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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.

**Auspine commences proceedings in the Supreme Court of Tasmania seeking to set aside the long term log supply agreement between Forest Enterprises Australia Limited and Rayonier Australia Pty Ltd as agent for the sellers announced on 29 January 2007.**

Auspine has today commenced legal proceedings in the Supreme Court of Tasmania against Forestry Tasmania, Tasmania Softwood Fund Pty Ltd, Southern Hemisphere Softwood Strategies LLC, Forest Enterprises Australia Limited ("FEA"), GMO Renewable Resources LLC and Rayonier Australia Pty Ltd seeking to have the decision to award a long term softwood sawlog agreement to FEA made in January 2007 and that agreement, set aside. In addition, Auspine is seeking to prevent the export of softwood sawlog that could be processed domestically in Tasmania.

The proceedings have been prepared by Auspine's highly regarded legal team consisting of Ron Merkel QC, Jason Pizer of counsel and Norton Gledhill, Commercial Lawyers. Auspine believes that there are good arguments to suggest that the claims it makes in the proceedings will be successful.



## Background

- Auspine Limited owns two softwood sawmills employing approximately 313 people at Scottsdale (Pop. 1,904) in the federal electorate of Bass, north-east Tasmania.
- Many small businesses, the Dorset local government area community (Pop. 7,409) and hundreds of other Tasmanians are reliant on the continued operation of Auspine's sawmills.
- Taswood Growers (Taswood) supplied the mills with 354,000 tonnes of Tasmanian-grown softwood sawlogs each year. That contract expired on March 31<sup>st</sup>, 2007.
- Taswood, through its selling agent, Rayonier, awarded a new contract to FEA for 290,000 tonnes per annum for 10 years. FEA announced it will build a log processing mill at Bell Bay, 72km by road from Scottsdale. However, FEA cannot process a significant proportion of those logs for at least another 12 months so Taswood has sold those logs to Auspine to process at Scottsdale.
- Auspine cannot provide alternative employment to the mills' employees. It is estimated a further 500-plus indirect jobs will go if the mills close.
- Taswood has continued to export sawlogs to Asia and elsewhere for prices Auspine is prepared to match. Auspine argues Taswood is exporting jobs by denying this wood to domestic processors.
- Auspine's negotiations for a new contract with Rayonier began in June 2005. Since then, Taswood proposed to reduce volumes by between 10% and 50% depending on the contract terms negotiated.
- Auspine, which manages 46,500ha of softwood plantations in south-east SA and south-west Victoria, believes volume reductions reflect poor forest management by Forestry Tasmania and Taswood over many years.
- In October 2005 Auspine bought Frenchpine's sawmill in Scottsdale as part of a strategy to rebuild the softwood sector in Tasmania. Had this merger not occurred, at least one of the mills would have closed owing to the reduction in supply.
- Auspine was in protracted negotiations for sawlog with Rayonier, for approximately 18 months. During 2006 Auspine called for the assistance of a mediator repeatedly to facilitate a negotiated solution.
- On 22 November 2006 the Premier of Tasmania, Paul Lennon MHA declared his willingness to support and fund mediation.
- Six days after the Premier's announcement, FEA suddenly entered the fray, saying it was prepared to bid for the timber resource. Auspine immediately told Rayonier it would match or better any offer from FEA or any other bidder.

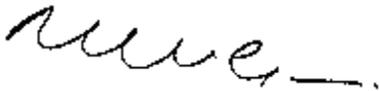
- Taswood is the only grower capable, at present, of supplying Auspine with the volumes to maintain the Scottsdale mills' viability. Auspine regards Taswood as a monopolist.
- In late January 2007 Rayonier announced FEA had won the contract to buy 290,000 tonnes of saw log per annum for 10 years.
- This was despite FEA being unable to process all of the logs for at least 14 months and proposing to employ approximately 200 less people than Auspine when it reaches full production and Auspine offering to match the commercial terms offered by FEA to Taswood Growers.

Auspine has taken this action following declarations of support from its workforce, the Community Workers Action Group, the CFMEU and members of the Scottsdale community.

As this matter is now before the Court, Auspine does not propose to make any further public comment at this stage.

A copy of Auspine's Writ and Statement of Claim can be obtained from Auspine's website [www.auspine.com.au](http://www.auspine.com.au) later today.

**For and on behalf of the Board**



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