

**NEWLY UPDATED REPORT BACK TO SHAREHOLDERS OF COUNTRY
FOODS LIMITED – 07 SEPTEMBER 2009.**

Further to the SENS announcement of Friday August 28 2009, we wish to inform you in more detail of the preliminary summarised results of the Board's findings and the Investigations into the Alienation of Assets and the Liquidation of a major Subsidiary:

SUMMARY:

LIQUIDATION OF SUBSIDIARY EDULIS

1. Further to the report of August 28 2009 a number of documents, statements, invoices and bank transfers emanating from the books of Gouret Mushrooms Pty Ltd (formerly a dormant subsidiary of Country Mushrooms Pty Ltd) and a Close Corporation, Fountain Administrators CC (Owned by a group Executive) as well as a large transfer of R 600,000 from Edulis Mushrooms (Pty) Ltd to Country Foods Ltd have been brought to our attention. Multiple payments to former acting C.E.O Mr James Anderson (as well as to his management company) from the above mentioned Close Corporation Fountain Administrators CC were also found.
 - 1.1. The amount of R 600,000 transferred from Edulis to Country Foods together with approximately R 2,000,000 worth of export proceeds received by Fountain Administrators CC and Gouret Mushrooms Pty Ltd , an amount of R 450,000 transferred from CF to Fountain Administrators , and finally , missing (imported) stock to the value of over R 1,500,000, supports the investigators theory, that the liquidation of Edulis was the result of collusion between Executives of Country Foods , the Creditor which moved the application to liquidate Edulis, and other interested parties. It is now clear that there were more than sufficient funds available to make part repayment to creditor African Dawn as well as the R 170,000 commitment to creditor Chester Finance, the default of which caused the alienation of the shares of Subsidiaries Fruitime and Country Mushrooms (such shares having been pledged without shareholders approval). Funds and stock appear to have been misappropriated by Companies, Close Corporations or Individuals in the employ of Country Foods or its subsidiaries.
 - 1.2. Neither the application to liquidate Edulis, nor the final order for its liquidation, were opposed by the Board of Country Foods. No record of a detailed discussion or vote on opposing the application for the Liquidation of Edulis was found in the CF minutes of Board meetings. There are two clear references however to the fact that the Creditor had undertaken to pursue alleged personal sureties by individuals.
 - 1.3. **To be noted is that the Creditor, mentioned above, held Title Deeds of unencumbered properties in the books of Edulis for a value exceeding**

R12,000,000 (twelve million Rand) or double the value of the debt, as security. It is to be noted that the Creditor elected not to register Mortgages, prior to the liquidation of Edulis, as they were entitled to by their security documents, but opted instead to become a concurrent creditor in the liquidation.

- 1.4. The amount of R 600,000 as set out in 1.1 above was removed from the Edulis Mushrooms account held at Standard Bank on 3 December 2008 and transferred to the Country Foods account in Absa Bank. This event occurred after the liquidation order against Edulis was granted. This we are advised is a clear contravention of the Insolvency Act.

[REPORT BACK TO SHAREHOLDERS OF COUNTRY FOODS LIMITED – 28 AUGUST 2009.](#)

Further to the SENS announcement of Friday August 28 2009, we wish to inform you in more detail of the preliminary summarised results of the Board's findings and the Investigations into the Alienation of Assets and the Liquidation of a major Subsidiary:

SUBSIDIARY EDULIS MUSHROOM (PTY) LTD (IN LIQUIDATION)

During the second week in April 2009 on the day of taking occupation of the Country Foods "CF" offices at 16/1 Melrose Boulevard, the directors made the following discoveries:

1. All computers in the offices including but not limited to the Accounts and Legal computers had been wiped clean of all information including files and e-mails from the hard drives. The main server's hard drive and Central Processing Units had been completely removed. The current board instructed forensic IT experts to recover as much information as possible from the deleted files. The complicated process of recovering deleted data has proven lengthy, costly and only partially successful. Part of the accounting information was recovered from the auditors and all e-mails were recovered from the CF Internet Service Provider server.

A number of critical files were also not found on the premises with some of the legal files, containing important documents, missing.

2. From correspondence and e-mails reviewed by the persons mandated by CF to analyse the findings the following has emerged:
 - 2.1. From minutes of directors as well as EXCO meetings and e-mails, it appears that liquidation was encouraged by the impression given by directors that the creditor in question would have been able to recover the amounts owed by virtue of certain alleged personal sureties. Documents

show that the creditor was actively encouraged to liquidate the Subsidiary and pursue the sureties. This action was taken by the previous Board in the misguided belief that CF, being the largest creditor, would be able to control the liquidation process.

