HARVESTING REPORT
October 2021

SADDLEBACK FOREST

Setting 18, Casey Road.

Clearfell Harvesting Report – Saddleback – October 2021

Summary

- Gross revenue for the month is **$872,038.78**
- Costs for the month are **$430,666.31**
- Net income for the month is **$441,372.46**
- Tonnes harvested for the month is **6,593.34**
- Net income per tonne for the month is **$66.94**
- Area cleared for the month is **8.30** hectares

The project performance to date is set out below:

- Project gross revenue to date is **$13,937,618.74**
- Project costs to date are **$7,698,430.93**
- Project net income to date is **$6,239,187.81**
- Tonnes harvested to date is **98,098.73**
- Net income per tonne to date is **$63.60**
- Recoverable volume per hectare to date is **718.7** tonnes
- Net income per hectare to date is **$45,708.34**
- Total forest area is **271.38** hectares, approximate hectares cleared to date is **136.5** 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 **$872,038.78** with an average sale price over all grades of **$132.26** per tonne**.**

October 2021 - Log Markets, Hawkes Bay

The October export prices have remained flat with no change to prices.

Radiata log inventories on the main Chinese ports we monitor have increased to 4.77Mm^3, with daily offtake in the 79Km^3 per day range. While demand has slightly increased from last month, all indicators are that the China economy is slowing with less construction activity.

China is in a state of "Structural Reset". The Chinese Government has been concerned about the growing gap between the wealthy and the poor in China as this leads to social unrest. They are undertaking wealth redistribution strategies (tax the wealthy etc.) trying to improve the income / lifestyle of the middle class along with reduced property prices.

Credit tightening policies due to large debts in property development as well as property tax changes has seen a lot of new construction stall. Evergrande has restarted some projects as they have bought time to repay some creditors, but still face significant challenges ahead.

The energy crisis in China will have a positive long-term effect on timber demand as China is aware of the higher energy costs of steel and concrete. They are already mandating the use of more wood in their buildings. In the short term this maybe negative, as electricity supply is rationed. The main log processing area affected to date is Taicang, which had already been affected by the Government wanting to repurpose the land these mills occupy.

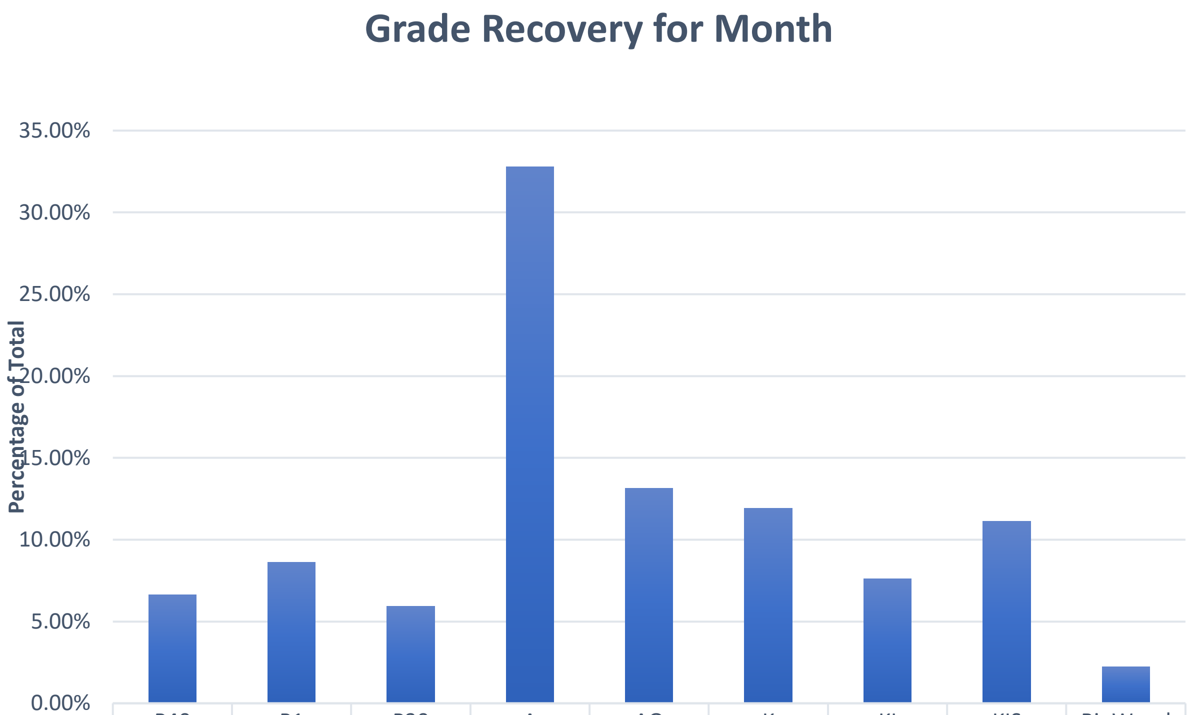
The freight market has had some downward movement in the big Capesize vessels due to less iron ore demand which is expected to flow on in the smaller handy size vessels used in log exports. Congestion times have reduced significantly but this depends on log berths in Lanshan for competing product demands.

