

Geoff Duggan

From: McIlfrick, Norm (DIER) <Norm.McIlfrick@dier.tas.gov.au>
Sent: Monday, 19 September 2011 8:08 AM
To: Geoff Duggan
Subject: RE: Norm McIlfrick

Geoff

Thanks for this excellent summary.

I have spoken to Minister Green and made him aware of the present state of lease negotiations - he has a meeting coming up with Triabunna Investments and I am sure this will come up.

Regards
Norm

From: Geoff Duggan [<mailto:Geoff.Duggan@tasports.com.au>]
Sent: Friday, 16 September 2011 5:02 PM
To: McIlfrick, Norm (DIER)
Cc: David.Phillips@tasports.com.au; Barbara McGregor
Subject: FW: Norm McIlfrick

Norm

I refer to our phone discussion this afternoon and confirm the following

- Triabunna Investments and Gunns have requested Tasports consent to the assignment of the existing Triabunna wharf lease agreement to Triabunna Investments
- To assist Tasports in considering whether an assignment is reasonable some further financial and operational information has been requested from Triabunna Investments.
- Triabunna Investments will not be the operator of the mill – other information provided by Triabunna Investments or Gunns have failed to adequately put Tasports in a position to consent to the assignment.
- At a meeting on 30 August 2011 between Tasports, Gunns & Triabunna Investments - Tasports offered to consider other commercial arrangements including entering onto a new lease. The terms discussed were rejected by Triabunna Investments but did not dismiss alternate arrangements altogether and they undertook to respond to Tasports "in few days". Tasports has received no response.

The lease between Tasports and Gunns is a "throughput lease" based on woodchip volumes. The assignment proposed is to an entity that will have no obligation to ever pay rent because it has no intention itself of operating a woodchip mill.

To support any commercial decision by Tasports we need to understand the following in relation to Triabunna Investments and the mill operations

- Will the mill recommence operations
- Who will be the operator
- Tenure of operations
- Likely volumes

To date none of the information has adequately addressed these questions.

Please contact me should you have any further queries.

Regards

Geoff Duggan / Chief Financial Officer / Tasmanian Ports Corporation Pty Ltd

Mobile : 0408 331756

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13 October 2011

The Hon. David O'Byrne
Minister for Infrastructure
Executive Building
Level 9, 15 Murray Street
HOBART TAS 7000

Dear Minister

Tasports has been requested by Gunns Ltd (Gunns) to consent to the assignment of the Triabunna wharf lease between Tasports and Gunn's to Triabunna Investments Pty. Ltd (Triabunna Investments).

In considering the request Tasports sought to understand the following commercial information in relation to the future mill operations:

- When and if the mill will recommence operations;
- Who will be the operator and their financial bona fides;
- The tenure of operations; and
- Annual export volumes

Unfortunately, Triabunna Investments was unwilling or unable to provide the required information which, in turn frustrated our deliberations on the assignment consent request. We sought legal advice with respect to our position both from Senior Counsel and Page Seager Lawyers that clearly supports our approach to this matter. In an effort to break the impasse, Tasports convened a tripartite meeting of the parties and invited Triabunna Investments to enter into a new lease and offered to consider any alternative commercial arrangements suggested by Triabunna Investments. Despite several meetings and follow up requests we are yet to receive a satisfactory response.

The lease between Tasports and Gunns is a "throughput lease" with wharfage revenue based upon woodchip export volumes. If the lease was assigned and the mill did not reopen then the lessee would not have a wharfage liability and Tasports would earn no revenue.

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The lease requires Tasports to maintain the wharf in a suitable "fit for purpose" state for woodchip exports. To meet this obligation Tasports will incur a minimum maintenance liability over the next 4 years of \$2.164 million as follows

Year 1	\$554,000
Year 2	\$515,000
Year 3	\$720,000
Year 4	\$375,000

This is the minimum maintenance liability to maintain the wharf in a state so that it can be used for woodchip exports. Should exports recommence then some of the year 2 and 3 expenditure will need to be brought forward.

Tasports has sound legal and commercial grounds not to consent to the assignment of the lease without gaining clarification of the issues raised with Triabunna Investments. However we acknowledge the broader State interests and the potential impact any delay may have on the reopening of the mill and therefore the State's forest industry.

Accordingly, and having regard for the Governments broader interests in this sector, Tasports is prepared to consent to the assignment of the lease to Triabunna Investments but requests the following:

- The shareholders acknowledge the process conducted by Tasports in considering a potential assignment of the lease has been reasonable; and
- Should the mill not recommence operations and Tasports does not receive wharfage revenue the shareholders will consider reimbursing Tasports for the wharf maintenance costs.

