



HARVESTING REPORT
DECEMBER 2016
WAIKARE FOREST PARTNERSHIP



WAIKARE ROAD

FMNZ

"Maximising the value of forests since 1974"



December Harvesting Report

Summary

The December export prices lifted on average \$0.77/Jas m³ with pruned grades rising \$1-1.76/Jas m³ while the sawlog grades have edged up \$0.88-1.20/Jas m³. The outlook for January is for prices to lift with the forecast into the New Year being positive given reducing freight rates and easing Forex is lifting CFR prices in China.

The recoverable volume for December totalled **8,534.55** units (JAS/Tonnes), returning log sales of **\$1,126,435.81** (See Appendix 1, Harvesting Financial Summary).

14.1 ha was harvested, the recoverable volume to date averages 594.0t/ha.

Net revenue for the month of December totalled **\$518,520.88** excluding GST. (See Appendix 3, Cashflow Summary). No washup was completed this month.

To date 263.9 ha has been harvested.

The net income to date for the project overall is **\$6,160,685.80**.

The harvesting ticked along nicely over December with 14.1 hectares harvested producing 8,349 odd tonnes of logs at an average crew production rate of 491 tonnes per day. The crews finished up on the 23rd of December for the year and will return to the forest on the 4th of January 2017.

There wasn't any new forest infrastructure constructed during December with maintenance and repairs taking place as needed.

Revenue

Log Sales

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

Table 1: Domestic & Export sales

			QTY	Revenue
December	SNP	Jas	6111.14	\$819,072.45
	TENC	Jas	1216.176	\$154,659.67
	TPINE	Tonnes	1031.055	\$143,189.97
	WPI	Tonnes	176.18	\$9,513.72
Total			8534.551	\$1,126,435.81

During December we continued to supply volumes of both A300 and P1 grades to Taranaki Sawmills (TSM). Due to the Christmas shutdown volumes were down on a normal month's production with limited deliveries required.

Export grades were sold via New Plymouth port through Summit New Zealand and Tenco.

All domestic pulp was sold on truck to Winstone Pulp International.

The export/domestic split this month altered slightly this month to 85%/15%. The project average is 74%/26%.

Log Markets

The December export prices lifted on average \$0.77/Jas m³ with pruned grades rising \$1-1.76/Jas m³ while the sawlog grades have edged up \$0.88-1.20/Jas m³.

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

December log inventories on Chinese ports has been maintained at 3.2mil m³ with daily off take lifting slightly to 73,500m³/day. China inventories remain at relatively low levels and this is positive heading into the Chinese New Year.

The US dollar has had an impressive rise since the US election with potential for further over the coming months. The NZ economy is still strong with dairy prices having risen however, these forces are minor compared to the US dollars 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 whether this will continue into the New Year.