- 2.2. During the Period from 1 October 2008 to 1 March 2009, stock, and debtors and export revenues of liquidated Edulis, to the value of approximately R 4,500,000 was misappropriated by one or more of the subsidiaries, individuals and companies associated to individuals employed by Edulis and or its subsidiaries, just before , during and immediately after the liquidation. The Liquidators managed to track down R 1,200,000 (one million two, hundred thousand rand) of the missing moneys and are demanding the same from Country Foods. Over R 1,000,000(one million rand) of export proceeds for stock produced prior to the liquidation of Edulis were received by related party subsidiaries or companies controlled by management. This seems to have occurred with the knowledge of at least some of the previous directors and executives. The Liquidators have been given documentary proof of the information the investigative team has been able to obtain both locally and overseas.
- 2.3. The whereabouts of over R 1,000,000 (one million rand) of existing stock and debtors shown in the books of Edulis subsidiary, Edulis Gourmet (Pty) Ltd, at the time of Liquidation is still being investigated. Investigators have been able to establish that at least R 1,500,000 (one million five hundred thousand Rand) of export proceeds of wild mushrooms have reached a Company called **Gouret Mushrooms (Pty) Ltd** between the months of February and May 2009 .While investigations are ongoing the Board is consulting experts to establish if Country Foods can bring immediate criminal charges in the above matters.
- 2.4. **Gouret Mushrooms (Pty) Ltd is a wholly owned subsidiary of Country Mushrooms (Pty) Ltd. Country Mushrooms (Pty) Ltd , a former subsidiary of Country Foods Ltd was first alienated by pledges to a creditor in January 2009 and subsequently sold by the Creditor to a related party together with Fruitime Fruit Juices (Pty) Ltd in March/April 2009. The R 1,500,000 (one million five hundred thousand rand) mentioned in 2.3 above was transacted just before, during and immediately after, the sale of Country Mushrooms (with Gouret Mushrooms (Pty) Ltd as its subsidiary).**
- 2.5. **An additional R 1,800,000 (one million eight hundred thousand rand) of wild mushroom exports and local sale proceeds for wild and exotic mushrooms were transacted through the books of a**

Closed Corporation called Fountain Administrators CC (a CC belonging to Mr Robert Pizzi an Executive of both Country Mushrooms and Edulis Gourmet (Pty) Ltd) from October 2008 to February 2008. An amount of R 450,000 (four hundred and fifty thousand rand) was transferred from Country Foods to Fountain Administrators CC on the 1th of December 2008. This information appears on the ledgers of Country Foods currently being audited.

SUBSIDIARIES COUNTRY MUSHROOMS (PTY) LTD AND FRUITIME FRUIT JUICES (PTY) LTD

3. During the period from December 2008 to January 2009 the shares of Fruitime Fruit Juices (Pty) Ltd and Country Mushrooms (Pty) Ltd, the only remaining assets of Country Foods Ltd, were pledged to trade finance creditor, Chester Finance (Pty) Ltd. This creditor already held pledges of stock and debtors from trading subsidiary Edulis Gourmet (Pty) Ltd as well as cross guarantees from CF.

3.1. During December 2008 Chester Finance (Pty) Ltd demanded, as additional security from CF, the pledges of the entire shareholding held by CF in wholly owned subsidiaries Fruitime Fruit Juices (Pty) Ltd and Country Mushrooms (Pty) Ltd as well as restructured payment plan of the outstanding debt.

3.2. It is not clear whether these actions had the approval of the entire board at the time, or if the JSE was indeed notified. What is clear is that the pledges bear the signature of the then acting Chief Executive who signed all relevant documents pertaining to the pledges and restructure of the debt.

3.3. Within 30 days from the restructure of the Chester Finance debt and the pledges of the shares of Fruitime Fruit Juices (Pty) Ltd and Country Mushrooms (Pty) Ltd, CF defaulted on a payment of R170,000 (one hundred seventy five thousand rand). Soon thereafter Chester Finance executed the pledges and took control of Fruitime Fruit Juices (Pty) Ltd and Country Mushrooms (Pty) Ltd. (SENS announcement date).

3.4. **Shareholders should be aware that during the same period of CF's default of the instalment of R 170,000 (on hundred and seventy thousand rand), due to Chester Finance as set out in 3.3 above, the previous board of CF approved the payment of R 800,000 (eight hundred thousand rand) in fees and advances to Executive and non Executive Directors on the previous board, or alternatively to their**

“management” Companies for unspecified Fees. At this time R 750,000 (seven hundred and fifty thousand rand) of the above amount was paid to Mr James Anderson and his management company. This information is reflected in the ledgers of Country Foods currently being audited.

- 3.5. During April 2009 Fruitime Fruit Juices (Pty) Ltd and Country Mushrooms (Pty) Ltd were on sold to a related party and nominee company of CF shareholder Bronpro Processors (Pty) Ltd (“Bronpro”). Bronpro holds a combined 30,000,000 (thirty million) CF shares. To be noted is a formal offer made by Bronpro to CF during November 2008 to acquire the entire shareholding of Fruitime Fruit Juices (Pty) Ltd for a net cash amount of R 10,000,000 (ten million rand). This offer was rejected by the previous board. No notification to shareholders or the JSE is given.

This report will be updated from time to time as the information is reviewed and approved by the CF company legal advisers.