We would forward to your response and can with you meet to discuss this matter in further detail.

Yours sincerely



Paul Weedon
Chief Executive Officer

cc. The Hon. Lara Giddings
Treasurer
L11 15 Murray Street
HOBART TAS 7000

Premier

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Mr Paul Weedon
Chief Executive Officer
Tasmanian Ports Corporation
PO Box 478
DEVONPORT TAS 7310

25 OCT 2011

Dear Mr Weedon

ASSIGNMENT OF LEASE

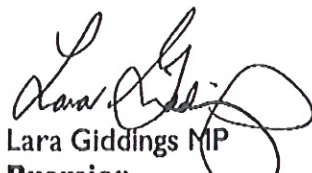
We refer to your letter dated 13 October 2011 regarding the existing wharf lease between Tasports and Gunns Ltd (Gunns) and the potential assignment of that lease to Triabunna Investments Pty Ltd (Triabunna Investments).

We appreciate the position taken by Tasports and the understanding that you have shown toward the broader State interests, in particular regarding the potential impact that any further delay in assignment of the lease might have on the State's forestry industry.

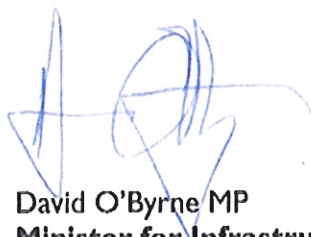
The Government is supportive of, and remains committed to, the reopening of the Triabunna woodchip mill. Accordingly, we expect that Tasports should be prepared to facilitate assignment of the lease in any circumstances where Tasports can reasonably expect to be no worse off than the current situation (ie no revenue stream, but continuing maintenance obligations).

If Tasports subsequently believes that assignment of the lease ultimately has led to the Company being worse off financially than the status quo, then Tasports should advise the Shareholders of the situation as it arises. The Government would be willing to consider any issues raised on a case by case basis.

Yours sincerely



Lara Giddings MP
Premier
Treasurer



David O'Byrne MP
Minister for Infrastructure



HOBART PORTS CORPORATION PTY LTD

(ACN 078 720 180)

and

GUNNS LIMITED

(ACN 009 478 148)

LEASE

of

TRIABUNNA WHARF

Spring Bay, Tasmania

PAGE SEAGER

Barristers & Solicitors

1 62 Macquarie Street

HOBART TAS 7000

PH: (03) 6235 5155

FAX: (03) 6231 0352

REF: MRS. J. LATHAM

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ORIGINAL SIGNED
OFF SITE

'IRON MOUNTAIN'

TRIM: 09/32588

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THIS AGREEMENT made day of 2003

BETWEEN

HOBART PORTS CORPORATION PTY LTD (ACN 078 720 180) of 1 Franklin Wharf, Hobart in Tasmania (hereinafter called "HPC") of the one part

AND

GUNNS LIMITED (ACN 009 478 148) of 58 Cimitiere Street, Launceston in Tasmania (hereinafter called "Gunns") of the other part

WHEREAS

A. Gunns has requested HPC to continue to operate and maintain HPC's wharf facilities at Spring Bay in Tasmania ("the Wharf") to be used primarily (but not exclusively) for the shipment of woodchips which HPC has agreed to do upon the terms and subject to the stipulations conditions and provisos specified in this lease.

NOW THIS INDENTURE WITNESSES as follows:

1. DEMISE

1.1 Term

In pursuance of the agreement referred to above and in consideration of the covenants contained in this Lease to be performed and observed by Gunns HPC hereby grants to Gunns for the term of five years commencing on the first day of November two thousand and two ("the Term") the following rights and privileges in respect of the Wharf namely to use occupy and enjoy the Wharf as an export woodchips wharf and for purposes connected therewith or incidental thereto or as otherwise agreed to by the parties.

2. WHARFAGE RATES

2.1 Covenant to Pay Wharfage Rates

Gunns for itself its successors and permitted assigns and in consideration of

the covenants on the part of HPC to be performed hereby covenants with HPC to pay the wharfage rates as agreed to by the parties from time to time in respect of woodchips exported by Gunns over the Wharf.

2.2 Calculation of Wharfage Rates

The wharfage rates for the period 1 July 2002 to 1 July 2004 shall be 53 cents per green metric tonne in respect of the first 600,000 green metric tonnes per year of woodchips exported by Gunns over the Wharf and 21 cents per green metric tonne for each green metric tonne in excess of 600,000 tonnes per year.

2.3 Information Warranty

The calculation of wharfage rates shall be based on information provided by Gunns to HPC. HPC relies on the accuracy of such information and in consideration of that reliance Gunns warrants to HPC that all information provided by Gunns to HPC is true, correct, complete and accurate.

