1. OVERVIEW

<u>*Leasehold Land to be valued and tenure applicable*</u>

The relevant lease and terms in question are held by your office and no further description is warranted for the purposes of this exercise.

For the purposes of this "*in office*" assessment we have considered the area advised and have applied an overall rate per hectare based on the total area, as supplied, of 29,838 hectares. (NB : This includes 1563.99 Hectares of converted Pine area).

Great Southern Plantations (GSP) (lessee) has an agreement with the **Tiwi Aboriginal Land Trust** (TALT), administered via the **Tiwi Land Council** (TLC) for the undertaking of forestry related development on the Tiwi Islands.

GSP were granted an "Option" for land access of 100,000 hectares to select suitable land for the establishment of forestry plantations. GSP pay the Tiwi an Option fee of $1 per hectare per annum for the <u>exclusive right</u> to operate and select land. The land is <u>not required</u> to be contiguous.

Once land is selected, it is removed from the option and placed under a registrable lease and secured for a term of 30 + 30 years (market reviews every 5 years). All leases are <u>approved</u> by the Federal Minister for Aboriginal Affairs, as per "*Item 8*" of the standard lease provided to this office ......"*The Permitted Use is Forestry Plantations for chipping and exporting as wood chip and for research into forestry and cultivation of timber and for purposes ancillary thereto including transportation to markets....*". It is this lease which is the subject of this valuation.

Due to the remoteness of the area in question '*market rental*' evidence for comparable unimproved land under similar tenure is difficult to ascertain.

From our valuation experience in the Northern Territory, in particular with regard to larger undeveloped land areas of 30,000 hectares and above on leasehold tenure (i.e. pastoral land areas), we deem these as comparable rental evidence albeit with adjustment for permitted uses. location and lease tenure (i.e. 30 + 30 years versus 99 years). In addition to this we have also used recent freehold sales of improved/ unimproved land in the Douglas Daly, Marrakai and Katherine localities which have the potential for forestry use. These have been used to determine an appropriate yield / return rate so as to identify an appropriate rental rate for the subject land.

2. SALES EVIDENCE

2.1 Sturt Plateau Pastoral Lease Sales

We have analysed improved sales evidence for pastoral leases in the Sturt Plateau area. This area is located between Katherine and Larrimah, east of the Stuart Highway and approximately 350 kilometres south of Darwin, for smaller leases of approximately 50,000 to 100,000 hectares.

Whilst we recognise the annual average rainfall and arable soil types are inferior in this locale as compared to the subject, this differential assists in some aspects, to even up the comparability.

These pastoral lease stations have sold from between $50 to $100 per hectare improved. Note improvements in some instances have not been significant and overall tenure (Perpetual Pastoral Lease) is considered superior to the subject lease.

A brief summary of these recent sales were as follows: -

Station Description	Area (Hectares)	Sale Date	Analysed Improved Sale Price	Rate per hectare improved
NTP 2729 *Wyworrie*	43,100	03/2006	$2,350,000	$54.52
NTP 6365 *Maryfield*	147,300	10/2007	$11,500,000	$78.07
NTP 3991 *East Mathison*	170,600	07/2007	$7,500,000	$43.96
NTP 3049 *Middle Creek*	60,200	04/2008	$6,000,000	$99.66

As can be seen above, the rate per hectare is strongly influenced by the overall size of the lease. These rates are generally between $50 to $100 per hectare and we note the highest rate (i.e. *Middle Creek Station*) is skewed by the fact that a brand new 4 bedroom 2 bathroom house was completed in early 2008 on the property and included in the improved sale price.

Rental rates for unimproved land have been traditionally estimated at the equivalent of approximately **5% to 7%** of the land value.

Given the above information, taking into account the areas of the stated NT Pastoral lease properties, adopting the upper percentile of 7% of the land value would then be equivalent to a range approximately **$3.50 per hectare to $8.00 per hectare**. These are all larger land tracts than the subject and economies of scale would dictate a diminishing rate as the land area increases.

2.2 *Sales of Douglas Daly, Marrakai and Katherine broadacre land*

Property sales which assisted in the determination of value of the subject property included, but were not limited, to the following: -

NT Portion 1731 Arnhem Highway, Marrakai NT
Sold for $1,600,000 in March 2007. A 1,627 hectare unimproved property. Property has 2 unequipped bores, and a basic shelter shed of limited or no value. Limited range land and very limited flood plain area. Sale equivalent to **$983 per hectare overall.**

NT Portion 5995 Marrakai Rd, Marrakai NT
Sold for $625,000 in September 2007. A 923 hectare property with gravel road providing year round access. Suitable for horticulture and grazing with approximately 60% ideal for cattle grazing or hay production with water inundation during the wet. Approval to plant 30,000 mango trees in the better drained areas. Newly cleared dry land area of approximately 100 hectares ready for horticulture with newly sunken bores with good quality and quantity of water nearby. Property is only partly fenced. Sale equivalent to **$677 per hectare overall.**

NT Portion 6066 Marrakai Rd, Marrakai NT
Sold for $423,500 exclusive of GST in March 2008. A 242.7 hectare, unimproved property with a bore and full boundary fencing. Tall timbered, predominately range country of 1a and 1b classification. Considered more of a lifestyle block than a viable farming property, with the sale equivalent to a rate of **$1,745 per hectare**. High rate reflects smaller size and potential rural living use.

