



HARVESTING REPORT

December 2021

SADDLEBACK FOREST



Remaining roadlining logs from around Landing 10 to be loaded out before Christmas.

FMNZ

"Maximising the value of forests since 1974"

Clearfell Harvesting Report – Saddleback – December 2021

Summary

- Gross revenue for the month is **\$421,088.27**
- Costs for the month are **\$285,126.83**
- Net income for the month is **\$135,961.45**
- Tonnes harvested for the month is **3,707.48**
- Net income per tonne for the month is **\$36.67**
- Area cleared for the month is **5.5** hectares

The project performance to date is set out below:

- Project gross revenue to date is **\$14,906,845.96**
- Project costs to date are **\$8,331,428.59**
- Project net income to date is **\$6,575,417.37**
- Tonnes harvested to date is **106,609.5**
- Net income per tonne to date is **\$61.68**
- Recoverable volume per hectare to date is **723.3** tonnes
- Net income per hectare to date is **\$44,609.34**
- Total forest area is **\$271.38** hectares, approximate hectares cleared to date is **147.4** 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 **\$421,088.27** with an average sale price over all grades of **\$113.58** per tonne.

December 2021 - Log Markets, Hawkes Bay

The December export prices have slipped \$2.64/Jas m³ on average. The decrease has affected the pruned grades slightly more.

Radiata log inventories on the main Chinese ports we monitor have decreased to 4.54Mm³, with daily offtake remaining solid at 80Km³ per day. Inventory is expected to remain elevated through December and into January then move lower as arrivals of New Zealand log cargos diminish.

Over January all major supply sources into China are expected to be down on normal, with a recent ban on Siberian non-containerised logs and lumber and a wider ban on Russian log imports come into force in January 2022. This will remove 3–4Mm³ from the log market over 2022. Also reports are that the EU beetle damaged spruce volumes will be down significantly as the rate of infestation has decreased along with strong local European demand. We are hoping we have seen the bottom of the market – the China wholesale domestic log market has flattened which is a good signal for short term price stability with the USD CFR sale price and the domestic selling price now closely aligned.

Both the oil and freight markets have made a small recovery over December. Spot rates moved briefly down into the high \$30's primarily driven by the huge reduction in harvesting and lack of cargos. Looking forward, the freight rates will be an important driver in our market in 2022. This will be hugely affected by the demand from the iron ore and coal markets dominated by China by the larger Cape and Panamax vessel classes.

The USD has strengthened against the NZD since the end of October and the recent spread of the Omicron variant has intensified fears the world is not out of the Covid woods. This has dampened the demand for riskier currencies and is good news for New Zealand exporters and forest owners.

Domestic pruned log prices have settled flat this quarter due to concerns relating to the slowdown in harvesting affecting production.

Grade Recovery

Grade out turn for December is as follows:

