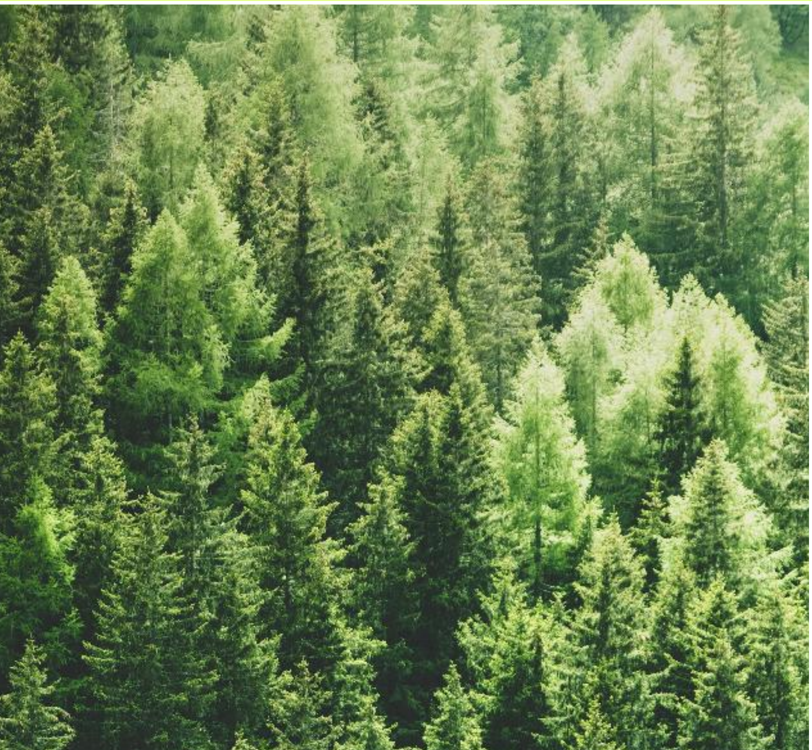
Roger Dickie
NEW ZEALAND

Awatea Forest Fund



Quarterly Activity Report
June 2025

Manager’s Note

We are pleased to report that the Awatea Forest Fund continues to build momentum, underpinned by strong operational execution and resilient forestry fundamentals. We are especially excited to deliver the Fund’s first cash distribution to investors, marking a significant milestone for the Fund as we begin to provide investors with annual income from the sale of Carbon (NZUs).

Despite ongoing global macroeconomic uncertainty, particularly the volatility in global trade stemming from recent U.S. tariff tensions, the Fund has performed strongly. This reinforces the uncorrelated nature of direct forestry investments, which continue to provide stable, attractive, risk-adjusted returns irrespective of volatile economic environments.

The diversified forest fund model is proving particularly valuable, and we are pleased to update you with the following:

- Forest Health: The continuation of the La Nina weather pattern is providing plentiful rainfall and good growing conditions across our forests. The recent weather events, namely strong wind events, has largely left our forests alone, with only minor rehabilitation to trees and infrastructure required.

- Operational Activity: The June quarter has seen operational activity contained to within budget, confined mainly to inspections, pest control, subdivision costs and pre-planting operations.

- Tainui Forest planting: Planting commenced in July with favourable weather conditions, with Pine, Manuka and other natives scheduled to be planted in the first half of the September quarter. We expect Tainui to contribute to further valuation upside in the near term, following ETS registration.

- Distribution: It is pleasing to pay the inaugural Fund distribution on 25 July 2025 at 6.9 cents per unit. The distribution equates to 5.0% of June Net Asset Value and is net of tax paid at your elected PIR rate with tax handled at the fund level.

- Airstrip Forest & Lifestyle Sales: Since the close of the June quarter, titles have issued at Airstrip, enabling the sale of the Airstrip Forest along with the progression of sales of several lifestyle Lots. This puts the Fund in a strong position to continue its expansion.

Looking ahead:

- The Awatea Forest Fund will be holding its Annual General Meeting in September. We will send investor invites in August. Attendance will be available online.

