



HARVESTING REPORT
SEPTEMBER 2015
WAIKARE FOREST PARTNERSHIP



WAIKARE ROAD

FMNZ

"Maximising the value of forests since 1974"

September Harvesting Report:

Summary

Clearfell harvest operations continued throughout September. The hauler production was concentrated on Willis Road.

As much of the month has been dry, groundbase operations resumed with the roadlining of Gillingham Drive into compartments 2&3. The road construction continues towards Lake Waikare and this work will be ongoing as the weather permits and will provide access for harvest over the late summer and next winter. (See forest map attached as Appendix 4 and 5). Once these roads are built, the engineering costs will reduce significantly.

The recoverable volume for September totalled **5,419.87** units (JAS/Tonnes), returning gross log sales of **\$549,832.82** excluding GST. (See Appendix 1, Harvesting Financial Summary). This month 9.5 ha was harvested, the recoverable volume averaged 579T/ha.

Net revenue for the month of September totalled \$9,814.24 excluding GST. See Appendix 3, Waikare Forest - Cashflow Summary (September). This is lower than anticipated as the wash-up this month from the vessel Port Alberni was negative \$46,350.77.

To date 63.4 ha has been harvested. Based on; actual volume recovered, current grade outturn, forecast engineering cost of \$8.50 per tonne and consent costs averaged over the whole forest, the projected return per hectare for the forest is slightly below the harvesting proposal this is mainly due to lower prices and negative washup. Please see table below:

Budgeted Return per hectare	Projected Return per hectare	Hectares Harvested
\$16,202.83	\$15,518.59	63.4

The net income to date for the project overall is a positive of **\$180,843.81**.

Expenditure

The total expenditure for September was **\$493,667.81**. This was made up of the following:

Engineering

Engineering construction expenditure for the month completed a further 270 L/m of Gillingham Rd and two landings (17 & 18).

Engineering Costs

		Total
September	Metal	\$31,841.00
	Engineering	\$6,981.00
	Landings/Pads	\$13,072.00
	Metal spreading	\$45,792.40
	R&M	\$11,102.00
	Rehab	\$3,792.00
	Road Construction	\$14,046.00
	Establishment	\$605.00
Total		\$127,231.40

Table 1: Engineering

This month expenses also included the installation of the first of two container culvert crossings. These have been engineered to carry 86 tonnes (hauler) and at \$12,000 each are considerably cheaper than other options (a bridge costs \$65,000).



Figure 1: First culvert installation leading into compartment 2&3, Gillingham Road

It is important we get the roads into compartments 2 and 3 constructed now, while the weather permits, to allow the roads to settle before being used by harvest traffic next year.

Once this work is completed, we can expect to see engineering costs reduce significantly to a maintenance only cost.

Harvesting

The logging cost for September totalled **\$181,714.25** producing 5,501.63 merchantable tonnes. The average production rate was 239 tonne per day with an average harvesting cost of \$33.03 per tonne for the month.

As agreed with the harvest contractor, we have reviewed the logging rate and increased it by \$2 on pruned & sawlog grades from \$33 to \$35/tonne. This review reflects the level of production being achieved under difficult conditions as well as making allowance for the smaller piece size and areas of windthrow that exist in the area presently being harvested. The harvest cost will be reviewed regularly to reflect a fair cost for the harvest operation.

The total harvesting cost for the month is in table 2 below:

Harvesting Cost Summary

		Total
September	Logging	\$181,714.25
Total		\$181,714.25

Table 2: Harvesting cost

This month 9.5 ha was harvested, the recoverable volume averaged 579T/ha.

To date 63.4ha has been felled with an average recoverable volume of 561.5T/ha. This is due to a combination of logs used in corduroy and lower March and May recoveries, we anticipate the average recoverable volume for the project will continue to increase to the 614 t/ha forecast. This is based on a piece size of 2.2 t.

The harvest map below shows the September harvesting progress, this is also shown in Appendix 4.

