HARVESTING REPORT
DECEMBER 2016
MAXWELL FOREST PARTNERSHIP

RANGITATAU WEST ROAD

FMNZ
"Maximising the value of forests since 1974"

December Harvesting Report

Summary

December's weather has improved on November's with the forest starting to dry out, although we are still getting regular fronts coming through.

927 lineal metres of new roads and one new hauler pad were constructed in December. Ongoing road maintenance was also carried out as it became necessary.

The recoverable volume for December totalled **4,083.80** tonnes, returning log sales of **$510,710.90** (See Appendix 1, Harvesting Financial Summary).

The December export prices lifted on average \$1.22/Jas m^3 with pruned grades climbing \$2.07/Jas m^3 while the sawlog grades have edged up \$1.00-1.18/Jas m^3. The outlook for December is for prices to lift with the forecast into the New Year being positive with reducing freight rates and easing Forex lifting CFR prices in China.

Net revenue to December totalled **$110,022.83** excluding GST. (See Appendix 2, Maxwell Forest - Cashflow Summary).

To date, 15.8 ha has been harvested.

The net income to date for the project overall is **$180,853.15.**

Revenue

Log Sales

Gross log sales for the month are summarised below in Table 1:

Table 1: Domestic and Export Sales

			QTY	Revenue
December	SNP	Jas	3919.31	$506,121.21
	TENC	Jas	35.579	$4,589.69
Total			**3954.889**	**$510,710.90**

Export grades were sold via New Plymouth Port to Summit New Zealand and Tenco. The use of industrial pulp export grades has meant that domestic pulp has been eliminated.

Log Markets

The December export prices lifted on average $1.22/Jas m^3 with pruned grades climbing $2.07/Jas m^3 while the sawlog grades have edged up $1.00-1.18/Jas m^3.

The outlook for December is for prices to lift with the forecast into the New Year being positive with reducing freight rates and easing Forex lifting CFR prices in China.

December log inventories on Chinese ports has been maintained at 3.2mil m^3 with daily off take lifting slightly to 73,500m^3/day. Chinese inventories remain at relatively low levels and we see this as healthy heading into the Chinese New Year.

The US dollar has had an impressive rise since the US election with potential for further increase over the coming months. The New Zealand economy is still strong with dairy prices having risen but these forces are minor compared to the US dollar's strength.

Following an OPEC agreement to cut oil production we have seen a significant lift in oil prices with Bunker rates up on last month. Despite this we continue to see a downward movement in ocean freight rates but it is difficult to forecast this into the New Year.

