

RED STAG'S GROWTH CONTINUES

Opening of Depot in Christchurch

Despite the difficult economic conditions, Red Stag Timber is "Full Steam Ahead" in the South Island.

Our new distribution centre located at Timber Treatments Limited in Christchurch is operational and is fully stocked.

Red Stag's South Island Sales Manager, Laurie Montie, has reported steady growth in difficult market conditions. Our customer base has increased.

Our new and existing customers have commented very positively now that "urgent" or "emergency" timber stocks can be sourced quickly and delivered within 24 - 48 hours from the distribution centre to anywhere in the South Island

Red Stag's growing South Island customer base is receiving stock lists indicating product that is available ex Waipa Mill in Rotorua and/or Christchurch. Already, several customers are submitting regular orders for product to be supplied from both service centres, depending on urgency and size of orders.



The Distribution Centre is ensuring quicker delivery to our valued customers in the South Island especially for urgent orders, and is helping to further expand our growing customer base.

Fitec Finalists – 3 categories

Red Stag achieved finalist status in three categories at this year's Forestry Industry National Training Awards (FITEC), held at Rotorua's Energy Events Centre on Wednesday 3rd September, the only company to do so.

Having been short-listed for the **Outstanding Business Performance through People Award**; and the **Trainee of the Year Award**, the Company was thrilled to have Bobbi Deen Ruki win the **Modern Apprentice of the Year** category, for her achievement of Solid Wood Processing L4 – Timber Grading qualification. Bobbi was the first female to achieve this qualification at Waipa Mill, so we are very proud of her achievement.

Having won the overall **Training Company of Year Award** in 2007, the Company continues to upskill and develop its employees. National Certificates achieved cover a range of L2-L5 safety, quality, technical and leadership qualifications. The Company has drawn wide attention for its training related achievements, so much so that Prime Minister Helen Clark paid the site a visit in March this year to meet five of our Modern Apprentices.



Judges were impressed with the way Red Stag Timber has demonstrated that investment in and upskilling of employees is an integral part of the Company's overall business strategy. Employees who achieve qualifications relevant to their roles at Waipa Mill, are seen as role models for others, and the company acknowledges the personal commitment required to complete the training programmes.

Pictured is Mangu Kalman, Trainee of the Year finalist receiving a special gift from the Company to recognise his achievement as an up and coming Team Leader in his work area, the 610 Planer Mill. Mangu recently completed his Level 4 Timber Machining trade qualification, as well as First Line Management national certificate L3. He started at Waipa Mill 8 years ago after working for some years in forest harvesting.

Pictured is Mangu Kalman (left), Red Stag's General Manager, Tim Rigter, Andrew James, Technical Co-ord; Henare Davis, Planer Co-ord (obscured) and Melissa Bennett, HR Manager in support.

Winner of Two Awards of ITM Conference



This year, Red Stag was again selected as a finalist in two categories at the ITM AGM Awards Dinner. The categories were 'Greatest Increase in Turnover' and 'Best Timber Supplier'. The 'Greatest Increase in Turnover' award represents the growth in the value of sales during the year to the entire ITM group; while the 'Best Timber Supplier' award is voted on by the 80 ITM stores nationwide in recognition of the quality of the product and the service provided.

It was a most entertaining night with 250 ITM owners and employees and representatives from the supplying companies, with partners, reinforcing their business relationships while enjoying the fine food and excellent entertainment. Comedian (must remember his name) had the room in fits of laughter with his jokes and impersonations.

It was tense during the awards presentation, with the supplying companies all keen to win the awards and the recognition that goes with them. But in the end, there can only be one winner. This year Red Stag won both of the awards for which it was nominated. They were ably accepted by Marty Verry, whose acceptance speech recognised the special relationship between ITM and Red Stag; and, reportedly, was received.

New 100,000m³ Kiln – Commissioning October 2008

Red Stag Timber has invested in another Mahild high temp kiln. The new kiln will have a capacity of 100,000m³ per annum.

Red Stag has ensured the learning from the Mahild installation back in 2006 has been implemented with this installation.

We requested Mahild "Guru", Dirk Daniels, to project manage this installation. Local agents, Lyle Engineering, are the contracted installers. Project timelines are running to plan, even with the inclement weather we have experienced.

The commissioning date is set for mid-October, 2008.



New Metriguard Machine Stress Grader

Red Stag is expanding in another area of its business, too, with the purchase of a third Machine Stress Grader (MSG) that will be installed in the Coastal planer mill. The purchase of a MetriGuard High-speed Continuous Lumber Tester (HCLT) is a first for New Zealand and will be the most advanced, most accurate, and (most importantly) the fastest MSG stress grader in New Zealand.



The new grader will work in series with the currently installed A-Grader, to provide: increased yields of high value products; access to overseas markets; and more accurate lumber grading. It was selected from a range of options as a strategic investment in grading technology that will complement further investments across the site in the years to come.

The MetriGuard installation will be led by Clyde McLean and will involve re-engineering the outfeed of the Coastal planer to allow for

both the MetriGuard and future equipment while still allowing for proposed increases in production of up to 540 lm/min. The plan is to start commissioning in November 2008.