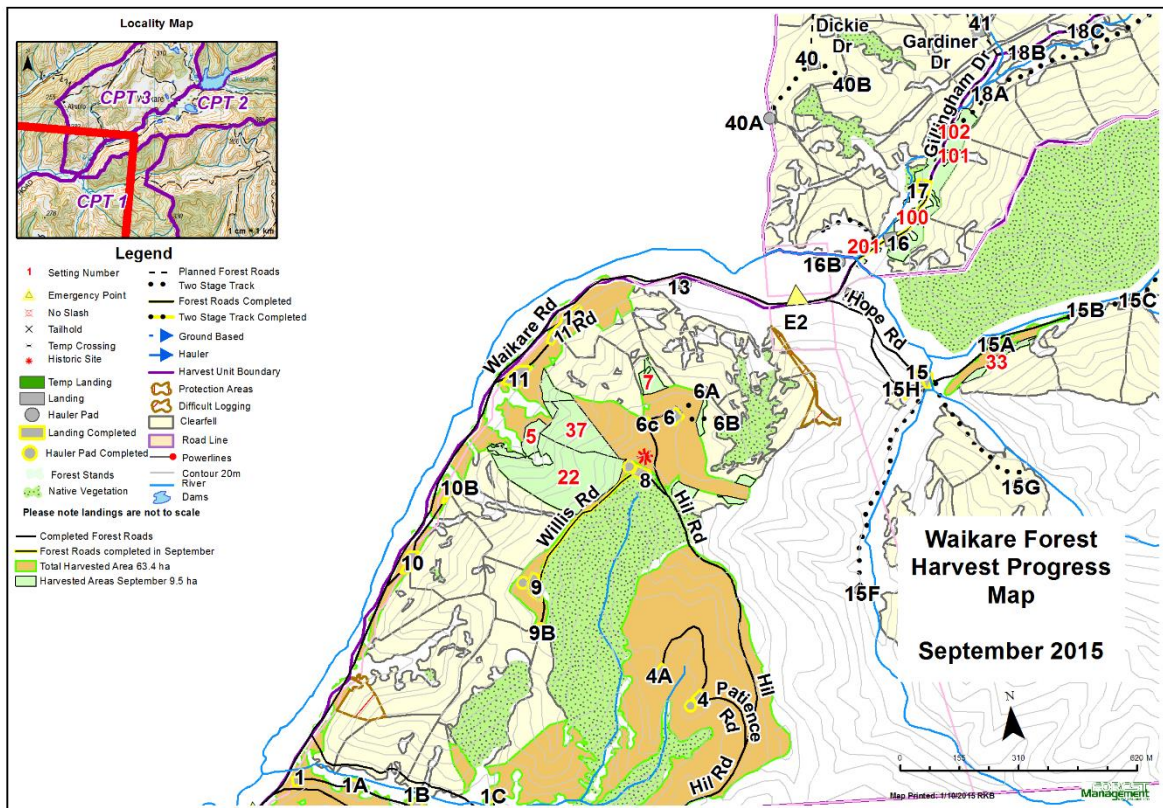


Figure 2: Waikare Progress Map, Areas highlighting in green have been harvested this month.



Figure 3: Roadlining continues into compartment 2&3.

Cartage

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

Cartage Cost Summary

		Total
September	Cartage - Overweight loads	-\$2,227.45
	Cartage – Trans-shipping	\$300.00
	Cartage - Truck	\$162,838.95
	Weighbridge	\$1,934.20
Total		\$162,845.70

Table 3: Cartage

A small volume of grades (part packets) were trans-shipped from landing 17 to Landing 9, so these could be loaded out before this wood became sap stained.

The average cartage cost was \$29.60/tonne.

Fees and Levies

The September Wash-up Management Fee of -\$1,844.06 is included in the Management Fees and FGC levies summarised in the chart below:

Fees and Levies Cost Summary

		Total
September	Management	\$20,149.25
	FGC levy	\$1,463.36
Total		\$21,612.62

Table 4: Fee's and Levies

Miscellaneous

Miscellaneous expenditure for the month totalled:

Miscellaneous Cost Summary

		Total
September	Other	\$263.84
Total		\$263.84

Table 5: Miscellaneous

These costs included; Bridge approach and weight limit signs installed on the first crossing.

Revenue

Log Sales

Gross log sales for the month are summarised below in table 6:

Month	Customer	Units	QTY	Revenue
September	SNP	Jas	3184.717	\$334,032.29
	TPINE	Tonnes	1693.013	\$186,827.52
	WPI	Tonnes	542.14	\$28,973.02
Total			5419.87	\$549,832.82

Table 6: Domestic & Export sales

During September we continued to supply Taranaki Sawmills (TSM) both pruned and sawlog grades from Waikare Forest. Export grades were sold via New Plymouth port through Summit New Zealand with all pulp being sold on truck to Winstone Pulp International.

Log Markets

The domestic market is presently paying a higher price for sawlogs over the export equivalent, while the domestic pruned logs are at a slightly lower value than export.

Currently we sell approximately 450 tonne of pruned and sawlogs a week to TSM (Domestic sawmill) with the remainder going to export. Under the current market conditions the weighted average across these grades is benefiting the Waikare partners. Prices for the coming quarter have been renegotiated with pruned remaining flat and the sawlog grades dropping \$3/T. TSM may be playing catch-up, but we have enjoyed good gains in previous months. As export prices lift we will look to reduce our supply into this market, but it is important we remain a significant supplier into TSM.

Recent market sentiment in China is well up on previous months and is looking good into Oct/Nov. September inventories on Chinese ports are at 3.2mil m³ and looks to be decreasing, with a current daily off take of - 68,000m³/day. This is up a further 8,500m³/day from last month. A decrease in volume of logs is currently in transit destined for Chinese ports, but this is expect to reverse with current forecast prices continuing.

