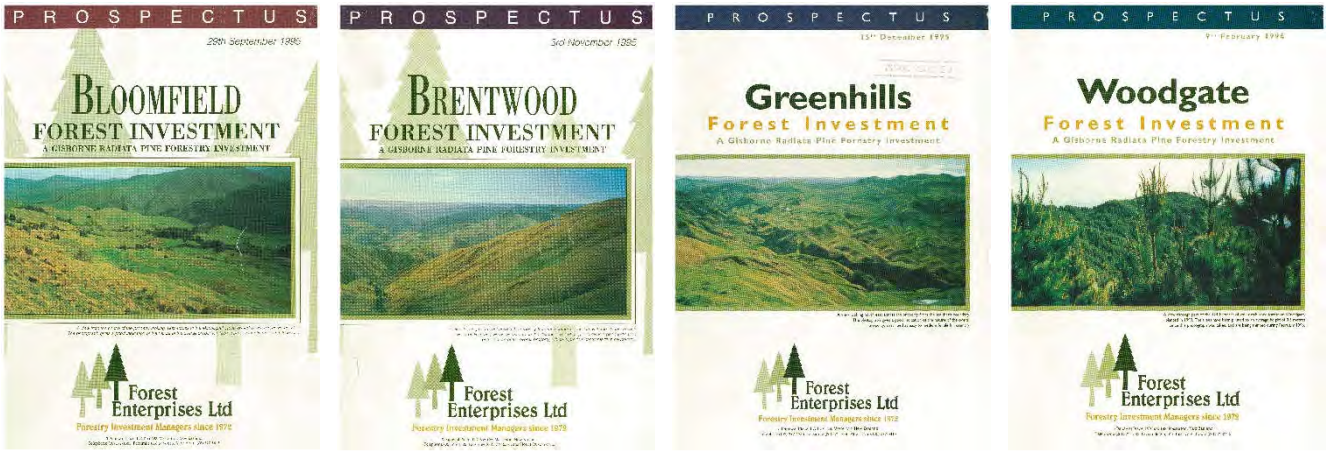
Parehaka Combined Harvest Visit & Meeting

Bloomfield, Brentwood, Greenhills & Woodgate Forests

Sunday, 10 November 2019

Welcome



For investors, this gathering is the first time we have met to discuss the harvest program for your forest. Twenty-four years have elapsed since these four investments were established (1995, and 1996 for Woodgate), and we are approaching harvest.

We have called this combined meeting of **Bloomfield, Brentwood, Greenhills** and **Woodgate** investors because the four forests adjoin and share a number of common interests arising from harvest which we need to discuss with you. These common interests include a recommended collaborative approach to harvest, plus combining for the second rotation.

We have 96 people (55 clients) expected for this event, who represent about 9% of the 608 clients in the four Investments.

Thank you for making the effort to attend today. By attending you will gain a much better appreciation of the challenges and opportunities arising from harvest, plus Forest Enterprises' proposed solutions to maximise your harvest return and to accommodate your expectations at the conclusion of harvest.

Bert Hughes
CEO & Forestry Director, Forest Enterprises

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Forest Enterprises is the business name of Forest Enterprises Growth Limited and its subsidiary Forest Enterprises Limited. Forest Enterprises Limited is licensed to manage Managed Investment Schemes (excluding managed funds) which are primarily invested in forestry assets.

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Harvest Visit

8.00am

During the Harvest Visit, we will visit Woodgate Forest, with access along previously constructed harvest roads to a couple of key vantage points, from which to discuss the status of your near-mature forests and the opportunities and challenges of the upcoming harvest. There has already been some harvesting occur in Woodgate Forest so an excellent opportunity to demonstrate harvesting in context of all four forests.

On the way back into Gisborne, we will stop with a vantage point of Gisborne Port to discuss the practicalities of log distribution and export.

Program

Time	Location	Details
7.45am	**Emerald Hotel**	Latest time for registrations
8.00am		Depart hotel
9.25am	**Stop 1**	Landing 63, **Woodgate Forest** Alight buses Forestry discussion
10.10am	**Stop 2**	**Saddle**, Woodgate Forest Alight buses Harvest discussion
12.10pm	**Stop 3**	Arrive Gisborne, **Port view** Alight buses Discuss log distribution and export
12.35pm	**Emerald Hotel**	Arrive back at hotel for lunch and Meeting
1.30pm		**Meeting** commences

Forest Visit Instructions and Safety Briefing

Forest Name(s): **Parehaka Harvest Visit**

Forest Visit Date: **Sunday 10 November 2019**

Please carefully read these Forest Visit Instructions and Safety Briefing notes

Forest Enterprises has in place procedures to ensure your health and safety during a forest visit which meet our statutory obligations.

1. We require you, and all other individuals accompanying you on the forest visit, to read and comprehend these Forest Visit Instructions and Safety Briefings.
2. If you are bringing children (attendees under the age of 18 years), you are responsible for explaining to them the contents of this document and the importance for their safety to follow Forest Enterprises instructions.
3. Read the Acknowledgement on the next page. Attendees agree to participate in the Forest Visit in accordance with this document.

