



HARVESTING REPORT
MARCH 2016
WAIKARE FOREST PARTNERSHIP



WAIKARE ROAD

FMNZ

"Maximising the value of forests since 1974"

March Harvest Report

Summary

Road lining & clearfell harvest continued throughout March.

The hauler production focussed on finishing the settings along Waikare Road and the ground based crew continued road lining along Dickie Drive and the stub roads.

The continued good weather has enabled road formation to extend along Dickie Drive towards Lavender Lane. These roads will provide access to the areas to be harvested this winter.

The recoverable volume for March totalled **8,275.66** units (JAS/Tonnes), returning log sales of **\$1,120,265.82** (See Appendix 1, Harvesting Financial Summary).

12.0 ha was harvested, the recoverable volume for March averaged 674t/ha.

Revenue net of costs for the month of March totalled **\$499,365.79** excluding GST. See Appendix 3, Cashflow Summary. This includes revenue from the washup of the vessel – Coos Bay, returning a positive of \$5,029.10.

Export pruned prices recorded a drop of \$6/Jas and other export grades \$1-2/Jas. The market outlook is steady.

To date 140.1 ha has been harvested.

The net income for the project overall is now **\$2,379,626.66**.

The Health and Safety in the Workplace Act 2015 and Regulations came into effective on 4th April. To keep the forest owners informed on health and safety performance we are including a Health and Safety section in the harvest report. This will identify any lost time injuries (LTIs) and medical treatment injuries (MTIs), and any matters of interest to the owners pertaining to health and safety on site.

In preparation for the replanting of approximately 100 hectares this winter, we have commenced the aerial desiccation of the area to be planted. The cost of this is not included in the harvest expenses and comes out of the forest management budget.

Revenue

Log Sales

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

Month	Customer	Units	QTY	Revenue
March	SNP	Jas	5987.667	\$854,580.41
	TPINE	Tonnes	1766.96	\$237,943.61
	WPI	Tonnes	521.03	\$27,741.80
Total			8275.657	\$1,120,265.82

Table 1: Domestic & Export sales

During March we increased our pruned and sawlog supply to Taranaki Sawmills (TSM). Export grades were sold via New Plymouth Port to Summit New Zealand. Domestic pulp was sold on truck to Winstone Pulp International.

Log Markets

This month TSM requested further volume of A300 and P1 grades, as we had cut back supply to them because the domestic prices were well below the export prices. We renegotiated the price to the export equivalent before increasing supply of up to 350 tonnes per week. The export/domestic split this month was 72%/28%. The project average is 71%/29%.

The March export prices slipped back on average \$2.87/Jas m³ with pruned grade decreasing the most by \$6/Jas m³ and sawlog grades slipping back by \$1-2/Jas m³. It is anticipated prices will remain relatively steady over the next two to three months.

March inventories on Chinese ports are holding at around 3.3mil m³ with an increased daily take off of 69,000m³/day.

Shipping rates have increased recently with the reduced inbound vessel placement but is still historically low.

The NZD/USD has also risen slightly and we wait to see what effect this will have on the wharf gate prices over the coming months.



Figure1: Madil hauler extracting stems from setting 26a, Waikare Rd (Landing 45).

Grade Recovery

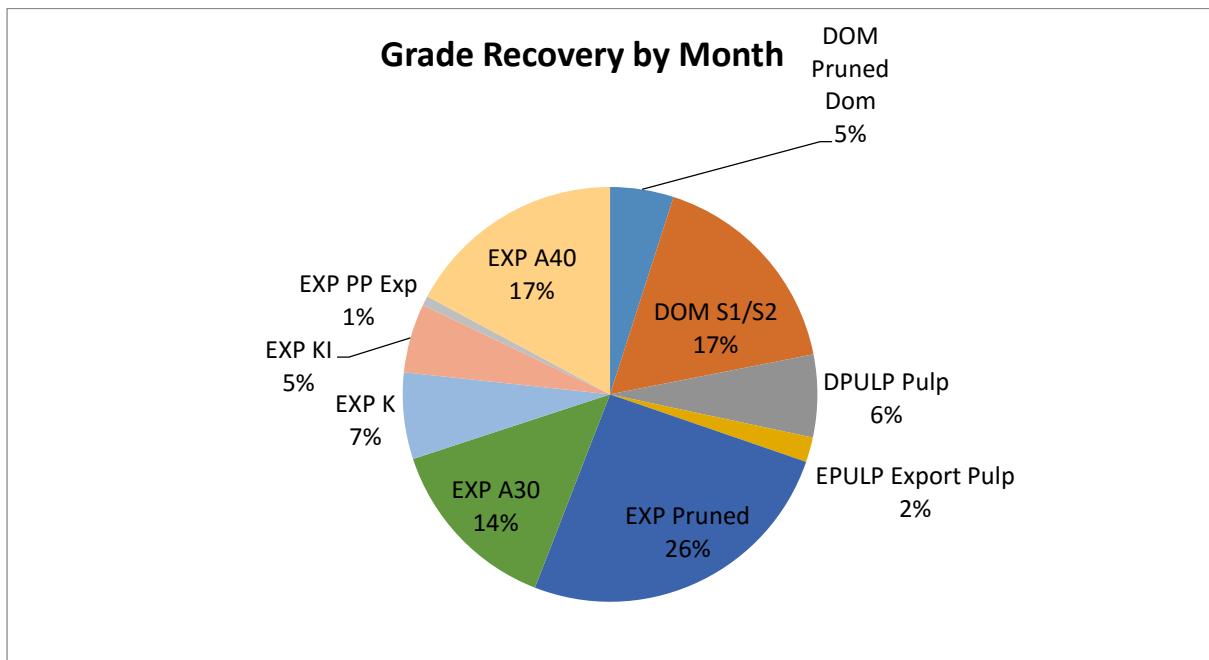


Chart 1: Grade Recovery by Month (March)

