TIKWALUS CAMPGROUND
FEASIBILITY STUDY
ALEXANDRA BRIDGE PROVINCIAL PARK
SPUZZUM, BRITISH COLUMBIA

Prepared For:

Spuzzum Nation

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Development Consulting Group Ltd.
Suite 230, 1130 West Pender Street
Vancouver, B.C. V6E 4A4
Tel. (604) 662 8099
Email ardagh@telus.net

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EXECUTIVE SUMMARY

Development Consulting Group has been retained by the Spuzzum Nation to determine the financial feasibility of developing a campground on a small portion of the Alexandra Bridge Provincial Park in the Province of British Columbia. The main findings and recommendations of this study are summarized below.

Development Recommendations

1. The campground should have 50 sites at build out. This recommended size is large enough to generate some economies of scale needed to make the project financially feasible but not so large as to oversupply the market. The campground should also have up to 10 cabins at build out.

2. All of the campground sites should be developed in a single phase. To avoid oversupplying the market, the cabins should be built two at a time every other year.

3. Campground sites should be similar in size and design to those found in most provincial parks. BC Parks design guidelines include a gravel parking pad and an adjoining activity area with a picnic table and a fire ring. Based on these design guidelines, a "back in" site should have a minimum width of 10 metres and a depth of between 16-23 metres.

4. The cabins should be large enough to sleep 8 people. A building footprint of about 80m2 should suffice to meet this requirement. Cabins should be fully furnished so they can be rented on a "turn key" basis.

5. A good amenity package is an important part of attracting customers. The amenity package should include a centrally located amenity building with showers and washrooms. All of the camping sites should have water and power connections. The client has requested that the amenity package include an outdoor swimming pool.

Site Plan

6. Reflecting the development recommendations listed above, Connect Landscape Architecture and Wedler Engineering have prepared a preliminary site plan for the proposed campground. This site plan provides for a total of 50 camp sites and 10 cabins as well as a small amenity building, an outdoor pool and a pedestrian link to a network of trails on the opposite side of Highway 1 that connects to the historic Alexandra Bridge. This network of trails as well as related set of interpretive stops and a large day visitor parking lot are part of an extensive package of "ancillary" amenities that are expected to be developed in conjunction with the proposed campground.

Development Costs

7. Based on information provided by Wedler Engineering, total development costs for the ancillary amenities are estimated at $3,488,000.

8. Assuming a construction start in 2022, total development costs for phase 1 of the campground (50 camp sites plus the amenity package) are estimated at $2,668,000. For all five phases, total development costs are estimated at $4,578,000.

Projected Net Operating Income

9. Net operating income before financing is projected to increase from $6,000 in 2023 to $169,000 in 2032.

Government Contributions & Equity Requirements

10. Based on discussions with Land Strategies, it has been assumed that government contributions will amount to two thirds of total development costs for each phase of the project. It has also been assumed that the remaining one third of total development costs for each phase of the project will be financed by band equity. As a result, no mortgage financing will be required.

11. Based on these percentages, government contributions are projected at $1,776,000 for phase 1 and at $3,046,000 for all five phases combined. Band equity is projected at $892,000 for phase 1 and at $1,532,000 for all five phases combined.

Financial Feasibility Indicators

12. Return on cost is defined as the ratio of net operating income before financing to the sum of total development costs less government contributions. Return on cost is projected to increase from 0.7% in 2023 to 11.0% in 2032 and average 7.1% over this ten year forecast period.

13. The projected internal rate of return (IRR) is 11.4% before financing. Since no mortgage financing will be required, the projected IRR after financing is the same.

Project Recommendation

14. It is our opinion that developing a campground in the Alexandra Bridge Provincial Park is a high risk investment. With this level of risk in mind, an IRR after financing of 10% should be the minimum required. The financial analysis set out in Table 5 of this report indicates that the proposed Tikwalus campground project exceeds this target by a slim margin (11.4%) under the base case scenario. Accordingly, it is our recommendation that the Spuzzum Nation should proceed with this project.

1.0 INTRODUCTION

Development Consulting Group has been retained by the Spuzzum Nation to determine the financial feasibility of developing a campground on a small portion of the Alexandra Bridge Provincial Park. With this objective in mind, this report includes:

- A brief description of the subject site (section 2);
- A survey of nearby RV park and cabin projects (section 3);
- Background market demand data (section 4)
- Development recommendations for the campground (section 5);
- An estimate of project development costs (section 6);
- A forecast of net operating income and net cash flow for the project (section 7);
- Project recommendations (section 8).

2.0 SITE DESCRIPTION

The location and size of a property, its proximity to existing competition as well as the nature of nearby land uses are factors that need to be determined when assessing the financial feasibility of any development. These factors are briefly described under the following headings.

2.1 Location

The proposed location for the campground consists of a small portion of the Alexandra Bridge Provincial Park. The Alexandra Bridge Provincial Park is located on Highway 1 in the Fraser Canyon, approximately 45 kilometres north of the Town of Hope and approximately 5 kilometres north of the main Spuzzum First Nation Reserve.

Highway 1 is a 4-6 lane freeway from Vancouver to Hope. North of Hope through the Fraser Canyon, Highway 1 narrows to two lanes. The driving time from Vancouver to the Alexandra Bridge Provincial Park is typically about 2.5 hours.

2.2 Site Description

The Alexandra Bridge Provincial Park has a land area of 55 hectares and straddles Highway 1 just north of where it crosses the Fraser River. The park is currently designed for day use only and has no facilities other than pit toilets, a few picnic tables and a highway pullout with parking for about ten vehicles. These facilities have not been very well maintained and look somewhat rundown at the present time. The parking area is open from May 15 to October 15.

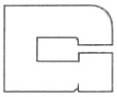
The proposed site for the campground is on the east side of Highway 1 immediately north of the bridge. According to Google Earth, this nearly flat portion of the provincial park ranges in elevation between 150-160 metres and is about 5 hectares in size. This relatively flat land should help to minimize site preparation costs (an advantage from a financial standpoint),

Most of this area is nicely treed. Preserving as many of these trees as possible will enhance the marketing appeal of the campground.

The proposed campground location is quite close to Highway 1. To minimize traffic noise, it may be necessary to construct an earth berm between the campground and the highway.

2.3 Nearby Land Uses

One complimentary land use and one conflicting land use are located in close proximity to the proposed campground location. Immediately north of the provincial park, less than 500 metres from the proposed campground location is a small gravel pit. To the best of our knowledge, this gravel pit is used only occasionally by the Ministry of Highways to provide material for road construction in the local area.



Although the gravel pit is currently inactive, it will generate a lot of noise and dust when operational. If it were to operate for extended periods of time during the summer, the gravel pit would obviously have a very negative impact on the marketability of the proposed campground. The feasibility study presented in this report is based on the assumption that the gravel pit will operate only sporadically from late fall to early spring and can be used as a day visitor parking lot during the peak summer season in particular.

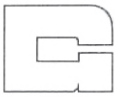
On the opposite (west) side of the highway about 500 metres away from the proposed campground site as the crow flies is the historic Alexandra Bridge. This bridge was built in 1926 and features a suspension span across the river with concrete towers on either side. It was decommissioned in 1964 when the current bridge was built roughly one kilometre downstream.

The 1926 bridge sits on the foundation of the original river crossing built by the Royal Engineers in 1863 as part of the Cariboo wagon road. A few segments of the original paved road (notably on the east side of the river from the bridge up to the current Highway 1 alignment) remain intact and are currently used as a pedestrian access. The site of the original toll booth on the west side of the bridge is still visible.

Because of its historical importance, the Province of British Columbia has long had plans to restore the bridge. A report prepared by the New Pathways to Gold Society in 2011 recommended that this bridge restoration (expected to cost several million dollars) be undertaken as part of a master plan to create an interpretive centre in the surrounding park. This interpretive centre would showcase a number of historic "threads", including First Nations that have used the area as a fishing and gathering place for thousands of years, the fur trade during the first half of the 19th century, the gold rush in the 1850s and the construction of the railways in the 1870s.

The New Pathways to Gold report also highlighted the importance of providing a safe pedestrian connection between a possible campground development and the Alexandra Bridge. This pedestrian connection needs to cross Highway 1 as well as the CN Rail main line that runs parallel to the Highway on the west side. Other members of the consulting team retained by the Spuzzum First Nation are currently identifying the preferred alignment for this pedestrian connection as well as an estimate of its capital cost. This capital cost will be incorporated into the financial analysis presented in the following sections of this report.

There are a number of existing campgrounds located within a one hour drive of the Alexandra Bridge Provincial Park. The closest provincial park with camping sites is at Emory Creek, about 20 kilometres south of the subject site via Highway 1. There are also larger privately owned campgrounds with serviced RV sites in Hope to the south and Boston Bar to the north as well as several resorts with fully furnished cabins. Information on this existing competition is provided in the next section of this report.



3.0 CAMPGROUND & CABIN COMPETITION

This section of the report provides a survey of existing campground and cabin competition. This survey was undertaken by the consultant in May of 2020 and is summarized in Table 1 at the back of this report.

The reader should note that due to provincial health restrictions related to the corona virus, most of these existing campgrounds were not open for business. As a result, data collection for these projects was compiled based on brief site visits and website reviews.

3.1 Emory Creek Provincial Park

Emory Creek Provincial Park is the closest provincial park and campground. From a market standpoint, Emory Creek is a very good comparable because of its proximity, size, setting and range of support services.

Emory Creek Provincial Park is located 17 kilometres north of Hope and 20 kilometres south of the subject site on Highway 1. The park is quite small (only 29 hectares or about half the size of the Alexandra Bridge Provincial Park) and extends from the highway down to the Fraser River at the confluence with Emory Creek. A small gravel bar at the confluence provides an area for fishing, a major draw for some campers.

The campground has 35 sites spread out in a nicely treed setting. All of these camp sites are accessed via a one way/single lane paved loop road. All of the camp sites are “back ins” with gravel pads, a picnic table and a fire ring. None of the sites are serviced. Some of the sites have nice views of the Fraser River. Campground amenities are limited to the bare basics: pit toilets and potable water stations.

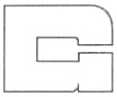
The operating season at Emory Creek typically extends from May 10 to October 20. The camping fee for the 2020 season is $21 per night.

3.2 Manning Provincial Park

Manning Provincial Park is one of the biggest in British Columbia. From a market standpoint, Manning is an interesting comparable because it offers a range of campground amenities at different price points.

