HARVESTING REPORT
SEPTEMBER 2016
WAIKARE FOREST PARTNERSHIP

WAIKARE ROAD

FMNZ
"Maximising the value of forests since 1974"

September Harvesting Report

Summary

Clearfell harvesting continued throughout September. The hauler production completed settings at the end of Dickie Drive and the hauler has moved further into Compartment 3 to take advantage of another winter setting.

The ground based crew focussed on completing clearfell around Farag Road and Gillingham Drive.

The main engineering projects for the month included the purchase of the temporary container bridge and preparations for its installation in October. Ongoing maintenance and repairs to roads with wet weather conditions has continued.

The September export prices lifted on average only \$0.12/Jas m^3 with pruned grades slipping between \$5-4/Jas m^3while the sawlog grades lifted by \$2-3.50/Jas m^3.

The outlook for October offers some relief with a lift in pruned and continued firming of sawlog grades forecast.

The recoverable volume for September totalled **8,782.14** units (JAS/Tonnes), returning log sales of **\$1,060,527.32** (See Appendix 1, Harvesting Financial Summary).

15.7 ha was harvested, the recoverable volume to date averages 592.7t/ha.

Net revenue for the month of September totalled **\$366,187.53** excluding GST. See Appendix 3, Cashflow Summary. There was no washup completed this month.

To date 217.9 ha has been harvested.

The net income to date for the project overall is **\$4,690,581.79**.

Revenue

Log Sales

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

			QTY	Revenue
September	SNP	Jas	6264.42	$764,418.50
	TPINE	Tonnes	2023.553	$270,067.16
	WPI	Tonnes	494.17	$26,041.67
Total			8782.143	$1,060,527.32

During September we lifted our volumes 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.

The export/domestic split this month was 71%/29%. The project average is 73%/27%.

Log Markets

The September export prices lifted on average only $0.12/Jas m^3 with pruned grades slipping between $5-4/Jas m^{3}while the sawlog grades lifted by $2-3.50/Jas m^3.

The outlook for October offers some relief with a lift in pruned and continued firming of sawlog grades forecast.

September log inventories on Chinese ports remained stable at 3.5mil m$^{3.}$ Overall the Chinese market remains healthy. Daily off take has fluctuated at around 68,000m^3/day which should continue to meet increased construction needs in the fall season.

Shipping rates have further increased, with log cargos outstripping shipping availability.

The NZD/USD exchange rate has strengthened. This is driven by concerns global central banks may be reluctant to ease monetary policy further.

