HARVESTING REPORT
July 2021

TANGOIO FOREST

Log 12 swing yarder in the distance pulling stems from Setting 30 back to the landing.

Clearfell Harvesting Report – Tangoio – July 2021

Summary

- Gross revenue for the month is **$872,503.56**
- Costs for the month are **$327,431.18**
- Net income for the month is **$545,072.38**
- Tonnes harvested for the month is **5,199.61**
- Net income per tonne for the month is **$104.83**
- Area cleared for the month is **4.1** hectares

The project performance to date is set out below:

- Project gross revenue to date is **$33,506,151.98**
- Project costs to date are **$18,335,272.203**
- Project net income to date is **$15,170,879.78**
- Tonnes harvested to date is **241,003.69**
- Net income per tonne to date is **$62.95**
- Recoverable volume per hectare to date is **697.3** tonnes
- Net income per hectare to date is **$43,897.22**
- Total forest area is **538.9** hectares, approximate hectares cleared to date is **345.6** 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 **$872,503.56** with an average sale price over all grades of **$167.80** 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:

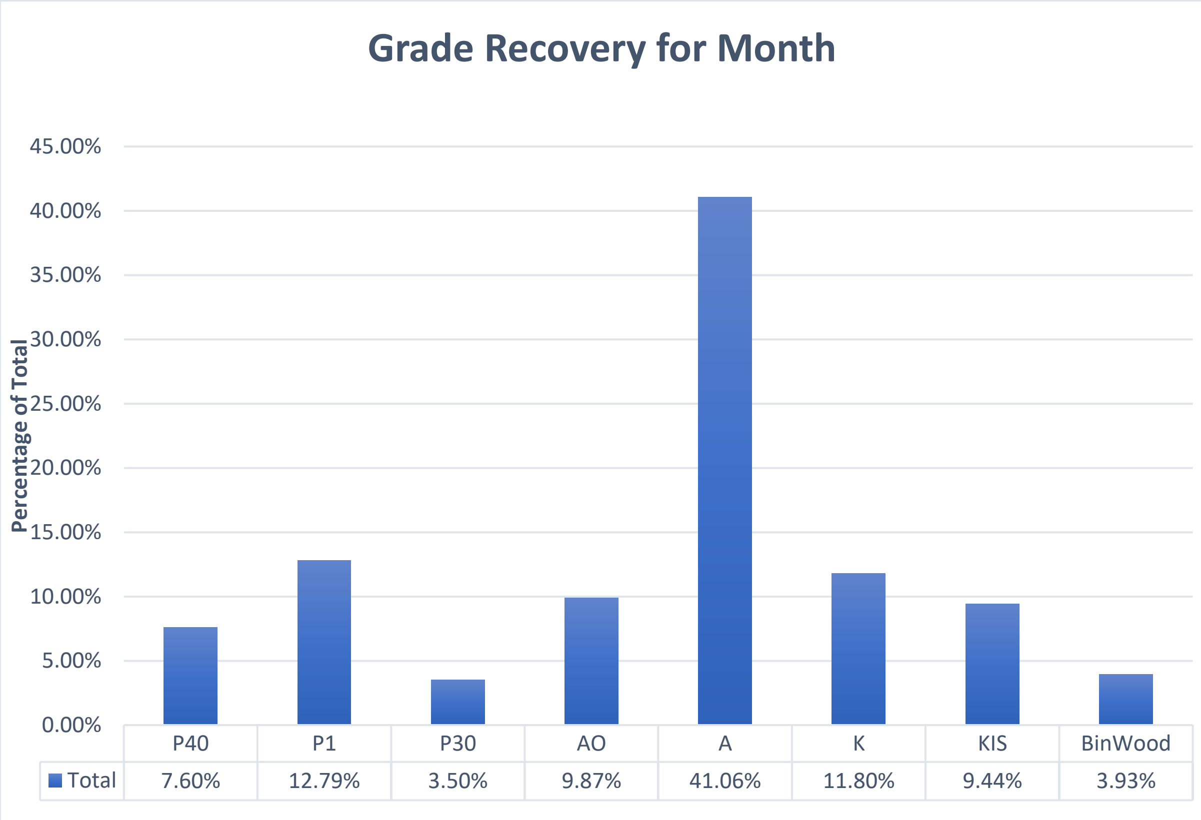


Chart 1: Grade Recovery for Month

Pruned recovery for July comprised 24% of overall sales volume, 13% of which was sold as domestic pruned logs.

