



HARVESTING REPORT

July 2021

QUAIL RIDGE FOREST



Freedom Logging harvestline clearfell operation on Landing 90.

FMNZ

"Maximising the value of forests since 1974"

Clearfell Harvesting Report – Quail Ridge – July 2021

Summary

- Gross revenue for the month is **\$1,070,196.84**
- Costs for the month are **\$608,830.39**
- Net income for the month is **\$461,366.46**
- Tonnes harvested for the month is **6,397.51**
- Net income per tonne for the month is **\$72.12**
- Area cleared for the month is **4.3** hectares

The project performance to date is set out below:

- Project gross revenue to date is **\$10,752,188.00**
- Project costs to date are **\$7,420,334.45**
- Project net income to date is **\$3,331,853.55**
- Tonnes harvested to date is **70,860.06**
- Net income per tonne to date is **\$47.02**
- Recoverable volume per hectare to date is **757.1** tonnes
- Net income per hectare to date is **\$35,596.73**
- Total forest area is **225.4** hectares, approximate hectares cleared to date is **93.6** 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 **\$1,070,196.84** with an average sale price over all grades of **\$167.28** per tonne.

July 2021 - Log Markets, Hawkes Bay

The July export prices have dropped \$2.86/Jas m³ on average. The decrease has affected all log grades.

Radiata log inventories on the main Chinese ports we monitor have increased relatively quickly to 4.5Mm³ – 5.0Mm³, with daily offtake still down under the 60Km³ 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/m³ including delay costs. Freight rates are an additional US\$20+/m³ 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:

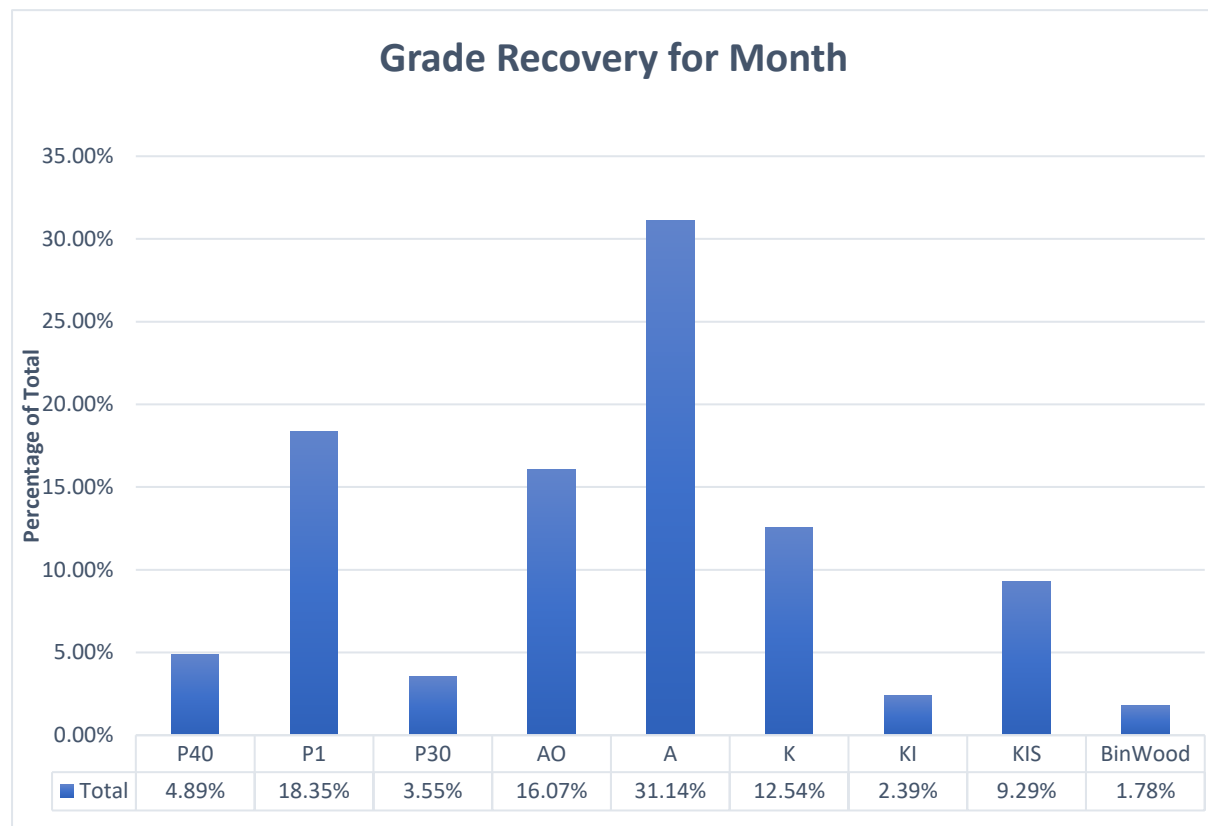


Chart 1: Grade Recovery for Month

Pruned recovery for July comprised 27% of overall sales volume, 18% of which was sold as domestic pruned grades.

High quality export sawlog (AO, A and K grades) made up 60% of the total production volume, with lower quality export (KI and KIS grades) comprising 11% 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 **\$263,168.81**, an average of **\$41.14** per tonne.

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

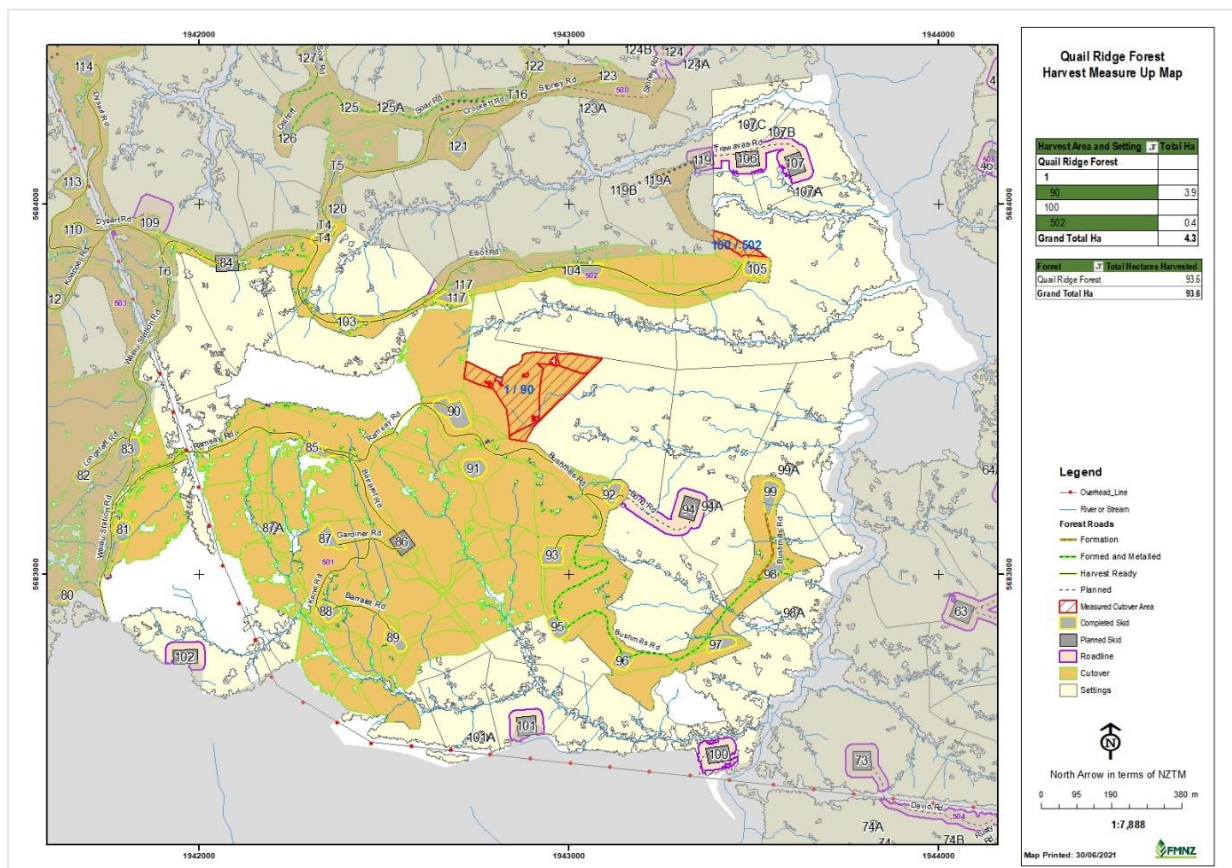
LOGGING COSTS		TOTAL
July		\$263,168.81
		\$263,168.81

