

From: Rainforest Project Management Limited

To: Industry RE Customers - CBU owners

June 2015

Project Update

The April Salumei Project has been successful in avoiding the deforestation of over 600,000 ha of virgin tropical rainforest in Papua New Guinea. It has had a positive impact on the lives of over 8,000 indigenous people. These people are amongst the poorest in the country, and live in a completely undeveloped area with no power, no access roads, lack of medical services, limited educational services and restricted access to clean water - things we all take for granted.

The income from the sale of Carbon Benefit Units ("CBUs") was used in the development and implementation of the April Salumei Project. These activities include, but are not limited to:

- Services of professional contractors to successfully develop the project to the Verified Carbon Standard
- Landowner survey of the area
- Quantification of the forest carbon stocks
- Remote sensing of ca. 1.3 million ha of reference region
- Delineation of peat soils contained in the April Salumei Project area
- Extensive awareness programs to landowners and stakeholders
- Elections, formation and registration of the April Salumei Working Group representing the landowners
- Improved transport systems through the purchase of boats and outboard motors for all landowner companies
- Commenced mapping of landowner boundaries
- Wages and expenses for forest stewards, undertaken by members of the local communities
- Promotions and marketing of the April Salumei Project

Landowners have and will continue to receive funds directly from the sale of all credits. Funds are continually invested into social projects and there will be a focus on the delivery of basic services and the development of sustainable activities (such as agriculture) that encourage the economic independence for landowners.

Project Development

The independent validation and verification of the April Salumei Project has been completed and determined the volume of carbon sequestered by the project. This is the amount of greenhouse gas emissions that have been prevented from being released into the atmosphere, by avoiding deforestation and degradation in this pristine rainforest area. This reduction in emissions is calculated using a methodology approved by the Verified Carbon Standard ("VCS"). Such methodologies are specific and set out the step-by-step requirements to quantify the volume of carbon contained in the different forest types of the April Salumei Project area.

The methodology to quantify the greenhouse gas emissions from the peat soils and swamp forests in the project area has just been approved (March 2015). Due to the methodology for the peat soils being unavailable during the first stages of the project development, we divided the April Salumei Project into two distinct development stages. In Stage 1 we have validated and verified approx. 20% of the forecast volume. Stage 2 will be the remaining 400,000ha of the project area. Whilst this has not allowed the project

to meet original volume expectations, we believe it was important to develop the first stage in order to demonstrate the effectiveness of the project and provide confidence to all stakeholders.

As the required methodology to determine the carbon in Peat soils has now been approved, the April Salumei Project is currently planning to commence the required field work for Stage 2. This is quantifying the carbon pools in the remaining forest areas and peat swamps, representing an additional 400,000ha. Based on our forecast this will result in a significant number of additional credits in accordance with our original estimates.

Conversion of CBUs into VCUs

As described in the purchase application forms, each Carbon Benefit Unit (CBU) will be exchanged for a Verified Carbon Unit (VCU) once the April Salumei Project is approved under VCS. The first stage of the April Salumei Project has been approved, validated and verified.

The process to convert the CBU into a VER is straight forward. We have an electronic registry account that we administer. We simply list the VER's required and retire it or transfer it upon your request and confirmation of your holdings.

The Verified Carbon Standard currently has two independent registry operators that interact directly with the central VCS Project Database to upload documents and issue, track and ultimately retire VCUs. These registries do not allow natural persons (i.e. individuals) to open an account – only approved institutions including project developers can hold accounts. Therefore the Carbon Benefit Units can only be converted to Verified Carbon Units when they are sold to an approved entity or to be retired.

To assist with this process Rainforest Project Management Ltd (“RPML”) will continue to work with IFSKY who will maintain the record of your CBU ownership. Once your CBU has been sold to an entity that has an approved VCS account or is to be retired as a carbon offset, your CBU can be converted into a VCU.

This transaction will be recorded as such on the IFSKY registry and RPML will transfer the matching VCU to the new owner on the VCS approved registry once the VCS listing fees (current US\$ 0.15 per VCU) are paid by the CBU holder.

If you wish to sell or retire your credits then please email contact@pacificforestalliance.org with the details and we can arrange to have your VCU's issued and the credits retired or transferred to the purchaser – provided that the purchaser holds an account with a VCS registry. In the case of retirement the credits are retired against the customer and there is no need for a VCS account.

Please understand the registries will refuse to deal with or provide advice to individuals. Whilst this may be difficult to appreciate, we as the project developer need to work to the rules of the registries. Please do not contact the registries directly as this may jeopardise our account.

General Market Information

For your information, the current wholesale market pricing for a REDD (Reducing Emissions from Deforestation and Forest Degradation) VCU is in the range of USD \$4.00 to \$6.00 per tonne of CO₂e. It would appear there is currently an oversupply of voluntary credits in the market, and some project developers are selling their VCUs for lower prices.

In 2010, it was estimated that individuals and corporations offsetting their own greenhouse gas (GHG) emissions represented 32% of voluntary credit purchasers, while individuals and companies speculatively buying credits with the intention of reselling at higher prices represented 45% of voluntary credit purchasers (Source: Ecosystem Marketplace - “State of the Carbon Markets 2010”). This has changed, and market volumes and prices have retracted since 2010 as more credits became available and there is no further certainty of the REDD mechanism being included into a mandatory system.

Role of IFIT

IFSKY is an independent registry services provider. IFSKY is not in a position to offer project updates or sales advice: they simply record transactions and manage a database that lists all holders of CBUs of the April Salumei Project. We kindly ask you to direct all enquiries to contact@pacificforestalliance.org, and not to IFSKY. Only inquiries related to your account details shall be directed to registry@ifit.net

Additional Information

If you have any questions please address your email to the project developer at contact@pacificforestalliance.org.

Please note RPML is a project developer and never anticipated any role or involvement in the re-sale of these carbon credits. This project update is not intended to provide investment or financial advice. In the best interests of the April Salumei Project and given Industry RE and no longer contactable we will try to keep you informed and assist all CBU owners where possible.

Sincerely

Rainforest Project Management Ltd