

A Letter from the Chairman

21 October 2011

Dear Fellow Shareholder

Annual Report and Notice of Annual General Meeting

On behalf of the directors of Gunns Limited (the Company), I have pleasure in enclosing the Company's Notice of Annual General Meeting (AGM). The AGM is to be held on Thursday 24 November 2011 commencing at 10:30am (EDT) in the Arthur Streeton Auditorium on Level 1 at Sofitel, 25 Collins Street, Melbourne.

The 2011 Annual Report is available on the Gunns website at www.gunns.com.au/investors/investorsannual-reports/. A copy of the 2011 Annual Report is enclosed for the shareholders who elected to receive it.

The Company has reported a net loss after tax for the year of \$355.5 million. Total revenue for the year ended 30 June 2011 was \$621 million with earnings per share of (43.9) cents for the year.

A Proxy Form for the AGM is enclosed. If you attend the meeting, please bring this form with you to facilitate your admission to the meeting. Representatives wishing to attend the meeting on behalf of a corporate shareholder must bring an "Appointment of Corporate Representative" form to the meeting. A copy of this form is available on the Gunns website.

The directors acknowledge the requirement for Board renewal in the near term and have initiated a process to identify suitable candidates. It is the Board's intention that this process be finalised on completion of the restructure of the business. The support for the re-election of the incumbent directors is sought to facilitate this process.

The Board seeks your support in relation to the following resolutions contained in this year's notice of meeting.

- Item 2: Adoption of Remuneration Report**
- Item 3: Election of Directors**
 - 3a - The re-election of Mr CJ Newman
 - 3b - The re-election of Mr PD Teisseire
 - 3c - The election of Mr GP L'Estrange

Yours sincerely

A handwritten signature in black ink, appearing to read "CJ Newman".

Chris Newman
Chairman

Notice of Annual General Meeting

21 October 2011

Notice is hereby given that the Sixtieth Annual General Meeting of Gunns Limited will be held in the Arthur Streeton Auditorium on Level 1 at Sofitel, 25 Collins Street, Melbourne, Victoria on Thursday 24 November 2011 commencing at 10:30am (EDT).

ORDINARY BUSINESS

1. Financial Report

To receive and consider the Financial Report of the Company for the year ended 30 June 2011 and the Report of the Directors and Auditor thereon.

2. Remuneration Report

To adopt the Remuneration Report of the Company for the year ended 30 June 2011, which is set out in the Directors' Report of the Company's 2011 Annual Report (Please note that this is a non-binding, advisory vote only).

3. Election of Directors

To elect Directors of the Company

- a. Mr CJ Newman retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.
- b. Mr PD Teisseire retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.
- c. Mr GP L'Estrange was appointed since the last Annual General Meeting, retires and, being eligible, offers himself for election.

By Order of the Board



Wayne Chapman
Company Secretary

VOTING ENTITLEMENT

The Board has determined that a shareholder's voting entitlement at the meeting will be taken to be the entitlement of that shareholder shown in the register of members as at 7:00pm (EDT) on 22 November 2011.

NOTES

1. A member entitled to attend and vote at an Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - a. directors of the company;
 - b. a director and a company secretary of the company; or
 - c. for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid Proxy Form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.
6. By marking the first box as provided in STEP 1 of the Proxy Form you are directing the Chairman of the Meeting to vote your undirected proxy in accordance with the Chairman's voting intentions (other than in relation to Item 2, see further below). If you do not mark this box, and you have not directed your proxy how to vote in STEP 2 of the Proxy Form, the Chairman of the Meeting will not cast your votes and your votes will not be counted. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by marking the appropriate boxes as indicated in STEP 2 of the Proxy Form.
7. As a result of recent amendments to the Corporations Act, the Chairman of the Meeting will not vote undirected proxies on Item 2 relating to the Remuneration Report. If you appoint the Chairman as your proxy and wish to support Item 2, please also mark 'X' in the second box as provided in STEP 1 of the Proxy Form under the heading 'Important for Item 2 – if the Chairman of the Meeting is your proxy or is appointed as your proxy by default'.
8. To vote by proxy, please complete and sign the Proxy Form enclosed and send:
 - a. by post to Gunns Limited C\– Computershare Investor Services P/L, GPO Box 242 Melbourne Victoria 3001 ; or
 - b. by facsimile to: 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)so that it is received not later than 10.30 am on 22 November 2011.

Proxy Forms received later than this time will be invalid.

Item 2 - Adoption of Remuneration Report

In accordance with Section 250R(2) of the Corporations Act, the Company must put a resolution that the Remuneration Report be adopted to vote at the Annual General Meeting. The vote on Item 2 is advisory only and does not bind the Directors or the Company.