Table 1: Logging Costs

ADDITIONAL HARVEST COSTS		TOTAL
July	Tracking	\$896.00
		\$896.00

Table 2: Additional Logging Costs

Tracking costs are for clearing mud off the extraction track between Landings 105 and 119 where the rain had caused the track to become too muddy and slippery for the roadline salvage crew skidder to operate on.



Pic 1: Progress Map

During July, Log 5 continued the clearfell harvest of Setting 90. There was a lot of planning with the crew around where to position the harvestline to ensure there was enough deflection over the undulating terrain. It was pleasing to note that a senior foreman from another harvestline crew provided coaching with the harvestline to assist the Freedom Logging crew this month.

Log 58 carried out roadline salvage in Setting 502 from Landing 119 to 105 on Elliot 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 **\$207,720.44** which is an average unit rate of **\$32.47** per tonne.

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

CARTAGE COSTS		TOTAL
July	Cartage - Truck	\$207,720.44
	Weighbridge	\$1,890.56
	Trailer Lifting	\$12.00
		\$209,623.00

Table 3: Cartage Costs

The average cart rate for July inclusive of weighbridge and trailer lifting fees is **\$32.77** per tonne.

Trailer lifting costs are for the use of the public gantry as delivery was outside the hours of the facility provided by the Port of Napier.

Engineering

ENGINEERING		RL	CF	TOTAL
July	Rehab	\$686.00	\$16,730.00	\$17,416.00
	Landings	\$7,497.00		\$7,497.00
	Loadout Bay Metal	\$880.00		\$880.00
	Metal Rock	\$2,072.50		\$2,072.50
	Pavement	\$6,284.90		\$6,284.90
	Road Formation	\$20,022.00		\$20,022.00
	Spread from stockpile	\$7,608.00		\$7,608.00
	Stockpile Works	\$1,020.00	\$84.00	\$1,104.00
	Establishment - Engineering	\$1,430.00	\$898.00	\$2,328.00
	Fluming	\$35.48		\$35.48
	Loadout Bay Construction	\$660.00		\$660.00
	R&M	\$220.00	\$12,496.00	\$12,716.00
	R&M - Culverts Maintenance		\$72.00	\$72.00
	R&M - Metal		\$8,005.00	\$8,005.00
		\$48,415.88	\$38,285.00	\$86,700.88

Table 4: Engineering Costs

During July, earthworks continued on Trewavas Road down to Landing 119. Work was also completed on extending Landing 92 to better suit the harvestline harvest operation. Maintenance work was completed on Bushmills, Ramsay and Waiau Station Roads – this maintenance was associated with regular harvesting activities.

Planned Activities for August 2021

Planned activities for August is for Log 5 to complete clearfell harvest of Setting 90 and then move on to Settings 92 and 99.

Log 58 will stop roadline salvage on Elliot Road due to winter weather and will commence clearfell harvesting in Settings 96-98 on Bushmills Road for the next couple of months. Windthrow from a mid-July storm event will also be tidied up around Landing 105.

Work will be completed on Trewavas Road to secure the site as the roadline crew moves into another setting. There is also expected to be some maintenance work associated with harvesting operations.

Net Revenue

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

MONTH	NET MONTH	NET PROJECT
July	\$461,366.46	\$3,331,853.55

Table 5: Total Revenue

The net revenue for the month equates to an average of **\$72.12** per tonne, or per **\$107,294.53** hectare.

Fees and Levies

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

FEES & LEVIES		TOTAL
July	Management	\$42,807.87
	FGC levy	\$2,095.10
		\$44,902.97

Table 6: Fees and Levies

Miscellaneous

See Table 7 below:

MISCELLANEOUS		TOTAL
July	Consumables	\$146.56
	Other	\$114.00
	Power Lines	\$1,697.80
	Security	\$1,132.36
	Traffic Management	\$178.50
		\$3,269.22

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.