Personal Mobility and Health

- A forest visit requires reasonable personal mobility and health, as we will be walking on rough surfaces and will be required to get on and off buses.
- Any allergies or special medical conditions are your responsibility to manage.
- Any material limitations on mobility and health must be discussed in advance with Forest Enterprises. Please contact us at least 3 days in advance of the forest visit to allow time to make alternative arrangements if required.

Clothing

- It can be much colder out of town in a rural area, especially in a forest, and weather conditions can be changeable.
- Bring a warm jersey or jacket, a raincoat, plus a sun/rain hat. Some areas of the forest are exposed to the elements, so please also be sun smart. You may be walking during the forest visit so sturdy outdoor footwear is essential, gumboots if wet.
- In certain circumstances (e.g. visiting active harvest operations) you will be required to wear personal protective clothing provided by Forest Enterprises. This equipment is not a fashion accessory and must be worn as instructed.

Toilet facilities

- A portable toilet will travel with us to the forest.

Travel to the Forest

- Transportation to the forest for all attendees will be provided by bus, departing from and returning to the meeting venue. Alternative transport arrangements cannot be accommodated.

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The Forest is a Hazardous Environment

- The forest is a hazardous environment and although Forest Enterprises checks regularly for hazards, unexpected hazards can and do arise.
- If forest activities are underway there may be additional hazards arising from the equipment being used.
- Please always obey the instructions of the Forest Enterprises personnel and remain in your group, and within any prescribed areas, at all times.

Travel within the Forest

- Within the forest you will be transported either by bus or by Forest Enterprises 4x4 vehicles. Please remain seated while in transit. If supplied, keep your seat belt fastened at all times, and follow the driver's instructions.

Children

- If you have children in your care, please keep them under close supervision. Explain to them the contents of this document and the importance for their safety to follow Forest Enterprises instructions.
- Be mindful that children are not necessarily familiar with the uneven ground and other rural and forest related hazards.

No Smoking

- Absolutely no smoking is allowed at any time during the forest visit, including travel to and from the forest in the buses.

