HARVESTING REPORT
MAY 2016
WAIKARE FOREST PARTNERSHIP

WAIKARE ROAD

FMNZ
"Maximising the value of forests since 1974"

May Harvesting Report

Summary

Road lining & clearfell harvest continued throughout May. The hauler production was concentrated on the Hope Road settings. These settings contain significant windthrow which has slowed the hauler production significantly.

The ground based crew focussed on road lining and a portion of clearfell around Akoranga Place and McEwen Road.

Road formation continued in Compartment 3, with Akoranga Place completed. All roads are in place to provide access to the hauler this winter.

The May export prices inched up on average $1.29/Jas m^3 with pruned grades showing a decrease while the larger sawlog grades climbed by $3-4/Jas m^3. June may well be a turning point for increasing AWG prices with prices expected to ease back over the next couple of months.

The recoverable volume for May totalled **7,370.44** units (JAS/Tonnes), returning log sales of **$1,012,982.26** (See Appendix 1, Harvesting Financial Summary).

11.9 ha was harvested, the recoverable volume to date averages 585.9t/ha.

Net revenue for the month of May totalled **$423,691.20** excluding GST. See Appendix 3, Cashflow Summary. This includes revenue from the washup of the vessel – Mount Owen, returning a positive of $24.72.

To date 165.2 ha has been harvested.

The net income to date for the project overall is **$3,290,520.91**.

Revenue

Log Sales

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

Domestic and Export Sales

			QTY	Revenue
May	RUAPEH	Tonnes	29.23	$3,507.60
	SNP	Jas	5686.806	$813,968.28
	TPINE	Tonnes	1215.612	$172,329.30
	WPI	Tonnes	438.79	$23,177.08
Total			**7370.438**	**$1,012,982.26**

Table 1: Domestic & Export sales

During May we continued to supply similar volumes to April of A300 and P1 grades to Taranaki Sawmills (TSM). Export grades were sold via New Plymouth port through Summit New Zealand with all pulp being sold on truck to Winstone Pulp International.

This month we also supplied a small volume of Eucalypt sawlog to Ruapehu Sawmills.

The export/domestic split this month was 77%/23%. The project average is 72%/28%.

Log Markets

The May export prices inched up on average $1.29/Jas m^3 with pruned grades showing a decrease while the larger sawlog grades climbed by $3-4/Jas m^3. June may well be a turning point for increasing AWG prices with prices expected to ease back over the next couple of months.

May log inventories on Chinese ports has lifted to near 3.6mil m^3, we are also seeing a rise with incoming volumes. To counter this it is pleasing that the daily take off has trended up to 61,000m^3/day which is approximately 8,000m^3 higher than last month.

Shipping rates are on the increase however, it is still possible to negotiate attractive rates depending on inbound cargos.

The NZD/USD exchange rate has seen a significant jump over a one week period with weaker US economic data and the OCR holding at 2.25%.

Grade Recovery

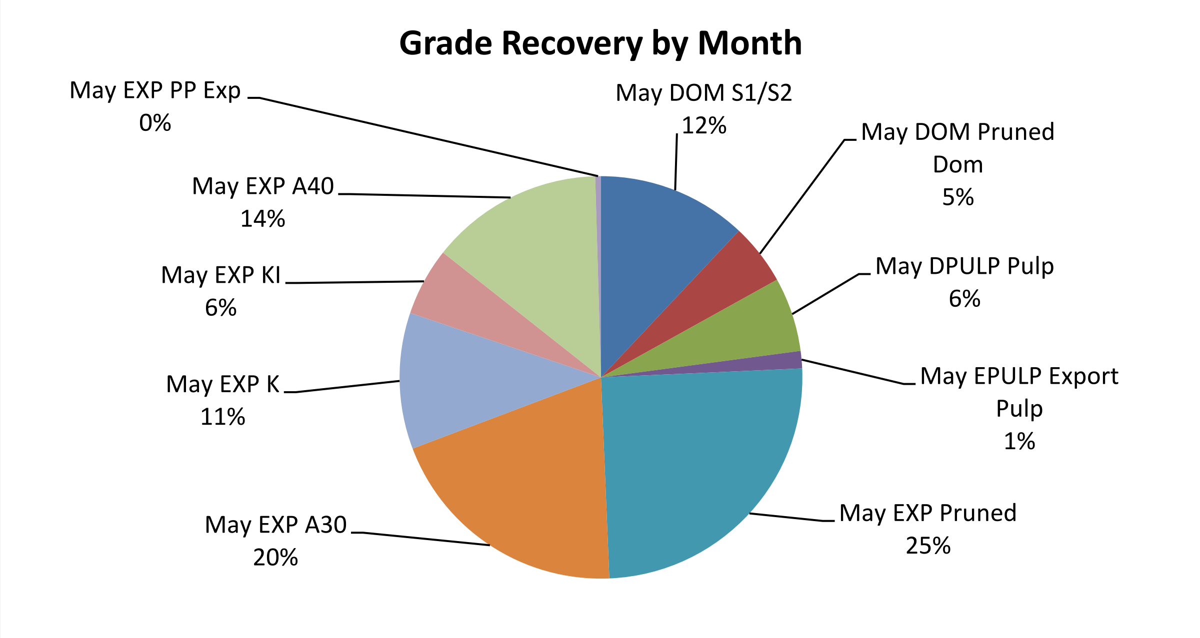


Chart 1: Grade Recovery by Month

The domestic sawlog grade recovery over the month has been maintained with a slightly reduced domestic pulp percentage. The percentage of export pruned and sawlog A grades logs recovered has lifted with the move away from the harvest of edge trees.

