

Extract from the Prospectus for Seventh Forest Partnership

(If you want a full copy of the Prospectus please go to the contact page of our website.)

The Merits of *Joint Venture* Forestry

If you want to invest in plantation forests - and many wise investors do have some of their capital in plantations - you have the following options:

Buy a piece of land and plant it yourself

This is the 'all your eggs in one basket' case. Also, perhaps half or more of your investment will be in rural land, not trees, and there may be the extra costs of survey and sub-division, none of which are tax deductible. There may be overhead savings but you have all the responsibility of looking after the forest and land yourself, skills and time you may not have. You may be paying for a block of land, where part will be unplantable or less than ideal for forestry, thereby raising your average per hectare cost.

Buy shares in a listed forestry company

This is not a forest investment at all. You are really investing in the management of a company and in the stock market, both of which may perform poorly for their investors. Your investment will not be tax deductible, nor will your possible losses.

Buy units in a land owning forest partnership like the ones planting single blocks in the North Island. Like option A, you will be investing to a substantial extent in rural land, survey and subdivision, rather than in a forest. Your forest will be in only one block and one species. 'One basket' again.

Contract Forestry Rights to several suitable sites on farms and have them professionally planted and managed in joint ventures with the Landowners.

Why bother? Do what you do best and engage us to manage this, the ideal option, for you.

It's what Warren Forestry Ltd has done and specialises in doing in the South Island hill country.

About Forestry Joint Ventures

Forestry Rights and Land

Forestry Joint Ventures are forest investments where one party provides the land and the other the means to establish and manage the forest. The outcome is shared in proportion to the inputs.

Joint ventures are possible because the ownership of land and the ownership of a stand of trees on that land can be separated. Moreover the 'Forestry Right' as it is called (similar to an easement or a lease), can be registered on the title of the land. Therefore any change in the ownership of the land does not affect the Forestry Right, which goes with the land.

A Joint Venture Agreement based on the Forestry Right will bind all subsequent Landowners until it is completed. It will of course also bind any transferee of an investing partner.

Share of Output From Input

The agreement between the Landowners and the investor can be in many forms depending on the particular requirements of the parties, but usually the Landowner contributes the land, fencing and existing access and the investors prepare the land for planting, plant, tend, prune, thin and otherwise manage the forest until harvest.

Either rent is paid or the net proceeds from harvest are divided in proportion to the value of the respective contributions to the venture, or there is a combination of the two. The forestry value of

the land and the respective inputs to the forestry regime determine the level of rental and/or the shares agreed.

Advantages of Joint Ventures

Tax: A much higher proportion of your total investment will be in forestry expenditure, nearly all of which is tax deductible.

Less Capital: Because no land is purchased, you will not need to commit as much capital to the investment, nor have to carry the cost of the unplanted areas.

On-site Care: There is a permanent on-site forest custodian - the farmer, your joint venture partner. The farmer as Landowner will also ensure the Forestry Plan is adhered to and forest operations are properly carried out. The Landowner's consent is needed for any significant amendment of the Forestry Plan that materially affects their interests. This is a safeguard against foolhardy changes to the Forestry Plan.

No Public Access: Your forest is likely to be inaccessible to the public, lowering any fire risk.

Spread of risk: The trees you own a share of need not be part of one large block and one species, but can be in several stands and more than one species on different sites on a farm, or even on different farms. Such diversification should mean overall lower risks. Your 'eggs' will be in different 'baskets'.

No Obligation to Re-plant: What to do with the land after harvest will not be the investors' problem.

Warren Forestry Ltd Joint Ventures to Date

Mt Noble Partnership No.1	1994
Amuri Hills Forest Partnership	1995
Six Hills Forest Partnership	1996
Insignis Forest Partnership	1997
The McWarren Forest JV	1999
Triple Ridge Forest Partnership	2000
The McCharles Forest JV	2000
Mt Whitnow Forest Partnership	2002

These eight joint ventures we have created to date involve 11 landowners and over 200 investors, 34 forest stands covering 1,375 hectares, in three species, with investment of \$6 million and a harvest value of \$68 million.

The joint venture agreements they are based on have fair and workable terms that are mutually beneficial to the parties and we have had no difficulties with them at all. Part of the key to this success is that they are professionally structured and managed, so the parties only deal with Warren Forestry Ltd, not each other.

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