HARVESTING REPORT
JANUARY 2017
MAXWELL FOREST PARTNERSHIP

RANGITATAU WEST ROAD

FMNZ
"Maximising the value of forests since 1974"

January Harvesting Report

Summary

January's weather has been pretty similar to December, although the odd hot day has kept the forest reasonably dry allowing us to make good progress on road and skid formation. The harvesting contractor had a major breakdown early on in the month which slowed log production for this month.

772 lineal metres of new roads and three new hauler pads were constructed in January. Ongoing road maintenance and boundary fencing were also carried out as necessary.

The recoverable volume for January totalled **3,794.29** tonnes, returning log sales of **$508,543.92** (See Appendix 1, Harvesting Financial Summary).

The January export prices lifted on average \$6.79/Jas m^3 with pruned and part pruned grades climbing \$6-7/Jas m^3 while the sawlog grades have lifted up \$6.00-8.13/Jas m^3.

The outlook for February is for prices to slip back until some of the inventory is shifted off wharf following Chinese New Year. There is uncertainty around any Forex movements due to influences from the Trump administration affecting CFR prices in China.

Net revenue to January totalled **$119,812.57** excluding GST.

To date, 24.9 ha has been harvested.

The net income to date for the project overall is **$300,665.71.**

Revenue

Log Sales

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

Table 1: Domestic and Export Sales

			QTY	Revenue
January	SNP	Jas	3537.452	$487,180.17
	TPINE	Tonnes	157.222	$21,363.75
Total			**3694.674**	**$508,543.92**

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

Log Markets

The January export prices lifted on average $6.79/Jas m^3 with pruned and part pruned grades climbing $6-7/Jas m^3 while the sawlog grades have lifted up $6.00-8.13/Jas m^3.

The outlook for February is for prices to slip back until some of the inventory is shifted off wharf following Chinese New Year. There is uncertainty around any Forex movements due to influences from the Trump administration affecting CFR prices in China.

January log inventories on Chinese ports has reduced to 3.0mil m^3 with daily offtake reducing to 69,000m^3/day. Incoming volumes are expected to increase inventories over the Chinese New Year period.

The strengthening in bunker rates and Baltic indices have put upward pressure on ocean freight rates which is expected carry on into 2017.