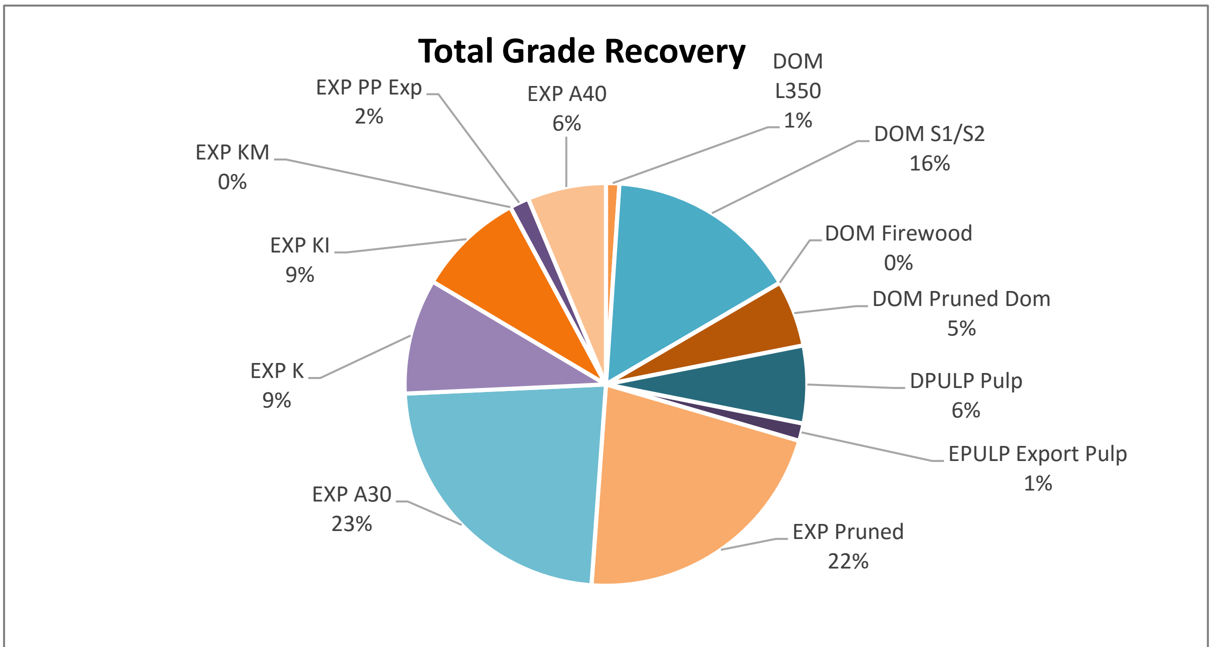


Chart 2: Total Grade Recovery (Project to date)

Figure1: Log stockpiled ready for processing on landing 35

Shipping volume for last three vessels

The vessel Mount Owen completed loading at the Port of Taranaki on the 16th April.

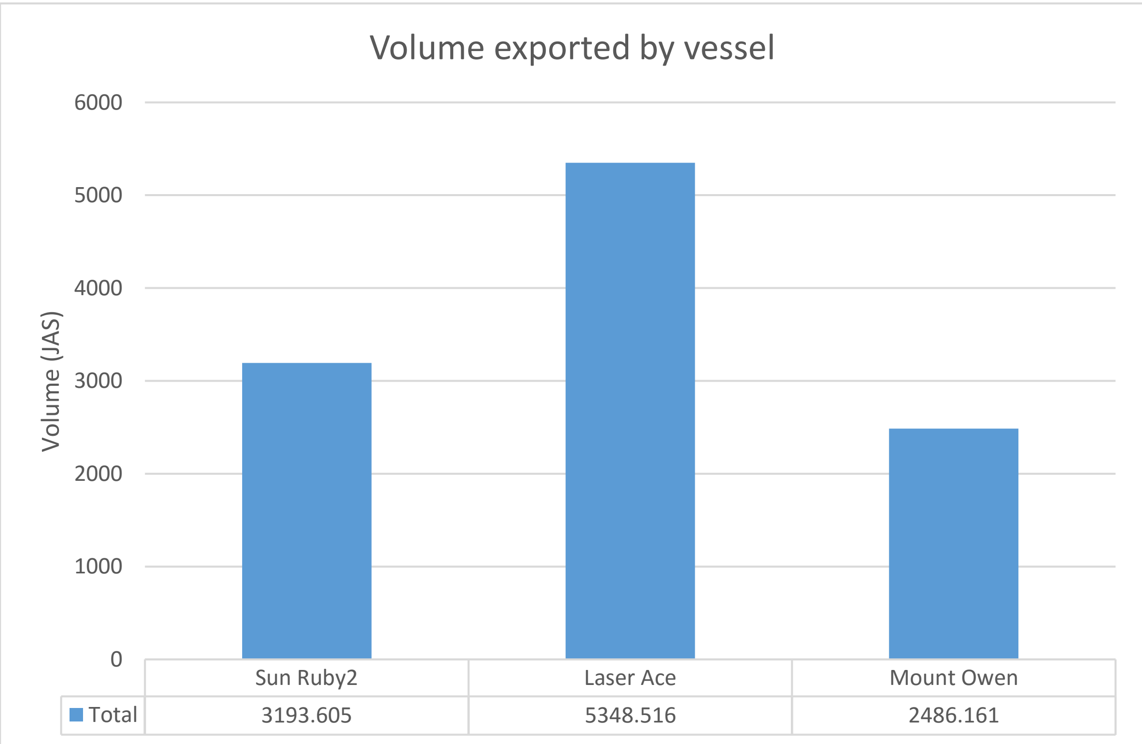


Chart 3: Last three vessels to leave Port of New Plymouth

The vessels Silver Lake & Baltic Sea sailed on the 1st May/28rd May respectively. The washup for these vessels will be covered in the June report.

The next vessel, Hawke Bay has an ETA of the 9th June into New Plymouth.

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 Mount Owen completed loading on the 16th April, this shows a positive return of $24.72.

