HARVESTING REPORT
February 2022

HEREFORD FOREST

Tree mid-fall in Setting 206.

FMNZ
"Maximising the value of forests since 1974"

Clearfell Harvesting Report – Hereford – February 2022

Summary

- Gross revenue for the month is **$417,604.24**
- Costs for the month are **$231,657.33**
- Net income for the month is **$185,946.91**
- Tonnes harvested for the month is **2,994.88**
- Net income per tonne for the month is **$62.09**
- Area cleared for the month is **5.8** hectares

The project performance to date is set out below:

- Project gross revenue to date is **$8,248,021.83**
- Project costs to date are **$6,303,437.93**
- Project net income to date is **$1,944,583.89**
- Tonnes harvested to date is **58,803.47**
- Net income per tonne to date is **$33.07**
- Recoverable volume per hectare to date is **594.60** tonnes
- Net income per hectare to date is **$19,662.12**
- Total forest area is **180.5** hectares, approximate hectares cleared to date is **98.90** 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 **$417,604.24** with an average sale price over all grades of **$139.44** per tonne**.**

February 2022 - Log Markets, Gisborne & Hawkes Bay

The February export prices have increased $15.40/Jas m^3 on average in Gisborne, with the increases favouring unpruned grades. In Hawkes Bay, the export prices have increased $22.93/Jas m^3 on average, with the increases favouring pruned grades.

Radiata log inventories on the main Chinese ports we monitor have increased to 4.1Mm^3, with daily offtake down significantly to 20Km^3 per day. This was expected because of the Lunar New Year in early February. How the offtake increases will be interesting to see as the full effects of the Evergrande crisis unfold.

Reduced supplies out of New Zealand in the last quarter of 2021 has been key for reengaging Chinese buying, particularly when other parts of the world are offering no more volume than normal. We are seeing both the log and freight markets rise and expect to see increased AWG returns in the short term and then most likely increased volatility as the year progresses. China has now exited the LNY Holiday, and log demand / freight has lifted sharply. The New Zealand share of the China market is likely to increase further in the near term as supply from other major sources remain constrained due to high container costs and complex supply chain issues.

The spread of Omicron continues around the rest of the country, it is expected this will affect staff attendance as they isolate. This may affect log production, cartage, exporting operations as well as domestic sawmilling.

The recent Russian invasion of Ukraine has seen the rapid increase in crude oil prices. This is feeding into ocean freight rates lifting US$25 since January. Demand for freight is up sharply post LNY as more vessels look to relocate to the Pacific and away from the Atlantic due to concerns regarding the war escalating.

The NZD has continued to trade higher against the USD since the beginning of February.

Mid -quarter, domestic pruned log prices have fallen $8.49 in Gisborne this quarter due to weaker AWG export pricing from the previous Quarter. In Hawkes Bay, mid-quarter, domestic pruned log prices have settled flat, due to concerns relating to the slowdown in harvesting affecting production / supply.

Grade Recovery

Grade out turn for February is as follows:

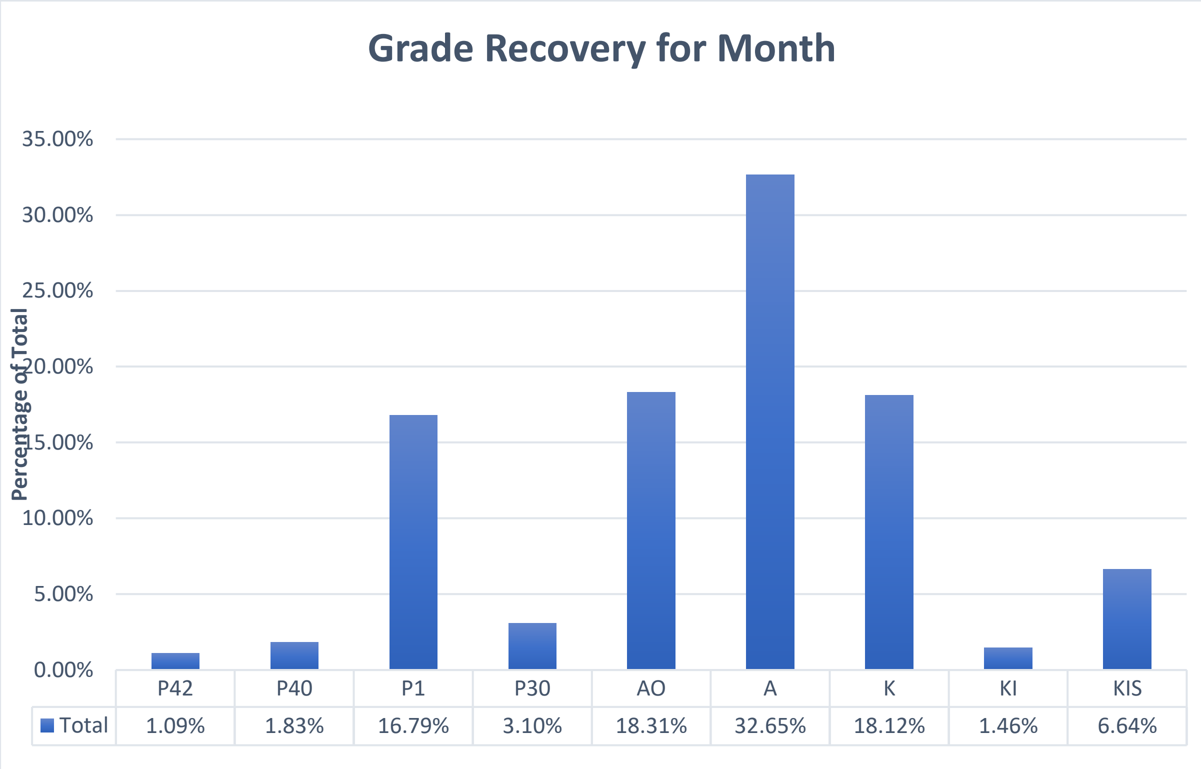


Chart 1: Grade Recovery for Month

Pruned recovery for February comprised 23% of overall sales volume, 17% of which was sold domestically.

High quality export sawlog (AO, A and K grades) made up 69% of the total production volume, with lower quality export (KI and KIS grades) comprising 8% of volume.