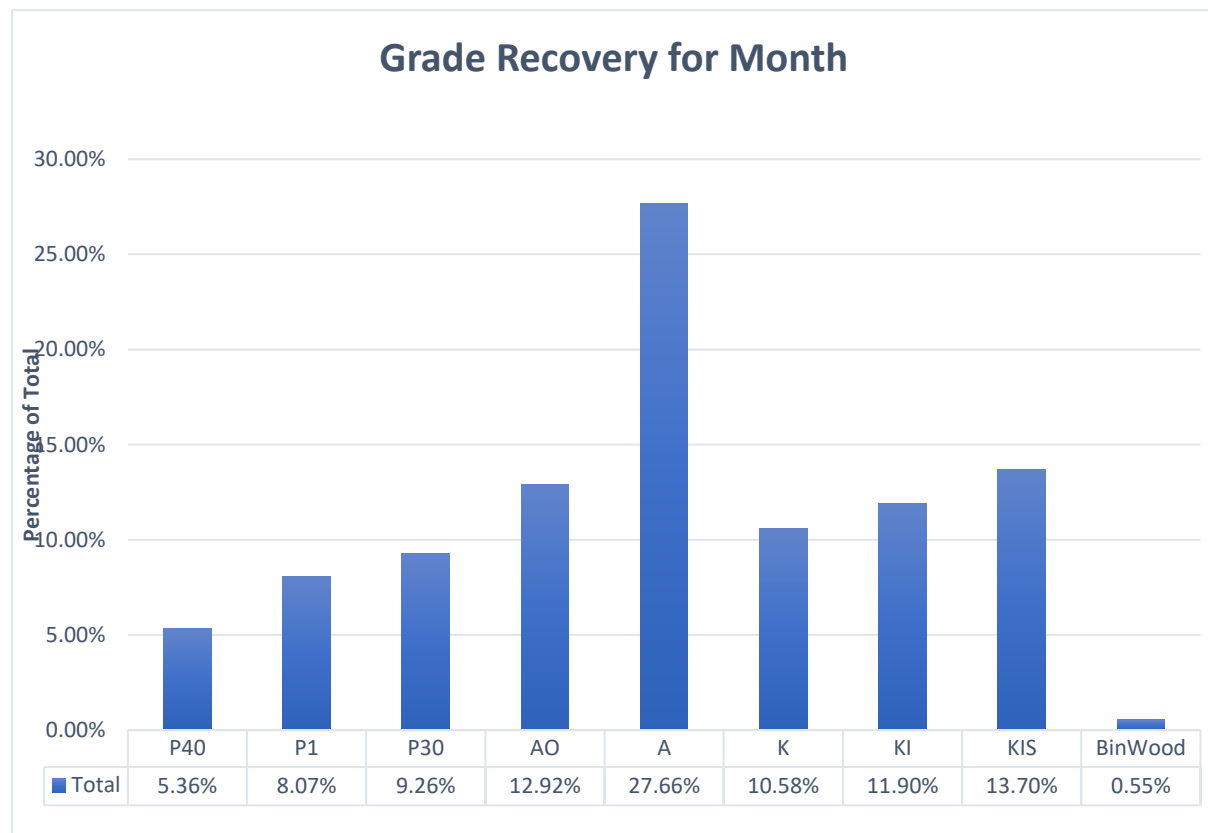


Chart 1: Grade Recovery for Month

Pruned recovery for December 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 26% of volume.

Less than 1% of production was made up of domestic pulp and binwood.

Expenditure

Harvesting

The total logging cost for the month was **\$144,754.50**, an average of **\$39.04** per tonne.

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

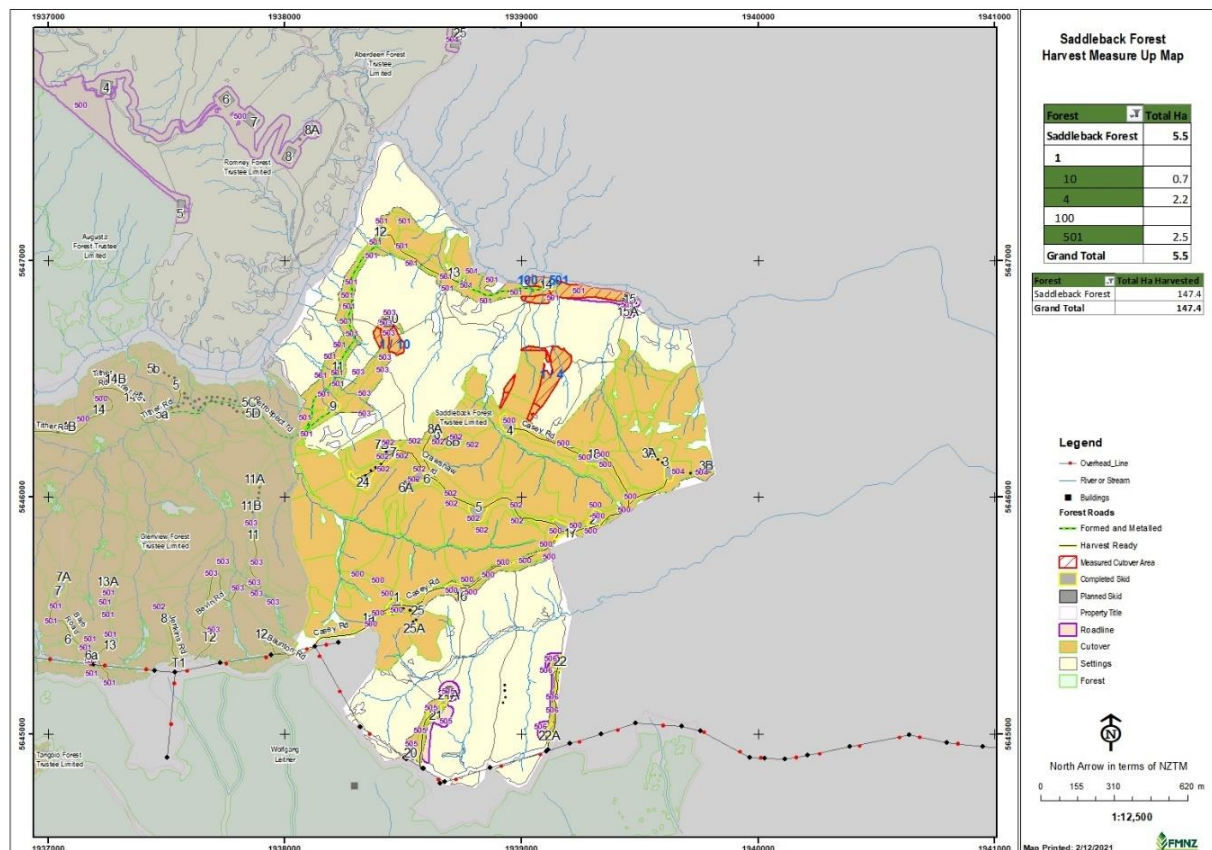
LOGGING COSTS		TOTAL
December	Logging – tonnes	\$144,754.50
		\$144,754.50