Grade Recovery

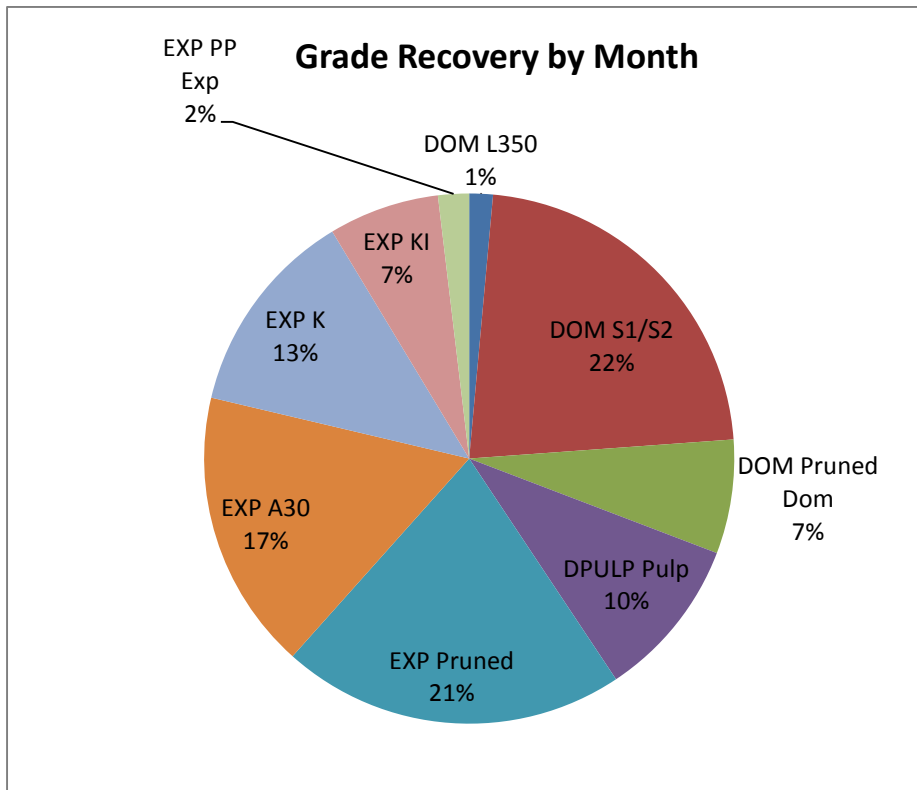


Chart 1: Grade Recovery by Month (September)

Close monitoring of log quality is continuing to ensure value recovery is maintained within customer log specs.

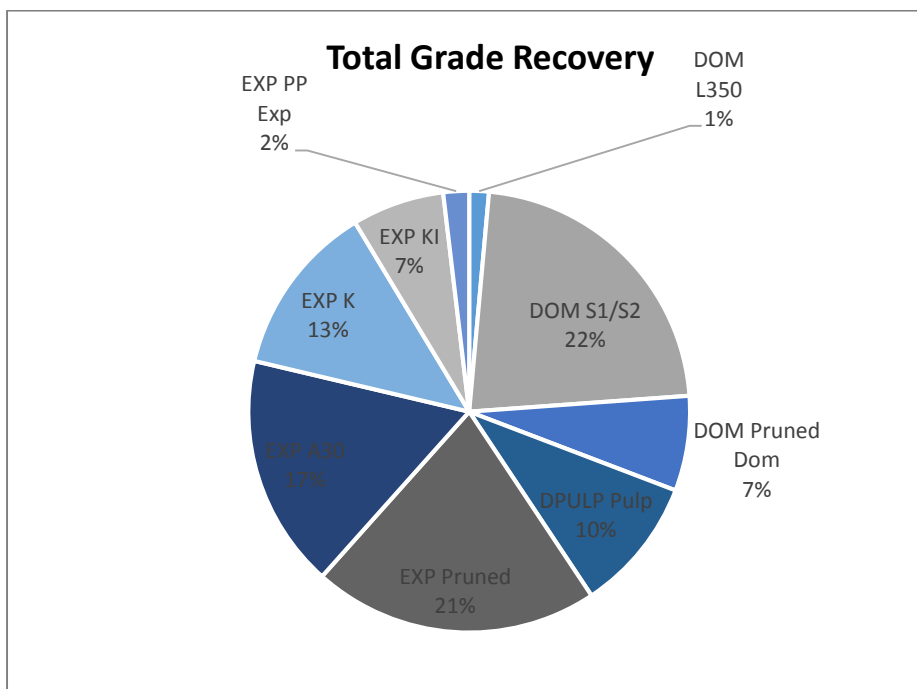


Chart 2: Total Grade Recovery (Project to date)

Shipping volume for last three vessels

The vessel Port Alberni completed loading 3,561 Jas m₃ at the Port of Taranaki on the 29th August.

