



14 June 2011

Company Announcements Platform
Australian Securities Exchange

TRIABUNNA MILL

Gunns Limited has entered into an agreement for the sale of the Triabunna woodchip export business. Completion of the sale is scheduled for 29 June 2011 and is conditional on satisfactory progress in the implementation of the Tasmanian forests Statement of Principles.

Contact

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



MEDIA RELEASE

13 July 2011

TRIABUNNA MILL SALE

Gunns Limited confirms it has entered into an agreement for the sale of the Triabunna woodchip facility to Triabunna Investments Pty Ltd, with the transaction to complete on 15 July 2011. The terms of the sale agreement provide for the facility to be leased to an industry operator as a woodchip export business, to operate on a basis consistent with the Tasmanian Statement of Forest Principles.

Over the past six months, Gunns sought interest in acquisition of the Triabunna facility from customers, local and international operators. A contract with a local operator was executed but, despite the best endeavours of both parties, could not be completed when scheduled on 29 June 2011.

Gunns believes that the current sale agreement, with its requirement that the facility be made available for operation as an export facility subject to the conditions of the Statement of Forest Principles, provides an opportunity for certainty for industry consistent with the need to achieve the structural change necessary for long term viability.

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OPINION PIECE

Greg L'Estrange

16 July 2011

TRIABUNNA

There's little point the Tasmanian native forest industry crying that the sky will fall in because of Gunns' decision to sell the Triabunna saw mill to a non-forestry industry investor.

The sky fell in probably two years ago. This is just the latest bit of debris to fall. It shows that it is high time Tasmania came to grips with what Gunns has been saying for the past 18 months – that the industry in Tasmania needs significant structural change if there is to be a long-term future in native forestry.

It was a very difficult decision made by Gunns to sell an asset historically pivotal to southern Tasmania's native forest sector, and what has been the economic hub of the Triabunna community. We gave Aprin time beyond the deadline, and worked hard with them to make it happen.

My first obligation is to Gunns' shareholders, and for reasons fair or foul, Aprin could not get their finance in order in time.

Aprin now knows what Gunns has unfortunately known for some time. Financial backers won't risk the pressure inflicted on them by interest groups, and why should they run that risk for an investment in a declining industry?

Whether we like it or not, native forestry in Tasmania is in serious trouble, and the negotiations over the Forest Principles are possibly the only way to soften the impact of that fallout.

It was on this basis that Gunns made a condition of sale to Triabunna Investments that the mill continue to operate as required for the Forest Principles Agreement to work. We insisted on this and it was accepted.

This was no sell out of the industry. We could have done that 12 months ago if we wished but we have worked tirelessly and consistently to try and achieve a successful outcome for the industry, consistent with the Forest Principles. We marketed the sale of Triabunna to numerous customers and industry peers. There was no interest.

This was no back flip by Gunns. We have consistently stated that we are exiting from native forests and that we were working to achieve an orderly exit from our facilities in line with the Forest Principles. And now, even in the absence of an industry operator to purchase Triabunna, we have still ensured an outcome consistent with those Principles.

Industry signatories to the Principles were consulted in relation to our decision to sell Triabunna to Jan Cameron and Graeme Wood. There was no resistance, provided the facility had the opportunity to operate consistent with the Principles. That is what has been achieved. We would hope that a successful implementation of the Principles leads to a sustainable future for the Triabunna mill. The success or failure of that now lies firmly with the signatories of the Principles and Governments to implement.

It is difficult for all Tasmanians to see the harsh realities of a once proud industry on its last legs.

It is a reality that Gunns has had to face and which it has tried to soften in its actions to accelerate out of a fading industry and carve out a new future in plantation pulp production.

The linkage with the tactics of the environment groups also can't be ignored. They have influenced our customers and our funders. There's no point crying foul. Gunns has just done what we have to do to get the business back onto a stable footing. That means a commitment to get out of native forestry.

We have honoured that commitment but worked to try and ensure an ongoing industry outcome for those that wish to continue in the native based industries. And we will continue to do that.

Tasmania needs to imagine a future with not just a pulp mill, not just a national park and winery tourist industry, not just a world-class art gallery. It needs to work hard to broaden its economy and make it truly sustainable for years to come.

So, I say to the industry, start some joint problem solving. Do this for the sake of the communities struggling to come to terms with unforgiving change. They need your leadership now more than ever.

5

RJR:LLP

18 April 2011

The Directors
Gunns Limited
78 Lindsay Street
LAUNCESTON TAS 7250

Dear Sirs

**Southern Woodfibre Pty Ltd
Indicative offer to Gunns Ltd for the acquisition of the
Triabunna woodchip facility**

Southern Woodfibre Pty Ltd (yet to be incorporated), a company owned and operated by various businesses associated with the timber processing sector, provide an indicative bid for the assets of the Triabunna Woodchip Mill operated by Gunns Ltd. Detail of shareholders of Southern Woodfibre Pty Ltd is attached as Schedule A.

The indicative offer is for an amount of \$5,000,000 less an appropriate amount representing an accrual for obligations owing to employees for annual leave, sick leave (if vesting), long service leave (pro-rated for employees with longer than five years employment), RDO's and any other direct entitlements due to employees.

The indicative offer is conditional upon the completion of a due diligence process that verifies matters contained within the Information Memorandum and attached cost summary. This due diligence will entail environmental, legal and financial review/audit, plus an inspection of all plant and equipment and spare parts to determine their fitness for purpose.

The financial due diligence will require access to all financial information that is necessary to verify all items contained within the information memorandum and its attached cost summary, details of all entitlements due to individual employees, and detail of operating costs to 30 April 2011.

The environmental due diligence will be determined by consultants to be appointed by the company.

Legal due diligence will include the review of all contractual arrangements that are currently in place and may be required to ensure continued uninterrupted operation of the site. Instructions will be issued by the company's lawyers.

The indicative offer will not be conditional upon the transfer or negotiation of any pulp log or sawmill residue contracts.

The acquisition of the mill facility will be funded 50% from equity and 50% from borrowed funds. The shareholders are currently negotiating for sourcing of borrowed funds, which they believe they will source. However this indicative offer is conditional upon final



approval of these borrowed funds. The woodchip piles will be acquired by a marketing entity under contract with Southern Woodfibre Pty Ltd.

It is the intention of the company to have all acquisition costs and woodchip pile costs paid in full upon completion.