Grade Recovery

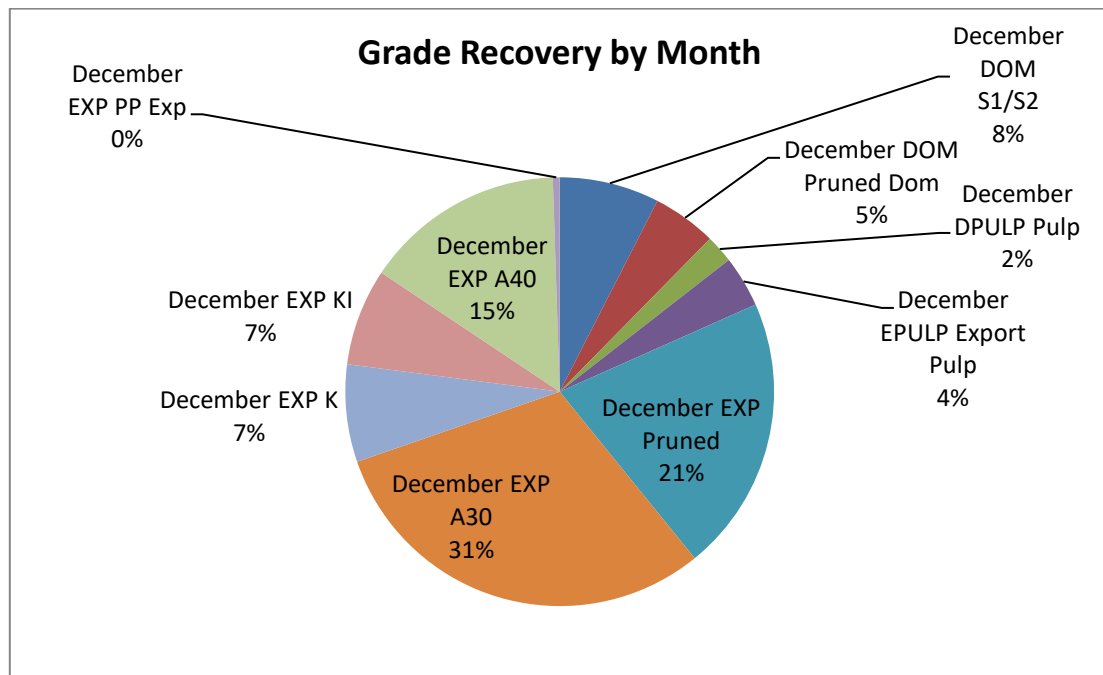


Chart 1: Grade Recovery by Month

December saw local demand for pruned logs taper off towards Christmas as the mill prepared for the Christmas shut down. TSM did not want to carry pruned stocks through the two odd weeks when they are shut down as the timber can deteriorate due to fungal attack. The mill retained a stock of S1 and S2 logs for their start back, these logs were kept wet with sprinklers to reduce the likelihood of fungal attack.

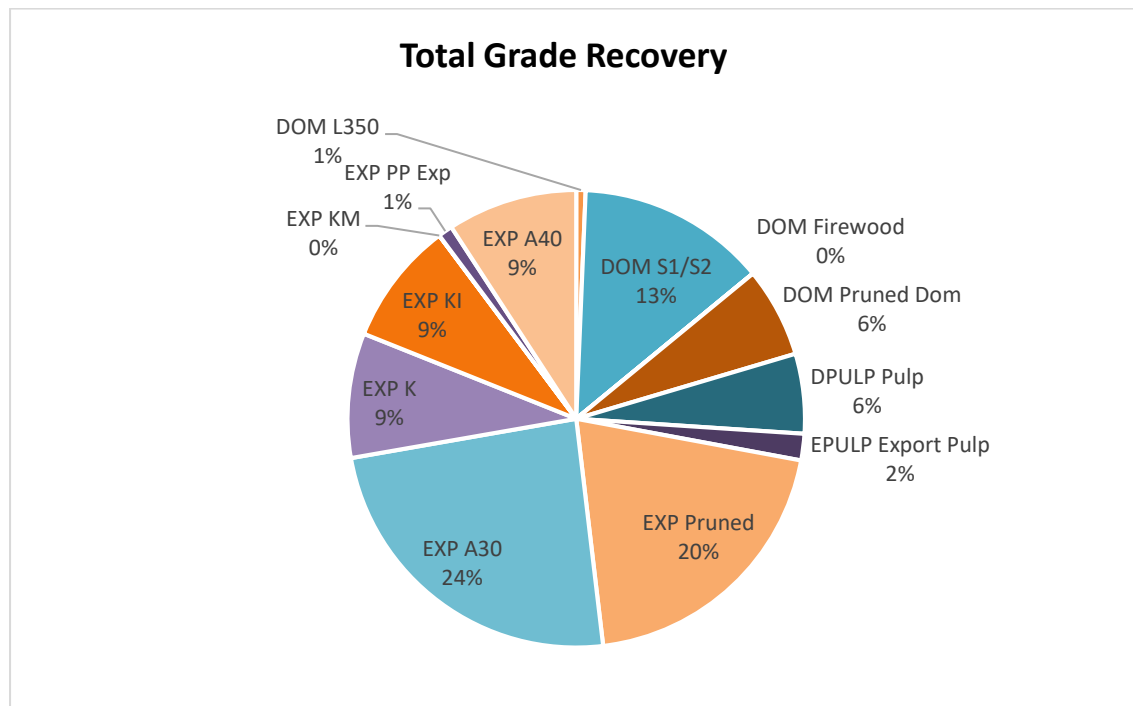


Chart 2: Total Grade Recovery (Project to date)



