New Zealand Rural Land Co

The Rural Land Investors

ASM Presentation

8 December 2022

www.nzrlc.co.nz

listed on:

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ASM Agenda

1. Chairman's Introduction

2. Presentation to Shareholders

3. Questions

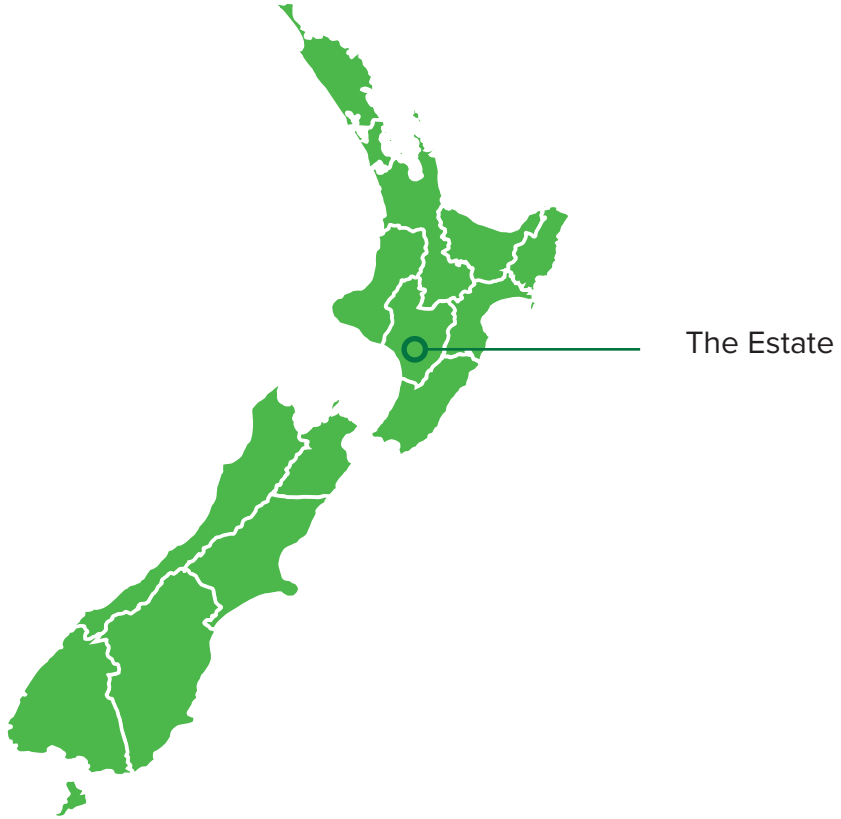
4. Resolutions

Forestry Estate Acquisition

- NZL, via an SPV, will purchase between 52% - 100% of an approximately 2,400ha forestry estate (the Estate) and lease it to New Zealand Forest Leasing (NZFL).
- NZFL will lease and manage the assets for a period of 20 years and pay a CPI inflated annual rental income with additional upside on a three yearly basis if 50% of the growth in the price of New Zealand Emission Units (NZUs) exceed inflation.
- During its 20 year tenancy, NZFL will be responsible for forest management and for implementing active regeneration techniques to commence the native regeneration process underneath the current pine forest (see page 9 for further details on implementation of native regeneration).
- This transaction presents an excellent opportunity to:
  - Diversify into a new rural land subsector;
  - Further broaden NZL's tenant group; and,
  - Partner with a high quality operator in an industry that is actively addressing climate change.
- The yield of the investment is higher than NZL's marginal cost of borrowing and thus provides insulation from rising interest rates in the short to medium term and increases headroom on banking covenants (NZL plans to hedge 100% of this acquisition at the time of settlement to lock in a spread and increase NZL's hedging profile).