Southern Woodfibre Pty Ltd will seek to re-employ employees currently associated with the operation of the chipmill facility. This excludes all persons referred to in the information memorandum as Forestry Operations. The intent is to continue to operate the facility in its current form however the exact number of employees that will be re-employed will be entirely dependant upon the log resource that continues to be made available to the mill. This will become more evident during the due diligence process.

The acquisition price includes all unencumbered land, plant and equipment as described in the information memorandum. The acquisition price includes all spares required to ensure continuous operation of the business.

In addition to the acquisition price Southern Woodfibre Pty Ltd will separately negotiate the acquisition of any consumable stocks as measured at the date of settlement (eg fuel) and woodchip and log stocks.

Southern Woodfibre Pty Ltd is prepared to negotiate the completion of any supply contracts the company has with customers at the date of settlement.

Our indicative offer is based upon:

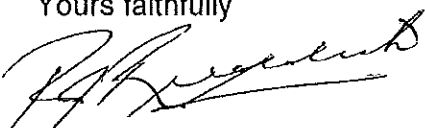
- The current exchange rate of \$A = \$US1.04
- The current state of the export woodchip market for native forest sourced woodfibre.
- The current state of plant and equipment on site.
- The current state of pulp log supply chain uncertainty.

If, during the sale process, significant fundamental changes occur to any of these elements of the company we would consider revising our offer.

The company will need to conclude log supply and offtake agreements prior to completion of a binding sales agreement. These are well advanced and do not form part of a condition precedence of this indicative offer.

We confirm that we do have necessary resources to complete the due diligence in the required timeframes, and look forward to your response to this indicative offer.

Yours faithfully



R J Ruddick

Att

Schedule A

McKay Timbers

Kelly Timbers

Torenius Timbers

Porta Timbers

SFM Forest Products

Artec

Ta Ann Tasmania

This Deed is made the 16th day of December. 2011.

Parties

1. Tasmanian Pulp and Forest Holdings Limited A.C.N. 009 488 733 the registered office of which is situate at 78 Lindsay Street Launceston in Tasmania ("the Lessee"); and
2. The Crown in the Right of Tasmania care of 15 Murray Street Hobart in Tasmania ("the Lessor").

Recitals

1. By the lease, the Lessor leased the leased premises to the Lessee.
2. The Lessee has agreed to surrender to the Lessor from the surrender date the benefit of the unexpired term of the lease including the benefit of any option to renew contained in the lease.

This Deed witnesses as follows

1. Surrender of lease

(a) *Surrender*

The Lessee as beneficial owner surrenders to the Lessor from the surrender date:

- (i) the Lessee's interest under the lease in the leased premises for the unexpired term of the lease, and
- (ii) the benefit of any option to renew the lease contained in the lease, to the intent that from the surrender date the Lessee's interest in the leased premises will merge in the Lessor's interest expectant on the lease.

(b) *Consideration for surrender*

This surrender is given in consideration for the release of the Lessee contained in this Deed.

2. Release for Lessee

From the Surrender Date the Lessor releases the Lessee from all liability arising under the lease.

3. General

(a) *Variation of or departure from lease*

No variation of, waiver of, or consent to any departure from this surrender has any effect unless it is confirmed in writing:

- (i) signed by the parties in the case of a variation; or

- (ii) signed by the party waiving or consenting to the departure in the case of a waiver or consent to a departure, and then its effect is strictly limited to the extent for which it is made or given.

(b) *Severing of invalid provisions*

If any provision of this surrender is invalid, other provisions which are self-sustaining and can be performed separately from the invalid provision, are valid and enforceable on their terms.

(c) *Applicable law*

This surrender must be interpreted under the law of the State of Tasmania.

(d) *This surrender records all terms*

In connection with its subject matter, this surrender:

- (i) is the sole and entire agreement among the parties; and
- (ii) supersedes all prior agreements and understandings between the parties, and a warranty, representation or guarantee connected with the subject matter of this lease or other term not contained or recorded in this surrender has no force or effect.

(e) *Joint and several liability*

Where more than one person accepts liability under any provision of this surrender, each of those people is liable severally and every two or more of them is liable jointly.

4. **Definitions**

In this surrender, the following definitions apply unless they are inconsistent with the context:

- (a) “the lease” means, depending on the context:
 - (i) the lease specified in the schedule;
 - (ii) the leasehold interest granted by the lease or arising on registration of the lease if the lease is a registrable lease; or
 - (iii) any other interest arising from the Lessee taking possession of the leased premises and/or the Lessee paying or the Lessor accepting money for the right to occupy and use the leased premises under, resulting from or relating to this document;
- (b) “the leased premises” means the leased premises specified in the schedule;
- (c) “the Lessee” means the Lessee named in the schedule;
- (d) “the Lessor” means the Lessor named in the schedule; and
- (e) “the surrender date” means the surrender date specified in the schedule.

5. Interpretation

In this deed, the following rules apply unless they are inconsistent with the context:

- (a) the word "include" does not exclude;
- (b) words signifying the singular number include the plural and words signifying the plural number include the singular;
- (c) words denoting a gender include all genders;
- (d) words denoting an individual or person include a corporation or firm and words denoting a corporation or firm include an individual or person;
- (e) a reference to any party to this lease includes that party's personal representatives, successors and permitted assigns;
- (f) a reference to a clause, schedule or annexure is a reference to a clause, schedule or annexure of or to this lease;
- (g) headings and any table of contents do not affect interpretation and are included for ease of reference only;
- (h) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning; and
- (i) the parties exclude from this lease all covenants implied by statute unless the statute provides that the parties cannot exclude the covenant.

The schedule

The surrender date:

16th December 2011

The Lessee

Tasmanian Pulp and Forest Holdings Limited

The Lessor

The Commissioner of Crown Lands

The leased premises


All that the 3 acres, 1 rood and 19 perches of land situate in the Parish of Triabunna Land District of Pembroke in Tasmania and shown coloured by red lines on the plan attached to the lease

The lease

A lease made the 10th day of November 1970 between the Lessor and the Lessee for a term of 50 years from the 1st October 1970 of the leased premises

Executed as a Deed

Signed by the Honourable Brian Neal Wightman MP,
the Minister administering the *Crown Lands Act 1976*,
in the presence of:



Signature of witness

Alison Wood

Name of witness (print)

10/10 Murray St

Address of witness

Adm 301

Occupation


Signature

The Common Seal of Tasmania Pulp)
and Forest Holdings Limited was)
hereunto affixed in the presence of:

Director

Director/Secretary

~~HA~~ Boar Thursday 7
Govt letter(?)



