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10 September 2009

Mr R.F.E. Warburton AO
Chairman
Tandou Limited
31 Alan Mathews Drive
MILDURA VIC 3500

Dear Mr Warburton

We wish to inform you that GPG (No. 4) Pty Ltd, a wholly-owned subsidiary of Guinness Peat Group (Australia) Pty Ltd (GPG), intends to make a takeover offer of 30 cents cash per share for 50% of each member's fully paid ordinary shares in Tandou Limited (Tandou).

GPG is currently entitled to approximately 17.53 million shares, representing 19.9% of Tandou's issued fully paid ordinary share capital. As such, GPG is already Tandou's second largest shareholder.

A full acceptance of the offer by Tandou shareholders will result in GPG holding approximately 60% of Tandou's capital.

A formal Bidder's Statement is being prepared and will be lodged in due course. The offer will be unconditional other than in respect of "prescribed occurrences", Stock Exchange and regulatory requirements.

You will recall that in early 2007, Tandou undertook a non-renounceable rights issue to shareholders at 35 cents a share. The offer was unanimously commended to shareholders by Tandou's directors, with the promise of better times ahead. As the Tandou board stated at the time:

"Irrespective of a change in seasonal conditions, Tandou intends to develop a strategy around opportunities to expand and grow its business assets in the areas of its core competencies."

Since that time, Tandou's share price has fallen significantly – to a low of 7.5 cents in November 2008, before recovering to current levels on the back of the sale of water entitlements announced in November 2008 and GPG share purchases.

GPG believes that a reconsideration of Tandou's strategy is now urgently required. While acknowledging the positive steps taken recently by the Board in disposing of the company's winery and supplementary water licences (and the resultant repayment of the company's bank debt), it is GPG's view that continued retention and maintenance of Tandou's loss-making businesses - in the face of the significant uncertainty regarding water availability - has eroded, and will continue to erode, shareholder value.

In the event of the success of our offer (and the appointment of GPG nominees to the Board of Directors), GPG therefore intends to conduct a review of Tandou's assets and operations to evaluate their performance, profitability and prospects. GPG expects, subject to this review, to either sell, restructure or close Tandou's horticultural and other peripheral activities not producing an economic return to shareholders and to explore all avenues to maximise the value of Tandou's remaining water assets.

In the circumstances, GPG's offer provides Tandou shareholders with an excellent opportunity to receive an immediate cash payment (at a premium to the current Tandou share price) for part of their holdings and thereafter to participate in the benefits of an orderly rationalisation of the company's assets.

We look forward to your co-operation and will be pleased to supply any additional information which you may require.

Yours faithfully



GARY H. WEISS
DIRECTOR