NT Portion 6074, Fleming Road, Douglas Daly, NT
Sold for $6,100,000 in January 2008. A 6,148 hectare freehold parcel purchased by Great Southern Holdings for forestry use. 4,000 hectares had been chain cleared and still required raking. Property was boundary fenced and had approximately 30 kilometres of internal fencing. 2 bores on the property, one unequipped of 25 LPS capacity, the other 3 LPS equipped with solar pump, reticulated to tanks and troughs. Sale equivalent to **$992 per hectare** on a cleared, fenced and watered basis. Similar agricultural capability to subject land, however superior location. Assuming market clearance rates of approx $500 per hectare would indicate an uncleared rate of approx $500 per hectare or thereabouts.

NTP 4725 Stuart Highway, Edith Farms Locality
A 9,620 hectare freehold, established grazing property with 400 hectares cleared and under hay production. The property sold for $4,000,000 in February 2008. Taking into account the value for the cleared area ($200,000) equates to an unimproved land rate of **$395 per hectare.** This block has areas of sufficient ground water with current domestic use from the Edith River and numerous natural watering points. Located 40km north of Katherine.

NTP 6605 Edith Farms Road, Edith Farms Locality
A 4,286 hectare, rural parcel which sold for $2,500,000 in May 2008. The purchaser also acquired the adjoining allotment (NTP 4725) for $4,000,000 in February 2008. This allotment was essentially unimproved aside from shared fencing, large new shed, bore and basic cattle yards. Total value of structural improvements considered to be $100,000. Land value equates to **$560 per hectare.** Located 40km north of Katherine.

NT Portion 6270 Boomjie Road, Douglas Daly, NT

Sold for $1,252,000 in September 2007. Comprises 1,072 hectares of land, predominately class A and B arable soils being red earths and earthy sands, with a small portion of rocky, non arable land. Approximately 500 hectares partially cleared requiring stick raking. Property has 3 bores, one supplying 100 litres per second, the other two 20 litres per second, and water allocation for a proposed three 80 hectare centre pivots, giving 240 hectares of irrigated land. The property also has approximately 5km of frontage to the Daly River, providing stock water and a pleasant setting. Other improvements consisted of a 3 bedroom elevated house with bedrooms upstairs and living areas downstairs, machinery shed and generator shed. Fencing was of average to poor standard, with internal fencing better than boundary fencing. Land rates on a fenced and watered basis have been analysed as follows.

Arable land with water allocation & bores	240	ha @	$3,000	per ha	$720,000
Arable land	260	ha @	$1,000	per ha	$260,000
Non cleared, grazing land	572	ha @	$200	per ha	$114,400
Structural Improvements					
House					$130,000
Shed					$25,000
Total					$1,249,400
Rounded, Say					**$1,250,000**

NT Portion 6070, Fleming Rd, Oolloo NT (Whatfor Station)

Sold on 29 June 2007 for $2,500,000 to a tree plantation company. The 3,198 hectares property consists predominately of Class A and B, relatively flat arable sandy red soils with a small portion of rough, rocky grazing country. The property has a development permit to clear a total of 2,500 hectares, of which 2,000 hectares is already cleared and 1,800 hectares is suitable for forestry. Approximately half of the 1,800 hectares is pastured to Buffel grass, the remainder being native pasture. There are no structural improvements on the property, however there are 2 bores and infrastructure for stock water. Land rates on a fenced and watered basis have been analysed as follows.

Prime cleared forestry land	1,800	ha @	$1,060	per ha	$1,908,000
Cleared, secondary arable land	200	ha @	$700	per ha	$140,000
Uncleared, arable land with clearing permit	500	ha @	$300	per ha	$150,000
Non arable, uncleared	698	ha @	$150	per ha	$104,700
Total	3,198				$2,302,700
Rounded, Say					**$2,300,000**

Assuming market clearance rates of approx $500 per hectare would indicate an uncleared rate of approx $500 per hectare or thereabouts for the forestry land component.

The above sales, more particularly the Douglas Daly sales, indicate a value for the subject land of around $500 per hectare uncleared as being fair and reasonable, however other factors should be taken into account for comparability. Those factors are:-

- Aboriginal Land Trust land as against Freehold title
- Fixed ongoing overhead costs for environmental management (i.e. protecting rainforests and endangered species through life of lease term)
- Island location (80 kilometres north of the mainland)
- Far higher capital costs for improving land as against mainland.