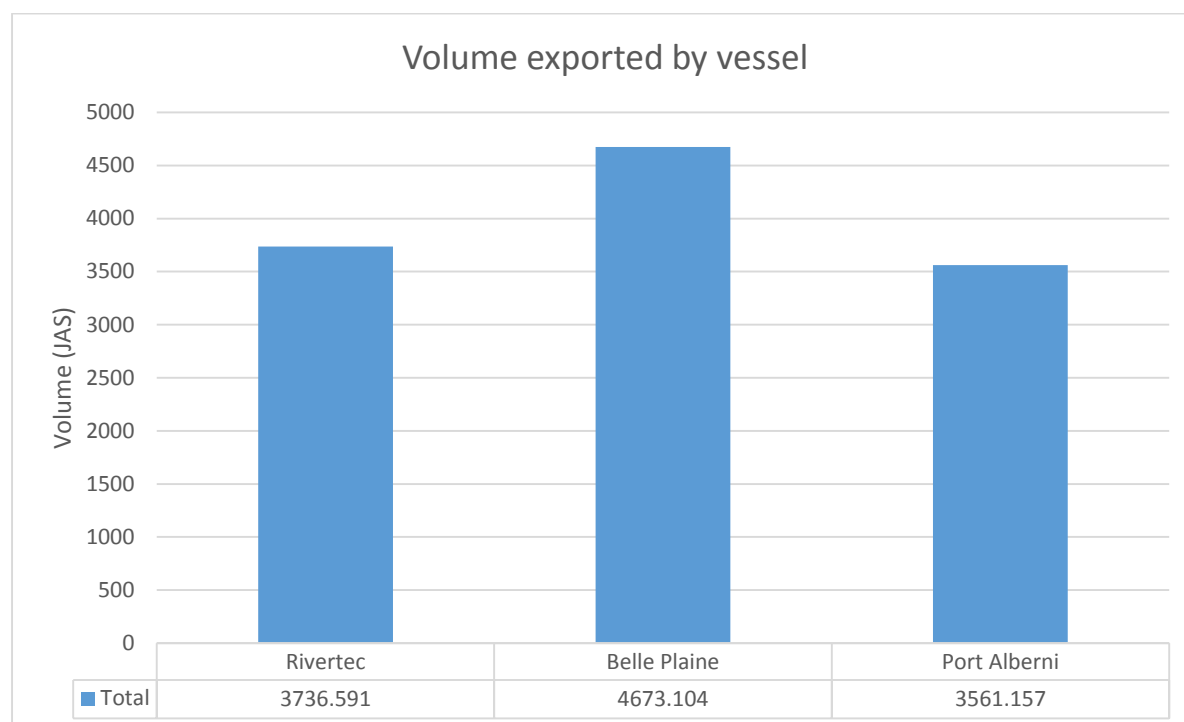


Chart 3: Last three vessels to leave Port of New Plymouth

The next ship due into port is the Mount Hikurangi due on 21st October. This vessel is expected to take around 5,700 JAS as a result of the decision to delay shipping in September. This is anticipated to provide a large positive wash-up to be reported in the next report.

Washup

As described in previous reports, our arrangement with Summit Forests means we operate a totally transparent open book arrangement whereby we are paid an AWG (at wharf gate) estimate for the logs that go out in each shipment. The AWG estimate includes estimates of the log price, shipping, marshalling, stevedoring, forex etc.

Generally a week or two before the ship sails, the log price and forex is fixed. Once the ship has left port, the actual cost of the shipment is worked out and we are either paid the difference if savings have been achieved on the estimate or, if costs are higher than the estimate, the difference is deducted from the next month's payment.

The wash-up for the vessel Port Alberni which sailed on the 29th August has now been completed and shows a negative return of \$46,350.77.

Port Alberni	
Gross Washup	\$ (46,350.77)
Management - Washup	\$ 1,844.06
Net Amount	\$ (44,506.71)

Table 7: Port Alberni wash-up

This is a result of the difference between the months AWG (At Wharf Gate) estimate price and the actual negotiated prices once the vessel has sailed.

The decision was made to delay the next vessel till late October to take advantage of rising prices.

Below is the summary of the washup for the last five Vessels.

Last five vessels	Washup
Gross Washup	\$ (23,266.14)
Management - Washup	\$ 917.94
Net Amount	\$ (22,348.20)

Table 8: Summary last five vessels

The positive wash-up for the vessel Mount Hikurangi will be covered in the October report. We estimate this will be around \$50,000.

Net Revenue

Net revenue for September and net project revenue is illustrated in table 8 below.