Expenditure

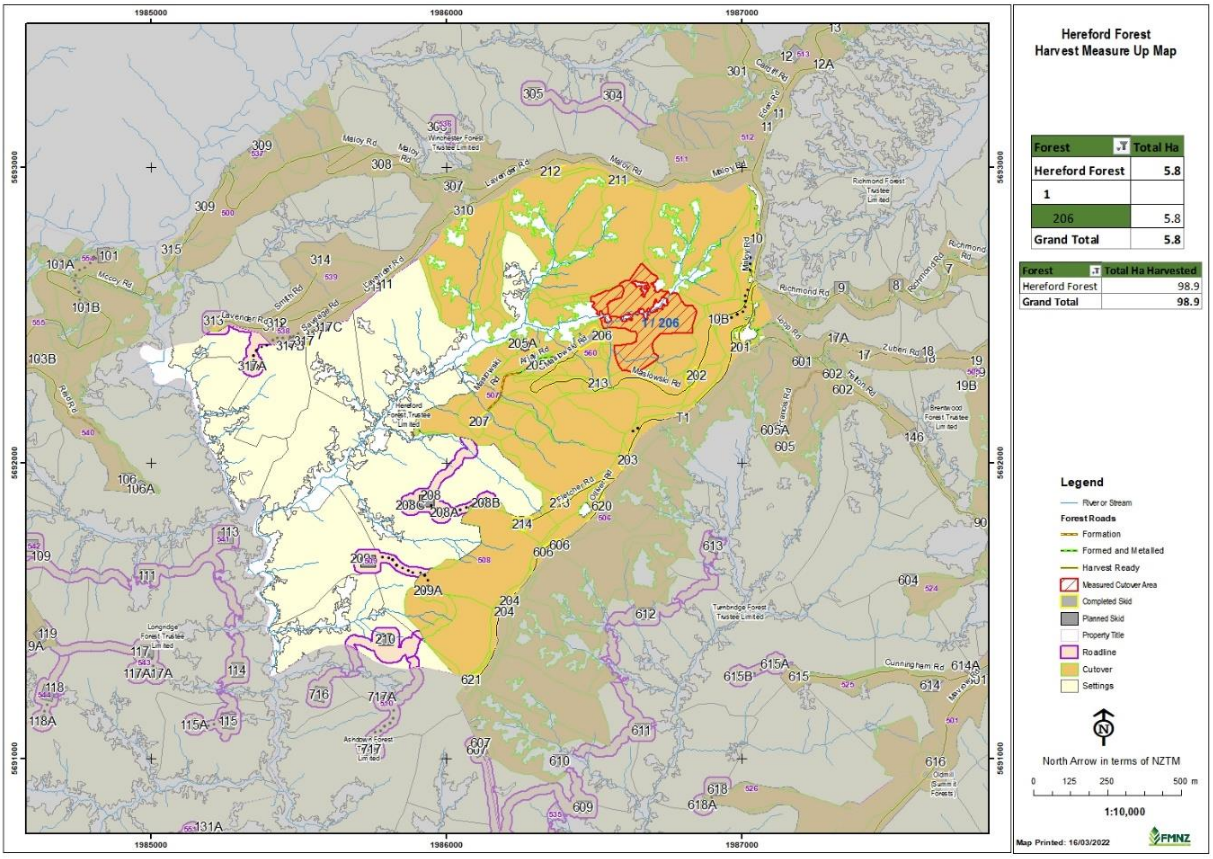
Harvesting

The total logging cost for the month was **$125,784.96**, an average of **$42.00** per tonne.

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

LOGGING COSTS		TOTAL
February	Logging – tonnes	$125,784.96
		$125,784.96

Table 1: Logging Costs



Pic 1: Progress Map

During February, Log 27 spent the month clearfell harvesting Setting 206 with the swing yarder on Maslowski Road. At the end of the month they made a start on Setting 205 on Maslowski Road.

Cartage

Cartage is managed by Harvest Logistics Ltd, who organise the despatch and supply of log trucks into the forest.

There has been a further increase in transport costs due to the ongoing increase in diesel price.

The total cartage expense for the month was **$84,075.46** which is an average unit rate of **$28.07** per tonne.

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

CARTAGE COSTS		TOTAL
February	Cartage - Truck	$84,075.46
	Weighbridge	$1,034.34
	Trailer Lifting	$79.60
		$85,189.40

Table 2: Cartage Costs

The average cart rate for February inclusive of weighbridge and trailer lifting fees is **$28.45** per tonne.

Engineering

ENGINEERING		RL	CF	TOTAL
February	Establishment - Engineering			$36.00
	Stockpile Works			$131.49
	Loadout Bay Construction			$216.67
	Landings			$1,441.50
	R&M - Road Maintenance			$1,065.30
				$2,890.95

Table 3: Engineering Costs

Earthworks in February included maintenance of Maslowski and Richmond Roads, as well as work on Landings 205, 206 and 208 to enable clearfell harvest.

Net Revenue

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

MONTH	NET MONTH	NET PROJECT
February	**$185,946.91**	**$1,944,583.89**

Table 4: Total Revenue

The net revenue for the month equates to an average of **$62.09** per tonne, or **$32,059.81** per hectare.

Fees and Levies

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

FEES & LEVIES		TOTAL
February	Management	$16,704.17
	FGC levy	$992.60
		$17,696.77

Table 5: Fees and Levies

Miscellaneous

See Table 6 below:

MISCELLANEOUS		TOTAL
February	Consumables	$95.24
		$95.24

Table 6: Miscellaneous Expenses

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

Environmental

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

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.

