HARVESTING REPORT
July 2021

SADDLEBACK FOREST

Stems in Setting 24 felled and ready to be pulled by back to the landing by the swing yarder.

Clearfell Harvesting Report – Saddleback – July 2021

Summary

- Gross revenue for the month is **$837,710.01**
- Costs for the month are **$447,073.63**
- Net income for the month is **$390,636.38**
- Tonnes harvested for the month is **5,196.67**
- Net income per tonne for the month is **$75.17**
- Area cleared for the month is **6.7** hectares

The project performance to date is set out below:

- Project gross revenue to date is **$11,365,921.87**
- Project costs to date are **$6,381,121.31**
- Project net income to date is **$4,984,800.56**
- Tonnes harvested to date is **78,797.54**
- Net income per tonne to date is **$63.26**
- Recoverable volume per hectare to date is **702.3** tonnes
- Net income per hectare to date is **$44,427.81**
- Total forest area is **271.38** hectares, approximate hectares cleared to date is **112.2** 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 **$837,710.01** with an average sale price over all grades of **$161.20** 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:

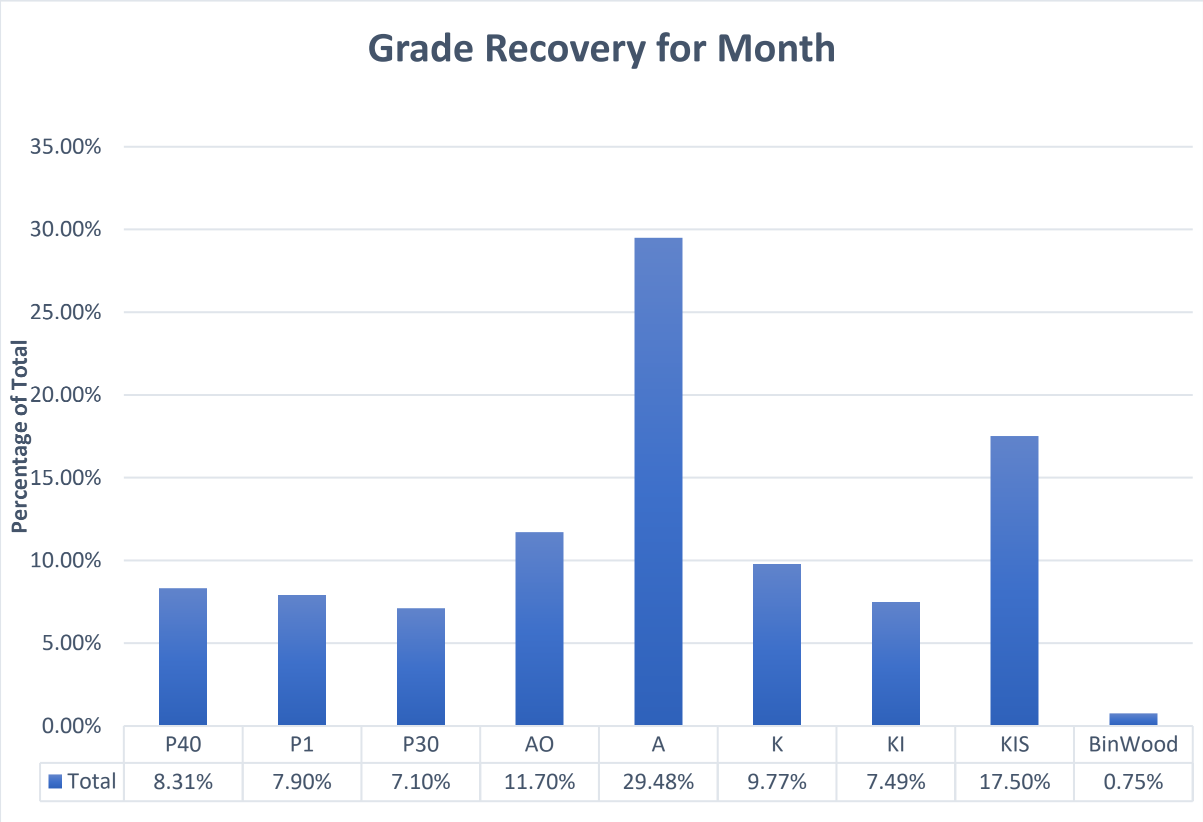


Chart 1: Grade Recovery for Month

Pruned recovery for July comprised 23% of overall sales volume, 8% of which was sold as domestic pruned grades.

