Prospectus 2011
...step inside our office.....
disclaimer

This Prospectus is dated 27 June 2011 and is issued pursuant to the requirements of the Reserve Bank of Fiji. It contains information about the offer of up to 6.125 million B-class ordinary Shares at $0.80 per share or 6.125 million Converting Notes at $1.00 per note in Future Forests (Fiji) Ltd (“the Company” or “FFF”).

Before deciding to invest in the Company, potential investors should read this Prospectus in its entirety and in particular consider the assumptions underlying the financial projections and risk factors that could affect the performance of the Company. Carefully consider these risks in light of your personal circumstances and seek professional advice from your investment adviser, accountant, stockbroker, lawyer or other professional adviser before deciding to invest.

No person is authorised to give any information or make representation in connection with the Issue which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Issue.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

This Prospectus has been lodged for registration with the Registrar of Companies as required under the Companies Act.

Reserve Bank of Fiji statement

This Prospectus was made effective by the Reserve Bank of Fiji (RBF) on 27 June 2011.

The RBF disclaims any legal responsibility for any loss, damage, or injury to any person that may arise as a result of examining any proposals submitted to it. The RBF does not vouch for the accuracy, and assumes no legal responsibility whatsoever for the contents of any proposal, prospectus, statement or document that it has examined.

Not withstanding section 24 of the Capital Markets Decree 2009, examination of any proposal and prospectus by the RBF does not include any assessment as to viability.

important information

This is an important document that should be read in its entirety. If you do not understand it, you should consult your professional advisers without delay.

The Shares and Notes offered by this Prospectus should be considered speculative.
1 September 2011

Dear Investor,

I have great pleasure in presenting this Prospectus and offering you the opportunity to apply for shares and notes in Future Forests (Fiji) Ltd (“the Company”). As risks are inherent in any investment in shares and notes, I encourage you to take the time to read this Prospectus carefully.

The Company’s principal objective is to generate returns for shareholders by the inception and expansion of major forestry assets with understandable and enduring economics and excellent growth and income potential that are run by capable and shareholder-oriented management. This focus alone, however, cannot guarantee results. The Company must continually apply the best forestry practices and strategies from around the world. Once applied, the economic performance of the businesses must also validate our assessment, to provide long-term returns through dividend income and capital growth.

In making corporate decisions, the Directors will adopt the common-sense role of a long-term operator whose goal it is to increase the forestry assets of the Company and to expand into high-value timber products and prime real estate regions. The Company will also adopt a focused environmental approach, developing forestry areas of key timber species at the top end of the international timber market with sustainable and sound ecological strategies. I believe the Company’s concentration on achieving high growth in income and capital by growing quality forestry assets by using world’s best practices, will distinguish the Company, as will the active management of its capital structure and open communications with its shareholders.

The Directors join me in commending this investment opportunity to you, and I look forward to welcoming you as a shareholder or noteholder and owner of Future Forests (Fiji) Ltd.

Yours sincerely,

Kaliopate Tavola

Chairman
the offer

.....just a few seeds at a time...

picture courtesy of MaiLife
the issue details

purpose of the issue

The purpose of the issue is to raise new capital to expand the Company’s Teak plantations, develop timber mill infrastructure, significantly increase the Company’s timber assets and purchase additional Freehold land.

what is offered

The Company is offering both B-Class Ordinary Shares (shares) and Converting Notes (notes). Investors have the flexibility of choosing either instrument in any combination.

shares

The price of each share is $0.80.

The Company only has B-Class Ordinary Shares on the Share Register. There are no other classes of shares issued by the Company.

notes

Notes have the following features:

1. The price of each note is $1.00.
2. Each note will pay interest at the rate of 7.5% (7.5 cents) per annum (coupon).
3. Coupons are payable twice yearly on 1 July and 1 January (coupon payment dates) for a maximum of 5 years from the date of issue. The amount paid on each coupon payment date will therefore be $0.0375 per note.
4. Each note is a mandatory converting note and converts into one B-Class Ordinary Share either:
   (a) 5 years from the date that the notes are issued; or
   (b) earlier if the noteholder chooses early conversion. Early conversion will occur at the next 1st January coupon payment date after the Company receives a written request from the noteholder (see "Conversion of notes")
5. Noteholders will receive copies of the annual audited accounts of the Company.
   They may also attend annual general meetings of the Company, but are not entitled to vote.
6. FFF has entered into a Trust Deed ("the Deed") for the benefit of noteholders.
   A Trustee has been appointed to act on an interim basis as the Note Trustee on behalf of noteholders. A meeting of noteholders will be called 3 months following the issue of the notes at which time noteholders can appoint another Note Trustee.
   The notes are debt obligations of the Company and are constituted under the Deed. Notes rank after the secured creditors of the Issuer and rank in all respects equally with all unsecured obligations, debts or liabilities of the Issuer.

conversion of notes

As mentioned above, each note converts into one share either:

5 years from the date that the notes are issued; or earlier if the noteholder chooses early conversion. Early conversion will occur at the next 1st January coupon payment date after the Company receives a written request from the noteholder.

An early conversion request must be received by the Company at least 10 working days prior to the relevant 1st January coupon payment date.

A noteholder may choose to convert some of his/her notes only. It is not compulsory to converted all notes at the same time.

Upon notifying the Company, the noteholder will receive the next coupon immediately after which, the note(s) will convert.
For example:

- A noteholder who gives notice 10 business days or more, prior to 1 January 2012 will receive a coupon on 1 January 2012. The noteholder’s notes convert into shares on 1 January 2012 and the shares will be eligible for any dividends declared by the Company after that date.

- A noteholder who gives notice less than 10 business days prior to 1 January 2012, but more than 10 business days prior to 1 July 2012 will receive coupons on 1 January 2012 and 1 July 2012. The noteholder’s notes convert into shares on 1 July 2012, but the noteholder will not be eligible for any dividends declared by the Company later in the year.

There are various reasons why a noteholder might choose to convert earlier. For example if the Company started paying dividends on shares earlier than 2017 as projected by the Company, and the annual dividend yield exceeded 6%, a noteholder might decide to convert to capture the higher income return from shares compared to notes.
our factory floor....
issue size
The maximum amount to be raised by the Company will depend on the number of shares and notes applied for.

The Company has set the following target amounts:
(a) $4.9 million if only shares are issued; or
(b) $6.125 million if only notes are issued; or
(c) an amount between (a) and (b) above if a combination of shares and notes is issued.

To achieve the target, the Company may issue up to:
• 6,125,000 shares; or
• 6,125,000 notes; or
• a combination to a maximum of 6,125,000 shares and notes.

The mix of shares and notes actually issued will depend on the applications received for shares and notes, respectively.

The minimum amount to be raised from the issue is $1 million. If for any reason the minimum amount is not achieved by the close of the Offer Period, all application monies will be returned within seven business days, without interest.

oversubscription
In the case of an oversubscription, the Company may accept additional applications provided that the total number of shares ultimately issued after conversion of any notes does not exceed 9,125 million. This is the maximum number of shares to be issued as agreed by the initial shareholders. In the event of an oversubscription, all applications will be scaled back proportionately.

listing
Application has been made to the South Pacific Stock Exchange (SPSE) for permission to quote both the shares and notes and all the requirements of the SPSE relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, the SPSE accepts no responsibility for any statement in this Prospectus.

public company
On 10 May 2011 Future Forests (Fiji) Limited was registered as a public company in order to allow the Company to sell its shares to members of the public.

issuer and promoter
The issuer and promoter of the Issue is Future Forests (Fiji) Limited (“the Company” or “FFF”) having its registered office at Level 5, Central Street Building, Central Street Suva Fiji.

issue manager and advisor
The issue is being managed by Kontiki Stockbroking Ltd. A valuation opinion was obtained from Kontiki Capital Ltd and is enclosed with this Prospectus. If you have not received a copy of the valuation opinion please contact the Issue Manager.

staff priority and employee share scheme
As part of the issue, FFF has reserved 50,000 shares for employees. Employees will be eligible for finance from the Company if they wish to apply for shares. Interested employees may obtain full details of the employees’ share scheme from the management.

key issue dates
- Offer period Opens Wednesday 21st September 2011
- Offer period Closes at 5:00 pm, Friday 28th October 2011
- Shares / notes allotted 3rd November 2011
- Share / note certificates dispatched 10th November 2011
- Listing intended on 16th November 2011

The Issue Manager, in consultation with the Company, may amend the above dates. The Offer Period may close earlier if the issue is fully subscribed before Friday 28th October 2011.
capital structure

Assuming the issue is fully subscribed the capital structure of the Company at the end of the issue and following is displayed in the inserted Ownership Table.

<table>
<thead>
<tr>
<th>Ownership Table</th>
<th>Prior to IPO</th>
<th>Post IPO 100% shares issued</th>
<th>Post IPO 100% notes issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Register B-class Ordinary Shares</td>
<td>30,000,000</td>
<td>30,000,000</td>
<td>30,000,000</td>
</tr>
<tr>
<td>Price ($)</td>
<td>$0.80</td>
<td>$1.00</td>
<td></td>
</tr>
<tr>
<td>Shares / notes issued at IPO</td>
<td>6,125,000</td>
<td>6,125,000</td>
<td></td>
</tr>
<tr>
<td>Capital raised ($)</td>
<td>$4,900,000</td>
<td>$6,125,000</td>
<td></td>
</tr>
<tr>
<td>Total Shares / Converting notes Issued (%)</td>
<td>100% (20,426,313)</td>
<td>100% (26,551,313)</td>
<td>100% (26,551,313)</td>
</tr>
<tr>
<td>Founding Private Investors (%)</td>
<td>74.17%</td>
<td>57.06%</td>
<td>57.06%</td>
</tr>
<tr>
<td>Secondary Private Investors (%)</td>
<td>25.83%</td>
<td>19.87%</td>
<td>19.87%</td>
</tr>
<tr>
<td>IPO Investors (new shares issued) (%)</td>
<td>0.00%</td>
<td>23.07%</td>
<td>23.07%</td>
</tr>
<tr>
<td>Shares not issued (in reserve)</td>
<td>9,573,687</td>
<td>3,448,687</td>
<td>3,448,687</td>
</tr>
</tbody>
</table>

Note: * - ownership percentage applicable if only Notes are issued and all are converted to shares.

At the date of this Prospectus the Company has 47 shareholders including three (3) founding shareholders.

applying for shares and notes

minimum application
An investor may apply for a minimum of $200 worth of shares or notes.

Shares and notes may be purchased in any combination provided the total value of the shares and notes is at least $200.

how to apply
Complete the application form at the back of this Prospectus in accordance with the accompanying instructions.

Prepare a bank cheque or bank draft for the application amount, made payable to ‘Future Forests (Fiji) Ltd - Subscription Account’ and crossed ‘Not Negotiable’.

Send the completed application form and your cheque or bank draft to the Issue Manager.

For applications where the number of shares or notes allotted is less than the total number of shares or notes applied for, all surplus monies will be refunded to the shareholder within five business days of the allotment date. No interest will be paid on the refunded monies.
expenses of the Issue
The costs of the issue are disclosed below and are expected to amount to about 4.08% of the capital raised by the issue assuming $4.9 million is raised.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue Management Fees</td>
<td>$67,000</td>
</tr>
<tr>
<td>Selling fees</td>
<td>$147,000</td>
</tr>
<tr>
<td>Regulatory fees SPSE/ RBF</td>
<td>$8,000</td>
</tr>
<tr>
<td>Marketing and other fees</td>
<td>$20,000</td>
</tr>
</tbody>
</table>

how shares will be allotted
The actual number of shares or notes that an investor will receive will depend on the total amount of applications received by the Issue Manager.

If the total value of shares and notes applied for exceeds the target of $4.9 million plus any over-subscriptions that the Company accepts, applications will be scaled back as follows:

1. A maximum of 50,000 shares are reserved for FFF staff. In other words, FFF staff wishing to apply for shares will receive priority up to this amount.
2. A maximum of 27,174 shares are reserved for the Issue Manager in accordance with commitments made at the time of the issue.

Any remaining shares and notes after (1) and (2) above will be allotted to applicants in proportion to their application amounts and taking into account the mix of applications for shares and notes received in total.

Until shares and notes are allotted, subscription monies received will be held in trust for applicants in a bank account established solely for this purpose. The account will be controlled jointly by the Issue Manager and the Company.

If an application is not accepted or is accepted in part, only the relevant part of the application monies will be refunded to the applicant within five business days after allotment is completed. No interest will be paid on the refunded monies.

Allotment is expected to be completed no later than five business days after the close of the offer period. Certificates for shares and notes will be issued to successful applicants and dispatched within two days of allotment.

An investment in Teak plantations requires a longer lead time until dividends are paid. Future Forests (Fiji) Limited is projected to pay dividends from net profits from 2017 onwards.

Earnings per Share, Net Tangible Asset per Share and Return on Equity are calculated over a period of 22 years.

Based on its projected performance, the Company is expected to pay out 60% to 85% on the projected net profits if and when they become available.
our vision
To be a dynamic, internationally recognised and environmentally responsible plantation company in Fiji that consistently produces high quality Teak to maximise returns to shareholders.

our mission
To vigorously pursue our vision by continuing to plant only the best Teak genetics using high input silviculture best practices to ensure optimum timber quality, and to acquire internationally recognized and audited certification as a sustainable and ecologically responsible plantation company, and to lead the growth of the Teak plantation industry in Fiji into a major economic sector, generating employment, down-stream enterprises and building the asset base of indigenous land owners through equitable and long-term commercial relationships.
the company
Future Forests (Fiji) Ltd (“the Company”, “Future Forests Fiji” or “FFF”) is a Fiji-incorporated company focused on the sustainable, large-scale planting and harvest of one of the world’s great hardwood timbers - Teak (Tectona Grandis). Established in 2005, FFF has since invested considerable funds and planted over 140,000 Teak trees on freehold and leased land, in the Province of Ra, Viti Levu, Fiji.

