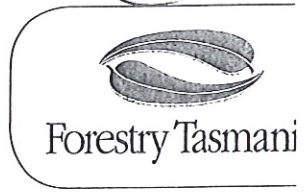


Phone: 6235 8158 (Mike Farrow)
Your Ref:
Our File: WF-917-PW and WF-918-PW

161

(F)

(H011/632 notes)



6 April 2011

Mr Bryan Hayes
General Manager, Forest Products
Gunns Timber Products
PO Box 572
LAUNCESTON TAS 7250

Dear Bryan

Re: Variation Notice - 1 April 2011

I acknowledge receipt of your letter to me of 1 April 2011, advising the closure of the Triabunna woodchip mill for eight weeks from 11 April 2011.

You also request my agreement to the variation, however, as your letter is confirming a decision made by Gunns which will be implemented by Gunns on 11 April 2011, I do not understand what it is you seek my agreement to. Would you please clarify what you mean when you refer to a variation. If you are referring to a variation of any contract then we do not agree and we reserve all our rights under those contracts.

Given the action by Gunns, Forestry Tasmania has had no option but to commence work to reschedule its harvesting operations and sales, immediately upon receipt of your letter. This work has already identified a number of issues that I need to communicate to you, or that I need to clarify with you. These are listed below.

1. One probable impact of the Triabunna shutdown is that, with the exception of Gunns' sawmill at the Huon Wood Centre, Forestry Tasmania may not be able to supply hardwood sawlogs to Gunns' sawmills for the period of the shutdown.
2. I require advice from you about the measures that Gunns is taking to implement the withdrawal of its harvesting and transport contractors from State forest for the period of the Triabunna shutdown and, in particular, to ensure that its harvesting contractors will have met their obligations under the Forest Practices Act with respect to the coupes in which they are currently operating, before they withdraw from those coupes.
3. Another impact of the Triabunna shutdown is that the current China sale agreement between Forestry Tasmania and Gunns, scheduled to end at end April 2011, is effectively at an end on Friday 8 April 2011. As documented in the letter from Bob Gordon to Greg L'Estrange of 10 March 2011, we had previously agreed to resolve



the question of the outstanding \$1.74 M at the expiry of the China sale "following a joint analysis of performance under that agreement and as part of negotiations to achieve agreement about ongoing pulpwood sales in support of Gunns ongoing woodchip sales to Chinese customers." With the early effective termination of the China sale, I seek your agreement to finalise an agreed procedure for that review immediately, so that it can commence as soon as practicable enabling the matter of the outstanding \$1.74 M to be resolved at the earliest opportunity.

4. I refer to my earlier advice to you, that Gunns' offtake under Contract 917 during 2010/11 is below the threshold at which the take or pay provisions of that Contract apply. Any advice from Gunns varying its pulpwood requirements during the financial year will not reduce the threshold to which the take or pay provisions of Contract 917 refer.

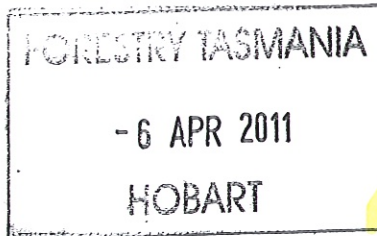
I will be pleased to discuss these matters with you at the earliest opportunity.

Yours sincerely



Mike Farrow
General Manager, Operations & Sales

April 1 2011



Mr. Mike Farrow,
General Manager Operations and Sales,
Forestry Tasmania,
GPO Box 207,
Hobart, TAS., 7001.

WF-918 of

BLS

WF-918

4011/632



Dear Mike,

Re: Variation Notice

Further to our discussions yesterday and by telephone today I wish to confirm that Gunns Triabunna Mill will be closed for an 8 week period commencing Monday 11th. April and ending Friday 3rd. June, 2011. Resumption of operations will depend upon confirmed shipping and sales of woodchips.

The shutdown is as a result of our Chinese customer cancelling two confirmed vessels in April and withdrawing one unconfirmed vessel in early May. They cite the strong \$A making our chips uncompetitive and high woodchip stocks as the reasons for the sudden cancellation of vessels.