High quality export sawlog (AO, A and K grades) made up 51% of the total production volume, with lower quality export (KI and KIS grades) comprising 25% of volume.

The remaining 1% of production was made up of domestic pulp and binwood.

Expenditure

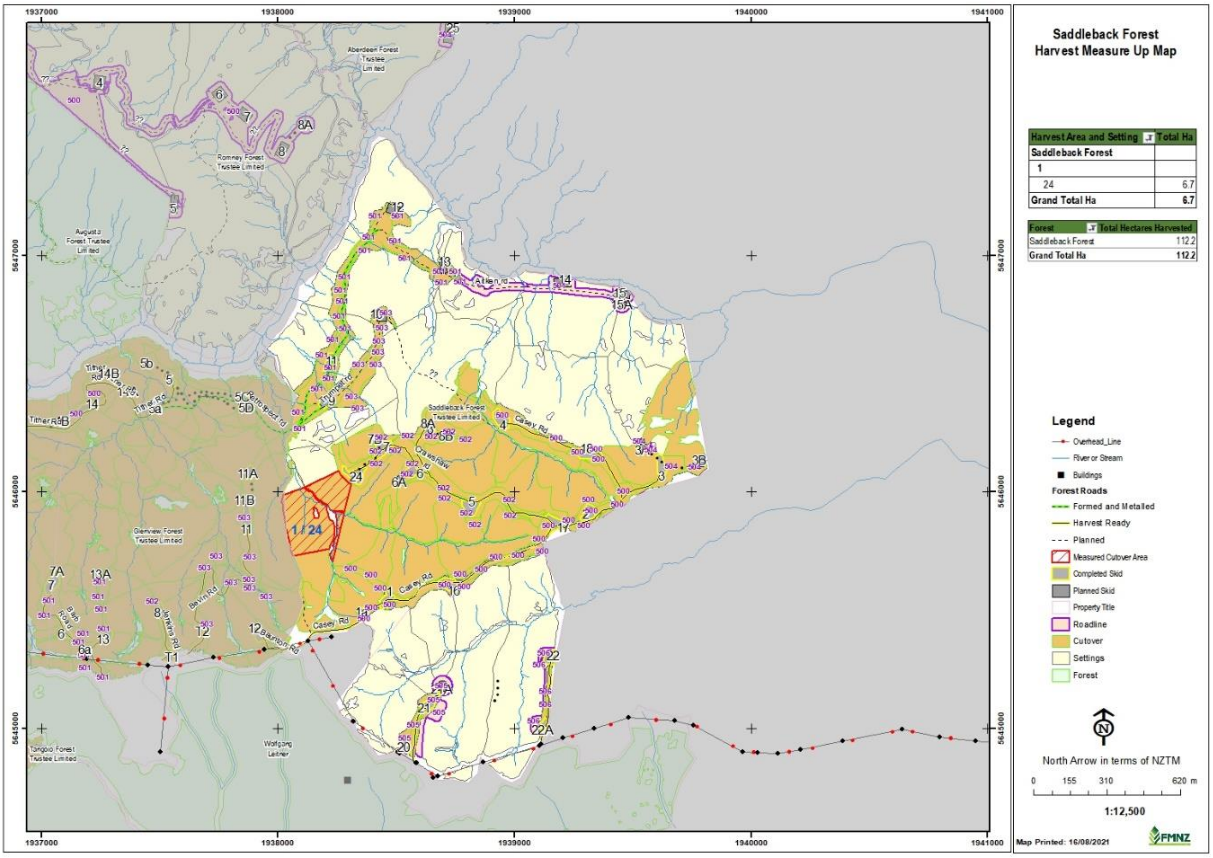
Harvesting

The total logging cost for the month was **$202,700.48**, an average of **$39.01** per tonne.