High quality export sawlog (AO, A and K grades) made up 63% of the total production volume, with lower quality export (KI and KIS grades) comprising 9% 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 **$196,891.15**, an average of **$37.87** per tonne.

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

LOGGING COSTS		TOTAL
July		$196,891.15
		$196,891.15

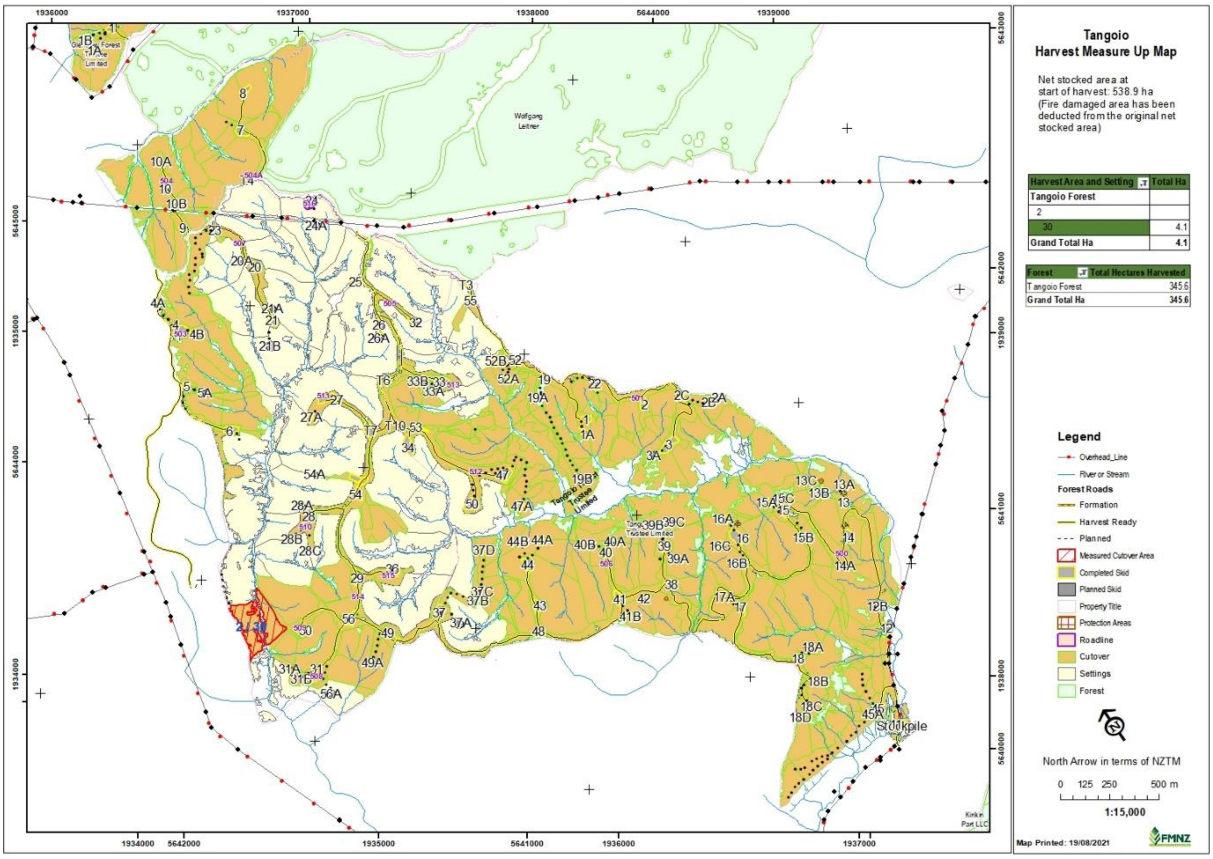
Table 1: Logging Costs

The logging rate has been increased slightly for the harvesting of Setting 30 as the full suspension of the stems is very aggressive on the wear of the tail rope.

