

1.1 FINANCIAL SUMMARY

1.1.1 Notes to the Projected Financial Statements For the years ending December 31, 2005, 2006 and 2007

1.1.1.1 Background

Iwokrama Timber Incorporated is to be formed into a limited liability company with minimum share capital. The principal objective will be to process and export high quality dressed lumber to premium priced international niche markets. Commercial operation will start in mid 2005 approximately and construction and acquisition of the necessary building and equipment/vehicles will be done between March and June 2005.

The company plans to operate two mobile sawmills with an average log intake of about 6,000 m³ per year during the first period of operation. The associated product output will be approximately 3,000 m³ per year. Operating and improved resource inventory information will be used to determine, in consultation with GFC, future production schedules.

1.1.2 Accounting Policies and Forecast Projection

- a) These financial statements have been prepared in accordance with International Accounting Standards adopted by the Institute of Chartered Accountants of Guyana.
- b) Management is allowing for a 50% conversion rate from logs to lumber. In 2005, production is expected to be about 50% of total capacity (1,500 m³ lumber), to be increased to 75% in 2006 (2,200 m³ lumber) and 100% by 2007 (3,000 m³ lumber).
- c) Sales are based on management's projections of production as stated in (b) above. It is also expected that 90% of the production will be exported and the remaining 10% sold locally. It is anticipated that ITI will achieve a selling price of between US\$400 – US\$500 per m³ lumber.
- d) Production costs are prorated based on management's projections of product output.
 1. Operational costs includes costs for fuel and lubricants, maintenance, labour and other variable costs associated with road construction, harvesting, sawmilling, kiln drying, management costs, dressing and transport and handling.
 2. Management costs include: staff costs for forest manager, senior IT technician and support staff; senior inventory and support staff; sawmill manager and support staff; lumber grader and log scaler; master mechanic and staff; administrative support staff; and, certification costs.
 3. Environmental monitoring costs include the costs for monitoring the impact of the timber operation on the forest.
 4. Royalties are based on royalty rates for greenheart lumber at US\$12.50 per m³. GFC concession fees are US\$0.08 per acre for under 20,000 acres. Over the first three years of operation, ITI would harvest about 6,000 acres resulting in concession fees of about US\$160 per year.
 5. General expenses cover all other expenses not provided for and are expected to be 15 % of sales.

6. A one time charge for certification is included in 2005 after which annual audit fees for certification are charged under management costs for 2006 and 2007

1.1.2.1 Tangible Fixed Assets

Tangible fixed assets are stated at projected valuation. A full year's depreciation is charged in the year of addition, but no depreciation is charged in the year of disposal. The rates charged are as follows:

Roads	10%
Building	written off over 15years
Harvesting equipment	20%
Saw milling equipment	10%
Kiln drying equipment	10%
Dressing equipment	20%
Motor vehicles & trucks	20%
Others	10%

1.1.2.2 Inventory

Inventory is stated at cost and net realizable value.

1.1.2.3 Trade Receivable and Payables

Management projects that revenues from sales will be collected within 30 days. Therefore, trade receivable is projected to be about a month's sales. Similarly, trade payables will be about ten percent of cost of sales and payment period will be about a month.

1.1.2.4 Taxation

Although the Centre's activities are exempt from taxation, ITI will be subject to all taxes and duties including corporation and property taxes. The rates used are those currently in effect in accordance with the corporation tax act. Where there are negative net earnings the taxes paid refer to property tax as opposed to corporation tax.

1.1.2.5 Investment

It is expected that the investor will provide funding for all capital investments.

1.1.3 Estimated Equipment and Capital Costs

Item	Cost (\$ US)
Roads	60,000
Felling Equipment	220,100
Sawmilling Equipment	251,650
Kiln-Drying Equipment	203,000
Dressing Equipment	54,700
Inventory Equipment	3,220
Camp Equipment	185,000
Management Equipment	80,000
Total Capital And Establishment Cost	1,057,670

1.1.4 Financial Statements

Capital Expenditure (\$US)

Item	2005	2006	2007
Total capital expenditure ⁽¹⁾	1,047,670	5,000	5,000
Net written down value (31/12)	887,785	760,524	655,734

⁽¹⁾ Projection total excludes spare parts, includes site preparation for the processing site, and includes road maintenance cost over four years.

Profit/Loss Statement (\$ US)

(Mobile Mills - log intake approx. 6,000 m³ / yr)

Item	2005	2006	2007
Income			
Sales-export	607,500	1,012,500	1,350,000
-local	60,000	90,000	120,000
	667,500	1,102,500	1,470,000
Cost of Sales & Management			
Expenses	749,103	968,274	1,216,075
Add: Opening inventories	-	34,080	41,205
Less: Closing inventories	(34,080)	(41,205)	(57,308)
Operating cost	715,023	961,149	1,199,972
Net profit /(Loss) before taxation	(47,523)	141,351	270,028
Taxation	7,000	48,900	110,500
Net profit /(Loss) after taxation	(54,523)	92,451	159,528
Retained earnings Jan 01	-	(54,523)	37,928
Retained earnings Dec 31	(54,523)	37,928	197,456

Balance Sheet (\$ US)

Item	2005	2006	2007
ASSETS			
Non -Current Assets			
Property, plant, equipment etc	887,785	760,524	655,734
Current Assets			
Inventories	34,080	41,205	57,308

Trade & other receivables	55,625	147,500	270,000
Cash & cash equivalent	4,448	179,399	380,228
	94,153	368,104	707,536
Total Assets	981,938	1,128,628	1,363,270
EQUITY			
Owners Equity	1,000,000	1,000,000	1,000,000
(Accum. losses)/Ret'd earnings	(54,523)	37,928	197,456
LIABILITIES			
Current liabilities			
Trade & other payables	29,461	41,801	55,314
Provision for taxation	7,000	48,900	110,500
	36,461	90,701	165,814
Total equity and liabilities	981,938	1,128,628	1,363,270