

For: Review of NFMIS
Subject: Briefing Note for Arafura Pearls' MIS

- Arafura has invested over \$45 million developing an Aust South Sea pearling project in remote North East Arnhem Land and is a number of years away from full production.
- It has a land and sea lease with the indigenous statutory body, the Northern Land Council, and pays annual fees to it.
- Arafura Pearls employs over 55 people at the farm site of which approximately half are indigenous. The work force will grow to more than 100 people in 2009
- Arafura has developed a Managed Investment Scheme (MIS) with support of NT Government & Dept of Fisheries to help finance the long production lead times (6-8 years).
- Arafura Pearls' project & infrastructure is an important member of an isolated indigenous community. Arafura Pearls is looking to build an airstrip on site this year in conjunction with Aboriginal statutory bodies.
- Arafura Pearls in conjunction with Elders at the largest aboriginal community in the region at Elcho Island are looking at youth traineeships to provide skills and a viable alternative to government welfare.
- Arafura Pearls' MIS has no impact on land prices.
- The MIS has no impact on water usage.
- Because of production control through a government quota system, the MIS has no impact on pearl commodity prices through "over-production".
- There are no "tax breaks", every dollar claimed by growers is spent, and every dollar invested by growers is taxed in Arafura's hands.
- The MIS is simply an appropriate way to attract investment into a project which is in regional indigenous Australia with a different risk profile and long production lead times. In the Arafura MIS project the income returned to growers is a fair split between the investor & Arafura as manager.
- MIS's could also be used in the future in other indigenous schemes such as trepang and giant clam ranching. MIS's are the only viable way to attract investment into these types of projects.

- As a minimum, Arafura Pearls needs a 5 year period to restructure its affairs to reduce any adverse impact of changes that may come from the ATO case to amend existing MIS tax laws.