Figure 1: Landing 47, setting 233 this setting had a difficult patch of wind blow at the bottom of it. The Cable crew harvested it safely leaving a clean face to replant.



Figure 2: This is the same setting before harvesting note the difficult and dangerous patch of wind throw at the bottom. The whole stems were grapple hauled to the landing where the root plates were cut off. This sort of wind blow is extremely dangerous if it has to be manually cut on the hill.

Shipping volume for last three vessels

The vessel Port Botany completed loading at the Port of Taranaki on the 19th November. This was to be covered in this report but the wash-up wasn't completed till the New Year.

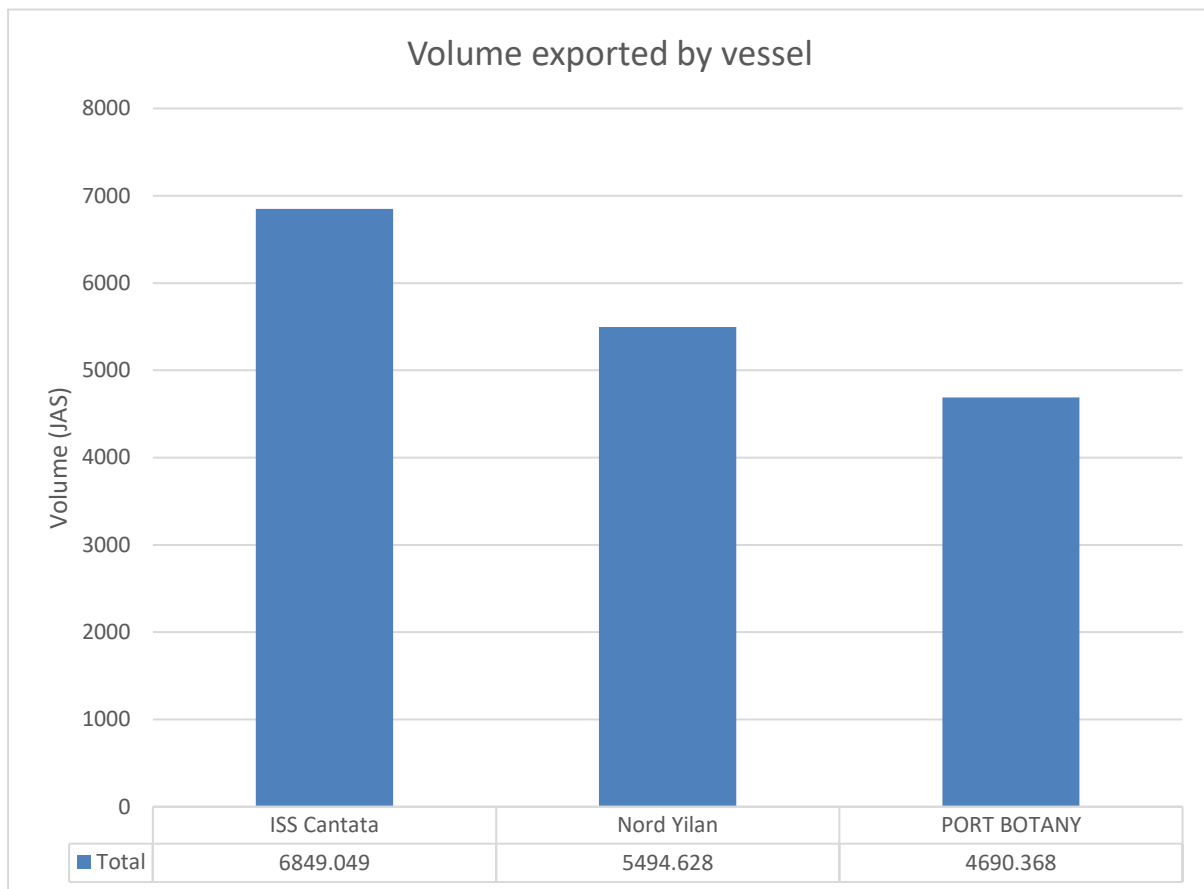


Chart 3: Last three vessels to leave Port of New Plymouth

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

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

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	\$518,520.88	\$6,160,685.80



Figure 3: Hughes Rd landing 30, the ground based crew spent the whole month pulling to this skid site.

Expenditure

The total expenditure for December was **\$607,914.93**. This was made up of the following:

Engineering

There has not been any road or skid construction in the forest over December. This was in part due to our roading contractor working on other projects outside of the forest. The road line crew continued to open the Hughes Road corridor up to the top boundary which will allow the road construction contractor to start straight back in the New Year.

