HARVESTING REPORT
July 2021

SHERWOOD FOREST

Log truck being loaded on Landing 4.

Clearfell Harvesting Report – Sherwood – July 2021

Summary

- Gross revenue for the month is **$901,182.70**
- Costs for the month are **$584,104.65**
- Net income for the month is **$317,078.04**
- Tonnes harvested for the month is **5,394.11**
- Net income per tonne for the month is **$58.78**
- Area cleared for the month is **5.8** hectares

The project performance to date is set out below:

- Project gross revenue to date is **$4,581,519.12**
- Project costs to date are **$3,472,769.78**
- Project net income to date is **$1,108,749.34**
- Tonnes harvested to date is **29,563.59**
- Net income per tonne to date is **$37.50**
- Recoverable volume per hectare to date is **790.5** tonnes
- Net income per hectare to date is **$29,645.70**
- Total forest area is **259.14** hectares, approximate hectares cleared to date is **37.4** 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 **$901,182.69** with an average sale price over all grades of **$167.07** per tonne**.**

July 2021 - Log Markets, Hawkes Bay

The July export prices have dipped $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:

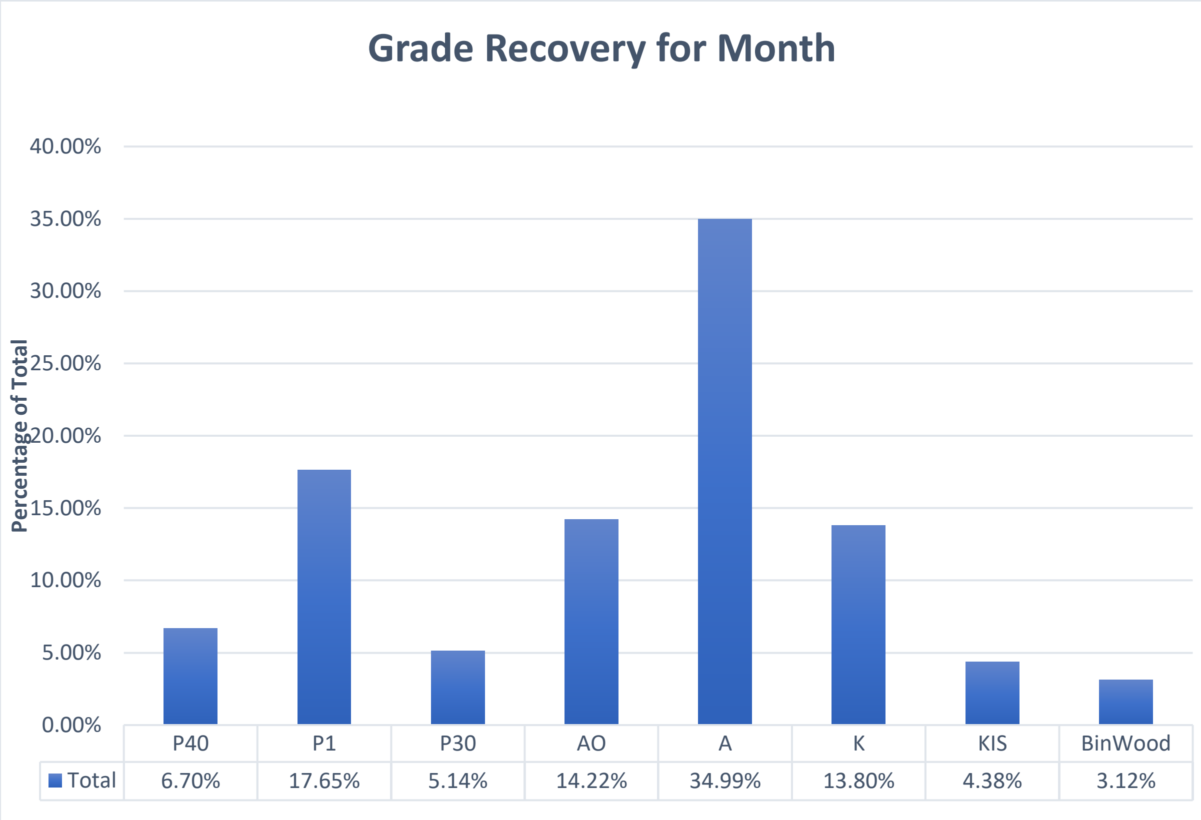


Chart 1: Grade Recovery for Month

Pruned recovery for July comprised 30% of overall sales volume, 18% of which was sold as domestic pruned grades.