Table 1: Logging Costs

ADDITIONAL HARVEST COSTS		TOTAL
December	Tracking	\$621.50
		\$612.50

Table 2: Additional Logging Costs

Tracking costs are related to extra tracks required at Landing 10 to access stems safely.



Pic 1: Progress Map

The Log 1 skeleton crew completed Setting 501 roadline from Landing 14 to 15 on Aitken Road. A small amount of wood was felled from Landing 10 on Trumpet Road in order to gain vision around the corner for the swing yarder.

Log 2 continued with the harvest of Setting 4 on Casey Road pulling left to right using the scab system on the tower.

Harvesting operations continued to operate at capped harvest production levels in December. Overall caps on production were calculated on the available workdays in December and the crews stopped work for the Christmas break on the 17th of December. Return to work is planned for 17th of January 2022.

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 **\$56,225.76** which is an average unit rate of **\$15.17** per tonne.

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

CARTAGE COSTS		TOTAL
December	Cartage - Truck	\$56,225.76
	Weighbridge	\$1,536.26
	Trailer Lifting	\$12.00
		\$57,774.02

Table 3: Cartage Costs

The average cart rate for December inclusive of weighbridge and trailer lifting fees is **\$15.58** 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
December	Stockpile Works	\$2,625.00	\$1,137.50	\$3,762.50
	Loadout Bay Construction	\$1,497.50		\$1,497.50
	R&M		\$1,875.00	\$1,875.00
	Establishment - Engineering	\$1,720.00	\$120.00	\$1,840.00
	Landings	\$13,667.50		\$13,667.50
	Metal Rock	\$3,479.00		\$3,479.00
	Trucks - Cart & Dump	\$2,120.43	\$1,972.71	\$4,093.14
	Pads	\$3,325.00		\$3,325.00
	Pavement	\$2,537.50		\$2,537.50
	R&M - Metal		\$3,430.80	\$3,430.80
	R&M - Road Maintenance	\$3,290.00		\$3,290.00
	Road Formation	\$6,912.50		\$6,912.50
	Spread from stockpile	\$13,836.00		\$13,836.00
		\$55,010.43	\$8,536.01	\$63,546.44

Table 4: Engineering Costs

Work was completed on Trumpet Road constructing out to Landing 10 and Pad 10A. Work also began on the final section of Aitken Road down to Landing 15.

Some maintenance work was undertaken on Casey Road to facilitate clearfell harvesting.

Planned Activities for January 2022

The skeleton crew of Log 1 has now left the forest to join the rest of their crew in another forest.

