian consumption. Australian consumption of walnuts, both in total and per capita, is well below most other countries representing a significant market opportunity for domestic walnut growers. Figure 12.9 details the gross domestic consumption and per capita consumption of walnuts in a range of countries.

Were Australia's per capita consumption of walnuts to increase in line with selected other countries the total consumption will increase as shown in Figure 12.10.

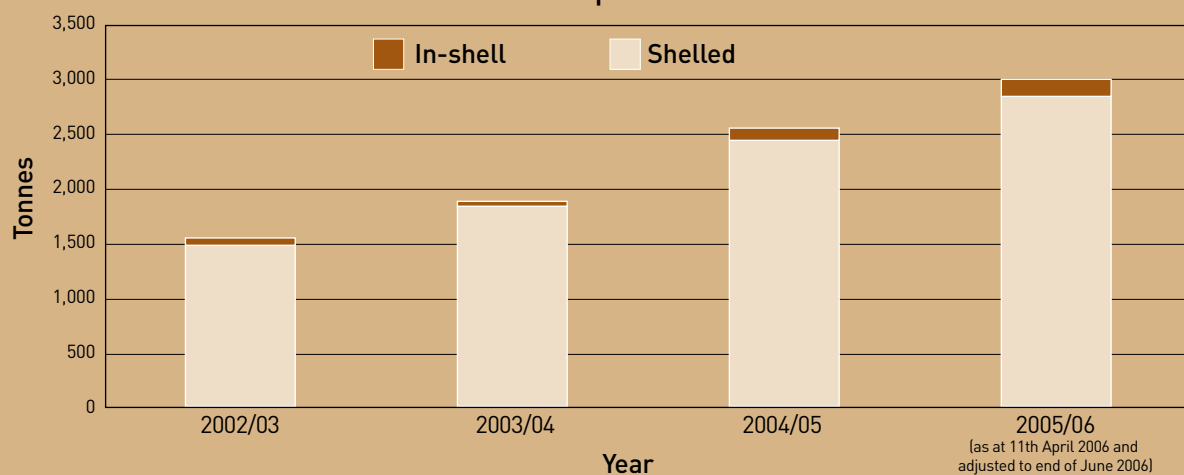
When the full four year project with Webster (3,350 ha over four years) is in full production it will still only represent 1.6% of the world's annual production. All walnuts produced under the project are envisaged to be consumed both domestically through the growth in the domestic walnut market and via import replacement, and in the global export market through Australia's natural geographical and agricultural advantages.



A Webster Ltd Orchard on the East Coast of Tasmania

Figure 12.8

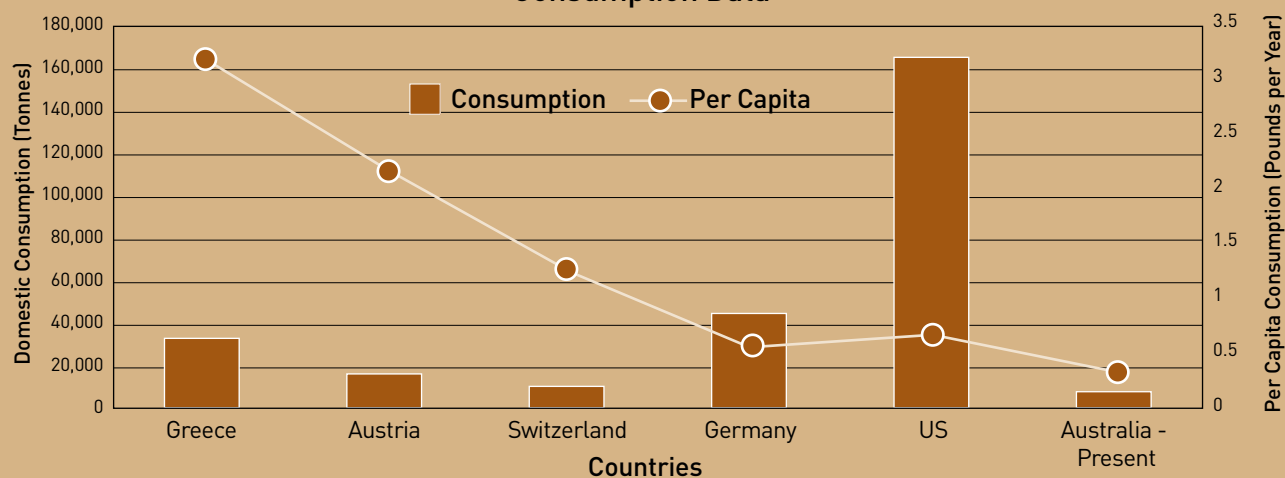
## Australian Imports from the USA



Source: www.walnut.org

Figure 12.9

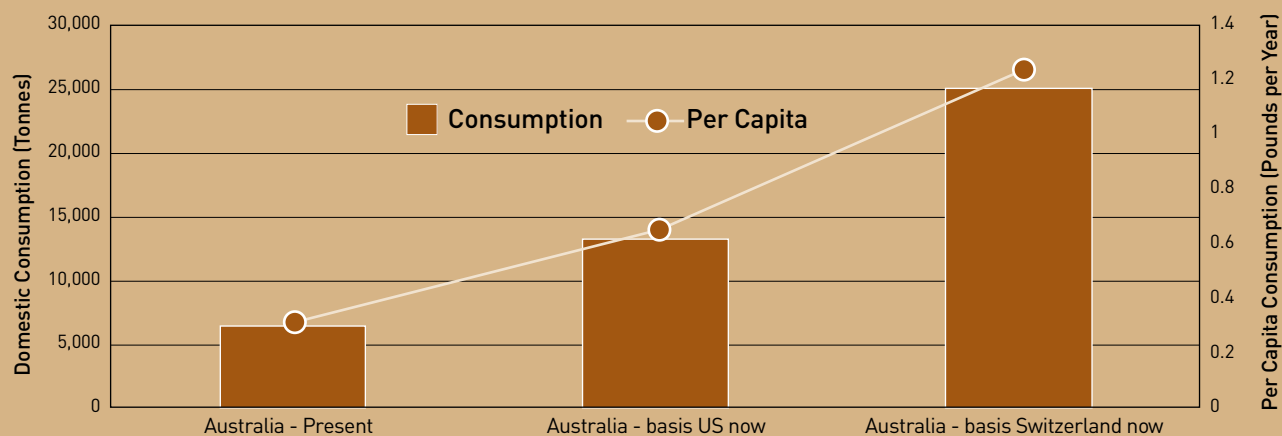
## Consumption Data



Source: Webster Ltd 2005

Figure 12.10

## Australian Consumption Extrapolation



Source: Webster Ltd 2005



# Taxation Features



English Walnut material ready for grafting

Product Ruling PR 2007/41 has been issued for the project. The Taxation Adviser's Report sets out the general effect of the Product Ruling for investors in Section 17 of this PDS. A copy of the Product Ruling, can be obtained from our website or the ATO. Before investing, you should seek independent advice.

For investors that have the purpose of staying in the Project for its duration and deriving assessable income from the Project, on the basis of a product ruling it is anticipated that:

- the sale of walnuts will be GST free;
- 100% of the Application Fee (including the GST component if applicable) will be deductible in the year in which it is paid;
- in addition a straight line depreciation deduction at 13% per annum from Year 4 will be available for capital expenditure incurred in establishing the Trees; and
- Ongoing Fees (including the GST component if applicable) should be 100% deductible in the tax year in which they are paid on the basis that the relevant services are wholly provided in that year.

In the case of a Joint Venture Grower, each joint venturer may claim a deduction for the Project costs for which they are directly responsible. Each joint venturer may also claim the same proportion of the straight line depreciation deduction (detailed above) as their proportionate interest in the joint venture arrangement.

You may choose to register for GST purposes if you are carrying on an enterprise. However, you must register if you are operating a business and your annual turnover is greater than \$50,000 per annum.

If you register for GST, you will be entitled to claim an input tax credit for GST paid on any creditable acquisition

that you make. However, an input tax credit is only available if you were charged GST on the acquisition. Accordingly, you will be entitled to claim an input credit for any GST paid on the Application Fee and the Ongoing Fees. These input tax credits reduce your overall GST liability and will be refunded by the ATO if the input tax credits exceed your own GST liability.

Where you are registered for GST, the deductions you claim for income tax purposes will need to exclude any amounts of input tax credit. That is, you will need to calculate your tax deduction by reference to the GST exclusive amount of the particular fee.

There may be cash flow considerations and administrative obligations associated with lodging the quarterly/monthly GST returns. This needs to be taken into consideration in deciding whether or not to register for GST if your annual turnover is less than \$50,000 per annum.

If you choose to defer registering for GST until your annual turnover exceeds \$50,000, you will not be entitled to input tax credits in the meantime. If the net sales proceeds from the sale of the harvested Walnuts exceed \$50,000, you may be required to register for GST when you harvest the Walnuts on your Walnut Lot. Whether you choose to register now or at the time of harvest will depend on your own individual circumstances and you should obtain your own independent taxation advice.

Costs in this Product Disclosure Statement expressed to be inclusive of GST are based on the current rate of 10% of the value of taxable supplies. If the rate changes then the price of any taxable supplies will vary so that the GST exclusive value of the supplies remains as it was prior to the change in the GST rate. If the current rate of GST changes, then any unpaid Application Fee and Ongoing Fees will also be adjusted to reflect the changed rate.

# Responsible Entity & Custodian 39

## Responsible Entity

GPL has agreed to act as the Responsible Entity of the Project and has been appointed as Responsible Entity pursuant to the Constitution. GPL is a public company and holds an AFS Licence authorising it to operate the Project as a managed investment scheme.

The Project has been registered by ASIC as a managed investment scheme.

As the Responsible Entity, GPL will operate the Project and perform the functions conferred on it by the Constitution and the Corporations Act.

The duties of GPL as Responsible Entity under the Corporations Act include, among other things:

- acting in the best interests of the Members and, if there is a conflict between the Members' interests and its own interest, giving priority to the Members' interests (as the case may be);
- treating Members who hold interests of the same class equally and Members who hold interests of different classes fairly;
- complying with the Project's Constitution and Compliance Plan;
- ensuring that the Project's property is clearly identified, held separately from other property of GPL and property of any other managed investment schemes and is valued at regular intervals;

- ensuring that all payments out of the Project's property are made in accordance with the Constitution and the Corporations Act; and
- reporting to ASIC breaches of the Corporations Act in relation to the Project which have had, or are likely to have, a materially adverse effect on the interests of the Members.

GPL as the Responsible Entity has the power to appoint agents or engage persons to do anything that GPL is authorised to do in relation to the Project. GPL as Responsible Entity will remain responsible for anything their agent or representative has done.

If GPL wants to retire as Responsible Entity, it must call a meeting of the Members to choose a company to be the new Responsible Entity, pursuant to the Constitution (refer to section 18.1).

## Custodian

GPL has appointed Gunns as Custodian. The Custodian will hold the:

- Application Fees in trust until they are disbursed after the Walnut Lots are established; and
- Walnut Sale Proceeds until they are disbursed to Growers.

The Custodian has no supervisory role in relation to the operation of the Project.



A precision hole boring machine preparing holes for the new trees

# Dispute Resolution

If you have a complaint or dispute about your investment, you should lodge your complaint with the Complaints Manager in writing:

Complaints Manager  
Gunns Plantations Ltd Walnut Project No. 2  
PO Box 572  
Launceston, Tasmania 7250

The complaint should:

- specify the nature of your complaint, the desired outcome and what action you think will settle the complaint; and
- provide all relevant material to support your complaint that is in your possession or control.

Within 5 business days of receiving the complaint, GPL will notify you that it has received your complaint and is considering it.

Within 30 days of receipt of your written complaint, GPL will notify you in writing of its decision regarding your complaint. If you are unsatisfied with GPL's decision regarding your complaint you may refer the complaint for determination by our external complaints resolution scheme:

Financial Industry Complaints Service Limited  
Level 13  
31 Queen Street  
Melbourne, Victoria 3007

PO Box 579  
Collins Street West  
Melbourne, Victoria 8007

Telephone: 1300 780 808  
Facsimile: (03) 9621 2291  
Email: [fics@fics.asn.au](mailto:fics@fics.asn.au)



Harvesting of walnuts - sweeper

# Independent Expert's Report



11 April 2007

The Directors  
Gunns Plantations Ltd  
78 Lindsay St  
LAUNCESTON TAS 7250

Dear Sirs,

## INDEPENDENT EXPERT'S HORTICULTURAL REPORT GPL Walnut Project No. 2

### Introduction

This report has been prepared for inclusion in a Product Disclosure Statement (PDS) entitled GPL Walnut Project No. 2 (Project) being offered by Gunns Plantations Limited (GPL). The walnut orchard is being developed and managed by GPL who have contracted their responsibilities to Webster Limited (Webster), a company with extensive experience in walnut production. The purpose of the report is to provide prospective investors in the Project with an independent assessment of the land, water and climate resources, the expected tree yields based on the varieties to be planted, the horticultural practices to be used, and the ability of GPL to establish and manage the Project.

### Australian Walnut Industry

The size of the Australian walnut industry is very small, currently producing less than 500t (in-shell equivalent) annually, compared with the major producers China and USA producing over 400,000t and 300,000t respectively. Australia is a net importer of walnuts and 8,500t (in-shell equivalent) with a value of \$34 million was imported in 2006 (ABS figures).

The GPL walnut projects will greatly increase the availability of high quality Australian walnuts for local and export markets but it will be some years before these orchards are in full production.

The Australian producers are aiming to produce high quality nuts that, with a counter-seasonal "freshness" advantage in the northern hemisphere Christmas markets. In addition, the increased consumer demand for all nuts in Australia and overseas because of health benefits is maintaining demand in times of increasing production.

### Experience, Qualifications, and Skills of Expert

Dr Peter Scholefield has prepared this report. He is a Director and Principal Consultant with Scholefield Robinson Horticultural Services Pty Ltd (Scholefield Robinson), a company located in Adelaide. He has tertiary qualifications (BAGSc, PhD) in horticulture and is a member of the professional organisations, Australian Association of Agricultural Consultants (AAAC), Australian Society of Horticultural Science (AuSHS), and a Fellow of the Australian Institute of Agricultural Science and Technology (AIAST). He has spent the past 37 years working professionally in horticulture, with the last 18 years working as an independent consultant in Australia. His work includes the provision of horticultural advice, the preparation of expert reports for investment documents and legal cases and project work with industry groups and R&D Agencies. This work covers a wide range of crops including nuts, fruit crops and grapes.

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#### SCHOLEFIELD ROBINSON HORTICULTURAL SERVICES PTY LTD

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Offices in Adelaide and Mildura



### The Brief

Specifically, Scholefield Robinson has been asked to provide comment on the:

- Suitability of the land chosen for the project including location, soils and climate;
- Water availability and supply (including long term security);
- Orchard design and layout (including irrigation/fertigation systems and planting density);
- Orchard maintenance plans;
- Ability of the horticultural management team (Webster and GPL) and availability of required resources;
- Varietal (including pollinator) selection;
- Nursery ability to provide suitable stock;
- Projected yields and timing assumptions;
- Environmental issues; and
- Project risks and appropriateness of safeguards.

In order to prepare this report, we have:

- Inspected the existing orchard at Tabbita ("Tabbita Lane"), near Griffith, and the new orchard site near Leeton ("Leeton").
- Observed tree growth in the orchard planted for GPL Walnut Project No. 1 in 2006 and in the older "Motspur Park" Walnut Orchard (not part of the GPL projects) planted and managed by Webster in 2004.
- Inspected the nursery on the Tabbita Lane property.
- Viewed and discussed with GPL and Webster personnel, the following:
  - maps of the properties on which the Project will be conducted and the proposed planting sequence;
  - physical soil surveys of the property undertaken by JR's Soil Management Services and Yandilla Park Services;
  - climatic data and water quality data from the Tabbita and Leeton locality;
  - water requirements determined by the irrigation consultant (Greg Hocking) and the irrigation designer, (Plastro Asia Pacific);
  - information about the water licences that have or will be acquired for the Project and the agreement to supply water to both projects with Murrumbidgee Irrigation (MIL);
  - a projection of walnut yields during the term of the Project.

While preparing the report we have:

- sought information on walnut growing in Australia and overseas from industry and technical specialists;
- reviewed various literature relevant to this report; and
- used the extensive horticultural resources and experience of Scholefield Robinson.

### The Project

The Project will include 448ha of walnut trees planted in 2006 at Tabbita, near Griffith, NSW, 75ha to be planted in 2007 at Tabbita and 740ha near Leeton, NSW.

Grower lots of 0.2ha will be made up of 0.07ha (35%) of the 2006 plantings and 0.13ha (65%) of the 2007 plantings. This will provide a mix of tree ages and locations with different characteristics that will spread the risk for growers.

### Location

Orchards for the Project will be grown on two properties, "Tabbita Lane", near Goolgowi where GPL Walnut Project No. 1 is located, and on the newly acquired property "Leeton", near Leeton. The majority of "Tabbita Lane" was planted in winter 2006, whilst the remainder of that property and the area at "Leeton" will be established in the months of June to August in 2007.

“Tabbita Lane” is bounded by Tabbita Lane to the south, Ilkadoon Road to the west, Garrong Road to the north, and an adjoining property to the east. It is located about 45km NW of Griffith NSW, on the Wah Wah channel on the western end of the Murrumbidgee Irrigation Area (MIA).

“Leeton” is bounded by the main Murrumbidgee delivery channel, Colinroobie Road and an adjoining property to the east. It is approximately 9 km from Leeton.

Both properties are situated within the MIA. The MIA is a major irrigation district in Australia with large areas of horticultural crops (citrus, winegrapes, stone fruit, olives and vegetables), irrigated row crops and pastures. The MIA sources water from the Snowy Mountains via the Murrumbidgee and Tumut Rivers, and with its extensive channels and large storage dams, is regarded as an extremely reliable irrigation scheme.

The benefits of being in an established horticultural area are that the needs of tree crops are understood by the water supply authorities, and there are suppliers of production inputs and services available locally.

The total area of the Leeton property is approximately 915ha but it is not all suitable for horticultural development because of soil types, native vegetation, service areas, roads, dams, irrigation channels, sheds, office, etc.

## Soil Investigations

### Tabbita

The soils on the Tabbita property are well understood from the soil surveys conducted between 2004 and 2005 by JR's Soil Management Services.

The land for the walnut orchard was surveyed in February 2004 (Stage I), April 2005 (Stage II), and September 2005 (Stage III). The approximate areas in each stage are 160, 40 and 520 hectares respectively. A total of 720 soil pits were dug on a 100m x 100m grid.

The soils found were predominantly reddish, non-swelling, sub-plastic soils that are suitable for horticulture with Stage I/II having 95% of the area, and stage III 90% of the area of this soil type.

This group of non-swelling sub-plastic soils vary in depth and subsoil characteristics, but are essentially massive, sandy/loamy in texture, and porous with free carbonates in the lower part of the profile. The subsoil is highly permeable and friable when moist.

The treatments recommended were fertilisation, surface cultivation, shallow ripping in the better soil types and deeper ripping in the shallow soil types, mounding and inter-row cover cropping.

The recommendations of the soil surveyor have generally been taken into account as much as is practically possible in the preparation of the block layout, irrigation system, and soil preparation prior to planting.

### Leeton

The property is approximately 785 hectares in area. A preliminary soil survey was conducted by JR's Soil Management Services in May 2006 when 18 soil pits were dug. The soils found were red-brown earths, calcic brown soils and laterites. Red-brown earths are suitable for walnut production without significant soil improvement prior to planting. The calcic brown soils are more uniform, better drained and aerated than some red-brown earths. However, these soils contain carbonates that may induce lime chlorosis leading to minor element deficiencies. Despite the lack of experience growing walnuts on these soils they are considered suitable for walnut production.

Laterites are different from the two above soil types with a highly permeable surface soil and clay subsoil with restricted drainage. Ironstone gravel is often found above the clay layer. Amelioration will be necessary for this soil type.

A more detailed soil survey was conducted by Yandilla Park in January 2007 to determine accurately the boundaries between the above soil types to allow an amelioration program to be planned and to design an orchard and irrigation layout to match the different soil types.

A total of 803 soil pits were dug across the property on a 100x100m grid. Most of the area surveyed was considered by the soil surveyor to have high production potential for walnuts but some areas require soil amelioration treatments of gypsum and lime application, spreading of organic matter and ripping along the rows. Similar soil treatments, have been applied successfully on the “Tabbita Lane” development.

## Climate

Climatic data for the Griffith district is relevant to both project sites. Data is presented in Table 1 below for weather stations at CSIRO Griffith, and Leeton Caravan Park.

Table 1: Climatic averages for Griffith CSIRO and Leeton Caravan Park

Station: 075028 GRIFFITH CSIRO Commenced: 1914; Last record: 1989															
Element	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	No. of years	
Mean daily max temp °C	32	31.3	28.1	22.9	18	14.8	14	16.2	19.6	23.2	27	30.1	23.2	67.7	
Days Max Temp →= 40.0 °C	0.9	0.6	0	0	0	0	0	0	0	0	0.2	0.1	1.9	27.2	
Days Max Temp →= 35.0 °C	6.7	5.9	1.9	0	0	0	0	0	0	0.1	2.1	4.6	21.4	27.2	
Days Max Temp →= 30.0 °C	19	18.3	10.6	1.6	0	0	0	0	0.5	2.7	7.6	15	75.7	27.2	
Highest daily Max Temp °C	43	43.9	39.5	35.7	29	22.1	26	29.5	34.9	37	41.7	41.7	43.9	27.3	
Mean daily min- °C	16	16.4	13.6	9.4	6.4	4	2.9	4	6	9.1	11.9	14.7	9.6	67.7	
Days Min Temp ←= 2.0 °C	0	0	0	0.6	4.5	11.3	15	9.8	5.7	0.9	0	0	47.7	27.3	
Days Min Temp ←= 0.0 °C	0	0	0	0.1	1.1	5.2	7.9	3.9	0.9	0	0	0	19.1	27.3	
Lowest daily Min Temp °C	7.2	6.1	3.2	-0.5	-1.9	-3.9	-5.4	-4.3	-3.3	0.6	2.8	4.8	-5.4	27.3	
Mean monthly rainfall - mm	30	27.8	34.4	33	38	37.2	33	40.4	32.5	41.3	28.5	30.7	406.3	73.8	
Median monthly rainfall - mm	17	19	19.2	22.1	29	32	31	39.3	28.5	33.7	21.2	28.8	391.4	70	
9th decile of monthly rainfall - mm	69	79.8	91.5	72.2	88	67.9	62	66.1	56.3	89.7	62.9	60.3	586.8	70	
1st decile of monthly rainfall - mm	2.1	0	0	4.9	4.9	7.1	7	11.8	8.7	4.6	2.2	1.2	241.5	70	
Mean no. of raindays	4	3.6	4.4	5.7	7.9	9.8	11	10.2	7.5	6.9	5	4.7	80.7	73.8	
Highest monthly rainfall - mm	222	148	178	184	119	136	85	114	102	117	126	125		73.8	
Lowest monthly rainfall - mm	0	0	0	0	0	0	0.8	3.2	2.2	0	0	0		73.8	
Hst recorded daily rainfall - mm	77	66.3	130	81.3	47	77	29	44.5	42.2	67.8	50.8	48.8	129.5	73.8	
Evaporation - mm	8.7	8.3	6	3.7	2.1	1.4	1.6	2.4	3.6	5.3	7.3	8.9	5	23.4	

[illegible]

The climatic data for the two stations is similar with mean annual rainfall (406 to 431mm), rain days in spring (19.4 to 20), days over 40°C (2 and 2), frosts  $\leq 2^{\circ}\text{C}$  (35 to 48), and frosts in spring (4.4 to 6.6).

Frosts in winter months are relatively common, but as walnut trees are dormant, no damage occurs. Frosts in spring are fewer. Damage to horticultural crops, including walnuts, can occur if frosts are experienced during the growing season. Based on the records (Table 1) it appears the likelihood of spring frosts is very low although damage could occur. The height of cropping walnut trees (warmer further above the ground) and the low incidence of severe frosts ( $\leq 0^{\circ}\text{C}$ ) in September, October and November indicates that serious frost damage is a low risk.

Walnuts and other crops have a chilling requirement in winter for flower and leaf buds to develop normally in Spring. Walnuts are reported to require 800 hours of chilling below  $7^{\circ}\text{C}$  for normal development and cropping. Although limited local records on chilling are available for the district, stone fruit (peaches, plums, etc) varieties that have a similar chilling requirement to walnuts have been successfully grown in the district for decades and this would suggest it would be adequate. In addition, Webster advised that bud burst on the Motspur Park orchard they also manage has been very even over the past three seasons which is a clear indication of the trees having received sufficient chilling hours.

Extreme weather conditions like storms, hail, wind, high and low temperatures are occasionally experienced in most horticultural regions, including the MIA, but production losses occur infrequently and are accepted as part of farming.

## Water

### Water Availability and Supply

Webster has negotiated an agreement to supply irrigation water to the GPL Walnut Project No. 1 with Murrumbidgee Irrigation Ltd (MIL). These arrangements will apply to the water supply to both the adjacent Motspur Park and the GPL Walnut Projects (GPL Walnut Project No. 1 and GPL Walnut Project No. 2).

The arrangements at Tabbita are as follows;

- I have sighted a "letter of offer" from MIL to Webster and GPL for the purchase of "Option" and "On-Call" water for irrigating the walnut orchards of GPL Walnut Projects, and Motspur Park for the period 2006/07 to 2010/11. The volumes for this five year period are 1,500ML, 1,800ML, 2,900ML, 4,000ML, and 4,600ML respectively. This offer from MIL allows for extensions beyond the 2010/11 year.
- In addition to the above water, the Tabbita property had an existing general security water licence of 1,510ML and this has been allocated to Motspur Park, Webster, and GPL. A further 85 ML of high security water licence has recently been purchased and allocated to GPL. The annual allocation portion of the water to the GPL Walnut Projects is 595ML.
- The mature water requirement for walnuts in the Griffith area is estimated to be 12 to 13.5ML of water per hectare, although few walnuts are grown in the area to verify this amount. The water requirement of trees for the years between planting and maturity is estimated as follows:

**Table 2 : Estimate of water requirement of trees with age**

Years	Water Requirement [% of mature trees]	Years	Water Requirement [% of mature trees]
Year 1	20%	Year 6	73%
Year 2	27%	Year 7	82%
Year 3	40%	Year 8	90%
Year 4	45%	Year 9	90%
Year 5	60%	Year 10	100%



- Based on the age of the trees in the GPL Walnut Project No. 1 and Motspur Park, the MIL offer plus the existing water licence on the property will supply the needs of the trees at Tabbita Lane up to 2011.
- Beyond 2011 additional water may be available for purchase from MIL. GPL have also advised that water licences will be purchased, or leased on an annual basis to meet the future needs of the orchard. MIL will deliver this water to the Tabbita Lane orchards.
- MIL water will be delivered from their distribution channel system and it will be stored in an 800ML dam on the property. The delivery channel is currently being upgraded to ensure the supply of 100 ML per day. Water for irrigation will be pumped from the dam, filtered, and applied to the trees using buried dripper lines.
- The adjoining walnut orchard of Motspur Park has its own dam and pumping system, but the two systems will be interconnected as insurance in case of a breakdown in the system of either orchard.
- Under the current water restrictions in the MIA, the main channel will shut down at the end of March 2007. The 800ML dam at "Tabbita Lane" will be filled or close to filled prior to the shut down and this water will provide an independent supply to the existing and new plantings over the autumn/winter period if necessary.

The arrangements at Leeton for the Project are as follows;

- I am advised by Gunns Limited and MIL that a similar offer is under negotiation with MIL for the Leeton property.
- The Leeton property adjoins the main Murrumbidgee delivery channel of MIL and pumps on the channel deliver water to a 400ML holding dam in the centre of the property. From this dam the water will be pressurised, filtered and delivered to the orchard blocks. The irrigation design has been prepared and has generally taken into account the recommendations in the Yandilla Park soil survey report. The Leeton dam is half the storage capacity of the Tabbita Lane dam but this is satisfactory because the main MIL supply channel borders on the edge of the property.
- The orchard area of 740 hectares is estimated to require 12 to 13.5ML of water per hectare at maturity. The water requirements for the new orchard for the next five years, based on 13ML per hectare for the season, are estimated to be 1,924, 2,597, 3,848, 4,329, and 5,772ML.
- Under the current water restrictions in the MIA, the main channel will shut down at the end of March 2007. The 400ML dam at "Leeton" will be filled, or close to filled, prior to the shut down and this water will provide an independent supply to the young plantings over the winter/spring period if necessary.

## Water Quality

### Tabbita

Water supplied to the project by MIL is drawn from the Murrumbidgee River, delivered through a series of irrigation channels, stored in Barren Box Swamp, and released for delivery to the project via the Wah Wah channel system.

Near Barren Box Swamp, recording stations over almost 40 years have shown salinity minima varying from 100 to 500 EC units, and maxima varying from 200 to 3,000 EC units. The high salinity readings have generally been recorded in periods of low water level in late winter when the pumps are not operating and evaporation and seepage have caused the seasonal increase in salinity. MIL has advised that recent site work on Barren Box Swamp where the storage was increased by the construction of cells within the swamp. This will reduce the surface area of the storage and thus reduce evaporation losses and salinity. This, plus better management, will ensure good quality water is available for the orchard.

The water quality available to the walnut project is expected to be between 300 and 600 EC units and therefore of good quality for the proposed use.

### Leeton

Water supplied to the Leeton property is drawn from the Murrumbidgee River and delivered along the main channel that adjoins the property.

Salinity at the Murrumbidgee recording stations has varied from minima of 13 to 110 EC units and maxima of 96 to 462 EC units over the last 12 years. This water is of very good quality for walnut production.

## Orchard Design and Layout

### Irrigation Design and Infrastructure

Irrigation design and block layout for the Tabbita orchard has been prepared by Plastro Asia Pacific in conjunction with Webster Limited. The orchard layout has 99 separate blocks ranging in size from 2.89ha to 7.86ha. The specifications for the irrigation system are:

- Water relifted from dam;
- Water is filtered;
- Drippers, 1.75 L/hr, 0.55mm spacing, 3 lines per row, 1.2mm per hour application rate;
- Peak water application capability 14.4mm per day.

The irrigation design took into account the critical soil characteristics identified in the soil survey and matched these with practical irrigation considerations to come up with the final layout.

The Leeton irrigation design has been finalised and takes into account the irrigation and drainage plans presented in the Yandilla Park soil survey. An irrigation tender has been let using the Plastro Asia Pacific design. The specifications for the irrigation system are similar to those for Tabbita Lane.

### Planting Density

The orchard will be planted with rows 8m apart and trees 4m apart within the row, a density of 313 trees per hectare. Row orientation is north-south, which suits the shape of the two properties and optimum light penetration to the orchard tree canopy.

This density is considered high and the trees along the row will eventually grow into each other as a "hedge-row". These higher density plantings produce earlier and higher yields than open spaced plantings. The additional establishment costs are more than compensated for by these higher and earlier yields.

## Orchard Development Plan and Horticultural Practices

### Orchard Development

An orchard development/establishment plan has been provided by Webster outlining the development tasks that needed to be carried out and the timing of the completion and reporting of these tasks.

For the one year old trees at Tabbita Lane, the cycle commenced with the soil survey scheduled for October/November 2005 (completed), soil preparation, irrigation design (completed), dam design, irrigation tender let, irrigation installation, preparation for planting, and planting in winter/spring 2006.

The development was planned thoroughly and sensibly scheduled over the 12 month period from spring 2005 to winter 2006. There has been excellent survival (>99%) and the trees have grown very well this season.

The new plantings scheduled for 2007 at Tabbita and Leeton will follow a similar development/establishment plan to that successfully used in 2006.

### Orchard Management Plan

An annual Orchard Management Plan prepared and used by Webster shows the orchard activities, the timing of these, and indicates who is responsible for ensuring that the work is done.

The activities include soil preparation and mounding, weediciding, replanting or re-budding any missing trees, irrigation, pruning, de-suckering, fertigation, tissue sampling, monthly reporting, etc.

The work program is detailed enough to show that the whole farm plan has been well thought out and is flexible so that unforeseen events can be coped with.

Both the development and management plans are evidence of a manager with experience in walnut development.

### Capability of Orchard Management Team

The Webster management team responsible for the walnut development is:

- Leigh Titmus is the Walnut Manager for Webster and as such is responsible for all of Webster's walnut developments in Tasmania and NSW. He has over 11 years of involvement with the walnut industry and has established over 1,400 ha of walnuts. Leigh is also involved in walnut industry committees and is past President of the Australian Walnut Industry Association (AWIA). Leigh represents the AWIA on the Board of the Australian Nut Industry Council, the peak body for all tree nut producers in Australia.
- Brendan Bond is the Nursery Manager for Webster, a position that is crucial to large scale orchard development because there are no other professionally run walnut nurseries of this size in Australia. The Webster nursery in Forth, Tasmania produced over 130,000 grafted trees in 2005 and 2006. The Tabbita nursery produces the balance of the trees required using budding techniques. Brendan has visited walnut nurseries in China, Europe and the USA and has developed guidelines for producing quality nursery plants. He is also responsible for the walnut tree propagation and maintenance at both the Forth and Tabbita nurseries and has a wealth of knowledge in walnut tree physiology and management.
- Derek Goullet is the Orchard Manager for Webster at Tabbita and is responsible for all the day-to-day operations in the orchard. He will manage contractors and the permanent labour in the orchard. He is an agricultural graduate of the University of Melbourne and has a number of "on the job" certificates in irrigation, chemicals, etc. Derek is experienced in the technical and management aspects of horticulture having held positions in the Murray Valley as agronomist, technical officer and orchard manager.
- Allan Payne is the Orchard Manager at Leeton. He has a broad range of skills from completion of a diesel mechanic apprenticeship to a Diploma of Horticulture. Allan has worked previously in roles with large corporate farms in Sunraysia, Victoria developing and managing citrus, grapes and avocados.
- Technical and Development Manager. Webster is currently advertising in California for an experienced person to provide in-house technical support to their walnut projects. The walnut developments will benefit greatly from this appointment.

This management team has the knowledge, industry experience, and practical understanding to manage a project of this size and complexity.

### Varietal Selection

#### Variety Mix

The varieties selected for planting are Howard, Chandler, Vina, Ashley, Serr, Tulare and Lara.

The harvest period varies for these varieties based on their nut maturity as follows:

- Serr (early);
- Ashley (early);
- Vina (mid);
- Howard (mid to late);
- Tulare (mid to late);
- Lara (late); and
- Chandler (late).

Early varieties will be harvested in late March or early April and the late varieties will be harvested in late April or early May.

This spread of maturity is designed to allow harvest to follow from one variety to another as the season progresses to ensure that the nuts are picked at optimum maturity, and that harvesting equipment is used efficiently over a long harvest period.

These varieties are appropriate for this project based on extensive Californian and some Australian experience. The varieties are high yielding (with Tulare being the highest yielding variety and Serr the lowest) and produce nuts of good size and colour, which are essential quality parameters. The chosen varieties have a lateral bearing habit to a varying degree, ensuring higher than average yields.