Grade Recovery

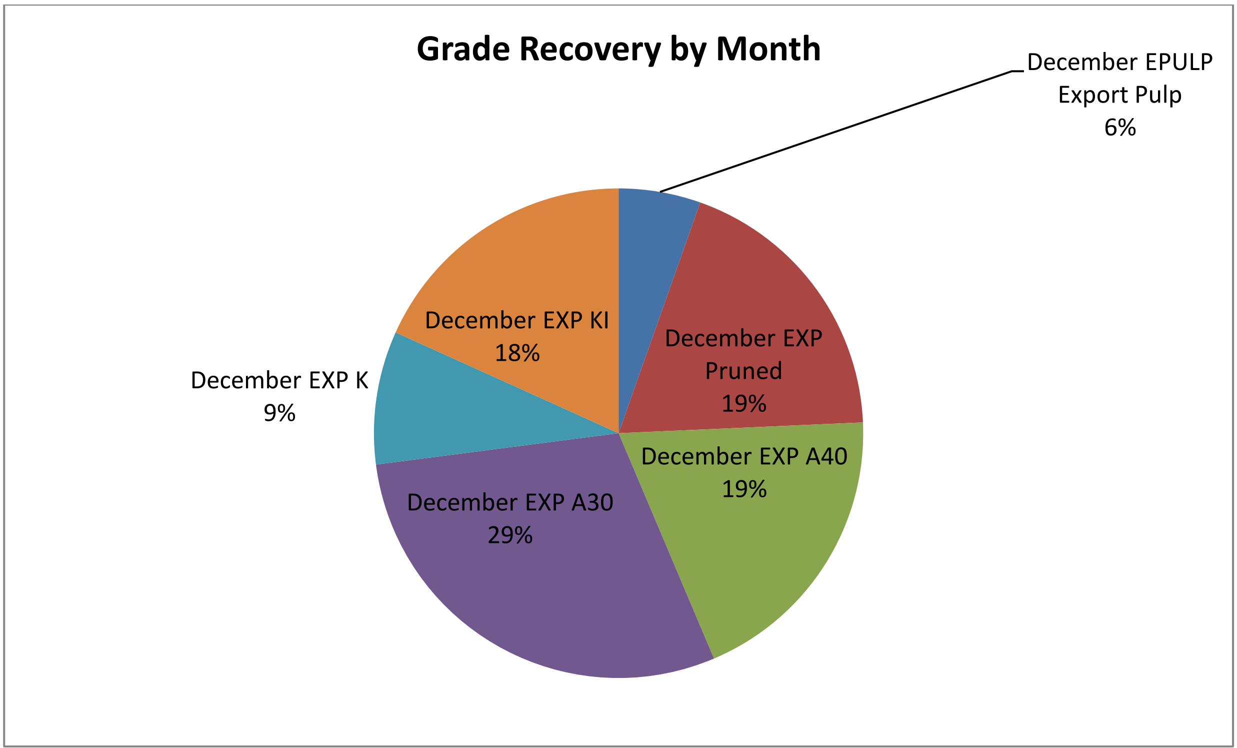

Chart 1: Grade Recovery by Month

December's grade recovery reflects the harder sited settings that the crew have been harvesting, particularly on the ridge tops and exposed faces. Trees here are generally shorter with a lower total pruned height and have a lot higher percentage of malformation.

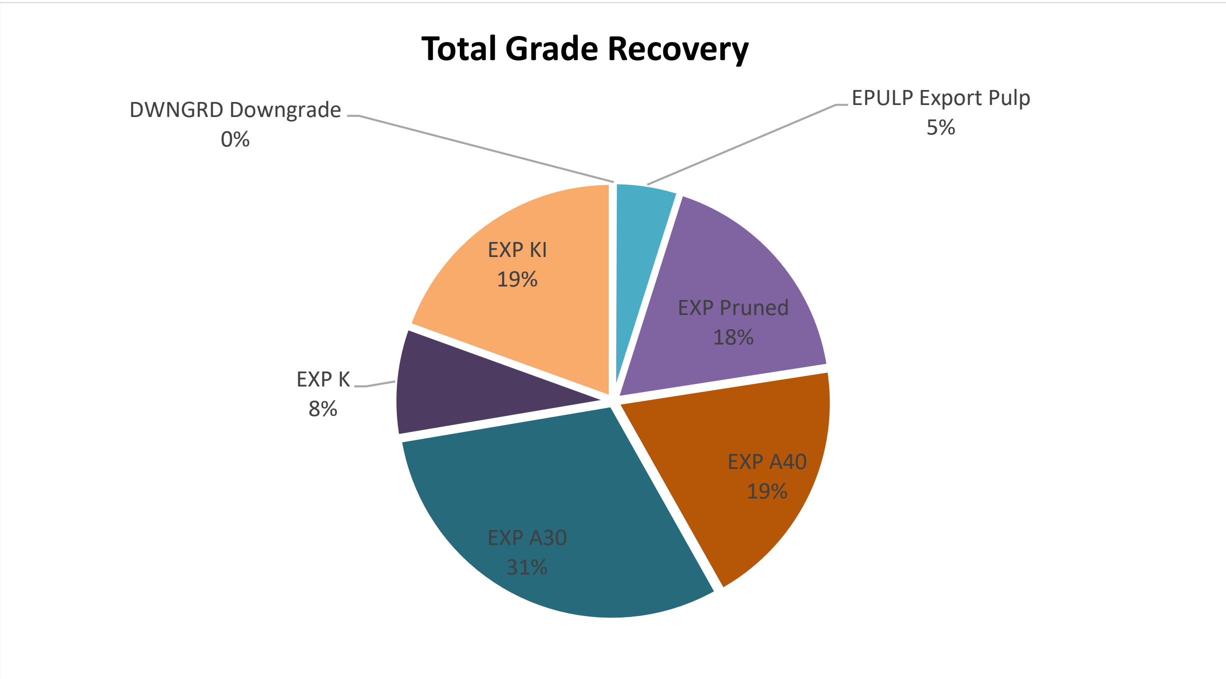

Chart 2: Total Grade Recovery (Project to date)

Figure 1: Shell rock being extracted from the Borrow pit on Selderbeek Road

Shipping volume for the last three vessels

The first vessels, Port Botany, Sea Harmony and Yangtze Ambition with Maxwell Forest volume, sailed on the 19th November and the 11th /15th respectively. The washup for these vessels will now be covered in the January report.

