



HARVESTING REPORT

February 2022

IRONGATE FOREST



Processing logs on Landing 1.

Clearfell Harvesting Report – Irongate – February 2022

Summary

- Gross revenue for the month is **\$582,942.23**
- Costs for the month are **\$274,315.24**
- Net income for the month is **\$308,626.99**
- Tonnes harvested for the month is **4,108.29**
- Net income per tonne for the month is **\$75.12**
- Area cleared for the month is **6.3** hectares

The project performance to date is set out below:

- Project gross revenue to date is **\$17,678,386.35**
- Project costs to date are **\$11,630,598.47**
- Project net income to date is **\$6,047,787.88**
- Tonnes harvested to date is **129,725.90**
- Net income per tonne to date is **\$46.62**
- Recoverable volume per hectare to date is **665.60** tonnes
- Net income per hectare to date is **\$31,030.21**
- Total forest area is **348.9** hectares, approximate hectares cleared to date is **194.90** 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 **\$582,942.24** with an average sale price over all grades of **\$141.89** per tonne.

February 2022 - Log Markets, Hawkes Bay

The February export prices have increased \$22.93/Jas m³ on average, with the increases favouring pruned grades.

Radiata log inventories on the main Chinese ports we monitor have increased to 4.1Mm³, with daily offtake down significantly to 20Km³ 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 settled flat, due to concerns relating to the slowdown in harvesting affecting production / supply.

Grade Recovery

Grade out turn for February is as follows:

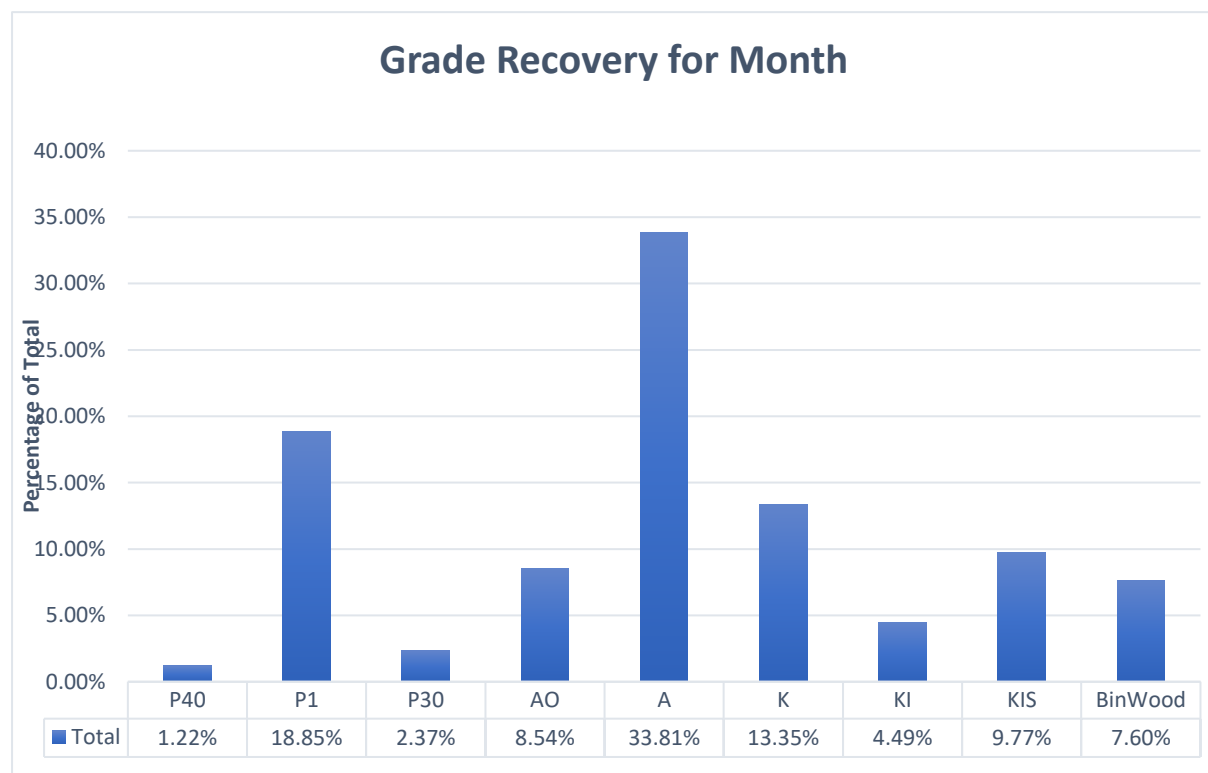


Chart 1: Grade Recovery for Month

Pruned recovery for February comprised 22% of overall sales volume, 19% of which was sold as domestic pruned grades.

