EVALUATION OF THE COMMERCIALITY

OF THE

MELVILLE ISLAND PINE PLANTATION

Prepared by:
Graham Ride and Associates
Project Development and Management Services,
PO Box 8266,
ALICE SPRINGS, N.T., 5750

Phone : (089) 529355
Facsimile : (089) 529380
<table>
<thead>
<tr>
<th>ITEM</th>
<th>PAGE NO.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUMMARY REPORT</td>
<td>3</td>
</tr>
<tr>
<td>- INTRODUCTION</td>
<td>4</td>
</tr>
<tr>
<td>- PREFACE</td>
<td>5</td>
</tr>
<tr>
<td>- CONCLUSIONS</td>
<td>6</td>
</tr>
<tr>
<td>- APPROACH IN SEEKING INVESTORS / OPERATORS</td>
<td>8</td>
</tr>
<tr>
<td>- TASKS</td>
<td>8</td>
</tr>
<tr>
<td>- TIMING</td>
<td>9</td>
</tr>
<tr>
<td>- SKILLS</td>
<td>9</td>
</tr>
<tr>
<td>- PROGRAMME</td>
<td>10 - 11</td>
</tr>
<tr>
<td>- STRUCTURE</td>
<td>12</td>
</tr>
<tr>
<td>- COST</td>
<td>13 - 15</td>
</tr>
<tr>
<td>DRAFT PROSPECTUS</td>
<td>16 - 33</td>
</tr>
</tbody>
</table>
INTRODUCTION

The traditional owners of Melville Island wish to assess the commercial potential of the Melville Island Pine Plantation and if the prospects are positive, to seek investors/operators through Pirntubula Pty. Ltd.

Representatives of the Aboriginal Development Commission and the Conservation Commission have held discussions with Graham Ride and Associates for the purpose of carrying out a study on the commercial prospects of the project, and to identify approaches to seek investors/operators.

This report represents the findings of that study.

The conclusions, approaches and estimates identified are based on competent and efficient management. The conclusions, approaches and estimates, do not make any provision for the effect of any sharp rise or decline in the local, national or international economic conditions.

We do not warrant that the conclusions and estimates will be achieved but they have been conscientiously prepared based on the information and documents made available.
Graham Ride and Associates were commissioned on 6 August 1987 by the Aboriginal Development Commission to:

* Evaluate the extensive technical and financial data currently available on the Melville Island Pine Plantations to assess their commercial prospects.

* If the commercial prospects proved positive, to identify the approaches necessary to involve operators/investors in an appropriate arrangement with Pirntubula Pty. Ltd.

* Provide an outline report setting out advantages and disadvantages of different development approaches.

* Prepare a draft Prospectus.

* Set out a suggested approach to obtain investors/operators outlining options, timing and estimated cost.

Time was not available for an in depth assessment of all the technical data, or for field inspections and verification of records.

In view of the availability of extensive reports prepared by the Conservation Commission, technical reports by a range of independent forestry consultants, availability for discussion with forestry and forestry personnel with long term involvement in the plantations and in forestry operations in subtropical areas, previous briefing and inspection of the operation by senior partners in Graham Ride and Associates, a long review period was not considered necessary.

Data reports were provided by:

- Aboriginal Development Commission
- Pirntubula Pty. Ltd.
- Tiwi Lands Council
- Conservation Commission
- Primary Industry Branch
- Various N.T. Government Departments and Authorities

Meetings were held between Graham Ride and Associates, Aboriginal Development Commission and Conservation Commission staff.
CONCLUSIONS

1. A considerable investment has been made in the development of the Pine Plantation on Melville Island, and in Northern Territory terms significant timber products could be available for the local market and possibly for regional overseas markets by 2007, if further maintenance and development of the plantation resources is carried out. A relatively small volume of timber products is available up to 2007.

2. Preliminary investigations have been undertaken for 20 years with extensive research and investigation being carried out on the resource over a 14 year period.

3. Considerable expertise with pine plantations in sub-tropical areas has been amassed in Queensland, overseas and on Melville Island.

4. The Melville Island forest development and potential future timber production is small by world (and Australian) standards.

