

Blairlogie Forest Investment

22 March 2024



**Forest
Enterprises®**
Creating wealth. Naturally.



Agenda

- Overview of forest and investment status
- Options to exit your investment
- Options to reinvest in the Blairlogie Group Forest for second rotation

Current status



Current investment status

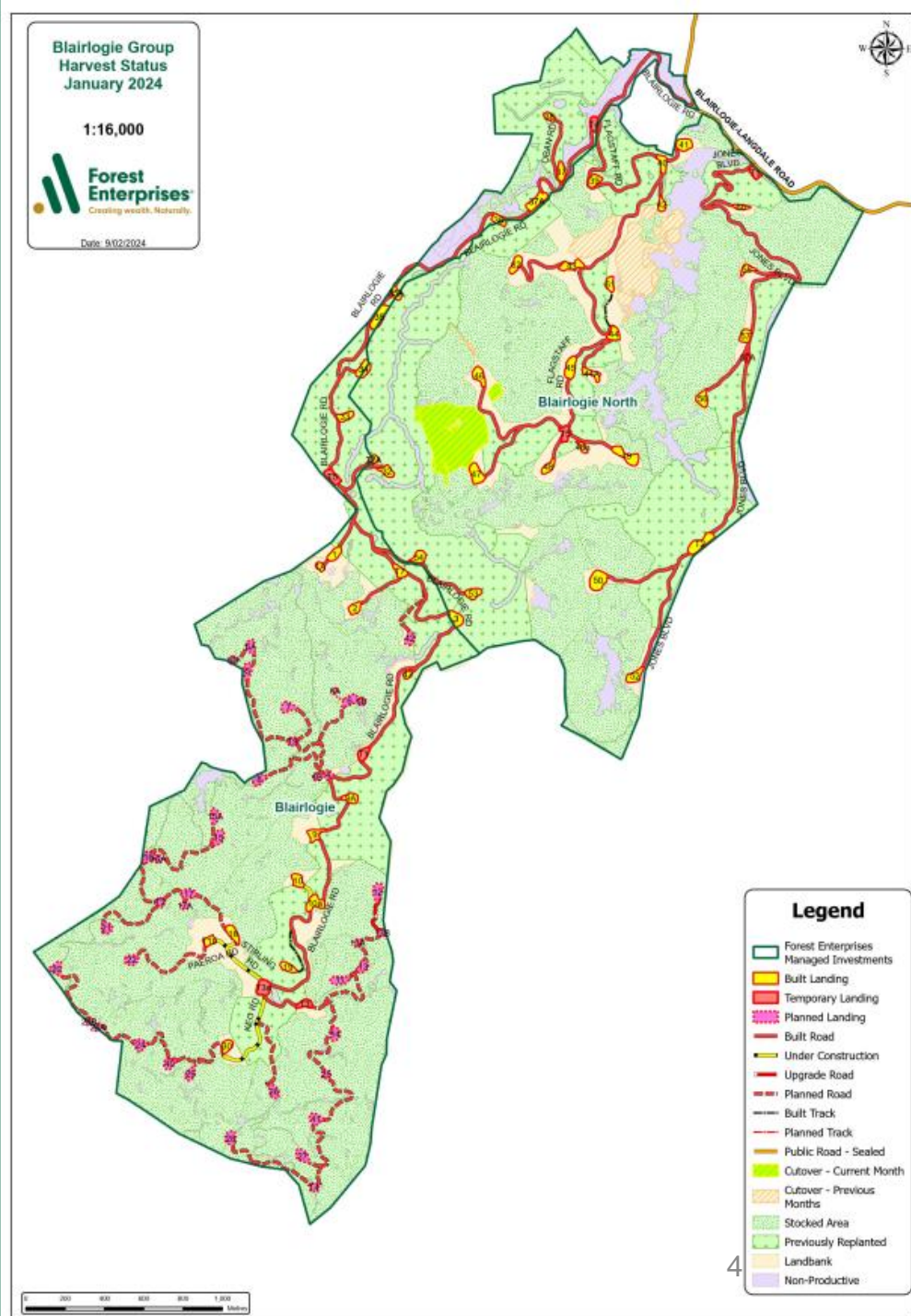
First rotation began 31 years ago

- Blairlogie opened March 1993
- Blairlogie North opened April 1993

Harvesting began in the Blairlogie Group in 2018.

