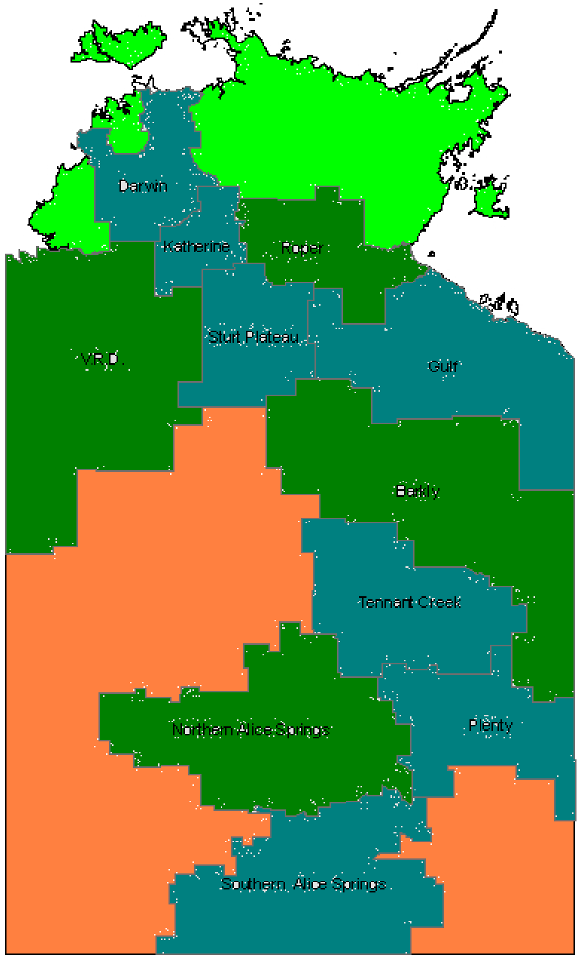
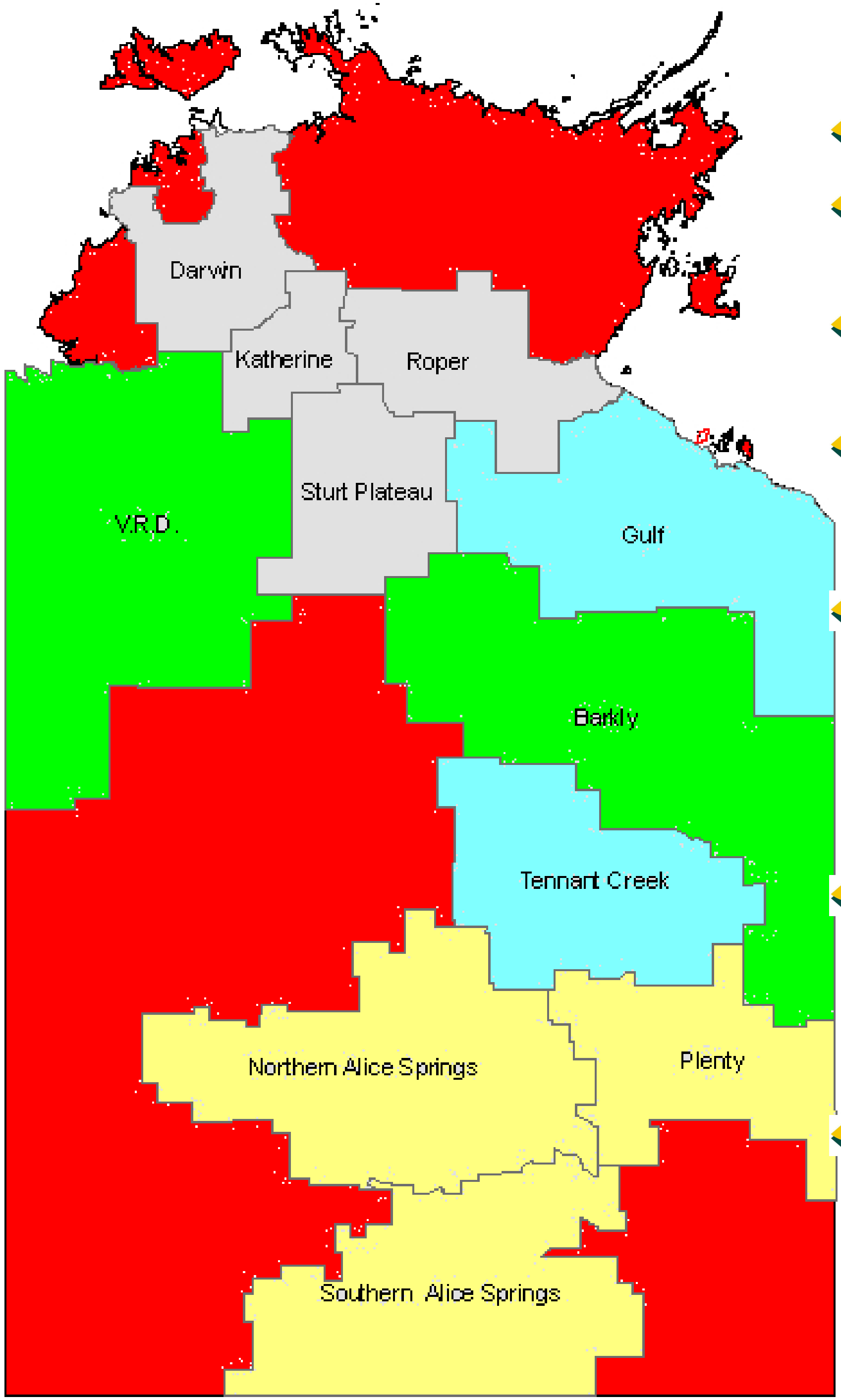
COMMERCIAL RETAIL INDUSTRIAL RURAL