2.4 Review of Wharfage Rates

On or before the 1st days of July 2004 and 2006 (each "a Review Date") Gunns and HPC shall meet and review the wharfage rates and shall use their best endeavours to agree on an adjustment of the wharfage rates in accordance with this Clause.

The review of wharfage rates shall take into account the general movement in inflation (as measured by the change in the Consumer Price Index (All Groups) number for Hobart) from the commencement date or the preceding Review Date (whichever is the later) to the Review Date and any material changes in the commercial considerations of Gunns and HPC during the same period.

If the parties agree on an adjusted wharfage rate, that rate shall be the wharfage rate payable by Gunns to HPC for the period commencing on that Review Date.

In the event that the parties are unable to agree on an adjustment of the

wharfage rates on a Review Date the issue of adjustment shall be referred to the President of the Law Society of Tasmania who shall set a fair adjustment of the wharfage rates in accordance with this Clause. Such President shall act in all respects in the capacity of that of an expert and not an arbitrator and each part shall be bound by the decision of the President.

Notwithstanding any provision to the contrary contained herein no adjustment of the wharfage rates which only takes into account the general movement in inflation shall operate to reduce the wharfage rates payable by Gunns in respect of the period commencing on 1 July 2002 and ending on 1 July 2008 above 59 cents per green metric tonne in respect of the first 600,000 green metric tonnes of woodchips exported by Gunns over the Wharf and 23.50 cents per green metric tonne thereafter. For the avoidance of doubt it is acknowledged and agreed that the caps on wharfage rates prescribed by this paragraph relate to the reviews which only take into account movements in inflation and that the caps do not apply to reviews which take into account other matters.

Notwithstanding the amount of woodchips actually exported by Gunns over the Wharf, Gunns shall pay to HPC a minimum amount of wharfage of \$250,000.00 per annum PROVIDED THAT Gunns has exported woodchips over the Wharf at some time during that year. The minimum amount for wharfage shall be reviewed at the end of the Term.

3. GUNNS' COVENANTS

3.1 Covenant to Grant Access

Gunns for itself its successors and permitted assigns and in consideration of the covenants on the part of HPC to be performed hereby covenants with HPC to grant to HPC such rights of access to and egress from the Wharf for persons, vehicles, machinery goods and things over such portion of Gunns' adjoining neighbouring lands as shall not prejudice Gunns in its operations and as shall not significantly interfere with Gunns' security policies and procedures.

3.2 To Maintain Equipment

Gunns shall properly operate and maintain the loading equipment installed by Gunns on the Wharf and consult HPC on any changes to such equipment which could be expected to have any effect on the structure of the Wharf.

3.3 To Pay Outgoings

Gunns shall pay to HPC on demand:

3.3.1 All rates, taxes (including fire service levy and ambulance services levy and land tax) charges assessments duties impositions and fees relating to or in respect of the Wharf whether of a nature similar to or different from those now assessable payable or chargeable by any public municipal or government body authority or department; and

3.3.2 All receipt and other duties and taxes paid or payable by the Lessor (other than income tax payable by the Lessor on its income) in consequence of the receipt by HPC of the wharfage rates and all other moneys payable pursuant to this Lease.

3.4 To Keep in Repair

Gunns shall keep the Wharf in a state of good and tenantable repair order and condition in all respects fair wear and tear only excepted and if Gunns shall at any time be in breach of this clause it shall be lawful for HPC by its officers servants workmen and with such plant machinery and equipment as may be necessary or desirable to enter upon the Wharf and to repair and make good the defects or wants of repair and Gunns shall indemnify and save harmless HPC against the cost incurred by HPC (as certified to in writing by HPC) of such repair and making good.

3.5 Not to Assign

Gunns shall not assign underlet or part with the possession of the Wharf or any part of it without the prior written consent of HPC which consent shall not be unreasonably withheld.

3.6 To comply with Instructions

Gunns shall keep the Wharf in a clean neat and orderly condition to the satisfaction of HPC and forthwith to comply with any reasonable instruction or direction from time to time given by any authorised delegate or officer of Marine and Safety Tasmania in connection therewith and in case if Gunns fails to so comply Gunns hereby indemnifies HPC against all costs and expenses incurred by it in implementing any reasonable instruction or direction.

3.7 Removal of Non-Combustible Material

Gunns shall at its own cost and expense remove and take away and suitably dispose of all glass metal and other non-combustible material and shall at all times keep the Wharf free from same.