Grade Recovery

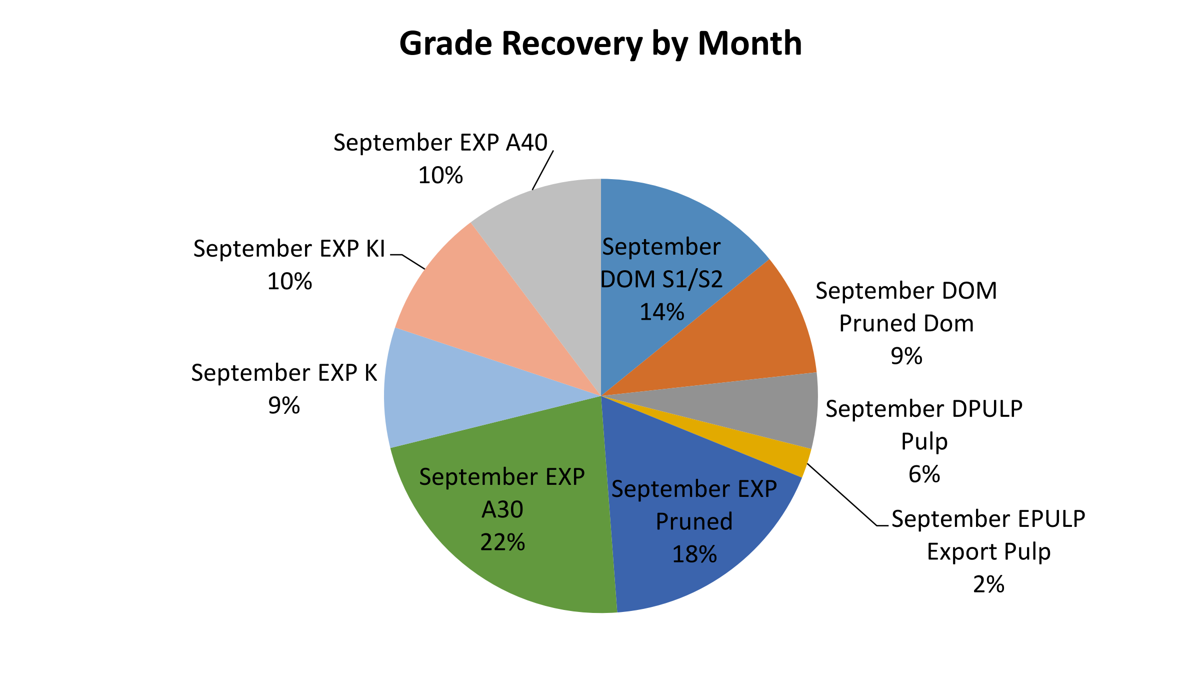

Chart 1: Grade Recovery by Month

The overall domestic sawlog grade recovery over the month has improved with increases in both the pruned & sawlog grades supplied to TSM. The percentage of export pruned has correspondingly dipped but it is pleasing to see the other main export sawlog grades have remained relatively unchanged.

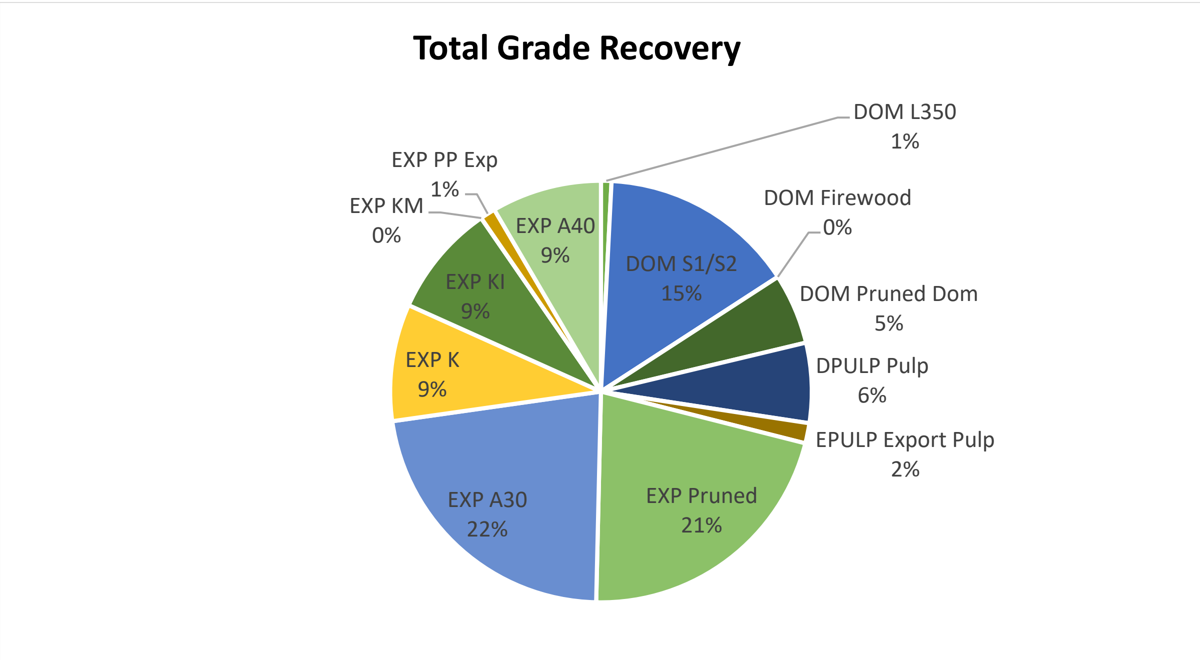

Chart 2: Total Grade Recovery (Project to date)

Figure 1: Harvest near Lake Waikare - Landing 25

Shipping volume for last three vessels

The vessel Cape Flattery completed loading at the Port of Taranaki on the 28th August, but as yet the washup has not been completed.

