



# THE CLOUDY BAY SCANDAL JUST GOT CLOUDIER

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In 2007 PNG Sustainable Development Fund (PNGSDP) used revenues from Ok Tedi to purchase the Cloudy Bay timber operation for K47 million. It then invested a further K300 million in what was to be a flagship demonstration of sustainable forest management. But in 2014, the project was abruptly sold for just K40 million.

PNGSDP claims the sale was underpinned by fraud and driven by an unnamed Cloudy Bay director with undeclared business links to the buyers – and who allegedly further discounted the amount eventually paid to just K15 million.

PNGi has previously published strong evidence that this ‘Executive X’, is the controversial accountant, Rex Paki.

The beneficiaries of the sale were three Australian businessmen. The brothers Mamdouh and Ibrahim Elomar – who are currently serving prison sentences for attempting to bribe a government official in Iraq – and Nick Roniotis.

These three men are now involved in a tug-of-war for control of Cloudy Bay Sustainable Forestry Ltd, which PNGi documents in this special report.

Meanwhile there is no sign of any action by PNG authorities to investigate what PNGSDP alleges was a corrupt deal.

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## PNGSDP AND CLOUDY BAY: THE BACKDROP

The Papua New Guinea Sustainable Development Program Limited (PNGSDP) is a not-for-profit company which began operations in 2002.

Former Prime Minister, Mekere Morauta, outlines PNGSDP’s origins, and organisational mandate, ‘PNGSDP was established by the State of Papua New Guinea, BHP Billiton and Inmet, the shareholders of Ok Tedi Mining Ltd in 2000, to hold the BHP shareholding (then 52%) gifted by BHP [This ‘gift’ stemmed from strategic litigation over environmental damage, initiated by Ok Tedi landowners – PNGi]. The object of PNGSDP was to invest two-thirds of the future dividend flows from the shares into a Long Term Fund to be used after mine closure for sustainable development in Western Province. One-third of the dividend income was spent on development projects throughout the country, including Western Province’.

As part of this mandate in 2007 PNGSDP purchased Cloudy Bay Sustainable Forestry Ltd, which held a timber permit over 149,000 hectares of pristine forest. A further K300 million of PNGSDP funds was then invested in Cloudy Bay Sustainable Forestry over the next five-years.

In an abrupt move during 2014 – labelled a ‘fire sale’ by the then Prime Minister – Cloudy Bay was sold off at a fraction of its alleged value to Australian investors for the sum of K40 million. Only K15 million was ever received by PNGSDP.

The 2014 share purchase involved the transfer of 750 shares to Lifese Engineering (PNG) Ltd, for a stated purchase price of K30 million. Lifese Engineering (PNG) Ltd is a subsidiary of Australian firm Lifese Engineering Pty Ltd, a company which is reported to be owned by brothers, Mamdouh and Ibrahim Elomar. Both men are currently serving prison sentences in Australia for attempting to bribe a foreign official in Iraq. The 2014 share purchase also involved the transfer of a further 250 shares to OPPA Limited, for a stated purchase price of K10 million. OPPA Limited is a British Virgin Islands company alleged to be fully owned by Nick Roniotis – however the Elomar family claim OPPA held this shareholding on trust for Lifese Engineering (PNG).

Nick Roniotis himself has not been accused of any wrongdoing. Nevertheless, his previous business partners have been the subject of investigations relating to serious crimes and business malfeasance. These business partners include the convicted murderer Theo

Yasause, Gregory John Melides who was labelled an underworld figure by Queensland's Criminal Justice Commission for his alleged role in illegal gambling and political bribery, the Elomar brothers who are currently serving custodial sentences for foreign bribery offences, and Rex Paki, an accountant and principal of Ram Business Consultant, a firm censured in three Commissions of Inquiry and a Public Accounts Committee inquiry into the Public Curator's Office, while Paki himself was labelled 'evasive and dishonest' in a Supreme Court decision. It is also worth noting Rex Paki was a shareholder and director of Paga Hill Land Holding Company Limited, a company censured in the Public Accounts Committee inquiry into the Department of Lands and Physical Planning.

It is alleged by PNGSDP that the so called 'fire sale' of Cloudy Bay was in fact 'driven' by its then Chairman Rex Paki (PNGSDP does not name Paki, they only mention a prominent businessman, previous PNGi investigations revealed this to be Rex Paki), who at the time of the sale was a direct business associate of both Roniotis and the Elomars. This fact has prompted suspicions around the integrity of the sale.