5. The approach to date has been to develop the minimum size commensurate with known technology in viable small processing plants (200ha / annum production in this location).

6. In addition to extensive reports by Northern Territory Government Agencies and their predecessors, a number of independent expert consultants have undertaken technical studies in the past. Generally their assessment appears sound and logical but clearly their approach in forecasting has been ultra conservative which is acceptable providing the real potential is understood - doubling the projected yield is possible for 200ha / annum and increasing development to allow 500ha / annum only marginally increases development / operating costs.

7. The emphasis in the technical report is on a minimal 200ha annual harvest rather than optimising the investment and future profitability. The reports tend to reflect government attitudes and approaches rather than focussing on potential commercial operations. This applies equally to the independent consultants who carried out their assessment to briefs prepared by Government agencies and whose reports were for consideration of the same agencies.

Consequently the approach adopted tended to be narrow, conservative and failed to identify a number of key issues of particular interest by investors and potential joint developers.
8. It would appear that the annual development programme should be expanded to allow cropping of 500ha / annum after 2012. Due lead times for production would be 200ha / annum from 2007 - 2011.

The potential market for future timber products is likely to be significantly larger than predicted (assuming that a cheaper and better building material is not invented over the next 14 years).

9. That the previous statistics have projected profitable long term returns and that there are tax benefits available for investors who are providing the maintenance and development funds over the medium term. The level of projected profitability is low in todays terms but a tax based funding approach has the potential to significantly improve the profitability.

The potential future timber yields are significantly larger than projected, up to 50% for the same area and five times for the 500 hectares. The viability of the operation would also be improved by a commerical approach.

- a commercial operator would seek to reduce / minimise maintenance and development costs.
- there is a potential to significantly reduce certain operating costs.
- there is the potential for Agro forestry operations which would complement the forestry operation and have the potential for good short term cash flows.

10. There appears to be lower risks at Melville Island with cyclones (high wind damage), fire, disease and insect attack compared to other pine plantations operating in other tropical and sub-tropical areas. (Based on data provided by the Conservation Commission on the Queensland and Fiji experience).

11. The enterprise has the potential to produce significant direct and indirect benefits to the economy of Melville and Bathurst Island and from an investors perspective there is a permanent labour force on the Island and there are regional markets for the products with a potential demand for greater than the previously projected production.
APPROACH IN SEEKING INVESTORS / OPERATORS

TASKS

1. Arrange funds to enable appointment of a Consultancy Team who would prepare the necessary data in a form to maximise the potential of successfully establishing a joint venture or another acceptable arrangement which would result in development and operation of an Agro Forestry industry on Melville Island to:
   - ultimately provide profits to Pirntubula Pty. Ltd.
   - employment opportunities for the Tiwi.
   - establish a solid economic base for the Islands economy.
   - provide expertise to develop and manage a commercial Agro-forestry operation (including marketing, sales negotiations etc).
   - provide the necessary establishment and operational funds.

2. Appoint a Consultancy Team to undertake the task of:
   - data collection and evaluation
   - preparation of the required reports
   - seeking investors / operators
   - assisting in negotiations
   - advising the client

3. Collect and Collate data in a form appropriate for evaluation by technical experts and lay persons (current data is not in an appropriate form, does not address the issues, is ultra conservative and does not identify the potential, and lacks depth of information in general areas).

Prepare reports and information required by potential interested parties including:

   - Project description and feasibility report
   - Technical report - Development Plan
     - Operating Plan
   - Financial plan
   - Market and viability analysis
   - Final prospectus and presentation data

4. Sales to commence operation:
   - Contact potential investors / operators
   - Distribute prospectus and supporting data
   - Directly approach high potential groups
   - Organise site visits and briefing of likely investors
   - Arrange publicity brief, key personnel, industry and organisations.
5. Negotiate with prospective parties.

TIMING

Tasks to commence as soon as possible. Funds and the adopting of a total commercial approach are necessary to:

- Maintain the existing plantings
- Expand the planting to maximum future potential
- Minimise development and maintain expenditure
- Establish philosophies and management requirements which will maximise future profitability
- Expand operations in completing agricultural activities
- Provide employment opportunities for the Tiwi
- Carry out supplementary research to reduce risks and improve production.

