

29 August 2008

Company Announcements Platform
Australian Stock Exchange Limited

CAPITAL RAISING ANNOUNCEMENT

Please find attached announcement in relation to a Gunns Limited Capital Raising.

Yours faithfully



Wayne Chapman
Company Secretary

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NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

GUNNS TO RAISE UP TO \$430 MILLION VIA AN ACCELERATED PRO-RATA NON-RENOUCEABLE ENTITLEMENT OFFER

Gunns Limited (“Gunns”) is pleased to announce that it intends to raise up to approximately \$430 million through an accelerated non-renounceable pro-rata entitlement offer (the “Entitlement Offer”). The Entitlement Offer consists of an Institutional Entitlement Offer of approximately \$300 million¹ and a Retail Entitlement Offer of up to \$130 million. The final offer price and entitlement ratio will be set by a bookbuild process to be conducted as part of the Institutional Entitlement Offer.

The directors believe that Gunns is well positioned to benefit from a positive operating outlook and have elected to make the Entitlement Offer to recapitalise Gunns’ balance sheet. The \$300 million Institutional Entitlement Offer will allow Gunns to repay the extended working capital facility of \$225 million that was used to partially finance the acquisition of Auspine and repay a portion of existing company debt facilities. Any further funds raised under the Retail Entitlement Offer will be used to further repay existing company debt facilities.

Following completion of the capital raising, the company’s gearing (net debt / net debt + equity) will reduce to approximately 37.3%², from 51.4% as at 30 June 2008, and FY09 pro-forma EBIT interest cover³ will be approximately 3.9 times. See the attached presentation for further details.

Gunns Executive Chairman, John Gay commented “The capital raising of up to approximately \$430 million announced today will be used to recapitalise the company’s balance sheet, providing Gunns with a robust balance sheet to support future growth.”

¹ On the basis that 70% of the company’s register is dealt with in the institutional tranche of the offer

² Assuming \$300 million is raised under the offer, and includes cash on hand as at 30 June 2008 of \$9.5 million.

³ Assumes pro forma FY09 EBIT of approximately \$200 million, excluding estimated MIS financing revenue of approximately \$22 million in net interest, and excluding expected business restructuring costs of approximately \$6 million.

ACCELERATED PRO RATA ENTITLEMENT OFFER

Eligible shareholders will be offered the opportunity to acquire new Gunns shares at a price and entitlement ratio to be set by a bookbuild process conducted as part of the Institutional Entitlement Offer between Monday, 1 September 2008 and Wednesday, 3 September 2008.

Gunns will raise up to approximately \$430 million through the Entitlement Offer, which will be conducted in two parts:

- an Institutional Entitlement Offer, through which Gunns will be seeking to raise approximately \$300 million; and
- a Retail Entitlement Offer, through which Gunns will be seeking to raise up to an additional \$130 million, if fully subscribed.

The Entitlement Offer is non-renounceable. New Gunns shares equal to the number of New Shares not taken up under:

- the Institutional Entitlement Offer will be offered to new and existing institutional investors under the institutional bookbuild; and
- the Retail Entitlement Offer will be offered to existing retail shareholders under the Retail Entitlement Offer to the extent there is oversubscriptions.

The New Shares issued under the Entitlement Offer will rank equally from allotment in all respects with existing Gunns shares. Shares issued under the Entitlement Offer will not be entitled to Gunns' final dividend of 4 cents per share for the year ended 30 June 2008, as no new Shares will be issued until after the record date for the final dividend.

Gunns has appointed Credit Suisse (Australia) Limited, J.P. Morgan Australia Limited and Macquarie Capital Advisers Limited as Joint Lead Managers to the Offer.

The Record Date for the Entitlement Offer will be 7.00pm (AEST) on Wednesday, 3 September 2008. The Institutional Entitlement Offer will be conducted from Monday, 1 September 2008 to Wednesday, 3 September 2008, with the Retail Entitlement Offer to follow. The entitlements will not be tradeable on the ASX or otherwise transferable, and shareholders who elect not to take up their full entitlement will not receive any value in respect of entitlements they do not take up.

Further details of the Entitlement Offer are included as an Appendix to this announcement.

SHAREHOLDER ENQUIRIES

Full details of the issue will be provided in a prospectus which is currently being finalised and is expected to be released to the market and dispatched to eligible retail shareholders during the next week.

Retail shareholders who have any queries regarding the Entitlement Offer are encouraged to contact the Gunns Entitlement Offer Information Line on 1300 722 743 (within Australia) or +61 3 9946 4478 (outside Australia) between 8.30am and 5.00pm (AEST).

For further information, please contact:

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This announcement is not an offer of securities for sale in the United States. Neither the entitlements nor the new shares have been, or will be registered under the U.S. Securities Act of 1933, as amended (Securities Act) or any securities laws of any state or other jurisdiction of the United States and may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws.

APPENDIX – ENTITLEMENT OFFER DETAILS

Offer Structure

The Entitlement Offer is structured as an accelerated non-renounceable pro-rata entitlement offer consisting of an Institutional Entitlement Offer and a Retail Entitlement Offer. Entitlements cannot be traded on the ASX or otherwise transferred.