Taking these factors into account would deem it suitable to discount this rate by approximately 65%, **say $175 per hectare for the subject land**.

2.3 Anecdotal Information

Further to this, anecdotal information sourced from North Queensland reveals cane farm rentals for sugar cane growing purposes are generally calculated at 15% to 18% of Gross returns from crop and when calculated this results in a net yield ranging from approximately **3.5% to 5%** of the overall value of the property.

2.4 Other Evidence

Reference to the money market as a risk free rate would indicate the 30 to 180 day bill yields have risen steadily since about mid 2007 with 30 day bill yields now sitting at approximately **7.5%** and 180 day bill yields sitting at close to 8%.

These yields are factoring in higher interest rates, which are to be expected in the short to medium term.

2.5 Rate Determined Via Imputed Carrying Capacity

A further check method is to impute what is considered a reasonable carrying capacity for the land in question, albeit non contiguous land, and then calculate an estimate of value improved. Once this value is ascertained a rental can be derived taking into account a realistic return rate.

The leases in the Sturt Plateau are generally indicating a carrying capacity in the order of 1 beast per 12 Hectares with an average Beast Area Value Improved (BAVI) of $1,000 per head (based on actual improved sale price) and this is reflective of the fringe monsoonal location, annual rainfall and soil types.

On a purely hypothetical basis, given the monsoonal locale of the subject land and more suitable arable soil types, we would anticipate a carrying capacity at higher density to the Sturt Plateau, say 1 beast per 7 Hectares. A total non contiguous lease area of 30,000 Hectares would thus indicate an imputed carrying capacity (CC) of 4,200 Head.

From recent discussions with Mick Pierce of the Jaowyn Association (an aboriginal organization involved in leasing of aboriginal land in Katherine and outlying areas), the Reserve Bank Cash rate is used by them as a base return rate for leased land and currently the Reserve Bank cash rate , as at June 5, 2008, is **7.25%.**

On assumption of a BAVI of $1,000 per head and 4200 Head CC, equates to an overall value for the non contiguous lease area of $4,200,000 and applying the current Reserve Bank bill rate of 7.25% as a suitable return, would indicate a hypothetical rental return of $304,500 per annum or **$10.15 per hectare**.

2.6 Summary

Whilst we recognise the difference in lease tenure between a perpetual lease as against a 30 year + 30 year aboriginal land trust land lease, we also note that both are structured to allow one permitted use (i.e. Grazing use as specified under the *Pastoral Lands Act* for the pastoral leases and Forestry use for the subject.

This is the also major difference when comparing to freehold land such as that available in the Douglas Daly region.

The other determinant which needs to be taken into account for the subject land has been briefly discussed earlier in this assessment and is the restrictions on development over the non contiguous parcel due to specified buffers required for creek lines and rainforests in addition to exclusion zones for numerous listed endangered species.

Finally, the remote island location and distance from associated markets, together with high capital costs incurred by the lessee for any introduced infrastructure (e.g. roads &, ports) would limit future competition and thus upward demand for forestry land in this locale.

The general agreement between Great Southern Plantations and the TALT is for a 30 + 30 year lease arrangement and this provides some degree of stability but cannot be directly compared to say a perpetual pastoral lease tenure (i.e. 99 years and above).

Imputed rental rates under the methods applied above for the pastoral lease land are between **$3.50 per hectare to $10.00 per hectare.** These are all larger land tracts than the subject and economies of scale would dictate a diminishing rate as the land area increases.

We also note the market rate of return for broadacre land lies between 3.5% and 7.25% depending on locational and tenure parameters.

The rental rate determined from the freehold sales and discounted accordingly (i.e. $300 per hectare) has been used as the prime methodology and for the purposes of this assessment we have applied a fair rate of return of **6.0%** per annum which, when applied to our imputed unimproved rate of $300 per hectare, equates to **$10.50 per hectare.**

3. VALUATION ASSESSMENT

Taking into account the restricted lease tenure for the subject land, the recent sale prices paid per hectare for "remote" developed and undeveloped land on perpetual leases in excess of 30,000 hectares plus sales of smaller freehold parcels, together with the anecdotal evidence, rental rates based on imputed carrying capacity and the high costs for infrastructure development on the island, we consider a current market land rental rate of **$10 per hectare** as fair and reasonable.

We understand that the GSP Lease for the subject land was set and agreed in 2001 at $15 per hectare for the gross planted area with increases thereon to CPI. This rate was based on <u>uncleared land</u> which is <u>non contiguous</u>.

4. PROVISO

This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.

Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 3 months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

....

INTEGRATED VALUATION SERVICES
BILL LINKSON
FAPI MBA
Certified Practising Valuer
Licensed Valuer (WA)