SKILLS NECESSARY TO COMPLETE TASK

1. Project Management - co-ordinate and manage team, liaise with client and other parties to achieve objectives in the most cost effective basis - Development Consultant.

2. Forestry Operation - prepare technical reports and provide professional commercial advice.

3. Agricultural Operations - as for Forestry

4. Financial - provide financial analysis and finance plan
   - identify potential debt/equity for tax based funding packages - Financial Controller

5. Development Consultant - Collect information for base reports and present data, collect and prepare all reports.

6. Sales - Combination of above.

7. Negotiation - Combination of above.

PROGRAMME

1. It is expected that the tasks would take 6 - 9 months, depending on commencement and where the Christmas / New Year period occurred in the programme.

PMI01.TXT  PAGE 9
11th August 1987
Period (Weeks)

0 - 2  Site Inspection, base data collection and analysis.  
       Meetings in Darwin and at Melville Island  
       Detailed tasks definition and debate

2 - 4  Evaluation and analysis

4 - 6  Report preparation

6 - 8  Printing and presentation of reports to client

Time will need to be spent by the Consulting Team briefing key individual and organisations after completion of the reports etc., before actively seeking investors / operators to solicit support, provide informal opinion and create interest before questions are asked by potential investors / operators. Some groups which should be briefed are:

- Pirntubula
- ADC, TLC, NLC, other Tiwi representatives
- Certain Territory Ministers and Parliamentary Members
- Certain senior public servants
- CCNT / Primary Industry staff
- Media

2. The Project Manager / Co-ordinator should be a group such as Graham Ride and Associates.

3. Appropriate Forestry Industry Services are either:

- Forwood Services Pty. Ltd., - Sydney
- Forestry Technical Services Pty. Ltd., - A.C.T.
- J.G. Grorme and Associates - New Zealand

There are other appropriate groups if these are unacceptable.

It should be noted that an independent group with high professional standing and broad based commercial experience is necessary. This is not to imply that individual, smaller forestry consultancies or government agencies such as the Conservation Commission of the Northern Territory do not have the experience.

4. Financial Advisors

There are a range of options:

1. One of the larger merchant bankers
2. Financial Advisors
3. One of the larger Accounting firms

Our preference is for one of the smaller Financial Advisors with a high track record in Development Projects who has strong association with overseas financial groups.

e.g. Michael Perry & Associates – Sydney
Windsor Financial Corporation Ltd., – Sydney

Alternatively a Merchant Banker such as:

- Capel Court
- Barclays
- etc.

Any of these banks may become involved in any debt financing or as a local Manager representing overseas and domestic interests.

The smaller advisors are more entrepreneurial and aggressive in seeking equity participants. The key selection parameters should be:

- reputation
- cost
- range of expert services to be provided.
CONSULTING TEAM STRUCTURE

CONSULTING TEAM APPROACH

Period I 0 - 2 weeks  Investigatory Preliminary Phase

- Project Manager prepares an outline approach and seeks agreement with client.
- First Consultant Meeting in Darwin to:
  Define tasks, prepare initial briefs, meet parties involved, identify objectives, establish timetables, identify key issues.
- Site inspections, meeting with specialists and others, gather data.
- Work sessions - Darwin
- Second Consultants meeting - Darwin
- 1st Fortnightly client report issued and client briefing
Period II 2 - 4 weeks  Evaluation and Analytical Phase
  • Project Manager co-ordinates flow of information, decisions / advises.
  • Co-ordinate meetings held as necessary.
  • Second fortnightly client report issued.

Period III 4 - 6 weeks  Draft reports prepared, issues addressed, approval co-ordination
  • Support data prepared.

Period IV 6 - 8 weeks  Final Report and Prospectus Phase.
  • Reports prepared and printed.
  • Supplementary data prepared.
  • Client briefing

Period V 8 - 10 weeks  Sales Phase
  • Briefing and Public Relations
  • Distribution of Prospectus
  • First official contact with potential investors / operators.

