

Doing It Right
A Blueprint to Achieve a Winning Solution for
West Chilcotin Forest Products Ltd. Mill Start-up
Marketing and Partnership Assessment Report
West Chilcotin Forest Products Ltd.

Submitted to

New Relationship Trust

On behalf of
Ulkatcho First Nations
PO Box 3430
Anahim Lake, BC, V0L 1C0

EXECUTIVE SUMMARY

Ulkatcho First Nations entered into an Agreement with the New Relationship Trust and engaged RPRM Consulting Ltd. of Prince George to undertake a study to determine West Chilcotin Forest Products Ltd. (WCFP) market readiness and review with potential investors for the restart operations of the mill operations.

RPRM Consulting Ltd. interviewed 16 people and reviewed reports on previous start-ups to understand the issues that led to the mill's closure and provide recommend the next steps forward to restart the mill.

West Chilcotin Forest Products Ltd. (WCFP) was originally a tri-partied partnership formed in 1994 with Carrier Lumber Ltd. (Carrier Lumber) based in Prince George, BC, C.A.T. Resources Ltd. (CAT Resources) representing Non-Aboriginal business and land owners in the Nimpo Lake / Anahim Lake area and Ulkatcho First Nations (UFN) representing the Aboriginal community at Anahim Lake with the goal of operating a sawmill and planer mill.

WCFP operated successfully for 13 years prior to the US housing collapse in 2006 / 2007 and was the largest employer in the Anahim Lake valley employing over 60 employees in the mill and an additional 60 employees in forestry, logging and trucking operations.

WCFP ceased operations in 2010 during which time UFN became the sole shareholder of the mill and WCFP struggled due to market conditions and political interference in the mill which created challenges for WCFP governance including the appointing senior milling personnel who did not have extensive milling backgrounds needed for a milling operation in an isolated location.

UFN attempted three restarts of the mill in 2011, 2012/2013 and 2014/2015 which were all unsuccessful and created a significant debt for UFN and has caused significant hardship for the Nation in its ability to deliver Indian and Northern Affairs Canada (INAC) programs for education, health, social assistance and other programs.

The mill had a number of successes including being one of the first tri-partied partnerships consisting of a mill, local businesses and First Nations working together in a business partnership and creating innovative land management including participating in the first successful Land Use Plan in BC; fostering relations between Aboriginal and Non-Aboriginal groups; building trust with government; initiating forest policy reform with respect to silviculture obligation funding on Non-Replaceable Forest Licenses; creating spin-out businesses and employment; and a number of other benefits to the local economy and area.

The curtailment of the operations resulted in significant loss of income in the region that affected local businesses causing a number of bankruptcies, outmigration of workers who left the area to search for employment elsewhere and many challenging social issues.

RPRM Consulting Ltd., based on the information that was collected through the interviews and contained in the reports provided by UFN and WCFP identified that a solid, well thought out comprehensive business plan is required in conjunction with developing business to business relationships with external businesses to develop a winning solution for the long-term restart of the mill.

The business plan needs to address the relationship between UFN leadership as WCFP's sole shareholder and WCFP's Board of Directors' arms-length governance without interference by Chief and Council; developing a communications protocol that outlines engagement between the parties and recruiting General and Mill Manager with extensive milling backgrounds; and hiring a Forestry Manager to coordinate forest planning, harvesting, trucking and silviculture operations.

A comprehensive review needs to be undertaken on the long-term timber supply available to operate the mill, strategies to provide suitable timber and pre-developed roads to access and provide the correct timber profile to operate the mill with contingencies for unseen circumstances and to sell timber that does not meet mill specifications to in order to maximize the economic return to WCFP.

The Business Plan needs to outline Key Performance Indicators (KPIs) for which measurement criteria need to be established including log and lumber quality, production, lumber recovery factors and others, accountabilities for collection, reporting and taking action to correct any negative variances; a human resources strategy needs to be developed for recruitment, training including safety and retention strategies for both skilled and production employees; implementing a preventative maintenance program; and, developing an ongoing proactive communications strategy to build rebuild trust with communities, suppliers, workers, government and others.

WCFP needs to pursue business to business relationships with other mills to assist with operational and maintenance technology, marketing and start-up capital and funding of log inventories and operations and to assist with lumber sales.

Two forest companies, C & C Resources Inc. and West Fraser Timber Ltd., have expressed interest in working collaboratively with and providing full support to assist WCFP in its efforts to address the many challenges the Company faces in the restart of the mill for a long term successful operation.

Developing a solid business plan and relationships with other business will provide the best opportunity for the restart of WCFP's operations.