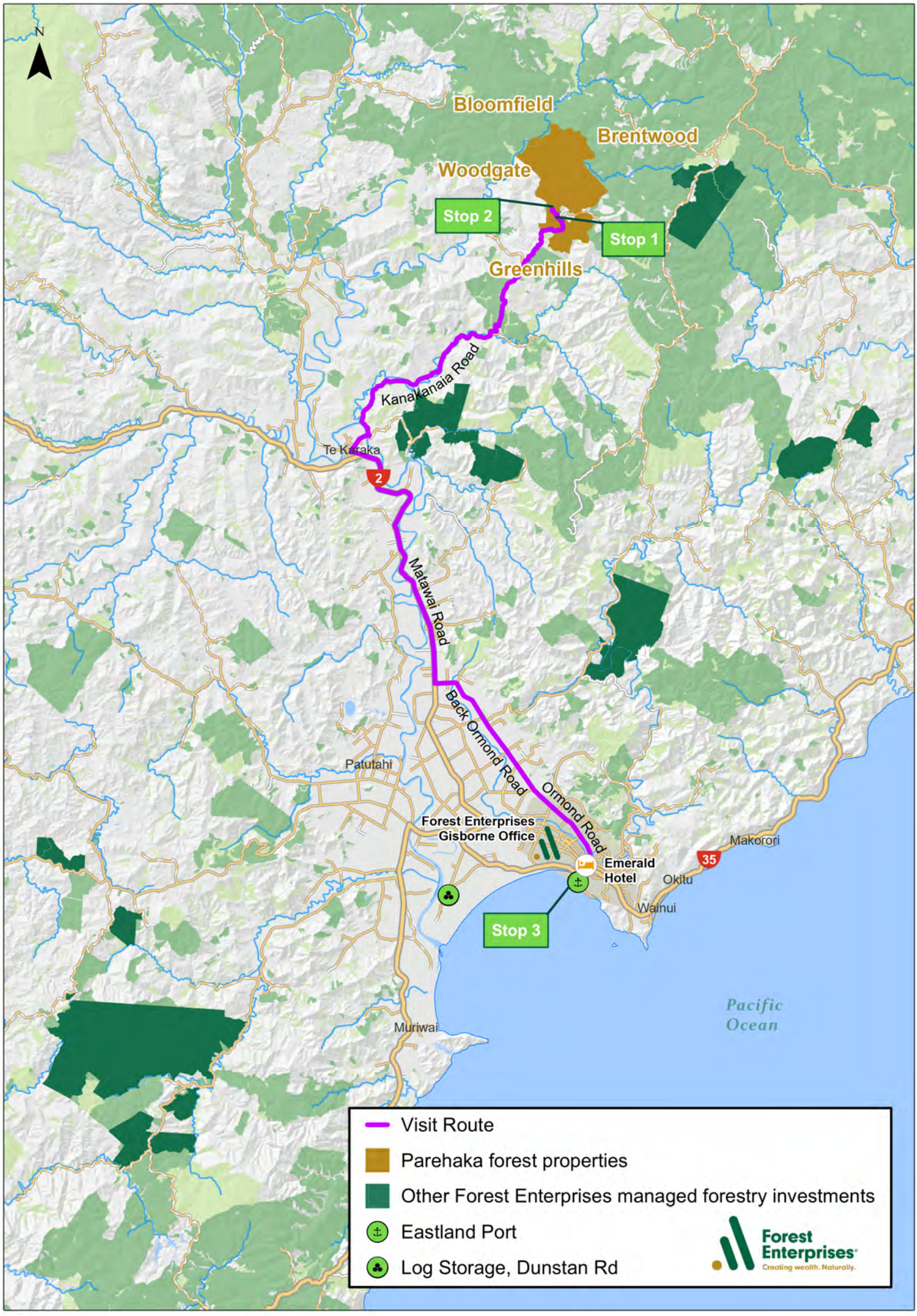
Emergency Procedure

- In the event of an emergency, please leave Forest Enterprises personnel to address it and only assist if requested.
- Whatever the emergency, please remain with the group and await instructions from the Forest Enterprises group leader.
- Forest Enterprises' forestry personnel are trained in first aid and first aid kits will be available. In the event of a personal medical emergency, please request assistance from your group leader.
- In the unlikely event that you get separated from the group, stop where you are and shout for assistance. Forest Enterprises personnel will come to you.

Acknowledgement

As an attendee, you agree to participate in the Forest Visit, having acknowledged the following terms -

1. You have read and comprehend these Instructions and Safety Briefing notes.
2. You knowingly and willingly choose to participate in the forest visit in the full knowledge that hazards may be encountered and accept that your participation is entirely at your own risk.
3. You will comply with any reasonable instructions given to you by Forest Enterprises to allow Forest Enterprises to comply with its statutory obligations. In particular, you will cooperate with any reasonable procedures put in place by Forest Enterprises to protect your health and safety.
4. You have fully disclosed to Forest Enterprises any material personal mobility and health issues which may impact on your forest visit participation.