Grade Recovery

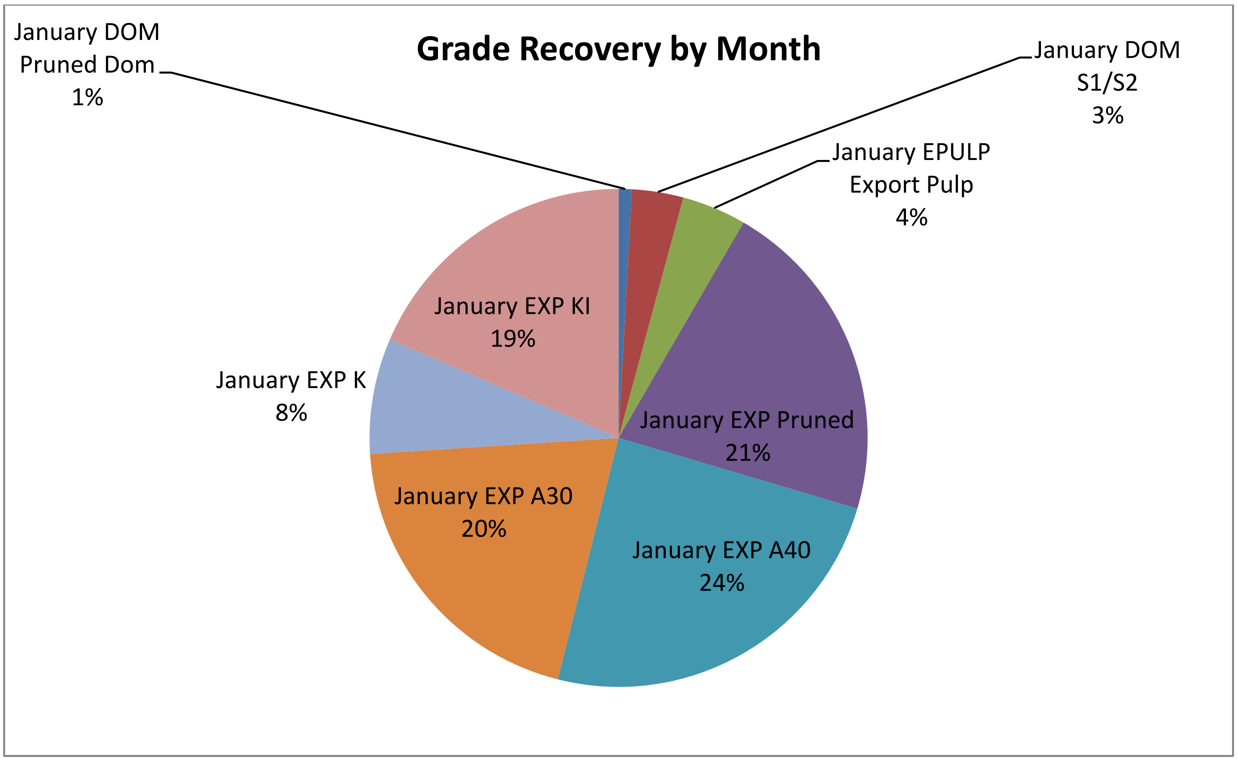


Chart 1: Grade Recovery by Month

The higher value A40 and pruned percentages have risen in January while the A30 grade has reduced. The percentage out turn for the rest of the grades has stayed pretty static over the last two months.

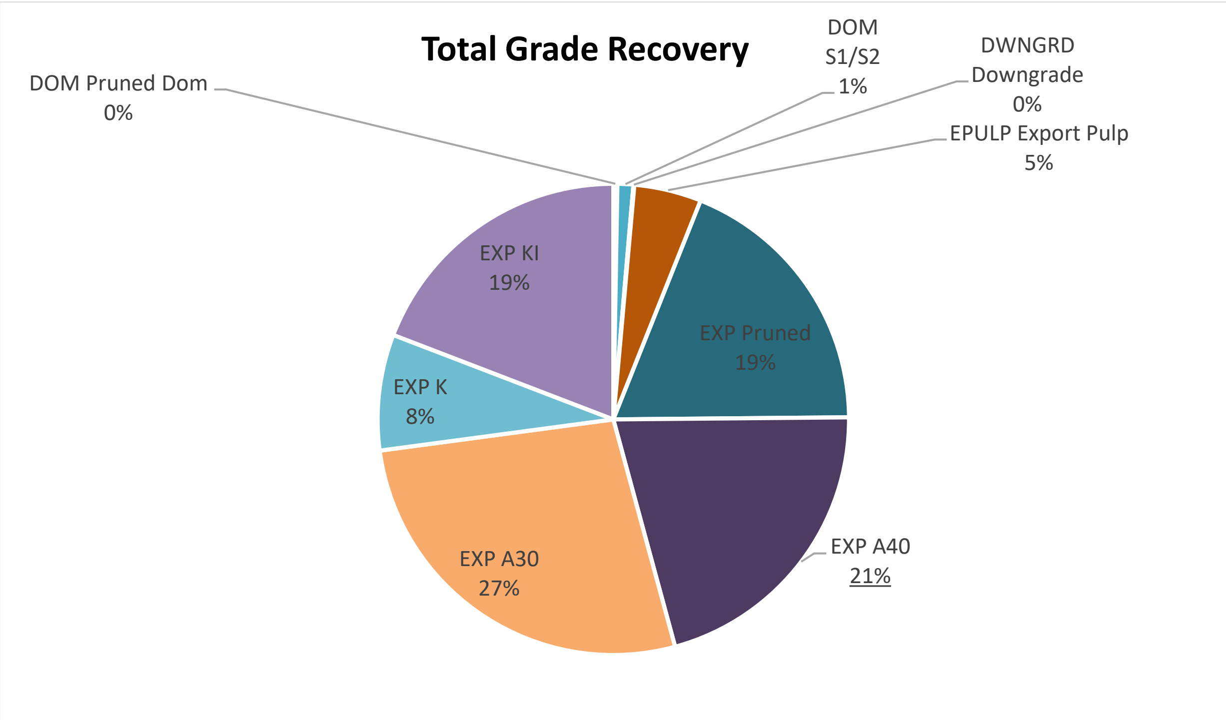


Chart 2: Total Grade Recovery (Project to Date)

Figure 1: Log truck heading into skid 24.

Shipping volume for the last three vessels

The vessel Tampa Bay completed loading at the Port of Taranaki on the 26th January.