		Total
September	Net Monthly Income	\$9,814.24
	Net income to date for project	\$180,843.81

Table 9: Revenue

Kind Regards,



Ian Bell,
Harvesting Manager

Appendix 1 Harvesting Financial Summary

	Harvesting Financial Summary Waikare Forest Partnership 01/09/2015 to 30/09/2015
Paid to bank account # 02 0792 0001123 000	GST # 051 665 716

SALES					
Type	Grade	Tonnes	Jas (m3)	Sales Price	Gross Revenue (\$)
Domestic					
Pruned Dom	P1	382.42		\$164.00	\$62,716.88
L350	B35	79.14		\$90.00	\$7,122.60
S1/S2	A300	1,233.01		\$95.00	\$117,135.95
TOTAL DOMESTIC SALES		1,694.57			\$186,975.43

Domestic Pulp					
Pulp	Pulp	498.92		\$54.00	\$26,941.68
Pulp	PulpOS	43.22		\$47.00	\$2,031.34
TOTAL DOMESTIC PULP SALES		542.14			\$28,973.02

Downgrade					
Downgrade	Dom Reject	-1.56		\$95.00	-\$147.91
TOTAL DOWNGRADE SALES		-1.56			-\$147.91

Export					
PP Exp	PP 3.9		107.483	\$100.00	\$10,748.30
Pruned Exp	P30 3.9		66.824	\$122.00	\$8,152.53
Pruned Exp	P30 5.1		129.477	\$122.00	\$15,796.19
Pruned Exp	P30 5.9		53.613	\$122.00	\$6,540.79
Pruned Exp	P40 3.9		237.351	\$166.00	\$39,400.27
Pruned Exp	P40 5.1		405.863	\$166.00	\$67,373.26
Pruned Exp	P40 5.9		278.203	\$166.00	\$46,181.70
A30	A 3.8		677.581	\$79.00	\$53,528.90
A30	A 5.8		249.752	\$79.00	\$19,730.41
K	K 3.8		289.480	\$71.00	\$20,553.08
K	K 5.8		326.775	\$71.00	\$23,201.02
KI	KI 2.9		179.382	\$63.00	\$11,301.07
KI	KI 3.8		182.933	\$63.00	\$11,524.78
TOTAL EXPORT SALES			3,184.717		\$334,032.29
TOTAL		2,235.15	3,184.717		\$549,832.82

WASHUP RECONCILIATION	
Income	-\$46,350.74
Management	-\$1,844.06
TOTAL WASHUP	-\$44,506.68

Harvesting Financial Summary (Continued)

FEES	
FMNZ Management Fee @ 4%	\$21,993.31
TOTAL FEES	\$21,993.31
LEVIES	
Forest Grower Commodity Levy @ \$0.27	\$1,463.36
TOTAL LEVIES	\$1,463.36
COSTS	
Harvesting	\$181,714.25
Cartage	\$162,838.95
Weighbridge	\$1,934.20
216 x Gap, 90 x Uncrushed (Maxwell Quarry Inv-1851)	\$4,527.00
2440mm x 1220mm ACM sign (SignItUp Inv-12430)	\$113.84
46 x Gap100, 440 x UC, 280 X Gap100 C (Maxwell Quarry Inv-1865)	\$10,591.00
360 X Gap, x UnC (Maxwell Quarry Inv-1884)	\$5,103.00
369 x 100C, 49 X Gap, 18 x Uncrushed (Maxwell Quarry Inv-1893)	\$6,570.00
ACM Bridge Signs (Signcandy Inv-0017)	\$150.00
1m Culvert (Hynds Inv-020221987)	\$2,956.00
Freight on culverts (Hynds Inv-020221987)	\$130.00
Transshipping Skid 16-8 (RLF Inv-1998)	\$300.00
Gap100 & C x 344 (Maxwell Quarry Inv-1899)	\$5,050.00
Cart & Spread (RLF Inv-1972)	\$30,998.90
Cart & Dump (RLF Inv-1972)	\$2,755.50
Spread from stockpile (RLF Inv-1972)	\$320.00
Block cart (R&L Inv-1999)	\$1,416.00
Bidim (RST Inv-11178)	\$1,620.00
Gillingham rd Stg 9 (CCL Inv-0025)	\$7,020.00
Skid 17 & 18 (CCL Inv-0025)	\$12,000.00
Spread from stockpile - CMP 1 (CCL Inv-0025)	\$3,906.00
Waikare, Willis R&M (CCL Inv-0025)	\$2,736.00
Clear Slips - Hill, Waikare (CCL Inv-0025)	\$2,910.00
Hope Stm (CCL Inv-0025)	\$3,792.00
Crossing 1 (CCL Inv-0025)	\$5,565.00
Waikare - slip removal (CCL Inv-0025)	\$1,952.00
Gill Stg 1 (CCL Inv-0025)	\$1,920.00
Slips & watertables - Gillingham (CCL Inv-0025)	\$576.00
Deadman - skid 9 (CCL Inv-0025)	\$1,072.00
Hill Road fluming (CCL Inv-0025)	\$400.00
Estbalishment ZX200 (CCL Inv-0025)	\$605.00
Spread from stockpile - CMP 2 (CCL Inv-0025)	\$7,812.00
Gillingham R&M (CCL Inv-0025)	\$2,928.00
Credit on September overcart (HLL Cr-0008)	-\$2,227.45
TOTAL COSTS	\$472,055.19
TOTAL FEES, LEVIES & COSTS	\$495,511.86
NET INCOME CURRENT MONTH	
GST	\$1,472.14
NET INCOME CURRENT MONTH (INCLUDING GST)	\$11,286.42

