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## **GUNNS WILL NOT SEEK TO RENEW SOVEREIGN RISK AGREEMENT**

Integrated forest products company Gunns Limited has today advised the Tasmanian Government that it will not seek to renew the Sovereign Risk Agreement for wood supply to the Bell Bay Pulp Mill.

The Sovereign Risk Agreement was provided with the intent of providing security in the event of Forestry Tasmania being unable to supply its volume commitments under the Wood Supply Agreement as a result of future changes in Government policy.

The agreement would have only been triggered in the event of a default in supply due to those specific reasons, and was capped to a maximum total value of \$15 million over a 20-year period.

The majority of supply for the mill project will come from Gunns-owned or managed resource. The company has, and will continue to develop, plantation resource to underpin mill supply into the future, with 200,000 hectares currently established. The development of this resource has significantly enhanced resource security for the mill.

Gunns does not believe the Sovereign Risk Agreement materially changes the risk profile of the project, and is confident of Forestry Tasmania's ability to meet its commitments under the Wood Supply Agreement, which is supported by the Tasmanian Regional Forest Agreement until at least 2017.

The potential value of compensation under the Sovereign Risk Agreement was not significant to the Pulp Mill Project or the Company's operations.

Gunns will continue to work with Forestry Tasmania under the Wood Supply Agreement. The company acknowledges Forestry Tasmania's support for value added processing and the integral role of the Wood Supply Agreement in providing certainty for the broader forest industry, including forest contractors and veneer and hardwood sawmilling operations.

Gunns is continuing to proceed with the Pulp Mill Project as planned. Final Federal Government approval is expected in January 2009, with construction of the project remaining on track to proceed once financing is secured.

### **Further information:-**

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