This month's engineering expenses mainly consisted of metal for the roads with a stock pile built up at the old house site for the start of the New Year and the repair of the Gardner/Gillingham Road intersection culvert. We also carried out a small amount of maintenance on the forest roads as it became necessary.

Table 3: Engineering Costs

		Total
December	Road Construction	\$151.05
	Landings/Pads	\$660.00
	Metal	\$6,452.00
	Metal Cart & Spread	\$8,049.00
	Other	\$160.00
	R&M	\$9,302.00
	Rehab	\$1,272.00
Total		\$26,046.05

Miscellaneous

Miscellaneous items included 4 posts, 6 Docket Books and a roll of Geotextile matting.

Table 4: Miscellaneous Costs

		Total
December	Consumables	\$994.27
Total		\$994.27



Figure 4: A section of culvert pipe being lowered into the culvert at the Gardner Gillingham Road intersection. This repair was carried out over the Xmas break to avoid disruption to the harvest crew.



Figure 5: The finished job, note the tire head wall.

Harvesting

The logging cost for December totalled **\$288,707.15** producing 8,349.45 merchantable tonnes. The average production rate was 491 tonne per day with an average harvesting cost of \$34.58 per tonne for the month.

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

Table 5: Harvesting Costs

		Total
December	Logging	\$288,707.15
Total		\$288,707.15



Figure 6: Looking down the Hughes Road corridor towards skid 30 and Lake Waikare.

This month 14.1 ha was harvested, the recoverable volume averaged 592.1T/ha. The recoverable volume has risen again this month. This figure of 592t/ha doesn't include stocks on skid at the end of the month as the volume is based on product out the gate and over the weigh bridge.

To date 263.9 ha has been cleared with an average recoverable volume of 594.0 T/ha.