	Washup
Gross Washup	$ 24.69
Management - Washup	$ (0.98)
Net Amount	**$ 23.71**

Table 2: Summary of Wash-up

Net Revenue

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

Month Name	Net Monthly Income	Total Net Income for project
May	$423,691.20	$3,290,520.91

Table 3: Revenue

Expenditure

The total expenditure for May was **$589,315.78**. This was made up of the following:

Engineering

We have now completed 72% of the roading and infrastructure at Waikare Forest. Road construction and maintenance costs per tonne for April are $10.37/t, the project average is $16.16 or $96.86/lm. The engineering costs will continue to reduce as the harvest progresses.

New road formation in May saw the completion of a further 212 l/m of Akoranga Rd. One landing (35) was also constructed this month.

The wet weather of autumn finally arrived in May and has slowed the construction of new roads. The rain has necessitated some R&M which is expected at this time of the year and throughout the winter. There is no further construction planned until summer however we are finishing of the landings currently started as the weather permits.

		Total
May	Metal	$23,551.00
	Engineering	$515.00
	Establishment	$620.00
	Landings/Pads	$6,000.00
	Metal Cart & Spread	$24,077.00
	Other	$80.00
	R&M	$12,143.00
	Rehab	$3,824.00
	Road Construction	$5,512.00
Total		**$76,322.00**

Table 4: Engineering Costs

Harvesting

The logging cost for May totalled **$248,767.50** producing 7,358.38 merchantable tonnes. The average production rate was 334 tonne per day with an average harvesting cost of $33.81 per tonne for the month.

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

Harvesting Cost Summary

		Total
May	Logging	$248,767.50
Total		**$248,767.50**

Table 5: Harvesting cost

Figure 2: Harvesting around Akoranga Place.

This month 11.9 ha was harvested, the recoverable volume averaged 618T/ha. This is continuing to lift the overall average as the harvest progresses into Compartment 3.

To date 165.2 ha has been cleared with an average recoverable volume of 585.9 T/ha.