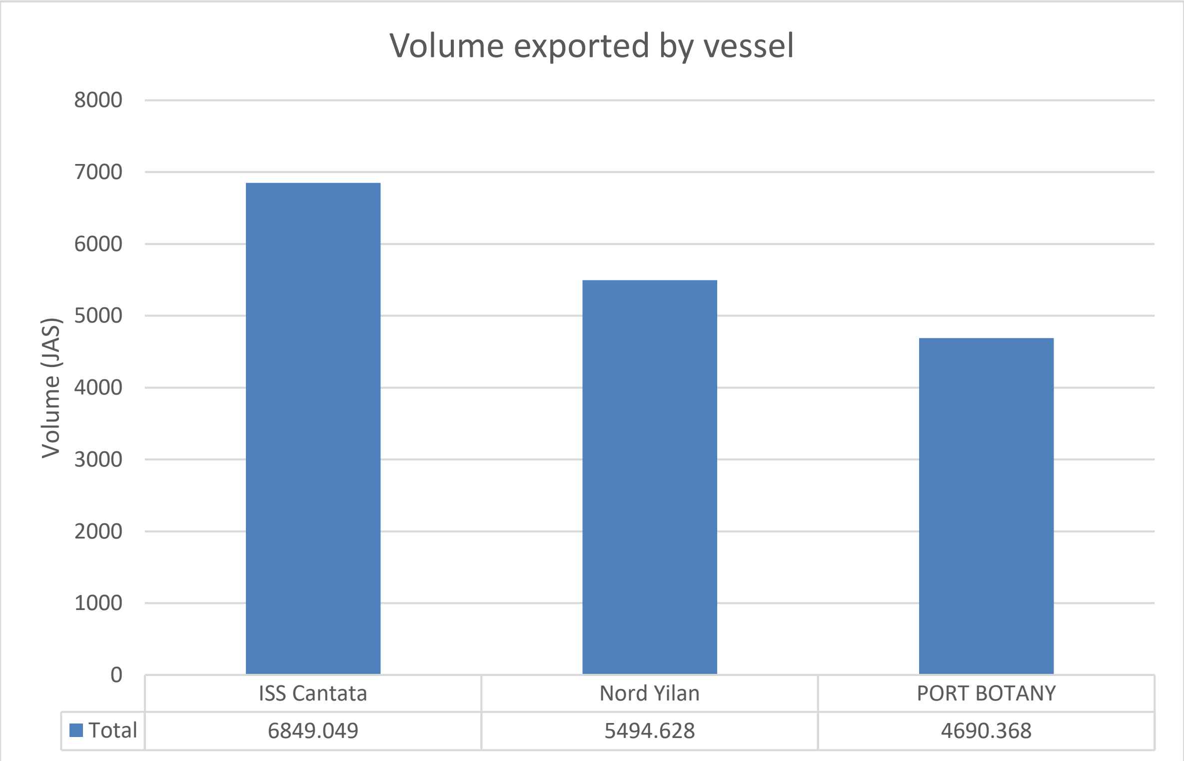


Chart 3: Last three vessels to leave Port of New Plymouth

The vessels Sea Harmony and Yangtze Ambition sailed on the 11th/15th December. The washup for these vessels will now be covered in the February report.

The next vessel, Otago Harbour has an ETA of the 12th February 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.

Summit Forests recently negotiated a $1.35 per tonne savings on port storage costs for the Maxwell logs. This is a good result as it all helps to increase the return for the forest owners.

It is interesting to note that in January 2015 when the harvest commenced, we were paying port costs of $20.60 per tonne. We are currently paying $18.00 per tonne and the $1.35 is yet to be deducted from this. Summit have been working closely with the port company to bring the costs down and we will encourage them to keep the port costs on a downwards trajectory.

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 Port Botany completed loading on the 19th November, this shows a negative return of $3,517.29.

Table 2: Summary of the Washup

	Washup
Gross Washup	$ 3,517.29
Management - Washup	$ (140.69)
Net Amount	**$ 3,376.60**

Net Revenue

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

Table 3: Revenue

Month Name	Net Monthly Income	Total Net Income for project
January	$119,812.57	$300,665.71

Expenditure

The total expenditure for January was **$385,214.06**. This was made up of the following:

Engineering

January saw the construction of 626 meters of Grantson's Road in a push to get to the southern boundary and the final 143 metres of Selderbeek Road. Three new skids were also constructed this month and a start was made on a further skid.

The roading contractor had a couple of major break downs with his 48 tonne excavator first suffering a broken bucket ram and then a major seal in one of the hydraulic pumps went, which meant the machine was out of action for the best part of the month. The 48 tonne digger can be seen widening a corner on Grantson's Road in the photo below.

Figure 2: Grantson's Road in the process of being constructed.

Table 4: Engineering Costs

		Total
January	Metal	$13,872.50
	Metal Cart & Spread	$4,638.00
	R&M	$3,057.51
	Road Construction	$46,420.70
	Landings/Pads	$28,892.50
	Rehab	$255.00
January Total		**$97,136.21**

Miscellaneous

Miscellaneous expenses this month included docket books, road name signs and fencing costs. The miscellaneous cost for the month is in Table 5, below:

Table 5: Miscellaneous Costs

		Total
January	Consumables	$101.57
	Fencing	$6,869.96
	Other	$230.30
January Total		**$7,201.83**

Harvesting

The logging cost for January totalled **$144,183.02** producing 3,794.29 merchantable tonnes. The average production rate was 190 tonnes per day with an average harvesting cost of $38.00 per tonne for the month. The harvesting crew experienced some major disruptions this month and it is surprising that they managed to maintain production at nearly 200 tonnes per day.