High quality export sawlog (AO, A and K grades) made up 56% of the total production volume, with lower quality export (KI and KIS grades) comprising 14% of volume.

The remaining 8% of production was made up of domestic pulp and binwood.

Expenditure

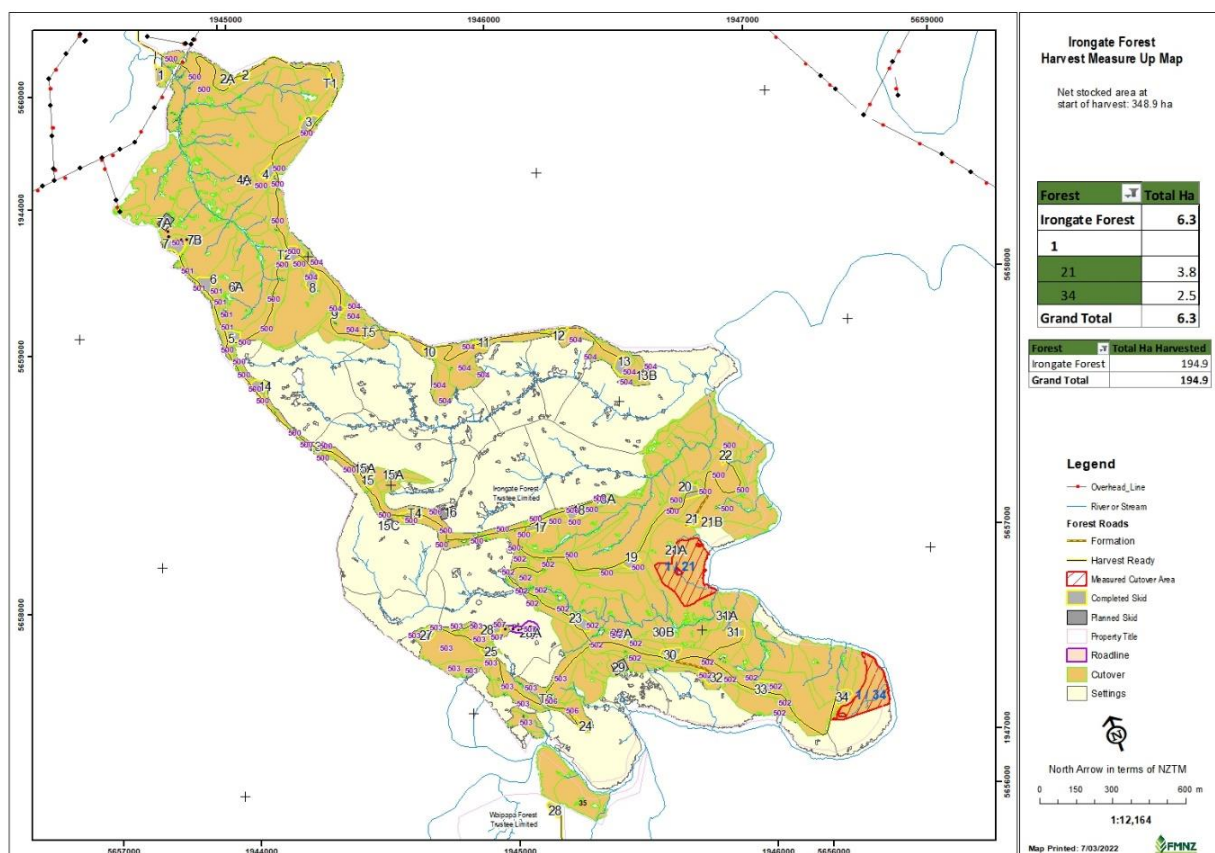
Harvesting

The total logging cost for the month was **\$154,287.52**, an average of **\$37.56** per tonne.

