

Homalco Forestry Update

November 2012

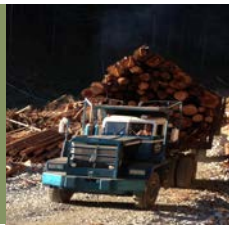
Focus on Forestry

Over the past year we have continued to implement our forestry vision and achieve our forestry goals. We continue to grow our forestry operations by securing new lands, tenure, contracting agreements, and other forestry economic development opportunities. We are now providing our Nation with an annual income stream to support our cultural, social, and economic initiatives. The distributions available for each band member and delivered with this newsletter are a direct result of the success and profitability of Homalco Forestry LP. This is the second distribution provided by Homalco Forestry LP over the past year and half.

We are pleased to provide this forestry update on Homalco forestry initiatives as promised in recent update from Chief and Council. This news brief will provide you with information on the following:

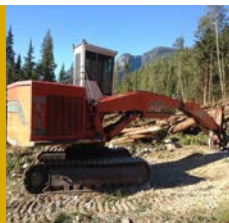
- Homalco Forestry LP
- Interfor Contract
- Interim Treaty Agreement
- TimberWest Co-management Agreement
- Treaty Land Selection
- Alterra Power Corp & Homalco Partnership
- Homalco Forest Licence
- Looking to the future...

Homalco Forestry Vision



To provide integrated resource management for our core area of Bute Inlet by managing the land and forests within our traditional territory in a respectful way that provides for sustainable growth of all resources.

Our Forestry Goals



- Participate in the management of our traditional territory (co-manage)
- Participate in Forest Management activities
- Obtain a share of the profits generated from our Forest Lands





Log Dump at Colliery Creek, Toba Inlet



Homalco Forestry LP processor

Homalco Forestry LP

On July 1, 2011, we purchased Port Neville Logging Ltd, and have now renamed the company Homalco Forestry LP (HFLP). HFLP has completed its first year of operations, which have been very successful and have outperformed initial budgets and expectations. In its first year of operations HFLP has harvested in excess of 190,000m³ and has earned gross revenues of 7.4 million dollars.

HFLP has transitioned from reliance on the previous management from Coast Mountain Industries, to full control of our business with our HFLP management team consisting of Richard Harry, President, Gordon Atkinson, Secretary and Neil McIver, Logging Manager. We have relocated HFLP from CMI offices to an office on the Campbell River Indian Reserve, where our logging crews have access to HFLP crew boats, office and management staff.

The success of HFLP will provide our Nation with additional revenue to support our cultural, social, and economic initiatives.

Interfor Contract

We have successfully completed the first year of a 5-year renewable contract for timber harvesting services with Interfor. The contract is to harvest a minimum of 80,000m³ of logs each year from Bute Inlet. Interfor has continually increased the volume to be harvested through the year. In total, HFLP has harvested approximately 190,000m³ of timber in the first year far exceeding the contract minimum.

The hot dry summer has slowed down logging but with the recent change in weather we are now working at full capacity and plan to increase next years production by 20%.

Interim Treaty Agreement & TimberWest Co-management Agreement

Over the past ten years, Homalco has been in negotiations with the Provincial and Federal Government to complete a treaty. As part of this process we now have an opportunity to secure land through an Interim Treaty Agreement (ITA) before the final agreement is negotiated and completed. Homalco will have full ownership of this land immediately and will retain this ownership prior to a final treaty regardless of how the final treaty evolves.

We expect the ITA to be finalized before the end of the year allowing HFN to take ownership of 842 hectares of forestland (having 11km of waterfront) within our traditional territory. On completion of the ITA we will negotiate a co-management agreement with TimberWest to co-manage a portion of their lands.

TimberWest manages TFL 47, the largest TFL in our territory. The opportunity to co-manage a portion of these lands will increase HFLP's annual harvest and increase our operating season as these new areas will be suitable for winter/spring operations. We will also negotiate an engineering contract, a timber harvesting contract, and a log purchase contract with TimberWest.

HFLP will harvest 50,000m³ of TimberWest logs each year along with the provision of forest engineering and road construction services. In return, Homalco will sell TimberWest 25,000m³ each year of timber from HFN's Interim Treaty Lands at fair market value. This co-management agreement is a significant benefit to HFLP that will lower operating costs, increase our operating season and provide additional jobs, income and training opportunities to Homalco.

We expect that all these agreements with government and TimberWest will be completed in the next few months.



HFLP camp and crew boats

Treaty Land Selection

Forestland is a major component of our Treaty land selection. In recent negotiations with the government we have replaced land north of Campbell River for more land at Orford River, Southgate River, Homathko River, Bear River and Mellerish Creek in Bute Inlet, the core of our traditional territory.

Alterra Power Corp and Homalco Partnership

We continue to work in partnership with Alterra Power Corp. on the run of the river hydroelectric project in Bute Inlet. As we prepare for the first phase to be initiated we are examining the feasibility of acquiring tenure for the 500km of transmission right of way to be cleared.

Forest Licence

Homalco has negotiated a 5 year Non Renewable Forest Licence with the Ministry of Forests, Lands and Natural Resource Operations. We will have the right to harvest and sell 64,000m³ of timber from our traditional territory over 5 years. Our timber harvesting company, HFLP, will harvest the logs and then we will sell the logs on the open market for additional profit. We expect to be harvesting timber from the Forest Licence by next year.





HFLP Cook, Brenda Francis

Looking to the future...

As stated earlier, we are well on our way to achieving our goals in forestry to manage, participate, and share in the profits from our traditional territory. We are continuing to grow our forestry operations and provide our Nation with an annual income stream as well as an opportunity for long term well paid jobs and owner/operator opportunities.

We continue to build relationships with major forest product companies, the provincial government, tenure and private land-holders, and contractors in our traditional territory to see that our vision and goals are achieved.

Updates to follow

Council is committed to providing information on our initiatives on an on going basis. We are open to hearing your questions and requests for more detailed information, so please feel free to contact our offices with any questions or requests. Watch for updates to follow on:

- Corporate Structures
- Treaty negotiations
- Labour Force Planning Initiative
- Other general updates (let us know what you want to hear more about)

Contact us:

Please be sure that your address is up to date so we can continue to send updates to all members

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