

19 November 2019



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Dear Mark,

**Re: Blairlogie Group – Collective Harvest by Joint Venture, Plan Variation and Review of Forestry Inputs into Harvest Costs and Revenue Share Calculations**

I refer to your correspondence dated 11<sup>th</sup> November 2019 outlining Forest Enterprises proposal to harvest the managed investment scheme forests, collectively known as the Blairlogie Group, by joint venture. The individual forests forming the joint venture will be Blairlogie forest, and Blairlogie North forest.

Harvest of the forests as a joint venture requires a variation to the Plan and Forest Enterprises has asked for our opinion as Auditor, on the variation, and the various forestry inputs that contribute to the costs and revenue share allocations.

**Basis of Opinion**

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

Our opinion is based on a review of the information as provided to the investors including;

- *'Collective Harvest by Joint Venture for Forest Enterprises Managed Investment Schemes'* dated 17<sup>th</sup> August 2018;
- *'Blairlogie Group - Group Details and Commercial Rationale for Collective Harvest by Joint Venture'* dated 11<sup>th</sup> November 2019;
- *'Blairlogie Group – Allocation of Share of Collective Harvest'* report dated 20<sup>th</sup> November 2019,

and relied upon our long-term knowledge and experience as forestry auditor for the investments.

**Review Findings**

As well as reviewing the documentation provided to Investors, we have examined the methodologies and verified modelling work completed by Forest Enterprises Ltd of the various forestry inputs that comprise the harvest costs and revenue share calculations including:

- Updated forest mapping (2019) to form an accurate net stocked area for each forest's investment;
- Estimated recoverable volumes from mid-rotation inventory;
- Updated harvest planning identifying harvest infrastructure requirements;
- 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 individual forests 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 both forests and do not affect the final allocation.

In our professional opinion and best judgement, the proposed Plan change can be reasonably regarded as being to the commercial advantage of the Blairlogie Group and desirable to protect the interests of the Group based on the information provided to us.

**FORME CONSULTING GROUP LTD**



Kevin Reardon, Director  
*NZIF Registered Forestry Consultant*