Gunn's Limited
Lindsay st, Launceston

19/5/2011

Brendon O'Connor
Aprin Group of companies
352 Midlands Highway, Brighton
Hobart, Tasmania, 7030

Dear Wayne,

I refer to the email received from Jacinta French and confirm we are reviewing and seeking advice regarding your suggested terms for the purchase of the Triabunna Mill.

Subject to the exchange of formal agreements we can indicate some non binding terms are contemplated as follows;

There will be two offers;

- a. One which will essentially accept your limited liability terms in the contract and will comprise an offer of \$14,000,000.
- b. The other will be an offer of \$16,000,000 but will be subject to certain items (chipper transformer, weighbridge, screens and chip surge bins) being repaired, the yard being tidied up and the conveyor belt being replaced prior to completion, from our site tour it was indicated the above has been scheduled to be done anyways.

- Settle per 30 June 2011
1. Both offers will contain a condition precedent which allows 30 days due diligence to our satisfaction with completion to take place 30 days from satisfaction of that condition! We will endeavor to minimize the completion time and move as quickly as possible.
 2. Both offers will allow your woodchips to remain on the site for a maximum of 45 days following completion but subject to a daily license payment based on 8% of the purchase price but reduced having regard to the availability of the woodchip storage area. We will require security for that payment. You would need to ensure separation between your chips and those of our customers otherwise the reduction will not apply. If they are not removed at the end of the 45 days then a negotiated rate will apply.
 - ✓ 3. We would have access to current chip contracts for negotiation with the relevant chip purchasers.
 4. In both offers we will load the chips at cost plus 20%

Sincerely yours

Brendon O'Connor

Aprin Group

$16m / 3 \times .08 \times$

\$32,000 per week

for 1/3 pile

- Biofuel SALE(?)



Triabunna Woodchip Facility

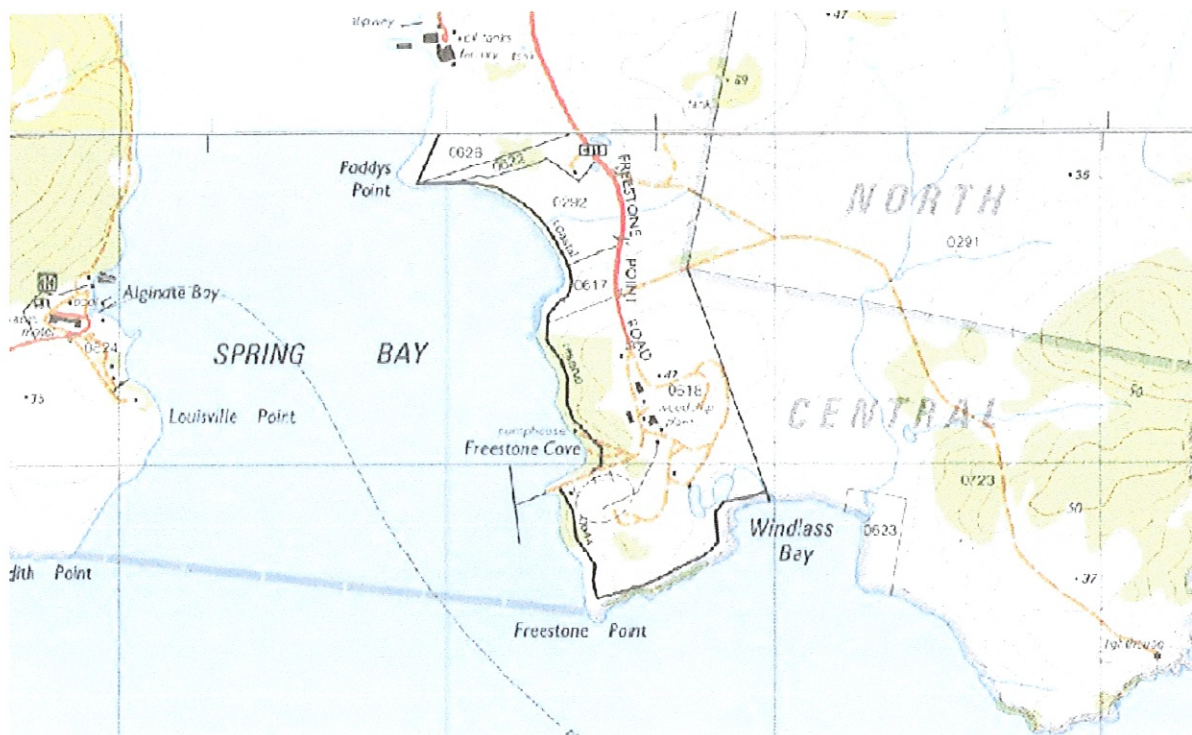
**555 Freestone Point Road
Triabunna 7190**

**Telephone +61 3 6257 4222
Fax +61 3 6257 4200**

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Gunns Limited's ("Gunns") Triabunna woodchip facility ("Triabunna Mill") is situated at 555 Freestone Point Road, 5.5 km from the township of Triabunna on the east coast of Tasmania.



Operations commenced in 1971 by Tasmanian Pulp and Forest Holdings and have continued uninterrupted at varying annual production levels under several company ownerships, namely Associated Pulp and Paper Mills (1979), North Broken Hill Limited (1983), Rio Tinto (2000) and now Gunns Limited, since May 2001.

The Triabunna Mill is located on freehold land at Freestone Point zoned as Industrial Land under the Glamorgan Spring Bay Council planning scheme of 1994. The land comprises three (3) land titles :

Volume	Folio	Area
65616	1	2.08 ha
147559	1	39.70 ha
117052	1	0.09 ha
Total		41.87 ha

Title 65616/1 is land adjoining the mill entrance and is currently vacant land. Title 147559/1 is the main land containing mill premises, chip stockpile, car park and settling pond wetland systems. Title 117052/1 is a small land title situated on a nearby elevated hill containing a water reservoir for the provision of fresh water to the facility.

Additionally, Gunns leases part of adjoining land 121810/1 owned by Okehampton Pty Ltd, principally for use of wood waste storage and handling.

The facility also holds 2 x crown land leases for the foreshore land and the freshwater water pipeline. The site is also subject to a lease arrangement with Telstra for the location of the mobile telecommunications tower adjacent to the mill administration building and also Australian Customs for the installation of port security surveillance equipment.