As at 31/12/23:

- 336ha harvested
- 470ha remaining



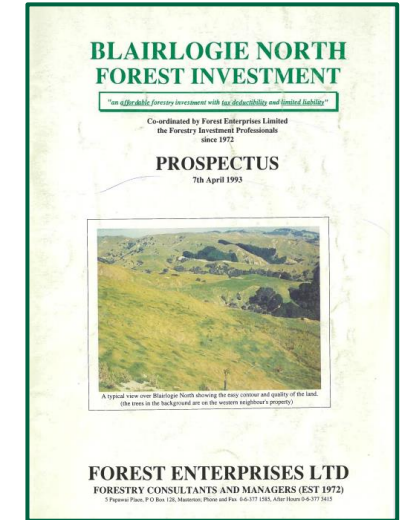
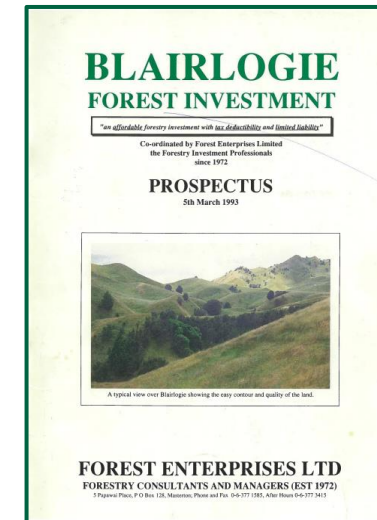
Current status of the investments

Status at 31 December 2023

	Projected gross IRR 1993	Current projected gross IRR	Difference	Projected investment 1993	Total investment to date	Difference	Projected pre-tax return 1993	Projected pre-tax return 2023	Difference
Blairlogie	9.6%	6.9%	-2.7%	\$15,413	\$19,158	\$3,745	\$141,005	\$110,502	-\$30,503
Blairlogie North	9.6%	7.2%	-2.4%	\$15,644	\$18,824	\$3,180	\$137,653	\$116,550	-\$21,103

Amounts shown per 1/125 parcels of shares

- No inflation adjustments in 1993 prospectus': costs have increased ~250% on projection while log prices have only increased ~140% of projection
- Cost differences have been partially offset by carbon lease income



Exit options



Forest Enterprises' responsibility

Blairlogie Group harvest is projected to be completed at the end of 2027 with the investment concluding following harvest completion.

The sale of the land forms part of the investment return and is reflected in the final year of harvest in cashflow projections.

As we near the end of the original investment terms we need to provide an exit solution that meets **all** investors' expectations

- Some foundation investors want to continue for a second rotation for themselves or family members (holding structure can be changed to accommodate this e.g., family trust)
- Some investors want to cash up and conclude their investment following harvest
- Some have a combination of these choices in mind

Early introduction of second rotation investment

While the original investment is not projected to be completed until the end of 2027, we are **proposing the early introduction of a second rotation investment** for Blairlogie Group.

This enables:

- Investors who do not wish to reinvest in the second rotation to extract all or part of their land and second-rotation planting value before the harvest concludes.
- Investors to commit to the second rotation with a new carbon-centric investment proposition