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

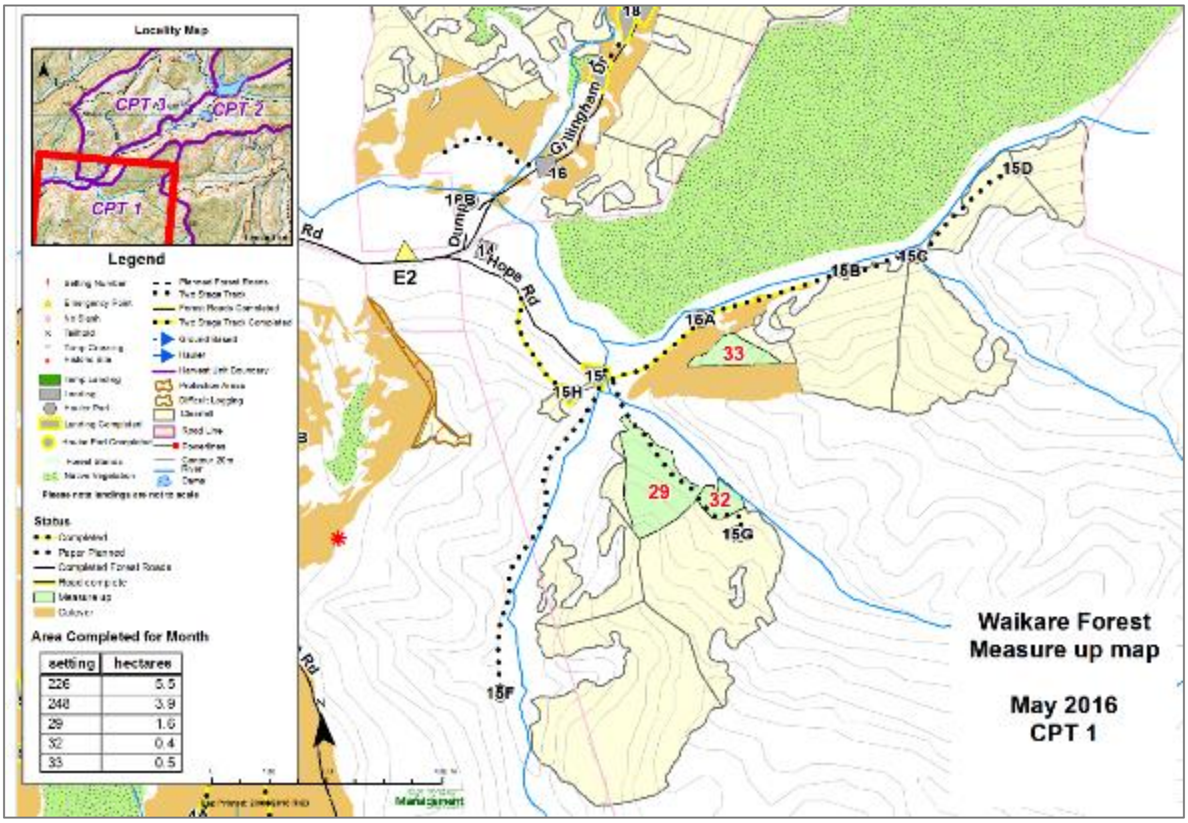


Figure 3: Waikare Progress Map Cpt 1

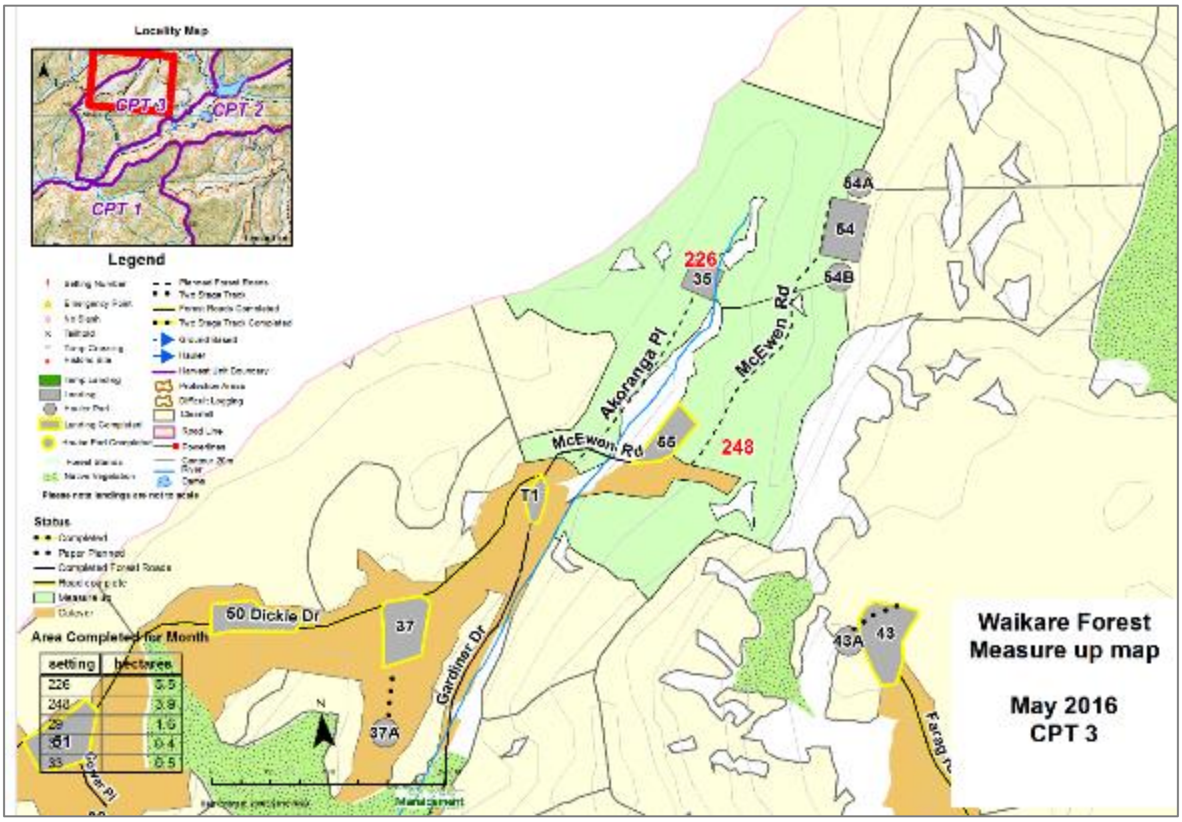


Figure 4: Progress Map Cpt 2 & 3

Cartage

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

Cartage Cost Summary

		Total
May	Cartage - Truck	$218,361.61
	Weighbridge	$2,698.64
Total		**$221,060.25**

Table 6: Cartage

The average cartage cost for tonnes produced $29.68/tonne.

Fees and Levies

Management Fees and FGC levies are summarised in the table below:
The average management costs to date for the project is $4.84/tonne.

Fees and Levies Cost Summary

		Total
May	Management	$40,520.27
	FGC levy	$1,990.02
Total		**$42,510.29**

Table 7: Fee's and Levies

Figure 5: Truck negotiates Gardiner Road.

Health & Safety

Safety data statistics for May showed no accidents but recorded the following incidents:

- 1 Property Damage incident reported – reversing down road, slid into water table. Small dent on tray & cracked tail light.
- 2 Near Hits recorded – van and loaded truck met on corner. Worker walked through road closed sign.

Project Forecast vs Actual

The red line shows accumulated net $/tonne for the project with actual costs deducted. This continuing positive trajectory of the red line is a great result. We are currently above the average forecast return and have carried out 72 % of the road formation and 39% of the harvest.