Powerline costs are for two site meetings on the 19th of May and 28th June with Eastland Network and Eastland Tree Care to discuss felling near powerlines.

Security costs were for wire and staples for repairs and maintenance to the boundary fence.

Traffic Management costs were for a proportional share of public road signs.

Health and Safety

A public meeting held at the Putere School in June over concerns for the safety of locals due to the high level of heavy traffic had some action points completed in July with the erection of four signs on the side of Putere Road at various intervals reminding drivers that they are on a public road and therefore have to drive accordingly. Signs indicating times for the school bus route were also installed.

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

Environmental

ENVIRONMENTAL		TOTAL
July	Environmental Monitoring	\$269.50
		\$269.50

Table 8: Environmental Expenses

Hawke's Bay Regional Council visited the forest on 16th June 2021 and assessed both consented and permitted harvesting and earthworks activities as being fully compliant and noted water flow and drainage has been managed on forestry roads, forestry tracks, and landings to divert the water flow on to stable ground.

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.

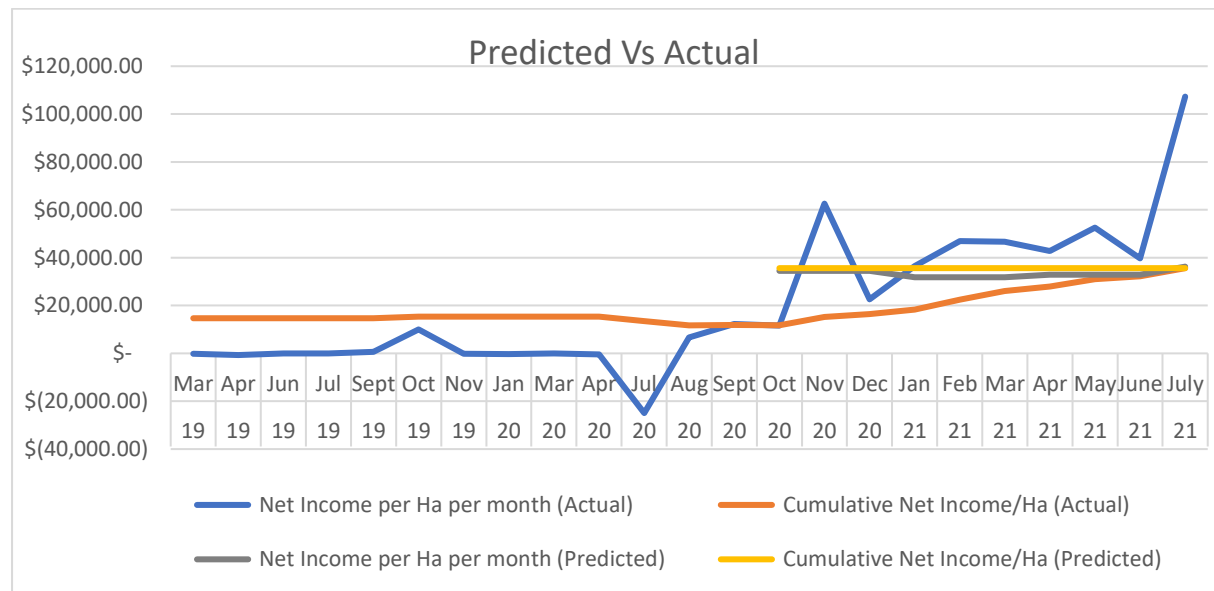


Chart 2: Actual vs Predicted

Net return per tonne to date is **\$47.02**, forecast was \$45.50.

Gross return per tonne to date is **\$151.74**, forecast was \$134.92.

Net return per hectare to date is **\$35,596.73**, forecast was \$35,617.00.