Premises

The Triabunna Mill has six (6) main buildings with all buildings having installed thermal / smoke detection systems maintained by Wormalds and linked to the Tas Fire Service via a wireless Romtech unit. Local alarm bells and panels are installed in all building. A main fire indicator panel is located in the weighbridge / security gatehouse. Adjacent to the weighbridge is an automatic fire pump system comprising of electric and a backup diesel unit in the event of a power outage.

Mill buildings service the following purposes :

Chip Production – mill building, log decks, control cabins, chipper, knife grinding and chip screening.

Mill Maintenance – stores and spares, mobile plant workshop, machine shop, welding shop and electrical workshop

Mill Amenities – crib room for mill operatives

HV electrical infrastructure – 2 x 5 MVA transformers (22 kV to 3.3 kV) for chipper supply. One transformer capable of running entire chip production process. 2 x 1 MVA (22kV to 415 v) for general low voltage use. 1 x 750 kVA pad mounted transformer is located adjacent to the wharf facility for shiploading operations.

Compressed Air Storage – 1 x 640 cfm pad mounted air compressor

Diesel Fuel – 1 x 50,000 litre bunded storage capacity and fuel dispensing unit

Administration – building and associated IT infrastructure

Weighbridge – 1 x 80 tonne Avery single deck weighbridge and adjacent office facility

Shiploading – reinforced concrete platform on steel and timber pylons leased from TasPorts. Steel constructed ship loading tower and associated conveyor systems. Techniplan ship loading jetslinger installed in 1999.

Sewage – a stand alone EnviroCycle plant was installed in 2000 and functions through a settling tank, a macerator pump and an overflow tank where compressed air aerates the macerated effluent. The final discharge effluent is chlorinated and dissipated by a sub surface trench system.

Outside Chip Storage – 3 x chip stockpile areas with capacity to store ~ 250kt and associated chip conveyors and stacking conveyor with a Techniplan jetslinger.

The site is fenced with a 2.4m cyclone fence surrounding the entire perimeter and the facility is manned 24 hrs x 7 days by staff weighbridge / security personnel. All mill access is controlled via boom gates at the main entrance / weighbridge facility.

Plant and Equipment

Fixed Plant

The Triabunna Mill has two chipping lines however, the small wood line has been moth balled and not used for the last 6 years. The small wood chipper is a 84" Acrowood slant chipper, 6 slots, 6 knives with a 1800 hp induction belt drive motor with capability to chip logs up to 40cm in diameter. The main chipping line is a 153" Black Clawson chipper, 8 slots, 16 knives coupled to a Toshiba 2500 hp synchronous motor running at 199 rpm to produce up to 350 gmt per hour chipping logs up to 85cm in diameter. The current disc was refurbished and fitted in May 2010.

The log decks are 2 section WH150 chain driven by electric over hydraulic powerpacks down to direct shaft mounted hydraulic motores. Infeed to the chipper is via Cat D5 quad track in 2 sections driven by hagglund drives (MK63-11100). The log deck is serviced by a Jonsered 2290 log grab with an attached twin claw grab operated from the 153" chipper control cabin.

Chip outfeed is conveyed to the screenhouse where 4 x Black Clawson rotating ball and pad screens are operated. Each screen is two tiered and 8' x 12". An additional BM&M universal hanging screen is also operated which is 8' x 12'. Each unit screened for oversize and fines material and has a nominal capacity of 70 gmt per hour. All oversize chip material is rechipped via a Klockner four knife rechipper. The screenhouse has installed an automatic sprinkler system for fire suppression.

All chips are conveyed either to the chip stockpile area using a stacking conveyor or direct to a vessel. A SCADA (supervisory control and data acquisition) system controls the conveyor system via PLC controls.

Reclaiming of chips from the chip stockpiles involves chip dozers pushing chips into 2 x chain reclaims and 2 x conveyor reclaims which then discharge onto the main shiploading conveyor. The two conveyor reclaims are tunnelled underground with each underground tunnel having installed automatic sprinkler systems for fire suppression.

Triabunna's log yard has capacity to hold approximately 15,000 gmt of logs.

The Triabunna Mill is serviced by six (6) major pieces of mobile plant, three (3) medium rigid heavy vehicles and other minor vehicles.

Mobile Plant

1 x WA500 Komatsu wheel loader	2003	20,700 hrs
1 x Cat 980c wheel loader	1990	42,300 hrs
1 x L90 Allied Wagner log unloader	1998	44,300 hrs
1 x L90 Raygo Wagner log unloader	1971	54,800 hrs

1 x Cat D8N chip dozer	1989	41,700 hrs
1 x Cat D8L chip dozer	1985	36,800 hrs

Medium Rigid Heavy Vehicles

1 x International 610A fire truck	
1 x Isuzu FVR 950 waste truck	EP0733
1 x International 1830D waste truck	BO7917

Other Minor Plant

1 x Jones 4 x 4 telehandler crane	1983	7,200 hrs
1 x FIAT 70/90 tractor	1985	9,000 hrs
1 x Ford Courier flat tray ute	FL5804	
1 x Ford Courier ute tray	FL5784	
1 x Mitsubishi Challenger	EF6830	
1 x Hitachi LX80 wheel loader	(hire machine only)	

Environmental Permits and Conditions

The mill site is governed by EPA Tasmania via a permit (Permit 3389) and associated Environment Protection Notice (EPN 7942/1 24 June 2010) issued under Section 44(1)(d) of the *Environmental Management and Pollution Control Act 1994*.

EPN 7942/1 permits the facility to operate on unrestricted operating hours to a maximum activity limit of 1,600,000 gmt's per annum and a maximum 5,000 kilolitres of fresh mains water usage each calendar month.

All other environmental operating conditions are prescribed in EPN 7942/1.
Schedule 2 of the EPN prescribes operating conditions for :-

- Atmospheric
- Effluent disposal
- Hazardous substances
- Monitoring
- Noise Control
- Weed Management
- Rehabilitation
- Waste Management
- Legal Obligations

EPN 7942/1 is attached as Appendix A.

The site operates to an approved Environmental Management Plan as amended in 2009. A copy of EMP 2009 is attached as Appendix B.

Annual Environmental reporting is prescribed by the EPN with a Public Environmental Report required every three years. The 2009/2010 Annual Environmental Review and the 2009 Public Environmental Report for Triabunna are attached as Appendix C.