The NZD has continued to rise against the USD since the end of September. This has eroded some AWG value for forest owners.

Domestic pruned log prices have fallen $15 this quarter due to weaker AWG export pricing and factoring in the spring effects on Jas conversions.

Grade Recovery

Grade out turn for October is as follows:



	P40	P1	P30	A	AO	K	KI	KIS	BinWood
Total	6.63%	8.62%	5.94%	32.78%	13.14%	11.93%	7.61%	11.12%	2.23%

Chart 1: Grade Recovery for Month

Pruned recovery for October comprised 21% of overall sales volume, 9% of which was sold as domestic pruned grades.

High quality export sawlog (AO, A and K grades) made up 58% of the total production volume, with lower quality export (KI and KIS grades) comprising 19% 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 **$255,316.89**, an average of **$38.72** per tonne.

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

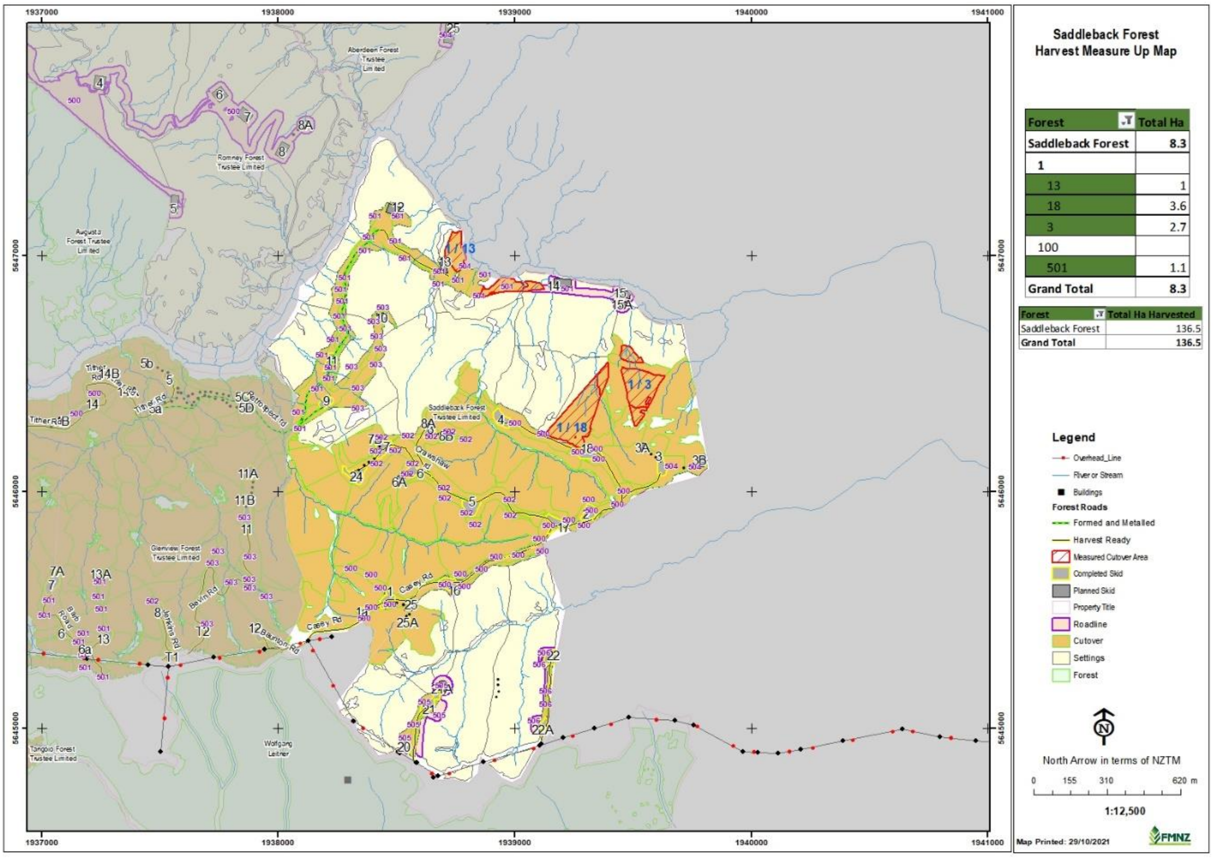
LOGGING COSTS		TOTAL
October	Logging	$255,316.89
		$255,316.89

