

9 July 2007

**VIA: Electronic Lodgement Program**  
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Australian Stock Exchange  
"CAO" (Company Announcement Office)  
Level 10  
20 Bond Street  
**SYDNEY NSW 2000**

Dear Sir / Madam

In accordance with Listing Rule 3.1, the Directors of Auspine Limited ("Auspine") hereby make the following announcement.

The Company refers to the article published in the Australian newspaper today and the subsequent trading halt as requested by the Company this morning.

### **Other Bidders**

The Company advises that it has reached agreement with two other parties to allow them to conduct a preliminary high level due diligence on Auspine in order to allow them to consider the merits of making a takeover bid or similar proposal for 100% of the Company.

As a condition of being allowed to conduct due diligence, both parties have agreed that, if they make a bid for Auspine it will be at or above a threshold of \$6.50 per share. The identity of both parties is covered by confidentiality agreements.

### **The *Australian* – Monday 9 July 2007**

The Board wishes to clarify comments made in an article concerning the Company that appeared in the *Australian* newspaper on 9 July 2007.



Auspine Managing Director, Adrian de Bruin, has not said his shares in the Company were for sale at \$7.00 per share. Nor did Auspine's Chairman, Paul Teisseire, say Mr de Bruin's shares were for sale at \$7.00 per share.

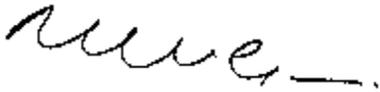
Mr de Bruin prepared an article entitled "Land and Plantations – The Auspine Assets" on 27 June 2007. A copy of that article is attached to this announcement. It mostly reiterates commentary made in previous Auspine market releases and annual reports. In that article, Mr de Bruin made the following comment:

"Auspine's plantations are estimated to be worth around \$6,000 per hectare, or about \$3 per Auspine share, the Company's land has been valued at \$4,600 per hectare, which equates to \$4 per Auspine share. The land value is continuing to rise each year."

When asked for a comment, Mr Teisseire made reference to Mr de Bruin's comment in his article regarding the value of the Company's shares.

Mr de Bruin has informed the Board that he will not be accepting Gunn's Takeover Offer of \$6.15 per share.

**For and on behalf of the Board**



**Michael McGlone**  
**Company Secretary**

Attachment

Land and Plantations – The Auspine Assets dated 27 June 2007

## LAND AND PLANTATIONS – THE AUSPINE ASSETS

By Adrian de Bruin

The shareholders in Auspine Limited have invested in two unique renewable resource assets – quality high rainfall freehold land and a very productive softwood plantation business. All this is located within the “Green Triangle” region of South East South Australia and South Western Victoria.

The Green Triangle contains Australia’s most productive and mature Radiata Pine softwood plantations. These plantations provide sustainable quantities of logs required to feed the region’s large scale integrated timber processing industry.

This region is centred close to the southern coasts of both States and lies equidistant between both the State capitals of Adelaide and Melbourne. The Port of Portland is also located within the region.

Large tracts of reliable rainfall and land of easy to flat topography are difficult to find in Australia.

Due to the flatness of this terrain and the nature of the soil, as well as underlying geology there is little or no rainfall run-off as the water percolates down into the underlying limestone strata. The region contains one river which is fed from the Grampians rather than the local terrain.

As a consequence the region has significant ground water resources which support the region’s domestic, industrial as well as agricultural water requirements.

Auspine has very selectively built up over two generations some 46,300 hectares of freehold property in this region on which it has grown successive softwood plantations. In fact, Auspine is now entering its third crop rotation of *Pinus Radiata*, each new rotation being more productive than the previous.

The Auspine owned plantation land is serviced by an extensive internal road network of some 500 kilometres which allows for all weather access for management as well as the heavy haulage of the plantations harvest.

The Company’s plantations are growing softwood fibre at the rate of about 1,000,000 tonnes per annum, with current annual harvest rate of about 750,000 tonnes per annum.

