

FINANCIAL MODEL TO SUPPORT THE ENVIRONMENTAL OBLIGATION

This document has been provided as a supporting document to identify the key assumptions used in the calculation of the potential contingent environmental liability. All references to information have been provided below.

KEY DATA USED	Hectares as part of Pre-1990 settlement		Reference
	Allocated	Need to retire	
Total Land in ETS	165,651	165,651	Settlement Deed
NZU's allocated/required to settle	18	760	{a}
Total NZU's	2,981,718	125,894,760	(calculation)
NZU value per share	\$ 13.25	\$ 13.25	carbonmatch.co.nz - 20/04/2016
Value of NZU's	\$ 39,507,764	\$ 1,668,105,570	(calculation)

KEY DATA & ASSUMPTIONS	AMOUNT	Reference
Return Rate	8.0%	{b}
Inflation	2%	{b}
Income	15,072,000	Current year lease payment from financial statements
Estimated Costs going forward	500,000	Forecasted costs for future years
EBITDA	14,572,000	(calculation)
Net Present Value	242,866,667	(calculation)
Amount indicated in settlement	225,600,000	Settlement Deed

References	Details
{a}	NZU's allocated (18) - Pre-1990 Forestry Allocation & Exception (MAF). NZU's needed to retire (760) - Look up table guide for forestry's in the ETS.
{b}	To determine the interest rate and inflation we utilised the PwC appreciating values report for the calculation of WACC for Agriculture which for 2015 was 8.2%. We have rounded this to 8% to be in line with CNI's desired return for commercial assets. Inflation is based on the previous 7 year inflation rate averages (rounded).

Sensitivity Table

		SENSITIVITY TABLE BASED ON CHANGE IN NZU PRICE AND % CHANGE IN LAND						
		CHANGE IN PERCENTAGE OF PAND REMOVED FROM THE ETS						
		0.0%	20.0%	40.0%	60.0%	80.0%	100.0%	
	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2.5	\$ 7,454,250	\$ 55,493,130	\$ 118,440,510	\$ 181,387,890	\$ 244,335,270	\$ 307,282,650	
	5	\$ 14,908,500	\$ 110,986,260	\$ 236,881,020	\$ 362,775,780	\$ 488,670,540	\$ 614,565,300	
	7.5	\$ 22,362,750	\$ 166,479,390	\$ 355,321,530	\$ 544,163,670	\$ 733,005,810	\$ 921,847,950	
	10	\$ 29,817,000	\$ 221,972,520	\$ 473,762,040	\$ 725,551,560	\$ 977,341,080	\$ 1,229,130,600	
	12.5	\$ 37,271,250	\$ 277,465,650	\$ 592,202,550	\$ 906,939,450	\$ 1,221,676,350	\$ 1,536,413,250	
	15	\$ 44,725,500	\$ 332,958,780	\$ 710,643,060	\$ 1,088,327,340	\$ 1,466,011,620	\$ 1,843,695,900	
	17.5	\$ 52,179,750	\$ 388,451,910	\$ 829,083,570	\$ 1,269,715,230	\$ 1,710,346,890	\$ 2,150,978,550	
	20	\$ 59,634,000	\$ 443,945,040	\$ 947,524,080	\$ 1,451,103,120	\$ 1,954,682,160	\$ 2,458,261,200	
	22.5	\$ 67,088,250	\$ 499,438,170	\$ 1,065,964,590	\$ 1,632,491,010	\$ 2,199,017,430	\$ 2,765,543,850	
	25	\$ 74,542,500	\$ 554,931,300	\$ 1,184,405,100	\$ 1,813,878,900	\$ 2,443,352,700	\$ 3,072,826,500	

CHANGE IN THE PRICE OF ETS