Gunns has already produced the woodchip stock for 3 vessels and we are not able to continue producing stock until existing stock is removed.

We estimate that the volume of pulpwood now not required is 150,000 gmt for that 8 week period. Unfortunately the vessel cancellations have come just when we have closed the Tamar Mill and had planned for Tamar contractor capacity to be diverted to Triabunna and for Triabunna Mill to be the sole supply source to this customer from 1st. April.

Please confirm your receipt of this notice and your agreement to the variation requested.

Yours sincerely,

Bryan Hayes
General Manager-Forest Products
Gunns Limited



1 April 2011

Company Announcements Platform
Australian Securities Exchange

TRIABUNNA MILL

The company will be suspending woodchip operations at the Tasmanian Triabunna mill for an eight week period commencing from mid April 2011. The mill currently supplies woodchips sourced from native forest operations into non-Japanese markets. Demand in these markets is volatile, being directly affected by the relative currency value and the short term availability of fibre following the Japanese earthquake.

The company is currently reviewing operations at the mill consistent with the implementation of its planned exit from native forest based operations in Tasmania. During the period of suspended operations the company will be working with industry participants to secure a sustainable future for the mill.

The suspension of these operations does not have a material impact on forecast earnings for the 2011 year. Full year underlying EBIT is expected to be consistent with the company's previous guidance, between \$40-50 million.

Contact

Company: Greg L'Estrange – 03 6335 5211
Media: Matthew Horan – 0403 934 958

GUNNS LIMITED | ABN 29 009 478 148

PO Box 572 Launceston Tasmania Australia 7250 | 78 Lindsay Street Launceston Tasmania Australia 7250
T 03 6335 5201 | F 03 6335 5406 | www.gunns.com.au

H011/501

64

f

Phone:

Your Ref: 6235 8180 (Bob Gordon)

Our File:

WF-917-PW and WF-918-PW



22 March 2011

Greg L'Estrange
Managing Director
Gunns Limited
PO Box 572
LAUNCESTON TAS 7250

Dear Greg

Re: Status report - various matters

Thank you for your letter of 15 March 2011. It is reassuring to note that we have a common understanding of the current position with respect to most of the matters covered in my letter of 10 March 2011.

I note your preference to deal with these (and other) matters without resorting to the processes arising under a strict legal interpretation of each party's rights under the relevant contracts. Like you, I prefer that we continue to deal with these matters on a less formal basis (as has always been the case in the past), for as long as this approach offers a reasonable prospect of resolving them. However, I have had to put in place the instruments that will enable Forestry Tasmania to deal with those matters strictly in accordance with the contracts, if it becomes necessary to do so.

I note, in particular (and as evident from the attached letter from Mike Farrow to Bryan Hayes), that discussions to resolve the dispute relating to Forestry Tasmania's take or pay claim for 2009/10 are proceeding at a satisfactory pace.

On the other hand, I remain concerned that Gunns is not applying sufficient thought to the relationship between its requirements for pulpwood supply (under the current China sale agreement, in particular) and its demand for, and offtake of, sawlogs. As documented in my letter of 9 March, Gunns' latest formal advice of its requirements for eucalypt sawlog, for the period January to April 2011, does not represent sufficient demand to acquit its relevant obligations under the China sale agreement. This matter requires urgent attention from Gunns. At the very least, Forestry Tasmania expects that regular delivery requests for pulpwood and for sawlog, received from Gunns, reflect consistency between Gunns' relevant internal business units.

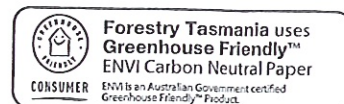


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79 Melville Street Hobart TAS 7000. GPO Box 207 Hobart TAS 7001.
Phone (03) 6233 8203 International 61 3 6233 8203 Facsimile (03) 6233 8444

ABN 91 628 769 359

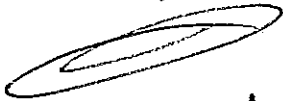
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I would also like to take this opportunity to put on record the important issue of forest roads for which Gunns is currently responsible under Contracts 917 and 918. I seek your earliest advice of Gunns' intentions with respect to such roads, in the light of its announced withdrawal from native forest harvesting. This is to enable each party to address any relevant obligations under Schedule 12 of the Contracts, in a timely manner.