Two options available to investors

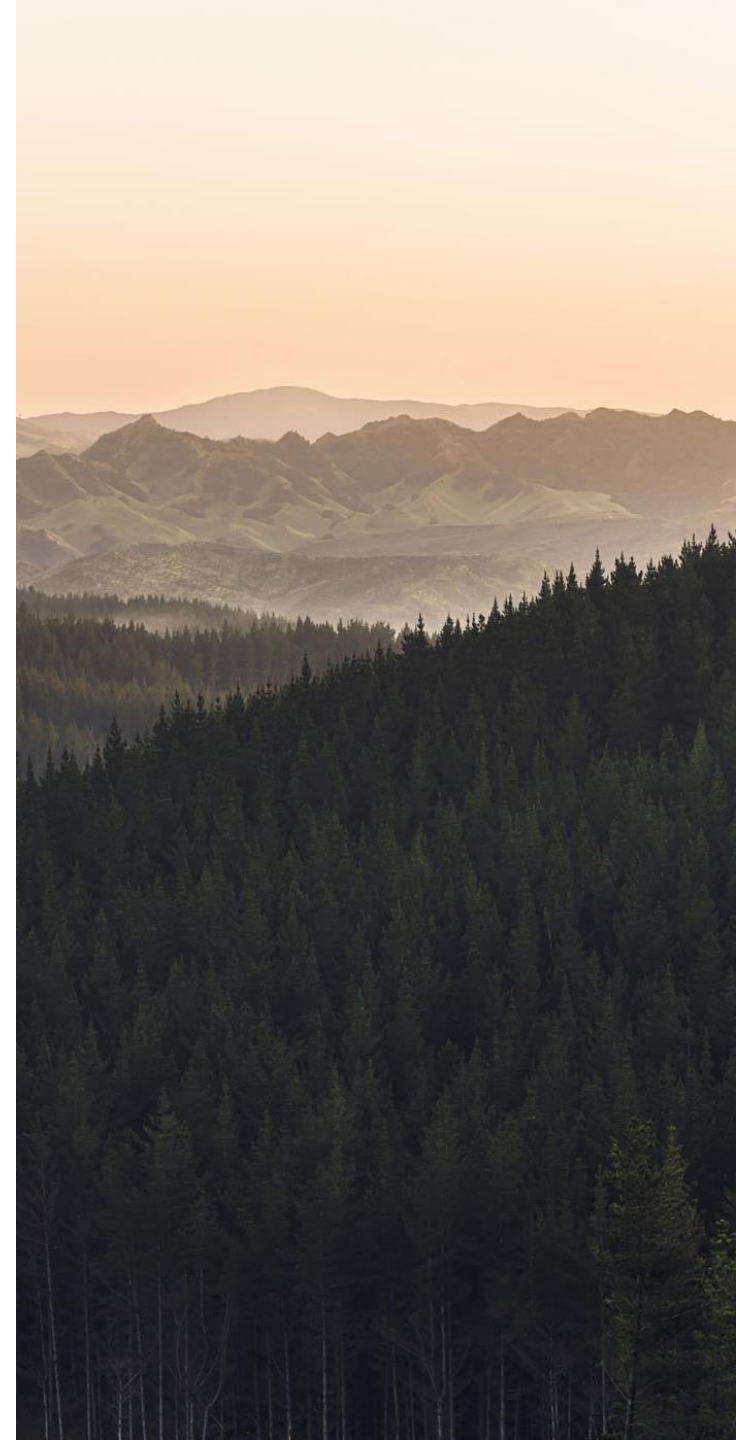
1. Sell the Blairlogie Group Land LP on the open market at the end of harvest

- Settlement date and sale value unknown, likely to be during 2028 as planned harvest ends 2027
- Selling the Group Land LP's forest land and trees at the end of harvest may meet the expectations of investors wishing to cash up and conclude their investment following harvest
- Does not meet expectations of those investors wishing to continue in full or part for a second rotation

Option two

2. Reinvest in a second rotation

- Offer a new Managed Investment for the Blairlogie Group
- Use of the Group Land LP structure for the second rotation maximises profitability and minimises risk
- Provides reinvestment opportunity for those who want to continue investing
- Provides option for progressive payout of land and replanted tree value prior to harvest completion for those that want to exit (in full or in part)



Reinvestment for second rotation



Key drivers behind offering a new managed investment

1. Preserves the current harvest program for the Blairlogie Group while still allowing capital to be distributed
2. Guarantees every investor an exit option by the completion of current harvest program at fair value
3. Captures the ability to maximise the profitability of a second rotation investment
4. Blairlogie and Blairlogie North have already agreed land allocation and formed Blairlogie Group Land LP as part of their collective harvest vote