The next vessel, Tampa Bay has an ETA of the 24th January into New Plymouth.

Washup (Summit Forests)

FMNZ currently exports the bulk of its logs through Summit Forests through the Port of New Plymouth. With traditional AWG (at wharf gate) sales, it is difficult to determine whether the forest owner is getting a fair return as many of the costs such as shipping, stevedoring, scaling, etc. are not transparent for the forest owner or the marketer. Our relationship with Summit means we are able to provide the forest owners with a better return through having a full disclosure of all costs and returns.

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 are delivered to Port. 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.

As the harvest progresses, monthly wash ups will become a regular feature of the monthly report as there will be a washup for every ship that leaves Port Taranaki carrying Maxwell Forest logs.

Net Revenue

Net revenue for December and net project revenue is illustrated in Table 2, below.

Table 2: Revenue

Month Name	Net Monthly Income	Total Net Income for project
December	$110,022.83	$180,853.15

Expenditure

The total expenditure to date to December was **$400,688.07**. This was made up of the following:

Engineering

This month, 927 metres of new roads (CNL Road 670m and Selderbeek Road 275 m) have been constructed along with one hauler pad above skid 6. The hauler can be seen on this pad in figure 2 below. Road maintenance was also carried out where it was identified as needed. Generally the maintenance required has been minimal considering the roads are freshly constructed and are carrying fully laden log trucks.

Figure 2 Culvert installation on CNL Road.

Table 3: Engineering Costs

		Total
December	Metal	$35,565.00
	Metal Cart & Spread	$24,088.50
	R&M	$2,200.00
	Road Construction	$31,402.85
	Landings/Pads	$2,100.00
	Rehab	$1,735.00
December Total		**$97,091.35**

Miscellaneous

Miscellaneous expenses this month included Grass seed, Waratah's and fencing costs.

Table 4: Miscellaneous Costs

		Total
December	Consumables	$30.88
	Fencing	$2,778.50
December Total		**$2,809.38**

Harvesting

The logging cost for December totalled **$155,184.40** producing 4,083.8 merchantable tonnes. The average production rate was 255 tonnes per day with an average harvesting cost of $38.00 per tonne for the month.

The total harvesting cost for the month is in Table 5, below:

Table 5: Harvesting Costs

		Total
December	Logging	$155,184.40
December Total		**$155,184.40**

We have harvested a total area of 8 ha this month producing 4,083.8 tonnes of wood with a recoverable volume of 510.05 t/ha. The recoverable volume is coming up and will increase as we get into the forest. The harvesting crew have still been working in some of the more exposed settings on the northern boundary. These areas have smaller trees with higher percentages of wind throw and malformation which has an effect on production, grade recovery and total recoverable tonnes. The harvest map below shows the harvesting progress to date, this is also shown in Appendix 3.

