

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 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 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. It is expected that further appointments will be made to the Board when suitable candidates are identified. 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", written in a cursive style.

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.

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

A handwritten signature in black ink, appearing to read "Wayne Chapman".

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 on 22 November 2011.

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint no more than two proxies.
2. A proxy need not be a member of the Company.
3. If a member appoints two proxies, each proxy must be appointed to represent a specified portion or number of the member's votes and neither proxy may vote on a show of hands. Fractions of votes will be disregarded.
4. If a member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the member's votes.
5. In the case of joint holders, the names of all holders must be recorded and all joint holders must sign the proxy form.
6. To be effective, the Proxy Form must be signed by the shareholder or the shareholder's attorney.
7. If the shareholder is a corporation, the Proxy Form should be executed in accordance with section 127 of the Corporations Act. If the shareholder is a corporation and the proxy form is not signed by two directors or a director and the company secretary, or is not clearly marked as signed by the sole director/sole company secretary, please indicate the basis upon which the form is signed (i.e. as authorised officer or attorney) and attach the relevant authority (or a certified copy of such authority). If the capacity in which a person signs this form for a corporate shareholder is not clear, the Company reserves the right to reject the proxy appointment.
8. If you wish to appoint a body corporate as your proxy, the full name of that body corporate must be set out. Do not use abbreviations. The body corporate will need to ensure that it:
 - (a) appoints an individual as its corporate representative to exercise its powers at meetings, in accordance with section 250D of the Corporations Act 2001 (Cth)
 - (b) provides a completed 'Appointment of Corporate Representative' form prior to commencement of the meeting
9. If such evidence is not received before the meeting, then the body corporate (through its representative) will not be permitted to act as your proxy.
10. The Proxy Form and any power of attorney or authority under which it is signed (or a certified copy of such authority) must be received at the registered office of the Company or Company Share Registry not less than 48 hours prior to the appointed time of meeting. Address information for the Company and the Company Share Registry is detailed on the Proxy Form.
11. If a corporate representative is to attend the meeting on behalf of a corporate shareholder or proxy, a formal 'Appointment of Corporate Representative' form must be brought to the meeting. A form of the certificate may be obtained from the Company's share registry.
12. In the absence of special permission, the Chairman will require that any recording or broadcasting device (including tape recorders, still cameras and video cameras), and any article which may be dangerous, offensive or liable to cause disruption, be deposited outside the meeting.
13. If both the proxy and the member who appointed the proxy attend the meeting, the proxy does not have the right to speak or vote at the meeting on behalf of the member whilst the member remains in the meeting.
14. Please refer to other notes appearing on the enclosed Proxy Form.

Item 2 - Adoption of Remuneration Report

The Annual Report for the financial year ended 30 June 2011 contains a Remuneration Report set out in the Directors' Report. The Remuneration Report sets out the remuneration policy for the directors and senior executives of the Company and its controlled entities, and reports the remuneration arrangements in place for these individuals.

An opportunity for discussion of the Remuneration Report will be provided at the Annual General Meeting.

The Corporations Act 2001 requires listed companies to put an annual non-binding resolution to shareholders to adopt the Remuneration Report. Accordingly, this vote will be advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when considering the Company's remuneration policy.

Key management personnel of Gunns, listed in the Remuneration Report, are excluded from voting on this item. To provide certainty on the voting of those shareholders appointing the Chairman as proxy, an additional box has been included in the proxy form.

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) - Reelection 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 reelected 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) - Reelection 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.