Table 1: Logging Costs

ADDITIONAL HARVEST COSTS		TOTAL
October	Tracking	$351.50
		$351.50

Table 2: Additional Logging Costs

Tracking costs are for extra tracks required to gain access off Landing 13 onto the ridge and then from the ridge onto the terrace below the landing.



Pic 1: Progress Map

During October, Log 1 continued pulling to Landing 18. This was slow pulling with the ropes stretched out around 500 metres. With about a weeks' work left in the setting, there was an incident with the swing yarder where it tipped over so the crew moved to Landing 13 on 26th October to clearfell and shovel log the bottom side of Landing 13 between the landing and the Waikoau River while the hauler was being repaired.

Once the hauler was fixed at the beginning of October, Log 2 recommenced pulling Setting 3 on Jackson Road. It was slow pulling with bluffs and rim rock on the face with the lines 450-500 metres out.

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 **$100,435.55** which is an average unit rate of **$15.23** per tonne.

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

CARTAGE COSTS		TOTAL
October	Cartage - Truck	$100,435.55
	Weighbridge	$2,256.17
	Trailer Lifting	$480.00
		$103,171.72

Table 3: Cartage Costs

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

Engineering

ENGINEERING		RL	CF	TOTAL
October	Rehab	$843.60		$843.60
	R&M - Road Maintenance		$2,358.76	$2,358.76
	Road Formation	$12,970.35		$12,970.35
	Culvert Installation	$492.10		$492.10
	Culverts	$7,779.03		$7,779.03
	Culverts - Freight	$312.43		$312.43
	R&M - Metal		$3,337.42	$3,337.42
	Trucks - Cart & Spread	$6,435.96		$6,435.96
		$28,833.46	**$5,696.18**	**$34,529.64**

Table 4: Engineering Costs

Engineering in October was mostly focused on Aitken Road, constructing harvest roads towards Landing 14. Maintenance work was also required on Casey, Tither and Jackson Roads. High quality 40mm roading material was brought into the forest as a maintenance product for Tither Road. This is required on the steep switchback sections where current pavement has worn bare.

Planned Activities for November 2021

Log 1 will finish shovel logging Setting 13 on Aitken Road and then move to Setting 12. Hazardous trees around the Aitken Road edge and salvaged windthrow in this thin strip will also be removed. The crew will then leave Saddleback Forest however, a loader will remain there to complete the roadline on Setting 501, Aitken Road between Landings 14 and 15.

Log 2 will complete harvest of Setting 3 on Jackson Road and will then move to Setting 4 on Casey Road.

The underperforming earthworks crew will be replaced by another contractor in November.

Planned activities for November are for a significant crossing to be installed on Aitken Road. Landing 14 will be formed and the remaining section of Aitken Road constructed. This work will facilitate the cartage of the remaining roadline volume before this harvest crew exit the forest.