- We are under contract and performing due diligence on a new greenfield investment – Northbrook, a 376-hectare property ideally located 40km north of Napier with intention to plant late August this year in a mix of pine, manuka and redwood. This continues our progress toward the 5,000-Hectare target, and continuation toward greater environmental and biodiverse enhancement. Details to be advised should this opportunity progress.

- Following the sale of Carbon units and subsequent distribution, the Fund will have a Net Asset Value (NAV) adjustment in August, ensuring new investment is at the post-distribution price. As the funds forests increase in growth, so will our carbon sequestration in accordance with carbon tables. This is expected to support an accelerating rebuild of NZU balances, enabling an increase in cash distributions to investors over time.

Forestry continues to demonstrate its strength as a resilient and enduring asset class. It offers a compelling combination of inflation-hedging characteristics, natural tree growth, and low correlation to traditional financial markets, all while supporting biodiversity, land stability, and broader ecosystem resilience.

Carbon revenue remains a key long-term value driver. The Fund is strategically positioned to benefit from carbon sequestration opportunities over the next 15 to 20 years. In our view, the continuation of current government policy settings is likely to result in a supply-demand imbalance, potentially driving New Zealand Unit (NZU) prices higher, which in turn, has a strong influence on future distributable returns of the Fund.

Thank you for your ongoing support and investment. The Awatea Forest Fund remains firmly committed to performance, diversification, and long-term sustainability. We are confident in our strategic direction and look forward to delivering value across both the timber and carbon markets.

Will Dickie
Director
Roger Dickie N.Z. Ltd

Jeff Dickie
Director
Roger Dickie N.Z. Ltd

About the Fund

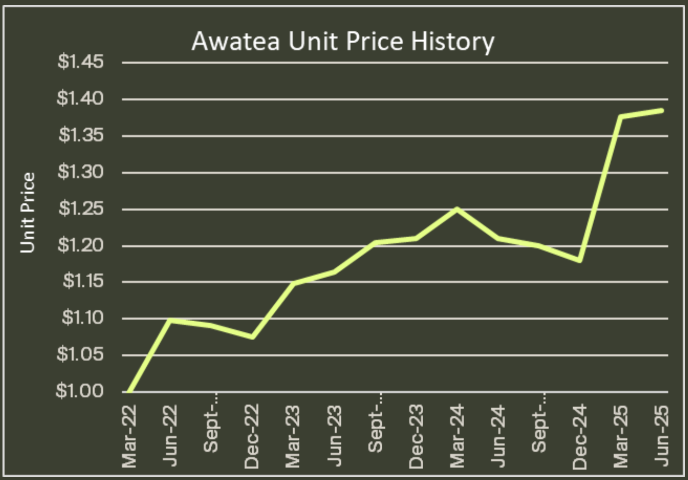
The Awatea Forest Fund (Fund) is a carbon and production forestry investment

The Fund aims to establish 5,000 hectares of premium, diversified forest assets across New Zealand, providing investors with tangible exposure to the carbon, land, and timber markets.

Revenue for the Fund is generated through the sale of carbon credits and timber harvesting, with a focus on delivering annual distributions to investors.

The Fund prioritises sustainable, profitable, and socially responsible investments, all of which are backed by direct land ownership.

The Fund's portfolio currently comprises seven forests located throughout the Eastern and Southern North Island regions of New Zealand. Its total effective area is 2,321 hectares, and it focuses on forests with strong carbon and timber attributes.



Fund Activity & Key Return Metrics

$1.3847
30 June Unit Price
Inception Issue price $1.00

0.56%
Unit Price Change
(% Qtr/Qtr)

10.53%
Average Annual Return
Since Inception

35.29%
Loan to Value Ratio
(As at 30 June 2025)

187
Total Number of Investors

2,321/5,000 hectares
Total Effective Forest Area

104,439
Tonnes Carbon Stored
(Since Inception)

49,014
NZU's Claimed

Adjusted Net Asset Value and Unit Price

Adjusted Net Assets	$30,540,697
Units Issued	22,122,551
Unit Price	$1.3847

Market Report

The New Zealand Economy

New Zealand's economic recovery appears to be taking hold, with consecutive quarterly gains in real GDP per capita in both the December 2024 and March 2025 quarters potentially marking the end of a prolonged downturn. This follows a cumulative 4.8% decline over the two years to September 2024. While the rebound remains in its early phase, the economy is showing increasingly broad-based signs of improvement, setting the stage for a more confident second half of the year.

