



**Sustainable Forest Holdings Limited**

**Long-Term Exclusive Wood Cutting Contract For Santo Antônio Hydroelectric Power Plant, Brazil**

**PRESS CONFERENCE  
December 1, 2009**

**Sustainable, Responsible, Profitable**

# 5-Year Exclusive Clear Cutting Rights

- Signed on 25 November, 2009
- 5-year Exclusive Right to Clear Cut areas where artificial lake and plant sites are located for the Santo Antônio Hydroelectric Power Plant (Santo Antônio HEP)
- Involves an estimated total of 200,000 hectares of forest areas
- Company keeps all timber and residues from the cleared areas
- Expects to provide over 45million m<sup>3</sup> of commercial grade timber and residues based on total estimated forest areas above.



The River Madeira flows through the Brazilian states of Rondônia, Acre, Amazonas and Mato Grosso, and also through seven Bolivian and three Peruvian departments. It drains 35% of the water from the Andes Mountains from these countries and is the only large Brazilian river with this feature.

# Santo Antônio Hydro Power Plant

- Located at the River Madeira, City of Porto Velho, Rondônia State of Brazil
- At more than 3,150MWt, Santo Antônio will be Brazil's 6<sup>th</sup> largest hydro power project
- Generates 19.5million MWh a year of electrical energy (4.3% of Brazil's production in 2007)
- The construction costs total R\$13.5 billion (or US\$7.9 billion)
- Project employs more than 10,000 direct workers
- Construction began November 2008 and is expected to be completed by mid 2015
- Project construction costs partly funded by Brazilian Development Bank (BNDES)
- Santo Antônio Energia is owned by a consortium including Santander, Odebrecht, Andrade Gutierrez

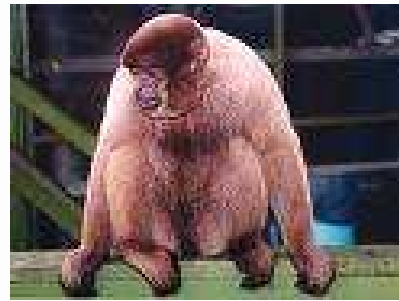


# Location Map of Santo Antônio Hydro Power Plant



# Environmental Sustainability

- Project based on environmental studies conducted by independent groups over 6 years span prior to start of construction
- Environmental studies cost R\$150million (or US\$88million)
- Project provides clean alternative energy for over 11 million households
- Approved by Brazil's environmental agency, IBAMA



# Service Fees & Concession Fees

m3 of different timber per hectare	Hi-Grade Forest <sup>(1)</sup> (m3)	Lo-Grade Forest <sup>(1)</sup> (m3)
Prime Commercial Timber	180	0
Grade B Commercial Timber	60	0
Residues	60	120
<b>TOTAL</b>	<b>300</b>	<b>120</b>

(1) Company's estimates based on own survey and statistical data provided by Santo Antonio HEP project.

Direct Costs per m3	Hi-Grade Forest	Lo-Grade Forest
Harvesting Costs	-US\$41/m3	-US\$12/m3
Concession Fees	-US\$7/m3	-
Service Fees Revenue	-	US\$12/m3

- Company to receive R\$2,500 (or US\$1,470) per ha for clear cutting services for low-grade forest areas
- Company to pay R\$2,500 (or US\$1,470) per ha for high-grade forest areas
- 3rd party harvesting company provides harvesting services.

# Projected Timber Volume

	Sustainable Forest Management <sup>(3)</sup> (m3 / ha)	Clear Cut Project <sup>(3)</sup> (m3 / ha)	Total Projected Volume <sup>(3)</sup> for Clear Cut Project (m3)	Log Prices <sup>(2)</sup> (m3)	
Prime Commercial Timber	23	108	21,600,000	R\$250-400	US\$147-235
Grade B Commercial Timber	7	36	7,200,000	R\$110-200	US\$65-118
Residues	0	84	16,800,000	R\$45-55	US\$26-32
<b>TOTAL</b>	<b>30</b>	<b>228</b>	<b>45,600,000</b>		

(2) Log prices are local prices at forest, net of taxes. Transportation costs are paid by customers. Brazil prohibits export of logs.

(3) Company's estimates based on own survey and statistical data provided by Santo Antonio HEP project.

- Company expects to sell logs locally initially.
- If all logs are processed, the project is expected to produce more than 11 million m3 of semi-finished timber products.

# Project Summary

**8x more commercial grade volume than usual forest management project**

**Harvesting continuously during rainy season allows company to take advantage of higher log selling prices due to seasonal shortage**

**Substantially increases Company's harvestable forest / timber volume**

- Project provides almost 8x more prime commercial grade timber than normal sustainable forest management project.
- Log prices during rainy season are higher than dry season as forest operations are suspended / limited based on sustainable selective cutting methods. Clear cutting method allow harvesting over rainy season. Company may take advantage of the seasonal supply shortage.
- Company currently holds 45,000ha of private freehold tropical rain forests with approved management project in the Amazon region of Brazil. This project will increase the Company's harvestable commercial grade timber volume substantially.



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**THANK YOU**

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