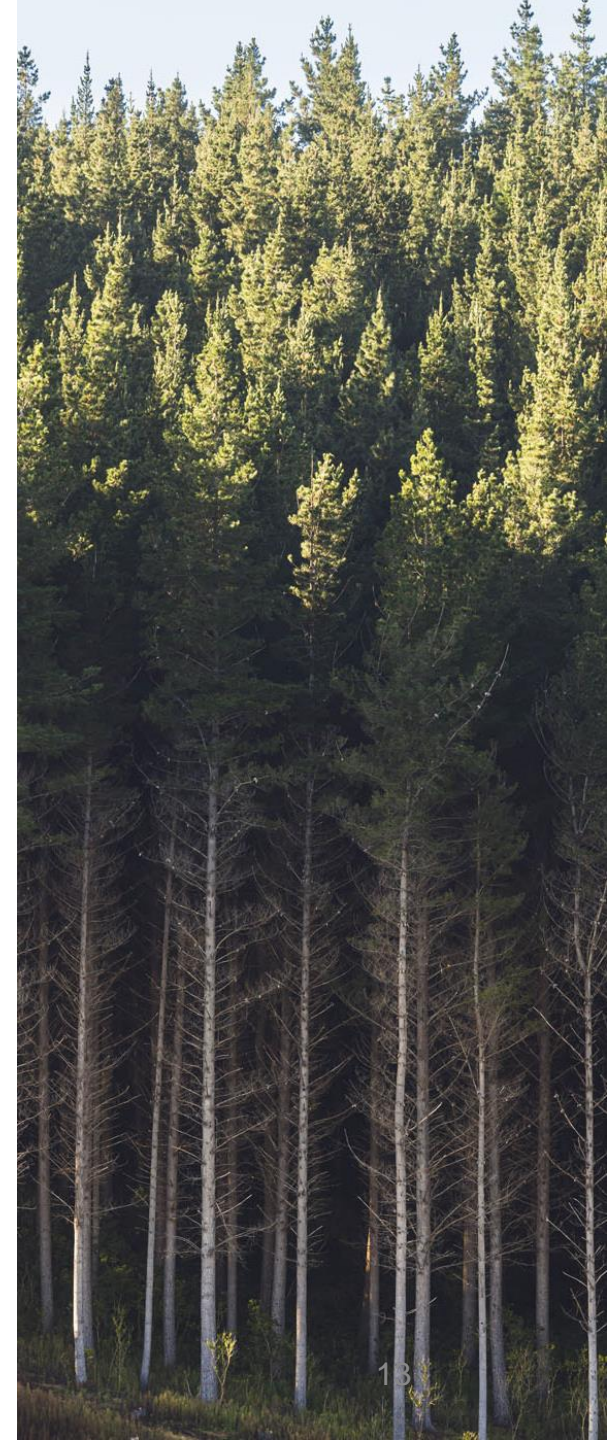
	Group Land LP allocation
Blairlogie	51.1%
Blairlogie North	48.9%
Blairlogie Group Land GP Ltd	100%

A carbon-centric investment

	ETS classification by area (ha)		Eligible to earn carbon credits	Primary investment strategy	Secondary investment strategy
Post-1989 land	732.3	89.9%	Yes	Carbon	Harvest
Pre-1990 land	82	10.1%	No	Harvest	n/a