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

LOGGING COSTS		TOTAL
July		$202,700.48
		$202,700.48

Table 1: Logging Costs



Pic 1: Progress Map

During the month of July, Log 1 continued clearfell harvesting in Setting 24. Their backline was set up on the track off Bevin Road in Glenview Forest for the last part of this setting. This was to gain more deflection so the swing yarder grapple could function properly and achieve more lift while extracting stems from the last part of the setting.

Roadline salvage logs from Setting 501 were also be loaded out in July.

Log 2 have not been working during the month of July due to WorkSafe investigations into the fatal incident which occurred in Saddleback Forest on 30th June.

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 **$78,936.17** which is an average unit rate of **$15.19** per tonne.

Cartage expenditure for the month is summarised below in Table 2:

CARTAGE COSTS		TOTAL
July	Cartage - Truck	$78,936.17
	Weighbridge	$1,788.32
	Trailer Lifting	$606.00
		$81,330.49

Table 2: Cartage Costs

The average cart rate for July inclusive of weighbridge and trailer lifting fees is **$15.65** per tonne.

The loadout from Saddleback is a swing shift operation so the cartage is out of hours for the normal reloading of trailers which the port supplies. The trailer lifting cost is for the use of the public gantry.

Engineering

ENGINEERING		RL	CF	TOTAL
July	Stockpile Works	$520.72		$520.72
	Landings	$13,798.50	$1,321.74	$15,120.24
	Metal Rock	$4,996.00		$4,996.00
	Pavement	$19,052.87		$19,052.87
	Road Formation	$3,926.16		$3,926.16
	Spread from stockpile	$2,166.13		$2,166.13
	Establishment - Engineering	$1,568.10		$1,568.10
	Fluming	$1,671.00		$1,671.00
	Culvert Installation	$2,241.40		$2,241.40
	Culverts	$2,846.34		$2,846.34
	Culverts - Freight	$1,458.00		$1,458.00
	Metal - Winning	$13,408.54		$13,408.54
	R&M - Road Maintenance		$5,837.12	$5,837.12
	Trucks - Cart & Dump	$11,439.02		$11,439.02
	Trucks - Cart & Spread	$41,039.57		$41,039.57
		$120,132.34	**$7,158.86**	**$127,291.20**

Table 3: Engineering Costs

Earthworks in July continued down Aitken Road to facilitate the loadout of logs from Landing 12. Between loads of metal, work progressed towards Landing 13 in manageable pieces.

There was also some maintenance work carried out on slips along Tither and Retrospect Roads.

Planned Activities for August 2021

Once Setting 24 has been cleared, Log 1 will move to Setting 18. Windthrow will be cleaned along Casey Road. Unison will be trimming the old crop trees near the gate so they can be felled under an auto-reclose block.

Log 2 will return to Setting 3. A static skyline will be attached to the backline machine in neighbouring Rayonier Forest, which will be used to change the deflection afforded to the tower and allow less hang up on a critical terrain point by extracted stems. The changes to operation were also required to achieve the release of the prohibition order installed by WorkSafe after the fatality. The agreement with Matariki to allow tie off on their property was to keep damage to the neighbouring trees to a minimum.

Engineering work for August is planned to be only maintenance and tracking work associated directly with clearfell operations.

Net Revenue

Net revenue for the project to date excluding GST is shown in Table 4 below:

MONTH	NET MONTH	NET PROJECT
July	**$390,636.38**	**$4,984,800.56**

Table 4: Total Revenue

The net revenue for the month equates to an average of **$75.17** per tonne, or per **$58,303.94** hectare.