High quality export sawlog (AO, A and K grades) made up 63% of the total production volume, with lower quality export logs (KI and KIS grades) comprising 4% of volume.

The remaining 3% of production was made up of domestic pulp and binwood

Expenditure

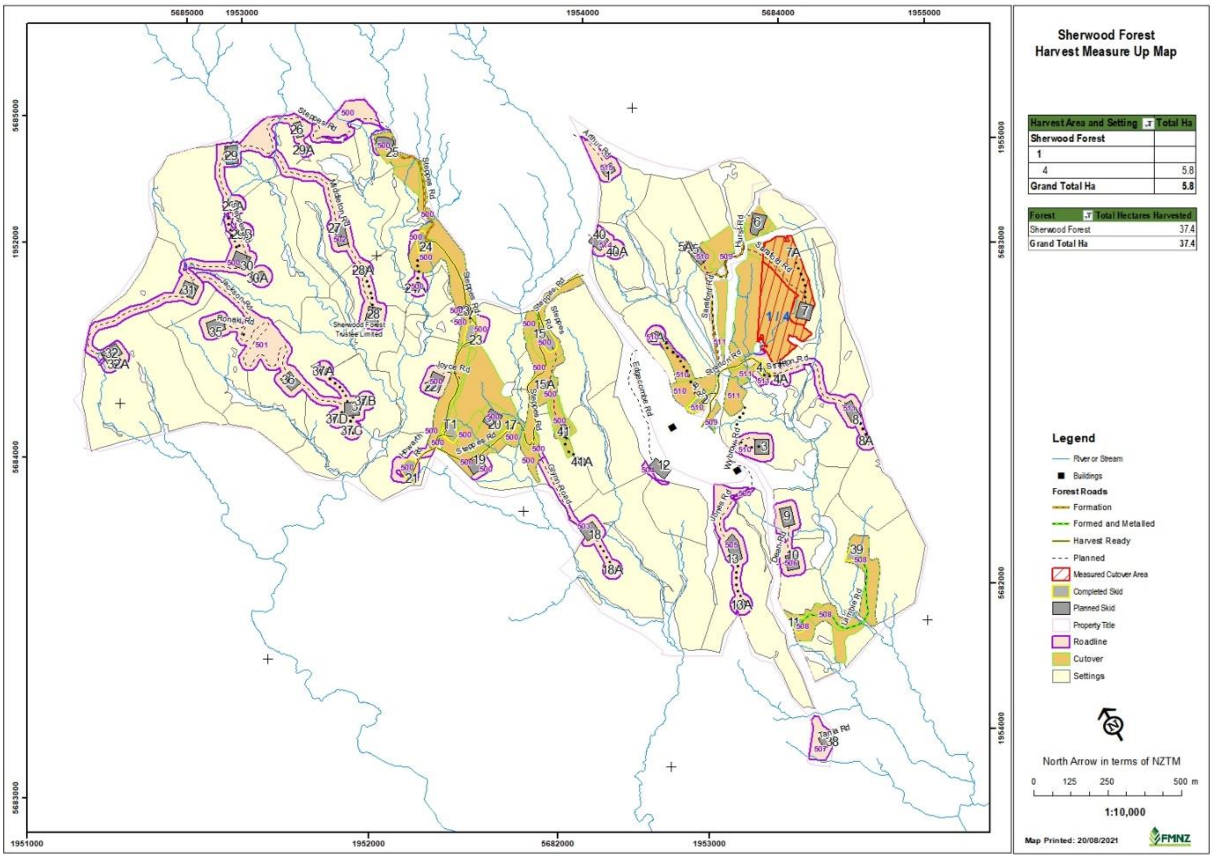
Harvesting

The total logging cost for the month was **$207,175.63**, an average of **$38.41** per tonne.

