

# Forestry business plan

*Thuthiqut Resources Limited*

STZ'UMINUS FIRST NATION

JANUARY 2011

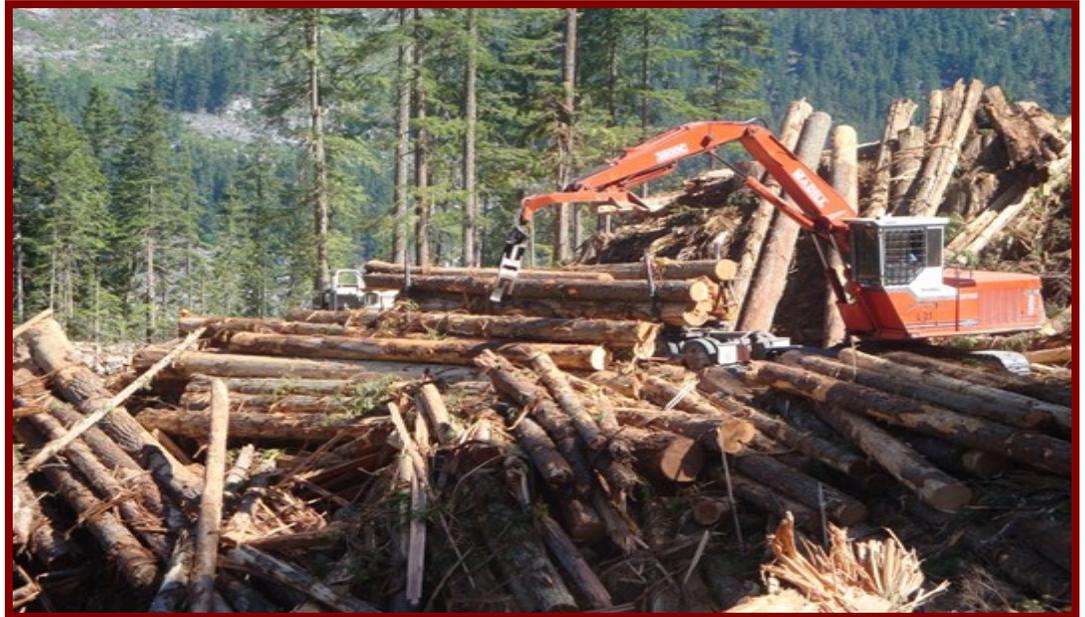
## SPECIAL POINTS OF INTEREST:

**SFN harvests 11,500 cubic metres of timber a year**

**The goal is to grow this to 50,000 cubic metres a year**

**Forestry now makes about \$250,000 a year**

**The goal is to grow this to \$1 million a year**



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## The future of forestry for the Stz'uminus

2011 is shaping up to be a good year to be in the forestry business. Sawmills on the island are reopening and sales to China are setting records. Future demand and prices look solid, with good room for profits and growth.

As a result, now is a smart time to think about growing Thuthiqut Resources Limited (TRL), the forestry company owned by the Stz'uminus First Nation and operated by Coast Salish Development Corporation.

TRL is in good shape to grow. It has very low overhead and no debt. It was able to make a

profit during the forestry downturn in the past couple of years – when most other companies were operating at a loss. It controls very good stands of timber.

The major question is how to grow the business. To answer this question, TRL has put together this business plan. It lists different ways that TRL could grow, closely analyzes each option, and recommends a plan for moving forward.

The business plan concludes that the future of forestry for the Stz'uminus is very bright. TRL can grow its harvest about four times over the next

20 years to a point where it is making \$1 million a year for the Stz'uminus community by expanding operations and services to more timberland.

And, TRL should have no problems with selling the increasing volume of timber that it harvests at prices, on average, higher than in today's market.

The rest of this report sums up the Thuthiqut business plan and outlines the next steps for growing the Stz'uminus First Nation's forestry business operations and activities.



# Stz'uminus forestry today



Thuthiqut Resources Ltd. was set up in 2010 as the forestry operation of the Stz'uminus First Nation.

Previously, forestry only occurred on an intermittent basis.

Thuthiqut has two woodlots licensed to the SFN by the BC Ministry of Forests, Mines and Land.

The wood lots are to the west of the Trans-Canada Highway and IR 12, and west and south of the Town of Ladysmith.