## Pollination

Walnut trees have both male and female flowers. Most of the varieties overlap at flowering time when male flowers provide pollen to fertilise the female flowers. However Chandler, Howard, Vina, and Lara varieties do not overlap completely, so 5% of an appropriate pollination variety for each main variety will be interplanted to optimise walnut production. It is worth noting that walnut trees are wind pollinated and therefore do not require bees for pollination.

## Rootstocks

Northern Californian Black Walnut (*Juglans hindsii*) and its hybrid, Paradox will be used as seedling rootstocks. The black walnut seed is sourced from a walnut orchard near Loxton, South Australia, while the Paradox seed is imported from California.

Webster matches scion varieties to either of these rootstock based first on the vigour of the scion (Paradox imparts vigour to trees) and the availability of rootstock seed.

## Nursery and Planting Material

### Source of Nursery Trees

The main Webster nursery is located at Forth in northern Tasmania where the black walnut seedlings are grown, lifted, bench grafted to the scion varieties, callused in heat chambers and planted out in nursery rows to grow for another year before lifting and planting in the orchard. The nursery process takes 2 years.

I have seen the nursery at Forth, Tasmania and it is a professional operation.

A field nursery has also been established at Tabbita where bench grafted trees from Tasmania are planted for the second growth cycle. Budded trees also produced in the Tabbita nursery. This nursery will be expanded to meet the demand from the new development.

## Planting

In early winter the nursery trees are lifted from the nursery using an under-cutter, cut back and then treated with an inoculant to protect the trees against the disease crown gall, and planted in the orchard.

## Yields and Timing

### Mature Tree Yields

The mature tree annual yield, averaged across all varieties, is 5.61 tonne of nut in shell per hectare.

### Yield Profile after Planting

The following yield profile for the Project is proposed, based on extensive experience in California and less experience in Australia.

**Table 3: Yield Profile for Walnut Trees after Planting (a)**

Growing season (b)	1	2	3	4	5	6	7	8 onwards
Tonnes/ha	0	0	0	0.56	1.12	1.68	3.14	5.61
% of mature yield	0%	0%	0%	10%	20%	30%	58%	100%

(a) Note that the grower lots are made up of trees from two different planting years, 2006 and 2007.

(b) Growing season refers to the period from leafing out in spring to leaf fall in late autumn.



Steve Sibbett (International Walnut Consultant and ex-Pomology Farm Advisor (Emeritus), University of California), proposed this yield profile and it has been used in the financial budgets. The mature yield and yield for growing seasons after planting were sourced from Californian publications of the University of California, Cooperative Extension. Little similar data is available in Australia for "modern" walnut orchards but a RIRDC report has presented yields close to these projections.

The mature yield and yield profile are considered reasonable and achievable with good management and seasonal conditions.

## Environmental Issues

### Native Vegetation

A Property Vegetation Plan prepared by the Murrumbidgee Catchment Management Authority (MCMA) has recommended the following conditions for the "Leeton" property;

- Removal of 91 scattered trees in various areas.
- Soil and ground cover management in various areas. This would be incorporated in the mid row management of the orchard, with or without this imposed condition.
- Offsets for the authorised removal of trees:
  - Grazing controls to protect native groundcover;
  - Plant 3,031 trees and shrubs and limit grazing;
  - Retain dead timber in wooded areas, manage exotic weeds and retain regrowth; and
  - Plant 1,400 trees and shrubs to regenerate a fully planted ecosystem.

These conditions are reasonable and the landowner (Gunns Limited) has agreed to them.

This commitment by the project is indicative of the desire of GPL and Webster to meet their environmental responsibilities as well as commercial responsibilities to investors in the Project.

At "Tabbita Lane", as part of the MCMA vegetation management plan for that property, extensive native tree plantings have already been successfully established.

An existing agreement for the Tabbita property has been in place for over 12 months.

### Soil and Water Issues

Unlike the water authorities in the lower reaches of the Murray Darling Basin, there is no requirement of the Project to prepare and receive approval for an Irrigation and Drainage Management Plan before development can commence. It is also not necessary to install test wells to monitor water table movements over time.

The reason that these investigations and installations are not required is probably because the property is located away from the Murrumbidgee River.

## Project Risks and Appropriateness of Safeguards

Investors in agricultural and horticultural enterprises should be aware that there are risks that can affect the success of developments such as this Project, which are different from those encountered in many other industries.

GPL and Webster have recognised these risks and have taken steps to minimise them as much as possible. The risks identified by Scholefield Robinson and the way Webster has addressed them are as follows:

## Soils

### Are the soils suitable for growing walnuts?

A detailed soil survey of the property has confirmed that the soils are suitable for walnuts or suitable for walnuts provided that appropriate amelioration is carried out. Unsuitable soils have been excluded from the orchard. Webster has confirmed that they will generally follow the soil surveyor's recommendations.

## Irrigation

### Are sufficient water resources available for the orchard?

In addition to the water licences already held on the property, MIL has offered to sell "Option" water to the orchard up to 2010/11, sufficient for the requirements of the trees. This offer from MIL is able to be extended. Additional water will be needed as the trees mature beyond 2011 and GPL have advised that they will purchase permanent or annual water licences to satisfy the needs of the orchard.

The supply channel into Tabbita Lane will be enlarged by MIL to deliver the daily volume of water required at the peak demand of the orchard. The supply channel into the Leeton property is more than adequate for that development.

Large dams are incorporated in the internal irrigation design to hold water for the trees if the channel system is unable to deliver for several days. The shortening of the irrigation season in 2006/07 due to drought conditions with the channel closing at the end of March is a risk, but the dams on each property should allow sufficient water to be stored for autumn and winter use.

## Drainage and Salinity

### Are there any drainage or salinity issues that will adversely affect the Project?

The soil survey has not identified any major risks of the Project being affected by water table development in the foreseeable future. Good irrigation practices will be followed to match the water application to the needs of trees.

The salinity of water from the MIL system is low and suitable for walnuts, but the salinity levels in the storage in Barren Box Swamp will need to be monitored in the current drought conditions. Recent improvements in the storage there should reduce the salinity risk.

## Climate

### Is the climate of the Griffith district and the sites suitable for walnuts?

The weather records and local experience for Griffith for temperature, rainfall, wind, and other factors are not outside of the conditions required for walnut production. The key requirement of walnuts for 800 hours of chilling per year is satisfied at Griffith.

The weather is suitable for walnut production, but as for all agricultural crops, adverse weather conditions can occur from time to time. Frost and spring winds are considered to be the main risks.

## Pests and Diseases

### Are pests and diseases likely to be a problem?

There are some pests and diseases that affect walnuts but the conditions, particularly the low rainfall, at Griffith are less likely to increase the risk of damage beyond that normally expected. Webster is well aware of the pest and disease issues they are likely to face and have programs to minimise the effects of them. Australia does not have some of the damaging pests and diseases that other regions of the world have to contend with and this provides Australian producers with a distinct advantage.

### Yields

#### Are the average yields expected for this Project comparable with industry standards?

The maximum yield used for the project is 5.61 tonnes per hectare (in shell) achieved in the 8th growing season after planting. These yields are based on reliable Californian production figures, but limited Australian data is available as the walnut industry here is still small.

These yields should be achievable with good management practices and favourable seasonal conditions.

The project has budgeted on the first harvest in the 4th growing season after planting which is regarded as achievable and in-line with industry expectation for modern orchards.

### Varieties

#### Will the planted varieties be superseded by better varieties?

New varieties of horticultural crops are always becoming available. The varieties proposed for the orchard are well established internationally and were recommended by the Californian consultant to the project. The long-term nature of perennial horticulture requires the best varietal selection to be made at planting but if better varieties become available in the future, decisions can be made on whether to change. All the project manager can do is plant varieties that reflect the best industry practice at the time.

### Scale of Development

#### Is the scale of this development within the capacity of the management team?

The scale of this orchard development together with the other developments managed by Webster is very large by Australian standards. Webster has the knowledge, experience and resources to develop and manage a project of this size.

### Summary

The Project offers a mix of one year old (448ha) and new (815ha) walnut trees planted on two orchards in the MIA located at Tabbita and Leeton. Growers will receive a proportion of older (35%) and younger trees (65%).

Based on overseas experience, the climate in the MIA is suitable for growing walnuts although no large, commercial bearing walnut orchards are present in the region. There is however a 250ha, three year old walnut orchard on an area adjacent to the Tabbita Lane development and the 535ha planted by Webster on behalf of Gunns in 2006. The growth of these orchards is very comparable with trees of a similar age in California. Soil surveys have shown that the properties have soils that are suitable for walnuts, or can be amended with the addition of suitable soil treatments.

Irrigation water will be delivered to both properties by Murrumbidgee Irrigation Ltd, which sources water from the Murrumbidgee River and distributes it throughout the MIA in a series of open channels. Water will be provided from existing licences for the properties, from Option water available from MIL up to 2010/11 with extension beyond that date, and from purchases of permanent or annual water licences by GPL for the orchard. The estimated needs of the orchard are assured until 2011. Extension of the MIL offer and the purchase of additional water by GPL will provide for the irrigation needs beyond 2011. The water will be stored in an 800ML dam on the Tabbita Lane property and a 400ML dam on the Leeton property and relifted for irrigation of the trees. Water quality is good and suitable for walnuts. The trees will be irrigated using a sub-surface drip irrigation system.

Trees will be planted in rows 8m apart with trees 4m apart within the row. A range of varieties will be included in the orchard to allow for a staging of harvest based on maturity times, to optimise pollination, and to provide for optimum marketing of the walnuts.

Trees are scheduled to commence cropping in the 4th growing season after planting and reach mature cropping level from the 8th growing season onwards, with a yield of 5.61 tonne per hectare.

The Project will be exposed to the normal risks associated with orchard developments. These are often associated with seasonal intangibles. Webster and GPL are aware of these risks and have planned to minimise them by the use of good horticultural practice.

## Disclaimer

1. Scholefield Robinson Horticultural Services Pty Ltd (Scholefield Robinson) is not operating under an Australian financial services licence in providing this report.

Professional services for the preparation of this report plus any out of pocket expenses is all the remuneration (including commission) or other benefits that any "relevant person" is to receive that might reasonably be expected to be or have been capable of influencing Scholefield Robinson in providing this report.

In this context, a relevant person is: (i) Scholefield Robinson; (ii) a related body corporate of Scholefield Robinson; (iii) a director or employee of Scholefield Robinson (iv) an associate of any of the above.

Otherwise, there are:

- no other interests, whether pecuniary or not and whether direct or indirect, of Scholefield Robinson or of any associate of Scholefield Robinson;
- no other associations or relationships between Scholefield Robinson (or any associate of Scholefield Robinson) and GPL;

that might reasonably be expected to be or have been capable of influencing Scholefield Robinson in providing this report.

Scholefield Robinson may undertake future consultancy work for the Project of a technical horticultural nature, on a fee for service basis.

2. In preparing this report, Scholefield Robinson has assumed that:
  - 2.1 The information given to us by GPL, Webster, their staff, and third parties is complete and accurate; and
  - 2.2 GPL will carry out good management practices in relation to the orchard.
3. Scholefield Robinson has prepared this report to form part of a Product Disclosure Statement (PDS). It has done no other work and given no other advice in relation to the PDS and therefore makes no representation as to, and disclaims all liability for, the completeness or accuracy of the information contained in any part of the PDS other than this report.
4. Scholefield Robinson does not, by preparing this report for the PDS, endorse or recommend participation in the Project and can give no assurances or guarantee as to its success or performance (financial or otherwise).

**Scholefield Robinson**  
**Horticultural Services Pty Ltd**



**PB Scholefield**  
**Principal Consultant/Director**



# Independent Expert's Report -Water Resources



24th April, 2007

The Directors  
Gunns Plantations Ltd  
78 Lindsay Street  
LAUNCESTON TAS 7250

Dear Sirs,

## Re: Request from ATO for Comment on Water Resources for Gunns Plantations Ltd Walnut Project No. 2

The announcement by the Prime Minister and State Water Resource Ministers last week has put all irrigators in the Murray Darling Basin (MDB) on notice that if significant rains do not fall that result in substantial inflows into the river system, there will be no water available for irrigation from 1st July 2007.

I wish to state that I stand by my Independent Experts Report in the GPL Walnut Project No 2 PDS.

The Gunns Plantations Ltd Walnut Project No 2 is reliant on supplies of irrigation water from Murrumbidgee Irrigation (MI). MI stopped deliveries of water to irrigators early in April 2007 as the irrigation season came to a close in autumn. This is normal. Both of the GPL orchards at Tabbita and Leeton have substantial on farm storage in dams of approximately 800ML and 400ML respectively and these dams were filled at close to capacity before the MI pumps were stopped. This water will supply the needs of the orchards over late autumn, and early spring. Therefore there is no immediate "water crisis" as far as Walnut Project No 2 is concerned.

The Murray Darling Basin Initiative Drought Update No 7, released after the Prime Minister's announcement discusses their assessment of the water situation.

Some points in the document are;

- water levels in storage and flows are at record low levels;
- the 2006-07 El Nino event has ended and there is a better chance of improved rainfall in 2007-08;
- rainfall well in excess of average is needed to produce average flows into upper Murray storages;
- although the probability of conditions similar to last season continuing for another season is considered low, water agencies must plan for this contingency; and
- significant improvements in water availability will not arise until after winter/spring rains.

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The worst case position is that zero-to-limited water resources will be available over winter/spring 2007 and beyond that the situation will be reviewed monthly. The adverse weather systems (El Nino) that have caused the extreme drought in the MDB have changed and the prospects for meaningful winter rains and snowfalls on the upper reaches of the MDB have improved.

There are no guarantees of rainfall that irrigators can rely on, but the situation appears better than it was in the immediate past.

Many irrigators will suffer greatly because they will not have any water for their crops in winter, after 1st July 2007. Gunns do have supplies in storage on-farm for this period and beyond. After that the water supplies are totally dependent on seasonal conditions.

The comments made in my report in the PDS were based on conditions at the time and used long-term averages to assess the water requirements and resources available to the project. Agriculture always has to face the risk of drought, storms, fires, etc. The GPL projects have more contingency plans in place to cope with the extreme situation at the start of the 2007-2008 irrigation season than do most other irrigators in the MDB.

I cannot say that the GPL Walnut Project No 2 will not be affected if the drought does continue but they will be affected much less than other irrigators because;

- they have approximately 1200ML of water in storage on the orchards;
- their trees are young and therefore will use less water; and
- they have modern application and soil moisture monitoring systems that minimise wastage of water.

I hope my comments acknowledge the seriousness of the water situation, but demonstrate that GPL are better placed than many irrigators to cope with the coming season. Australia has experienced a number of droughts since 1900 and agriculture has suffered hardships from these droughts, but has survived.

**Scholefield Robinson**  
**Horticultural Services Pty Ltd**



**PB Scholefield**  
**Principal Consultant/Director**

# Independent Market Report

McKINNA *et al* Pty Ltd  
*Strategic Insights*

23 February 2007

GUNNS PLANTATIONS LIMITED (GPL)  
INDEPENDENT EXPERT MARKET REPORT  
GPL WALNUT PROJECT NO. 2

## 1. Introduction

This report has been prepared for inclusion in the product disclosure statement (PDS) entitled GPL Walnut Project No. 2 offered by Gunns Plantations Limited (GPL). The purpose of this report is to provide prospective project investors with an independent assessment of the global competitive environment for walnuts; the key market prospects; and the forecast prices for the project outputs.

## 2. Experience & Qualifications

This report has been prepared by Dr David McKinna, the Principal of McKinna et al Pty Ltd. Dr McKinna's qualifications include: a Diploma of Agriculture (DDA); First Class Honours and Masters Degree in Economics from Monash University; and a PhD in Business with an Agribusiness major from Cornell University, USA.

Dr McKinna established McKinna et al Pty Ltd in 1983. Since its inception the consultancy has conducted many projects in assessing and reviewing market opportunities for agri-food products, both in the domestic market and globally. These assessments have covered the full spectrum of agri-food products, including meat, fruit and vegetables, seafood, wine and dairy products.

The consultancy regularly conducts major, in-depth reviews and scoping studies of market conditions in Australia's key trading regions, including: Japan, Korea, South East Asia, Europe, the United States and Canada. Prior to establishing McKinna et al, Dr McKinna served 13 years with the Victorian Department of Agriculture, including senior roles in policy advice with respect to marketing and industry policy. Immediately prior to establishing McKinna et al, he held the position of Director of The Victorian Egg Board, on secondment from the Victorian Department of Agriculture.

Dr McKinna is a qualified practising member of The Australian Social and Market Research Society and a member of The Australian Agricultural and Research Economics Society. His opinions and views are widely sought after by industry leaders and are regularly reported in the Australian media, including national media such as the Australian Financial Review and the ABC.

### 3. The Brief

McKinna et al was asked to provide specific advice in the following areas with respect to walnuts:

- Global production levels and patterns;
- Global markets and trading patterns;
- National production level;
- Assessment of global demand and consumption patterns;
- Pricing forecasts;
- Marketing opportunities; and
- Market risks and threats.

### 4. The Process

In order to prepare this report, the following methodology has been adopted:

1. An extensive review of the available statistical and support material relating to global markets for walnuts.  
(A list of key data sources is provided at the conclusion of this report.)
2. Discussions with the major nut stakeholders and distributors in Australia and overseas.
3. Discussions with the marketing manager of Webster Ltd.
4. Development of spreadsheet models to produce pricing forecasts.
5. A major market assessment and strategic report, which provides an in-depth critical assessment and context for the material outlined herein.

### 5. Proposed Marketing Arrangement

McKinna et al was instructed that GPL will seek to enter into a Sales Agreement with Webster Ltd for the Walnut Project.

The consultancy was further advised that in the initial years, the focus will be on marketing the cleaned, in-shell product. The project will produce a range of varieties that provide extended seasonal carriages, as well as varieties with different eating characteristics. Initially, the focus will be on the domestic market, but as production builds up, the intention will be to progressively develop export markets.

The GPL alliance with Webster Ltd is considered to be a major strength of the project. Webster Ltd has the required capability to enable GPL to get product to key markets, based on its ability to leverage existing strong supply chain relationships; apply its export expertise; and exploit the major market opportunities using a segmented, market-by-market approach.

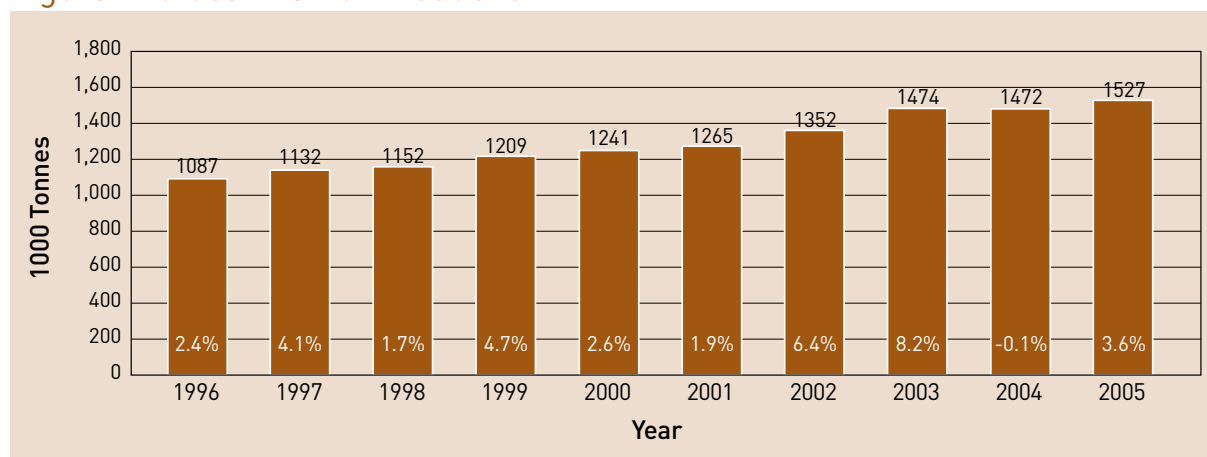
### 6. Market Overview

Despite the fact that walnuts have been produced domestically for over 65 years, the Australian walnut industry is small and in its infancy by international standards. The climate of the southern regions of Australia is ideally suited to walnut production and a number of industry observers agree that Australia could support a profitable walnut industry in these areas. Australia's great potential advantage is that it can deliver a fresher product than competitors into the Northern Hemisphere markets for the Christmas holiday season peak sales period.

Global production and trade in walnuts is growing steadily with the major producers being China, the United States, Iran, Turkey, Ukraine, India, France and Chile. Global production has grown by an average rate of 3.3% per annum over the last ten years. In 2005, the total world production on an in-shell basis reached 1,527,000 tonnes.



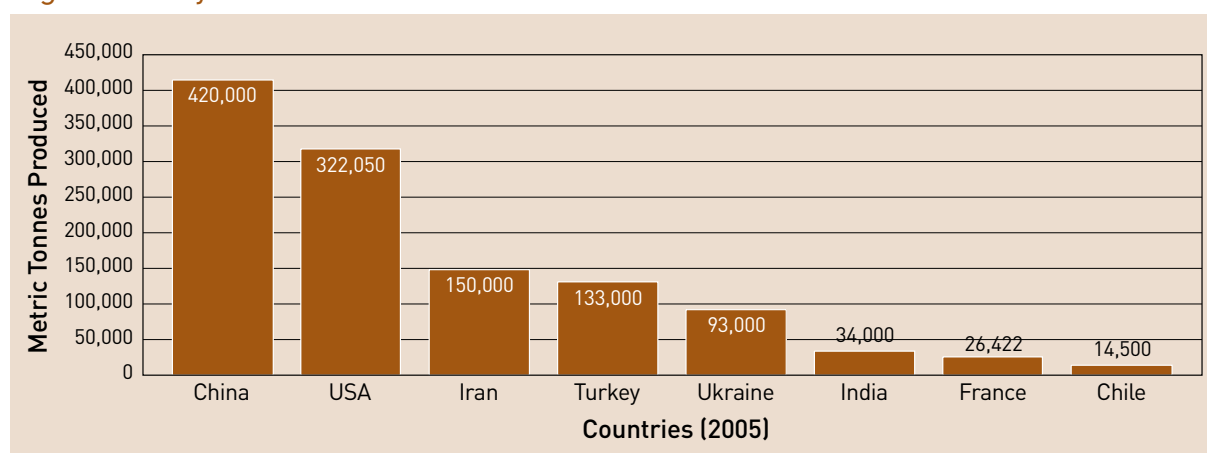
Figure 1: Global Walnut Production



Source: FAO, 2006

In 2005, China was the largest producer of walnuts at 420,000 tonnes, followed by the United States with 322,050. Iran, Turkey and Ukraine are also key global producers of walnuts, although Iran and Ukraine are not involved in global trade.

Figure 2: Key Global Walnut Producers



Source: FAO, 2006

The United States is the global market leader in terms of exports, although its position is declining. The United States held 30% market share in 2005, which is a strong decline from 58% in 1995.

Whilst China is the largest global walnut producer, it is estimated that over 90% of its production is consumed domestically as a result of increasing local demand. Turkey, which previously did not have an export focus, significantly increased its exports in 2004 and now holds 8%.

India, France and Chile are also important global players with an export focus. French and Chilean product is of good quality; however, Indian walnuts are generally of a lower grade and mostly go to the commercial ingredient market.

## 7. Global Markets for Walnuts

Global consumption of walnuts is estimated to have grown by 51% over the last decade according to FAO data (2006). Notwithstanding the steady growth in production, best indications are that global demand appears to be outstripping supply. The key drivers of consumption can be attributed partly to the growing affluence in China as well as to the increasingly publicised unique health benefits of walnuts. This raised awareness of the functionality of walnuts has been emphasised by marketing activity from the Californian Walnut Marketing Board.

Key global markets for walnuts are identified as China, The United States, Germany, Spain, Italy and Japan. Of these, Germany, Spain, Italy and Japan are considered to be hot prospect markets for the GPL project given the strong and increasing demand and their reliance on imports. These markets are ranked below in order of attractiveness.

**Table 1: Hot prospect global walnut markets**

Rank	Market	Per capita, per day consumption 2004	% consumption avg annual change 1995 - 2004	Total consumption 2004	% imports 2004
1.	Germany	3.04g	15.55%	92,000t	97%
2.	Spain	3.7g	5.14%	55,550t	64%
3.	Italy	1.78g	7.62%	37,160t	73%
4.	Japan	0.54g	4.21%	25,290t	100%

Source: FAO, 2006

## 8. Australian Domestic Market

Australia is overwhelmingly a net importer of walnuts at present. Australia currently imports 161 tonnes of in-shell walnuts and 3,870 tonnes of kernels (equivalent to 8,413 tonnes of in-shell) each year (ABS, 2006). In 2005-2006 the 'disappearance rate' was estimated to be around 8,722 tonnes on an in-shell basis.

Apparent consumption of walnuts in Australia has been steadily increasing over the last five years having grown from 0.77g in 2002 to 1.14g in 2006 (ABS 2006; AWIA 2006). This increase in consumption is in line with the general increase in demand for walnuts globally. The apparent consumption of walnuts in Australia is relatively low compared with European and North American markets. Given the health benefits of nuts (walnuts in particular); increasing retailer interest in the greater ranging of nuts; and on the basis of the statistical data referred to above; it is the assessment of this consultancy that there is significant growth potential for increased walnut consumption, particularly in the domestic market, as retail buyers have indicated that they intend to expand availability of in-shell nuts in supermarkets.

As Australia is currently a net importer of walnuts, there is, in the opinion of the consultancy, a definite opportunity for Australian in-shell product to take market share from imported in-shell product. Australia has a freight advantage with in-shell product but primarily earns a premium based on superior quality. The market also appears promising for shelled and value-added Australian walnuts, although the supply chain to the point of shelling and value-adding Australian product has not been fully developed at this stage. Given that domestic production only satisfied 5% of domestic consumption in 2006 (ABS, 2006; AWIA, 2006), there is an obvious opportunity to develop the domestic market for all forms of Australian grown product. A strategic marketing program promoting the benefits such as the freshness and quality of Australian walnuts over the imported product, would be needed to drive successful domestic market development.

The decision to value-add offshore or process mechanically will impact on both the price and quality of Australian shelled product and will have a direct bearing on its ability to compete in the domestic market with imported shelled product. At the very least, there is likely to be a niche opportunity for high-end, premium quality, Australian shelled product due to the fact that the imported, shelled product is simply not as fresh.

## 9. Health as a Critical Driver of Demand

Globally, nuts are increasingly being viewed as a nutritious health food product that tastes good. This is a key driver of steady growth in demand. As a consequence, marketers worldwide are realising the potential of walnuts and are positioning various nut products as a healthy snack or ingredient alternative to processed, high fat or sugar snacks.

Walnuts, in particular, have been identified in numerous research studies as having particular nutritional and functional benefits. Indeed, walnuts have been named as one of the fourteen 'Superfoods' (Pratt, 2004). Walnuts have benefited from the consumer interest in 'functional' foods, i.e. foods that provide protective or preventative health benefits. The Journal of the American College of Cardiology recently recommended that eating six to eight walnuts a day could greatly improve heart health.

Of particular importance is the finding that walnuts have the highest concentration of omega-3 fatty acid of all nuts. Walnuts are also an important source of dietary fibre, protein, folic acid, vitamin B6, vitamin E, arginine (amino acid), magnesium, phosphorus and copper.

Leading nutritionists have argued that the unique combination of fibre, omega-3 fatty acids and antioxidants contained in walnuts can benefit the consumer in terms of lowering cholesterol and improving vascular function such as reducing hypertension and inflammation as well as contributing to brain health and reducing the risk of type-2 diabetes. In addition, walnuts are one of the best known sources of melatonin, a powerful antioxidant that is associated with reducing risk of developing Alzheimer's, Parkinson's disease and certain types of cancer.

The mounting evidence to show that these nutritional and functional elements can result in improving the health of the consumer has allowed walnut marketers to make health claims on nut packaging and on promotional material in certain markets such as the United States. The ability to promote the functional benefits of food is increasingly seen as an extremely potent marketing tool.

## 10. Pricing and Price Forecasts

The key component of the consultant's brief for this project was to develop price estimates for ex-farm gate prices of walnuts. Predicting the prices of any agricultural commodity is inherently risky, because of a combination of agricultural and global market risks. The situation is even more uncertain for a new enterprise in Australia such as walnuts, because the market value proposition is unproven.

Given this situation, sensitivity analysis was used to estimate possible pricing scenarios based on the key variables.

### 10.1 Key assumptions

The key assumptions used in the pricing models were as follows:

1. The base price will be underpinned by the landed (in Australia) price of Grade 1 Californian in-shell product which, at the time of development of the model, was in the range of AUD \$4.00 – \$4.50 per kg.
2. That the product grown in the Riverina will achieve a premium of AUD \$0.75 per kg in-shell, due to the superior quality, the variety mix and seasonal timing.
3. Webster Ltd will work on the equivalent of a 15% margin on gross selling price.
4. The average freight cost from the plantation to the customer's warehouse (to convert to CIF pricing) of \$0.30 per kg was used, as it represents the average full container load (FCL) transport cost.
5. For the base case model an exchange rate of US \$0.74 = AUD \$1.00 was used.

### 10.2 Price predictions

Based on the above assumptions, the pricing model adopted determines the base-case, farm gate selling price for premium quality product (on an in-shell, hulled, graded, dried, ready-to-pack basis) to be in the range of AUD \$3.75 - \$4.15 per kg in 2006 terms.

Although it is beyond the scope of the brief and the consultancy to predict inflationary fluctuations, a compounded CPI factor of around 3% per annum is assumed going forward.

## 11. Market Risk

There are a number of factors that could influence the actual prices achieved. The key risks are outlined as follows:

### 11.1 Movement in parity price

The price achieved will be heavily influenced by world parity price. Despite its declining position in world trade, The United States is still the global price setter. The foundation for the pricing model has been based on the landed price of Grade 1 Californian in-shell walnuts which are currently in the range of AUD \$4.00 - \$4.50. Any shift in the price either way would be reflected in the prices attainable for Australian product.

The consultant's view is that, given the strong and steady growth in global demand, there is a greater likelihood of an upward shift than a downward movement in the foreseeable future.

## 11.2 Exchange rate

Because the United States is still the global price setter, Australia's walnut prices are influenced by fluctuations in the US dollar. As such, world prices for Australian product are heavily dependent on the inter-relationship between the US and Australian currencies.

Appreciation of the Australian dollar against the US dollar would put downward pressure on Australian nut prices, because Australian exports will generally become more costly in the import country's currency and therefore less competitive. Conversely, should the imported product become cheaper in Australia, it will drive down the parity price in the domestic market.

It is beyond McKinna et al's expertise (nor was it part of the consultant's brief) to comment on exchange rate movements, although most expert commentators are predicting a range of US \$ 0.72 - \$0.80 = AUD \$1.00 at present.

## 11.3 Unpredicted growth in global production

Like any globally traded product, pricing will be influenced by growth in world production. World production of walnuts is growing steadily with the best available data suggesting an annual growth rate of 3% – 4%.

The data suggests that demand is growing faster than supply for the reasons outlined earlier, which is putting upward pressure on global prices.

Great uncertainty exists about production forecasts for China, Turkey and Chile. Data on production in these countries is sparse and of questionable accuracy. Our market intelligence suggests that domestic consumption in China is growing, in line with the increasing affluence of the country, and that for the foreseeable future, most of China's production growth will be absorbed locally.

## 11.4 Attainable premium

The pricing forecast assumes that the project will be able to achieve an average premium of AUD \$0.75 per kg (on a in-shell, hulled, graded, dried and ready-to-pack basis).

This is based on the experience that Tasmanian product is currently achieving a premium of AUD \$1.00 – \$2.00 per kg over and above Grade 1 Californian imported in-shell product. This is due to Tasmania's cool climate status, which generates superior quality, together with the ability to provide fresher product for the Northern Hemisphere holiday season market. However, the consultant's view is that product grown in the Riverina will not achieve the same price premium that is being achieved in Tasmania, because, unlike Tasmania, the Riverina does not have cool climate conditions. Nevertheless, it is expected that a premium of AUD \$0.75 per kg can be achieved due to the selection of varieties being grown and the ability to grow a consistently higher quality product.

Based on the law of supply and demand, downward pressure on the achievable premium is likely to occur as volumes of domestically produced product increase.

Acknowledging this, it is critical that GPL/Webster Ltd implement a strategic marketing program for the product to support premium pricing going forward.

## 11.5 Marketing and freight costs

The pricing model assumes a marketing margin equivalent to 15% of the gross selling price going to Webster Ltd. Under normal commercial arrangements, this margin is subject to negotiation and any change in the marketing margin either way will be directly reflected in farm gate prices.

The standard industry practice is for nuts to be traded on a 'delivered to customer' basis. Freight to customer has been built into the model at AUD \$0.30 per kg.

Freight rates are a function of two factors: the customer location (distance) and the method by which the product is shipped, i.e. in full container loads or pallets. The consultant has been advised that the majority of product will be shipped in full container loads (FCL) and AUD \$0.30 represents the weighted average national FCL cost. This forms the basis of the calculations.



### 11.6 Quality mix and market alignment

The pricing models are based on Grade 1 in-shell product; lesser quality product will not achieve the prices outlined in the forecast. This report is based on the assumption that predominantly product grown by GPL will be Grade 1 quality. A key strategic recommendation by the consultant is that GPL also builds viable markets for lesser quality product as production grows. This dual strategic approach will enable GPL to support premium pricing for the top grade product.

The area of market risk is also impacted by market alignment, i.e. the ability to produce product which satisfies market requirements and preferences. In the context of walnuts, market alignment is about having the preferred quality and varieties in the right volumes. Therefore, a misalignment of product availability against market needs, preferences and opportunities is likely to put downward pressure on prices.

The consultant has been advised that GPL has identified and planted walnut varieties that produce the highest quality walnuts in accordance with the United States standards.

Moreover, the varieties planted by GPL have also been selected to extend the production season, thereby providing other market advantages. Given this situation, the consultant has been advised that the orchard will have the capability of producing premium product, which meets the quality preferences of the market, over an extended season.

### 11.7 Agricultural risk

There is risk inherent in any agricultural project. The consultant is unable to predict the market risk or impact on pricing of environmental factors such as climate change, pest and disease, drought or flood, or any other natural cause.

## 12. Marketing Opportunities

### 12.1 Australian domestic market

As mentioned earlier, Australian production is currently only able to supply 5% of domestic demand and the GPL project is well positioned to impact the increasing flow of imports of in-shell walnuts on the basis of higher quality and freshness. Moreover, although there has been steady growth in Australian per capita walnut consumption, it remains significantly less than The United States and European countries, indicating room for further market growth if market development activity is undertaken. Once the supply chain systems are streamlined for processed and valueadded Australian walnuts, these too will have opportunity in the domestic market provided there is sufficient market development support by way of advertising and promotion.

### 12.2 Seasonal window of advantage to Northern Hemisphere markets

In 2006 only around 15,500 tonnes of the 1,527,000 tonnes of walnuts produced globally, were produced in the Southern Hemisphere. As demand is concentrated in the Northern Hemisphere markets, there is a seasonal window of opportunity to supply high quality, fresh Australian walnuts into key Northern Hemisphere markets during peak demand times, (particularly during the Christmas festive season) to thereby obtain a premium price.

