

4 September 2008

Company Announcements Platform
Australian Stock Exchange Limited

GUNNS RAISES \$336 MILLION THROUGH INSTITUTIONAL ENTITLEMENT OFFER

- Approximately \$336 million raised through Institutional Entitlement Offer
- 7 new shares offered for every existing 10 shares as at the record date
- Approximately 224 million shares issued at \$1.50 each
- Institutional Entitlement Offer was strongly supported by existing shareholders as well as a number of new shareholders
- Retail Entitlement Offer opens today, seeking to raise up to an additional \$91 million

Gunns is pleased to announce that it has successfully completed the institutional component of the accelerated non-renounceable pro-rata entitlement offer (the "Entitlement Offer") announced to the market on 29 August 2008. The Institutional Entitlement Offer raised approximately \$336 million, which will be used 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.

New shares were offered to new and existing institutional investors by way of a bookbuild process that resulted in:

- the offer price being set at \$1.50 per new share; and
- the entitlement ratio being set at 7 new shares for every 10 shares held as at the record date of 7.00pm (AEST) on Wednesday 3 September 2008 (**Record Date**).

As a result of this bookbuild process, the issue price for the retail entitlement offer will also be \$1.50. This price represents an 18.2% discount to the 5 day VWAP of Gunns shares up to 20 August 2008 (the day Gunns shares entered into a trading halt) and a 5.0% discount to the theoretical ex-rights price of \$1.58¹.)

The Institutional Entitlement Offer received strong support from Gunns' existing institutional shareholders, with over 93% of the new shares offered under the Institutional Entitlement Offer being taken up by existing institutional shareholders.

Gunns' Managing Director, John Gay, commented "The success of the entitlement offer indicates the strong support existing and new investors have in the Board's long term strategic direction. Gunns' recapitalised balance sheet will provide it with a robust financial structure to support future growth and deliver shareholder returns."

Settlement of the Institutional Entitlement Offer is expected to take place on Thursday, 11 September 2008. The shares issued under the Institutional Entitlement Offer are expected to be issued on Friday, 12 September 2008 and commence trading on the ASX on the same day. 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.

Commencement of the Retail Entitlement Offer

The Retail Entitlement Offer, which is seeking to raise up to an additional \$91 million, opens today, 4 September 2008 following lodgement of a prospectus with the Australian Securities and Investments Commission and closes at 5.00pm (AEST) on Wednesday 24 September 2008. The Retail Entitlement Offer is open to eligible retail shareholders in Australia and New Zealand on the Gunns share register at the Record Date.

Eligible retail shareholders are able to subscribe for 7 new Gunns shares for every 10 existing Gunns shares held as at the Record Date, at the offer price of \$1.50 per new share, which is the same as the offer price for the Institutional Entitlement Offer. The Retail Entitlement Offer is not underwritten, which means there is no guarantee that all, if any, of the additional \$91 million will be raised.

¹ Adjusted downwards for Gunns' 2008 final dividend of 4 cents per share as New Shares issued under the Entitlement Offer will not be entitled to this dividend

A copy of the prospectus and a personalised entitlement and acceptance form is expected to be dispatched to eligible retail shareholders on or about Wednesday, 10 September 2008.

Eligible retail shareholders who have any queries or who do not receive a prospectus by Monday 15 September 2008 are encouraged to contact the Gunns Limited Entitlement Offer Information Line on 1300 722 743 from within Australia or on +61 3 9946 4478 from elsewhere, between 8.30am and 5.00pm (AEST) Monday to Friday until the close of the Retail Entitlement Offer. Copies of the prospectus will be also available for download by eligible retail shareholders at the Gunns website www.gunns.com.au.

Gunns shares are expected to resume trading on the ASX today, Thursday 4 September 2008.

For further information, please contact:

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