



Letter to former tree partners who have not become shareholders of Forests for Friends Ltd

Dear former tree partner

I am happy to be able to inform you that the second capital increase of our incorporated company has been successfully completed. Over 1,800 tree partners have subscribed for shares and have thus provided Forest for Friends Ltd with an additional sum of almost 5.7 million Swiss Francs (this is equivalent to 3.5 million Euros and almost 4.7 million US dollars, respectively). This sum is a key contribution to assure the survival and maintenance of our plantations in Panama. (Formally these belonged to our fully-owned subsidiary Prime Forestry Panama SA.) The share capital of Forests for Friends Ltd is now 4,788,900 Swiss Francs, split into 47,889 nominal shares at a value of 100 Swiss Francs each.

The shareholders can decide on the future fate of Forests for Friends Ltd and will meet at the 1st ordinary Annual General Meeting on 2nd May, 2007. At this shareholders' meeting we will update them on the developments during 2006 and present the Annual Report and the Annual Financial Statement for their approval. They will also hear about the situation and the progress in the plantations. We intend to invite one of the people in charge of the plantations to Switzerland to answer any questions.

As we have mentioned on the forum of our website www.forestsforfriends.com, we have had our plantations assessed by Brinkman & Associates. We have now received the first results:

- Three quarters of the planted areas are of a high to medium quality and will continue to be intensively maintained. The returns are expected to be good.
- The remaining planted area is not suitable for teak. Deeper examination and calculations over the coming months will provide the basis to decide which areas should be further cultivated, maintained extensively, i.e. with a minimum of management, or given up.
- As Forests for Friends owns the land, the areas not planted with teak will be analysed to find the best way to use them. By planting other crops or by developing and selling the land, we can bring in revenue.

While some of the teak results are disappointing, at least we now know, where we stand. An initial analysis indicates that the money we have all invested will offer a reasonable return. We will present to you a more in-depth analysis of the growth predictions and other land-use options in the Annual Report. Do not forget to check our website from time to time, as new findings are posted there as soon as they become available.

Following the positive experience we had with Brinkman & Associates, we have decided to commission their subsidiary in Costa Rica, BARCA, to look after our interests in Panama and maintain our plantations. Brinkman & Associates are a large and highly-regarded Canadian forestry company with 37 years of experience in sustainable forestry. Among other things, the firm has acquired extensive knowledge of timber management and sales and will also support us in this respect. Brinkman's international business corporation, Brinkman Forest Restoration Ltd, is in the process of opening a subsidiary in Panama (BARCA Panama) to look after our plantations. You can find further information on www.brinkmanforest.com and www.barca.ca. We are looking forward to a successful and fruitful cooperation with this strong partner.

Due to the bankruptcy proceedings regarding Prime Forestry Switzerland Ltd, our FSC-certification has been suspended. As you know, this certification, which confirms that the plantations are managed according to strict ecological, social and economic criteria, is very important for us. The preparation for a re-certification is underway.

The possibility of registering the plantations' CO₂ absorption as trading certificates is also being explored. The trading with CO₂ -certificates is a market-based approach to reach goals in relation to environmental protection. This approach enables the parties to the contract who reduce their greenhouse gas emissions more than required to trade their surplus reduction.

Several markets already trade forest-related carbon sinks. Plantations that are on land formerly used for agriculture add forest cover to Panama. This reduces atmospheric carbon and reverses deforestation. The areas that were cleared for agriculture before 1990 may qualify through the UN's Clean Development Mechanism to eventually trade in the EU Emission Trading System, the highest-priced carbon market to date. While the EU Emission Trading System does not yet accept reforestation in developing countries, this is expected to change. Other markets, however, already trade with forest-related carbon sinks from Panama, for example Japan and the Chicago Climate Exchange and California is emerging. As our plantations have all been planted after 2000, areas that qualify will have carbon values that can be traded on several markets. Nevertheless, it will take some time to apply, validate and register them. This income will contribute to the financing of our plantation maintenance.

The two capital increases of late summer and autumn this year are a big step to reclaiming our future. We are confident that we have can care for our trees up until the harvest returns a decent price for high-quality wood. But the first income from the sale of timber is still a number of years away and we have to be financially prepared for the transition period. Therefore, we intend to offer shareholders and other investors additional shares in summer 2007. At the same time we consider it to be fair to give those tree partners who missed the opportunity to participate in the first two capital increases a second chance to invest in our company. However, due to the increased capital of forests for Friends Ltd, the risk for the investors has been reduced, so these investors will have to pay a higher price per share. As we have promised not to dilute the existing shareholdings, we will limit the number of new shares to a total of 17,000 so that the nominal share capital will not exceed 6.5 million Swiss Francs. The existing shareholders will also be able to participate in this capital increase, but are not required to do so. Along with the corresponding proposals by the Board, this capital increase will be put on the agenda of the Annual General Meeting of 2nd May 2007.

I should like to thank everyone who has trusted us and participated in the rescue plan despite great uncertainty. I am very relieved that we have come as far as we have.

Best regards



Carol Franklin Engler, Ph.D.
Chairman of the Board