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

LOGGING COSTS		TOTAL
February	Logging – tonnes	\$154,287.52
		\$154,287.52

Table 1: Logging Costs



Pic 1: Progress Map

During February, the harvest crew finished the windthrow in Setting 34 and resumed extraction with the swing yarder in Setting 21 on Court Road.

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 **\$89,520.94** which is an average unit rate of **\$21.79** per tonne.

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

CARTAGE COSTS		TOTAL
February	Cartage - Truck	\$89,520.94
	Weighbridge	\$1,400.93
	Trailer Lifting	\$12.00
		\$90,933.87

Table 2: Cartage Costs

The average cart rate for February inclusive of weighbridge and trailer lifting fees is **\$22.13** per tonne.

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

Trailer lifting costs are for use of 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
February	Metal Rock		\$2,790.72	\$2,790.72
	Trucks - Cart & Dump		\$1,360.00	\$1,360.00
			\$4,150.72	\$4,150.72

Table 3: Engineering Costs

Earthworks costs in February were for the supply and delivery of maintenance metal. This metal will be used for maintenance on both Colley and Gumnut Roads.

Net Revenue

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

MONTH	NET MONTH	NET PROJECT
February	\$308,626.99	\$6,047,787.88

Table 4: Total Revenue

The net revenue for the month equates to an average of **\$75.12** per tonne, or **\$48,988.41** per hectare.

Fees and Levies

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

FEES & LEVIES		TOTAL
February	Management	\$23,317.69
	FGC levy	\$1,429.39
		\$24,747.08

Table 5: Fees and Levies

Miscellaneous

See Table 6 below:

MISCELLANEOUS		TOTAL
February	Consumables	\$76.05
	Other	\$76.00
	Traffic Management	\$44.00
		\$196.05

Table 6: Miscellaneous Expenses

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

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

Traffic Management costs are for road marker signs.

Health and Safety

There was one medical treatment injury reported in the forest in February.

This occurred when a crew member slipped when sharpening a felling machine chain and cut their thumb. The worker bandaged the cut however, overnight it became infected and required hospital treatment and IV antibiotics. This was a reminder to wear correct PPE (gloves) and slowing down and taking more care to reduce the risk of injury.

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.

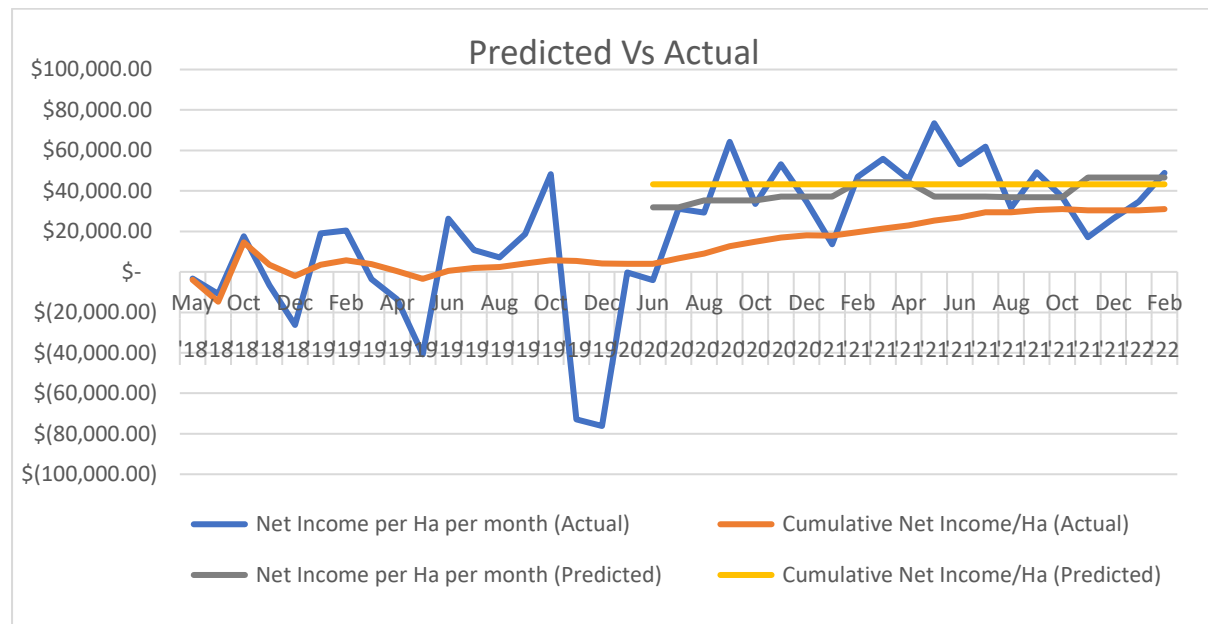


Chart 2: Actual vs Predicted

Net return per tonne to date is **\$46.62**, forecast was \$63.97.