Kind Regards

FMNZ HARVEST TEAM

Appendix 1 Harvesting Financial Summary (Clearfell and Roadline)



Historic Harvesting Financial Summary

Quail Ridge Forest Partnership

01/07/2021 to 31/07/2021

Paid to bank account # 02-0792-0001510-000

GST # 61-378-677

SALES					
Type	Grade	Tonnes	Jas (m3)	Sales Price	Gross Revenue (\$)
Binwood					
Pulp		113.62		\$45.50	\$5,169.71
TOTAL BINWOOD SALES		113.62			\$5,169.71

Domestic					
Pruned Dom	P1 4.9	1,174.26		\$207.00	\$243,071.82
TOTAL DOMESTIC SALES		1,174.26			\$243,071.82

Export					
Pruned Exp	P40 3.9	0.00	13.048	\$206.00	\$2,687.89
Pruned Exp	P40 3.9	0.00	98.639	\$208.00	\$20,516.91
Pruned Exp	P40 5.1	0.00	34.921	\$208.00	\$7,263.57
Pruned Exp	P40 5.9	0.00	176.422	\$208.00	\$36,695.78
Pruned Exp	P30 3.9	0.00	127.053	\$178.00	\$22,615.43
Pruned Exp	P30 5.1	0.00	110.959	\$178.00	\$19,750.70
A40	AO 3.8	0.00	1,067.890	\$165.00	\$176,201.85
A30	A 3.8	0.00	155.586	\$161.00	\$25,049.35
A30	A 3.8	0.00	317.140	\$162.00	\$51,376.68
A30	A 5.8	0.00	697.003	\$163.00	\$113,611.49
A30	A 5.8	0.00	818.463	\$165.00	\$135,046.39
K	K 3.8	0.00	250.248	\$154.00	\$38,538.19
K	K 5.8	0.00	507.174	\$156.00	\$79,119.14
KI	KI 2.9	0.00	15.154	\$140.00	\$2,121.56
KI	KI 3.8	0.00	24.291	\$145.00	\$3,522.20
KI	KI 3.8	0.00	107.322	\$146.00	\$15,669.01
TOTAL EXPORT SALES		0.00	4,521.313		\$749,786.14

Export Pulp					
Export Pulp	KIS 2.9	0.00	286.974	\$130.00	\$37,306.62
Export Pulp	KIS 3.8	0.00	252.055	\$138.00	\$34,783.59
Export Pulp	KIS 5.8	0.00	0.564	\$140.00	\$78.96
TOTAL EXPORT PULP SALES		0.00	539.593		\$72,169.17
TOTAL		1,287.88	5,060.906		\$1,070,196.84

FEES	
FMNZ Management Fee @ %	\$42,807.87
TOTAL FEES	\$42,807.87

Appendix 1 Harvesting Financial Summary (Continued)

LEVIES	
Forest Grower Commodity Levy @ \$0.33	\$2,095.09
TOTAL LEVIES	\$2,095.09
COSTS	
Harvesting	\$263,168.81
Cartage	\$207,720.44
Weighbridge	\$1,890.56
Consumables	\$146.56
Environmental Monitoring	\$269.50
Establishment	\$2,328.00
Fluming	\$35.48
Landings	\$7,497.00
Loadout Bay: Construction	\$660.00
Loadout Bay: Metal	\$880.00
Metal Rock m3	\$2,072.50
Metalling: Grading & Rolling	\$6,284.90
Metalling: Spread from Stockpile	\$7,608.00
Other	\$114.00
Post Harvest Rehab	\$17,416.00
Powerlines	\$1,697.80
R&M - Culvert Maintenance	\$72.00
R&M - Metal	\$8,005.00
Repairs & Maintenance	\$12,716.00
Road Formation	\$20,022.00
Security	\$1,132.36
Stockpile Works	\$1,104.00
Tracking	\$896.00
Traffic Management	\$178.50
Trailer Lifting	\$12.00
TOTAL COSTS	\$563,927.41
TOTAL FEES, LEVIES & COSTS	\$608,830.37
NET INCOME	
NET INCOME	\$461,366.47
GST	\$69,204.97
NET INCOME (INCLUDING GST)	\$530,571.44



Photo 1: Log 5 operations on Landing 90.



Photo 2: Log 5 harvestline set up on Landing 90.



Photo 3: Loader clearing a very long stem from the chute on Landing 90.



Photo 4: Log 5 operations on Landing 90.



Photo 5: Log 58 daylighting Elliott Road, Landing 103.



Photo 6: Repairs to Bushmills Road.