Fees and Levies

Management fees and FGC levies are summarised in Table 5 below:

FEES & LEVIES		TOTAL
July	Management	$33,508.40
	FGC levy	$1,678.66
		$35,187.06

Table 5: Fees and Levies

Miscellaneous

See Table 6 below:

MISCELLANEOUS		TOTAL
July	Consumables	$95.65
	Other	$114.00
		$209.65

Table 6: 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.

Health and Safety

There was one property damage incident reported during in the forest during July. A grapple operator hit the front window of the loader with a log, causing the window to crack. The grapple operator came way too close to the loaders' cab by either inattention or lack of experience. Additional training is required.

Environmental

ENVIRONMENTAL		TOTAL
July	Environmental Monitoring	$354.75
		$354.75

Table 7: 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.

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.

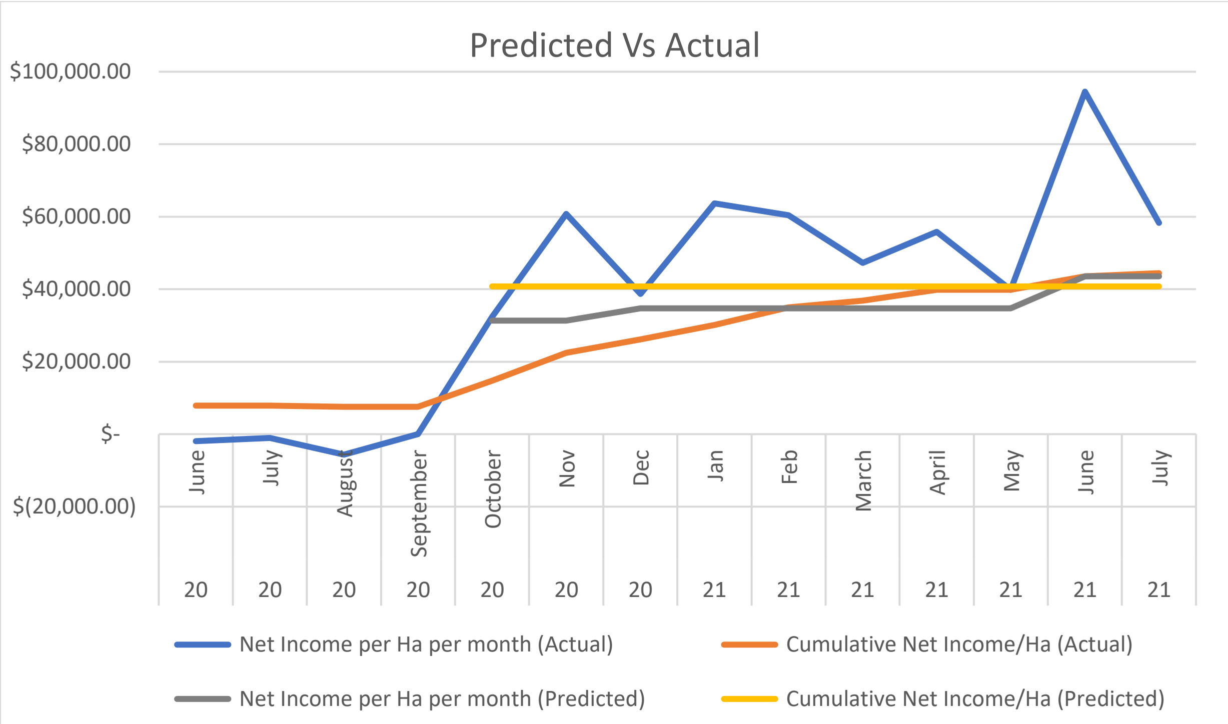


Chart 2: Actual vs Predicted

Net return per tonne to date is **$63.26,** forecast was $60.27.

Gross return per tonne to date is **$144.24,** forecast was $132.69.