The Reserve Bank of New Zealand (RBNZ) has maintained a steady path of monetary easing, with the Official Cash Rate (OCR) now at 3.25% following 225 basis points of cuts since August 2024. These reductions reflect waning inflationary pressures and a renewed focus on supporting domestic demand. The current OCR is widely considered stimulatory, and while the RBNZ is taking a data-dependent approach, market expectations suggest a possible move to 3.0% in the near term if conditions warrant.

One of the most encouraging signals in Q2 has come from New Zealand's external sector. Goods exports in May 2025 rose 9.7% year-on-year, reaching $7.7 billion, underpinned by strong performances in dairy and fruit during their seasonal overlap. The country recorded rare back-to-back monthly trade surpluses: $1.4 billion in April and $1.2 billion in May. These surpluses are among the largest on record, highlighting the resilience of New Zealand's primary sectors even amidst global trade uncertainty.

Looking ahead, annual average real GDP growth is forecast to accelerate to 2.9% in 2025/26 and 3.0% in 2026/27. While global risks—particularly from ongoing US–China trade tensions and slower trading partner growth—remain a concern, domestic fundamentals are improving. The Government's "Investment Boost" policy is expected to provide modest tailwinds, although fiscal policy overall remains tight as part of a long-term consolidation effort. With supportive monetary settings, robust export performance, and early signs of household and business recovery, the June quarter will be pivotal in confirming whether the recent momentum can be sustained through the second half of 2025.

Market Report (cont'd)

Carbon Markets

Price Trends in the Emissions Trading Scheme

The second government ETS auction of 2025 failed, as widely expected, with NZUs trading in the mid-$50s on the secondary market at the time of the auction in June. Despite the auction's failure, the outcome aligns with prevailing market dynamics where secondary prices remain well below the auction reserve, currently $68 for 2025, allowing emitters to purchase NZUs more cheaply outside the auction process.

Importantly, the structural tightening of NZU supply continues. Fewer government-issued units are entering the system, and unsold units are being rolled forward, with a portion likely to be cancelled at year-end under the probable scenario that the remaining carbon auctions will fail this year. This tightening tends to build underlying price tension in the market. However, RDNZ believes this tension will take 12 to 24 months to fully materialise, given the significant NZU holdings still on account, particularly by forestry entities.

Recent commentary from the Climate Change Commission (CCC) confirms this longer-term view. Recently updated modelling showed the NZU surplus is declining faster than expected, with holdings having fallen from 68 million to around 50 million NZUs by late 2024. The CCC has recommended increasing auction volumes in 2028–2030, to avoid future undersupply—but these changes are unlikely to influence short- to medium-term pricing. In the near term, scarcity continues to support firming price conditions, albeit at a slower pace than some forecasters had projected.

More recently, secondary market pricing has firmed, breaking above its $55-$57 range to close the quarter around $59/NZU. While we do not expect large price movements in the near term, the market now looks to have based.

Emissions Trading Scheme Policy

From a policy perspective, the Government's Forestry Conversion Amendment Bill continues to shape the future of ETS-eligible afforestation. The Bill introduces targeted constraints—restricting exotic forestry registration on highly productive farmland (LUC classes 1–5) and introducing a 15,000-hectare annual cap on new exotic planting on LUC class 6 land via a ballot. On the face of it, this cap appears relatively benign, considering peak planting in recent years saw just over 20,000 hectares of LUC 6 land converted to forestry per annum. Despite this, we do expect that some rules need a rethink, since ETS eligibility is to be randomly balloted and is not transferrable with any land sale, meaning that new investment must be prepared to retrospectively apply for ETS eligibility if containing LUC 6 or under.

While industry bodies like the NZ Institute of Forestry have raised concerns about the ballot system's investment certainty, the sector continues to view the Bill as a manageable policy adjustment, rather than a fundamental shift. The NZ Forest Owners Association, through CEO Elizabeth Heeg, has highlighted forestry's critical role in the bioeconomy, arguing for more holistic market mechanisms that support carbon sequestration, timber production, biodiversity, and rural resilience.