**summary of achievements**

1. Planted over 140,000 Teak trees predominately on free hold land.
2. Built the largest commercial tree nursery in Fiji with a capacity of 400,000 seedlings per annum.
3. Acquired over 272 acres (109 hectares) of free hold land, 137 acres (55 hectares) leasehold and finalizing negotiations on 770 acres (308 hectares) of leasehold land.
4. Conducted the most comprehensive analysis of the history and growth patterns of old growth Teak in Fiji.
5. Conducted numerous growth trials around Viti Levu.
6. Produced comprehensive proprietary silviculture manuals for Teak plantation development. (Intellectual Property)
7. Identified and developed improved Teak genetics and seed sources.
8. Received a significant financial grant from the Australian Government funded AusAID Enterprise Challenge Fund.
9. Attracted shareholders from Fiji, Australia, Belgium, Canada, Germany, Italy, Mauritius, the Netherlands, New Zealand, South Africa, the United Kingdom and the USA.
10. Identified and produced Teak genetics for trees in excess of 15 metres height and 22cm Diameter at Breast Height (DBH) by year 4.5. (see photo previous page)
11. Identified and analysed the original Teak timber growth trials conducted by the Fiji Forestry Department between 1947 and 1980.
12. Commenced seedling sales to third parties.
13. Installed the first owner operated nursery in the local village of Mataso in Ra Province.
14. Supplied Teak seedlings to commercial carbon offset projects in Fiji.
15. Established relationships with the Forestry Department of Fiji and the Department of Primary Industries.
16. Implemented annual forest inventory and forest sampling.
17. Introduced Quality Control policies and procedures and trained staff.
Chairman - Kaliopate Tavola

Kaliopate Tavola has held the position of Chairman since August 2010. He has extensive experience as a civil servant in the Ministry of Agriculture, Fisheries and Forests, where he attained the rank of Chief Economist. He has represented Fiji Sugar Marketing Co Ltd for seven years in London and Brussels. He was a Fiji diplomat for fourteen years, serving as Commercial Counselor in London and as Head of Mission in Brussels, representing Fiji to the EU, Belgium, France, Luxembourg, Spain, Portugal, the Netherlands, Greece and Italy. He also represented Fiji to FAO, GATT/WTO, UNESCO, OPCW, WCO, IFAD, MFO and PCA. Kaliopate returned to Fiji in 1998 and re-joined Fiji Sugar Marketing Co Ltd as its Deputy Chief Executive. From 2000 to late 2006, he was Fiji Minister for Foreign Affairs & External Trade. Since 2006, Kaliopate has been a consultant for various organizations, and has presented papers on a wide range of issues. Kaliopate has a Master of Agricultural Development Economics degree from the Australian National University (Canberra) and a Bachelor of Agricultural Science degree from Massey University, New Zealand.

Managing Director - Roderic Evers

Roderic Evers is the current Managing Director and a founding Director of Future Forests Fiji. Before taking up this position Roderic worked for eight years as a Private Sector Development Advisor for the United Nations Development Program and as a Management Consultant for nine years in the Netherlands. He is a Director and proprietor of Five Princes Hotel Limited, a boutique hotel in Suva. Roderic holds a BA in Management and Economics and an MBA in Finance. He recently was appointed Honorary Consul for the Kingdom of the Netherlands to Fiji. Roderic sits on several committees and is a Trustee for a charitable trust.

Stephen Clark – General Manager/Director

Stephen Clark is a graduate forester of the University of Aberdeen, Scotland. He has 30 years experience in commercial forest management and forest utilisation in Fiji, Papua New Guinea Vanuatu and New Zealand in both plantations and indigenous forests. Stephen has worked as Fiji Pine Ltd Area Manager Vanua Levu, Logging Manager for Fiji Forest Industries and Regional Forester for the Pacific German Regional Forestry Project (GTZ). He held the position of Operations Manager at Kolumbangara Forestry Plantations Limited in the Solomon Islands, which has the largest Teak plantation in the Pacific and Fiji Hardwood Corporation Ltd. Stephen is a Fiji citizen.

Paul Evers – Executive Director

Paul Evers is one of the three founding Directors. He migrated from Australia to Fiji specifically to establish the Teak plantation company model and was FFF’s initial Managing Director, serving for the first three years period. Paul is a visionary trend researcher and is accomplished in taking ‘blue sky’ business concepts and turning them into ‘green field’ establishments. Over the past five years, he has worked in all aspects of the developing model, from national government down to the workforce on the ground in Ra Province. Paul is also a professional investor on the Australian Stock Exchange.

Jeffrey Liew - Director

Jeffrey Liew is a founding Director and steered the Company as its first Chairman. He is an internationally recognized practitioner in the fields of agri-business, rural development, microfinance, financial education and economic empowerment. He received his university training as a development economist in New Zealand and has over 25 years’ experience in the public sector, private business and the United Nations. Jeff brings to the board a global and strategic perspective that places a premium on people and the environment.

Peter McPherson - Director

Peter McPherson recently joined the Board and brings to Future Forest Fiji 35 years of insurance knowledge and management expertise. He has worked for Zurich International Group for 14 years as General Manager in Solomon Islands as well as Marketing Development Manager for Australia, New Zealand, Papua New Guinea and the Solomon Islands prior to his appointment as Managing Director of Fiji Care Insurance Limited. He is currently Deputy Chairman of the National Fire Authority, Director of Fiji Care Medical Centre, Fine Feathers Limited, Stronghold Investments Limited and is the former President of Insurance Council of Fiji.
Fiji has had a long history of Teak testing, trials and planting on which the Company based its research before a decision to commence operations. The files held by the Forestry Department of Fiji hold references to the trials and market interests in Teak as a plantation species, going back to the 1940’s. Before then, verbal reports indicate that Teak was first introduced into Fiji by the foresters of that time, who came from the British colony of Honduras. Naturally, these foresters had a detailed knowledge of Teak from the plantations in that region. Additionally, Commonwealth expatriates who planted the tree as an ornamental in gardens and schoolyards held the tree in some esteem. Such references can be found in the book ‘Plants of the Fiji Islands,’ by J.W. Parham, which refers to the growth of Teak in the 1880s in Naitasiri, Davuilevu and Rewa regions and on Ovalau. Therefore, Teak trees are found in locations outside the recorded Teak trial areas. Further records indicate that significant numbers of trees were planted after the Second World War prior to the recorded trials by the Forestry Department in the 1960s and 70s.

Teak has therefore seen several periods of interest spanning more than a century, yet the interest did not result in any form of substantial enterprise. It does, however, provide a positive base indicator for the potential of Teak plantations within the Fiji Islands. The Teak species trials of the 1960s occurred in conjunction with trials of Mahogany species. Based on these trials and the market forces at that time, the Fijian Department of Forestry decided to concentrate on the development of Mahogany only. As a result, one of the world’s largest Mahogany plantations has been established in Fiji with a total estimated land area of 42,000 hectares.

Using this early work on the development of Teak in Fiji as a foundation, Future Forests Fiji evolved its own Teak development programme, with a vision to place Fiji as a respected member of the Teak growing nations of the world. The Company located many of the lost trials of Teak in order to conduct in-depth analysis of the trees’ growth patterns and the environmental impacts that influenced such growth.

Through analysis and research, the Company confirmed that Fiji has vast tracts of deforested land with suitable soils and optimal weather conditions for Teak.
the company’s establishment

In late 2004 and early 2005 the legal structure of Future Forests Fiji was formed. It was at this time that the commitment of the Company to the future of Teak in Fiji manifested.

For the remainder of 2005 and continuing into 2006, the Company continued research and testing in order to remove variables from the investment and development stage of the Company’s evolution. It was during this period of Research and Development that many of the previously lost Teak trials were found, tested and analysed. Germination trials were conducted and methodologies tested to a level where, in August 2006, the first germination table was installed on the site of the commercial nursery complex in the province of Ra. This was the commencement of the ‘Start -up Phase’ of the Company which would span the years 2006 to 2008.

During this period the first forest compartments were planted, land was acquired, the nursery complex was installed, relationships with other industry entities were established, awareness campaigns were undertaken and the Future Forests Fiji Head Office in Suva was established. The overriding goal for this period was to achieve ‘Proof of Concept’ before moving to the next phase.

The next period of the Company was defined as the “Foundation for Growth Phase”, during which FFF progressed to a more complex corporate structure, that of a public company owned and run by shareholders.

In 2008, the board of directors recognised the requirement for different skill sets, thus the senior management was re-arranged and a new managing director was appointed. Under the new leadership model, many refinements and skill placements occurred. Professional services were sought internationally in the form of nursery management practices, silvi-culture methodologies, human resource development systems, financial management systems and corporate governance compliance and checks.

The nursery facility has always been recognised as the heart of the Company. In 2009, two large greenhouse, or hothouse structures were built, coinciding with the expansion of seedling’s outgrow area and systems. The current nursery has a productive capacity of 400,000 seedlings per annum.

By 2011, the Company had planted in excess of 140,000 trees on a combination of majority freehold lands owned by the Company, as well as lease hold lands.

The Foundation for Growth Phase was one of consolidation and was marked by harmonising and strengthening FFF to a level where further capitalisation could occur. Throughout this period, private investors sought out FFF and made investments, allowing the Company to evolve. Yet the Company had recognised future financial requirements and prepared itself for listing on the South Pacific Stock Exchange (SPSE).

Listing on the SPSE signals the beginning of the next stage of the Company’s evolution, being the phase of ‘Rapid Expansion’.

The FFF board of directors are charged with planting in excess of 3,000,000 trees for the shareholders of the Company. To that end, the focus is to develop the Company into a complex by professional and rich corporate entity. To achieve the stated objectives, the directors have led the Company to the highest level of corporate structure, that of a publicly listed company. Once this process is finalised, the management of FFF will commence the Rapid Expansion Phase, which will involve the following:

- Continuously expand plantations by planting over 900,000 trees by 2015.
- Acquire additional large, suitable lands (freehold and leasehold) for plantation development throughout Fiji.
- Increase outputs from the Company’s nursery facility.
- Improve genetic material from domestic and international sources.
- Commence the first phase of thinning of initial plantings.
- Diversify into other exotic timbers like Sandalwood.
- Commence down-stream timber processing, including milling and joinery.
- Develop carbon trading revenues.
- Continue the potential of Carbon Sequestration revenue from Carbon Emission Reduction Units (CERs).
- Complete certification of legally owned and well managed forests on a sustainable basis.
- Research additional short-term revenue potential such as agro-forestry and pastoral-forestry.

With the acquired funds through the proposed IPO, Future Forests Fiji plans to progressively expand its Teak plantations over the next 30 years to reach a minimum target of 3 million trees covering 3,000 hectares.

Over time, the strategy of the Company is to amplify the production, yields and financial returns for shareholders and staff. The Company aims to be a fully integrated, complex and sought after tropical timber plantation Company in the emerging new environmental order.

Based on international publications, global timber yields, as well as an independent review of the Company’s timber inventory by Dr Luis Ugalde, it is estimated that a recovery rate of 206 cubic metres of merchantable volume of Teak will be achieved per hectare, based on a 22 year rotation period. This underlies the continual revenues derived from the plantations.

From 2017, Future Forests Fiji expects to commence dividend payments from Net Profits. The Company is expected to commence thinning in 2011. Timber utilisation including milling and small-scale joinery and market testing is also expected to commence. Should the Company successfully develop and sell Teak products from early thinning, dividend payments may commence before 2017.

The future of the enterprise will require significant human resources, allied with current forestry technologies in order to achieve the amplification of outputs and returns.
**purpose of capital raised**

Future Forests Fiji’s capital raising target is between $4.9 and $6.125 million.

From 2011 to 2016, the Company is expected to utilize over $4 million to:

- establish 1,200 hectares of new Teak plantations (plant 1,380,000 trees)
- manage existing plantations (1,340 hectares by 2018)
- construct the first FFF timber mill and FFF timber utilisation plant (2012/2013)
- further investment to develop a larger saw mill and furniture production plant (2018)

From the balance of targeted capital (between $0.9 - $2.125 million) the future requirements of coupon payments will be set aside in Term Deposits to guarantee coupon payments.

The residual funds are expected to be invested into establishing additional plantations over and above the targets, and/or to purchasing more freehold land as an asset for the Company.

The funds are to be conservatively managed by a fund manager until such time as the Company has ascertained all its targets have been achieved within budget. These funds may also be used to counter unexpected economic impacts such as experienced during the 2009 global financial crisis.

**Table: FFF’s projected budgets for 2011 – 2017**

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual budget</strong></td>
<td>1,174,460</td>
<td>1,677,155</td>
<td>1,988,333</td>
<td>1,451,033</td>
<td>1,424,939</td>
<td>1,416,211</td>
<td>1,649,204</td>
</tr>
<tr>
<td><strong>Projected cost of sales &amp; operating expenses, incl projected coupon payments</strong></td>
<td>1,049,460</td>
<td>1,612,155</td>
<td>1,488,333</td>
<td>1,381,033</td>
<td>1,354,939</td>
<td>1,346,211</td>
<td>1,579,204</td>
</tr>
<tr>
<td><strong>Projected capital expenditures / investments</strong></td>
<td>$125,000</td>
<td>$65,000</td>
<td>$500,000</td>
<td>$70,000</td>
<td>$70,000</td>
<td>$70,000</td>
<td>$70,000</td>
</tr>
<tr>
<td><strong>Projected revenue</strong></td>
<td>205,304</td>
<td>255,772</td>
<td>301,932</td>
<td>430,434</td>
<td>610,501</td>
<td>1,286,995</td>
<td>1,892,957</td>
</tr>
<tr>
<td><strong>Annual projected equity capital injection (from IPO)</strong></td>
<td>969,156</td>
<td>1,421,382</td>
<td>1,686,401</td>
<td>1,020,599</td>
<td>814,438</td>
<td>129,216</td>
<td>129,216</td>
</tr>
</tbody>
</table>

From 2017 onwards, operations and capital expenditures are projected to be funded from net profits and positive cash flows.
sustainable forestry management
As stated in Future Forests Fiji’s mission, the Company will be an environmentally responsible plantation Company and will comply with the Fiji Sustainable Forestry Management (SFM) regulations. In addition, the Company will obtain a globally recognised SFM certification and has commenced discussions with Forestry Stewardship Council (FSC) auditors to start the certification process for FSC Forest Management (FM) certification. FSC Chain of Custody (CoC) certification will be sought upon commencing timber utilisation.

FSC or similar certification ensures the Company is an environmentally friendly operator and provides access to lucrative markets such as the European market, which only allow the importation of certified timber.

look-north policy
The Company has long targeted Fiji’s northern division of Vanua Levu and other outlying islands, as a highly attractive location for the expansion of operations in keeping with the Fiji Government’s ‘Look-North’ policy.