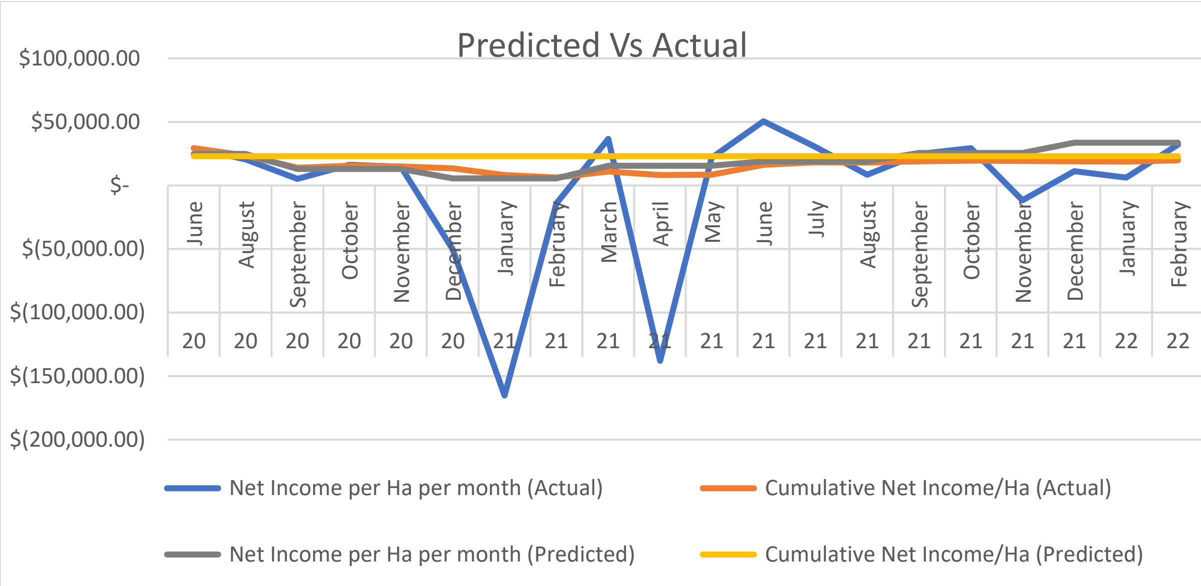


Chart 2: Actual vs Predicted

Net return per tonne to date is **$33.07**, forecast was $34.49.

Gross return per tonne to date is **$140.26**, forecast was $131.31.

Net return per hectare to date is **$19,662.12**, forecast was $23,032.71.

Kind Regards

FMNZ Harvest Team

Appendix 1 Harvesting Financial Summary (Clearfell and Roadline)

FMNZ
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Historic Harvesting Financial Summary

Hereford Forest Partnership 01/02/2022 to 28/02/2022

Paid to bank account # 02-0792-0001692-000 GST # 62-990-236

SALES					
Type	**Grade**	**Tonnes**	**Jas (m3)**	**Sales Price**	**Gross Revenue ($)**
Domestic					
Pruned Dom	P1 4.3	61.64		$192.00	$11,834.88
Pruned Dom	P1 4.9	281.08		$192.00	$53,967.36
Pruned Dom	P1 5.5	160.18		$178.50	$28,592.13
TOTAL DOMESTIC SALES		**502.90**			**$94,394.37**

Export					
Pruned Exp	P42 3.9	0.00	14.400	$182.00	$2,620.80
Pruned Exp	P42 5.9	0.00	21.299	$182.00	$3,876.42
Pruned Exp	P40 5.8	0.00	56.742	$177.00	$10,043.33
Pruned Exp	P30 3.9	0.00	20.903	$143.00	$2,989.13
Pruned Exp	P30 3.9	0.00	68.153	$145.00	$9,882.18
Pruned Exp	P30 5.1	0.00	9.380	$145.00	$1,360.10
A40	AO 3.9	0.00	68.183	$133.00	$9,068.34
A40	AO 5.8	0.00	392.332	$133.00	$52,180.16
A40	AO 5.9	0.00	104.728	$132.00	$13,824.10
A30	A 3.8	0.00	35.190	$126.00	$4,433.94
A30	A 3.8	0.00	319.380	$129.00	$41,200.02
A30	A 5.8	0.00	111.514	$129.00	$14,385.31
A30	A 5.8	0.00	528.815	$131.00	$69,274.76
K	K 3.8	0.00	143.691	$121.00	$17,386.61
K	K 5.8	0.00	62.508	$121.00	$7,563.47
K	K 5.8	0.00	315.153	$123.00	$38,763.82
KI	KI 3.8	0.00	44.559	$113.00	$5,035.17
TOTAL EXPORT SALES		**0.00**	**2,316.930**		**$303,887.66**