FRANK PEACOCKE

Northern Territory Rural Property Market





Northern Territory – Pastoral

- 216 pastoral Leases in NT
- Range in size from 350 sqkm to 13,000 sqkm
- Average 3,200sqkm.
- 65% privately owned, 20% company and around15% Aboriginal interests.
- Mainstream production is breeding (18-24 month-old feeder steers) with some fattening on the Top End floodplains and Alice Springs regions. 65% are live export, 35% abattoirs.
- ***Pastoral – Kimberley***
  103 Pastoral Leases in the Kimberley
  Average 4,000sqkm Predominantly private
- ***Farming/Irrigation***
  Limited to:
  Katherine/Douglas Daly region (including Adelaide River) ORIA in the Kimberley (16,000 ha – but enough water for 100,000 ha !!).

The Last Seven Years

THE NT PASTORAL MARKET EXPERIENCED UNPRECIDENTED VALUE GROWTH IN THE SEVEN YEARS BETWEEN 2002 TO 2008.

- Buyer interest in NT pastoral land began with an influx drought affected Queenslanders “chasing grass” and looking for geographic spread in higher rainfall areas to mitigate impact of drought.

- Rising equity levels in existing property and historically low interest rates allowed a new class of buyer to enter the NT pastoral market and compete for the limited supply of Territory cattle stations – only 216 pastoral leases in the NT and 103 in the Kimberley (W.A.).

- Interest continued to be driven through to 2007 by the markets focus on the underlying asset value of NT pastoral leases which had grown at around 30% per annum (compound). However, the rising capital values along with rising operating costs began to impact on returns.

- Agricultural land around Katherine and the Douglas Daly and in Kununurra (ORIA – W.A.) experienced similar value level growth for similar reasons – the perception of cheap land in large areas and abundant water. Timber growers (African Mahogany in the NT and Indian Sandalwood in the Ord-WA) were a major element in driving value levels.