### 12.3 Further processing and value adding

The majority of Australian product is sold in-shell. As mentioned previously, there is an opportunity for GPL to expand into the larger 'shelled' walnut market once supply chains are in place.

Moreover, there is further opportunity in value-adding, including high-end speciality products such as walnut oil. Due to the labour intensity in value-adding walnuts, much of this work for the Australian product is likely to occur in lower labour cost countries or alternatively it will need to be highly mechanised.

### 12.4 Increasing demand by supply channel

There are growth opportunities in the global retail market in light of increasing consumer demand and the attractiveness of retail nut margins. There are also further growth opportunities in the commercial ingredient and food service markets. Walnuts are attractive to food manufacturers and processors, as they enable them to increase the nutritional content of their products. This is important as nutritional elements are now noted on the packaging information panel. The ingredient market will provide an important outlet for lower grade product, which is essential to underpin premium prices for the Grade 1 product.

## 13. Summary

Based on the research and acknowledging the market risks expressed in the body of the report, the consultant's best estimate is a farm gate price of \$3.75 - \$4.15 per kg (in-shell, hulled, graded, dried and ready to pack) in 2006 terms. In the consultant's view, which is based on present market trends, it is more likely than not that demand will continue to grow in line with, or even exceed, supply over the next five to ten years. This is largely due to the identified powerful health benefits of walnuts. Considering this market environment, overall, it is the considered opinion of this consultancy that there is a greater probability of an upward movement in price rather than a downward trend.

The marketing opportunities for Australian walnuts, both domestically and in key global markets, are significant. When supported by the domestic and international expertise of strategic alliance partner and Webster Ltd, the potential to ensure a profitable and sustainable Australian walnut industry is considerable.

## 14. Disclaimer

McKinna et al Pty Ltd (the "Company" which expression shall include its directors, officers, employees, agents and authorised representatives) has made every effort to ensure the reliability of the views and recommendations expressed in this report, which is based on the Company's research and information obtained and collated by the Company from a variety of resources including electronic information, which the Company believes to be accurate and reliable at the time of the publication of this report.

However, markets change with economic conditions and for this reason no warranty is given that the information or advice contained within this report is appropriate in a particular user environment. The Company to the extent permitted by law, hereby excludes all liability whatsoever and howsoever caused, by the use of, or the reliance upon, any information or any error or omission or advice contained within this report, whether or not caused by any negligent act or omission of the Company. If the law prohibits the exclusion of such liability, the Company limits its liability to the extent permitted by law, to the resupply of the said information or the cost of the said resupply at the Company's option.

The company has no financial or other undeclared interest in either GPL or Webster Ltd.

## References

Australian Bureau of Statistics (ABS), Walnut Import and Export Data Sets 2002-06, ABS

Australian Walnut Industry Association (AWIA), 2006, Australian Walnut Production Data, AWIA

Food and Agriculture Organisation of the United Nations (FAO), 2006, FAO Statistical Database, FAO

Pratt, S.G. & Matthews, K., 2004, Super Foods Rx: Fourteen Foods That Will Change Your Life, Harper Collins Publishing, New York

## Key databases

- Food and Agriculture Organisation of the United Nations (FAO).
- Australian Bureau of Statistics (ABS).
- United States Department of Agriculture Foreign Agricultural Service (USDA FAS).
- Global media and market reports (via Factiva database).
- International walnut industry associations and marketing boards.
- Australian nut industry associations and marketing authorities.
- Rural Industries Research and Development Corporation (RIRDC).
- Various medical journals and research publications (with respect to the health benefits of walnuts).

# Taxation Adviser's Report

The Directors  
Gunns Plantations Limited  
PO Box 572  
Launceston TAS 7250

2 May 2007

Dear Sirs

## Gunns Plantations Walnut Project No. 2 - Tax Opinion

As you are aware, the Australian Taxation Office (ATO) has issued Product Ruling PR 2007/41 in connection with the Gunns Plantations Walnut Project No.2 – Early Growers (the Project), which is applicable for Growers who enter into the Project on or before 15 June 2007 ('Early Growers').

Unless otherwise indicated, reference in this opinion to "Growers" are references to Early Growers.

On the basis that a Product Ruling has been issued, we have not been asked to provide a detailed opinion as to the taxation outcomes of participation in the Project. Our comments below provide further guidance as to the application that the Product Ruling will have in particular circumstances and to Goods and Services Tax matters.

Growers in the Project should be aware that the levels and basis of taxation can change and that subsequent changes to taxation laws may supersede or take precedence over Product Rulings. Our advice is based on the current law as at the date of this letter and will not be updated to take account of subsequent changes. Potential Growers should take independent professional taxation advice, having regard to their particular circumstances, prior to making the investment.

In addition, KPMG's tax practice is not licensed to provide financial product advice under the Corporations Act and taxation is only one of the matters that must be considered when making a decision on a financial product. Potential Growers should consider taking advice from an Australian Financial Services license holder before making a decision on a financial product.

### 1. Scope of Product Ruling

In a Product Ruling, the Commissioner of Taxation sets out his opinion on the way in which the tax laws will apply to Growers who take part in the Project.

Importantly, a Product Ruling does not amount to a guarantee as to the commercial viability of the investment.

A Product Ruling is legally binding on the Commissioner insofar as, when determining the amount of tax payable as a result of the arrangement considered in the Product Ruling, the Commissioner must apply his views of the law as expressed in the Product Ruling. However:

- A Product Ruling is only binding on the Commissioner to the extent to which the Project is implemented as outlined in the Product Ruling;
- The Commissioner can withdraw a Product Ruling at any time. If such a withdrawal occurs then the Product Ruling will only apply to arrangements that began to be carried out before the withdrawal; and
- Product Rulings can only apply on a prospective basis, and a Product Ruling will only apply to Growers who enter into it after the date of its issue.

### 2. Classes of person to which the ruling applies

Growers are only permitted to rely upon the conclusions in a Product Ruling provided that:

- They fall within the class of persons identified in the Product Ruling as being persons to whom it applies; and
- They carry out the Project in a manner identical to the arrangement identified in the Product Ruling.

#### 2.1 Classes of persons

A Product Ruling generally outlines the classes of persons to whom it applies. Generally, a Product Ruling applies to taxpayers who invest for the purpose of staying in the arrangement until it is completed (that being they intend being a party to the relevant agreements until the term of these agreements expires) and who intend to derive assessable income from the sale of (in this case) the walnuts.

As outlined in Product Ruling PR 2007/41, it will not apply to entities who participate through offers made other than through the PDS, entities who fund their participation in the Project with loans from Gunns Finance Pty Ltd or Allco

Managed Investments Limited on terms other than those described in the Product Ruling, or to Gunns Plantations Limited or its associates. In addition, the Product Ruling will only apply to Growers who pay their Application Fee on or before 15 June 2007, or who enter into terms or finance arrangements and where, if appropriate, written evidence of finance approval is provided to Gunns Plantations Ltd prior to that date.

## 2.2 Arrangements

As indicated above, a Product Ruling will only apply to persons who enter into the Project in accordance with the arrangement as outlined in the Product Ruling. Growers who depart from these arrangements will not be afforded protection by the Product Ruling.

## 3. Tax treatment of payments under the Product Ruling

The Product Ruling confirms that investors will be entitled to a tax deduction for the full amount of the Application Fee in the year in which it is incurred (or is paid in the case of Simplified Tax System (STS) taxpayers). With the exception of where interest is prepaid, Growers will also be entitled to a deduction for interest on loans with Allco Managed Investments Limited or Gunns Finance as this interest is incurred (or is paid in the case of STS taxpayers). Where interest is prepaid, a deduction for this interest falls outside the scope of the Product Ruling, and the timing of deductibility of any prepayment may be affected by the operation of the rules contained in sections 82KZME and 82KZMF of the Income Tax Assessment Act 1936 (the prepayment rules).

## 4. Tax treatment of other payments

The Product Ruling also confirms the ongoing deductibility of the Operating Fee and the Orchard Right Fee. It does not consider the tax treatment of other fees that may be paid by Growers such as fees for insurance.

These fees will generally also be deductible when incurred (or when paid for STS taxpayers), subject to any deduction potentially being deferred where the fees are paid in advance and where the prepayment rules operate.

In addition, from the time of the first commercial harvest of walnuts, Growers will be able to claim a deduction on a straight line basis at the rate of 13% per annum for a portion of the capital cost of the establishment of the Trees. The deductible amount is yet to be quantified, but will be advised to Growers by GPL in due course.

Where Growers participate as Joint Venture Growers, that are entitled to claim applicable deductions as set out in the Ruling for the Project costs for which they are responsible. Any deduction for the capital cost of the trees will be apportioned between Joint Venture Growers in accordance with their interests in the Walnut Lot.

## 5. Goods and Services Tax (GST)

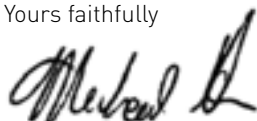
Growers will need to decide whether or not they will, or must, register for GST purposes. If Growers do register for GST, they will be entitled to an input tax credit for the GST included in the fees paid by them, subject to (amongst other things) Growers holding a valid tax invoice at the time that they lodge their Business Activity Statements (BAS) to claim this credit. In this instance, however, Growers will only be entitled to claim a tax deduction for the GST exclusive amount of any such fees.

Growers should take their own advice as to whether or not they should, or must, register for GST.

## 6. Late Growers

In accordance with our instructions, we have not commented on the taxation treatment for Growers who apply to participate in the Project on or after 1 July 2007 and on or before 13 June 2008 ('Late Growers'). We understand that an application for a Product Ruling has been lodged for these Growers, but a Product Ruling has not yet been issued. We further understand that a Supplementary PDS, including further comments from a Tax Expert, will be issued in respect of Late Growers if and when the Product Ruling for Late Growers is issued by the ATO, and that no applications by Late Growers will be accepted prior to this time.

Yours faithfully



Michael T Hine  
Partner



# Summary of Material Contracts

This section contains summaries of the material contracts for the Project. The summaries refer only to the principal terms in each contract. If you wish to review the full contents of a contract you should inspect a copy at GPL's registered office during normal business hours. The material contracts for the Project are the:

- Constitution;
- Management Agreement;
- Orchard Right Agreement;
- Lease Agreements;
- Fee Facility Deed; and
- Draft Walnut Sale Agreement.

Terms or expressions used in this section that are capitalised and are not defined elsewhere in this PDS have the meaning given to that term in the relevant contract.

## 18.1 Constitution

Members' rights will be governed by the Constitution. The Constitution establishing the Project was executed on 26 April 2007 by GPL as Responsible Entity. The terms of the Constitution are binding on the Responsible Entity and the Members (including Growers and all persons claiming through them) as if those persons were a party to the Constitution. The Constitution is a legally enforceable deed. Important features of the Constitution and applicable provisions of the Corporations Act are as follows:

### Duties, powers and obligations of the Responsible Entity

The Responsible Entity must:

- make arrangements for the custody of the Fund (including appointing a Custodian) and hold the Fund (but not the Ongoing Fees), as trustee for the Members of the Project;
- manage the business, investments and affairs of the Project and the arrangements that relate to the Project;
- ensure that all services reasonably required by Growers under a Orchard Right Agreement and Management Agreement are performed in a proper and efficient manner;
- ensure that all goods and services required to be provided or performed under a Orchard Right

Agreement and Management Agreement and other material agreements are provided or performed in accordance with the relevant agreements and the Constitution; and

- exercise its powers and carry out its duties in accordance with the Corporations Act.

The Responsible Entity has all the powers of a natural person and all powers that are reasonably necessary for it to carry out its functions and duties under the Constitution.

The Responsible Entity is entitled to establish and act as responsible entity for other managed investment schemes and to manage other investments.

### Creation of the Fund

The Constitution allows for the creation of a fund consisting of:

- an application portion constituting all Application Fees received by the Responsible Entity or the Custodian and the Investments for the time being representing those sums and the income earned from the Investments;
- a proceeds portion containing all the proceeds from the sale of harvested Walnuts paid to the Responsible Entity or the Custodian, the Investments for the time being representing those sums and the proceeds of sale, redemption, repayment or realisation of any investments of the money held in the section and any reinvestment of the money held.

### Holding of money

All money held in the Fund is held by the Responsible Entity or the Custodian on trust for the Members as appropriate, until distributed by the Responsible Entity or the Custodian in accordance with the Constitution.

### Limitation of liability

Neither the Responsible Entity nor any creditor of the Responsible Entity or the Project shall have any claim against any Member of the Project for any liabilities incurred in connection with any money invested or in respect of any action taken by either the Responsible Entity or any creditor of the Responsible Entity under the Constitution except that the Responsible Entity may recover from any Member:

- in respect of an express indemnity given to the Responsible Entity by the Member, whether in the Orchard Right Agreement, Management Agreement or otherwise;
- any loss or damage incurred by the Responsible Entity caused by a breach of the Constitution, the Orchard Right Agreement or Management Agreement by a Member;
- any unpaid amount of the Application Fee due to the Responsible Entity by a Member;
- any amount owing to the Responsible Entity from a Member under a Orchard Right Agreement or Management Agreement;
- any fee incurred by the Responsible Entity as a result of a cheque or order for payment being dishonoured; and
- any money mistakenly paid to a Member in excess of the moneys properly payable under the Constitution, the Orchard Right Agreement or Management Agreement.

## Interests

A Member, other than a Grower, shall have an interest in the application portion equal to its proportional interest but does not have any interest in any particular part of the application portion or in any investment of the application portion.

A Grower shall have a proportional interest in the proceeds portion of the fund but does not have any interest in any particular part of that proceeds portion or in any investment proceeds portion of the Fund.

## Joint Venture Applicants

Two entities may establish an unincorporated joint venture amongst themselves for the purpose of engaging in a primary production business of developing and cultivating a walnut orchard and producing and processing walnuts for commercial gain as a Grower under this Project.

The First Joint Venturer is entitled to 50% of that Joint Venture Grower's Gross Proceeds Entitlement.

The First Joint Venturer is solely responsible for paying:

- in Year 0, the Initial Services Fee and Orchard Right Fee (Application Fee); and
- from and including Year 5, 50% of the Ongoing Fees for the duration of the Project.

The First Joint Venturer will bear all other liabilities and participate in all other benefits of the Joint Venture equally with the Second Joint Venturer.

The Second Joint Venturer is entitled to 50% of that Joint Venture Grower's Gross Proceeds Entitlement.

The Second Joint Venturer is solely responsible for paying:

- for Years 1 to 4, the Ongoing Fees in those Years; and
- from and including Year 5, 50% of the Ongoing Fees for the duration of the Project.

The Second Joint Venturer will bear all other liabilities and participate in all other benefits of the Joint Venture equally with the First Joint Venturer.

## Information

The Responsible Entity:

- will provide a copy of the Orchard Right Agreement and Management Agreement upon a written request to the Responsible Entity accompanied by a fee prescribed by the Responsible Entity not exceeding \$50 (inclusive of GST);
- will make available a copy of the Constitution at the Responsible Entity's registered office for inspection by Members during usual business hours and Members are entitled to receive a copy of the Constitution from the Responsible Entity on payment to the Responsible Entity of \$50 (inclusive of GST) or such other sum prescribed under section 601GC (4) of the Corporations Act;
- must send a copy of the Horticulturist's Report (which reviews the operations relating to the Project, contains particulars of any significant change in the Responsible Entity's policy relating to horticultural activities and details as to whether or not the Responsible Entity has during the period since the last Horticulturist's Report carried out the services to be performed under the Orchard Right Agreement and Management Agreement in a proper and efficient manner) to each Grower within 30 days of receiving the Independent Horticulturist's Report. An Independent Horticulturist's Report will be prepared annually for the Years 2 to 4 of the Project and every second Year thereafter. An Independent Horticulturist's Report may be prepared more frequently in situations where a materially adverse change affects a Grower's interest in the Project; and

## SECTION 18.

# SUMMARY OF MATERIAL CONTRACTS

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- must send a copy of the Accounts to all Growers as required by the Corporations Act.

### Walnut Lot statements

The Responsible Entity must send Walnut Lot Statements to Growers within 6 months after the relevant Orchard Right Agreement and Management Agreement are entered into and also within 6 months after an assignment or transmission of a Walnut Lot is registered.

### Assignment or transmission

A Grower is not entitled to assign its rights and obligations under the Management Agreement or Orchard Right Agreement to which it is a party except in the circumstances permitted under either the Management Agreement or Orchard Right Agreement as the case may be.

An assignment is not effective until the assignee is entered into the register in respect of such Orchard Right Agreement and Management Agreement. The Responsible Entity has the power to decline to register an instrument of assignment if the instrument is not duly stamped (if applicable) and accompanied by such evidence as the Responsible Entity may reasonably require to show the right of the assignor to make the assignment, if fees which are due and payable in respect of the relevant Orchard Right Agreement or Management Agreement are unpaid or if the Responsible Entity does not approve of the assignee. Such approval will not be unreasonably withheld by the Responsible Entity.

Any person who becomes entitled to an Orchard Right Agreement and Management Agreement in consequence of the death, bankruptcy (including winding up or external administration) or mental incapacity of a Grower has the right (upon producing such evidence as is required by the Responsible Entity) to be registered itself as the holder of the Orchard Right Agreement and Management Agreement or assign those agreements in the same way as the Grower would have been able to.

### Application Fees and interest

The Responsible Entity will place, or ensure that the Custodian places all Application Fees in the application portion of the fund until the Responsible Entity authorises the Custodian to release the application money for payment of the Application Fee. The application money will be released when:

- an application that is subject to finance becomes unconditional because finance has been approved;

- the Responsible Entity is in possession of an executed Orchard Right Agreement and Management Agreement; and
- the Responsible Entity is satisfied of the matters specified under the heading "Release of application money" below.

The application money is held in trust for applicants until applied.

### Application procedures

Applications to enter into an Orchard Right Agreement and Management Agreement must be in the form attached to the current PDS issued by the Responsible Entity or in such other form as the Responsible Entity may require and be signed by or on behalf of the applicant. The Application must be lodged together with payment of the Application Fee to the Custodian.

The Responsible Entity may, in its absolute discretion, accept or refuse any Application to enter into an Orchard Right Agreement and Management Agreement, without giving any reasons for the refusal, on or before 1 June in Year 0. If an Application is refused, the Responsible Entity must inform the applicant of that fact and ensure that the Custodian refunds any Application Fee paid by the applicant.

If an Application is noted as being subject to finance, the Application will only be accepted by the Responsible Entity on the condition that a lending institution (which may include GPL or an associated entity of GPL) agrees to lend the amount of finance required to the applicant within 28 days. GPL does not warrant, undertake, covenant or agree that such finance will be provided or procured.

If the Responsible Entity or the applicant is not notified in writing within 28 days after the date of lodgement of the Application of the agreement by the lending institution to lend, then either party not notified may by notice in writing to the other withdraw or cancel the Application and the Responsible Entity shall ensure that the Custodian refunds to the applicant any part of the Application Fee paid in respect of the Application to which the notice relates.

Upon acceptance of an Application by the Responsible Entity, the Responsible Entity will prepare the Orchard Right Agreement and Management Agreement in accordance with the details specified on the Application and which will commence on a date to be determined by the Responsible Entity.

Entry into Orchard Right Agreement and Management Agreement and allocation of Walnut Lots

Upon acceptance of an Application by the Responsible Entity, the Responsible Entity will:

- arrange for an Orchard Right Agreement and Management Agreement to be executed by all parties; and
- allocate (in the Responsible Entity's absolute discretion) Walnut Lots to the Members.

### Release of application money

Before authorising the release of the Application Fee (as noted above), the Responsible Entity must be reasonably satisfied that:

- (a) the Orchard Right Agreement is in the form required by the Constitution and has been duly completed and executed by all parties;
- (b) the Responsible Entity has the capacity to grant the Orchard Right referred to in the Orchard Right Agreement;
- (c) all necessary consents to the grant of the Orchard Right referred to in the Orchard Right Agreement and entry into the Orchard Right Agreement and Management Agreement have been obtained;
- (d) the property the subject of the Orchard Right referred to in the Orchard Right Agreement is not subject to any encumbrance or restriction that detrimentally affects the interests of the Member;
- (e) any other matter required to be attended to, which is necessary for the creation of the Orchard Right to be granted under the Orchard Right Agreement and the effective vesting in the Grower of its Orchard Right whether by reason of the Constitution or otherwise has been attended to; and
- (f) there are no outstanding material breaches of any of the provisions of the Constitution which are detrimental to the interests of the Member whose Application Fees are to be released.

### Remuneration

The Responsible Entity shall receive by way of remuneration in relation to the Project, those fees in relation to the proper performance of its duties provided for in the Constitution and any Orchard Right Agreement and Management Agreement.

### Distribution of Net Proceeds Entitlement

On or before the day one month after the last day permitted for dispatch of accounts, the Responsible Entity will distribute, or will ensure that the Custodian,

on its behalf distributes, among the Contributing Growers who were such Growers on the last day of the previous accounting period, out of the Proceeds Portion of the Fund each Contributing Grower's Net Proceeds Entitlement in the Proceeds Portion relating to the last accounting period.

At 30 June in each year, each Contributing Grower shall be presently entitled to their proportional interest in the proceeds portion of the fund.

The Responsible Entity may deduct or ensure that the Custodian deducts, from any amounts payable to a member (including distributions):

- any unpaid amount that the Responsible Entity has incurred in performing its duties and acting in accordance with the Constitution, Management Agreement and Orchard Right Agreement;
- any unpaid expenses payable by the Grower under the Orchard Right Agreement or Management Agreement; or
- any tax or duty paid.

The amounts deducted from an amount payable to a Member will only be amounts that are owed by that particular Member or the proportion of costs that the Responsible Entity determines are applicable to that particular Member.

These deductions may be made at any time, even if they could have been made, but were not made, from money previously paid to that Member.

### Liability of Responsible Entity

The Responsible Entity is not liable for any loss or damage to any person (including any Member) arising out of any matter where, in respect of that matter it:

- acted as required by any law;
- acted in accordance with the Constitution and its duties;
- relied in good faith upon any signature, marking or documents; or
- followed a direction given to it by a resolution passed at a duly convened meeting of Members (as the case may be).

### Indemnity of Responsible Entity

If the Responsible Entity acted in accordance with the Constitution and its duties as a Responsible Entity, it will be indemnified and reimbursed out of the Fund for:

- any costs incurred by the Responsible Entity in performing its duties and acting in accordance



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with the Constitution, Management Agreement and Orchard Right Agreement;

- any tax or duty paid; or
- fees payable to any regulatory authority.

This right of reimbursement and indemnity out of the Fund is available only in relation to the proper performance of the Responsible Entity's duties. The Responsible Entity will not be exempt from, or indemnified against, liability for breach of trust where the Responsible Entity fails to show the degree of care and diligence required of a trustee having regard to the powers, authorities or discretions conferred on the Responsible Entity by the Constitution.

Such right of indemnity in respect of a matter will not be lost or impaired by reason of a separate matter (whether before or after the first mentioned matter) in breach of trust or in breach of the Constitution.

### Meetings

Under the Constitution, the Responsible Entity may at any time convene a meeting of Members and must do so when required to do so by the Corporations Act.

Meetings of Members will be convened in accordance with Part 2G.4 of the Corporations Act.

### Removal of Responsible Entity

The Responsible Entity may only be removed as single Responsible Entity of the Project in accordance with section 601FM of the Corporations Act. Section 601FM permits Growers to take action under Part 2G.4 of the Corporations Act for the calling of a meeting of Growers to consider and vote on an extraordinary resolution that GPL should be removed as single Responsible Entity of the Project and be replaced by a new Responsible Entity. The resolution to remove GPL must be passed by at least 50% of the votes cast by Growers entitled to vote on the resolution.

### Retirement of Responsible Entity

The Responsible Entity may only retire as responsible entity of the Project in accordance with section 601FL of the Corporations Act. Section 601FL requires GPL to call a meeting of the Growers to explain its reason for wanting to retire and to enable the Growers to choose another company to be the new Responsible Entity of the Project.

### Accounts

The Responsible Entity will keep accounting records as required under the Corporations Act. The accounts will be lodged in accordance with the requirements of the

Corporations Act. An auditor shall prepare all reports required to be prepared under the Corporations Act.

### Auditor

GPL has appointed KPMG to be the Auditor of the Project to audit the accounts. The Auditor may retire or be removed in accordance with the Corporations Act. The Auditor's fees are payable by GPL.

### Complaints

The Constitution sets out detailed procedures that apply to the making of complaints by Members and the processing of such complaints. The Complainant must make a complaint in writing to the Responsible Entity. The Responsible Entity must:

- within 5 business days of receiving the complaint, notify the Complainant that it has received the complaint and is considering it; and
- within 30 business days of receipt of the complaint, determine and notify in writing to the Complainant its decision regarding the complaint.

If the Complainant is not satisfied with the decision of the Responsible Entity, the Complainant must participate in alternative dispute resolution procedures with the Responsible Entity before the dispute can be brought in proceedings before a court.

### Termination of the Project

The Project may be wound up:

- (a) if, pursuant to section 601NB of the Corporations Act, at a meeting called by the Members, an extraordinary resolution is passed by the Members that direct the Responsible Entity to wind up the Project;
- (b) if the Responsible Entity considers that the purpose of the Project has been accomplished, or cannot be accomplished, in accordance with section 601NC of the Corporations Act;
- (c) if a court directs the Responsible Entity to wind up the Project; or
- (d) in any other circumstances provided for under the Corporations Act.

Subject to the Corporations Act and to any orders of any relevant court, the Responsible Entity shall as soon as practicable after it is required to terminate the Project realise all assets in relation to the Project after paying all proper costs, disbursements, commissions, brokerage fees and other outgoings and after allowing for all proper provisions for liabilities. The balance obtained is

to be divided among the relevant Members according to their proportional interests.

Upon the winding up of the Project, an independent audit of the final accounts of the Project shall be conducted by a registered company auditor appointed by the Responsible Entity (which auditor may be the same person as the Auditor).

## Modification of the Constitution

Subject to the Corporations Act, the Constitution may be modified by:

- the Responsible Entity; or
- a special resolution of Members.

## Compliance Plan

As required by the Corporations Act, GPL as responsible entity has prepared and lodged with ASIC a Compliance Plan for the Project. The Compliance Plan sets out measures that GPL will apply in operating the Project to ensure compliance with the

## Corporations Act and the Constitution.

GPL has engaged a registered company auditor to audit the Compliance Plan annually. The audit report will be lodged with ASIC.

## Compliance Committee

As required by the Corporations Act, GPL as Responsible Entity will establish a Compliance Committee.

The Responsible Entity may purchase insurance for Members of the Compliance Committee.

The Compliance Committee will:

- monitor the Responsible Entity's compliance with the Compliance Plan;
- report any breaches of the Corporations Act or Constitution involving the Scheme;
- report to ASIC if they are of the view that the Responsible Entity has not taken, or does not propose to take, appropriate action to deal with the reported breach; and
- assess at regular intervals whether the Compliance Plan is adequate, to report to the Responsible Entity on the assessment and to make recommendations to the Responsible Entity about any changes that it considers should be made to the plan.

## 18.2 Management Agreement Parties

The parties to a Management Agreement will be GPL as Manager and the Grower.

## Term of Agreement

The Management Agreement commences on 1 June in Year 0 and terminates on the earlier of the date of the final distribution of Net Proceeds Entitlement to the Growers, 30 June in Year 25 or a date of termination as otherwise specified in the Management Agreement.

The Term of the Project may be extended by GPL for a further 2 years if the IRR for the Project is less than 9.5%, the Project has not been terminated before 30 June in Year 25 and GPL is reasonably satisfied that it is in the best interests of the Grower to extend the Term.

## Appointment

The Grower appoints the Manager to perform the Initial Services, the Maintenance Services and the Harvest and Processing Services and the Manager must perform these services for the Grower in accordance with the Management Agreement.

## Initial Services

The Manager must complete the following Initial Services, among others, before 30 June in Year 0:

- maintaining and undertaking any necessary repairs in respect of:
  - fences;
- maintaining dams and irrigation channels;
- undertaking road maintenance and fire breaks;
- effectively managing native vegetation;
- undertaking pruning;
- maintaining mid-rows;
- maintaining Walnut Lots in accordance with good horticultural practice;
- effectively manage weeds, pests and vermin on the Walnut Lot, including:
  - spraying with insecticides, fungicides and herbicides as required from time to time; and
  - vermin control;
- undertaking applications of fertigant;
- undertake tests to monitor nutrient analysis (foliar and soil);

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- undertaking irrigation;
- destroying diseased trees;
- inspecting and where appropriate re-tying stakes and repositioning vermin guards;
- maintaining windbreaks;
- undertaking any other recurrent maintenance required;
- procuring a written report from the Independent Horticulturist by 30 June in Year 0 confirming that all Initial Services have been performed in accordance with good horticultural practice;
- procuring an independent marketing report by 30 June in Year 0;
- providing a copy of the report prepared by the Independent Horticulturist and a copy of the marketing report to the Grower within 30 days of the Manager receiving the report;
- checking and supervising that the condition of the infrastructure and the Walnut Lot is of an appropriate standard and that all the required services have been provided;
- keeping proper and accurate records;
- conducting regular inspections;
- providing all other services which are ancillary;
- undertaking all administration tasks required to be undertaken in the provision of the Initial Services;
- preparing reports for Growers regarding works that have been undertaken on each Walnut Lot;
- preparing statements to assist Growers in preparing income tax returns;
- preparing all other reports for Growers in accordance with the Management Agreement;
- undertaking general administrative management of Project;
- reviewing sales and marketing plan for the Project;
- co-ordinating visits of Growers to inspect Walnut Lots; and
- during the month of June preparing, or arranging for the preparation of the Management Plan for the Project and a horticultural plan for the orchard, horticultural program, operational plan and operational budgets and reviewing the plan and making amendments if needed.

### Maintenance Services

The Manager must rear the trees and maintain the Grower's Walnut Lots in accordance with good horticultural practice, including:

- ensuring the replanting of any of the Trees on a Grower's Walnut Lot which die for any cause during the first three years of the Term to as close to 100% of the average initial planting density of the Developed Area as possible on the basis that:
  - replacement of the Trees is commercially feasible in the reasonable opinion of an expert horticulturist engaged by the Manager;
  - the replacement Trees will be procured at the Manager's expense;
  - the replacement Trees will be planted at the Manager's expense; and
  - the Manager will not be liable to the other for any loss, including but not limited to loss of profits, and any damages caused to or suffered by the other as a result of the death of the Trees;
- the general maintenance of the Grower's Walnut Lots including control of vegetation and pests which may inhibit the growth of the Trees, including the spraying of herbicides, fungicides or insecticides;
- removing suckers and planting stakes;
- undertaking whitewashing;
- monitoring the water requirements of the Orchard and delivery of water to the Trees;
- cultivating, tending, training and pruning the Trees as required and in accordance with good horticultural practice;
- the general maintenance of the Grower's Walnut Lots including control of vegetation and pests which may inhibit the growth of the Trees, including the spraying of herbicides, fungicides or insecticides;
- maintaining in good condition and repair all fire breaks and access roads in and around the Grower's Walnut Lots;
- the application of fertiliser to the Grower's Walnut Lots in such form and in such quantity as is necessary, in the reasonable opinion of the Manager, to maintain satisfactory growth rates;

- procuring that the Landowner replace any Orchard Infrastructure in accordance with its obligations under the Lease;
- annually pruning all Trees, where required, to ensure the quality and quantity of walnut harvest is maximised;
- maintaining and repairing the Orchard Infrastructure so as to maintain satisfactory growth rates and quality harvests;
- provision of advice and assistance to the Grower generally in relation to management of the Grower's Walnut Lots;
- procuring a written report in relation to the progress of growth of the Trees and the status of the Grower's Walnut Lots from the Independent Horticulturist by 31 December in each Year of the Project for Years 2, 3 and 4 and every second Year from Year 4; and
- providing a copy of the report prepared by the Independent Horticulturist in accordance with clause 5.2(m) to the Grower within 30 days of the Manager receiving the report.

## Harvest and Processing

The Manager will harvest the Walnuts in accordance with good horticultural practice. The Harvest will be carried out at a time determined by the Manager at its absolute discretion, or at a time specified in an ordinary resolution of the Growers at a meeting of the Growers convened in accordance with the Constitution.

The Manager must do all things necessary to Harvest and Process the Walnuts in accordance with good horticultural practice.

## Licence

To the extent permitted by the Orchard Right Agreement, the Grower irrevocably grants to the Manager for the Term a licence to access the Grower's Walnut Lots to carry out the functions and activities contemplated by the Management Agreement and the right and authority to grant a similar licence to any third party.

## Payments

### (a) Application Fee

The Grower must pay to the Custodian, to hold on behalf of the Manager, the Application Fee. Payment of the Application Fee constitutes full payment of the Initial Services Fee.

### (b) Operating Fee

The Manager is entitled to the Operating Fee which includes a Deferred Management Fee and Sales Commission in consideration of:

1. performing the Maintenance Services;
2. ensuring the availability of sufficient water and for the provision of water to the Walnut Lots;
3. performing the Harvest and Processing Services in each Year a Harvest is undertaken; and
4. procuring the sale of the Walnuts.

For Years 1 and 2 of the Project, the Operating Fee is a fee equal to \$990 (inclusive of GST).

For Years 3 to 7 inclusive of the Project, the Operating Fee will be a fee equal to \$1,320 (inclusive of GST), plus 23.1% (inclusive of GST) of the Gross Proceeds Entitlement.

For Year 8 and in each subsequent Year for the remainder of the Term, the Operating Fee will be a fee equal to \$1,485 (inclusive of GST), plus 23.1% (inclusive of GST) of the Gross Proceeds Entitlement.

The Operating Fee will be deducted by the Custodian on behalf of the Manager from the Gross Proceeds Entitlement and paid to the Manager in accordance with the Constitution. The Operating Fee will be Varied by Indexation effective on each Indexation Review Date.

### (c) Shortfall

In any Year from Year 4, where a Grower's obligation to pay the Ongoing Fees exceeds their Gross Proceeds Entitlement, GPL will invoice the Growers for the shortfall and this amount must be paid by the Grower within 14 days of the date on the invoice.

## Agency

The Grower appoints GPL as sole agent to market, enter into negotiations for the sale of and sell the Walnuts on the Grower's behalf on substantially similar terms and conditions to those set out in the draft Walnut Sale Agreement.

## Draft Walnut Sale Agreement

GPL, as agent for the Grower, agrees to use its best endeavours to market, enter into negotiations for the sale of and sell the Walnuts at a fair and reasonable price taking into account the proposed end-use of the Walnuts, prices paid for walnuts of the same or similar variety and quantity throughout Australia and California, the quality of the Walnuts and relevant information supplied by any party including statistics or indices relevant to walnut prices.

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If GPL as Manager enters into an agreement for sale of the Walnuts to Webster, then Webster will purchase the Walnuts on terms no less favourable to the Grower than those set out in the draft Walnut Sale Agreement for the purchase of a minimum of 75% of the walnuts grown for the life of the project.

### Insurance

A Grower may request, in writing, insurance cover against the destruction or damage of their Walnuts. The Grower will be invoiced by GPL for the cost of GPL obtaining appropriate insurance plus a 10% administration charge plus GST.