ADDITIONAL HARVEST COSTS		TOTAL
July	Establishment	$550.00
		$550.00

Table 2: Additional Logging Costs

Establishment costs were for transporting the Cat backline machine from HBRC Road to Sutton Road.



Pic 1: Progress Map

Clearfell harvesting during July occurred in Setting 30. An agreed change to the harvest plan with the logging contractor resulted with the crew extracting over the Rauwirikokomuka Stream (which flows to the Tangoio Falls). This removed additional engineering costs for a road and two landings on HBRC Road but required full suspension of stems from the true right of the stream to ensure log debris was not deposited into the stream. The crew has achieved this and made a tidy job of it. They have had to hand remove some debris from the stream, but the debris are a result of the felling activity, not the extraction.

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 **$76,987.64** which is an average unit rate of **$14.81** per tonne.

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

CARTAGE COSTS		TOTAL
July	Cartage - Truck	$76,987.64
	Weighbridge	$1,602.27
	Trailer Lifting	$12.00
		$78,601.91

Table 3: Cartage Costs

The average cart rate for July inclusive of weighbridge and trailer lifting fees is **$15.12** per tonne.

Trailer lifting is costs for using 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	Loadout Bay Metal	$112.00		$112.00
	Other		$50.00	$50.00
	R&M		$280.00	$280.00
	R&M - Metal		$4,057.00	$4,057.00
	R&M - Road Maintenance		$8,354.00	$8,354.00
	Rehab		$854.00	$854.00
	Trucks - Cart & Spread		$440.00	$440.00
		$112.00	**$14,035.00**	**$14,147.00**

Table 4: Engineering Costs

Maintenance work was completed on Sutton, Rakauiti and Longview Roads in July.

Post-harvest rehab was completed on Landing 31.

Planned Activities for August 2021

The plan for August is to complete clearfell harvesting in Setting 30 and make a start in Setting 28 and will be in this setting for about two months. From there they will move to Setting 54 followed by 31.

August earthworks will again be predominantly maintenance work associated with clearfell harvesting.

Net Revenue

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

MONTH	NET MONTH	NET PROJECT
July	**$545,072.37**	**$15,170,879.78**

Table 5: Total Revenue

The net revenue for the month equates to an average of **$104.83** per tonne, or **$123,944.48** per hectare.

Fees and Levies

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

FEES & LEVIES		TOTAL
July	Management	$34,900.14
	FGC levy	$1,749.69
		$36,649.84

Table 6: Fees and Levies

Miscellaneous

See Table 7 below:

MISCELLANEOUS		TOTAL
July	Other	$114.00
	Consumables	$122.54
		$236.54

Table 7: Miscellaneous Expenses

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

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

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 2021 and assessed both consented and permitted harvesting and earthworks activities as being *fully compliant* and noted that *the completed cutovers appear to have a nice layer of fine slash dispersed over them and there are no signs of excessive scouring - the cutovers around Skid 30 are great examples of this*.

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.