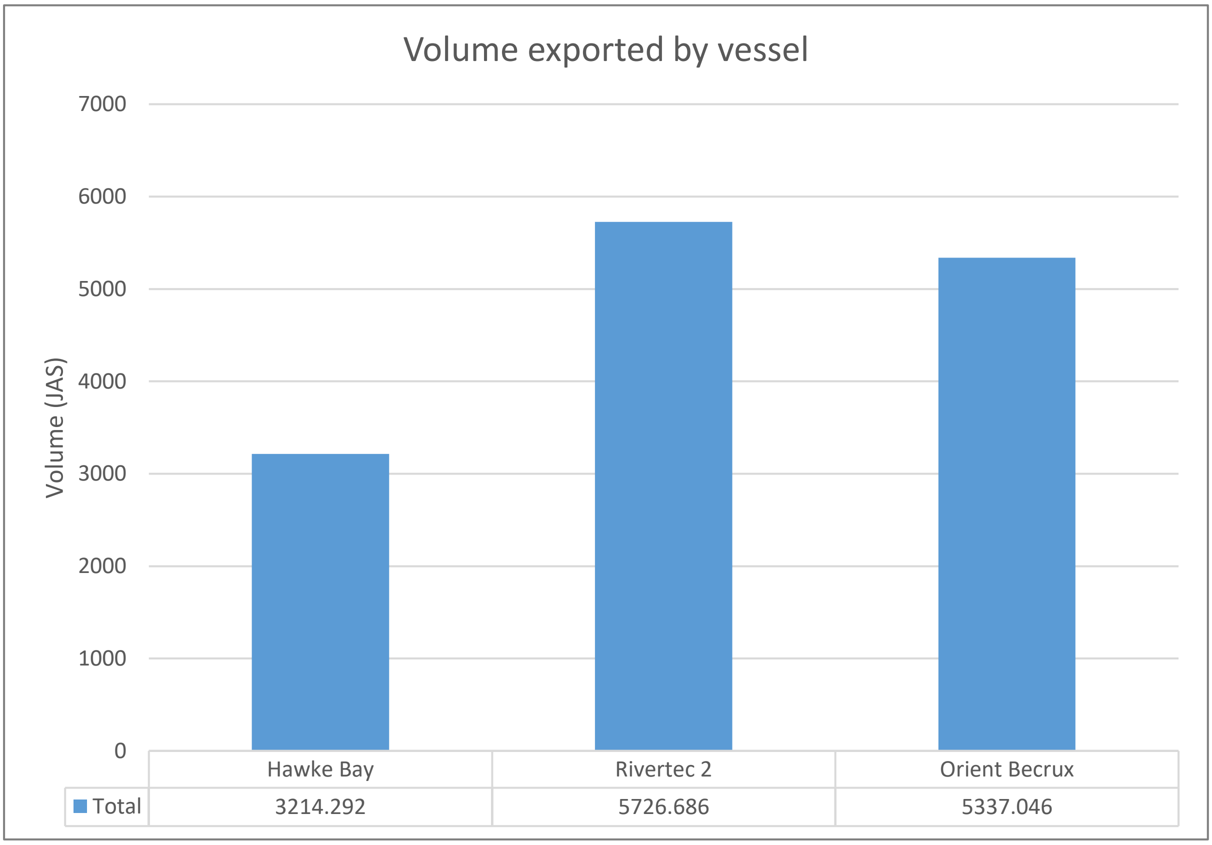

Chart 3: Last three vessels to leave Port of New Plymouth

The next vessels due into Port Taranaki are the Nord Yilan and ISS Cantata which have an ETA of the 2nd and 20th October respectively.

Washup

No washup completed this month. The washup for the Cape Flattery will now be completed in the October report.

Net Revenue

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

Month Name	Net Monthly Income	**Total Net Income for project**
September	$366,187.53	$4,690,581.79

Expenditure

The total expenditure for September was **$694,339.80**. This was made up of the following:

Engineering

No new road formation was constructed in September however, one pad (40B) was completed.

The main engineering projects for the month included the purchase of the temporary container bridge and preparations for its installation in October. Ongoing maintenance and repairs to roads with wet weather conditions have continued. In one area where there is an issue with ongoing pavement failure we have put old tyres beneath the road to obtain cellular confinement. This solution appears to be working well.