If a successful claim is made:

- the Grower must pay a fee equal to the Ongoing Fees for that Walnut Lot, and all other amounts owing or to be reimbursed by the Grower under this agreement and the Orchard Right Agreement and any other outstanding fees identified by the Manager; and
- the Grower will not be presently entitled to a distribution from the Walnut Sale Proceeds for the relevant Walnut Lot, derived from the Harvests the Walnuts would have formed part of had the Walnuts not been damaged or destroyed and the insurance claim not been made.

The Manager will be responsible for insuring the Orchard against public liability insurance for an amount of at least \$10,000,000.

### Manager's Undertakings

The Manager undertakes that it will at all times during the term of the Management Agreement use high quality materials in providing the Services, ensure that the Services are carried out in a proper and diligent manner, make good any defect or damage caused to the Grower's Walnut Lot by faulty workmanship or materials, use its best endeavours to obtain optimal Walnut quality and yield, comply with good horticultural practice and comply with the Constitution.

### Termination

If the Management Agreement is terminated, the Grower must pay to the Custodian all moneys owing to the Manager under the Management Agreement and Orchard Right Agreement within 7 days of the date of a demand in writing by the Manager to the Grower.

#### (a) Termination Events

The Manager may in its absolute discretion elect to terminate the Management Agreement if:

- the Grower breaches a provision of the Management Agreement and that breach is unremedied for 60 days from the date that the Manager gives the Grower written notice of the breach;
- the Orchard Right Agreement is terminated for any reason; or
- the Manager is entitled to wind up the Project in accordance with the Constitution.

#### (b) Default by Manager

The Grower may by written notice to the Manager terminate the Management Agreement at any time after any of the following:

- a breach by the Manager of the Management Agreement and failure to remedy the breach within 60 days upon receiving written notice from the Grower to do so;
- the Manager committing an act of bankruptcy or being placed into liquidation (otherwise and solely for amalgamation or reconstruction) or in official management or if there are any meetings, arrangements or compositions with creditors or if a receiver, or a receiver and manager, is appointed over any part of the Manager's assets or undertaking and is not removed or withdrawn within 30 days of the appointment; or
- a breach by the Manager of a condition of the Manager's AFS Licence granted under the Corporations Act or a corresponding law.

### Financial Assistance

If, after the fourth anniversary of the Commencement Date, the Grower suffers financial hardship, the Grower may apply to the Manager to pay on the Grower's behalf amounts owing under the Management Agreement or Orchard Right Agreement.

The Manager must not offer a Grower financial assistance unless it is satisfied that the Grower is suffering financial hardship.

If the Manager pays the Grower's costs or fees in any particular year at the Grower's request, then for each such year, the Grower must assign to the Manager 5% of the Grower's entitlement to Net Proceeds Entitlement to be deducted from the next Harvest determined in accordance with the Constitution.

In the event that there are insufficient Walnut Sale Proceeds to cover unpaid fees from the following Harvest the difference will become a legal debt immediately due and payable and the Manager will pursue available legal avenues to recover the amount.



## Default in payments

Where the Grower has not paid any amount required by the Management Agreement or Orchard Right Agreement, the Manager may pay such amounts on behalf of the Grower.

The Manager must be reimbursed for such amounts paid plus interest calculated daily at a rate equal to 2% above the overdraft reference interest rate quoted by ANZ Banking Group Ltd.

If the Manager is not fully reimbursed by that Grower, the Manager will be repaid any outstanding amounts from the Grower's entitlement to the Net Proceeds Entitlement, determined in accordance with the Constitution.

## Accounts

The Manager must procure that the Custodian establish and maintain accounts for the Project and comply with the requirements imposed on the Custodian as set out in the Management Agreement.

The Manager must procure that the Custodian deduct from the Walnut Sale Proceeds and pay to the Manager, in accordance with the Constitution:

- the Orchard Right Fee;
- the Operating Fee;
- an amount equal to amounts to be reimbursed to the Manager for payments made on the Grower's behalf, plus any applicable interest; and
- any other amounts owing under the Management Agreement and the Orchard Right Agreement plus any applicable interest.

The Manager must procure that the Custodian pays to the Grower the Grower's Net Proceeds Entitlement in accordance with the Constitution.

## No warranty

The Manager makes no warranty in respect of the growth of the Walnuts and the Manager is not liable for any damage to the Grower's Walnut Lots caused by any circumstance beyond the control of the Manager.

## Operation of Project

For the efficient and safe operation of the Project, the Grower must not enter into any of the Grower's Walnut Lots or interfere with, cut, prune or harvest any of the trees without the consent of the Manager. The Manager's consent must not be unreasonably withheld.

## GST

GST is imposed on a supply made under the Management Agreement, the supplier may increase the consideration for that supply to account for GST or otherwise recover the amount of GST from the recipient.

## Dispute Resolution

If a dispute arises between the parties, the parties must use their best endeavours to resolve the dispute. If the parties fail to resolve the dispute, the dispute will be determined by an expert. The decision of the expert is binding on the parties. The parties must bear the expert's costs equally. A party must not commence court proceedings or arbitration in relation to a dispute unless they have first followed this dispute resolution process.

## Limitation of Liability

The Manager is not liable for any loss or damage to any person for any reason, where the Manager has acted as required by law, in accordance with the Management Agreement, Orchard Right Agreement or Constitution or has relied in good faith upon any signature, marking or documents.

## Assignment

The Manager may assign its rights and obligations under the Management Agreement provided that the assignee enters into a covenant to the effect that the assignee agrees to be bound by the same obligations as the Manager.

The Grower may assign its rights and obligations under the Management Agreement only where the Grower assigns all of its rights and obligations in the Project to that person including the Grower's rights and obligations in the Orchard Right Agreement.

## Force Majeure

Neither party will be liable for any failure or delay to perform its obligations under the Management Agreement (except for obligations to pay money) if that delay is due to an event of Force Majeure (i.e. the event of Force Majeure has materially adversely affected that party's ability to perform its obligation under the agreement). If that delay or failure to perform exceeds 12 months, either party may immediately terminate the Management Agreement by written notice to the other.

Force Majeure is defined to mean anything outside the reasonable control of a party and includes, but is not limited to, fire, storm, flood, earthquake, explosion, accident, act of the public enemy, war, act of terrorism or sabotage, rebellion, insurrection, sabotage,

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epidemic, quarantine restriction, labour dispute, labour shortage, transportation embargo or failure or delay in transportation, act of God or act of any government or governmental agency.

### Delegation

All rights and obligations imposed on the parties may be exercised by the parties' respective employees and contractors, but delegation to employees or contractors does not release any party from liability under the Management Agreement.

### Costs and expenses

Each party must pay its own costs and expenses in respect of the preparation, negotiation and execution of the Management Agreement, except that the Manager must pay any stamp duty applicable.

## 18.3 Orchard Right Agreement

### Parties

The parties to the Orchard Right Agreement will be GPL as the grantor and the Grower as grantee.

### Condition Precedent

The Orchard Right Agreement is conditional upon all approvals in relation to the proposed activities on the Walnut Lot being obtained to the satisfaction of GPL prior to the commencement date of the Orchard Right Agreement. If the condition precedent is not satisfied or otherwise waived by GPL, the Orchard Right Agreement will cease to have effect and the Orchard Right Fees paid to GPL must be repaid to the Grower.

### Grant of Orchard Right

GPL grants to the Grower the following rights in relation to the Walnut Lot for the Term for the purpose of carrying out Permitted Activities including:

- a right to access the Walnut Lot and the Common Areas;
- a right to access and use the Orchard Infrastructure;
- an exclusive right to access, use and enjoy the benefit of the Trees;
- an exclusive right to Harvest the Walnuts; and
- an exclusive right to take all right, title and interest in the Harvested Walnuts.

### Term

The term of the Orchard Right Agreement will be from the Commencement Date to the date of the

final distribution of Net Proceeds Entitlement by the Custodian to the Grower as set out in the Management Agreement, unless terminated earlier under the terms of the Orchard Right Agreement.

### Orchard Right Fee

GPL is entitled to the Orchard Right Fee, which, will be deducted by the Custodian, on behalf of the Manager, from the Gross Proceeds Entitlement and paid to the Manager in accordance with the Constitution. In the event that the Gross Proceeds Entitlement is less than the total liability for the Orchard Right Fees in any Year, the Grower will be invoiced for the shortfall.

The Orchard Right Fee for Early Growers is equal to \$220 (inclusive of GST) in Year 1 and indexed to CPI on 1 June in each subsequent Year. For Late Growers, the Orchard Right Fee is equal to \$220, plus indexation to CPI for the 12 months closing at the end of the quarter immediately before the date the fee is to take effect in Year 1 and indexed to CPI on 1 June in each subsequent Year. GPL is also entitled to an Orchard Right Fee of \$18.33 (inclusive of GST) in Year 0, which is included in the Application Fee.

In Years 1 to 4 of the Project, the Orchard Right Fee will be invoiced to the Grower. From Year 5 of the Project, the Orchard Right Fee will be deducted by the Custodian on behalf of GPL from the Gross Proceeds Entitlement.

### Lessor's Obligations

GPL must not breach the Lease and must not do anything that may end the Lease before its expiry date.

GPL warrants to the Grower that it has paid all money payable under the Lease and has not received any notice from Gunns to remedy a breach of any provisions of the Lease at any time up to the date of execution of the Lease.

The Orchard Right Agreement ends automatically if the Lease ends for any reason at the same time that the Lease Agreement ends.

### Landowners

The Landowner will install and in the event of destruction, replace, all Orchard Infrastructure for the Term necessary for carrying out the Project.

The Landowner will plant and in the event of destruction within the first three years of the Term replant (using its best endeavours to achieve as close to 100% of the average initial planting density of the Developed Area as practicable) all Trees necessary for carrying out the Project.

## Assignment

A Grower may assign its interest under the Orchard Right Agreement subject to obtaining the written consent of GPL.

## Default and Termination

Either party may terminate the Orchard Right Agreement if the other party remains in default of any obligation 60 days after written notice of the default has been received.

GPL is entitled, but not obliged, to remedy any default of the Grower at any time, and all costs and expenses incurred by GPL in doing so must be paid by the Grower to GPL on demand. GPL must give the Grower not less than 7 days notice before exercising this right.

GPL may terminate the Orchard Right Agreement if it is terminated in accordance with clause 15.1 of the Management Agreement (Termination Events).

## Goods and Services Tax

Where GST is imposed on a supply made under the Deed, the supplier may increase the consideration for that supply to account for GST or otherwise recover the amount of GST from the recipient.

## Dispute Resolution

If a dispute arises between the parties, the parties must use their best endeavours to resolve the dispute. If the parties fail to resolve the dispute, the dispute will be determined by an expert appointed under the terms of the Orchard Right Agreement. The decision of the expert is binding on the parties. The parties must bear the expert's costs equally. A party must not commence court proceedings or arbitration in relation to the dispute unless they have first followed this dispute resolution process.

## 18.4 Lease

### Parties

The parties to the Leases will be Gunns as lessor and GPL as lessee.

### Conditions Precedent

The Lease is conditional upon all approvals in relation to the proposed activities being obtained to the satisfaction of GPL prior to the Commencement Date. If the conditions precedent are not satisfied or otherwise waived by GPL then the Lease will immediately cease to have effect and all moneys paid under the Lease are returned to GPL.

## Grant of Leases

Gunns grants to GPL a lease of the Land, together with the following rights in relation to the Land for the Term:

- an exclusive right to establish, plant, tend and maintain the Trees, maintain the Orchard Infrastructure and harvest the Walnuts and carry out the Project (Permitted Activities) and any other activities deemed reasonably necessary by GPL for the purpose of the Project;
- an exclusive right to access, use, and enjoy the benefit of the Trees;
- an exclusive right to use, access and enjoy the benefit of all Orchard Infrastructure;
- an exclusive right to Harvest the Walnuts; and
- an exclusive right to take all right, title and interest in the Harvested Walnuts.

## Grant of Ancillary Rights

Gunns also grants the following rights to GPL in relation to the Land for the term:

- the right to construct and use roads, tracks, buildings and other facilities for the purpose of carrying out the Permitted Activities; and
- the right to erect signs on the Land.

## Term

The term of the Lease for the Project will be from the Commencement Date to 30 June in Year 25 or the date of completion of the final Harvest under the Project, whichever is the later, unless otherwise terminated under the Lease Agreement. If GPL undertakes any Subsequent Projects on the Land then for each Subsequent Project a variation to the Lease will be entered into, such variation to document the changes to Schedule 1 that are relevant to the Subsequent Project.

## Rental Fee

GPL will pay a Rental Fee to Gunns for the Lease of the Land.

## Registration of the Lease

The parties will sign the Lease and any other document required to enable the Lease to be registered against the title or titles to the Land at the Land and Property Information Division of the Department of Lands pursuant to the Real Property Act 1900 (NSW) prior to or at the time it first issues Walnut Lots in the Project.

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### GPL's Covenants

In exercising its rights under the Lease, Gunns and its agents must cause as little interference as possible to neighbouring properties, promptly repair any damage caused to roads, tracks or fences, comply with all statutes affecting the Land, only construct buildings on the Land for the purposes of the Permitted Activities (and remove them when they are no longer needed), ensure all debris from harvesting is confined within the Land and take out public liability insurance with cover of at least \$10,000,000.

### Gunns' Covenants and Acknowledgments

Gunns must obtain the written consent of mortgagees and caveators of the Land to the grant of the Lease within 14 days of the Commencement Date.

Gunns will plant the Plant Material such that:

- in respect of Early Growers, 30% of the Minimum Walnut Orchard is planted on or before 31 October 2007; and
- in respect of Late Growers, 30% of the Minimum Walnut Orchard is planted on or before 31 October 2008.

Gunns will in the event of destruction or damage within the first three years of the Term, replant, using its best endeavours to achieve as close to 100% of the average initial planting density of the Developed Area as practicable, all Trees necessary for carrying out the Project.

Gunns must not interfere with the rights of GPL or its agents, lessees or licensees in carrying out the Permitted Activities. Gunns acknowledges that at the end of the Term GPL shall not be required to remove any Trees or debris from the Land or tracks from the Land nor be liable to reimburse Gunns for any costs associated with their removal.

### Assignment, Leasing and Licensing

Either party may lease or assign its interest in the Lease Agreements subject to obtaining the written consent of the other party. GPL may licence or lease some or all of the rights granted to it under this agreement to a third party.

### Default and Termination

Either GPL or the Grower may terminate the Lease Agreement if the other party remains in default of any obligation 60 days after written notice of the default has been received.

GPL is entitled to remedy any default of Gunns, and all costs and expenses incurred by GPL in doing so must be paid by Gunns to GPL on demand. Except for emergency situations, GPL must give Gunns not less than 7 days notice before exercising this right.

### Extension of Term

If a Delaying Event, including an event beyond the control of the parties occurs during the Term, then GPL will notify Gunns of the effect on the harvest of the Walnuts and Gunns will be deemed to extend the Lease accordingly. The Lease may not be extended by more than 24 months and the Rental Fee will continue to be paid during the extended period on the terms contained in the Lease.

### GST

Where GST is imposed on a supply made under the Lease Agreement, the supplier may increase the consideration for that supply to account for GST or otherwise recover the amount of GST from the recipient.

### Dispute Resolution

If a dispute arises between the parties, the parties must use their best endeavours to resolve the dispute. If the parties fail to resolve the dispute, the dispute will be determined by an expert appointed under the terms of the Lease. The decision of the expert is binding on the parties. The parties must bear the expert's costs equally. A party must not commence court proceedings or arbitration in relation to a dispute unless they have first followed this dispute resolution process.

### Indemnity

GPL indemnifies Gunns against all claims and costs which Gunns may suffer arising out of the negligent or careless use of the Land or Orchard Infrastructure by GPL or a Permitted Person, or any accident, damage to property, injury or death suffered by any person arising out of an act or omission of GPL or a Permitted Person on or near the Land.

### Costs and Expenses

Each party must pay its own costs and expenses in respect of the preparation, negotiation and execution of the Lease Agreements.

## 18.5 Fee Facility Deed

This will only apply to those Growers that enter into a Fee Facility Deed.

### Parties

The Parties to the Fee Facility Deed will be Gunns Finance as the lender and the Grower as the borrower.

### Fee Facility

Gunns Finance agrees to make the Fee Facility available to the Growers during Years 1 – 4. In each of Years 1 – 4, the Grower may draw down an amount equal to the Operating Fee plus the Orchard Right Fee less a Deposit amount of 10%.

### Interest

The Grower must pay Gunns Finance interest on the Outstanding Balance drawn down, at the rate of 10.5% and on any amounts due but unpaid at 12.50%. Interest will be calculated daily on the basis of a 365 day year and will be payable monthly in arrears.

### Repayment

In each month of the Term, the grower must pay an amount equal to the Monthly Repayment Amount to Gunns Finance as payment against the Outstanding Balance by the Repayment Date. The term of the Fee Facility is 10 years from the date of drawdown.

### Early Repayment

The Grower may repay the Outstanding Balance at any time, subject to an early 'break fee' of \$100.

### Tax, Costs and Expenses

The Grower must on demand, pay all costs and expenses of Gunns Finance and GPL, including tax, legal and administrative costs and expenses on a full indemnity basis in relation to the preparation and enforcement of the Fee Facility Deed.

## 18.6 Draft Walnut Sale Agreement

The following is a summary of the key terms of the draft Walnut Sale Agreement.

GPL, as agent for the Growers, has agreed to market, enter into negotiations for the sale of and sell the Walnuts on the open market. The Walnuts are to be sold at a fair and reasonable price taking into account

the end-use of the Walnuts, prices paid for walnuts of the same or similar variety and quantity throughout Australia, Europe and California, the quality of the Walnuts and relevant information supplied by any party including statistics or indices relevant to walnut prices – details of which are set out in both the Management Agreement and the draft Walnut Sale Agreement.

If GPL as Manager enters into an agreement for sale of the Walnuts to Webster, then Webster will purchase a minimum of 75% of the Walnuts on terms no less favourable to the Grower than those set out in the draft Walnut Sale Agreement. In the event that the agreement with Webster does not complete for any reason, GPL will again market and sell the Walnuts on the open market pursuant to the terms contained in the draft Walnut Sale Agreement.

### Sale and Purchase of Walnuts

Under the draft Walnut Sale Agreement, GPL agrees to sell all of the Walnuts (in shell) that have been processed and are derived from the Walnut Lots on the terms and conditions set out in the agreement. The Purchaser must accept all Walnuts that are Harvested and Delivered and Processed in accordance with the Harvest Plan.

The Purchase Price must be paid by the Purchaser to the Custodian in the following instalments:

- 50% upon completion of Processing;
- a further 30% by the end of October immediately following Harvest; and
- the remaining 20% by the end of December immediately following Harvest.

GPL has up to 30 days from receiving the Harvest Plan to seek alternative offers to purchase the Walnuts (under similar terms and conditions that would apply to the Purchaser). The Purchaser may match the offer or the Walnuts will be sold to the alternative purchaser.

### Notice

By 31 December immediately preceding Harvest GPL must give the Purchaser written notice of their intention to Harvest and the dates between which the Harvest is expected to take place.

### Harvest Plan

The Purchaser shall have a period of no more than 31 days from the notification of Harvest to give written notice to GPL setting out the following:



## SECTION 18.

# SUMMARY OF MATERIAL CONTRACTS

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- Proposed Purchase Price for each variety of walnut;
- the quality specifications required for the Walnuts, which specifications must be consistent with standards;
- the general conditions of conducting the Harvesting operations which must not be less than the standards for the time being prevailing and in common use within the nut industry of Australia and California;
- the maximum rate in tonnes per day, or such other measure as determined under this agreement, of Walnuts to be Delivered;
- the location of where the Walnuts are to be Delivered; and
- the storage facility where Processed Walnuts are to be transferred.

The Harvest Plan may be amended subject to mutual agreement between GPL and the Purchaser.

### Determination of Purchase Price

The Purchase Price of the Walnuts will be either:

- (a) the Proposed Purchase Price set out in the Harvest Plan; or
- (b) the price agreed between GPL and a 3rd party where such price is higher than the Proposed Purchase Price; or
- (c) such a price as determined in any dispute resolution between GPL and the Purchaser.

The purchase price for the Walnuts must be a fair and reasonable price per tonne taking into account:

- the end-use of the Processed Walnuts;
- the price or prices being obtained by other bona fide walnut growers for walnuts of the same or similar variety and quantity throughout Australia and California;
- the quality of the Walnuts, taking into consideration the following:
  - (i) the level of Defects (including colour and condition) of the Processed Walnuts;
  - (ii) the expected varieties of the Processed Walnuts;
  - (iii) the size and size distribution of the Processed Walnuts;
  - (iv) the percentage kernel yield;

- (v) the percentage crack-out rate of halves; and
- (vi) the kernel colour;

- customary methods of determining the price of walnuts of the same or similar variety, quantity and quality in Australia and California;
- the quality of the Processed Walnuts to the extent that it would affect the purpose to which the Processed Walnuts will be put; and
- relevant information supplied by any party including statistics or indices relevant to walnut prices published from time to time.

GPL must provide regular access to the Walnuts in the months leading up to Harvest to assist the Purchaser in assessing the quality.

The Proposed Purchase Price must not be less than the Average Comparative Price (the average price paid for Processed Walnuts to Northern Hemisphere growers in the preceding Northern Hemisphere harvests).

Either the Purchaser or GPL may revise the Purchase Price up to 1 month after the Harvest has occurred for any of, but not limited to, the following reasons subject to negotiation with each other. Where the following quality determinants are substantially different than indicated by GPL in the Harvest Plan:

- the Defects of the Processed Walnuts;
- the varieties of the Processed Walnuts;
- the size and size distribution of the Processed Walnuts;
- the percentage of kernel yield;
- the percentage crack-out rate of halves;
- the kernel colour; and
- the quality of the processed Walnuts to the extent that it would affect the purpose to which the Processed Walnuts will be put.

### Determination of Quantity

The quantity of Processed Walnuts purchased must be determined by weight (in tonnes and kilograms) and measured using an approved weighing facility as nominated by the Purchaser.

Where the quantity of Processed Walnuts cannot be determined by weight, the quantity must be determined by any other method used within the horticulture industry and agreed to by GPL.

## Collection and Delivery

GPL must deliver the Processed Walnuts to the Storage Facility in accordance with the Walnut Sale Agreement. Delivery costs form part of the Operating Fee and are the responsibility of the Grower.

## Ownership and risk

Ownership and risk in relation to the Processed Walnuts will pass to the Purchaser only when the Processed Walnuts are delivered, processed and transferred and the Processed Walnuts are accepted by the Purchaser as meeting the specifications of the Harvest Plan.

## Termination

GPL is entitled to terminate the Walnut Sale Agreement if the Purchaser is in default of any of its obligations under the agreement. GPL must give the Purchaser notice of the default and require the default to be remedied. GPL may terminate the Walnut Sale Agreement if the default continues for 14 days, in relation to an obligation to pay money, or continues for a period of 1 month for any other default.

The Purchaser is entitled to terminate the Walnut Sale Agreement if GPL is in default of any of its obligations under the Walnut Sale Agreement and such default continues for 1 month after the Purchaser has notified GPL of the default.

## GST

Where GST is imposed on a supply made under the agreement, the supplier may increase the consideration for that supply to account for GST or otherwise recover the amount of GST from the recipient.

## Limitation of GPL's Liability

GPL is not liable for any loss or damage, however caused (including, but not limited to the negligence of GPL), suffered by the Purchaser, its employees or contractors in connection with the Purchaser or its employees or contractor undertaking the harvest or delivery of the Walnuts pursuant to the agreement.

## Assignment

A party must not assign its rights and obligations under the agreement unless it obtains the consent of the non-transferring party. The transferring party must obtain an agreement of covenant from the assignee in favour of the non-transferring party that the assignee will observe the covenants contained in the agreement. A party must not unreasonably withhold its consent.

## Costs and Expenses

Each party must pay its own costs and expenses in respect of the preparation, negotiation and execution of the Walnut Sale Agreement, except that the Purchaser must pay any stamp duty applicable.

## Delegation

All rights and obligations imposed on the parties may be exercised by the parties' respective employees and contractors, but delegation to employees or contractors does not release any party from liability under the agreement.

## Option

GPL may require the Purchaser to enter into a new agreement for the sale of the Processed Walnuts if GPL does not seriously or persistently breach the agreement.

# Additional Information

Copies of documents lodged with ASIC in relation to the scheme may be obtained from, or inspected at, an ASIC office.

## 19.1 Walnut Lot Allocation

GPL reserves the right to accept or reject applications for Walnut Lots at its complete discretion.

Walnut Lots will be allocated in the order in which applications are received.

GPL reserves the right to allocate a Member, other than a Grower, a lesser number of Walnut Lots than that applied for. If this occurs the Application Fee surplus will be refunded.

## 19.2 Minimum Subscription

There is no minimum number of Walnut Lots that need to be subscribed for before any Walnut Lots will be allocated.

## 19.3 Register

A register of Growers will be maintained by GPL at its registered office. The register may be inspected between the hours of 10:00 am to 4:00 pm, Monday to Friday. GPL reserves the right to restrict access to the register as permitted by law.

## 19.4 Investments

The intention of the Project is that the Application Fee and the Walnut Sale Proceeds will be invested in a bank account held by the Custodian. The Responsible Entity will not take into account labour standards or environmental, social or ethical considerations for the purpose of selecting, retaining or realising investments in the bank account.

## 19.5 Interests of GPL

As Manager, GPL will receive from each Grower:

- (a) Application Fee;
- (b) Ongoing Fees;
- (c) reimbursement of any insurance premiums paid on behalf of a Grower plus a 10% commission plus GST as described in section 18.2;
- (d) interest earned on any funds held by the Custodian as permitted by the Constitution; and GPL may also receive reimbursement for ongoing costs paid by it on behalf of a defaulting Grower together with interest at 2% per annum above the ANZ Banking Group Limited index rate.

## 19.6 Interests of GPL's Directors

For the financial year ending 30 June 2007 the Directors will each be paid fees totalling \$36,800 plus out of pocket

expenses. In addition, GPL pays insurance premiums for and otherwise indemnifies the Directors for any liability arising from the performance of their duties and any associated legal expenses.

## 19.7 Interests of Experts

KPMG has prepared the Taxation Adviser's Report included in this PDS. In addition, KPMG has:

- (a) provided advice in relation to the structure of the Project; and
- (b) prepared the application to the ATO for a product ruling in respect of the Project and liaised with ATO officials in relation to that application.

Shields Heritage has provided legal advice where necessary. In addition, Shields Heritage has:

- (a) reviewed and settled the constituent documents and material contracts for the Project;
- (b) provided advice in relation to the provision of finance by Gunns Finance and Allco Managed Investments Ltd;
- (c) reviewed the Project finance documentation; and
- (d) prepared the application to ASIC for registration of the Project as a managed investment scheme and liaised with ASIC officials in relation to that application.

Furthermore, both KPMG and Shields Heritage drafted various sections of the PDS including summary of material contracts and additional information.

GPL has not been invoiced up to the date of this PDS for services by KPMG. GPL has not been invoiced up to the date of this PDS for the services by Shields Heritage. Further amounts may be paid to KPMG and Shields Heritage on terms agreed with GPL.

Dr Peter Scholefield of Scholefield Robinson Pty Ltd Has prepared the Independent Expert Report. The total amount paid to Dr Scholefield and Scholefield Robinson Pty Ltd for provision of this service up to the date of this PDS is \$10,818.50 (including GST).

Dr David McKinna of McKinna et al Pty Ltd has prepared the Independent Market Report. The total amount paid to Dr McKinna and McKinna et al Pty Ltd for provision of this service up to the date of this PDS is \$11,000 (including GST).

## 19.8 Consents

Written consents to the inclusion of statements in the PDS attributed to a party other than GPL have been given and at the time of lodgement of this PDS had not been withdrawn by the following parties:

- (a) KPMG has given its written consent to the inclusion in this PDS of its Taxation Adviser's Report. KPMG has not authorised or caused the issue of this PDS and takes no responsibility for any statement in this PDS other than the references to its name and its Taxation Adviser's Report;
- (b) Dr Peter Scholefield of Scholefield Robinson has given his written consent to the inclusion in this PDS of his Independent Expert's Report;
- (c) Dr David McKinna of McKinna et al Pty Ltd has given his written consent to the inclusion in this PDS of his Independent Market Report;
- (d) Webster has given its written consent to the inclusion in this PDS of statements attributed to it. Webster has not authorised or caused the issue of this PDS and takes no responsibility for any statement in this PDS other than the references to its name and statements attributed to it; and
- (e) Gunns has given its written consent to the inclusion in this PDS of statements attributed to it. Gunns has not authorised or caused the issue of this PDS and takes no responsibility for any statement in this PDS other than the references to its name and statements attributed to it.
- (f) Murrumbidgee Irrigation has given its written consent to the inclusion in this PDS of statements attributed to it. MI has not authorised or caused the issue of this PDS and takes no responsibility for any statement in this PDS other than the references to its name and statements attributed to it.

## 19.9 Cooling off Period

A person who makes an application under this PDS has the right to withdraw their application and obtain a refund (less any amounts GPL is entitled to deduct by law) within a 14 day cooling off period. This right is subject to certain limitations set out in the Corporations Act. The cooling off period begins either from the day GPL confirms acceptance of your application in writing or 5 days after GPL issues you an interest in the scheme, whichever first occurs. The right to withdraw cannot be exercised at any time after you have exercised a right or power under the Project.

The right to withdraw from the Project must be exercised in writing to:

Gunns Plantations Limited  
Administration and Compliance Manager  
PO Box 572  
Launceston, Tasmania 7250

## 19.10 Privacy

GPL will collect personal information from you in order to process your application, administer your investment and provide you with services relating to your investment. To

do that, GPL may disclose your personal information to our agents, contractors, or third party service providers to whom GPL outsource services. GPL may also use your personal information to tell you about other products and services offered by us. If you do not provide us with your personal information, we cannot process your application, administer your investment and provide you with services relating to your investment.

Where permitted by law including the Privacy Act 1998 (Cth) GPL, any member of the Gunns Group, and third parties such as investment advisers and brokers acting on your behalf (Parties) may exchange with each other any information about you including:

- (a) any information provided by you in the Application Form;
- (b) any other personal information you provide to any of the Parties or which they otherwise lawfully obtain about you; and
- (c) any transaction details or transaction history arising out of your arrangements with any of the Parties.

If GPL engages anyone (a Service Provider) to do something on its behalf then GPL and the Service Provider may exchange with each other any information referred to above for any of the purposes referred to above.

GPL might give any information referred to above to entities other than the Parties and the Service Providers where it is required or allowed by law or where you have otherwise consented.

By signing the Application Form, you agree that any information referred to above can be used by the Parties and any Service Provider for establishing or updating your investment in the Fund, and for the administration of your investment, planning, product development, research purposes, and statistical analysis.

You can request access to most personal information that GPL holds about you. If you would like to make a request for access, please phone FREECALL 1800 015 023. If you have concerns about the completeness and accuracy of the information we have about you, notify us and we will take steps to correct it.

## 19.11 The Tamar Ridge Gold Club

Tamar Ridge invites the investor to join its exclusive investors wine club – The Tamar Ridge Gold Club. The Gold Club provides its investor members with a generous 40% saving on the recommended retail prices of a selection of wines within the Tamar Ridge Estates portfolio. You will be advised of these selections on a regular basis.

If you wish to enrol in the Tamar Ridge Gold Club, please complete the relevant section in the GPL Application and Power of Attorney Form Attached.

# Glossary

The following definitions apply throughout the PDS unless the context otherwise requires:

**Allco Managed Investments Ltd** means Allco Managed Investments Ltd (ABN: 58 101 402 635) as trustee for the Gateway Momentum Trust (No. 1);

**Application Fee** means the upfront fee payable in respect of each Walnut Lot applied for under this PDS;

**Application and Power of Attorney Form** means the application and power of attorney forms attached to this PDS;

**ASIC** means the Australian Securities and Investment Commission;

**ATO** means the Australian Taxation Office;

**Compliance Plan** means the compliance plan of the Project established pursuant to Part 5C.4 of the Corporations Act;

**Constitution** means the constitution governing the Project as executed on 26 April 2007;

**Contributing Grower** means a Grower who has had Walnuts Harvested in respect of their Walnut Lot in accordance with the Management Agreement in a given Year and has not made a successful insurance claim in respect of those Walnuts in that year;

**Corporations Act** means the Corporations Act 2001 (Cth);

**CPI** means the Consumer Price Index (all groups, all capital cities) compiled by the Australian Bureau of Statistics;

**Custodian** means Gunns;

**Custody Agreement** means the agreement between GPL and Gunns appointing Gunns as Custodian for the Project;

**Deferred Management Fee** means the fee for additional maintenance expenditure incurred by the Manager in Years 1 and 2 equal to 5% (excluding GST) of the Gross Proceeds Entitlement in each Year from the first harvest year and for the remainder of the Project which is included in the Operating Fee.

**Developed Area** means a discrete geographical Orchard area, which is managed under the same horticultural regime and is in the same age class;

**Early Grower** means a person who is a Member who has lodged an application to enter the Project on or before 15 June 2007 and who has signed a Management Agreement and Orchard Right Agreement that have not been terminated;

**Establishment Works** means the works to be performed by Gunns pursuant to the Lease;

**Existing Orchard** means land upon which Establishment Works have been completed prior to 1 January in Year 0;

**Fund** means the Project fund;

**GPL** means Gunns Plantations Limited (ABN: 36 091 232 209);

**Gross Proceeds Entitlement** means the Grower's Proportional Interest in the gross amount received by the Responsible Entity from the sale of the Walnuts grown under this Project in any one financial year;

**Grower** means a person who is a Member and who has signed a Management Agreement and Orchard Right Agreement that have not been terminated;

**GST** means the Goods and Services Tax or other value added tax;

**Gunns** means Gunns Limited (ABN 29 009 478 148);

**Gunns Finance** means Gunns Finance Pty Ltd (ABN 58 091 861 700);

**Harvest Plan** means the plan for the harvesting of the Walnuts and the delivery of the Walnuts under the draft Walnut Sale Agreement;

**Independent Horticulturist** means Dr. Peter Scholefield of Scholefield Robinson Pty. Ltd. or such other horticulturist appointed from time to time by the Manager;

**Indexed to CPI** means indexation to CPI for the 12 months closing at the end of the quarter immediately before the date the indexation is to take effect;

**Initial Services** means the services provided by the Manager under the Management Agreement;

**Initial Services Fee** means the Fee payable by the Grower to the Manager in consideration of the Initial Services, to be paid in accordance with the Management Agreement;

**Investment** means any one of the holdings of investments forming for the time being a part of the Fund;

**IRR** means the internal rate of return for the Project Cashflows calculated using Microsoft Excel or a similar program;

**Joint Venture** means the joint venture that is established by two persons who pursuant to clause 5 of the constitution elect to enter into the Project together.