The total harvesting cost for the month is in Table 6, below:

Table 6: Harvesting Costs

		Total
January	Establishment - harvesting	$345.00
	Logging	$144,183.02
January Total		**$144,528.02**

We have harvested a total area of 9.1 ha this month producing 3,794.29 tonnes of wood with a recoverable volume of 416.95 t/ha. The recoverable volume is a reflection of the predominately harder ridge top roadline settings that were harvested this month, (see Figure 3 below). The crew concentrated on pulling the roadlines as the hauler was out of action for almost three weeks. We also had log stocks on three skid sites at the end of the month while the contractor was managing loading out over a couple of kilometres.

Figure 3: Skid 24 as first few logs are being pulled onto it.

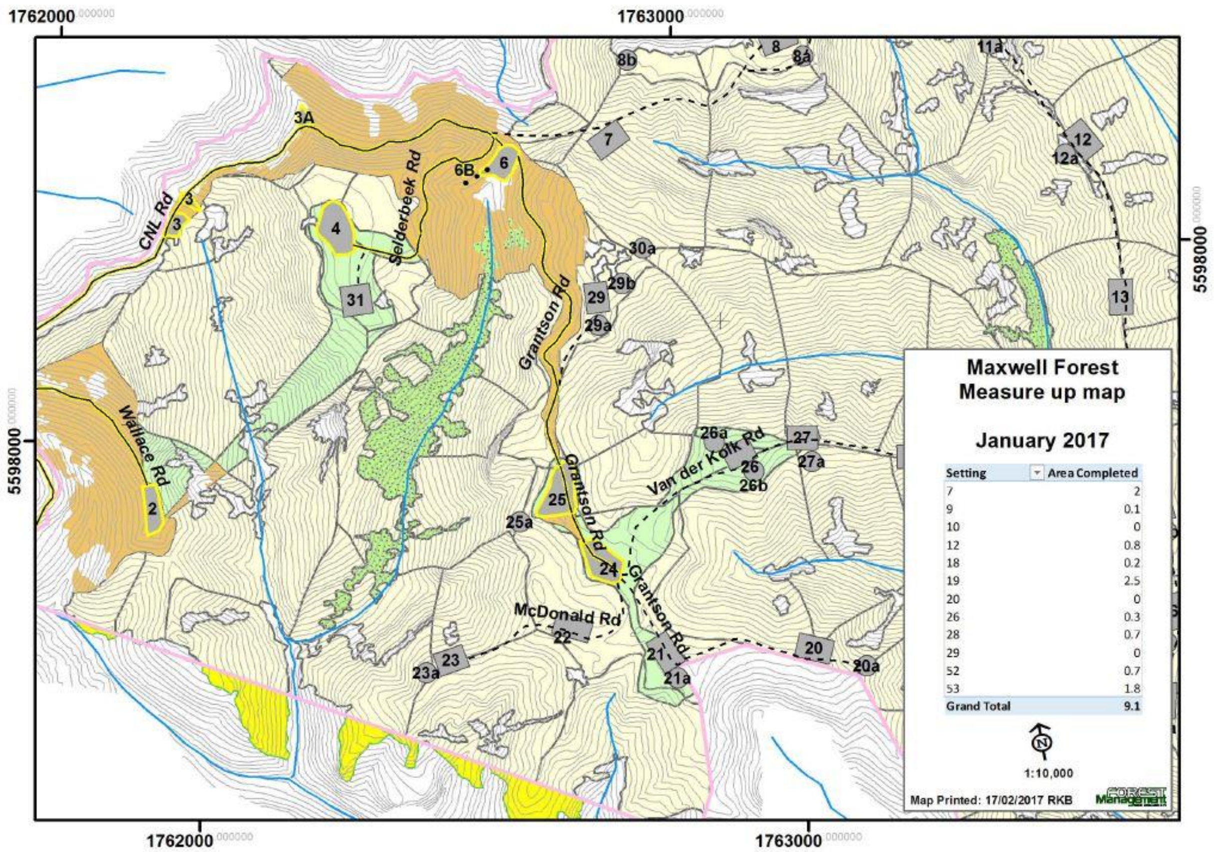


Figure 3: Maxwell Progress Map (January 17)

Following the Christmas break, the harvesting crew started back in the forest on the 4th of January. Some of the crew started to fall setting 12 which was to be pulled back to setting 2, while two crew members were falling setting 7 to allow skid 4 to be built.

After harvesting for just under a week, the hauler's engine blew up and was out of action for most of the rest of the month. The crew continued to ground base log and made a start on pulling Van der Kolk Road and continuing Grantson's Road up to skid 21. Setting 7 and its associated skid site 4 were almost finished this month as well.