As the weather has improved, rehab of skid & drainage systems have been effected to meet resource consent conditions.

		Total
September	Metal	$16,270.50
	Landings/Pads	$8,171.00
	Metal Cart & Spread	$21,409.00
	R&M	$10,098.00
	Rehab	$7,245.00
	Road Construction	$3,260.00
	Engineering	$16,640.00
	Establishment	$950.00
	Other	$33.90
	Two Stage	$7,047.00
Total		**$91,124.40**

Miscellaneous

This month further road signs and two new sprayers for anti-sapstain application were purchased for forest use.

		Total
September	Consumables	$215.12
	Other	$526.64
Total		**$741.76**

Harvesting

The logging cost for September totalled **$295,527.30** producing 8,726.02 merchantable tonnes. The average production rate was 397 tonne per day with an average harvesting cost of $33.87 per tonne for the month.

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

		Total
September	Establishment - harvesting	$525.00
	Logging	$295,527.30
Total		**$296,052.30**

Figure 2: Cellular confinement trial – using old tyres (See appendix 3).

This month 15.7 ha was harvested, the recoverable volume averaged 556T/ha. This is down on average this month and is due to timing with stocks in the forest.

To date 217.9 ha has been cleared with an average recoverable volume of 592.7 T/ha.

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

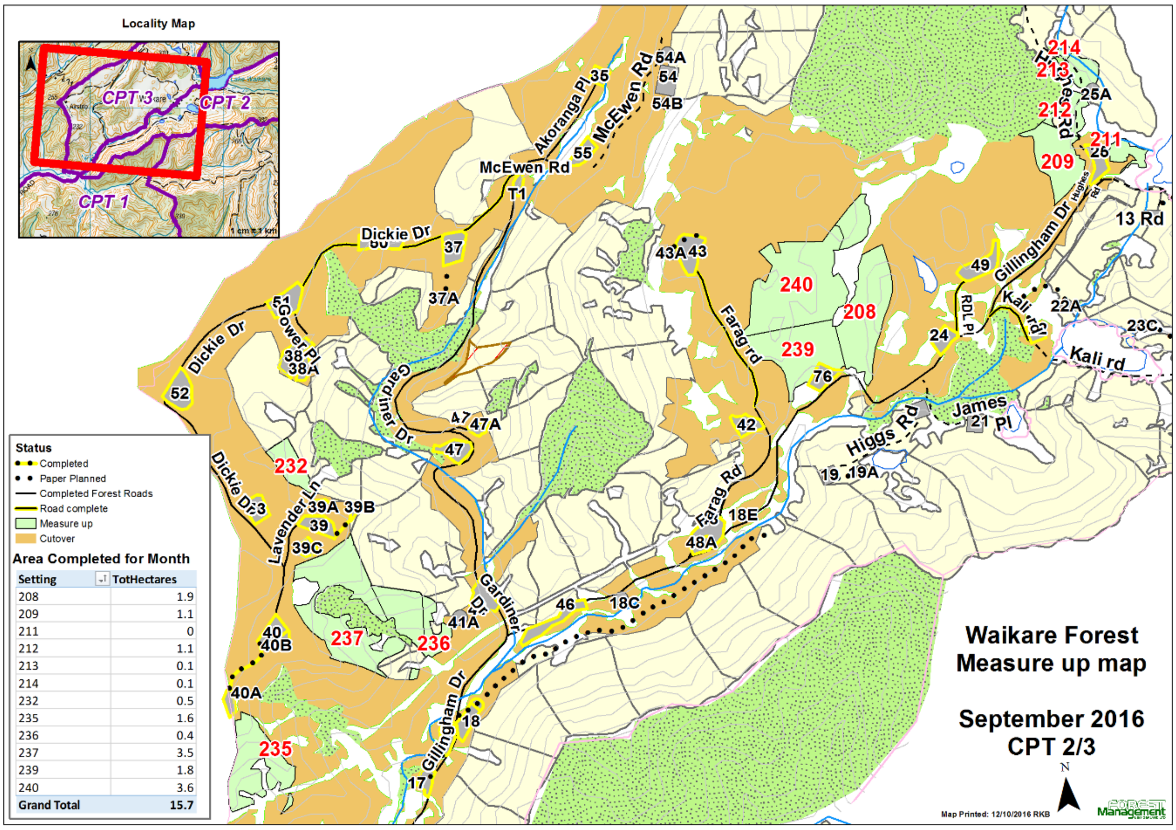

Figure 3: Progress Map Cpt 2 & 3

Cartage

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

		Total
September	Cartage - Truck	$258,418.64
	Weighbridge	$3,210.42
Total		**$261,629.06**

The average cartage cost for the tonnes produced $29.61/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 $4.86/tonne.