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

LOGGING COSTS		TOTAL
July		$207,175.63
		$207,175.63

Table 1: Logging Costs



Pic 1: Progress Map

During July, clearfell harvesting continued in Setting 4.

There were a few issues with trucks getting stuck on the staircase on the public Waireka Road. A meeting concerning this corner was organised after a letter was sent to the Wairoa District Council. Immediate action will be the inletting of the bank by two metres and creation of a dish drain, extending the inside of the corner and repairing the dropout on the outside of the approach to the corner. After winter, the concreting of a dish drain and asphalting of the corner will be scheduled.

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 **$164,252.33** which is an average unit rate of **$30.45** per tonne.

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

CARTAGE COSTS		TOTAL
July	Cartage - Truck	$164,249.00
	Cartage – Rail	$3.33
	Weighbridge	$1,682.50
	Trailer Lifting	$66.00
		$166,000.83

Table 2: Cartage Costs

The average cart rate for July inclusive of weighbridge and trailer lifting fees is **$30.77** per tonne.

Trailer lifting costs are for the use of the public gantry for reloading the trailers when loads have been delivered to the port outside the hours of the port supplied facility.

Engineering

ENGINEERING		RL	CF	TOTAL
July	Landings	$14,545.00		$14,545.00
	Culvert Installation	$15,812.50		$15,812.50
	Culverts	$8,539.02		$8,539.02
	Culverts - Freight	$540.00		$540.00
	Establishment - Engineering	$480.00		$480.00
	Fluming	$1,922.99		$1,922.99
	Metal Rock	$26,259.28		$26,259.28
	Road Formation	$71,707.50		$71,707.50
	Stockpile Works	$2,454.75		$2,454.75
	Trucks - Cart & Dump	$18,501.43		$18,501.43
	Grass Seeding	$380.00		$380.00
	R&M		$7,006.28	$7,006.28
	R&M - Metal		$1,225.35	$1,225.35
		$161,142.47	**$8,231.63**	**$169,374.10**

Table 3: Engineering Costs

Earthworks was completed on Steppes and Saraford Roads in July. Work on Steppes Road completed Landing 25 as well as the difficult formation between Landings 24 and 25, including a technically difficult river crossing.

On Saraford Road, Landing 6 was constructed and earthworks commenced between Landings 2 and 6. This section of road was anticipated to be very straight forward construction as it was previously the public road. However, as earthworks and log cartage commenced, the original road construction was found to be not to the standard required for heavy vehicular traffic and as a result, this section of road will now require much more extensive work than we had hoped. 100mm of lime rock will be imported to strengthen the road base before capping with more closely sourced river material. This will unfortunately increase the cost of the road significantly.

Planned Activities for August 2021

Planned activities in August are to commence clearfell harvest in Setting 11 which includes removing trees along Ruapapa Road to daylight the public road, before returning to either Landing 4 to pull Landing 8 or to Landing 6 to pull Setting 6. This is all dependent on the progress of the road construction.

August will see pavement completed on Saraford and Howarth Roads. Paving the road to Landing 25 will also be a priority.

Net Revenue

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

MONTH	NET MONTH	NET PROJECT
July	**$317,078.04**	**$1,108,749.34**

Table 4: Total Revenue

The net revenue for the month equates to an average of **$58.78** per tonne, or per **$54,668.63** hectare.