Manning Provincial Park is located about 65 kilometres east of Hope on Highway 3. The park has four separate campgrounds in very different settings: 66 sites at Coldspring, 100 sites at the Hampton, 143 sites at Lighting Lake and 49 sites at Mule Deer. The total capacity of these four campgrounds is 358 sites.

Because of its high elevation, Manning Park has a relatively short camping season. Lighting Lake, which gets the most snow, often does not open until early June and typically closes in early October. The other three campgrounds have overlapping operating seasons starting as early as May 1 and ending as late as October 12.



Camping fees for the 2020 season range from a low of $23 per night at Coldspring to a high of $35 per night at Lighting Lake. Amenities at Coldspring are comparable to Emory Creek, namely pit toilets and potable water stations. The much higher camping fee at Lightning Lake is attributable to a combination of better amenities (hot showers and flush toilets in particular) and more on site recreational activities (swimming, canoeing, kayaking and fishing).

3.3 Juniper Beach Provincial Park

Juniper Beach Provincial Park is one of many in British Columbia with river access. From a market standpoint, Juniper Beach is an interesting comparable because of its size and because it is one of the few provincial parks to offer electrical service to its camp sites as an optional extra.

Juniper Beach Provincial Park is located about 20 kilometres east of Cache Creek on Highway 1. The campground park fronts onto the Thompson River and has 31 sites. On site recreational activities include canoeing, kayaking, fishing and swimming in a small protected stretch of the Thompson River.

The operating season at Juniper Beach typically extends from April 24 to October 12. The "basic" camping fee for the 2020 season is $23 per night. Electrical service (30 amps) is available for an extra $5 per night.

3.4 Emory Bar RV Park

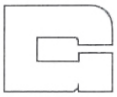
The Emory Bar RV Park is the closest privately owned and operated campground. The Emory Bar RV Park is located on the west side of Highway 1 across from the entrance to the Emory Creek Provincial Park (ie. 17 kilometres north of Hope and 20 kilometres south of the subject site). Unlike the provincial park, the Emory Bar RV Park does not have access to the Fraser River; nor does it have a nicely treed setting that is sheltered from highway traffic noise.

Instead, the RV Park has 33 sites that have little space in between and little privacy. Some of the camp sites have no services, some have electrical (30 amp) and water hookups and a few have electrical, water and sewer connections. Shared amenities include coin operated showers and washrooms and a laundromat. A gas station and convenience store are located right next door.

Because it is affiliated with this gas station and convenience store, the Emory Bar RV Park operates year round. According to its web site, camping fees are currently $23 per night for unserviced sites, $32 per night for sites with electrical and water hookups and $35 per night for fully serviced sites.

3.5 Manning Park Resort

Manning Park Resort is located on Highway 3 near the centre of Manning Provincial Park. The resort includes a 41 room lodge, a separate commercial building with a convenience store, a restaurant and a pub and a separate recreation building with an indoor pool, sauna/hot tub and gym/work out space.



The Resort also includes a cluster of 33 cabins located 200 metres or so (ie. easy walking distance) from the lodge and restaurant. These cabins have been built in several phases with the biggest and best, as described below, completed within the past five years.

There are three cabin floorplans at the present time as follows:

- 15 "standard" cabins with two bedrooms and one bathroom that sleep up to 8 persons;
- 5 "deluxe" cabins with two bedrooms and one bathroom that sleep up to 10 persons;
- 13 "premium" cabins with two bedrooms and two bathrooms and a loft that sleep up to 11 persons.

All of the cabins have a fully equipped kitchen including a microwave, fridge and electric stove. All linens for the bathrooms and bedrooms are provided. There is a TV in the main room.

The standard cabins have wood siding and a metal roof. The interior layout includes one bedroom with a double bed (sleeps 2), one bedroom with single bunk beds (sleeps 4) and one pull out couch in the main room (sleeps 2). Standard cabins have a building footprint of about 60 m2 (just over 600 square feet) and are all located between 5-10 metres apart on a single loaded paved access road. The space between the cabins is used for vehicle parking.

The premium cabins also have wood siding and a metal roof as well as a small front porch. The interior layout includes one bedroom with a queen bed (sleeps 2), one bedroom with single bunk beds (sleeps 3), a loft with two single beds (sleeps 2), one pull out couch in the main room (sleeps 2) and another pull out couch in the loft (sleeps 2), There is a gas fireplace in the main room. Premium cabins have a building footprint of about 100 m2 (just over 1,000 square feet) and are all located between 5-10 metres apart on a double loaded paved access road. The loft is about a third the size of the building footprint.

Because Manning Park attracts large numbers of visitors in both summer and winter, the Resort has two peak seasons. This twin peak visitor trend is reflected in the rental rate for cabins as summarized in the following chart

Time Period	Standard Cabin	Premium Cabin
August 2020 weekday	$279/night	$469/night
August 2020 weekend	$289/night	$499/night
November 2020 weekday	$189/night	$329/night
November 2020 weekend	$189/night	$339/night
February 2021 weekday	$279/night	$469/night
February 2021 weekend	$289/night	$499/night
May 2021 weekday	$189/night	$329/night
May 2021 weekend	$189/night	$339/night

All cabins require a minimum two night stay. The rental rates quoted above are for parties of up to four persons. Larger parties, which are to be expected for the deluxe cabins in particular, are subject to a surcharge of $10 per person per night.

3.6 Sunshine Valley

Sunshine Valley Resort is located on Highway 3 about 20 kilometres east of Hope (ie. about half way between Hope and Manning Park Resort). The resort includes a 110 site RV Park, a large amenity building with indoor and outdoor swimming pools and hot tubs as well as a general store and ten cabins that are located on the edge of the RV Park.

The resort fronts directly onto Highway 3. On the plus side, this location provides easy access for large motorhomes and superb exposure to all of the drive by traffic. On the downside, the project has no buffer from traffic noise.

All of the RV sites are fully serviced (sewer, water and 50 amp power). The RV sites are crammed together with virtually no privacy on a site that is virtually devoid of either natural or man made landscaping. The project looks like an urban campground transplanted into a rural setting. Camping here is the total opposite of a provincial park from an experience standpoint.

There are two cabin floorplans at the present time as follows:

- 5 cabins with one bedroom and one bathroom that sleep up to 4 persons;
- 5 cabins with two bedrooms and one bathroom that sleep up to 7 persons.

All of the cabins have a fully equipped kitchen including a microwave, fridge and electric stove. All linens for the bathrooms and bedrooms are provided. There is a wood burning stove in the main room.

All of the cabins have wood siding and a metal roof. The one bedroom cabins have a building footprint of about 60 m2 (just over 600 square feet) and are all located between 5-10 metres apart on a single loaded gravel access road. The space between the cabins is used for vehicle parking.

Sunshine Valley Resort markets itself as a gateway for both summer time and winter time outdoor recreation activities. Because it is further away from the downhill and cross country skiing at Manning Park, Sunshine Valley Resort is much busier in summer than in winter. This single season peak visitor trend is reflected in the rental rate for RV sites and cabins as summarized in the following chart

Time Period	RV Site	1 Bed Cabin	2 Bed Cabin
Summer weekday	$62/night	$199/night	$249/night
Summer weekend	$69/night	$229/night	$279/night
Off Peak weekday	$52/night	$119/night	$149/night
Off Peak weekend	$52/night	$159/night	$179/night

Like Manning Park Resort, Sunshine Valley Resort requires a minimum two night stay for its cabins.

The summer peak season starts at the beginning of June and ends after the first week of September. For the cabins only, there is a two week long winter peak season over the Christmas Holidays. This much shorter peak season reflects the less desirable location of Sunshine Valley Resort as compared to Manning Park Resort.

3.7 First Nation Campgrounds

There are two First Nations owned and operated campgrounds within an hour's drive of the subject site. The Telte-Yet Campground is located about 40 kilometres to the south in Hope; the Anderson Creek Campground is located about 20 kilometres to the north in Boston Bar.

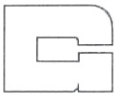
The Telte-Yet Campground fronts directly onto the Fraser River. As a result, some of its sites have unobstructed views of the river. The campground itself lies within easy walking distance of the restaurants and shops in downtown Hope, a big plus from a marketing perspective.

Despite being in the hospitality business, the Telte-Yet Campground does not have a web site. It is currently closed due to the corona virus related health emergency. The project is believed to have approximately 30 sites, some of which have electrical service. Rental rates for the current camping season are unknown.

The Anderson Creek Campground fronts onto the Fraser River at the confluence with Anderson Creek. The CN Rail line runs along the inland edge of the site. Several comments posted on social media note the noise from the trains as they pass by.

The Anderson Creek Campground website provides very little information about the project. It is currently closed due to the corona virus related health emergency. The project is believed to have approximately 40 RV sites and a smaller number of tent sites. Information available from other camping websites suggests that the Anderson Creek Campground operates from April 1 to October 31.

Some of the RV sites have water and power (30 amp service). A photo of the site shows a central amenity building with washrooms and showers. Rental rates for the current camping season are unknown. Last year, rental rates for a partially serviced site were $35/night during the spring and fall shoulder seasons and $40 per night during the peak summer season (from June 1 to the Labour Day weekend).



4.0 MARKET ANALYSIS

This section of the report provides a ten year forecast of the demand for campground sites and cabins at Alexandra Bridge Provincial Park. By way of background to this forecast, Sections 4.1 and 4.2 that follow review population trends in British Columbia and highway traffic volumes in the local area. Section 4.3 summarizes historic data on the RV market in British Columbia.

4.1 Population Trends

The campground and cabin projects surveyed in the previous section of this report cater primarily to residents of British Columbia. About 60% of British Columbians live in the Lower Mainland (Metro Vancouver). With this target market in mind, the chart that follows provides a ten year population projection based on a forecast prepared by BC Stats in October of 2019.

At the sub-provincial level, population projections are provided for two regional districts (RD) and six local health areas (LHA). The Metro Vancouver Regional District extends as far east as the Langley/Abbotsford border. The Fraser Valley Regional District extends from Abbotsford in the west to Hope in the east. The six local health areas that cover all of Metro Vancouver from Surrey in the west to Chilliwack in the east are all listed below.