Period VI 10 weeks - 9 months
  • Seek investors / operators
  • Commence negotiations

COST

An estimate of the costs likely to be incurred in the execution of the programme are provided. The staffing likely to be required to successfully complete the tasks identified are:

1 x Senior Forestry advisor
1 x Forestry advisor assistant
1 x Financial Advisor
1 x Financial Analyst
1 x Project Manager
1 x Project Officer
1 x Agricultural Specialist
1 x Computer operator / analyst
1 x Word processor operator

plus specialist staff as required. Not all of the specialist identified would be involved on a full time basis.
0 - 2 weeks: Investigatory Phase

- Travel
- Forestry Advisors (Sydney) $1,800
- Financial Advisors (Sydney) $1,800
- Project Manager (Alice Springs) $500
- Agricultural Specialist (Sydney) $900
- Accommodation 10 days for 6 @ $100 $6,000
- Meals $3,000
- Vehicles $2,000
- Melville Island trip $1,000
- Office Accommodation and support staff $1,500
- Administration and general expenses $2,000

2 - 4 weeks: Evaluation and Analysis

- Travel to Sydney
  - Project Officer $900
  - Computer operator / analyst $900
- Accommodation 10 days $2,000
- Disbursements $500
- Vehicle $500

4 - 6 weeks: Report Evaluation

- 1 trip for Project Manager $2,000
- Fares, accommodation and expenses $2,000

6 - 8 weeks: Printing reports and Presentation

- Travel
  (Team to return to Darwin) 3 days
  - Travel $5,000
  - Accommodation $1,800
  - Meals $900
  - Vehicle $450
  - Administration $500
- Printing process may take 10 days
  . Prospectus 10,000
  . Data report 3,000
  . Financial Memorandum 3,000
  . Operational Plan 3,000
- Video 12 - 15,000
- Photographic display 7,000
- Co-ordination and checking
- Retravel for presentation /
  briefing to client and others 8,650

8 - 10 weeks : Distribution of reports and videos

  . prospectus and introduction
  . follow up with hard sell
  . bring in others for
    aggressive hard sell,
    including possible
    overseas travel 20,000

10 weeks and beyond :

  . continuation of sales program 30,000

Fees based upon standard consultancy
rates are to apply (lump sum) 114,400

250,000

It is recommended that expenditure be contained within a budget of $250,000 and that the sales program not proceed beyond a 6 month period. Some savings are possible by reducing the time and scope of the brief but this will of course increase the risk of not obtaining appropriate investors etc.

The Project Manager should seek to reduce costs and savings where possible.
PROSPECTUS

ISSUED BY

PIRNTUBULA PTY. LTD.

SEEKING SUBMISSIONS FOR A

MAJOR FORESTRY INDUSTRY DEVELOPMENT

ON

MELVILLE ISLAND, NORTHERN TERRITORY

Chairman
Board of Directors
Pirntubula Pty. Ltd.
PO Box 340,
DARWIN, N.T., 5790

11th August 1987
The Pirntubula Company Board of Directors are seeking the involvement of qualified and interested Forestry product investors / operators for the development, management and operation of a Forestry Industry on Melville Island, Northern Territory.

Melville Island is located about 60 kilometers north of Darwin. It covers a total land area of about 622,000ha. Bathurst Island which lies to the west of Melville Island, occupies about 207,000ha. The two Islands are separated by the Apsley Strait.

The Islands are relatively flat expanses of land. Melville Island is the third largest Island of Australia after the mainland and Tasmania.

Much of the coastline is indented with meandering mangrove lined rivers while the beaches tend to be long stretches of white sand bordered by sea oakes and shallow waters.

Both Bathurst and Melville Island including the seas that surround them are the home of an Aboriginal group called the Tiwi.
Both the area and the existing Caribbean Pine Plantation project have been studied by the Conservation Commission of the Northern Territory and by specialist forestry consultants.

The native forest types which predominate are mixed eucalypt forest, cypress pine forest, paperbark swamps, scattered rainforest communities and mangroves. Extensive treeless plains occur such as at Yapilika, where the tree species rarely develop to more than one metre in height. The major timber species occurring in the mixed eucalypt forest are Eucalyptus tetradonta (Darwin Stringbark) and E. miniata (Woolybutt) with some E. nesphila (Melville Island Bloodwood).