Appendix 2 Waikare Forest (September Washup)



BUYER CREATED
TAX INVOICE
(IRD APPROVED)

Waikare Forest Partnership
87 Weraroa Road,
Waverley,
New Zealand 4510

Invoice Date : 30/09/2015

Invoice No.: 2045

GST No.: 051 665 716

To : Forest Management (NZ) Ltd
P O Box 14
WAVERLEY 4544

GST No.: 013-730-407

For loads uplifted up until 30/09/2015 from Waikare Forest Partnership

Grade	Length	Volume Loaded	AWG Price	Final Price	Mgmt Fee	Amount
Forest : Waikare Forest Partnership						
A	3.9	878.428		\$78.68	\$2,767.05	\$66,347.67
A	3.9	-878.428	\$90.00		-\$3,162.34	-\$75,896.18
A	5.9	159.055		\$78.68	\$501.02	\$12,013.42
A	5.9	-159.055	\$90.00		-\$572.60	-\$13,742.35
K	3.9	244.815		\$70.68	\$692.83	\$16,610.70
K	3.9	-244.815	\$83.00		-\$812.79	-\$19,506.86
K	5.9	216.883		\$70.68	\$613.78	\$14,715.51
K	5.9	-216.883	\$83.00		-\$720.05	-\$17,281.24
KI	3.0	450.665		\$63.68	\$1,149.20	\$27,549.15
KI	3.0	-450.665	\$75.00		-\$1,352.00	-\$32,447.88
KI	3.9	290.354		\$63.68	\$740.40	\$17,749.34
KI	3.9	-290.354	\$75.00		-\$871.06	-\$20,905.49
P30	4.0	55.097		\$117.68	\$259.51	\$6,224.31
P30	4.0	-30.878	\$133.00		-\$164.27	-\$3,942.50
P30	4.0	-24.219	\$134.00		-\$129.81	-\$3,115.53
P30	5.2	57.409		\$117.68	\$270.40	\$6,485.49
P30	5.2	-38.518	\$133.00		-\$204.92	-\$4,917.98
P30	5.2	-18.891	\$134.00		-\$101.26	-\$2,430.14
P30	5.9	40.942		\$117.68	\$192.84	\$4,625.22
P30	5.9	-40.942	\$133.00		-\$217.81	-\$5,227.47
P40	4.0	343.250		\$161.68	\$2,220.83	\$53,275.83
P40	4.0	-96.591	\$177.00		-\$683.86	-\$16,412.74
P40	4.0	-246.659	\$178.00		-\$1,756.21	-\$42,149.09
P40	5.2	387.114		\$161.68	\$2,504.63	\$60,083.96
P40	5.2	-102.898	\$177.00		-\$728.52	-\$17,484.43
P40	5.2	-284.216	\$178.00		-\$2,023.62	-\$48,566.83
P40	6.0	299.805		\$161.68	\$1,939.74	\$46,532.73
P40	6.0	-130.064	\$177.00		-\$920.85	-\$22,100.47
P40	6.0	-169.741	\$178.00		-\$1,208.56	-\$29,005.34
PP	4.0	137.340		\$93.68	\$515.02	\$12,350.99
PP	4.0	-125.021	\$105.00		-\$525.09	-\$12,602.12
PP	4.0	-12.319	\$113.00		-\$55.68	-\$1,336.37
Totals		3,561.157			-\$1,844.06	-\$44,506.68

Waikare Forest (September Washup) continued



BUYER CREATED
TAX INVOICE
(IRD APPROVED)