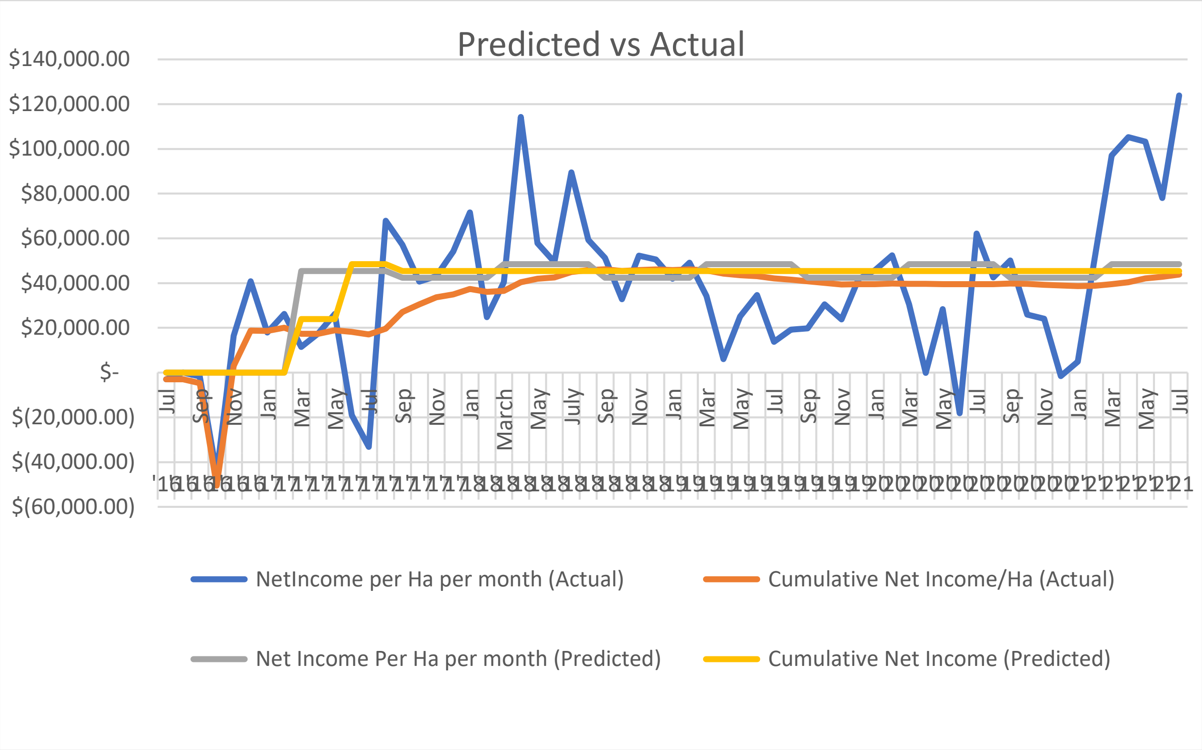


Chart 2: Actual vs Predicted

Net return per tonne to date is **$62.95**, forecast was $66.81.

Gross return per tonne to date is **$139.03**, forecast was $126.50.

Net return per hectare to date is **$43,897.22**, forecast was $45,373.11.

Kind Regards

FMNZ Harvest Team

Appendix 1 Harvesting Financial Summary (Clearfell and Roadline)

FMNZ
MAXIMISING YOUR FOREST VALUE

Historic Harvesting Financial Summary

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

Paid to bank account # 02-0792-0001473-000 GST # 56-852-220

SALES					
Type	Grade	Tonnes	Jas (m3)	Sales Price	Gross Revenue ($)
Binwood					
Pulp		204.20		$45.50	$9,291.10
TOTAL BINWOOD SALES		**204.20**			**$9,291.10**

Domestic					
Pruned Dom	P1 4.9	664.96		$207.00	$137,646.72
TOTAL DOMESTIC SALES		**664.96**			**$137,646.72**

Export					
Pruned Exp	P40 3.9	0.00	14.529	$206.00	$2,992.97
Pruned Exp	P40 3.9	0.00	123.439	$208.00	$25,675.31
Pruned Exp	P40 5.9	0.00	262.119	$208.00	$54,520.75
Pruned Exp	P30 3.9	0.00	187.843	$178.00	$33,436.05
A40	AO 3.8	0.00	333.427	$165.00	$55,015.45
A40	AO 3.9	0.00	213.126	$167.00	$35,592.04
A30	A 3.8	0.00	541.606	$161.00	$87,198.57
A30	A 3.8	0.00	405.094	$162.00	$65,625.23
A30	A 5.8	0.00	764.834	$163.00	$124,667.94
A30	A 5.8	0.00	491.314	$165.00	$81,066.81
K	K 3.8	0.00	315.256	$154.00	$48,549.42
K	K 5.8	0.00	303.739	$156.00	$47,383.28
TOTAL EXPORT SALES		**0.00**	**3,956.326**		**$661,723.82**