The Last Seven Years

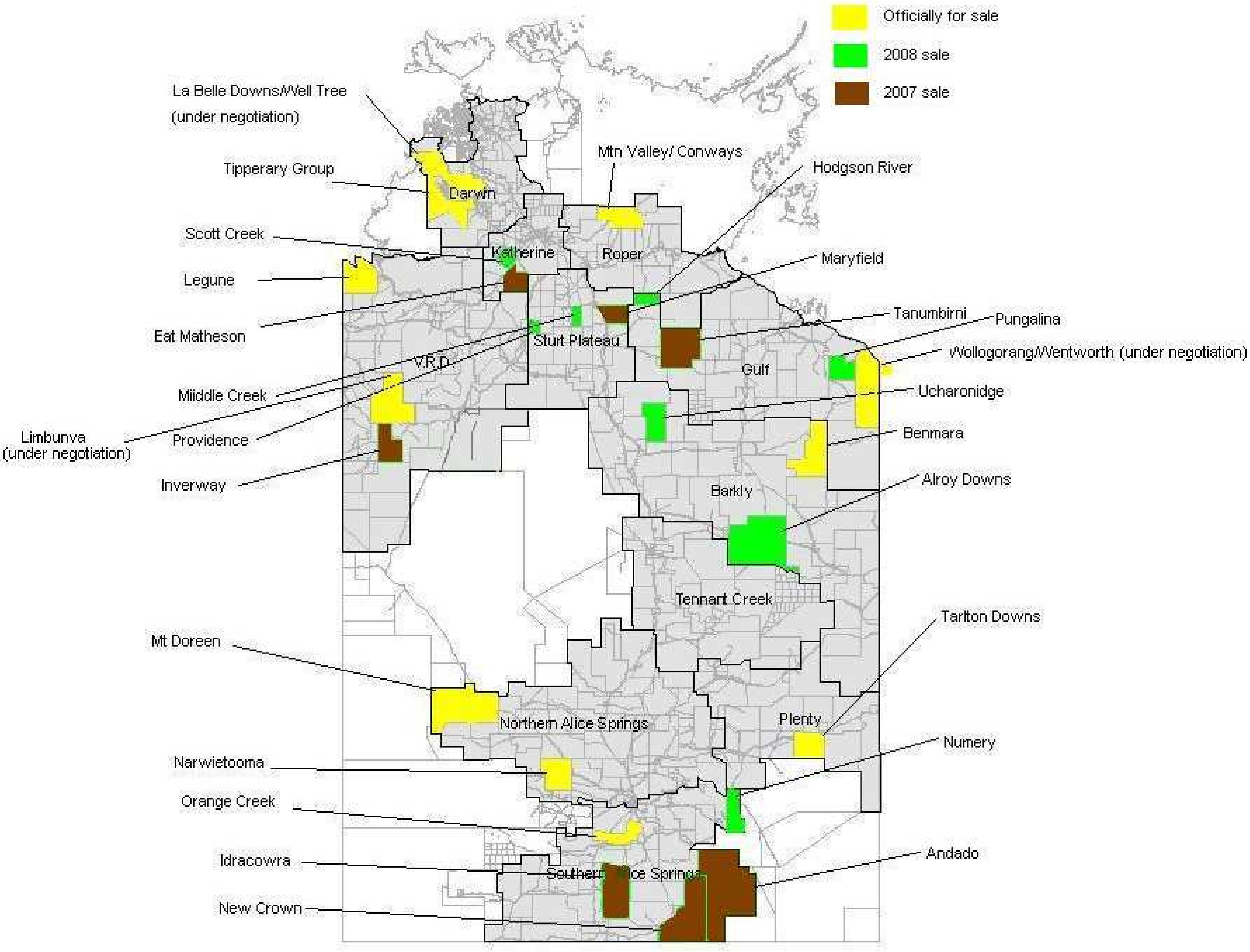
- International interests didn't feature in the buyer profile for pastoral country apart from Indonesian interests purchase of a medium sized cattle station in the Territory Gulf in 2005 ("Kiana"). They featured only as vendors in late 2004/early 2005 when Texan based Tejas Land and Cattle Co sold their VRD group to AACo.

- The buyer profile for agricultural land in the NT comprised mainly established Queensland based operators such as melon growers looking for cheap country with rainfall and a seasonal window. Several large corporate operators made significant investments in the Katherine/Daly basin.

- Over this seven year period approximately $450M of pastoral leasehold land (bare) sold in 40 transactions. These included 12 large "company" style properties on the Barkly Tableland and in the VRD which were purchased by Australian based corporate interests as well as large private operators.