Born:	02/10/1968, , PAPUA NEW GUINEA	
Appointment date:	14/02/2012	
Cease date:	20/07/2014	
Name:	NICK RINIOTIS	027851523
Address:	18 Cottesloe Drive, KEWARRA BEACH QLD 4879	
Born:	12/10/1973, SYDNEY, NSW	
Appointment date:	14/02/2012	
Cease date:	20/07/2014	
Name:	MINA SARAH PAKI	027851523
Address:	18 Cottesloe Drive, KEWARRA BEACH QLD 4879	
Born:	06/08/1974, WABAG ENGA PROVINCE, PAPUA NEW GUINEA	
Appointment date:	14/02/2012	
Cease date:	20/07/2014	

Share Information					
Previous Share Structure					
Class	Description	Number issued	Total amount paid	Total amount unpaid	Document number
ORD	ORDINARY SHARES	10	10.00	0.00	027851523
Previous Members					
Name: REX LAM PAKI					
Address: 18 Cottesloe Drive, KEWARRA BEACH QLD 4879					
Class	Number held	Beneficially held	Paid	Document number	
ORD	5	no	FULLY	027851523	
Name: MINA SARAH PAKI					
Address: 18 Cottesloe Drive, KEWARRA BEACH QLD 4879					
Class	Number held	Beneficially held	Paid	Document number	
ORD	5	no	FULLY	027851523	

Documents					
Note: Where no Date Processed is shown, the document in question has not been processed. In these instances care should be taken in using information that may be updated by the document when it is processed. Where the Date Processed is shown but there is a zero under No Pages, the document has been processed but a copy is not yet available.					

03 June 2018 AEST 11:13:56 AM

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**Image:** Nick Roniotis was a Director of a company owned by Rex Paki and his wife, at the time Rex Paki as Chairman of Cloudy Bay Sustainable Forestry was said to be 'driving' the sale of Cloudy Bay Limited to OPPA Limited and Lifese Engineering (PNG) Limited.

That is where the story trails off in our last instalment published in 2018 (see the [full story here](#)).

But the scandal, it appears, is far from over.

## RONIOTIS ASSUMES MANAGERIAL CONTROL OF CLOUDY BAY

With Mamdouh and Ibrahim Elomar serving custodial sentences in Australia, Nick Roniotis alleges Cloudy Bay Sustainable Forestry suffered serious commercial damage.

As a result, Roniotis argues, a radical plan is now needed to resurrect the company's fortunes.

On 18 March 2019, Roniotis removed the Elomar brothers as directors of Cloudy Bay Sustainable Forestry.

The removal was enacted through a special board resolution taken on the same day. It was motioned by Nick Roniotis as the sole director of Cloudy Bay.

In support of this motion Roniotis references an ex parte Court Order granted on the 15 March 2019 which states, "First Plaintiff [Nick Roniotis] shall be the sole director and manager of Cloud Bay Sustainable Forestry Limited and shall be responsible for the management and running of all the affairs and operations of the Cloudy Bay Sustainable Forestry Limited pending determination of these proceedings".

It appears on the basis of this Court Order Roniotis may have been within his legal rights to remove the Elomar brothers as directors. Although this is a matter that may be contested by the Elomar family, and therefore require further judicial consideration.

In a [Supreme Court judgement](#) delivered on 15 April 2019 by Makhail J – made in response to an appeal by a member of the Elomar family – the limits of the interim National Court orders made on 15 and 29 March are set out (the 29 March order confirmed the 15 March order, and further estopped the state from cancelling the timber permit issued to Cloudy Bay Sustainable Forestry):

However, the orders do not address the main issue of ownership of the second respondent [Cloudy Bay Sustainable Forestry]. They are interim orders intended as a temporary measure to allow the first respondent [Roniotis] to control and manage the second respondent until the National Court decides the legitimate owner of the second respondent. This issue, as noted earlier, is pending and it is the duty of the National Court to take charge of the matter, whether in the MP No 41 of 2017 proceedings or the OS No 144 of 2019 proceedings, and make a decision in the interests of justice.

Against this backdrop, things get a little more legally sticky on 19 March 2019, when Roniotis in his capacity as the sole director of Cloudy Bay Sustainable Forestry issues 10,000 shares.

5,000 of these shares were issued to OPPA Limited, the British Virgin Islands company which acquired 250 shares in Cloudy Bay during the 2014 purchase from PNGSDP. The Supreme Court claims Roniotis is the sole shareholder and director of OPPA Limited. A further 5000 shares were issued to Rothbrand Holdings Limited, a company headquartered in Cyprus. It is unclear who the owner is of this company or in which jurisdiction it was incorporated.

As a result, the Elomar brothers shareholdings in Cloudy Bay was reduced from 75% to 7%, a notable dilution of their stake. It also means the Elomar brothers have, in effect, lost control of the company.