Noise monitoring for the facility was prescribed in the EPN issued on 24 June 2010 with the first of two noise surveys completed in August 2010 and submitted to the EPA. This survey is attached as Appendix D. The next prescribed noise survey is required before 31 August 2011.

Gunns' environmental management system is certified to ISO 14001.

Human Resources

The Triabunna Mill directly employs 44.6 full time equivalent personnel and currently operates Monday to Friday each week on a 2 x 8 hour shift basis to fulfil the production requirements on current demand.

Personnel distribution :-

Management / Admin	2	
Forestry Operations	15.6	(includes native forest management, Plantation establishment / maintenance Road works, Resource Information and land management)
Mill Management / Operations	1	Processing / Shipping Manager
	18	Multi skilled operators and tradesmen
	1	Chip Quality Control officer
	1	Environmental Ranger
	1	Purchasing / Stores officer
	5	Weighbridge / Security

Mill operatives are covered under a registered EBA – *Gunns Limited Tamar and Triabunna Woodchip Mills Union Collective Agreement 2010* and is attached as Appendix E. This agreement expired on 31 July 2010 and is currently under renegotiation.

All other employees are staff covered on individual agreements.

Services

The Triabunna mill is provided site services by many sundry service providers, normally under short term services agreements. Principal services provided are the following :-

Wharf Lease and Marine Services	TasPorts
Pest Control and Hygiene Services	Pink Hygiene Solutions
Waste Management	Veolia
Fresh Water	Rivers and Water Supply Commission
Sewage System Maintenance	Professional Plumbing
Fire Testing	Wormalds
Lifting Equipment	Leigh Kean Inspection and Rigging
Pressure Vessel – Registered Plant	Ash Engineering
Air Compressor Servicing	John Thompson
Site Electrical Services	Tony Brown Electrical
Chipper Knives Supply	LSW Group / Sales Tech
Conveyor Belt Maintenance / Supply	On Site Belting
Weightometer Calibration	Statewide Belting
Weighbridge Calibration	Tas Scale Company

Bark Dump Lease and Plant Hire	Spring Bay Pastoral
Citec Support	ET Services
Hydraulics Servicing	On Site Hydraulics
Security Training Services	Robert Willis Training and Assessment
Office Cleaning	East Coast Domestic Cleaning
Height Safety Equipment	Life and Rescue International
Stockpile Surveys	Bresnehan Surveys
Kleenheat	LPG Supply
Power Pole Inspections	Power & Electrical
Compressed Gas	BOC Gas
Wood Waste Management	Les Walkden Enterprises
Lubricants	Southern Cross Lubes
Fuel	United Group

Raw Material Supply

Logs supply from State Forest is managed under two contract of sales with Forestry Tasmania under Contract of Sale Nos. 917 and 918. Crown log supply currently represents approximately 80% of all log supply with approximately 50% of all supply being provided on a mill door basis from Forestry Tasmania via its contractor base.

Gunns Limited directly engages harvest and cartage contractors for log supply from Gunns controlled operations on all land tenures. The following contractual arrangements are in place :

		Contract Volume	Agreement Expiry
Cartage	MRHP	40,000	31/12/2011
	Whatley Haulage	80,800	30/06/2014
Harvest	A&B Nominees	30,800	31/12/2013
	Eastern Tiers Logging 2	35,000	31/12/2014
	Howells Logging	52,000	31/12/2013
	Iles DM & SJ – Shovel	25,000	30/09/2014
	Iles DM & SJ – Thinning	20,000	30/09/2014
	Oakley Logging	35,000	30/06/2011
	DJ & PA Scott	20,000	30/06/2014
	Triffett E A & Son	30,000	Expired
	Triffett WB & BP	40,000	31/03/2014
	Wiggins & Dean Logging P/L	20,000	31/07/2014
	Wilson Logging Pty Ltd - Conv	25,000	30/04/2014
	Wilson Logging Pty Ltd - Thin	25,000	30/04/2016

Other raw material is supplied in chip form from external sawmillers for chip produced from sawmill residue. Current supply arrangements :

Supplier	Date Executed	Annual Volume Up to	Expiry Date
Watson	1/10/2010	20,000	30/09/2011
McKays	1/10/2010	10,000	30/09/2011
Torenius	1/10/2010	5,000	30/09/2011
Kelly	1/10/2010	20,000	30/09/2011

Additional chip is sourced directly from Gunns' own sawmills at Southwood and Western Junction but are currently not subject to formal supply agreements.

Log supply and chip supply specifications are prescribed within each Harvesting and Chip Supply Agreement.

Gunns' forest management system is certified to the Australian Forestry Standard AS 4708.

Sales History and Commitments

Calendar Year	Annual Sales gmt's	Cumulative Sales gmt's
1971	192,252	192,252
1972	516,251	708,503
1973	690,165	1,398,668
1974	605,828	2,004,496
1975	511,675	2,516,171
1976	627,007	3,143,178
1977	612,335	3,755,513
1978	605,873	4,361,386
1979	777,394	5,138,780
1980	777,294	5,916,074
1981	708,650	6,624,724
1982	688,810	7,313,534
1983	788,032	8,101,566
1984	839,761	8,941,327
1985	789,959	9,731,286
1986	764,033	10,495,319
1987	809,361	11,304,680
1988	816,076	12,120,756
1989	799,397	12,920,153
1990	801,700	13,721,853
1991	731,637	14,453,490
1992	700,037	15,153,527
1993	819,250	15,972,777

1994	804,719	16,777,496
1995	813,344	17,590,840
1996	718,309	18,309,149
1997	782,017	19,091,166
1998	711,765	19,802,931
1999	748,883	20,551,814
2000	942,677	21,494,491
2001	893,417	22,387,908
2002	1,137,207	23,525,115
2003	1,241,938	24,767,053
2004	1,105,318	25,872,371
2005	1,060,084	26,932,455
2006	717,396	27,649,851
2007	878,951	28,528,802
2008	916,370	29,445,172
2009	602,050	30,047,222
2010	587,324	30,634,546
	<hr/>	<hr/>
	30,634,546	

Annual Average 765,864

Triabunna's historical sales volume has principally been to Nippon Paper Industries ("NPI") in Japan and its predecessor companies however the current supply agreement with NPI expires on 31 December 2010 and is not being renewed.

Triabunna's scheduled sales for 2011 are under a Woodchip Supply Agreement dated 15 July 2010 with Alkira Trading (Macao Commercial Offshore) Ltd to Rizhao, China.