N
Bloomfield
Brentwood
Woodgate
Stop 2
Stop 1
Greenhills
Kanakanaia Road
Te Karaka
2
Matawai Road
Back Ormond Road
Ormond Road
Patutahi
Forest Enterprises
Gisborne Office
Emerald
Hotel
Makorori
35
Okitu
Wainui
Stop 3
Muriwai
Pacific
Ocean
Visit Route
Parehaka forest properties
Other Forest Enterprises managed forestry investments
Eastland Port
Log Storage, Dunstan Rd
Forest
Enterprises
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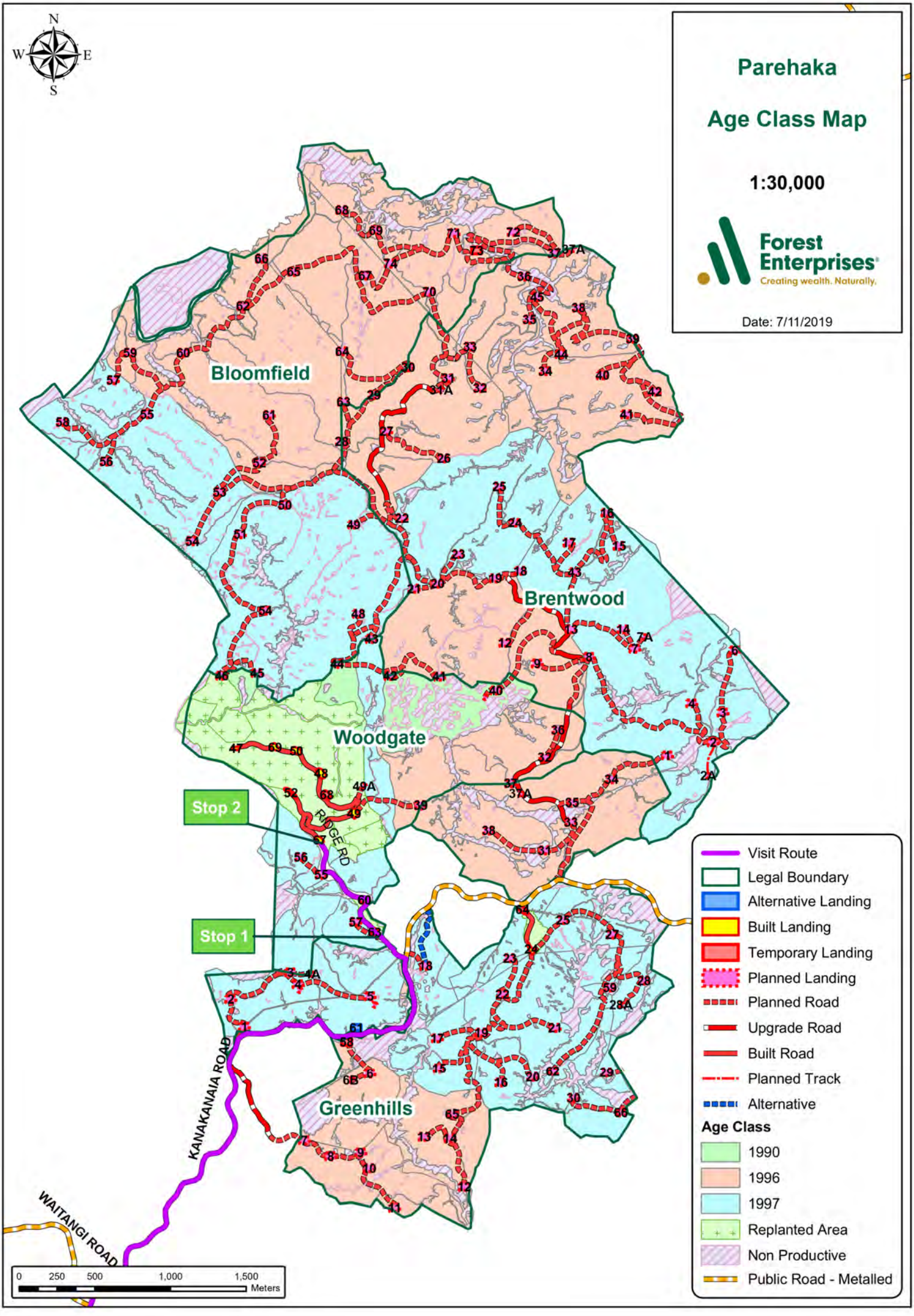
Parehaka
Age Class Map
1:30,000
Forest Enterprises
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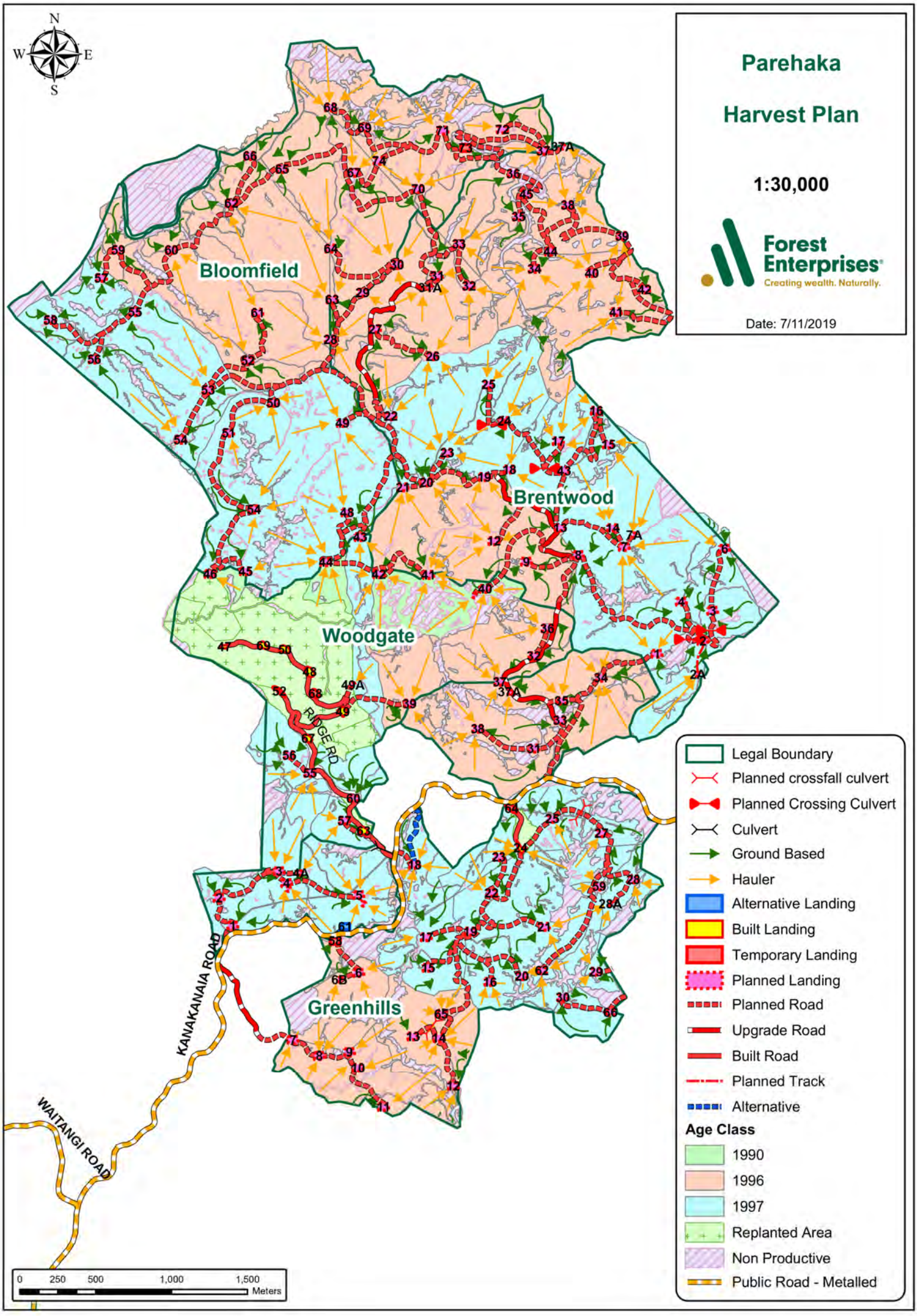
Date: 7/11/2019
Bloomfield
Brentwood
Woodgate
Greenhills
Stop 1
Stop 2
RIDGE RD
KANAKANAIA ROAD
WAITANGI ROAD
0 250 500 1,000 1,500 Meters
Visit Route
Legal Boundary
Alternative Landing
Built Landing
Temporary Landing
Planned Landing
Planned Road
Upgrade Road
Built Road
Planned Track
Alternative
Age Class
1990
1996
1997
Replanted Area
Non Productive
Public Road - Metalled