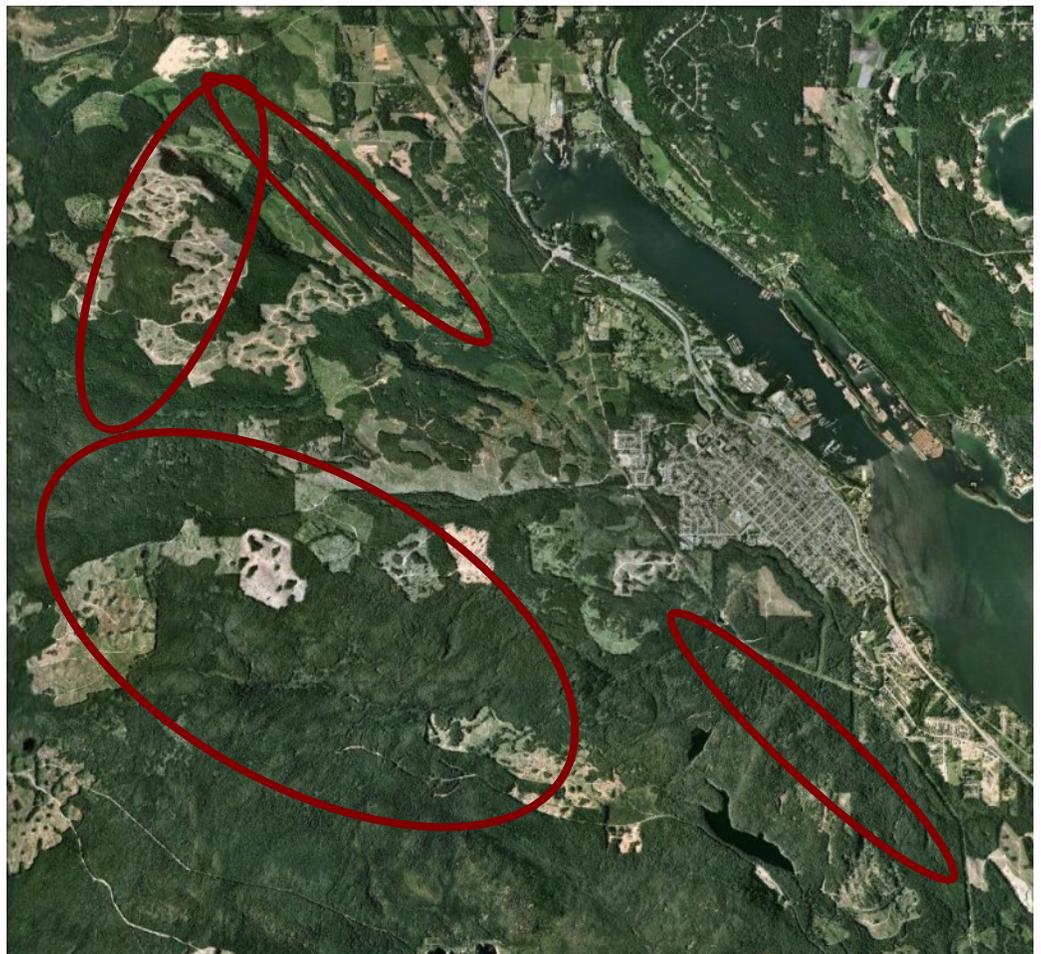
See the map below for the approximate location of the wood lots.

In total, Thuthiqut can cut about 11,500 cubic metres of timber a year. The goal is to grow this to 50,000 cubic metres annually over the next 20 years. The current harvest volume is making a profit of about \$250,000 a year. The plan is to grow this to at least \$1 million in profits a year.

The two woodlots are mainly Douglas Fir with

some Western Red Cedar and Hemlock. About two thirds of the timber is at least 60 years old, making it harvestable over the next few years. The quality of the timber is considered quite good.

Thuthiqut now contracts out all harvesting of the wood lots as well as planning and forestry management. It does not run a sawmill. This approach has kept costs down by reducing the overhead needed to run the business.



# Options for growth

Thuthiqut can grow in two basic ways. It can increase the volume of logs harvested each year, or it can grow business activities into the areas of forest management and forest services.

Expanding the harvest volume means getting access to more timber. This can be done by negotiating more land from the B.C. government, using the treaty negotiation process, partnering with other First Nations, or acquiring private land through sale or lease.

Some of these approaches, like buying land, could cost more

than \$1 million, depending on the amount of land involved. For this reason, getting land from the provincial government is the recommended way to go.