To entice companies to set up operations in the northern division, the Fiji Government offers tax incentives and duty concessions to companies that establish new stand-alone companies in the region.

timber milling
The financial projections of FFF contain the expenditure for a state-of-the-art timber milling facility. This facility is to provide additional income for the Company, whilst Teak matures, by processing other timber species such as Mahogany already established and available in Fiji. The Company will be developing the FFF timber mill in three stages with a capital commitment of $5.6 million over a period of 15 years. The first mill is expected to be established or an existing mill purchased in 2013, with several upgrades thereafter including a veneer-slicing facility in year 2023.

timber utilisation - value adding and manufacturing
An extension to the timber milling facility is the creation of a timber joinery and utilisation plant. This plant would transform raw lumber into functional timber such as timber mouldings, flooring and furnishings. Its timelines are not limited to end-on-end restrictions, but can be implemented in tandem or alongside each other to realise shareholder dividend in an earlier timeframe than currently stated.

An important note: at this time, the Company’s projected financial modelling only takes into account rough sawn lumber. It does not yet account for downstream processing of this lumber.
agro-forestry trial
FFF entered in to a joint venture agreement with Ravua Pastoral Company Limited to undertake a pilot project of farming tropical short hair sheep under the plantation Teak trees. The trial over the past 18-months period indicates that a combination of forestry and farming has the potential for additional revenue and uses of the Company’s lands. It showed significant reduction of plantation management costs and requirements, such as the reduction of competing weeds, which in turn resulted in enhanced access for staff and machinery.

expansion of nursery facility and diversification of tree species
FFF has recognised the potential of other tree species for the tropical Pacific climate such as Sandalwood, Red Cedar (Toona ciliate), Mahogany and other valuable Fijian species. Improvements in genetic planting material may result in the establishment of a tissue culture laboratory.

Globally, the emergence of Reduction in Environment Degradation and Deforestation (REDDs) and Clean Development Mechanisms (CDMs) of carbon sequestration in forestry practice are also expected to have a positive impact on the demand for a variety of tree seedlings.

FFF has the strategy of becoming a large-scale supplier of multiple timber species that are to be sold into Fiji and possibly abroad, thereby creating another business opportunity for the Company.

Graph: projected budgets, revenue and operational and capital expenditure in Fiji Dollar.
growth strategy

Future Forests Fiji’s growth strategies were developed in 2005 during the Start-up Phase of the Company. This phase covered the first Teak trials on freehold land and confirmed that Teak thrives in Fiji. This was followed by laying the Foundation for Growth of the Company, which primarily focused on developing the building blocks for a solid company, in order to make possible the expansion of plantations and the production of quality timber.

The Phase of Rapid Expansion has now arrived, where the Company is to expand plantation timber assets, commence harvesting and milling, produce sawn timber and timber products and commence sales and marketing of FFF Teak products.

Before the commencement of the Expansion phase it was ensured that all other targets indentified in the primary phases were complete, these were;

- ‘Proof of concept’ that Teak plantations can thrive in Fiji.
- Implementation of a solid corporate structure with experienced Board of Directors and management.
- Implementation of financial procedures with audited accounts and experienced financial advisors.
- Training of local labour force and acquisition of vehicles, machinery and equipment with capacity to plant 5,000 trees per day.
- Establishment of large-scale nursery facility that can produce high-quality Teak seedlings with a capacity for over 400,000 seedlings per annum.

With the capital raised from this Issue, the Company will be in a prime position to meet the targets set by the Board of Directors as outlined in this Prospectus.
social benefits

Unemployment is widespread in the Ra region where Future Forests Fiji commenced its nursery and plantations in 2006. Small scale farming dominates the local economy as no significant industrial or commercial enterprises are established in the region. The establishment of the Company's Teak plantations has brought significant social and financial benefits to the many small village communities, as FFF currently provides employment for more than 100 people. The Company provides a range of facilities and benefits for its employees and these include transportation from the villages to the plantations, safety equipment, ongoing training and medical care. Our employees show a high level of dedication and motivation, and demonstrate a high level of job satisfaction which contributes to the Company’s productivity.

FFF also offers financial assistance to local schools and promotes health and environmental education. Teak remains a valuable timber that is sought after and valued by the international market. With the Company’s assistance in the development of the first independently owned village nursery in Mataso village, the future financial impacts are promising to enhance the local livelihoods in the long term.
why invest in timber

Patented design by Diamond Teak.
tropical rainforests of the world

Tropical rainforests are a world like no other; and their importance to the global ecosystem and human existence is paramount. Unparalleled in terms of their biological diversity, tropical rainforests are a natural reservoir of genetic diversity, which offers a rich source of medicinal plants, high-yield foods, and a myriad of other useful forest products. They are an important habitat for migratory animals and sustain as much as 50 percent of the species on Earth, as well as a number of diverse and unique indigenous cultures. Tropical rainforests play an elemental role in regulating global weather in addition to maintaining regular rainfall, while buffering against floods, droughts, and erosion. Tropical rainforests store vast quantities of carbon, while producing a significant amount of the world’s oxygen.

Despite their monumental role, tropical forests are restricted to the small land area between the latitudes 22.5° North and 22.5° South of the equator, or in other words between the Tropic of Capricorn and the Tropic of Cancer. Since the majority of Earth’s land is located north of the tropics, rainforests are naturally limited to a narrow band encircling the globe. (1)
teak and its properties

Teak (Tectona Grandis) is one of the world’s best known and most valuable tropical hard wood timbers. Because of its unique natural oils, it is resistant to termites, sea water and harsh weather conditions. It has a beautiful grain and colour and is used for high-value products, including the decking and interior of luxury yachts, outdoor and fine furniture, flooring and fittings for expensive homes and buildings and other high-value items.

World demand for Teak timber is greater than the current supply. Teak from natural and old growth forests is rapidly running out or is banned from harvesting. The supply of Teak in the future will be from plantations with trees that are grown and harvested sustainably following environmentally friendly guidelines. Plantation grown Teak is currently meeting less than 5% of world demand. (Ball et al. 1999)

Teak log and sawn timber prices have risen by an average of 5.5% annually over the past 30 years. (ITTO and Padmanabha)

The international market for Teak is well established and dynamic.

The true Teak (Tectona Grandis) is sought-after worldwide due to its superior qualities and uses:

- Durable, long-lasting
- Rich in natural oils
- Soft to the touch due to oil contents
- Has a smooth finish
- Stable and low shrinkage properties
- Relatively light weight at approx 660kg/m3 at moisture content of 12%
- Termite resistant
- No traces of rust or corrosion when in contact with metals

Teak is mostly used for:

- Garden furniture and sculptures
- Yacht and ship building, including yacht finishes
- Laboratories; tanks, barrels, filter presses
- Building industry; stairs, floors and parquetry, ceilings, kitchen benches, doors, windows

According to FAO, Vietnam lost a staggering 51% of its primary forests between 2000 and 2005.

The tropical timber resources are among the most threatened on the planet. Although the precise area is debated, each day at least 80,000 acres (32,300 ha) of forest disappear from Earth. At least another 80,000 acres (32,300 ha) of forest are degraded. Along with them, the planet loses as many as several hundred species to extinction, the vast majority of which have never been documented by science. As these forests fall, more carbon is added to the atmosphere, climactic conditions are further altered, and more topsoil is lost to erosion.

Despite increased awareness of the importance of these forests, deforestation rates have not slowed. Analysis of figures from the Food and Agriculture Organization of the United Nations (FAO) shows that tropical deforestation rates increased 8.5 percent from 2000-2005 when compared with the 1990s, while loss of primary forests may have expanded by 25 percent over the same period. Nigeria and Vietnam's rate of primary forest loss has doubled since the 1990s, while Peru's rate has tripled.

Overall, FAO estimates that 10.4 million hectares of tropical forest were permanently destroyed each year in the period from 2000 to 2005, an increase since the 1990-2000 period, when around 10.16 million hectares of forest were lost. Among primary forests, annual deforestation rose to 6.26 million hectares from 5.41 million hectares in the same period. On a broader scale, FAO data shows that less bio diverse plantations and secondary forests are replacing primary forests. Due to a significant increase in plantation forests, forest cover has generally been expanding in North America, Europe, and China while diminishing in the tropics. Industrial logging, conversion for agriculture (commercial and subsistence), and forest fires—often purposely set by people—are responsible for the bulk of global forest loss.
By simple supply and demand metrics, any rare resource is destined to escalate in price. Therefore timber, especially tropical timbers, is projected to rise dramatically in price, this century.

U.S. Fund Manager Jeremy Grantham thinks timber is the best long-term investment there is, and last year the Harvard Endowment Fund invested $500m in forestry in New Zealand, says Barry Riley in the FT. In the UK, both Guy Hands and Nick Ferguson—super rich giants of the private-equity industry—are heavily invested in the sector. Smaller private investors, such as publishing entrepreneur Angus MacDonald, are also getting in on the game: MacDonald has recently bought two dense Sitka spruce forests in the southwest of Scotland. According to Grantham, forestry is the only low-risk, high-return asset there is. It has, he says, risen steadily in price for 200 years and has returned an average of 6.5% a year for the last century. It is also counter-cyclical—it has been the only asset class in existence that has risen in three out of the four market collapses of the 20th century. ‘Jeremy Grantham is a successful fund manager and is not an investor in FFF. Source: Global timber market report for Rewards Group by Mr. Anantha Padmanabha senior scientist at the Institute of Wood Science and Technology (Indian Council of Forestry & Education, Government of India

Measuring returns using the National Council of Real Estate Investment Fiduciaries (NCREIF) Timberland Index, timber investment returns exceeded those of the S&P 500 from 1990 through 2007. In that period of time, the NCREIF Timberland Index annual compounded return was 12.88% versus 10.54% for the S&P 500 index. This excess in return was also provided with less volatility as shown by the Sharpe ratios for the same period (1.06 for timber, versus .45 for the S&P 500), underscoring the risk/return benefits of timber over the overall stock market.


“Average annual returns on timber—meaning managed preserves that are eventually harvested—have outstripped those from leading global stock indices, property, oil and gold for the past decade.” Source: The Economist February 5th 2007.

According to US customs data, the average value for imported temperate hardwood sawn wood rose from US$ 250/m³ in the 1st quarter 2004 to a record US$ 375/m³ in the 3rd quarter 2006. Tropical sawn wood prices on average increased from US$ 550/m³ to US$ 740/m³ over the same two-year period (Figure 5.8). Two of the major tropical species imported to the US, jatobá from Brazil and mahogany from Peru, have experienced very different price trends during the past two years. Prices for jatobá declined modestly during 2006 and are currently averaging US$ 550/m³ according to statistics collected by ITTO. Mahogany sawn wood prices on the other hand, have gone up more than 50% since early 2004 and reached over US$ 2,200/m³ in the 4th quarter 2006.” Source: ITTO.

Figure 1: Price and Supply trends (10 years between 1990 and 1999) of SG-1 Teak logs (Myanmar) Price increases are greater than 10% per annum compounded.
background of the global Teak market
Excerpts from the International Teak Report by Mr. Anantha Padmanabha.

expertise of the author
Mr. Anantha Padmanabha has 35 years’ research experience as a senior scientist at the Institute of Wood Science and Technology (Indian Council of Forestry & Education, Government of India). He has researched various aspects of Teak and tropical forestry for over three decades. Mr. Padmanabha was designated as Chief Technical Advisor for a World Bank forestry project in India. He is also a consultant to plantation companies growing Teak and Sandalwood in India.

Currently it is estimated there are 6.0 million hectares of Teak in the world; 5.5 million of these hectares are in Asia (with 43% in India, 31% in Indonesia, 7% in Thailand, 6% in Myanmar, 3% in Bangladesh and 2% in Sri Lanka); 5% of the world’s Teak plantation area is in Africa (0.3 million hectares), and 3% in South America (0.2 million hectare).

Teak has been planted in South America since the beginning of the 20th century, in Costa Rica since 1929. The raw material is produced in Costa Rica by local farmers and plantation owners applying extensive and intensive cultivation methods.

India is the largest buyer of Teak. Most Teak logs and sawn timber is traded in Mumbai. In India, Teak harvesting in natural forests was banned in 1982 and in 1997 the Supreme Court of India ordered further restrictions on the felling of timber of any kind in the natural forests of India. In the early 1980’s the total size of the Teak market in India was 7.5 million m3 per year. A large percentage of Teak logs consumed in India are now imported. Total Teak log imports into India in the past 12 months were approximately 2.5 million m3, with 60% of total Teak imports coming from countries in West Africa. Even though India has established significant areas of Teak plantations, as a consequence of native Teak logging bans in Asia, the Indian Teak market was forced to find alternative supplies. For the past 15 years, the Indian Teak market has imported Teak logs from plantations grown in African countries, such as Nigeria, Benin, Togo, Ivory Coast and Ghana. It is now widely recognized within the Teak industry that the supply of Teak logs from Africa will be totally exhausted in the next 5 years. As a response, the Indian Teak market is now importing young plantation Teak logs (ranging in age from 6 to 15 years old) from Central and South America, including Panama, Costa Rica, Columbia and Brazil.

new plantations
Due to the dramatic decrease in Teak supply from natural forests and the increasing demand for it, the future of Teak production can only come from new plantations.

The most significant new Teak plantation establishments in the last 10 years have occurred in south-west Brazil, with a plantation estate of approximately 20,000 hectares. Brazil is now exporting young whole Teak logs to India, Europe and the USA. Other significant Teak plantations are underway in Costa Rica. Demand for Teak in Asia has increased considerably in recent years. Currently, most Asian countries rely on plantation Teak logs imported from Africa and Latin America.
teak log prices
Teak prices have risen 15% during the last 12 months in the premium log categories. About 80% to 90% of all Teak logs and poles imported into India are between 2.2 meters and 3 meters in length. The reason for this is simple and historic – the doors of homes in India are 7 foot in height (2.1m). Any Teak log or pole greater than 3 meters in length immediately begins to attract a price premium of between 0 and 20% (assuming identical girth of the Teak log or pole at mid length).

Teak is sold in various markets as round logs and as sawn timber of different dimensions. Teak logs are classified into grades (both physical and qualitative) prior to selling. Accordingly, Teak log grades are determined by dimension (usually diameter) and log soundness. The Indian market has 11 traditional grades for Teak logs. These grades were created by the British 150 years ago. For all categories (save for AY) the minimum length must be 8 feet (or 2.4m). Length therefore is not the primary factor in determining the price received – girth and quality are the 2 key factors.

Log categories ‘4 star’ to ‘1 star’ have the same size specifications. The differences between the classes are qualitative and are influenced by the extent of log defects.