Log 2 will continue clearfell harvest in Setting 4 from Landing 4 on Casey Road.

Earthworks is planned to continue on Aitken Road down to Landing 15.

Net Revenue

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

MONTH	NET MONTH	NET PROJECT
December	\$135,961.45	\$6,575,417.37

Table 5: Total Revenue

The net revenue for the month equates to an average of **\$36.67** per tonne, or **\$24,720.26** per hectare.

Fees and Levies

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

FEES & LEVIES		TOTAL
December	Management	\$16,843.53
	FGC levy	\$1,258.46
		\$18,101.99

Table 6: Fees and Levies

Miscellaneous

See Table 7 below:

MISCELLANEOUS		TOTAL
December	Consumables	\$125.16
	Other	\$212.23
		\$337.39

Table 7: Miscellaneous Expenses

Consumable costs are for docket books used for the loadout of logs during December, antiseptic used to treat the ends of pruned export logs, and for Spraywell fluoro orange and pink spray paint for road marking.

Other costs are for the proportional costs of operating the forest digital radio network and the proportional share of the contractor Christmas BBQ which is held on site at Christmas to thank the harvest crew for their efforts through the very difficult 2021 year.

Health and Safety

One property damage incident was reported during December.

This incident occurred on the public Aropaoanui Road when a log slipped forward from the front trailer bank and into the rear bumper of the truck damaging the air lines, light plug and ASB/EBS plug at the rear of the truck. The truck was repaired and back on the road the same day. The incident cause was poor loading technique and load restraint was compromised.

Environmental

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

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.

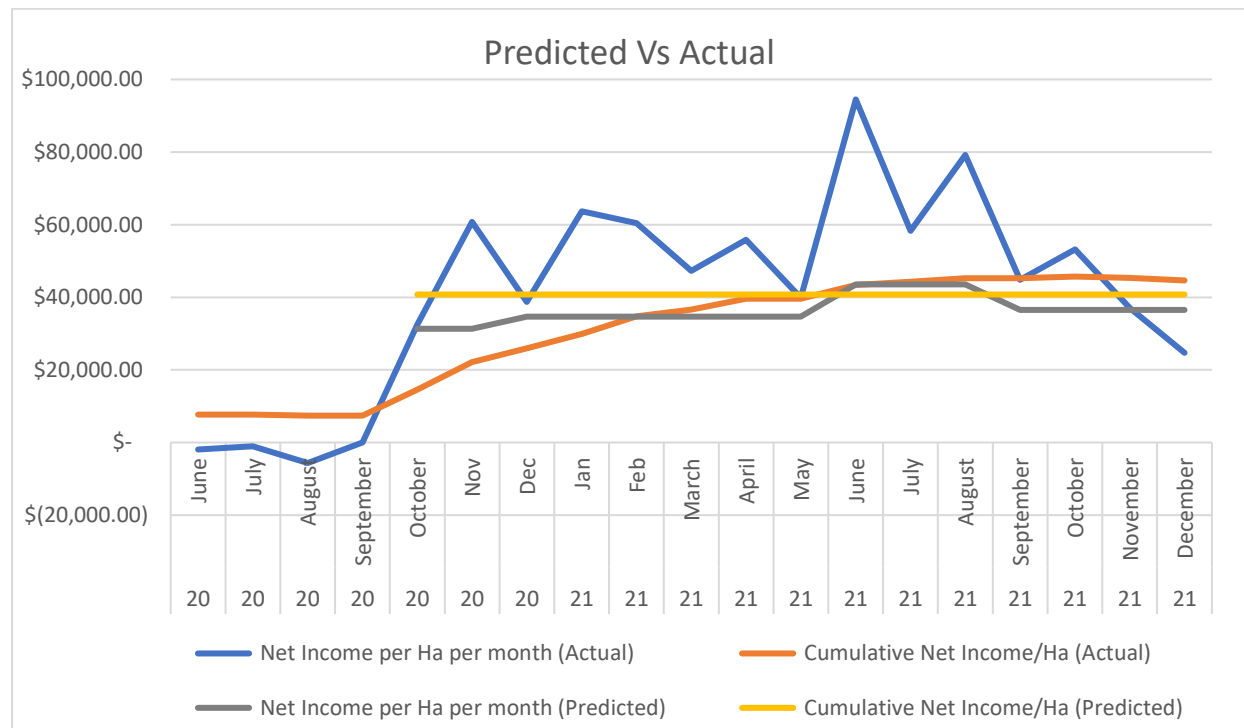


Chart 2: Actual vs Predicted

Net return per tonne to date is **\$61.68**, forecast was \$60.27.