Forestry Estate Overview

- The Forestry Estate is located in the Manawatū-Whanganui Region in the North Island spread over five sites with a combined area of c.2,400ha.
- The planted area with Carbon Emissions Trading Scheme (ETS) potential is 1,889ha, of this 1,458ha* is currently registered under the ETS. The remaining 430ha** have been identified as potential ETS areas.
- The Forestry Estate consists of mostly mature first rotation *Pinus radiata* distributed across the five forest blocks all within 45 minutes drive of Whanganui.



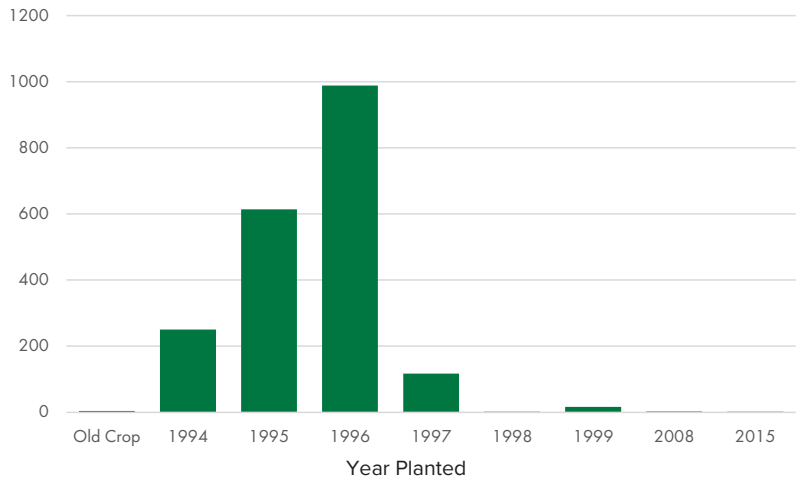
**The total CAA registered area of the Estate is 1,498.15ha however "windthrow" i.e. trees damaged due to high winds reduces the area from which NZUs can be earned to 1,459.14ha.*
***While 430.34ha is potentially eligible for CAA registration in reality it is unlikely that every hectare identified will be able to be registered as a result the Manager has incorporated into its financial modelling the assumption that only 70% of the potentially eligible area is registered.*

Forestry Estate Overview (continued)

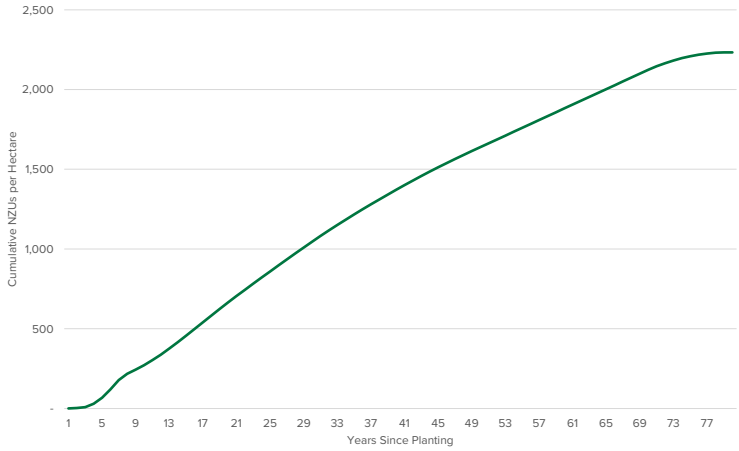
The chart below details the age class of trees within the Estate. Nearly all trees were planted between 1994 and 1996 making them between 26 and 28 years old. These trees are expected to continue sequestering carbon for a number of decades into the future.

The forecast sequestration profile of the Estate is also detailed below. As illustrated the rate at which pine trees sequester carbon increases rapidly in the first seven years after planting before settling into a largely linear trend until year 70.

