

Legal Opinion

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January 25th, 2013.

To: Reforestation Group Limited (the **Company**)
Landmark Square
1st Floor
64 Earth Close
PO Box 715
Grand Cayman
KY1-1107

For the attention of The Directors

Ref. Legal opinion of the structure of a “Land Plantation Project in Brazil” located in the State of Pará and its compliances with Brazilian laws.

- a) We have acted as counsel to **Reforestation Group Limited** in connection with the purposes of reviewing the legal structure of the “Land Plantation Project in Brazil” which consists in the following agreements: i) Private Lease Agreement Of a Rural Property Exploitation; ii) Land Rights Agreement, and iii) Eucalyptus Plantation Management Agreement.

The following documents have supported this review: i) Due Diligence Pack and ii) The Project Brochure.

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1. BACKGROUND

The “Land Plantation Project” consists in assignment rights to exploit arboreal crops on land located in Northern Brazil, within the Para State, in Brazil.

The affiliated Company **Carbono Novo Mundo Ltda**, based in Belem Municipally, State of Para/Brazil, acquires the freehold on selected plots of land, and assigns all its rights to **Reforestation Group Limited**, a company based on Landmark Square, 1st Floor, 64 Earth Close, PO Box 715, Grand Cayman KY1-1107. The rights assigned are extended to the land and its improvements, such as, but not limited to, any building or infrastructure used for exploitation of the area, houses, machinery, equipment or any other asset that might be on the land.

The **Reforestation Group Limited** then segments the plots and assigns the cropping rights on hectare lots of land to investor by a 21 year leasing agreement. The investor has the choice to appoint a management company who steward the land and its crop using sustainable farming techniques.

The leases are presented via the associated Company New World Carbon Limited, through a variety of agents and Independent Financial Advisors, to lessees.

Every six years or so the plots yield a harvest and the management company offers the option of a range of crop purchasers in order to yield profit back to the lessee.

1.1 Documents Reviewed: To render this opinion, we have reviewed the following documents:

- b) Private Lease Agreement Of a Rural Property Exploitation
- c) Eucalyptus Plantation Management Agreement
- d) Land Rights Agreement;

In examining the documents and records, we have assumed (i) that the copies submitted to us of any documents are in conformity with their originals, (ii) the due capacity and authority of all persons executing and/or recording the records reviewed by us, and (v) that the records disclosed to us are complete and accurate.

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2. OPINION

Based upon and subject to the foregoing and to the qualifications set forth below, we are of the opinion that:

2.1 Private Lease Agreement of a Rural Property Exploitation

A Lease Agreement celebrated by **Reforestation Group Limited (Primary Lessee)** and its affiliated Company **Carbono Novo Mundo Ltda (Lessor)**, a Brazilian Company based in Belem Municipally, State of Para/Brazil which main provisions are as follows:

1. The premises of the agreement as for the terms of “Clause 1 – Object of the Contract” as follows:
 - i. The property subject to the lease agreement is a rural property described as “*Fazenda “BOA SORTE” – 206 hectares, located at Margem Esquerda do Igarape Arauai, in the municipality of Capitão Poço- PA CEP: 69.650-00 in the State of Pará*”, legally owned by Lessor who enjoys full rights and possession of the said property;
 - ii. Lessor assigns all rights on the land which is extended to its improvements such as house, machinery, installation and any other asset, access and natural resources that may be found on the land;
2. The term of the agreement as set at Clause 2 will be 30 (Thirty) years, to start at the moment of its signature by the parties, and its extension may be agreed between the parties.
3. Clause 4 reinforces that the land will be designated to launch a reforestation project which rights shall belong to Primary Lessee.
4. The Paragraph Fourth of the Clause 5 states: “*The PRIMARY LESSEE is granted the right to SUB-LEASE the property defined in Appendix A to individuals and organisations as it sees fit, as long as the rights and responsibilities defined in this lease form part of those agreements*”;
5. For any dispute or issue arising from the execution of the agreement terms, the parties have elected the jurisdiction of Capitaio Poco County, Para State, Brazil, and Portuguese language shall prevail.

The lease agreement for rural property is regulated by Decree Nr. 59.566/66 which is also known as “Land Statute”. It is defined as an onerous assignment of the use and enjoyment of a rural property, including or

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excluding other property improvements (home improvements) and other facilities for the purpose of farm, livestock, agro-industrial, or forest exploitation.

As for its nature and type it is classified as:

- i. bilateral: there are liabilities for both parties;
- ii. onerous: the parties intend to have a benefit or advantages from one another;
- iii. consensual: There is an agreement between the parties;
- iv. not solemn: It is not required any formality to materialize;
- v. “*intuit personae*” which means the parties intention is decisive for the celebration of the agreement;

As for subleasing, by means the assignment of rights on the lease agreement by lessee to a third party in the contractual relationship, it is only possible by an express prior consent of the Lessor.