An enhanced return with carbon

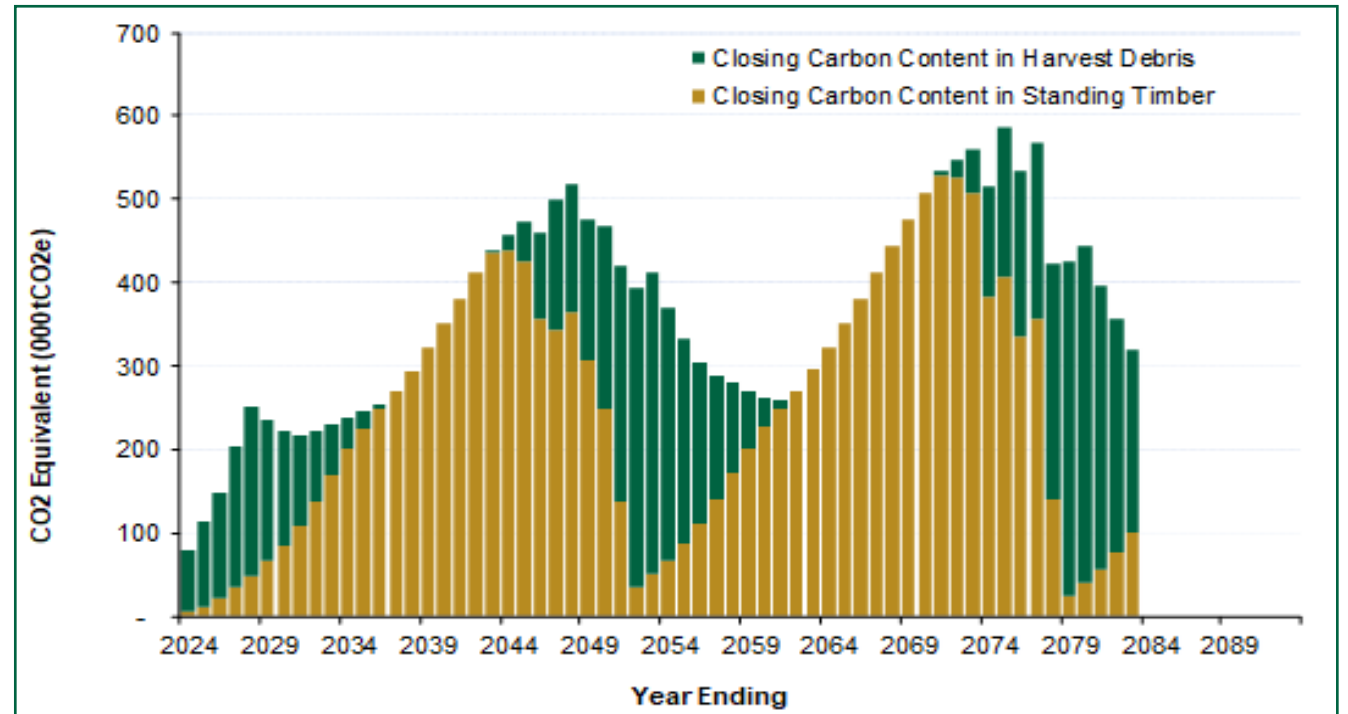
- The value of the post-1989 land can be maximised through a primary strategy of the sale of carbon credits
- This strategy enables a cashflow from the sale of carbon credits from ~2032
- The secondary strategy for post-1989 land is harvest. This strategy would be applied if investment cashflow from harvest adds to investment value
- An appropriate tending regime would be maintained throughout the investment period to optimise harvesting returns under the secondary strategy if required
- The pre-1990 land which does not earn carbon credits would be harvested



Carbon potential

- Eligible plantation forests generate carbon credits from the time of planting
- Liabilities from previous harvest must be offset by growth in carbon stock
- Credits can be sold annually once liabilities offset to generate revenue (generally ~8 years)
- Carbon sales revenue will be used to support investment costs etc, reducing or removing the need for calls
- From ~2032 cashflow from credits will generate an annual income stream for investors

Blairlogie: indicative carbon model



Carbon case study: Bideford

Our Forest Enterprises Managed Investment, *Bideford Forest Investment*, has a primary strategy of revenue from carbon for its post-1989 land with the following key assumptions:

- 80% post-1989 land and 20% pre-1990 land
- \$80 per unit for sale of carbon
- Stumpage per hectare for clearwood regime trees of \$37,517 (36-month average prices at September 2022)
- Harvest at a tree age of 26 years with a yield estimate of 716 tonnes per hectare (if relevant) with replanting in winter of year following harvest

	Projected pre-tax IRR*
Projected return without inflation	11.82%
Projected return with inflation	14.16%
Entire forest harvested without inflation or carbon	4.94%

*refer to *Bideford Forest Investment Product Disclosure Statement* for full details of investment assumptions and projected IRR