The grade recovery over this month reflects the increased supply to TSM pruned P1 and an increase volume of P40/P30 and A40. This is an indication of the excellent quality wood presently coming from the roadlining harvest operation in compartment 2.

The introduction late last year of the export A40 grade has allowed us to capture more of the value in the large diameter sawlog grade while not adversely affecting the supply volumes to TSM of the A300 grade. Continued efforts in the value recovery field will concentrate on ensuring we maintain standards to customers while ensuring maximum value is obtained.

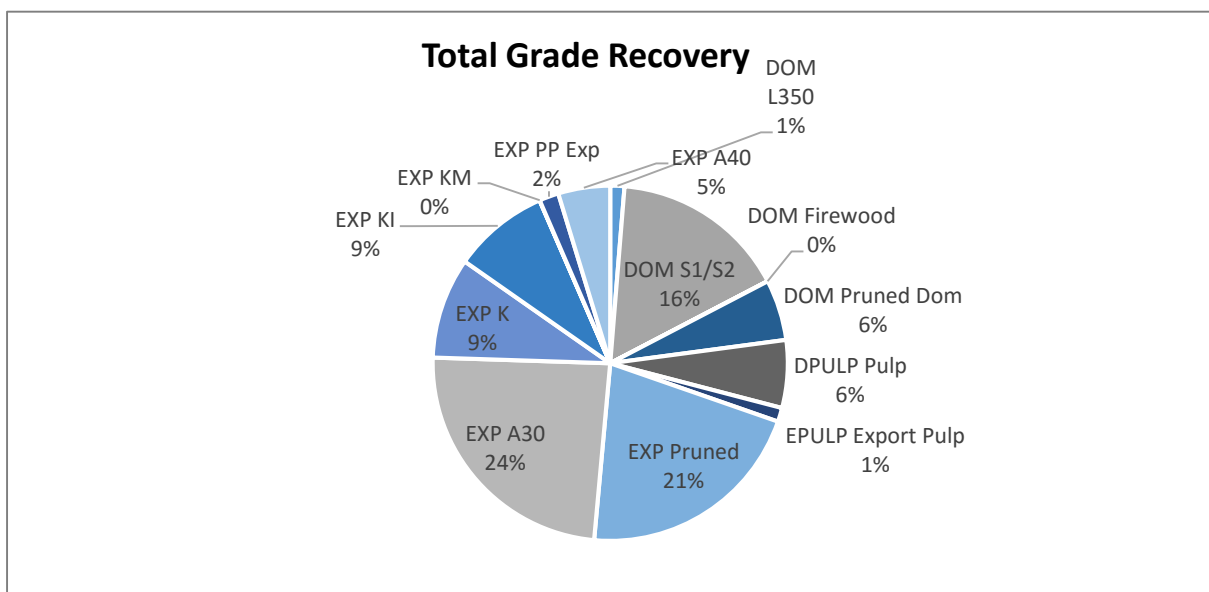


Chart 2: Total Grade Recovery (Project to date)

Shipping volume for last three vessels

The vessel Coos Bay completed loading at the Port of Taranaki, on the 20th February.