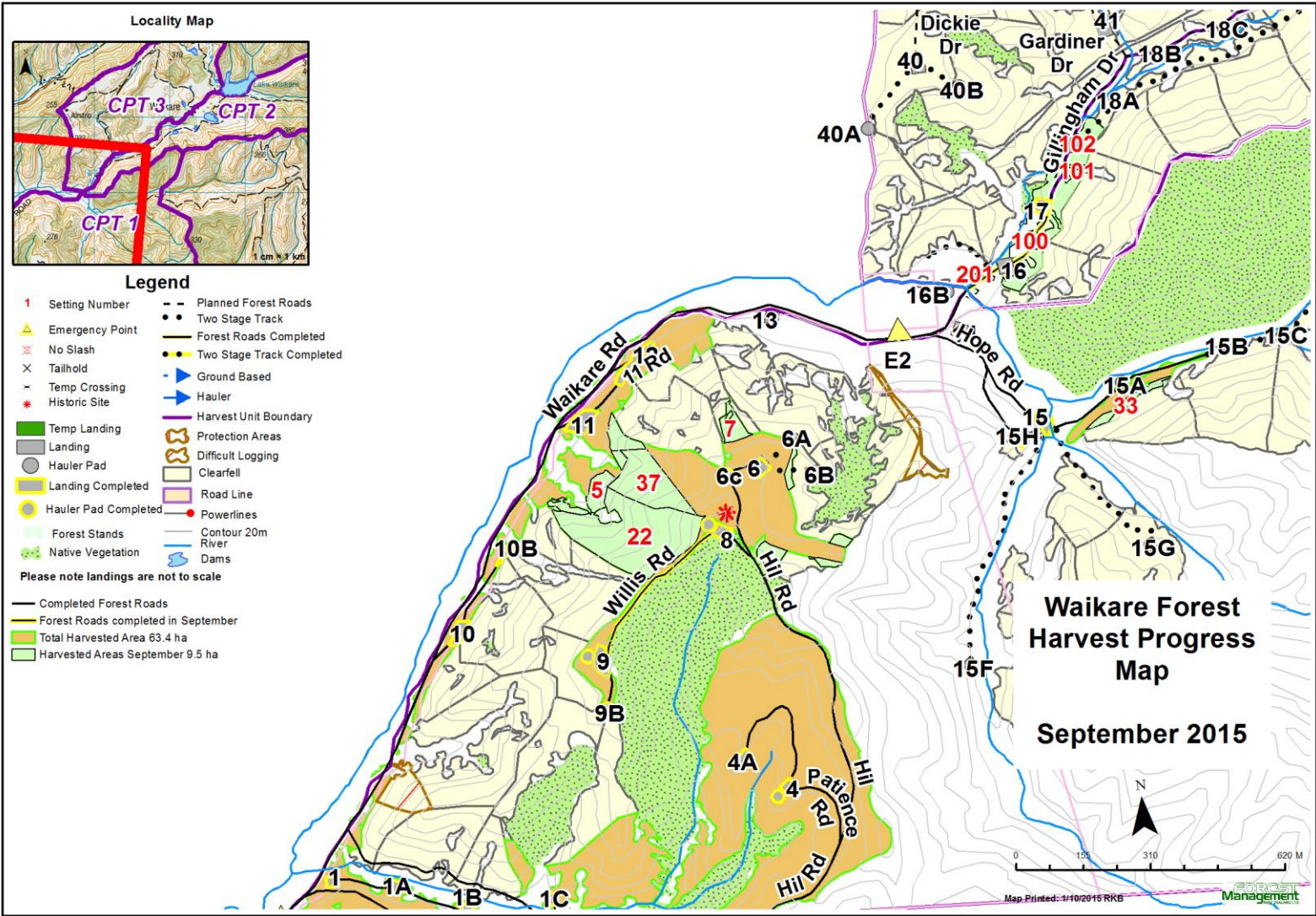
Forest Grower Commodity Levy	\$0.00
Total Before GST	-\$44,506.68
GST	-\$6,676.00
Total of this Tax Invoice	-\$51,182.68

Appendix 3 Waikare Forest-Cashflow Summary (September)

		2015		2016						Volume Totals	
		February	March	April	May	June	July	August	September		
Volume	Washup Volume	1275.24	5054.26	3268.86	2127.49	1026.80		4673.10	3561.16	20986.91	
	Downgrade Qty			7.26	23.76	7.62	11.05	5.13	1.56	56.38	
	Jas	1275.24	5059.13	3271.38	2145.12	3277.48	3203.38	2881.39	3184.72	24297.86	
	Owner Qty	1275.24	5270.59	4327.32	3643.25	4824.08	5524.23	5217.59	5419.87	35502.18	
	Tonnes	1206.69	5055.77	4286.28	3694.69	4898.82	5657.21	5295.90	5501.63	35596.99	
	Weighbridge Qty	1206.69	4873.54	4050.77	3521.81	4902.29	5376.41	4826.00	4959.49	33717.00	