Gross return per tonne to date is **\$136.27**, forecast was \$136.79.

Net return per hectare to date is **\$31,030.21**, forecast was \$43,272.91.

Kind Regards

FMNZ Harvest Team

Appendix 1 Harvesting Financial Summary (Clearfell and Roadline)



Historic Harvesting Financial Summary

Irongate Forest Partnership

01/02/2022 to 28/02/2022

Paid to bank account # 02-0792-0001430-00

GST # 60-931-348

SALES					
Type	Grade	Tonnes	Jas (m3)	Sales Price	Gross Revenue (\$)
Binwood					
Pulp	BinWood	312.41		\$45.50	\$14,214.65
TOTAL BINWOOD SALES		312.41			\$14,214.65

Domestic					
Pruned Dom	P1	153.60		\$194.50	\$29,875.20
Pruned Dom	P1 4.9	620.76		\$192.00	\$119,185.92
TOTAL DOMESTIC SALES		774.36			\$149,061.12

Export					
Pruned Exp	P40 3.9	0.00	54.253	\$195.00	\$10,579.33
Pruned Exp	P30 3.9	0.00	107.641	\$160.00	\$17,222.56
A40	AO 3.8	0.00	399.122	\$134.00	\$53,482.35
A30	A 3.8	0.00	73.964	\$130.00	\$9,615.32
A30	A 3.8	0.00	364.579	\$132.00	\$48,124.43
A30	A 5.8	0.00	91.928	\$132.00	\$12,134.50
A30	A 5.8	0.00	700.321	\$134.00	\$93,843.01
A30	A 7.7	0.00	297.145	\$135.00	\$40,114.58
K	K 3.8	0.00	15.889	\$122.00	\$1,938.46
K	K 3.8	0.00	220.984	\$124.00	\$27,402.02
K	K 5.8	0.00	12.819	\$124.00	\$1,589.56
K	K 5.8	0.00	322.642	\$126.00	\$40,652.89
KI	KI 3.8	0.00	28.086	\$115.00	\$3,229.89
KI	KI 3.8	0.00	163.037	\$116.00	\$18,912.29
TOTAL EXPORT SALES		0.00	2,852.410		\$378,841.19

Export Pulp					
Export Pulp	KIS 2.9	0.00	134.489	\$98.00	\$13,179.92
Export Pulp	KIS 2.9	0.00	28.442	\$101.00	\$2,872.64
Export Pulp	KIS 3.8	0.00	229.377	\$108.00	\$24,772.72
TOTAL EXPORT PULP SALES		0.00	392.308		\$40,825.28
TOTAL		1,086.77	3,244.718		\$582,942.24

FEES	
FMNZ Management Fee @ %	\$23,317.69
TOTAL FEES	\$23,317.69

Appendix 1 Harvesting Financial Summary (Continued)

LEVIES	
Forest Grower Commodity Levy @ \$0.33	\$1,429.39
TOTAL LEVIES	\$1,429.39
COSTS	
Harvesting	\$154,287.52
Cartage	\$89,520.94
Weighbridge	\$1,400.93
Consumables	\$76.05
Metal Rock m3	\$2,790.72
Metalling: Cart to stockpile	\$1,360.00
Other	\$76.00
Traffic Management	\$44.00
Trailer Lifting	\$12.00
TOTAL COSTS	\$249,568.16
TOTAL FEES, LEVIES & COSTS	\$274,315.24
NET INCOME	\$308,627.00
GST	\$46,294.05
NET INCOME (INCLUDING GST)	\$354,921.05



Photo 1: Quality Control being carried out on Landing 21.



Photo 2: Landing 21 operations.



Photo 3: Felling machine coming out of Setting 21 for refuelling, felled stems in the background.



Photo 4: Landing 21 operations.