**Joint Venturers** means the two persons who comprise the Joint Venture Grower.

**Late Grower** means a person who is a Member who has lodged an application to enter the Project after 30 June 2007 and on or before 13 June 2008 and who has signed a Management Agreement and Orchard Right Agreement that have not been terminated;

**Lease** means any lease entered into by the Landowner and GPL relating to the Land;

**Maintenance Services** means the maintenance services as set out in the Management Agreement;

**Management Agreement** means the management agreement between GPL and a Grower appointing GPL as Manager of a Walnut Lot;

**Manager** means GPL;

**Member** means a person who has paid their Application Fee and whose application to participate in the Project has been accepted by the Responsible Entity and includes a Grower unless otherwise specified;

**Net Proceeds Entitlement** means the amount payable to a Grower out of the Gross Proceeds Entitlement after deducting



all Ongoing Fees and other costs payable by the Grower to the Custodian, Responsible Entity or Manager in accordance with the Constitution;

**New Orchard** means land upon which Establishment Works have not been completed prior to 1 January in Year 0;

**Ongoing Fees** means the Orchard Right Fee and the Operating Fee;

**Operating Fee** means the fee described in section 8.3 of this PDS;

**Orchard** means, collectively, all of the Walnut Lots allocated to Growers under the Project;

**Orchard Infrastructure** means fences, irrigation systems, drainage systems, roads, dams and all other infrastructure located on the land required to allow the planting of the trees;

**Orchard Right** means the right to access a Walnut Lot and enjoy the use of the Trees and the Orchard Infrastructure as set out in the Orchard Right Agreement;

**Orchard Right Agreement** means the agreement by which you obtain an interest in a Walnut Lot;

**Orchard Right Fee** means the fee described in section 8.3 of this PDS;

**PDS** means this Product Disclosure Statement and any supplementary Product Disclosure Statement;

**Permitted Activities** means establishing, planting, tending and maintaining the Trees, maintaining the Orchard Infrastructure and harvesting the Walnuts and carrying out the Project;

**Permitted Persons** means:

- GPL;
- GPL's related parties, agents, assignees, sub-contractors, licensees or lessees under this agreement; or
- the agents, assignees, sub-contractors, licensees or lessees of GPL's related parties, sub-contractors, assignees, licensees or lessees;

authorised to access the Land to carry out the Permitted Activities;

**Plant Material** means the planting material required to grow the Trees;

**Product Ruling** means the Product Ruling applied for by GPL, on behalf of the Project;

**Project** means the Gunns Plantations Ltd Walnut Project No. 2;

**Project Cashflows** means the annual after tax net cash flow in each Year for a Grower of a single Walnut Lot over the period from the Date of Commencement until 30 June in Year 25 and calculated in accordance with:

- the assumption that the Grower is a natural person resident taxpayer paying the highest marginal income tax rate prevailing from time to time during the Project term;

- the assumption that the Grower finances their participation in the Project from their own cash resources and not from borrowed funds; and

- the following formula for each Year:

$$(GPE - OF) \times TR$$

where:

GPE = the Gross Proceeds Entitlement in each Year;

OF = the Ongoing Fees in each Year; and

TR = the highest marginal income tax rate in each Year.

**Responsible Entity** means GPL in its capacity as responsible entity for the Project;

**Sales Commission** means a fee equal to 5.5% (inclusive of GST) of the Gross Proceeds Entitlement in each Year from the first harvest and for the remainder of the Project which is included in the Operating Fee.

**Services** means Initial Services, Maintenance Services and Harvest and Processing Services;

**Term** means approximately 25 years from the date this offer closes, unless the Manager decides to extend the Project for a period of two years where, if at 30 June in Year 25, the IRR is less than 9.5%, the Project has not been terminated before 30 June in Year 25 and GPL is reasonably satisfied that it is in the best interests of Growers to do so;

**Terms Arrangement** means the agreement by GPL to defer payment by the Grower of the unpaid balance of the Application Fee;

**Tree** means a tree to be planted and grown on the Grower's Walnut Lot;

**Walnut Sale Agreement** means the draft agreement that will form the basis of any future agreement between GPL and a purchaser for the purchase of harvested Walnuts set out in schedule 3 to the Management Agreement;

**Walnut Sale Proceeds** means the proceeds derived from a sale of Walnuts grown under this Project in any one financial year;

**Walnut Lot** means a parcel or parcels of land of approximately 0.20 hectares in size, offered for licence under an Orchard Right Agreement and forming part of the Project. Each 0.20 hectare Walnut Lot will comprise 0.07 hectares of Existing Orchard and 0.13 hectares of New Orchard;

**Walnuts** means the nuts grown on the Developed Area as part of the Project;

**Webster** means Webster Limited (ABN: 23 009 476 000);

**Year** means the Year referenced as follows:

1. for Year 0, the financial year in which the Application Fee is paid;
2. for Year 1, the financial year following the time when the Application Fee is paid; and
3. for Year 2 and subsequent years, the relevant number of years following when the Application Fee is paid.

# Instructions to Applicants

1. Applicants may apply to GPL for an interest in the Project being issued by GPL under this PDS by completing the Application and Power of Attorney Form.
2. Applicants should read the PDS in its entirety before completing the relevant Application and Power of Attorney Form.
3. Applicants should read the relevant Application and Power of Attorney Form carefully and ensure that all information requested has been provided.
4. The Application and Power of Attorney Form are part of the PDS and must not be circulated separately from the PDS.
5. The Application and Power of Attorney Form:
  - must be signed personally or by the applicant's authorised attorney; or
  - where the application is by a company, must be executed under common seal (if applicable) or in accordance with the requirements of the Corporations Act.
6. Acceptance of Applications for Walnut Lots is at the discretion of GPL.
7. Applicants may apply to fund their investment through Gunns Finance or Allco Managed Investments Ltd. Refer to separate finance documentation from Gunns Finance or Allco Managed Investments Ltd.
 

A once off loan establishment fee of \$150 is payable to Gunns Finance. A cheque payable to "Gunns Finance Pty Ltd" for this amount must accompany all loan applications. Alternatively a credit card facility is available. Please complete the "Credit Card Authority Form" which appears in the finance package.

Alternatively, applicants may apply to GPL to enter into a 12 month Terms Arrangement to pay the Application Fee. A 10% deposit is required and 11 equal monthly instalments are payable from the last business day of the month following the month of acceptance into the Project, plus applicable stamp duty. Applicants intending to utilise this payment option are asked to please complete the separate "GPL Terms Arrangement Pack".
8. Applicants must be over 18 years of age.
9. When lodging the application form with GPL you must:
  - (a) complete it using a blue or black pen;
  - (b) write legibly;
  - (c) ensure your witness inserts their full name, residential address and occupation;
  - (d) return the original signed documents to GPL. Facsimiles or photocopies of signatures will NOT be accepted;
  - (e) initial any alteration, ensuring that the alteration is only made by crossing out the words to be changed and not by obscuring the words, for example by using correction fluid; and
  - (f) ensure the Application and Power of Attorney form (including payment details) is completed in full. GPL reserves the right to refuse any application where you have not followed the above steps when completing the application form and the power of attorney.
  - (g) Individual & Joint applicants complete application form (a), Joint Venture applicants complete application forms (b) & (c).
10. Cheques for Application Fees should be made payable to "Gunns – Gunns Plantations Ltd Walnut Project No. 2", crossed "Not Negotiable" and sent together with the completed Application and Power of Attorney Form to:
 

Gunns Plantations Ltd  
PO Box 572  
Launceston, Tasmania 7250

## Correct Forms of Registrable Name

Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Manager. At least one full given name and surname is required for each natural person. The name of the beneficial or any other non-registrable name may be included by way of a fund or trust designation if completed exactly as described in the examples or correct forms of registrable names below.

## Type of Joint Ownership

Joint holdings can either be held as joint tenants or as tenants in common. With a joint tenancy, on the death of one joint holder, ownership of the Walnut Lot automatically passes to the surviving joint holder. With tenancy in common, each owner has a share in the Walnut Lot (which may be equal or unequal) and passes under that person's will.

If you hold your interest in a Walnut Lot jointly, please ensure you select the type of holding on the application form.

It should be noted that Joint Venture Growers hold their Walnut Lots as tenants in common and not as joint tenants.

If further information is required, investors should seek independent legal advice.

Type of Investor	Correct Form	Example
Individual	Use given names in full, not initials	Mr John David Citizen
Company	Use the company's full title, not abbreviations	John Citizen Pty Ltd, ACN: xxx xxx xxx
Joint Holdings	Use full and complete names	Mr John David Citizen & Miss Jane Mary Citizen
Partnership	Use partners' personal names	Mr John David Citizen & Miss Jane Mary Citizen
Superannuation Funds	Use the name of the trustee(s) of the fund	John Citizen Pty Ltd as trustee of [name of trust]
Trusts	Use the trustee(s) company name or personal name(s)	Mr John David Citizen as trustee for the [name of trust]

## OFFICE USE ONLY

Page \_\_\_\_\_ of \_\_\_\_\_

App No.: \_\_\_\_\_

File No.: \_\_\_\_\_

Dealers Stamp / Adviser Name / Number:

## A. Application &amp; Power of Attorney Form

This application form relates to the Gunns Plantations Ltd Walnut Project No. 2 under a PDS dated 30 April 2007. The PDS includes detailed information about the investment being offered and you should read them in their entirety before deciding to invest. The offer is available to Australian residents.

The Corporations Act prohibits this application form being passed on to another person unless that other person is also given access to the PDS and any supplementary PDS. While the PDS is current, GPL will send paper copies of the PDS, any supplementary PDS and the application form, on request and without charge.

Send your completed Application and Power of Attorney Form to: **Gunns Plantations Limited, PO Box 572, Launceston TAS 7250**

## Applicant's Details

Title:	Applicant – Surname:	First Names:	D.O.B.:
Title:	Joint Applicant – Surname:	First Names:	D.O.B.:

Joint holdings will be deemed to be joint tenants unless GPL are specifically notified otherwise in writing by both applicants.

Company Name:	ABN:	
Residential/Registered Address:		
City/Suburb:	State:	Post Code:
Mailing Address:		
City/Suburb:	State:	Post Code:
Telephone – Bus:	Home:	Mobile:
Email:		

## Walnut Lots Applied For

(refer to section 4 for details)

No. of Walnut Lots	Application Fee per Walnut Lots (incl G.S.T.)	Amount
	X \$6,424	\$ <b>A</b>

## Signing

By signing this Application and Power of Attorney Form you agree to be bound by the Constitution and irrevocably appoint GPL as your attorney in accordance with the terms and conditions of the Power of Attorney on the reverse side of this form. (Please sign where appropriate).

Executed as a Deed on  /  /  (insert date)

## Individual – Signed, Sealed and Delivered

Applicants Signature:		Joint Applicants Signature:	
Witness Signature:		Witness Signature:	
Witness Name:		Witness Name:	

(Common seal affixed as required)

**Company** – Executed in accordance with the company's constitution (if a director of a single director company, please attach supporting documentation and witness signature and details)

Are you the sole Director (please tick)? Yes ☐ No ☐

Director Signature:		Director/ Secretary Signature:	
Full Name (please print):		Full Name (please print):	

## OFFICE USE ONLY

Power of Attorney:

Registered:

/ /

ANY MISTAKES ARE TO BE CROSSED OUT AND INITIALLED. NO CORRECTION FLUID IS TO BE USED.

# Power of Attorney

## Power of Attorney

By this deed, I/we, the person(s) named in the "Applicant's Details" section above (Applicant) irrevocably appoint Gunns Plantations Limited ABN 36 091 232 209 (Attorney) to be my/our attorney on the terms and conditions set out below.

The Attorney is empowered to:

- (a) execute under hand or under seal and deliver (which delivery may be conditional or unconditional) the Fee Facility Deed, Orchard Right Agreement and Management Agreement (each an Approved Document) in a form and of substance as the Attorney thinks fit, including executing each Approved Document electronically;
- (b) complete any blanks in an Approved Document;
- (c) amend or vary an Approved Document as the Attorney thinks fit (including but not limited to, amending or varying the parties), and execute under hand or seal and deliver (which delivery may be conditional or unconditional) any document which effects or evidences the amendment or variation;
- (d) do any thing which in the opinion of the Attorney is necessary, expedient or incidental to or in any way relates to:
  - (1) any document referred to in paragraphs (a) and (c); or
  - (2) any transaction contemplated by any document referred to in paragraphs (a) and (c);
- (e) do any thing which ought to be done by the Applicant under any Approved Document to which it is a party;
- (f) complete, execute and lodge all documents and instruments which are necessary or appropriate to register any security taken over the Applicant's Walnut Lots;
- (g) do any other thing (whether or not of the same kind as the above) that in the opinion of the Attorney is necessary, expedient or desirable to give effect to the provisions of this Power of Attorney; and
- (h) authorise an officer of the Attorney to perform any of the above actions that the Attorney is empowered to perform under paragraphs (a) to (g) of this Power of Attorney.

## Terms and Conditions of Power of Attorney:

By granting the Power of Attorney to Gunns Plantations Limited you do so on the following terms and conditions:

- (1) The Attorney may exercise the powers of the Attorney under this deed in the name of the Applicant or in the name of the Attorney and as the act of the Applicant.
- (2) The Attorney may exercise the powers of the Attorney under this deed even if the Attorney benefits from the exercise of that power.
- (3) The Applicant undertakes to ratify and confirm any act of the Attorney in exercise of the powers of the Attorney under this deed including any act done between the time of the revocation of this Power of Attorney and the time of the revocation becoming known to the Attorney.
- (4) The Attorney may, at any time, appoint or remove any substitute or delegate or sub-attorney.
- (5) The exercise by the Attorney of any power under this deed does not connote:
  - (a) a warranty, express or implied, on the part of the Attorney as to:
    - (i) the Attorney's authority to exercise the power; or
    - (ii) the validity of this deed; or
  - (b) an assumption of personal liability by the Attorney in exercising the power.
- (6) The Applicant indemnifies the Attorney against all claims, demands, losses, damages, costs and expenses however suffered or incurred by the Attorney in registering or stamping of this deed or in respect of the exercise of any of the powers of the Attorney under this deed except in the event of gross neglect, fraud or wilful default by the Attorney.
- (7) The Applicant is responsible for the cost of registering and stamping of this deed in all jurisdictions in which it must be registered and stamped to ensure its enforceability and validity for the purposes of this deed.
- (8) This Power of Attorney is irrevocable until the expiration of the relevant Project under the Constitution.
- (9) A word or expression defined in the Constitution has the same meaning in this deed.
- (10) This deed is governed by and construed in accordance with the law of the State in which it is registered.

## OFFICE USE ONLY

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App No.: \_\_\_\_\_

File No.: \_\_\_\_\_

Dealers Stamp / Adviser Name / Number:

## B. Joint Venture Applicants

This application form relates to the Gunns Plantations Ltd Walnut Project No. 2 under a PDS dated 30 April 2007. The PDS includes detailed information about the investment being offered and you should read them in their entirety before deciding to invest. The offer is available to Australian residents.

The Corporations Act prohibits this application form being passed on to another person unless that other person is also given access to the PDS and any supplementary PDS.

While the PDS is current, GPL will send paper copies of the PDS, any supplementary PDS and the application form, on request and without charge.

Send your completed Application and Power of Attorney Form to: **Gunns Plantations Limited, PO Box 572, Launceston TAS 7250**

## First Joint Venturer

By signing this Application and Power of Attorney Form you agree to be bound by the Constitution and irrevocably appoint GPL as your attorney in accordance with the terms and conditions of the Power of Attorney on the reverse side of this form. (Please sign where appropriate).

## Individual(s)

Title:	Individual Applicant – First Name:	Surname:
--------	------------------------------------	----------

Title:	Individual Joint Applicant – First Name: (if appropriate)	Surname:
--------	---	----------

## Individual(s) – Signed, Sealed and Delivered

Applicants Signature:		Joint Applicants Signature:	
Witness Signature:		Witness Signature:	
Witness Name:		Witness Name:	

## Company Name or Trust or Superannuation Fund

Company Name or Trust or Superannuation Fund (if appropriate):	ABN:
--	------

First Trustee (if appropriate):
---------------------------------

Second Trustee (if appropriate):
----------------------------------

## Individual Trustee(s) – Signed, Sealed and Delivered

Applicants Signature:		Joint Applicants Signature:	
Witness Signature:		Witness Signature:	
Witness Name:		Witness Name:	

(Common seal affixed as required)

**Company Trustee** – Executed in accordance with the company's constitution (if a director of a single director company, please attach supporting documentation and witness signature and details)

Are you the sole Director (please tick)? Yes ☐ No ☐

Director Signature:		Director/ Secretary Signature:	
Full Name (please print):		Full Name (please print):	

## Walnut Lots Applied For

(refer to section 4 for details)

No. of Walnut Lots	Application Fee per Walnut Lots (incl G.S.T.)	Amount
	X \$6,424	\$ <b>A</b>

## First Joint Venturer Details

Date of Signing:  /  /

Residential/Registered Address:

City/Suburb:	State:	Post Code:
--------------	--------	------------

Mailing Address:
------------------

City/Suburb:	State:	Post Code:
--------------	--------	------------

Telephone – Bus:	Home:	Mobile:
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Email:
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If a Joint Venturer Applicant is a superannuation fund and is considering borrowing any part of the application fee or ongoing costs associated with the Project, the Joint Venturer Applicant should obtain independent financial advice on the consequences of that borrowing.

ANY MISTAKES ARE TO BE CROSSED OUT AND INITIALLED. NO CORRECTION FLUID IS TO BE USED.



# Power of Attorney

## Power of Attorney

By this deed, I/we, the person(s) named in the "Applicant's Details" section above (Applicant) irrevocably appoint Gunns Plantations Limited ABN 36 091 232 209 (Attorney) to be my/our attorney on the terms and conditions set out below.

The Attorney is empowered to:

- (a) execute under hand or under seal and deliver (which delivery may be conditional or unconditional) the Fee Facility Deed, Orchard Right Agreement and Management Agreement (each an Approved Document) in a form and of substance as the Attorney thinks fit, including executing each Approved Document electronically;
- (b) complete any blanks in an Approved Document;
- (c) amend or vary an Approved Document as the Attorney thinks fit (including but not limited to, amending or varying the parties), and execute under hand or seal and deliver (which delivery may be conditional or unconditional) any document which effects or evidences the amendment or variation;
- (d) do any thing which in the opinion of the Attorney is necessary, expedient or incidental to or in any way relates to:
  - (1) any document referred to in paragraphs (a) and (c); or
  - (2) any transaction contemplated by any document referred to in paragraphs (a) and (c);
- (e) do any thing which ought to be done by the Applicant under any Approved Document to which it is a party;
- (f) complete, execute and lodge all documents and instruments which are necessary or appropriate to register any security taken over the Applicant's Walnut Lots;
- (g) do any other thing (whether or not of the same kind as the above) that in the opinion of the Attorney is necessary, expedient or desirable to give effect to the provisions of this Power of Attorney; and
- (h) authorise an officer of the Attorney to perform any of the above actions that the Attorney is empowered to perform under paragraphs (a) to (g) of this Power of Attorney.

## Terms and Conditions of Power of Attorney:

By granting the Power of Attorney to Gunns Plantations Limited you do so on the following terms and conditions:

- (1) The Attorney may exercise the powers of the Attorney under this deed in the name of the Applicant or in the name of the Attorney and as the act of the Applicant.
- (2) The Attorney may exercise the powers of the Attorney under this deed even if the Attorney benefits from the exercise of that power.
- (3) The Applicant undertakes to ratify and confirm any act of the Attorney in exercise of the powers of the Attorney under this deed including any act done between the time of the revocation of this Power of Attorney and the time of the revocation becoming known to the Attorney.
- (4) The Attorney may, at any time, appoint or remove any substitute or delegate or sub-attorney.
- (5) The exercise by the Attorney of any power under this deed does not connote:
  - (a) a warranty, express or implied, on the part of the Attorney as to:
    - (i) the Attorney's authority to exercise the power; or
    - (ii) the validity of this deed; or
  - (b) an assumption of personal liability by the Attorney in exercising the power.
- (6) The Applicant indemnifies the Attorney against all claims, demands, losses, damages, costs and expenses however suffered or incurred by the Attorney in registering or stamping of this deed or in respect of the exercise of any of the powers of the Attorney under this deed except in the event of gross neglect, fraud or wilful default by the Attorney.
- (7) The Applicant is responsible for the cost of registering and stamping of this deed in all jurisdictions in which it must be registered and stamped to ensure its enforceability and validity for the purposes of this deed.
- (8) This Power of Attorney is irrevocable until the expiration of the relevant Project under the Constitution.
- (9) A word or expression defined in the Constitution has the same meaning in this deed.
- (10) This deed is governed by and construed in accordance with the law of the State in which it is registered.

## OFFICE USE ONLY

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## C. Joint Venture Applicants

This application form relates to the Gunns Plantations Ltd Walnut Project No. 2 under a PDS dated 30 April 2007. The PDS includes detailed information about the investment being offered and you should read them in their entirety before deciding to invest. The offer is available to Australian residents.

The Corporations Act prohibits this application form being passed on to another person unless that other person is also given access to the PDS and any supplementary PDS.

While the PDS is current, GPL will send paper copies of the PDS, any supplementary PDS and the application form, on request and without charge.

Send your completed Application and Power of Attorney Form to: **Gunns Plantations Limited, PO Box 572, Launceston TAS 7250**

## Second Joint Venturer

By signing this Application and Power of Attorney Form you agree to be bound by the Constitution and irrevocably appoint GPL as your attorney in accordance with the terms and conditions of the Power of Attorney on the reverse side of this form. (Please sign where appropriate).

## Individual(s)

Title:	Individual Applicant – First Name:	Surname:
Title:	Individual Joint Applicant – First Name: (if appropriate)	Surname:

## Individual(s) – Signed, Sealed and Delivered

Applicants Signature:		Joint Applicants Signature:	
Witness Signature:		Witness Signature:	
Witness Name:		Witness Name:	

## Company Name or Trust or Superannuation Fund

Company Name or Trust or Superannuation Fund (if appropriate):	ABN:
First Trustee (if appropriate):	
Second Trustee (if appropriate):	

## Individual Trustee(s) – Signed, Sealed and Delivered

Applicants Signature:		Joint Applicants Signature:	
Witness Signature:		Witness Signature:	
Witness Name:		Witness Name:	

[Common seal affixed as required]

**Company Trustee** – Executed in accordance with the company's constitution  
(if a director of a single director company, please attach supporting documentation and witness signature and details)

Are you the sole Director (please tick)? Yes ☐ No ☐

Director Signature:		Director/Secretary Signature:	
Full Name (please print):		Full Name (please print):	

## Walnut Lots Applied For

(refer to section 4 for details)

Note: Should be the same as for First Joint Venturer

No. of Walnut Lots	Application Fee per Walnut Lots (incl G.S.T.)	Amount
	X \$6,424	\$ <b>A</b>

## Second Joint Venturer Details

Date of Signing:  /  / 

Residential/Registered Address:		
City/Suburb:	State:	Post Code:
Mailing Address:		
City/Suburb:	State:	Post Code:
Telephone – Bus:	Home:	Mobile:
Email:		

If a Joint Venturer Applicant is a superannuation fund and is considering borrowing any part of the application fee or ongoing costs associated with the Project, the Joint Venturer Applicant should obtain independent financial advice on the consequences of that borrowing.

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# Power of Attorney

## Power of Attorney

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The Attorney is empowered to:

- (a) execute under hand or under seal and deliver (which delivery may be conditional or unconditional) the Fee Facility Deed, Orchard Right Agreement and Management Agreement (each an Approved Document) in a form and of substance as the Attorney thinks fit, including executing each Approved Document electronically;
- (b) complete any blanks in an Approved Document;
- (c) amend or vary an Approved Document as the Attorney thinks fit (including but not limited to, amending or varying the parties), and execute under hand or seal and deliver (which delivery may be conditional or unconditional) any document which effects or evidences the amendment or variation;
- (d) do any thing which in the opinion of the Attorney is necessary, expedient or incidental to or in any way relates to:
  - (1) any document referred to in paragraphs (a) and (c); or
  - (2) any transaction contemplated by any document referred to in paragraphs (a) and (c);
- (e) do any thing which ought to be done by the Applicant under any Approved Document to which it is a party;
- (f) complete, execute and lodge all documents and instruments which are necessary or appropriate to register any security taken over the Applicant's Walnut Lots;
- (g) do any other thing (whether or not of the same kind as the above) that in the opinion of the Attorney is necessary, expedient or desirable to give effect to the provisions of this Power of Attorney; and
- (h) authorise an officer of the Attorney to perform any of the above actions that the Attorney is empowered to perform under paragraphs (a) to (g) of this Power of Attorney.

## Terms and Conditions of Power of Attorney:

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- (2) The Attorney may exercise the powers of the Attorney under this deed even if the Attorney benefits from the exercise of that power.
- (3) The Applicant undertakes to ratify and confirm any act of the Attorney in exercise of the powers of the Attorney under this deed including any act done between the time of the revocation of this Power of Attorney and the time of the revocation becoming known to the Attorney.
- (4) The Attorney may, at any time, appoint or remove any substitute or delegate or sub-attorney.
- (5) The exercise by the Attorney of any power under this deed does not connote:
  - (a) a warranty, express or implied, on the part of the Attorney as to:
    - (i) the Attorney's authority to exercise the power; or
    - (ii) the validity of this deed; or
  - (b) an assumption of personal liability by the Attorney in exercising the power.
- (6) The Applicant indemnifies the Attorney against all claims, demands, losses, damages, costs and expenses however suffered or incurred by the Attorney in registering or stamping of this deed or in respect of the exercise of any of the powers of the Attorney under this deed except in the event of gross neglect, fraud or wilful default by the Attorney.
- (7) The Applicant is responsible for the cost of registering and stamping of this deed in all jurisdictions in which it must be registered and stamped to ensure its enforceability and validity for the purposes of this deed.
- (8) This Power of Attorney is irrevocable until the expiration of the relevant Project under the Constitution.
- (9) A word or expression defined in the Constitution has the same meaning in this deed.
- (10) This deed is governed by and construed in accordance with the law of the State in which it is registered.

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Page \_\_\_\_\_ of \_\_\_\_\_

App No.: \_\_\_\_\_

File No.: \_\_\_\_\_

Dealers Stamp / Adviser Name / Number:

## Payment Details

## Walnut Lots Applied For

(refer to section 4 for details)  
 Note: Should be the same as for  
 Application Form A or B&C

No. of Walnut Lots	Application Fee per Walnut Lots (incl G.S.T.)	Amount	
	X \$6,424	\$	A

## Finance

If applying for the 12 month Terms Arrangement or if applying for finance associated with Gunns Plantations Ltd Walnut Project No.2, please refer to the specific finance documentation when answering the following.

Are you applying to GPL to enter into a 12 month Terms Arrangement to pay the Application Fee?	Yes <input type="checkbox"/> No <input type="checkbox"/>
--	--

OR

Are you applying for finance from Gunns Finance Pty Ltd or Allco Managed Investments Ltd?	Yes <input type="checkbox"/> No <input type="checkbox"/>
---	--

If yes to either of these, please enter the deposit amount required to be paid to Gunns Limited:	\$	B
Total finance requested (A-B):	\$	C

## Insurance

(refer to section 18.2 for details)

Do you wish to insure your Walnut Lot(s)?  
 (please tick appropriate box)

Yes ☐ No ☐

## Fee Facility

(refer to section 18.5 for details)

Do you wish to enter into a Fee Facility?  
 (please tick appropriate box)

Yes ☐ No ☐

## Tamar Ridge Gold Club

(refer to section 19.11 for details)

Do you wish to become a Tamar Ridge Gold Club member?  
 (please tick appropriate box)

Yes ☐ No ☐

## Method of Payment:

Please note that the amount due will depend on whether the Application Fee is paid in full. If finance is sought from Gunns Finance Pty Ltd or Allco Managed Investments Ltd or you elect to apply for a 12 month Terms Arrangement with GPL, the amount due will be the deposit listed at Item B, otherwise the full Application Fee must be paid as listed at Item A.

NOTE: Credit card transactions will be processed on date of receipt of application.

Please accept my payment via:

Cheque: ☐ (please make cheque payable to "Gunns Limited – GPL Walnut Project No.2" for the total disclosed at either A or B (as appropriate), crossed "Not Negotiable").

OR

Credit Card: ☐ (Note: GPL only accepts the credit cards shown below)

Please Debit My: ☐ Mastercard ☐ Visa Card

Card Number:

Expiry Date:   /

Amount:

\$

Date:

Card Holders Name:

Contact Phone No.:

Signature:

X

ANY MISTAKES ARE TO BE CROSSED OUT AND INITIALLED. NO CORRECTION FLUID IS TO BE USED.

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# Corporate Directory 93

## Manager & Responsible Entity

### Gunns Plantations Limited

ABN: 36 091 232 209

AFSL No. 238701

### Registered Office:

78 Lindsay Street

Launceston, Tasmania 7250

Telephone: 03 6335 5290

Facsimile: 03 6333 0646

Freecall: 1800 015 023

### Postal Address:

PO Box 572 Launceston, Tasmania 7250

### Web Site Address:

[www.gunns.com.au/plantations](http://www.gunns.com.au/plantations)

## Directors:

John E Gay (Chairman)

Leslie R Baker

Rodney J Loone

Patrick J Sullivan

## Custodian

Gunns Limited

ABN: 29 009 478 148

78 Lindsay Street

Launceston, Tasmania 7250

## Auditor

KPMG, Chartered Accountants

ABN: 51 194 660 183

33 George Street

Launceston, Tasmania 7250

## Taxation Advisor

KPMG

ABN: 51 194 660 183

33 George Street

Launceston, Tasmania 7250

## Legal Advisor

Shields Heritage

ABN: 26 477 023 371

53 Cameron Street

Launceston, Tasmania 7250

## Independent Horticulturist:

Dr Peter Scholefield

Scholefield Robinson Horticultural Services Pty Ltd

ACN: 008 199 737

118A Glen Osmond Road

Parkside, South Australia 5063

## Independent Market Report:

McKinna *et al* Pty Ltd *Strategic Insights*

ABN: 53 549 410 271

Rear 131 Victoria Avenue

Albert Park, Victoria 3206

FREECALL 1800 015 023    [www.gunns.com.au/plantations](http://www.gunns.com.au/plantations)

a wholly owned subsidiary of  Gunns Limited



ABN 36 091 232 209 ARSN 125 191 531  
AFSL No. 238701



# walnut project No.2

Supplementary Release  
- 2007/08 Investors

**SUPPLEMENTARY**  
PRODUCT DISCLOSURE STATEMENT



ABN 36 091 232 209 ARSN 125 191 531  
AFSL No. 238701

# Important information

## Responsible Entity

Gunns Plantations Limited ABN 36 091 232 209 (GPL) is the Responsible Entity of the Gunns Plantations Limited Walnut Project No. 2 (Project) ARSN 125 191 531 and is the issuer of the Gunns Plantations Walnut Project No. 2 Product Disclosure Statement (PDS) dated 19 January 2007 ("Original PDS") and this Supplementary Product Disclosure Statement ("Supplementary PDS") dated 1 November 2007. GPL has been issued with an Australian Financial Services Licence (AFSL), number 238701.

## Gunns Group

Gunns Limited ABN 29 009 478 148 (Gunns) is the parent company of GPL. Gunns is also the parent company of Gunns Finance Pty Ltd ABN 58 091 861 700 (Gunns Finance).

## Important Information

This Supplementary PDS is dated 1 November 2007 and has been prepared by GPL. If you have received this PDS electronically we will give you a paper copy free on request. Please phone FREECALL 1800 015 023.

Please note that this Supplementary PDS varies the Original PDS and both documents must be read together.

## Growers

Those investors who applied and were accepted as investors for the Project on or before 15 June 2007 will, for the purposes of this PDS, be known as Early Growers. The life of an Early Grower's interest in the Project is from Year 0 (financial year ending June 2007) to Year 25 (financial year ending June 2032). Those investors who apply for acceptance as investors in the Project in the period from 24 October 2007 to 15 June 2008 will be known as Late Growers. GPL retains the right to close the project prior to 15th June 2008. The life of a Late Grower's interest in the Project is from Year 0 (financial year ending June 2008) to Year 25 (financial year ending June 2033).

The Term of the Project may be extended by GPL for a further 2 years if the IRR for the Project is less than 9.5%, the Project has not been terminated before 30 June in Year 25 and GPL is reasonably satisfied that it is in the best interests of the Grower to extend the Term (refer to Section 4 for more details).

## Offering Restrictions

No action has been taken to register or otherwise permit a public offering of the Project outside of Australia. This PDS does not constitute an offer or invitation in any place or to any person to whom it would not be lawful to make such an offer or invitation.

There is no minimum subscription amount under this PDS.

## Disclaimers

Your investment in the Project is subject to investment and other risks. Neither GPL, Gunns, nor any other member of the Gunns Group nor any other entity associated with

the issue of the Original PDS or this Supplementary PDS give any guarantee, warranty or assurance as to the performance of the Project or any particular return.

The information contained in the Original PDS and this Supplementary PDS is not financial product advice. The Original PDS and this Supplementary PDS do not take into account the investment objectives, financial situation and particular needs of any potential investor. Accordingly, before you invest you should read the Original PDS and Supplementary PDS in full. We also recommend that before making a decision to invest in the Project you consult a financial or other professional adviser.

The option for GPL to extend the Project if the IRR is less than 9.5% does not constitute a guarantee or representation from GPL that the Project will achieve any particular IRR, return or rate of return during any year of the Project, including any year during any extension to the term of the Project.

## Integrity of the PDS

The Original PDS and this Supplementary PDS are available in electronic format, including on the Internet at [www.gunns.com.au/plantations](http://www.gunns.com.au/plantations). While GPL believes it is unlikely that during the period of the offer the electronic version of the PDS will be tampered with or altered in any way, GPL cannot give any absolute assurance that this will not occur. Any investor in doubt concerning the validity or integrity of an electronic copy of the PDS should immediately request a paper copy of the PDS directly from GPL.

## Changes

Information that is not materially adverse information is subject to change from time to time and may be updated on the GPL website. A paper copy of any updated information will be provided free of charge upon request.

## Additional Information

GPL has a dispute resolution system available for investors. A 14 day cooling-off period exists for all applicants. See section 15 of the Original PDS for details.

A number of words and terms used in the Original PDS and this Supplementary PDS have defined meanings that appear in the Glossary of the Original PDS.

## Amendments

The Original PDS contemplated investment by Late Growers in the Project pending the issue of a Product Ruling by the Australian Taxation Office (ATO) and the subsequent release of a supplementary PDS. The ATO issued that ruling (PR 2007/89) on 24 October 2007 and this Supplementary PDS contains the updated information necessary to re-open the Project for Late Growers in the financial year ending June 2008.

Accordingly, the Original PDS is to now incorporate the following amendments applicable to Late Growers.

Any reference to a year in this Supplementary PDS means the year ending the 30th June in that year.

# Chairman's letter

3

Dear Investor,

## Gunns Plantations Ltd Walnut Project No. 2 (Supplementary Release - 2007/08)

I have great pleasure announcing the release of the Walnut Project No. 2 (Supplementary Release - 2007/08 Investors) ('Late Growers') by Gunns Plantations Limited (GPL) and invite you to read the Original Product Disclosure Statement (PDS) and in conjunction with this Supplementary PDS in full.

