
LOWELL CAPITAL LIMITED

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High Value Timbers Schemes Grower Meeting Update - November 30th 2011

This Grower Update and the Grower Meeting Updates issued on November 19, 24 & 27 are updates to the Meeting Booklet issued on October 21 and contain additional information about the Lowell Proposal and should be read in conjunction with each other.

Grower Meetings to be held on December 6th 2011

2007 High Value Timber Project – adjourned to 10.00am on December 6, 2011

2008 High Value Timber Project – adjourned to 10.15am on December 6, 2011

The meetings of Growers of the Great Southern High Value Timber 2007 & 2008 Schemes which were held Wednesday November 30, were adjourned following motions put to the respective meetings by Grower representatives, and will be reconvened on Tuesday December 6.

Current Status Report

Following the adjournment of the meetings, Lowell Capital Limited (Lowell) as Responsible Entity (RE) of the GSHVT Schemes and the proposed RE of the Lowell HVT Land Scheme continued intensive negotiations with grower representatives in an attempt to reach agreement regarding the form of Lowell's proposal to ensure that it is acceptable to ALL Growers as well as Lowell as manager of the Schemes.

It is pleasing to report that the outcome of these negotiations has been that the parties, working co-operatively, have further developed and amended Lowell's proposal for the future conduct of the HVT Land Scheme and the arrangements regarding the funding of the Land Transaction to the point where the Growers Representative Committee and Mr David Head have agreed to personally vote in favour of Resolutions put to a reconvened meeting on December 6 and will vote positively in their capacity as proxy, corporate representative or attorney for Growers, where their instructions allow that discretion.

Indications for the outcome of a future vote on the Resolutions, based on proxy votes cast to date, are that both Resolutions would be passed which would have the effect that Lowell would be free to enter into the Land Transaction with the Liquidator.

Growers moved that today's meeting(s) be adjourned after receiving legal advice that the proposed change in the position of the GRC, from advising growers that they were likely to vote down the Lowell proposal, to a revised position where they will support the resolutions should properly be communicated to Growers to allow them to consider their personal position and to lodge a vote or alter voting instructions to their proxy, if they see fit.

The Schemes remain exposed to the possibility that the Liquidator may choose to cancel the Land Transaction, as is his right as the agreement has expired. Lowell will contact the Liquidator at the earliest opportunity and advise him that Growers have agreed to vote positively for the Resolutions and that the Land Transaction can proceed immediately following the meeting(s) now set to reconvene on December 6.

Essential Terms of the Agreement between Lowell and the GRC

As an outcome of recent negotiations Lowell and the GRC signed an agreement which is summarised below.

1. The members of the GRC will vote for the resolutions put to the reconvened Meeting:
 - a. in their personal capacity; or
 - b. in their capacity as proxy, corporate representative or attorney for Growers on the following conditions:
 - i. The objective of the parties is that the ownership of the Land Scheme be taken up exclusively by Growers who have an interest in the HVT Schemes, except to the extent that minority equity is required to fund the Land Scheme.
 - ii. Growers will have the opportunity to apply for units in the Land Scheme in the same proportion as to their interest in each of the 2007 & 2008 HVT Schemes as an aggregate, subject to Lowell complying with any requirements in issuing interests in the Land Scheme in the Corporations Act 2001 and the constitution of the Land Scheme. The application price per unit will be a nominal cost between 1 cent and \$1. Lowell will determine an annual contribution fee to be invoiced to members (for management expenses). Members who fail to pay their contribution fee in the Land Scheme and the HVT Schemes will lose their interest in the Land Scheme and the HVT Schemes in line with the mechanism in clause 44 of the HVT Scheme constitution, under an arrangement to be determined in consultation with the GRC and explained within the PDS^[1]. Forfeited interests that are not taken up will be held by the responsible entity on trust for Grower members and distributed to Grower members pari passu at the end of the Scheme.
 - iii. Lowell will endeavour to obtain funding of up to \$3,500,000 to fund the acquisition of the land in the land scheme, plus costs and fees, and will raise these funds through a combination of funding from debt financiers and equity, with a preference for debt in the first instance. In these circumstances, Lowell will use reasonable endeavours to raise debt and will be empowered to enter into commercially reasonable terms and security arrangements with debt providers. In the event that equity is required, Lowell will give Growers priority and will ensure that Growers' units and any external equity units will have equal value.

^[1] NB: The PDS (including the application form) and the constitution form the basis of the contractual relationship between members and the responsible entity.