Photo 5: Excavator clearing stems from the swing yarder on Landing 21.



Photo 6: Landing 21 operations.



Photo 7: Madill 123 swing yarder on Landing 21.



Photo 8: Grapple being sent out to retrieve felled stems from the setting.



Photo 9: Swing yarder hauling in stems.

IRONGATE 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	Jan 22	Feb 22	Grand Total
Engineering	Bidem	-\$450.00	-\$300.00														-\$750.00
	Borrow Pit	-\$720.00		-\$7,373.28				-\$2,887.50	-\$1,225.00								-\$12,205.78
	Culvert Installation	-\$13,150.00	-\$31,303.50	-\$1,416.40		-\$1,385.10			-\$525.00			-\$1,225.00	-\$1,575.00				-\$50,580.00
	Culverts	-\$23,269.05	-\$40,455.05	-\$5,666.34			-\$2,846.34		-\$2,846.34	-\$2,949.58		-\$6,157.26					-\$84,189.96
	Culverts - Freight		-\$240.00	-\$3,165.93			-\$437.40	-\$1,294.80	-\$360.00	-\$240.00			-\$420.00				-\$6,158.13
	Entranceway - Seal	-\$161,414.66	-\$7,439.70														-\$168,854.36
	Establishment - Engineering	-\$5,165.00	-\$11,310.00	-\$8,452.41	-\$462.50	-\$1,396.50		-\$4,045.30	-\$720.00	-\$1,080.00	-\$1,725.00	-\$1,575.00	-\$1,860.00	-\$2,532.00	-\$400.00		-\$40,723.71
	Fluming	-\$3,720.09	-\$15,160.18	-\$172.14			-\$190.07	-\$190.07	-\$3,404.30			-\$3,430.60					-\$26,267.45
	Geotextiles		-\$320.00														-\$320.00
	Grass Seeding	-\$650.00	-\$3,715.49	-\$1,092.75		-\$618.50					-\$256.50		-\$225.00				-\$6,558.24
	Landings	-\$64,472.50	-\$115,992.50	-\$48,554.42		-\$1,918.00		-\$3,150.00	-\$8,312.50	-\$11,375.00	-\$18,067.50	-\$21,822.50	-\$14,210.00				-\$307,874.92
	Loader Hire	-\$13,868.72	-\$21,266.15														-\$35,134.87
	Loadout Bay Construction	-\$682.50		-\$883.20		-\$280.00		-\$2,608.36	-\$1,200.00	-\$360.00	-\$990.00	-\$2,205.00					-\$9,209.06
	Loadout Bay Metal		-\$3,939.77	-\$1,080.00													-\$5,019.77
	Metal Lime		-\$17,120.40	-\$62,617.40		-\$2,145.00		-\$13,159.38									-\$95,042.18
	Metal Rock	-\$90,603.87	-\$124,057.75	-\$9,173.45	-\$2,552.98	-\$5,184.62		-\$6,623.17	-\$14,667.55	-\$6,276.00	-\$17,587.00	-\$16,577.00	-\$5,598.00	-\$698.00	-\$2,403.97	-\$2,790.72	-\$304,794.08
	Other	-\$4,517.50	-\$1,680.00	-\$459.50		-\$105.00		-\$20.00	-\$700.00								-\$7,482.00
	Pads			-\$2,477.70		-\$966.00		-\$10,637.88		-\$875.00	-\$907.50	-\$2,012.50	-\$11,445.00				-\$29,321.58
	Pavement	-\$33,110.00	-\$53,660.00	-\$15,361.36		-\$672.00		-\$3,790.80	-\$525.00	-\$700.00					-\$1,956.00		-\$109,775.16
	Polycom	-\$27,390.90	-\$6,807.10														-\$34,198.00
	R&M	-\$22,050.00	-\$53,419.94	-\$21,350.53				-\$1,410.00	-\$525.00	-\$700.00	-\$2,722.50	-\$1,575.00		-\$9,949.00			-\$113,701.97
	R&M - Culverts Maintenance			-\$550.00													-\$550.00
	R&M - Road Maintenance			-\$22,898.13		-\$3,259.50	-\$947.70	-\$3,713.39			-\$18,297.50	-\$1,312.50	-\$3,325.00				-\$53,753.72