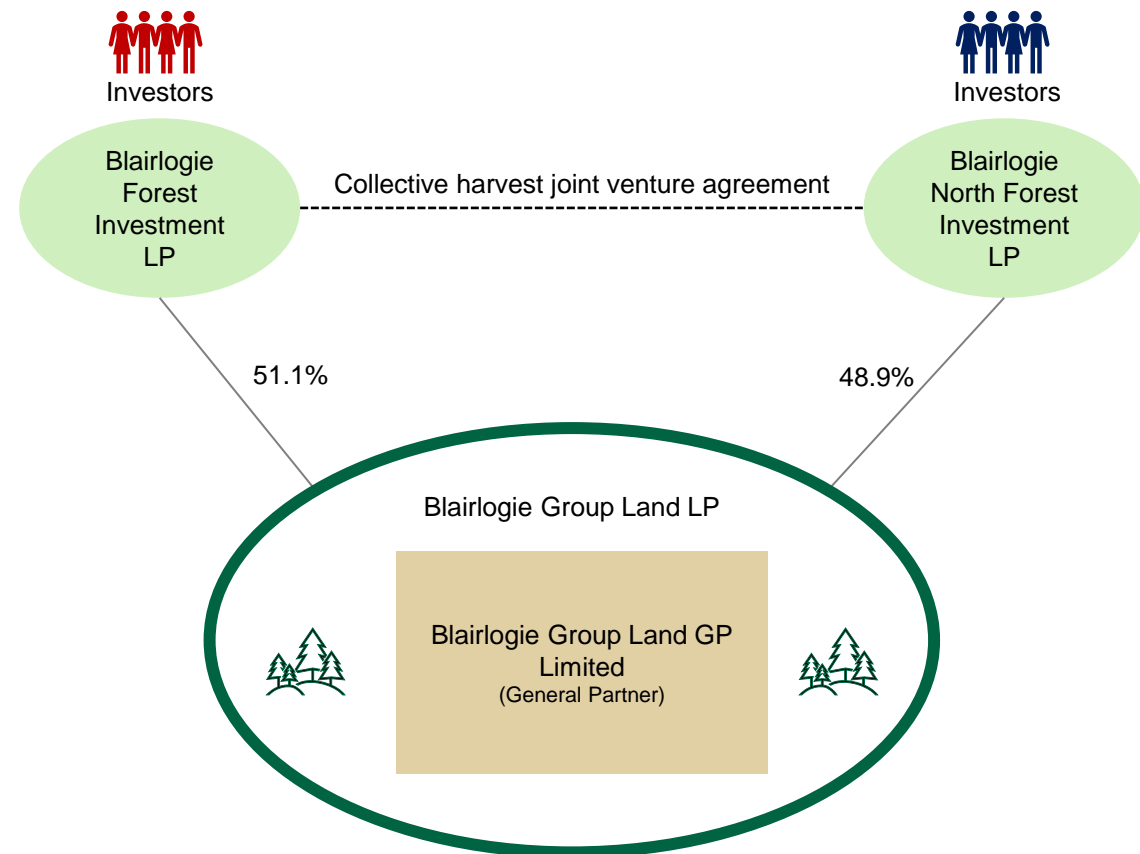


Proposed second rotation structure



Current investment structure

- As part of the Collective Harvest process in 2019, investors agreed that the investment land should be transferred to a new special purpose limited partnership called Blairlogie Group Land LP
- The land transaction occurred in 2022 and Group Land LP now holds the joint venture's land and replanted second rotation trees with each Investment LP holding its respective share
- Group Land LP was designed to morph into a second rotation investment

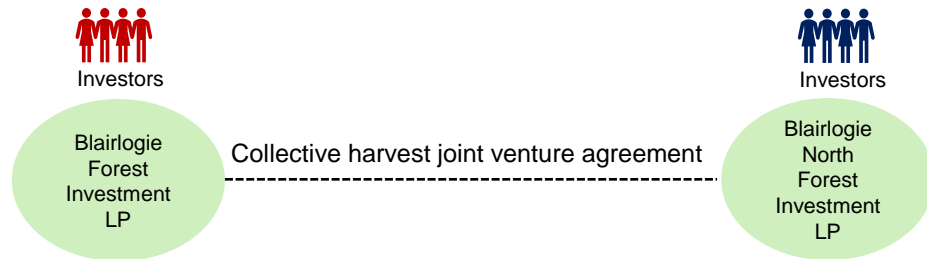


Land GP Limited indicative valuation

Forest	2022 land valuation	Second rotation tree value	Total value	Percentage allocation
Blairlogie				51.1%
Blairlogie North				48.9%
Group Land LP	\$4,376,000	\$518,000	\$4,894,000	100%