Export Pulp					
Export Pulp	KIS 2.9	0.00	241.439	$130.00	$31,387.07
Export Pulp	KIS 3.8	0.00	234.839	$138.00	$32,407.78
Export Pulp	KIS 5.8	0.00	0.336	$140.00	$47.04
TOTAL EXPORT PULP SALES		**0.00**	**476.614**		**$63,841.89**
TOTAL		**869.16**	**4,432.940**		**$872,503.53**

FEES	
FMNZ Management Fee @ %	$34,900.14
TOTAL FEES	**$34,900.14**

Appendix 1 Harvesting Financial Summary (Continued)

LEVIES	
Forest Grower Commodity Levy @ $0.33	$1,749.70
TOTAL LEVIES	**$1,749.70**
COSTS	
Harvesting	$196,891.15
Cartage	$76,987.64
Weighbridge	$1,602.27
Consumables	$122.54
Environmental Monitoring	$354.75
Establishment	$550.00
Loadout Bay: Metal	$112.00
Metalling: Cart to road	$440.00
Other	$164.00
Post Harvest Rehab	$854.00
R&M - Metal	$4,057.00
R&M - Road Maintenance	$8,354.00
Repairs & Maintenance	$280.00
Trailer Lifting	$12.00
TOTAL COSTS	**$290,781.35**
TOTAL FEES, LEVIES & COSTS	**$327,431.19**

NET INCOME	**$545,072.34**
GST	**$81,760.85**
NET INCOME (INCLUDING GST)	**$626,833.19**

Photo 1: Setting 30 after being manually felled with chainsaw.

Photo 2: Camera being removed from the swing yarder grapple at the end of the day.

Photo 3: Log 12 operations on Landing 30.

Photo 4: Processor at work on Landing 30.

Photo 5: Camera being removed from the grapple.

Photo 6: Drums which hold the ropes on the swing yarder.

Photo 7: Block on the grapple which the wire rope gets pulled through.

Photo 8: Drag being pulled in by the Log 12 swing yarder in Setting 30.

Photo 9: Grapple on the swing yarder about to be sent out for another drag.

