

Insignis Forest Partnership

Annual Report & 2010 Budget

31 December 2009

Forest Stand Progress

Earlier in the year we carried out the last silviculture on your forests, which was to thin the small area (15ha out of 162ha) on Chimney Creek which had not been pruned. It was not pruned as it had been growing relatively slowly, meaning there was doubt the further investment in pruning would pay off.

So that area has now become your sole stand of 'framing regime', where the object is to grow a larger volume of small knotted wood for structural and industrial uses. The larger volume is achieved by not thinning as much as in a clearwood regime, which aims at a larger first log, the one that is pruned.

All three forests are growing very well indeed and rapidly expanding their crowns to fill in the space opened up following thinning.

Carbon Credits, at last

The Emissions Trading Scheme is now in place and together with the landowners, the Partnership can register and claim carbon credits ('NZUs') from all of its forest area for 2008 and 2009. We must do this before the end of March 2010. The parties' NZUs can then be sold on the open market right away or kept for later sale. We do not know what the price will be but the current assumption is \$25, because the government has imposed a cap at that price. It could be less of course.

But before the partnership gets any credits it must have the landowners' agreement, so we have written to them asking for that and suggesting an addition to the Joint Venture Agreement to cover carbon credit issues.

Obviously selling credits can create a liability which the landowner will not want to be left with at harvest, at least not without adequate compensation, such as a share of credits. However, it is possible to take some credits and not have to return them at harvest, so long as the forest site continues to be forest land. Currently though, landowners can do what they like with the sites after harvest. So perhaps the parties can agree to replant at harvest if credits are taken.

We will send you a full report from the Forestry Consultant on all this very soon but for now we can say we believe it will be possible to get an agreement with the landowners to allow both parties to gain from the ETS without compromising the long term viability of their forest investment.

Unit Wanted

We have someone who has contacted us and wants to buy a unit in the partnership, but currently we do not have anyone listed as wanting to sell.

If you would like to sell a unit please get in touch.

Budget & Contribution for 2010

Although it is quite possible we may later this year be sending you a cheque for carbon credits, that is not the position yet and we must ask for your contribution now as 'the cupboard is bare'.

Accordingly please find enclosed the new budget and a request for payment.

Charles Etherington
Warren Forestry Ltd
Manager



WARREN FORESTRY

Forest Investment Excellence