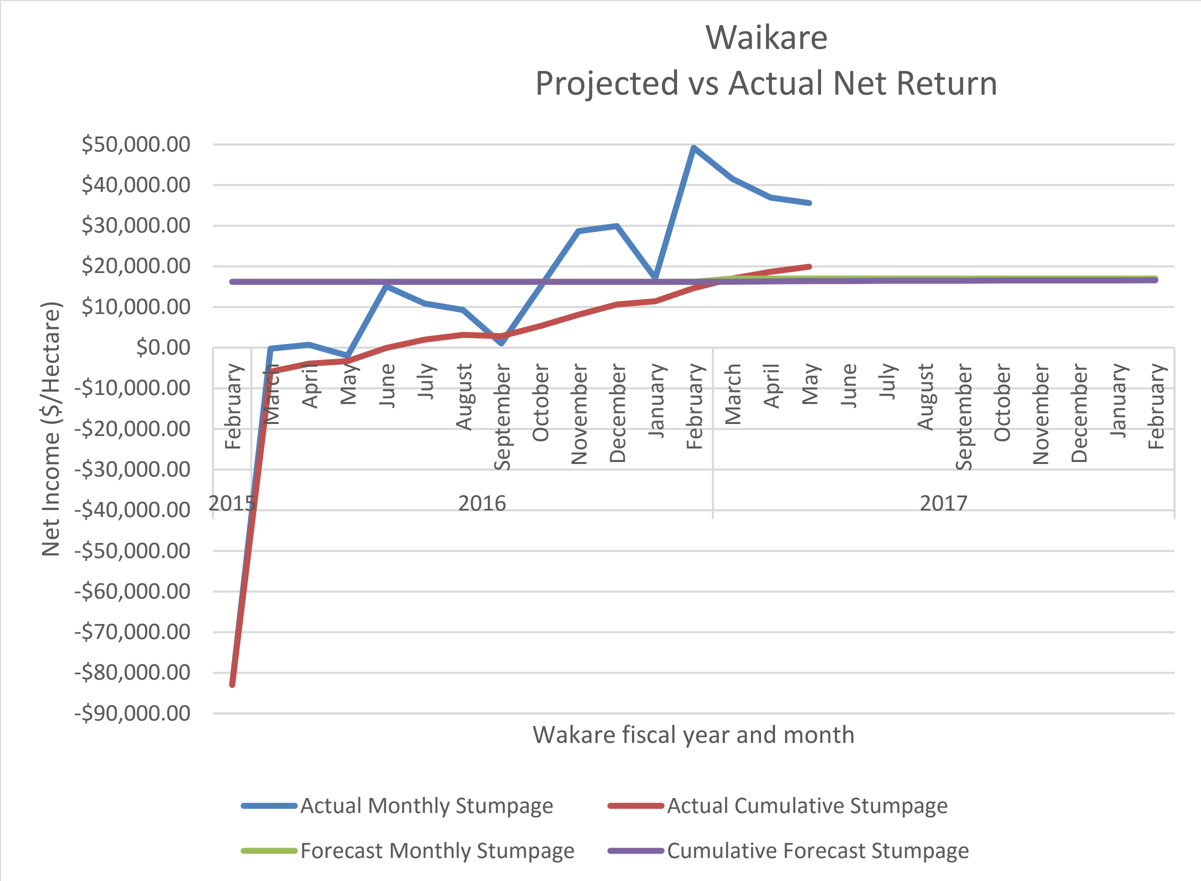


Chart 4: Project Forecast vs. Actual

We are presently sitting at $34.00 net per tonne, the forecast was $25.25. Gross return of $98.41 per tonne was forecast, we are presently achieving $122.53, an increase of 24.5%. The net return per hectare is currently sitting at $19'918.26, we are very pleased with the positive trajectory of the red line.

Kind Regards,

Ian Bell,
Harvesting Manager

Appendix 1 Harvesting Financial Summary

Harvesting Financial Summary

FOREST Management NEW ZEALAND LTD

Waikare Forest Partnership

01/05/2016 to 31/05/2016

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	350.52		$197.00	$69,052.44
Pruned Dom	P1X	11.51		$147.75	$1,700.60
S1/S2	A300	854.55		$119.00	$101,691.45
S1/S2	A300	29.23		$120.00	$3,507.60
TOTAL DOMESTIC SALES		**1,245.81**			**$175,952.09**

Domestic Pulp					
Pulp	Pulp	364.85		$54.00	$19,701.90
Pulp	PulpOS	73.94		$47.00	$3,475.18
TOTAL DOMESTIC PULP SALES		**438.79**			**$23,177.08**

Downgrade					
Downgrade	Dom Reject	-0.97		$119.00	-$115.19
TOTAL DOWNGRADE SALES		**-0.97**			**-$115.19**

Export					
PP Exp	PP 3.9		33.396	$133.00	$4,441.67
Pruned Exp	P30 3.9		65.659	$141.00	$9,257.92
Pruned Exp	P30 5.1		191.127	$141.00	$26,948.91
Pruned Exp	P30 5.9		26.944	$141.00	$3,799.10
Pruned Exp	P40 3.9		300.145	$187.00	$56,127.11
Pruned Exp	P40 5.1		428.619	$187.00	$80,151.75
Pruned Exp	P40 5.9		894.939	$187.00	$167,353.59
A30	A 3.8		727.920	$126.00	$91,717.92
A30	A 5.8		733.799	$129.00	$94,660.07
A40	AO 3.9		651.256	$129.00	$84,012.02
A40	AO 5.9		392.054	$129.00	$50,574.97
K	K 3.8		302.730	$119.00	$36,024.87
K	K 5.8		447.476	$122.00	$54,592.07
KI	KI 2.9		204.551	$112.00	$22,909.71
KI	KI 3.8		192.361	$112.00	$21,544.43
TOTAL EXPORT SALES			**5,592.976**		**$804,116.13**

Export Pulp					
Export Pulp	KIS 3.8		93.830	$105.00	$9,852.15
TOTAL EXPORT PULP SALES			**93.830**		**$9,852.15**

Harvesting Financial Summary (Continued)

TOTAL	**1,683.63**	**5,686.806**		**$1,012,982.26**

WASHUP RECONCILIATION		
Income		$24.72
Management (included in the Fees section below)	*$0.99*	
TOTAL WASHUP		$24.72
FEES		
FMNZ Management Fee @ 4%		$40,520.28
TOTAL FEES		**$40,520.28**
LEVIES		
Forest Grower Commodity Levy @ $0.27		$1,990.02
TOTAL LEVIES		**$1,990.02**
COSTS		
Harvesting		$248,767.50
Cartage		$218,361.61
Weighbridge		$2,698.64
Envirosan - CMPT1 (Farmlands Inv-1031342)		$89.99
Envirosan - CMPT3 (Farmlands Inv-1031342)		$89.99
Compliance monitoring (TRC Inv-110605)		$339.75
Gap100 C - Akoranga road (Maxwell Quarry Inv-2169)		$1,100.00
Gap100 C - McEwan road (Maxwell Quarry Inv-2169)		$1,000.00
Gap100 C - Lavender Lane (Maxwell Quarry Inv-2169)		$1,000.00
Metal - Akoranga Road (Maxwell Quarry Inv-2186)		$5,657.50
Metal - Waikare road (Maxwell Quarry Inv-2186)		$261.00
Agpro Inv-148156 (Marker Dye) 23.5.16		$136.00
Metal - Waikare Road (Maxwell Quarry Inv-2198)		$174.68
Metal - Hope Road (Maxwell Quarry Inv-2198)		$331.89
Metal - Dickie Drive (Maxwell Quarry Inv-2198)		$1,397.42
Metal - Gardiner Road (Maxwell Quarry Inv-2198)		$2,218.40
Metal - Gillingham Road (Maxwell Quarry Inv-2198)		$1,292.61
Credit on incorrectly charged metal (Maxwell Quarry Inv-2214)		-$261.00
Gap100C x 125 Gillingham road (Maxwell Quarry Inv-2212)		$2,108.00
Gap100C x 55 Gardiner road (Maxwell Quarry Inv-2212)		$682.00
Gap100C - Gillingham road (Maxwell Quarry Inv-2208)		$4,194.08
Gap100C - Gardiner road (Maxwell Quarry Inv-2208)		$1,536.57
Gap100C - Waikare road (Maxwell Quarry Inv-2208)		$377.85
Repairs to bridge 1 (CCL Inv-0049)		$475.00
Deadman (CLL Inv-0049)		$480.00
Skid 15 clean up (CCL Inv-0049)		$976.00
Stream reinstatement (CCL Inv-0049)		$1,392.00
Clean out watertables (CCL Inv-0049)		$1,200.00
Clean out watertables (CCL Inv-0049)		$960.00
Remove temp crossing pipe (CCL Inv-0049)		$320.00