For written lease agreement there shall be the following clauses:

- i. date and place where it has been signed;
- ii. the identification of the parties and their address;
- iii. the premises of the agreement;
- iv. type of rural activity to be explored;
- v. identification and description of the property, its registration and boundaries, list of its improvements (if any);
- vi. its duration and price;
- vii. Jurisdiction, signature of the parties and two witnesses.

As that said, in reviewing the terms and conditions of the **Private Lease Agreement of a Rural Property Exploitation** by which the rights on an specific piece of land located in Capitao Poco Municipally, State of Para in Brazil are assigned to **Reforestation Group Limited (Primary Lessee)** by its affiliated Brazilian Company **Carbono Novo Mundo Ltda (Lessor)**, we affirm that the lease agreement subject to this legal opinion meets the requirements of the Land Statute – Decree Nr. 59.566/66, that Lessor has given the contentment to sublease its rights so that the Lessee is authorized to assign the property rights to third party(ies). We also would like to point out that we have not brought into discussion some matters that could affect a rural lease agreement such as the reason of its termination other than its expiration date; the preference to lessor of purchasing in case of the property sale, and any other matter that has not been

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discussed, because we understand that the connection between the parties is beyond the lease agreement, once the parties are working together to launch the project, and the lease agreement is one of the agreements that form the whole project structure. Therefore, we conclude stating that the Private Lease Agreement of a Rural Property Exploitation is valid and in full effect according to the Brazilian regulation.

2.2 Land Rights Agreement

The Land Rights Agreement is an agreement between **Reforestation Group Limited (The Company)** and a **client** interested to acquire beneficial rights to share in the interests and profits generated from a distinct parcel or parcels of the property known as “FAZENDA BOA SORTE”, located in the municipality of Capitão Poço- PA, in the State of Para/Brazil.

The Land Rights Agreement main provisions are as follows:

1. Clause 3 – Company Obligations by which has been set the liabilities/services of the Company among what we emphasize: i. the Company grants the beneficial right to the client to share in the net profits (Clause 3.1.1); ii. Grants the right to the client (and the Management Company on client’s behalf) to plant, maintain and harvest the Crop on the Plot(s); iii. Assists the Client with the transportation and sale of the Crop; iv. Pay the Service Fee to the Management Company, defined in their Plantation Management Agreement, on behalf of the Client.
2. Clause 4 – Client Obligations: i. To appoint a Management Company throughout any Harvest Period for the purpose of planting, maintaining and harvesting the Crop (4.1.1); ii. To not use, exploit, develop, access, restrict access or otherwise cause anything thing to be done to the Plot(s) except as otherwise specified herein (4.1.5); iii. To not place any third party encumbrance upon this Agreement or the Services for any reason whatsoever (4.1.6).
3. Clause 4.2 - neither this Agreement nor the rights contained herein may be sold, transferred or traded in whole or in part without the Company’s prior written consent.
4. The Indemnity and Limitation of Liability set on Clause 7.
5. The Payment of Fees as set on Clause 8.
6. Termination of the series set on clause 10.
7. The agreement severability set on Clause 16.5 and 16.6

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8. Force Majeure set on Clause 17
9. The Governing law and Jurisdiction which have been selected the English Law and the courts of England and Wales as set on Clause 19.

In reviewing the Land Rights Agreement we understand that although its title and some terms refer to leasing agreement it meant to be an investment agreement by which the investors are vested in an exploitation project with the expectation of profit on the cropping on hectare lots of land. Brazilian Court support the understanding that doesn't matter the name given by the parties to the contract, its legal status must be inferred from its clauses agreed by the parties and what they mean in concrete for its execution.¹

Urge to point out that a transaction by an investment agreement offered and signed outside Brazil is bind by such abroad law and it doesn't require registration or any other control by Brazilian authorities like the investment agreement offered and signed under the terms of Brazilian Law.

As for execution of foreigner court decision by a Brazilian court the Provision 17 of the Introductory Law to the Civil Code (Decree—Law 4687/42) determines that all acts, judgments and laws of another country are effective in Brazil, provided they do not undermine national sovereignty, public order, or public decency.

The Law of Introduction to the Brazilian Civil Code ("LICC"), Provision 9 provides that whenever a contract is executed in Brazil, the law of the place of the contract shall apply (*lex loci celebrationis*). A foreign judgment will be homologated by Brazilian Supreme Court who will not evaluate the merits of the foreign judgment but will ensure the fulfillment of certain procedural requirements and an evaluation of the merits of the case so as to prevent the flouting of public policy, national sovereignty or good customs. Those requirements are: (i) that the foreign court or authority had Jurisdiction to make the decision; (ii) that the parties were duly notified or the default judgment was legally certified; (iii) that there is evidence of the authenticity of the judgment or award and of its finality (*i.e.*, that the foreign decision is enforceable in the country of origin); and, finally, (iv) that the foreign judgment or decision has been certified by the Brazilian Consul in the country of origin and has been translated into Portuguese by a Brazilian legal translator.

