

Welcome

Hello everyone and welcome to the new format for our newsletter.

This new format reflects the enlarged enterprise team created by signing the Memorandum of Understanding (MOU) between Borneo International, PT Immasdikha and Ravindran Veerasamy (reported last newsletter).

A Name from Ibu Rahayu

The other important reason for the change of format is that Ibu Rahayu has given a name for the project, and eventually, for the foreign investment company that is being established in Indonesia to own and operate the palm oil plantation. The name is **Gunung Mas Sumber Sejahtera**.

Gunung Mas (meaning Mountain of Gold) is the region of Central Kalimantan in which the palm oil plantation is situated. The name therefore means: Gunung Mas Source of Prosperity.

We are very grateful to Ibu for this name and hope that we can follow the right path to bring this enterprise to fruition in a way that benefits the people of Kalimantan as well as investors.

The Enterprise Team

We have been asked to provide more information on the GMSS project team.

Pak Muchtarudin Siregar



Pak Siregar graduated in Economics from University of Indonesia in 1963 and completed graduate study at Chicago, Indiana & Vanderbilt Universities in the USA. His distinguished career includes:

1969-88 Head of BAPPENAS, the National Planning body in Indonesia; 1964-72 Researcher, National Institute of Economic & Social Research, Indonesian Institute of Science; 1992-98 Secretary General, Dept of Transport; 1980-94 Chairman, PT Indosat; 1995-98 Chairman, Garuda Indonesia; 1999-present Chairman, Merpati Nusantara Airlines. He is the recipient of several national and foreign awards.

What's the Use of Palm Oil ?

See page 3 for a comprehensive list of uses.

Pak Dikke Siregar



Dikke is a graduate of Rochester Institute of Technology in New York (Bachelor of Science in Mechanical Engineering). He is a Director of PT Immasdikha and recently moved to Rungan Sari with his family. He and his staff manage the day-to-day affairs of his company's interests on the Tumbang Jutuh land proposed for the plantation.

Ravindran Veerasamy



Ravi is a Subud member and oil palm plantation senior executive with 23 years experience in the palm oil industry. His experience includes rubber, cocoa and forestry plantations including many years of plantation management in Kalimantan.

Most recently Ravi held the position of Regional Controller for the world's largest palm oil producer. In January this year, Ravi agreed to act as General Manager - Plantations for the Project.

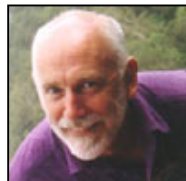
Mursalin New



Mursalin is an engineer with 25 years experience in rural community projects and small-scale industry development in the Asia Pacific region, micro-hydro electricity and water supplies, social forestry & manufacture of portable

sawmills, agricultural equipment, local materials construction and palm oil technology.

Freeman Wyllie



Freeman holds degrees in economics, arts and education. As university lecturer and management consultant, he has 30 years experience in public and private sector management including Bid Management, Client Management, Transition & Program Management.

Since we last wrote ...



Oz Congress and Spirit of Enterprise - Two presentations were given at the Subud Oz National Congress and one at the Spirit of Enterprise meeting that followed Congress in January. It was great to share our story to date – one year since the official launch of the project at the previous Australian Congress.

The 'Spirit of Enterprise' Meeting was organized by the International Human Enterprise Fund (IHEF) team. IHEF has been set up to fulfill Bapak's wish for a Subud world bank. The meeting allowed us to share projects and gain a deeper understanding of what it means to run an enterprise in Subud. A highly recommended experience.

In Search of Microcredit – A Project Brief and Initial Funding Application for USD80,000 has been prepared to assist patchouli smallholders near Rungan Sari. Michael Heaslip from IHEF is assisting by approaching the Triodos (Rudolf Steiner) Bank in Europe. If successful, the funds will provide farmer microcredit and co-op working capital for the 27-member patchouli oil smallholder co-operative based around Rungan Sari. The co-op has been operating for about three years.



Associate Membership of SDI – One of the GMSS project partners, Borneo International, has become an associate member of Susila Dharma International (SDI). Membership will give us access to funding and expertise in the social and humanitarian aspects of our project. SDI has already assisted us with distributing proposals and in identifying contacts for overseas enquiries for assistance.

Ravi on the Job – As General Manager, Plantations, Ravi has already started work on preparing start-up scenarios and obtaining quotations for survey work and oil palm seeds. Although he does not officially start working with the project until 1 April, this work is central to preparing detailed business plans. He is currently spending some well-earned time with his wife and two children in Kuala Lumpur. Funding permitting, we will be meeting up with Ravi and the team in Kali in April.

