

FEAGG GROWER COMMUNICATION UPDATE NO.20
GROWER UPDATE

Dear Growers,

We are swiftly approaching the meeting of Growers adjourned to 29 June 2011. The purpose of the meeting is to consider the Blacktree proposal and the resolutions for each Scheme year.

Since the last meeting was adjourned we have been waiting for further details on the progress of the RFM proposal. It would be fair to say they are having some difficulties with the implementation of the proposal, to the point that we are doubtful they will be able to progress. They are still trying to raise the equity at the time of writing.

RFM have had difficulties with raising the capital and the deal structure due to issues such as:

- revised valuations of the land bank;
- strong Australian dollar;
- weaker demand in the industry, associated somewhat with the Japanese tsunami;
- ongoing market perception; and
- processing issues in Tasmania.

We understand RFM's offer will move from the \$140 million of value originally communicated to Growers to a figure we expect to be substantially less if their deal does manage to progress.

The RFM deal would still address some difficulties the Schemes may face from a potentially hostile landlord and a lease structure implemented by FEA that creates some hurdles. However in the absence of the ability to implement this it largely becomes academic.

Blacktree have again made the commitment to allow RFM to be considered if they manage to resurrect their position up to mid September 2011. This is a very reasonable position for Blacktree to take.

We have been attending meetings with Blacktree and the Responsible Entity of the Schemes BRI Ferrier. They are working together to put them in the place of Blacktree being passed as Managers of the Schemes from 1999 through to 2008. They are also speaking about other years with Blacktree.

At this stage the most sensible course of action appears to be as follows:

1. Cast your votes on the Blacktree proposals.

YOUR VALUABLE INVESTMENT

Note: All votes previously cast remain valid.

Note: You can change your vote via Link market services.

Note: Voting closes 72 hours before the scheduled meeting.

2. It is envisaged BRI Ferrier will remain as the Responsible Entity for an interim period. In light of recent Court findings there are some real advantages in keeping consistency in the Responsible Entity, until some of the technical legal issues are solved.

3. It is critical we can demonstrate the Schemes are capable of going forward. If the Schemes can be stabilised and issues begun to be sorted out the Managers and the Responsible Entity can consider the best way to realise value for each Scheme year. This may involve different solutions for each year.

4. In the absence of RFM's re-structuring proposal it seems the Blacktree proposal gives Growers the best opportunity to try and preserve value. The alternative would be liquidation of the Schemes, which would place value in jeopardy.

It would seem preferable to stabilise the Schemes and then look to realise value, and perhaps even enter discussions with the Banks, where appropriate to consider combined sale options (ie. trees and land), or any other ways to improve the return for Growers, that the Managers can identify.

The fate of the Schemes now rests in the hands of Growers we urge you to ensure you cast your votes in the Blacktree meetings so we get a clear view of Growers represented.

PLEASE TAKE THE TIME TO ACT NOW

Yours sincerely,

Rob Burns

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