HARVESTING REPORT
July 2021

IRONGATE FOREST

Swing yarder on Court Road pulling Setting 18.

Clearfell Harvesting Report – Irongate – July 2021

Summary

- Gross revenue for the month is **$1,231,335.80**
- Costs for the month are **$588,256.22**
- Net income for the month is **$643,079.58**
- Tonnes harvested for the month is **7,499.64**
- Net income per tonne for the month is **$85.75**
- Area cleared for the month is **8.4** hectares

The project performance to date is set out below:

- Project gross revenue to date is **$13,466,393.60**
- Project costs to date are **$9,168,733.55**
- Project net income to date is **$4,297,660.04**
- Tonnes harvested to date is **97,792.19**
- Net income per tonne to date is **$43.95**
- Recoverable volume per hectare to date is **698** tonnes
- Net income per hectare to date is **$30,675.66**
- Total forest area is **348.9** hectares, approximate hectares cleared to date is **140.1** hectares.

  The total forest area reflects all net stocked areas regardless of age class or previous roadline volumes.

NB: Measured harvest areas are estimated monthly and reconciled with satellite imagery prior to valuations, they are subject to change and should be used as a guide only.

Revenue

Log Sales

Gross income for the month was **$1,231,335.80** with an average sale price over all grades of **$164.19** per tonne**.**

July 2021 - Log Markets, Hawkes Bay

The July export prices have dropped $2.86/Jas m^3 on average. The decrease has affected all log grades.

Radiata log inventories on the main Chinese ports we monitor have increased relatively quickly to 4.5Mm^3 – 5.0Mm^3, with daily offtake still down under the 60Km^3 per day range.

This variation in the total softwood stock numbers is due to the Chinese government forcing some sawmills to relocate from Taicang, Jiangsu Province. Many log processing facilities in Taicang will have to close or relocate after the government, with very little warning, imposed regulation in early July that will restrict sawmilling to specific identified industrial districts. Initial estimates are this will reduce milling capacity by about 50%.

Taicang was China's second largest port for softwood imports and received about 20% of China's total softwood imports. It is just over 50km north-west of Shanghai so the regulations are likely to be a combination of government wanting to change land use as well as reduce pollution. This land will most likely be repurposed for housing or higher tech companies.

The disruption at Taicang has been a contributing factor in easing prices, as has resistance to higher prices in the market. The Chinese government has been talking down commodity prices and several of our exporters' customers have reacted quickly to defer development projects. There has also been an increase in domestic harvest levels in south China and that is now starting to reflect in lower levels of demand from that market.

Spot freight is in the high US$50's. The forecast for August is rates in the mid US$60's/m^3 including delay costs. Freight rates are an additional US$20+/m^3 for volume ex Gisborne due to the extensive delays now occurring there due to a combination of berth repair and adverse weather reducing berth capacity.

The NZD weakened against the USD over July dropping from 0.7277 to 0.6982 against the USD. This helped reduce the drop in AWG pricing for July.

Domestic pruned log prices have lifted $4 this quarter due to strong AWG export pricing and factoring in the winter effects on Jas conversions.

Grade Recovery

Grade out turn for July is as follows:

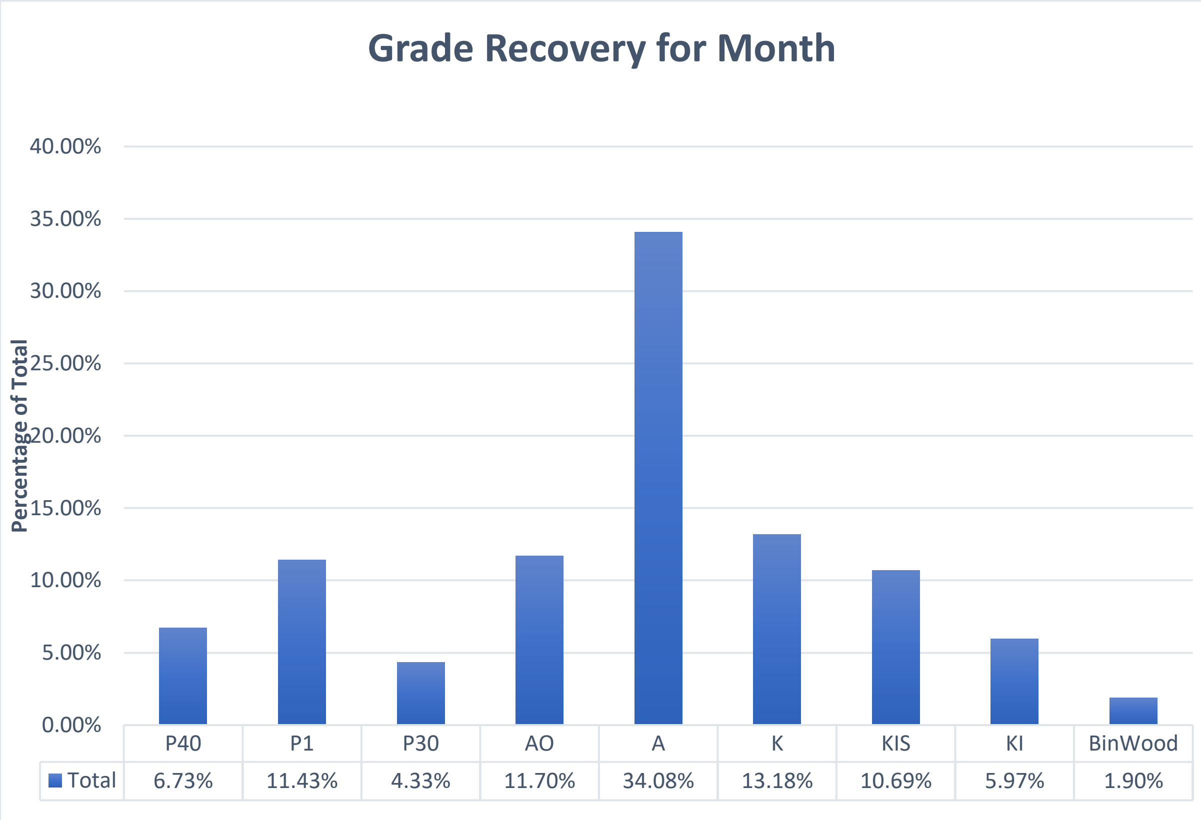


Chart 1: Grade Recovery for Month

Pruned recovery for June comprised 22% of overall sales volume, 11% of which was sold as domestic pruned grades.

High quality export sawlog (AO, A and K grades) made up 59% of the total production volume, with lower quality export (KI and KIS grades) comprising 17% of volume.

The remaining 2% of production was made up of domestic pulp and binwood.

Expenditure

Harvesting

The total logging cost for the month was **$289,778.08**, an average of **$38.64** per tonne.

Harvest expenditure for the month is summarised below in Table 1:

LOGGING COSTS		TOTAL
July		$289,778.08
		$289,778.08

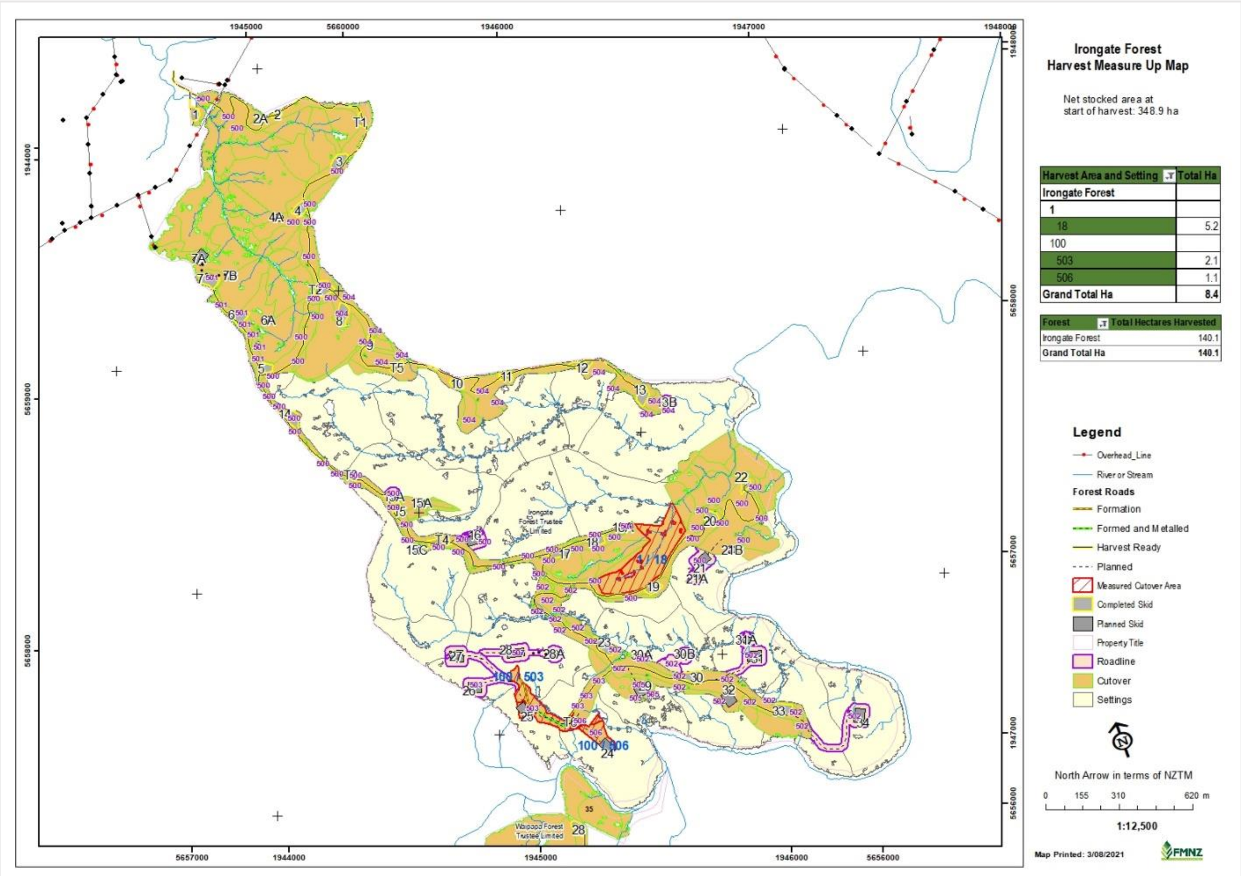
Table 1: Logging Costs

ADDITIONAL HARVEST COSTS		TOTAL
July	Establishment	$1,220.00
	Tracking	$875.00
		$2,029.00

Table 2: Additional Logging Costs

Establishment costs were for establishing K & S Beard Logging's Hyundai digger which was brought in to load the manual log making decks for Log 13.

Tracking costs were related to extra tracks required for the skidder.



Pic 1: Progress Map

During July, Log 10 completed clearfell harvesting of what was possible in Setting 18 on Gumnut Road. They then moved the hauler around to Landing 19 because the adverse loaded steep road out of Landing 18 was fresh and wet weather would have made this section of road unusable. The crew completed pulling the rest of the wood from this setting between Gumnut and Court Roads.

Log 13 continued roadlining of Setting 503 on Siobhan Road and with the help from Log 10's felling machine and skidder, they felled the trees up to the Landing 24 junction and extracted them back to Landing 29 on Wild Road.

Cartage

Cartage is managed by Harvest Logistics Ltd, who organise the despatch and supply of log trucks into the forest.