This Supplementary PDS offers you a unique investment opportunity to become a Grower of walnuts by acquiring an interest in a 0.20 hectare Walnut Lot comprised of land selected in the productive New South Wales (NSW) Riverina district. Each 0.20 hectare Walnut Lot will comprise 0.07 hectares of orchard established that was planted in the spring of 2006 (Existing Orchard) and 0.13 hectares of orchard that were established by 30 September 2007. All walnut trees comprising this project have therefore already been planted. The Riverina is a region of southern NSW that comprises the agricultural and pastoral areas west of the Great Dividing Range, north and south of the Murrumbidgee River. It is one of the premier agricultural regions in the country.

The land is located near the regional towns of Griffith and Leeton, utilising water from the life giving Murrumbidgee Irrigation Scheme, one of Australia's most reliable irrigation schemes. Gunns has employed the services of Webster Limited, Australia's fourth oldest business and Australia's largest walnut orchard manager, to help identify sites suitable to develop world class orchards.

Webster Limited has been sub-contracted to manage the Walnut Lots offered by GPL. Webster Limited is an export-oriented food business involving aquaculture, onions, carrots and walnuts. Webster currently manages 650 hectares of walnut orchards on the East Coast and North West Coast of Tasmania and a further 1,350 hectares at Griffith NSW, as well as Australia's largest Walnut nursery at Forth on the North West Coast of Tasmania. Webster was also sub-contracted to establish and maintain the walnut orchard under GPL Walnut Project No. 1 and to date has performed its duties to a very high standard. As the only large scale producer of walnuts in Australia, there is an exciting opportunity to work with Webster in developing substantial export and substitute import opportunities.

Walnut Lots for the Project are competitively priced with a total upfront Application Fee of \$6,424 (including GST). The term of the Project will be 25 years. The Term of the Project may be extended by GPL for a further 2 years if the IRR for the Project is less than 9.5%, the Project has not been terminated before 30 June in Year 25 and GPL is reasonably satisfied that it is in the best interests of the Grower to extend the Term.

The first commercial crop can be expected from the Existing Orchard in Year 2 and the Project is anticipated to reach full production in approximately Year 7.

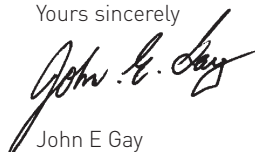
It is anticipated that Growers will be invoiced for the full Ongoing Fees in Year 1. From Year 2 onwards, it is anticipated that all Ongoing Fees will be offset against the Growers entitlement to Walnut Sale Proceeds. In the event that your Walnut Sale Proceeds are less than your total liability for Ongoing Fees in any Year, you will be invoiced for and required to pay the difference. It is anticipated that distributions to Growers will commence in Year 6 and then run for the duration of the Project.

GPL, as agent for the Growers, will agree to market, enter into negotiations for the sale of and sell the walnuts on the open market. Webster Limited has already undertaken to enter into a Walnut Sale Agreement for the purchase of a minimum of 75% of Growers' Walnuts grown under the project. These Walnuts form a significant part of Webster Limited's future resource supply for their growing walnut business. GPL prides itself on being a leading agribusiness investment manager and the inclusion of the Project builds upon the success of GPL's past 12 viticultural and forestry Projects.

Given the changes to the laws affecting non-forestry Managed Investment Schemes from 30 June 2008 onwards, this will most likely be the last GPL investment in walnuts for the foreseeable future.

On behalf of the Directors of GPL, I commend you to consider this investment.

Yours sincerely



John E Gay  
Executive Chairman





### Section 3. Key features – Page 4

- Under the heading “Summary”, next to the feature “Fee Facility”, the last paragraph is replaced with:

“You may enter into a loan, by way of a Fee Facility with Gunns Finance to pay the Operating Fee and Orchard Right Fee in Years 1 – 4 of the Project. You will be required to pay Principal and Interest payments on the drawdown amounts monthly in arrears.”

### Section 3. Key features – Page 5

- Under the heading “Summary”, next to the feature “Tax”, replace the last paragraph with the following:

“Please refer to Product Rulings PR 2007/41 and PR 2007/89 for full details. A copy of the Product Rulings can be obtained from our website or the ATO.”

### Section 4. The Offer – Page 6

- In the first column, the last sentence is replaced with:

“Each 0.20 hectare Walnut Lot will comprise 0.07 hectares of orchard that was planted prior to 1 January 2007 (Existing Orchard) and 0.13 hectares of orchard that was established after 1 January 2007 and prior to 30 September 2007 (New Orchard). GPL can determine in its absolute discretion whether a walnut lot includes any land at Leeton.”

- In the second column, the third paragraph is replaced with:

“The planting of walnut trees in the Existing Orchard (0.07 hectares of each Walnut Lot) occurred prior to 1 January 2007 and the planting of walnut trees in the New Orchard (0.13 hectares of each Walnut Lot) was after 1 January 2007 and prior to 30 September 2007.”

### Section 4. The offer – Page 7

- Under the table “Main varieties and their pollinators:”, in the first column, the first sentence is replaced with:

“For Early Growers, the first harvest is anticipated to be in Year 3 for the Existing Orchard. For Late Growers Growers, the first harvest is anticipated to

be in Year 2 for the Existing Orchard. For both Early Growers and Late Growers, the harvest is expected to approach full production in Year 8 of the Project.”

- Under the table “Main varieties and their pollinators:”, in the second column, last paragraph, the paragraph is replaced with:

“It is anticipated that Growers will receive a 100% tax deduction for the upfront Application Fee in the financial year that the Application Fee is paid. Product Rulings PR 2007/41 and PR 2007/180 have been issued in relation to the Project. A copy of the Product Rulings can be obtained from our website or the ATO. The Taxation Adviser’s report sets out the general effect of a Product Ruling for investors in the Project in section 17 of this PDS. Before investing, you should seek independent taxation advice.”

### Section 5. Overview of the Project – Page 9

- Under the heading “Fee Facility”, in the first column, the second sentence is replaced with:

“If you enter into the Fee Facility, you will be required to pay Principal and Interest payments on the drawdown amounts monthly in arrears.”

### Section 5. Overview of the Project – Page 10

- Under the heading “Planting of Trees”, in the second column, the first sentence is replaced with:

“Trees were planted at the Existing Orchard in June-September 2006 and at the New Orchard (0.13 hectares of each Walnut Lot) after 1 January 2007 and prior to 30 September 2007.”

- Under the heading “Harvest of your Walnuts”, in the second column, the paragraph is replaced with:

“Annual harvest will ordinarily occur during the months of March, April and May. We do not anticipate that we will be conducting a commercial harvest until the first harvest of the Existing Orchard (Year 3 of the Project for Early Growers and Year 2 of the Project for Late Growers). The first harvest of the New Orchard is expected when those trees are four years of age. GPL has absolute discretion as to when the harvest will occur. Proceeds from both the Early and Late Growers harvest will be pooled separately with other Contributing Growers’ interests in the Project.”

- Under the heading “Distribution of Proceeds”, in the second column, first paragraph, the final sentence is replaced with:

“Annual distributions are anticipated to commence from Year 7 for Early Growers and from Year 6 for Late Growers.”

## Section 8. Fees and Charges – Page 16

- Under the heading “8.1 Investment Summary”, in the first column, the second paragraph is replaced with:

“The up-front Application Fee will cover the Initial Services and Orchard Right Fee for Year 0. The Custodian or Manager will deduct Ongoing Fees from Growers’ Gross Proceeds Entitlements every Year from the first harvest (anticipated to be in Year 3 Early Growers and Year 2 for Late Growers) onwards in accordance with the Constitution and pay them to GPL.”

- Under the heading “8.3 Ongoing Fees”, the first and second paragraphs are replaced with:

“Ongoing Fees are generally paid from the Growers’ Gross Proceeds Entitlements every Year from the first harvest. For Early Growers, as the first harvest is not anticipated to commence until Year 3 for the Existing Orchard, Early Growers will be invoiced for the full Ongoing Fees for Years 1 and 2. For Late Growers, as the first harvest is anticipated to commence in Year 2 for the Existing Orchard, Late Growers will be invoiced for the full Ongoing Fees for Year 1.

It is anticipated that from the first harvest and for the remainder of the term of the Project, the Ongoing Fees will be deducted by the Custodian on behalf of the Manager from the Gross Proceeds Entitlement and paid to the Manager in accordance with the Constitution. Where a Grower’s obligation to pay the Ongoing Fees exceeds the Gross Proceeds Entitlement, an invoice will be sent to the Grower for the shortfall. For Early Growers, this is anticipated to occur in Years 1 to 6 and the Gross Proceeds Entitlements are expected to exceed the Ongoing Fees from Year 7. For Late Growers, this is anticipated to occur in Years 1 to 5 and the Gross Proceeds Entitlements are expected to exceed the Ongoing Fees from Year 6.”

## Section 8. Fees and Charges – Page 17

- In “Table 1: Breakdown of Ongoing Fees”, under the heading “How & When Paid”, next to the “Orchard Right Fee”, the paragraph is replaced with:

“The Orchard Right Fee for Year 0 is included in the Application Fee. Growers will be invoiced for the full amount of the Orchard Right Fee prior to the first commercial harvest (anticipated to be Year 3 for Early Growers and Year 2 for Late Growers). From the first commercial harvest onwards (Year 3 for Early Growers and Year 2 for Late Growers), the Orchard Right Fee will be offset against your Gross Proceeds Entitlement prior to any distribution being made.”

- In “Table 1: Breakdown of Ongoing Fees”, under the heading “How & When Paid”, next to the “Operating Fee”, the paragraph is replaced with:

“Growers will be invoiced for the full amount of the Operating Fee prior to the first commercial harvest (anticipated to be Year 3 for Early Growers and Year 2 for Late Growers). From the first commercial harvest onwards (Year 3 for Early Growers and Year 2 for Late Growers), the Operating Fee will be offset against your Gross Proceeds Entitlement prior to any distribution being made.”

- Beneath “Table 1: Breakdown of Ongoing Fees”, “Note 2” is replaced with:

“Note 2: If the Gross Proceeds Entitlement is not sufficient to cover the Ongoing Fees in any Year, you will be invoiced for the difference.”

## Section 8. Fees and Charges – Page 18

- Under the heading “8.4 Fee Facility Payments”, in the first column, second paragraph, the second sentence is replaced with:

“Monthly principal and interest payments for a term of ten years from the end of Year 1 are then payable on the outstanding balance commencing on the last business day of the following month.”

- Under the heading “Income”, in the second column, the first sentence is replaced with:

“It is anticipated that Early Growers will receive their first income from the Year 7 harvest and that Late Growers will receive their first income from the Year 6 harvest.”

- Under the heading “Gross Proceeds Entitlement – Ongoing Fees”, in the second column, the paragraphs and dot points are replaced with:

“As a broad rule of thumb, Growers can expect the following crop levels for their Walnut Lots relative to full production by Year 8:

Year	Early Growers	Late Growers
Year 2	0%	0 to 5%
Year 3	0 to 5%	5 to 10%
Year 4	10 to 15%	10 to 20%
Year 5	20 to 25%	25 to 35%
Year 6	35 to 45%	50 to 60%
Year 7	65 to 75%	65 to 75%
Year 8	90 to 100%	90 to 100%

By Year 6 the Walnut Lots will have sufficiently matured such that commercial returns on your investment can be anticipated to commence.

However, where the Gross Walnut Sale Proceeds from a particular harvest do not exceed Ongoing Fees, you will be invoiced for and required to pay the difference in that Year. This calculation will be performed annually and you will either be invoiced or receive a distribution of income in each Year.”

## Section 8. Fees and Charges – Page 19

- Table 2 and the accompanying notes are replaced with the Table on the following page and accompanying notes:

## Section 9. The Gunns Group – Page 25

- Under the heading “Relationship with GPL & Webster”, in the first column, first paragraph, the second sentence is replaced with:

“GPL was established in November 1999 and since that time has established a number of managed investment schemes and has over AUD 450 million of funds under management.”

## Section 9. The Gunns Group – Page 29

- Under the heading “Gunns Limited”, in the first column, first paragraph, the third sentence is replaced with:

“Gunns had a market capitalisation of AUD 1.5 billion (October 2007) and is the parent company of Gunns Plantations Limited (GPL), which is one of Australia’s premier agribusiness investment managers.”

## Section 10. Commonly Asked Questions – Page 27

- Under the heading “Why enter into a Fee Facility?”, in the first column, the third sentence is replaced with:

“The Term will be ten years from the end of Year 1.”

## Section 13. Taxation Features – Page 38

- In the first column, the first paragraph is replaced with:

“Product Rulings PR 2007/41 and PR 2007/89 have been issued for the Project. The Taxation Adviser’s Report sets out the general effect of a Product Ruling in Section 17 of this Supplementary PDS. A copy of the Product Ruling’s can be obtained from our website or the ATO. Before investing, you should seek independent advice.”

## Section 15. Dispute Resolution – Page 40

- In the first column, the second paragraph is replaced with:

Complaints Manager  
Gunns Plantations Limited Walnut Project No. 2  
PO Box 588  
Launceston TAS 7250

Table 2: A worked example of anticipated costs for Late Growers for one Walnut Lot will be as follows:

YEARS	FINANCIAL YEAR END	CASH FLOW ITEM	AMOUNT	
0	Late Growers - June 2008	Application Fee, including completion of the Initial Services and the Orchard Right Fee for Year 0.	\$6,424	
1 and 2	Late Growers - June 2009 to June 2010	Ongoing Fees, including:	YR. 1	YR. 2
		• Orchard Right Fee; and	\$226	\$233
		• Operating Fee.	\$1,019	\$1,048
		TOTAL ONGOING FEES	\$1,245	\$1,281
<b>First Harvest</b>				
3 to 7	Late Growers - June 2011 to June 2015	Ongoing Fees, including:	Ongoing Fees estimated to be approximately:	
		• Orchard Right Fee; and	- \$1,757 in Year 3;	
		• Operating Fee.	- \$1,922 in Year 4;	
			- \$2,163 in Year 5;	
			- \$2,494 in Year 6; and	
			- \$2,776 in Year 7.	
			Off-set against Gross Proceeds Entitlement in each Year.	
8 to 25	Late Growers - June 2016 to June 2033	Ongoing Fees, including:	Total Ongoing Fees estimated to be \$3,332 (approximately) from Year 8, which will be off-set against Gross Proceeds Entitlement each Year.	
		• Orchard Right Fee; and		
		• Operating Fee.		
26 to 27	Late Growers - June 2033 to June 2034	If the IRR at the end of Year 25 is less than 9.5% and GPL exercises its discretion to extend the term of the project, then Ongoing Fees are payable, including the:	Total Ongoing Fees in Years 26 and 27, which will be off-set against Gross Proceeds Entitlement each Year.	
		• Orchard Right Fee; and		
		• Operating Fee.		

Note 1: The Orchard Right Fee and Operating Fee are indexed annually to CPI from 1 June 2008 (estimated indexation included in table).

Note 2: All fees are inclusive of GST.

Note 3: From Year 4, Ongoing Fees will be offset against the Gross Proceeds Entitlement. Where the Gross Proceeds Entitlement is not sufficient to cover the payments, you will be invoiced for the difference.

Note 4: Actual costs may vary.

# Independent Expert's Report

13 November 2007

The Directors  
Gunns Plantations Ltd  
78 Lindsay Street  
LAUNCESTON TAS 7250

Dear Sirs,

## INDEPENDENT EXPERT'S HORTICULTURAL REPORT

GPL Walnut Project No. 2

Supplementary PDS (Late Growers) 2007/08

### INTRODUCTION

This report has been prepared for inclusion in a Supplementary Product Disclosure Statement (SPDS) entitled GPL Walnut Project No. 2 (Project) being offered by Gunns Plantations Limited (GPL) for Late Growers (2007/08). The walnut orchard is being developed and managed by GPL who have contracted their responsibilities to Webster Limited (Webster), a company with extensive experience in walnut production. The purpose of the report is to provide prospective investors in the Project with an independent assessment of the land, water and climate resources, the expected tree yields based on the varieties to be planted, the horticultural practices to be used, and the ability of GPL to establish and manage the Project.

### Australian Walnut Industry

The size of the Australian walnut industry is very small, currently producing less than 500t (in-shell equivalent) annually, compared with the major producers China and USA producing over 400,000t and 300,000t respectively. Australia is a net importer of walnuts and 8,500t (in-shell equivalent) with a value of \$34million was imported in 2006 (ABS figures).

The GPL walnut projects will greatly increase the availability of high quality Australian walnuts for local and export markets but it will be some years before these orchards are in full production.

The Australian producers are aiming to produce high quality nuts, with a counter-seasonal "freshness" advantage in the northern hemisphere Christmas markets. In addition, the increased consumer demand for all nuts in Australia and overseas because of health benefits is maintaining demand in times of increasing production.

### EXPERIENCE, QUALIFICATIONS, AND SKILLS OF EXPERT

Dr Peter Scholefield has prepared this report. He is a Director and Principal Consultant with Scholefield Robinson Horticultural Services Pty Ltd (Scholefield Robinson), a company located in Adelaide. He has tertiary qualifications (BAGSc, PhD) in horticulture and is a member of the professional organisations, Australian Association of Agricultural Consultants (AAAC), Australian Society of Horticultural Science (AuSHS), and a Fellow of the Australian Institute of Agricultural Science and Technology (AIAT). He has spent the past 38 years working professionally in horticulture, with the last 19 years working as an independent consultant in Australia. His work includes the provision of horticultural advice, the preparation of expert reports for investment documents and legal cases and project work with industry groups and R&D Agencies. This work covers a wide range of crops including nuts, fruit crops and grapes.



## THE BRIEF

Specifically, Scholefield Robinson has been asked to provide comment on the:

- Suitability of the land chosen for the project including location, soils and climate;
- Water availability and supply (including long term security);
- Orchard design and layout (including irrigation/fertigation systems and planting density);
- Orchard maintenance plans;
- Ability of the horticultural management team (Webster and GPL) and availability of required resources;
- Varietal (including pollinator) selection;
- Nursery ability to provide suitable stock;
- Projected yields and timing assumptions;
- Environmental issues; and
- Project risks and appropriateness of safeguards.

In order to prepare this report, we have:

- Inspected the existing orchards at Tabbita ("Tabbita Lane"), near Griffith, and near Leeton ("Leeton").
- Observed tree growth in the orchard planted for GPL Walnut Project No. 1 in 2006 and in the older "Motspur Park" Walnut Orchard (not part of the GPL projects) planted and managed by Webster in 2004.
- Inspected the nursery on the Tabbita Lane property.
- Viewed and discussed with GPL and Webster personnel, the following:
  - maps of the properties on which the Project will be conducted and the proposed planting sequence;
  - physical soil surveys of the property undertaken by JR's Soil Management Services and Yandilla Park Services;
  - climatic data and water quality data from the Tabbita and Leeton locality;
  - water requirements determined by the irrigation consultant (Greg Hocking) and the irrigation designer (Plastro Asia Pacific);
  - information about the water licences that have or will be acquired for the Project and the agreement to supply water to both projects with Murrumbidgee Irrigation (MI); and
  - a projection of walnut yields during the term of the Project.

While preparing the report we have:

- sought information on walnut growing in Australia and overseas from industry and technical specialists;
- reviewed various literature relevant to this report; and
- used the extensive horticultural resources and experience of Scholefield Robinson.

## THE PROJECT

The Project will include 448ha of walnut trees planted in 2006 at Tabbita, near Griffith, NSW, 80ha planted in 2007 at Tabbita and 735ha near Leeton, NSW.

Grower lots of 0.2ha will be made up of 0.07ha (35%) of the 2006 plantings and 0.13ha (65%) of the 2007 plantings. This will provide a mix of tree ages and locations with different characteristics that will spread the risk for growers.

### Location

Orchards for the Project will be grown on two properties, "Tabbita Lane", near Goolgowi where GPL Walnut Project No. 1 is located, and "Leeton", near Leeton, with GPL reserving the right to determine whether or not the project land includes the land at Leeton. The majority of "Tabbita Lane" was planted in winter 2006, whilst the remainder of that property and the area at "Leeton" were established in the months of May and June in 2007.

"Tabbita Lane" is bounded by Tabbita Lane to the south, Ilkadoon Road to the west, Garrong Road to the north, and an adjoining property to the east. It is located about 45km NW of Griffith NSW, on the Wah Wah channel on the western end of the Murrumbidgee Irrigation Area (MIA).

"Leeton" is bounded by the main Murrumbidgee delivery channel, Colinroobie Road and an adjoining property to the east. It is approximately 9 km from Leeton.

Both properties are situated within the MIA. The MIA is a major irrigation district in Australia with large areas of horticultural crops (citrus, winegrapes, stone fruit, olives and vegetables), irrigated row crops and pastures. The MIA sources water from the Snowy Mountains via the Murrumbidgee and Tumut Rivers, and with its extensive channels and large storage dams, is regarded as an extremely reliable irrigation scheme.

The benefits of being in an established horticultural area are that the needs of tree crops are understood by the water supply authorities, and there are suppliers of production inputs and services available locally.

The total area of the Leeton property is approximately 915ha but it is not all suitable for horticultural development because of soil types, native vegetation, service areas, roads, dams, irrigation channels, sheds, office, etc.

## Soil Investigations

### Tabbita

The soils on the Tabbita property are well understood from the soil surveys conducted between 2004 and 2005 by JR's Soil Management Services.

The land for the walnut orchard was surveyed in February 2004 (Stage I), April 2005 (Stage II), and September 2005 (Stage III). The approximate areas in each stage are 160, 40 and 520 hectares respectively. A total of 720 soil pits were dug on a 100m x 100m grid.

The soils found were predominantly reddish, non-swelling, sub-plastic soils that are suitable for horticulture with Stage I/II having 95% of the area, and stage III 90% of the area of this soil type.

This group of non-swelling sub-plastic soils vary in depth and subsoil characteristics, but are essentially massive, sandy/loamy in texture, and porous with free carbonates in the lower part of the profile. The subsoil is highly permeable and friable when moist.

The treatments recommended were fertilisation, surface cultivation, shallow ripping in the better soil types and deeper ripping in the shallow soil types, mounding and inter-row cover cropping.

The recommendations of the soil surveyor have generally been taken into account as much as is practically possible in the preparation of the block layout, irrigation system, and soil preparation prior to planting.

### Leeton

The total property area is approximately 915 hectares. A preliminary soil survey was conducted by JR's Soil Management Services in May 2006 when 18 soil pits were dug. The soils found were red-brown earths, calcic brown soils and laterites. Red-brown earths are suitable for walnut production without significant soil improvement prior to planting. The calcic brown soils are more uniform, better drained and aerated than some red-brown earths. However, these soils contain carbonates that may induce lime chlorosis leading to minor element deficiencies. Despite the lack of experience growing walnuts on these soils they are considered suitable for walnut production.

Laterites are different from the two above soil types with a highly permeable surface soil and clay subsoil with restricted drainage. Ironstone gravel is often found above the clay layer. Amelioration will be necessary for this soil type.

A more detailed soil survey was conducted by Yandilla Park in January 2007 to determine accurately the boundaries between the above soil types to allow an amelioration program to be planned and to design an orchard and irrigation layout to match the different soil types.

A total of 803 soil pits were dug across the property on a 100x100m grid. Most of the area surveyed was considered by the soil surveyor to have high production potential for walnuts but some areas require soil amelioration treatments of gypsum and lime application, spreading of organic matter and ripping along the rows. Similar soil treatments have been applied successfully on the “Tabbita Lane” development.

## Climate

Climatic data for the Griffith district is relevant to both project sites. Data is presented in Table 1 below for weather stations at CSIRO Griffith, and Leeton Caravan Park.

**Table 1: Climatic averages for Griffith CSIRO and Leeton Caravan Park**

Station: 075028 GRIFFITH CSIRO Commenced: 1914; Last record: 1989

Element	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	No. of years
Mean daily max temp °C	32	31.3	28.1	22.9	18	14.8	14	16.2	19.6	23.2	27	30.1	23.2	67.7
Days Max Temp $\rightarrow \geq 40.0$ °C	0.9	0.6	0	0	0	0	0	0	0	0	0.2	0.1	1.9	27.2
Days Max Temp $\rightarrow \geq 35.0$ °C	6.7	5.9	1.9	0	0	0	0	0	0	0.1	2.1	4.6	21.4	27.2
Days Max Temp $\rightarrow \geq 30.0$ °C	19	18.3	10.6	1.6	0	0	0	0	0.5	2.7	7.6	15	75.7	27.2
Highest daily Max Temp °C	43	43.9	39.5	35.7	29	22.1	26	29.5	34.9	37	41.7	41.7	43.9	27.3
Mean daily min- °C	16	16.4	13.6	9.4	6.4	4	2.9	4	6	9.1	11.9	14.7	9.6	67.7
Days Min Temp $\leftarrow \leq 2.0$ °C	0	0	0	0.6	4.5	11.3	15	9.8	5.7	0.9	0	0	47.7	27.3
Days Min Temp $\leftarrow \leq 0.0$ °C	0	0	0	0.1	1.1	5.2	7.9	3.9	0.9	0	0	0	19.1	27.3
Lowest daily Min Temp °C	7.2	6.1	3.2	-0.5	-1.9	-3.9	-5.4	-4.3	-3.3	0.6	2.8	4.8	-5.4	27.3
Mean monthly rainfall - mm	30	27.8	34.4	33	38	37.2	33	40.4	32.5	41.3	28.5	30.7	406.3	73.8
Median monthly rainfall - mm	17	19	19.2	22.1	29	32	31	39.3	28.5	33.7	21.2	28.8	391.4	70
9th decile of monthly rainfall - mm	69	79.8	91.5	72.2	88	67.9	62	66.1	56.3	89.7	62.9	60.3	586.8	70
1st decile of monthly rainfall - mm	2.1	0	0	4.9	4.9	7.1	7	11.8	8.7	4.6	2.2	1.2	241.5	70
Mean no. of raindays	4	3.6	4.4	5.7	7.9	9.8	11	10.2	7.5	6.9	5	4.7	80.7	73.8
Highest monthly rainfall - mm	222	148	178	184	119	136	85	114	102	117	126	125		73.8
Lowest monthly rainfall - mm	0	0	0	0	0	0	0.8	3.2	2.2	0	0	0		73.8
Highest recorded daily rainfall - mm	77	66.3	130	81.3	47	77	29	44.5	42.2	67.8	50.8	48.8	129.5	73.8
Evaporation - mm	8.7	8.3	6	3.7	2.1	1.4	1.6	2.4	3.6	5.3	7.3	8.9	5	23.4

Station: 074062 LEETON CARAVAN PARK

Commenced: 1913; Last record: 2004

Element	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	No. of years
Mean daily max temp - °C	31.9	31.2	28.2	22.9	18.1	14.7	13.9	15.8	19.3	23	27	30.2	23	61.5
Days Max Temp $\rightarrow$ = 40.0 °C	1.1	0.3	0	0	0	0	0	0	0	0	0.3	0.3	2	17.6
Days Max Temp $\rightarrow$ = 35.0 °C	8	5.2	1.2	0	0	0	0	0	0	0.2	2.3	5	21.8	17.6
Days Max Temp $\rightarrow$ = 30.0 °C	20.8	17.8	11.9	1.5	0	0	0	0	0.3	2.4	8.7	14.8	78	17.6
Highest daily Max Temp - °C	44.3	43.9	38.3	32.4	27.2	28.3	25.2	25	33.5	36	41.4	42.2	44.3	17.6
Mean daily min - °C	17.3	17.2	14.6	10.4	7	4.6	3.7	4.6	6.6	9.7	12.7	15.6	10.3	60.9
Days Min Temp $\leftarrow$ = 2.0 °C	0	0	0	0.1	3.2	8.9	10.5	7.8	3.8	0.6	0	0	34.9	17.1
Days Min Temp $\leftarrow$ = 0.0 °C	0	0	0	0	0.6	3.7	5.2	2.5	0.6	0	0	0	12.5	17.1
Lowest daily Min Temp - °C	8.4	7.8	3.9	1.7	-1.2	-3.9	-3.9	-3.2	-2.7	0.6	4	6.1	-3.9	17.1
Mean monthly rainfall - mm	32	30.6	33.5	35	39.5	39.5	37.3	40.7	37.3	44.5	30.7	30.8	431.3	89.3
Median monthly rainfall - mm	18.8	20	20.4	24.6	31.4	37.3	36.9	40	32.8	34.4	24.3	22.1	441.4	87
9th decile of monthly rainfall - mm	75	84.3	82.3	71.2	92.1	69.6	69.3	73.2	72.7	96.7	62	74.3	620.9	87
1st decile of monthly rainfall - mm	1	0	0	4.5	9	9.1	9	9.1	10.4	10.5	2.7	1.9	260.4	87
Mean no. of raindays	4	3.7	4.1	5.2	7.4	8.6	9.6	9.7	7.7	7.4	4.9	4.7	77	87.6
Highest monthly rainfall - mm	153.6	144.1	176	166.2	143.6	135.3	95.6	99.6	109	119.4	148.5	104.8		89.3
Lowest monthly rainfall - mm	0	0	0	0	0	1.4	1	2	2.4	0	0	0		89.3
Highest recorded daily rainfall - mm	64.3	87	66.8	64.5	63.4	63.5	44.4	51.6	41.2	52.3	60.7	60.4	87	89.1
Evaporation (N/A)														

The climatic data for the two stations is similar with mean annual rainfall (406 to 431mm), rain days in spring (19.4 to 20), days over 40°C (2 and 2), frosts  $\leftarrow$  2°C (35 to 48), and frosts in spring (4.4 to 6.6).

Frosts in winter months are relatively common, but as walnut trees are dormant, no damage occurs. Frosts in spring are fewer. Damage to horticultural crops, including walnuts, can occur if frosts are experienced during the growing season. Based on the records (Table 1) it appears the likelihood of spring frosts is very low although damage could occur. The height of cropping walnut trees (warmer further above the ground) and the low incidence of severe frosts ( $\leftarrow$  0°C) in September, October and November indicates that serious frost damage is a low risk.

Walnuts and other crops have a chilling requirement in winter for flower and leaf buds to develop normally in spring. Walnuts are reported to require 800 hours of chilling below 7°C for normal development and cropping. Although limited local records on chilling are available for the district, stone fruit (peaches, plums, etc) varieties that have a similar chilling requirement to walnuts have been successfully grown in the district for decades and this would suggest it would be adequate. In addition, Webster advised that bud burst on the Motspur Park orchard they also manage has been very even over the past three seasons which is a clear indication of the trees having received sufficient chilling hours.

Extreme weather conditions like storms, hail, wind, high and low temperatures are occasionally experienced in most horticultural regions, including the MIA, but production losses occur infrequently and are accepted as part of farming.

## WATER

### Water Availability and Supply

The current water shortages in the Murray Darling Basin have resulted in water restrictions being imposed on all water licences. The current restrictions in the Murrumbidgee Irrigation Area are;

- High Security licences - 80% allocation (at 2 November 2007).
- Options Water (MI) - 80% allocation.
- General Security licences - 0% allocation.
- Carry over water from 2006/07 - 100% allocation.

The forward projections of anticipated future allocations provided by MI and the NSW Department of Water and Energy are:

- A very high likelihood of 95% allocation of High Security licences by early February,
- A reasonably high chance of reaching 10% allocation of General Security licences by early February, and
- Under the arrangements between Gunns and MI for the supply of Options Water, a very high likelihood of 100% allocation by early November.

Based on the above information on the current licences and water stored in dams on the Tabbita and Leeton properties, the current and projected water availability is presented in Table 2.

Based on the predicted availability of water allocations in early November, less the expected dam evaporation, the water available for the Tabbita and Leeton orchards of GPL in 2007/08 will be 2,384ML.

**Table 2 : Review of current water availability, likely availability in early November and for the 2007/08 season for the Tabbita and Leeton properties**

Current Water Availability (13 November 2007)				High Probability of Availability by 1st February <sup>1</sup>	
Source	Entitlements and Dam Water (ML)	Current Allocation (%)	Available Water (ML)	Predicted Allocation by 1st February (%)	Predicted Availability by 1st February (ML)
<b>Tabbita</b>					
Options Water	963	80%	770	100%	963
High Security Licence	50	80%	40	95%	47.5
Carryover	286	100%	286	100%	286
General Security Licence	460	0%	0	10%	46
Water in 800ML Dam in Late August	195	100%	195	100%	195
Current Total for Tabbita			1,291ML	Predicted Total on 1st February	1,537.5ML
				Less Expected Dam Evaporation <sup>3</sup>	(230ML)
				Predicted Water Available in 2007/08	1,307.5ML



Leeton					
Options Water	500	80%	400	100%	500
High Security Licences <sup>2</sup>	80	80%	64	95%	76
Carryover	108	100%	108	100%	108
Temporary Transfer <sup>4</sup>	75	100%	75	100%	75
General Security Licences <sup>2</sup>	2085	0%	0	10%	209
Water in 400ML Dam in Late August	300	100%	300	100%	300
Current Total for Leeton			947ML	Predicted Total on 1st February	1,268ML
				Less Expected Dam Evaporation <sup>3</sup>	(192ML)
				Predicted Water Available in 2007/08	1,076ML
BOTH PROPERTIES			Predicted Amount of Available Water in 2007/08		2,384ML

1. Based on approximate probabilities in the NSW Department of Water and Energy's bulletin, "Critical Water Planning for the Murrumbidgee Valley", Issue 7, 15 October 2007. There is an indication of a 95% chance of reaching 95% allocation of High Security entitlements by 1st February 2008, and about a 80% chance of reaching 10% allocation of General Security entitlements by 1st February.
2. The Licence Entitlement amounts for High Security (HS) and General Security (GS) water at Leeton are made up of existing licences.
3. Dam evaporation figures were supplied by L. F. Titmus in a memo dated 30 August 2007, "Water needs for Walnut Orchards in the Riverina".
4. 75ML of temporary transfer water was purchased in June 2007 (at 100% allocation).

The mature water requirement for walnuts in the Griffith area is estimated to be 12 to 13.5ML of water per hectare, although few walnuts are grown in the area to verify this amount.

Webster, the managers of the orchards, have advised that the 2006 plantings used 1.5ML/ha in 2006/07, their first growing season. Based on these "actual" water use figures the estimated water requirement in 2007/08 will be reduced and will match with the estimated availability of water.

Water use for trees in the second growing season is estimated by Webster to be 2.2ML/ha, based on "actual" water use figures from the adjacent Motspur Park orchard.