Geographic Area	2021 Population	2031 Population	2021-2031 Population Increase
British Columbia	5,173,000	5,809,000	636,000 (+12%)
Metro Vancouver RD	2,771,000	3,195,000	424,000 (+15%)
Fraser Valley RD	330,000	368,000	38,000 (+12%)
Abbotsford LHA	156,000	173,000	17,000 (+11%)
Chilliwack LHA	106,000	122,000	16,000 (+15%)
Langley LHA	166,000	207,000	41,000 (+25%)
Mission LHA	47,000	52,000	5,000 (+11%)
Maple Ridge LHA	115,000	139,000	24,000 (+21%)
Surrey-White Rock LHA	622,000	737,000	115,000 (+18%)

The number of persons living in British Columbia is expected to increase by 12% during the next ten years. Population growth rates in the Fraser Valley and the Metro Vancouver Regional Districts during the next ten years are expected to equal or exceed the provincial average. At the municipal level, population growth rates are projected to range from +11% in Mission to +25% in Langley,

The bottom line for this demographic overview is that population growth in the primary target market during the next ten years will be quite strong. This favourable demographic outlook should translate into growing demand for both RV sites and cabin accommodation at the Alexandra Bridge Provincial Park.

4.2 Highway Traffic Counts

Good access to the "rubber tire" market is a critical factor for any campground that wishes to attract short term guests (ie. guests staying for between 1-7 nights). The good news in this regard is that the Alexandra Bridge Provincial Park has direct access to Highway 1. The bad news is that Highway 1 is no longer the primary road link between the Lower Mainland and the BC Interior.

To demonstrate this point, the following chart summarizes traffic count data compiled by the Ministry of Transportation for two of the three road connections between the Lower Mainland and the BC Interior, namely the Trans-Canada (Highway 1), the Crowsnest (Highway 3) and the Coquihalla (Highway 5). These three highways all intersect at Hope. Unfortunately, traffic count data is not available for Highway 3 at a location near Hope.

Highway Count Location	Annual Daily Traffic Volume	August Daily Traffic Volume
#1 between Hope & Boston Bar	2,900	4,000
#5 between Hope & Merritt	11,700	20,100

For the year as a whole, traffic volumes on the Coquihalla are about four times higher than on the Trans-Canada. During the month of August, the busiest month for tourist accommodation for most locations in British Columbia, traffic volumes on the Coquihalla are about five times higher than on the Trans-Canada.

It is reasonable to assume that most of the difference between the annual daily traffic volume and the August daily traffic volume on both highways can be attributed to tourists. Based on this hypothesis, tourist traffic volume during the month of August is estimated at 1,100 vehicles per day on the Trans-Canada and at 8,400 vehicles per day on the Coquihalla. This big differential, a factor of almost eight times, goes a long way to explaining why there has been little investment in new tourist accommodation (or tourist projects of any kind) in the Trans-Canada corridor through the Fraser Canyon during the past decade.

Monthly traffic volume data for the Trans-Canada between Hope and Boston Bar can be used to gauge the size and seasonality of the tourism market at the Alexandra Bridge Provincial Park. With this objective in mind, the graph that follows this page illustrates the rise and fall of monthly tourist traffic volume on the Trans-Canada in 2018.

For each month, tourist traffic volume has been estimated as the difference between total volume during that month and the annual average. Based on this simple formula, tourist traffic volume is non-existent from January to April and from November to December.

During the six months in between, tourist traffic volume is estimated to rise steadily from an average of just over 400 vehicles per day in May to a peak of about 1,100 vehicles per day in August and then fall rapidly to an average of just under 200 vehicles per day in October. The volume of campground visitors at Alexandra Bridge Provincial Park is expected to mirror this

seasonal pattern, which explains why a number of campgrounds in the local area do not open until the beginning of May and close before the end of October.

4.3 Motor Home Registrations

The number of motor home registrations in British Columbia is another good indicator of the demand for RV park accommodation in the province. The Insurance Corporation of British Columbia tracks vehicle registrations by type and by location on an annual basis. Data for the most recent five available years is summarized in the following chart.

	Motor Home Registrations	
Year	British Columbia	Lower Mainland
2014	39,000	13,000
2015	39,000	13,000
2016	39,000	13,000
2017	39,000	13,000
2018	38,000	12,000

There was no growth in the motor home market either in the Lower Mainland or in the Province of British Columbia as a whole between 2014 and 2018. This lack of growth may be attributable to a number of factors including rising gas prices, the discretionary nature of RV purchases and a lack of suitable "parking spots" for recreational vehicles particularly in the Lower Mainland.

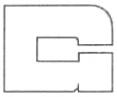
4.4 Provincial Park Visits

The number of camping visits recorded at provincial parks in British Columbia is an even better indicator of the demand for this type of accommodation at the Alexandra Bridge Provincial Park. BC Parks tracks camping visits at most (but not all) of the provincial parks in the province.

Data for the most recent five available years is summarized in the following chart for the province as a whole and for the South Coast Region. The South Coast Region includes all of the Lower Mainland and extends east to Hope and north up the Fraser Canyon as far as the Alexandra Bridge Provincial Park.

Year	British Columbia	South Coast
2014	2,577,000	513,000
2015	2,743,000	554,000
2016	2,933,000	587,000
2017	2,922,000	635,000
2018	3,069,000	660,000

During this five year period, the number of camping visits increased by 19% for the province as a whole and by 29% in the South Coast Region.



4.5 Other Market Factors

Other market factors to consider include the number and type of attraction located in or near the Alexandra Provincial Park. Nearby attractions includes the Hells Gate Tram and several river rafting companies. None of these attractions, either individually or collectively, is expected to have a major impact on the demand for camping accommodation at the Alexandra Bridge Provincial Park.

The biggest potential attraction by far is the Alexandra Bridge itself. As previously noted, the Province of British Columbia and the Spuzzum First Nation are expected to partner in a multi-million dollar restoration of the Alexandra Bridge. This project is expected to include a trail network that extends from the Alexandra Bridge across the CN Rail line and up to the Trans-Canada Highway. This trail network is expected to connect as many as a dozen interpretive "hubs and nodes" that will detail the rich history of the local area.

The scope of this restoration project is currently being defined by another member of the Tikwalus project consulting team. Although its visitor generating potential is difficult to quantify at the present time, one possible comparable is the Coquihalla Canyon Provincial Park.

The Coquihalla Canyon Provincial Park is located approximately 10 kilometres east of Hope via Highway 5. The park has a land area of 135 hectares (about twice the size of the Alexandra Bridge Provincial Park). It does not have any camping sites. Its main attraction is a 1.5 kilometre long walking trail through the Othello Tunnels along the former Kettle Valley Railway right-of-way. This tunnel trail is open to the public from April 1 to October 31.

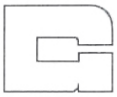
The Othello Tunnels walking trail is enormously popular; during 2016 and 2017 (the last two years for which BC Parks has published data), the Coquihalla Canyon Provincial Park attracted an average of 185,000 visits. By comparison, the Alexandra Bridge Provincial Park attracted less than 5,000 visits per year during the same time frame.

One other potential attraction is a four seasons resort planned for the upper end of the South Anderson River valley. Preliminary plans prepared by a Vancouver based developer envisage a project similar in scale and scope to Sun Peaks near Kamloops with downhill and nordic skiing to attract visitors in winter and golfing, hiking and mountain biking to attract visitors in summer.

Access to this proposed resort development would be via an existing logging road (to be upgraded) that connects to the Trans-Canada Highway at the Alexandra Bridge Provincial Park. The base village of the proposed resort development would be about 25 kilometres from the Alexandra Bridge Provincial Park (a 20 minute drive).

4.6 Projected Demand For Camping Sites & Cabins

Reflecting all of the site characteristics and market factors cited above, demand for camping sites at the Alexandra Bridge Provincial Park during the next ten years is based on the following assumptions:



- The Alexandra Bridge rehabilitation and the interpretive trail network will be completed in 2022.
- In 2023, the first full year of operation, visits to the Alexandra Bridge Provincial Park will jump to between 60,000-70,000. This visitor count is equivalent to about one third the corresponding total for the Coquihalla Canyon Provincial Park.
- The campground will have partially serviced sites (water and power) as well as an amenity building with showers and flush toilets;
- The campground sites will be comparable in terms of size and design to those at the nearby Emory Creek Provincial Park.
- The campground will open in 2023 and operate from May 1 to October 31;
- Between 15-20% of visitors to the Alexandra Bridge Provincial Park (between 9,000-14,000 in 2023) will stay overnight in the campground;
- The typical camping party will have 3.3 persons (as per discussions with staff at BC Parks);
- Camping sites will be occupied on average for 90 nights per year. To put this figure into perspective, most provincial parks in British Columbia generate between 50-100 "camping nights" per site per year. A few of the smaller and more popular provincial parks such as Haynes Point (also named swi'ws by the Osoyoos Indian Band) on Osoyoos Lake in the South Okanagan generate more than 150 camping nights per site per year if the weather is good during the peak summer season.
- Demand for camping sites will increase by 3% per annum after 2023, a percentage that falls in between the projected population growth rate as indicated in Section 4.1 and the recent provincial park camping visit growth rate cited in Section 4.4.

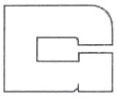
Based on all of these assumptions, demand for campground accommodation at the Alexandra Bridge Provincial Park is projected as follows:

- Between 30-50 sites in 2023;
- Between 35-55 sites in 2028;
- Between 40-60 sites in 2033.

The development recommendations and the financial analysis that follow are consistent with this market demand forecast.

Cabins are typically rented for longer term stays, usually for a minimum of two nights (often required as at Manning Park Resort for example) and often for as much as a week. To entice visitors to stay this long, there needs to be a "recurring" recreational activity nearby such as skiing and snowmobiling in winter or golfing and hiking and swimming and mountain biking in summer. Fishing and a few other activities such as winery tours can attract some customers in the spring and fall shoulder seasons.