Cartage

Cartage expenditure for the month is summarised below in Table 7:

Table 7: Cartage Costs

		Total
January	Cartage - Truck	$113,669.60
	Weighbridge	$1,479.77
Total		**$115,149.37**

The cartage cost for the tonnes produced is $29.96/tonne.

Figure 4: Manual log processing taking place on skid 24.

Fees and Levies

Management Fees and FGC levies are summarised in Table 8 below.

The average management costs to date for the project is $5.08/tonne.

Table 8: Fee and Levies

		Total
January	Management	$20,201.07
	FGC levy	$997.56
Total		**$21,198.63**

Health & Safety

Safety data statistics for January showed one minor injury for the month. Dave Hickford went over safe working distances with the crew and reinforced the two metre rule around working with chainsaws.

Contractor	Operation	Injury/Incident Type	Description
Hickford Logging	Manual skid processing	Minor Injury	Stencilling logs near someone re-trimming, cutter spun saw around and nicked the wrist of the man stencilling logs. Working too close together, not looking. Crew went over the 2 meter rule when working with a chainsaw.

Figure 5: Selderbeek Road, one of G J Sole's log trucks heading up to skid 4 for another load.

Project Forecast vs Actual

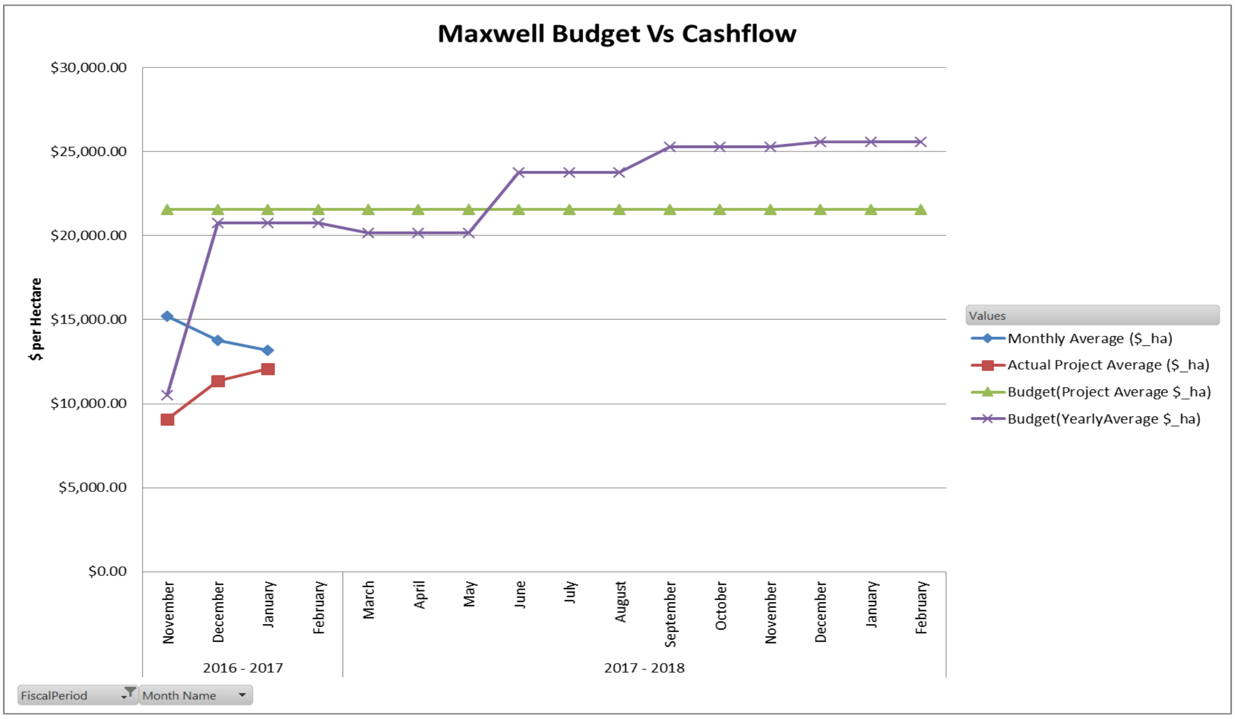
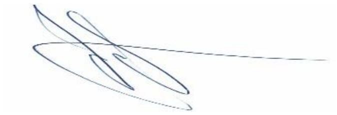


Chart 4: Project Forecast vs. Actual

We are presently achieving a net return of $25.81 net per tonne, the forecast was $35.14. A gross return of $114.31 per tonne was forecast, the average is currently $127.02. The net return per hectare is currently sitting at $12,074.93.