Parehaka
Harvest Plan
1:30,000
Forest Enterprises
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Date: 7/11/2019
Bloomfield
Brentwood
Woodgate
Greenhills
RIDGE RD
KANAKANAIA ROAD
WAITANGI ROAD
Legal Boundary
Planned crossfall culvert
Planned Crossing Culvert
Culvert
Ground Based
Hauler
Alternative Landing
Built Landing
Temporary Landing
Planned Landing
Planned Road
Upgrade Road
Built Road
Planned Track
Alternative
Age Class
1990
1996
1997
Replanted Area
Non Productive
Public Road - Metalled
0 250 500 1,000 1,500
Meters

Woodgate Forest
Harvest Status
February 2018

1:10,000

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Date: 7/03/2018

N

Bloomfield

Brentwood

Woodgate

Greenhills

ALICENDALE RD

RIDGE RD

ALICENDALE RD

RIDGE RD

3 37 39 40 40A 41 42 43 44 45 46 47 48 49 49A 50 52 55 56 57 60 63 67 68 69

Legend

- Built Landing
- Temporary Landing
- Planned Landing
- Built Road
- Upgrade Road
- Planned Road
- Ground Based
- Hauler
- Legal Boundary
- Public Roads - Metalled
- Cutover - Current Month
- Cutover - Previous Months
- Current Harvest Area
- Stocked Area

0 100 200 300 400 500 Meters

Forest Statistics

	Forest				
Land and Trees	**Bloomfield**	**Brentwood**	**Greenhills**	**Woodgate**	**Total**
Title Area (ha)	558	553	465	259	1,835
1990 Crop (ha)				32	32
1996 Crop (ha)	276	268	166	49	759
1997 Crop (ha)	209	234	214	64	721
2017 Crop (ha)				7	7
2018 Crop (ha)			3	63	66
Total Net Stocked Area (ha)	**486**	**502**	**383**	**215**	**1,586**
Harvest					
Yield (t/ha)	734	667	776	719	
Total Tonnes	356,503	335,302	296,745	154,772	1,143,321
Harvest Road Distance (km)	15	20	14	2	52
Metal (m3)	24,640	31,965	22,764	3,422	82,791
Metal (loads)	2,053	2,664	1,897	285	6,899
Metal Truck Movements	4,107	5,328	3,794	570	13,799
Roading Density (m/ha)	32	40	37	10	
# Total Planned Landings	35	51	48	19	67
NSA per Landing	14	10	8	11	
Logs (loads)	12,509	11,765	10,412	5,431	
Log Truck Movements	25,018	23,530	20,824	10,861	
% G/Based	42	34	40	29	
% Hauler	58	66	60	71	

Meeting

1.30pm

Objective and Structure

The objective today is to begin discussions with investors about the harvesting phase of your forests. Specifically, of Forest Enterprises' proposed solution to maximise your harvest return, and our plan to accommodate your various expectations at the conclusion of harvest.

There will be time for questions at the conclusion of each topic, but note this time may be relatively short, as it is important we cover all topics before concluding. We will however be able to address any unanswered questions after the meeting, or in a follow up communication.

Today is an information meeting at which no decisions will be made. The important decisions to be made will follow, prior to harvest commencement. Every investor will be able to participate in these decisions.

Please note, the presentation is being recorded and will be available online for the benefit of those not able to be here. The link to the presentation and a copy of the presentation slides will be distributed to all investors in a follow-up communication.

Agenda

1.30pm	Introductions
1.35pm	• Matters impacting the harvest • Solution to maximise your harvest return • Financial status of the investments • Collective Harvest by Joint Venture • Harvest reporting and distributions • Second rotation investment and exit options • Process from here
3.00pm	• Any other matters, final questions
3.30pm	Meeting concludes

Attendees

Forest Enterprises team

- Bert Hughes - CEO & Forestry director, and company shareholder
- Graeme Tindall – Managed Investments Director, and company shareholder
- Gordon Wong – Legal Services Director, and company shareholder
- Dan Fraser – Gisborne Regional Manager, and company shareholder
- Malte Coulmann – Forest Estate Manager, and company shareholder
- John Sexton – Chair, Forest Enterprises Limited
- Dave Grogan – Forest Operations Manager, Gisborne
- Sean Roberts – Customer Services Manager
- Nikki Coulmann – Marketing Manager

Investor Preparation for Harvest
Important Taxation Considerations

Overview of Taxation Issues

IMPORTANT - These notes are intended as a guide only. Investors are urged to seek advice from their own professional advisers.

It is important that you prepare in advance for the consequences of harvest and be aware of the taxation requirements, plus the opportunities available to minimise taxation liability.

These Notes anticipate that you are a New Zealand resident for tax purposes. The same New Zealand taxation obligations also arise for Investors classified as non-residents for tax purposes. It is important any Investor who is a non-resident checks with their professional adviser what their taxation obligations are in their country of residence.

Harvest gives rise to taxable income and surplus cash. The surplus cash will be distributed progressively with no tax having been deducted. You are responsible for declaring your taxable income arising from harvest in your New Zealand tax return and paying the applicable tax.