- iv. Lowell will keep the assets of the Land Scheme separate from the assets of the HVT Schemes and will use a custodian to hold the assets of the Land Scheme.
 - v. Lowell will be appointed as the responsible entity of the Land Scheme. The members of the GRC will not seek to replace Lowell within 12 months of its appointment.
 - vi. Lowell agrees to insert provision in the Land Scheme constitution to establish the Investment Review Committee (**IRC**) which will consist of three members to be nominated and elected by the members of the Land Scheme. Under this provision, members of the IRC will be indemnified in line with the proposed indemnity for the GRC in the HVT Schemes. The IRC will have the role of reviewing any proposed transactions by the responsible entity to buy, sell, lease or encumber land of the Land Scheme including the Option Land, where such action is not for the purpose of retiring debt of the Land Scheme. In circumstances in which the standing review group does not support the transaction, Lowell will call a meeting of members to approve the transaction. All land transactions will be subject to Lowell meeting its requirements under the Corporations Act^[2].
 - vii. Lowell will request a reasonable extension for settlement of the continuing plantation land and an extension of the period during which Lowell can exercise its option to purchase the Option Land to 30 June 2012.
 - viii. Notwithstanding Resolution 2 to be put to the Meeting, Lowell will not exercise its right of indemnity in relation to audit fees or the costs of any future meetings before a review of the viability of the HVT Schemes, management arrangements and associated fees and revenue shares is completed and put to a meeting of Growers and approved in the first quarter of 2012.
 - ix. The head leases for the properties will be novated to Lowell in its capacity as responsible entity of the Land Scheme after the Meeting and the sub-leases will continue on their current terms.
2. Lowell agrees to amend the Constitution of the Schemes to recognise the standing of the GRC and its role in the HVT Schemes substantially in the form as previously proposed.
 3. Lowell will provide reasonable substantiation of fees and costs relating to the Land Transaction prior to the reconvened meeting on December 6 2011.
 4. Lowell, as RE for the Schemes, authorises Brian Ward & Partners to provide advice to the GRC with respect to the review of this Term Sheet and the draft Land Scheme constitution for the purpose of considering whether there is anything in the Land Scheme constitution which does not permit anything in the Term Sheet to be implemented. In addition, Lowell will make available an allocation of funds to facilitate the review of the future PDS for accuracy of implementation of these Terms.

^[2] In particular, Part 5C.7.

Costs and Fees Related to the Land Transaction

Lowell has indicated their intention to raise up to \$3,500,000 of capital to pay for the purchase of the continuing plantation land plus costs and fees.

The purchase price of the of the continuing plantation land is \$2,350,000 plus stamp duty and other state taxes which are estimated to take the total funds due upon settlement to \$2,500,000.

There are other costs and fees associated with the Land Transaction which are payable to Lowell or payable by Lowell on behalf of the HVT Land Scheme which are estimated to exceed \$1,000,000 by the time the Land Transaction is completed and new units in Scheme have been allocated to members.

The total purchase price of the land plus the fees and costs will be paid from funds raised by Lowell on account of the HVT Land Scheme.

In the interests of full disclosure to Growers Lowell has provided detailed information in relation to costs and fees.

The costs and fees relating to the transaction are shown in 3 sections which relate to the distinctly separate phases of activity required:

1. Negotiate the arrangements and enter into the Asset Sale Agreement with the Liquidator;
2. Obtain grower approval of the land transaction and set up the necessary trust vehicle to own the assets on behalf of members; and
3. Offer interests in the Land Scheme to prospective members through a Product Disclosure statement and raise capital to complete the Land Transaction.

A summary of the estimated costs and fees attaching to each phase is as follows:

A. Asset Sale Agreement

- Lien Negotiation Fee payable to Lowell Capital for successfully negotiating a release of the Receiver's Lien estimated at \$1,000,000:
\$100,000
- Legal Fees for advice relating to the Land Transaction documentation:
\$100,000
- Corporate Advisory payable to Terrain Capital (a related entity of Lowell):
\$50,000

B. Grower Approval and Land Transaction

- Legal Advice with regard to the Land Transaction, the impact on growers, arranging the Growers Meetings, advising on the Meeting Booklet & Explanatory Memorandum, inclusive of amounts to be refunded to those growers who funded independent legal advice provided to HVT Growers Pty Ltd during the course of negotiations:
To \$250,000
- Corporate advisory payable to Real Management Services (RMS) and Terrain Capital for services relating to advising on the structuring of the offer to Growers, the preparation of the Explanatory Memorandums and the structure of Grower meetings and liaison with Growers:
\$150,000

- Administrative and accounting services, communication costs and professional tax advice on behalf of Growers:
\$50,000

C. Capital Raising, Offer to Growers and Allocation of Interests

- Legal fees - estimated costs for preparation of the PDS, advice on borrowing arrangements, allocation of units and schemes structuring:
\$150,000
- Corporate Advisory - estimated costs to be paid to RMS and Terrain Capital for preparation of the PDS, management of the capital raising and formation of the Scheme:
\$100,000
- Miscellaneous - including accounting and administration, communication, tax, custodian fee, land valuations, ASIC and governance:
\$100,000

Proxy Votes

In order to allow as many growers as possible to be fully informed and to vote at the December 6 meeting, Lowell has extended the time for lodgement of proxy votes until 7.00pm (EDT) Sunday December 4, for both the 2007 and 2008 Schemes.

If you wish to change your proxy you may do so by submitting a new proxy form which can be obtained from the Lowell Capital Website www.lowellcapital.com.au.

Submit your Proxy by:

- Fax: (08) 8724 7466; or
- Email: hvt@napm.com.au

Keep Up to Date

Please visit www.lowellcapital.com.au over the course of the next few days for any further updates. If you wish to receive updates by email from Lowell Capital in relation to this matter please send your email address and Grower number to hvt@napm.com.au.