Over the last 30 years, Teak log prices have increased at an average rate of 8.3% per annum compounded. The basis for the sharp increase is due to rapidly declining supply and rising demand. Teak log prices in the past 12 months have risen 15% in the premium log categories. Myanmar Teak is recognized as the world’s best quality Teak timber. Myanmar Teak, like other Teak, has experienced dramatic increases in price while at the same time Teak supplies have decreased significantly over the same period. For example, from 1990 to 2000, Sawing Grade 1 (SG-1) and Sawing Grade 2 (SG-2) Teak logs from Myanmar increased in price from US$489 per m3 to US$1,337 per m3 (CIF) and from US$403 per m3 to US$996 per m3, (CIF) respectively.

teak poles
There is a substantial Teak pole market in India. The minimum entry point is Teak poles with a diameter at mid length of 10cm. Therefore any Teak pole with a diameter at mid length of 10cm and above can be sold in India. Teak poles with a diameter of 10cm are used in many markets including the furniture market. The poles produced from thinning operations in young Teak plantations comprise a substantial proportion of Teak timber production. Because of its high durability young Teak poles are utilized in the construction industry as posts or poles and in the furniture industry as furniture components and flooring. These Teak poles are generally 6 to 7 years old. Teak poles of sizes 10 to 15 cm diameter and length 4 to 5 meters are sold for up to A$22 per pole in Raipur (State of Madhya Pradesh), India. Accordingly, prices of these imported plantation Teak logs which are 6 years old are about A$225 per m3 (FOB).
Conclusion

In India and elsewhere, the natural forests of Teak alone will not be able to meet the current and future demand for Teak. Demand for Teak in the past 10 years has risen. Supply in the past 10 years has rapidly declined and is forecasted to decline at an even more rapid rate. It is widely believed that the supply of Teak into India from West Africa (from which 60% of India’s current imports originate) will be completely at an end in 5 years time. In other words, the supply from West Africa of 1.5 million m$^3$ per annum of Teak (60% of 2.5 million m$^3$ per annum of Indian imports of Teak each year) will cease fully in only 5 years time.

Teak prices in the past 15 years have risen at more than 7% per annum compounded. Teak prices in the past 12 months have risen 15% in the premium log categories. Illegal felling of Teak in West Africa and Indonesia and other countries is on the rise, a clear indication of rapidly rising prices and rapidly falling supply. Only 22 years ago (1982), the domestic Indian market consumed more than 7.5 million m$^3$ of Teak per annum (3 times more than it does today). Due to chronic over harvesting around the world, illegal felling and only a small sustainable Teak plantation industry (ie. that occurring in Australia, Brazil and Costa Rica), that Indian domestic consumption figure has fallen to only 2.5 million m$^3$ per annum. The world Teak marketplace can rapidly and easily absorb a new supply of at least 500,000 m$^3$ per annum of Australian plantation Teak.
tomorrow’s timber versus tomorrow’s forests

Tomorrow’s timber and tomorrows forests are two distinctly separate items. With the emerging environmental forces that are influencing policy and production globally, it is no surprise that the forests will be in the front line of the climate debate.

With the introduction of REDD (Reducing Emissions from Deforestation and Forest Degradation) old-growth forests will be protected, resulting in the removal of these old-growth timber sources from the market place. In effect, these old-growth forested areas will become the national parks of the future. (2)

Added to this is the continual reduction of old-growth commercial timber zones due to unsustainable and illegal logging processes. This in effect will amplify the growing shortage of tropical timbers on the international supply chain. An expected result will be the rapid and significant rise in pricing.

Research papers and recommendations from international forestry bodies alike are calling on more timber plantations to be developed in order to meet the rising global demand. (2) (3) (4) (5) Future Forests Fiji is well placed to meet and supply Teak into the trend of diminishing supply and rising demand.

With obtained Sustainable Forestry Certification, the management of Future Forests Fiji will also offset the pressures placed on the last remaining tropical forests of the Asia Pacific region and more specifically, Fiji.

Additionally, the Fiji Government has recognized ‘Five Pillars’ of the Fiji economy, one of which is Forestry. Therefore, the Fiji Government is actively promoting the expansion and development of the forestry sector.

“furthermore, Teak products have a low carbon footprint unlike plastic, steel, aluminium furniture and building products.”

Stephen Clark, Pacific Forestry Specialist
carbon revenues

A major challenge being faced by human society is that the global temperature is believed to be rising due to human activity, i.e., global warming. The major culprit is thought to be fossil fuel burning, which is releasing increasing amounts of carbon dioxide in the atmosphere. Carbon dioxide is the major one of the greenhouse gases believed to be precipitating global warming. Carbon releases from land-use change may also contribute to increasing atmospheric carbon, e.g., through carbon releases associated with the conversion of forestland to cropland. However, land-use changes are generally believed to be a secondary source of net carbon being released into the atmosphere (Bolin et al. 1996). The evidence today indicates that forests are expanding in the temperate regions of the world, while declining in much of the tropics. There are a number of ways to address the problem of increasing atmospheric carbon. One of these is through forestry and forest management. (4)

It is estimated that over the last 10,000 years, 20–40% of ecosystem biomass has been lost as a result of human interventions. This suggests an upper limit of the sequestration potential is in the order of 600—1,200 billion tons (Gts) of carbon (Watson et al. 2000). Although this is an overestimate of the feasible sequestration potential, it does suggest there is substantial sequestration potential using forestry. Early studies determined that the potential volume of carbon that could be stored in expanded forest ecosystems was substantial relative to the net volume of carbon being released into the atmosphere (Marland 1988; Sedjo and Solomon 1989). These studies indicated that up to three Gts of carbon per year could be captured by these large-scale forestry operations. (2)

The potentials of forestry are intriguing. Although sequestration through forestry does have limitations, it is generally agreed that large amounts of carbon could be sequestered utilizing existing technology (IPCC 2001). Additionally, these activities could be undertaken over the next couple of decades. Although not the complete answer to the carbon problem, carbon sequestration through forestry does have the potential of stabilizing, or at least contributing to the stabilization, of atmospheric carbon in the near term (20–50 years) and longer. (2) (4) (5)

While Future Forests (Fiji) Limited recognizes there is a very real opportunity to generate additional revenues via carbon sequestration projects, they have, at this time, not been accounted for within their business model. However, the management of the Company continues to work towards realising this potential. Should the international community arrive at a definitive structure for forestry carbons then this will have a dramatic positive effect on the revenues and will reward investors of the company.
financial information
historical financial information ended 31 december 2007 to 2010.
The Historical Financial Information figures below have been extracted from audited financial statements of the Company. The auditor in its Audit Report to the shareholders has stated that they do not accept or assume responsibility to anyone other than the Company and the Company’s shareholders as a body for their audit work and for the opinion they have formed.

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<thead>
<tr>
<th>HISTORICAL PROFIT &amp; LOSS</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tr>
<td>REVENUE</td>
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<td></td>
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</tr>
<tr>
<td>Revenue from sale of seedlings</td>
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<td>-</td>
<td>20,129</td>
<td>51,274</td>
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<tr>
<td>Revenue from Timber sales</td>
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<td></td>
<td></td>
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<tr>
<td>Total Sales</td>
<td>-</td>
<td>20,129</td>
<td>51,274</td>
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</tr>
<tr>
<td>Revenue : Recognition of biological assets</td>
<td>-</td>
<td></td>
<td>2,027,902</td>
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<tr>
<td>Total Revenue</td>
<td></td>
<td></td>
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<td>Revenue from carbon reduction units</td>
<td></td>
<td></td>
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<tr>
<td>Other income</td>
<td>920</td>
<td>411</td>
<td>29,672</td>
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<td>TOTAL REVENUE</td>
<td>920</td>
<td>411</td>
<td>49,801</td>
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<td>TOTAL COST OF SALES</td>
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<td>GROSS MARGIN</td>
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<td>2,165,478</td>
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<td>TOTAL OPERATING EXPENSES</td>
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<td>256,162</td>
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<td>PROFIT / (LOSS)</td>
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<td>Add back Capitalisation of Planting Costs</td>
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<td>56,940</td>
<td>47,532</td>
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<td>TAX THEREON</td>
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<td>NET PROFIT / (LOSS) AFTER TAX</td>
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<td>-243,834</td>
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<td>Profit for the year</td>
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<td>-</td>
<td>-</td>
<td>1,813,659</td>
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<td>Less revenue recognised on biological assets</td>
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<td>-</td>
<td>-</td>
<td>2,027,902</td>
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<tr>
<td>Profit after add back of revenue on biological asset</td>
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<td>-243,834</td>
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<td>-214,243</td>
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<td>Losses utilised</td>
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<td>Taxable income</td>
<td>-177,123</td>
<td>-243,834</td>
<td>-206,361</td>
<td>-214,243</td>
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</tbody>
</table>

Note to: ‘Revenue: Recognition of biological assets’. The biological assets are the Teak trees growing in the plantations and from 2010 is stated in accordance with International Accounting Standard 41 (IAS41).
<table>
<thead>
<tr>
<th>Historical Balance Sheet</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
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</tr>
<tr>
<td>Cash</td>
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<td>48,594</td>
<td>90,056</td>
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<td>49,833</td>
<td>59,962</td>
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<td>491,192</td>
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<tr>
<td>Intangible assets</td>
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<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Inventory (timber) at Valuation</td>
<td>-</td>
<td>-</td>
<td>3,053,700</td>
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<tr>
<td>Property, plant &amp; equipment</td>
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<td>490,086</td>
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<td>365,161</td>
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<td>Land</td>
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<td></td>
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<tr>
<td>Trade and other payables</td>
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<tr>
<td>Deferred Income</td>
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<td>62,790</td>
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<td><strong>LONG TERM LIABILITIES</strong></td>
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<tr>
<td>Shareholders advance</td>
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<td><strong>TOTAL LIABILITIES (TL)</strong></td>
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<td>375,824</td>
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<td>703,881</td>
<td>827,977</td>
<td>2,898,296</td>
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<td><strong>SHAREHOLDERS FUNDS</strong></td>
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<td>Share Capital</td>
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<td>171,129</td>
<td>181,829</td>
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<td>1,677,689</td>
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<td>-573,138</td>
<td>-779,499</td>
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<tr>
<td><strong>TOTAL SHAREHOLDERS FUNDS</strong></td>
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<td>703,881</td>
<td>827,977</td>
<td>2,898,296</td>
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<td>2007</td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
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<td>48,594</td>
<td>90,056</td>
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<td>Sales</td>
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<td>95,252</td>
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<td>Grant and other income</td>
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<td></td>
<td>313,952</td>
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<td>146,996</td>
<td>223,734</td>
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<td>916,821</td>
<td>272,162</td>
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<tr>
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<td>Plantation management expense</td>
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<td>37,231</td>
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<td>Harvesting, trucking and other costs</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Milling</td>
<td>-</td>
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<tr>
<td>Operating expenses</td>
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<td>338,258</td>
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<td>Net movement in trade payables</td>
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<tr>
<td>Debt financing repayments</td>
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<td>12,985</td>
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<td>Tax paid</td>
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<tr>
<td><strong>TOTAL CASH-OUT</strong></td>
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<td>275,212</td>
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<td>-3,050</td>
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<td>Interest</td>
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<td>-26,374</td>
<td>-44,859</td>
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<tr>
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<td>148,551</td>
<td>48,594</td>
<td>90,056</td>
<td>42,147</td>
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</table>
**Financial Projections**

In making projections for the years ending 31 December 2011 to 2020, the directors have made judgments in relation to certain assumptions underpinning the future performance of the Company. However, many of these assumptions relate to events or outcomes which are outside the control of the Company and are not capable of precise predictions. Events or outcomes which differ in quantum or timing from those assumed could have a material positive or negative impact on the forecast. Of significance for the projections is the assumption that the current economic climate will normalise and business and economic conditions will improve in the next few years. This should not be taken as a prediction that an improvement in economic climate and or changes in the markets will or will not occur.

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>464,510</td>
<td>803,164</td>
<td>876,068</td>
<td>1,081,571</td>
<td>1,697,975</td>
<td>2,344,404</td>
<td>3,794,889</td>
<td>5,032,340</td>
<td>16,277,428</td>
<td>17,056,484</td>
</tr>
<tr>
<td>Interest income</td>
<td>-</td>
<td>31,582</td>
<td>28,711</td>
<td>24,117</td>
<td>18,375</td>
<td>11,484</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>464,510</td>
<td>803,164</td>
<td>876,068</td>
<td>1,081,571</td>
<td>1,697,975</td>
<td>2,344,404</td>
<td>3,794,889</td>
<td>5,032,340</td>
<td>16,277,428</td>
<td>17,056,484</td>
</tr>
<tr>
<td>Total Cost of Sales</td>
<td>283,992</td>
<td>608,264</td>
<td>451,044</td>
<td>337,056</td>
<td>353,215</td>
<td>476,858</td>
<td>616,444</td>
<td>586,377</td>
<td>941,998</td>
<td>1,435,590</td>
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<tr>
<td>Total Operating Expenses</td>
<td>788,437</td>
<td>1,049,828</td>
<td>1,083,226</td>
<td>1,089,915</td>
<td>1,047,661</td>
<td>892,322</td>
<td>962,761</td>
<td>1,123,290</td>
<td>1,146,251</td>
<td>1,156,596</td>
</tr>
<tr>
<td>Profit / (Loss)</td>
<td>(607,918)</td>
<td>(854,928)</td>
<td>(658,203)</td>
<td>(345,400)</td>
<td>(297,099)</td>
<td>(975,224)</td>
<td>(3,322,673)</td>
<td>(14,189,179)</td>
<td>(14,464,297)</td>
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</tr>
<tr>
<td>Net Profit After Tax</td>
<td>(607,918)</td>
<td>(854,928)</td>
<td>(658,203)</td>
<td>(345,400)</td>
<td>(297,099)</td>
<td>(975,224)</td>
<td>(2,215,685)</td>
<td>(3,322,673)</td>
<td>(14,189,179)</td>
<td>(13,365,605)</td>
</tr>
<tr>
<td>Less revenue recognised on biological assets</td>
<td>259,206</td>
<td>570,819</td>
<td>595,267</td>
<td>668,593</td>
<td>1,100,337</td>
<td>1,064,759</td>
<td>1,901,932</td>
<td>3,101,372</td>
<td>11,197,405</td>
<td>7,980,149</td>
</tr>
<tr>
<td>Profit after add back of revenue on biological asset</td>
<td>(867,125)</td>
<td>(1,425,748)</td>
<td>(1,253,470)</td>
<td>(1,013,993)</td>
<td>(803,238)</td>
<td>(89,535)</td>
<td>313,753</td>
<td>221,301</td>
<td>2,991,773</td>
<td>6,484,148</td>
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<tr>
<td>Losses carried forward</td>
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<td>5,505,139</td>
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<td>6,308,377</td>
<td>5,994,624</td>
<td>5,773,323</td>
<td>5,552,022</td>
<td>2,560,248</td>
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<tr>
<td>Losses utilised</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>313,753</td>
<td>221,301</td>
<td>2,991,773</td>
<td>2,560,248</td>
</tr>
<tr>
<td>Taxable income</td>
<td>(867,125)</td>
<td>(1,425,748)</td>
<td>(1,253,470)</td>
<td>(1,013,993)</td>
<td>(803,238)</td>
<td>(89,535)</td>
<td>-</td>
<td>-</td>
<td>3,923,899</td>
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</table>

Footnote: Fluctuations in revenue projections is attributed to Teak plantations maturing at different years and annual total cubic meter log harvest variations.
The Company does not give any assurance or guarantee that the projections set out below will be achieved. They are an indication of results, which may be achieved on the basis of the stated set of assumptions. The projections should be read together with the assumptions and risks factors discussed in section on Assumptions and the section on Risks and Risk Management.