QuailRidge Cumulatives

Categories	Descriptions	Mar 17 - Feb 18	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	Culvert Installation		-\$1,522.30		-\$9,805.00	-\$4,494.00	-\$70.00	-\$175.00	-\$588.00		-\$16,654.30
	Culverts	-\$12,162.89	-\$13,029.32	\$600.28	-\$22,383.84	-\$4,256.34			-\$2,846.34		-\$54,078.45
	Culverts - Freight				-\$2,815.00	-\$495.00	-\$70.00	-\$105.00	-\$448.00		-\$3,933.00
	Entranceway - Seal	-\$6,069.64	-\$181.52		-\$1,280.00						-\$7,531.16
	Establishment - Engineering	-\$4,177.50	-\$1,362.30		-\$14,790.58	-\$1,364.00	-\$945.00	-\$720.00	-\$350.00	-\$2,328.00	-\$26,037.38
	Fluming		-\$2,883.97		-\$7,050.57	-\$1,586.00		-\$253.42	-\$1,586.00	-\$35.48	-\$13,395.44
	Geotextiles	-\$1,443.20	-\$1,210.00								-\$2,653.20
	Grass Seeding				-\$951.90	-\$190.00	-\$875.00	-\$380.00			-\$2,396.90
	Labour		-\$210.00								-\$210.00
	Landings	-\$26,214.30	-\$9,203.20		-\$177,782.50	-\$31,605.00	-\$23,710.80	-\$17,381.70	-\$1,701.00	-\$7,497.00	-\$295,095.50
	Loadout Bay Construction				-\$4,051.50		-\$577.50	-\$25.20	-\$7,190.00	-\$660.00	-\$12,504.20
	Loadout Bay Metal				-\$3,310.00					-\$880.00	-\$4,190.00
	Metal Rock	-\$50,975.71	-\$7,040.66	\$4,200.00	-\$104,642.34	-\$19,695.46	-\$20,786.23	-\$17,768.20	-\$9,573.90	-\$2,072.50	-\$228,355.00
	Other				-\$1,963.55	-\$800.00					-\$2,763.55
	Pads				-\$2,232.50				-\$4,935.00		-\$7,167.50
	Pavement		-\$11,772.00		-\$26,659.12	-\$2,088.00	-\$660.00	-\$2,069.73	-\$336.00	-\$6,284.90	-\$49,869.75
	Polycorn	-\$4,937.00			-\$5,135.00						-\$10,072.00
	Public Roads	-\$2,166.66									-\$2,166.66
	R&M		-\$3,319.65		-\$3,497.00	-\$425.50		-\$1,608.00	-\$5,764.51	-\$12,716.00	-\$27,330.66
	R&M - Road Maintenance		-\$165.00		-\$2,482.50	-\$4,649.10	-\$5,548.50	-\$1,535.16	-\$731.20		-\$15,111.46
	Rehab				-\$3,525.00	-\$140.00	-\$1,050.00	-\$2,226.87	-\$1,261.54	-\$17,416.00	-\$25,619.41
	Road Formation	-\$80,997.95	-\$47,637.40		-\$294,148.39	-\$52,715.00	-\$27,172.20	-\$20,611.50	-\$23,517.90	-\$20,022.00	-\$566,822.34
	Sediment Control				-\$1,001.00						-\$1,001.00
	Spread from stockpile		-\$4,568.25		-\$41,265.10	-\$5,940.00	-\$154.00	-\$3,539.40	-\$2,194.50	-\$7,608.00	-\$65,269.25
	Stockpile Works				-\$33,528.14	-\$4,600.35	-\$3,956.55	-\$3,564.15	-\$2,109.45	-\$1,104.00	-\$48,862.64
	Temp Landings				-\$9,275.00						-\$9,275.00
	Trucks - Cart & Dump	-\$66,552.32	-\$71,563.66	\$5,880.00	-\$125,222.51	-\$23,440.00	-\$24,640.00	-\$24,480.00	-\$11,280.00		-\$341,298.49
	Trucks - Cart & Spread	-\$51,758.65	-\$2,395.52		-\$1,409.50						-\$55,563.67
	R&M - Culverts Maintenance							-\$100.00		-\$72.00	-\$172.00