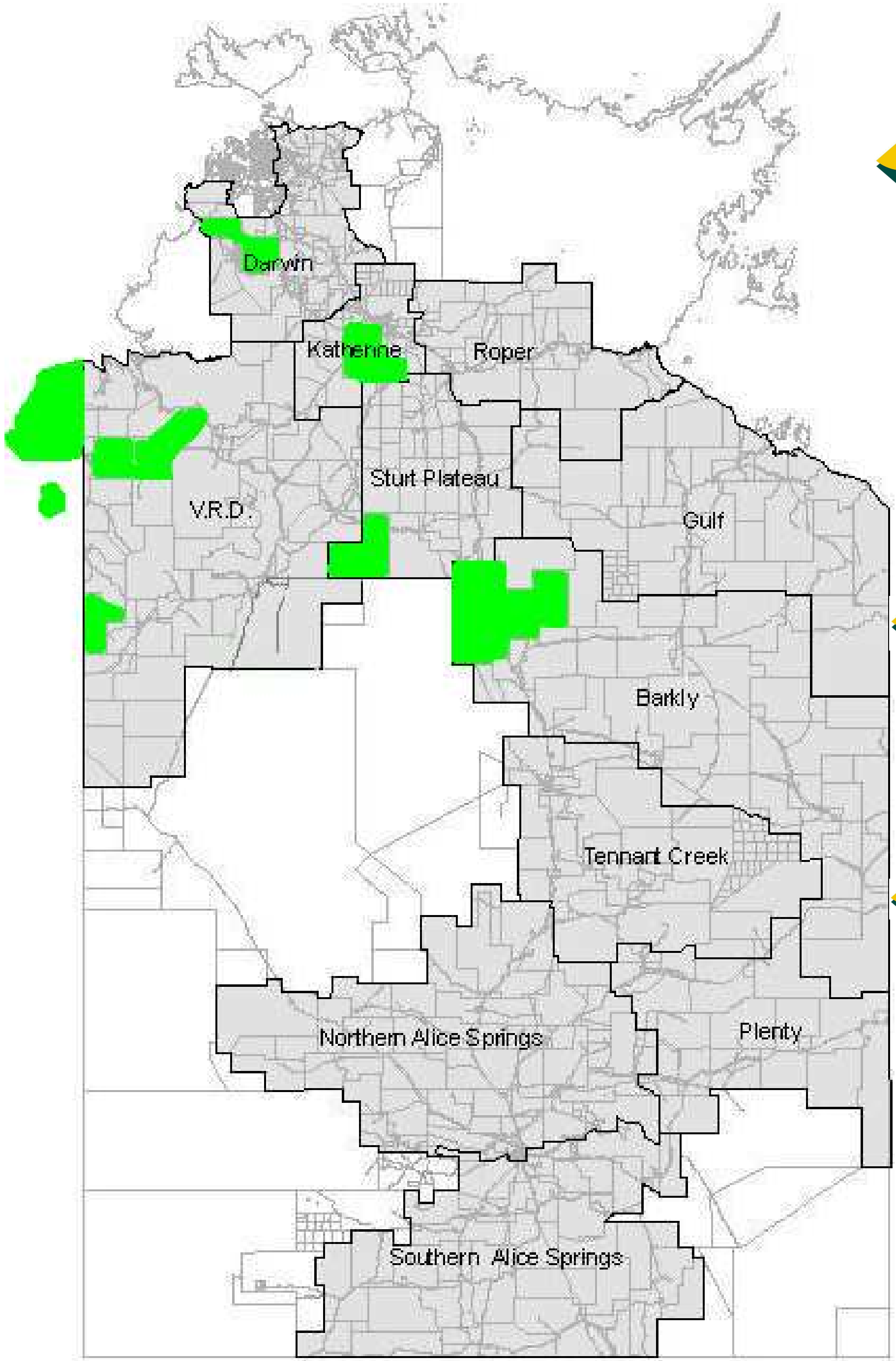
- Towards the middle of 2008, with the credit crisis in full swing and global economic crisis looming, land holders of both pastoral and agricultural land may have thought the growth cycle was nearing its peak when supply of listings began to increase significantly.

