



Australian Government
Australian Valuation Office

VALUATION REPORT

**RENTAL VALUATION REPORT
TIWI FORESTRY LEASE
NT Portion 1644 from Plan CP 4194
MELVILLE ISLAND
NT**

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VALUATION REPORT

INSTRUCTIONS

To carry out a rental review valuation of the above mentioned forestry lands on Melville Island in accordance with letters of instruction from Mr John Hicks, Secretary Tiwi Land Council, and dated 9 March 2008 and 31 October 2007.

Definition of Market Rent Value

The definition of market rent value, adopted by the Australian Property Institute is shown in the Code of Professional Practice 2006 Edition, as follows:

"The estimated amount for which a property, or space within a property, should lease on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion."

DATE OF INSPECTION

16 May 2008

(By helicopter, accompanied by Kate Hadden and Craig Rutherford representing Tiwi Land Council)

DATE OF VALUATION

1 January 2008

LEGAL DESCRIPTION

The subject land comprises part of the land contained in Certificate of Title Volume 721 Folio 739 over an estate in fee simple in NT Portion 1640, from plan CP4186, NT Portion 1644 from plan 4194, and NT Portion 3042 from plan CP4186.

The land subject to this valuation is on Melville Island (NT Portion 1644).

There are a number of registered leases that form part of the head lease and these are summarised below.

In addition there are 10 subleases from Sylvatech Limited to Great Southern Managers Australia Limited that have no bearing on this valuation.

Registered Date	Dealing Number	Description	Demised Land	Area (ha)	Term yrs	Expiry date	Next Market Review	CPI except market
23/01/2008	<u>664827</u>	Amendment of Lease 594194 NT portions excised and replaced	NT Portions 6524(A) to 6536(A)inc, 6538(A) to 6552(A)inc, 6563(A)inc, 6695(A) to 6717(A)inc, 6852(A) to 6866(A)inc	19,465.40	30			
4/01/2007	<u>632988</u>	Amendment of Lease 594916 - conditions varied	NT Portions 6585(A) to 6596(A) inc 6718(A), 6719(A), 6720(A), 6721(A)	4,690.40	30	30/06/2033	1/01/2009	Yes
4/01/2007	<u>632986</u>	Amendment of Lease 594194 areas excised and areas replaced and variation to terms etc	NT Portions 6524(A) to 6536(A)inc, 6538(A) to 6553(A),6563(A)inc, 6563(A), 6572(A), 6573(A), 6695(A) to 6717(A)inc	- 19,692.50	30	31/12/2034	1/01/2010	Yes
8/11/2005	<u>594916</u>	Lease to Sylvatech Limited	NT Portions 6585(A) to 6596(A)	(4,470)	30	30/06/2033	1/01/2009	Yes
7/11/2005	<u>594782</u>	Amendment of Lease 455837 (extended to 30/04/2029)	NT Portions 6574(A) to 6584(A)	2,478	30	31/12/2034	1/01/2010	Yes
28/10/2005	<u>594194</u>	Lease to Sylvatech Limited	NT Portions 6524(A) to 6573(A)	(24,497)	30	30/04/2029	1/01/2008	Yes
3/12/2004	<u>565715</u>	Lease to Sylvatech Limited -	delineated in red	848.8	30	30/06/2033	1/01/2009	Yes
3/09/2001	<u>473858</u>	Lease to Australian Plantation Group (Sylvatech Limited)	hatched	2,500	29	31/12/2033	1/01/2004	Yes
7/11/2000	<u>455837</u>	Lease to Australian Plantation Group (Sylvatech Limited)	hatched	(2,508.2)	9.75	31/12/2029	1/01/2008	Yes
		Total		29,982.6				

LOCATION

Melville Island lies about 80 kilometres or so directly north of Darwin.

LEASE DETAILS

Lessor

Tiwi Aboriginal Land Trust

Lessee

Sylvatech limited

Term of Lease

Refer to initial lease (DN594782) Commencement Date 1 May 1999, and amendment of 7 November 2005 varying the expiry Date to 30 April 2029, with a right of renewal for a further 30 years.

Other subsequent leases have the same 30 year Term and Right of Renewal.

