

INVESTMENT STATEMENT FOR PROSPER HILLS (2012) LIMITED

Prepared as at Thursday 4th April 2013, in accordance with the Securities Act 1978 and the Securities Regulations 2009. The information in this section is required under the Securities Act 1978.

IMPORTANT INFORMATION

(The information in this section is required under the Securities Act 1978.)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered Prospectus for the investment. You are entitled to a copy of that Prospectus on request.

The Financial Markets Authority regulates conduct in financial markets

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets.

For more information about investing, go to <http://www.fma.govt.nz>

Financial advisers can help you make investment decisions

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions.

Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice, you should check—

- the type of adviser you are dealing with:
- the services the adviser can provide you with:
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at <http://www.fspr.govt.nz>

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

What sort of investment is this?

The offer is an offer of class B shares in Prosper Hills (2012) Limited, a company incorporated under the Companies Act 1993 on 23rd April 2012. Each share is to be issued for \$6,600.00. The maximum number of shares on offer is 492. Voting rights are not attached to the special class B shares on offer. This means that you will not have the right to vote at a general meeting of the Company or appoint or dismiss directors.

Each share provides the shareholder with a right to a proportionate share of the net proceeds from the harvest of the forest at maturity and the net proceeds of sale of the land on completion of the harvest.

There are two parcels of voting shares held by Mr. Ross Anthony Collins and Mr. Anthony Shane Collins. The voting shares have no right to a share in the proceeds of the sale of the forest or the land. Mr. Ross Anthony Collins and Mr. Anthony Shane Collins do not guarantee the securities offered or any returns referred to in this Investment Statement.

Who is involved in providing it for me?

Prosper Hills (2012) Limited is the Issuer of the shares. It has its registered office at 4 William Wood Place, Fairview Estate R.D2, KATIKATI 3178. The Issuer was incorporated 23rd April 2012. The principal activities of the Issuer will be acquiring property and forestry, owning and harvesting a Radiata pine forest. All management of the forest will be carried out by a professional forestry manager. The sole Promoter of the investment is NZ Forestry & Land Investments Limited which was incorporated on 18th December 2008. It has its registered office at 4 William Wood Place, Fairview Estate R.D2, KATIKATI 3178. NZ Forestry & Land Investments

Limited has adopted the marketing concept developed by Mr. Ross Anthony Collins and used by NZ Forestry Investments Limited which has promoted a number of forestry projects to the public.

Mr. Ross Anthony Collins, 4 William Wood Place, Fairview Estate, R.D2 Katikati 3178. Mr. Ross Anthony Collins has held a number of senior executive positions within the oil industry and also within the mortgage banking industry. Mr. Ross Anthony Collins has also owned a number of businesses. Since 2001 he has been the CEO of NZ Forestry Investments Limited and a Director of previous issues promoted by NZ Forestry Investments Limited. Mr. Ross Anthony Collins is also a director in the promoter of this Prospectus, NZ Forestry & Land Investments Limited.

Mr. Anthony Shane Collins, 25 Edgecumbe Road, Tauranga 3110. Mr. Anthony Shane Collins has worked in the building industry for 13 years in positions from trainee to senior management in one of the largest privately owned fabricators of domestic joinery in the Southern Hemisphere. Anthony Shane Collins has received no formal training or qualifications relevant to the finance sector or the forestry industry. Since November 2005, Mr. Anthony Shane Collins has been working with Mr. Ross Anthony Collins in NZ Forestry Investments Ltd promoting previous issues offered by NZ Forestry Investments Limited. Mr. Anthony Shane Collins is also a director in the promoter of this Prospectus, NZ Forestry & Land Investments Limited.

Mr. Ross Anthony Collins and Mr. Anthony Shane Collins are the directors of the Promoter and are therefore also a Promoter for the purposes of the Securities Act 1978. Mr. Ross Anthony Collins' address is 4 William Wood Place, Fairview Estate R.D2, KATIKATI 3178 and Mr. Anthony Shane Collins' address is 25 Edgecumbe Road, Tauranga 3110.

How much do I pay?

You have to pay the Issuer a total of NZ\$6,600.00 for each share that is allotted to you.