The water requirement of trees for the years between planting and maturity is estimated as follows:

**Table 3 : Estimate of water requirement of trees with age**

Years	Water Requirement [% of mature trees]	Estimated Water Requirement ML/ha <sup>1</sup>	Actual Water Use ML/ha <sup>2</sup>
Year 1	20%	2.6	1.5
Year 2	27%	3.5	2.2
Year 3	40%	5.2	3.1
Year 4	45%	5.9	
Year 5	60%	7.8	
Year 6	73%	9.5	
Year 7	82%	10.7	
Year 8	90%	11.7	
Year 9	100%	13.0	

1. Based on mature tree water use of 13ML/ha.

2. Based on water use data provided by Webster

Using the actual water use and the projected water availability for 2007/08, the positions for Tabbita and Leeton are as follows:

**Table 4 : Estimated tree water use compared to projected water availability in 2007/08**

Area	ha	Water Requirement & Availability (ML)
<b>Tabbita</b>		
2nd year trees	535	1,177 (@ 2.2ML/ha)
1st year trees	80	120 (@ 1.5ML/ha)
Total Requirement in 2007/08		1,297
Estimated Available Water in 2007/08		1,307.5
<b>Leeton</b>		
1st year trees	735	1,102.5 (@ 1.5ML/ha)
Total Requirement in 2007/08		1,102.5
Estimated Available Water in 2007/08		1,076
<b>Both Properties</b>		
Total Water Requirement in 2007/08		2,400ML
Total Estimated Available Water in 2007/08		2,384ML

1. Note that these areas relate to all plantings of this and other Gunns Projects on the Tabbita and Leeton properties.

The above assessment of the available water reserves and the estimated use by the trees in 2007/08 indicates that adequate water is available for the Tabbita and Leeton orchards under the predicted allocation and water use scenarios. GPL advise that they are actively seeking 700ML of water on the market to ensure that at the end of the irrigation season this amount of water can be held in the dams at Tabbita and Leeton for winter/early spring 2008.

## Water Quality

### Tabbita

Water supplied to the project by MI is drawn from the Murrumbidgee River, delivered through a series of irrigation channels, stored in Barren Box Swamp, and released for delivery to the project via the Wah Wah channel system.

Near Barren Box Swamp, recording stations over almost 40 years have shown salinity minima varying from 100 to 500 EC units, and maxima varying from 200 to 3,000 EC units. The high salinity readings have generally been recorded in periods of low water level in late winter when the pumps are not operating and evaporation and seepage have caused the seasonal increase in salinity. MI has advised that recent site work on Barren Box Swamp where the storage was increased by the construction of cells within the swamp. This will reduce the surface area of the storage and thus reduce evaporation losses and salinity. This, plus better management, will ensure good quality water is available for the orchard.

The water quality available to the walnut project is expected to be between 300 and 600 EC units and therefore of good quality for the proposed use.

### Leeton

Water supplied to the Leeton property is drawn from the Murrumbidgee River and delivered along the main channel that adjoins the property.

Salinity at the Murrumbidgee recording stations has varied from minima of 13 to 110 EC units and maxima of 96 to 462 EC units over the last 12 years. This water is of very good quality for walnut production.

## ORCHARD DESIGN AND LAYOUT

### Irrigation Design and Infrastructure

Irrigation design and block layout for the Tabbita orchard has been prepared by Plastro Asia Pacific in conjunction with Webster Limited. The orchard layout has 99 separate blocks ranging in size from 2.89ha to 7.86ha. The specifications for the irrigation system are:

- Water relifted from dam;
- Water is filtered;
- Drippers, 1.75 L/hr, 0.55mm spacing, 3 lines per row, 1.2mm per hour application rate;
- Peak water application capability 14.4mm per day.

The irrigation design took into account the critical soil characteristics identified in the soil survey and matched these with practical irrigation considerations to come up with the final layout.

The specifications for the Leeton irrigation system are similar to those for Tabbita.

### Planting Density

The orchard will be planted with rows 8m apart and trees 4m apart within the row, a density of 313 trees per hectare. Row orientation is north-south, which suits the shape of the two properties and optimum light penetration to the orchard tree canopy.

This density is considered high and the trees along the row will eventually grow into each other as a "hedge-row". These higher density plantings produce earlier and higher yields than open spaced plantings. The additional establishment costs are more than compensated for by these higher and earlier yields.

## ORCHARD DEVELOPMENT PLAN AND HORTICULTURAL PRACTICES

### Orchard Development

An orchard development/establishment plan has been provided by Webster outlining the development tasks that needed to be carried out and the timing of the completion and reporting of these tasks.

For the one year old trees at Tabbita Lane, the cycle commenced with the soil survey scheduled for October/November 2005 (completed), soil preparation, irrigation design (completed), dam design, irrigation tender let, irrigation installation, preparation for planting, and planting in winter/spring 2006.

The development was planned thoroughly and sensibly scheduled over the 12 month period from spring 2005 to winter 2006. There has been excellent survival (→99%) and the trees have grown very well this season.

The new plantings at Tabbita and Leeton in 2007 followed a similar development/establishment plan to that successfully used in 2006.

### Orchard Management Plan

An annual Orchard Management Plan prepared and used by Webster shows the orchard activities, the timing of these, and indicates who is responsible for ensuring that the work is done.

The activities include soil preparation and mounding, weedciding, replanting or re-budding any missing trees, irrigation, pruning, de-suckering, fertigation, tissue sampling, monthly reporting, etc.

The work program is detailed enough to show that the whole farm plan has been well thought out and is flexible so that unforeseen events can be coped with.

Both the development and management plans are evidence of a manager with experience in walnut development.

## CAPABILITY OF ORCHARD MANAGEMENT TEAM

The Webster management team responsible for the walnut development is:

- Leigh Titmus is the General Manager for Webster Walnuts and as such is responsible for all of Webster's walnut developments in Tasmania and NSW. He has over 16 years of involvement with the walnut industry and has established over 2,200 ha of walnuts. Leigh is also involved in walnut industry committees and is past President of the Australian Walnut Industry Association (AWIA). Leigh represents the AWIA on the Board of the Australian Nut Industry Council, the peak body for all tree nut producers in Australia.
- Brendan Bond is the Nursery Manager for Webster, a position that is crucial to large scale orchard development because there are no other professionally run walnut nurseries of this size in Australia. The Webster nursery in Forth, Tasmania produced over 130,000 grafted trees in 2005 and 2006. The Tabbita nursery produces the balance of the trees required using budding techniques. Brendan has visited walnut nurseries in China, Europe and the USA and has developed guidelines for producing quality nursery plants. He is also responsible for the walnut tree propagation and maintenance at both the Forth and Tabbita nurseries and has a wealth of knowledge in walnut tree physiology and management.
- Derek Goullet is the Orchard Manager for Webster at Tabbita and is responsible for all the day-to-day operations in the orchard. He will manage contractors and the permanent labour in the orchard. He is an agricultural graduate of the University of Melbourne and has a number of "on the job" certificates in irrigation, chemicals, etc. Derek is experienced in the technical and management aspects of horticulture having held positions in the Murray Valley as agronomist, technical officer and orchard manager.
- Allan Payne is the Orchard Manager at Leeton. He has a broad range of skills from completion of a diesel mechanic apprenticeship to a Diploma of Horticulture. Allan has worked previously in roles with large corporate farms in Sunraysia, Victoria developing and managing citrus, grapes and avocados.
- Technical and Development Manager. Webster is currently advertising in California for an experienced person to provide in-house technical support to their walnut projects. The walnut developments will benefit greatly from this appointment.

This management team has the knowledge, industry experience, and practical understanding to manage a project of this size and complexity.

## VARIETIAL SELECTION

### Variety Mix

The varieties selected for planting are Howard, Chandler, Vina, Ashley, Serr, Tulare and Lara.

The harvest period varies for these varieties based on their nut maturity as follows:

- Serr (early);
- Ashley (early);
- Vina (mid);
- Howard (mid to late);
- Tulare (mid to late);
- Lara (late); and
- Chandler (late).

Early varieties will be harvested in late March or early April and the late varieties will be harvested in late April or early May.

This spread of maturity is designed to allow harvest to follow from one variety to another as the season progresses to ensure that the nuts are picked at optimum maturity, and that harvesting equipment is used efficiently over a long harvest period.

These varieties are appropriate for this project based on extensive Californian and some Australian experience. The varieties are high yielding (with Tulare being the highest yielding variety and Serr the lowest) and produce nuts of good size and colour, which are essential quality parameters. The chosen varieties have a lateral bearing habit to a varying degree, ensuring higher than average yields.

### Pollination

Walnut trees have both male and female flowers. Most of the varieties overlap at flowering time when male flowers provide pollen to fertilise the female flowers. However Chandler, Howard, Vina, and Lara varieties do not overlap completely, so 5% of an appropriate pollination variety for each main variety will be interplanted to optimise walnut production. It is worth noting that walnut trees are wind pollinated and therefore do not require bees for pollination.

### Rootstocks

Northern Californian Black Walnut (*Juglans hindsii*) and its hybrid, Paradox will be used as seedling rootstocks. The black walnut seed is sourced from a walnut orchard near Loxton, South Australia, while the Paradox seed is imported from California.

Webster matches scion varieties to either of these rootstock based first on the vigour of the scion (Paradox imparts vigour to trees) and the availability of rootstock seed.

## NURSERY AND PLANTING MATERIAL

### Source of Nursery Trees

The main Webster nursery is located at Forth in northern Tasmania where the black walnut seedlings are grown, lifted, bench grafted to the scion varieties, callused in heat chambers and planted out in nursery rows to grow for another year before lifting and planting in the orchard. The nursery process takes 2 years.

I have seen the nursery at Forth, Tasmania and it is a professional operation.

A field nursery has also been established at Tabbita where bench grafted trees from Tasmania are planted for the second growth cycle. Budded trees are also produced in the Tabbita nursery. This nursery will be expanded to meet the demand from the new development.

### Planting

In early winter the nursery trees are cut back, lifted from the nursery using an under-cutter, treated with an inoculant to protect the trees against the disease crown gall, and planted in the orchard.

## YIELDS AND TIMING

### Mature Tree Yields

The mature tree annual yield, averaged across all varieties, is 5.61 tonne of nut in shell per hectare.

### Yield Profile after Planting

The following yield profile for the Project is proposed, based on extensive experience in California and less experience in Australia.



Table 5: Yield profile for walnut trees after planting (a)

Growing season (b)	1	2	3	4	5	6	7	8 onwards
Tonnes/ha	0	0	0	0.56	1.12	1.68	3.14	5.61
% of mature yield	0%	0%	0%	10%	20%	30%	58%	100%

(a) Note that the grower lots are made up of trees from two different planting years, 2006 and 2007.

(b) Growing season refers to the period from leafing out in spring to leaf fall in late autumn.

Steve Sibbett (Pomology Farm Advisor (Emeritus), University of California), proposed this yield profile and it has been used in the financial budgets. The mature yield and yield for growing seasons after planting were sourced from Californian publications of the University of California, Cooperative Extension. Little similar data is available in Australia for “modern” walnut orchards but a RIRDC report has presented yields close to these projections.

The mature yield and yield profile are considered reasonable and achievable with good management and seasonal conditions.

## ENVIRONMENTAL ISSUES

### Native Vegetation

A Property Vegetation Plan prepared by the Murrumbidgee Catchment Management Authority (MCMA) has recommended the following conditions for the “Leeton” property;

- Removal of 91 scattered trees in various areas.
- Soil and ground cover management in various areas. This would be incorporated in the mid row management of the orchard, with or without this imposed condition.
- Offsets for the authorised removal of trees:
  - Grazing controls to protect native groundcover;
  - Plant 3,031 trees and shrubs and limit grazing;
  - Retain dead timber in wooded areas, manage exotic weeds and retain regrowth; and
  - Plant 1,400 trees and shrubs to regenerate a fully planted ecosystem.

These conditions are reasonable and the landowner (Gunns Limited) has agreed to them.

This commitment by the project is indicative of the desire of GPL and Webster to meet their environmental responsibilities as well as commercial responsibilities to investors in the Project.

At “Tabbita Lane”, as part of the MCMA vegetation management plan for that property, extensive native tree plantings have already been successfully established.

### Soil and Water Issues

Unlike the water authorities in the lower reaches of the Murray Darling Basin, there is no requirement of the Project to prepare and receive approval for an Irrigation and Drainage Management Plan before development can commence. It is also not necessary to install test wells to monitor water table movements over time.

The reason that these investigations and installations are not required is probably because the property is located away from the Murrumbidgee River.

## PROJECT RISKS AND APPROPRIATENESS OF SAFEGUARDS

Investors in agricultural and horticultural enterprises should be aware that there are risks that can affect the success of developments such as this Project, which are different from those encountered in many other industries.

GPL and Webster have recognised these risks and have taken steps to minimise them as much as possible. The risks identified by Scholefield Robinson and the way Webster has addressed them are as follows:

### Soils

#### Are the soils suitable for growing walnuts?

A detailed soil survey of the property has confirmed that the soils are suitable for walnuts or suitable for walnuts provided that appropriate amelioration is carried out. Unsuitable soils have been excluded from the orchard. Webster has confirmed that they will generally follow the soil surveyor's recommendations.

### Irrigation

#### Are sufficient water resources available for the orchard?

In addition to the water licences already held on the property, [see Table 2] MI has offered to sell "Options" water to the orchard up to 2010/11. This offer from MI is able to be extended beyond 2010/11. Additional water will be needed as the trees mature beyond 2011 and GPL have advised that they will purchase permanent or annual water licences to satisfy the needs of the orchard.

The supply channel into Tabbita Lane has recently been enlarged by MI to deliver the daily volume of water required at the peak demand of the orchard. The supply channel into the Leeton property is more than adequate for that development.

Large dams are incorporated in the internal irrigation design on both properties to hold water for the trees if the channel system is unable to deliver for several days.

The drought and water restrictions imposed in the Murray Darling Basin have reduced the water available to growers for irrigation. The Tabbita and Leeton properties currently have allocated water and dam water resources of 1,089ML and 831ML respectively available, with the estimated allocation by early November increasing this to 1,308ML and 1,076ML respectively, including evaporation losses from the dams.

The estimated November allocations will just be sufficient for the estimated water requirement of the orchards in the difficult 2007/08 season. Extra water will be needed to top up the dams at the end of the season and GPL advise that they are actively seeking 700ML of water on the market for this purpose.

The arrangements in place with MI for the supply of "options" water up to 2010/11, and the water licence purchases made or proposed by GPL should ensure sufficient water resources for the project into the future in the absence of further, or more severe water restrictions.

### Drainage and Salinity

#### Are there any drainage or salinity issues that will adversely affect the Project?

The soil survey has not identified any major risks of the Project being affected by water table development in the foreseeable future. Good irrigation practices will be followed to match the water application to the needs of trees.

The salinity of water from the MI system is low and suitable for walnuts, but the salinity levels in the storage in Barren Box Swamp will need to be monitored in the current drought conditions. Recent improvements in the storage there should reduce the salinity risk.

## Climate

### Is the climate of the Griffith district and the sites suitable for walnuts?

The weather records and local experience for Griffith for temperature, rainfall, wind, and other factors are not outside of the conditions required for walnut production. The key requirement of walnuts for 800 hours of chilling per year is satisfied at Griffith.

The weather is suitable for walnut production, but as for all agricultural crops, adverse weather conditions can occur from time to time. Frost and spring winds are considered to be the main risks.

## Pests and Diseases

### Are pests and diseases likely to be a problem?

There are some pests and diseases that affect walnuts but the conditions, particularly the low rainfall, at Griffith are less likely to increase the risk of damage beyond that normally expected. Webster is well aware of the pest and disease issues they are likely to face and have programs to minimise the effects of them. Australia does not have some of the damaging pests and diseases that other regions of the world have to contend with and this provides Australian producers with a distinct advantage.

## Yields

### Are the average yields expected for this Project comparable with industry standards?

The maximum yield used for the project is 5.61 tonnes per hectare (in shell) achieved in the 8th growing season after planting. These yields are based on reliable Californian production figures, but limited Australian data is available as the walnut industry here is still small.

These yields should be achievable with good management practices and favourable seasonal conditions.

The project has budgeted on the first harvest in the 4th growing season after planting which is regarded as achievable and in-line with industry expectation for modern orchards.

## Varieties

### Will the planted varieties be superseded by better varieties?

New varieties of horticultural crops are always becoming available. The varieties proposed for the orchard are well established internationally and were recommended by the Californian consultant to the project. The long-term nature of perennial horticulture requires the best varietal selection to be made at planting but if better varieties become available in the future, decisions can be made on whether to change. All the project manager can do is plant varieties that reflect the best industry practice at the time.

## Scale of Development

### Is the scale of this development within the capacity of the management team?

The scale of this orchard development together with the other developments managed by Webster is very large by Australian standards. Webster has the knowledge, experience and resources to develop and manage a project of this size.

## SUMMARY

The Project offers a mix of one year old, 2006 planting (448 ha) and new, 2007 planting (815ha) walnut trees planted on two orchards in the MIA located at Tabbita and Leeton. Growers will receive a proportion of older (35%) and younger trees (65%).

Based on overseas experience, the climate in the MIA is suitable for growing walnuts although no large, commercial bearing walnut orchards are present in the region. There is however a 250ha, three year old walnut orchard on an area adjacent to the Tabbita Lane development and the 535ha planted by GPL in 2006. The growth of these orchards is very comparable with trees of a similar age in California. Soil surveys have shown that the properties have soils that are suitable for walnuts, or can be amended with the addition of suitable soil treatments.

Irrigation water will be delivered to both properties by Murrumbidgee Irrigation Ltd, which sources water from the Murrumbidgee River and distributes it throughout the MIA in a series of open channels. Water will be provided from existing licences for the properties, from Options water available from MI up to 2010/11 with extension beyond that date, and from purchases of permanent or annual water licences by GPL for the orchard. The drought and water restrictions imposed in the Murray Darling Basin have reduced the water available to growers for irrigation. The Tabbita and Leeton properties currently have 1,291ML and 947ML respectively available with estimated allocation by early November increasing this to 1,308ML and 1,076ML respectively, including an allowance for evaporation losses from the dams.

The estimated November allocations will just be sufficient for the estimated water requirement of the orchards in the difficult 2007/08 season. Extra water will be needed to top up the dams at the end of the season and GPL advise that they are actively seeking 700ML of water on the market for this purpose.

Water is pumped into an 800ML dam on the Tabbita Lane property and a 400ML dam on the Leeton property and relifted for irrigation of the trees. Water quality is good and suitable for walnuts. The trees will be irrigated using a sub-surface drip irrigation system.

Trees are planted in rows 8m apart with trees 4m apart within the row. A range of varieties are included in the orchard to allow for a staging of harvest based on maturity times, to optimise pollination, and to provide for optimum marketing of the walnuts.

All trees in the Project are now planted and the spring growth cycle has commenced well.

Trees are scheduled to commence cropping in the 4th growing season after planting and reach mature cropping level from the 8th growing season onwards, with a yield of 5.61 tonne per hectare.

The Project will be exposed to the normal risks associated with orchard developments. These are often associated with seasonal intangibles. Webster and GPL are aware of these risks and have planned to minimise them by the use of good horticultural practice.

## DISCLAIMER

1. Scholefield Robinson Horticultural Services Pty Ltd (Scholefield Robinson) is not operating under an Australian financial services licence in providing this report.

Professional services for the preparation of this report plus any out of pocket expenses is all the remuneration (including commission) or other benefits that any "relevant person" is to receive that might reasonably be expected to be or have been capable of influencing Scholefield Robinson in providing this report.

In this context, a relevant person is: (i) Scholefield Robinson; (ii) a related body corporate of Scholefield Robinson; (iii) a director or employee of Scholefield Robinson (iv) an associate of any of the above.

Otherwise, there are:

- no other interests, whether pecuniary or not and whether direct or indirect, of Scholefield Robinson or of any associate of Scholefield Robinson;
- no other associations or relationships between Scholefield Robinson (or any associate of Scholefield Robinson) and GPL;

that might reasonably be expected to be or have been capable of influencing Scholefield Robinson in providing this report.

Scholefield Robinson may undertake future consultancy work for the Project of a technical horticultural nature, on a fee for service basis.

2. In preparing this report, Scholefield Robinson has assumed that:

- 2.1 The information given to us by GPL, Webster, their staff, and third parties is complete and accurate; and
- 2.2 GPL will carry out good management practices in relation to the orchard.

3. Scholefield Robinson has prepared this report to form part of a Product Disclosure Statement (PDS). It has done no other work and given no other advice in relation to the PDS and therefore makes no representation as to, and disclaims all liability for, the completeness or accuracy of the information contained in any part of the PDS other than this report.

4. Scholefield Robinson does not, by preparing this report for the PDS, endorse or recommend participation in the Project and can give no assurances or guarantee as to its success or performance (financial or otherwise).

Scholefield Robinson  
Horticultural Services Pty Ltd



Pb Scholefield  
Principal Consultant/Director

# Taxation Adviser's Report

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PO Box 572  
Launceston TAS 7250

29 October, 2007

Dear Sirs

## Gunns Plantations Walnut Project No. 2 – Late Growers

### Tax Opinion

As you are aware, the Australian Taxation Office (ATO) has issued Product Ruling PR 2007/89 in connection with the Gunns Plantations Walnut Project No.2 – Late Growers (the Project), which is applicable for Growers who enter into the Project after 24 October 2007 and on or before 13 June 2008

Unless otherwise indicated, references in this opinion to 'Growers' are references to 'Late Growers'.

On the basis that a Product Ruling has been issued, we have not been asked to provide a detailed opinion as to the taxation outcomes of participation in the Project. Our comments below provide further guidance as to the application that the Product Ruling will have in particular circumstances and to Goods and Services Tax matters.

Growers in the Project should be aware that the levels and basis of taxation can change and that subsequent changes to taxation laws may supersede or take precedence over Product Rulings. Our advice is based on the current law as at the date of this letter and will not be updated to take account of subsequent changes. Potential Growers should take independent professional taxation advice, having regard to their particular circumstances, prior to making the investment.

In addition, KPMG's tax practice is not licensed to provide financial product advice under the Corporations Act and taxation is only one of the matters that must be considered when making a decision on a financial product. Potential Growers should consider taking advice from an Australian Financial Services license holder before making a decision on a financial product.

### 1. Scope of Product Ruling

In a Product Ruling, the Commissioner of Taxation sets out his opinion on the way in which the tax laws will apply to Growers who take part in the Project.

Importantly, a Product Ruling does not amount to a guarantee as to the commercial viability of the investment.

A Product Ruling is legally binding on the Commissioner insofar as, when determining the amount of tax payable as a result of the arrangement considered in the Product Ruling, the Commissioner must apply his views of the law as expressed in the Product Ruling. However:

- A Product Ruling is only binding on the Commissioner to the extent to which the Project is implemented as outlined in the Product Ruling;
- The Commissioner can withdraw a Product Ruling at any time. If such a withdrawal occurs then the Product Ruling will only apply to arrangements that began to be carried out before the withdrawal; and
- Product Rulings can only apply on a prospective basis, and a Product Ruling will only apply to Growers who enter into it after the date of its issue.

### 2. Classes of person to which the ruling applies

Growers are only permitted to rely upon the conclusions in a Product Ruling provided that:

- They fall within the class of persons identified in the Product Ruling as being persons to whom it applies; and
- They carry out the Project in a manner identical to the arrangement identified in the Product Ruling.

#### 2.1 Classes of persons

A Product Ruling generally outlines the classes of persons to whom it applies. Generally, a Product Ruling applies to taxpayers who invest for the purpose of staying in the arrangement until it is completed (that being they intend being a party to the relevant agreements until the term of these agreements expires) and who intend to derive assessable income from the sale of (in this case) the walnuts.

As outlined in Product Ruling PR 2007/89, it will not apply to entities who participate through offers made other than through



this Supplementary PDS, entities who fund their participation in the Project with loans from Gunns Finance Pty Ltd or Allco Managed Investments Limited on terms other than those described in the Product Ruling, or to Gunns Plantations Limited or its associates. In addition, the Product Ruling will only apply to Growers who pay their Application Fee on or before 13 June 2008, or who enter into terms or finance arrangements and where, if appropriate, written evidence of finance approval is provided to Gunns Plantations Ltd by 13 June 2008.

In addition, the Product Ruling will not apply to Growers who receive an allotment on the Leeton property if a lease over this property is not executed between Gunns Limited and Gunns Plantations Ltd prior to the grant of an Orchid Right over this property.

## 2.2 Arrangements

As indicated above, a Product Ruling will only apply to persons who enter into the Project in accordance with the arrangement as outlined in the Product Ruling. Growers who depart from these arrangements will not be afforded protection by the Product Ruling.

## 3. Tax treatment of payments under the Product Ruling

The Product Ruling confirms that investors will be entitled to a tax deduction for the full amount of the Application Fee in the year in which it is incurred, under either the general deduction provisions or, with respect to the component of the Application Fee that relates to vegetation management, under the specific section applicable to such payments.

With the exception of where interest is prepaid, Growers will also be entitled to a deduction for interest on loans with Allco Managed Investments Limited or Gunns Finance as this interest is incurred. Where interest is prepaid, a deduction for this interest falls outside the scope of the Product Ruling, and the timing of deductibility of any prepayment may be affected by the operation of the rules contained in sections 82KZME and 82KZMF of the Income Tax Assessment Act 1936 (the prepayment rules).

## 4. Tax treatment of other payments

The Product Ruling also confirms the ongoing deductibility of the Operating Fee and the Orchard Right Fee.

Whilst the Product Ruling does not consider the tax treatment of other fees that may be paid by Growers such as fees for insurance, in our opinion, for Growers to which the Product Ruling would otherwise apply, these fees will generally also be deductible when incurred subject to any deduction potentially being deferred where the fees are paid in advance and where the prepayment rules operate.

In addition, from the time of the first commercial harvest of walnuts, Growers will be able to claim a deduction on a straight line basis at the rate of 13% per annum for a portion of the capital cost of the establishment of the Trees. The deductible amount is yet to be quantified, but will be advised to Growers by GPL in due course.

Where Growers participate as Joint Venture Growers, they are entitled to claim applicable deductions, as set out in the Ruling, for the Project costs for which they are responsible. Any deduction for the capital cost of the trees will be apportioned between Joint Venture Growers in accordance with their interests in the Walnut Lot.

## 5. Goods and Services Tax (GST)

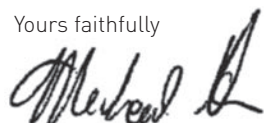
Growers will need to decide whether or not they will, or must, register for GST purposes. If Growers do register for GST, they will be entitled to an input tax credit for the GST included in the fees paid by them, subject to (amongst other things) Growers holding a valid tax invoice at the time that they lodge their Business Activity Statements (BAS) to claim this credit. In this instance, however, Growers will only be entitled to claim a tax deduction for the GST exclusive amount of any such fees.

Growers should take their own advice as to whether or not they should, or must, register for GST.

## 6. Assessability of proceeds

The Product Ruling also confirms that any proceeds from the Scheme applicable to the sale of Grower's walnuts will be assessable income to the Grower.

Yours faithfully



Michael T Hine  
Partner

## Section 18. Summary of Material Contracts – Page 66

- In the first column, the second paragraph is replaced with:

“Terms or expressions used in this section that are capitalised and are not defined elsewhere in the Original PDS or this Supplementary PDS have the meaning given to that term in the relevant contract.”

## Section 18.1. Constitution – Page 68

- Under the heading “Application Procedures”, in the second column, first paragraph, the first sentence is replaced with:

“Applications to enter into an Orchard Right Agreement and Management Agreement must be in the form attached to this Supplementary PDS issued by the Responsible Entity or in such other form as the Responsible Entity may require and be signed by or on behalf of the applicant.”

## Section 18.5. Fee Facility Deed – Page 79

- Under the heading “Repayment”, in the first column, the second sentence is replaced with:

“The term of the Fee Facility is 10 years from the Date of Commencement.”

## Section 19. Additional Information – Page 82

- Under the heading “19.6 Interests of GPL’s Directors”, in the first column, the first sentence is replaced with:

“For the financial year ending 30 June 2008 the Directors will each be paid fees totalling \$40,875 (including superannuation) plus out of pocket expenses.”

- Under the heading ‘19.7 Interests of Experts’, in the second column, the first sentence is replaced with:

“KPMG has prepared the Taxation Adviser’s Report included in this Supplementary PDS.”

- Under the heading ‘19.7 Interests of Experts’, in the second column, the final four paragraphs are replaced with:

“Furthermore, both KPMG and Shields Heritage

drafted various sections of the Original PDS and this Supplementary PDS including the summary of material contracts and additional information.

GPL has paid or has been invoiced approximately \$8,870 up to the date of this Supplementary PDS for these services by KPMG whilst GPL has paid or has been invoiced approximately \$10,477 up to the date of this PDS for these services by Shields Heritage.

Further amounts may be paid to KPMG and Shields Heritage on terms agreed with GPL.

Dr Peter Scholefield of Scholefield Robinson Pty Ltd has prepared the Independent Expert’s Reports in the Original PDS. The total amount paid to Dr Scholefield and Scholefield Robinson Pty Ltd for provision of these services up to the date of this Supplementary PDS is \$18,241 (including GST).

Dr David McKinna of McKinna et al Pty Ltd has prepared the Independent Market Reports in the Original PDS. The total amount paid to Dr McKinna and McKinna et al Pty Ltd for provision of these services up to the date of this Supplementary PDS is \$11,000 (including GST).

- Under the heading “19.8 Consents”, in the second column, the first paragraph is replaced with:

“Written consents to the inclusion of statements in the Original PDS and this Supplementary PDS attributed to a party other than GPL have been given and at the time of lodgement of this Supplementary PDS had not been withdrawn by the following parties:

## Section 19. Additional Information – Page 83

- Under the heading “19.9 Cooling off Period”, in the first column, first paragraph, the first sentence is replaced with:

“A person who makes an application under this Supplementary PDS has the right to withdraw their application and obtain a refund (less any amounts GPL is entitled to deduct by law) within a 14 day cooling off period.”

- Under the heading “19.9 Cooling off Period”, in the first column, the third paragraph is replaced with:

Gunns Plantations Limited  
Administration and Compliance Manager  
PO Box 588  
Launceston TAS 7250

## Section 20. Glossary – Page 84

- In the first column, the first sentence is replaced with:

“The following definitions apply throughout this Supplementary PDS unless the context otherwise requires:”

- In the first column, the definition of “Application Fee” is defined as follows:

“Application Fee means the upfront fee payable in respect of each Walnut Lot applied for under this Supplementary PDS;”

- In the first column, the definition of “Application and Power of Attorney Form” is defined as follows:

“Application and Power of Attorney Form means the Application and Power of Attorney forms attached to this Supplementary PDS;”

- In the first column, the definition of “Business Day” is defined as follows:

“Business Day means a day on which banks are open for business in Launceston, Tasmania and Sydney, New South Wales except a Saturday, Sunday or public holiday;”

- In the first column, the definition of “Deferred Amounts” is defined as follows:

“Deferred Amounts means the amount deferred under a Terms Arrangement as specified at Item C in the Payment Details Form;”

- In the first column, the definition of “Existing Orchard” is defined as follows:

“Existing Orchard means land upon which Establishment Works have been completed prior to 1 January 2007;”

- In the second column, the definition of “Investor” is defined as follows:

“Investor means the person applying for entry into the Project as a Grower under the Terms Arrangement;”

## Section 20. Glossary – Page 85

- In the first column, the definition of “New Orchard” is defined as follows:

“New Orchard means land upon which Establishment Works have not been completed prior to 1 January 2007;”

- In the first column, the definition of “Payment Details Form” is defined as follows:

“Payment Details Form means the payment details form attached to this Supplementary PDS;

- In the second column, the definition of “Project Document” is defined as follows:

“Project Document means the Constitution, the Management Agreement, Orchard Right Agreement and the Walnut Sale Agreement, and any document and agreement entered into or given under any of them;”

- In the second column, the definition of “Terms Arrangement” is defined as follows:

“Terms Arrangement means the agreement by GPL to defer payment by the Grower of the unpaid balance of the Application Fee in accordance with Section 21A of this Supplementary PDS;”

- In the second column, the definition of “Transaction Document” is defined as follows:

“Transaction Document means the Terms Arrangement and any document or agreement entered into or given under it;

# Instructions to Applicants

1. Applicants may apply to GPL for an interest in the Project being issued by GPL under this PDS by completing the Application and Power of Attorney Form.
2. Applicants should read the PDS in its entirety before completing the relevant Application and Power of Attorney Form.
3. Applicants should read the relevant Application and Power of Attorney Form carefully and ensure that all information requested has been provided.
4. The Application and Power of Attorney Form are part of the PDS and must not be circulated separately from the PDS.
5. The Application and Power of Attorney Form:
  - must be signed personally or by the applicant's authorised attorney; or
  - where the application is by a company, must be executed under common seal (if applicable) or in accordance with the requirements of the Corporations Act.
6. Acceptance of Applications for Walnut Lots is at the discretion of GPL.
7. Applicants may apply to fund their investment through Gunns Finance or Allco Managed Investments Ltd. Refer to separate finance documentation from Gunns Finance or Allco Managed Investments Ltd.
 

A once off loan establishment fee of \$150 is payable to Gunns Finance. A cheque payable to "Gunns Finance Pty Ltd" for this amount must accompany all loan applications. Alternatively a credit card facility is available. Please complete the "Credit Card Authority Form" which appears in the finance package.

Alternatively, applicants may apply to GPL to enter into a 12 month Terms Arrangement to pay the Application Fee. A 10% deposit is required and 11 equal monthly instalments are payable from the last business day of the month following the month of acceptance into the Project, plus applicable stamp duty. Please refer to section 21A of this Supplementary PDS or complete the separate "GPL Terms Arrangement Pack".
8. Applicants must be over 18 years of age.
9. When lodging the application form with GPL you must:
  - (a) complete it using a blue or black pen;
  - (b) write legibly;
  - (c) ensure your witness inserts their full name, residential address and occupation;
  - (d) return the original signed documents to GPL. Facsimiles or photocopies of signatures will NOT be accepted;
  - (e) initial any alteration, ensuring that the alteration is only made by crossing out the words to be changed and not by obscuring the words, for example by using correction fluid; and
  - (f) ensure the Application and Power of Attorney form (including payment details) is completed in full. GPL reserves the right to refuse any application where you have not followed the above steps when completing the application form and the power of attorney.
  - (g) Individual & Joint applicants complete application form (a), Joint Venture applicants complete application forms (b) & (c).
10. Cheques for Application Fees should be made payable to "Gunns Limited – Gunns Plantations Ltd Walnut Project No. 2 (Supplementary Release - 2007/08 Investors)", crossed "Not Negotiable" and sent together with the completed Application and Power of Attorney Form to:
 

Gunns Plantations Ltd  
PO Box 588  
Launceston, Tasmania 7250

## Correct Forms of Registrable Name

Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Manager. At least one full given name and surname is required for each natural person. The name of the beneficial or any other non-registrable name may be included by way of a fund or trust designation if completed exactly as described in the examples or correct forms of registrable names below.

## Type of Joint Ownership

Joint holdings can either be held as joint tenants or as tenants in common. With a joint tenancy, on the death of one joint holder, ownership of the Walnut Lot automatically passes to the surviving joint holder. With tenancy in common, each owner has a share in the Walnut Lot (which may be equal or unequal) and passes under that person's will.

If you hold your interest in a Walnut Lot jointly, please ensure you select the type of holding on the application form.

It should be noted that Joint Venture Growers hold their Walnut Lots as tenants in common and not as joint tenants.

If further information is required, investors should seek independent legal advice.

Type of Investor	Correct Form	Example
Individual	Use given names in full, not initials	Mr John David Citizen
Company	Use the company's full title, not abbreviations	John Citizen Pty Ltd, ACN: xxx xxx xxx
Joint Holdings	Use full and complete names	Mr John David Citizen & Miss Jane Mary Citizen
Partnership	Use partners' personal names	Mr John David Citizen & Miss Jane Mary Citizen
Superannuation Funds	Use the name of the trustee(s) of the fund	John Citizen Pty Ltd as trustee of [name of trust]
Trusts	Use the trustee(s) company name or personal name(s)	Mr John David Citizen as trustee for the [name of trust]

# Terms Arrangement

This 12 months interest free Terms Arrangement is **only available to individuals** applying to enter the Project as Growers to defer full payment of the Application Fee **for amounts up to \$300,000**.