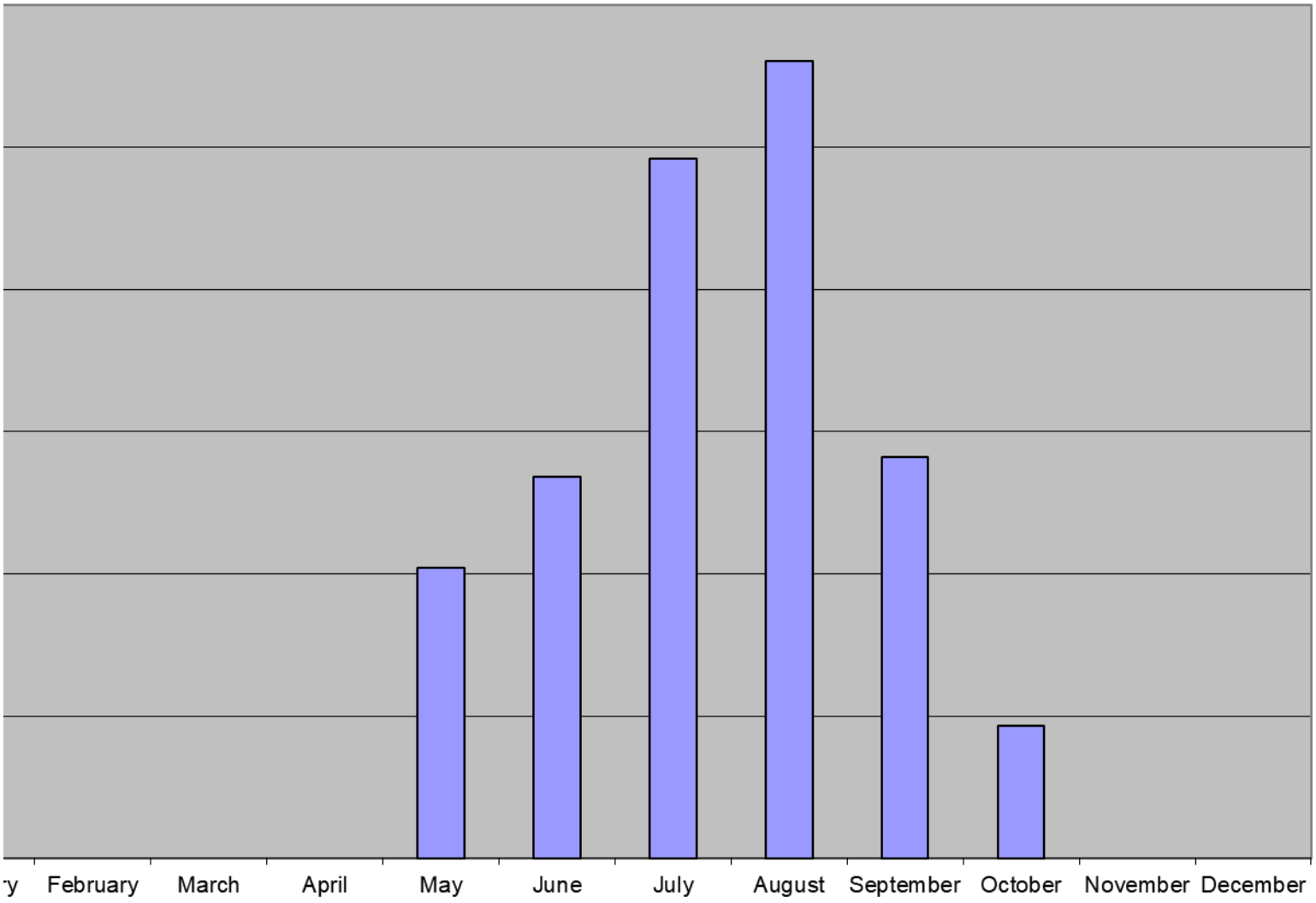
In our opinion, the Alexandra Bridge Provincial Park is not a very good location from which to access any of these recurring recreational activities at the present time. This could change if the South Anderson Resort project were to proceed but there is no clear timetable for this development at the present time.



With this cautious outlook in mind, demand for cabin accommodation at the Alexandra Bridge Provincial Park is projected as follows:

- Between 1-2 cabins in 2023;
- Between 6-8 cabins in 2028;
- Between 10-12 cabins in 2033.

The development recommendations and the financial analysis that follow are consistent with this market demand forecast.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5.0 DEVELOPMENT RECOMMENDATIONS

This section of the report provides some recommendations with regards to the size, phasing and design of the project. Most of these development recommendations are made with the objective of enhancing the marketability of the campground and cabin components of the project.

5.1 Project Size & Phasing

Given the need to achieve some economies of scale both in terms of construction costs and operating costs, it is recommended that the campground portion of the project be developed in a single phase. A total of 50 camping sites is recommended. This total supply falls within the range of forecast demand as determined in the previous section of this report.

To avoid oversupplying the market, the cabin portion of the project needs to be developed very slowly over a period of many years. To realize a few economies of scale during construction, it is recommended that two cabins be built every other year starting in 2024, the year after the campground opens. This construction timetable should also depend on the market/financial performance of prior phases (eg. exceeding an occupancy rate of 100 nights per cabin).

Based on this timetable, the project will have 2 cabins ready for occupancy in the summer of 2024, increasing to 4 cabins in 2026, 6 cabins in 2028, 8 cabins in 2030 and 10 cabins in 2032. Once again, this total supply falls within the range of forecast demand as determined in the previous section of this report.

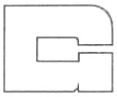
5.2 Campground & Cabin Design

One of the biggest selling features for a campground is large sites. In our opinion, the high density “urban style” design characterized by tightly spaced sites with minimal landscape areas in between (eg. the Sunshine Valley RV Park) should be avoided at all cost.

The proposed site of the Alexandra Bridge Provincial park campground is nicely treed. The proposed campground should be designed to take maximum advantage of this feature. The internal roads and the camp sites themselves should be laid out in such a way as to retain as many of the existing mature trees as possible.

If the campground site is affected by vehicle traffic (noise and/or lights) on the Trans-Canada Highway, some type of buffering berm should be provided. A landscaped earth berm 2-3 metres high will hopefully suffice.

Although traffic volume will be quite low, the access road from the Trans-Canada Highway intersection to the front entrance of the campground should be paved. A two lane wide road with a pavement width of 7-8 metres should provide enough room for RV units travelling in opposite directions to pass one another. Streetlights on this access road and in the campground itself can



be kept to a minimum, partly to reduce costs and partly to maintain the "night sky" feeling of a rural setting.

Past the front entrance of the campground, the internal roads can be designed as a series of one way loops. These on site roads should be only one lane wide (about 4 metres) and can have a gravel surface in order to reduce construction costs and reduce traffic speed through the campground. If dust control becomes an issue during the summer, these on site roads can be sprayed with a chemical coating on an as needed basis.

From a design standpoint, some of the nicest sites in British Columbia are found in provincial park campgrounds. BC Parks has design standards for several different kinds of recreational vehicle sites. Ideally, "back in" sites are laid out at a 60 degree angle from the direction of travel on a one way access road; a greater angle makes it more difficult for large RV units in particular to back into the site.

For a back in site, the BC Parks design guidelines call for a pad width of 4.5 metres and a pad depth of between 16-23 metres. Each camp site should have an "activity area" with a picnic table and a fire ring in a semi-circle layout with a radius of about 6 metres. Based on these measurements, a back in site will have a minimum width of 10 metres.

Back in sites are ideal for customers who stay for several nights and for whom the challenge of "parking" a large RV is not an issue. For customers who stay for only one or two nights (as most are expected to do at the Alexandra Bridge Provincial Park), "drive thru" sites are preferable. Drive thru sites with adequate privacy and separation are hard to design. For this reason, the number of drive thru sites should be kept to a minimum (no more than 10% of total capacity).

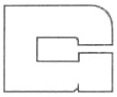
All of the cabins should have the same exterior finishes and interior floor plan in order to maximize construction economies of scale. Wood siding and a metal roof would fit in well with the neighbouring campground. The interior floor plan should have two bedrooms/two bathrooms as well as a kitchen and an adjoining living/ding room on the main floor; a small loft sleeping area would be a nice feature. The cabins should be large enough to sleep 8 people. A building footprint of about 80 m2 should suffice to meet this requirement.

Cabins will be rented on a "turn key" basis. With this requirement in mind, the kitchens need to include a fridge, stove and microwave as well as all the necessary cooking and dining utensils.

The bedrooms and washrooms must have enough linens and other supplies for a party of 8 people. A good size TV is a requirement. A wood stove or a gas/propane fireplace would be a nice amenity as would a small outdoor deck. A gravel parking pad large enough for two vehicles will be needed beside each cabin. Ideally, the cabins will be spaced at least 10 metres apart with some landscaping in between.

5.3 Amenities

Having a good amenity package is an important part of attracting customers. Larger campgrounds usually include a big amenity package that includes a playground for children, a



grass field for baseball, a gate house/check in kiosk, a games room, an outdoor and/or indoor swimming pool, a work out room, a hot tub, a laundromat and a general store. All of these amenities add to the capital cost and the operating cost of the campground.

For this reason, smaller campgrounds tend to have more limited amenity packages. In this case, the "must have" amenities in our opinion for phase 1 of the project can be limited to a small gate house/check in kiosk and a centrally located amenity building with men's and women's showers and washrooms.

All of the camping sites should have water and power connections. With larger RV units and hotter summers, 50 amp electrical service is preferred, All of the camping sites should be designed with gravel surface pads, a picnic table and a fire ring.

Given the size of the campground, it should be possible to create a small semi-private area alongside one of the loop roads that is large enough to accommodate half a dozen or so unserviced tent sites. If required, these tent sites can also be used as overflow RV sites on peak summer weekends and holidays.

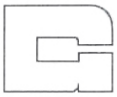
The client has expressed a desire to include an outdoor swimming pool as part of the amenity package. Based on discussions with a local area contractor, a small (20 foot by 40 foot) in ground concrete swimming pool will probably cost between $200,000-$250,000. This budget estimate includes a concrete pool deck and a safety fence as well as site preparation, power and water connections as well as a small mechanical room and pool supplies storage space (probably part of an expanded amenity building).

Operating costs for an outdoor pool include utilities, pool supplies, insurance, repairs and maintenance as well as labour. Assuming an operating season from June 1 to September 30, annual operating costs for an unheated outdoor pool at the Alexandra Bridge campground are projected at around $10,000 in year 1.

Adding an outdoor swimming pool might increase campground utilization rates by as much as 10% (eg. from 90 to 100 nights per site per year). If so, a campground of about 50 sites will be required just to recover the annual operating costs as determined above.

The big drawing card of the Alexandra Bridge Provincial Park will be the renovated bridge and the network of interpretive walking trails that link it back up to the Trans Canada Highway. Discussions with the engineering and site planning consultants working on the project suggest that this trail network will connect to a day visitor parking lot located in the gravel pit described in Section 2 of this report. For safety reasons, this connection will probably be made via a pedestrian tunnel that crosses under the Trans-Canada Highway.