The share price is payable by:

1. A minimum deposit of \$600.00 upon application followed by 30 interest free equal monthly payments of \$200.00 with the first payment due one month after application; or
2. Such other amounts and payment frequencies are acceptable to the Issuer provided a minimum deposit of \$600.00 is paid.

The offer closes on the closing date. The closing date is Saturday 4th January 2014 or, if the offer is fully subscribed before this date, then the date on which it is fully subscribed. If the offer is not fully subscribed by Saturday 4th January 2014, an extension may be applied for.

All applications are to be made on the application forms accompanying this Investment Statement. Applications will be accepted on a first come first served basis.

All payments are to be made to the Issuer and in accordance with the application instructions set out in the application form accompanying this investment statement. The payments are required in order to purchase a share in the Issuer.

Failure to make payment for the shares will at the option of the Issuer result in the shares being forfeited. If the shares are forfeited, then the affected shares will be resold and the holder of the shares will receive no moneys back from the Issuer.

There is no cooling off period, you will be committed to the investment once you have applied for the shares.

What are the charges?

Other than the purchase price of \$6,600.00 per share, there are no other charges payable to the Issuer or Promoter for the shares. All costs associated with the forest are intended to be covered by the funds raised by this offer. Any unanticipated or unbudgeted costs associated with the establishment, development, tending and general management of the Forest will come out of the proceeds of the harvest of the forest. The following charges are payable by the Issuer:

1. Reimbursement of the issue expenses of the offer to the Promoter of \$71,500.00 is payable after minimum subscription is achieved and as funding allows. This cost includes legal, accounting, auditing, consultancy fees, document preparation, printing and other costs associated with the issuing of the Prospectus.
2. A management and administration fee is payable to NZ Forestry & Land Investments Limited for managing the administration of the Issuer. The management fee is \$55,000.00 plus GST per annum for the first four years of the term and thereafter reducing to \$9,000.00 plus GST per annum until the forest is harvested and the affairs of the company are wound up. An administration wage is also payable of \$88,000.00 plus GST for the first four years and then reducing to \$15,000.00 per year plus GST until the forest is harvested and the affairs of the Company are wound up. All payments are adjusted by the annual increase in the Consumer Price Index. These management and administration fees are due after minimum subscription is achieved and payable quarterly in advance as funding allows.
3. A Promoter's fee is also payable to NZ Forestry & Land Investments Limited of \$950,000.00 plus GST in addition to the fees set out in paragraph 2 above. The Promoter's fee includes the anticipated costs for advertising this issue of \$480,000.00 plus GST. The Promoter's fee is payable after minimum subscription is achieved and as marketing costs are incurred by the Promoter, typically the Issuer will be invoiced on a monthly basis and these invoices will be paid as funding allows.
4. The charges set out in clauses 1 to 3 above represents approximately 45% of the total subscription monies where the offer is fully subscribed. Where the offer is less than fully subscribed, the Promoter will reduce the fees and expenses payable under the Management agreement, Administration Agreement and Promoters agreement proportionally so that they still represent approximately 45% of the subscription monies raised.

The majority of the forest's development and associated costs will take place during the first twelve or so years of the forest's life. All services the Issuer will require for the duration of the forest's life to develop and maintain its forest in accordance with good industry standards will be funded from the shareholder funds. The Issuer will retain a reserve fund with a value of no less than 18% of the monies raised under this offer which is anticipated will meet the cost for the life of the forest. There is a risk of cost escalations caused by inflation and poor management regimes. However, the Issuer will endeavour to reduce the risk of poor management by choosing a manager that the Issuer considers to be experienced, reputable and competent in terms of the forestry industry. Costs incurred in harvesting, the legal and accounting costs of the winding up of the Company and any unanticipated and unbudgeted costs associated with the establishment, development, tending and general maintenance of the Forest and not covered by the funds raised by this issue will be deducted from the harvest proceeds prior to distribution of returns to the shareholders.

Initially, funds raised under the offer will be allocated to reimbursement of Issue Expenses to the Promoter, along with the payment of Promotion, Administration and Management costs of the Issuer. Within one year commencing with the registration date of the Prospectus the Directors of Prosper Hills will source and purchase land for planting of forest or purchase an existing forest/land project. Once a forest/land project has been identified and assessed as suitable for the Issuer to purchase, a Sale and Purchase agreement will be entered into and the priority for funds raised will be the deposit and settlement figures relating to that Sale & Purchase agreement. Post settlement, the priority for funds raised under the offer will be related to the physical management, insurance and maintenance of the forest/land block(s) acquired.