Area under Title and Area subject to the Head Leases

The area under Title is 7,806 square kilometres 300 square metres (including Bathurst and Melville Islands)

The area of Melville Island is 6,044 square kilometres.

The area subject to this type of head-lease can vary in accordance with Federal Ministerial approvals for forestry.

In Schedule of original head-lease dated 18 May 1999 the area of land is 2,508.24 hectares. As per Schedule of Registered Leases the demised area is 29,982.60 hectares.

We are advised by Tiwi Land Council that the current area under plantation is 33,172 hectares but this includes Pine HL Area 3,129.11 ha, General Plantation 28,274.2 ha, and Wurankuwu 205 ha.

Subject Tenancy-Occupants

The occupier of the subject land is Great Southern Limited a company listed on the ASX.

Lessor Outgoings

Nil

Lessee Outgoings

See Clause 5.1 of the lease re Outgoings

- Pay all outgoing whatsoever payable in respect to the demised land levied by government authorities without contribution from the Lessor.

- Monies due under the Plantation Management Agreement
- Land Tax, if applicable, to be apportioned

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See Clause 7 of the lease re Repair and Maintain

- Maintain and keep the demised land including structures in good and substantial repair
- Provide, maintain and keep all roads, tracks, paths, and firebreaks in good and substantial repair

Current Rent

From 1 May 1999 to 31 December 1999 \$10.00 per hectare or part thereof plus CPI increase of rent under clause 3 subject to Special Condition 13.1

From 1 January 2000 to 31 December 2001 \$12.50 per hectare. CPI increase of rent under clause 3

From 1 January 2002 \$15 per hectare. CPI increase of rent under clause 3

Rent payment to be three monthly in arrears from the commencement date.

CPI dates are 1 January 2000 and thereafter on each anniversary of 1 January 2000 for the term except upon the anniversaries where there is a Market Rent Review under item 7 of the Schedule

By 2008 with CPI increases, this formula calculated the maximum rent as \$17.87 per hectare.

Rent Reviews

1 January 2003 and 1 January 2008 and every five (5) years thereafter

Rent reviews are to Market with 1 January 2008 the relevant date of this valuation

TOWN PLANNING

No Zone –No town plan applies

ROADS AND ACCESS

By air travel Melville Island is about 30 minutes from the mainland and there are several flights a day. A ferry service connects Nguiu to Darwin. There is also deep water anchorage for larger vessels at Port Melville in the north-west.

Internal roads on Melville are generally difficult to negotiate as a result of damage sustained during the wet season, (annual rainfall is up to 2,000mm). They have been significantly upgraded since 1999 with funding from both government and private equity.

In total approx. 50 kilometres are formed and gravelled, 220 km poor formed and gravelled, 60 km formed only and 800 km bush track.

DESCRIPTION OF IMPROVEMENTS

The valuation excludes any structures installed by the Lessee.

We have not been informed of any improvements made by the Lessor that should form part of this valuation.

The subject land comprises virgin scrub of woolybut and some stringybark trees and light bush undercover.

GENERAL COMMENTS

The permitted use under the lease is for forestry plantations for chipping and exporting as woodchip and for research into forestry and ancillary purposes including transportation to markets. Agriculture and horticulture are subject to environmental assessments.

Plantation forests of *Acacia mangium* for woodchip production is considered to be the highest and best use for the land. With proper management, plantations reach maturity in 10 years.

Plantations of *Pinus* in the 1960's to 1980's have not been so successful.

This represents a unique use as there are no other plantations of this species and comparisons with other premises cannot be made.

At inspection, variations in natural vegetation and the general level of infrastructure were noted. The soil type is a light brown sandy loam with darker and heavier sandy loams to the western side of the island.

VALUATION APPROACH

Direct Comparison: with rentals of comparable property is the best approach for determining market rent. In this case there is no directly comparable evidence on either Tiwi Islands or the mainland.

Return on Value of Owners Interest is an alternative approach. It involves applying an appropriate rate of return to the value of the Owner's interest, in this case, the "Land Value". Whilst the value of the Owner's interest (Land Value) is not able to be readily established, nor can it be readily deduced from sales of directly comparable properties, it is considered the most appropriate approach in this instance. Costs and inconveniences associated with operating a business on an island have to be taken into account when comparing with properties on the mainland.

