

11th November 2024



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Dear Mark,

Re: Panikau Group – Collective Harvest by Joint Venture Proposal, 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 Panikau Group, by joint venture. The two individual forest investments forming the joint venture will be Baywood Forest Investment, and Pukerewa Forest Investment.

Harvesting the individual forest investment groups 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, particularly 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 31st October 2024;
- *‘Panikau Group Collective Harvest Joint Venture Proposal’* letter to Investors dated 11th November 2024;
- *‘Panikau Group – Allocation of Share of Collective Harvest’* report dated 11th November 2024,

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 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 pre-harvest inventory data carried out in 2020;

- 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.

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 the New Zealand Institute of Forestry Standards.

We also note that each forest investment has standalone harvest cashflows, which have been summarised in the correspondence so that investors can compare them to the joint venture proposal.

In our professional opinion and best judgement, the proposed Plan change to a collective harvest by joint venture can be reasonably regarded as commercially advantageous to the Baywood and Pukerewa forest investments and desirable to protect the interests of the investors based on the information provided to us.

FORME CONSULTING GROUP LTD



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