The total cartage expense for the month was **$157,670.77** which is an average unit rate of **$21.02** per tonne.

Cartage expenditure for the month is summarised below in Table 3:

CARTAGE COSTS		TOTAL
July	Cartage - Truck	$157,670.77
	Weighbridge	$2,495.32
	Trailer Lifting	$66.00
		$160,232.09

Table 3: Cartage Costs

The average cart rate for July inclusive of weighbridge and trailer lifting fees is **$21.37** per tonne.

Trailer lifting costs are for use of the public gantry to reload trailers for loads delivered outside the normal hours of the facility provided by the Napier Port.

Engineering

ENGINEERING		RL	CF	TOTAL
July	Spread from stockpile	$7,540.00		$7,540.00
	Stockpile Works	$2,134.75		$2,134.75
	Pavement	$525.00		$525.00
	Trucks - Cart & Dump	$5,895.00		$5,895.00
	Culverts	$2,846.34		$2,846.34
	Culverts - Freight	$360.00		$360.00
	Establishment - Engineering	$720.00		$720.00
	Landings	$8,312.50		$8,312.50
	Loadout Bay Construction	$1,200.00		$1,200.00
	Other	$700.00		$700.00
	R&M	$525.00		$525.00
	Borrow Pit	$1,225.00		$1,225.00
	Culvert Installation	$525.00		$525.00
	Fluming	$3,404.30		$3,404.30
	Metal Rock	$14,667.55		$14,667.55
	Rehab		$4,287.50	$4,287.50
	Road Formation	$21,525.00		$21,525.00
	Temp Landings	$3,850.00		$3,850.00
	Trucks - Cart & Spread	$3,840.00		$3,840.00
		$79,795.44	**$4,287.50**	**$84,082.94**

Table 4: Engineering Costs

The majority of the earthworks completed in July was undertaken on Siobhan Road, including Landings 24 and 25. There was also some post-harvest rehabilitation completed.

Planned Activities for August 2021

Log 10 will commence pulling Setting 19 between Court and Wild Roads and then move to Landing 23 on Wild Road where they will pull sections of Settings 28 and 30. Once they have cleared as far as they can through this section, they will move onto Landing 30.

Log 13 will move to Landing 25 and 26 in Setting 503, Siobhan Road and then clear the roadline to Landings 27 and 28. This will complete all roadline harvesting in Irongate Forest.

Clearfell will commence on the river side of Siobhan Road towards the end of August.

In August, some work will continue on Siobhan Road along with expected maintenance as a result of harvesting operations. Some scheduled maintenance is required on Colley Road which will require closing the road for a period. This work will be planned for spring when weather is more conducive to compacting the renewed pavement.

Net Revenue

Net revenue for the project to date excluding GST is shown in Table 5 below:

MONTH	NET MONTH	NET PROJECT
July	**$643,079.57**	**$4,297.660.04**

Table 5: Total Revenue

The net revenue for the month equates to an average of **$85.75** per tonne, or per **$68,412.72** hectare.

Fees and Levies

Management fees and FGC levies are summarised in Table 6 below:

FEES & LEVIES		TOTAL
July	Management	$49,253.43
	FGC levy	$2,455.48
		$51,708.91

Table 6: Fees and Levies

Miscellaneous

See Table 7 below:

MISCELLANEOUS		TOTAL
July	Other	$114.00
	Consumables	$223.40
	Security	-$339.76
	Traffic Management	$6.82
		$4.46

Table 7: Miscellaneous Expenses

Consumable costs are for docket books used for the loadout of logs during July and for Antisapstain used to treat the ends of pruned export logs.

Other costs are for the proportional costs of operating the forest digital radio network.

Security represents a credit for fencing standards that were returned to Farmlands.

Traffic management costs were for posts used to hold up road name signs.

Health and Safety

There were no health and safety incidents reported in the forest during July.