Kind Regards,



Jason Osborn
West Coast Operations Manager

Appendix 1 Harvesting Financial Summary

FOREST Management NEW ZEALAND LTD	**Harvesting Financial Summary**	
	Maxwell Forest Trustee Limited	01/01/2017 to 31/01/2017
Paid to bank account # 02-0792-0001131-000		GST # 62-937-965

SALES					
Type	**Grade**	**Tonnes**	**Jas (m3)**	**Sales Price**	**Gross Revenue ($)**
Domestic					
Pruned Dom	P1	32.22		$180.00	$5,799.60
S1/S2	A300	126.88		$125.00	$15,860.00
TOTAL DOMESTIC SALES		**159.10**			**$21,659.60**
Downgrade					
Downgrade	Dom Reject	-0.77		$125.00	-$95.88
Downgrade	Dom Reject	-1.11		$180.00	-$199.98
Downgrade	Exp Rejects		-0.376	$108.00	-$40.61
TOTAL DOWNGRADE SALES		**-1.88**	**-0.376**		**-$336.46**
Export					
Pruned Exp	P42 5.9		153.006	$175.00	$26,776.05
Pruned Exp	P40 3.9		524.529	$172.00	$90,218.99
Pruned Exp	P40 5.1		138.845	$172.00	$23,881.34
A30	A 3.8		740.740	$132.00	$97,777.68
A40	AO 3.9		914.766	$135.00	$123,493.41
K	K 3.8		253.888	$125.00	$31,736.00
KI	KI 2.9		392.842	$115.00	$45,176.83
KI	KI 3.8		280.246	$118.00	$33,069.03
TOTAL EXPORT SALES			**3,398.862**		**$472,129.33**
Export Pulp					
Export Pulp	KIS 2.9		111.257	$108.00	$12,015.76
Export Pulp	KIS 3.8		27.709	$111.00	$3,075.70
TOTAL EXPORT PULP SALES			**138.966**		**$15,091.46**
TOTAL		**157.22**	**3,537.452**		**$508,543.92**

WASHUP RECONCILIATION		
Income		-$3,517.29
Management (included in the Fees section below)	*-$140.69*	
TOTAL WASHUP		-$3,517.29
FEES		
FMNZ Management Fee @ 4%		$20,201.07
TOTAL FEES		**$20,201.07**

Harvesting Financial Summary (Continued)

LEVIES	
Forest Grower Commodity Levy @ $0.27	$997.56
TOTAL LEVIES	**$997.56**
COSTS	
Harvesting	$144,183.02
Cartage	$113,669.60
Weighbridge	$1,479.77
5 Culverts (Bailey Tanks Inv-SO043793)	$1,316.65
Docket books x 3 (VW Print Inv-42534)	$43.53
4 Culverts (Bailey Tanks Inv-SO045330)	$1,053.32
9 Culverts (Bailey Tanks Inv-SO045330)	$2,369.97
Culverts x 9 (Bailey Tanks SO045330)	$2,369.97
20' container moved in December (PTE Logistics Inv-409361)	$345.00
7 Road name signs (SIU Inv-14371)	$230.30
30 Waratah's (Farmlands Inv-1042146)	$157.82
Grass seed - 2 x 25kg (Farmlands Inv-1042146)	$167.51
9 Culverts (Bailey Tanks SO045330)	$2,369.97
Docket books x 4 (VW Print Inv-42534)	$58.04
Gap100c (Maxwell Quarry Inv-2582)	$8,060.00
Cart & spread of metal (RLF Inv-1553)	$1,605.00
Cart & dump of metal (RLF Inv-1553)	$1,836.00
Granston Road formation (MPE Inv-10053)	$15,096.00
Selderbeek Road formation (MPE Inv-10053)	$3,432.00
Skid formation (MPE Inv-10053)	$28,212.50
Transport culverts (MPE Inv-10054)	$900.00
Clean up Skid 3 (MPE Inv-10055)	$255.00
Rangitatai West Road R&M (MPE Inv-10055)	$340.00
Selderbeek road fluming installation (MPE Inv-10055)	$250.00
Cart and spread metal - Grantson Road (MPE Inv-10056)	$1,197.00
Formation - Grantson Road (MPE Inv-10056)	$3,905.00
Road maintenance - Grantson Road (MPE Inv-10056)	$2,550.00
Cart metal from stockpile - skids (MPE Inv-10056)	$852.50
Cut bench to retain slash (MPE Inv-10056)	$680.00
Formation of Selderbeek road (MPE Inv-10057)	$7,220.00
Skid 4 (MPE Inv-10057)	$1,020.00
Metal - Grantson road (MPE Inv-10057)	$3,940.00
Formation - Grantson road (MPE Inv-10057)	$5,980.00
Fencing (Rohloff Coe Inv-243669)	$2,800.00
Construct boundary netting fence (PJ Amon Inv-1729)	$4,069.96
TOTAL COSTS	**$364,015.43**
TOTAL FEES, LEVIES & COSTS	**$385,214.06**