The surplus cash distributed will typically be the net after setting aside the funds required by the Investment to meet its ongoing costs (e.g. rates, insurance, management), plus costs anticipated consequential to the harvest (e.g. cash for future roading infrastructure and future replanting obligations). The quantum of the distributions is therefore not a proxy for taxable income.

Allocation of Income Opportunity

As noted above, surplus cash from harvest will be distributed untaxed. Harvest income need not be returned in the year generated. An Investor can elect to have the income allocated over the year of harvest and the three preceding years (Section EI of the Income Tax Act 2007). The income may be allocated over any of the four available income years in whatever proportion you nominate. Allocating back to previous years eliminates the requirement to pay provisional tax.

To take advantage of this provision to pass income back for up to three preceding years, you must give the Commissioner of Inland Revenue written notice of 'allocation election' within 12 months of the end of the income year in which the income is derived. On receiving written notice, New Zealand Inland Revenue will issue a new tax assessment for the years concerned and give one month to pay the additional tax calculated as payable for each year (without use of money interest or penalty).

We would expect Investors to utilise this opportunity because of the convenience of not having to calculate and pay provisional tax, plus doing so can result in less tax to pay (depending upon your marginal tax rate in each allocated year).

During harvest the ***Tax Details Statement*** circulated each May will include your share of ***Harvest Income***, which is the amount which can be allocated. The Tax Details Statement will also separately advise of any ***Tax Loss*** (share of on-going costs funded out of the harvest income) for deduction, plus ***Interest Earned*** and ***RWT Deducted***.

Provisional Tax

If you decide not to utilise the harvest income allocation opportunity, you may have provisional tax to pay during each tax year. Provisional tax will be payable if your residual income tax for the previous year exceeds $2,500. Assuming you are already paying the correct amount of tax in respect of all other income, harvest related income of as little as $7,600 may require provisional tax to be paid.

In each year's Financial Statements, Forest Enterprises will provide an estimate of the taxable harvest income for the coming year. This estimate can be used to determine your provisional tax liability; however it is an estimate only and variations can and will arise, and these may be material.

In the event that you underpay provisional tax, you can still use the harvest income allocation opportunity to avoid having to pay use of money interest (or any penalties).

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Transfer to another Party at a Lower Marginal Tax Rate

Investors should contemplate transfer to another party if doing so will result in the harvest income being taxed at a lower marginal tax rate.

Subject to the value of the shares being transferred falling below the $50,000 deminimis threshold allowed in Section HG5 in the Income Tax Act 2007, shares can be transferred without taxation consequences.

If the value to be transferred exceeds the $50,000 deminimis allowed in section HG5, transfer without tax consequences is still possible under the Property (Relationships) Act 1976 (see below).

Relationship Property Transfer

Investors who are married (or in a civil union or de facto relationship) and currently hold the investment in one name only, have the option to use a Relationship Property Agreement under the Property (Relationships) Act 1976 to transfer any portion (or all) of their investment into their relationship Investor's name without triggering any transfer related taxation consequences (Section HG5 taxation consequences discussed above).

Splitting the investment in this manner would result in the Harvest Income then being derived by, and taxed according to each relationship Investor's tax status.

A Relationship Property Agreement is a legal document which would usually be prepared by a solicitor.

Income Equalisation Account

An Income Equalisation Account provides an opportunity to park harvest income, postponing payment of tax until the parked income is withdrawn.

Investors who are individuals qualify to use the income equalisation scheme for forestry income. Under this scheme you can deposit the quantum (the cash amount) of some or all of any year's forestry income with the New Zealand Inland Revenue for a period of up to 5 years (and subject to a minimum period of 1 year).

Tax is not paid on the quantum of the forestry income deposited, because Section EH7 of the Income Tax Act 2007 allows a deduction for the deposit in the current tax year. Tax is payable in the tax year the deposit is withdrawn under Section CB27. The income allocation provisions do not then apply, and the tax rates will be the then applicable rates. Interest is paid on the deposit balance in terms of Section EH6 at 3% per annum.

Personal and Investment Cost of Timber

Investors who purchased shares other than at the time the Investment was formed, may have a personal 'Cost of Timber' in terms of Sections DP10 and DP11 of the Income Tax Act 2007.

This Cost of Timber can be deducted against the taxable Harvest Income as harvesting occurs on a percentage of completion basis. The allowable percentage for each year will be advised in the Financial Statements.

The Investment itself may have a Cost of Timber. This would have arisen if existing trees were present on the land when purchased. Any Investment Cost of Timber will have been deducted when determining the reported taxable Harvest Income.