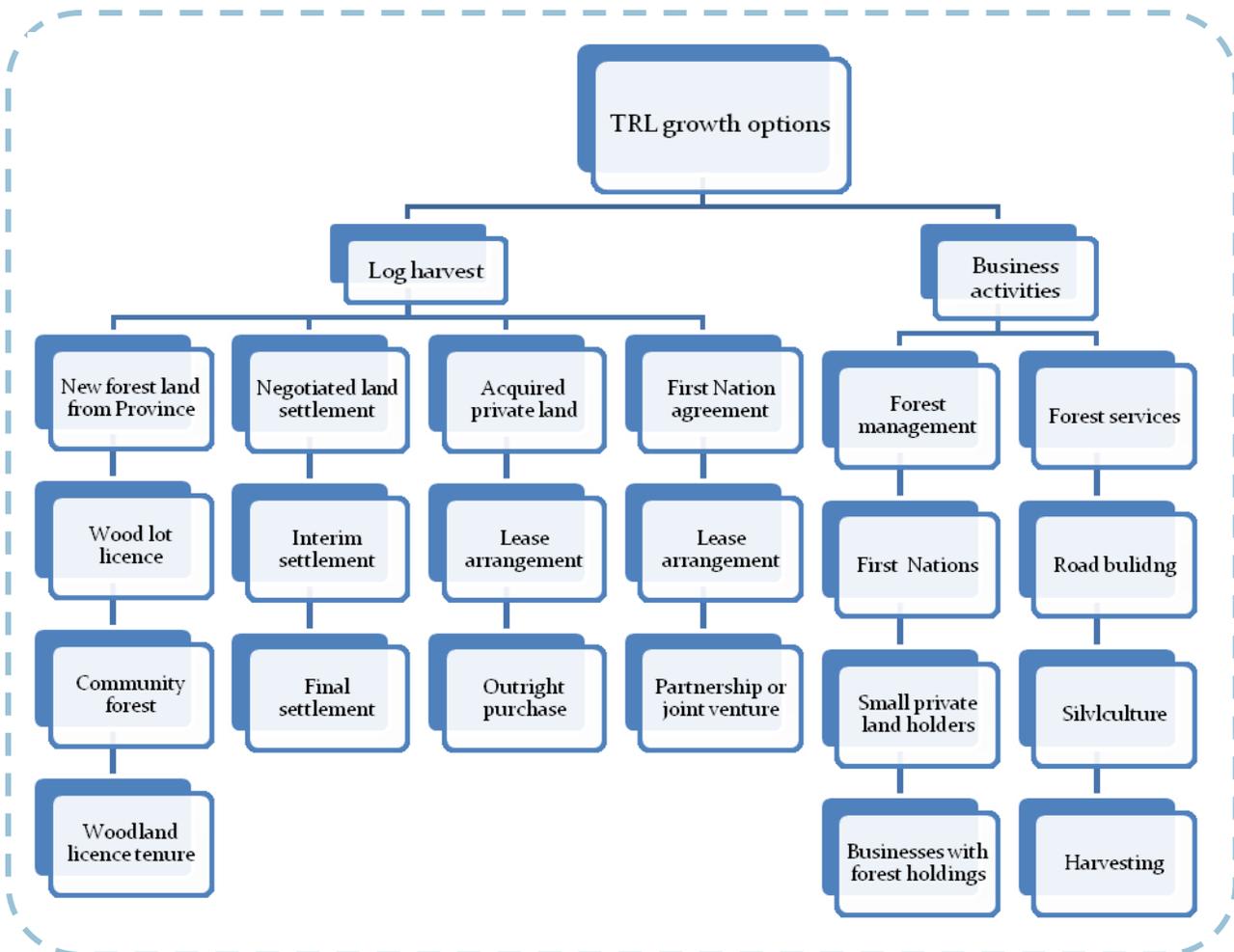
TRL can also grow by taking on some of the business work that it now contracts out, like road construction or replanting trees. Both approaches could create local jobs for members of the Stz'uminus community.

TRL could also set up its own harvesting operation, but this would mean buying logging trucks, harvesting machinery, and other expensive equipment.

Like buying land, this approach could cost millions of dollars. As a result, expanding into harvesting is not recommended.

A smarter approach to growing the business is to manage the forests of other First Nations or private land holders who don't want to do the management on their own in return for a fee, and sell them the same road building and tree replanting services that TRL does for its own forests.

This approach fits with TRL's business philosophy as a low overhead, low debt company focused on maximizing profits.



# Next steps: the growth plan



The recommended business plan is to build on the current and profitable business by continuing to harvest existing wood lots, adding capacity and expertise by introducing road building and tree planting services, expanding revenues through contracts with other First Nations and private land owners, and preparing for the projected increase in lumber demand and price in a few year’s time by acquiring additional timber lands.

The recommended action items to implement this business plan are:

- Continue harvesting of the two wood lots now managed by TRL
- Use Deer Point Development for road building on the wood lots, starting immediately
- Add a tree planting service (including brushing) to TRL within a year
- Approach the provincial government to negotiate for more timber lands
- Target increasing harvest to 14,500 m<sup>3</sup> by year 5, to 20,000 m<sup>3</sup> by year 10, and to 40,000 m<sup>3</sup> by year 15
- Integrate these goals into other land or treaty negotiations (such as acquiring timber lands through an Interim Treaty Agreement; the new First Nation woodland licence agreement announced in 2010 is only available if an interim agreement has been signed)
- Approach other First Nations or private land owners to discuss opportunities to manage their wood lots for a service fee, or lease the timber for harvesting by TRL
- Target full-service contracts of 2,500 m<sup>3</sup> by year 5, 10,000 m<sup>3</sup> by year 10, and 25,000 m<sup>3</sup> by year 20
- If business targets are on track in year 2, add a manager to oversee business and focus on managing and growing the business.

Implementing the business plan would lead to the following results, based on a \$30 profit margin per m<sup>3</sup> (TRL earned \$28 per m<sup>3</sup> on a recent harvesting contract):

Year	Harvest volume	Profit per year
5	17,000 per m <sup>3</sup>	\$410,000
10	30,000 per m <sup>3</sup>	\$772,500
20	65,000 per m <sup>3</sup>	\$1.273 million

These results would meet or exceed the two business goals.