What returns will I get?

Each share (other than the voting shares) entitles the holder to a proportionate share in the net proceeds from the harvest of the forest and sale of the land. It is anticipated that the forest will be mature and ready for harvest once the forestry reaches 25 years old. It is anticipated that the returns will be paid in one sum following harvest of the trees, sale of the land and winding up of the Issuer's affairs. You will receive no return until then.

Your returns will depend upon the price obtained at harvest and sale of the forest and the land. The returns cannot be quantified at the date of the Prospectus and are not fixed or assured. Neither the: Forest Manager, the Promoter, the Directors nor Shareholders of the Issuer, the Issuer, nor any other person involved with this offer, promises or guarantees that the subscription price or any part thereof, will be returned upon the harvest of the Forest. The Issuer (Prosper Hills (2012) Limited) is the only entity legally liable to pay the returns.

What are my risks?

No investment is without risk. There are risks inherent in the acquisition and ownership of shares in the Issuer. Some of these are set out below. However, investors should examine the full contents of this Investment Statement and the Prospectus and consult with their professional advisers before deciding to invest in this project. Participation in this venture should be viewed as being made for a long term. As this venture is a long term primary production activity, the risks involved in the participation in the venture include the long term nature of growing and harvesting commercial Radiata pine trees.

There are risks associated with a commercial forestry plantation. The Issuer has identified the following risks which could affect any returns:

- Increased competition from other producers of Pinus Radiata or similar soft wood producers either in New Zealand or worldwide.
- Physical risks such as wind, fires, other acts of God, insect infestation, pests, disease, flood, storm damage, land subsidence, herbicide damage and drought.
- Changes in the costs associated with the forest. All costs are intended to be covered by the funds raised under this offer. Any unanticipated or unbudgeted cost could affect the return to investors. The investors will not be asked for further funds during the term but any such costs will be deducted from the harvest returns.
- Changes in Government legislation which may affect the viability or profitability of the forest.
- Changes in exchange rates could affect the forest value although harvest can be brought forward or delayed to capitalise on market conditions.
- Access to infrastructure including transport.
- Any changes to the basis of taxation during the life of the forest or any other significant levies, tax or imposts on the forest and/or the Issuer.
- Changes in technology in the construction industry such as the replacement of timber with steel or composite materials.
- Both real and nominal movements in timber prices including growing and handling processes.
- Changes in future costs which may make the harvesting of the trees unprofitable.
- The supply and demand for Radiata pine trees.
- A change or changes in the management of the project over its term.
- The shares have no voting rights.
- Unknown effects from the Kyoto protocol on global carbon emissions. Existing and future governments approach to carbon credits may have a bearing on some decisions for forest companies and could affect the investment.
- Mismanagement and/or insolvency of the Promoter and Manager NZ Forestry & Land Investments Limited could have an ongoing negative impact on the Issuers ability to operate into the future.
- Investors may lose their invested funds.

The actions that can be taken to mitigate the risks involved in forestry and specifically this investment are as follows:

- The Issuer holds comprehensive Fire, Wind and Third Party insurance and also Public liability insurance in accordance with industry standards.
- The Issuer will take care to select contractors, forestry management teams and Consultancy firms that the Issuer considers to be experienced, professional and well qualified to carry out services.
- The Issuer does not intend to participate in the Emission Trading Scheme (ETS)
- Any unanticipated and unbudgeted costs will be met by NZ Forestry & Land Investments Limited until the forest is harvested.

The likelihood of an investor recouping their investment and receiving a return on their investment depends on the Issuer realising more revenue from the sale of the logs than it spends on management and the harvesting of the forest. If management and harvesting costs exceed projections, there is a risk that the investor will receive less than the amount paid for the shares. If the Issuer becomes insolvent and is put into liquidation you will not have to pay any more money than the cost of your shares. However, you will not get any money back unless there are monies over after the Forest assets have been realised and its liabilities and the costs of the liquidation have been paid in full. If there are monies over after the liabilities and costs have been paid they will be divided among the non-voting shareholders in proportions to their shareholdings.