Environmental

ENVIRONMENTAL		TOTAL
July	Environmental Monitoring	$354.75
		$354.75

Table 8: Environmental Expenses

Hawke's Bay Regional Council visited the forest on 20th July and assessed both consented and permitted harvesting and earthworks activities as being *fully compliant* and noted that *generally, the harvesting operations had been performed to a high standard*.

Financial Performance

The graph below shows the actual project results compared with the forecast budget.

The orange cumulative line measures actual performance against the forecast budget.

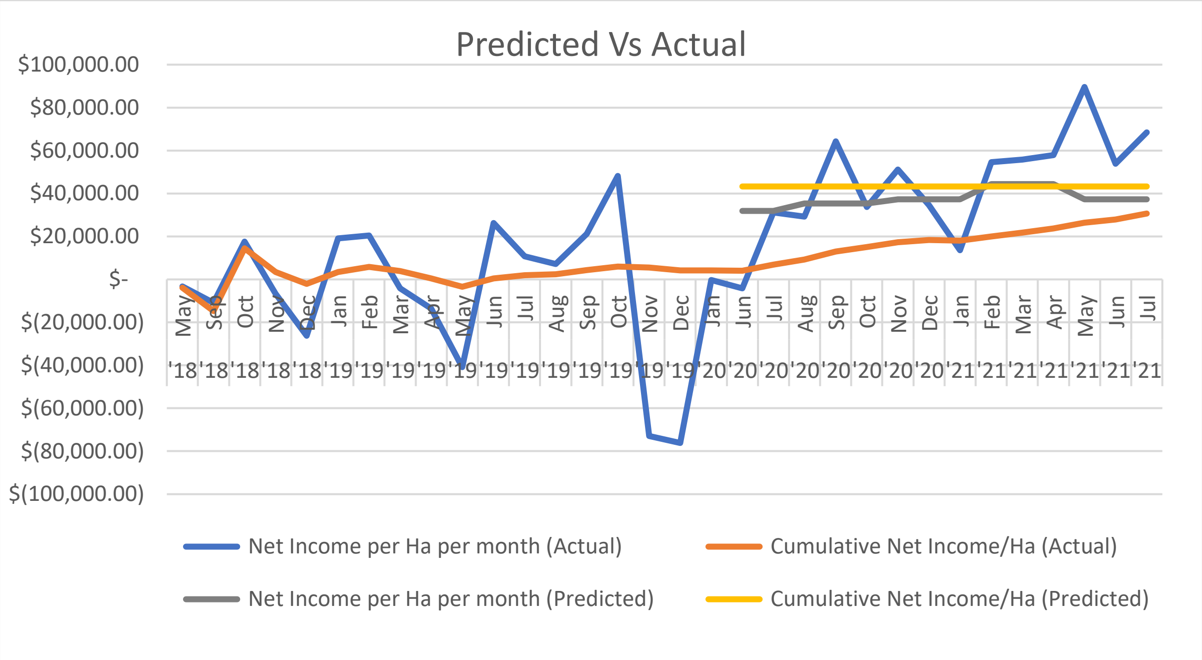


Chart 2: Actual vs Predicted

Net return per tonne to date is **$43.95**, forecast was $63.97.

Gross return per tonne to date is **$137.70**, forecast was $136.79.

Net return per hectare to date is **$30,675.66**, forecast was $43,272.91.

Kind Regards

FMNZ Harvest Team

Appendix 1 Harvesting Financial Summary (Clearfell and Roadline)

Historic Harvesting Financial Summary

FMNZ — MAXIMISING YOUR FOREST VALUE

Irongate Forest Partnership 01/07/2021 to 31/07/2021

Paid to bank account # 02-0792-0001430-00 GST # 60-931-348

SALES					
Type	Grade	Tonnes	Jas (m3)	Sales Price	Gross Revenue ($)
Binwood					
Pulp		142.52		$45.50	$6,484.66
TOTAL BINWOOD SALES		**142.52**			**$6,484.66**

