

5th October 2018



FOREST INDUSTRY CONSULTANTS

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Re: Emerald Hills Group Proposed Harvest Joint Venture – Review of Forestry Inputs into Harvest Allocation Calculations

I refer to correspondence "ref: Emerald Hills Forests Joint Harvesting Proposal" dated 16 March 2018 from Steve Wilton, Special Projects Consultant regarding the proposed joint harvest of the six Emerald Hills forests, namely Homewood, Majestic Pine, Goodwood, Longwood, Millwood and Glenwood forests.

The proposal has been communicated to investors in all six forests and provides a solution for effective and more efficient management of the harvests of these forests.

Investors will be required to approve the proposal and have been advised of decision making as follows:

"the assumptions and calculations resulting in the allocation percentages will be checked. The forestry assumptions and calculations will be checked by the investments' Forestry Auditor (Forme Consulting Group Ltd). This work will be done to the satisfaction of the Supervisor (Trustees Executors Ltd).

Responsibilities of the Forestry Expert

As requested by Trustees Executors Ltd as Supervisor, to provide expert advice to the Supervisor in terms of Clause 49 of the Deed of Scheme Management as noted:

49 Power of Supervisor to engage expert

49.1 Experts

The Supervisor may engage and expert (for example, a financial auditor, investigating accountant, valuer or actuary) if the Supervisor considers, on reasonable grounds, that it requires the assistance of the expert to:

- (a) determine the financial position of the Manager or the Scheme or
- (b) review the business, operation, or management systems, or the governance, of the Manager or the Scheme.

Basis of Opinion

Forme Consulting Group Limited is an independent forestry consulting company with no interests in Forest Enterprises Limited.

In completing this work, we examined the systems of control in use by Forest Enterprises Limited to prepare the joint harvesting proposal. In our professional opinion and best judgement, the proposal meets the numerous tests and standards that we have applied to ensure that investors in any one of the forests are not disadvantaged.

In reaching our opinion we have relied on information provided to investors in all forests, separate information and data provided by Forest Enterprises Ltd and our long-term knowledge and experience as forestry auditor for the investments.

Review Findings

We have examined and verified modelling work completed by Forest Enterprises Ltd for each forest as follows:

- Net stocked area from 2016 remapping;
- Estimated recoverable volumes from 2013 mid rotation inventory;
- Assumed harvesting cost and allocation by cable and ground-based harvest method from the current harvest plan;
- Infrastructure development costs (roads and landings) and maintenance costs based on the current harvest plan;
- Log cartage costs based on transport distances from forest gates and internal distances based on current harvest plan;
- Ancillary costs including management and contingency.

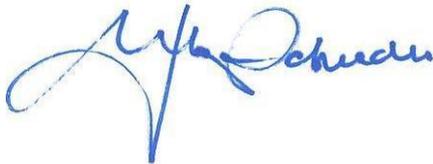
Further to these base modelling processes we have reviewed the participant cost allocations with reference to Forest Enterprise's GIS spatial and geographic data information system. In our opinion these costs are allocated fairly where they lie (area, volume, harvest costs, landing construction) or shared according to each forests' use of infrastructure (shared landings, road construction, road maintenance and cartage cost).

Additional key criteria affecting forest value i.e. log prices, per/km road construction costs, management and marketing fees, contingency and discount rates are applied equally to all forests and do not affect the final allocation.

We are not aware of any other factors that may have been overlooked in the joint harvesting proposal that might impact on investors interests in individual forests.

Yours faithfully

Forme Consulting Group Ltd



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