
LOWELL CAPITAL LIMITED

ABN 60 006 844 588

AFSL: 241175

15 June 2012

Dear Member,

In the midst of this busy time for members of the Great Southern High Value Timber 2007 and 2008 Projects (HVT Projects), we are writing to update you on some important matters relating to your investment.

Year 3 Contributions due and payable on 15 July

We thank members for their continued prompt payment of Contributions. These payments enable Lowell to continue to manage your plantation assets and work towards delivering a return on your investment.

An Invoice for Year 3 Contributions is enclosed with this letter and is due and payable by 15 July. Members are reminded that contributions are only tax deductible in the current financial year, if received by 30 June.

Essential governance functions and plantation maintenance can only continue if sufficient funds are available. Lowell expects over \$1,000,000 to be received from Year 3 contributions and, overdue Year 2 Contributions, which will enable these activities over the following 12 months. Details of Lowell's expenditure related to the schemes to December 2011 are included with this letter for the benefit of members.

Plantation Land Purchase

As you may be aware, the completion of the purchase of the viable plantation land is due on 2 July. The purchase of the Land marks another important milestone in the program to secure your assets as a member and manage your plantations to harvest. You now have a preferential opportunity to enjoy the benefits of plantation land ownership, and share in the potential for capital gain in the value of the land, by subscribing for units in the Land Scheme (The Offer).

We have separately mailed a Product Disclosure Statement to you, which contains details of The Offer, and we urge all members to subscribe for interests in the Scheme before 26 June 2012. Since part of the initial purchase of the land will be funded by a debt facility, the greater the level of funds subscribed to the Scheme, the less plantation land will need to be sold in future to offset borrowings.

Note: Applications for interests in the HVT Land Scheme must be received by 26 June.

Members Meeting – Approval of the Debt Facility

Meetings for HVT Projects have been set down for 26 June 2012, as advised through the Notice of Meeting and Explanatory Memorandum recently mailed to you. Members are requested to vote in favour of two resolutions approving the terms of the proposed Debt Facility and consequential amendments to the constitution of the HVT Projects, as required by the Lender.

It is strongly recommended that you vote, either in person at the meeting, or by returning your proxy vote in favour of the resolutions. The availability of funds through the Debt Facility effectively underpins the ability of the HVT Land Scheme to purchase the Land. Should the Resolutions fail, the Debt Facility will not be provided and the Asset Sale Agreement will collapse, with the likelihood of a total loss of member plantation assets.

Grower Representative Committee (GRC) Criticism

Lowell is aware that certain individuals continue to criticise Lowell's management of the HVT Projects, in relation to accountability regarding the use of members' funds, alleged lack of expenditure on plantation maintenance and the structuring and costs of the Land purchase.

Lowell advises the following in relation to these issues.

- Lowell is obliged by ASIC to provide audited accounts as part of a mandatory reporting regime. Included with this letter are the audited Scheme financial accounts for 2010, plus a report of Receipts and Expenditures related to the Schemes up to December 2011.
- An examination of the Receipts and Expenditures Report shows expenditure on plantation maintenance since Lowell's appointment of \$1,200,000 out of total contributions received of \$1,800,000. The bulk of the remainder of contributions received was spent on legal fees related to Lowell's appointment as Responsible Entity and the Supreme Court 'ratification' process.
- The arrangements to purchase the Land from the Liquidator of the insolvent Great Southern group were on extremely advantageous terms for members. Representatives of the GRC insisted the purchase be primarily funded by borrowings and indicated that they had access to a funding facility offering preferential rates and terms. This facility proved unavailable, leaving Lowell to secure a suitable facility. However, Lowell recommends that the land purchase be funded through members' equity insofar as possible.

Continuing your Member Contributions

Members have been very supportive of the amended arrangements under which Lowell took over as Responsible Entity of the HVT Projects, through prompt payment of Contributions. This is despite some unsettling advice from individuals recommending withholding Contribution payments.

Whilst the level of Year 2 Contributions was somewhat below budget, Lowell expects that as some of the uncertainties surrounding the Projects are now settled, members will take the opportunity to catch up and make **outstanding payments**.

We remind members of the importance of maintaining Contributions since, at the conclusion of the period for payment of Year 3 contributions, the interests of un-financial members will begin to be irrevocably reduced.

We look forward to your continuing support towards the management of your plantation assets.

Yours Sincerely,



Chairman