Domestic					
Pruned Dom		28.98		$209.50	$6,071.31
Pruned Dom	P1 4.9	613.02		$207.00	$126,895.14
Pruned Dom	P1 5.5	214.90		$209.50	$45,021.55
TOTAL DOMESTIC SALES		**856.90**			**$177,988.00**

Export					
Pruned Exp	P40 3.9	0.00	104.950	$208.00	$21,829.60
Pruned Exp	P40 5.9	0.00	407.912	$208.00	$84,845.70
Pruned Exp	P30 3.9	0.00	332.357	$178.00	$59,159.55
A40	AO 3.8	0.00	664.551	$165.00	$109,650.91
A40	AO 3.9	0.00	229.368	$167.00	$38,304.46
A40	AO 5.8	0.00	13.950	$167.00	$2,329.65
A30	A 3.8	0.00	308.659	$161.00	$49,694.10
A30	A 3.8	0.00	386.759	$162.00	$62,654.96
A30	A 5.8	0.00	917.684	$163.00	$149,582.49
A30	A 5.8	0.00	959.272	$165.00	$158,279.88
K	K 3.8	0.00	396.377	$154.00	$61,042.06
K	K 5.8	0.00	568.856	$156.00	$88,741.54
KI	KI 3.8	0.00	183.938	$145.00	$26,671.01
KI	KI 3.8	0.00	244.823	$146.00	$35,744.16
TOTAL EXPORT SALES		**0.00**	**5,719.456**		**$948,530.07**

Export Pulp					
Export Pulp	KIS 2.9	0.00	162.174	$130.00	$21,082.62
Export Pulp	KIS 3.8	0.00	559.786	$138.00	$77,250.47
TOTAL EXPORT PULP SALES		**0.00**	**721.960**		**$98,333.09**
TOTAL		**999.42**	**6,441.416**		**$1,231,335.82**

FEES	
FMNZ Management Fee @ %	$49,253.43
TOTAL FEES	**$49,253.43**

Appendix 1 Harvesting Financial Summary (Continued)

LEVIES	
Forest Grower Commodity Levy @ $0.33	$2,455.48
TOTAL LEVIES	**$2,455.48**
COSTS	
Harvesting	$289,778.08
Cartage	$157,670.77
Weighbridge	$2,495.32
Borrow Pit Works	$1,225.00
Consumables	$223.40
Culvert Installation	$525.00
Culvert Pipes	$2,846.34
Culverts - Freight	$360.00
Environmental Monitoring	$354.75
Establishment	$1,940.00
Fluming	$3,404.30
Landings	$8,312.50
Loadout Bay: Construction	$1,200.00
Metal Rock m3	$14,667.55
Metalling: Cart to road	$3,840.00
Metalling: Cart to stockpile	$5,895.00
Metalling: Grading & Rolling	$525.00
Metalling: Spread from Stockpile	$7,540.00
Other	$814.00
Post Harvest Rehab	$4,287.50
Repairs & Maintenance	$525.00
Road Formation	$21,525.00
Security	-$339.76
Stockpile Works	$2,134.75
Temporary Landings	$3,850.00
Tracking	$875.00
Traffic Management	$6.82
Trailer Lifting	$66.00
TOTAL COSTS	**$536,547.32**
TOTAL FEES, LEVIES & COSTS	**$588,256.23**

NET INCOME	**$643,079.59**
GST	**$96,461.94**
NET INCOME (INCLUDING GST)	**$739,541.53**

Photo 1: Swing yarder on Landing 19 pulling Settings 17 and 18.

Photos 2 & 3: Log 13 manual log making and log stacks on Siobhan Road temporary Landing T6.

Photo 4: Log 13 crew member about to grease their grapple, on Siobhan Road.

Photo 5: Logs from roadline on Siobhan Road awaiting loadout.