Net return per hectare to date is **$44,427.81,** forecast was $40,770.58.

Kind Regards

FMNZ HARVEST TEAM

Appendix 1 Harvesting Financial Summary (Clearfell and Roadline)

Historic Harvesting Financial Summary

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

Paid to bank account # 02-0792-0001422-000 GST # 60-562-296

SALES					
Type	Grade	Tonnes	Jas (m3)	Sales Price	Gross Revenue ($)
Binwood					
Pulp		39.12		$45.50	$1,779.96
TOTAL BINWOOD SALES		**39.12**			**$1,779.96**

Domestic					
Pruned Dom		59.10		$209.50	$12,381.45
Pruned Dom	P1 4.9	324.24		$207.00	$67,117.68
Pruned Dom	P1 5.5	27.40		$209.50	$5,740.30
TOTAL DOMESTIC SALES		**410.74**			**$85,239.43**

Export					
Pruned Exp	P40 3.9	0.00	224.614	$208.00	$46,719.71
Pruned Exp	P40 5.9	0.00	217.724	$208.00	$45,286.59
Pruned Exp	P30 3.9	0.00	232.518	$178.00	$41,388.20
Pruned Exp	P30 5.1	0.00	142.161	$178.00	$25,304.66
A40	AO 3.8	0.00	623.623	$165.00	$102,897.79
A30	A 3.8	0.00	683.319	$162.00	$110,697.68
A30	A 5.8	0.00	841.457	$165.00	$138,840.40
K	K 3.8	0.00	343.077	$154.00	$52,833.86
K	K 5.8	0.00	142.258	$156.00	$22,192.25
KI	KI 3.8	0.00	379.023	$146.00	$55,337.36
TOTAL EXPORT SALES		**0.00**	**3,829.774**		**$641,498.50**

Export Pulp					
Export Pulp	KIS 2.9	0.00	275.470	$130.00	$35,811.10
Export Pulp	KIS 3.8	0.00	531.365	$138.00	$73,328.37
Export Pulp	KIS 5.8	0.00	0.376	$140.00	$52.64
TOTAL EXPORT PULP SALES		**0.00**	**807.211**		**$109,192.11**
TOTAL		**449.86**	**4,636.985**		**$837,710.00**

FEES	
FMNZ Management Fee @ %	$33,508.40
TOTAL FEES	**$33,508.40**

Appendix 1 Harvesting Financial Summary (Continued)

LEVIES	
Forest Grower Commodity Levy @ $0.33	$1,678.66
TOTAL LEVIES	**$1,678.66**
COSTS	
Harvesting	$202,700.48
Cartage	$78,936.17
Weighbridge	$1,788.32
Consumables	$95.65
Culvert Installation	$2,241.40
Culvert Pipes	$2,846.34
Culverts - Freight	$1,458.00
Environmental Monitoring	$354.75
Establishment	$1,568.10
Fluming	$1,671.00
Landings	$15,120.24
Metal - Winning	$13,408.54
Metal Rock m3	$4,996.00
Metalling: Cart to road	$41,039.57
Metalling: Cart to stockpile	$11,439.02
Metalling: Grading & Rolling	$19,052.87
Metalling: Spread from Stockpile	$2,166.13
Other	$114.00
R&M - Road Maintenance	$5,837.11
Road Formation	$3,926.16
Stockpile Works	$520.72
Trailer Lifting	$606.00
TOTAL COSTS	**$411,886.57**
TOTAL FEES, LEVIES & COSTS	**$447,073.63**

NET INCOME	**$390,636.37**
GST	**$58,595.46**
NET INCOME (INCLUDING GST)	**$449,231.83**

Photo 1: Retrospect Road from Glenview Forest into Saddleback Forest.

Photo 2: Swing yarder and processor on Landing 24.