3.8 Removal of Combustible Material

Gunns shall at its cost and expense remove and take away from the Wharf all combustible material and suitably dispose of the same provided however that HPC shall if requested by Gunns to do so provide a service for the incineration of such material at such cost to Gunns as shall from time to time be notified by HPC to Gunns.

3.9 Electricity and Water Charges

Gunns shall pay all charges imposed in respect of the consumption and use of electricity and water in or upon the Wharf.

3.10 Telephone

Gunns shall pay the cost of the installation of any telephone service or services installed in or upon the Wharf and all subsequent charges for rent and calls payable in respect thereof.

3.11 Permitted Use

Gunns shall use the Wharf as an export woodchip wharf only and shall not without the prior written consent of HPC use the Wharf or any part of it for

any other purpose.

3.12 Notices, Signs

Gunns shall not erect any notice or signs of any description in or upon or adjacent to the Wharf without the prior written consent of HPC and all relevant Municipal, Government and Planning Authorities.

3.13 Inspections

Gunns shall permit any officer of HPC at all reasonable times to enter into and upon the Wharf for the purpose of inspecting the state of repair order and condition of the Wharf and in case if upon any such inspection any defects or wants of repair shall be found in respect of which Gunns is liable under the covenants contained in this lease, Gunns shall immediately repair and make good the same in accordance with a written notice which HPC shall give to Gunns

3.14 Not to store hazardous materials

Gunns shall not use or permit to be used or stored at the Wharf any radioactive, toxic or hazardous chemicals, wastes or substances, except in concentrations and quantities permitted by the relevant statutory authorities and in accordance with any licences, permits or authorisations required by law and in accordance with the conditions imposed by such authorities or under their permission.

3.15 Not to discharge into sewers, drains or waterways

Gunns shall not permit or allow any petroleum product, oil, grease, or any noxious, dangerous or poisonous chemical or substance to be discharged through the pipes of the water or sewerage services at the Wharf or into any nearby stream, river or body of water or into or under the soil, and shall discharge them only as permitted by the relevant statutory authorities, as required by law and in accordance with any conditions imposed by those authorities.

3.16 Smoke and Odours

Gunns shall control and restrict the emission of smoke and odours at and from the Wharf in accordance with all applicable legislation, regulations and the requirements of statutory authorities.

3.17 To Comply with Notices

Gunns shall comply with the demands, notices and requirements of the regulatory authorities in respect of contamination of the Wharf surrounding lands and waterways caused by Gunns or by occupiers of the Wharf including notices to remediate the Wharf and any surrounding lands or waterways.

3.18 To Notify HPC of demands

Gunns shall provide to HPC a copy of any demand or notice from any regulatory authority in respect of contamination of the Wharf or surrounding land and/or waterways within 48 hours of its receipt.

3.19 Environmental Indemnity

Gunns hereby indemnifies HPC against any liability, loss, damage, expense or claim which HPC may incur as a consequence of the breach by Gunns of any obligation under sub-Clauses 3.15 to 3.18 including fines, reasonable legal costs, consultants' fees and remediation costs.

3.20 Delivery Up

At the expiration or other sooner determination of the term hereby granted Gunns shall quietly and peaceably to yield and deliver up possession of the Wharf to HPC in the state of repair and condition as the Wharf was at the commencement of Gunns use thereof (fair wear and tear excepted).

3.21 Indemnity

Gunns hereby indemnifies HPC from and against all actions proceedings claims and demands whatsoever arising out of or incidental to the loss of or damage to any goods proceeding across or stored by Gunns in or on the

Wharf or any other property or any injury to or death of any person (not being a servant or agent of HPC) working thereon or otherwise frequenting the Wharf except to the extent that such damage injury or death is caused or contributed to by the negligence of HPC's servants agents employees or vessels invited or permitted to use the Wharf by HPC

3.22 Legal Costs

On the execution of this Lease Gunns shall pay one half of HPC's legal costs of and incidental to the preparation and execution of this Lease.

3.23 Indemnity for Damage to Wharf

Notwithstanding anything contained in any legislative enactment Gunns hereby indemnifies HPC from and against any and all actions proceedings claims costs and demands whatsoever arising out of or incidental or proximate to the loss or damage to the Wharf or any part of it howsoever and by whomsoever caused except to the extent that any such claim is caused or contributed to by the negligence of HPC's servants agents employees vessels invited or permitted to use the Wharf by HPC

3.24 Restriction on Vessels using Wharf

Gunns shall not permit any vessel to berth at the Wharf which exceeds 50,000 Gross Registered Tons (GRT) unless the prior written consent of HPC has been obtained.