By selecting the Terms Arrangement Option in the Payment Details Section, Grower's may defer full payment of the Application Fee by paying a 10% deposit followed by 11 equal monthly instalments of the deferred amount. In consideration of GPL agreeing to enter into a Terms Arrangement with a Grower, GPL takes security over the Orchard Right for the duration of the Terms Arrangement. Stamp duty is payable by the applicant and added to the deferred amount.

There is automatic approval for all parties who apply to enter into a Terms Arrangement, subject to a cap of \$300,000 per applicant and related parties and related applicants.

For any application from a party other than an individual or any application of greater than \$300,000 per applicant and related parties and related applicants, a separate Terms Arrangement package must be completed. This can be obtained from the GPL website: [www.gunns.com.au/plantations](http://www.gunns.com.au/plantations).

There is also a repayment table available online for the Terms Arrangement that provides the following details for differing numbers of Walnut Lots:

- the total application fee payable;
- the deposit required under the Terms Arrangement;
- the total stamp duty payable;
- the total deferred amount, including stamp duty; and
- the monthly repayment amounts.

## Conditions of the Terms Arrangement

By selecting to enter into the Terms Arrangement at item 2 of the Payment Details Form, applicants are making an application to enter into a Terms Arrangement with GPL on the following terms and conditions:

### 1. Release of Information

1.1 GPL may disclose the Investor's personal information to the following entities:

- (a) credit reporting agencies and credit providers;
- (b) to GPL's bank to process your payment instructions, if any;
- (c) to GPL's legal, auditing or other professional advisors; or
- (d) Gunns Limited as Custodian for the scheme.

1.2 GPL may obtain from a credit reporting agency a credit report containing personal information about the Investor and a credit report containing information about the Investor's commercial credit activities.

1.3 GPL may disclose to a credit reporting agency personal information about the Investor including information about the Investor's identity and (if applicable) that:

- (a) the Investor has applied for the Terms Arrangement and the amount applied for;
- (b) GPL are currently administering the account;
- (c) the Investor's repayments are overdue by more than 60 days, and GPL have started debt collection;
- (d) the Investor's repayments are no longer overdue;
- (e) the Investor has drawn a cheque for \$100 or more which has been dishonoured more than once;
- (f) in GPL's opinion, the Investor has committed a serious infringement of the Terms Arrangement; or
- (g) the Investor's account has been repaid or otherwise terminated.

1.4 GPL may exchange information about the Investor with any person who provides or has previously provided credit to the Investor and any credit provider named in a credit report GPL may obtain (now or in the future) from a credit reporting agency.

### 2. Application Fee Payable

The Application Fee is due and payable in full upon the Investor being accepted to participate in the Project.

### 3. Joint Venture Applications

If a Joint Venturer is a superannuation fund and is considering borrowing any part of the application fee or ongoing costs associated with the Project, the Joint Venturer should obtain independent financial advice on the consequences of that borrowing.

### 4. Deferred Payments

4.1 GPL will accept payment of the application fee by payment of 10% of the Application Fee with an Investor's application to enter into the Project and deferred payment of the unpaid balance of the Application Fee (plus stamp duty) by equal consecutive monthly instalments in the amounts contained in the Payment Details Form, the first such payment to be made on the last business day of the month following the month in which the Investor's application is accepted and thereafter on the last business day at the end of each successive month until payment of the Application Fee is made in full.

4.2 Stamp duty will be charged to an Investor at the rate of duty payable pursuant to the Duties Act 1997 (NSW). Documents will be stamped in the same jurisdiction that the security is located. Any shortfall in stamp duty between that charged to an Investor and that imposed in the jurisdiction in which the security is located will be met by GPL.

### 5. Interest

No interest shall be payable on the unpaid balance of the Application Fee provided payments are made in accordance with this Terms Arrangement. If any amount is due and payable but unpaid, the Investor shall pay interest on the amount outstanding to GPL at the rate 6% above the 5 year swap reference rate at the ANZ Banking Group Limited or if that bank ceases to be the banker for Gunns Ltd, the banker for Gunns Ltd from time to time. Interest will be calculated daily on the basis of a 365 day year.

### 6. Payment Within 12 Months

The full amount of the Application Fee must be paid within 12 months of the date of acceptance of the Investor into the Project.

### 7. Direct Debit Authority

The Investor shall authorise the automatic deduction of the deferred payment amounts in the Payment Details Form as soon as it is notified of the acceptance of its application to participate in the Project.

### 8. Security

8.1 To provide security to GPL for the unpaid amount of the Application Fee the Investor, as beneficial owner,

- (a) conveys absolutely the rights, entitlements and interests of the Investor under, arising from, or otherwise in relation to, the Project Documents to GPL, and
- (b) agrees to comply with the Investor's obligations under the Orchard Right Agreement, Management Agreement and any other agreement which the Investor is a party to with respect to the Project.

8.2 Once the Investor has repaid the outstanding monies due under clauses 4 and 5 above and if there is no outstanding default by the Investor, the Investor may require GPL to reconvey the rights, entitlements and interests referred to in 8.1(a) above to the Investor.

8.3 This security is provided to GPL as continuing security for the performance of the Investor's obligations under this agreement including, but not limited to, payment of all outstanding monies. The Investor cannot and must not deal or attempt or purport to deal with any of the secured property other than as contemplated by this Terms Arrangement.

### 9. Events of Default

9.1 Upon the occurrence of an event of default the outstanding monies due under clauses 4 and 5 above become immediately due and payable to GPL without the need for any demand or notice to be given and GPL may immediately and without notice exercise its rights under the Project Documents.

9.2 It is an event of default if, whether or not it is within the control of the Investor:

- (a) any amount due and payable to GPL under any Project Documents is not paid when due;
- (b) the Investor fails to perform or observe any other undertaking, obligation or agreement expressed or implied in any Project Document and
  - (i) that failure is not, in the opinion of GPL, remediable; or
  - (ii) if the failure is, in GPL's opinion, remediable, the failure is not remedied within 14 days after receipt by the Investor of notice from GPL specifying the failure.



- (c) any warranty, representation, acknowledgement or statement by the Investor and any Guarantor is or becomes false, misleading or incorrect when made or regarded as made by the Investor under any Project document or under any document contemplated by any Project Document;
- (d) the Investor or any Guarantor is placed in liquidation or becomes bankrupt or any step to effect the liquidation or bankruptcy of the Investor occurs including the making of any relevant petition or order;
- (e) all or any part of any provision of any Project Document is or becomes illegal, void, voidable, unenforceable, able to be terminated, rescinded or avoided by a person otherwise of limited force and effect;
- (f) any other change occurs in the financial position of the Investor which, in the opinion of GPL, may have a material adverse effect upon the Investor's ability to perform any of its obligations under any Project Document; or
- (g) there is an event of default, however described, by the Investor, under a Project Document.

9.3 Without limiting GPL's rights under the conveyance created by clause 8.1(a) above, if the whole of the outstanding monies due under clauses 4 and 5 above are not paid to GPL in accordance with this agreement, GPL may:

- (a) exercise any of the rights and powers granted to it as transferee under the conveyance created by clause 8.1 (a) above under law or by statute;
- (b) exercise the rights, entitlements and interests of the Investor in the security;
- (c) transfer the security or any part thereof including by way of sale, lease or licence on such terms as GPL thinks fit;
- (d) elect to retain the security for its own benefit;
- (e) recover the outstanding monies under clauses 4 and 5 above from the Investor including by the institution of legal proceedings, or
- (f) any combination of the foregoing.

9.4 Notwithstanding anything in this agreement, GPL may not exercise its rights against the Investor in a manner contrary to the provisions of section 302 of the Bankruptcy Act 1966 (Cth).

## 10. Interpretation

In this Terms Arrangement, headings and boldings are for convenience only and do not affect the interpretation of this section and, unless the context otherwise requires:

- (a) words importing the singular include the plural and vice versa;
- (b) other parts of speech and grammatical forms of a word or phrase defined in this deed have a corresponding meaning;
- (c) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and any governmental agency;
- (d) a reference to any thing (including, but not limited to, any right) includes a part of that thing but nothing in this clause 10 implies that performance of part of an obligation constitutes performance of the obligation;
- (e) a reference to a clause, party, annexure or schedule is a reference to a clause of, and a party, annexure and schedule to, this Terms Arrangement and a reference to this Terms Arrangement includes any annexure and schedule;
- (f) a reference to a law is to that law as replaced or amended from time to time;
- (g) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- (h) a reference to a party to any document includes that party's successors and permitted assigns;
- (i) no provision of this Terms Arrangement will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this deed or that provision;
- (j) a covenant or agreement on the part of 2 or more persons binds them jointly and severally. This means that if two or more persons are named in this deed as Investor, each Investor is jointly and individually liable for paying all money owing under this deed and performing all obligations under this deed; and
- (k) a reference to liquidation includes appointment of an administrator, compromise, arrangement, merger, amalgamation, reconstruction, winding up, dissolution, assignment for the benefit of

creditors, scheme, composition or arrangement with creditors, insolvency, bankruptcy, or any similar procedure or, where applicable, changes in the constitution of any partnership or person, or death.

## 11. Notices

Any notice or other communication including, but not limited to, any request, demand, consent or approval, to or by a party to any Transaction Document:

- (a) must be in legible writing and in English addressed as referred to at the commencement of this deed or as specified to the sender by any party by notice;
- (b) where the sender is a company, must be signed by an officer of, or under the common seal of, the sender;
- (c) is regarded as being given by the sender and received by the addressee:
  - (i) if by delivery in person, when delivered to the addressee;
  - (ii) if by post, 3 Business Days from and including the date of postage to the address; or
  - (iii) if by facsimile transmission, whether or not legibly received, upon production of a successful transmission report from the sender's facsimile machine, but if receipt is on a day which is not a Business Day or is after 4.00pm (addressee's time) it is regarded as received at 9.00 am on the following Business Day.

## 12. Costs and Expenses

12.1 The Investor must on demand pay any tax (including, but not limited to, any goods and services tax or other like tax) in respect of the execution, delivery, performance, release, discharge, amendment, enforcement or attempted enforcement or otherwise in respect of any Transaction Document and any transaction contemplated under any Transaction Document.

12.2 The Investor must on demand pay all costs and expenses of GPL, including legal and administrative costs and expenses on a full indemnity basis, in relation to:

- (a) the negotiation, preparation, execution, delivery, stamping, registration, completion, variation and discharge of any Project Document;
- (b) the enforcement, protection or waiver, or attempted or contemplated enforcement or protection, of any rights under any Project Document;

(c) failure to pay on demand any amount payable by the Investor under clause 2, 4 and 5 of this deed; and

(d) the consent or approval of GPL given under any Project Document.

## 13. Governing Law And Jurisdiction

This deed is governed by the laws of Tasmania. The Investor irrevocably submits to the non-exclusive jurisdiction of the courts of Tasmania.

## 14. Waiver

Waiver of any right arising from a breach of this Terms Arrangement or upon default under this Terms Arrangement or upon the occurrence of an Event of Default must be in writing and signed by the party granting the waiver. A failure or delay in exercise, or partial exercise, of such a right does not result in a waiver of that right.

## 15. Attorney

In consideration of GPL entering into this Terms Arrangement and agreeing to defer payment of the Application Fee in accordance with clause 4 of this deed by the Investor, the Investor irrevocably appoints GPL and each of its directors, employees and agents, severally, its attorney. Each attorney may, in the name of the Investor or the attorney, do anything which the Investor may lawfully authorise an attorney to do in relation to the Project Documents.

## 16. Variation

A variation of any term of this deed must be in writing and signed by the parties.

## 17. Prohibited Dealings

Any provision of, or the application of any provision of, any Project Document which is:

- (a) prohibited in any jurisdiction is, in that jurisdiction, ineffective only to the extent of that prohibition; and
- (b) void, illegal or unenforceable in any jurisdiction does not affect the validity, legality or enforceability of that provision in any other jurisdiction or of the remaining provisions in that or any other jurisdiction.

<b>OFFICE USE ONLY</b>	
Page _____	of _____

App No.: \_\_\_\_\_  
File No.: \_\_\_\_\_

Dealers Stamp / Adviser Name / Number:

--

## A. Application & Power of Attorney Form

Individual & Joint applicants complete application form (A), Joint Venture applicants complete application forms (B) & (C).

This application form relates to the Gunns Plantations Ltd Walnut Project No. 2 (Supplementary Release - 2007/08 Investors) under the Original PDS dated 30 April 2007 and this Supplementary PDS dated 1 November 2007. The Original PDS and this Supplementary PDS includes detailed information about the investment being offered and you should read them in their entirety before deciding to invest. The offer is available to Australian residents.

The Corporations Act prohibits this application form being passed on to another person unless that other person is also given access to the Original PDS and this Supplementary PDS.

While this Supplementary PDS is current, GPL will send paper copies of the Original PDS and this Supplementary PDS and the application form, on request and without charge.

Send your completed Application and Power of Attorney Form to: **Gunns Plantations Limited, PO Box 588, Launceston TAS 7250**

### Applicant's Details

Title:	Applicant – Surname:	First Names:	D.O.B.:
Title:	Joint Applicant – Surname:	First Names:	D.O.B.:

Joint holdings will be deemed to be joint tenants unless GPL are specifically notified otherwise in writing by both applicants.

Company Name:		ABN:
Residential/Registered Address:		
City/Suburb:	State:	Post Code:
Mailing Address:		
City/Suburb:	State:	Post Code:
Telephone – Bus:	Home:	Mobile:
Email:		

### Walnut Lots Applied For

(refer to section 4 for details)

No. of Walnut Lots	Application Fee per Walnut Lots (incl G.S.T.)	Amount
	<b>X \$6,424</b>	<b>\$</b>
		<b>A</b>

### Signing

By signing this Application and Power of Attorney Form you agree to be bound by the Constitution and irrevocably appoint GPL as your attorney in accordance with the terms and conditions of the Power of Attorney on the reverse side of this form. (Please sign where appropriate).

Executed as a Deed on  /  /  (insert date)

#### Individual – Signed, Sealed and Delivered

Applicants Signature:		Joint Applicants Signature:	
Witness Signature:		Witness Signature:	
Witness Name:		Witness Name:	

(Common seal affixed as required)

**Company** – Executed in accordance with the company's constitution (if a director of a single director company, please attach supporting documentation and witness signature and details)

Are you the sole Director (please tick)? Yes ☐ No ☐

Director Signature:		Director/ Secretary Signature:	
Full Name (please print):		Full Name (please print):	

<b>OFFICE USE ONLY</b>
Power of Attorney:
Registered:
/ /

**OFFICE USE ONLY**

# Power of Attorney

## Power of Attorney

By this deed, I/we, the person(s) named in the "Applicant's Details" section above (Applicant) irrevocably appoint Gunns Plantations Limited ABN 36 091 232 209 (Attorney) to be my/our attorney on the terms and conditions set out below.

The Attorney is empowered to:

- (a) execute under hand or under seal and deliver (which delivery may be conditional or unconditional) the Fee Facility Deed, Orchard Right Agreement and Management Agreement (each an Approved Document) in a form and of substance as the Attorney thinks fit, including executing each Approved Document electronically;
- (b) complete any blanks in an Approved Document;
- (c) amend or vary an Approved Document as the Attorney thinks fit (including but not limited to, amending or varying the parties), and execute under hand or seal and deliver (which delivery may be conditional or unconditional) any document which effects or evidences the amendment or variation;
- (d) do any thing which in the opinion of the Attorney is necessary, expedient or incidental to or in any way relates to:
  - (1) any document referred to in paragraphs (a) and (c); or
  - (2) any transaction contemplated by any document referred to in paragraphs (a) and (c);
- (e) do any thing which ought to be done by the Applicant under any Approved Document to which it is a party;
- (f) complete, execute and lodge all documents and instruments which are necessary or appropriate to register any security taken over the Applicant's Walnut Lots;
- (g) do any other thing (whether or not of the same kind as the above) that in the opinion of the Attorney is necessary, expedient or desirable to give effect to the provisions of this Power of Attorney; and
- (h) authorise an officer of the Attorney to perform any of the above actions that the Attorney is empowered to perform under paragraphs (a) to (g) of this Power of Attorney.

## Terms and Conditions of Power of Attorney:

By granting the Power of Attorney to Gunns Plantations Limited you do so on the following terms and conditions:

- (1) The Attorney may exercise the powers of the Attorney under this deed in the name of the Applicant or in the name of the Attorney and as the act of the Applicant.
- (2) The Attorney may exercise the powers of the Attorney under this deed even if the Attorney benefits from the exercise of that power.
- (3) The Applicant undertakes to ratify and confirm any act of the Attorney in exercise of the powers of the Attorney under this deed including any act done between the time of the revocation of this Power of Attorney and the time of the revocation becoming known to the Attorney.
- (4) The Attorney may, at any time, appoint or remove any substitute or delegate or sub-attorney.
- (5) The exercise by the Attorney of any power under this deed does not connote:
  - (a) a warranty, express or implied, on the part of the Attorney as to:
    - (i) the Attorney's authority to exercise the power; or
    - (ii) the validity of this deed; or
  - (b) an assumption of personal liability by the Attorney in exercising the power.
- (6) The Applicant indemnifies the Attorney against all claims, demands, losses, damages, costs and expenses however suffered or incurred by the Attorney in registering or stamping of this deed or in respect of the exercise of any of the powers of the Attorney under this deed except in the event of gross neglect, fraud or wilful default by the Attorney.
- (7) The Applicant is responsible for the cost of registering and stamping of this deed in all jurisdictions in which it must be registered and stamped to ensure its enforceability and validity for the purposes of this deed.
- (8) This Power of Attorney is irrevocable until the expiration of the relevant Project under the Constitution.
- (9) A word or expression defined in the Constitution has the same meaning in this deed.
- (10) This deed is governed by and construed in accordance with the law of the State in which it is registered.

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## B. Joint Venture Applicants

Individual & Joint applicants complete application form [A], Joint Venture applicants complete application forms [B] & [C].

This application form relates to the Gunns Plantations Ltd Walnut Project No. 2 (Supplementary Release - 2007/08 Investors) under the Original PDS dated 30 April 2007 and this Supplementary PDS dated 1 November 2007. The Original PDS and this Supplementary PDS includes detailed information about the investment being offered and you should read them in their entirety before deciding to invest. The offer is available to Australian residents.

The Corporations Act prohibits this application form being passed on to another person unless that other person is also given access to the Original PDS and this Supplementary PDS.

While this Supplementary PDS is current, GPL will send paper copies of the Original PDS and this Supplementary PDS and the application form, on request and without charge.

Send your completed Application and Power of Attorney Form to: **Gunns Plantations Limited, PO Box 588, Launceston TAS 7250**

## First Joint Venturer

By signing this Application and Power of Attorney Form you agree to be bound by the Constitution and irrevocably appoint GPL as your attorney in accordance with the terms and conditions of the Power of Attorney on the reverse side of this form. (Please sign where appropriate).

## Individual(s)

Title:	Individual Applicant – First Name:	Surname:
Title:	Individual Joint Applicant – First Name: (if appropriate)	Surname:

## Individual(s) – Signed, Sealed and Delivered

Applicants Signature:		Joint Applicants Signature:	
Witness Signature:		Witness Signature:	
Witness Name:		Witness Name:	

## Company Name or Trust or Superannuation Fund

Company Name or Trust or Superannuation Fund (if appropriate):	ABN:
First Trustee (if appropriate):	
Second Trustee (if appropriate):	

## Individual Trustee(s) – Signed, Sealed and Delivered

Applicants Signature:		Joint Applicants Signature:	
Witness Signature:		Witness Signature:	
Witness Name:		Witness Name:	

**Company Trustee** – Executed in accordance with the company's constitution (if a director of a single director company, please attach supporting documentation and witness signature and details)

Are you the sole Director (please tick)? Yes ☐ No ☐

Director Signature:		Director/ Secretary Signature:	
Full Name (please print):		Full Name (please print):	

(Common seal affixed as required)

## Walnut Lots Applied For

(refer to section 4 for details)

No. of Walnut Lots	Application Fee per Walnut Lots (incl G.S.T.)	Amount
	X \$6,424	\$ <b>A</b>

## First Joint Venturer Details

Date of Signing:  /  /

Residential/Registered Address:		
City/Suburb:	State:	Post Code:
Mailing Address:		
City/Suburb:	State:	Post Code:
Telephone – Bus:	Home:	Mobile:
Email:		

If a Joint Venturer Applicant is a superannuation fund and is considering borrowing any part of the application fee or ongoing costs associated with the Project, the Joint Venturer Applicant should obtain independent financial advice on the consequences of that borrowing.

ANY MISTAKES ARE TO BE CROSSED OUT AND INITIALLED. NO CORRECTION FLUID IS TO BE USED.

## OFFICE USE ONLY

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## C. Joint Venture Applicants

Individual & Joint applicants complete application form (A), Joint Venture applicants complete application forms (B) & (C).

This application form relates to the Gunns Plantations Ltd Walnut Project No. 2 (Supplementary Release - 2007/08 Investors) under the Original PDS dated 30 April 2007 and this Supplementary PDS dated 1 November 2007. The Original PDS and this Supplementary PDS includes detailed information about the investment being offered and you should read them in their entirety before deciding to invest. The offer is available to Australian residents.

The Corporations Act prohibits this application form being passed on to another person unless that other person is also given access to the Original PDS and this Supplementary PDS.

While this Supplementary PDS is current, GPL will send paper copies of the Original PDS and this Supplementary PDS and the application form, on request and without charge.

Send your completed Application and Power of Attorney Form to: **Gunns Plantations Limited, PO Box 588, Launceston TAS 7250**

## Second Joint Venturer

By signing this Application and Power of Attorney Form you agree to be bound by the Constitution and irrevocably appoint GPL as your attorney in accordance with the terms and conditions of the Power of Attorney on the reverse side of this form. (Please sign where appropriate).

## Individual(s)

Title:	Individual Applicant – First Name:	Surname:
Title:	Individual Joint Applicant – First Name: (if appropriate)	Surname:

## Individual(s) – Signed, Sealed and Delivered

Applicants Signature:		Joint Applicants Signature:	
Witness Signature:		Witness Signature:	
Witness Name:		Witness Name:	

## Company Name or Trust or Superannuation Fund

Company Name or Trust or Superannuation Fund (if appropriate):	ABN:
First Trustee (if appropriate):	
Second Trustee (if appropriate):	

## Individual Trustee(s) – Signed, Sealed and Delivered

Applicants Signature:		Joint Applicants Signature:	
Witness Signature:		Witness Signature:	
Witness Name:		Witness Name:	

**Company Trustee** – Executed in accordance with the company's constitution  
(if a director of a single director company, please attach supporting documentation and witness signature and details)

Are you the sole Director (please tick)? Yes ☐ No ☐

Director Signature:		Director/Secretary Signature:	
Full Name (please print):		Full Name (please print):	

[Common seal affixed as required]

## Walnut Lots Applied For

(refer to section 4 for details)

Note: Should be the same as for First Joint Venturer

No. of Walnut Lots	Application Fee per Walnut Lots (incl G.S.T.)	Amount
	X \$6,424	\$ <b>A</b>

## Second Joint Venturer Details

Date of Signing:  /  /

Residential/Registered Address:		
City/Suburb:	State:	Post Code:
Mailing Address:		
City/Suburb:	State:	Post Code:
Telephone – Bus:	Home:	Mobile:
Email:		

If a Joint Venturer Applicant is a superannuation fund and is considering borrowing any part of the application fee or ongoing costs associated with the Project, the Joint Venturer Applicant should obtain independent financial advice on the consequences of that borrowing.

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# Power of Attorney

## Power of Attorney

By this deed, I/we, the person(s) named in the "Applicant's Details" section above (Applicant) irrevocably appoint Gunns Plantations Limited ABN 36 091 232 209 (Attorney) to be my/our attorney on the terms and conditions set out below.

The Attorney is empowered to:

- (a) execute under hand or under seal and deliver (which delivery may be conditional or unconditional) the Fee Facility Deed, Orchard Right Agreement and Management Agreement (each an Approved Document) in a form and of substance as the Attorney thinks fit, including executing each Approved Document electronically;
- (b) complete any blanks in an Approved Document;
- (c) amend or vary an Approved Document as the Attorney thinks fit (including but not limited to, amending or varying the parties), and execute under hand or seal and deliver (which delivery may be conditional or unconditional) any document which effects or evidences the amendment or variation;
- (d) do any thing which in the opinion of the Attorney is necessary, expedient or incidental to or in any way relates to:
  - (1) any document referred to in paragraphs (a) and (c); or
  - (2) any transaction contemplated by any document referred to in paragraphs (a) and (c);
- (e) do any thing which ought to be done by the Applicant under any Approved Document to which it is a party;
- (f) complete, execute and lodge all documents and instruments which are necessary or appropriate to register any security taken over the Applicant's Walnut Lots;
- (g) do any other thing (whether or not of the same kind as the above) that in the opinion of the Attorney is necessary, expedient or desirable to give effect to the provisions of this Power of Attorney; and
- (h) authorise an officer of the Attorney to perform any of the above actions that the Attorney is empowered to perform under paragraphs (a) to (g) of this Power of Attorney.

## Terms and Conditions of Power of Attorney:

By granting the Power of Attorney to Gunns Plantations Limited you do so on the following terms and conditions:

- (1) The Attorney may exercise the powers of the Attorney under this deed in the name of the Applicant or in the name of the Attorney and as the act of the Applicant.
- (2) The Attorney may exercise the powers of the Attorney under this deed even if the Attorney benefits from the exercise of that power.
- (3) The Applicant undertakes to ratify and confirm any act of the Attorney in exercise of the powers of the Attorney under this deed including any act done between the time of the revocation of this Power of Attorney and the time of the revocation becoming known to the Attorney.
- (4) The Attorney may, at any time, appoint or remove any substitute or delegate or sub-attorney.
- (5) The exercise by the Attorney of any power under this deed does not connote:
  - (a) a warranty, express or implied, on the part of the Attorney as to:
    - (i) the Attorney's authority to exercise the power; or
    - (ii) the validity of this deed; or
  - (b) an assumption of personal liability by the Attorney in exercising the power.
- (6) The Applicant indemnifies the Attorney against all claims, demands, losses, damages, costs and expenses however suffered or incurred by the Attorney in registering or stamping of this deed or in respect of the exercise of any of the powers of the Attorney under this deed except in the event of gross neglect, fraud or wilful default by the Attorney.
- (7) The Applicant is responsible for the cost of registering and stamping of this deed in all jurisdictions in which it must be registered and stamped to ensure its enforceability and validity for the purposes of this deed.
- (8) This Power of Attorney is irrevocable until the expiration of the relevant Project under the Constitution.
- (9) A word or expression defined in the Constitution has the same meaning in this deed.
- (10) This deed is governed by and construed in accordance with the law of the State in which it is registered.

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## Payment Details

ANY MISTAKES ARE TO BE CROSSED OUT AND INITIALLED. NO CORRECTION FLUID IS TO BE USED.

## 1. Walnut Lots Applied For

(refer to section 4 for details)  
Note: Should be the same as for item A on the Application Form

No. of Walnut Lots	Application Fee per Walnut Lots (incl G.S.T.)	Amount	
	X \$6,424	\$	A

## 2. Finance

If I/we apply to GPL to enter into a Terms Arrangement, I/we acknowledge and agree to the terms and conditions of the Terms Arrangement as set out in section 21A of this Supplementary PDS.

Are you applying to GPL to enter into a 12 month Terms Arrangement to pay the Application Fee?	Yes <input type="checkbox"/> No <input type="checkbox"/>
--	--

OR

If applying for finance associated with Gunns Plantations Ltd Walnut Project No.2 – Supplementary Release, please refer to the specific finance documentation when answering the following.

Are you applying for finance from Gunns Finance Pty Ltd or Allco Managed Investments Ltd?	Yes <input type="checkbox"/> No <input type="checkbox"/>
---	--

If yes to either of these, please enter the deposit amount required to be paid to Gunns Limited: (A deposit of 10% is required for the GPL Terms Arrangement)	\$	B
--	----	---

## 3. Insurance

(refer to section 18.2 for details)

Do you wish to insure your Walnut Lot(s)?  
(please tick appropriate box)

Yes ☐ No ☐

## 4. Fee Facility

(refer to section 18.5 for details)

Do you wish to enter into a Fee Facility?  
(please tick appropriate box)

Yes ☐ No ☐

## 5. Tamar Ridge Gold Club

(refer to section 19.11 for details)

Do you wish to become a Tamar Ridge Gold Club member?  
(please tick appropriate box)

Yes ☐ No ☐

## 6. Method of Initial Payment

Please note that the amount due will depend on whether the Application Fee is paid in full. If finance is sought from Gunns Finance Pty Ltd or Allco Managed Investments Ltd, or you elect to apply for a 12 month Terms Arrangement with GPL, the amount due will be the deposit listed at Item B, otherwise the full Application Fee must be paid as listed at Item A.

NOTE: Credit card transactions will be processed on date of receipt of application.

Please accept my payment via:

Cheque: ☐ (please make cheque payable to "Gunns Limited – GPL Walnut Project No.2 (Supplementary Release - 2007/08 Investors)" for the total disclosed at either A or B (as appropriate), crossed "Not Negotiable").

OR

Credit Card: ☐ (Note: GPL only accepts the credit cards shown below)

Please Debit My: ☐ Mastercard ☐ Visa Card

Card Number:

Expiry Date:   /

Amount: \$

Date:

Card Holders Name:

Contact Phone No.:

Signature:

If you have opted to enter into the 12 months interest free Terms Arrangement, you must complete the direct debit authority on the reverse side of this form.

# Payment Details

## Terms Arrangement Direct Debit Authority

For individuals with investment amounts up to \$300,000

**DEFERRED PAYMENT - Please Refer to the GPL Terms Arrangement Repayment Schedule on GPL's Website when completing this section\***

Investment Amount:	\$	<b>A</b>
Deposit Required:	\$	<b>B</b>
Deferred Amount (including stamp duty):	\$	<b>C</b>
Monthly repayment amount:	\$	<b>D</b>


\* The GPL Terms Arrangement Repayment Schedule can be obtained from: [www.gunns.com.au/plantations](http://www.gunns.com.au/plantations) or by phoning 1800 015 023

## Please complete ONE of the following

### Authority For Deferred Payments Via Direct Debit From Bank Account

I/We request, GPL that monies due in terms of the deferred payment arrangements contained in the Terms Arrangement between ourselves be drawn under the Direct Debit System from my/our account conducted with

for the payment of the amount at **Item D** above per month.

Account details: BSB	Account Number:
Account Name:	
Account Holder's Signature: 	Date:

### Authority For Loan Repayments Via Direct Debit From Credit Card

Note: A limit of \$99,000 applies to credit card payments.

I/We request, GPL that monies due in terms of the deferred payment arrangements contained in the Terms Arrangement between ourselves be drawn under the Direct Debit System from my/our credit card for the payment of the amount at **Item D** above per month.

Card Holder's Name:	
(tick appropriate card)	Master Card <input type="checkbox"/> Visa Card <input type="checkbox"/>
Credit Card Number:	Expiry Date:
Card Holder's Signature: 	Date:

I/We acknowledge that this Direct Debit arrangement is governed by the terms of the Client Service Agreement and that I have read it and understand its contents.

## GUNNS PLANTATIONS LTD – CLIENT SERVICE AGREEMENT

### Drawing arrangements:

It is your responsibility to ensure that the nominated account can accept direct debits (direct debiting may not be available on all accounts - lease check with your financial institution).

It is your responsibility to ensure that sufficient funds or credit capacity are available in the nominated account to meet a drawing on its due date. Where the due date falls on a non business day we will draw the amount on the last business day of the month. If you wish to confirm the precise date on which your debit will be processed you should contact your nominated financial institution.

It is your responsibility to pay to us any fee or charge we may incur as a result of a drawing not being accepted by your financial institution.

It is your responsibility to ensure that the authorisation given to draw on the nominated account is identical to the account signing instruction held by the financial institution where the account is based.

It is your responsibility to advise us if the account nominated by you changes. It is your responsibility to arrange with us a suitable alternate payment method if the GPL drawing arrangements are cancelled either by yourselves or the nominated financial institution.

### Your rights:

Where you consider that a drawing has been initiated incorrectly [outside the GPL arrangements] you should take the matter up directly with us or the nominated financial institution. Our contact phone number is (03) 6335 5290.

### Your responsibilities:

It is your responsibility to ensure that the nominated account can accept direct debits (direct debiting may not be available on all accounts - lease check with your financial institution).

It is your responsibility to ensure that sufficient funds or credit capacity are available in the nominated account to meet a drawing on its due date. Where the due date falls on a non business day we will draw the amount on the last business day of the month. If you wish to confirm the precise date on which your debit will be processed you should contact your nominated financial institution.

It is your responsibility to pay to us any fee or charge we may incur as a result of a drawing not being accepted by your financial institution.

It is your responsibility to ensure that the authorisation given to draw on the nominated account is identical to the account signing instruction held by the financial institution where the account is based.

It is your responsibility to advise us if the account nominated by you changes. It is your responsibility to arrange with us a suitable alternate payment method if the GPL drawing arrangements are cancelled either by yourselves or the nominated financial institution.

# Corporate Directory

## Manager & Responsible Entity

### Gunns Plantations Limited

ABN: 36 091 232 209

AFSL No. 238701

### Registered Office:

78 Lindsay Street

Launceston, Tasmania 7250

Telephone: 03 6335 5290

Facsimile: 03 6333 0646

Freecall: 1800 015 023

### Postal Address:

PO Box 588 Launceston, Tasmania 7250

### Web Site Address:

[www.gunns.com.au/plantations](http://www.gunns.com.au/plantations)

## Directors:

John E Gay (Chairman)

Leslie R Baker

Rodney J Loone

Patrick J Sullivan

## Custodian

Gunns Limited

ABN: 29 009 478 148

78 Lindsay Street

Launceston, Tasmania 7250

## Auditor

KPMG, Chartered Accountants

ABN: 51 194 660 183

33 George Street

Launceston, Tasmania 7250

## Taxation Advisor

KPMG

ABN: 51 194 660 183

33 George Street

Launceston, Tasmania 7250

## Legal Advisor

Shields Heritage

ABN: 26 477 023 371

53 Cameron Street

Launceston, Tasmania 7250

## Independent Horticulturist

Dr Peter Scholefield

Scholefield Robinson Horticultural Services Pty Ltd

ACN: 008 199 737

118A Glen Osmond Road

Parkside, South Australia 5063

## Independent Market Report

McKinna et al Pty Ltd *Strategic Insights*

ABN: 53 549 410 271

Rear 131 Victoria Avenue

Albert Park, Victoria 3206

FREECALL 1800 015 023    [www.gunns.com.au/plantations](http://www.gunns.com.au/plantations)

a wholly owned subsidiary of  Gunns Limited



ABN 36 091 232 209 ARSN 125 191 531  
AFSL No. 238701