I am available to meet with you, to discuss any of these matters that requires further discussion between us. Alternatively (and preferably), I am happy for Mike Farrow and Bryan Hayes to continue their work to address each of them.

Yours sincerely,

A handwritten signature in black ink, appearing to be "R. L. Gordon", written in a cursive style.

R. L. Gordon
(Bob Gordon)
MANAGING DIRECTOR

cc: Bryan Hayes

(65)

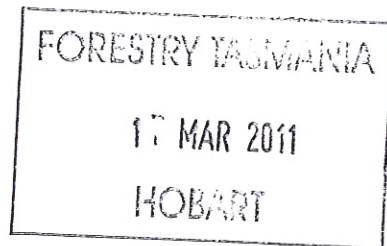
Synopsis of Meeting Gunns/FT 16 March 2011

Take or pay Dispute

Present: Bryan Hayes, Darren Davies, Mike Farrow

- Bryan indicated that Gunns is working on the details of the alleged undersupply by FT and will forward the details shortly. According to Bryan, Gunns anticipate claiming 25,771 tonnes due to under-supply by FT ie they have compared quota notices against deliveries to reach this tonnage.
- Gunns foreshadowed a further claim of about 100kt due to FT planning issues which forced Gunns to move contractors to private property. Details will be forwarded to FT shortly.
- Mike requested Gunns legal position on the take or pay, which was declined.
- Gunns are now aware that there is a further take or pay issue for 10/11. Bryan asked that FT consider wavering this on the basis the markets have changed significantly.
- Sawlog stocks are building in the South as a result of the China Sale. This issue was flagged and Gunns have been requested to take the additional sawlogs as per the China Sale Agreement. Bryan will follow this up. A discussion was had around the possible closure of the hardwood sawmills.
- Both parties agreed to continue to negotiate to try and resolve the issues but acknowledged that arbitration was the next step if there was no way forward.

15 March 2011



WF-917

WF-918

#011/458

(F)

Bob Gordon
Managing Director
Forestry Tasmania
GPO Box 207
HOBART Tas 7001

Dear Bob

I refer to your letter of 10 March. As I have advised previously, it is our intent to pay due accounts on time. We are going through a difficult period of adjustment caused by the collapse of our traditional markets in Japan and a shift to the low margin business in China.

The various matters of significance which remain unresolved between us will require careful consideration and I am encouraged by your willingness to apply fairness and reasonableness in seeking resolution. From our perspective, we are concerned that the extent and impact of the international market conditions we are facing are not being fully recognised by Forestry Tasmania. Gunns has made considerable efforts to maintain volume wherever possible and kept you informed of the difficulties we have faced and continue to endure. A less rigid application of technical contract terms and conditions would be helpful as we seek to adjust to changed circumstances and optimise what sales volumes are available.

Gunns is considering other significant issues which are related to, and to some extent interwoven with, these current issues. It is not appropriate to raise those issues at this stage of the current process whereby this outcome will determine how we progress those issues.

Regarding your summary of outstanding issues I provide my understanding as follows:

1. Contract of Sale 917 – 2009/10 Take or Pay

Gunns has questioned a portion of the claimed volume shortfall as being due to the non-performance of Forestry Tasmania mill door deliveries against the quotas allocated for the period. Also, we are compiling a summary of instances when coupes on State Forest were not available and which caused Gunns contractors to be stood down or relocated to private property for a period until FPP's were certified or access to coupes provided.

We will provide details to Mike Farrow as soon as the work is complete and continue discussion to resolve the extent of any mitigation of the claimed Take or Pay volume.

It is sensible in these circumstances to agree to the variation in the contract timetable for resolution whilst retaining all of our rights under the contract.

2. 2010/11 Take or Pay

Gunns has advised Forestry Tasmania of the impact on sales of adverse market circumstances on a number of occasions over the last year. We have provided formal notification of mill closures and our staff have been in constant contact with your officers to adjust wood supply to the changing circumstances.