IRONGATE CUMULATIVES

Categories	Descriptions	Mar 18 -Feb 19	Mar 19 -Feb 20	Mar 20 - Feb 21	Mar 21	Apr 21	May 21	June 21	July 21	Grand Total
Engineering	Bidem	-$450.00	-$300.00							-$750.00
	Borrow Pit	-$720.00		-$7,373.28				-$2,887.50	-$1,225.00	-$12,205.78
	Culvert Installation	-$13,150.00	-$31,303.50	-$1,416.40		-$1,385.10			-$525.00	-$47,780.00
	Culverts	-$23,269.05	-$40,455.05	-$5,666.34			-$2,846.34		-$2,846.34	-$75,083.12
	Culverts - Freight		-$240.00	-$3,165.93			-$437.40	-$1,294.80	-$360.00	-$5,498.13
	Entranceway - Seal	-$161,414.66	-$7,439.70							-$168,854.36
	Establishment - Engineering	-$5,165.00	-$11,310.00	-$8,452.41	-$462.50	-$1,396.50		-$4,045.30	-$720.00	-$31,551.71
	Fluming	-$3,720.09	-$15,160.18	-$172.14			-$190.07	-$190.07	-$3,404.30	-$22,836.85
	Geotextiles		-$320.00							-$320.00
	Grass Seeding	-$650.00	-$3,715.49	-$1,092.75		-$618.50				-$6,076.74
	Landings	-$64,472.50	-$115,992.50	-$48,554.42		-$1,918.00		-$3,150.00	-$8,312.50	-$242,399.92
	Loader Hire	-$13,868.72	-$21,266.15							-$35,134.87
	Loadout Bay Construction	-$682.50		-$883.20		-$280.00		-$2,608.36	-$1,200.00	-$5,654.06
	Loadout Bay Metal		-$3,939.77	-$1,080.00						-$5,019.77
	Metal Lime		-$17,120.40	-$62,617.40		-$2,145.00		-$13,159.38		-$95,042.18
	Metal Rock	-$90,603.87	-$124,057.75	-$9,173.45	-$2,552.98	-$5,184.62		-$6,623.17	-$14,667.55	-$252,863.39
	Other	-$4,517.50	-$1,680.00	-$459.50		-$105.00		-$20.00	-$700.00	-$7,482.00
	Pads			-$2,477.70		-$966.00		-$10,637.88		-$14,081.58
	Pavement	-$33,110.00	-$53,660.00	-$15,361.36		-$672.00		-$3,790.80	-$525.00	-$107,119.16
	Polycom	-$27,390.90	-$6,807.10							-$34,198.00
	R&M	-$22,050.00	-$53,419.94	-$21,350.53				-$1,410.00	-$525.00	-$98,755.47
	R&M - Culverts Maintenance			-$550.00						-$550.00
	R&M - Road Maintenance			-$22,898.13		-$3,259.50	-$947.70	-$3,713.39		-$30,818.72
	Rehab	-$6,897.50	-$11,007.89	-$1,677.74				-$14,657.68	-$4,287.50	-$38,528.31
	Rehab - Skids/Pads			-$5,040.00						-$5,040.00
	Road Formation	-$149,645.00	-$200,767.50	-$60,211.24	-$874.80	-$3,863.70		-$16,870.18	-$21,525.00	-$453,757.42
	Spread from stockpile	-$38,600.00	-$207,460.00	-$26,368.67		-$4,939.25		-$8,280.69	-$7,540.00	-$293,188.61
	Stockpile Works			-$23,337.53	-$285.00	-$2,693.88		-$2,868.97	-$2,134.75	-$31,320.13
	Temp Landings	-$24,045.00	-$16,260.00	-$2,712.84				-$700.00	-$3,850.00	-$47,567.84
	Trucks - Cart & Dump	-$93,215.96	-$375,208.08	-$96,113.69	-$2,000.00	-$9,850.00		-$17,518.91	-$5,895.00	-$599,801.64
	Trucks - Cart & Spread	-$107,310.00	-$720.00	-$6,373.47				-$540.00	-$3,840.00	-$118,783.47