Harvesting Financial Summary (Continued)

Soft Spot repair - Gardiner (CCL Inv-0049)	$976.00
Storm repairs - Gardiner (CCL Inv-0049)	$2,896.00
Storm repairs - Gillingham (CCL Inv-0049)	$480.00
Storm repairs - Dickie (CCL Inv-0049)	$224.00
Storm repairs - Farag (CCL Inv-0049)	$576.00
Drainage Skid 52 (CCL Inv-0049)	$176.00
Soft Spot repair - Gillingham (CCL Inv-0049)	$320.00
Soft Spot repair - Akoranga (CCL Inv-0049)	$1,296.00
Soft Spot repair 2 - Gardiner (CCL Inv-0049)	$336.00
Grade Waikare STDC (CCL Inv-0049)	$1,280.00
Roll McEwan (CCL Inv-0049)	$180.00
Roll Lavender (CCL Inv-0049)	$120.00
Roll Akoranga (CCL Inv-0049)	$132.00
Roll Dickie (CCL Inv-0049)	$432.00
Roll Waikare STDC (CCL Inv-0049)	$1,080.00
Repairs to bridge 2 (CCL Inv-0049)	$40.00
Labour - soft spots Gardiner (CCL Inv-0049)	$80.00
Construction Landing 35 (CCL Inv-0049)	$6,000.00
Construction 212 L/M (CCL Inv-0049)	$5,512.00
Transport roller to forest (CCL Inv-0049)	$620.00
Credit on metal spread - Lavender (CCL Cr-0052)	-$210.00
Credit on metal spread - Gardiner (CCL Cr-0052)	-$600.00
Waikare Road STDC grading (RLF Inv-0158)	$1,425.00
Cart & dump - Gardner (RLF Inv-163)	$1,087.50
Cart & dump - Gillingham (RLF Inv-163)	$2,334.50
Cart & dump - Hope (RLF Inv-163)	$609.00
Cart & dump - Dickie (RLF Inv-163)	$130.50
Cart & spread- Gardner (RLF Inv-163)	$3,854.61
Cart & spread - Gillingham (RLF Inv-163)	$7,165.63
Cart & spread - Dickie (RLF Inv-163)	$7,264.46
Cart & spread - Hope (RLF Inv-163)	$971.89
Cart & spread - Waikare (RLF Inv-163)	$658.91
TOTAL COSTS	**$546,805.48**
TOTAL FEES, LEVIES & COSTS	**$589,315.78**

NET INCOME CURRENT MONTH	**$423,691.20**
GST	**$63,553.68**
NET INCOME CURRENT MONTH (INCLUDING GST)	**$487,244.88**

Appendix 2 Waikare Forest (May Washup – Mount Owen)

Forest Management NEW ZEALAND LTD

BUYER CREATED
TAX INVOICE
(IRD APPROVED)

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

Invoice Date : 31/05/2016
Invoice No.: 2073

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 31/05/2016 from Waikare Forest Partnership

Grade	Length	Volume Loaded	AWG Price	Final Price	Mgmt Fee	Amount
Forest : Waikare Forest Partnership						
A	3.8	277.095		$122.59	$1,358.76	$32,610.31
A	3.8	-49.089	$121.00		-$237.59	-$5,702.18
A	3.8	-228.006	$123.00		-$1,121.79	-$26,922.95
A	5.8	82.868		$122.59	$406.35	$9,752.44
A	5.8	-14.245	$121.00		-$68.95	-$1,654.70
A	5.8	-68.623	$124.00		-$340.37	-$8,168.88
AO	3.9	617.827		$125.59	$3,103.72	$74,489.18
AO	3.9	-140.806	$124.00		-$698.40	-$16,761.55
AO	3.9	-477.021	$126.00		-$2,404.19	-$57,700.46
K	3.8	140.375		$115.59	$649.04	$15,576.91
K	3.8	-18.934	$114.00		-$86.34	-$2,072.14
K	3.8	-121.441	$116.00		-$563.49	-$13,523.67
K	5.8	153.590		$115.59	$710.14	$17,043.33
K	5.8	-56.265	$114.00		-$256.57	-$6,157.64
K	5.8	-97.325	$117.00		-$455.48	-$10,931.54
KI	2.9	156.499		$107.59	$673.51	$16,164.22
KI	2.9	-22.675	$107.00		-$97.05	-$2,329.18
KI	2.9	-133.824	$109.00		-$583.47	-$14,003.34
KI	3.8	112.841		$107.59	$485.62	$11,654.94
KI	3.8	-16.536	$107.00		-$70.77	-$1,698.58
KI	3.8	-96.305	$109.00		-$419.89	-$10,077.36
KIS	3.8	56.213		$100.59	$226.18	$5,428.29
KIS	3.8	-56.213	$101.00		-$227.10	-$5,450.41
P30	3.9	50.579		$146.59	$296.58	$7,117.80
P30	3.9	-36.248	$143.00		-$207.34	-$4,976.13
P30	3.9	-14.331	$144.00		-$82.55	-$1,981.12
P30	5.1	55.477		$146.59	$325.29	$7,807.08
P30	5.1	-30.662	$143.00		-$175.39	-$4,209.28
P30	5.1	-24.815	$144.00		-$142.93	-$3,430.43
P40	3.9	152.027		$189.59	$1,152.91	$27,669.89
P40	3.9	-17.856	$189.00		-$134.99	-$3,239.79
P40	3.9	-134.171	$190.00		-$1,019.70	-$24,472.79
P40	5.1	209.712		$189.59	$1,590.37	$38,168.93
P40	5.1	-99.152	$189.00		-$749.59	-$17,990.14

