

22 November 2007

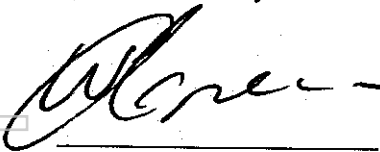
The Manager  
Company Announcements Platform  
Australian Stock Exchange  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

**Re - Annual General Meeting – Chairman’s Address**

We attach the Chairman’s address to the 2007 Annual General Meeting.

Yours faithfully



**Wayne Chapman**  
*Company Secretary*

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## **GUNNS LIMITED**

### **CHAIRMAN'S SPEECH**

I welcome you to the 2007 Annual General Meeting and I am pleased to provide a review of the Company's activities for the year.

The group profit after tax for the 2007 financial year was \$75m. This was earned on revenue of \$690m. The profit represents earnings per share of 19.1 cents. An annual dividend of 14 cents per share fully franked has been paid.

As outlined in the Annual Report, trading conditions across the business in 2007 were generally consistent with the prior year. Sales volumes of wood fibre was relatively stable through the year with margins maintained by a modest price increase.

Our markets for solid timber products both domestic and export segments remain highly competitive. Demand for wood fibre has increased over the past six months. The trend is expected to continue through the first half of 2008.

This is a direct result of reductions in wood availability from competing supply areas and new pulping capacity now operational in Asia and South America.

The value of the Australian currency will remain a competitive issue for our business impacting both the cost of exports into Asian markets and imports in the domestic solid wood markets.

The traditional domestic solid timber markets have been affected by lower activity levels in the Australian market. We are continuing to develop export markets for timber products although margins in these markets are impacted by freight costs and the high Australian dollar.

The activity level across the wood products business for the year to date has increased on the last six months and the previous year.

The growth of our managed investment business in 2007 was significant with \$152m of investment in the year. Our forestry products have maintained a strong position in the market. Over 21,000 hectares of plantation forest was developed under the program in 2007.

The MIS program has been an important component in addressing the group's strategic plans to base the business on plantation resource. This objective was further advanced with the acquisition of a 60% interest in Auspine Limited. This acquisition is significant in a number of ways.

Auspine owns over 46,000 hectares of freehold land and manages over 40,000 hectares of high quality softwood plantation forest. This forest is producing over six hundred thousand tonnes of wood fibre per year. It provides a substantial diversification of Gunns resource base to softwood fibre.

Auspine provides access to the domestic structural timber and softwood fibre export markets, a segment in which Gunns has not operated. These markets are significantly larger than the traditional hardwood markets and expands Gunns existing business.

With this investment it is appropriate to reflect on the development of the group in the forest products sector in the course of the decade to date.

In 2000 the Gunns business was largely reliant on government supply contracts, with 20,000 hectares of managed native forest freehold as its resource base. The Gunns group now manages over 210,000 hectares of private plantation resource located in Tasmania and south east Australia. While much of this estate is still to mature it will provide a sustainable resource base of well over 4 million tonnes of wood fibre annually.

These are important facts for shareholders to be aware of in the face of the constant misrepresentations by Company critics.

It is our objective to maintain activity levels in plantation establishment to further develop this resource base.

Our businesses based in Tasmanian markets have again performed strongly in a stable local economy. The refit and expansion of the Launceston merchandising site is well advanced with completion scheduled for the end of the current financial year.

The growth of the Tamar Ridge wines business has continued with the initial harvests from the MIS planting completed this year. The business is poised for substantial growth over the next five years. There is strong demand for our product with fruit prices maintaining through the recent market. Gunns will continue to develop the Tasmanian brand for wine.

The Bell Bay Pulp Mill project is a significant development for the Company and its stakeholders.

The Project will be highly competitive in the global market. This is due to the location and quality of the wood resource, the scale and design of the mill and the proximity of the mill to the Asian market.

The competitive position will be further enhanced by the environmental standards under which it will operate.

The Pulp Mill has been approved by both Houses of Parliament in Tasmania – with an overwhelming vote of support of 29 – 8. The mill has also achieved necessary Commonwealth approval and strong bi-partisan support.

In fact, the nation's Chief Scientist, Dr Jim Peacock, stated that a mill operating in compliance with its conditions will likely operate with an environmentally neutral footprint.

These approvals represent the most comprehensive of any mill in the world.

No wood from ancient or old growth forests will be used in the mill. Supply will come from regrowth and plantation forests, with 80% to come from plantations within five years of mill operations.

There has been some public comment on the impacts of the approval conditions of the mill operation. The simple fact is that in the original design of the mill the Company incorporated the best available technology at all levels – this has not changed through the approval process.

In closing I would like to record my appreciation to the Board, staff and management and their families for their support over the past year.

It is unfortunate that they have worked, and their families have lived, under harassment and attack which should not occur in our society.

They are continuing to deliver positive results and a strong future for the company.

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