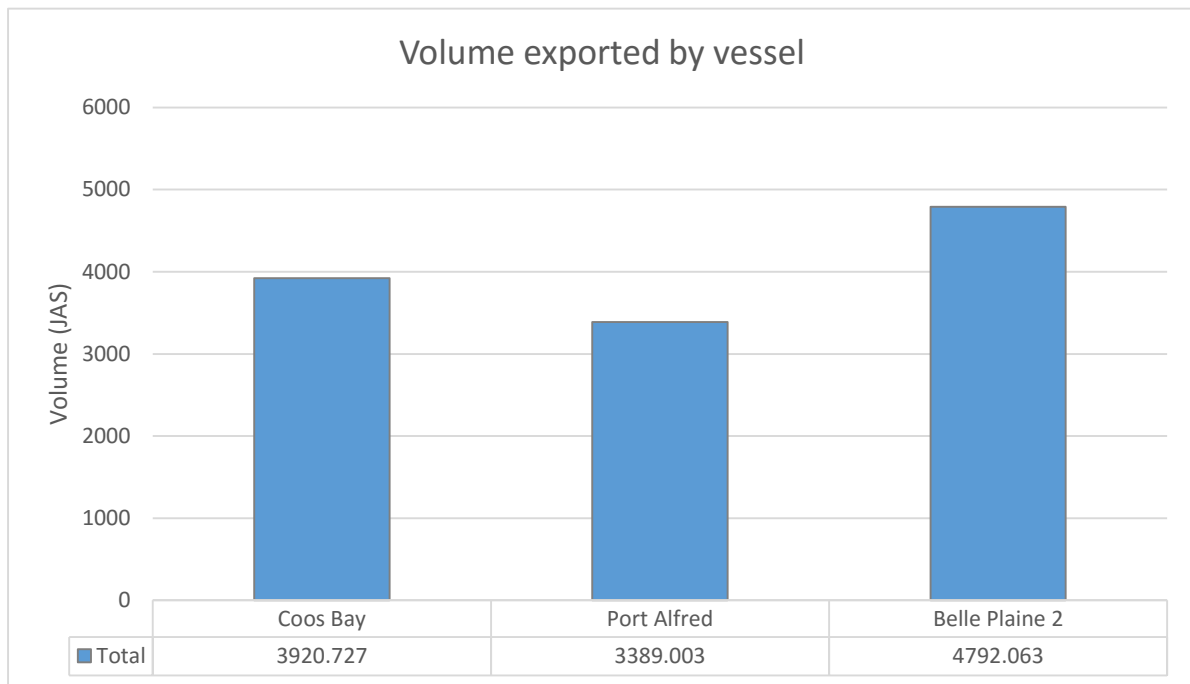


Chart 3: Last three vessels to leave Port of New Plymouth

The vessels Laser Ace and Sun Ruby completed loading on the 10th and 28th March respectively. The next vessel expected into New Plymouth is the Mount Owen with an ETA of the 16th April.

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 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.

The wash-up for the vessel Coos Bay – 20th Feb has now been completed and shows a positive return of \$5,029.10.

Wash ups for Laser Ace and Sun Ruby will be included in the April report.

	Washup
Gross Washup	\$ 5,029.10
Management - Washup	\$ (201.03)
Net Amount	\$ 4,828.07

Table 2: Summary of Wash-up

Net Revenue

Net revenue for March and net project revenue is illustrated in table 3 below.

March	Net Monthly Income	\$ 499,365.79
	Net income to date for project	\$2,379,626.66

Table 3: Revenue

Expenditure

The total expenditure for March was **\$625,929.14**. This was made up of the following:

Engineering

We have now completed 66% of the roading and infrastructure at Waikare Forest. Road construction and maintenance costs per tonne for March are \$7.72/t, the project average is \$21.24/t or \$88.68/lm. The engineering costs will continue to reduce as the harvest progresses.

New road formation in March saw the completion of a further 568 l/m of Dickie Drive. One landing (38, & 38a) and pad were constructed this month.

Favourable weather patterns have continued into March which have enabled us to make good progress with the construction of the new roads. We will continue with the road construction as long as the weather remains settled.

Engineering Costs

		Total
March	Metal	\$7,751.97
	Road Construction	\$19,414.00
	Landings/Pads	\$14,180.00
	Metal Cart & Spread	\$9,538.74
	Other	\$480.00
	R&M	\$4,349.00
	Rehab	\$6,732.89
Total		\$62,446.60

Table 4: Engineering Costs



Figure 2: New construction on Dickie Drive.

Harvesting

The logging cost for March totalled **\$272,832.30** producing 8,092.94 merchantable tonnes. The average production rate was 385 tonne per day with an average harvesting cost of \$33.71 per tonne for the month.

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

Harvesting Cost Summary

		Total
March	Logging	\$272,832.30
Total		\$272,832.30

Table 5: Harvesting cost

This month 12.0 ha was harvested, the recoverable volume averaged 674t/ha. This is well above the project average of 573.5t/ha and this is due to the larger piece size being harvested by the road lining crew along Dickie Drive in Compartment 3.

The average recoverable volume for the project will continue to increase.

To date, 140.1 ha has been harvested in total.