Engineering Total		**-$884,948.25**	**-$1,319,611.00**	**-$434,580.11**	**-$6,175.28**	**-$39,277.05**	**-$4,421.51**	**-$114,967.07**	**-$84,082.94**	**-$2,888,063.20**
Fees	FGC levy	-$3,627.32	-$6,340.12	-$9,709.68	-$1,331.90	-$1,432.52	-$1,625.32	-$1,711.88	-$2,455.48	-$28,234.21
	Management	-$76,947.89	-$120,891.23	-$177,169.21	-$22,804.22	-$26,289.39	-$30,544.09	-$34,756.27	-$49,253.43	-$538,655.74
Fees Total		**-$80,575.21**	**-$127,231.35**	**-$186,878.89**	**-$24,136.12**	**-$27,721.91**	**-$32,169.42**	**-$36,468.15**	**-$51,708.91**	**-$566,889.95**
Harvesting	Cartage - Trans Shipping		-$360.00			-$330.00				-$690.00
	Cartage - Truck	-$257,618.86	-$457,389.15	-$608,344.42	-$71,163.24	-$79,425.30	-$91,994.62	-$99,356.77	-$157,670.77	-$1,822,963.14
	Establishment - harvesting	-$6,310.00	-$880.00	-$8,610.00				-$850.00	-$1,220.00	-$17,870.00
	Logging	-$558,409.75	-$967,349.56	-$1,284,779.42	-$143,249.86	-$160,536.32	-$184,987.29	-$198,684.87	-$289,778.08	-$3,787,775.15
	Tracking	-$5,787.50	-$11,270.00	-$1,385.10				-$1,260.00	-$875.00	-$20,577.60
	Weighbridge	-$4,806.67	-$8,307.85	-$10,269.27	-$1,169.98	-$1,283.32	-$1,577.06	-$1,696.99	-$2,495.32	-$31,606.45
	Trailer Lifting				-$24.00		-$6.00	-$6.00	-$66.00	-$102.00
Harvesting Total		**-$832,932.78**	**-$1,445,556.56**	**-$1,913,388.21**	**-$215,607.08**	**-$241,574.95**	**-$278,564.97**	**-$301,854.63**	**-$452,105.17**	**-$5,681,584.34**
Income	Log Sales	$1,923,697.36	$3,022,280.83	$4,429,230.15	$570,105.57	$657,234.76	$763,602.34	$868,906.78	$1,231,335.80	$13,466,393.60
Income Total		**$1,923,697.36**	**$3,022,280.83**	**$4,429,230.15**	**$570,105.57**	**$657,234.76**	**$763,602.34**	**$868,906.78**	**$1,231,335.80**	**$13,466,393.60**
Miscellaneous	Consultancy Fees	-$325.27								-$325.27
	Consumables	-$704.74	-$976.05	-$1,435.58	-$372.91	-$74.93	-$133.16	-$297.09	-$223.40	-$4,217.85
	Other	-$4,400.15	-$1,530.74	-$570.78	-$173.89	-$95.00	-$280.00	-$95.00	-$114.00	-$7,259.56
	Power Lines	-$1,326.12								-$1,326.12
	Security	-$2,688.93	-$3,965.39	-$337.46				-$6,307.38	$339.76	-$12,959.40
	Traffic Management	-$4,160.10	-$723.69	-$20.00					-$6.82	-$4,910.61
	Environmental Monitoring					-$842.50			-$354.75	-$1,197.25
Miscellaneous Total		**-$13,605.31**	**-$7,195.87**	**-$2,363.82**	**-$546.80**	**-$1,012.43**	**-$413.16**	**-$6,699.47**	**-$359.21**	**-$32,196.06**
Grand Total		**$111,635.81**	**$122,686.06**	**$1,892,019.13**	**$323,640.29**	**$347,648.42**	**$448,033.29**	**$408,917.45**	**$643,079.58**	**$4,297,660.04**