Export Pulp					
Export Pulp	KIS 2.9	0.00	106.100	$101.00	$10,716.10
Export Pulp	KIS 3.8	0.00	81.963	$105.00	$8,606.11
TOTAL EXPORT PULP SALES		**0.00**	**188.063**		**$19,322.21**
TOTAL		**502.90**	**2,504.993**		**$417,604.24**

FEES	
FMNZ Management Fee @ %	$16,704.17
TOTAL FEES	**$16,704.17**

Appendix 1 Harvesting Financial Summary (Continued)

LEVIES	
Forest Grower Commodity Levy @ $0.33	$992.60
TOTAL LEVIES	**$992.60**
COSTS	
Harvesting	$125,784.96
Cartage	$84,075.46
Weighbridge	$1,034.34
Consumables	$95.24
Establishment	$36.00
Landings	$1,441.50
Loadout Bay: Construction	$216.67
R&M - Road Maintenance	$1,065.30
Stockpile Works	$131.49
Trailer Lifting	$79.60
TOTAL COSTS	**$213,960.55**
TOTAL FEES, LEVIES & COSTS	**$231,657.32**

NET INCOME	**$185,946.92**
GST	**$27,892.04**
NET INCOME (INCLUDING GST)	**$213,838.96**

Photo 1: Log 26 harvesting Setting 206.

Photo 2: Log 27 working off Landing 206.

Photo 3: Landing 206 operations.

Photo 4: Felled stems waiting for retrieval in Setting 205.

Photo 5: Setting 206.

Photo 6: Swing yarder and processor on Landing 205.

Photo 7: Swing yarder hauling in stems and processor processing stems into logs.