A formal Notice of Variation to the volumes for 2010/11 was provided to Mike Farrow on 8 March, following on from our advice in December 2010 of imminent mill closures and massive job losses for Gunns employees and contractors in 2011 due to lack of export sales.

In our view it is neither fair nor reasonable for Forestry Tasmania to propose another Take or Pay claim for 2010/11 based on technical contract terms when external market factors beyond Gunns control have caused the loss of markets.

3. China Sale Agreement – Amount Withheld by Gunns Limited

Gunns will cooperate with the review of the initial China sales agreement for 800,000gmt at the end of April. Deliveries to end February were 458,837gmt leaving a balance of 341,163gmt to achieve supply of the volume by end April. We believe there will be a significant shortfall to be reconciled against the actual sales volume, which would have been supplied with fully priced pulpwood. This financial loss to Gunns must be part of the review and reconciliation process.

We propose to commence negotiations of the new China supply agreement as soon as practicable as we have shipping scheduled for calendar 2011 and it is not possible to wait until the first agreement is completed before commencing on-going supply negotiations. I understand Bryan Hayes has raised this with Mike Farrow and that options are being explored.

4. Native forest seed stock

We have commenced a review of the seed stock and will provide our response as soon as our internal work is completed.

5. Impact of mill closures

We will cooperate to ameliorate the impact of mill closures where it is practicable and reasonable to do so. However it is our view that the magnitude of the changes confronting us are of a scale and nature that was not contemplated by the existing contracts and therefore we should both be willing to be flexible in finding solutions and that may require agreement to simply waive express contractual terms from time to time.

It is in this context that we contend your consideration of invoking Take or Pay mechanisms for 2010-11 is not reasonable.

I agree we should allow our nominated representatives to continue discussions until such time as relevant detail is compiled to enable settlement of the outstanding matters.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. L'Estrange', followed by a long, horizontal, slightly wavy line that extends to the right.

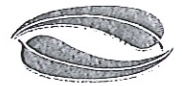
Greg L'Estrange
Managing Director

Phone:

Your Ref: 6235 8180 (Bob Gordon)

Our File: WF-917-PW and WF-918-PW

14011/436



Forestry Tasmania

10 March 2011

Greg L'Estrange
Managing Director, Gunns Limited
PO Box 572
LAUNCESTON TAS 7250

Dear Greg,

re: Status report - various matters

It is a pleasure to note that Gunns' account for logs delivered during January 2011, payable on 28 February 2011, was paid on the due date. Thank you for restoring normal payment terms for these monthly accounts. I am also pleased to note that our respective CFOs have approved reciprocal payments that address a significant component of the amounts that we had each been withholding in relation to the China sale agreement. I apologise for being slow to acknowledge these events, but have been out of the office for much of the last two weeks.

I remain very keen to resolve the various significant matters that remain unresolved between our two businesses in a manner that is fair and reasonable and that is in accordance with our respective rights and obligations. In this regard, I thought it might be useful to record the current status on each such issue, to ensure that we have a common understanding. Please let me know if any aspect of the following itemised summary does not accord with your understanding of the current situation.

1. Contract 917 - 2009/10 take or pay

Bryan Hayes and Mike Farrow met on Friday 25 February and 8 March, to discuss the relevant dispute, in accordance with the process defined in the Contract. I am advised that the meetings have been conducted in a positive spirit and that the two have agreed to exchange information in support of our respective cases.

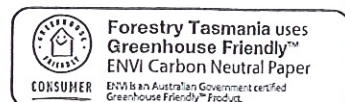
At this stage Bryan and Mike have agreed to continue their discussions beyond the 28 day period to which the dispute resolution terms of the contract refer. In so doing, neither party has waived any of its rights under the contract.

I note Bryan's most recent advice to Mike that Gunns is not prepared to consider a solution to this issue that is based on Forestry Tasmania's use of, or reasonable access to, assets currently within Gunns' control, i.e. as an alternative to the payment by Gunns of all or part of the amount in dispute. Please be sure to advise me if this position changes.