Total Estate Age Classes



Forecast Carbon Sequestration Profile



Tenant Overview

- Established in 2010, NZFL owns more than 60,000ha of forests and leases a further 43,000ha. NZFL is one of the 10 largest freehold landowners in New Zealand with assets of over $3 billion.
- NZFL is committed to best practice land management and stewardship. It has built internal resources covering forest management, ETS management, legal and finance. NZFL actively manages all of its forests and has a particularly keen focus on tree survival rates given the positive financial benefits active forest management with an ‘every-tree-counts’ approach has on carbon yields versus timber yields not eventuating until harvest age.
- 95% of NZFL forests are planted on marginal land with Land Use Classification of 6, 7 or 8*. The Company aims to avoid displacing high producing pastoral farming. Neighbour relations are a key focus for the land management team and NZFL has a ‘grass roots’ sponsorship program aimed at assisting local schools, marae, community centres and sports teams.
- The founding shareholders of NZFL are New Zealand based and have a shared vision of preserving the planet for future generations. This means a continued focus on reinvestment and innovation to continuously grow and enhance NZFL’s positive impact on the environment and solving climate change. The commitment to the environment is further highlighted by their focus on regeneration of indigenous forest across their properties. Details of native regeneration are further explained on page 9.

Classifications 1 to 4 are considered suitable for multiple uses including arable cropping and dairy, while classes 5 to 8 are only suitable for pastoral grazing or forestry

Lease Terms

Lease Term:	20 Years;
Lease Rate:	Year 1 payment of NZ$4,976,000;
Rent Reviews:	Uncapped, annual CPI adjustments with a three-yearly catch up indexed to 50% of the increase in NZUs over the period (if greater than CPI);
Other Lease Terms:	Triple Net Lease - maintenance of the estate over the lease term is the sole responsibility of the tenant; The tenant's maintenance responsibilities include all pest, weed, disease control measures and forest maintenance; The tenant will receive all NZUs generated by the estate over the term of the lease and have absolute discretion as to how to use these units; and, The tenant is responsible for all pest control activities in the forest and has committed to actively encourage and manage the regeneration of indigenous forest within the Estate.

Pinus Radiata Carbon Sequestration Profile

- Following the end of the lease any NZUs earned by the Estate will be available to NZL to sell as it pleases. As with any commodity the future price of carbon is uncertain. The NZU price forecast used in calculating potential returns has been sourced from a specialist forecaster that has a dedicated team located in Australia with expertise in this area.
- The chart below depicts the relationship between carbon sequestration and the age of a stand of trees across several species.
- The characteristic rapid growth and thus sequestration of carbon by pine trees is evident in the solid orange line over the first 50 years. From year 50 the authors project that pine trees will continue to sequester carbon at a constant rate.
- Note that the chart shows a planting regime of 800 stems (trees) per hectare this is rarely practiced in pine forestry. While this might impact the quantum of carbon sequestered the trend remains the same regardless of stems per hectare (the Estate has a stocking rate of 255 stems per hectare).