Gross return per tonne to date is **\$139.83**, forecast was \$132.69.

Net return per hectare to date is **\$44,609.34**, 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

01/12/2021 to 31/12/2021

Paid to bank account # 02-0792-0001422-000

GST # 60-562-296

SALES					
Type	Grade	Tonnes	Jas (m3)	Sales Price	Gross Revenue (\$)
Binwood					
Pulp		20.54		\$45.50	\$934.57
TOTAL BINWOOD SALES		20.54			\$934.57

Domestic					
Pruned Dom		31.72		\$194.50	\$6,169.54
Pruned Dom	P1 4.9	267.40		\$192.00	\$51,340.80
TOTAL DOMESTIC SALES		299.12			\$57,510.34

Export					
Pruned Exp	P40 3.9	0.00	207.734	\$166.00	\$34,483.84
Pruned Exp	P30 3.9	0.00	148.073	\$130.00	\$19,249.49
Pruned Exp	P30 5.1	0.00	211.997	\$130.00	\$27,559.61
A40	AO 3.8	0.00	255.362	\$114.00	\$29,111.27
A40	AO 3.9	0.00	262.726	\$99.00	\$26,009.87
A30	A 3.8	0.00	157.132	\$93.00	\$14,613.28
A30	A 3.8	0.00	336.074	\$112.00	\$37,640.29
A30	A 5.8	0.00	356.868	\$95.00	\$33,902.46
A30	A 5.8	0.00	225.014	\$114.00	\$25,651.60
K	K 3.8	0.00	62.823	\$86.00	\$5,402.78
K	K 3.8	0.00	223.285	\$104.00	\$23,221.64
K	K 5.8	0.00	108.188	\$88.00	\$9,520.54
K	K 5.8	0.00	1.568	\$106.00	\$166.21
KI	KI 3.8	0.00	238.101	\$77.00	\$18,333.78
KI	KI 3.8	0.00	218.573	\$95.00	\$20,764.44
TOTAL EXPORT SALES		0.00	3,013.518		\$325,631.10

Export Pulp					
Export Pulp	KIS 2.9	0.00	54.802	\$65.00	\$3,562.13
Export Pulp	KIS 2.9	0.00	118.381	\$78.00	\$9,233.72
Export Pulp	KIS 3.8	0.00	156.960	\$72.00	\$11,301.12
Export Pulp	KIS 3.8	0.00	150.178	\$86.00	\$12,915.31
TOTAL EXPORT PULP SALES		0.00	480.321		\$37,012.28
TOTAL		319.66	3,493.839		\$421,088.29

Appendix 1 Harvesting Financial Summary (Continued)

FEES	
FMNZ Management Fee @ %	\$16,843.53
TOTAL FEES	\$16,843.53
LEVIES	
Forest Grower Commodity Levy @ \$0.33	\$1,258.45
TOTAL LEVIES	\$1,258.45
COSTS	
Harvesting	\$144,754.50
Cartage	\$56,225.76
Weighbridge	\$1,536.26
Consumables	\$125.16
Establishment	\$1,840.00
Landings	\$13,667.50
Loadout Bay: Construction	\$1,497.50
Metal Rock m3	\$3,479.00
Metalling: Cart to stockpile	\$4,093.14
Metalling: Grading & Rolling	\$2,537.50
Metalling: Spread from Stockpile	\$13,836.00
Other	\$212.23
Pads	\$3,325.00
R&M - Metal	\$3,430.80
R&M - Road Maintenance	\$3,290.00
Repairs & Maintenance	\$1,875.00
Road Formation	\$6,912.50
Stockpile Works	\$3,762.50
Tracking	\$612.50
Trailer Lifting	\$12.00
TOTAL COSTS	\$267,024.85
TOTAL FEES, LEVIES & COSTS	\$285,126.83
NET INCOME	
NET INCOME	\$135,961.46
GST	\$20,394.22
NET INCOME (INCLUDING GST)	\$156,355.68



Photo 1: Culvert completion allowing access to Landing 14, Aitken Rd.