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2. 2010/11 take or pay

Current indications are that the quantities of pulpwood taken by Gunns during 2010/11 are likely to give rise to a third take or pay claim by Forestry Tasmania (following those issued for 2008/09 and 2009/10, respectively). This possibility has been signalled to your officers verbally at various times over the past few months and must be taken seriously.

3. China sale agreement - amount withheld by Gunns

As noted earlier, the total amount now withheld by Gunns in relation to this matter has been restored to the original \$1.74M, and Forestry Tasmania has reciprocated by paying the relevant amounts that it had previously been withholding.

The status of the remaining amount will be resolved once the current agreement expires (end April 2011), following a joint analysis of performance under that agreement and as part of negotiations to achieve agreement about ongoing pulpwood sales in support of Gunns' ongoing woodchip sales to Chinese customers.

Forestry Tasmania expects that it will be able to demonstrate that, at end April 2011, it will have made available the full 800Kt to which it committed under the current China sale agreement, notwithstanding the month to month differences that emerged between Gunns' demand schedule and Forestry Tasmania's supply schedule.

4. Native forest seed stock

Forestry Tasmania has provided Bryan Hayes with the itemised list of native forest seed accumulated in accordance with the 2003 agreement, i.e. in the period until that agreement was replaced in late 2009. I understand that the next step is for Bryan to review the list and to advise Mike Farrow whether or not any of the remaining seed will be needed for future regeneration treatments by Gunns.

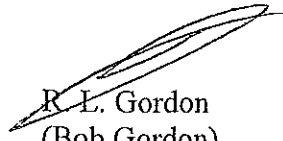
5. Impact of mill closures

Forestry Tasmania's officers are working with their peers at Gunns, to manage the practical implications of each of the significant changes in demand by Gunns' processing sites. Forestry Tasmania is keen to find long term solutions to ameliorate the impact of each of these changes. These may involve the need for cooperation that is over and above any obligations that Gunns' might otherwise have under its contracts with Forestry Tasmania. Where this is the case, I hope that we can work together to develop those long term solutions.

In some cases, notices of such changes by Gunns are subject to the provisions of the Contracts (e.g. the form in which the notice is given, the period of notice required and the subsequent process for discussing and agreeing upon such change). Adherence to these agreed processes will assist in the orderly management of the change that each such notice represents.

I am available to meet with you, to discuss any of these matters that requires further discussion between us. Alternatively (and preferably), I am happy for Mike Farrow and Bryan Hayes to continue their work to address each of them.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'R. L. Gordon', written over a horizontal line.

R. L. Gordon
(Bob Gordon)
MANAGING DIRECTOR

File

H011/3

6235 8158 (Mike Farrow)

8 February 2011

WF-917-PW and WF-918-PW

2 March 2011

Mr Bryan Hayes
Gunns Limited
PO Box 572
LAUNCESTON TAS 7250

Dear Bryan,

re: Deliveries to the Tamar Mill

Thank you for your letter of 8 February 2011.

I have asked that the practical consequences of your advice be managed operationally, at an officer to officer level, and am advised that this is taking place. You have allowed a perilously short time for the necessary adjustments to be made, and I hope that our two businesses can work together to achieve those adjustments in a way that minimises the disruption to other parties. I would like discuss this with you, as a few of the opportunities to maintain the industry that Forestry Tasmania is currently considering may require Gunns' cooperation.

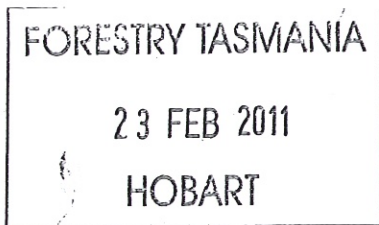
The advice within your letter has implications for Gunns' ability to take delivery of that portion of the 800Kt of pulpwood to be supplied from the Northeast stumpage zone under the China sale agreement (i.e. 200Kt), noting that the relevant quantity taken at Tamar for the period 1 May 2010 to 31 January 2011 is about 156Kt.

Your letter represents a variation to the Annual Supply for 2010/11. Clause 2 of Schedule 11 of Contracts 917 and 918 sets out the manner in which the parties have agreed to deal with such a variation. In choosing to deal with this matter in the manner that you request, being different to that which is set forth in the Contracts, Forestry Tasmania does not waive any of its rights under those Contracts.