<table>
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<tr>
<th>Year</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
<th>2031</th>
<th>2032</th>
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</thead>
<tbody>
<tr>
<td>Revenue from Timber sales</td>
<td>18,104</td>
<td>37,656</td>
<td>78,325</td>
<td>202,403</td>
<td>378,641</td>
<td>1,051,888</td>
<td>1,656,089</td>
<td>1,684,626</td>
<td>4,823,827</td>
<td>8,809,891</td>
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<td>232,344</td>
<td>280,800</td>
<td>412,978</td>
<td>597,638</td>
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<td>1,892,957</td>
<td>1,930,968</td>
<td>5,080,023</td>
<td>9,076,335</td>
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<tr>
<td>Revenue : Recognition of biological assets</td>
<td>259,206</td>
<td>570,819</td>
<td>595,267</td>
<td>668,593</td>
<td>1,100,337</td>
<td>1,064,759</td>
<td>1,901,932</td>
<td>3,101,372</td>
<td>11,197,405</td>
<td>7,980,149</td>
<td></td>
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</tr>
<tr>
<td>Total Revenue</td>
<td>464,510</td>
<td>803,164</td>
<td>876,068</td>
<td>1,081,571</td>
<td>1,697,975</td>
<td>2,344,404</td>
<td>3,794,889</td>
<td>5,032,340</td>
<td>16,277,428</td>
<td>17,056,484</td>
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<tr>
<td>Revenue from carbon reduction units</td>
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<tr>
<td>Total Revenue</td>
<td>464,510</td>
<td>803,164</td>
<td>876,068</td>
<td>1,081,571</td>
<td>1,697,975</td>
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<td>3,794,889</td>
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<td>16,277,428</td>
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<tr>
<td>Total Cost of Sales</td>
<td>283,992</td>
<td>608,264</td>
<td>451,044</td>
<td>337,056</td>
<td>353,215</td>
<td>476,858</td>
<td>616,444</td>
<td>586,377</td>
<td>941,998</td>
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<tr>
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<td>(584,949)</td>
<td>(808,991)</td>
<td>(612,265)</td>
<td>(299,463)</td>
<td>343,036</td>
<td>998,193</td>
<td>2,215,685</td>
<td>3,302,673</td>
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<td>(612,265)</td>
<td>(299,463)</td>
<td>343,036</td>
<td>998,193</td>
<td>2,215,685</td>
<td>3,302,673</td>
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<tr>
<td>Net Profit After Tax</td>
<td>(584,949)</td>
<td>(808,991)</td>
<td>(612,265)</td>
<td>(299,463)</td>
<td>343,036</td>
<td>998,193</td>
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<tr>
<td>Less revenue recognised on biological assets</td>
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<td>595,267</td>
<td>668,593</td>
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<td>1,064,759</td>
<td>1,901,932</td>
<td>3,101,372</td>
<td>11,197,405</td>
<td>7,980,149</td>
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</tr>
<tr>
<td>Profit after add back of revenue on biological asset</td>
<td>(844,156)</td>
<td>(1,379,810)</td>
<td>(1,207,532)</td>
<td>(968,056)</td>
<td>(757,300)</td>
<td>(66,566)</td>
<td>313,753</td>
<td>201,301</td>
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<td>6,464,148</td>
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<tr>
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<td>6,101,658</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>313,753</td>
<td>201,301</td>
<td>2,971,773</td>
<td>2,413,530</td>
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</tr>
<tr>
<td>Taxable income</td>
<td>(844,156)</td>
<td>(1,379,810)</td>
<td>(1,207,532)</td>
<td>(968,056)</td>
<td>(757,300)</td>
<td>(66,566)</td>
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<td>223,438</td>
<td>2,926,283</td>
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<td>337,652</td>
<td>246,908</td>
<td>236,534</td>
<td>231,187</td>
<td>240,110</td>
<td>256,663</td>
<td>274,457</td>
<td>293,263</td>
<td></td>
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</tr>
<tr>
<td>Harvesting, trucking and other costs</td>
<td>9,617</td>
<td>14,595</td>
<td>24,733</td>
<td>25,430</td>
<td>36,476</td>
<td>134,029</td>
<td>252,557</td>
<td>167,559</td>
<td>219,216</td>
<td>352,246</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milling</td>
<td>6,188</td>
<td>12,871</td>
<td>26,771</td>
<td>31,447</td>
<td>50,932</td>
<td>196,281</td>
<td>369,276</td>
<td>408,921</td>
<td>2,340</td>
<td>2,433</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>516,336</td>
<td>574,383</td>
<td>599,054</td>
<td>658,322</td>
<td>706,778</td>
<td>728,072</td>
<td>904,275</td>
<td>989,114</td>
<td>1,037,698</td>
<td>1,067,289</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net movement in trade payables</td>
<td>440,743</td>
<td>28,994</td>
<td>22,304</td>
<td>9,612</td>
<td>(10,228)</td>
<td>(8,249)</td>
<td>(36,666)</td>
<td>(8,410)</td>
<td>(63,097)</td>
<td>(87,197)</td>
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<td>2021</td>
<td>2022</td>
<td>2023</td>
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<tr>
<td>**FUTURE FORESTS (FIJI) LTD</td>
<td>PROSPECTUS**</td>
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</tr>
<tr>
<td><strong>Closing cash balance</strong></td>
<td>4,298,509</td>
<td>2,681,680</td>
<td>1,735,179</td>
<td>972,896</td>
<td>327,274</td>
<td>205,786</td>
<td>392,108</td>
<td>223,438</td>
<td>2,926,283</td>
<td>7,887,633</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest</strong></td>
<td>44,886</td>
<td>44,886</td>
<td>43,614</td>
<td>40,662</td>
<td>37,418</td>
<td>33,852</td>
<td>29,932</td>
<td>25,623</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost of leasing plantations</strong></td>
<td>7,091</td>
<td>15,101</td>
<td>14,406</td>
<td>14,149</td>
<td>15,737</td>
<td>18,729</td>
<td>21,822</td>
<td>22,607</td>
<td>29,813</td>
<td>40,663</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest on converting note</strong></td>
<td>91,875</td>
<td>183,750</td>
<td>183,750</td>
<td>183,750</td>
<td>183,750</td>
<td>91,875</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Milling</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,188</td>
<td>12,871</td>
<td>26,771</td>
<td>31,447</td>
<td>50,932</td>
<td>196,281</td>
<td>369,276</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Harvesting, trucking and other costs</strong></td>
<td>9,617</td>
<td>14,595</td>
<td>24,733</td>
<td>25,430</td>
<td>36,476</td>
<td>134,029</td>
<td>252,557</td>
<td>167,559</td>
<td>219,216</td>
<td>352,246</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Plantation management expense</strong></td>
<td>198,632</td>
<td>435,773</td>
<td>337,652</td>
<td>246,908</td>
<td>236,534</td>
<td>231,187</td>
<td>240,110</td>
<td>256,663</td>
<td>274,457</td>
<td>293,263</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Nursery Expenses</strong></td>
<td>68,652</td>
<td>142,795</td>
<td>74,254</td>
<td>38,612</td>
<td>39,597</td>
<td>41,180</td>
<td>42,828</td>
<td>44,541</td>
<td>46,322</td>
<td>48,175</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fixed assets acquisitions</strong></td>
<td>70,000</td>
<td>530,000</td>
<td>50,000</td>
<td>60,000</td>
<td>80,000</td>
<td>125,000</td>
<td>65,000</td>
<td>500,000</td>
<td>70,000</td>
<td>70,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Land Acquisition</strong></td>
<td>4,000</td>
<td>8,000</td>
<td>4,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,080</td>
<td>2,163</td>
<td>2,250</td>
<td>2,340</td>
<td>2,433</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL CASH IN</strong></td>
<td>6,678,257</td>
<td>412,761</td>
<td>458,576</td>
<td>580,432</td>
<td>758,622</td>
<td>1,379,312</td>
<td>1,817,343</td>
<td>1,926,282</td>
<td>4,691,784</td>
<td>8,583,639</td>
<td></td>
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</tr>
<tr>
<td><strong>Cl Debtors</strong></td>
<td>25,311</td>
<td>28,645</td>
<td>34,619</td>
<td>50,915</td>
<td>73,681</td>
<td>157,764</td>
<td>233,378</td>
<td>238,065</td>
<td>626,304</td>
<td>1,119,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OPENING CASH BALANCE</strong></td>
<td>42,147</td>
<td>4,298,509</td>
<td>2,681,680</td>
<td>1,735,179</td>
<td>972,896</td>
<td>327,274</td>
<td>205,786</td>
<td>392,108</td>
<td>223,438</td>
<td>2,926,283</td>
<td>7,887,633</td>
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<tr>
<td>**FUTURE FORESTS (FIJI) LTD</td>
<td>PROSPECTUS**</td>
<td></td>
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<tr>
<td><strong>2021</strong></td>
<td>2,331</td>
<td>2,632</td>
<td>2,737</td>
<td>2,847</td>
<td>2,960</td>
<td>3,079</td>
<td>3,202</td>
<td>3,330</td>
<td>3,463</td>
<td>3,602</td>
<td>3,746</td>
<td>3,896</td>
</tr>
<tr>
<td><strong>2022</strong></td>
<td>70,000</td>
<td>70,000</td>
<td>2,280,000</td>
<td>80,000</td>
<td>80,000</td>
<td>2,630,000</td>
<td>90,000</td>
<td>90,000</td>
<td>90,000</td>
<td>90,000</td>
<td>90,000</td>
<td>100,000</td>
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<tr>
<td><strong>2023</strong></td>
<td>50,102</td>
<td>52,106</td>
<td>54,191</td>
<td>56,358</td>
<td>58,613</td>
<td>60,957</td>
<td>63,395</td>
<td>65,931</td>
<td>68,568</td>
<td>71,311</td>
<td>74,164</td>
<td>77,130</td>
</tr>
<tr>
<td><strong>2024</strong></td>
<td>313,135</td>
<td>334,127</td>
<td>356,298</td>
<td>379,708</td>
<td>404,421</td>
<td>430,503</td>
<td>458,024</td>
<td>661,379</td>
<td>748,277</td>
<td>817,141</td>
<td>885,577</td>
<td>946,567</td>
</tr>
<tr>
<td><strong>2025</strong></td>
<td>265,037</td>
<td>370,203</td>
<td>557,455</td>
<td>436,212</td>
<td>665,573</td>
<td>1,010,440</td>
<td>763,083</td>
<td>1,028,539</td>
<td>1,649,059</td>
<td>1,161,060</td>
<td>995,247</td>
<td>1,875,982</td>
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<tr>
<td><strong>2026</strong></td>
<td>254,804</td>
<td>430,191</td>
<td>714,830</td>
<td>513,223</td>
<td>836,810</td>
<td>1,361,515</td>
<td>981,123</td>
<td>1,268,314</td>
<td>2,066,632</td>
<td>1,457,332</td>
<td>1,289,219</td>
<td>2,820,816</td>
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<tr>
<td><strong>2027</strong></td>
<td>1,260,366</td>
<td>1,295,344</td>
<td>1,533,546</td>
<td>1,517,098</td>
<td>1,614,774</td>
<td>1,803,767</td>
<td>1,783,949</td>
<td>1,892,000</td>
<td>2,104,031</td>
<td>2,053,551</td>
<td>2,060,797</td>
<td>2,364,509</td>
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<tr>
<td><strong>2028</strong></td>
<td>17,421</td>
<td>(78,399)</td>
<td>(163,243)</td>
<td>79,535</td>
<td>(153,817)</td>
<td>(245,467)</td>
<td>145,680</td>
<td>(204,937)</td>
<td>(420,666)</td>
<td>283,615</td>
<td>73,816</td>
<td>(701,028)</td>
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<tr>
<td><strong>2029</strong></td>
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<td><strong>2030</strong></td>
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<td><strong>2031</strong></td>
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<td><strong>2032</strong></td>
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</tbody>
</table>
assumptions

- The issue will be fully subscribed.
- There will be no significant changes in the nature of the competitive environment in which the company operates during the forecast period.
- No changes will take place in the statutory, legal and regulatory environment which could detrimentally impact the operations of the Company or the business environment it operates in. This includes the introduction of any export taxes on sawn timber.
- There will be no material economic, political or industrial disturbances or damages to the assets of the Company.
- The accounting policies of the company will remain constant.
- There will be no change in the Fiji Account Standards or International Accounting Standards.
- Financial and Silviculture assumptions are:

<table>
<thead>
<tr>
<th>Inflation factor</th>
<th>4%</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAI (mean annual increment) over 22 year rotation</td>
<td>9.4m³</td>
</tr>
<tr>
<td>Price of Sawn Teak</td>
<td>Mill recovery rates</td>
</tr>
<tr>
<td>Price per cubic metre of round log</td>
<td></td>
</tr>
<tr>
<td>Price per cubic metre of sawn timber</td>
<td>9 yr old</td>
</tr>
<tr>
<td>Price per cubic metre of sawn timber</td>
<td>12 yr old</td>
</tr>
<tr>
<td>Price per cubic metre of sawn timber</td>
<td>15 yr old</td>
</tr>
<tr>
<td>Price per cubic metre of sawn timber</td>
<td>18 yr old</td>
</tr>
<tr>
<td>Price per cubic metre of sawn timber</td>
<td>22 yr old</td>
</tr>
</tbody>
</table>

Expected increase in price of teak - 4%

Adjustment for risk factors such as fire, cyclone, pests and diseases - 5%

<table>
<thead>
<tr>
<th>Hectares planted year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015-23</th>
<th>24 thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>200</td>
<td>400</td>
<td>200</td>
<td>100</td>
<td>100</td>
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<tr>
<td>7</td>
<td></td>
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<td>9</td>
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<td>10</td>
<td></td>
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</tr>
</tbody>
</table>

Value of standing trees M3

<table>
<thead>
<tr>
<th>Value 1-5years</th>
<th>Value 6-8 years</th>
<th>Value 9-11 years</th>
<th>Value 12-14 years</th>
<th>Value 15-18yrs</th>
<th>Value 19-22yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$50</td>
<td>$250</td>
<td>$375</td>
<td>$450</td>
<td>$500</td>
</tr>
</tbody>
</table>
independent accountant’s report
valuation of biological assets. FFFL has valued its biological assets at 31 December 2010 based on certain key assumptions and best estimates which may vary over time. The actual outcomes of these assumptions and estimates may be different to the fair value estimated in the Financial Statements at year-end.