Of that harvest volume, 350,000 tonnes is destined for export woodchip and 400,000 tonnes is delivered to the Company’s Tarpeena sawmill as sawlog. Additional woodchip is created through the conversion of the sawlog into timber framing products for the domestic housing market. Auspine also purchases additional sawlog from local softwood plantation growers.

It is anticipated that the proportion of sawlog from the plantation will continue to develop over the next decade as a consequence of the intensive plantation management that the Company has pursued for the past seventeen years.

The Company moved some seventeen years ago to an aggressive policy for extracting higher structural value timber from its plantations.

In Australia, the greatest demand and value of softwood timber lies in structural applications such as house framing. In order to obtain the greatest structural value return from a softwood tree such as radiata pine, it must be grown in a manner where its growth rings in the early years of a tree's life are confined. The reason for this is that in early or juvenile wood within the radiata pine sawlog is of very low structural value and cannot be successfully used for house framing. This wood is generally sold as lower value packaging or pallet material.

However, Auspine's plantation management over the last seventeen years has planted an increased number of trees per hectare (up to 2,000 stems per hectare) in order to confine the juvenile wood.

The plantation is thinned out at ten years of age and has successive light thinning over intervals of about four years each. This produces a quality of tree that is stable with good growth ring characters and maximum structural strength. From a sawmilling and value recovery perspective, this approach leads to higher profit and cash flow value return, as prime house framing timber is readily sold and achieves the highest stock turns.

Auspine is the only softwood plantation manager in Australia or New Zealand practicing this "new improved Silviculture". Most other radiata pine plantation growers in Australia and New Zealand have in the past adopted a tree stocking of 1,000 to 1,200 stems per hectare or, in the case of New Zealand, less than 1,000 stems per hectare. The trees and timber produced from these plantations have inherent structural deficiencies, their recovery of high grade product as a consequence is much lower as is their profitability.

The Australian timber consumer is demanding that all structural timbers meet the Australian Standards. Over the past six months we have seen a lessening of supply from various traditional sources as product is withdrawn due to the inability to grade up to the Australian Standards.

It is anticipated that the supply of quality house framing timber within Australia will be in very tight supply in the near future. This will become even more evident as the housing market recovers.

The softwood timber industry has seen a strong recovery in the price of house framing timbers in the last six months and substantial further price increases are forecasted in the months ahead.

As mentioned previously, the Company owns timber processing facilities within the Green Triangle and also in the North East of Tasmania. It also distributes softwood timber products within southern Australia and supplies engineered house frames and roof trusses to the Adelaide housing market.

It exports some 650,000 tonnes of Radiate pine woodchip each year to pulp and paper producers in Japan.

In recent years, Managed Investment Schemes (MIS) within Australia have offered very small plantation woodlots to retail investors. These woodlots have attached tax benefits in that the plantation development costs are able to be deducted from the individual's income.

These investments are generally sold by investment advisors in multiples of one hectare units and cost between \$6,500 to \$9,500 depending on the vendor company and the product on offer. There is no freehold ownership of the land and therefore no capital appreciation.

For this the investor receives a planting of new trees in an inexperienced plantation sector. Often the promoter has had little experience in the growing of trees let alone the marketing of the end product.

In the world today wood fibre is very much a commodity product. There is no shortage of wood, just a shortage of larger quality log as native and older forests are cut down and replaced by short term rotation plantations.

Auspine's plantation business operates in a mature and sustainable environment. It produces excellent annual log harvest and increasing cash flows. The underlying real estate too continues to produce increased shareholder wealth.

Auspine's plantations are estimated to be worth around \$6,000 per hectare, or about \$3 per Auspine share, the Company's land has been valued at \$4,600 per hectare, which equates to \$4 per Auspine share. The land value is continuing to rise each year.

Compare that with an MIS plantation investment of \$9,500 for seedlings only against Auspine's mature plantation business at \$10,600 including the real estate. The value of the rest of the Company's business such as processing and sales and the bank debt cancel one another out.

The offer that Gunns Limited is putting to the Auspine shareholder is very opportunistic and doesn't remotely reflect the true value of the business. Incidentally Gunns is an MIS company with little or no exposure to the Australian softwood house framing market.

*Dated: 27 June 2007*