

February 11, 2009

To:
PT. Rimba Raya Conservation
Mayapada Tower 11th Floor
Jl. Jend. Sudirman Kav. 28
Jakarta 12920

Attn: Mr. Todd Lemons

Re: Forest Concession Business Licenses – Carbon Trading

Dear Sirs:

We have been requested by PT. Rimba Raya Conservation (the “Company”), an Indonesian company-in-formation, to provide a legal opinion with regard to the type of forest concession business licenses required to engage in carbon trading activity in the Republic of Indonesia.

We are counselors at law qualified to practice law in the Republic of Indonesia. Our opinions expressed herein are limited to matters governed by the laws of the Republic of Indonesia. As used herein, the terms “Indonesian law” and “the laws of the Republic of Indonesia” shall mean any published and publicly available statutes, regulations, decrees or other directives of the central Government of the Republic of Indonesia and its agencies, in effect and having the force of law on the date hereof. We are not familiar with the laws of any foreign jurisdictions, and we do not express any opinion concerning matters governed by any such laws, nor shall we be deemed to do so.

In rendering this opinion, we have reviewed such Indonesian laws and regulations that we consider necessary for the purpose of providing this opinion, as listed below, as well as copies of the following documents provided by the Company:

1. Government Regulation No. 6 of 2007 regarding Forest Layout and Preparation of Forest Management and Forest Utilization dated January 8, 2007 as amended by Government Regulation No. 3 of 2008 regarding Amendment of GR No. 6 dated February 4, 2008 (collectively referred to as “GR No. 6 as amended”);
2. Minister of Forestry Regulation No. P.61/Menhut-II/2008 Regarding Provision and Application Procedure for the Granting of Business License for Forest Wood Utilization of Natural Forest in Production Forest dated October 28, 2008;
3. Letter from the Company to the Head of the Stipulation Center of the Forest Region Area V Banjarbaru No. 004/X/2008/JKT dated October 6, 2008; requesting for the Business License to Utilize Timber Forest Products – Ecosystem Restoration or *Izin Usaha Pemanfaatan Hasil Hutan Kayu – Restorasi Ekosistem* (or “IUPHHK-RE”) for an area covering approximately 100,000 hectares.

4. Letter from the Stipulation Center of the Forest Region Area V Banjarbaru to the Company No. S.897/BPKH.Bjb-2/2008 dated October 10, 2008, responding to the Company's letter No. 004/X/2008/JKT dated October 6, 2008;
5. Letter from the Company to the Seruyan Regent No. 005/X/2008/JKT dated October 14, 2008; requesting for support for the IUPHHK-RE area;
6. Letter from the Seruyan Regent to the Company No. 522.1/368/EK/2008 dated November 18, 2008, which the Regent gives the Company principle support to the IUPHHK-RE plan of the Company;
7. Capital Investment Coordinating Board (*Badan Koordinasi Penanaman Modal*) Approval No. 1640/I/PMA/2008 dated October 7, 2008 approving the establishment of the Company and its investment plan to engage in the business of Other Forestry Services (Carbon Trade); and
8. The Articles of Association of the Company as contained in Deed No. 8 dated December 4, 2008 drawn up by Notary Mala Mukti, S.H., LL.M.

Based on the foregoing, we are of the opinion that:

1. The Company is an Indonesian company-in-information engaging in the field of Other Forestry Services (Carbon Trade). For that purpose, the Company intends to manage a project area located in Central Kalimantan, and has applied for a license known as a IUPHHK-RE covering approximately 100,000 hectares of land classified as "Production Forest". A IUPHHK-RE is defined under GR No. 6, as amended, as a *"license to build an area within a natural forest in a Production Forest having a vital ecosystem so that its function can be maintained through the activities of preserving, protecting and restoring the forest ecosystem including the planting, enrichment, separation, animal preservation, release of flora and fauna to restore the biological substances (flora and fauna) as well as non-biological substances (soil, climate and topography) in an area for types that are indigenous to achieve a biological and ecosystem equilibrium."*
2. The type of the forest concession that is being applied for by the Company is Production Forest, and the Company intends to use its project area to engage in carbon trading activity.

Under Article 33 of GR No. 6, as amended, environmental services in a Production Forest area can be conducted through the following business activities:

- a. utilization of water flow;
- b. utilization of water;
- c. eco tourism;
- d. protection of biological diversity;
- e. rescue and protection of environment; or
- f. absorption and/or storage of carbon."

We note that the carbon trading activity (including the selling of carbon credits) is not expressly stated as such in GR No. 6, as amended. However, we have conducted research at the Department of Forestry of the Republic of Indonesia (the "DOF"), which has indicated that although there is no express provision on "carbon trading" activity,



the business activity referred to in Article 33(1)(f) above is considered by the DOF to constitute carbon trading activity.

Under GR No. 6, as amended, the type of the license for the utilization of environmental services in a Production Forest to engage in the above activities is referred to as Business License to Utilize Environmental Service or *Izin Usaha Pemanfaatan Jasa Lingkungan* ("Environmental Service License" or "IUPJL"). We were able to confirm from the DOF that a company intending to engage in carbon trading activities must first apply for an Environmental Service License. The Minister of Forestry has not yet issued any Environmental Service License, since the implementing regulations for the same have not yet been issued.

As a result, the DOF has advised us that in the absence of the implementing regulations on Environmental Service License, business actors intending to engage in carbon trading activity in a Production Forest need to first apply for an IUPHHK-RE, to be followed by an application for IUPJL once the implementing regulations have been issued.

3. We were able to obtain information from the DOF, as well as from publicly available sources, that there is a company, namely PT Restorasi Ekosistem Indonesia or PT Reki (a legal entity established by Birdlife International), which has the same purpose of engaging in carbon trading in Indonesia and has acquired the same concession license (a IUPHHK-RE) for the same forest classification (Production Forest) for which the Company has applied.

4. Based on the above, if a company wishes to engage in any carbon trading activity in a Production Forest in the Republic of Indonesia, such company must hold an IUPJL license and in interim until the implementing regulations for the IUPJL licenses have been issued, the Company may first apply for an IUPHHK-RE license and thereafter apply for an IUPJL license.

5. We express no opinion concerning the international regime governing the registration, validation and certification to carbon credits trading or the Company's compliance therewith.

This opinion is provided on the basis that it is governed by and will be construed in accordance with the laws of the Republic of Indonesia.

This opinion is addressed to PT. Rimba Raya Conservation and is for PT. Rimba Raya Conservation's benefit. We understand that this opinion may be provided to a limited number of persons or entities that may be interested in carbon trading activity in the Republic of Indonesia and we agree that PT. Rimba Raya Conservation may do so. Notwithstanding such distribution, no person or entity other than PT. Rimba Raya Conservation may rely upon this opinion for any purpose, nor is this opinion to be quoted or referred to in any public document or shown to or filed with any government or other agency, person or entity without our prior written consent.

Yours faithfully,



SOEWITO SUHARDIMAN EDDYMURTHY KARDONO