The Remuneration Report is the section of the Directors' Report under the heading "Remuneration Report" in the Company's 2011 Annual Report. The Remuneration Report includes all of the information required by Section 300A of the Corporations Act, including:

- a. board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of Directors, secretaries and senior managers of the Company;
- b. discussion of the relationship between such policy and the Company's performance; and
- c. the prescribed details in relation to the remuneration of each Director and certain executives.

The vote on the resolution for adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, under changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on the resolution at the annual general meeting are against adoption of the Remuneration Report, then:

- a. if comments are made on the Remuneration Report at the Annual General Meeting, the Company's remuneration report for the financial year ending 30 June 2012 will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and
- b. if, at the Company's 2012 Annual General Meeting, at least 25% of the votes cast on the resolution for adoption of the remuneration report for the 2012 financial year are against its adoption, the Company will be required to put to Shareholders a resolution proposing that a general meeting (Spill Meeting) be called to consider the election of directors of the Company (Spill Resolution).

The Spill Meeting must be held within 90 days of the date of the 2012 Annual General Meeting. For any Spill Resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it. If a Spill Resolution is passed, all of the Directors (other than the Managing Director and any Director taking office since the Directors resolved to put the Directors' Report to that AGM) will cease to hold office immediately before the end of the Spill Meeting unless re-elected at that meeting.

The Remuneration Report forms part of the Directors' Report which has unanimously been adopted by resolution of the Board. The Directors have resolved in favour of the Remuneration Report and commend it to Shareholders for adoption.

An opportunity will be provided for discussion of the Remuneration Report at the meeting.

Voting by Proxy: Section 250R of the Corporations Act presently does not allow the Chairman to vote undirected proxies on Remuneration Report resolutions. The Australian Securities and Investments Commission has advised that the Federal Government proposes to amend the law to clarify that chairpersons are permitted to vote undirected proxies in relation to remuneration report resolutions if shareholders provide express authorisation for the chairperson to vote such undirected proxies. However, any amendment to the Corporations Act will not be in place for the AGM.

The Proxy Form allows Shareholders to direct voting on each of the Items, including Item 2, by marking any one of the "For", "Against" or "Abstain" boxes in STEP 2 of the Proxy Form for each of the Items. If a Shareholder marks one of these boxes the proxy is a directed proxy.

As a result of recent amendments to the Corporations Act, the Chairman of the Meeting will not vote undirected proxies on Item 2 relating to the Remuneration Report. If you appoint the Chairman as your proxy and wish to support Item 2, please also mark 'X' in the second box as provided in STEP 1 of the Proxy Form under the heading 'Important for Item 2 – if the Chairman of the Meeting is your proxy or is appointed as your proxy by default'.

The Directors recommend that Shareholders vote in favour of the adoption of the Remuneration Report.

Item 3 - Election of Directors

In order to be elected, a candidate must receive more votes in favour than against.

This item of business will be determined by poll.

The Board supports the re-election of Mr CJ Newman and Mr PD Teisseire and the election of Mr GP L'Estrange.

3(a) - Re-election of Mr CJ Newman

In accordance with the Company's Constitution Mr CJ Newman retires by rotation and being eligible offers himself for re-election.

Mr Newman was appointed as a director of Gunns in September 2001 and was last re-elected in 2008. Mr Newman is Chairman of the Board and Chairman of the Nomination Committee. He has extensive experience in investment management, merger and acquisition and corporate finance activities. For more than 20 years prior to becoming a public company director Mr Newman was a member of the Australian Securities Exchange Limited. Mr Newman is also a current Director of Webjet Limited.

3(b) - Re-election of Mr PD Teisseire

In accordance with the Company's Constitution Mr PD Teisseire retires by rotation and being eligible offers himself for re-election.

Mr Teisseire has been a Director of the Company since 2008. Mr Teisseire is Chairman of the Audit Committee. Mr Teisseire is a professional independent non-executive director. He spent over 20 years in private practice as a corporate lawyer specialising in business and corporate law with a special interest in corporate governance. He is a non-executive director of Drake Foodmarkets, Gunns Plantations Ltd, BSA Ltd and Mesbon China Nylon Ltd.

3(c) - Election of Mr GP L'Estrange

Mr L'Estrange was appointed to the Board following the last AGM. As Managing Director Mr L'Estrange is not required to stand for election. Consistent with accepted Corporate Governance practice Mr L'Estrange offers himself for election.

Mr L'Estrange was appointed Managing Director in November 2010, after 18 months as CEO. Mr L'Estrange joined Gunns in April 2008 as CEO of timber operations following over twenty years' experience in senior executive roles in the forest and manufacturing industries.