SADDLEBACK CUMUALTIVES

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	Culvert Installation	-$600.00	-$8,818.87	-$2,855.00	-$6,698.07	-$656.10	-$729.00		-$2,241.40	-$22,598.44
	Culverts	-$3,070.50	-$12,077.32	-$2,846.34	-$34,316.84	-$2,846.34	-$3,240.00		-$2,846.34	-$61,243.68
	Culverts - Freight	-$325.00	-$600.00	-$300.00	-$2,430.00	-$1,249.71	-$1,895.40		-$1,458.00	-$8,258.11
	Entranceway - Seal		-$129.47	-$1,190.00						-$1,319.47
	Establishment - Engineering	-$1,420.00	-$7,695.00	-$7,241.90	-$4,742.50	-$350.00	-$1,982.10	-$795.00	-$1,568.10	-$25,794.60
	Fluming		-$8,347.42	-$1,640.93	-$1,815.50	-$4,758.00	-$380.14		-$1,671.00	-$18,612.99
	Geotextiles		-$420.00					-$4,565.38		-$4,985.38
	Grass Seeding		-$2,330.08	-$1,638.55		-$1,449.75				-$5,418.38
	Landings	-$46,640.00	-$219,420.00	-$38,720.00	-$26,316.42	-$10,247.40	-$13,522.56	-$2,395.20	-$15,120.24	-$372,381.82
	Loader Hire		-$5,040.00	-$1,080.00						-$6,120.00
	Loadout Bay Construction			-$1,770.54			-$624.85			-$2,395.39
	Loadout Bay Metal			-$3,733.98	-$583.20					-$4,317.18
	Metal - Winning	-$3,180.30		-$1,895.40					-$13,408.54	-$18,484.24
	Metal Lime	-$9,241.90	-$11,449.25	-$2,218.75						-$22,909.90
	Metal Rock	-$16,603.77	-$53,360.44	-$414.60	-$497.25	-$3,766.60		-$9,121.00	-$4,996.00	-$88,759.66
	Other		-$2,710.00							-$2,710.00
	Pads			-$21,352.70	-$3,592.80	-$1,197.60	-$1,676.64			-$27,819.74
	Pavement	-$12,680.00	-$24,645.00	-$5,695.00	-$3,494.00	-$5,103.00	-$3,393.82	-$3,717.90	-$19,052.87	-$77,781.59
	R&M	-$4,100.00	-$4,765.00							-$8,865.00
	R&M - Event Cleanup			-$6,490.00						-$6,490.00
	R&M - Metal			-$180.00						-$180.00
	Rehab			-$1,615.00			-$718.56			-$2,333.56
	Rehab - Environmental		-$432.16							-$432.16
	Road Formation	-$88,910.00	-$169,316.50	-$31,222.06	-$47,834.18	-$39,568.20	-$26,738.04	-$2,395.20	-$3,926.16	-$409,910.34
	Sediment Control		-$100.00							-$100.00
	Spread from stockpile	-$23,230.00	-$50,877.50	-$15,777.24	-$10,107.05	-$15,058.89	-$4,124.01	-$5,998.56	-$2,166.13	-$127,339.36
	Stockpile Works			-$11,966.64	-$8,120.55	-$7,680.62	-$7,508.72	-$2,843.10	-$520.72	-$38,640.35
	Trucks - Cart & Dump	-$37,277.71	-$90,217.50	-$8,558.50	-$11,179.43	-$19,158.62	-$3,780.37	-$4,753.98	-$11,439.02	-$186,365.11
	Trucks - Cart & Spread	-$19,332.30	-$7,857.75	-$2,847.34	-$13,689.28	-$7,873.11	-$9,919.53		-$41,039.57	-$102,558.86
	Crossings					-$2,950.00				-$2,950.00
	Temp Landings					-$1,916.16				-$1,916.16
	R&M - Road Maintenance						-$9,744.00	-$2,749.34	-$5,837.12	-$18,330.46