		Total
September	Management	$42,421.09
	FGC levy	$2,371.18
Total		**$44,792.27**

Figure 3: Winter logging conditions

Health & Safety

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

Contractor	Operation	Injury/Incident type	Description
Logged on Logging	Logging(Cable)	Damage	Replaced water breaks on hauler, applied revs to check for leaks, hose blew off hydraulic fitting causing oil to spray on to exhaust manifold, causing a flame momentarily which extinguished its self. Extinguisher was not needed.
Logged on Logging	Logging (G/B)	Near hit	Cut log, on skid, it dropped down landing on boot and jamming boot.
Logged on Logging	Logging(Cable)	Near hit	Setting up hauler pulling guy ropes out with loader, while worker/s were pulling rope from hauler as well. Grapple let go of slack causing rope to be pulled from workers hands. Rope with shackle brushed workers earlobe.
Logged on Logging	Logging(Cable)	Near hit	Boring into tree, cut through hinge wood, tree sat back.
Logged on Logging	Logging(Cable)	Minor injury	Took cap off water brakes radiator when operator was operating. Hot water sprayed out burning right ring finger, causing blister.
Logged on Logging	Logging (G/B)	Near hit	Small skid, truck getting loaded, log maker at one end of skid. While loading, feller buncher operator called up for the ok to fall tree on stock pile. Loader operator gave the ok and didn't tell log maker, tree was fallen too close to log maker.

We have highlighted two incidents that have caused some concern as potentially, both events could have proved fatal. These events have been taken up with the contractor, investigated further and we will follow up the contractor's management of these incidents.

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 73 % of the road formation and 51% of the harvest.