Yours sincerely,

Mike Farrow
General Manager, Operations and Sales

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22nd. February, 2011.

WF-917-PWS

B/S

H011/301

(F)

Mr. Bob Gordon,
Managing Director,
Forestry Tasmania,
GPO Box 207,
Hobart, TAS., 7001.

Dear Bob,

Re: Notice of Dispute – Contract of Sale 917

In response to your letter of 9th. February 2011 and pursuant to Clause 13.4 of Schedule 13 of Contract of Sale 917, I hereby advise that Gunns nominates Mr. Bryan Hayes as our representative to progress discussions and negotiations in relation to this matter.

An initial meeting with your Mr. Farrow has been scheduled for 2:00pm Friday 25th. February at your office in Hobart.

Yours sincerely,

Greg l'Estrange,
Managing Director
Gunns Limited

File

70

Hand del. to GL 9/2



WF-917
WF-918

4011/225

Phone: 6235 8180

Your Ref:

Our File:

9 February 2011

Mr Greg L'Estrange
Managing Director
Gunns Limited
GPO Box 572
LAUNCESTON TAS 7250

Dear Greg

Re: Contract of Sale No. 917 and No. 918 ("Contracts")

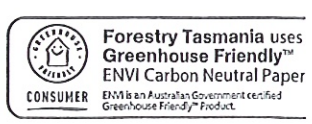
I refer to your letter of 1 December 2010, seeking our agreement not to exercise our rights under clause 3.3 1(b) of the Contracts above for a period of 120 days.

We do not agree to this request at this time and continue to reserve all rights under the Contracts.

It is possible that our position could alter subject to the outcome of discussions between us on other matters.

Yours sincerely

Bob Gordon
Managing Director



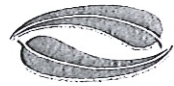
Phone: 6235 8180
Your Ref: -
Our File: WF-917-PW

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H011/224



Forestry Tasmania

9 February 2011

Mr Greg L'Estrange
Managing Director
Gunns Limited
GPO Box 572
LAUNCESTON TAS 7250

Dear Greg

Re: Notice of Dispute - Contract of Sale 917

Pursuant to Clause 13.3 of Schedule 13 of Contract of Sale 917 dated 20 December 2007 (the "Contract"), I hereby serve a Notice of Dispute.

The dispute concerns the obligations of Gunns Limited pursuant to Clause 4.5(a) of the Contract with respect to the Planning Year 2009/10.

The relevant amount and the matters constituting the dispute are as set out in the following correspondences between representatives of our businesses:

- (i) letter from Marius Naser to Bryan Hayes dated 25 October 2010;
- (ii) letter from Bryan Hayes to Marius Naser dated 3 November 2010; and
- (iii) letter from Marius Naser to Bryan Hayes dated 19 November 2010.

I await your advice pursuant to Clause 13.4 of Schedule 13 of the Contract. In that regard, I nominate Mike Farrow as Forestry Tasmania's representative.

Yours sincerely

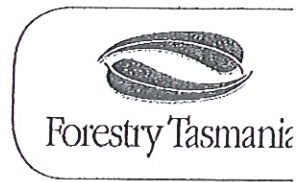
Bob Gordon
Managing Director



Phone: 6235 8225
Your Ref:
Our File: 19 January 2011

(72)

(copy on WF-918)
H011/153



Mr Greg L'Estrange
Managing Director
Gunns Limited
GPO Box 572
LAUNCESTON TAS 7250

Dear Greg

I refer to our meeting of 13 January 2011, to resolve a range of outstanding payment issues. Thank you for the time you and your staff devoted to that meeting and to working with us to find some resolution.