Can the investment be altered?

The financial contribution payable by subscribers to the Issuer cannot be altered. The rights attached to the shares, can be altered only by special resolution of the non-voting shareholders

How do I cash in the investment?

You can sell your shares provided you can find a buyer for them. However, there is no established secondary market for the shares. The Issuer will not charge you for transferring your shares to someone else.

Who do I contact with enquires about my investment?

Shareholders should contact:

Mr. Ross Anthony Collins
NZ Forestry & Land Investments Limited
4 William Wood Place
Fairview Estate R.D2

KATIKATI 3178
Free phone: 0800 746 325.
Email: investors@nzfil.co.nz

Is there anyone to whom I can complain if I have problems with the investment?

If you should experience or have any problems with this investment you should, outline your concerns or the problem you are experiencing and in the first instance write to:

Mr. Ross Anthony Collins
NZ Forestry & Land Investments Limited
4 William Wood Place
Fairview Estate R.D2
KATIKATI 317
Free phone 0800 746 325
Web www.nzfil.co.nz
E-mail investors@nzfil.co.nz

(please read the *next* paragraph before contacting FDR)
Freeport 231075
Financial Dispute Resolution (FDR)
P.O. Box 5730
WELLINGTON 6145
Free phone 0508 337 337
Fax 04 918 4901
Web www.fdr.org.nz
E-mail enquiries@fdr.org.nz

In order to comply with the Financial Service Providers (Registration & Dispute Resolution) Act 2008, NZ Forestry & Land Investments Limited, Prosper Hills (2012) Limited, Ross Anthony Collins and Anthony Shane Collins have registered with the Financial Services Providers Register (FSPR) and Financial Dispute Resolution (FDR) as scheme members. FDR is an independent, privately owned, government approved scheme which may facilitate the resolution of a complaint or dispute. Note: You MUST have contacted NZ Forestry & Land Investments Limited first AND either you have had NO response within 90 days OR the proposed resolution(s) remains unacceptable to either party.

There is no Ombudsman to whom complaints can be made concerning this investment.

What other information can I obtain about this investment?

A copy of the Prospectus, Financial Statements and other documents relating to the Issuer may also be inspected at the offices of:

NZ Forestry & Land Investments Limited
4 William Wood Place
Fairview Estate R.D2
KATIKATI 3178
Free phone: 0800 746 325
Email: investors@nzfil.co.nz
OR:
Jackson Reeves Lawyers
78 First Avenue
P.O. Box 243
Tauranga 3140
Telephone: (07) 578 2129

In addition to this Investment Statement, a person may obtain a copy of the Registered Prospectus together with any additional information that may be attached to the Prospectus (at no cost) from the Issuer at the above addresses. The Constitution and material contracts can be viewed on the Companies Office website at www.companies.govt.nz where relevant documents are not available on the website; a request for the documents can be made by contacting Searchlink at info@searchlink.co.nz

An annual report complying with the Companies Act 1993 will be made available to all holders of Shares.

The Issuer must keep, and make available for inspection by the Shareholders, minutes of all meetings and resolutions passed by Shareholders, copies of all written communications to Shareholders (including annual reports and financial statements), certificates given by Directors and the interests register. These documents can be inspected on working days at the offices of:

NZ Forestry & Land Investments Limited
4 William Wood Place
Fairview Estate R.D2
KATIKATI 3178
Free phone: 0800 746 325
Email: investors@nzfil.co.nz

Under section 54B of the Securities Act 1978 the Issuer is required to supply a Shareholder with the following documents on request:

- A copy of the most recent annual report and financial statements of the Issuer, together with all documents that are required to be registered with those financial statements under the Financial Reporting Act 1993;
- A copy of the most recent Prospectus relating to Shares in the Issuer;
- A copy of the most recent Investment Statement relating to the Shares in the Issuer.

Such a request should be made in writing to the Issuer and posted to:

Prosper Hills (2012) Limited
4 William Wood Place
Fairview Estate R.D2
KATIKATI 3178
Free phone: 0800 746 325
Email: investors@nzfil.co.nz