Pastoral Market Wrap

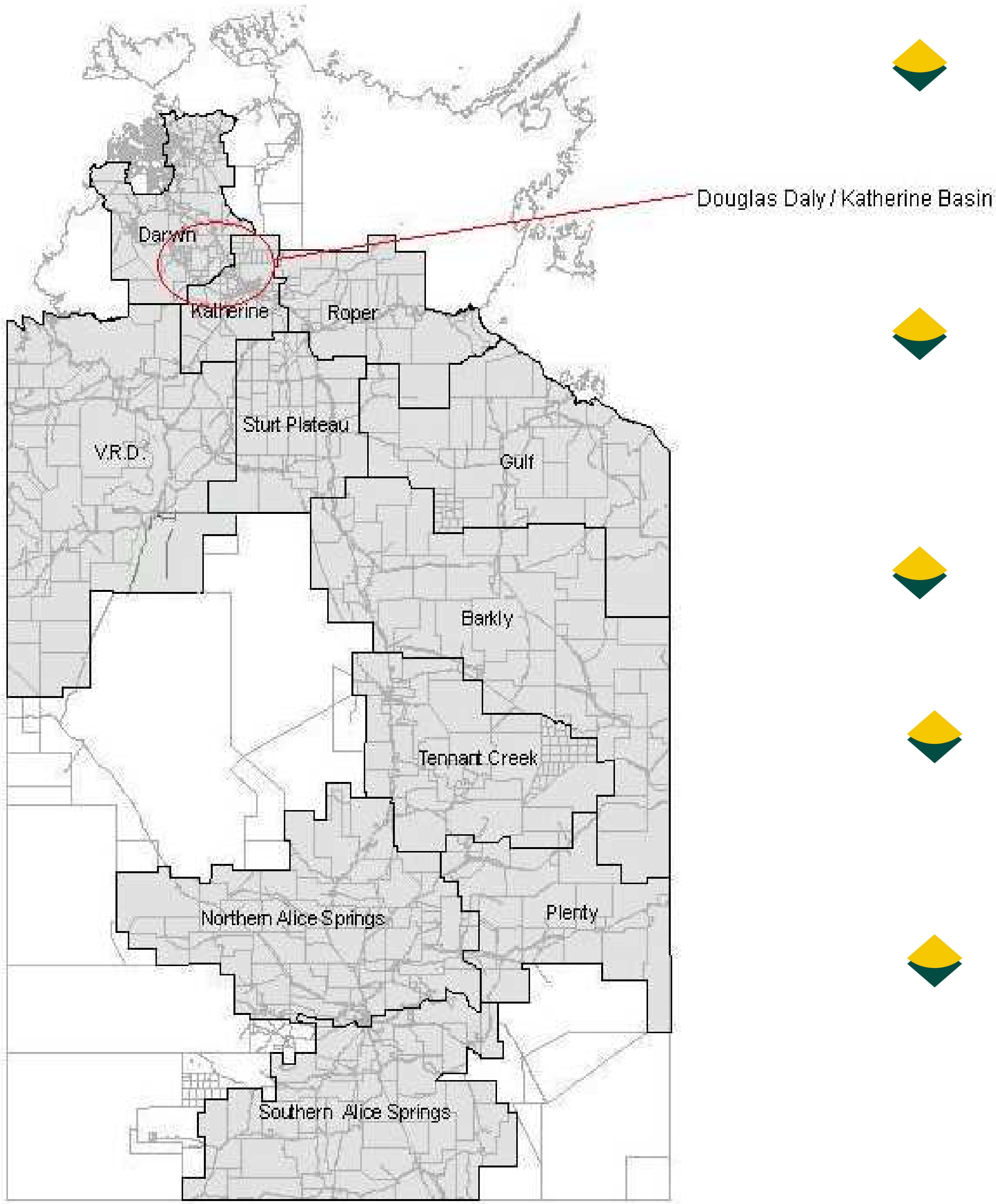


Current Market Conditions - Pastoral

- 15 cattle stations are currently officially listed with agents for sale in the NT.
- These are predominantly “secondary” properties outside of the main corporate regions (Barkly and VRD).
- Very little has sold and this side of the market and values may come under downward pressure if the urgency to sell increases.
- However no sales evidence (at this stage) to suggest retreating values, but the GEC has definitely affected confidence reflected in the drop in sales activity.
- Several recent listings of cattle stations in “secondary” locations are to be tested at auction suggesting that vendors and agents are becoming less confident about value levels.