The campground should have a good pedestrian link of its own to this tunnel. At the same time, vehicle access to the campground needs to be kept separate from all of the day visitors using the short term parking lot as much as possible to minimize congestion on busy summer weekends and holidays.



6.0 CAMPGROUND DEVELOPMENT COSTS

This section of the report provides an estimate of the total development cost for the Tikwalus campground. Cost estimates are based on a concept plan prepared by Connect Landscape Architecture and a site servicing plan prepared by Wedler Engineering. A copy of this concept plan is enclosed in Appendix A at the back of this report.

This concept plan includes two related but physically distinct components. On the east side of Highway 1 is a campground with 50 sites and up to 10 cabins as well as an amenity building and an outdoor swimming pool. On the west side of Highway 1 is an extensive trail network with a number of First Nations "interpretive hubs and nodes". The trail network extends from a large day use parking lot at the north end of the site via a pedestrian underpass across Highway 1 down to the Alexandra Bridge which spans the Fraser River.

It is expected that the Alexandra Bridge will to be rehabilitated by the Province of British Columbia at the same time as the campground development. The cost of this bridge rehabilitation is not included in this analysis.

For presentation purposes, three separate cost estimates have been prepared. Section 6.1 provides a breakdown of development costs for the "ancillary" components of the project which include an upgraded Highway 1 intersection, the day use parking lot, the trail network and all of the First Nations interpretive elements. Section 6.2 provides a breakdown of development costs for phase 1 of the campground (50 sites). Section 6.3 calculates the development cost for each subsequent phase of the campground (ie. 2 more cabins).

6.1 Ancillary Development Costs

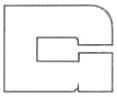
The upper portion of Table 2 at the back of this report provides a breakdown of hard costs for the ancillary component of the Tikwalus campground project. Assuming a 2022 construction start, major hard costs are estimated as follows:

1. $750,000 for an upgraded Highway 1 intersection. According to Wedler Engineering, the existing pull out lane for southbound traffic and the tiny day use parking area will be replaced by a "T intersection" with turn lanes for both northbound and southbound traffic.

2. $210,000 for a two lane paved road from the Highway 1 intersection to a day use parking lot that will be built in a portion of the existing gravel pit as noted in Section 2 of this report.

3. $100,000 for a gravel surface day use parking lot. This parking lot is expected to accommodate approximately 100 vehicles and will have at least 10 "oversize" stalls for recreational vehicles and tour buses. The low unit cost of only $1,000 per stall reflects that the proposed parking lot has already been cleared and rough graded and will not be paved.

4. $450,000 for a pedestrian underpass to cross Highway 1 and another $200,000 for a pedestrian underpass to cross the CN rail line. Both of these underpasses will allow large numbers of day use visitors to safely access the Alexandra Bridge.



5. $150,000 for 1,500 metres of walking trails. The unit cost of $100 per metre should be enough to cover the cost of safety fencing where required as well as a few sitting areas.

6. $245,000 for one primary and one secondary interpretive hub. The primary and secondary hubs are budgeted to include open air shed type structures with a covered floor area of approximately 100 square metres and 50 square metres respectively.

7. $190,000 for ten interpretive nodes. According to Aldrich Pears, each interpretive node is expected to have one or more information panels that allow day use visitors to learn about the history of the Alexandra Bridge area.

Including a number of smaller items such as a washroom building with flush toilets, utility connections and a small service road on the west side of Highway 1 for maintenance vehicle access only, total hard costs for all of the ancillary components of the Tikwalus campground project are estimated at $2,510,000 as shown on line #13 of Table 2.

The lower portion of Table 2 provides a breakdown of soft costs for this portion of the development. Allowances have been identified for a wide range of fees including engineering, project management, planning, marketing, legal and accounting as well as financing fees.

Provision should be made at this early stage of the cost estimating process for some unforeseen items. Accordingly, the capital cost budget estimate presented in Table 2 includes an allowance of $50,000 for miscellaneous items (2% of total hard costs). The budget also includes a 10% contingency allowance ($317,000). Including these two items, the total development cost for the ancillary component of the Tikwalus campground project is estimated at $3,488,000 as shown on the bottom line of Table 2.

6.2 Campground Phase 1 Development Costs

The upper portion of Table 3 also at the back of this report provides a breakdown of hard costs for phase 1 of the campground. Major hard costs are estimated as follows:

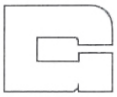
1. $315,000 for a two lane paved road from the day use parking lot to the front entrance of the campground.

2. $543,000 for one lane gravel roads from the front entrance of the campground to the 50 camp sites and the first two cabins.

3. $213,000 to provide underground 50 amp power connections to all of the individual camp sites.

4. $85,000 to provide water connections to all of the individual campsites.

5. $150,000 for an amenity building that includes flush toilets and hot water showers as well as a separate mechanical/storage room for the swimming pool.



6. $220,000 for an outdoor swimming pool. This budget allowance is intended to provide a 20 by 40 foot in ground pool with a surrounding concrete deck and a perimeter safety fence.

Including a number of smaller items such as a check in kiosk at the front entrance, a playground for children, picnic tables and fire rings for each camp site and cabin, landscaping and signage as well as a modest allowance for First Nations art, total hard costs for phase 1 of the campground are estimated at $1,882,000 as shown on line #18 of Table 3.

The lower portion of Table 3 provides a breakdown of soft costs for phase 1 of the campground. Allowances have been identified for a wide range of fees including engineering, project management, marketing, legal and accounting. Construction financing fees have not been included because phase 1 of the campground is expected to be 100% financed by a combination of band equity and government contributions.

Provision should once again be made at this early stage of the cost estimating process for some unforeseen items. Accordingly, the capital cost budget estimate presented in Table 3 includes an allowance of $38,000 for miscellaneous items (2% of total hard costs). The budget also includes a 10% contingency allowance ($238,000). Including these two items, the total development cost for phase 1 of the campground is estimated at $2,616,000 as shown on line #30 of Table 3.

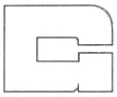
This budget estimate assumes a 2021 construction start. Since construction is not expected to start until the following year, adding a 2% annual inflation factor results in an adjusted total development cost of $2,668,000. This number will appear in the cash flow analysis presented in the next section of this report.

6.3 Campground Phase 2-5 Development Costs

As per the development recommendations presented in the previous section of this report, subsequent phases of the campground are planned for every other year provided that phase 1 meets its occupancy targets. Each subsequent phase is expected to add two cabins.

The building hard cost for a cabin is estimated at $180,000. This unit cost allows for a log home structure with a main floor area of approximately 80 square metres and includes allowances for appliances and furnishings as well as site preparation, utility connections, a gravel parking pad large enough for two vehicles as well as a picnic tables and a fire ring. Adding 20% for soft costs plus a contingency allowance results in a total development cost of $432,000 for two cabins.

This budget estimate also assumes a 2021 construction start. Phases 2-5 of the campground are not expected to come on stream until 2024, 2026, 2028 and 2030 respectively. Including a 2% annual inflation factor results in an adjusted total development cost of $449,000 for phase 2, $468,000 for phase 3, $487,000 for phase 4 and $506,000 for phase 5. These four numbers will also appear in the cash flow analysis presented in the next section of this report.



7.0 CAMPGROUND NET OPERATING INCOME & NET CASH FLOW

This section of the report provides a ten year forecast of net operating income and net cash flow for the Tikwalus campground. Net operating income is based on estimates of operating revenues (Section 7.1) and operating expenses (Section 7.2), Net cash flow (Section 7.3) incorporates net operating income, total development costs as determined in the previous section of this report as well as assumptions with regards to project financing. All of these projections assume that the Tikwalus campground will open in the spring of 2023.

7.1 Projected Operating Revenues

The upper portion of Table 4 at the back of this report provides a ten year forecast of operating revenues for the Tikwalus campground. For presentation purposes, three separate revenue streams have been identified: campground site rentals, cabin rentals and other revenue. The assumptions used to generate each one of these revenue streams are summarized in turn below.

Campground site rental revenue projections are based on three assumptions:

- The number of campsites will remain constant at 50 throughout the forecast project as shown on line #4 of Table 4.

- The camping rate will increase by $1 per annum throughout the forecast period from $37 per night in 2023 to $46 per night in 2032 as shown on line #6 of Table 4.

- Campground occupancy will increase from 70 nights per site in 2023 to 100 nights per site in 2026 and remain constant thereafter as shown on line #8 of Table 4.

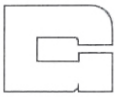
Based on these three assumptions, campground site rental revenues are projected to increase from $130,000 in 2023 to $230,000 in 2032 as shown on line #10 of Table 4.

Cabin rental revenue projections are also based on three assumptions:

- The number of cabins will increase from two in 2024 to eight in 20309 and remain constant thereafter as shown on line #5 of Table 4.

- The “base” cabin rental rate (for a party of four) will increase by $5 per annum throughout the forecast period from $230 per night in 2023 to $275 per night in 2032 as shown on line #7 of Table 4.

- Cabin occupancy will increase from 110 nights per unit in 2024 to 130 nights per unit in 2026 and remain constant thereafter as shown on line #9 of Table 4. Note that cabin occupancy is forecast to exceed campground occupancy because it is less affected by inclement weather during the spring and fall shoulder seasons.



Based on these three assumptions, cabin rental revenues are projected to increase from $52,000 in 2024 to $286,000 in 2032 as shown on line #11 of Table 4.

The project will generate small amounts of revenue from a number of other sources including reservation fees, extra guests, firewood sales and the occasional movie/wedding location rental. Reflecting the scale of the business, other revenue is projected to increase from $7,000 in 2023 to $26,000 in 2032 as shown on line #12 of Table 4.

Total operating revenue is simply the sum of the three line items identified above. Based on this formula, total operating revenue is projected to increase from $137,000 in 2023 to $542,000 in 2032 as shown on line #13 of Table 4.

7.2 Projected Operating Expenses

The lower portion of Table 4 at the back of this report provides a ten year forecast of operating expenses for the Alexandra Bridge Provincial Park campground project. For presentation purposes, six separate expense line items have been identified: advertising and promotion, campground maintenance, land lease payments, utilities, wages and benefits and other expenses. The assumptions used to generate each one of these expense streams are summarized in turn below.