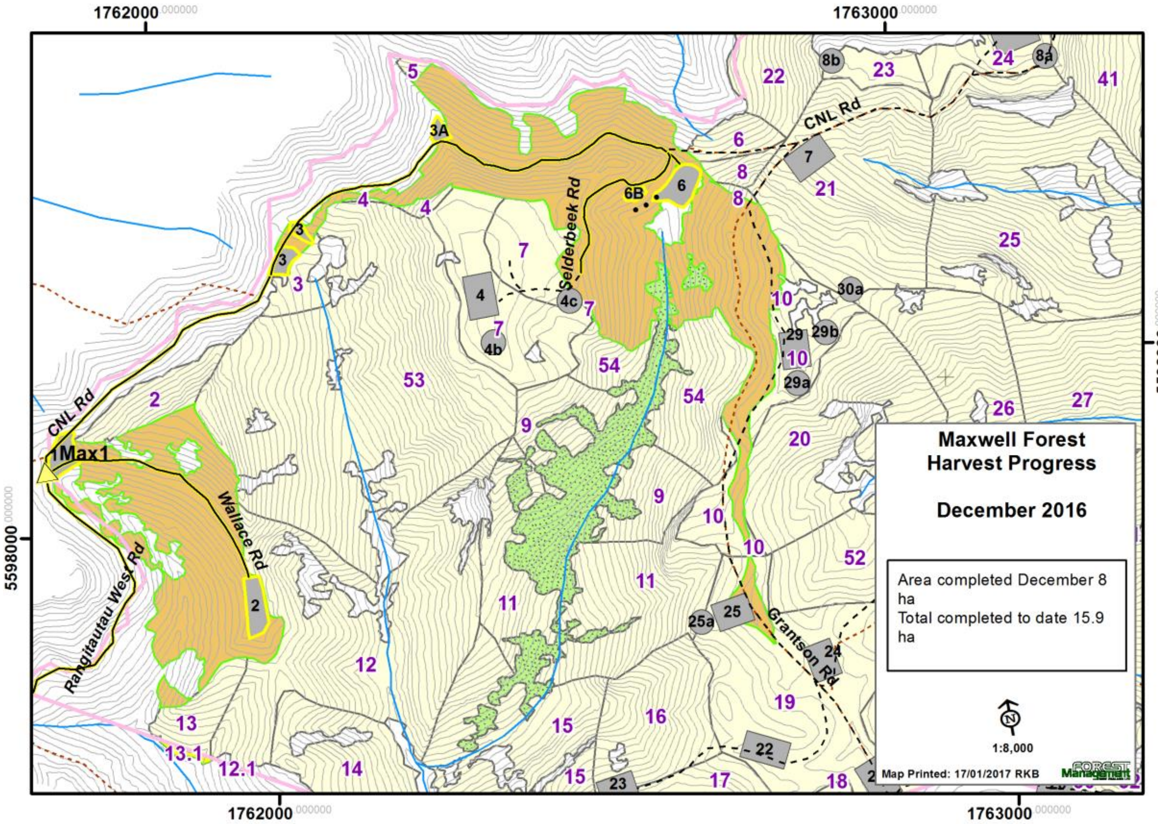

Figure 3: Maxwell Progress Map (Dec 16)

The harvesting crew finished working with the Swing Yarder in the second week of the month and carried on with their skidder pulling the road line out to skid 25 (Grantson's Road). The intent was to get ahead of the road construction contractor so after the holiday break he had work to carry on with while the harvesting crew felled skid four. This would also allow the crew to separate with the hauler heading back to skid two at the start of the New Year and a small crew start to pull the trees off Grantson's Road and associated skids.

Cartage

Cartage expenditure for the month is summarised below in Table 6:

Table 6: Cartage Costs

		Total
December	Cartage - Truck	$122,514.00
	Weighbridge	$1,592.68
Total		**$124,106.68**

The cartage cost for the tonnes produced is $30.00/tonne.

Figure 4: Skid 6, setting 7 - this photo was taken just before the Hauler moved onto a pad half way up the hill. Note the hard exposed bony ridge line, figure 5 below shows this same face a week later with the hauler now working.

Fees and Levies

Management Fees and FGC levies are summarised in Table 7 below:

The average management costs to date for the project is $4.96/tonne.

Table 7: Fee and Levies

		Total
December	Management	$20,428.44
	FGC levy	$1,067.82
Total		**$21,496.26**

Health & Safety

Safety data statistics for December showed no accidents or recorded incidents.

Figure 5: Skid 6 - the harvesting contractor and roading contractor (Blue Excavators) working together to open up the forest. Figure 4 on the previous page shows this face prior to the Hauler pad being established and was taken from the opposite face.

Project Forecast vs Actual

As can be expected at the commencement of the harvest operation when the roading expenses are high, the net return per hectare is lower than forecast. As the harvest progresses, the net return will also increase as the expenses decrease.