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

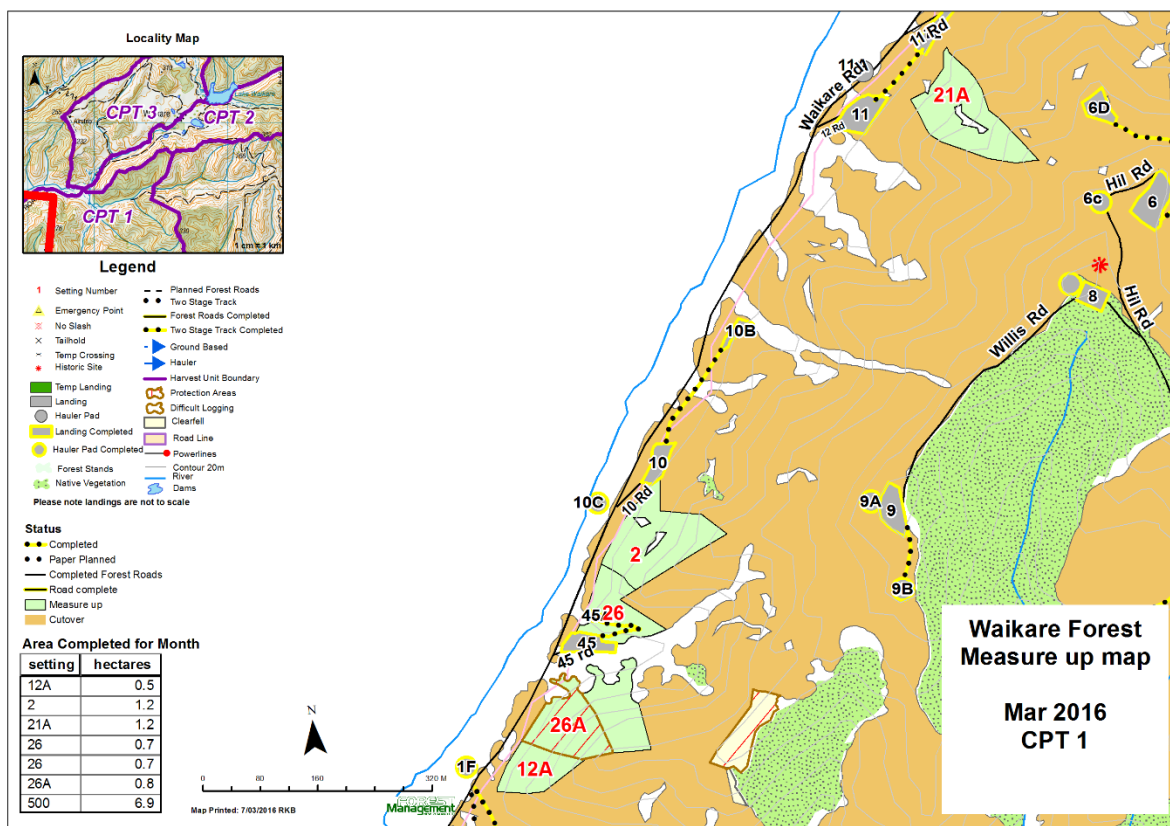


Figure 3: Waikare Progress Map Cpt 1

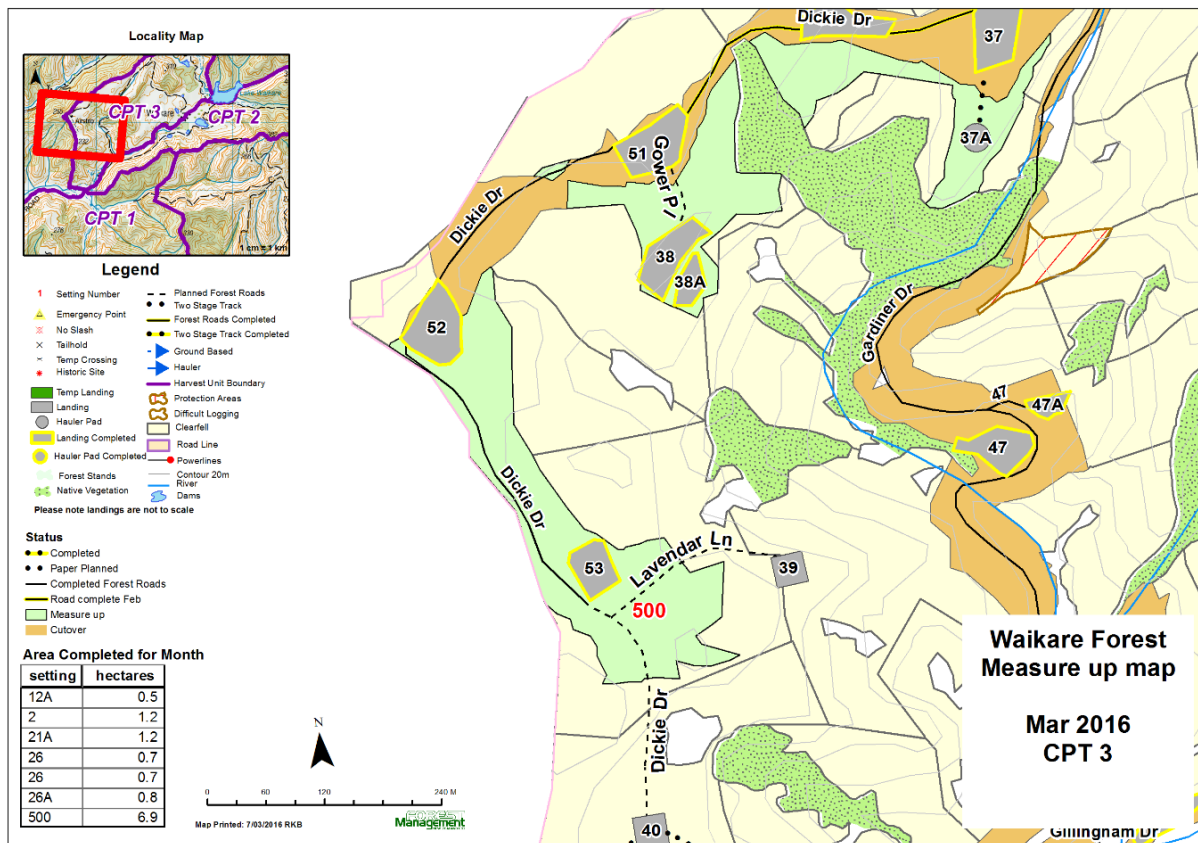


Figure 4: Progress Map Cpt 2 & 3

Cartage

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

Cartage Cost Summary

		Total
March	Cartage - Truck	\$239,946.97
	Weighbridge	\$2,953.04
Total		\$242,900.01

Table 6: Cartage

The average cartage cost for tonnes produced for March was \$29.65/tonne.

Fees and Levies

The average management cost for the month was \$5.56/tonne and \$4.72/tonne for the project overall.