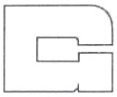
The advertising and promotion budget has been set at 3% of camping and cabin revenue. Based on this fairly modest percentage, advertising and promotion expenses are projected to increase from $4,000 in 2023 to $15,000 in 2032 as shown on line #14 of Table 4.

Campground maintenance expenditures are based on the total capital cost for the project. For phase 1 of the campground, maintenance is projected to increase from 0.5% of the total capital cost in 2023 (year 1) to 2.0% of the total capital cost in 2029 (year 7) and by 2% per annum thereafter. A similar formula has been applied to phase 2-5 of the campground. Based on this formula, campground maintenance expenses are projected to increase from $13,000 in 2023 to $84,000 in 2032 as shown on line #15 of Table 4.

For the purposes of this analysis it has been assumed that the campground operator will pay a land lease to the land owner. Land lease payments are based on 2% of camping and cabin revenue. Based on this percentage, land lease payments are projected to increase from $3,000 in 2023 to $10,000 in 2032 as shown on line #16 of Table 4.

Utility costs in 2023 are estimated at $2,000 for the swimming pool and the amenity building plus $2 per night per camp site rental and $10 per night per cabin rental. All of these unit costs are projected to increase by 2% per annum after 2022. Based on these unit costs and the anticipated level of camp site and cabin use, utility costs are projected to increase from $9,000 in 2023 to $27,000 in 2032 as shown on line #17 of Table 4.

Wages and benefits will be the single largest operating expense item for the campground. Payroll costs are based on the following assumptions:



- Staffing for phase 1 of the campground will include a manager, an assistant manager/maintenance person and a bookkeeper.

- The manager will be paid $6,000 per month for seven months (April 1 to October 31) and $2,000 per month for the remainder of the year. The assistant manager/maintenance person will be paid $4,000 per month for seven months and $2,000 per month for another three months. The bookkeeper will be paid $2,000 per month for seven months.

- Starting in 2026 (phase 3), a part time helper will be added to the payroll at a cost of $3,000 per month for the three month peak season (June 1 to August 31).

- Starting in 2023, cleaning staff and cleaning supplies will cost $50 per night per cabin rental.

- Benefits will amount to 12% of employee wages.

- All salaries will increase by 2% per annum after 2023.

Based on these assumptions, wages and benefits are projected to increase from $84,000 in 2023 to $196,000 in 2032 as shown on line #18 of Table 4.

Other expenses include credit card fees, garbage and septic service, insurance, security as well as office supplies, uniforms and telephone/internet. Reflecting the scale of the business, other expenses are projected to increase from $18,000 in 2023 to $41,000 in 2032 as shown on line #19 of Table 4.

Total operating expenses are simply the sum of the six line items identified above. Based on this formula, total operating expenses are projected to increase from $131,000 in 2023 to $373,000 in 2032 as shown on line #20 of Table 4.

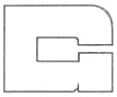
7.3 Projected Net Operating Income & Net Cash Flow

Net operating income before financing is defined as total operating revenues less total operating expenses. Based on this definition, net operating income before financing is projected to increase from $6,000 in 2023 to $169,000 in 2032 as shown on the bottom line of Table 4.

Table 5 at the back of this report provides a ten year forecast of net cash flow for the Tikwalus campground project. The top line of Table 5 shows net operating income before financing as determined above.

Line #2 of Table 5 tracks total development costs over the ten year forecast period. Total development costs include $2,668,000 for phase 1 in 2023, $449,000 for phase 2 in 2024, $468,000 for phase 3 in 2026, $487,000 for phase 4 in 2028 and $506,000 for phase 5 in 2030.

Based on discussions with Land Strategies, it has been assumed that government contributions will amount to two thirds of total development costs for each phase of the project. It has also



been assumed that the remaining one third of total development costs for each phase of the project will be financed by band equity. As a result, no mortgage financing will be required.

Based on these percentages, government contributions are projected at $1,776,000 for phase 1, $299,000 for phase 2, $311,000 for phase 3, $324,000 for phase 4 and $336,000 for phase 5 as shown on line #3 of Table 5. For all five phases combined, government contributions total $3,046,000.

Band equity is projected at $892,000 for phase 1, $150,000 for phase 2, $157,000 for phase 3, $163,000 for phase 4 and $170,000 for phase 5 as shown on line #5 of Table 5. For all five phases combined, band equity totals $1,532,000.

Some of the indicators typically used to evaluate the financial feasibility of a real estate development require an estimate of the asset value at the end of the forecast period. The easiest way to determine this terminal asset value is to apply a cap rate to the net operating income of the project during the final year of the forecast period.

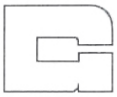
In this case, the terminal value of the campground project has been determined based on its projected net operating income in 2032 ($169,000) and a cap rate of 8%. To put this cap rate into perspective, the yield on ten year Government of Canada bonds (a good measure of a near risk free investment) currently stands at about 0.5%. Small rental apartment buildings in the City of Vancouver are currently selling at cap rates of between 2-4%. A small mobile home park located on freehold land near the Town of Oliver in the South Okanagan (a much less risky investment in our opinion than the Tikwalus campground project) is currently listed for sale at a cap rate of about 5%.

The resulting terminal value of $2,113,000 is shown on line #6 of Table 5. This terminal value amounts to less than 50% of the total development cost of the project ($4,578,000). A project with a terminal value of less than its total development cost typically requires a government contribution in order to be financially feasible for the First Nation proponent.

In 2023, 2024, 2026 and 2028 and 2030, net cash flow before financing includes the total development cost and government contributions for the corresponding phases of the project. Net cash flow before financing in 2032 includes the terminal asset value of the campground project as determined above. For all other years, net cash flow before financing and net operating income before financing are identical.

Based on this formula, net cash flow before financing starts at -$886,000 in 2023 and ends at $2,282,000 in 2032 as shown on line #7 of Table 5. Cumulative net cash flow before financing is projected to increase steadily from -$886,000 at the end of 2023 to $1,557,000 at the end of 2032 as shown on line #8 of Table 5. Note that cumulative net cash flow before financing does not turn positive until the final year of the forecast period.

Since no mortgage financing is required, mortgage payments are nil as shown on line #9 of Table 5. As a result, net operating income after financing is the same as net operating income before financing and net cash flow after financing is the same as net cash flow before financing.



7.4 Financial Feasibility Indicators

Return on cost and return on equity as well as the internal rate of return (IRR) before and after financing are indicators that are typically used to assess the financial feasibility of a real estate development. Prospective lenders will look at the debt service ratio.

The debt service ratio measures the spread between net operating income before financing and mortgage payments. In this case, the debt service ratio is irrelevant since there is no mortgage financing.

Return on cost is defined as the ratio of net operating income before financing to the sum of total development costs less government grants. Return on cost is projected to increase steadily from 0.7% in 2023 to 11.0% in 2032 as shown on line #14 of Table 5. Over this ten year forecast period, return on cost averages 7.1%.

Return on equity is defined as the ratio of net operating income after financing to the amount of equity required. Return on equity is projected to increase steadily from 0.7% in 2023 to 11.0% in 2032 as shown on line #15 of Table 5 (ie. the same as return on cost). Over this nine year forecast period, return on equity also averages 7.1%.

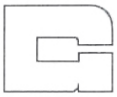
Unlike return on cost and return on equity, the IRR calculation takes into consideration the difference between the initial capital cost of the project and its value at the end of the forecast period. The projected IRR is 11.4% before and after financing as shown on the bottom two lines of Table 5.

7.5 Sensitivity Analysis

The results of the cash flow analysis are linked directly to a number of operating revenue and operating expense and capital cost assumptions as set out above. As a result, it follows that changes to any one of these assumptions will affect the financial feasibility of the campground and, potentially, a decision to proceed with the project.

To demonstrate this point, the following chart shows how changes to some of the assumptions of the cash flow model will affect the IRR before and after financing as well as the amount of equity required for the project.

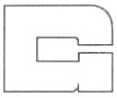
Assumption Change	IRR Before Financing	IRR After Financing	Equity Required
Base Case Scenario	11.4%	11.4%	$1,532,000
Decrease Grant To 50%	4.7%	4.7%	$2,290,000
Reduce Cost By $100,000	12.1%	12.1%	$1,498,000
Increase Payroll By $10,000	9.9%	9.9%	$1,532,000



As an example, reducing government contributions from 66% to 50% cuts the IRR before and after financing by more than half from 11.4% to 4.7%. It also requires an offsetting increase in the amount of equity required from $1,532,000 to $2,290,000.

Reducing the total development cost of phase 1 by $100,000 raises the IRR before and after financing to 12.1% and reduces the amount of equity required to $1,498,000. In our opinion, this small reduction in the total development cost of phase 1 (about 3%) could be achieved by designing a more efficient internal road layout for the campground.

Finally, increasing payroll by $10,000 per annum starting in 2023 (eg. by hiring an additional part time employee) lowers the IRR before and after financing to 9.9%. This small increase in operating expenses has no impact on the amount of equity required.



8.0 PROJECT RECOMMENDATIONS

Return on cost, return on equity and the IRR as determined in the previous section of this report are all simple but reliable indicators of the financial feasibility of a real estate project, The minimum IRR (to pick one of these indicators) required to justify proceeding with a project depends on a number of factors including the level of risk and the value attached to "indirect benefits" such as land lease payments as well as construction and operations jobs that will flow to the Spuzzum First Nation.

In our opinion, these indirect benefits will be rather limited. Land lease payments, for example, will amount to only a few thousand dollars per year. Only a few band members are likely to be involved in the construction and/or operation of the campground.

It is our opinion that developing a campground in the Alexandra Bridge Provincial Park is a high risk investment. To mitigate this risk, the following conditions will have to be met:

1. A long term lease (at least 49 years) for the campground portion of the project must be signed between the Province of British Columbia and the Spuzzum First Nation. Any land lease payments that may be required as part of this agreement cannot exceed those provided for in the financial analysis presented in this report.
2. The Province of British Columbia and the Spuzzum First Nation must enter into an agreement that makes the Spuzzum First Nation the park operator for the Alexandra Bridge Provincial Park.
3. Development costs for phase 1 of the project cannot exceed those identified in this report and must be confirmed prior to the start of construction;
4. The federal and/or provincial governments must agree to fund 100% of the ancillary components of the campground project as well as the rehabilitation of the Alexandra Bridge itself.
5. Government contributions equal to at least 66% of the cost for phase 1 of the campground must be secured prior to the start of construction.
6. The Spuzzum First Nation must invest enough equity such that no mortgage financing is required for phase 1 of the campground.