Our review covered the following procedures:

- Review of the Historical Financial Information to assess compliance with the Capital Markets Decree 2009 and the disclosure requirements specified by RBF Capital Markets Supervision Policy No. 5.
- Review of the Historical Financial Information to ensure compliance with generally accepted accounting practices and that they present fairly the statement of affairs, results and cash flows of the company at those dates.
- Our review was conducted in accordance with the International Standard on Review Engagements 2400 “Engagements to Review Financial Statements”. Responsibility for the financial statements including adequate disclosure is that of the management of the company.
- Verification of amounts disclosed in the Historical Financial Information to amounts disclosed in the audited financial statements.

(b) Ernst & Young do not have any professional, financial or other relationship with or interest in Future Forests (Fiji) Limited.

(c) Opinion on Historical Financial Information

We have reviewed the Historical Financial Information set out on Pages 36 to 39 of the Prospectus. The Historical Financial Information is the responsibility of the company’s management. Our responsibility is to issue a report on the Historical Financial Information based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400 “Engagements to Review Financial Statements”. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Summary Financial Information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information does not give a true and fair view in accordance with Fiji Accounting Standards and generally accepted accounting practices.

The Historical Financial Information has been correctly taken from audited financial statements.

We have received all information and explanations necessary for our review.
2. INDEPENDENT ACCOUNTANTS’ REPORT ON DIRECTORS FINANCIAL FORECASTS

(a) Scope of examination

We have examined the forecast financial information contained on pages 40 to 45 of the Prospectus of Future Forests (Fiji) Limited for the years ending 31 December 2011, 31 December 2012 and 31 December 2013.

The Directors of Future Forests (Fiji) Limited are responsible for the preparation and presentation of the forecast financial information including the assumptions on which their forecasts are based, and the establishment of adequate procedures to identify, appraise and manage the risks set out in the Risk and Risk Management section of the Prospectus.

Our examination of the Directors’ financial forecasts has been conducted in accordance with International Standard on Assurance Engagements 3400 “The Examination of Prospective Financial Information”. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the forecast financial information and the evaluation of accounting policies. These procedures have been undertaken to form an opinion as to whether anything has come to our attention which causes us to believe that Directors’ assumptions as set out in the Prospectus do not provide a reasonable basis for the preparation of the forecast financial information, is properly prepared on the basis of the assumptions and is presented fairly in accordance with Fiji Accounting Standards considered appropriate for this purpose and on a basis consistent with the accounting policies adopted by the company, so as to present a view of the Company which is consistent with our understanding of the company’s future operations and the assumptions adopted by the Directors.

Prospective financial information relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions on which forecast financial information is based, such evidence is generally future oriented and accordingly the Company’s actual results may vary from the Directors’ financial forecasts and such variations may be material.

(b) Opinion on Directors’ financial forecasts

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that the assumptions as set out in the Risk and Risk Management section of the Prospectus do not provide a reasonable basis for the preparation of the forecasts.

In our opinion,

(i) the forecasts are properly prepared on the basis of the Directors’ assumptions as set out in Risk and Risk Management section of the Prospectus; and

(ii) the forecasts for the years ending 31 December 2011, 31 December 2012 and 31 December 2013 are presented fairly in accordance with:

- Fiji Accounting Standards considered appropriate for this purpose; and
- On a basis consistent with the accounting policies adopted by the Company.
Actual results are likely to be different from the forecasts since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the forecasts will be achieved.

Emphasis of Matter

☐ Without qualifying our opinion, we draw attention to the valuation of timber inventory included in the statement of financial position and the assumptions used by the company to forecast the value of its biological assets. FFL has forecasted its biological assets at 31 December 2011, 31 December 2012 and 31 December 2013 based on certain key assumptions and best estimates which may vary over time. The actual outcomes of these assumptions and estimates may be different to the fair value estimated at each reporting period.

3. GENERAL

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Ernst & Young consents to the inclusion of this report in the Prospectus in the form and context in which it is included.

Yours faithfully

[Signature]

Ernst & Young
Chartered Accountants
independent taxation report

31 May 2011

Dear Sirs,

This report has been prepared at the request of the Board of Directors of Future Forests (Fiji) Limited for inclusion in the company’s Prospectus to be issued in May 2011 (the Prospectus) and should be read in conjunction with the Prospectus.

Scope of report

Our advice is based on the tax laws that are current at the date of this report and in particular the Income Tax Act 1974 (”ITA”) as amended and related regulations and the Capital Gains Tax (”CGT”) Decree that came into effect from 1 May 2011.

A taxpayer’s liability under the ITA and CGT Decree is determined having regard to the particular facts and circumstances of the taxpayer and to all relevant surrounding facts and circumstances. Accordingly, this report is but a general overview of the potential application of the ITA and related regulations and the CGT Decree, and is not a detailed analysis of how the tax laws may apply to a particular taxpayer.

Potential investors should seek their own professional taxation advice before investing in the company.

Income of shareholders of the company

Distribution from realised capital gains Any distribution by the company from realised capital gains in respect of which CGT has been paid by the company should be tax free to all shareholders.

Dividends paid out of retained earnings (revenue) to resident individuals

Any dividend paid by the company to a resident individual shareholder will be allowed a deduction to the extent that the dividend paid is a qualifying dividend. "Qualifying dividend" means a dividend paid or credited by the company to the extent that it has been paid or credited from income which has been charged to tax. The amount of the deduction is the amount of the qualifying dividend. The amount of the qualifying dividend is calculated in accordance with the Income Tax (Dividend) Regulations.

Private & Confidential

The Directors

Future Forests (Fiji) Limited

SUVA

Ernst & Young

FUTURE FORESTS (Fiji) LTD | PROSPECTUS
All dividends paid by a company listed on the South Pacific Stock Exchange are exempt from tax in the hands of a resident shareholder.

**Dividends paid to a resident company**

Dividends paid by the company to another resident company will be exempt from tax.

**Dividends paid to non-resident shareholders**

Dividends paid out of retained earnings by the company to a non-resident shareholder will be subject to withholding tax to the extent that the profits out of which the dividends are paid have not been subject to tax.

As in the case of dividends paid to resident individuals, the extent to which profits out of which dividends are paid have been subject to tax is determined in accordance with the Income Tax (Dividend) Regulations.

**Income of the company**

All income derived by the company, including any income received from offshore, is subject to income tax except any dividends received by the company from another resident company. However, a credit will be given in respect of taxes paid overseas limited to Fiji taxes applicable on the same income.

Any capital gain arising from the sale of any capital assets will be subject to CGT in accordance with the CGT Decree at the rate of 10%.

**Sale of company shares**

Unless the main business of the shareholder is trading in equities in which case any gain from the sale of the company’s shares will be treated as ordinary income and taxed as such, but any other gain arising from the sale of the company shares by a shareholder should not be subject to either income tax or CGT as the sale of share in companies listed on the South Pacific Stock Exchange are exempted from CGT.

**Disclaimer**

This report was prepared solely for the purposes for inclusion in the company’s Prospectus and is not to be taken by any third party to be professional advice and should not be relied upon as such.

Sincerely

Ernst & Young
Chartered Accountants
risk and risk management
How well the Company is led and governed is crucial to achieving its commercial goals as well as the broader social, economic and ecological aspirations. Adherence to the vision and values of the Company is important to shareholders.

The three founding directors, together with the other 44 initial shareholders who had the same vision, own 68.09% of the total share register of 30 million B-Class Ordinary shares. It is envisaged that this like-minded constituency of shareholders increases with this public offering. FFF has put in place the necessary corporate policies and procedures to ensure balanced and transparent decision making and financial control. Compliance assessment has been carried out on its corporate and human resources practices and policies. Annual reports and audited accounts by a reputable international accounting firm have been prepared regularly. Annual general meetings allow shareholders to exercise their individual and collective decisions on who is best suited to steer the Company on their behalf. Through its listing on the South Pacific Stock Exchange, the Company opens itself to public scrutiny as well as regulation by the Reserve Bank of Fiji and the Exchange. The Company will continue to publish annual reports with audited accounts and hold annual general meetings and special meetings if and when required.

management succession

The achievements of the Company testify to the quality and competence of current and past management. Ensuring the continuity of effective management is key to achieving the projected returns of the Company. The Board has been successful in appointing senior management who are aligned to the specific needs of the formative and consolidation stages of the Company. This level of strategic stewardship will ensure that the caliber of senior management is best suited to the needs of the Company. Through ongoing investment in training and effective delegation of roles, a strong middle management team exists.

The Company’s Risk Management strategy encompasses three key elements:

- continuous identification, assessment, and prioritization of risks
- cost-effective use of resources to minimize risks from occurring and to control negative impacts
- maximizing the realization of opportunities

To date the company has been risk averse in its decision making. The Company will continue to manage all risks diligently with regular reviews of potential risk levels and mitigation strategies and to ensure adequate contingency plans are in place.
While the price of Teak timber has risen steadily over the last thirty years and even held steady through the recent global economic crisis, it is prudent that the Company anticipates changes in demand and price. Its business model and in-built operational efficiencies are expected to enable FFF to continue to achieve net profits even with a fall in prices.

FFF will produce logs of high quality by using only superior seed material coupled with good plantation management practices. Through compliance with sustainable plantation standards the Company’s timber will carry an eco-label that fetches a premium price.

Competition is currently not a significant factor. At the national level, FFF is in fact encouraging others, especially land owners, to invest in their own Teak plantations as this will fuel the growth of a vibrant industry that benefits all stakeholders. Internationally, the huge unmet demand presents great opportunities to position FFF as a respected and eco-friendly supplier of quality Teak timber.

Throughout the cycles of political disruptions, successive governments have put in place policies and channeled resources to safeguard the main economic sectors (tourism, sugar, fisheries, garment and forestry) and the livelihoods they afford to the country’s population.

Although commercial forestry plantation is a new industry in Fiji, the government has had a long history of growing pine and mahogany. The potential of this new industry, centered on Teak whose value surpasses that of both pine and mahogany, has gained the support of past and current administrations. This new industry is private sector driven, has strong international demand, is rural based and environmentally beneficial and puts deforested lands (an underutilized and abundant indigenous asset) to valuable use.

The Company continues to invest in maintaining excellent social and commercial relationships with landowners and rural communities where it operates. FFF has initiated land lease arrangements in which the indigenous land owners are encouraged and assisted to invest in their own Teak plantations. Only by growing the wealth of land owners can there be an equitable and respectful relationship between the community and the Company.

In place are various incentives encouraging domestic and foreign investments in Fiji. The “Look North Policy” provides generous tax exemptions for companies establishing activities in the second largest island of Vanua Levu – where FFF intends to locate part of its 3,000 hectares of Teak plantations. Duty concessions on imported agricultural development inputs and equipment also apply to plantation forestry. Dual citizenship and schemes like “Fiji my Second Home” welcomes and encourages long term investment by foreign nationals.

Only a seed of good parentage, together with continuous care and maintenance, will produce a top quality tree. Such superior genetic material is imported in the form of seeds or tissue culture. The Company will secure its seeds from a number of certified sources until it has established its own improved Teak seed orchard in Fiji, thereby eliminating the risk of relying on external suppliers.

During and after the Public Offering, the Company will encourage landowners to become shareholders, effectively making the landowners Landlords, Employees and Owners of the Company. This will create a unique transparency model enabling the landowners to fully participate in the development and projected financial returns of the Company.
environment and climate

fire prevention
The Company takes the risk of fire seriously. Since plantation blocks are spread out, in relation to suitable terrain and soil types, this in itself mitigates against the wholesale exposure of the Company’s plantations to this hazard. Fire prevention and control measures include:

- Establishing fire breaks within the plantation areas.
- Regular plantation maintenance to reduce combustible materials.
- Investment in firefighting equipment.
- Continuous training of employees on fire prevention and management.
- Community advocacy and education on fire prevention and surveillance.
- Use of existing native forests as fire breaks

cyclones
Fiji is affected by seasonal cyclones. FFF will minimise the risk of damage and losses from its plantations by planting in a number of geographic locations.

Forestry research provides some evidence that Teak plantations have the ability to recover from cyclone damage. The main damage is usually to leaves and branches. The physiological characteristics of the Teak tree, with its deep penetrating and stabilizing root system, provide very good wind resistance throughout its life cycle.

In Teak plantations, the root systems are intertwined, creating extra stability.

Since the Company started planting, two cyclones have hit Fiji, cyclones Gene and Mick. Both cyclones affected only the foliage, with minimal long-term damage and the trees recovered well.

Cyclone Yasi was the most intense tropical low to cross the Australian coastline in living memory. A category five cyclone with winds up to 300 km/h and a front of some 400 kilometres landed at the Mission Beach to Cardwell area and proceeded to Georgetown. This track put the cyclone almost directly in the centre of the Teak plantations. The full Teak estate was inspected during the week of 12 February 2011. Of the forty individual properties, a single summary can be drawn – there was relatively little damage to the estate.

Although enormous regional damage was caused by Cyclone Yasi, less than 15% of the total Teak estate was affected. (Source: Simon Penfold, BA For. Sci; MBA; FICD).