Forest Management NEW ZEALAND LTD

BUYER CREATED
TAX INVOICE
(IRD APPROVED)

P40	5.1	-110.560	$190.00		-$840.26	-$20,166.14
P40	5.9	352.016		$189.59	$2,669.55	$64,069.16
P40	5.9	-144.005	$189.00		-$1,088.68	-$26,128.27
P40	5.9	-208.011	$190.00		-$1,580.88	-$37,941.21
PP	3.9	69.042		$139.59	$385.50	$9,252.07
PP	3.9	-29.028	$136.00		-$157.91	-$3,789.90
PP	3.9	-40.014	$138.00		-$220.88	-$5,301.05
Totals		**2,486.161**			**$0.99**	**$23.73**

Forest Grower Commodity Levy	$0.00
Total Before GST	$23.73
GST	$3.56
Total of this Tax Invoice	**$27.29**

Paid to bank account No. 02 0792 0001123 000

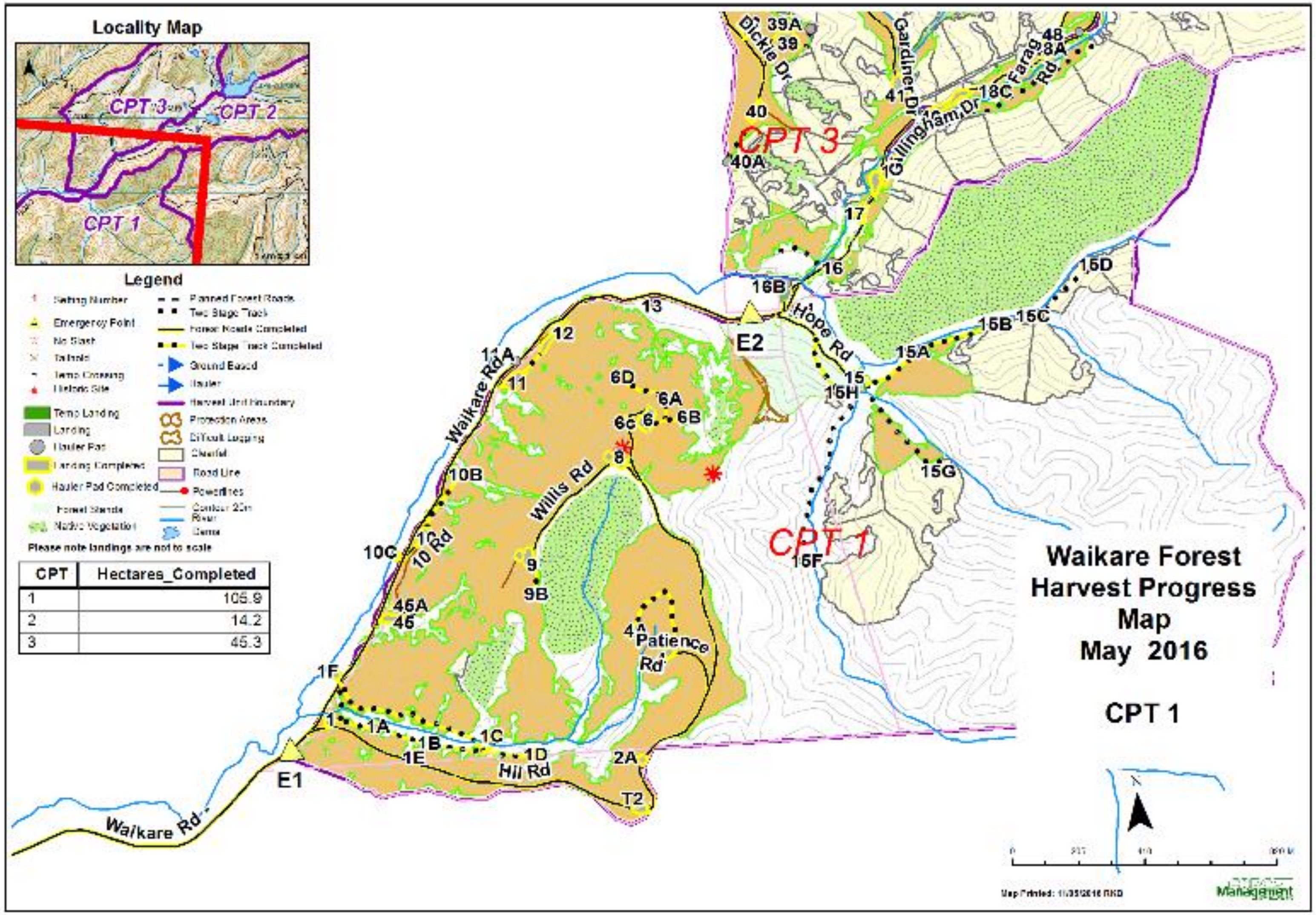
Payment Due : 20/06/2016

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

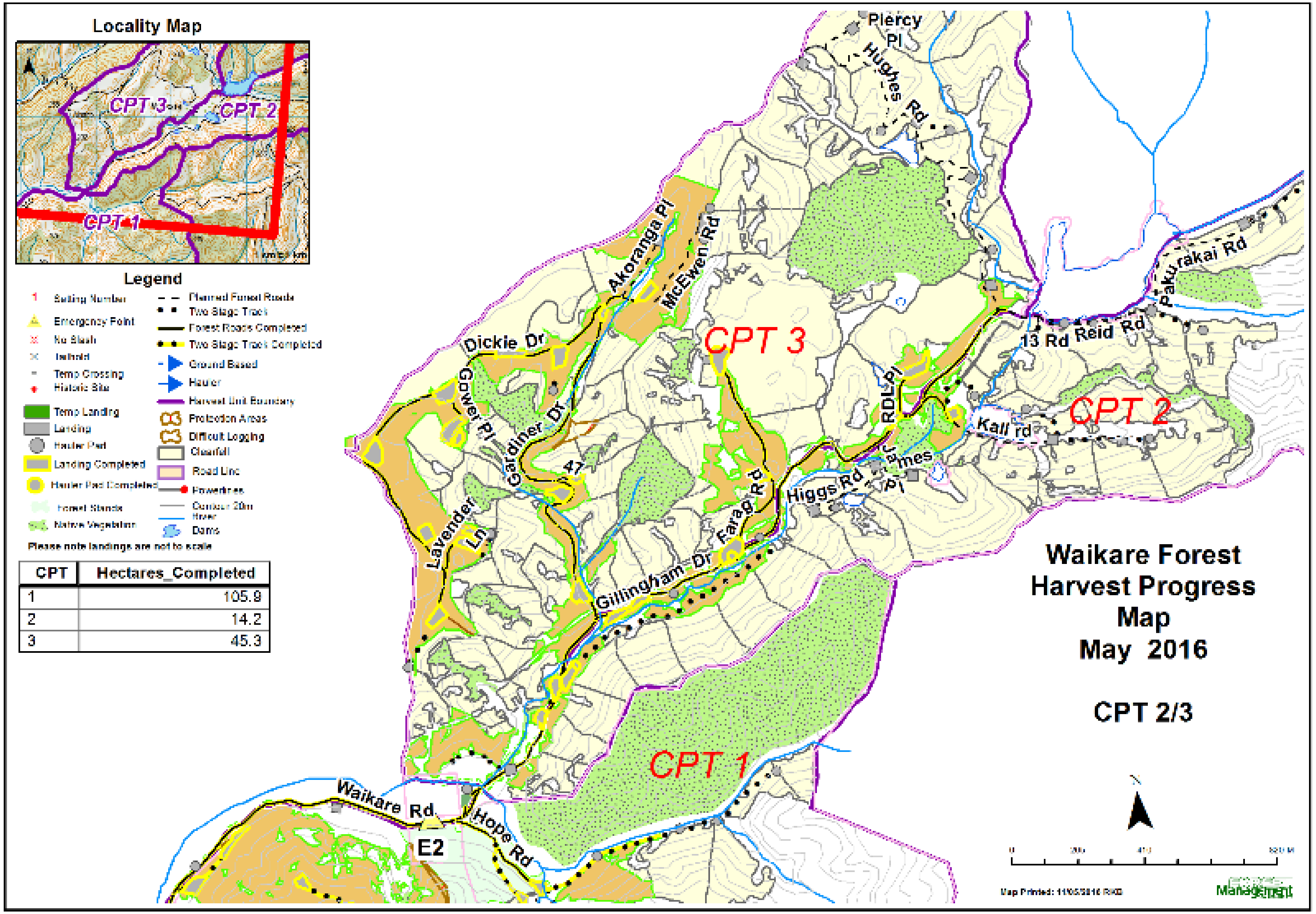
		2015	2016	2017	Grand Total
Quantity	JAS Sold	1275.243	50487.868	18628.625	70391.736
	Tonnes Harvested	1206.69	71051.138	24528.9	96786.728
	Tonnes Weighed	1206.69	66658.3499	22930.59	90795.6299
	Washup JAS	1206.67	43170.62	14395.502	58772.792
	Owner Units Paid	1275.243	71497.276	24788.467	97560.986
	Hectares Harvested	1	127.1	37.1	165.2

		Fiscal Year Ending Feb 2015	Fiscal Year Ending Feb 2016	Fiscal Year Ending Feb 2017	Grand Total
Income	Log Sales	155,373.78	8,214,256.18	3,352,298.87	11,721,928.83
	Washup		142,855.00	(5,424.20)	137,430.80
Income Total		**$155,373.78**	**$8,357,111.18**	**$3,346,874.67**	**$11,859,359.63**
Harvesting	Cartage	37,467.72	2,133,593.91	736,194.33	2,907,255.96