HEREFORD CUMULATIVES

Categories	Descriptions	Mar 20 - Feb 21	Mar 21	Apr 21	May 21	June 21	July 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Grand Total
Engineering	Culvert Installation	-$11,337.25	-$2,351.00	-$1,785.00											-$15,473.25
	Culverts	-$23,601.80	-$5,898.82			-$2,846.34	-$2,280.00								-$34,626.96
	Culverts - Freight	-$1,041.20	-$551.00				-$970.00								-$2,562.20
	Establishment - Engineering	-$6,910.04	-$240.00			-$256.32	-$180.00			-$155.00			-$201.50	-$36.00	-$7,978.86
	Fluming	-$3,416.64	-$1,268.80	-$60.80		-$1,586.00									-$6,332.24
	Grass Seeding	-$3,810.20	-$1,129.25	-$992.75											-$5,932.20
	Landings	-$223,566.84	-$2,761.00			-$5,340.00	-$9,186.00	-$5,470.00						-$1,441.50	-$247,765.34
	Loadout Bay Construction	-$2,877.94				-$442.06	-$442.00		-$1,966.30				-$656.50	-$216.67	-$6,601.47
	Loadout Bay Metal	-$2,806.50													-$2,806.50
	Metal Rock	-$181,599.76	-$20,879.05	-$57,448.91	$14,174.72	-$24,512.23									-$270,265.23
	Other		-$313.60			-$20.50	-$6.25	-$75.56				-$1,504.00			-$1,919.91
	Pads	-$23,420.00	-$4,551.00			-$4,685.00			-$5,130.00						-$37,786.00
	Pavement	-$19,564.67	-$2,977.00	-$1,710.00			-$65.63								-$24,317.29
	R&M	-$17,634.00	-$955.46			-$1,023.67	-$4,495.25		-$1,336.20			-$169.00	-$999.87		-$26,613.46
	R&M - Culverts Maintenance	-$649.50	-$100.00							-$4,005.20					-$4,754.70
	R&M - Event Cleanup	-$1,884.76			-$2,100.00	-$12,055.62	-$26,777.94								-$42,818.32
	R&M - Road Maintenance	-$22,042.44	-$10,362.93		-$690.00	-$5,000.11	-$595.00	-$511.00	-$8,607.95	-$10,749.42	-$535.00	-$516.35	-$1,467.40	-$1,065.30	-$62,142.89
	Rehab	-$7,370.04		-$4,375.00	-$2,275.00				-$1,656.00				-$1,488.00		-$17,164.04
	Road Formation	-$492,639.64	-$44,911.00	-$7,945.00		-$300.00							-$899.00		-$546,694.64
	Sediment Control	-$350.62													-$350.62
	Spread from stockpile	-$70,737.35	-$1,742.00	-$9,660.00		-$130.00	-$995.75								-$83,265.10
	Stockpile Works	-$9,837.71	-$1,959.70	-$4,178.76		-$1,482.86	-$1,231.13	-$271.89	-$916.32	-$176.40		-$74.17	-$184.38	-$131.49	-$20,444.79
	Temp Landings	-$23,492.00	-$350.00												-$23,842.00
	Trucks - Cart & Dump	-$114,787.33	-$18,851.58	-$48,315.97	$12,610.96	-$28,491.84	-$20,748.43	-$298.74	-$3,457.01	-$14,163.48		-$2,723.07	-$1,109.42		-$240,335.91
	Trucks - Cart & Spread	-$2,086.91													-$2,086.91
	Metal Lime					-$6,521.59	-$24,843.74		-$1,019.07	-$2,327.85			-$1,169.41		-$35,881.67
	R&M - Metal					-$3,283.28		-$493.32	-$5,934.25			-$2,008.98			-$11,719.83
	Entranceway - Seal								-$4,869.35						-$4,869.35
Engineering Total		**-$1,267,465.14**	**-$122,153.18**	**-$136,472.19**	**$21,720.68**	**-$97,977.41**	**-$92,817.12**	**-$7,120.51**	**-$34,892.45**	**-$31,577.35**	**-$535.00**	**-$6,995.57**	**-$8,175.49**	**-$2,890.95**	**-$1,787,351.67**
Fees	FGC levy	-$7,166.39	-$1,614.73			-$2,532.91	-$1,642.55	-$266.20	-$2,335.91	-$808.43		-$444.31	-$149.61	-$992.60	-$17,953.64
	Management	-$135,524.15	-$29,963.78			-$50,843.23	-$33,052.93	-$3,902.31	-$38,419.68	-$12,851.29		-$6,452.66	-$2,206.67	-$16,704.17	-$329,920.87
Fees Total		**-$142,690.54**	**-$31,578.52**			**-$53,376.14**	**-$34,695.48**	**-$4,168.51**	**-$40,755.58**	**-$13,659.72**		**-$6,896.98**	**-$2,356.27**	**-$17,696.77**	**-$347,874.51**
Harvesting	Cartage - Rail	-$41,180.09	-$19,592.84	-$1,175.32		-$17,430.23	-$15,657.62		-$28,561.71	-$25,242.31	-$10,234.99				-$159,075.10
	Cartage - Truck	-$585,112.34	-$97,975.03			-$233,312.66	-$164,135.85	-$31,180.68	-$201,459.06	-$60,302.65		-$53,211.25	-$12,591.62	-$84,075.46	-$1,523,356.61
	Establishment - harvesting	-$10,866.71											-$7,161.00		-$18,027.71
	Logging	-$1,057,958.32	-$193,030.25			-$324,631.19	-$211,599.02	-$31,778.24	-$291,096.68	-$101,317.39		-$56,981.08	-$18,615.24	-$125,784.96	-$2,412,792.37
	Tracking	-$18,525.00	-$7,840.00			-$720.00									-$27,085.00
	Trailer Lifting	-$1,777.04	-$131.92			-$55.72						-$6.00		-$79.60	-$2,050.28
	Weighbridge	-$9,885.15	-$1,836.94			-$2,702.64	-$1,668.99	-$283.46	-$2,421.94	-$846.95		-$581.43	-$174.73	-$1,034.34	-$21,436.56
	Cartage - Trans Shipping								-$277.50						-$277.50
Harvesting Total		**-$1,725,304.64**	**-$320,406.98**	**-$1,175.32**		**-$578,852.44**	**-$393,061.48**	**-$63,242.38**	**-$523,816.90**	**-$187,709.30**	**-$10,234.99**	**-$110,779.76**	**-$38,542.59**	**-$210,974.36**	**-$4,164,101.13**
Income	Log Sales	$3,388,103.80	$749,094.61			$1,271,080.84	$826,323.34	$97,557.67	$960,491.97	$321,282.17		$161,316.52	$55,166.68	$417,604.24	$8,248,021.83
Income Total		**$3,388,103.80**	**$749,094.61**			**$1,271,080.84**	**$826,323.34**	**$97,557.67**	**$960,491.97**	**$321,282.17**		**$161,316.52**	**$55,166.68**	**$417,604.24**	**$8,248,021.83**
Miscellaneous	Consumables	-$1,180.61	-$108.01	-$13.00		-$181.44	-$64.94	-$11.94	-$96.71	-$52.40		-$18.42	-$7.16	-$95.24	-$1,829.86
	Other	-$98.61										-$86.83			-$185.44
	Power Lines	-$361.55													-$361.55
	Traffic Management	-$80.09													-$80.09
	Environmental Monitoring		-$158.88	-$203.57							-$840.00	-$330.00			-$1,532.45
	Consultancy Fees		-$78.75	-$25.31											-$104.06
	Security		-$0.94	-$16.23											-$17.17
Miscellaneous Total		**-$1,720.85**	**-$346.58**	**-$258.11**		**-$181.44**	**-$64.94**	**-$11.94**	**-$96.71**	**-$52.40**	**-$840.00**	**-$435.25**	**-$7.16**	**-$95.24**	**-$4,110.62**
Grand Total		**$250,922.63**	**$274,609.35**	**-$137,905.63**	**$21,720.68**	**$540,693.41**	**$305,684.33**	**$23,014.34**	**$360,930.33**	**$88,283.40**	**-$11,609.99**	**$36,208.97**	**$6,085.17**	**$185,946.91**	**$1,944,583.89**