Shareholder capital can be released from 2024 under our second rotation proposal or at the conclusion of the original investment (early 2028)

Second rotation investment mechanism



Original investment

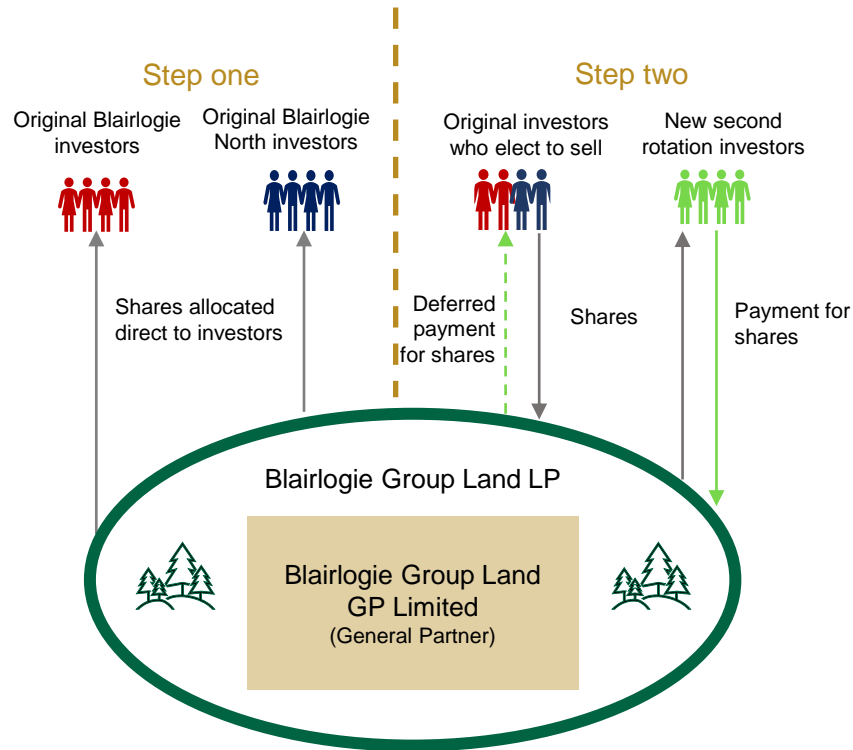
- Retains right to harvest income from mature trees until harvest programme is complete and the investment wound up
- Retains right to pre-1990 NZU sales revenue
- Receives remaining NZCL lease income
- Pays rent to second rotation investment for land occupied by mature trees



Second rotation investment

- All original investors allocated shares proportionate to investment in LP interest
- Original investors elect to **retain or sell** second rotation investment shares
- Second rotation investment holds land and second rotation trees
- Receives rent for mature trees
- Funds all second rotation replanting

Capital release mechanism



Step one

- All original investors will be allocated shares proportionate to their interest in the Investment LP

Step two

- Original investors will elect to retain their interest in the Group Land LP for the second rotation investment **or** sell their interest in the Group Land LP **or** a combination thereof
- Forest Enterprises will market the available shares in Group Land LP and distribute the proceeds from share sales to the exiting investors quarterly