However the company expects limited cyclone damage to the trees. The Teak tree is considered durable, with limited term decay effects when damaged in the forest. Any severely cyclone damaged trees will be removed from the plantation as part of the regular thinning silviculture practices. The damaged trees will be milled, therefore the timber in the damaged trees will be utilised and these trees are not considered a total loss to the company.

drought
Fiji may experience unusual droughts from time to time particularly during the El Nino cycles. Teak grows well in areas that have a minimum of 1,500 mm of rainfall per annum and performs best with rainfall of 2,500 mm of rainfall per annum. Teak is a deciduous tree that sheds its leaves during the dry season. The Teak tree is well adapted to very dry spells and recovers quickly when the rainy season commences. The Company will only grow Teak in areas that have a 30 year average of at least 2,000 mm of rain per annum.

pests and disease
The management strategy to mitigate the risk presented by diseases and pests involves:

- Disease and pest mitigation policy and early detection
- Staff training
- Maintenance of hygienic environment in nurseries and work areas
- Decentralisation of plantation sites
- Chemical treatments
- Maintenance of high tree health
- Cooperation with Quarantine Department

The financial loss as a result of all potential risks as described in this section has been accounted for in the Profit and Loss in the Financial Projections. Annually 5% of gross revenue has been deducted from gross revenue in the financial projections. For example in 2025 in the Financial Projections Profit and Loss a total of $1.15m has been recorded as loss due to Environmental and Climate Risks.
independent foresters report

by Dr Luis Ugalde
**summary**

Old growth teak stands in the Fiji Islands are evidence that Teak (Tectona Grandis) was introduced in the early 20th Century. Fiji’s sub tropical climate is suitable for teak. Achieving good timber yields and high wood quality from Teak plantations requires the right climatic conditions, good site selection, good genetic materials and silviculture best practices.

Future Forests Fiji Ltd has been planting Teak in plantations in Fiji since 2006. The Future Forests Fiji timber inventory projections for Teak plantations with a rotation period of 22 years have been reviewed and adjusted by the consultant. With good site selection, use of good genetic materials and silviculture best practices it is reasonable to assume that FFF will be able to achieve a Mean Annual Increment (MAI) on Merchantable Volume (MV) of 9.4 cubic meters based on a 22 year rotation of Teak plantations in the Fiji Islands. Future Forests Fiji (FFF) operates Teak Plantations (Tectona Grandis) in the Fiji Islands. FFF’s oldest plantations are four years old. In consultation with Ernst & Young accountants, FFF is preparing the company’s financial projections, including the FFF timber inventory projections to be used on the company’s Prospectus.

The Consultant will review the FFF Timber inventory projections. The Timber Inventory Projections consist of projected timber volumes and projected values of the Teak plantations. The Consultant will use the following information:

1. Information provided by FFF in the FFF Notes to the Timber Inventory Projections Review
2. The Consultant’s knowledge and experience in undertaking similar work related to Teak plantations internationally
3. Global Teak plantation research and knowledge, and
4. Additional information provided by FFF.

The following are some of the most important quality and attribute aspects that give teak wood its high acceptance internationally and its relationship to world market trends. Some of the consultant’s opinions are indicated at the end with regard to current prices and sales of wood from young commercial Teak plantations and the trends that could affect teak values in the future. Quality tropical hardwoods, in the present context, are understood (as pointed out by Keogh, 2000) to mean high grade hardwoods, including quality woods such as Teak, mahogany, iroko, meranti and other timbers that are used for top-of-the-line end uses such as boat building, quality indoor and garden furniture, interior decor, panelling, decking, carving, etc. These woods are sometimes called luxury woods, cabinet woods or specialty timbers.

Statistics about total production of quality tropical hardwoods are difficult to obtain for a number of reasons. Lack of accuracy of the data, inconsistencies in measurements, variations in product definition and the lumping together of various species, all contribute to the problem. Nonetheless, it is estimated that the total production of tropical hardwood saw/veneer logs in 1998 was around 123 million m3 and it is assumed that quality tropical hardwoods constitute about three quarters of this production, or 90 million m3 (ITTO, 1998). Although the situation is improving slowly, most of the global demand for these timbers originates from unsustainable sources. Furthermore, it is difficult to foresee demand ever being met from sustainable natural sources alone.

In order to conform to the principles of sustainable development, the future supply of quality tropical hardwoods must be based on Sustainable Forest Management (SFM) whatever the source or sources of supply. The total annual volume (round wood equivalent) of quality tropical hardwoods (90 million m3), now produced from natural forests, mostly in an unsustainable manner, represents the target volume to be substituted. Since forecasts are that domestic demand for these hardwoods will increase, this is a minimum target (Keogh,2000).

There are further complexities to be considered. Over the coming decades, commercial harvesting will not be possible throughout all natural forests. Large areas are likely to be brought under protection without exploitation. There will be pressure to maintain large tracts under traditional non-commercial use, particularly for indigenous communities. Economically disadvantaged forests will not be available for timber supply, nor areas undergoing continued deforestation. It is doubtful if the capacity and the resources required to substitute the quality tropical hardwood volume, totally from natural forests, will, realistically, be achievable or available in the foreseeable future in developing countries (FAO, 1995; ITTO,1998; Keogh,2000).

Assuming a mean production of 10m3/ha/year (achievable through careful site selection), then 9 million ha would be required to supply 90 million m3 of quality hardwoods annually. Assuming a 30 year rotation, some 300,000 ha per year would be required to achieve the target. This equates to 10 percent of annual planting in developing countries in 1995 (SOFO, 1999). If the rotation was extended to 40 years, some 225,000 ha per year would be required annually or 7.5 percent of the current planting rate.

According to some experiences of teak plantations in Latin America for a high input forestry management and an excellent site index class it is possible to achieve a mean
Factors that are looked for in quality teak are:

- acceptable tree dimensions (height and diameter);
- good bole shape (low taper, lack of buttressing and fluting, etc);
- small knot size and low frequency;
- good grain angle (lack of spirality);
- low tension wood and juvenile wood proportions;
- high heartwood-sapwood proportions;
- acceptable wood characteristics (attractive colour and texture).

The general conclusion is that there are no well defined markets for commercialization of teak wood from new international Teak plantations. With regard to commercialization of Teak wood, in Latin America where the largest quantity of this species has been commercialized, logs and blocks sold were sent to Southeast Asia mainly to India. Therefore, the continued growth of the majority of investments in establishing Teak plantations in some countries such as Mexico, Central America (Panama, Costa Rica, Guatemala) and South America, especial Brazil, Ecuador and Colombia, indicates that in the next few years (the consultant estimates 5 to 10 years) as the supply of high value species from natural sources continues to decline due to deforestation and illegal felling, a better defined market will have to be generated, locally and internationally, especially for Teak wood. Currently, precisely due to illegal felling, natural tropical forests have provided a significant quantity of wood. The price of this wood is indirectly distorted; consequently the real value per cubic meter of high commercial value wood in an undistorted market is unknown. At the present time in several Latin American countries covering tropical forest zones, including the Amazon in South America, the lack of high value native wood species is becoming a very serious problem and one of the main limitations. Consequently, a large number of lumber mills, accustomed to using these types of woods in the industry, are working at reduced capacity and several have had to close because they are unable to obtain sufficient quantities of wood or because the price and transportation costs to increasingly farther destinations have increased. As a result this has become a less profitable business and will face even greater difficulties over the next few years.

Another known factor is the decrease in natural Teak forest areas in Southeast Asia, which are currently the main source of teak wood supplied internationally with felling rotations of 60 to 80 years. These forests are being cut down and sustainable management is increasingly doubtful. All of this constitutes the basis for the expectation that in the next few years there will be an opportunity with high comparative advantage for Teak wood sourced from commercial plantations with felling rotations of 20 to 30 years to become one of the main supply sources internationally. This is true, as long
as strong investment continues in the establishment of tens of thousands of hectares of Teak plantations per year, which is currently due mainly to availability limitations and the price of large extensions of land apt for Teak remaining low compared to the potential future demand.

Teak (Tectona Grandis) was introduced in Fiji in the early 20th century by the British Colonial Administration. Fiji has some remaining old growth Teak stands. Genetic sources have been traced to Myanmar, India and Trinidad from documentation at the Fiji Forestry Department. Many Teak stands are available as seed source. FFF has inspected 43 Teak stands in Fiji and has selected 3 stands as suitable for seed collection. The materials supplied by Future Forests Fiji Ltd were:

1. FFF Teak Timber Inventory projections (Excel file)
2. FFF Notes and Assumptions on Teak Timber Inventory projections document (word file)
3. Additional information was requested by the consultant such as:
   - Additional soil analyses (see Annex). Physical and chemical soil sample analyses were made at the Fiji Koronivia Agricultural Chemistry Laboratory from samples taken at three soil depths 0-20 cm, 20-40 cm and 40-60 cm. Analysis results indicate that there are sites with soils appropriate for the cultivation of teak. However, due to the variability of these soils, it is very important to conduct detailed analyses of the physical and chemical soil characteristics, as well as the effective soil depth and well draining.
   - Additional tree measurements at permanent plots were made for FFF young plantations to verify yield and growth. Individual tree measurements were processed using the MiraSilv software (Ugalde, L. 2010).

All assumptions used for the projections were analyzed and verified as follows:

1. Climatic conditions in Fiji in the areas programmed for the establishment of Teak plantations are generally favourable for teak plantation growth with regard to total precipitation and distribution per year.
2. Fiji’s wet season is from November till June with a 4 month dry season from July to October. The area selected by FFF for Teak plantations has a distinctive dry season averaging 4 months. Rainfall averages around 2600mm per annum. Teak requires a distinctive dry season.
3. Average temperature ranges between a minimum of 20 to 26 degrees Celsius in the dry season to 24 to 31 degrees Celsius in the wet season with a relative humidity between 80% to 88%. The temperatures are within the range suitable for Teak.
4. “The variable soil conditions will affect initial growth of some FFF plantations. Therefore it is very important to carefully select the sites with the best soil conditions to obtain mid to upper growth and productivity levels, as well as to ensure the use of high quality genetic material.
5. The expected stock will be 1100 to 1150 trees per hectare and 1150/ha were used for projections. The thinning regime assumes removal of 550 trees around year 6 and around 100 trees every 3 years with a final harvest of around 140 trees per hectare. Adjustments made to volume projections and valuations are realistic for the site conditions and forest management programmed for new plantations established by FFF according with the following table. The above stocking rate and thinning rates are in line with international best practices.
6. The first thinning to be done in year 6 is expected to be sold to a biomass generation plant in Fiji at approx F$50 US$25 per cubic meter.
7. Expectations are that trees thinned in years 9 and 12 will be milled into squared logs and sold either locally or exported to India or China. Recovery rate is expected to be around 45%.
8. From year 15 onwards, the expectation is that the logs will be milled into sawn wood with an expected recovery rate of around 50%.
9. The Price of logs used in projecting the value of Teak timber is backed up by the prices published by ITTO . The following table shows the projected value of teak plantations in Fiji in Fiji Dollars in cubic meters at different ages: These values are derived from ITTO publications.
10. The FFF model is based on planting 100 hectares per year and continuing at a rate of 100 hectares every year. FFF does not expect to plant a larger area in the first year and then manage the large plantation for 22 years, since at this stage FFF does not have the financing. Therefore they will try to plant a minimum of 100 ha per annum. However should financing be available FFF may increase its annual planting area.
11. The plantation establishment cost is around US$750 per hectare including first year weeding. This is in line with international teak plantation establishment indicators for between US$600 and US$1,000 per hectare established.
12. The FFF projections do not necessarily anticipate planting the same land again after it is harvested in year 22. This will depend on the lease period and site quality after the final harvest. If there is land available, 200 hectares of new land may be planted in year 23.
13. All the calculations are based on planting and managing 100 hectares per annum. The IRR is calculated on the Discounted Cash Flow and is based on 100 ha per annum planting, thinning and final harvest and logs transported to the mill. (Note that all dollar values are in Fiji dollars, to convert to US$ divide the Fiji Dollar value by 2.)
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Primer Congreso Latinoamericano, El Manejo Sustentable de los Recursos Forestales,

curriculum vitae: Luis Alberto Ugalde Arias, Ph.D.
Professor and International Forestry Consultant.
International Consultant on Forestry Plantations and Agroforestry Systems, with
Specialization in Silviculture of Teak Plantations and native species in Latin America (Brasil,
Ecuador, Perú, Colombia, Guatemala, Costa Rica, Guatemala, México & Belize) and South East
Asia.
EDUCATION:
Ph.D. Management Information Systems in Natural Resource Management, University of
Thesis: Effective Information Management in Forestry: An Application to Fuelwood and
Multi-purpose Tree Species Research in Central America.
M.S. Renewable Natural Resources with Specialization in Silviculture. Centro Agronómico
Thesis: Growth and sorted yield of Eucalyptus deglupta plantations managed under two
selective thinning intensities at Turrialba, Costa Rica.
PROFESSIONAL EXPERIENCE:
- Associate Professor of Plantation Silviculture at CATIE’s Graduate School (Part time).
- International Forestry Consultant in Latin America and South East Asia.
- International Forestry Advisor on Teak Plantations and native species
- International Forestry Advisor for the implementation of a Monitoring and Evaluation
System for Forestry Incentive Projects in Guatemala and El Salvador.
- International Forestry Advisor on growth and yield for teak plantations.
- 1997 to 2000: Head, Communication and Information Systems Area, Outreach Program,
CATIE, Turrialba, Costa Rica.
- 1988 to 1996: Management Information Specialist for the MADELENA Project, CATIE,
Turrialba, Costa Rica.
- Participated in the design and implementation of extension and dissemination activities
in Central America involving about 50 institutions from government, private sector, and
NGOs.

The commissioning of an Independent Review of the FFF Timber Inventory Projections was a specific requirement by Ernst & Young during the review
of the FFF Financial Projections. The selection criteria as set out by Ernst & Young specified that the Independent consultant must be a Teak specialist,
reputable and experienced forester and must have completed valuation for other Prospectus. Dr Ugalde met the criteria and was accepted as an
independent consultant to undertake the review by Ernst & Young.
The FFF Timber Inventory Projections have been modified in accordance with Dr Luis Ugalde’s recommendations presented in the independen review
of the FFF Teak Timber Inventory Projections report, dated October 2010.
Mr Murray Keys, independent forester, reviewed the “Independent review of the FFF Timber Inventory Projections” dated 25 November 2010 prepared
by Dr Ugalde. On the 7th of June 2011 Mr Keys provided an opinion that the Dr Ugalde report is still current and no significant or material changes have
occurred which would change the report.


questions and application forms
frequently asked questions

what does it mean to own shares or notes?
To own shares and be a shareholder in a company means you are a part-owner of the company. Your rights as part-owner in Future Forests (Fiji) Ltd include:

- the right to participate in the profits of the Company by the receipt of dividends (if declared);
- the right to attend and vote at shareholder meetings; and
- a pro-rata entitlement to the proceeds on a winding up of the Company, after all creditors have been satisfied.