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

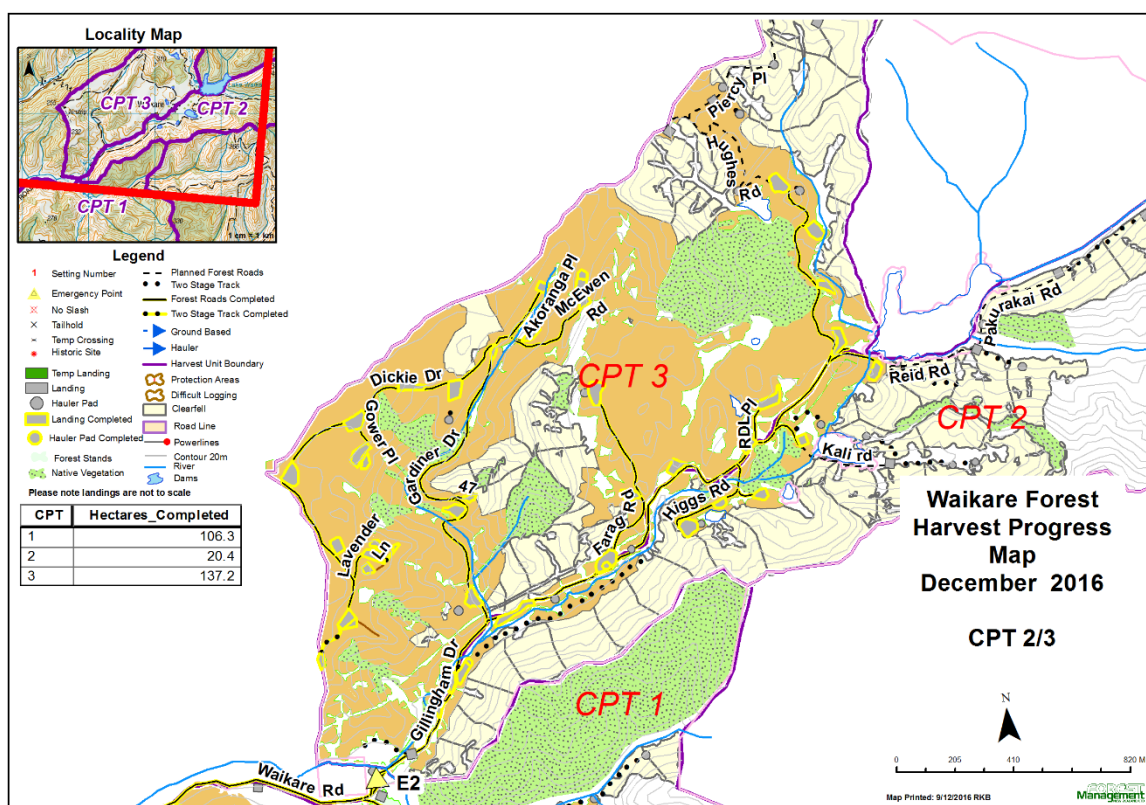


Figure 7: Waikare Progress Map (Dec 16) Compartments 2 and 3

Cartage

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

Table 6: Cartage Costs

		Total
December	Cartage - Truck	\$241,618.13
	Weighbridge	\$3,187.58
Total		\$244,805.70

The average cartage cost for the tonnes produced \$28.94/tonne

Fees and Levies

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

The average management costs to date for the project is \$4.90/tonne.

Table 7: Fees and Levies

		Total
December	Management	\$45,057.43
	FGC levy	\$2,304.33
Total		\$47,361.76

Health & Safety

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

Contractor	Operation	Injury/Incident type	Description
Logged on Logging	Logging(Cable)	Hit no injury	Inexperienced skid worker was finishing stencilling log ends and was bending down when the loader slewed around and contacted his back. The skid worker was reminded of the correct procedure for working on the skid. He was told to stay close to the experienced workers and they were reminded to keep an eye on him.
Logged on Logging	Logging(Cable)	Hit no injury	Operator was walking the loader downhill and when he stopped suddenly he slid forward on the seat and his head hit the windscreen resulting in a cracked windscreen. The operator was given a verbal warning to wear his seat belt at all times as per section 6.1.3 of the Approved Code of Practice for Safety and Health in Forest Operations.



Figure 8: Skid 54's setting - note the standing trees with wind throw through them on the steep centre ridge. This was left by the faller with the standing trees and wind thrown stems grapple hauled to the skid where they were processed safely. Having the capacity with a swing yarder to grapple the stems makes it much safer for the crew in these situations.

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 85% of the road formation and 62% of the harvest.