A relative of the brothers, Billal Elomar, is arguing that these recent moves by Roniotis are part of an attempt to takeover Cloudy Bay Sustainable Forestry, by individuals who have no right to the corporate vehicle, and are taking advantage of Elomar family difficulties in Australia.

According to the [Supreme Court appellant](#), Billal Elomar, Roniotis' British Virgin Islands vehicle "Oppa Limited holds [its original] 25% shares in trust for and on behalf of the first appellant [Elomar brothers via Lifese Engineering]". Billal also claims: "Oppa Limited and the first respondent [Nick Roniotis] have never paid for any shares of the second respondent [Cloudy Bay Sustainable Forestry], nor have they contributed any capital to the purchase, operational costs and investments in the second respondent".

Roniotis claims on the other hand that the issue of shares in Cloudy Bay Sustainable Forestry is legal and necessary in order to recapitalise the company and pursue its sole primary asset, the forestry permit. This is set out in the Special Board Resolution taken on 19 March 2019.



- (a) Issues 5,000 shares to Rothbrand Holding Limited.
- (b) Issues 5,250 shares to Oppa Limited.

**3. Injection of Capital**

Resolved that, in consideration of the shares, Rothbrand Holding Limited and Oppa Limited will inject capital into the Company, when the audit is completed and how much capital required is ascertained, to revive the operation of the Company.

**4. Update of the records at the Office of the Registrar of Companies**

Resolved that the Company will immediately effect these changes at the Office of the Registrar of Companies.

Signed by the sole Court appointed director of the Company.



Nick Roniots  
Sole Director



According to the April Supreme Court decision, however, the ownership of Cloudy Bay Sustainable Forestry Limited is a matter to be decided by the National Court.

The issue of 10,000 shares on 19 March 2019 may, therefore, be challenged on the grounds they go beyond what was allowed by the 15 and 29 March Court Orders.

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## **SHARE ISSUE: FAIR MARKET VALUE?**

It is unclear who stands behind the new Cyprus vehicle Rothbrand Holding Limited, which now ostensibly holds a 45% stake in Cloudy Bay Sustainable Forestry. Nevertheless, corporate filings indicate that this foreign entity paid K5,000 for the 5000 shares issued to it.

Roniotis is cited by the Supreme Court as the sole shareholder in OPPA limited, which now has the largest shareholding in Cloudy Bay. The share issue form states OPPA Limited has been granted 5250 shares for the purchase price of K5000. As is noted below this appears to be in error. It is most likely that 5000 shares were issued to OPPA Limited, for the price of either K5,000 or K5,250.



Section 44(1)

## NOTICE OF ISSUE OF SHARES

Company number.

1-732

Note: Information in this form must be either typed or handwritten in block letters. Where there is insufficient space on the form to supply the information required, annex a separate sheet in the same format containing the information. Complete all items in this form.

1. **Company name.** CLOUDY BAY SUSTAINABLE FORESTRY LIMITED
2. **Total number of shares issued the subject of this notice.** 10,000
3. **Total number of shares now on issue.** 11,000

Note: Insert the total number of valid shares on issue at the date of this form. Do not include shares that have been cancelled or redeemed, or that are no longer on issue.

4. **Declaration and signature.**

I certify that the information in this form is true and correct, and the copy of every document submitted with this form is a true and correct copy of the original document.

Signature of Director or Secretary: Nick RoniotisName of Director or Secretary: NICK RONIOTISRole: DIRECTOR Date: 19/3/19

Note: Where shares are issued which confer rights other than those set out in Section 37(1) a document setting out the terms of issue of the shares must accompany this form as required by Section 44(3). Where shares are issued for consideration (whether totally or partially) other than cash, a copy of the directors' certificate required under Section 47(2) must be annexed to this form. Any copy document must be certified in accordance with Section 9 of the Companies Regulation.

Please turn over and ensure page 2 of this form is also completed.

Submitted by: CLOUDY BAY SUSTAINABLE FORESTRY LIMITED Address: P O Box 505, Port Moresby Telephone: Our Ref:	Office use only: Submitted to the Office of the Registrar on: 
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3.