Net Revenue

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

MONTH	NET MONTH	NET PROJECT
October	**$441,372.47**	**$6,239,187.81**

Table 5: Total Revenue

The net revenue for the month equates to an average of **$66.94** per tonne, or **$53,177.41** per hectare.

Fees and Levies

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

FEES & LEVIES		TOTAL
October	Management	$34,881.55
	FGC levy	$2,177.68
		$37,059.23

Table 6: Fees and Levies

Miscellaneous

See Table 7 below:

MISCELLANEOUS		TOTAL
October	Consumables	$133.69
	Other	$103.64
		$237.33

Table 7: Miscellaneous Expenses

Consumable costs are for docket books used for the loadout of logs during October.

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

Health and Safety

Three health and safety incidents were reported during October in Saddleback Forest.

Two were property damage incidents. The first occurred during breaking out while bringing in a drag when the vibration of the hauler caused the left side window to shatter and glass to enter the cab. The vibration of the machine along with the window being partially open was the likely cause. May need to consider replacing the glass with Marguard in the future. Glass is the preferred option due to the clear vision of the winch packs. The operator was not at risk of being harmed due to the steel guarding in place.

The second property damage incident occurred while sending the grapple back down. It got caught up so the operator gave it a lot of revs, causing the guy rope to snap and the hauler to tip over onto its side. The driver was unharmed and the conclusion was that the guy rope loads need to be distributed more evenly and the operator required additional experience.

A near hit incident occurred while pulling a stem out of the chute and the log became stuck in the ground. The loader slewed around trying to free up the log when it swung round hitting the bull bar on the front of the loader. Due to the chute being very steep, the log could not be released and slid down the chute. The incident likely occurred due to the operator lacking the appropriate experience. Further training and supervision is planned.

Environmental

There was no site-specific environmental planning or monitoring undertaken during October.

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.

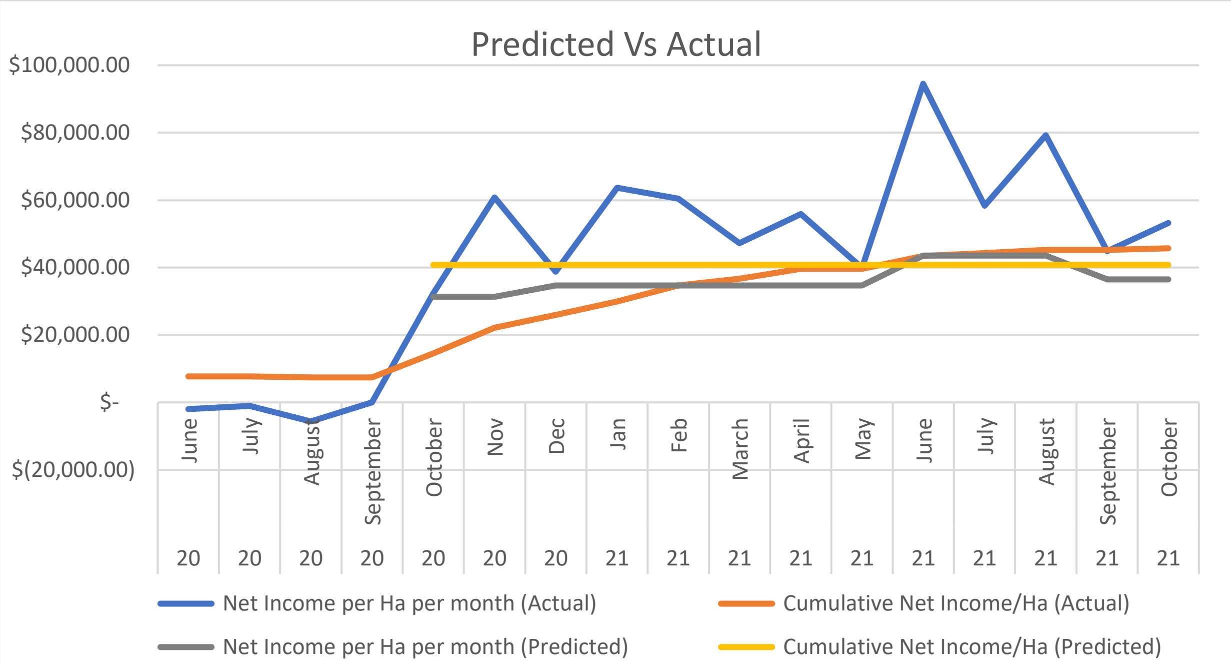


Chart 2: Actual vs Predicted

Net return per tonne to date is **$63.60**, forecast was $60.27.