	Rehab	-\$6,897.50	-\$11,007.89	-\$1,677.74				-\$14,657.68	-\$4,287.50	-\$4,025.00	-\$990.00		-\$1,575.00	-\$3,472.00			-\$48,590.31
	Rehab - Skids/Pads			-\$5,040.00													-\$5,040.00
	Road Formation	-\$149,645.00	-\$200,767.50	-\$60,211.24	-\$874.80	-\$3,863.70		-\$16,870.18	-\$21,525.00	-\$7,525.00	-\$11,385.00	-\$42,157.50	-\$9,187.50				-\$524,012.42
	Spread from stockpile	-\$38,600.00	-\$207,460.00	-\$26,368.67		-\$4,939.25		-\$8,280.69	-\$7,540.00	-\$3,720.00		-\$9,540.00	-\$5,700.00		-\$1,100.00		-\$313,248.61
	Stockpile Works			-\$23,337.53	-\$285.00	-\$2,693.88		-\$2,868.97	-\$2,134.75		-\$3,300.00	-\$6,412.50		-\$312.00	-\$120.00		-\$41,464.63
	Temp Landings	-\$24,045.00	-\$16,260.00	-\$2,712.84				-\$700.00	-\$3,850.00								-\$47,567.84
	Trucks - Cart & Dump	-\$93,215.96	-\$375,208.08	-\$96,113.69	-\$2,000.00	-\$9,850.00		-\$17,518.91	-\$5,895.00	-\$3,900.00	-\$13,125.00	-\$11,301.00	-\$4,646.34	-\$579.34	-\$1,520.00	-\$1,360.00	-\$636,233.32
	Trucks - Cart & Spread	-\$107,310.00	-\$720.00	-\$6,373.47				-\$540.00	-\$3,840.00								-\$118,783.47
	R&M - Event Cleanup										-\$990.00						-\$990.00
	R&M - Metal										-\$3,324.25						-\$3,324.25
Engineering Total		-\$884,948.25	-\$1,319,611.00	-\$434,580.11	-\$6,175.28	-\$39,277.05	-\$4,421.51	-\$114,967.07	-\$84,082.94	-\$43,725.58	-\$93,667.75	-\$127,303.36	-\$59,766.84	-\$17,542.34	-\$7,499.97	-\$4,150.72	-\$3,241,719.76
Fees	FGC levy	-\$3,627.32	-\$6,340.12	-\$9,709.68	-\$1,331.90	-\$1,432.52	-\$1,625.32	-\$1,711.88	-\$2,455.48	-\$1,393.72	-\$2,470.23	-\$2,700.96	-\$1,271.32	-\$783.88	-\$859.60	-\$1,429.39	-\$39,143.30
	Management	-\$76,947.89	-\$120,891.23	-\$177,169.21	-\$22,804.22	-\$26,289.39	-\$30,544.09	-\$34,756.27	-\$49,253.43	-\$22,559.01	-\$40,195.02	-\$43,003.65	-\$16,944.95	-\$9,842.15	-\$12,617.24	-\$23,317.69	-\$707,135.45
Fees Total		-\$80,575.21	-\$127,231.35	-\$186,878.89	-\$24,136.12	-\$27,721.91	-\$32,169.42	-\$36,468.15	-\$51,708.91	-\$23,952.73	-\$42,665.25	-\$45,704.61	-\$18,216.27	-\$10,626.03	-\$13,476.83	-\$24,747.08	-\$746,278.76
Harvesting	Cartage - Trans Shipping		-\$360.00			-\$330.00					-\$277.50						-\$967.50
	Cartage - Truck	-\$257,618.86	-\$457,389.15	-\$608,344.42	-\$71,163.24	-\$79,425.30	-\$91,994.62	-\$99,356.77	-\$157,670.77	-\$86,438.75	-\$155,053.49	-\$169,175.81	-\$77,857.32	-\$48,889.49	-\$55,050.56	-\$89,520.94	-\$2,504,949.50
	Establishment - harvesting	-\$6,310.00	-\$880.00	-\$8,610.00				-\$850.00	-\$1,220.00		-\$1,420.00	-\$1,260.00					-\$20,550.00
	Logging	-\$558,409.75	-\$967,349.56	-\$1,284,779.42	-\$143,249.86	-\$160,536.32	-\$184,987.29	-\$198,684.87	-\$289,778.08	-\$159,170.42	-\$283,896.38	-\$309,941.18	-\$137,679.26	-\$84,837.94	-\$95,874.48	-\$154,287.52	-\$5,013,462.33