Referring to the matters listed in my letter of January 4:

- i. **The payment by Gunns of \$1.74m that it has withheld from amounts due and payable under Contracts 917 and 918 pertaining to the China sale agreement.**

I note your position regarding FTs alleged undersupply of relevant volumes at target delivered log costs. We continue to dispute that interpretation and believe that relevant volumes were, and still are, available to Gunns from agreed coupes as per the contract but have not been taken up at the required rate over the period. We also note that Gunns' refusal to take sawlog produced from relevant coupes, as required under the contract, further exacerbated the position. Nevertheless, it was agreed that our senior staff would continue to work together to confirm the plan for supply of the remaining volume over the next 4 months, recognising that a suitable plan may narrow the differences between us. We reject any suggestion that our contract requires us to meet a fixed delivered log cost of \$49 per tonne, but agree to continue to work with you to minimise such delivered costs from the available resource.

Assuming we are able to reach an acceptable position on the above, we would also be happy to further discuss, and plan for, the proposed extension of China supply arrangements through 2011-2012.

- ii. **The payment by Gunns of \$9.881m that arises under its 2009/10 take or pay obligations under contract 917.**

I note your view that efforts to resolve this matter be pursued within the context of the 'Statement of Forest Principles' process, and therefore deferred in the interim. Our judgement is that it would not be prudent to further defer pursuit of our legal remedies under the contract in the hope that the outcomes of this process might produce payment, and FT reserves its right to pursue this matter at some time.



- iii. The resolution by the parties of each of several issues constituting a current amount of \$643k that remains unpaid under various contracts.

It was agreed that the amount still unresolved was significantly less than quoted, and that regular meetings of relevant staff was adequate to ensure that such relatively minor reconciliations would be dealt with in a timely manner.

- iv. An agreement between the parties on a protocol for the payment of amounts due under regular monthly invoices.

It was acknowledged by Gunns that the current payment of monthly invoices, and communication with FT in regard to late payments, was not acceptable. You agreed to follow up on the late payments for November invoices, and to review internal procedures to improve the position for the future. Thankyou for the timely action in this regard, and I acknowledge our receipt over the last few days of the outstanding payments. It has been agreed that there will be direct and timely communication between our respective CFOs, Brendan Gill and Sue Shoobridge should any issues arise in the timing of future payment.

There remains a matter of withheld payments on both sides which has arisen out the above issues. Provided all future payments are made as they fall due I am prepared to consider quarantining the currently disputed amounts at issues i) and ii) above, allowing the balancing out of remaining unpaid amounts, and would be happy for Brendan and Sue to agree how this might be expeditiously achieved.

- v. Fair compensation for native forest seed stocks held by FT on Gunns account.

It was agreed that FT would provide Gunns with an itemised list by species, seed zone and collection year of all seed held for which FT has no other use or market. Gunns agreed to review its future seed requirements, with a view to further discussion to resolve this matter.

As indicated in my letter of January 4, we have yet to receive any response to our letter of December 15 in regard to Gunns' request for continued sawlog supply at existing contract levels for at least the coming year. As sawlog off-take is directly linked to pulpwood supply, both operationally and contractually, it is desirable that we receive your advice on this matter as a matter of priority.

As indicated previously, Forestry Tasmania reserves all of its rights under all of the relevant contracts with Gunns and nothing in this letter constitutes a waiver of any of those rights.

I would appreciate your written confirmation of the outcomes and proposals as outlined above.

Yours sincerely


Bob Gordon
Managing Director

COPIES FOR WF-917
WF-918

002312
H010/30

Phone:

Your Ref:

Our File:

14 December 2010

73



Forestry Tasmania

Mr Bryan Hayes
Gunns Limited
PO Box 572
LAUNCESTON TAS 7250

Dear Bryan

Thank you for meeting with myself and Steve Whiteley on Friday, 10 December 2010.

The following is our understanding of the meeting with yourself and Darrell Clark:

- Gunns confirmed the Hampshire chip mill will close at the end of December 2010.
- Gunns will consider a request by FT to use the Burnie chip loading facilities, on commercial terms. Bryan Hayes will follow up and advise.
- Tamar will remain open until the end of March 2011, after which it will close.
- Triabunna will also remain open until at least April 2011. It may continue operating beyond this time if the China sale continues. FT will consider this and confirm with Gunns in due course.
- As advised, Gunns intends to exit native forest completely by the end of 2011.
- Gunns wishes to retain work on State forest until 30 November 2011 (contract expiry) for a significant number of harvesting contractors, and prefers to move stumpage contractors into the Triabunna supply zone from March 2011. This request is being considered by FT.
- Despite the China Sale Agreement stipulating that Gunns will take all sawlogs produced as a result of the China sale, Gunns stopped taking sawlogs in October this year resulting in a build up of sawlog stocks in the south. This is clearly in breach of the China Sale Agreement and FT welcomes the announcement that Gunns will recommence sawlog intake in January 2011. In the meantime, sawlog stocks will continue to accumulate with approximately 5000 m³ currently in stock in the south.
- FT is of the understanding that Gunns intends to recommence native forest hardwood sawing activities and has requested full quotas.



- FT maintains its previously stated position that Gunns has acted outside the spirit of the China Sale Agreement in respect to withholding payment (\$1,739,504) for alleged under-supply, and requests that this money be paid to FT immediately (letter to Gunns 8 October 2010).
- FT maintains that it has made coupes available to meet the China sale commitments. Representatives from both parties will meet to verify details as soon as possible. FT is of the opinion that Gunns needs to move extra contractors into the southern supply zone from January 2011 if the full China Sale Agreement volume is to be met by 30 April 2011.
- Also, to achieve the volume, Gunns will need to continue to source some wood from cable coupes as well as complete some roading.
- The issue of payments was discussed, in particular the continual late payments by Gunns. This is an ongoing issue which in turn creates problems for FT and must be resolved by Gunns.

Once again, thank you for taking the time to meet with us.

Yours sincerely



Mike Farrow
General Manager, Operations & Sales

A-011/152



1 December 2010

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Mr Bob Gordon
Managing Director
Forestry Tasmania
79 Melville Street
HOBART Tas 7000

Dear Bob

Re - Contract of Sale No. 917 and No. 918 ("Contracts")

I refer to recent discussions between Mr Frame of Gunns Limited and Dr Drielsma of Forestry Tasmania.

We confirm, in the interest of promoting mutual goodwill and further advancement of the Tasmanian Forests Statement of Principles to Lead to an Agreement, the parties agree not to exercise or purport to exercise their respective rights under clause 3.3(b) of the Contracts identified above for a period of 120 days from the date of this letter, whilst otherwise reserving all their rights under the Contracts.

Please confirm your agreement by signing a copy of this letter.

Yours sincerely

A handwritten signature in black ink, appearing to read "Greg L'Estrange", with a long horizontal flourish extending to the right.

Greg L'Estrange
Managing Director

Forestry Tasmania confirm and accept the agreement referred to herein:

Bob Gordon
Managing Director

Dated: ____/____/2010

GUNNS LIMITED | ABN 29 009 478 148

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T 03 6335 5201 | F 03 6335 5406 | www.gunns.com.au

62338171 (Marius Nesor)

Phone:

-

Your Ref:

WF-917-PW

Our File:

19 November 2010

FILE 917 PW



Forestry Tasmania

175

Mr Bryan Hayes
Gunns Limited
PO Box 572
LAUNCESTON TAS 7250

Dear Bryan,

re: **Contract of Sale 917 - take or pay (2009/10)**

We have considered your letter of 03 November 2010, and would like to state the following.

We do not think it will be the useful to assert that reduced market demand is a Supervening Event when the clause is expressly not applicable to financial obligations, nor to claim the benefit of Clause 4.5(b)(ii) by implying that Forestry Tasmania has market influence that it could never hope to have, even if such influence fell within the clause.

We are not sure what your final paragraph is based on, but as you have earlier referred to Recital 6 we would like to point out that Recital 6 is directed at discussions about changes to the Contract and does not apply to the contractual take-or-pay situation which has already arisen.

This is not to say we are not willing to meet with you pursuant to Recital 6 if you request that, but it is not an avenue available to deal with Gunns' outstanding contractual obligation.

As so many of the issues raised in your letter are outside the realm of the Contract we do not think it will be productive to deal with them individually. For the record, please be advised that this does not mean that we agree with them.

Assuming that your paragraph 9 can be taken as general invitation to discuss payment, we are happy to meet with you.

Yours sincerely,

Marius Nesor
Manager, Forest products sales