To own notes means you will receive a 7.5% coupon (interest) each year for a maximum of five years. Each note converts into one share which carries the rights as described for shares above.

Each year noteholders will have the opportunity to convert notes into shares. If noteholders do not exercise this option, notes convert into shares at the end of five years.

A noteholder is entitled to attend Annual General Meetings but not entitled to vote at the meeting.

An independent director will be appointed as the noteholder representative.

what financial benefits can arise from the ownership of shares or notes?
For shares, this includes:

- Income in the form of dividends; and
- Capital growth from a rise in the share price.

The Company’s directors will determine the level dividends to be paid each year.

Dividends are not fixed and may vary from year to year or not be paid in any particular year. An investment in Future Forests (Fiji) Ltd is expected to generate capital gains in the short term and dividends and capital gains in the longer term.

For notes, an investor will receive a 7.5% coupon (interest) annually until the notes convert into shares, no later than five years after issue. During the time that notes remain unconverted, the investor will not be entitled to any dividends paid on shares. However it is possible that the notes price could rise (or fall) therefore giving rise to capital gains (or losses). After five years, each note converts into one share in the Company, with the benefits as described for shares above.

what are the risks?
The risks of investing in the Company are provided in the Risk and Risk Management section on page 55.

what is the par value of each share?
Each share in the Company has a paid up capital value of $0.01. This is a legal concept which does not necessarily reflect the market value of the shares and is merely intended as the lowest price at which shares may be issued.

if I want to subscribe for shares, should I apply early?
It is intended that the Offer Period will be open until 28 October 2011. However, the Offer Period may close earlier if the offer is fully subscribed before 28 October 2011. It is recommended that investors apply early to avoid disappointment.
will I get all the shares or notes I apply for and when will I know?
This will depend on how strong demand for shares or notes is. If the total value of applications is less than $4.9m, investors will be allotted the full number of shares or notes applied for. Otherwise, allotment will be subject to scaling to the extent that the Company does not accept oversubscriptions.

what if my application is unsuccessful?
If you do not receive all the shares or notes for which you applied, you will receive a refund within five business days of the close of the Offer Period. Interest will not be paid on refunded application monies.

how are dividends declared and paid?
The Directors will determine how much of the Company’s profits are required for reinvestment in the Company’s. Investors should recognise that the price of shares and notes can fall as well as rise. The price at which the shares and notes trade in the future may be higher or lower than the Issue Price. Therefore, if you decide to sell your shares and/or notes, the amount you will receive on sale may be higher or lower than the amount originally invested.
Dividends are declared at the end of each financial year and may vary from year to year and are usually declared as a number of cents per share. The first dividend payment from Future Forests (Fiji) Ltd shares is expected to be distributed in 2017. Interest on notes is fixed at 7.5% for 5 years. Noteholders are not entitled to dividends.

what affects the share or notes price on the stock exchange?
Many factors will affect the price of shares or notes of the Company. At any point in time, these may include the following:
Company factors:
• the profitability of the Company;
• the dividend policy of the Company;
• assessments as to the profit outlook for the Company;
• the strength of the balance sheet of the Company; and
• the risk factors applicable to the Company outlined in the Risk and Risk Management section on page 55.
External factors:
• global Teak timber prices
• global economy and construction
• the economic and/or political outlook in Fiji;
• changes in interest rates and inflation; and
• movements in the general level of prices on local and international stock markets.
If you have any questions about the taxation and other considerations of share ownership, you should consult a suitably qualified adviser.

who can I contact if I have any questions regarding the Issue?
Please contact the Issue Manager. Refer to the Corporate Directory at the back of this Prospectus.
who can I complain to if I have any grievances relating to the Issue?

If you have any complaints related to the Issue, please contact the Issue Manager or the Reserve Bank of Fiji. Refer to the back of this Prospectus.

additional Statutory Information

- The information contained in this section of the Prospectus is included for the purposes of the Fourth Schedule of The Companies Act, 1983 and the Capital Markets Decree, 2009.

- The three initial shareholders: Paul Evers holds 6,841,200 shares, Jeffrey Liew holds 4,307,200 shares and Tarei Weeks & Roderic Evers hold 4,200,000 shares.

- The Articles of Association of the Company (“the Articles”) do not require share qualifications for directors.

- The remuneration of directors out of the funds of the Company may be determined from time to time in general meeting.

- Reasonable travelling, accommodation and incidental expenses while proceeding to and from any meeting or otherwise employed in the business of the Company may be paid out of company funds.

- The names, occupations and addresses of the directors are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Occupation</th>
<th>Address</th>
<th>Directorship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaliopate Tavola</td>
<td>Consultant, Kingfisher Consultants</td>
<td>Wailoku, Suva</td>
<td>Chairman / Independent Director</td>
</tr>
<tr>
<td>Roderic Evers</td>
<td>Managing Director, Future Forests (Fiji) Limited</td>
<td>GPO Box 704, Suva</td>
<td>Founding Director</td>
</tr>
<tr>
<td>Stephen Clark</td>
<td>General Manager, Future Forests (Fiji) Limited</td>
<td>PO Box 1322, Nabua</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Paul Evers</td>
<td>CEO, Ravua Pastoral Company</td>
<td>PO Box 3178, Lami</td>
<td>Founding Director</td>
</tr>
<tr>
<td>Jeffrey Liew</td>
<td>Senior Advisor, United Nations Capital Development Fund</td>
<td>Private Mail Bag, Suva</td>
<td>Founding Director</td>
</tr>
<tr>
<td>Peter McPherson</td>
<td>CEO, FijiCare Insurance</td>
<td>PO Box 15808, Suva</td>
<td>Independent Director</td>
</tr>
</tbody>
</table>

- The minimum amount to be raised by this issue is $1 million.

- The time of opening and closing of subscription lists is noted on page 6 of this Prospectus.

- The full price per share of $0.80 and per note of $1.00 is payable on application. No stamp duty will be payable by applicants.

- The Company has not given to any person or corporation an option to subscribe for shares in the Company.

- There are no shares or debentures of the Company, which within two years preceding the date of this statement have been issued, or agreed to be issued, as fully or partly paid up otherwise than in cash.

- No amount has been paid or is payable as purchase money in cash, shares or debentures for any property or goodwill.

- No amount has been paid within the two years preceding the date of this statement or is payable as a commission for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debentures of the Company other than as disclosed in this Prospectus.

- There is no amount or benefit paid or given within the two preceding years or intended to be given to any promoter.

- There are no contracts held by the Company other than contracts entered into in the normal course of business being Tenancy Agreements for lease of property.
• The auditor of the Company is PricewaterhouseCoopers. PricewaterhouseCoopers has given its consent, and has not withdrawn its consent to be named in the Prospectus as auditor of the Company.

• No director or any firm in which a director or a partner has any interest in the promotion of or in any property acquired or proposed to be acquired by the Company, or received any sum in cash or shares, or is entitled to receive any such sum, either to induce any person to become a director or to qualify him as a director or otherwise for services rendered, in connection with the promotion or formation of the Company other than as disclosed in this Prospectus.

• Mr Roderic Evers, a director of Future Forests (Fiji) Limited, is a shareholder in Five Princes Hotel Ltd, which on occasion provides hotel and catering services to Future Forests Fiji Limited.

• The Company has been carrying on business since 2005.

• The directors of Future Forests (Fiji) Limited report that after due enquiry by them in relation to the period up to 10 June 2011, being a date not earlier than 14 days before the issue of this Prospectus, they have not become aware:
  o of any circumstances which in their opinion materially have affected or will affect the trading or profitability of the Company or the value of the Company; or
  o of any contingent liabilities of the Company additional to those contingent liabilities appearing elsewhere in this statement; or
  o of any circumstances that materially adversely affect the ability of the Company to pay its liabilities due within the next 12 months.

• During the year, Future Forests (Fiji) Limited issued no bonus shares to the current shareholders on a pro-rata basis.

• Copies of the following documents are available for inspection during normal office hours free of charge at the registered office of the Company for 12 months after lodgment of this Prospectus:
  o The Memorandum and Articles of Association of the Company.
  o Historical financial statements.

• Ernst & Young has acted as independent accountants to the Company in relation to the Issue. Ernst & Young has given its written consent and has not, before delivery of a copy of the Prospectus for registration, withdrawn its written consent for the inclusion of its Independent Accountants’ Report in the form and context in which it is included. Ernst & Young has not authorised nor caused the issue of this Prospectus.

• The directors have authorised the issue of this Prospectus.

Dated at 27 June 2011.

Signature: ..............................................................................     Signature: ..............................................................................
Chairman - Kaliopate Tavola
Executive Director - Paul Evers

Signature: ..............................................................................
Managing Director - Roderic Evers
Director - Jeffrey Liew

Signature: ..............................................................................
General Manager/Director - Stephen Clark
Director - Peter McPherson
Instructions to applicants

When to Apply
The Offer Period will open at 9.00am on 21 September 2011 and close at 5.00pm on 28 October 2011.
Applications must be received by the close of the Offer Period.
The Issue Manager may close the Issue early or extend the closing date without notice.
Investors are encouraged to submit their application forms as soon as possible after the Issue opens.

How to Apply
To apply for shares or notes, you must complete the application form attached to this Prospectus in accordance with the instructions set out in this section. Completed application forms and payments should be sent to the Issue Manager, Kontiki Stockbroking.
Investors may apply for a minimum of $200 worth of shares or notes. Investors may apply for either shares or notes, or both shares and notes in any combination subject to the $200 minimum requirement.

Where to Apply
All forms should be lodged with the Issue Manager. Forms can be hand delivered or posted to the addresses specified below.
Hand Delivered: Posted:
Level 4, Plaza 1, FNPF Boulevard 33 Ellery Street Suva Fiji PO Box 17904 Suva Fiji

Payment
The price of each share is $0.80 and the price of each note is $1.00 and is payable in full on application. Duly completed Application Forms must be accompanied by a cheque(s) or bank cheque(s) in Fiji dollars drawn on a Fiji branch of a financial institution.
Cheques should be made payable to “Future Forests Fiji Limited – Subscription Account” and crossed “not negotiable”.

Shares and Notes Application Form
Future Forests (Fiji) Limited

This Application relates to the Future Forests (Fiji) Ltd Prospectus, dated 27 June 2011.

It is important that you have read the Prospectus dated 27 June 2011, accompanying this Application Form before applying for B-Class Ordinary Shares and Converting Notes in Future Forests (Fiji) Ltd.

This Application form must not be provided to any person unless, at the same time, access is given to this Prospectus. If you have received this Prospectus electronically the responsible entity will provide a free paper copy upon request.

1. INVESTOR DETAILS

   Individual [ ] Company, Trustee, Fund or Other [ ]

   Mr./Mrs./Ms/Dr/Other First Name Middle Name Last Name

   Name of Company, Trustee, Fund or Other

   Residential Address/Registered Office

   E-mail Address Date of Birth

   Contact Numbers

   Work [ ] Home [ ]

   Mobile [ ] Facsimile [ ]

2. CONTACT DETAILS FOR ALL CORRESPONDENCES

   Contact Name

   E-mail address

   Mailing Address

3. NUMBER OF B-CLASS ORDINARY SHARES OR CONVERTING NOTES APPLIED FOR

   - Shares Number of Shares [ ] x $0.80 = $ [ ]

   - Notes Number of Notes [ ] x $1.00 = $ [ ]

   Please attach your personal/bank cheque payable to ‘Future Forests (Fiji) Ltd – subscription account’.

4. SIGNATURES

   I HAVE READ THE PROSPECTUS AND AGREE TO BE BOUND BY THE PROVISIONS OF THE PROSPECTUS UPON ACCEPTANCE OF MY APPLICATION.

   Signed [ ] Dated [ ]
Instructions to applicants

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1. INVESTOR DETAILS

Individual [ ] Company, Trustee, Fund or Other [ ]

Mr./Mrs./Ms/Dr/Other First Name Middle Name Last Name

Name of Company, Trustee, Fund or Other

Residential Address/Registered Office

Postcode

E-mail Address Date of Birth

Contact Numbers

Work Home

Mobile Facsimile

2. CONTACT DETAILS FOR ALL CORRESPONDENCES

Contact Name

E-mail address

Mailing Address

3. NUMBER OF B-CLASS ORDINARY SHARES OR CONVERTING NOTES APPLIED FOR

• Shares Number of Shares × $0.80 = $

• Notes Number of Notes × $1.00 = $

$ 

Please attach your personal/bank cheque payable to ‘Future Forests (Fiji) Ltd – subscription account’.

4. SIGNATURES

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<table>
<thead>
<tr>
<th>Section</th>
<th>Information</th>
</tr>
</thead>
</table>
| **Company**                    | Future Forests (Fiji) Ltd  
Central Street Building Level 5 Suva Fiji  
T +679 3310022  
F +679 3310039  
E mail@fff.com.fj  
W www.fff.com.fj |
| **Auditor**                    | PricewaterhouseCoopers  
Civic Tower 8th Floor Victoria Parade  
PO Box 200 Suva Fiji  
T +679 3313955  
F +679 3300981 |
| **Issue Manager**              | Kontiki Stockbroking  
FNPF Boulevard Level 4 33 Ellery Street Suva Fiji  
T+679 3307284  
F +679 3307241  
E infodesk@kontiki.com.fj  
W www.kontikicapital.com |
| **Regulatory Authority**       | Reserve Bank of Fiji  
Pratt Street Suva Fiji  
T +679 3361 3611  
W www.rbf.gov.fj |
| **South Pacific Stock Exchange & South Pacific Stock Exchange Central Share Registry** | Plaza 1 FNPF Plaza Level 2 33 Ellery Street Suva Fiji  
T +679 3304160  
F +679 3304145  
E info@spse.com.fj  
W www.spse.com.fj |
| **Independent Trustee**        | Chan Law  
46 Gordon Street Suva Fiji  
T +679 3316 282  
F +679 3316 283  
E Lawyer@chanlaw.com.fj  
W www.chanlaw.com.fj |
| **Independent Accountants**    | Ernst & Young  
Pacific House Level 7 1 Butt Street Suva Fiji  
T +679 3314 166  
F +679 330 612 |