MELVILLE ISLAND PINE PLANTATION

The first plantation established on Melville Island was in 1960/61 at Bargeira when 3.6 hectares of Cypress Pine was planted near Milikapiti.

Approximately 32 hectares per annum of Cypress Pine was planted until 1966, mainly at Bargeira. In 1966 the first trial plot of Pinus caribbean var hondurensis (PCH) was planted.
In 1967 the planting rate was increased and between 1967 and 1973 a total of 1460 hectares was established at an average of 208 hectares per annum.

Between 1974 and 1979 the planting program shifted to Imanuwati near Tuyu and the treeless plains at Yapilika and by 1979 the planting rate had fallen away to 25 hectares per annum.

In 1980 the areas planted again increased and the focus was on planting PCH on the treeless areas of Yapilika. Establishment techniques were substantially improved with intensive land preparation, improved seed, plastic multi-tubes, heavy fertilization and intensive control of woody weeds.

The plantations are supported by infrastructure based at Picketaramoor. Here a nursery has been established along with the necessary housing, water supply, office and workshop facilities.

The main plantation centres on the Island are indicated in Figure I.
FIGURE I  PLANTATION FORESTS OF MELVILLE ISLAND

PLANTATION CENTRES
1. Karslake
2. Baigeiva
3. Yapilika
4. Rolla Plains
5. Three Ways
6. Tuyu/Imanawuti
The recent plantings particularly on the Yapilika area of the Seventeen Mile Plain, is an area of low relief (approximately 20 metres above sea level) and good rainfall. The areas of 'plains' are essentially devoid of forest trees and generally comprise low open woodland, low shrubland and grassland. These 'tree-less' areas are generally well defined and contrast with adjacent sites of normal Eucalypt overstorey development. The Three Ways, Tuyu, and Imanawuti sites are located on the central Melville Island plateau. While this plateau only attains an altitude of around 120 metres above sea level, it represents a marked change in relief from the low surrounding plains. Plantations have been established on cleared sites that previously carried open Eucalypt forest of relatively low productivity.

Two main plantation species have been established:

i) Cypress Pine

ii) Honduras Caribbean Pine

The latest figures available on the current plantation resource are identified in Table I, which show the approximate areas in hectares for the two main plantation species.
Table I: Plantation Resource

<table>
<thead>
<tr>
<th>Location</th>
<th>Cypress Pine</th>
<th>Honduras Caribbean Pine</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ha</td>
<td>Ha</td>
</tr>
<tr>
<td>Bargieva</td>
<td>277</td>
<td>12</td>
</tr>
<tr>
<td>Karslake</td>
<td>469</td>
<td>-</td>
</tr>
<tr>
<td>Tuyu</td>
<td>853</td>
<td>238</td>
</tr>
<tr>
<td>Imanawuti</td>
<td>-</td>
<td>731</td>
</tr>
<tr>
<td>Three Ways</td>
<td>-</td>
<td>33</td>
</tr>
<tr>
<td>Yapidtika</td>
<td>-</td>
<td>1041</td>
</tr>
<tr>
<td>Rolla Plains</td>
<td>3</td>
<td>35</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>49</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>1651</td>
<td>2103</td>
</tr>
</tbody>
</table>

Preliminary investigation work has been undertaken for 20 years with extensive research and investigation being carried out on the resource over the past 14 year period, however the approach to date has been to develop the minimum size without realising or understanding the real potential.

ACCESS

The main supply lines are through the barge landings at Milikapiti and Pularumpi and these locations along with
Picketaramoor have airstrips. All centres have independent diesel generators. The island is covered by a H.F. radio network with a V.H.F. link from Picketaramoor and Darwin. Full STD and ISD telephone facilities also exist. The main centres Picketaramoor, Milikapiti, Pularumpi and Puru are connected by graded gravel roads. Well defined planned access and fire breaks exist within each plantation area.

POPULATION

The latest population figures for the main centres are:

<table>
<thead>
<tr>
<th>Centre</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pularumpi</td>
<td>260</td>
</tr>
<tr>
<td>Milikapiti</td>
<td>412</td>
</tr>
<tr>
<td>Nquiu (Bathurst Island)</td>
<td>1,111</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,783</strong></td>
</tr>
</tbody>
</table>

The workforce for Picketaramoor in the past, has been provided by Nquiu, Bathurst Island.