¹ Superior Court –Special Appeal Number 163.845 - RS – Minister Waldemar Zveiter, decision dated on 15.06.1999

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The exception to the Provision 9 of the “LICC” (Law of Introduction to the Brazilian Civil Code) is regulated by Brazilian Code of Civil Procedure, its Provision 89 which rules the nation exclusivity jurisdiction and states that any litigation related to real estate situated in Brazil shall be bind by Brazilian Jurisdiction.

That been said, we affirm that for any court action regarding the Land Rights Agreement related to the cropping profits or any other failure to accomplish the conditions of the agreement shall be governed by the jurisdiction elected by the parties and such decision will prevail in Brazilian Court. However, any litigation related to real estate shall be bind by Brazilian Jurisdiction.

The Provision 89 that rules the nation exclusivity jurisdiction intents to protect the ownership rights on a real estate asset. A real estate ownership in Brazil takes place by a deed of title (title of property) duly recorded under a registration number (registry number) at the real estate registry of the county where the property is located. The title of property in Brazil is deemed as exclusive entitlement right, which means a right to repel any actions or interference by strangers over the property held. For this reason any action related to a real estate must be analyzed by Brazilian court.

2.3 Eucalyptus Plantation Management Agreement

The **Eucalyptus Plantation Management Agreement** is an agreement between the Client (“Customer”), the Reforestation Group as “Operator” and the Management Company, a Brazilian Company chosen by the Customer for plantation and exploitation of Eucalyptus trees on the Plot(s) on which the Customer holds beneficial rights.

The **Eucalyptus Plantation Management Agreement** main provisions are as follows:

1. The identification of the parties and description of the plot;
2. The operative part of the agreement to be executed by the parties: 1. The Operator services intend to liaise with the Management Company in behalf of the Customer, as for Clause 4. (a) item (i) to (v); 2. The Management Company services intend to perform the plantation and exploitation of Eucalyptus trees as for Clause 4. (b). (i) to (iii), Clause 7; 3. The Client

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- obligation is to pay the Management Company for its services as set on Clause 5, and the costs of the plantation
3. Clause 8 set the terms for the sale of the wood by the Management Company.
 4. The Law and Jurisdiction elected by the parties is Brazilian, in Para State as determined by Clause 4.b.(d);
 5. The expiration date is the period of seven years from the effective date or until complete harvest and sale of the crop, whichever is sooner.
 6. Clause 14 set the Dispute Resolution

The Brazilian Law supports the freedom of the parties to get in an agreement subject that the transaction meets the requirements to assure its validity which is capable parties, lawful subject, and by a form describe or not prohibit by law.

Based on the freedom to contract we confirm that the “**Eucalyptus Plantation Management Agreement**” meets the requirements for validity of legal transactions which makes the agreement valid and enforceable in Brazilian Courts.

To conclude with, we have reviewed all agreements that set up the “Land Plantation Project in Brazil” and we verify that those agreements are dependent and accessories of each other so that any analysis should be based on the set of agreements of the project and not be limited to one or few document or agreement. Although on the Management Agreement its jurisdiction has elected the Brazilian Law and court, we understand that any claim that the investor may arise will also involve the affiliated companies, by means the Company Carbono Novo Mundo that holds the freehold on the land, and the Company Reforestation Group to whom the land rights has been assigned, all together will be called to be party in the case.

We confirm that those agreements accomplish the attributes required for a lawful transaction, they do not offend national sovereignty, order, or public decency, and therefore, based on Brazilian jurisprudence and the freedom to celebrate the agreements among the parties, and it is our understanding that those agreements are recognized in Brazil as valid and in full effect.

We express no opinion as to any laws other than the laws of Brazil and any of its political sub-divisions, and this Report is subject to such laws, in effect as of the search date and as of the date hereof.

We express no opinion, unless requested, as to:

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- 1) Due Diligence of the property held by the Brazilian Company;
- 2) Due Diligence of the Companies herein mentioned.

The opinions set forth herein are rendered solely for your use and may not be relied upon, in whole or in part, by any other person, firm, corporation or entity for any purpose, other than with respect to any review by any successor agency thereto in connection with the transactions contemplated hereby, without our prior written consent.

Sincerely,

Soraya Brant – Brazilian Attorney Bar Number 17.953 OAB/DF