	Establishment	14,957.50	13,560.00		28,517.50
	Logging	47,060.77	2,343,022.74	826,545.30	3,216,628.81
Harvesting Total		**$99,485.99**	**$4,490,176.65**	**$1,562,739.63**	**$6,152,402.27**
Fees	FGC levy	344.32	19,304.26	6,692.89	26,341.47
	Management	6,214.95	334,398.02	133,874.85	474,487.83
Fees Total		**$6,559.27**	**$353,702.29**	**$140,567.74**	**$500,829.30**
Engineering	Engineering		45,587.82	515.00	46,102.82
	Establishment	4,530.00	7,367.00	620.00	12,517.00
	Landings/Pads	40,505.00	198,562.00	33,764.00	272,831.00
	Metal		246,705.00	42,835.97	289,540.97
	Metal Cart & Spread		345,872.10	48,871.74	394,743.84
	Other	1,868.00	4,068.38	600.00	6,536.38
	R&M		105,745.30	25,682.00	131,427.30
	Rehab	585.00	67,890.45	16,233.96	84,709.41
	Road Construction		458,338.34	60,812.74	519,151.08
	Road Upgrade	56,386.00	21,310.00		77,696.00
	Two Stage		39,184.00	2,140.00	41,324.00
Engineering Total		**$103,874.00**	**$1,540,630.39**	**$232,075.41**	**$1,876,579.80**
Miscellaneous	Consents	26,391.79	2,599.30	339.75	29,330.84
	Consumables	652.32	1,078.90	465.97	2,197.19
	Other	1,389.70	1,683.63		3,073.33
	Security		4,000.00	426.00	4,426.00
Miscellaneous Total		**$28,433.81**	**$9,361.83**	**$1,231.72**	**$39,027.36**
Grand Total		**-$82,979.29**	**$1,963,240.03**	**$1,410,260.17**	**$3,290,520.91**

Appendix 4 Waikare Harvest Map (Southern Harvest Plan)



Appendix 5 – Harvest Progress Map



CPT	Hectares_Completed
1	105.9
2	14.2
3	45.3