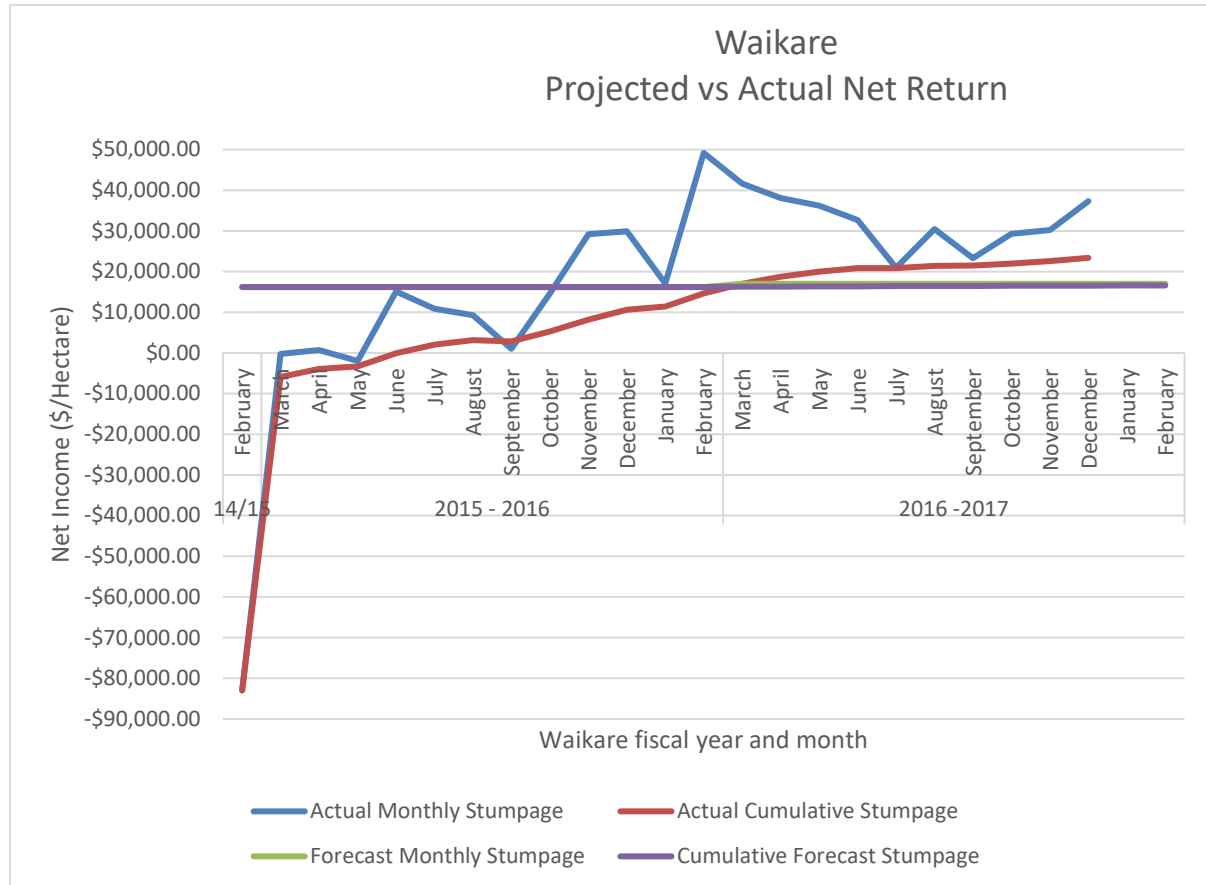


Chart 4: Project Forecast vs. Actual

We are presently sitting at \$39.30 net per tonne, the forecast was \$25.25. Gross return of \$98.41 per tonne was forecast, we are presently achieving \$123.83, an increase of 25.8 %. The net return per hectare is currently sitting at \$23,344.20, 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	01/12/2016 to 31/12/2016
	Waikare Forest Partnership	
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	377.50		\$171.00	\$64,552.50
Pruned Dom	P1X	25.56		\$128.25	\$3,278.07
S1/S2	A300	628.79		\$120.00	\$75,454.80
TOTAL DOMESTIC SALES		1,031.85			\$143,285.37