Triabunna's chips are predominantly sourced from native forests with a target pulp yield range of greater than 49% for the current China specifications.

Triabunna's sales are certified to Control of Chain of Custody AS 4708.

Safety, Security and Emergency Management

The Triabunna Mill is subject to an approved Emergency Response Plan and is supported by a trained Emergency Control Organisation and Emergency Response Squad from within the existing mill operation employees. Site Security is managed by Gunns' weighbridge staff, all being accredited to Certificate III security qualifications. The site is manned 24 hours x 7 days x 365 days per annum.

The Port facilities are managed in accordance with TasPorts' Ports Security Plan and Emergency Management Plan. The site's Processing Manager is a member of TasPorts' Ports Security Committee. Currently the Site Manager and the Processing Manager are holders of Maritime Security Identification Cards for Maritime Security.

Site operations are conducted in accordance an approved safety management system including approved standard operating / maintenance procedures, job hazard analysis (hazard identification / risk assessment, risk controls), permits to work, contractor accreditation and induction, ongoing monitoring / evaluation, incident reporting, root cause analysis and corrective / preventive action management.

The site conducts quarterly safety meetings with department managers and site elected safety representatives forming the basis of the site's SH&E Committee.

Gunns Forest Products currently holds a Self Insurers Permit from WorkCover Tasmania for management of it's Workers Rehabilitation and Compensation obligations in accordance with an approved Injury Management Program and WorkCover's Self Insurer's Permit Conditions.

Appendices

Appendix A	EPN 7942/1
Appendix B	Environmental Management Plan 2009
Appendix C	2009/10 Annual Environment Report and 2009 PER
Appendix D	Noise Survey August 2010
Appendix E	Enterprise Bargaining Agreement 2010
Appendix F	Site Plan
Appendix G	Land Titles

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This deed is made the 13th day of July 2011
Between Gunns Limited A.C.N. 009 478 148 the registered office of which is situate
at 78 Lindsay Street Launceston in Tasmania ("Gunns") and Triabunna Investments
Pty Ltd A.C.N. 151 887 099 the registered office of which is situate at 10 Victoria
Street Hobart in Tasmania ("TI")

Whereas:

1. by an agreement made the 13th day of July 2011 ("the Sale"), Gunns
has agreed to sell the assets relating to its Business at the Triabunna mill to
TI;
2. the parties wish to document matters that have been agreed for post
completion of the Sale.

Agreement:

1. TI agrees with Gunns that TI will offer the Triabunna mill for lease to an
industry operator on commercial terms for the production and export of
woodchips sourced in accordance with the Statement of Forest Principles as
implemented.
2. TI further agrees that any offer by TI to lease the Triabunna mill must not be
made:
 - a. until at least two weeks after the completion of the Sale; or
 - b. until Gunns notifies TI in writing of its satisfaction of the
implementation of the Statement of Forest Principles,
whichever is the later ("the Notification").
3. If the Notification has not occurred within three months from the completion
of the Sale then from then until the Notification or the End Date Gunns will
reimburse TI its holding costs, holding costs being the reasonable costs
incurred by TI in:
 - a. insuring the property the Triabunna mill is on ("the Mill Property");
 - b. paying rates and land tax (assessed as a single item) charged against
the Mill Property;
 - c. paying licence fees and rent to the Crown and Tasports Corporation
Pty Ltd for any current lease or licence assigned by Gunns to TI as
part of the Sale; and
 - d. paying the costs incurred by having a caretaker on the Mill Property,
such costs being payable monthly in arrears from receipt by Gunns of any invoice
from TI detailing the same.
4. If the Notification has not occurred within twelve months from the Completion
of the Sale ("the End Date") then:
 - a. Gunns' obligations to pay TI's holding costs will cease at the End
Date; and
 - b. from the End Date TI will no longer be under any obligation to lease
the Triabunna mill and may deal with the Mill Property as it sees fit.
5. TI agrees with Gunns that no woodchip production, receipt or loading activity
will be undertaken at the Triabunna mill until either Gunns has notified TI in
writing in accordance with clause 2 or until the End Date, whichever is the
earlier
6. If Gunns does not reach an agreement with the Tasmanian Government or the
Federal Government for either or both of them to purchase Gunns' sawlog

quota then Gunns hereby agrees with TI that before Gunns invites offers for the purchase of Gunns' sawlog quota Gunns will:

- a. Invite TI to offer to purchase the same within thirty days of Gunns notifying TI of Gunns' intention to seek offers for the purchase of its sawlog quota;
- b. Not invite offers to purchase its sawlog quota from any other person until the expiration of the said period of thirty days or Gunns' rejection of any offer made by TI to purchase the same, whichever is the earlier, and then not accept any lower price than the amount of TI's offer without giving TI notice of the said offer of a lower price and of the terms of the contract proposed and giving TI the right within 14 days thereof to enter in to a contract with Gunns at that price and on those terms.

7. Terms in this deed are as defined in the Sale.

Executed by Gunns Limited)
under section 127(1) of the)
Corporations Act 2001 by)
being signed by:)



Director

Director/Secretary

Executed by Triabunna Investments)
Pty Ltd under section 127(1) of the)
Corporations Act 2001 by)
being signed by:)

Director

Director/Secretary

ATHOL MARK SANSON
CHRISTOPHER KEITH CHALMERS
JACINTA MARLE FRENCH
MURRAY RUSSELL CHAMBERS

PATRICK JOHN SULLIVAN - CONSULTANT
JAMES FRASER ANDERSON OAM FTD - CONSULTANT

SHIELDS HERITAGE

BARRISTERS AND SOLICITORS

ESTABLISHED 1837

53 CAMERON STREET,
LAUNCESTON, TASMANIA 7250,
AUSTRALIA
P.O. BOX 187, LAUNCESTON,
TASMANIA 7250
AUSDOC: DX 70123
TELEPHONE: (03) 6337 5777
FACSIMILE: (03) 6334 0351
Email: shields@shieldsheritage.com
A.B.N. 26 477 023 371

25 January 2012

Our ref JMF:slw:110898
Your ref

Gunns Limited
PO Box 572
LAUNCESTON TAS 7250

Attention: Mr Darren Davis

Dear Sirs,

Re: Triabunna Woodchip Mill

You may recall that Ben Swain acted as our agent in relation to exchanging the Surrender of Lease signed by Tasmanian Pulp and Forest Holdings Ltd. with the Crown. We have now received the Counterpart from Mr. Swain and we enclose this for your records. You should retain the original Surrender in a secure place.