Gross return per tonne to date is **$142.08**, forecast was $132.69.

Net return per hectare to date is **$45,708.34**, forecast was $40,777.58.

Kind Regards

FMNZ Harvest Team

Appendix 1 Harvesting Financial Summary (Clearfell and Roadline)

Historic Harvesting Financial Summary

Saddleback Forest Partnership 01/10/2021 to 31/10/2021

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

SALES					
Type	Grade	Tonnes	Jas (m3)	Sales Price	Gross Revenue ($)
Binwood					
Pulp		146.86		$45.50	$6,682.13
TOTAL BINWOOD SALES		**146.86**			**$6,682.13**

Domestic					
Pruned Dom		219.56		$194.50	$42,704.42
Pruned Dom	P1 4.9	348.72		$192.00	$66,954.24
TOTAL DOMESTIC SALES		**568.28**			**$109,658.66**

Export					
Pruned Exp	P40 3.9	0.00	246.428	$186.00	$45,835.61
Pruned Exp	P40 5.9	0.00	203.748	$186.00	$37,897.13
Pruned Exp	P30 3.9	0.00	242.539	$150.00	$36,380.85
Pruned Exp	P30 5.1	0.00	161.857	$150.00	$24,278.55
Pruned Exp	P30 5.9	0.00	0.765	$150.00	$114.75
A40	AO 3.8	0.00	910.622	$129.00	$117,470.24
A30	A 3.8	0.00	1,048.278	$127.00	$133,131.31
A30	A 5.8	0.00	1,139.710	$129.00	$147,022.59
K	K 3.8	0.00	438.988	$119.00	$52,239.57
K	K 5.8	0.00	333.603	$121.00	$40,365.96
KI	KI 3.8	0.00	496.529	$111.00	$55,114.72
TOTAL EXPORT SALES		**0.00**	**5,223.067**		**$689,851.28**

Export Pulp					
Export Pulp	KIS 2.9	0.00	222.027	$93.00	$20,648.51
Export Pulp	KIS 3.8	0.00	437.900	$103.00	$45,103.70
Export Pulp	KIS 5.8	0.00	0.900	$105.00	$94.50
TOTAL EXPORT PULP SALES		**0.00**	**660.827**		**$65,846.71**
TOTAL		**715.14**	**5,883.894**		**$872,038.78**

FEES	
FMNZ Management Fee @ %	$34,881.55
TOTAL FEES	**$34,881.55**

Appendix 1 Harvesting Financial Summary (Continued)

LEVIES	
Forest Grower Commodity Levy @ $0.33	$2,177.69
TOTAL LEVIES	**$2,177.69**
COSTS	
Harvesting	$255,316.89
Cartage	$100,435.55
Weighbridge	$2,256.17
Consumables	$133.69
Culvert Installation	$492.10
Culvert Pipes	$7,779.03
Culverts - Freight	$312.43
Metalling: Cart to road	$6,435.95
Other	$103.64
Post Harvest Rehab	$843.60
R&M - Metal	$3,337.42
R&M - Road Maintenance	$2,358.76
Road Formation	$12,970.35
Tracking	$351.50
Trailer Lifting	$480.00
TOTAL COSTS	**$393,607.08**
TOTAL FEES, LEVIES & COSTS	**$430,666.32**

NET INCOME	**$441,372.46**
GST	**$66,205.87**
NET INCOME (INCLUDING GST)	**$507,578.33**

Photo 1: Casey Road, Setting 18 to the left.

Photo 2: Swing yarder in Setting 18, Casey Road.

Photo 3: Setting 18 on the left, Setting 3 on the right, Casey Road.

Photo 4: Swing yarder in Setting 18, Casey Road.