Valuation has regard to the terms of the lease.

The rate of return is what an investor such as Tiwi Land Council could expect having regard to the lease plus the general economic conditions at relevant date.

Viz-

- Long term lease (30 plus 30 years)
- Freehold land
- Rent reviews to Market every 5 years
- Annual CPI increases between market reviews
- Indirect social, environmental, and economic outcomes for the Tiwi people
- Returns on alternative forms of investments e.g. bonds, equities, infrastructure, cash and fixed interest.
- Government policy, especially in regard to land clearing
- Economic returns achievable by potential lessees.

The lease covers a significant area with potential to increase to say 77,000 hectares. Sales of larger parcels of unimproved land are the best comparison but sales of smaller parcels down to say 750 hectares are also relevant.

MARKET EVIDENCE

In this case the value of 'Owners Interest' comprising the unimproved land value is to be found. There are no sales of unimproved land on Tiwi Islands.

Both improved and unimproved sales are relevant and are listed below

For properties on the mainland the unimproved land value can be found by analysing sales of land suitable for forestry or agricultural/horticultural purposes. Sales influenced by rural living/lifestyle/tourism interests are preferably excluded, with sales of genuine rural pursuits preferred.

Improved Sales

Over the last two years land values for cleared freehold land in the Daly/Douglas region south of Darwin have soared from approx. \$1,100 per hectare to over \$2,500 per hectare. This price rise has been driven by strong demand from investors in forestry companies. We are aware of contracts (not yet registered) for the sale of NT Portion 2383 'Kumbychants' and NT Portions 2534 and 4651 Cadell Rd Douglas Daly that support a strongly rising market in early 2008.

NT Portion 6074 3730 Fleming Road Douglas-Daly NT

Sale Price	\$6,100,000 (ex GST)
Sale Date	9/1/2008
Area (Hectares)	6,148
Vendor	Renondo P/L
Purchaser	Great Southern HVT holdings P/L
Improvements	Demountable house, Machinery shed,
Analysis	Semi developed cattle grazing with some potential for irrigation Improvements \$70,000 3,785ha Chained, burnt, and raked (part), fenced and watered (mostly arable) @ \$1,500/ha 2,363 ha Scrub no potential for clearing @ \$150/ha

NT Portion 6635, 6637 1295, 1700 Cadell Rd Douglas-Daly NT Stray Creek and Gypsy Springs

Sale Price	\$14,000,000 (ex GST)
Sale date	1/10/2007
Area (Hectares)	16,316
Vendor	Daly River Pastoral P/L
Purchaser	Plantation Tropical Timbers P/L
Improvements	Solid construction Dwelling, Machinery Shed, workshop Yards
Analysis	Semi developed for cattle grazing only (no irrigation) Improvements \$575,000 3,157 ha Fully cleared, fenced and watered @ \$2,500/ha 3,402 ha Chained only @ \$1,400/ha 8,082 ha marginal grazing only @ \$100/ha

**NT Portion 6270 265 Boomjie Road, Douglas-Daly NT
Off Ooloo Road**

Sale Price	\$1,252,000
Sale Date	4/9/2007
Area (Hectares)	1,072
Vendor	Garabaldie Pastoral Co. P/L
Purchaser	CJ Boland
Improvements	Metal clad dwelling, Machinery Shed,
Analysis	Improvements \$140,000 60 ha Arable and irrigated @ \$3,600/ha 180 ha Chained and raked, potential irrigation @ \$2,660/ha 183 ha Chained and raked, flood irrigation only @ \$1,400/ha 20 ha Approved for clearing with irrigation potential @ \$2,400/ha 66 ha Approved for partial clearing, grazing potential @\$350/ha 563 ha Scrub @ \$155/ha

Unimproved Sales

NT Portion 5995 1000 Marrakai Road Marrakai NT

Sale Price	\$363,082
Sale date	6/12/2006
Area (Hectares)	923
Vendor	Arnhem Highway Estate (No.2) P/L
Purchaser	Grandma's Fine Foods P/L
Improvements	Nil
Analysis	923 ha Natural Savannah Woodland, fenced only @ \$393/ha