- Return of overseas private equity funds to the rural land market as the GEC takes hold (Terra Firma in advanced stages of negotiation to buy CPC at around $420M; Primary Holdings International enters heads of agreement to buy five AACo stations in northern Australia).
- International parties and Australian Corporate/Institutional investors are targeting the corporate regions of the Barkly Tablelands and VRD.
- Enquiry from private overseas interests has increased significantly.



- **Agricultural Land - Volume of Sales**
  Continued interest in the Katherine/Daly basin saw 7 major sales worth over $25M in the last 12 months.

- Values up slightly on 2007 to $2,500/3,000/ha cleared for dryland cropping country.

- Strengthening interest in reliable rainfall and seasonal windows.

- Forestry related industries favour relatively cheap, reasonable quality dryland country with rainfall (1,200mm +)

- Clearing and ground water allocation is still being debated – farmers and government working toward an allocation solution.

What's Driving Current Demand

Although northern Australian pastoral land (particularly the NT) is valued at an all-time high, it is viewed as a suitable haven for investment in an unstable global economy because:

- NT pastoral land is still relatively cheap by global comparison to other developed countries.

- Compared to investment scenarios like the .com bubble, investors see pastoral land as being relatively safe, the world supply of rural land is shrinking and value levels are perceived to grow positively over the long term (growing world population, the food debate, water security).

- Australia has a stable political environment. This is likely to add value.

- The devaluation of the $A is increasing attractiveness to foreign investors.

- There is still enormous potential to increase carrying capacities across the NT through increased station infrastructure. In 2004, NTDPI research estimated that the herd size could be increased by 29% to 2009 (anecdotal evidence of stations we have valued suggests that this has probably been achieved) and 54% by 2014. Current herd size is 1.9M (NTCA). The above herd increases will be required to supply the massive feedlot expansion underway in Indonesia.

Indonesian Live Export Market

- The Indonesian live export trade through the NT is a fundamental underpinning the pastoral market into the future:

➢ 93% of the 295,500 NT cattle that passed through the Port of Darwin in 2008 went to Indonesian feed lots. The eight year average has been 227,400 head.

➢The beef eating Indonesian middle class is rapidly growing, and Indonesia is forecast to maintain positive economic growth through the GEC.

➢The Indonesian feedlots are in serious expansion mode:

•TUM Brothers are expanding their 33,000 head feedlot in Jakarta by 44,000 head and aim to be 75/80,000 in two years.

•Santori's 20,000 head feedlot will be increased by 22,000 head.

•A client reported the other day that a new pen to handle 500 live export cattle was was being built every ten days in Indonesia by Santori.

- Australia is Indonesia’s preferred client due to our type of cattle and disease free status and much of the extra cattle required may come from us.
- But the test in sustaining this well established chain of supply will be coming up with the numbers, especially in 2009 with the restocking requirements of the QLD channel country and the Barkly (they need well over 100,000 head).

WHERE IS THE MARKET HEADING?

- Like other speakers today, its difficult to say given the potential impact of the GEC.

- The Northern Territory and Kimberley certainly has massive development potential on its side (look at Stage 2 of the ORD and the Federal Governments $200M development package), and there is evidence of heightened interest from foreign private equity groups and institutional investors in northern pastoral land.

- The limited number of recent sales and high supply (mainly secondary properties) suggests that some contraction of values may be expected at this level.

- The recent sale of three stations from Georgina Pastoral in the NT and QLD to Macquarie, as well as CPC's reported $420M deal with Terra Firma and AACo's purchase of Tipperary and Litchfield for $105M have yet to be analysed in there entirety. We expect that they may show a leveling off at 2007/08 values.

However, we believe that the fundamentals relevant to the Northern Territory and Kimberley region mentioned previously will underpin values and lead to a bounce out of the current stalemate when the GEC cloud hanging over us moves on:

• Declining production costs (diesel, chemical, feed supplement, feed etc)

•Cheaper finance (if you can get it)

•Good prospects for live export

•Huge development potential for agricultural land and pastoral in a increasingly populated world with food supply issues into the future.

Herron Todd White

Independent Property Advisors