Fees and Levies

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

FEES & LEVIES		TOTAL
July	Management	$36,047.31
	FGC levy	$1,758.26
		$37,805.57

Table 5: Fees and Levies

Miscellaneous

See Table 6 below:

MISCELLANEOUS		TOTAL
July	Consumables	$123.64
	Traffic Management	$193.13
		$316.77

Table 6: Miscellaneous Expenses

Consumable costs are for docket books used for the loadout of logs during July and Antisapstain solution for applying to Pruned Logs.

Traffic management costs were public road signage and associated hardware.

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	$3,431.75
		$3,431.75

Table 7: Environmental Expenses

Hawke's Bay Regional Council visited the forest on 19th of May and assessed both consented and permitted harvesting and earthworks activities as being *fully compliant* and noted *the results of a timely grass seeding program were evident in the level of revegetation with many berms and sidecast well vegetated soon after the road building was completed*.

However, a moderate non-compliance was issued for the river crossing installed on Lambie Road near Landing 17 as it has not been constructed to the permitted activity specifications as originally indicated in the Forestry Earthworks Management Plan and Harvest Plan. A retrospective resource consent is therefore required (and has subsequently been obtained).

Financial Performance

Net return per tonne to date is **$37.50.**

Gross return per tonne to date is **$154.97.**

Net return per hectare to date is **$29,645.70.**

Kind Regards

FMNZ Harvest Team

Appendix 1 Harvesting Financial Summary (Clearfell and Roadline)

Historic Harvesting Financial Summary

FMNZ MAXIMISING YOUR FOREST VALUE

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

Paid to bank account # 02-0792-0001588-000 GST # 61-997-091

SALES					
Type	**Grade**	**Tonnes**	**Jas (m3)**	**Sales Price**	**Gross Revenue ($)**
Binwood					
Pulp		168.14		$45.50	$7,650.37
TOTAL BINWOOD SALES		**168.14**			**$7,650.37**

Domestic					
Pruned Dom		23.18		$209.50	$4,856.21
Pruned Dom	P1 4.9	108.32		$194.00	$21,014.08
Pruned Dom	P1 4.9	678.66		$207.00	$140,482.62
Pruned Dom	P1 5.5	141.90		$209.50	$29,728.05
TOTAL DOMESTIC SALES		**952.06**			**$196,080.96**

Export					
Pruned Exp	P40 3.9	0.00	72.120	$208.00	$15,000.96
Pruned Exp	P40 5.9	0.00	284.419	$208.00	$59,159.15
Pruned Exp	P30 3.9	0.00	290.652	$178.00	$51,736.06
A40	AO 3.8	0.00	484.218	$165.00	$79,895.97
A40	AO 3.9	0.00	315.171	$167.00	$52,633.56
A30	A 3.8	0.00	224.439	$161.00	$36,134.68
A30	A 3.8	0.00	212.556	$162.00	$34,434.07
A30	A 5.8	0.00	14.247	$148.00	$2,108.56
A30	A 5.8	0.00	641.442	$163.00	$104,555.05
A30	A 5.8	0.00	674.171	$165.00	$111,238.21
K	K 3.8	0.00	268.400	$154.00	$41,333.60
K	K 5.8	0.00	523.845	$156.00	$81,719.82
TOTAL EXPORT SALES		**0.00**	**4,005.680**		**$669,949.69**

Export Pulp					
Export Pulp	KIS 2.9	0.00	49.959	$130.00	$6,494.67
Export Pulp	KIS 3.8	0.00	152.034	$138.00	$20,980.69
Export Pulp	KIS 5.8	0.00	0.188	$140.00	$26.32
TOTAL EXPORT PULP SALES		**0.00**	**202.181**		**$27,501.68**
TOTAL		**1,120.20**	**4,207.861**		**$901,182.70**

FEES	
FMNZ Management Fee @ %	$36,047.31
TOTAL FEES	$36,047.31

Appendix 1 Harvesting Financial Summary (Continued)

