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Dear Sir,

Re: Forest Enterprises Limited – Harvest and Marketing Management Fees

We have been asked to benchmark Forest Enterprises Harvest and Marketing management fees against other harvest and marketing management fees observed in the market.

Forest Enterprises fees are \$3.00 per tonne of logs harvested, plus 2.5% of the 'Net to the Forest Owner' after payment of logging and cartage costs. Services provided for this fee include harvest management and supervision, Health and safety and environmental compliance and reporting, roading design and construction supervision, supply chain management and cartage requirements, administration and accounts.

We have benchmarked this fee against other harvesting and marketing fees recently observed in the market. Fee mechanisms observed range from a fixed management fee per tonne to harvest the forest - \$/t, to a flat percentage of either gross or net revenue sales; or a combination of these two mechanisms.

A sample of the range of fees recently observed is provided in the table below.

Company	Observed Industry Harvesting & Marketing Fees	Forest Enterprises Ltd Harvest and Marketing Fee
Independent Sample 1	5% of gross revenue	\$3.00/t + 2.5% of net log revenue
Independent Sample 2	\$3.00/tonne + 3% of net log revenue	
Independent Sample 3	\$3.50/tonne + 5% of net log revenue	
Independent Sample 4	\$4.50/tonne	
Independent Sample 5	\$4.00/tonne	
Independent Sample 6	\$2.50/tonne + 5% net revenue/tonne	
Industry Norms	Range from \$3.00-\$4.50/tonne + 3%-5% of net revenue.	

NB: All sampled harvesting services fees for volumes <100,000m³, and commensurate services

Direct comparison of fees is subjective as it is very dependent on range of services offered including extent of marketing services.

In our professional opinion, the Forest Enterprises harvest and marketing fee specified is well within industry norms for the range of services offered.

FORME CONSULTING GROUP LTD
Kevin Reardon
NZIF Registered Forestry Consultant