3.25 Fendering System

Gunns shall keep all fenders and the fendering system installed on the Wharf in a state of good and working repair and order, save and except that Gunns' obligations under this clause 3.25 shall not extend to:

3.25.1 damage caused by fair wear and tear

3.25.2 the cost of repairs for which any ship owner has paid.

3.26 Notification of Damage

3.26.1 Gunns shall notify HPC of any damage to the Wharf and/or the

fendering system installed thereon as soon as possible after such damage occurs.

3.26.2 When notifying HPC of any such damage Gunns shall advise HPC of:

- (i) the nature and extent of all damage and/or injury to persons or property; and
- (ii) the date and time on which and at which the damage occurred; and
- (iii) the names of all persons and/or ships and their owners present at the time of such damage; and
- (iv) the cause (so far as it is known) of such damage.

4. HPC'S COVENANTS

HPC hereby covenants with Gunns as follows:

4.1 Grant of Priority Useage

That Gunns shall have absolute priority to the use of the Wharf PROVIDED HOWEVER that HPC may from time to time use the Wharf for such purposes as it may see fit on giving to Gunns reasonable notice of its intention to do so provided that such use shall not impede hamper or interfere with the operations of Gunns.

4.2 Operation and Maintenance

To operate and maintain the Wharf.

4.3 Insurance

That HPC will insure and keep insured the Wharf to its full insurable value against loss and damage by fire, explosion, accident, impact and malicious damage and unless insurance monies are withheld by reason of some act, default or omission of Gunns, its servants or agents, forthwith to apply all insurance monies received pursuant to any such insurance in and towards the repair and reinstatement of any such loss or damage so caused.

5. **FORCE MAJEURE**

It is further expressly agreed by and between the parties:

5.1 Force Majeure

That the duties of either party shall be excused to the extent and for the period of time necessitated by the event of force majeure which shall mean any contingency beyond the reasonable control of the party concerned (including but not limited to fire, flood, earth quake, other natural disaster, labour dispute, war, direct act or intervention of any government or sub-division thereof or the ship wreck collision or major breakdown of a vessel into which Gunns is ready and willing to load wood chips or major damage to HPC's Wharf).

5.2 Wharfage Rates Arrears

That if the wharfage rates from time to time payable under this lease or any part of them shall be in arrears and unpaid for the space of sixty days after the date upon which they were due whether any legal or formal demand for such sums shall have been made or not or if Gunns does observe and perform all the covenants and conditions contained in this lease and on its part to be observed or performed or if Gunns shall go into liquidation or become subject to any form of administration or take advantage of any procedure enacted to provide for relief against creditors or suffer execution to be levied against its goods or shall make any composition or arrangement with its creditors HPC by one of its officers may re-enter upon the Wharf or any part thereof in the name of the whole and thereupon the term hereby granted shall immediately cease and determine but without prejudice however to the right of action of HPC in respect of any antecedent breach by Gunns of its obligations hereunder.

6. **GST**

6.1 Interpretation

In this clause "GST" means a tax that is payable under the GST Law and

imposed as a goods and services tax by any of the following:

- 6.1.1 the A New Tax System (Goods and Services Tax Imposition - General) Act 1999;
- 6.1.2 the A New Tax System (Goods and Services Imposition - Customs) Act 1999;
- 6.1.3 the A New Tax System (Goods and Services Tax Imposition - Excise) Act 1999;
- 6.1.4 regulations related to any of these Acts;
- 6.1.5 any amendment to any of these Acts or regulations or both or any other Act by any of the Commonwealth, State, or Territory Governments which imposes a goods and services tax, a broad base consumption tax, value added tax, retail turnover tax or a tax of a similar nature.

6.2 GST Exclusive Supplies

It is agreed that the wharfage rates and all other amounts agreed to be paid by Gunns to HPC, being the consideration for the supply expressed in this lease, are exclusive of GST.

6.3 Payment of GST

In respect of any liability of HPC for GST as a result of any taxable supply made under this lease, and any renewal or extension of this lease, including for wharfage fees, rates, outgoings or any consideration for any other taxable supply, Gunns covenants to pay to HPC at the same time as any payment is made involving HPC in GST liability, the additional amount of GST, together with the payment to which it relates.

6.4 Input Tax Credits

The liability of Gunns under sub-clause 6.3 is to reimburse the full amount of GST, disregarding and excluding HPC's entitlement to input tax credits or other credits or reimbursements for GST.

6.5 Tax Invoice

In respect of each payment by Gunns under sub-clause 6.3 hereof, HPC agrees to deliver to Gunns as required under the GST Act, a tax invoice in a form which complies with the GST Act, to enable Gunns to claim input tax in respect of the taxable supply.

