

INVESTMENT BRIEF | 21 NOVEMBER 2018

WAIMARIE MANUKA LIMITED PARTNERSHIP

MYFARM™ INVESTMENTS

An opportunity for wholesale investors to invest in New Zealand's first large-scale Manuka plantation. The plantation will be part of a share farming agreement with Comvita - New Zealand's premier Manuka honey exporter.

MyFarm is excited to offer our first investment based on plantation Manuka which will generate high UMF Manuka honey and carbon credits. Plantation Manuka is expected to produce 40% more honey with a higher UMF pushing the average price up to \$67/kg. This compares with wild capture honey that yields around 21kg/Ha at a price of \$28/kg. This combination of higher honey yields and prices together with the income from the sale of carbon credits, provides wholesale investors with the opportunity to earn double digit returns from a highly sustainable investment.

Waimarie Manuka Limited Partnership ("Waimarie Manuka LP") is raising \$8.11 million in this offer ("Offer") to wholesale investors, to purchase and develop high value manuka plantations on two central North Island properties in partnership with Comvita subsidiary, Kiwi bee.

These plantations are expected to generate high levels of operating profit from the production of premium manuka honey and carbon credits. Premium manuka honey is prized for its exceptional anti- microbial activity which is now recognised by mainstream medicine. This is reflected in the

high prices being paid for the honey. Because the market is under supplied, high prices are expected to continue for the foreseeable future.

Globally, most honey is still produced and consumed within the same market. Global import demand is estimated to be around USD\$2.2 billion.

In terms of the largest exporters, the heavyweights are China, Argentina, Germany, and Ukraine. Most products sold by the other major exporters is significantly lower value than New Zealand honey, with an average export price of USD\$3-4/kg, compared with New Zealand at USD\$28/kg.

While premium honey prices underpin the partnership's budgeted profits and distributions, the production of carbon credits (New Zealand Units or "NZU's") offer the potential for super-profits. The current review of the New Zealand emissions Trading Scheme ("ETS") under which NZU's are earned is expected to result in the removal of the current price cap of \$25/NZU and an increase in the value of NZUs to align with the international prices.

INVESTMENT HIGHLIGHTS

- The Partnership will enter into 25 year share farming agreements with Comvita Limited ("Comvita") and subsidiary, Kiwi Bee.
- The Partnership will receive 35% of honey revenue and 80% of carbon credits (100% for the first five years), in return for providing the land, meeting development and operating costs associated with access tracks and boundary fencing, and most of the cost of the manuka plants. It will also pay half the cost of pest control during the initial plantation establishment period.
- Kiwi Bee will receive the balance of honey revenue and the carbon credits, supply the manuka plants and meet all other plantation establishment costs, and provide and meet the cost of the apiary services needed to convert plantation nectar into manuka honey. During the first five years, Kiwi Bee will also pay the Partnership a hive set down fee of 5% p.a. of the value of the Partnership's capital expenditure.
- The hive set down fee means that the Partnership will be profitable and can pay distributions from the outset. As honey and carbon credit production increase the level of of profit and distributions increase materially.
- Comvita will sell the Partnership sufficient manuka plants of high genetic quality to establish 1,300ha of plantation manuka in winter/spring 2019 and plants for a further 338ha of plantation manuka to be planted in winter/spring 2020.
- The Offer to wholesale investors is for 811 units at \$10,000/Unit), with a minimum investment of \$100,000.
- The Investment will be funded using 35% bank debt (budgeted to be interest-only for the first 10 years and then amortised over the following 20 years).

BUDGETED DISTRIBUTIONS (% P.A)

FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
2.6%	3.0%	3.3%	3.7%	6.3%	9.7%	10.9%	11.3%	11.8%	12.1%

This offer is open to persons investing no less than \$100,000 and who fall within the exclusions applicable to offers made to "wholesale investors" as set out in Schedule 1, clause 3 of the Financial Markets Conducts Act 2013 (FMCA). You can obtain further information on FMCA requirements, and whether you come within the exclusions and their requirements at www.myfarm.co.nz/fmca

ABOUT THE PROPERTY

- Two North Island hill country farms for development into manuka plantations under sharefarming agreements with Comvita have been contracted for purchase.
- The Pongaroa Property is approximately 315ha in size and is located south of the Pongaroa township.
- Neighbouring properties include sheep and beef farms, forestry, and a 2.2 hectare reserve on the southern boundary.
- The Kakatahi Property is approximately 1,480ha in size and is located north east of Whanganui.
- Neighbouring properties include traditional Sheep and Beef farms, and more widely in the region; manuka, sheep and cattle breeding and finishing and forestry.
- Property improvements include a four bedroom homestead, three bedroom 1970's cottage, a six stand woolshed with covered yards, and assorted improvements relevant to a large scale sheep farm.
- Due diligence on the Properties is being undertaken by Comvita and MyFarm. Factors that influence the suitability of a farm for development into plantation manuka include the state of boundary fences and vehicle access tracks, contour and aspect, and the ability to protect against bees from neighbouring properties taking nectar from the plantation.
- Included in the due diligence process will be a report commissioned from PF Olsen, assessing the ability of both Properties to earn carbon credits.

SHARE FARMING KEY TERMS

- Landowner to ensure boundary fences and access to beehive sites are maintained
- Landowner pays cost of trees, Comvita pay cost of plant
- Shared pest control costs
- Landowner pays limited insurance and rates
- Comvita to meet all apiary costs
- Landowner receives greater of 5% hive set down or 35% honey in the first five years
- Thereafter 35% share of honey and 80% of carbon credits



RISKS

Investments in managed investment schemes are risky. You should consider if the degree of uncertainty about Waimarie Manuka Limited Partnership's future performance and returns are acceptable to you. The Offeror considers the most significant risk factors that could impact on Unit value are:

- **Honey and Carbon Price Risk** – the risk that honey and carbon prices fall below the current budgeted levels of \$68.77/kg of honey and \$25/NZU respectively.
- **Yield risk** – the risk the Plantations produce less honey or carbon credits than expected, or the UMF® rating of the honey is less than budgeted.
- **Counterparty Risk** – the risk that Comvita fails to meet its contractual obligations to the Partnership.
- **ETS** – the risk that the Partnership earns less from NZUs because there are changes in the ETS laws and/or it is unable to participate in the ETS because its plantations do not meet the definition of a forest.
- **Poaching** - there is a risk that neighbours may put bee hives near the plantation boundaries with a view to poaching nectar.
- **Pests and Diseases** - Such as Varroa Mite and Foulbrood.

INVESTMENT STRUCTURE

- The investment is in Units in Waimarie Manuka LP. As a Waimarie Manuka LP unitholder (Unitholder), you will become a limited partner in Waimarie Manuka LP
- The MyFarm Investments division is the Offeror and the MyFarm Business division is the manager ("Manager") of the Partnership.
- Waimarie Manuka GP Limited is the General Partner providing oversight of the investment and will be governed by Grant Rowan and Brian Cloughley of MyFarm and an independent director to be appointed in the New Year.



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