Provided that these conditions can be met, an IRR after financing of at least 10% should be required. The financial analysis set out in Table 5 indicates that the proposed campground project exceeds this minimum requirement by a slim margin (IRR of 11.4%) under the base case scenario. Accordingly, it is our recommendation that the Spuzzum First Nation should proceed with this project.

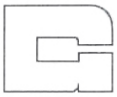


TABLE 1

EXISTING RV PARK & CABIN COMPETITION(1

t Name	Location	# Of RV Sites	# Of Cabins	Operating Season	2020 Rental Rates	Project Amenities
' Creek	22 km north of Hope	32		Apr 15 - Oct 31	$21/night	pit toilets, potable water stations
' Park	on Highway 1					
ıning	50-70 km east of Hope	358		May 1 - Oct 12	$23-$35/night	4 separate campgrounds
' Park	on Highway 3					1 has showers & flush toilets
r Beach	20 km east of Cache Creek	31		Apr 24 - Oct 12	$23/night	electrical is $5/night
' Park	on Highway 1					swimming, river access
y Bar	22 km north of Hope	33		year round	$23-$35/night	some fully serviced sites
Park	on Highway 1					gas station & convenience store
ng Park	66 km east of Hope		33	year round	$189-$339/night	restaurant & pub
sort	on Highway 3				spring & fall	general store
					$279-$499/night	indoor pool & hot tub
					summer & winter	
e Valley	21 km east of Hope	110	10	year round	$119-$179/night	general store
sort	On Highway 3				spring & fall & winter	indoor pool & hot tub
					$199-$279/night	
					summer	
·Yet(2	Hope	30		unknown	unknown	unknown
ground						
ı Creek(2	Boston Bar	40		unknown	unknown	some sites with water & power
ground						shower & washroom building

opment Consulting Group based on a survey conducted in May, 2020.

Yet and Anderson Creek campgrounds are owned/operated by local area First Nations. Both campgrounds are currently closed.

TABLE 2

July 30, 2020

TIKWALUS CAMPGROUND
ANCILLARY DEVELOPMENT COSTS(1

Line #	Building Component	Projected Cost Factor	Cost
1	Alexandra Bridge Rehab	not included	$ -
2	Highway Intersection	allowance as per Wedler design	$ 750,000
3	Day Visitor Access Road	210 metres paved @ $1,000	$ 210,000
4	Day Visitor Parking Lot	100 gravel stalls @ $1,000	$ 100,000
5	Highway Underpass	allowance as per Wedler design	$ 450,000
6	Railway Underpass	allowance as per Wedler design	$ 200,000
7	Walking Trails	1,500 metres @ $100	$ 150,000
8	Interpretive Hubs	1 primary & 1 secondary	$ 245,000
9	Interpretive Nodes	10 @ $190,000	$ 190,000
10	Washroom Building	30 m2 @ $3,000	$ 90,000
11	Utility Connections	allowance	$ 50,000
12	West Side Service Road	150 metres @ $500	$ 75,000
13	Total Hard Costs		$ 2,510,000
14	Professional Fees	10% of total hard costs	$ 251,000
15	Project Mgt Fees	4% of total hard cost	$ 100,000
16	Consulting Fees(2	allowance	$ 100,000
17	Pre-Opening Marketing	allowance	$ 30,000
18	Financing Fees	allowance	$ 100,000
19	Survey	allowance	$ 10,000
20	Legal & Accounting	allowance	$ 20,000
21	Construction Financing	not required	$ -
22	Miscellaneous Items	2% of total hard costs	$ 50,000
23	Subtotal		$ 3,171,000
24	Contingency	10% of subtotal	$ 317,000
25	Land	not included	$ -
26	Total Development Cost		$ 3,488,000

1) Development Consulting Group estimates based on information provided by Wedler Engineering, Connect Landscape Architecture and Aldrich Pears. Cost estimates assume a construction start in 2021.

2) Including planning, environmental, archaeology and interpretation.

TABLE 3

July 30, 2020

TIKWALUS CAMPGROUND
PHASE 1 DEVELOPMENT COSTS(1

Line #	Building Component	Projected Cost Factor		Cost
1	Access Road	315 metres paved @ $1,000	$	315,000
2	Power Supply	connection to existing line	$	15,000
3	Water Supply	well & storage tank	$	30,000
4	Waste Water Disposal	septic field & holding tank	$	40,000
5	Site Preparation	5 hectares @ $5,000	$	25,000
6	Front Entrance	allowance for kiosk & gate	$	20,000
7	On Site Roads	905 metres gravel @ $600	$	543,000
8	On Site Power	850 metres @ $250	$	213,000
9	On Site Water	850 metres @ $100	$	85,000
10	On Site Sewer	305 metres @ $150	$	46,000
11	Camp Sites(2	50 @ $1,500	$	75,000
12	Amenity Building(3	60 m2 @ $2,500	$	150,000
13	Playground	allowance	$	10,000
14	Swimming Pool	20 by 40 foot outdoor pool	$	220,000
15	Picnic Tables & Fire Rings	50 sites @ $1,000	$	50,000
16	Landscaping & Signage	50 sites @ $500	$	25,000
17	First Nations Art	allowance	$	20,000
18	Total Hard Costs		$	1,882,000
19	Professional Fees	10% of total hard costs	$	188,000
20	Project Mgt Fees	4% of total hard cost	$	75,000
21	Consulting Fees(4	allowance	$	50,000
22	Pre Opening Marketing	allowance	$	20,000
23	Financing Fees	allowance	$	100,000
24	Legal & Accounting	50 sites @ $500	$	25,000
25	Construction Financing	not required	$	-
26	Miscellaneous Items	2% of total hard costs	$	38,000
27	Subtotal		$	2,378,000
28	Contingency	10% of subtotal	$	238,000
29	Land	land lease	$	-
30	Total Development Cost		$	2,616,000
31	Campground Cost Per Site	based on 50 sites	$	52,000

1) Development Consulting Group estimates based on information provided by Wedler Engineering. Cost estimates assume a construction start in 2021.
2) Gravel pads with water and electrical hookups.
3) Includes an electrical room and a chemical storage room for the swimming pool.
4) Including geotechnical, environmental and archeology.

TIKWALUS CAMPGROUND PROJECTED OPERATING REVENUES & OPERATING EXPENSES(1

em	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
e	Phase 1	Phase 2		Phase 3		Phase 4		Phase 5		
	50	0	0	0	0	0	0	0	0	0
	0	2	0	2	0	2	0	2	0	0
	50	50	50	50	50	50	50	50	50	50
	0	2	2	4	4	6	6	8	8	8
(2	$37	$38	$39	$40	$41	$42	$43	$44	$45	$46
	$230	$235	$240	$245	$250	$255	$260	$265	$270	$275
	70	80	90	100	100	100	100	100	100	100
	100	110	120	130	130	130	130	130	130	130
	$ 130,000	$ 152,000	$ 176,000	$ 200,000	$ 205,000	$ 210,000	$ 215,000	$ 220,000	$ 225,000	$ 230,000
	$ -	$ 52,000	$ 58,000	$ 127,000	$ 130,000	$ 199,000	$ 203,000	$ 276,000	$ 281,000	$ 286,000
	$ 7,000	$ 10,000	$ 12,000	$ 16,000	$ 17,000	$ 20,000	$ 21,000	$ 25,000	$ 25,000	$ 26,000
ues	$ 137,000	$ 214,000	$ 246,000	$ 343,000	$ 352,000	$ 429,000	$ 439,000	$ 521,000	$ 531,000	$ 542,000
ion	$ 4,000	$ 6,000	$ 7,000	$ 10,000	$ 10,000	$ 12,000	$ 13,000	$ 15,000	$ 15,000	$ 15,000
round	$ 13,000	$ 22,000	$ 29,000	$ 39,000	$ 48,000	$ 59,000	$ 69,000	$ 75,000	$ 79,000	$ 84,000
	$ 3,000	$ 4,000	$ 5,000	$ 7,000	$ 7,000	$ 8,000	$ 8,000	$ 10,000	$ 10,000	$ 10,000
	$ 9,000	$ 12,000	$ 14,000	$ 18,000	$ 19,000	$ 22,000	$ 22,000	$ 26,000	$ 26,000	$ 27,000
	$ 84,000	$ 123,000	$ 124,000	$ 148,000	$ 151,000	$ 168,000	$ 171,000	$ 188,000	$ 192,000	$ 196,000
	$ 18,000	$ 30,000	$ 31,000	$ 34,000	$ 34,000	$ 37,000	$ 37,000	$ 40,000	$ 40,000	$ 41,000
ses	$ 131,000	$ 197,000	$ 210,000	$ 256,000	$ 269,000	$ 306,000	$ 320,000	$ 354,000	$ 362,000	$ 373,000
	$ 6,000	$ 17,000	$ 36,000	$ 87,000	$ 83,000	$ 123,000	$ 119,000	$ 167,000	$ 169,000	$ 169,000

estimates.
ease by $1 per annum after 2022. Cabin fee is projected to increase by $5 per annum after 2022.
ion fees, firewood sales, extra guest fees and movie/wedding rentals.
d cabin revenue.
ard fees, garbage, insurance, security, accounting and telephone.

