



CLELAND MANAGEMENT PTY LTD
ABN 40 857 971 229

CLELAND

23 Albert Street
Windsor Victoria 3181
Australia

Telephone 0419 116 731
Facsimile 03 9510 0939
Email m.cleland@bigpond.com

NTT MAHOGANY PROJECT

Responsible Managers Inspection Report - Elderslie and M'Oganwo Properties 25 to 28 October 2010

Abstract

The purpose of this report is to record the observations made during the inspections of the NTT Mahogany Project (Project 1) at Elderslie Station via Cooktown in far North Queensland and M'Oganwo Station in the Douglas- Daly region of the Northern Territory. Approximately two thirds of Project 1 is planted on the Elderslie site and the remaining area is situated on the NT site.

Present

Mr Ian Knobel
Malcolm Cleland

Project Forester
Responsible Manager

Mr Stephen Brosnan

M'Oganwo property manager

Summary

- The measurement of growth rates confirms that the trees are growing well and that the growth rates may exceed previous estimates. A further years measurements will significantly improve growth rate data and therefore enhance the accuracy of estimated projected yields.
- Both forests are generally well maintained
- Some inconsistency in the execution of Project management tasks was noted. This is being addressed with the Operations Manager and farm manager.
- Contingency plans for the management and execution of Project work at either property are in place should they be required.

Background to this Inspection.

The Responsible Manager is engaged by the Responsible Entity, Huntley Management Limited (HML) to oversee the project on behalf of Growers and conducts three inspections per year to monitor the forests development. The inspections are timed to coincide with the late wet season (March), the mid dry

season (August) and in the early wet season (December). By inspecting the Projects at these times there is sufficient time remaining in each of the 'seasons' to make changes to the works program as required by the agreed Management Plan and budget.

The inspections include an evaluation of the work undertaken since the previous inspection, an assessment of the current status of the projects and planning for future works.

This inspection was important as it was the time scheduled for the measurement of the growth rates of the trees. It allowed for the trees development to be compared with the results of nutrient analysis from leaves sampled earlier in the season.

The inspection was delayed from August and undertaken by Malcolm Cleland and the Project Forester, Mr Ian Knobel in October. This will still allow sufficient time for any remedial action to be undertaken before the onset of the wet season. The Project Manager, Mr Greg Hooker was unavailable to assist at the time.

Elderslie Property – NTT Mahogany Project

Forestry

- Measurements of both the height and circumference of the trees indicate that the forest is putting on significant volume of wood and above that anticipated.
- The trees appear in generally excellent health
- Some areas of the forest are now closing at the canopy which will induce shading and as a consequence lower levels of weed growth.
- Some areas of the forests may require a further pruning
- The forests are generally in sound order but will require some weed control within the next few weeks. A failure to attend to the weed areas will incur a penalty of a higher cost for weed suppression after Christmas.
- Fencing is inadequate and requires significant maintenance

General Observations

The Elderslie property was supervised by Mr Peter Perks who was the on site manager for much of the Projects development. Regrettably his services were terminated in August 2010. Action is underway to find a suitable replacement.

The relatively easy access to the property has led to a significant number of persons either passing through the property or using the property for their own ends. There is evidence of a significant number of the local Murray People from Hopevale Station using the property. There is also some evidence of pilfering and theft from the property.

The fencing is not stock proof. It is necessary to exclude cattle occupying the plantations until they are at least 5 or 6 years old as the stock rub on trees damaging them by opening up the bark, breaking stems and loosening some in the soil predisposing these trees to lodging.

Generally the property is in good condition however there is some weed growth that has resulted from recent unseasonable rains. This should be sprayed or slashed before the onset of the wet season.

At this time the issues of frequent public access and the possibility of increasing numbers of stray cattle using the property do represent a risk. The risks include damage to trees and an increased risk of fire in the next dry season. The Operations Manager must execute the plantation management plan as agreed in order address these issues. .

It is considered that without the proper attention of the Project Manager costs will escalate to make good work that has not been done on time and the forests condition will decline and risk increase.

M'Oganwo Property – Project 1

Forestry

- Measurements of both the height and circumference of the trees in the 2005 plantings indicate significant height and volume of wood.
- The trees appear in generally excellent health and their nutrition is adequate
- Some of the 2005 planting is closing at the canopy which will induce shading and as a consequence lower levels of weedy growth.
- Some the 2005 and the remaining areas will require pruning
- Weed control is excellent
- There are some issues concerning termite control that require further investigation
- Firebreaks, road maintenance and erosion work is behind hand

General Observation

Project 1 - 2005 planting

Measurement of the trees in the trial plots indicate that it has been a very good year. The areas planted for Project 1 are approaching canopy closure and have developed into a well established commercial plantation with a significant number of trees exceeding 10 meters in height and 25 cm in circumference. The M'Oganwo trees belonging to Project 1, which are the youngest of the Project 1 plantings, now exceed the height of many of the trees at Elderslie. However, it is indicated that the trees in

Queensland are putting on more girth. It will be very interesting to see which forests return the greater volume of timber.

The Project Forester has been asked to reassess a proposed pruning program. Observations of tree growth indicate that it may be justified to prune to a greater height than was previously contemplated.

It is highly desirable that road maintenance, grading of fire breaks and erosion control works be undertaken as soon as is practicable as this work can not be undertaken once the wet sets in which may reasonably be expected in December.

The termite management program has been satisfactory but time consuming, this program should be reviewed with the Project Forester and consider both termite species apparent in the plantations.

In the event that HML determines that changes to the management of the M'Oganwo property is in the best interests of the Growers an alternative management team is available

Finally, it is appropriate to compliment the on site property manager at M'Oganwo on his diligent work as it is considered that much of the present good standing of the Northern Territory activities result from his good sense and efforts.

Malcolm Cleland
Responsible Manager
30 October 2010

Project 1 Elderslie



Project 1 M'Ogonwo