In parallel, the Government is moving to support voluntary nature credits markets, with pilot projects now underway across regions. These projects are designed to create new income streams for landowners, recognising the environmental services forests and restored ecosystems provide. The Government sees strong interest from international and domestic investors, and aims to build a credible, standards-backed market that complements the ETS. If successful, this emerging market could unlock significant co-benefit

From RDNZ's perspective, the policy direction is clear: a more strategic, diversified, and service-focused landscape is emerging for forestry. While regulatory changes have introduced short-term uncertainty, they also reinforce the long-term value of well-structured afforestation investments, especially on lower-class land and within projects that deliver multiple environmental outcomes.

Market Report (cont'd)

Timber Markets

A Tale of Two Quarters

The first half of 2025 has been a story of two very different quarters. Early momentum led to rising log prices, driven by strong spot market demand and optimism across the sector, supported by a weaker New Zealand Dollar and lower freight rates. However, the second quarter brought the expected seasonal headwinds—Chinese New Year disruptions, along with warmer and wetter weather, and a slowing construction sector, all of which weighed on sentiment and pricing. That said, the softness seen in April and May appears to have carried over into June with marginal US dollar log price gains offsetting higher freight costs and a weaker NZ dollar.

China Market Update

China continues to set the tone for New Zealand's export log sector. A-grade CFR prices have ticked up slightly to USD 113–115 per JASm^3 for July vessel arrivals. However, shipping and currency movements are likely to absorb much of this upside.

Daily port uplift in China remains steady at 50,000–60,000 m^3/day, despite the onset of summer, which is usually a period of slowing demand. More importantly, New Zealand's log supply has eased due to recently lower log prices and wetter conditions, making it more difficult and slower to harvest, which contributes to an easing of log inventories. This is likely the key determinant for modestly stronger USD log prices and an uptick in RMB futures markets.

Domestic Market

The domestic construction sector remains under pressure. High interest rates, tight credit conditions, and seasonal winter slowdowns continue to suppress building activity across both residential and commercial markets. As a result, sawmills are managing intake cautiously, with no significant movements in domestic log pricing expected through July.

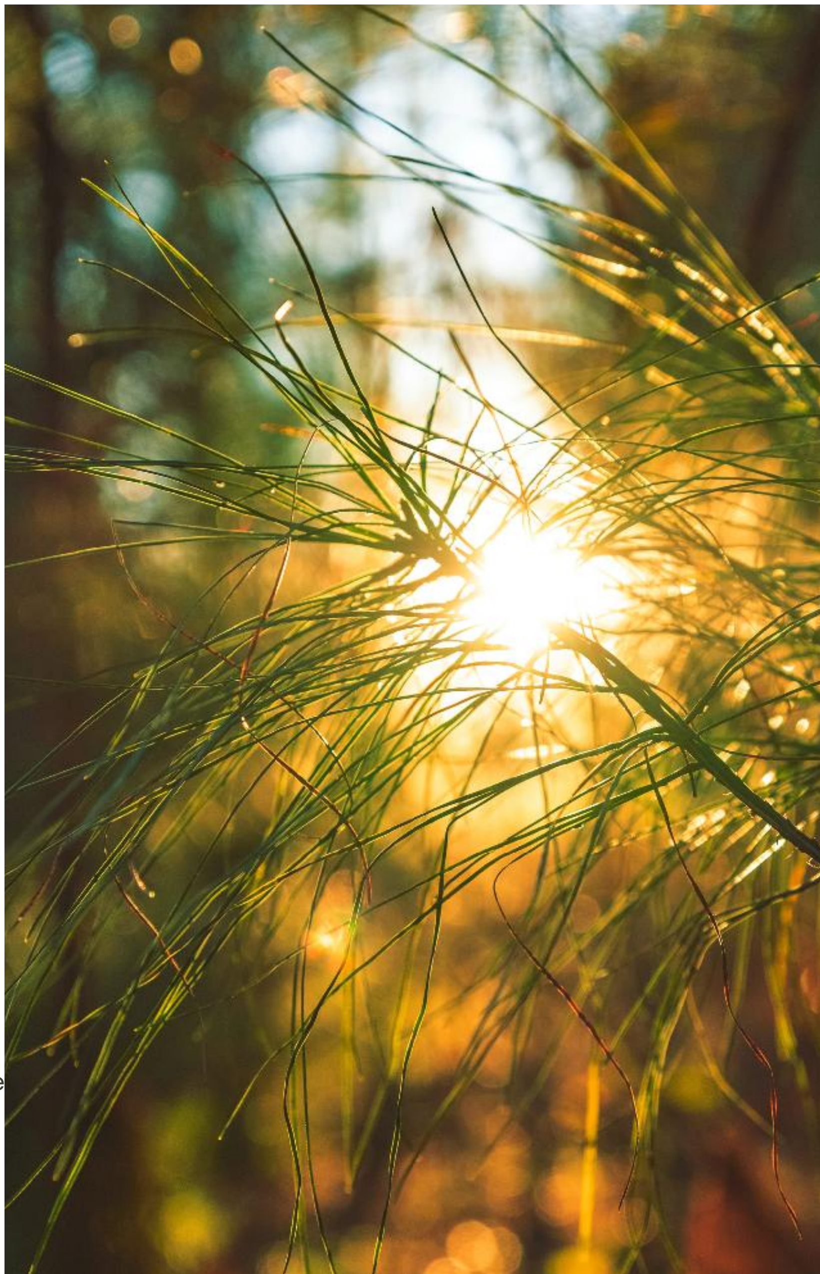
While structural grades remain in steady supply, the pruned log market has been more resilient, supported by stable returns and a long-term shortage of pruned wood in New Zealand forests. Demand is also slowly shifting toward higher-quality wood products—especially in China—adding support to pruned pricing.