NET INCOME CURRENT MONTH	**$119,812.57**
GST	**$17,971.89**
NET INCOME CURRENT MONTH (INCLUDING GST)	**$137,784.46**

Appendix 2 Waikare Forest (January Washup – Port Botany)

Forest Management NEW ZEALAND LTD

BUYER CREATED
TAX INVOICE
(IRD APPROVED)

Maxwell Forest Trustee Limited
C/- Roger Dickie
PO Box 43
Waverley 4544

Invoice Date : 31/01/2017
Invoice No.: 2166

GST No .: 62-937-965

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

GST No .: 013-730-407

For loads uplifted up until 31/01/2017 from Maxwell Forest Trustee Limited

Grade	Length	Volume Loaded	AWG Price	Final Price	Mgmt Fee	Amount
Forest : Maxwell						
A	3.8	404.046		$121.43	$1,962.53	$47,100.77
A	3.8	-404.046	$124.00		-$2,004.07	-$48,097.64
AO	3.9	131.385		$123.43	$648.67	$15,568.18
Forest : Maxwell						
AO	3.9	26.231		$123.43	$129.51	$3,108.18
Forest : Maxwell						
AO	3.9	32.868		$123.43	$162.28	$3,894.62
AO	3.9	-32.868	$126.00		-$165.65	-$3,975.71
Forest : Maxwell						
AO	3.9	-26.231	$126.00		-$132.20	-$3,172.90
Forest : Maxwell						
AO	3.9	-131.385	$126.00		-$662.18	-$15,892.33
K	3.8	36.816		$114.43	$168.51	$4,044.34
K	3.8	-36.816	$117.00		-$172.30	-$4,135.17
KI	2.9	29.918		$100.43	$120.19	$2,884.48
Forest : Maxwell						
KI	2.9	15.278		$100.43	$61.37	$1,472.99
Forest : Maxwell						
KI	2.9	145.076		$100.43	$582.80	$13,987.18
KI	2.9	-145.076	$107.00		-$620.93	-$14,902.21
Forest : Maxwell						
KI	2.9	-15.278	$107.00		-$65.39	-$1,569.36
Forest : Maxwell						
KI	2.9	-29.918	$107.00		-$128.05	-$3,073.18
Forest : Maxwell						
KI	3.8	1.278		$107.43	$5.49	$131.80
Forest : Maxwell						
KI	3.8	36.504		$107.43	$156.86	$3,764.76
KI	3.8	-36.504	$110.00		-$160.62	-$3,854.82
Forest : Maxwell						
KI	3.8	-1.278	$110.00		-$5.62	-$134.96
Forest : Maxwell						

BUYER CREATED
TAX INVOICE
(IRD APPROVED)