April 2022 Update

LOG MARKET UPDATE

Global markets during March have been driven by the war in Ukraine with all major commodities trading higher. Demand in China has been strong, however the recent lockdowns in Shenzhen and Shanghai have seen daily Chinese port offtakes drop down to around 43,000 tonnes per day – around half the normal amount.

China is still pursuing a zero-Covid strategy, and these lockdowns mean most factories, business activities and cargo movements have been affected. Log inventories on the Chinese ports are currently at normal levels, and any reduction in processing capacity is thought to be offset by reduced supply on the back of the Ukraine conflict.

Shipping has been affected by the increase in crude oil, which has undone all recent shipping rate decreases. As European countries ban exports of commodities, we are hearing that more of the bulk shipping fleet is moving into the Pacific, this could flow through to freight rate reductions in the medium term. In New Zealand, Covid has affected port loading capacity as most major ports struggle to keep a complete labour force. Log supply on the East Coast has been hampered by the recent weather events, this has helped to stop port inventories building with the other processing constraints.

Domestically, demand remains strong. The housing market has reached a turning point, however there is a huge backlog for timber to complete the existing consented builds. Consents were the highest on record for the first part of this year.

Log prices are expected to lift slightly in April/May, however external pressures around freight, the Ukraine crisis and covid shutdowns may affect this.

FOREST ACTIVITY UPDATE

Once the crews have completed clean-up of the storm damage in the Ruakituri forests in order to protect the roading infrastructure and to ensure the water can flow freely from the site, all crews in the forests will be leaving. Once the Te Reinga bridge has been repaired the forest managers will bring crews back into the forests. As per the council update, the bridge repair could take up to six months.

DAMAGE UPDATE FROM MARCH 2022 RAIN EVENT

The forest managers have requested that we hold harvest disbursements from the forests that were harvesting, until they can quantify forest costs moving forward. They have commented, that apart from slope failures on the Richmond hill, the Ruakituri forests escaped relatively unscathed from the rain event.