We believe this was the last outstanding matter in relation to the sale of the Triabunna Mill and we await payment of our account rendered the 19th December, 2011. That account was forwarded to Mr. Chapman the 20th December, 2011 with a copy to your accounts department the same day.

Yours faithfully,
SHIELDS HERITAGE



JACINTA FRENCH
jmfrench@shieldsheritage.com

Gunns.110898

Dated

16
12 December 2011

The Crown in the Right of Tasmania
("the Lessor")

and

Tasmanian Pulp and Forest Holdings Ltd
("the Lessee")

SURRENDER OF LEASE

SHIELDS HERITAGE

Barristers and Solicitors

53 Cameron Street

LAUNCESTON TAS 7250

Telephone 0363 313844

Jmf 5549

Level 7, 134 Macquarie Street, Hobart TAS
GPO Box 1550, Hobart, TAS 7001 Australia



Enquiries: Anthony Cook
Ph: +61 3 6233 6693 Fax +61 3 6233 3800
Email: Anthony.Cook@environment.tas.gov.au
Web: www.epa.tas.gov.au
Our Ref: 038264: (G:EEO\ISWPU\Chipmills\038264 Gunns Triabunna\CO11 Notification
of Change in Person Responsible Acknowledgement Letter AC200611) sma

23 June 2011

Mr Darren Davis
Manager
Gunns Forest Products - Triabunna
PO Box 41
TRIABUNNA TAS 7190

Dear Mr Davis

**ACKNOWLEDGEMENT OF CHANGE OF PERSON RESPONSIBLE
CONDITIONS G4 & LO4, ENVIRONMENT PROTECTION NOTICE 7942/1**

Thank you for your letter, dated 15 June 2011, notifying me of the change of person responsible, effective from 29 June 2011, of Gunns Limited's Triabunna Woodchip Mill operation, to Fibre Plus (Tas) Pty Ltd.

This notification has been made in accordance with Conditions G4 and LO4 of Environment Protection Notice (EPN) No. 7942/1, for the company's Triabunna Woodchip Mill activity.

An EPN Revocation will be issued, after 29 June to Gunns Limited, which will revoke EPN No. 7942/1 when I have received confirmation from Fibre Plus (Tas) Pty Ltd that it has indeed taken responsibility for the site..

Should you have any queries concerning this matter, please do not hesitate to contact Anthony Cook on 6233 6693.

Yours sincerely

Alex Schaap
DIRECTOR, ENVIRONMENT PROTECTION AUTHORITY

Signatories Agreement – 220611

Introduction

The parties to the agreement in principle have worked together to meet the basic terms of the agreement which involve,

- A substantial additional forest reserve.
- Maintenance of all existing contracts.

*see attached letter from the Tasmanian Premier. (to be attached)
- A sustainable modern innovative forestry industry.
- A process of adjustment, which will address immediate contractor exit and forestry employee redundancy and retraining issues associated with Gunns exit from native forests.
- The provision of support for a transition of Tasmania's regional economies through a commitment to defined arrangements and processes.
- A commitment to support the further value adding of the forest industry.
- A transition out of public native forests into suitable and sustainable and socially acceptable plantations resource/supply.
- The protection of HVC native forests as identified by ENGO's.
- Provide a sustainable profile resource to industry based on an agreed minimum quantity and quality for industry.

The industry agreement is premised on Triabunna continuing and the Southwood and Somerset plants to remain open with remaining volume to be placed into a holding facility providing the basis for this agreement.

It is recognized there may be new owners that are taking up existing allocations. Governments must ensure no new wood allocations will be made that would undermine the capacity to deliver this agreement.

It is agreed that the parties believe a **three-staged** approach is to be adopted.

First Stage – Dealing with the immediate impact of the Gunns decision including; the associated workers and contractors support, placing Gunns quota into a holding facility agreed by both Governments, and immediate high quality sawlog reduction to meet the current industry stated requirements, which in their view will be underpinned by long term compensable contracts, including legislation for 155,000 m3 per annum, noting all allocations are sustainable.

Delivery of the immediate interim National Park Forest protection of 430,000 hectares (plus or minus, subject to verification) subject to verification, of the 572,00 ENGO HCV Claim area. The ENGO view is that these areas should be immediately protected by secure legislation in National Parks. With the remainder placed into an Interim Forest area will be held by Regulation, to ensure the following;

- The protection status of the interim forest area is conditional upon the ability to supply existing wood supply contracts as per the implementation agreement in accordance with the Statement of Principles.
- Any scheduling of logging coupes within the interim forest area will only occur on a basis of clearly demonstrable demand need that can not be met from outside of the interim forest area subject to normal forest management processes.
- There will be an oversight committee including signatory representatives

and independent expert/s to monitor the appropriate implementation of the interim forest area. The oversight committee will have access to all necessary data and resources needed to do the job.

- The final legislated protection of the interim forest area will be subject to the outcomes from the second stage of the implementation process for the Tasmanian forests agreement
- Appropriate funding for the committee, and for increased planning and operational work will need to be properly resourced by government.

Including the commencement of a Regional Development strategy as a priority.

Second Stage – Establish an agreed transition plan and period, therefore process to deal with voluntary exits and finalizing boundaries of ENGO HCV reserves that are not protected by stage 1, with management of specified conservation areas, committed to the requirements of providing wood supply to the industry.

Including establishing a basis for Ta Ann and other industry processors to have its contractual requirements met but providing the means by which continued operations of Ta Ann and other industry processors after 2027* can be done via an appropriate resource for their requirements.

Including finalization of the second Stage of the Regional Development strategy as a priority.

**note: Ta Ann have a 15 year extension option at the conclusion of the current contract that is due to expire in 2027.*

Third Stage – Transition plan implemented over time.

The staged process would involve,

- Federal/State Government partnership
- Immediate funding support to facilitate the adaption to Gunns decision
- Legislative support to consolidate the first stages of this agreement and underpin the agreed outcomes of Stage 2.
- A process and organization including secretariat support to develop and to deal with the agreed Stage 2 including access to an independent data analysis team.
- Regional implementation strategy to ensure that the resources are utilized effectively, subject to public accountability and linked to an agreed transition on a realistic basis.
- Recognition that non-signatories have legitimate interests which need to be addressed particularly through the regional development strategy.