Photo 2: Remaining logs from roadlining around Landing 10 to be loaded out before Christmas.

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	Nov 21	Dec 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	-\$3,795.00		-\$30,166.04
	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	-\$4,852.42		-\$80,032.39
	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	-\$720.00		-\$10,467.87
	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			-\$5,078.40	-\$1,840.00	-\$33,004.60
	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		-\$3,447.30	-\$13,667.50	-\$392,193.92
	Loader Hire		-\$5,040.00	-\$1,080.00											-\$6,120.00
	Loadout Bay Construction			-\$1,770.54			-\$624.85				-\$2,634.78		-\$2,315.94	-\$1,497.50	-\$8,843.61
	Loadout Bay Metal			-\$3,733.98	-\$583.20										-\$4,317.18
	Metal - Winning	-\$3,180.30		-\$1,895.40					-\$13,408.54				-\$715.99		-\$19,200.23
	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					-\$3,479.00	-\$92,238.66
	Other		-\$2,710.00										-\$773.30		-\$3,483.30
	Pads			-\$21,352.70	-\$3,592.80	-\$1,197.60	-\$1,676.64			-\$2,000.00	-\$6,040.20			-\$3,325.00	-\$39,184.94
	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			-\$3,053.94	-\$2,537.50	-\$85,778.73
	R&M	-\$4,100.00	-\$4,765.00							-\$1,749.59	-\$11,132.83			-\$1,875.00	-\$23,622.42
	R&M - Event Cleanup			-\$6,490.00							-\$364.50				-\$6,854.50
	R&M - Metal			-\$180.00						-\$3,349.75		-\$3,337.42	-\$2,355.00	-\$3,430.80	-\$12,652.97
	Rehab			-\$1,615.00			-\$718.56			-\$2,364.00	-\$9,789.24	-\$843.60	-\$1,225.00		-\$16,555.40
	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	-\$6,735.40	-\$6,912.50	-\$441,704.49
	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			-\$3,780.00	-\$13,836.00	-\$149,954.16
	Stockpile Works			-\$11,966.64	-\$8,120.55	-\$7,680.62	-\$7,508.72	-\$2,843.10	-\$520.72				-\$2,918.44	-\$3,762.50	-\$45,321.29
	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				-\$2,554.13	-\$4,093.14	-\$193,012.37
	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	-\$5,498.68		-\$114,493.49
	Crossings					-\$2,950.00							-\$350.00		-\$3,300.00
	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	-\$10,882.72	-\$3,290.00	-\$36,913.55
	Metal - Stripping												-\$2,100.00		-\$2,100.00
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	-\$63,151.65	-\$63,546.44	-\$1,908,430.54
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	-\$1,634.42	-\$1,258.45	-\$32,952.24
	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	-\$21,925.56	-\$16,843.53	-\$596,273.84
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	-\$23,559.98	-\$18,101.99	-\$629,226.08
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	-\$73,035.05	-\$56,225.76	-\$1,487,158.96
	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	-\$185,475.81	-\$144,754.50	-\$4,165,118.57
	Tracking			-\$5,389.32	-\$3,280.44			-\$364.50		-\$4,728.00		-\$351.50		-\$612.50	-\$14,726.26
	Trailer Lifting			-\$486.00	-\$1,332.00	-\$414.00	-\$588.00	-\$738.00	-\$606.00		-\$1,032.00	-\$480.00	-\$756.00	-\$12.00	-\$6,444.00
	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	-\$1,628.53	-\$1,536.26	-\$36,042.27
	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	-\$260,895.39	-\$203,141.01	-\$5,751,029.56
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	\$548,138.95	\$421,088.27	\$14,906,845.96
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	\$548,138.95	\$421,088.27	\$14,906,845.96
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	-\$176.13	-\$125.16	-\$3,220.89
	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	-\$87.69	-\$212.23	-\$5,855.59
	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				