7. FIRST OPTION TO RENEW

The Lessor will upon the written request of the Lessee delivered to the Lessor not less than three months prior to the expiration of the then existing term and so long as there shall not then be any existing breaches or non-observances by the Lessee of any of the covenants conditions agreements and provisos contained in this Lease and which the Lessee must perform or observe renew this Lease for a further term of 5 years ("the First Option Term").

8. SECOND OPTION TO RENEW

If the First Option has been exercised the Lessor will upon the written request of the Lessee delivered to the Lessor not less than three months prior to the expiration of the then existing term and so long as there shall not then be any existing breaches or non-observances by the Lessee of any of the covenants conditions agreements and provisos contained in this Lease and which the Lessee must perform or observe renew this Lease for a further term of 5 years ("the Second Option Term")

9. BI-ENNIAL REVIEW OF WHARFAGE RATES DURING FIRST AND SECOND OPTION

9.1 Biennial Reviews

On each second anniversary of the commencement date of the First Option Term and the Second Option Term ("each a Biennial Review Date") the parties shall review the wharfage rates payable by Gunns.

9.2 Scope of Review

Each review prescribed by this clause 9 shall take into account all matters

relevant to the determination of wharfage rates payable by Gunns for the succeeding two years after the relevant Biennial Review Date.

9.3 If agreement reached

If the parties agree on the wharfage rates payable by Gunns for the succeeding two years after a Biennial Review Date then Gunns shall pay to HPC the agreed rates for that period.

9.4 If no agreement reached

If the parties have not agreed upon wharfage rates within 3 months of a Biennial Review Date then the wharfage rates shall be determined by a suitably qualified independent expert ("the Expert") appointed by the President of the Law Society of Tasmania at the request of either party.

9.5 Appointment of Expert

The Expert shall act as an expert and not as an arbitrator. The Expert's decision shall be final and binding on the parties. The costs of the Expert shall be borne equally by the parties.

9.6 Expert's Determination

The wharfage rates determined by the Expert shall be the wharfage rates payable by Gunns for the succeeding 2 years after the Biennial Review Date in respect of which the determination was referred to the Expert.

9.7 Payment of Shortfall

If the Expert determines that the wharfage rates are to be increased then Gunns shall pay to HPC any shortfall in respect of the period commencing on the relevant Biennial Review Date and ending on the date on which the reviewed rates commence to be paid.

9.8 Refund of Surplus

If the Expert determines that the wharfage rates are to be decreased then any surplus paid by Gunns shall be repaid by HPC.

IN WITNESS whereof the Common Seals of the parties hereto have been hereunto affixed the day and year firstly hereinbefore written.

THE COMMON SEAL of HOBART)
PORTS CORPORATION PTY LTD)
(ACN 078 720 180) was hereunto)
 affixed in the presence of:)

Director

[Signature]

Director/Secretary

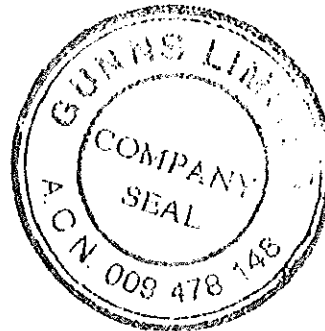


THE COMMON SEAL of GUNNS)
LIMITED (ACN 009 478 148) was)
 hereunto affixed in the presence of:)

Director

[Signature]

Director/Secretary



15 July 2011

Jacinta French
Partner
Shields Heritage
53 Cameron Street
PO Box 187
Launceston

By email: jmfrench@shieldsheritage.com

Dear Jacinta

ASSIGNMENT OF LEASE TRIABUNNA WHARF

We act for Tasmanian Ports Corporation Pty Ltd (**Tasports**).

We have reviewed the draft Assignment of Lease provided by you between Gunns Limited (**Gunns**), Triabunna Investments Pty Ltd (**Assignee**) and Tasports.

Under clause 3.5 of the Lease (undated) between Gunns and Tasports (**Lease**), Gunns is not permitted to assign or part with possession of the Spring Bay Wharf (or any part of it) without the prior written consent of Tasports which consent shall not be unreasonably withheld.

As part of the process of Tasports considering this request for consent to assignment of the Lease, Tasports needs to consider the character, financial position, business experience of the Assignee and the intended use of the demised premises.

This letter constitutes a request by Tasports for further information in relation to the Assignee in order for Tasports to make a reasonable assessment of whether or not to grant consent to the proposed assignment.