Domestic Pulp					
Pulp	Pulp	176.18		\$54.00	\$9,513.72
TOTAL DOMESTIC PULP SALES		176.18			\$9,513.72

Downgrade					
Downgrade	Dom Reject	-0.80		\$120.00	-\$95.40
Downgrade	Exp Rejects 0		-0.419	\$118.00	-\$49.44
Downgrade	Exp Rejects 0		-0.549	\$125.00	-\$68.63
Downgrade	Exp Rejects 0		-0.825	\$127.00	-\$104.77
TOTAL DOWNGRADE SALES		-0.80	-1.793		-\$318.24

Export					
PP Exp	PP 3.9		46.665	\$133.00	\$6,206.44
Pruned Exp	P42 5.9		716.809	\$169.00	\$121,140.72
Pruned Exp	P30 3.9		139.622	\$134.00	\$18,709.35
Pruned Exp	P40 3.9		654.937	\$166.00	\$108,719.54
Pruned Exp	P40 5.1		295.596	\$166.00	\$49,068.94
Pruned Exp	P40 5.9		28.492	\$166.00	\$4,729.67
A30	A 2.9		260.145	\$118.00	\$30,697.11
A30	A 3.8		771.258	\$125.00	\$96,407.25
A30	A 3.8		742.345	\$126.00	\$93,535.47
A30	A 5.8		367.958	\$127.00	\$46,730.67
A30	A 5.8		377.666	\$129.00	\$48,718.91
A30	A 7.8		96.165	\$129.00	\$12,405.28
A40	AO 3.9		1,030.301	\$127.00	\$130,848.23
A40	AO 5.9		290.047	\$130.00	\$37,706.11
K	K 3.8		400.998	\$118.00	\$47,317.76
K	K 5.8		183.294	\$120.00	\$21,995.28
KI	KI 2.9		255.033	\$108.00	\$27,543.56
KI	KI 3.8		362.508	\$111.00	\$40,238.39
TOTAL EXPORT SALES			7,019.839		\$942,718.69

Export Pulp					
Export Pulp	KIS 2.9		309.270	\$101.00	\$31,236.27

Harvesting Financial Summary (Continued)

TOTAL EXPORT PULP SALES	309.270	\$31,236.27
TOTAL	1,207.23	7,327.316
		\$1,126,435.81

FEES	
FMNZ Management Fee @ 4%	\$45,057.43
TOTAL FEES	\$45,057.43
LEVIES	
Forest Grower Commodity Levy @ \$0.27	\$2,304.33
TOTAL LEVIES	\$2,304.33
COSTS	
Harvesting	\$288,707.15
Cartage	\$241,618.13
Weighbridge	\$3,187.58
Wire (Farmlands Inv-01035878)	\$101.05
4 Posts (Farmlands Inv-A-883744)	\$32.30
Docket books x 6 (VW Print Inv-42351)	\$87.06
Geotextile (Hynds Inv-102083181)	\$874.91
Gap100C (Maxwell Quarry Inv-00002532)	\$2,821.00
Gap100C (Maxwell Quarry Inv-00002532)	\$279.00
Gap100C - Hughes road (Maxwell Quarry Inv-2530)	\$1,379.50
Gap100C - Gardiner road (Maxwell Quarry Inv-2530)	\$480.50
Gap65- Waikare road (Maxwell Quarry Inv-2548)	\$252.00
Gap100C - Hughes road (Maxwell Quarry Inv-2548)	\$651.00
Gap100C - McEwan road (Maxwell Quarry Inv-2548)	\$589.00
Grade McEwan Road (CCL Inv-0076)	\$224.00
Grade Gardiner Road (CCL Inv-0076)	\$344.00
Grade Hughes Road (CCL Inv-0076)	\$344.00
Rehab following loggin operations (CCL Inv-0076)	\$1,272.00
Slip removal McEwan Road (CCL Inv-0076)	\$240.00
Install deadman (CCL Inv-0076)	\$660.00
Repair fluming (CCL Inv-0076)	\$160.00
Spread from stockpile - Hughes (CCL Inv-0076)	\$1,542.00
Spread from stockpile - Gardiner (CCL Inv-0076)	\$186.00
Cart and spread of metal - Waikare Road (RLF Inv-0421)	\$297.00
Cart and dump of metal - Gardiner Road (RLF Inv-0421)	\$449.50
Cart and dump of metal - Hughes Road (RLF Inv-0421)	\$3,726.50
Cart and spread of metal - Hughes Road (RLF Inv-0421)	\$924.00
Cart and spread of metal - McEwan Road (RLF Inv-0421)	\$924.00
Cartage of geotextile and pipes (RLF Inv-0422)	\$50.00
Slip removal Hughes Road (CCL Inv-0076)	\$480.00
Installing culvert - Gardiner/Gillingham intersection (MPE Inv-0047)	\$7,670.00