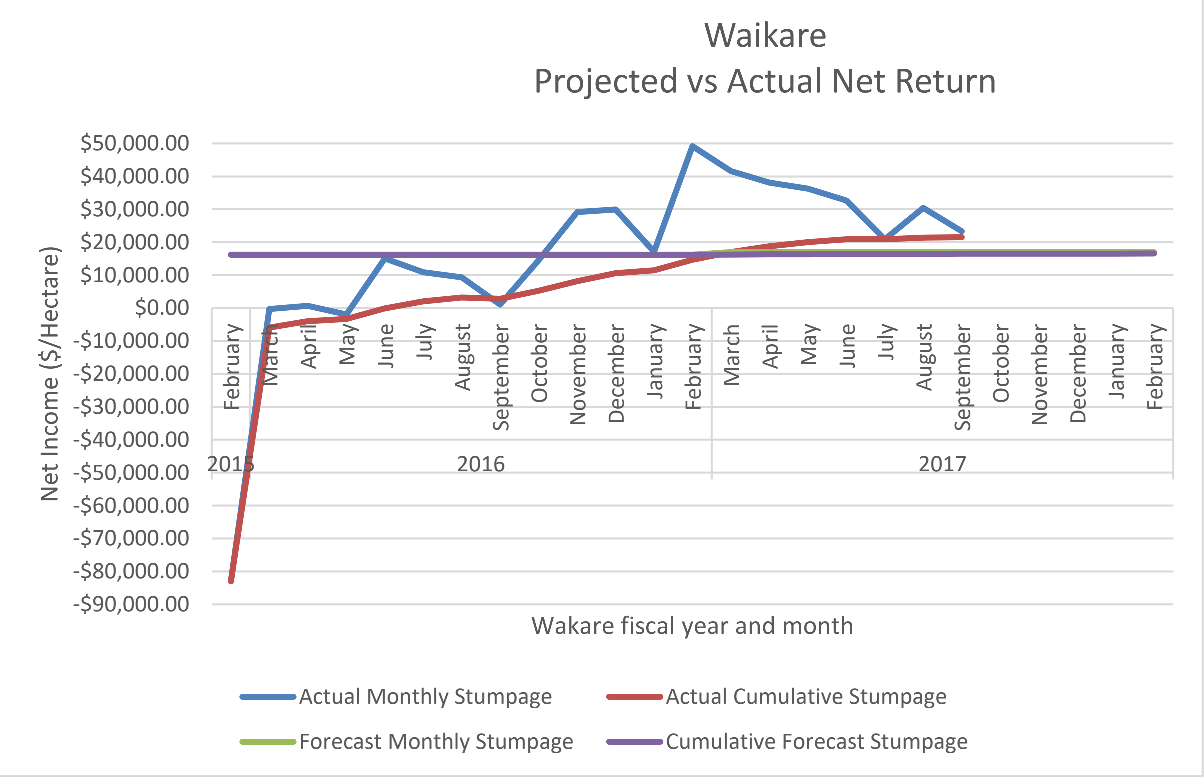

Chart 4: Project Forecast vs. Actual

We are currently achieving $36.32 net per tonne, the forecast was $25.25.   Gross return of $98.41 per tonne was forecast, we are presently achieving $122.26, an increase of 24.2%. The net return per hectare is currently sitting at $23,324.05, 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

Waikare Forest Partnership

01/09/2016 to 30/09/2016

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	745.82		$171.00	$127,534.88
Pruned Dom	P1X	49.38		$125.25	$6,185.10
S1/S2	A300	1,234.77		$111.00	$137,059.47
TOTAL DOMESTIC SALES		**2,029.97**			**$270,779.44**

Domestic Pulp					
Pulp	Pulp	402.24		$54.00	$21,720.96
Pulp	PulpOS	91.93		$47.00	$4,320.71
TOTAL DOMESTIC PULP SALES		**494.17**			**$26,041.67**

Downgrade					
Downgrade	Dom Reject	-6.42		$111.00	-$712.29
Downgrade	Exp Rejects 0		-0.298	$95.00	-$28.31
Downgrade	Exp Rejects 0		-0.298	$115.00	-$34.27
Downgrade	Exp Rejects 0		-0.624	$118.00	-$73.63
Downgrade	Exp Rejects 0		-0.816	$154.00	-$125.66
TOTAL DOWNGRADE SALES		**-6.42**	**-2.036**		**-$974.16**

Export					
Pruned Exp	P42 5.9		395.742	$156.00	$61,735.75
Pruned Exp	P30 3.9		130.435	$120.00	$15,652.20
Pruned Exp	P30 5.1		79.025	$120.00	$9,483.00
Pruned Exp	P30 5.9		2.950	$120.00	$354.00
Pruned Exp	P40 3.9		511.798	$154.00	$78,816.89
Pruned Exp	P40 5.1		333.672	$154.00	$51,385.49
Pruned Exp	P40 5.9		156.678	$154.00	$24,128.41
A30	A 3.8		1,117.062	$115.00	$128,462.13
A30	A 5.8		864.075	$119.00	$102,824.93
A40	AO 3.9		615.990	$118.00	$72,686.82
A40	AO 5.9		299.361	$122.00	$36,522.04
K	K 3.8		398.530	$108.00	$43,041.24
K	K 5.8		346.409	$112.00	$38,797.81
KI	KI 2.9		303.997	$99.00	$30,095.70
KI	KI 3.8		529.070	$101.00	$53,436.07
TOTAL EXPORT SALES			**6,084.794**		**$747,422.48**

Export Pulp					
Export Pulp	KIS 3.8		181.662	$95.00	$17,257.89

Harvesting Financial Summary (Continued)