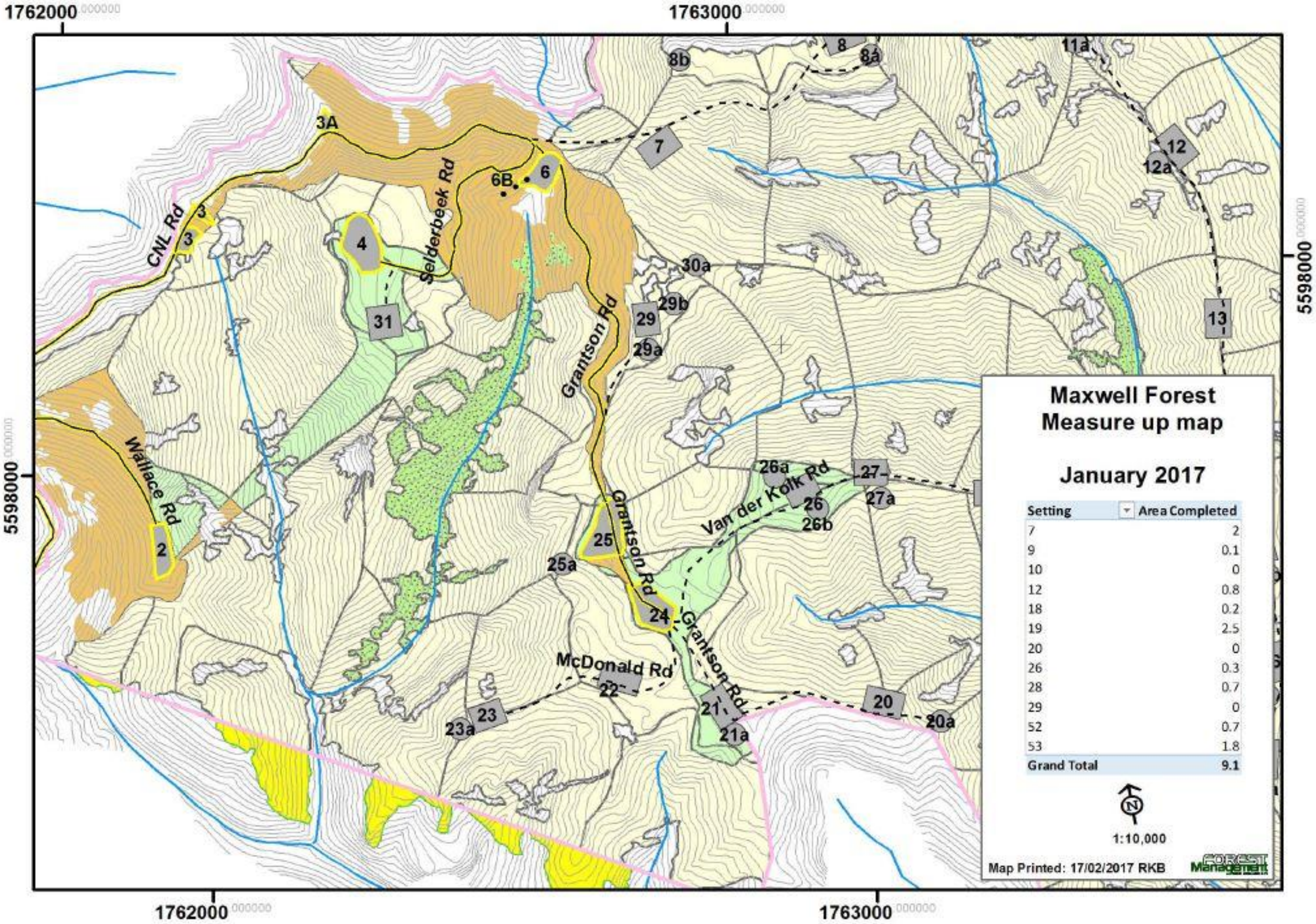
KIS	3.8	35.143		$100.43	$141.18	$3,388.24
KIS	3.8	-35.143	$103.00		-$144.79	-$3,474.94
P30	5.1	12.990		$127.43	$66.21	$1,589.10
P30	5.1	-12.990	$134.00		-$69.63	-$1,671.03
P30	5.9	3.580		$129.43	$18.53	$444.83
P30	5.9	-3.580	$134.00		-$19.19	-$460.53
P40	3.9	5.347		$162.93	$34.85	$836.34
Forest : Maxwell						
P40	3.9	19.313		$162.93	$125.87	$3,020.80
Forest : Maxwell						
P40	3.9	104.940		$162.93	$683.91	$16,413.96
P40	3.9	-104.940	$165.00		-$692.60	-$16,622.50
Forest : Maxwell						
P40	3.9	-19.313	$165.00		-$127.47	-$3,059.18
Forest : Maxwell						
P40	3.9	-5.347	$165.00		-$35.29	-$846.96
P42	5.9	42.148		$165.93	$279.74	$6,713.87
P42	5.9	-42.148	$168.00		-$283.23	-$6,797.63
Totals		**1,082.861**			**-$140.69**	**-$3,376.60**

Forest Grower Commodity Levy	$0.00
Total Before GST	-$3,376.60
GST	-$506.49
Total of this Tax Invoice	**-$3,883.09**

Appendix 3 Maxwell Forest - Cashflow Summary, Current Fiscal Year (January)

		Fiscal Year Ending Feb 2017	Grand Total
Income	Log Sales	1,484,366.16	1,484,366.16
	Washup	(3,517.29)	(3,517.29)
Income Total		**$1,480,848.87**	**$1,480,848.87**
Harvesting	Cartage	354,128.43	354,128.43
	Establishment	11,945.00	11,945.00
	Logging	444,195.14	444,195.14
Harvesting Total		**$810,268.57**	**$810,268.57**
Fees	FGC levy	3,057.10	3,057.10
	Management	59,233.96	59,233.96
Fees Total		**$62,291.05**	**$62,291.05**
Engineering	Landings/Pads	54,462.50	54,462.50
	Metal	66,845.50	66,845.50
	Metal Cart & Spread	37,158.50	37,158.50
	Other	120.00	120.00
	R&M	12,907.51	12,907.51
	Rehab	7,080.00	7,080.00
	Road Construction	108,113.22	108,113.22
Engineering Total		**$286,687.23**	**$286,687.23**
Miscellaneous	Consumables	814.54	814.54
	Fencing	-$9,648.46	-$9,648.46
	Other	10,473.30	10,473.30
Miscellaneous Total		**$20,936.30**	**$20,936.30**
Grand Total		**$300,665.71**	**$300,665.71**

Appendix 4 Maxwell Harvest Map (Compartment 1)



Setting	Area Completed
7	2
9	0.1
10	0
12	0.8
18	0.2
19	2.5
20	0
26	0.3
28	0.7
29	0
52	0.7
53	1.8
Grand Total	9.1