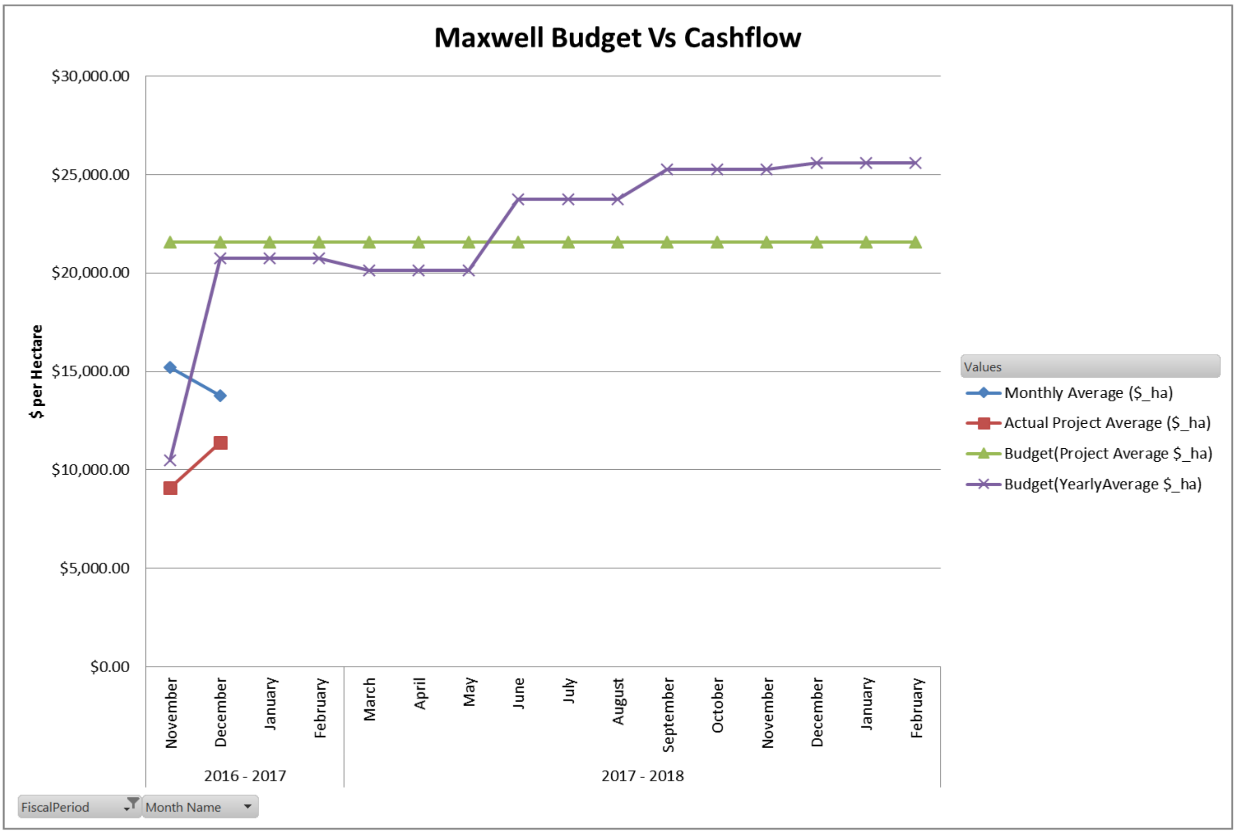

Chart 3: Project Forecast vs. Actual

We are presently achieving a net return of $23.00 net per tonne, the forecast was $35.14. A gross return of $114.31 per tonne was forecast, the average is currently $124.09. The net return per hectare is currently sitting at $11,374.41.

Kind Regards,

Jason Osborn
West Coast Operations Manager

Appendix 1 Harvesting Financial Summary

Harvesting Financial Summary		
	Maxwell Forest Trustee Limited	01/12/2016 to 31/12/2016
Paid to bank account # 02-0792-0001131-000		GST # 62-937-965

SALES					
Type	**Grade**	**Tonnes**	**Jas (m3)**	**Sales Price**	**Gross Revenue ($)**
Downgrade					
Downgrade	Exp Rejects		-1.180	$108.00	-$127.44
Downgrade	Exp Rejects		-1.636	$111.00	-$181.60
Downgrade	Exp Rejects		-0.492	$125.00	-$61.50
TOTAL DOWNGRADE SALES			**-3.308**		**-$370.54**
Export					
Pruned Exp	P42 5.9		242.736	$169.00	$41,022.38
Pruned Exp	P40 3.9		527.176	$166.00	$87,511.22
A30	A 3.8		1,139.803	$125.00	$142,475.38
A30	A 7.8		35.579	$129.00	$4,589.69
A40	AO 3.9		783.025	$127.00	$99,444.18
K	K 3.8		335.600	$118.00	$39,600.80
KI	KI 2.9		494.086	$108.00	$53,361.29
KI	KI 3.8		208.077	$111.00	$23,096.55
TOTAL EXPORT SALES			**3,766.082**		**$491,101.48**
Export Pulp					
Export Pulp	KIS 3.8		192.115	$104.00	$19,979.96
TOTAL EXPORT PULP SALES			**192.115**		**$19,979.96**
TOTAL		**0.00**	**3,954.889**		**$510,710.90**

FEES	
FMNZ Management Fee @ 4%	$20,428.44
TOTAL FEES	**$20,428.44**
LEVIES	
Forest Grower Commodity Levy @ $0.27	$1,067.82
TOTAL LEVIES	**$1,067.82**
COSTS	
Harvesting	$155,184.40
Cartage	$122,514.00
Weighbridge	$1,592.68
Culverts x 9 (Bailey Tanks Inv-SO043793)	$2,369.97
Metal (Maxwell Quarry Inv-2531)	$10,437.00
Geotextile (Hynds Inv-102083181)	$874.91