Tasports requests the following:

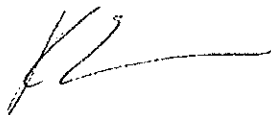
- (a) Please provide details regarding which legal entity will be responsible for

operating the woodchip facility and for use of the Spring Bay Wharf. Will this be the Assignee or does the Assignee intend to engage a separate mill operator? If the latter, how does the Assignee propose to engage the mill operator and for what term?

- (b) If the Assignee intends to operate the woodchip facility, please provide details regarding the Assignee's ability to operate the facility in accordance with the permitted use under clause 3.11 of the Lease.
- (c) Please provide a capability statement and financial capacity statement of the Assignee and (if relevant) the mill operator.
- (d) What is the intended operation of woodchip facility and is this consistent with the permitted use of facility under clause 3.11 of the Lease?
- (e) What is intended term and anticipated minimum volumes of woodchip export from the facility?

I look forward to receiving your response.

Yours faithfully



Kathryn Speed

Partner

Direct Line: (03) 6235 5105

E-mail: kspeed@pageseager.com.au

12/19474
6.

YOUR REF:
OUR REF: BSS:BC:1182566
DIRECT LINE: 6235 9362
DIRECT EMAIL: ben.swain@murdochclarke.com.au



MURDOCH CLARKE BARRISTERS
AND
SOLICITORS

19 July 2011

Page Seager
Barristers & Solicitors
DX 110
HOBART

Attention: Ms Kathryn Speed

By email: kspeed@pageseager.com.au

Dear Madam

**RE: TRIABUNNA INVESTMENTS PTY LTD –
ASSIGNMENT OF LEASE – TRIABUNNA WHARF**

I act on behalf of Triabunna Investments Pty Ltd. I note that you act on behalf of TasPorts and I have been provided with a copy of your email dated 15 July 2011 to Jacinta French.

Responding to your request (using the same lettering as contained in your email dated 15 July):

- (a) Triabunna Investments Pty Ltd does not intend to operate the wood chip mill. Instead, as has been widely reported in the media, Triabunna Investments has agreed, subject to certain conditions, to offer to lease the wood chip mill. Until Triabunna Investments have tendered a lease to the market, they will not know who the proposed tenant will be or upon what terms that lease will be. Of course, when that occurs, Triabunna Investments will apply to TasPorts for consent to the sub-letting of the wharf;
- (b) given the response contained in paragraph (a) above, do you require any further details here?
- (c) please advise as to what is required by way of a "capability statement" and a "financial capacity statement"? In relation to Triabunna Investments Pty Ltd, I can advise its only asset (to date) is the Triabunna Wood Chip

10 VICTORIA STREET HOBART TASMANIA
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DX 131 HOBART

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EMAIL: mccd@murdochclarke.com.au

PARTNERS
DM WATKINSON
AT DODDIE
KB PROCTOR SC
DE EGAN
F. KUZIN
RS PIDD
A L GAGGIN
B S SWAIN

SENIOR ASSOCIATES
M G FOSTER
A G BURROWS CHENG
R C MANNING
C R HUGHES
A L HAY

ASSOCIATES
J N GUTHRIE
M L EDINGTON
J F O'SHANNESSEY
B R DANCE

CONSULTANTS
R J BAINBRIDGE
E M DEAR

Mill. This asset was purchased unencumbered and without the need for any debt financing. The directors of Triabunna Investments are Jan Cameron and Graeme Wood. Do you need any more information than this in relation to financial capacity?

- (d) as advised above, Triabunna Investments intends to lease out the wood chip mill so that it can be used as a wood chip mill. This is consistent with the permitted use of the wharf under clause 3.11 of the Lease; and
- (e) I am uncertain as to what you refer to in relation to the "intended term". Please advise. I cannot advise as to any expectation of minimum wood chip volumes unless and until a tenant is secured to operate the wood chip mill.

I await your earliest advice in relation to this matter.

Yours faithfully
MURDOCH CLARKE

Per:



BEN SWAIN

Cc Shields Heritage
Attention: Ms Jacinta French

By email: jfrench@shieldsheritage.com

22 July 2011

Jacinta French
Partner
Shields Heritage
53 Cameron Street
PO Box 187
Launceston

By email: jmfrench@shieldsheritage.com

Dear Jacinta

ASSIGNMENT OF LEASE TRIABUNNA WHARF

We refer to the above matter and note that Ben Swain (Murdoch Clarke) has forwarded correspondence on behalf of the proposed Assignee, a copy of which is attached.

As previously advised, to enable Tasports to properly consider the request for consent to assign the Lease, it will need to consider the character, financial position and business experience of the Assignee and the intended use of the premises.