Management fees and FGC levies are summarised in the table below:

Fees and Levies Cost Summary

		Total
March	Management	\$45,011.66
	FGC levy	\$2,234.43
Total		\$47,246.09

Table 7: Fee's and Levies

Health & Safety

The Health and Safety at Work Act 2015 and Regulations comes into effect on 4th April this year and has meant that as forest and harvest managers, we have had to update our policies and procedures to meet the new requirements.

The Act also contains a new legal concept of a Person Conducting a Business or Undertaking (PCBU). A PCBU has the primary responsibility for ensuring the health and safety of workers. While a PCBU is generally a business (such as FMNZ) rather than an individual, officers and directors of the business can now be held liable and fined for health and safety breaches if they have not complied with their due diligence responsibilities by ensuring the safety of all who may be affected by their business. It is therefore important that everyone is a stakeholder in the management of health and safety, including the forest owners.

From now on we will include this Health and Safety section in our monthly report to ensure that as forest owners, you are informed about any issues that potentially, could affect you. We will therefore advise lost time injuries (LTIs) and medical treatment injuries (MTIs). With an MTI, while medical attention is sought, there is no resultant lost time.

For March, there were no LTIs or MTIs.

Replanting

As Waikare Forest is classified as pre 1990 land, the forest has to be replanted or incur deforestation liabilities. We plan to replant approximately 100 hectares of harvested land this winter.

In preparation for the planting we have commenced the aerial dessication of the area to be planted. The helicopter got part way through the job and had to call a halt due to the weather changing. Aerial dessication is carried out to spray all of the weeds that have grown since harvest so they do not smother the seedlings and planters can see where the newly planted rows are as the cover they ground.

The cost of the replant has been included in the forest management budget and does not come out of the harvest expenses.



Figure 5: Settings 12, 13 & 14, Cpt 1 felled.



Figure 6: Settings 12, 13 & 14, Cpt 1 extracted.

Project Forecast vs Actual

As discussed in our February report, the graph below shows actual costs and returns per tonne/JAS.

The red line shows accumulated net \$/tonne for the project with actual costs deducted. This positive trajectory of the red line is a great result, we are currently above the average forecast return and have carried out 66 % of the roading requirements and 33% of the harvest. We are presently sitting at \$29.62, the forecast was \$25.25.

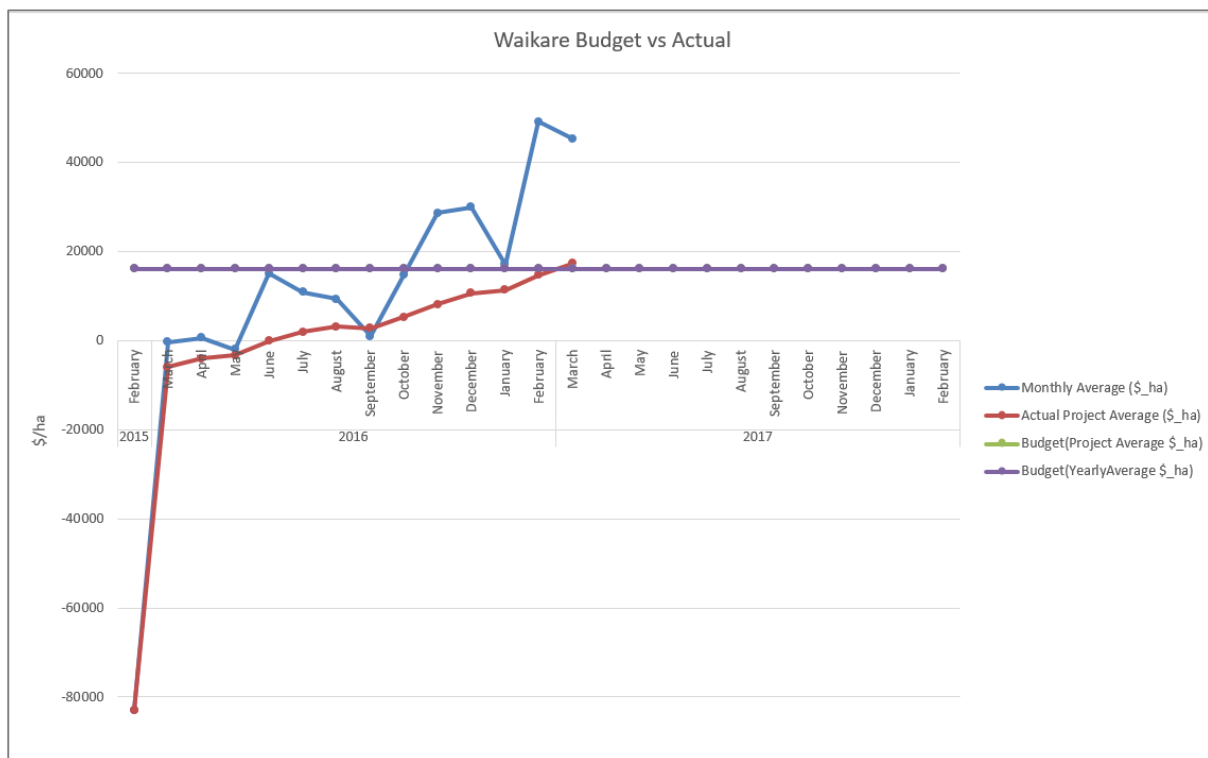


Chart 4: Project Forecast vs. Actual

Our original forecast was based on a gross return of \$98.41 per tonne. We are presently achieving \$119.95, an increase of 21.8%. While the markets remain strong this bodes well for the project revenue overall.

