



Landowner News

Landowner Payments Explained:

Landowner payments can be broken down into the following groups:

- Royalty and Levy payments
- Lease payments
- Waterways & Anchorage payments

Royalty and Levy payments are paid to the National Forest Services for distribution, while the lease, waterways and anchorage payments are paid directly to the ILG or Clan owner.

Royalty and Levy Payments

Royalty payments are based on the agreement entered into between Cloudy Bay Sustainable Forestry Ltd and the National Forest Service to harvest resources owned by landowners in a concession area. These are Government approved, standard rates that must be complied with. Royalties are calculated by the following rates:

Groups	Rates (K)
Group 1	15 p/m3
Group 2-4	10 p/m3
Wal/Cep	20 p/m3
Export Banned species	35 p/m3

Cloudy Bay Sustainable Forestry Ltd pays the royalties and levies to the National Forest Services on a monthly basis and the project supervisor then pays the respective landowners on a quarterly basis. Since harvesting began CBSFL has already paid over K1m to landowners.

Please note that these payments will only have been made to Landowners who are not in dispute. Fees due to Landowners who are in dispute will be held in trust by NFS until the issue is resolved.

Jetty & Sawmill Lease Payments:

Based on an agreement between CBSFL and the ILG or Clan owner, we pay annual lease fees for sites we use for industrial purposes, e.g. the sawmill and the jetty.

These lease fees are applicable to any site on which we build permanent structures to accommodate our commercial activities.

Waterways & Anchorage payments:

These payments are for the waterways or passages that we use for commercial purposes. No payments will be made until formal identification of the waterways is made by NFS, CBSFL and the respective clan leaders.



Harvesting Performance - October 2009

The company started its first harvesting operations in January 2007 and it is now nearly 3 years later and we are still working in the Bonoabo area. There have unfortunately been many problems with our ability to harvest due to frequent land owner disputes, mostly to do with the issue of the recognition of the Chairman of the ILG. These disputes have resulted in the company being forced to stop harvesting on two separate occasions during the last three years due to the refusal of the land owners to consent to the company harvesting their land until the ILG issue is resolved. This is indeed unfortunate as the Project Agreement

makes provision for the royalties and levy payments to be kept in Trust by the NFS until the dispute is resolved.

However this condition has not always been followed and we find ourselves being far behind on our harvesting volume commitment that is spelt out in the Project Agreement.

The following table shows our harvesting performance compared to our minimum commitment which clearly shows that we have been prevented from fulfilling our obligations.

Harvesting Performance - m³ per Year

Year	Minimum Volume	Actual Volume	%
2007	15 000	9 902	66%
2008	25 000	6 442	26%
2009	30 000	7 515	25%
	70 000	23 860	34%

Even though this problem has severely affected our revenue we have still continued to build the schools and housing that is part of our obligation in the Project Agreement.