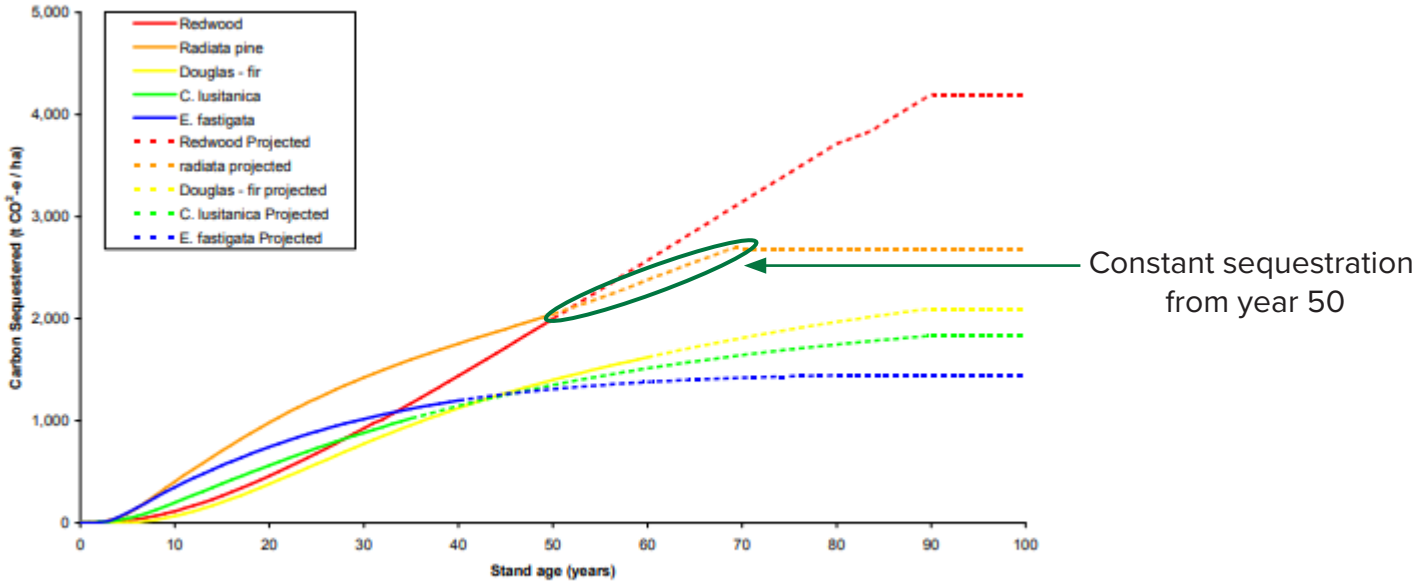


Figure 4.5: Relationship between carbon sequestered and stand age, by species, for a plant-and-leave 800 stems per ha regime

Native Regeneration and Pest Control

- NZL's tenant, NZFL, is focused on afforesting and avoiding deforestation of marginal land in New Zealand. *Pinus radiata* is used as a nurse crop to maximise contribution to solving climate change in the near term. Over the longer-term forests are actively managed to regenerate to indigenous forests to increase biodiversity benefits. NZFL funds significant research and development into regeneration of indigenous plantations.

- Regeneration is a natural process initially utilising Pinus Radiata as a nurse crop for the regeneration of native plants and trees. Radiata has proven resilient with consistent growth rates in multiple climatic conditions. The nurse crop provides the right environment to actively manage the regeneration of native forest cover at scale. Despite their size, radiata pine forests develop a diverse understorey of shade-tolerant native species within a typical production rotation. The older the nurse crop is, the longer the period in which the understorey can develop and advance. A permanent regenerating native forest is self-sustaining, it is dynamic, resilient and replaces itself over time.

- NZFL actively manages its forests to mimic the naturally occurring regeneration process. This allows it to create a natural forest faster than greenfield planting initiatives. Modelling demonstrates permanent regenerating forestry can remove between five and 10 times more carbon over 70 years than planting a native forest from scratch.

- Site specific forest management plans are designed to maximise the existing natural features of the site, especially utilising existing native species which are a valuable seed source. Active regeneration techniques include pest control, enabling seed dispersal from native trees on the estate, planting natives and the opening up of light wells to let the established native seedlings grow through the canopy. As the natives grow, the number of species increases, attracting more native birds and insects. All site plans take account of regional plans with a particular focus on erosion and stewardship of waterways.

- NZFL intensively manages for pests and predators to ensure high quality forests, working with local councils on predator control programs with 880 traps deployed and monitored, and eliminating approximately 2,500 pests every month (predominantly goats). This also benefits neighbouring properties via higher yields whether they are grassland or forest.

Questions?

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Resolutions

To consider and, if thought fit, to pass the following ordinary resolutions:

(i) Auditor's Remuneration: that the Board be authorised to fix the fees and expenses of the Company's Auditors.

(ii) Approval of Acquisition: That, under Listing Rule 5.1.1(b), NZL undertaking the Acquisition of the Estate and all related transactions to give effect to the Acquisition on the basis described in this Notice, is approved.

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