TOTAL EXPORT PULP SALES		**181.662**	**$17,257.89**
TOTAL	**2,517.72**	**6,264.420**	**$1,060,527.32**

FEES	
FMNZ Management Fee @ 4%	$42,421.09
TOTAL FEES	**$42,421.09**
LEVIES	
Forest Grower Commodity Levy @ $0.27	$2,371.18
TOTAL LEVIES	**$2,371.18**
COSTS	
Harvesting	$295,527.30
Cartage	$258,708.51
Weighbridge	$3,210.42
16 Road name signs (SIU Inv-13846)	$526.64
Metal - Gillingham road (MQ Inv-2390)	$310.00
Metal - Gardiner road (MQ Inv-2390)	$270.00
Metal - Lavender road (MQ Inv-2390)	$1,188.00
Metal - Gillingham road (MQ Inv-23950)	$930.00
Sawn Posts for road signs (Tumu Inv-204846)	$33.90
Fabricate container bridge (Garmac Inv-16905)	$12,295.00
Gap 100C x 40 - Gillingham Road (Maxwell Quarry Inv-2419)	$620.00
Gap 100C x 180 - Gardiner Road (Maxwell Quarry Inv-2419)	$2,790.00
Metal - Gillingham road (Maxwell Quarry Inv-2425)	$4,061.00
Metal - Gardiner road (Maxwell Quarry Inv-2425)	$898.50
Metal - Gardiner road (Maxwell Quarry Inv-2425)	$243.00
Metal - Gardiner road (Maxwell Quarry Inv-2407)	$1,240.00
Metal - Gillingham road (Maxwell Quarry Inv-2425)	$3,720.00
2 x Solo sprayers (Farmlands Inv-01037375)	$105.57
Container lift overcharge - credit on DHC Inv-12217	-$950.00
Cart & dump -Lavender Lane (RLF Inv-1352)	$1,044.00
Cart & dump -Gillingham (RLF Inv-1352)	$5,292.50
Cart & dump -Gardiner Road (RLF Inv-1352)	$7,728.50
Cart & dump - Waikare Road (RLF Inv-1352)	$261.00
Cart & Spread - Lavender Lane (RLF Inv-1352)	$264.00
Cart & Spread - Gillingham Road (RLF Inv-1352)	$891.00
Credit on overweight trucks (HLL Inv-0050)	-$289.87
Transport Grapple Loader (BRS Inv-3503)	$1,475.00
Reinstate Skid 42 (CCL Inv-0064)	$810.00
2 Stage Track clear off skid (CCL Inv-0064)	$540.00
Clean off skid 15 (CLL Inv-0064)	$702.00
Reinstate temp culvert (CCL Inv-0064)	$405.00
Extraction access (CCL Inv-0064)	$1,134.00
Assist hauler down from pad (CCL Inv-0064)	$1,431.00
Clear off skid 22 (CCL inv-0064)	$1,080.00
Construct pad 40B (CCL Inv-0064)	$2,750.00
Roll Farag Road (CCL Inv-0064)	$216.00

Harvesting Financial Summary (Continued)

Roll Gillingham road including dugouts (CCL Inv-0064)	$936.00
Roll Dickie Road (CCL Inv-0064)	$696.00
Roll Gower Place (CCL Inv-0064)	$636.00
Roll Waikare STDC (CCL Inv-0064)	$444.00
Roll loading bay skid 25 (CCL Inv-0064)	$300.00
Roll Lavender Lane (CCL Inv-0064)	$156.00
Grade Dickie Drive (CCL Inv-0064)	$1,056.00
Grade Farag Road (CCL Inv-0064)	$256.00
Grade Gillingham Road including dugouts (CCL Inv-0064)	$992.00
Grade loadout Bay (CCL Inv-0064)	$912.00
Grade Waikare STDC Road (CCL Inv-0064)	$640.00
Grade Loading Bay Skid 25 (CCL Inv-0064)	$416.00
Cart corduroy - skid 25 (CCL Inv-0064)	$105.00
Trial tyres - Gilligham Road (CCL Inv-0064)	$635.00
Dig deadmen (CCL Inv-0064)	$1,392.00
Clean watertables (CCL Inv-0064)	$384.00
Metal recovery (CCL Inv-0064)	$708.00
Clean off 2 stage track (CCL Inv-0064)	$480.00
Install temp culvert (CCL Inv-0064)	$1,104.00
Extraction track skid 42 (CCL Inv-0064)	$780.00
Corduroy Skid 25 (CCL Inv-0064)	$2,520.00
Reinstate Gilingham Road (CCL Inv-0064)	$1,080.00
Clear Stream Crossing (CCL Inv-0064)	$180.00
Transport DX225 (CCL Inv-0064)	$950.00
Concrete Lego Block (CCL Inv-0064)	$1,200.00
Excavate and backfill soft areas (CCL Inv-0064)	$2,329.00
Extraction track (CCL Inv-0064)	$3,162.00
Rehan Skid 24 (CCL Inv-0064)	$1,020.00
Dig out for tyre trial (CCL Inv-0064)	$697.00
Loading Bay (CCL Inv-0064)	$816.00
Strip rock for loading bay (CCL Inv-0064)	$1,037.00
Deadman (CCL Inv-0064)	$884.00
Prepare for James Place Crossing (CCL Inv-0064)	$3,145.00
Metal spread from stockpile (CCL Inv-0064)	$5,928.00
Docket books x 7 issued in September (VW Inv-41935)	$109.55
TOTAL COSTS	**$649,547.52**
TOTAL FEES, LEVIES & COSTS	**$694,339.79**

