CRICKLEWOOD FOREST PARTNERSHIP

MINUTES OF ANNUAL GENERAL MEETING
HELD AT PUTERE ACCOMMODATION COMPLEX, PUTERE
ON THURSDAY 25 APRIL 2019

PRESENT
Liz Willis, Margaret Willis; Luka Jansen; Pauline de Jong, John de Jong (Dejong Forestry Limited); Peter Duncan, Inez Duncan (Trees Plus Limited); Proxy Margaret Prince (Roger Dickie (No 10) Limited); Roger Dickie (as Proxy for various partners); Roger Hooker, John Sarten (Hosama Investments Limited); David and Aileen Barnes

ATTENDING
Roger Dickie, Will Dickie, Jeff Dickie, Richard Bourne and Grant Morris (RDNZ), Margaret Prince and Jeff Whitlock (Moore Stephens Markham's Accountants), Ted Dickie (Harvest Logistics Ltd), Rory Bennison, Steve Bell and Paul Rouppe van der Voort (Forest Management (NZ) Ltd)

APPOINTMENT OF CHAIRMAN
Nominations were called for the position of Chairman for this meeting.
Peter Duncan/David Barnes THAT Jeff Dickie be appointed Chairman for this meeting. CARRIED

APOLOGIES AND PROXIES
Allardice Investments Limited, Brazier Holdings Limited, Brendon Keogh, Daniel Despard Twigg, EF Annals Family Trust, Finch & Taylor Forests Limited, Homelink Corporation Limited, John William Dalmer, Mackie Woods Limited, Manurewa Radiator & Panelbeaters Limited, Marko Dimitre Stoyanof, Nathan Ross Hore, Paul Adriaens, Riley Enterprises Limited, Roger Dickie (No 10) Limited, St Augustine Superannuation Fund, Tarawera Holdings Limited, The Hilton Jones Family Trust, The JL Holland Family Trust as trustees John Holland & Andrew Woods. Proxies were held for the above named, establishing a quorum for the meeting.
Margaret Willis/John de Jong THAT apologies and proxies be sustained. CARRIED

MINUTES OF THE PREVIOUS MEETING
The minutes of the 2018 Annual General Meeting, as previously circulated, were summarised.
David Barnes/Roger Hooker THAT the minutes be confirmed. CARRIED

ARISING FROM THE MINUTES
Nil

REPORTS AND DRAFT FINANCIAL STATEMENTS
The reports from Roger Dickie, Forest Management (NZ) Ltd, PF Olsen's Tree Crop Valuation and the Draft Financial Statements were tabled and discussed.

PUBLIC LIABILITY INSURANCE
Peter Duncan/Margaret Willis THAT Public Liability Insurance be effected for $10 million.
CARRIED

BUDGET CASHFLOW
Peter Duncan/John de Jong THAT the Budget Cashflow for the year to 29 February 2020, be approved. CARRIED

GENERAL BUSINESS
John de Jong and David Barnes suggested that RDNZ investigate the purchase of approximately 45 ha, east of Cricklewood forest, which is currently on the market.

Investigations showed that the farm has already sold. RDNZ will approach the new owner about a partial sale.

Peter Duncan asked if the Environmental expenses will be reoccurring

RESPONSE: The Environmental expenses are part of the Consent and Notification process. There will be ongoing costs associated with monitoring. The Forest manager handling the process is coordinating work associated with the whole process.

There being no further business the meeting was closed

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Chairman
Cricklewood Forest Partnership 2019

FOREST INDUSTRY UPDATE

During lunch Will Dickie gave an update on a few of the specifics affecting the forestry industry – see below:

The Billion Trees Programme
The Government's Billion Trees programme, sets out to establish 100 million (approximately 100,000ha) of trees each year for the next ten years. What they don't tell you, is sixty percent of the billion trees is made up from existing forests replanting for a further rotation. We are told that since the Billion Tree programme started, about 14,000 ha of new plantings have happened. We don't know the figures but our guess is that by far the majority of this is being planted by forest investing organisations such as ours who are not receiving one dollar of government assistance but are planting because of the long term profitability of forestry, combined with the additional early income that comes from selling carbon in the first rotation. The industry will take a while to scale up and get nurseries establishing enough seedlings and get enough planters to put the trees in the ground. It's incentivising planting and in general good for the forestry sector.

The 'Wall of Wood'
We are into harvesting what has been referred to as the 'Wall of Wood'. Existing harvesting and forestry infrastructure mean that there is not the capacity to process the volumes as they become ready to harvest. There will be a natural smoothing of volumes as these harvesting and trucking constraints take hold. It was noted that a number of the smaller forest owners are having difficulty securing crews, as crews look to take advantage of long-term workflows and economies of scale provided by a group like ours. Steve Bell talked that certain forests sharing boundaries will not have an equal number of crews in the forest, as there simply wasn't the availability.

Carbon and the Emissions Trading Scheme
The government has finally outlined some changes to the Emissions Trading Scheme (ETS). Forestry Minister Shane Jones and Climate Change Minister James Shaw announced a second set of changes to the Emission Trading Scheme (ETS) as part of broader reforms to make the scheme fit-for-purpose.