CLIMATE

The climate of Melville Island, and of the Top End of the Northern Territory generally, is distinctly monsoonal with around 75 – 80 percent of the annual rainfall occurring in...
the 4 months December to March. The dry season represents an arid period of around 6 months, and a relatively high mean temperature is maintained year round.

Table II  Climatic Data

<table>
<thead>
<tr>
<th>Location</th>
<th>Mean annual rainfall (mm)</th>
<th>January Temperatures (Mid Wet) °C</th>
<th>July Temperatures (Mid Dry) °C</th>
<th>Max. Min. Mean Max. Min. Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Snake Bay</td>
<td>1547</td>
<td>32.0 23.7 27.9 31.1</td>
<td>18.1 24.6</td>
<td></td>
</tr>
<tr>
<td>Yapilika</td>
<td>1902</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Three Ways</td>
<td>1963</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imanawuti</td>
<td>1389</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pickertaramoor</td>
<td>1657</td>
<td>31.7 23.6 27.7 29.1</td>
<td>14.7 21.9</td>
<td></td>
</tr>
</tbody>
</table>

The climate conforms to the broad pattern that typifies the areas of natural Honduras Caribbean Pine occurrence and the major regions where this species has been successfully introduced.
SOILS

There is a higher incidence of favourable soil types on Melville Island to ensure the good growth and production of Caribbean Pine.

The soils are reasonably uniform due to the uniformity of the parent materials from which they are derived. They are low in phosphorus and some trace elements, and appropriate fertilizer additives are necessary for a uniform and strong growth.

MANAGEMENT

Melville Island is Aboriginal Land, managed by the Tiwi Land Council on behalf of the Tiwi Land Trust. Pirntubula Pty. Ltd. was recently established by the traditional owners for the specific purpose of undertaking business activity including the Melville Island pine plantation operations.

Originally the plantation project was started by the Forestry and Timber Bureau and later taken over by the Northern Territory Government through the Conservation Commission of the Northern Territory, and supported by the Tiwi Community of both Bathurst and Melville Island.
Direct support for the project by the Northern Territory Government has progressively been phased out and handed over to the management of the Tiwi Community, through Pirntubula Pty. Ltd.

Pirntubula now wish to capitalise on the potential of the extensive forestry resource and infrastructure developed and wish to attract either a joint venture participation or investment of capital in the ongoing management and development, to take advantage of this unique opportunity available.

Pirntubula nor the Tiwi Council are able nor does it wish to sell or issue freehold title as part of the development proposal. Long term leases or other suitable arrangements as appropriate can be negotiated between the representatives of Pirntubula and the investor / operator.

THE DEVELOPER

Pirntubula are seeking interested investors / operators who have the expertise and qualification to carry out the required research and evaluation in order to develop a commercial proposal of an industry based upon the existing Melville Island Pine Plantation Project.
The Government commissioned several consultants to undertake economic analyses of the potential of the plantation project, resulting in the conclusion that such a project on Melville Island has the potential to be economically viable. These reports indicate that revenue from sawlog thinning could commence in the year 2000 with a continued 200Ha per annum planting rate. If the annual planting rate was immediately increased to 500 hectares per annum, the annual sawlog production of a 500 hectare plantation would not commence until around 2012. Additional volume (and revenue) from thinnings could be generated from around 2007, dependant upon management strategy.

Pirntubula recognises that such plantations are long term crops and that the project is still in its early stages of development. The analyses completed indicated that there are opportunities for the funding of the operation through private investment and that a sustained positive cash flow could be achieved within about 15 years or sooner.
Prospective investors / operators should also recognise that there are a variety of revenue options available in respect to the overall plantation operation. These include:

- sawn timber production
- posts and logs
- use of bark for garden mulch
- hardwood milling
- use of cleared timber for energy generation
- softwood milling
- wood processing
- particle board
- plywood and veneer
- reconstituted and extruded products
- potential for Agro-Forestry operations which would complement the Forestry operation and have the potential for good short term cash flows

The options are not restricted to the above and may not necessarily include all of the above in a submission from a prospective investor. Piritubula do not want to restrict the investors approaches in identifying the optimum package for a profitable and successful enterprise.

