



The Sustainable Log BAM Update

New Operating Management Systems

Again most of you will not have seen the work that has been done on our management systems but we have had Industrial Engineers map all our production operations and there are 57 processes in total. Each process has a Best Operating Practice (BOP) which is documented showing each and every step and all staff have been trained on these processes. In addition we have captured or scanned all our policies, procedures, guidelines, practices, training manuals, etc. and any external documents like the PNG Logging Code of Practice, the PNG Forest Act etc. and this is stored in a central document register available through our new Server. This document management system is called the IMS (Information Management System) and has links to all the contents within the system and will contain every possible document needed to run and manage this company.

Environmental Systems

We realise that this company is too small to compete with the large forestry companies in PNG and elsewhere in the region so our only chance of making a healthy profit is to export our products to Europe or America. In order to do this we have to overcome the bad image forestry has in these markets regarding environmental damage and destruction. We can only do this by following the world's best practices in our operations and by having ourselves audited and then certified to a very high environmental standard. We have chosen to use the Forest Stewardship Council (FSC) certification system and our first non audit assessment has already been completed and we have a list of all the things we need to improve in order to apply for formal certification. It is our intention to target this certification during late 2010 as there are many things we still need to improve upon in order to get this prestigious environmental certification.

Infrastructure Development

As many of you are aware, in terms of the Project Development Agreement we are committed to building a number of new roads, school, clinics, jetties, police stations and sports facilities. This program is clearly defined in the Project Development Agreement and includes the timing of which year each development has to take place. The company

has so far not delivered this infrastructure fast enough and we have fallen behind on the program and a lot of attention is going into correcting this backlog. We have completed the fabrication of three classrooms in July 2009 and will be fabricating further buildings at a rate of 2 to 3 per month. These kits will be delivered to site and it is hoped that they can be assembled by the people from the villages under our supervision.

Forest Planning Systems

In the past we used to have our maps printed through GEOGRAPHICS in Port Moresby but as we started moving further into the FMA concession we are starting to need more detail. So the company has bought a forestry mapping system called ArcGIS which is a Database which has spacial data (mapping) as well as other information on inventory or information on people etc. In order to make this system work accurately we have taken photographs from an aircraft and we have aligned these photographs with accurate positions on the ground using GPS co-ordinates. The GPS system we have bought and are using is called Differential GPS which is very accurate and is the type used by Land Surveyors and is much more accurate than the type used by say fishermen. Now that the mapping system is operating we will begin collecting lots of information on forest inventories, roads, clan boundaries, language groupings, environmentally sensitive areas, schools, etc.



NEW 45 000 m³/a CAPACITY SAWMILL- BAM

Cloudy Bay Sustainable Forestry's new sawmill is situated above the Robinson River Plantation, in-between the villages of Oio and Bam, and is approximately 300 km east of Port Moresby. It will consist of a 45 000 m³/a capacity sawmill with all relevant service buildings, offices, and housing infrastructure.

The site is remote and access is limited to an old jetty which has been raised and expanded and an existing road from the jetty to the new site which is being repaired and upgraded in order to transport the machinery, equipment and contractors to the site. It will also be used to transport the timber to the jetty once the mill is running. There is an old airstrip at Robinson River Plantation which we are also planning on upgrading.

The site has been cleared for the sawmill and other infrastructure, but construction work was delayed by the heavy rains experienced in June, July and August. Fortunately the weather has cleared up since then and construction is now well under way and our estimated start up date of the sawmill is the 1st April 2010.