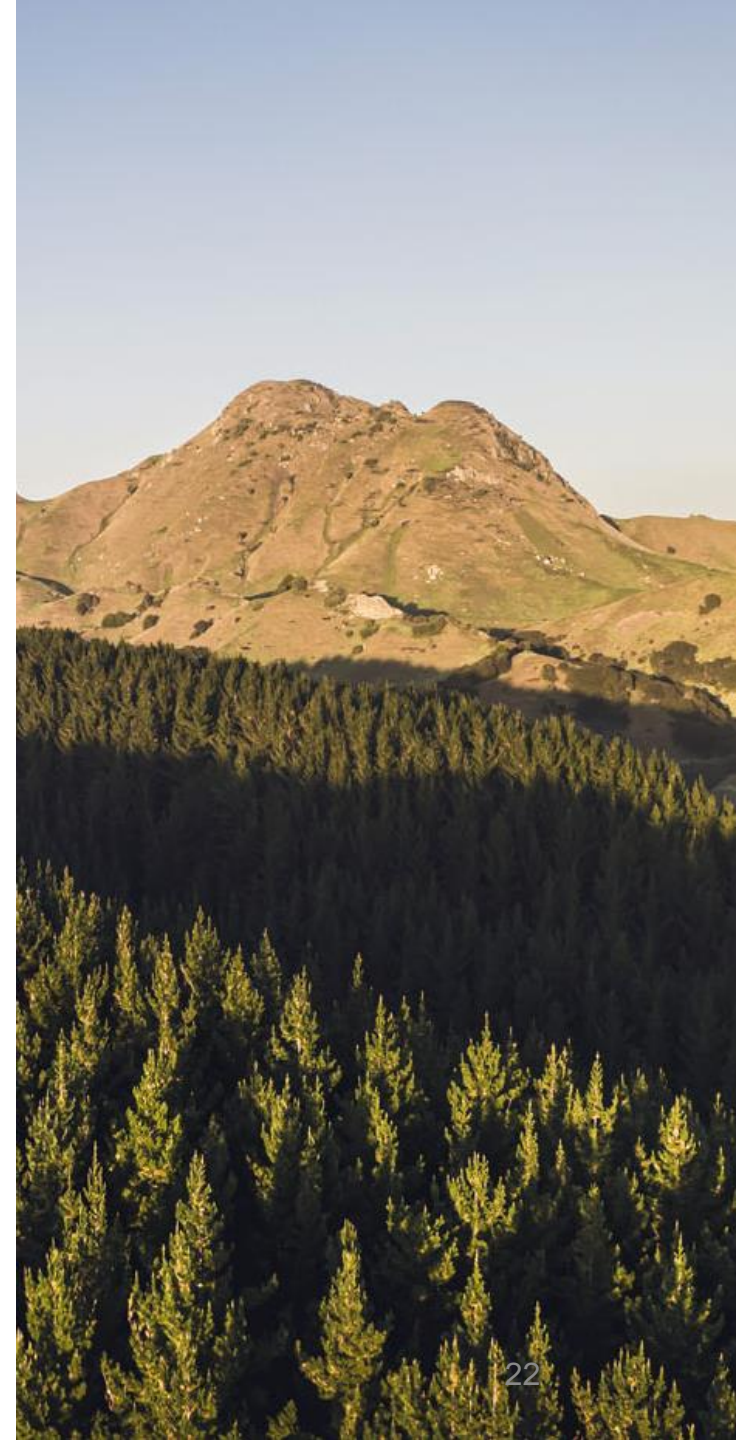
Next steps

1. Vote for implementation of second rotation mechanism
2. If in favour, PDS to be registered
3. Shares in second rotation entity assigned to foundation investors
4. Foundation investors elect to retain or sell second rotation shares
5. Share sale proceeds will be distributed quarterly to those foundation investors that have elected to sell their second rotation shares

Reinvest for returns

A carbon-centric investment offers:

- High earning potential with fallback harvest return
- Regular cashflow from ~2032
- Reduced calls including option to pre-pay from existing harvest proceeds
- Options to hold or pass to next generation with or without pre-funded contributions



Stay the course

You've done the hard yards, why transfer that value to someone else?

As the foundation investor your investment has:

- Created a forest of scale which is valuable in the sequestration of carbon
- Created an opportunity for return from the sale of carbon
- Conditioned the soil for a Radiata pine crop
- Paid for the harvest infrastructure (roads and landings)

Straw poll





Show of hands

A formal investor vote will be required in April 2024 to decide whether to proceed with early implementation of second rotation proposal

Are you likely to vote for a second rotation investment proposal?

