



UNDERTAKING

TRADE PRACTICES ACT 1974

Undertaking to the Australian Competition and Consumer Commission
given for the purposes of section 87B

by

Gunns Limited

ACN 009 478 148

Background:

- 1 Gunns Limited ("**Gunns**") is a company which (among other things) produces hardwood woodchips primarily for export.
- 2 Gunns is seeking to acquire all the issued shares of North Forest Products Limited ("**NFP**"), which are being sold by Rio Tinto Limited ("**Acquisition**").
- 3 Gunns and NFP both acquire hardwood logs in Tasmania.
- 4 The Australian Competition and Consumer Commission ("**Commission**") is concerned that, following the Acquisition, private landowners may be disadvantaged in their ability to negotiate favourable terms for the supply of hardwood logs to Gunns and its subsidiaries.
- 5 In response to the concerns expressed by the Commission, Gunns has agreed to proffer this undertaking under section 87B of the *Trade Practices Act 1974*, and the Commission has agreed to accept the undertaking and to not object to the Acquisition, subject to the performance by Gunns of its obligations under this undertaking.

Commencement of Undertaking

- 6 This undertaking comes into effect when:
 - (a) the undertaking is executed by Gunns; and
 - (b) the undertaking so executed is accepted by the Commission.

Undertaking

- 7 From the date on which Gunns is in a position to control NFP for five years, Gunns shall on the last business day of March each year, and whenever there is a change in the FOB price to be received by Gunns and its subsidiaries for export hardwood woodchips into Japan:
 - (a) make available in writing to the Tasmanian Farmers' and Graziers' Association and Private Forestry Tasmania for publication by each of them, and to any private land owner who is in the business of selling hardwood logs for woodchips in Tasmania upon request by that land owner, the average weighted FOB price in

Australian dollars to be received by Gunns and its subsidiaries for each grade of export hardwood woodchips for the upcoming year or other relevant period; and

- (b) make available in writing to the Tasmanian Farmers' and Graziers' Association and Private Forestry Tasmania for publication by each of them, and to any private land owner who is in the business of selling hardwood logs for woodchips in Tasmania upon request by that land owner, the average stumpage paid by Gunns and its subsidiaries, for hardwood logs for woodchips in the previous year or other relevant period for each mill at Triabunna, Tamar, Longreach and Burnie.

- 8 The average weighted FOB price referred to in paragraph 7(a) of this undertaking will be calculated as follows:

For each grade:

$$\frac{\sum (V_i \times P_i)}{\sum V_i}$$

Where:

V_i is the volume of the grade of woodchips sold by Gunns into Japan in the previous year, or previous relevant period

P_i is the price negotiated to be received by Gunns in the upcoming year or relevant period from Japanese paper mills for that grade of woodchips expressed in Australian dollars.

- 9 Gunns will calculate the average stumpage for each mill referred to in clause 7(b) of this undertaking as follows:

total dollar amount of stumpage for all hardwood pulp logs paid by Gunns divided by total tonnes of hardwood pulp logs acquired by Gunns.

- 10 The information which Gunns discloses in accordance with paragraph 7 of this undertaking shall be audited by Gunns' external accountants and a certificate confirming the completion of the audit and certifying whether or not the information is accurate, signed by Gunns' external accountants, shall be produced each time the information is disclosed in accordance with paragraph 7 of this undertaking. The certificate shall be made available to the Commission, the Tasmanian Farmers' and Graziers' Association, Private Forestry Tasmania and private landowners upon request by any of those organisations or persons, within 14 days of the date of the request.
- 11 Gunns will promptly make available to the Commission, upon request by the Commission, all documents relevant to the information that Gunns discloses in accordance with paragraph 7 of this undertaking.

Confidentiality


- 12 The Commission agrees to keep this undertaking confidential until the Acquisition is announced.

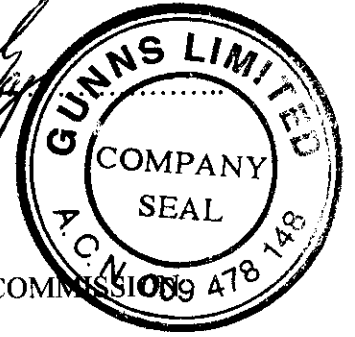
Acknowledgments

- 13 This undertaking is conditional on the Acquisition proceeding to completion.
- 14 Gunns acknowledges that the Commission will make this undertaking available for public inspection.
- 15 Gunns acknowledges that the Commission may issue a media release about this undertaking and may, from time to time, publicly refer to the undertaking. The Commission will provide Gunns with a copy of any proposed media release at least one business day prior to issue.
- 16 Gunns acknowledges this undertaking in no way derogates from the rights or remedies available to any other person arising from the alleged conduct.

IN WITNESS of these undertakings and its agreement the Common Seal of Gunns Limited (ACN 009 478 148) was hereto affixed by authority of the Board of Directors in the presence of:

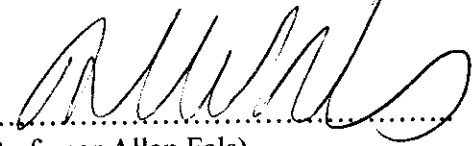
Secretary/Director: 

Director: 



This 9th day of ~~February~~ March 2001


ACCEPTED BY THE AUSTRALIAN COMPETITION AND CONSUMER COMMISSION PURSUANT TO SECTION 87B OF THE TRADE PRACTICES ACT 1974.


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(Professor Allan Fels)
Chairman

This 23 day of March 2001