		2015		2016						Net Income	
		February	March	April	May	June	July	August	September		
Income	Log Sales	155,373.78	556,679.25	389,350.94	402,863.86	518,364.34	607,305.05	553,579.73	549,832.82	\$ 3,733,349.78	
	Washup			22,713.65	(23,773.32)	9,860.68		14,283.62	(46,350.77)	\$ (23,266.14)	
Income Total		\$ 155,373.78	\$ 556,679.25	\$ 412,064.59	\$ 379,090.54	\$ 528,225.02	\$ 607,305.05	\$ 567,863.35	\$ 503,482.05	\$ 3,710,083.64	
Harvesting	Cartage - Overweight loads								\$ 2,227.45	\$ 2,227.45	
	Cartage - Trans Shipping								300.00	\$300.00	
	Cartage - Truck	36,804.05	153,883.73	129,310.26	109,237.38	145,349.08	166,060.09	155,439.57	162,838.95	\$1,058,923.10	
	Establishment - harvesting	14,957.50	5,400.00	4,760.00			3,400.00			\$28,517.50	
	Logging	39,820.77	163,033.96	137,077.38	118,812.93	161,328.75	181,615.17	166,306.50	181,714.25	\$1,149,709.71	
	Logging - Hourly	7,240.00								\$7,240.00	
	Weighbridge	663.68	2,687.17	1,578.34	1,373.51	1,911.89	2,097.19	1,882.14	1,934.20	\$14,128.12	
Harvesting Total		\$99,485.99	\$325,004.85	\$272,725.98	\$229,423.81	\$308,589.72	\$353,172.45	\$323,628.21	\$344,599.95	\$2,256,590.98	
Fees	FGC levy	344.32	1,423.06	1,168.38	983.68	1,302.50	1,491.54	1,408.75	1,463.36	\$9,585.59	
	Management	6,214.95	22,276.75	15,574.04	16,114.55	20,759.83	24,291.99	22,143.19	21,993.31	\$149,368.62	
	Management - Washup			908.12	\$ 960.51	394.08		584.43	\$ 1,844.06	\$ 917.94	
Fees Total		\$6,559.27	\$23,699.81	\$17,650.53	\$16,137.72	\$22,456.41	\$25,783.54	\$24,136.37	\$21,612.62	\$158,036.26	
Engineering	Bidem					785.90			1,620.00	2,405.90	
	Bridge Construction							28,530.00	6,981.00	\$35,511.00	
	Corduroy		10,255.00	1,755.00	8,180.25	800.00		3,967.50	1,920.00	26,877.75	
	Culverts		17,280.00	3,456.00		8,736.00		5,802.00	2,956.00	38,230.00	
	Culverts - Freight		420.00			900.00		100.00	130.00	1,550.00	
	Establishment - Engineering	4,530.00		3,200.00					605.00	8,335.00	
	Fluming				1,644.71	1,300.00		200.00	400.00	3,544.71	
	Geotextiles					1,326.50				1,326.50	
	Labour				240.00					240.00	
	Landings	32,000.00	8,000.00	5,700.00	8,000.00		16,000.00	8,000.00	12,000.00	89,700.00	
	Metal Lime		20,412.00							20,412.00	
	Metal Rock			21,681.00	28,404.00	18,495.00	30,523.50	25,892.00	31,841.00	156,836.50	
	Other	1,868.00			2,401.14			242.60		4,511.74	
	Pads	8,506.00	5,670.00	5,670.00	5,475.00	900.00	5,670.00	2,835.00		34,725.00	
	Pads - Deadman		2,800.00	740.00	1,200.00	780.00		600.00	1,072.00	7,192.00	
	R&M			8,612.50	16,940.50	6,282.00			2,910.00	34,745.00	
	R&M - Culverts Maintenance						2,979.00	8,081.00		\$11,060.00	
	R&M - Event Cleanup					14,619.00	2,859.00		1,952.00	19,430.00	
	R&M - Road Maintenance						4,080.00	5,170.00	6,240.00	\$15,490.00	
	Rehab - Drainage	585.00	2,520.00			400.00			3,792.00	7,297.00	
	Rehab - Environmental		15,900.00	382.95	1,280.00	1,320.00	88.00	88.00		19,058.95	
	Rehab - Skids/Pads			1,816.00				1,210.00		3,026.00	
	Road Formation		89,944.78	30,848.96	20,174.60	10,221.40	22,737.40	9,595.60	7,020.00	190,542.74	
	Spread from stockpile					6,556.00	9,884.00	9,006.00	12,038.00	37,484.00	
	Trucks - Cart & Dump					15,863.00	24,447.00	20,396.70	2,755.50	63,462.20	
	Trucks - Cart & Spread		29,749.00	29,551.00	43,116.00	4,851.00	9,471.00	7,645.50	30,998.90	155,382.40	
	Two Stage		4,440.00	3,260.00	14,687.00	1,088.00	5,451.00	1,780.00		30,706.00	
	Upgrade Roads	56,386.00	3,888.00			1,564.00				61,838.00	
Engineering Total		\$103,874.00	\$211,278.78	\$116,673.41	\$151,743.20	\$96,787.80	\$134,189.90	\$139,141.90	\$127,231.40	\$1,080,920.39	
Miscellaneous	Consents	26,391.79				1,869.30		730.00		\$28,991.09	
	Consumables	652.32			118.60			45.50		\$1,652.22	
	Other	1,389.70	26.40	827.23	66.00	434.78	40.94		263.84	\$3,048.89	
Miscellaneous Total		\$28,433.81	\$26.40	\$827.23	\$184.60	\$2,304.08	\$876.74	\$775.50	\$263.84	\$33,692.20	
Net Income		(\$82,979.29)	(\$3,330.59)	\$ 4,187.43	(\$18,398.79)	\$ 98,087.01	\$ 93,282.42	\$ 80,181.37	\$ 9,814.24	\$ 180,843.81	

Appendix 4 Waikare Harvest Map (Southern Harvest Plan)



Appendix 5 – Harvest Progress Map