Appointment to RSPO Smallholder Taskforce – Smallholders are responsible for around 40% of planted palm in Malaysia and Indonesia. Due to a lack of training, they are often uncompetitive. The Round Table on Sustainable Palm Oil (RSPO) has responded to this issue by establishing a taskforce. Borneo International has been invited to be a member of the Taskforce and submitted a detailed proposal to their first meeting held in February. This appointment will keep us up to date with smallholder developments in the industry.

Setting up the Foreign Investment Company - The process of establishing the foreign investment company has started in Indonesia. This company will own and operate the plantation and be the vehicle holding member investments. We are working towards registration in May.

Meeting with Investment Banker – At the Australian Congress, two Subud brothers introduced us to an investment banker. He had previously seen our presentation and was interested to have further discussions. We spent several hours with him and have since met with him again in Sydney. Once we complete our business plan, he will prepare a proposal to secure major funding for the project (approx USD56m).

Institute Proposal Gets an Airing - We have prepared a more detailed proposal to establish a Sustainable Land Use Institute. It has been distributed to RSPO, the Biodiversity and Agricultural Commodities Program (BACP) of the International Finance Corporation (part of World Bank), SDI, IHEF, and also to contacts within the DOEN Foundation of Japan.

Why the Focus on Smallholders?

There are several reasons.

Firstly, it is a legal requirement in Indonesia that plantations include a smallholder component. It is therefore important that this part of our business is well understood and managed.

Secondly, an effective smallholder system could become an important aspect of the business's future growth. In New Guinea, the coffee industry has evolved from a plantation model to a more productive smallholder model.

Thirdly, for environmental, social and commercial reasons, our plantation will not be a monoculture that only grows oil palm. We will introduce multicropping - a network of garden plots, fishponds, hydroponics, chicken pens, rubber, patchouli and orchards. These will produce food for local consumption and export and increase land productivity.

Fourthly, it is part of our Corporate and Social Responsibility (CSR) program to be aware of wider community issues. Smallholder developments in palm oil and other agricultural products, such as rubber and patchouli, are an important aspect of the Kalimantan community and economy.

What's the Use of Palm Oil ?

We are often asked, so here's the impressive list:

- Cooking oil
- Margarine – naturally semi solid (ie no hydrogenation that produces harmful transfatty acids)
- soap, detergent,
- candles,
- rubber processing,
- tin plating
- glycerol
- presscake for livestock feed

And then there's ...

- oleochemical products – fatty acids, fatty amide, fatty alcohol, methyl ester, metallic soap
- biodiesel (less smoke & CO & no SO2)
- biolubricant
- bioemollient for cosmetics
- plasticizer and strengthener for PVC and plastics
- bakery shortenings
- red palm oil – rich in Vitamin A and E
- vanaspati – butter fat (ghee)

And there's more ...

- palm wine, palm hearts
- fronds for thatch, paper
- trunks for biomass, particle board
- mulch and liquid waste for fertilizer
- briquetted charcoal
- palm lumber



Biofuels on the move....

"High crude oil prices and a European Union-led drive for cleaner and renewable energy have boosted the development of alternative fuels including ethanol, extracted from corn or sugarcane, and biodiesel, made from rapeseed, soya or palm oil.

Recent interest in biofuels has driven a rally in shares of Malaysian and Indonesian palm oil plantation companies, sending shares in IOI Corp and Indonesia's Astra Agro Lestari to all-time highs.

Analysts reckon these plantation stocks stand a good chance of being re-rated with higher earnings and share price forecasts, particularly as the impact of biodiesel on global supply and demand for edible oils becomes clearer." (*The Edge Daily*, 15 March 2006)

Initial Funding Sought

The GMSS project is seeking funding of USD 150,000 from Subud members interested in pioneering the development of the palm oil enterprise in Kalimantan.

Funds will be used to complete project field and feasibility studies, business planning, and the registration of PT Gunung Mas Sumber Sejahtera as an Indonesian foreign investment company.

The Offer Document has been sent to everyone on the mailing list and other Subud members around the world.

The closing date for applications: **Friday 31 March.**

Want to Contact Us?

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Look forward to hearing from you.

What the Markets are Saying...

"Mumbai, March 16: Indonesia is all set to overtake Malaysia as the world's largest producer of palm kernel and palm oil. In the current year, Malaysian palm oil production is expected to drop to 14.8 million tonne, while Indonesian production is expected to reach 15 million tonne, exceeding Malaysia for the first time in history." (*Financial Express, Indonesia*)

March 15: "IPOs riding on high palm oil prices: Plantation companies are taking advantage of the bullish sentiment over rising crude palm oil (CPO) prices to raise funds in initial public offerings (IPOs)....Share prices of plantation firms have rallied to outperform the stock market's benchmark index as investors bet on higher CPO prices." (*Business Times, Malaysia*)