6. **Details of shares.**

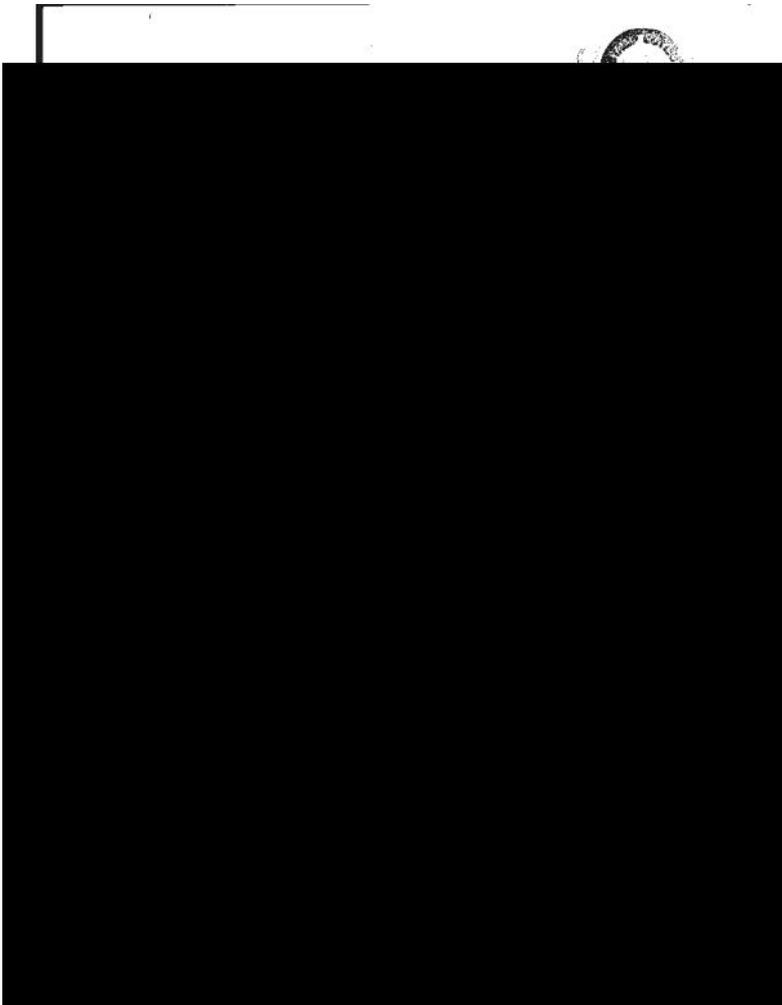
Name of shareholder (from Item 5)	Class of shares	Number of shares	Date of issue	Price per share	Consideration for shares
LIFESE ENGINEERING (PNG) LIMITED (1-64864)	Ordinary	750	28 February 2014	K1.00	K750.00
ROTHBRAND HOLDING LIMITED	Ordinary	5000	19 March 2019	K1.00	K5000.00
OPPA LIMITED	Ordinary	5,250	19 March 2019	K1.00	K5,250.00

Note: The consideration for shares must be stated as cash, consideration other than cash, or both. Where the consideration is not cash, details of the consideration must be specified. A company which complies with Sections 67 and 68, does not need to complete Items 5 and 6 where the number of shareholders who have been issued shares the subject of this notice exceeds 100, or the company is subject to a listing agreement with a stock exchange.



These prices stand in contrast to the share transfer in 2014, where Lifese Engineering (PNG) paid K30,000,000 for 750 shares in Cloudy Bay Sustainable Forestry, while OPPA Limited paid K10,000,000 for 250 shares.

Although Billal Elomar claims OPPA Limited did not pay for these 250 shares and in fact held them on trust for Lifese Engineering (PNG) Limited.



Given the significant investment made into Cloudy Bay by its previous owner PNGSDP – said to be K300 million – and its valuable forestry permit, it may be contested whether K10,000 is fair market value for a 91% stake in the company. However, the company's assets and value could have suffered significant depreciation if what is stated in the minutes of the special board meeting on 19 March 2019 are accurate. These minutes also indicate the new shareholders, OPPA Limited and Rothbrand Holding, will inject capital at a later stage. However, the amount of capital to be injected is not stated, and whether this is a legally binding undertaking is not clear from the corporate filings.

It may also be observed that 2019 share issue form appears to suggest the 750 shares were acquired by Lifese Engineering (PNG) in 2014 for the sum of K750, whereas the 2014 share transfer form states the amount paid was K30 million. The 2019 share issue form also does not separate OPPA Limited's 250 shares which according to previous filings were acquired in 2014, for a stated sum of K10 million (according to these corporate filings), from the further 5000 shares acquired in 2019 for a likely sum of K5,000.

It is clear the 2014 sale and on-going management of Cloudy Bay Sustainable Forestry, remains a matter in need of thorough investigation by the authorities, given the serious allegations made against Rex Paki, the conviction in Australia of two of the purchasers, and the subsequent struggle for control of Cloudy Bay Sustainable Forestry between Roniotis and the Elomar family.