29 November 2017

Pictorial

Planting 1996

Bloomfield establishment, February 1997

Release spots in Brentwood, February 1998

Inspecting young trees in Bloomfield, February 1998

Greenhills, November 1998

Bloomfield, March 2000

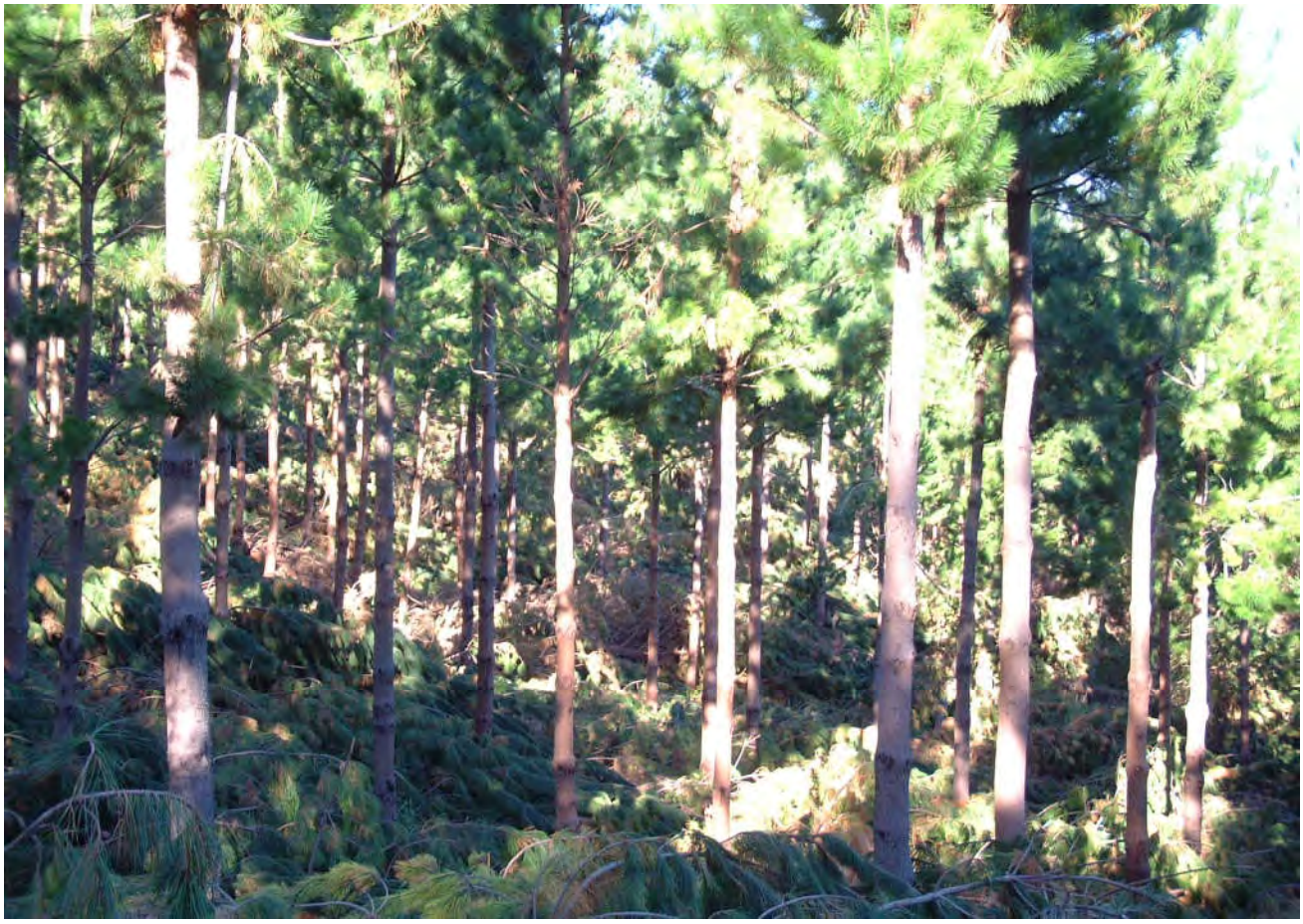
Woodgate, March 2000

Greenhills, March 2000

Pruning in Woodgate, 2001

Brentwood, 2004

Bloomfield ponds, May 2004



Thinning, April 2005

Forest audit, 2007

Forest visit, 22 March 2003

Forest visit, 22 March 2003

Forest visit, 23 February 2008

Forest visit, 9 November 2013

Forest visit, 9 November 2013

Road formation in Woodgate forest, May 2016

Woodgate road formation, June 2016

Woodgate forest visit, 2 April 2017

Woodgate landing site, June 2017

Woodgate, July 2017

Log ship port side at Gisborne Port, August 2017

Loading bulk cargo at Gisborne Port, August 2017

Hauler logging operation in Woodgate, October 2017

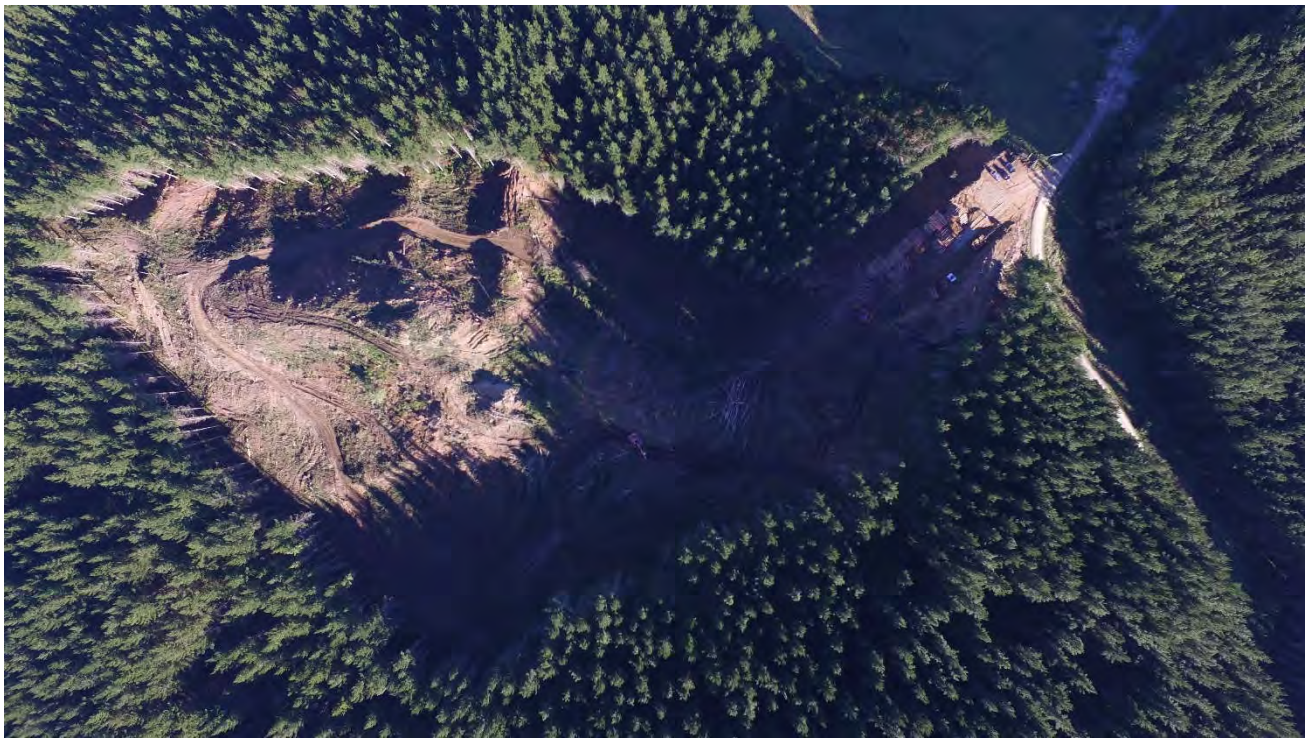
Woodgate harvesting, November 2017

Riparian planting in Woodgate, January 2018

Greenhills quarry, April 2017

Greenhills quarry, June 2017

Greenhills, June 2017



Greenhills, June 2017

Parehaka fly-over, June 2018

Parehaka fly-over, June 2018

WAIRARAPA GROUP FOREST INVESTMENT

The Wairarapa Group Forest is 970 stocked hectares of productive pine forestry, across three high-quality forest properties in the Wairarapa.

This is existing forest land Forest Enterprises managed through to the successful harvest of the first rotation crop.

Ready planted for its second crop rotation, this forest is now available for the next generation of investors.

Investment Overview:

- Initial Investment: Minimum initial application cost $10,189 for 200 shares, plus affordable annual contributions.
- Additional shares may be purchased at $50.95 per share.
- Projected annual contributions: Calls are projected to average around $1,044* per year for 8 years, then drop to an average of around $258* per year until harvest commences in 2039. The next call is 30 June 2020.
- Projected total investment: $20,647*
- Projected gross return: $115,531*
- Projected gross IRR: 8.53%*
- Harvest period (income): 2039-2045