Market Outlook - H2 2025

With China's log inventories trending down and New Zealand's harvest volumes constrained by winter weather, the outlook for H2 2025 remains cautiously optimistic. CFR price expectations in China are for modest gains, and with the futures market showing a premium, exporters may benefit later in Q3, provided shipping costs and FX movements don't erode margins.

For RDNZ, our investors are benefiting from a concentrated export log supply, which is essentially feeding finishing manufacturing in China instead of the ailing construction sector. Upon assessment, the average log price achieved for RDNZ forests, when compared with other exporter prices at the same ports, has been NZ$5.17 per m3 across the last two years, with the most notable benefit being more stable pricing in a softer market.

Due to the increased concentration of supply, we have recently established a trade credit insurance facility with a significant international trade credit insurer, covering $18 million of Trade Credit across 16 key overseas and local suppliers. This facility offsets a significant portion of our trade credit risk at a cost-effective price point.



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Awatea Forest Fund is currently open to further subscription; however, no indication of interest will involve an obligation or commitment of any kind. The Fund investments are subject to market risks, read all scheme related documents carefully. The NAV of the fund may go up or down depending upon the factors and forces affecting the assets of the fund and the forestry and carbon markets that the fund invests, including fluctuations in interest rates. The past performance of the fund is not necessarily indicative of future performance of the fund. Investors should carefully review the Product Disclosure Statement and any other relevant documents that are required by the Financial Markets Conduct Act or any other authority and obtain expert professional advice regarding specific legal, tax and financial implications of investment and participation in the fund.

Roger Dickie NZ Limited is the issuer of the fund.

Visit www.rogerdickie.co.nz/aff for a copy of the Product Disclosure Statement (PDS).

Mat Harvie
General Manager Investor Relationships
+64 (0) 27 549 7229
mat@rogerdickie.co.nz

Jeff Dickie
Director
+64 (0) 274 762 669
jeff@rogerdickie.co.nz

Will Dickie
Director
+64 (0) 274 587 957
will@rogerdickie.co.nz

Dan Young
Investor Relations and Sales Manager
+64 (0)21 668 456
dan@rogerdickie.co.nz

Roger Dickie New Zealand Limited Farm, Forest & Property Investments
PO Box 43, Waverley 4544, New Zealand
+64 6 346 5329

Roger Dickie

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