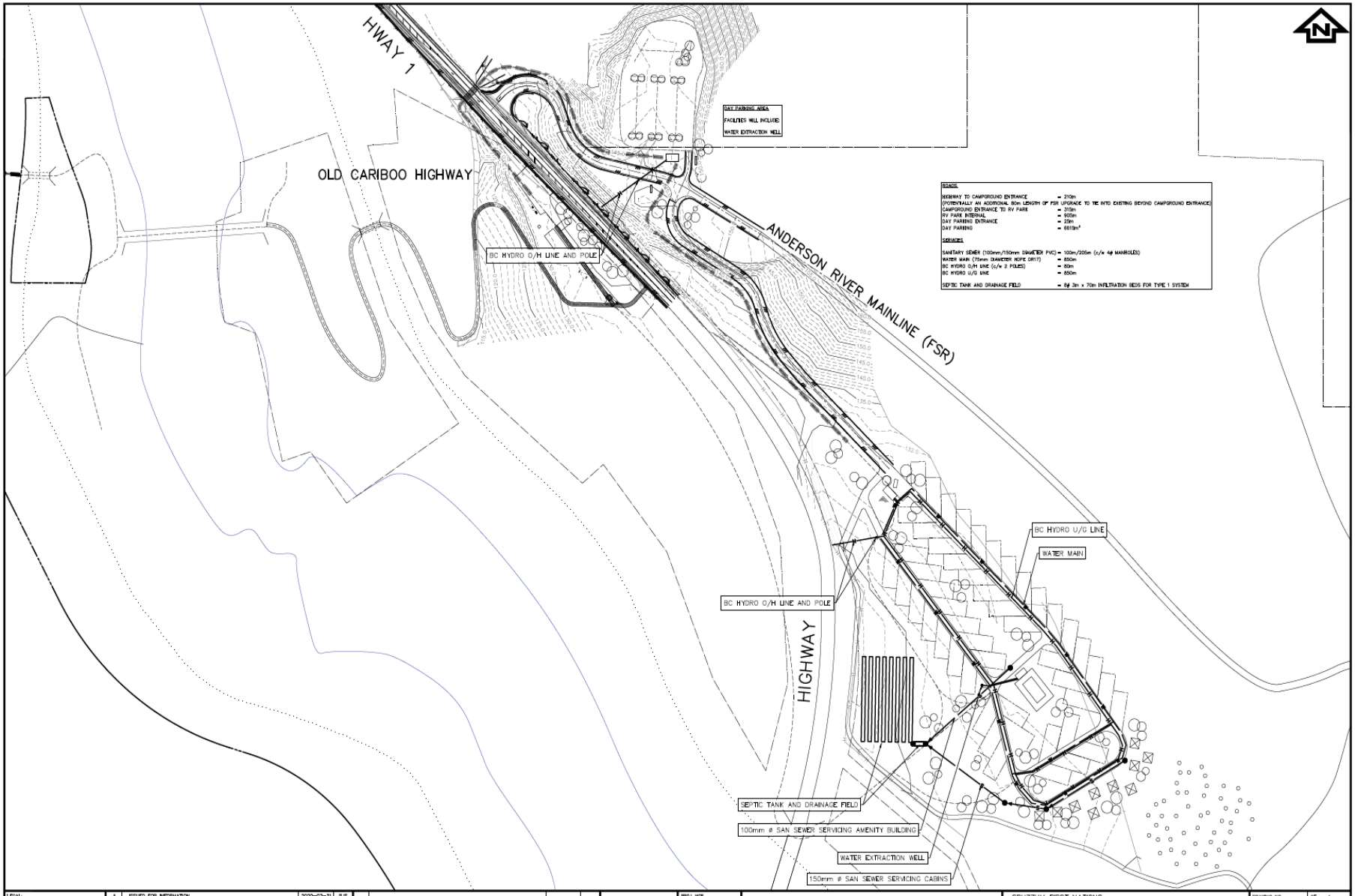
TIKWALUS CAMPGROUND PROJECTED NET OPERATING INCOME & NET CASH FLOW(1

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	$ 6,000	$ 17,000	$ 36,000	$ 87,000	$ 83,000	$ 123,000	$ 119,000	$ 167,000	$ 169,000	$ 169,000
t	-$ 2,668,000	-$ 449,000		-$ 468,000		-$ 487,000		-$ 506,000		
ns(2	$ 1,776,000	$ 299,000		$ 311,000		$ 324,000		$ 336,000		
	$ -	$ -		$ -		$ -		$ -		
	$ 892,000	$ 150,000		$ 157,000		$ 163,000		$ 170,000		
										$ 2,113,000
	-$ 886,000	-$ 133,000	$ 36,000	-$ 70,000	$ 83,000	-$ 40,000	$ 119,000	-$ 3,000	$ 169,000	$ 2,282,000
Fin	-$ 886,000	-$ 1,019,000	-$ 983,000	-$ 1,053,000	-$ 970,000	-$ 1,010,000	-$ 891,000	-$ 894,000	-$ 725,000	$ 1,557,000
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 6,000	$ 17,000	$ 36,000	$ 87,000	$ 83,000	$ 123,000	$ 119,000	$ 167,000	$ 169,000	$ 169,000
	-$ 886,000	-$ 133,000	$ 36,000	-$ 70,000	$ 83,000	-$ 40,000	$ 119,000	-$ 3,000	$ 169,000	$ 2,282,000
Fin	-$ 886,000	-$ 1,019,000	-$ 983,000	-$ 1,053,000	-$ 970,000	-$ 1,010,000	-$ 891,000	-$ 894,000	-$ 725,000	$ 1,557,000
	na	na	na	na	na	na	na	na	na	na
st(5	0.7%	1.6%	3.5%	7.3%	6.9%	9.0%	8.7%	10.9%	11.0%	11.0%
	0.7%	1.6%	3.5%	7.3%	6.9%	9.0%	8.7%	10.9%	11.0%	11.0%
	11.4%									
	11.4%									

stimates.
at 66% of the total development costs for phases 1-5.
ed for any phase of the project.
et operating income in 2032 and a cap rate of 8%.
t cost less government contributions.

APPENDIX A

A copy of the concept plan for the Tikwalus project prepared by Connect Landscape Architecture and the site servicing plan prepared by Wedler Engineering are enclosed following this page.



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	A	ISSUED FOR INFORMATION	2020-07-31	PJS

BM/TBM:

PROJ. MGR.	GMD
DESIGN/DRAWN	PJS
PEER REVIEWED	CHWK
HORIZ. SCALE	1:1500
VERT. SCALE	–

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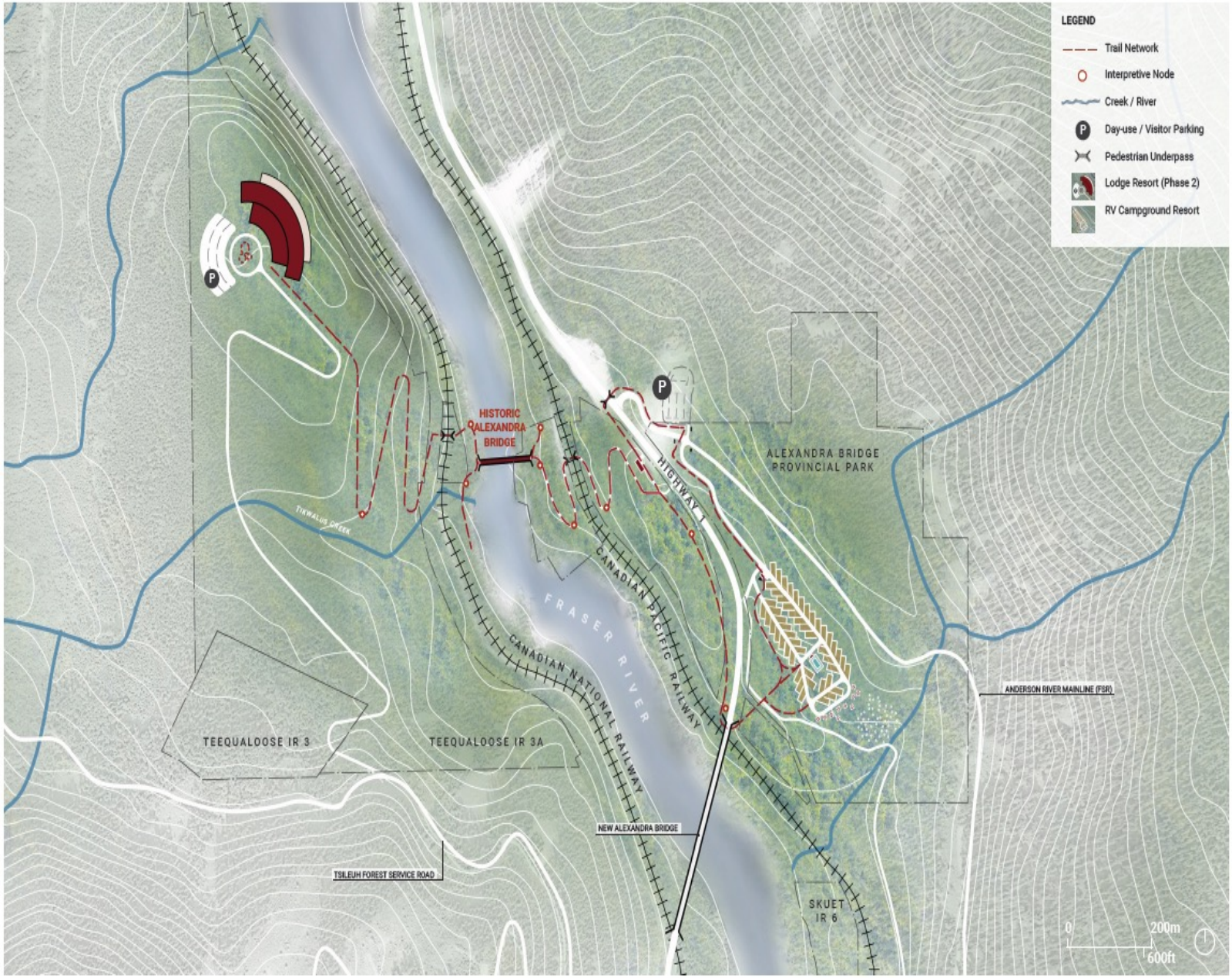
SPUZZUM FIRST NATIONS
TIKWALUS RV PARK
ALEXANDRA BRIDGE, BC

CONCEPT SERVICING PLAN

DRAWING NO. C20-5714/B-SK02 | OF –1–
LOCAL GOVERNMENT FILE: –
PHASE | REVISION: .A.


LEGEND
Trail Network
Interpretive Node
Creek / River
Day-use / Visitor Parking
Pedestrian Underpass
Lodge Resort (Phase 2)
RV Campground Resort
HISTORIC ALEXANDRA BRIDGE
ALEXANDRA BRIDGE PROVINCIAL PARK
HIGHWAY 1
TIKWALUS CREEK
FRASER RIVER
CANADIAN PACIFIC RAILWAY
CANADIAN NATIONAL RAILWAY
ANDERSON RIVER MAINLINE (FSR)
TEEQUALOOSE IR 3
TEEQUALOOSE IR 3A
NEW ALEXANDRA BRIDGE
TSILEUH FOREST SERVICE ROAD
SKUET IR 6
0
200m
600ft