Harvesting Financial Summary (Continued)

9 Culverts (Bailey Tanks Inv-SO043793)	$2,369.97
Metal - Rangitatau road (Maxwell Quarry Inv-00002520)	$275.00
2 x 165 Waratah's (Farmlands Inv-1036766)	$100.00
Grass seed (Farmlands Inv-1036766)	$83.76
Gap100C - CNL road (Maxwell Quarry Inv-2547)	$8,963.00
Wire coil charged twice in November wire coil & 2 waratahs	-$101.05
165cm Waratah overcharged in November (Farmlands Inv-1035878)	-$51.83
Fencing (Rohloff Coe Family Trust Inv)	$2,778.50
Cart and spread of metal - CNL Road (RLF Inv-1501)	$1,665.00
Cart and dump of metal - CNL Road (RLF Inv-1501)	$420.00
Cart and dump of metal - Rangitatau Road (RLF Inv-1501)	$3,906.00
Cart and spread of metal - Rangitatau Road (RLF Inv-1501)	$472.50
Waratahs's - 2 bundles (Farmlands Receipt 01031463)	$100.00
Cartage of geotextile and pipes (RLF Inv-0422)	$50.00
Culvert Socks (Aquatuff Inv-942)	$2,850.00
Excavating shellrock at borrow pit (MPE Inv-10044)	$14,290.00
Road Maintenance (MPE Inv-10042)	$2,200.00
Road formation - Selderbeek Road (MPE Inv-10048)	$6,168.00
Road formation - CNL Road (MPE Inv-10048)	$16,080.00
Hauler pad formation (MPE Inv-10048)	$2,100.00
Culvert transport - Selderbeek Road (MPE Inv-10046)	$180.00
Install Fluming - Wallace Road (MPE Inv-10046)	$160.00
Install Fluming - Selderbeek Road (MPE Inv-10045)	$40.00
Cart & spread - Selderbeek Road (MPE Inv-10045)	$5,425.00
Rehab (MPE Inv-10043)	$1,735.00
Cart & Spread - CNL Road (MPE Inv-10043)	$12,200.00
Loadout metal skid 6 (MPE Inv-10043)	$1,600.00
Install Fluming - CNL Road (MPE Inv-10043)	$160.00
TOTAL COSTS	**$379,191.81**
TOTAL FEES, LEVIES & COSTS	**$400,688.07**

NET INCOME CURRENT MONTH	**$110,022.83**
GST	**$16,503.42**
NET INCOME CURRENT MONTH (INCLUDING GST)	**$126,526.25**

Appendix 2 Maxwell Forest - Cashflow Summary, Current Fiscal Year (December)

		2017	Grand Total
Quantity	JAS Sold	7627.901	7627.901
	Tonnes Harvested	7863.74	7863.74
	Tonnes Weighed	7863.74	7863.74
	Owner Units Paid	7627.901	7627.901
	Hectares Harvested	15.8	15.8

		Fiscal Year Ending Feb 2017	Grand Total
Income	Log Sales	975,822.24	975,822.24
Income Total		**$975,822.24**	**$975,822.24**
Harvesting	Cartage	238,979.06	238,979.06
	Establishment	11,600.00	11,600.00
	Logging	300,012.12	300,012.12
Harvesting Total		**$550,591.18**	**$550,591.18**
Fees	FGC levy	2,059.53	2,059.53
	Management	39,032.89	39,032.89
Fees Total		**$41,092.42**	**$41,092.42**
Engineering	Landings/Pads	25,570.00	25,570.00
	Metal	52,973.00	52,973.00
	Metal Cart & Spread	32,520.50	32,520.50
	Other	120.00	120.00
	R&M	9,850.00	9,850.00
	Rehab	6,825.00	6,825.00
	Road Construction	61,692.52	61,692.52
Engineering Total		**$189,551.02**	**$189,551.02**
Miscellaneous	Consumables	712.97	712.97
	Fencing	-$2,778.50	-$2,778.50
	Other	10,243.00	10,243.00
Miscellaneous Total		**$13,734.47**	**$13,734.47**
Grand Total		**$180,853.15**	**$180,853.15**

Appendix 3 Maxwell Harvest Map (Compartment 1)