19th November 2021

Mr Mark Allan
Compliance and Systems Manager
Forest Enterprises Limited
PO Box 128
Masterton 5840

Forme Consulting Group Ltd
173 Main Road, Tawa
Wellington 6230
NEW ZEALAND

p. +64-4-232 7155
e. info@forme.co.nz
w. forme.co.nz

Dear Mark,

Re: Hawkes Bay 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 outlining Forest Enterprises proposal to harvest the managed investment scheme forests, collectively known as the Hawkes Bay Group, by joint venture. The individual forests forming the joint venture will be Esk Valley forest, Glenross forest, and Hampton forest.

Harvesting of the individual investment forests as a collective joint venture requires a variation to the Plan and Forest Enterprises has asked for our opinion as Auditor, on the variation proposal. In particular, on the various forest metric 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*' report dated 15th October 2021;
- '*Hawkes Bay Collective Harvest Joint Venture Proposal*' letter dated 19th November 2021;
- '*Hawkes Bay Group – Allocation of Share of Collective Harvest*' report dated 19th November 2021,

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 form the basis for the harvest costs and revenue share calculations including:

- Net stocked area assessment - based on recent (2016/17) forest mapping;
- Updated harvest planning identifying harvest infrastructure requirements;
- Infrastructure development costs (roads and landings) and maintenance costs are also based on the current harvest plan;
- Projected total recoverable log volume (TRV's) estimates have been derived from mid-rotation forest growth data reconciled against 2020 LiDAR inventory;
- Forest differences influencing harvest share percentages have been fairly identified including net stocked area, age class mix and projected stumpage returns.
- Assumed logging cost for each forest has been derived from 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 (roading costs, landing construction).

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. The methodologies employed in defining these key harvest revenue metrics follow New Zealand Institute of Forestry Standards.

We also note that each forest investment has standalone harvest cashflows provided through annual reporting in which to make comparisons to the joint venture proposal.

In our professional opinion and best judgement, the proposed Plan change can be reasonably regarded as being to the commercial advantage of the Hawkes Bay 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