LEVIES	
Forest Grower Commodity Levy @ $0.33	$1,758.26
TOTAL LEVIES	**$1,758.26**
COSTS	
Harvesting	$207,175.63
Cartage	$164,249.00
Weighbridge	$1,682.50
Cartage - Rail	$3.33
Consumables	$123.64
Culvert Installation	$15,812.50
Culvert Pipes	$8,539.02
Culverts - Freight	$540.00
Environmental Monitoring	$3,431.75
Establishment	$480.00
Fluming	$1,922.99
Grass Seeding	$380.00
Landings	$14,545.00
Metal Rock m3	$26,259.28
Metalling: Cart to stockpile	$18,501.43
R&M - Metal	$1,225.35
Repairs & Maintenance	$7,006.28
Road Formation	$71,707.50
Stockpile Works	$2,454.75
Traffic Management	$193.13
Trailer Lifting	$66.00
TOTAL COSTS	**$546,299.08**
TOTAL FEES, LEVIES & COSTS	**$584,104.65**

NET INCOME	**$317,078.05**
GST	**$47,561.71**
NET INCOME (INCLUDING GST)	**$364,639.76**

Photo 1: Drone photo showing binwood ready for collection on Landing 4.

Photo 2: Drone photo showing Galbraith Earth Movers constructing Landing 6.

Photo 3: Log 17 operations on Landing 4.

Photo 4: Log truck being loaded on Landing 4.

Photo 5: Log 17 processor at work on Landing 4.

Photos 6 & 7: Logging truck stuck on staircase corner of the public Waireka Road.