	Tracking	-\$5,787.50	-\$11,270.00	-\$1,385.10				-\$1,260.00	-\$875.00	-\$1,137.50	-\$1,320.00	-\$2,187.50	-\$700.00				-\$25,922.60
	Weighbridge	-\$4,806.67	-\$8,307.85	-\$10,269.27	-\$1,169.98	-\$1,283.32	-\$1,577.06	-\$1,696.99	-\$2,495.32	-\$1,342.76	-\$2,418.92	-\$2,675.91	-\$1,142.71	-\$857.22	-\$986.66	-\$1,400.93	-\$42,431.57
	Trailer Lifting			-\$24.00			-\$6.00	-\$6.00	-\$66.00		-\$174.00	-\$360.00	-\$96.00	-\$12.00		-\$12.00	-\$756.00
Harvesting Total		-\$832,932.78	-\$1,445,556.56	-\$1,913,388.21	-\$215,607.08	-\$241,574.95	-\$278,564.97	-\$301,854.63	-\$452,105.17	-\$248,089.43	-\$444,560.29	-\$485,600.40	-\$217,475.28	-\$134,596.65	-\$151,911.71	-\$245,221.39	-\$7,609,039.50
Income	Log Sales	\$1,923,697.36	\$3,022,280.83	\$4,429,230.15	\$570,105.57	\$657,234.76	\$763,602.34	\$868,906.78	\$1,231,335.80	\$563,975.27	\$1,004,875.57	\$1,075,091.23	\$423,623.69	\$246,053.87	\$315,430.90	\$582,942.24	\$17,678,386.35
Income Total		\$1,923,697.36	\$3,022,280.83	\$4,429,230.15	\$570,105.57	\$657,234.76	\$763,602.34	\$868,906.78	\$1,231,335.80	\$563,975.27	\$1,004,875.57	\$1,075,091.23	\$423,623.69	\$246,053.87	\$315,430.90	\$582,942.24	\$17,678,386.35
Miscellaneous	Consultancy Fees	-\$325.27															-\$325.27
	Consumables	-\$704.74	-\$976.05	-\$1,435.58	-\$372.91	-\$74.93	-\$133.16	-\$297.09	-\$223.40	-\$208.01	-\$225.29	-\$200.62	-\$73.66	-\$127.49	-\$89.10	-\$76.05	-\$5,218.08
	Other	-\$4,400.15	-\$1,530.74	-\$570.78	-\$173.89	-\$95.00	-\$280.00	-\$95.00	-\$114.00	-\$281.70	-\$103.64	-\$103.64	-\$87.69	\$1,540.50	-\$76.00	-\$76.00	-\$6,447.73
	Power Lines	-\$1,326.12															-\$1,326.12
	Security	-\$2,688.93	-\$3,965.39	-\$337.46				-\$6,307.38	\$339.76								-\$12,959.40
	Traffic Management	-\$4,160.10	-\$723.69	-\$20.00					-\$6.82							-\$44.00	-\$4,954.61
	Environmental Monitoring					-\$842.50			-\$354.75	-\$435.00	-\$697.00						-\$2,329.25
Miscellaneous Total		-\$13,605.31	-\$7,195.87	-\$2,363.82	-\$546.80	-\$1,012.43	-\$413.16	-\$6,699.47	-\$359.21	-\$924.71	-\$1,025.93	-\$304.26	-\$161.35	\$1,413.01	-\$165.10	-\$196.05	-\$33,560.46
Grand Total		\$111,635.81	\$122,686.06	\$1,892,019.13	\$323,640.29	\$347,648.42	\$448,033.29	\$408,917.45	\$643,079.58	\$247,282.81	\$422,956.35	\$416,178.60	\$128,003.94	\$84,701.86	\$142,377.28	\$308,626.99	\$6,047,787.88

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

Clearfell harvest is ongoing.

DAMAGE UPDATE FROM MARCH 2022 RAIN EVENT

The forest managers have been on the ground in the forest, and commented, that despite the significant amount of rain that came down during the rain event last month, the forest has escaped relatively unscathed.