NT Portion 5997 600 Marrakai Road Marrakai NT

Sale Price	\$480,000
Sale date	2/10/2006
Area (Hectares)	1,918
Vendor	Creation 99 P/L
Purchaser	Rustedge P/L
Improvements	Nil
Analysis	1,918 ha Natural Savannah Woodland, fenced only @ \$250/ha

NT Portion 5996 680 Marrakai Road Marrakai NT

Sale Price	\$490,000
Sale date	1/9/2006
Area (Hectares)	1,068
Vendor	Arnhem Highway Estate (No.2) P/L
Purchaser	Marrakai Springs P/L
Improvements	Nil
Analysis	1,068 ha Natural Savannah Woodland, fenced only @ \$458/ha

NT Portion 6247, 6248 1155 and 995 Marrakai Road Marrakai NT

Sale Price	\$1,000,000
Sale date	2/2/2006
Area (Hectares)	8,894
Vendor	T R Halse & others
Purchaser	Berkshire Nominees P/L
Improvements	Nil
Analysis	8,894 ha Natural Savannah Woodland, fenced only @ \$112/ha overall

Sales of unimproved land 100km south-east of Darwin (Marrakai) without approvals for clearing, show from \$480,000 for around 1,000 to 2,000 ha to \$775,000 for 8,600 ha. These sales indicate values for land without approval for clearing. For this reason they are considered much inferior and not a reliable indicator of the value of the subject property

Analysis of improved sales indicate that for fully cleared fenced and watered land in a 900-1,000 mm rainfall area a value of at least \$2,500 /ha is fully supported.

The unimproved value is found by deducting costs of chaining, raking, burning, herbicides, fertilizer, pasture establishment, fencing and water, plus costs associated with satisfying all environmental issues and obtaining approval for clearing. These costs are substantial and are estimated to be \$1,300 /ha

By this method an unimproved value of \$1,200 /ha is fully supported.

By comparison, and taking into account an isolation factor for Melville Island, the unimproved land value in January 2008, is considered to be \$500 to \$650 per hectare.

It is noted that land with better access supported by good infrastructure will command a higher value than land more remote with inferior facilities. In today's climate it could be argued that one rental rate should apply for land with better facilities at the western side and another for the eastern side. In zone 52L, easting and northing 690000 is considered an appropriate demarcation with higher rentals commanded on the western side than the eastern side.

However, it is considered that the parties to the original lease intend for a single Market Rent to apply and the valuation is made on this basis.

The fair rate of return at date of valuation is considered to be 4%. This represents the real return after inflation that the Lessor will receive over a very long term and with the security of maintaining a freehold interest.

VALUATION

Land Value – Adopt unimproved land value of \$550 per hectare

Rate of Return -Adopt 4% (real return after inflation)

The Market Rent - $\$550 * 4\% = \$22/\text{ha}$

For a five year term from 1 January 2008 and with annual CPI increases, the market rental value for 29,982.6 hectares of forestry lands on Melville Island is considered to be \$22.00 per hectare excluding GST.

29,982.6 hectares @ \$22 per hectare = \$659,617 per annum excluding GST

For purposes of negotiating it is not considered unreasonable to apply a range of values between \$20 to \$26 per hectare excluding GST.

PROVISO

This valuation is not to be used after 6 months from the date of valuation, nor if there are any material or economic changes meanwhile. In either event it should be referred back to the Australian Valuation Office for review.

Disclaimer

This valuation report is for the exclusive use of the Tiwi Land Council and is undertaken in accordance with the instructions received from the Secretary Tiwi Land Council. This report is not to be used by any other party for any purpose.

Neither the whole nor any part of this valuation report or any reference thereto may be included in any published document, circular or statement, nor published in part nor in full in any way without written approval of the Australian Valuation Office of the form and context in which it will appear.

Notwithstanding the foregoing, the client agrees that in the event that it does communicate to a third party the whole or any part of this valuation it shall also communicate to the third party the full terms as stated under this disclaimer and further agrees to indemnify the Australian Valuation Office in the event of any failure to do so. This report does not constitute a structural survey.



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3rd June 2008