SHERWOOD CUMULATIVES

Categories	Descriptions	Mar 20 -Feb 21	Mar 21	Apr 21	May 21	June 21	July 21	Grand Total
Engineering	Borrow Pit	-$1,720.00						-$1,720.00
	Culvert Installation	-$27,512.50	-$26,392.50	-$1,957.50	-$10,425.00	-$710.00	-$15,812.50	-$82,810.00
	Culverts	-$53,430.87	-$370.00	-$15,773.78			-$8,539.02	-$78,113.67
	Culverts - Freight	-$8,150.00	-$540.00	-$780.00		-$180.00	-$540.00	-$10,190.00
	Entranceway - Seal	-$747.65						-$747.65
	Establishment - Engineering	-$10,158.75	-$1,920.00	-$480.00	-$1,120.00	-$1,410.00	-$480.00	-$15,568.75
	Fluming	-$8,846.25	-$7,278.68	-$3,206.83	-$82.34	-$673.98	-$1,922.99	-$22,011.07
	Landings	-$72,747.50	-$18,577.50	-$45,605.00	-$36,452.50	-$37,515.00	-$14,545.00	-$225,442.50
	Loadout Bay Metal	-$6,603.67						-$6,603.67
	Metal Rock	-$33,529.80	-$21,397.70	-$38,566.49		-$14,873.24	-$26,259.28	-$134,626.50
	Other		-$49.30	-$275.00				-$324.30
	Pavement	-$2,265.00	-$3,527.50	-$780.00	-$5,035.00	-$1,430.00		-$13,037.50
	R&M	-$1,300.00				-$925.00	-$7,006.28	-$9,231.28
	R&M - Road Maintenance	-$195.00	-$537.50	-$5,110.00	-$5,295.00	-$7,317.50		-$18,455.00
	Road Formation	-$180,140.00	-$41,012.50	-$54,067.50	-$39,332.50	-$43,135.00	-$71,707.50	-$429,395.00
	Spread from stockpile	-$4,980.00	-$6,660.00	-$3,780.00	-$660.00	-$960.00		-$17,040.00
	Stockpile Works	-$3,267.50	-$6,247.50	-$2,490.00	-$3,635.00	-$954.75	-$2,454.75	-$19,049.50
	Trucks - Cart & Dump	-$27,600.76	-$16,648.71	-$29,746.46	-$6,722.59	-$9,781.18	-$18,501.43	-$109,001.13
	Trucks - Cart & Spread	-$1,560.00				-$1,500.00		-$3,060.00
	Grass Seeding		-$1,144.50	-$1,109.00	-$475.00	-$1,781.25	-$380.00	-$4,889.75
	Loadout Bay Construction		-$780.00	-$940.00	-$420.00	-$3,080.00		-$5,220.00
	Sediment Control		-$318.25					-$318.25
	Temp Landings		-$6,232.50					-$6,232.50
	R&M - Metal			-$414.40		-$2,071.75	-$1,225.35	-$3,711.50
	Rehab			-$9,250.00		-$2,152.50		-$11,402.50
	R&M - Culverts Maintenance				-$107.50			-$107.50
	Crossings					-$8,575.00		-$8,575.00
Engineering Total		**-$444,755.25**	**-$159,634.64**	**-$214,331.96**	**-$109,762.43**	**-$139,026.14**	**-$169,374.10**	**-$1,236,884.52**
Fees	FGC levy	-$2,730.95	-$1,163.61	-$1,201.90	-$1,272.60	-$1,523.16	-$1,758.26	-$9,650.48
	Management	-$49,682.03	-$20,508.05	-$22,069.37	-$24,244.92	-$30,709.09	-$36,047.31	-$183,260.76
Fees Total		**-$52,412.98**	**-$21,671.67**	**-$23,271.27**	**-$25,517.52**	**-$32,232.24**	**-$37,805.57**	**-$192,911.24**
Harvesting	Cartage - Rail	-$442.60			-$6,749.85		-$3.33	-$7,195.78
	Cartage - Truck	-$232,036.23	-$93,448.64	-$100,958.46	-$105,434.10	-$132,405.43	-$164,249.00	-$828,531.86
	Establishment - harvesting	-$8,425.00	-$2,400.00	-$800.00				-$11,625.00
	Logging	-$324,200.67	-$130,321.20	-$135,273.86	-$147,845.70	-$177,909.63	-$207,175.63	-$1,122,726.69
	Tracking	-$22,135.00	-$645.00		-$950.00			-$23,730.00
	Weighbridge	-$2,741.05	-$1,118.34	-$1,024.82	-$1,170.26	-$1,294.04	-$1,682.50	-$9,031.01
	Trailer Lifting		-$6.00			-$6.00	-$66.00	-$78.00
	Cartage - Trans Shipping			-$742.50				-$742.50
Harvesting Total		**-$589,980.54**	**-$227,939.18**	**-$238,799.64**	**-$262,149.92**	**-$311,615.10**	**-$373,176.47**	**-$2,003,660.85**
Income	Log Sales	$1,242,050.76	$512,701.34	$551,734.14	$606,123.00	$767,727.17	$901,182.70	$4,581,519.12
Income Total		**$1,242,050.76**	**$512,701.34**	**$551,734.14**	**$606,123.00**	**$767,727.17**	**$901,182.70**	**$4,581,519.12**
Miscellaneous	Consultancy Fees	-$1,272.70						-$1,272.70
	Consumables	-$438.96	-$89.84	-$48.89	-$102.90	-$108.80	-$123.64	-$913.03
	Environmental Monitoring	-$193.00	-$144.75	-$290.75	-$869.75	-$280.00	-$3,431.75	-$5,210.00
	Other	-$253.89			-$185.00	-$2,000.00		-$2,438.89
	Security	-$1,858.08	-$919.72	-$456.33		-$3,498.90		-$6,733.03
	Traffic Management	-$3,941.29			-$2,852.10	-$286.30	-$193.13	-$7,272.82
	Power Lines		-$2,439.20		-$4,458.40	-$8,575.10		-$15,472.70
Miscellaneous Total		**-$7,957.92**	**-$3,593.51**	**-$795.97**	**-$8,468.15**	**-$14,749.10**	**-$3,748.52**	**-$39,313.17**
Grand Total		**$146,944.07**	**$99,862.35**	**$74,535.30**	**$200,224.98**	**$270,104.58**	**$317,078.04**	**$1,108,749.34**