The agreement sets out three related issues

- Wood supply, contractual requirements and conservation issues
- Value added prospects for the Timber Industry
- The process of Adjustment

Wood Supply, Contractual requirements and Conservation targets

Forestry Tasmania has prepared a detailed evaluation of Wood Resources Scenarios which has tested various industry and ENGO's propositions regarding wood supply.

#Attached June 6, 2011 Final Resource Report by FT verified by Jerry Vanclay.
(to be attached)

After consideration of the data and discussion between the parties it is agreed in principle that,

- The available wood supply is set out in attachment # FT June 6, 2011 report
- The supply of high quality sawlog necessary to meet existing contracts minus Gunns but including South Wood and Somerset is 155,000m³.
- The Ta Ann contract requires 265,000 cubic metres of peeler veneer billets per annum.
- The Industry claim for special species timbers is 12,500 cubic metres per annum, subject to verification.
- Meeting the above contracts and requirements would leave between 360,000 to 432,000 hectares available for immediate protection/not required for production subject to verification, subject to verification.

Implementation

The parties agree in principle that for the agreement to be implemented over time will require

- A legislated process to protect the security of wood supply, contracts and additional reserves and to provide durability for this agreement.
- A structured transitional arrangement to oversee the agreement, deal with operational issues and to prepare the grounds for future changes.
- A financial process to deal with the restructuring in the agreement including appropriate regional strategies.

The Legislation

The parties believe that all the elements of the agreement need to be protected over the course of the next generation.

This will require legislative support for the requirements of the industry's supply of timber, including Special species Timber and to provide durability for this agreement.

The ENGO identified HCV, subject to verification, with final verified boundary addition to the reserves should also be protected as legislative protected areas. The parties propose that the Federal and State government should advise on the capacity to provide the means by which the agreement can be protected and advanced.

Will be required to give effect to regional development strategy, agreed transition plan and any other agreed outcomes.

The Transition Process

The parties acknowledge that a transition process needs to be implemented which will continue to consider

- The need for a minimum wood supply levels identified by industry to be maintained and ensure a viable industry.
- The ENGO's view is that volume surrendered via voluntary exits should deliver further reductions to the legislative high quality saw log requirement to enable the protection of the Interim Forest Areas. The Industry view is that the minimum resource requirement represents the minimum position for a viable and sustainable industry and therefore any resource surrendered via a voluntary exit should be available for

reallocation to local domestic industry.

- The final legislated protection of the Interim Forest area.
- Operational issues that will arise in the administration of the agreement.
- The need for investments in more efficient, capital equipment, plantations and resources, which could enable the objectives of all parties to be met.
- The means by which Ta Ann's and other processors contractual requirements and wood source can be met beyond 2027 #note - extension option of 15 yr extension. This may require changed wood supply and or technological improvement.
- Establishment and maintenance of sustainable, suitable and socially acceptable plantations with appropriate silvicultural management.
- Appropriate Silvicultural and ecological management of the native forests still available for production.
- We will continue to consider planning and landscape management reform.

Value added industry and downstream processing

The agreement in principle of the parties accept that a viable industry requires value adding and downstream processing of the current and future wood resources to be part of the package. This can be achieved in a number of ways. Such as a pulp mill, quality timber, laminate, veneer, and other product processing facilities.

The parties recognize that

- Ta Ann process does add value.

- Special species timber is used for substantial value adding to the industry.
- There are possibilities of a ply wood mill and a Pulp Mill
- Saw mills add value.

It is further noted that the Gunns Pulp Mill at Bell Bay has generated considerable community concern.

It is further recognized that the proposed Mill will be subject to normal commercial considerations including funding.

The parties have divergent views on the Mill, but do recognize that the proponents are now required by a Federal permit condition to use plantation timber as its supply. A number of the parties support the Mill whilst the ENGO's do not support the Mill.

It is further recognized that the Government has initiated a further report arising from the considerations of the Kelty interim report.

Process for Implementation

The changes to the industry arise from,

- Gunns decision to exit native forests.
- Public interest associated with establishment of one of the worlds leading conservation Timber Industry agreements.
- Commercial considerations.

There are economic benefits associated with

- Environmental outcomes which are important in their own right.
- The possible environmental impacts that may assist in a number of ways including the development of environmental lead industry and tourism.

- The additional value that is accrued by the value added industries.
- Increased certainty in the industry.
- A capacity for increased investment in modern industry and adapting to change.
- The sustainable regional economic development implementation strategy.

However, there are immediate costs,

- Some businesses will be directly impacted
- Employment will be lost in the short term.
- There is a direct impact on the valuation of Forestry Tasmania's asset base.

The impact will vary across regions of Tasmania, as well as nationally and the capacity of each region to absorb the changes will also vary.

The signatories are required to reach agreement on the following and relay to government.

To meet these objectives the Signatories groups propose –

- The employees directly impacted will be paid all outstanding entitlements, including superannuation, long service leave, other leave entitlements, and redundancy pays consistent with their current EBA's or under their legal obligations.
- In any redundancy currently within the scope of the agreement, an employee shall be entitled to a redundancy payment of 3 weeks per year of service capped at 120 weeks. The employer shall pay within that entitlement the redundancy in their agreement/legal obligation.
- The contractors exiting shall be entitled to 1. Payment for principals

consistent with the employees and 2. Compensation for the loss on sale of operational plant and equipment based on an independent assessment of the fair value of that plant and equipment consistent with the Vic. Our Forests Our Future Program.

- Both contractors and employees impacted by the change will be entitled to access, through the Industry Skills Council, a specific tailored program of existing policies, consistent with type of services provided in the Victorian Our Forests Our Future Program; these include relocation, skill development and training.
- Support for the maintenance of the existing moratorium/wood supply will require funding and any available funding be expended consistent with this agreement.
- There will need to be support for industry to assist in innovation and investment, as part of an agreed transition.
- The impact on regions will need to have a high priority and funds be allocated to assist the regions in the adjustment process.
- There will need to be ongoing structural and organizational support including secretariat support to assist the processes of adjustment and to deal with disputed issues as they arise.
- Support will need to be provided to assist the Tasmanian government with infrastructure and the ongoing management of the new reserves areas, on going management and planning.

The signatories propose that we seek immediate meetings with Governments to determine whether this agreement can implemented.

Don Henry

Jim Adams

Phil Pullinger

Fred Ralph

Terry Edwards

Allan Hansard

Ed Vincent

Vica Bailey

Facilitated by Mr Bill Kelty