TANGOIO CUMULATIVES

Categories	Descriptions	May 13 - Feb 17	Mar 17 - Feb 18	Mar 18 -Feb 19	Mar 19 -Feb 20	Mar 20 - Feb 21	Mar 21	Apr 21	May 21	June 2021	July 2021	Grand Total
Engineering	Borrow Pit		-$20,357.50	-$1,454.50								-$21,812.00
	Corduroy		-$6,300.00									-$6,300.00
	Crossings	-$58,907.68	-$4,360.00	-$25,775.00								-$89,042.68
	Culvert Installation			-$16,722.40	-$21,177.48	-$4,233.25						-$42,133.13
	Culverts	-$20,104.76	-$54,985.33	-$26,207.09	-$31,004.01	-$5,692.68						-$137,993.87
	Culverts - Freight	-$642.50	-$690.00	-$120.00	-$450.00	-$437.40	-$212.50					-$2,552.40
	Entranceway - Seal		-$2,166.96	-$2,504.31								-$4,671.27
	Establishment - Engineering	-$7,000.00	-$20,311.50	-$14,052.99	-$10,962.86	-$8,472.20	-$798.00	-$976.00	-$1,040.00	-$1,672.00		-$65,285.55
	Fluming	-$4,879.50	-$1,461.14	-$4,994.92	-$32,916.51	-$3,624.96	-$3,379.01					-$51,256.04
	Geotextiles	-$9,343.47	-$32,584.60	-$8,636.20	-$20,584.28							-$71,148.55
	Grass Seeding				-$9,741.70	-$617.50		-$683.75				-$11,042.95
	Landings	-$76,908.00	-$82,325.50	-$69,335.80	-$202,975.10	-$67,431.17						-$498,975.57
	Loader Hire				-$4,226.40							-$4,226.40
	Loadout Bay Construction			-$165.00	-$3,085.50	-$3,501.95		-$882.00	-$240.00	-$280.00		-$8,154.45
	Loadout Bay Metal	-$1,755.00		-$5,907.46	-$10,687.84	-$5,570.95					-$112.00	-$24,033.25
	Metal - Winning			-$20,835.21								-$20,835.21
	Metal Lime	-$36,216.75	-$78,590.25	-$23,426.10	-$124,475.85	-$47,299.07						-$310,008.02
	Metal Rock	-$11,122.45	-$49,244.51	-$28,746.17	-$109,257.21	-$32,532.87			-$2,174.30			-$233,077.51
	Other		-$118.60	-$3,168.90	-$21,746.07	$2,680.30				-$35.00	-$50.00	-$22,438.27
	Pads			-$20,919.07	-$15,698.71	-$6,933.20	-$8,212.00	-$5,558.00				-$57,320.98
	Pavement			-$67,698.33	-$147,984.16	-$2,835.89		-$196.00				-$218,714.38
	R&M		-$10,522.50	-$30,551.07	-$36,331.53	-$17,811.76				-$812.00	-$280.00	-$96,308.85
	R&M - Culverts Maintenance			-$325.00								-$325.00
	R&M - Event Cleanup		-$12,642.50									-$12,642.50
	R&M - Metal			-$804.49	-$7,355.02	-$11,123.52			-$720.00	-$2,228.75	-$4,057.00	-$26,288.77
	R&M - Road Maintenance		-$9,978.00	-$5,889.76	-$2,879.38	-$12,342.19	-$1,748.00		-$4,980.00	-$9,404.00	-$8,354.00	-$55,575.33
	Rehab			-$24,205.90	-$59,315.73	-$18,647.96	-$6,305.00	-$756.00	-$4,725.00	-$420.00	-$854.00	-$115,229.59
	Rehab - Drainage		-$2,380.00									-$2,380.00
	Rehab - Environmental		-$3,112.50	-$14,590.00	-$181.29							-$17,883.79
	Rehab - Skids/Pads		-$6,034.70	-$2,254.63	-$9,720.00	-$2,310.00						-$20,319.33
	Road Formation	-$98,830.90	-$321,820.48	-$105,020.88	-$203,417.90	-$43,244.81						-$772,334.96
	Sediment Control				-$1,933.50	-$662.45						-$2,595.95
	Spread from stockpile	-$2,500.00	-$26,035.00	-$95,728.41	-$324,870.46	-$5,706.97						-$454,840.83
	Stockpile Works					-$4,290.18		-$770.00				-$5,060.18
	Temp Landings			-$2,678.00	-$18,427.33							-$21,105.33
	Trucks - Cart & Dump	-$28,877.40	-$109,542.65	-$76,933.20	-$658,455.50	-$49,981.73						-$923,790.48
	Trucks - Cart & Spread	-$8,567.50	-$102,150.00	-$251,339.55	-$137,535.33	-$20,956.83				-$800.00	-$440.00	-$521,789.21
	Two Stage			-$555.00								-$555.00