1. Institutional Entitlement Offer

Existing Eligible Institutional Shareholders will be invited to participate in the Institutional Entitlement Offer between Monday, 1 September 2008 and Wednesday, 3 September 2008. Under the Institutional Entitlement Offer, Eligible Institutional Shareholders can take up their entitlements in whole or in part by placing bids into the institutional bookbuild, or not at all by electing to do nothing.

New Gunns shares equal in number to those attributable to entitlements not taken up by Eligible Institutional Shareholders, together with New Shares attributable to entitlements which would otherwise have been offered to Ineligible Institutional Shareholders if they had been eligible to participate in the Institutional Entitlement Offer, will be offered for subscription to new and existing Institutional Investors through the institutional bookbuild.

2. Retail Entitlement Offer

Eligible Retail Shareholders will be invited to participate in the Retail Entitlement Offer on the same terms as the Institutional Entitlement Offer under a prospectus which is expected to be lodged with ASIC on Thursday, 4 September 2008. The Retail Entitlement Offer will open at 9.00am on Thursday, 4 September 2008 and close at 5.00pm on Wednesday, 24 September 2008.

Eligible Retail Shareholders can take up their Entitlement in full or in part or subscribe for New Shares in excess of their entitlement. New Shares of an equivalent number to the New Shares not taken up under the Retail Entitlement Offer, together with New Shares which would have been offered to Ineligible Retail Shareholders if they had been entitled to participate in the Retail Entitlement Offer, will be allocated to Eligible Retail Shareholders that applied for New Shares in excess of their entitlement.

If there is not sufficient demand for New Shares from Eligible Retail Shareholders who applied for New Shares in excess of their entitlements, the Retail Entitlement Offer will lapse in respect of those shares. In these circumstances, the Retail Entitlement Offer will close undersubscribed and an amount less than the total amount sought under the Retail Entitlement Offer will be raised.

Stock Lending and Other Transactions

Eligible shareholders will be entitled to apply under the Entitlement Offer for a certain number of new Gunns shares for each existing Gunns share held as at 7:00 pm (AEST) on the record date, Wednesday, 3 September 2008. Notwithstanding the record date for the Entitlement Offer, Gunns will be granted a waiver by ASX so that, in determining shareholder entitlements for the Entitlement Offer, it may ignore any changes in security holdings that occur after the announcement of the Entitlement Offer (other than registrations of transactions that were effected through ITS before that announcement).

Accordingly, a person who is a registered shareholder of Gunns at 7.00pm (AEST) on the record date for the Entitlement Offer as a result of a dealing after the announcement of the Entitlement Offer (other than the registration of a transaction effected through ITS before that announcement) may not be entitled to receive an entitlement under the Entitlement Offer.

This means, for example, that in the event a Gunns shareholder has existing Gunns shares out on loan, the borrower will be regarded as the shareholder for the purposes of determining the entitlement (provided that those borrowed shares have not been on-sold).

Key Entitlement Offer Dates

Key dates for the Entitlement Offer are provided below:

Record Date under the Entitlement Offer	7.00pm (AEST) Wednesday, 3 September 2008
Institutional Entitlement Offer	
Institutional Entitlement Offer opens:	Monday, 1 September 2008
Institutional Entitlement Offer closes:	Wednesday, 3 September 2008
Settlement of the Institutional Entitlement Offer (via DvP in CHESS):	Thursday, 11 September 2008
Issue of New Shares under the Institutional Entitlement Offer and normal trading of those shares expected to commence on ASX	Friday, 12 September 2008
Retail Entitlement Offer	
Retail Entitlement Offer opens:	Thursday, 4 September 2008
Retail Entitlement Offer closes:	Wednesday, 24 September 2008
Settlement of the Retail Entitlement Offer	Thursday, 2 October 2008
Issue of New Shares under the Retail Entitlement Offer and normal trading of those shares expected to commence on ASX	Friday, 3 October 2008
Dispatch of confirmation of allotment for New Shares issued under the Retail Entitlement Offer	Wednesday, 8 October 2008

These dates are indicative only and are subject to change without notice. All times and dates refer to time and date in Melbourne (AEST), Australia. Subject to the requirements of the Corporations Act, the ASX Listing Rules and any other applicable laws, Gunns has the right, in consultation with the Joint Lead Managers, to amend the timetable including to extend the closing date for the Retail Entitlement Offer, to close the Retail Entitlement Offer early, to withdraw the Entitlement Offer at any time prior to the allotment of New Shares under the Retail Entitlement Offer and/or to accept late applications either generally or in specific cases. If the closing date is extended, the subsequent dates may also be extended.

Full details of the Retail Entitlement Offer will be set out in a prospectus which will be made available to Eligible Retail Shareholders when offers of new Gunns ordinary shares are made under the Retail Entitlement Offer. The Prospectus is expected to be lodged with ASIC on Thursday, 4 September 2008, and will be sent to Eligible Retail Shareholders after lodgement and be made available on Gunns' website. Any Eligible Retail Shareholder who wishes to acquire new Gunns shares under the Retail Entitlement Offer will need to complete, or otherwise apply in accordance with, the personalised entitlement and acceptance form that will be in or will accompany the Prospectus, and should consider the Prospectus in deciding whether to subscribe for new Gunns shares.