



23 April 2010

Company Announcements Platform  
Australian Securities Exchange

**GUNNS MARKET UPDATE**

Please find attached a release to the market.

Yours sincerely

A handwritten signature in black ink, appearing to read "Wayne Chapman", is positioned above the typed name.

**Wayne Chapman**  
*Company Secretary*

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## GUNNS MARKET UPDATE

When releasing the Gunns trading results for the six months to 31/12/2009 the Board undertook to provide the market with an update in relation to the planned restructure of the Company that was announced at that time. The restructure is a critical step to achieving financial close for the Bell Bay Pulp Mill. The Board is pleased to announce the following developments.

### **SOUTHERN STAR CORPORATION (SSC)**

Gunns this week has released an Information Memorandum ("IM") to a number of pre-qualified international parties that provides details on the proposed creation of a new corporate group, to be known as Southern Star Corporation ("Southern Star").

The release of the IM marked the commencement of a formal process whereby potential investors are being offered an opportunity to partner with Gunns in the creation of a highly attractive integrated pulp manufacturing and plantation based forest management company.

Southern Star's principal assets will be a world scale bleached hardwood Kraft Pulp Mill in the Bell Bay Industrial Zone of Northern Tasmania and the highly prized Tasmanian land and eucalyptus plantation resource currently owned by Gunns Limited.

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Since Gunns' announcement in February, engagement with potential equity and debt investors has progressed positively.

It is intended that Southern Star will have a sustainable long-term capital structure that is appropriate for the nature and type of assets and investments undertaken by the company, including the Pulp Mill. It is Gunns' objective to hold a minimum of 51% of the equity of Southern Star. The company will be a standalone operation with a separate board of directors who will represent respective stakeholders.

Mr John Gay is the Chairman of Southern Star. He has advised Gunns that he will retire from his position as a Director and Chairman of Gunns Limited effective prior to the Gunns Limited AGM in November of this Year.

#### **PULP MILL PROJECT DIRECTOR APPOINTMENT**

Mr Timo Piilonen has been appointed to the role of Pulp Mill Project Director Southern Star Corporation. Mr Piilonen has extensive experience in the construction and operation of large-scale pulp mills around the world. Between 2004 and 2008 he was responsible for the construction and operation of Metsa-Botnia's Fray Bentos pulp mill in Uruguay, a mill of similar size and technology to the Bell Bay Mill. Mr Piilonen will be responsible for the overall management, co-ordination and delivery of the Bell Bay Mill, including the ramp-up to full operational capacity of 1.1m adt production. In relation to this high profile appointment, Mr John Gay, Chairman of Southern Star said:

"It is with great pleasure that we welcome Timo to Southern Star. Timo's experience in managing the delivery and commissioning of world scale pulp mills and in particular those similar to that proposed at Bell Bay will be invaluable. We are very fortunate to have Timo join our team and we believe today's appointment serves to further endorse the strategic and commercial merit of the project."

## **BOARD RENEWAL**

Mr Robin Gray is currently a Director of Gunns Limited and Gunns Plantations Limited. Mr Gray has indicated to the Board that he will retire as a Director of Gunns Limited by the 30th June 2010. Mr Gray will continue as a Director of Gunns Plantations Limited.

## **MIS SCHEMES 2010**

The Board believes that the investment appetite for MIS schemes is currently very low. As a result, the Company will not be making any MIS offers this financial year. The merits of encouraging plantation establishment through MIS schemes are overwhelming, however we believe that significant regulatory changes are required before investor appetite will return.

## **RATIONALISATION OF NON-FORESTRY RELATED ASSETS**

The Board has resolved to seek market interest in relation to a number of non-forestry related assets and businesses owned by the Company. This is aimed at simplifying the group's corporate structure and concentrating its management and financial assets on the core business. Expressions of interest have already been received for the Company's hardware retail assets and it is expected that final offers will be tabled for consideration later this month.

## **FORESTRY ASSETS**

A process will be commenced within the next month to place the majority of the Company's native forest land on the market. Approximately 28,000 hectares of land has been identified for sale. The Board believes that this is a further significant step to demonstrate the Company's determination to achieve a "social license" across its forestry operations.

## FULL YEAR'S EARNINGS GUIDANCE 30 JUNE 2010

Updated analyst's forecasts of EBIT for the twelve months to the 30th June 2010 are currently in the range of \$24M to \$56M with an average of \$40M. With no expected improvement in volumes/margins to occur for wood chips exported to Japan for the balance of the year we expect a full year EBIT result in the range of \$30M to \$40M. The reported EBIT for the six months to the 31st December 2009 was \$5M.

### Contact

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