Engineering Total		**-$266,611.48**	**-$680,609.26**	**-$173,250.46**	**-$175,417.05**	**-$125,830.09**	**-$89,977.73**	**-$39,334.65**	**-$127,291.20**	**-$1,678,321.90**
Fees	FGC levy	-$799.06	-$3,103.57	-$7,799.76	-$2,554.38	-$2,948.15	-$2,577.11	-$2,268.50	-$1,678.66	-$23,729.19
	Management	-$16,716.66	-$63,881.72	-$144,404.48	-$45,623.26	-$54,985.13	-$49,382.15	-$46,135.06	-$33,508.40	-$454,636.87
Fees Total		**-$17,515.72**	**-$66,985.29**	**-$152,204.24**	**-$48,177.65**	**-$57,933.28**	**-$51,959.27**	**-$48,403.57**	**-$35,187.06**	**-$478,366.07**
Harvesting	Cartage - Truck	-$43,101.27	-$164,624.78	-$348,619.47	-$104,579.58	-$119,780.80	-$106,557.37	-$99,158.44	-$78,936.17	-$1,065,357.88
	Establishment - harvesting	-$7,222.00		-$16,172.50	-$2,295.00		-$3,010.00	-$3,245.00		-$31,944.50
	Logging	-$121,076.22	-$469,139.60	-$1,021,771.72	-$301,029.48	-$348,537.24	-$306,780.63	-$277,362.43	-$202,700.48	-$3,048,397.78
	Tracking			-$5,389.32	-$3,280.44			-$364.50		-$9,034.26
	Trailer Lifting			-$486.00	-$1,332.00	-$414.00	-$588.00	-$738.00	-$606.00	-$4,164.00
	Weighbridge	-$1,124.55	-$3,685.21	-$8,991.44	-$2,529.15	-$3,010.75	-$2,660.26	-$2,441.43	-$1,788.32	-$26,231.12
	Cartage - Trans Shipping				-$675.00					-$675.00
Harvesting Total		**-$172,524.03**	**-$637,449.59**	**-$1,401,430.44**	**-$415,720.66**	**-$471,742.79**	**-$419,596.25**	**-$383,309.80**	**-$284,030.97**	**-$4,185,804.54**
Income	Log Sales	$417,916.59	$1,597,043.01	$3,610,111.97	$1,140,581.62	$1,374,628.26	$1,234,553.85	$1,153,376.57	$837,710.01	$11,365,921.87
Income Total		**$417,916.59**	**$1,597,043.01**	**$3,610,111.97**	**$1,140,581.62**	**$1,374,628.26**	**$1,234,553.85**	**$1,153,376.57**	**$837,710.01**	**$11,365,921.87**
Miscellaneous	Consents	$5,010.00								$5,010.00
	Consultancy Fees	-$68.87		-$639.00						-$707.87
	Consumables	-$118.50	-$295.56	-$833.47	-$265.51	-$224.38	-$254.68	-$222.34	-$95.65	-$2,310.10
	Environmental Monitoring			-$386.00			-$542.01		-$354.75	-$1,282.76
	Other	-$190.51	-$875.47	-$792.75	-$95.00	-$432.04	-$280.00	-$95.00	-$114.00	-$2,874.77
	Power Lines	-$3,627.24								-$3,627.24
	Security	-$68.87	-$33.71							-$102.58
	Traffic Management	-$178.42	-$8,004.07	-$3,608.50			-$75.00	-$107.39		-$11,973.38
	Royalty payments					-$9,359.85	-$9,881.25	-$1,519.00		-$20,760.10
Miscellaneous Total		**$757.59**	**-$9,208.81**	**-$6,259.72**	**-$360.51**	**-$10,016.27**	**-$11,032.94**	**-$1,943.73**	**-$564.40**	**-$38,628.80**
Grand Total		**-$37,977.05**	**$202,790.06**	**$1,876,967.11**	**$500,905.76**	**$709,105.83**	**$661,987.66**	**$680,384.82**	**$390,636.38**	**$4,984,800.56**