There is considerable potential for ancillary operations to reduce operational expenditure in the early years until a positive cash flow is attained in later years.

PTC04.TXT
11th August 1987
Pirntubula are providing the opportunity for private enterprise to participate in an existing venture by way of a joint venture or by the investment of capital in the ongoing management and development of the project. They are keen for the project to be a financial success and are willing to negotiate on different approaches that maybe put forward by interested parties.

There is already in place specific infrastructure, in the form of machinery, assets, the plantation resource and a permanent labour force who have worked on the project for many years. In addition regional markets for the product exist with a potential demand for greater than the projected production including possible regional overseas markets by 2007, if further maintenance and development of the plantation resources is carried out.

It is recognised that there are risks and constraints as with most agricultural / forestry pursuits.

Pirntubula recognise that a successful operation will provide ongoing, fulltime employment for the permanent and stable population of Melville Island. There are skilled workers resident on the Island who have worked for many years on the project. Developed skills are mainly related to:
- plant operators
- truck drivers
- propagators

Cyclones, fire, insect attack and disease each pose a potential threat, but the risk in these areas may be considerably lower than is the case in plantation programs elsewhere.

Catastrophic fires such as have occurred in southern Australia in recent years are far less likely under tropical conditions, while the cyclone frequency in this area is much lower than for other commercial plantation centres (e.g. North Queensland and Fiji) in the tropical belt. On average, about 3 cyclones per decade cause severe damage in Fiji and moderate or severe damage is likely in individual pine forests about twice in a crop rotation.

Although strong winds have been experienced locally on some sites, severe damage has not occurred in Northern Territory plantations to date. Damage by cyclone Tracey in 1974 to a small 9 year old Honduras Caribbean Pine stand at Howard Springs was surprisingly light despite estimated winds of around 150 km per hour. Windfirmness can also be improved by tree breeding and appropriate stand management. These management practices have been adopted for the Melville Island plantation.
There is also the problem of distance and its associated cost, however this disadvantage of distance is made up by a number of advantages:

- more favourable soil types
- better growth rates
- better rainfall distribution
- reduced termite attack
- compatible land use
- availability of land

No contribution or shareholding arrangements are suggested. These matters are to be negotiated with the preferred investor on the basis and extent that the private company is prepared to be involved in such a project, taking into account the considerable resource and assets already available.

SUBMISSIONS

Pirntubula are seeking detailed expressions of interest from prospective investors in the Melville Island Plantation Project.

It is intended to negotiate with legitimate interested parties on the basis of submissions received. This may involve presentations being made and preliminary
negotiations conducted to establish the basis and understanding of any future joint venture, before detailed negotiations commence with a preferred investor / operator.

To assist prospective investors preparing submissions, the Conservation Commission of the Northern Territory has a database of relevant information and staff are available in Darwin for consultation.

In consideration of the expressions of interest submitted, base information covering the following areas would be desirable:

1. The proposal should clearly describe each of the elements of the project considered to be worthy of inclusion as part of the overall operation.

2. A preliminary operational and development plan covering each element of the Project.

3. Details on the investor / operator including consultants / financiers / expertise / subsidiary companies including registered offices, paid up capital, Directors and Key personnel.

4. A market evaluation and analysis for each of the proposed project elements.
5. A viability analysis for the overall project and clear advice regarding the preferred structure, conditions, requirements, agreements and contributions offered.

6. Details of the risks perceived and how these can be minimised to maximise potential profits.

7. Details of potential funding sources.

8. Any other relevant information which will assist consideration of the application and future negotiations.

Submissions should be forwarded in envelopes or packages by the nominated closing date and marked "Confidential Forestry Development Submission" and addressed to the Chairman of Directors, Pirntubula Pty. Ltd., at the following address:

PO Box 340,
DARWIN, N.T., 5790

The contact officer for more information and assistant is Mr. John S. Hicks, Phone (089) 814111