SADDLEBACK 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	Aug 21	Sep 21	Oct 21	Grand Total
Engineering	Culvert Installation	-$600.00	-$8,818.87	-$2,855.00	-$6,698.07	-$656.10	-$729.00		-$2,241.40		-$3,280.50	-$492.10	-$26,371.04
	Culverts	-$3,070.50	-$12,077.32	-$2,846.34	-$34,316.84	-$2,846.34	-$3,240.00		-$2,846.34		-$6,157.26	-$7,779.03	-$75,179.97
	Culverts - Freight	-$325.00	-$600.00	-$300.00	-$2,430.00	-$1,249.71	-$1,895.40		-$1,458.00		-$1,177.34	-$312.43	-$9,747.87
	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	-$291.60			-$26,086.20
	Fluming		-$8,347.42	-$1,640.93	-$1,815.50	-$4,758.00	-$380.14		-$1,671.00		-$292.53		-$18,905.52
	Geotextiles		-$420.00					-$4,565.38					-$4,985.38
	Grass Seeding		-$2,330.08	-$1,638.55		-$1,449.75					-$927.50		-$6,345.88
	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	-$583.20	-$2,114.10		-$375,079.12
	Loader Hire		-$5,040.00	-$1,080.00									-$6,120.00
	Loadout Bay Construction			-$1,770.54			-$624.85				-$2,634.78		-$5,030.17
	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			-$2,000.00	-$6,040.20		-$35,859.94
	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	-$2,405.70			-$80,187.29
	R&M	-$4,100.00	-$4,765.00							-$1,749.59	-$11,132.83		-$21,747.42
	R&M - Event Cleanup			-$6,490.00							-$364.50		-$6,854.50
	R&M - Metal			-$180.00						-$3,349.75		-$3,337.42	-$6,867.17
	Rehab			-$1,615.00			-$718.56			-$2,364.00	-$9,789.24	-$843.60	-$15,330.40
	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		-$5,175.90	-$12,970.35	-$428,056.59
	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	-$4,998.80			-$132,338.16
	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			-$6,435.96	-$108,994.81
	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	-$2,051.61		-$2,358.76	-$22,740.83
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**	**-$19,794.25**	**-$49,086.68**	**-$34,529.64**	**-$1,781,732.46**
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	-$1,343.08	-$2,809.40	-$2,177.68	-$30,059.36
	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	-$22,112.36	-$45,873.97	-$34,881.55	-$557,504.75
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**	**-$23,455.44**	**-$48,683.37**	**-$37,059.23**	**-$587,564.11**
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	-$61,143.41	-$130,961.32	-$100,435.55	-$1,357,898.16
	Establishment - harvesting	-$7,222.00		-$16,172.50	-$2,295.00		-$3,010.00	-$3,245.00		-$5,860.00	-$3,060.00		-$40,864.50
	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	-$172,375.24	-$358,798.34	-$255,316.89	-$3,834,888.26
	Tracking			-$5,389.32	-$3,280.44			-$364.50		-$4,728.00		-$351.50	-$14,113.76
	Trailer Lifting			-$486.00	-$1,332.00	-$414.00	-$588.00	-$738.00	-$606.00		-$1,032.00	-$480.00	-$5,676.00
	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	-$1,390.16	-$3,000.03	-$2,256.17	-$32,877.48
	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**	**-$245,496.81**	**-$496,851.69**	**-$358,840.11**	**-$5,286,993.16**
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	$552,808.96	$1,146,849.14	$872,038.78	$13,937,618.74
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**	**$552,808.96**	**$1,146,849.14**	**$872,038.78**	**$13,937,618.74**
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	-$181.90	-$293.91	-$133.69	-$2,919.60
	Environmental Monitoring			-$386.00			-$542.01		-$354.75		-$222.00		-$1,504.76
	Other	-$190.51	-$875.47	-$792.75	-$95.00	-$432.04	-$280.00	-$95.00	-$114.00	-$2,473.63	-$103.63	-$103.64	-$5,555.67
	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**	**-$2,655.53**	**-$619.54**	**-$237.33**	**-$42,141.20**
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**	**$261,406.93**	**$551,607.86**	**$441,372.46**	**$6,239,187.81**