You will see that Mr Swain has attempted to address some of the issues that I have raised in my earlier correspondence to you dated 15 July 2011, however, the brevity of his response and the lack of comprehensive information in support of the intended assignment means that Tasports cannot give proper consideration to the request in its current form.

Further to the above, you will see that the Assignee does not intend to operate the wood chip mill. Instead the Assignee intends to offer the mill for lease to a currently unknown third party. This position is speculative. There is the risk that no suitable third party will be found to enter into an agreement with the Assignee. Given that this is the case, no information has been supplied regarding the third party. Without any information about the third party, we cannot see how any income will be generated from the operation of the mill or whether as is required under the lease, the mill will continue to operate.

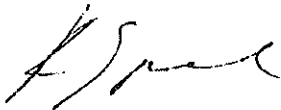
In addition, no information or supporting materials have been furnished for consideration that addresses the character, financial position and business experience of Assignee. Whilst Mr Swain indicates that his client owns the mill and such ownership is unencumbered, absent some form of security, this is of no benefit to my client if the mill is non-operational.

We are happy to consider and seek instructions regarding any further and properly articulated proposal that is presented to us on behalf of Tasports, which should be supported by materials evidencing the assertions contained within such proposal. Tasports is supportive of further negotiations in relation to the wharf and is happy to discuss arrangements with a new operator of the mill.

In summary, Tasports has not been provided with sufficient information from either Gunns or the proposed Assignee to enable Tasports to reasonably consider whether or not to grant consent to the assignment of Lease. Until the provision of that information, supported by objective evidence, our client will not be in a position to consent to the assignment.

I look forward to receiving your response.

Yours faithfully



Kathryn Speed

Partner

Direct Line: (03) 6235 5105

E-mail: kspeed@pageseager.com.au

Cc: Mr Ben Swain
Murdoch Clarke

ATTACHMENT

TEL: 03 6235 0362
 FAX: 03 6235 0362
 EMAIL: info@murdochclarke.com.au



MURDOCH CLARKE
BARRISTERS
AND
SOLICITORS

19 July 2011

Page Seager
 Barristers & Solicitors
 DX 110
 HOBART

Attention: Ms Kathryn Speed

By email: kspeed@pageseager.com.au

Dear Madam

RE: TRIABUNNA INVESTMENTS PTY LTD --
ASSIGNMENT OF LEASE -- TRIABUNNA WHARF

I act on behalf of Triabunna Investments Pty Ltd. I note that you act on behalf of TasPorts and I have been provided with a copy of your email dated 15 July 2011 to Jacinta French.

Responding to your request (using the same lettering as contained in your email dated 15 July):

- (a) Triabunna Investments Pty Ltd does not intend to operate the wood chip mill. Instead, as has been widely reported in the media, Triabunna Investments has agreed, subject to certain conditions, to offer to lease the wood chip mill. Until Triabunna Investments have tendered a lease to the market, they will not know who the proposed tenant will be or upon what terms that lease will be. Of course, when that occurs, Triabunna Investments will apply to TasPorts for consent to the sub-letting of the wharf;
- (b) given the response contained in paragraph (a) above, do you require any further details here?
- (c) please advise as to what is required by way of a "capability statement" and a "financial capacity statement"? In relation to Triabunna Investments Pty Ltd, I can advise its only asset (to date) is the Triabunna Wood Chip

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 P. Ryan
 R. Ryan
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SENIOR ASSOCIATES
 M.G. Ryan
 A.J. Burgess
 R.C. Ryan
 C.B. Ryan
 A.J. Ryan

ASSOCIATES
 L.N. Ryan
 M.L. Ryan
 R.D. Ryan
 R.D. Ryan

CONSULTANTS
 R.D. Ryan
 R.D. Ryan

Page Seager
RE: TRIABUNNA INVESTMENTS PTY LTD -
ASSIGNMENT OF LEASE - TRIABUNNA WHARF

Page 2

Mill. This asset was purchased unencumbered and without the need for any debt financing. The directors of Triabunna Investments are Jan Cameron and Graeme Wood. Do you need any more information than this in relation to financial capacity?

- (d) as advised above, Triabunna Investments intends to lease out the wood chip mill so that it can be used as a wood chip mill. This is consistent with the permitted use of the wharf under clause 3.11 of the Lease; and
- (e) I am uncertain as to what you refer to in relation to the "intended term". Please advise. I cannot advise as to any expectation of minimum wood chip volumes unless and until a tenant is secured to operate the wood chip mill.

I await your earliest advice in relation to this matter.

Yours faithfully
MURDOCH CLARKE

Per: 

BEN SWAIN

Cc Shields Heritage
Attention: Ms Jacinta French

By email: jfrench@shieldsheritage.com