Harvesting Financial Summary (Continued)

TOTAL COSTS	\$560,553.18
TOTAL FEES, LEVIES & COSTS	\$607,914.94

NET INCOME CURRENT MONTH	\$518,520.87
GST	\$77,778.13
NET INCOME CURRENT MONTH (INCLUDING GST)	\$596,299.00

Appendix 2 Waikare Forest

(December - No Washup)

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

	2015	2016	2017	Grand Total
Quantity				
JAS Sold	1275.243	50487.868	65488.176	117251.287
Tonnes Harvested	1206.69	71051.138	84497.18	156755.008
Tonnes Weighed	1206.69	66658.3499	80095.44	147960.4799
Washup JAS	1206.67	43170.62	54407.471	98784.761
Owner Units Paid	1275.243	71497.276	85223.179	157995.698
Hectares Harvested	1	127.1	135.8	263.9

	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	10,928,246.99	19,297,876.95
Washup		142,855.00	-29,344.82	113,510.18
Income Total	\$155,373.78	\$8,357,111.18	\$10,898,902.17	\$19,411,387.13
Harvesting				
Cartage	37,467.72	2,133,593.91	2,514,336.35	4,685,397.98
Establishment	14,957.50	13,560.00	5,275.40	33,792.90
Logging	47,060.77	2,343,022.74	2,869,852.50	5,259,936.01
Harvesting Total	\$99,485.99	\$4,490,176.65	\$5,389,464.25	\$9,979,126.89
Fees				
FGC levy	344.32	19,304.26	23,010.26	42,658.84
Management	6,214.95	334,398.02	435,955.92	776,568.89
Fees Total	\$6,559.27	\$353,702.29	\$458,966.18	\$819,227.73
Engineering				
Bridges		-\$45,587.82	-\$18,436.50	-\$64,024.32
Establishment	4,530.00	7,367.00	3,220.00	15,117.00
Landings/Pads	40,505.00	198,562.00	120,628.00	359,695.00
Metal		246,705.00	158,567.53	405,272.53
Metal Cart & Spread		345,872.10	198,641.04	544,513.14
Other	1,868.00	4,068.38	1,233.90	7,170.28
R&M		105,745.30	90,344.76	196,090.06
Rehab	585.00	67,890.45	48,954.32	117,429.77
Road Construction		458,338.34	108,622.88	566,961.22
Road Upgrade	56,386.00	21,310.00	4,901.10	82,597.10
Two Stage		39,184.00	11,997.00	51,181.00
Engineering Total	\$103,874.00	\$1,540,630.39	\$765,547.03	\$2,410,051.42
Miscellaneous				
Consents	26,391.79	2,599.30	963.75	29,954.84
Consumables	652.32	1,078.90	2,583.26	4,314.48
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	\$4,499.65	\$42,295.29
Grand Total	-\$82,979.29	\$1,963,240.03	\$4,280,425.07	\$6,160,685.80

Appendix 4 Waikare Harvest Map (Compartments 2 and 3)