NET INCOME CURRENT MONTH	**$366,187.53**
GST	**$54,928.13**
NET INCOME CURRENT MONTH (INCLUDING GST)	**$421,115.66**

Appendix 2 Waikare Forest (September Washup – Nil)

Extra Photos of cellular confinement trial to fix pavement failure – Gillingham Road.

Figure 4: Tyre trail (before), pavement failure, Gillingham Road.

Figure 5: Tyre trial - after repair

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

		2015	2016	2017	Grand Total
Quantity	JAS Sold	1275.243	50487.868	42875.182	94638.293
	Tonnes Harvested	1206.69	71051.138	56896.6	129154.428
	Tonnes Weighed	1206.69	66658.3499	53406.58	121271.6199
	Washup JAS	1206.67	43170.62	37617.99	81995.28
	Owner Units Paid	1275.243	71497.276	57185.167	129957.686
	Hectares Harvested	1	127.1	89.8	217.9

		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	7,308,687.73	15,678,317.69
	Washup		142,855.00	(30,527.67)	112,327.33
Income Total		**$155,373.78**	**$8,357,111.18**	**$7,278,160.06**	**$15,790,645.02**
Harvesting	Cartage	37,467.72	2,133,593.91	1,705,771.76	3,876,833.39
	Establishment	14,957.50	13,560.00	2,875.40	31,392.90
	Logging	47,060.77	2,343,022.74	1,922,066.60	4,312,150.11
Harvesting Total		**$99,485.99**	**$4,490,176.65**	**$3,630,713.76**	**$8,220,376.40**
Fees	FGC levy	344.32	19,304.26	15,440.00	35,088.58
	Management	6,214.95	334,398.02	291,126.24	631,739.21
Fees Total		**$6,559.27**	**$353,702.29**	**$306,566.23**	**$666,827.79**
Engineering	Engineering		45,587.82	17,155.00	62,742.82
	Establishment	4,530.00	7,367.00	3,220.00	15,117.00
	Landings/Pads	40,505.00	198,562.00	75,036.00	314,103.00
	Metal		246,705.00	116,632.73	363,337.73
	Metal Cart & Spread		345,872.10	146,365.24	492,237.34
	Other	1,868.00	4,068.38	633.90	6,570.28
	R&M		105,745.30	67,430.00	173,175.30
	Rehab	585.00	67,890.45	31,854.96	100,330.41
	Road Construction		458,338.34	58,148.71	516,487.05
	Road Upgrade	56,386.00	21,310.00		77,696.00
	Two Stage		39,184.00	11,997.00	51,181.00
Engineering Total		**$103,874.00**	**$1,540,630.39**	**$528,473.54**	**$2,172,977.93**
Miscellaneous	Consents	26,391.79	2,599.30	339.75	29,330.84
	Consumables	652.32	1,078.90	793.09	2,524.31
	Other	1,389.70	1,683.63	526.64	3,599.97
	Security		4,000.00	426.00	4,426.00
Miscellaneous Total		**$28,433.81**	**$9,361.83**	**$2,085.48**	**$39,881.12**
Grand Total		**-$82,979.29**	**$1,963,240.03**	**$2,810,321.05**	**$4,690,581.79**

Appendix 4 – Harvest Progress Map