* Per 200 shares, based on 2% per annum inflation and Forest Enterprises' 36-month log price series to 30 June 2018. Refer Cashflow on pages 26-27 and other financial information in section 6 of the Product Disclosure Statement from page 23.

To learn more and for a copy of the product disclosure statement, contact Nikki Coulmann:
0800 746 346
ncoulmann@forestenterprises.co.nz
forestenterprises.co.nz/new-investments

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Wairarapa Group Forest Investment is a managed investment scheme structured as a limited partnership, offered by Forest Enterprises Growth Limited, issued and managed by Forest Enterprises Limited.

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NGATAWHAI GROUP FOREST INVESTMENT

We are proud to provide this opportunity to invest in a sustainable, productive future for New Zealand.

The Ngatawhai Group Forest in Wairarapa is 627 stocked hectares of outstanding pine forestry, as well as 200+ hectares of permanent native bush and wetland.

This is existing forest land Forest Enterprises managed over three decades, through to the productive harvest of the first rotation crop.

Ready planted for its second crop rotation, this forest is now available for the next generation of investors.

Investment Overview:

- Initial Investment: Minimum initial application cost $9,726 for 200 shares, plus affordable annual contributions.
- Additional shares may be purchased at $48.63 per share.
- Projected annual contributions: Calls are projected to average around $1,011* per year for 8 years, then drop to an average of around $291* per year until harvest commences in 2038. The first call is 30 June 2020.
- Projected total investment: $20,797*
- Projected gross return: $129,060*
- Projected gross IRR: 9.33%*
- Harvest period (income): 2038-2046

* Per 200 shares, based on 2% per annum inflation and Forest Enterprises' 36-month log price series to 30 June 2019. Refer Cashflow on pages 28-29 and other financial information in section 6 of the Product Disclosure Statement from page 25.

To learn more and for a copy of the product disclosure statement, contact Nikki Coulmann:
0800 746 346
ncoulmann@forestenterprises.co.nz
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