Engineering Total		**-$365,655.91**	**-$957,714.22**	**-$951,545.32**	**-$2,227,396.63**	**-$373,581.17**	**-$20,654.51**	**-$9,821.75**	**-$13,879.30**	**-$15,651.75**	**-$14,147.00**	**-$4,950,047.55**
Fees	FGC levy	-$2,397.64	-$11,567.17	-$18,594.56	-$18,833.32	-$7,176.78	-$1,496.01	-$1,472.82	-$2,139.15	-$1,615.08	-$1,749.69	-$67,042.22
	Management	-$45,716.12	-$236,093.74	-$394,616.83	-$356,533.85	-$131,290.14	-$26,819.21	-$27,372.96	-$40,917.48	-$32,736.46	-$34,900.14	-$1,326,996.93
Fees Total		**-$48,113.76**	**-$247,660.91**	**-$413,211.38**	**-$375,367.17**	**-$138,466.92**	**-$28,315.22**	**-$28,845.78**	**-$43,056.63**	**-$34,351.54**	**-$36,649.84**	**-$1,394,039.14**
Harvesting	Cartage - Trans Shipping			-$1,430.00	-$1,618.83	-$150.00						-$3,198.83
	Cartage - Truck	-$97,496.80	-$460,197.01	-$829,360.11	-$894,768.90	-$313,821.47	-$58,078.63	-$57,098.29	-$81,656.73	-$67,864.84	-$76,987.64	-$2,937,330.43
	Establishment - harvesting	-$8,396.50	-$8,862.60	-$10,029.50	-$5,360.00	-$3,468.75	-$840.00			-$1,920.00	-$550.00	-$39,427.35
	Logging	-$351,873.48	-$1,446,472.98	-$2,405,674.60	-$2,647,474.74	-$932,190.66	-$158,517.66	-$165,613.80	-$232,686.08	-$188,989.57	-$196,891.15	-$8,726,384.72
	Tracking			-$24,452.98	-$10,170.38	-$14,030.70	-$3,360.00					-$52,014.06
	Trailer Lifting	-$954.47	-$1,734.25			-$18.00	-$42.00	-$60.00	-$12.00	-$6.00	-$12.00	-$2,838.72
	Weighbridge	-$2,661.09	-$12,833.32	-$22,127.63	-$22,648.44	-$8,505.50	-$1,471.10	-$1,471.19	-$2,007.46	-$1,579.97	-$1,602.27	-$76,907.98
Harvesting Total		**-$461,382.34**	**-$1,930,100.17**	**-$3,293,074.83**	**-$3,582,041.27**	**-$1,272,185.08**	**-$222,309.39**	**-$224,243.28**	**-$316,362.28**	**-$260,360.38**	**-$276,043.06**	**-$11,838,102.08**
Income	Log Sales	$1,142,902.94	$5,902,343.56	$9,865,421.91	$8,913,346.28	$3,282,253.45	$670,480.17	$684,324.04	$1,022,936.93	$818,511.56	$872,503.56	$33,175,024.40
	Other Income								$331,127.59			$331,127.59
Income Total		**$1,142,902.94**	**$5,902,343.56**	**$9,865,421.91**	**$8,913,346.28**	**$3,282,253.45**	**$670,480.17**	**$684,324.04**	**$1,354,064.52**	**$818,511.56**	**$872,503.56**	**$33,506,151.99**
Miscellaneous	Arboriculture			-$4,590.00								-$4,590.00
	Consents	-$1,853.00										-$1,853.00
	Consultancy Fees	-$3,313.75	-$1,247.50	-$2,972.83	-$386.36							-$7,920.44
	Consumables	-$451.79	-$1,641.19	-$4,368.35	-$2,168.32	-$2,005.08	-$71.42	-$101.14	-$179.99	-$80.48	-$122.54	-$11,190.29
	Fencing		-$17,722.12									-$17,722.12
	Other	-$6,668.96	-$6,550.13	-$4,870.97	-$2,553.93	-$3,359.50		-$115.00	-$95.00	-$95.00	-$114.00	-$24,422.49
	Power Lines			-$1,299.49	-$8,579.24	-$9,390.00						-$19,268.73
	Royalty payments			-$9,024.15								-$9,024.15
	Security		-$212.65	-$864.31	-$8,095.49	-$5,521.20						-$14,693.65
	Traffic Management	-$4,124.02	-$7,200.00	-$16,075.72	-$12,703.25	-$535.83						-$40,638.82
	Environmental Monitoring						-$979.00	-$76.00		-$350.00	-$354.75	-$1,759.75
Miscellaneous Total		**-$16,411.52**	**-$34,573.59**	**-$44,065.82**	**-$34,486.59**	**-$20,811.61**	**-$1,050.42**	**-$292.14**	**-$274.99**	**-$525.48**	**-$591.29**	**-$153,083.43**
Grand Total		**$251,339.41**	**$2,732,294.67**	**$5,163,524.56**	**$2,694,054.62**	**$1,477,208.68**	**$398,150.65**	**$421,121.09**	**$980,491.33**	**$507,622.40**	**$545,072.38**	**$15,170,879.78**