Kind Regards,

Ian Bell,
Harvesting Manager

Appendix 1 Harvesting Financial Summary

	Harvesting Financial Summary Waikare Forest Partnership 01/03/2016 to 31/03/2016 Paid to bank account # 02 0792 0001123 000 GST # 051 665 716
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SALES					
Type	Grade	Tonnes	Jas (m3)	Sales Price	Gross Revenue (\$)
Domestic					
Pruned Dom	P1	392.24		\$203.00	\$79,624.72
Pruned Dom	P1X	8.81		\$152.25	\$1,341.32
S1/S2	A300	1,371.65		\$115.00	\$157,739.75
TOTAL DOMESTIC SALES		1,772.70			\$238,705.79

Domestic Pulp					
Pulp	Pulp	464.77		\$54.00	\$25,097.58
Pulp	PulpOS	56.26		\$47.00	\$2,644.22
TOTAL DOMESTIC PULP SALES		521.03			\$27,741.80

Downgrade					
Downgrade	Dom Reject	-4.58		\$115.00	-\$526.70
Downgrade	Dom Reject	-1.16		\$203.00	-\$235.48
Downgrade	Exp Rejects		-1.108	\$107.00	-\$118.56
Downgrade	Exp Rejects		-0.492	\$121.00	-\$59.53
TOTAL DOWNGRADE SALES		-5.74	-1.600		-\$940.27

Export					
PP Exp	PP 3.9		66.278	\$138.00	\$9,146.36
Pruned Exp	P30 3.9		131.646	\$144.00	\$18,957.02
Pruned Exp	P30 5.1		134.359	\$144.00	\$19,347.70
Pruned Exp	P40 3.9		309.061	\$189.00	\$58,412.53
Pruned Exp	P40 5.1		495.961	\$189.00	\$93,736.63
Pruned Exp	P40 5.9		1,131.828	\$189.00	\$213,915.49
A30	A 3.8		509.574	\$121.00	\$61,658.45
A30	A 5.8		640.901	\$121.00	\$77,549.02
A40	AO 3.8		988.019	\$124.00	\$122,514.36
A40	AO 3.9		461.219	\$124.00	\$57,191.16
K	K 3.8		206.918	\$114.00	\$23,588.65
K	K 5.8		316.026	\$114.00	\$36,026.96
KI	KI 2.9		278.022	\$107.00	\$29,748.35
KI	KI 3.8		167.470	\$107.00	\$17,919.29
TOTAL EXPORT SALES			5,837.282		\$839,711.98

Export Pulp					
Export Pulp	KIS 2.9		0.140	\$99.00	\$13.86
Export Pulp	KIS 3.8		151.845	\$99.00	\$15,032.66
TOTAL EXPORT PULP SALES			151.985		\$15,046.52

Harvesting Financial Summary (Continued)

TOTAL	2,287.99	5,987.667	\$1,120,265.82
WASHUP RECONCILIATION			
Income			\$5,029.10
Management (included in the Fees section below)	\$201.16		
TOTAL WASHUP			\$5,029.10
FEES			
FMNZ Management Fee @ 4%			\$45,011.80
TOTAL FEES			\$45,011.80
LEVIES			
Forest Grower Commodity Levy @ \$0.27			\$2,234.43
TOTAL LEVIES			\$2,234.43
COSTS			
Harvesting			\$272,832.30
Cartage			\$239,946.97
Weighbridge			\$2,953.04
Gap100 C x 120 (Maxwell Quarry Inv-2085)			\$1,860.00
Keys (Baylocks Inv-117714)			\$354.00
Gap100 C x 140 (Maxwell Quarry Inv-2095)			\$2,170.00
Gap100 C X 160 (Maxwell Quarry Inv-2104)			\$2,480.00
Gap100C X 60 (Maxwell Quarry Inv-2113)			\$930.00
Culvert socks x 60 (Aquatuff Inv-818)			\$1,560.00
Cart & Spread - Dickie Drive (RLF Inv-1091)			\$3,639.27
Cart and Dump - Dickie Drive (RLF Inv-1091)			\$3,778.50
Metal (RLF Inv-1091)			\$311.97
Cart & Spread Gillingham (RLF Inv-1091)			\$614.97
Temp Landing 53 (CCL Inv-0043)			\$3,186.00
Grade Waikare Road (CCL Inv-0043)			\$800.00
Grade Hil Road (CCL Inv-0043)			\$640.00
Grade Gillingham Road (CCL Inv-0043)			\$944.00
Rehab V drains (CCL Inv-0043)			\$2,512.00
Deadman Hil Road/Setting 12 (CCL Inv-0043)			\$624.00
Excavate spring & reinstate (CCL Inv-0043)			\$1,472.00
Install extra culvert - Gardiner rd (CCL Inv-0043)			\$368.00
Prep cordoroy - 2 stage (CCL Inv-0043)			\$1,616.00
Rehab drains after logging (CCL Inv-0043)			\$1,024.00
Nova flow (CCL Inv-0043)			\$240.00
Fluming, Haybales (CCL Inv-0043)			\$240.00
Repair soft spot (CCL Inv-0043)			\$265.00
Repair Spring (CCL Inv-0043)			\$315.00
Cart corduroy for 2 stage track (CCL Inv-0043)			\$1,470.00
Rehab drains after logging truck (CCL Inv-0043)			\$840.00
Roll Farag, Gillingham & RDL roads (CCL Inv-0043)			\$480.00