"This announcement includes the introduction of averaging accounting for all forests registered from January 1 2021 and the option to use the new accounting method for all forests registered in 2019 and 2020," Shane Jones said.

"By taking a long-term view of the amount of carbon in a production forest, averaging means forest owners will be able to trade more carbon (NZUs) at lower risk, and not have to worry about finding units to repay when they harvest."

A good quality greenfields forest venture will be able to sequester and sell up to 500 tonne of NZU's ($12,500 at today's prices) per ha over the first 18 years under carbon averaging. This will not need to be paid back provided the forest is replanted after harvest.

These changes are only relevant for new forests planted on eligible farmland. We are still waiting on release of documents outlining how (if at all) it will affect our existing forests. You will recall that we are continuing to fund the operating expenses from our forests from the free arbitrage carbon credits we were able to secure some years ago.

The carbon averaging scheme is good for greenfield foresters but also good for New Zealand Inc as it more easily allows the government to meet their emission reduction targets under worldwide climate change agreements.

The carbon price currently sits at the cap, with a review of this cap due in November this year. Some officials have suggested the cap will be progressively raised.

Land Prices
It was noted that our forest partnerships purchased the land our forests are on for between $600 and $2,000 per hectare. At the time of the meetings we were bidding on land suitable for forestry conversion on the East Coast of New Zealand for $10,000 per hectare. This price increase is brought about by increased produce prices for farmers, and the early income generated from carbon for foresters.

Rates
It has been disappointing to see that the councils have started putting their rates up in some areas for our forests. In Wairoa for example the rates have gone up by around 80% to cover council upgrades of public roads for forestry. We have been engaging the councils for a long time identifying roads and forecast log volumes. We have had very little use of the roads for the last 25 years, when compared with other land uses. On behalf of the forest owners, after initially not paying the increased rates, we have made complaints through the formal channels, although we are unsure how successful these will be.

Financial Market Authority
As foresters we have been under increased scrutiny from the Statutory Supervisor and Financial Market Authority due to a couple of instances where forest promoters did not act in the best interest of the forest owner; in one situation by buying into a mill, and another where partnerships lent money to each other. We have not had any issues with our structure or process; however, the outcome of these events will likely lead to increased scrutiny and compliance for the sector.

Log Scaling
Recently there have been delays for our trucks at the scaling yard (where logs are measured). Delays mean that the transport operators are unable to move the required volumes per day to make their

trucks economical. In a few instances these delays have led to increased costs to the forest owner. We are working with exporters and scalers to ensure the efficient processing of our logs, and may be able to operate a facility that will give priority to our logs.

Rail Transport of Logs
Kiwi Rail is slowly but steadily increasing its capacity for log cartage in all our areas. The Wairoa to Napier line is about to open again and Kiwi Rail have proposals to move logs from Wairoa. At this stage the commercial viability of rail freight vs road are marginal, as there are additional costs associated with trucking the logs to the rail siding, unloading, identifying, and storing them at the siding, then reloading them and sending them South on the train to the Napier port; it remains to be seen whether this is cost effective for us or not. We will support the rail if there is value for our investors.

Napier Port IPO
We made submissions to the Napier Regional Council at the end of last year around the proposed new wharf upgrade at Napier. Mostly, when a cruise ship comes into the port, log loading operations have to cease, and the log ship has to leave the port so that the cruise ship can get in and out. As you can imagine this causes significant delays and inefficiencies for the log loading operations – all of which lead to increased costs for us as forest owners. 70 cruise ships came into Napier this year and we already know there are 90 next summer and 102 the summer following. We are working with our exporters to drive efficiencies here, and to ensure the port is not treating log exporters as second tier customers. The new wharf extension is not going to be completed until 2022. For our Wairoa logs we have a choice of two Ports, it is a pity that the Eastland Port in Gisborne lobbied against the Wairoa to Gisborne rail being reinstated.

The Nelson fires
2,300 ha of pine forest were destroyed in the Nelson fires, the largest in New Zealand for many years; we understand 60% of the destroyed forest owned by an overseas company were not insured (self insured).

The fire fighting costs – estimated at $30 million were covered by FENZ (Fire and Emergency New Zealand). The industry has significant concerns about how this government mandated organisation was going to work and how it would be funded. There was discussion on a levy being charged on area and forest value insured, however the industry notes the flaws in this as many forest owners do not insure – but would still have their firefighting costs met by FENZ. We understand decisions on the funding of FENZ have been postponed to 2020.

Because there is some doubt as to just what FENZ covers and what it doesn't we have maintained some fire cover in our forest insurance policy.

The final washup of the Nelson fires will provide more information as to just what FENZ covers.

New Forest Planting
This winter is going to be our second most significant planting programme since we began. The forest managers are planting 2,200 hectares of new greenfields forestry and 825 hectares of cutover forests.

New Forestry Investment Offer
We have been searching for a suitable property for syndicated forestry investment. As soon as we have secured a suitable property, we will notify existing investors for priority treatment.