New Dry Sheds



Dry Shed 7

Due to Red Stag's increased production and the wide range of kiln dried products we offer, we are always under pressure to store them under cover. To assist this aim we have constructed a new finished goods shed. It provides us with 1500m³ of storage capacity and has been built to accommodate kiln filleted product, if needed.

Dry Shed 8

We are also constructing a new dry storage shed beside our Coastal planer. It will be 68 meters long by 12 meters deep. Entry height will be 6.7meters sloping down to 6 meters at the rear. Constructed of a combination of treated poles and MH3.2 kiln dried treated framing with an exterior of powder coated long run iron it will provide an extra 1100m³ of storage. It will have 7 bays of 6 meters wide and 2 bays of 5.4 meters wide. This combination of bays and bay size will also enable us to improve stock rotation and minimize handling. Its location close to our dispatch yard will also assist in marshalling loads and make dispatching easier. Completion date is the end of October, 2008.



CCA Plant now Operated by Red Stag

Resuming management of the CCA Treatment Plant operation in October 2007 – it had been leased – is part of an ongoing plan maintain quality control and reduce cost of manufacturing, to keep Red Stag Timber ahead of the game in tough market conditions.

The Treatment Plant was welcomed back into the fold and re-branded as Red Stag Timber Treatment under the new NZTPC registered plant number "888". (Anyone who has watched the recent Olympics in Beijing will understand the significance of this number in that culture. This is not coincidental. We have also recently completed registration in Queensland and New South Wales with the same registered plant number).

The plant runs two ten-hour shifts per day, Monday to Thursday, with overtime run on Fridays as required. The manning structure is the CCA Treatment Operator with Forklift Operator on each shift, a Team Leader on the day shift and a floating contractor. We are pushing through on average, 10-12 charges per day, treating in the Hazard Classes of H3.2, H3 Export, H4 & H5. A review of packet builds earlier this year saw an increase in the average charge of about 1.7 m³/charge and our best monthly volume to date was around 2,600 m³ (by displaced volume), but we are confident that we can get up over the 3,000 m³ mark.

The plant has a steaming cylinder and we have been doing some custom steaming during the winter months. We also do some custom treatment for current Red Stag customers.

After treatment, all product is held until dripping has ceased with a minimum of two days. From there, all product is wrapped to minimise the possibility of leachate from the packets during rainfall and then put into storage. The wrap gives protection to the product and promotes good presentation of the packets.

There is a programme of continuing training for the operators. Most recently, all operators attended a Confined Space training course, completing the related NZQA unit standards. There is ongoing training being supplied by our CCA supplier, as well as implementation of some of their technologies as appropriate.

The CCA team members, themselves, are always looking at doing things more efficiently too. An example of this is the design of a 'super trolley' using the current plant trolleys. The new design makes loading in and out of the treatment cylinder quicker and easier, as well as minimizing risk of damage to timber packets. Overall, the CCA treatment plant has been very successfully re-integrated back into Red Stag and is fully meeting the expectations of management.



New Boron / LOSP Plant

In addition to the other capital expenditure, the board has approved funding for the installation of a new high-volume treatment plant. Four suppliers have been invited to submit proposals to the project team (Steve Roberts, Tim Rigter, John Keefe, Murray Clark, Clyde McLean).

These proposals are currently being reviewed. It is expected that by the end of September a decision will have been made as to which new plant Red Stag Timber will purchase and install.

New Sawmill Stacker – Xmas 2007

Red Stag Timber is always looking to improve efficiency and stay a leader within the industry. A new Newnes / Mcghee stacker and revolver lug loader was installed in January 2008. The revolver lug loader was chosen because of its ability to consistently deal multiple sizes at in excess of 140 pieces per minute.

The new stacker installation is a first stage for the further expansion of the sawmill capacity.

The new stacker is able to stack packets at almost twice the speed of the old stacker. In conjunction with this extra capacity, other advantages are the fillets are now automatically fed into the magazines. This has eliminated the requirement of the manual placement of fillets, something that was not only monotonous but required constant bending and twisting of the operator. The new stacker also places the fillets onto the packet very accurately and, as a consequence, there is far less distortion from the kilns.



Other investment in the sawmill has been the upgrading of the scanners on both board edgers and the small log line.

Holtec Packet Saw

A further new addition to the plant on site is the Holtec packet saw. It allows us to dock packets to length in a tidy and accurate manner.

The packet saw can process a packet every 5 minutes and can handle both green and kiln dry product.

The ability to cut to non-standard lengths has opened up new markets for Red Stag Timber and freed up capacity at other work centres.



Mill Capacity Expansion

The foregoing capital expenditure is part of a wider policy to expand the output capacity of Waipa Mill from 340,000m³/pa of sawn timber to 460,000m³/pa, on two shifts. The configuration of the mill will then allow production to be lifted to 650,000m³/pa by the addition of a third shift.

All the planning for this further expansion has been done. It will proceed to completion once market conditions improve.