Harvesting Financial Summary (Continued)

Roll Dickie drive & Gardiner road (CCL Inv-0043)	\$708.00
Roll Dickie Drive (CCL Inv-0043)	\$144.00
Load drainage stone & materials (CCL Inv-0043)	\$569.89
Construction (CCL Inv-0043)	\$14,768.00
Construction Landing 38 (CCL Inv-0043)	\$6,000.00
Construct Pad 38a (CCL Inv-0043)	\$2,750.00
251 m3 spread (CCL Inv-0043)	\$1,506.00
Enlarge landing 24 (CCL Inv-0043)	\$810.00
Enlarge Landing 50 (CCL Inv-0043)	\$810.00
Envirosan (Farmlands Inv-1020247)	\$149.99
TOTAL COSTS	\$578,682.90
TOTAL FEES, LEVIES & COSTS	\$625,929.13

NET INCOME CURRENT MONTH	\$499,365.79
GST	\$74,904.87
NET INCOME CURRENT MONTH (INCLUDING GST)	\$574,270.66

Appendix 2 Waikare Forest (March Washup – Coos Bay)



BUYER CREATED
TAX INVOICE
(IRD APPROVED)

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

Invoice Date : 31/03/2016
Invoice No.: 2061

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 31/03/2016 from Waikare Forest Partnership

Grade	Length	Volume Loaded	AWG Price	Final Price	Mgmt Fee	Amount
Forest : Waikare Forest Partnership						
A	3.8	375.450		\$123.20	\$1,850.22	\$44,405.22
A	3.8	-342	\$113.00		-\$1.68	-\$36.96
A	3.8	-375.108	\$123.00		-\$1,845.53	-\$44,292.75
A	5.8	479.132		\$123.20	\$2,361.16	\$56,667.90
A	5.8	-479.132	\$123.00		-\$2,357.33	-\$56,575.91
AO	3.8	751.186		\$126.20	\$3,791.99	\$91,007.69
AO	3.8	-353.800	\$117.00		-\$1,655.78	-\$39,738.82
AO	3.8	-397.386	\$126.00		-\$2,002.83	-\$48,067.81
K	3.8	169.275		\$116.20	\$786.79	\$18,882.96
K	3.8	-169.275	\$115.00		-\$778.66	-\$18,687.96
K	5.8	304.255		\$116.20	\$1,414.18	\$33,940.25
K	5.8	-304.255	\$115.00		-\$1,399.57	-\$33,589.75
KI	2.9	172.909		\$108.20	\$748.35	\$17,960.40
KI	2.9	-172.909	\$108.00		-\$746.97	-\$17,927.21
KI	3.8	112.071		\$108.20	\$485.04	\$11,641.04
KI	3.8	-112.071	\$108.00		-\$484.15	-\$11,619.52
KIS	3.8	162.161		\$101.20	\$656.43	\$15,754.27
KIS	3.8	-162.161	\$100.00		-\$648.64	-\$15,567.46
P30	3.9	158.405		\$149.20	\$945.36	\$22,688.66
P30	3.9	-158.405	\$150.00		-\$950.43	-\$22,810.32
P30	5.1	128.808		\$149.20	\$768.73	\$18,449.43
P30	5.1	-70.263	\$145.00		-\$407.53	-\$9,780.61
P30	5.1	-58.545	\$150.00		-\$351.27	-\$8,430.48
P40	3.9	245.091		\$194.20	\$1,903.87	\$45,692.81
P40	3.9	-245.091	\$195.00		-\$1,911.71	-\$45,881.04
P40	5.1	284.924		\$194.20	\$2,213.29	\$53,118.95
P40	5.1	-284.924	\$195.00		-\$2,222.41	-\$53,337.77
P40	5.9	533.017		\$194.20	\$4,140.48	\$99,371.43
P40	5.9	-244.102	\$189.00		-\$1,845.41	-\$44,289.87
P40	5.9	-288.915	\$195.00		-\$2,253.54	-\$54,084.89
PP	3.9	44.043		\$141.20	\$248.75	\$5,970.12
PP	3.9	-44.043	\$142.00		-\$250.16	-\$6,003.94
Totals		3,920.727			\$201.03	\$4,828.07



BUYER CREATED
TAX INVOICE
(IRD APPROVED)

Forest Grower Commodity Levy	\$0.00
Total Before GST	\$4,828.07
GST	\$724.21
Total of this Tax Invoice	\$5,552.28

