MEMO

TO: Jeff Hollett

FROM: Jim Lehman

DATE: Sept. 1 '95

TOPIC: Tunnuq '96 start -up cash requirements

ASSUMPTIONS

1) This year's mobilization began March 16th and occupied 72½ man days for a 5 day period. One would ordinarily expect a slightly speedier mobilization time next time around, but given the fact that most of the equipment has to be gathered together and taken from the confined space of the curling rink, lets assume the same span.

2) The harvest proper began on March 21st; on April 1st the first herc load of meat left. That's 10 days hunting.

3) Even though the complete crew was not present (or required) during the mobilization phase lets assume it was and add on another day for contingencies that's 5 mobilization days + 10 hunting days + one day =16 working days until first load goes out. I invoice the day after and the money is directly deposited a few days later.

3) Contractors will not invoice until the first month has expired or at least not until the first load has left.

4) Hunters are 5 in number, haulers are 4. will only retain one, or at most, two machines. All other machines will be rented from the operators by @ $75. per day (for machine & komatiq).

5) Have not included landed cost of new assets being acquired prior to commencement.

liability insurance	2500
asset insurance (est.)	2000
fares/accommodation, incidentals for 5 contractors	10000
" " " for inspectors	6000
food supplies	15000
fuel	8000
ammo	8000
propane & other consumable	4000
plastic bags, bins, liners, clothing,etc.	12000
inspection	3000
ski-doo/komatiq rental ($75 x 9 units x 16 days)	10800
16/14 x average bi-weekly gross pay (include. benefits)	40000 *
	118300

* Pay is bi-weekly (every second Friday) with a week in hand) so in reality the whole $40,000 wouldn't be disbursed before the first herc. but lets' assume otherwise.

The only unknown item is the amount of time and money it will take to get the assets in clean/ working condition. That could, if we include ski-doo repairs, add on an extra $15,000 plus.

3P

Jim

Sept. 1, 1995

Got your fax of start-up cash requirements (FYI you sent it to at CIBC who faxed it to me - too much coffee??)

Looking at these numbers, we likely would not need, additional interim financing since we have about $130K upfront beside the capital purchases.

However, if we go with the proposed freighting method we would not ship meat until two loads have been accumulated - so it could be another week or so before the first Here is sent/first payment received ?? I think we should be prepared for this possibility .....So can you re-work your calculations??

Also, been thinking of our tentative deal & am wondering if we should recommend a lower "commission" esp. if we do not need much in the way of financing. ie. if we only used $50K for two months & presumably we should cover 50% of cost of interest expense for the amount of time their revenue is outstanding then $23K is probably way too high......eg.

$50,000 * 0.10 *2/12 = 833
95,000 lbs (southern meat) * $3.00/lb * 0.10 * 3/12 *0.5 = 3562

Total $4395

Perhaps the "commission" or $ carrying charge should be a flat rate something in the area of $10,000. What do you think?? Attached is a copy of tentative offer - I have some other concerns with it including costs assosciasted with rejection of carcasses at the processors - if a processor screws up " should not be penalized.

Also, if they can recind their offer of a firm price after they have investigated the markets we lose any value that the firm price offerred - all of the present risk lies in not knowing what the market will offer & that's why the firm price was of some benefit. The way lets them go with the present agreement if prices are high but allows them to back out if prices are low....so why should agree to this? We either go with the firm price now or we don't - can't have it both ways. What do you think??

Jeff