	R&M - Metal									-\$8,005.00	-\$8,005.00
Engineering Total		-\$307,455.82	-\$178,064.75	\$10,680.28	-\$900,207.54	-\$158,483.75	-\$110,215.78	-\$96,543.33	-\$76,413.34	-\$86,700.88	-\$1,903,404.91
Fees	FGC levy	-\$1,682.03	-\$888.28		-\$8,568.45	-\$2,485.82	-\$1,800.79	-\$2,457.87	-\$1,980.91	-\$2,095.10	-\$21,959.24
	Management	-\$38,073.70	-\$18,838.66		-\$161,844.10	-\$45,895.46	-\$34,011.45	-\$47,099.17	-\$41,517.10	-\$42,807.87	-\$430,087.52
Fees Total		-\$39,755.73	-\$19,726.93		-\$170,412.55	-\$48,381.28	-\$35,812.24	-\$49,557.05	-\$43,498.01	-\$44,902.97	-\$452,046.76
Harvesting	Cartage - Truck	-\$174,544.39	-\$95,024.83		-\$821,208.93	-\$219,884.34	-\$160,018.21	-\$222,144.31	-\$185,601.86	-\$207,720.44	-\$2,086,147.31
	Establishment - harvesting	-\$13,637.50			-\$11,760.00						-\$25,397.50
	Logging	-\$248,392.56	-\$131,320.39		-\$1,159,402.08	-\$298,381.82	-\$219,213.48	-\$300,804.71	-\$261,096.94	-\$263,168.81	-\$2,881,780.79
	Logging - Hourly				-\$500.00						-\$500.00
	Tracking				-\$8,200.00			-\$1,575.00		-\$896.00	-\$10,671.00
	Weighbridge	-\$1,954.80	-\$1,023.60		-\$9,810.95	-\$2,217.22	-\$1,639.68	-\$2,484.34	-\$2,034.35	-\$1,890.56	-\$23,055.50
	Trailer Lifting					-\$6.00		-\$24.00	-\$30.00	-\$12.00	-\$72.00
Harvesting Total		-\$438,529.24	-\$227,368.82		-\$2,010,881.97	-\$520,489.37	-\$380,871.38	-\$527,032.36	-\$448,763.15	-\$473,687.81	-\$5,027,624.11
Income	Log Sales	\$951,842.42	\$470,966.43		\$4,046,102.58	\$1,147,386.60	\$850,286.32	\$1,177,479.27	\$1,037,927.54	\$1,070,196.84	\$10,752,188.00
Income Total		\$951,842.42	\$470,966.43		\$4,046,102.58	\$1,147,386.60	\$850,286.32	\$1,177,479.27	\$1,037,927.54	\$1,070,196.84	\$10,752,188.00
Miscellaneous	Consents	-\$156.52									-\$156.52
	Consultancy Fees		-\$165.83		-\$480.00						-\$645.83
	Consumables	-\$450.13	-\$12.60		-\$2,016.13	-\$164.82	-\$109.53	-\$206.51	-\$149.25	-\$146.56	-\$3,255.52
	Fencing	-\$644.51									-\$644.51
	Other	-\$151.39	-\$4,998.95	-\$1,343.45	-\$1,738.87	-\$95.00	-\$95.00	-\$95.00	-\$95.00	-\$114.00	-\$8,726.66
	Power Lines				-\$4,420.40					-\$1,697.80	-\$6,118.20
	Royalty payments		-\$500.00								-\$500.00
	Security			-\$15.50	-\$3,428.25				-\$89.20	-\$1,132.36	-\$4,665.31
	Traffic Management	-\$6,501.83	-\$1,528.76	-\$37.67	-\$2,049.86		-\$1,980.00			-\$178.50	-\$12,276.62
	Environmental Monitoring									-\$269.50	-\$269.50
Miscellaneous Total		-\$7,904.38	-\$7,206.14	-\$1,396.62	-\$14,133.51	-\$259.82	-\$2,184.53	-\$301.51	-\$333.45	-\$3,538.72	-\$37,258.67
Grand Total		\$158,197.25	\$38,599.78	\$9,283.66	\$950,467.01	\$419,772.37	\$321,202.40	\$504,045.03	\$468,919.59	\$461,366.46	\$3,331,853.55