Paid to bank account No. 02 0792 0001123 000

Payment Due : 21/04/2016

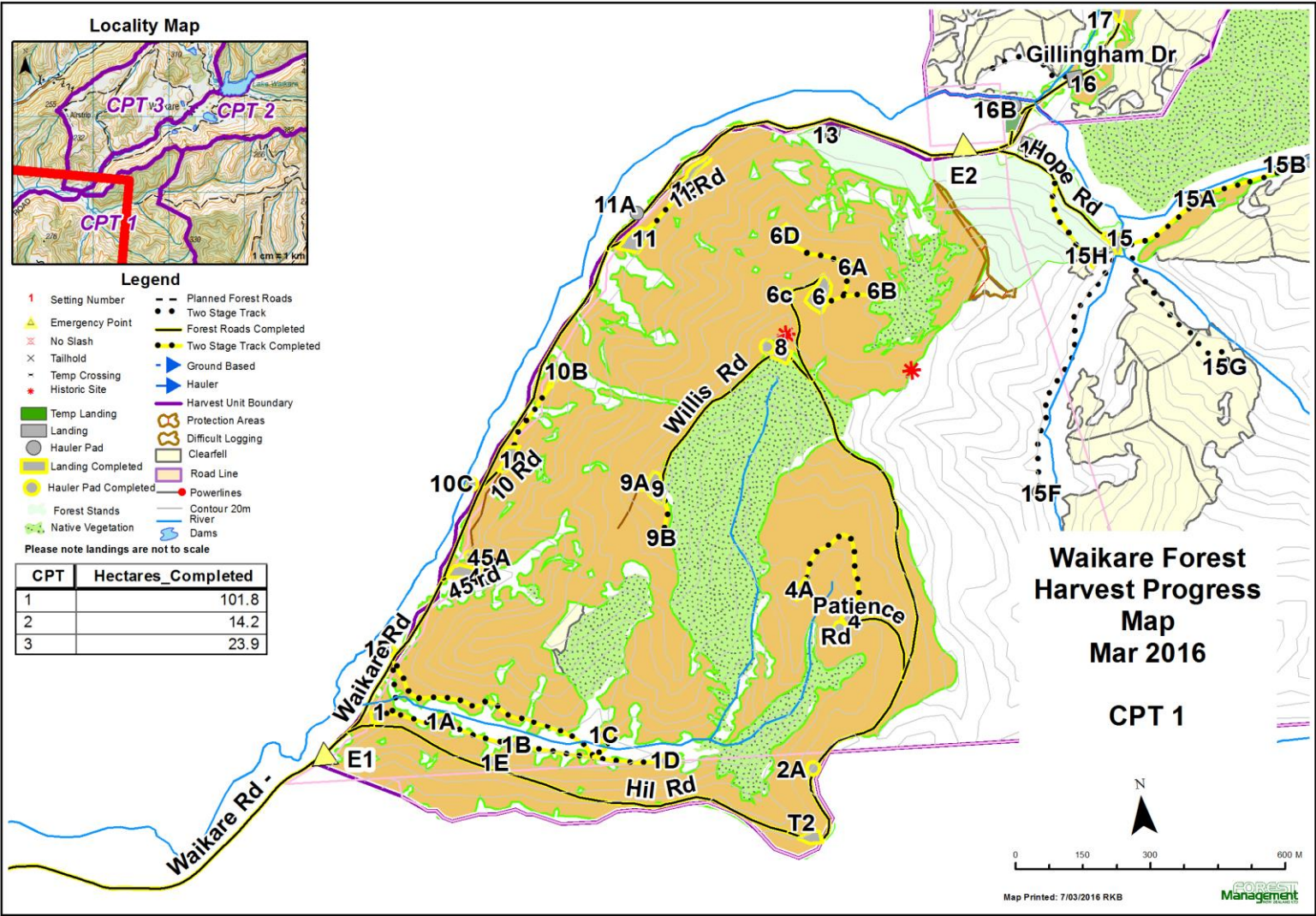
Appendix 3 Waikare Forest-Cashflow Summary, Current Fiscal Year (March)

		2017	Grand Total
		March	
Quantity	JAS Sold	5987.667	5987.667
	Tonnes Harvested	8092.94	8092.94
	Tonnes Weighed	7571.91	7571.91
	Washup JAS	3749.495	3749.495
	Owner Units Paid	8275.657	8275.657
	Hectares Harvested	12	12

Cashflow for Current Fiscal Year

		2017	Grand Total
		March	
Income	Log Sales	1,120,265.82	1,120,265.82
	Washup	5,029.10	5,029.10
Income Total		\$1,125,294.92	\$1,125,294.92
Harvesting	Cartage	242,900.01	242,900.01
	Logging	272,832.30	272,832.30
Harvesting Total		\$515,732.31	\$515,732.31
Fees	FGC levy	2,234.43	2,234.43
	Management	45,011.66	45,011.66
Fees Total		\$47,246.09	\$47,246.09
Engineering	Landings/Pads	14,180.00	14,180.00
	Metal	7,751.97	7,751.97
	Metal Cart & Spread	9,538.74	9,538.74
	Other	480.00	480.00
	R&M	4,349.00	4,349.00
	Rehab	6,732.89	6,732.89
Engineering	Road Construction	19,414.00	19,414.00
Engineering Total		\$62,446.60	\$62,446.60
Miscellaneous	Consumables	149.99	149.99
	Security	354.00	354.00
Miscellaneous Total		\$503.99	\$503.99
Grand Total		\$499,365.93	\$499,365.93

Appendix 4 Waikare Harvest Map (Southern Harvest Plan)



Appendix 5 – Harvest Progress Map

