

Forests for Tomorrow

Quarterly Report

December 31, 2005

PRICEWATERHOUSECOOPERS 

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1. Overview

We are pleased to submit our report covering the operations and administration of the Province's Forests for Tomorrow Program ("FFT") for the three-month period ended December 31, 2005.

The number of projects submitted for approval was 105 (\$8.1 million) by the end of the third quarter (64 projects/\$4.1 million by September 30, 2005). PricewaterhouseCoopers ("PwC") anticipates a further increase in funding requests during the fourth quarter to complete the review and assessment of the impeded openings that were identified by the Ministry of Forests & Range ("MoFR") at the onset of the FFT program. At the same time, PwC anticipates that FFT Recipients will be able to spend the funds allocated to them in this fiscal year, assuming the weather cooperates and the opening reviews move along efficiently.

Overall, PwC's investment team has reviewed over 95% of the Recipient's submissions and approved approximately 94% of these projects by the end of the third quarter. No major issues have arisen to-date. PwC will be planning performance and financial audits of the FFT over the next few months.

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2. Program Analysis

As of December 31, 2005 we have received project plans for \$8.1 million in the FFT investment schedules, representing 80% of the FFT budget (\$10.1 million) allocated to-date to eligible FFT Recipients. A summary of the number and value of program projects submitted by the end of the third quarter through PwC is found in the table following.

Summary of FFT Submitted Projects as of December 31, 2005

Component	#	\$
Information Gathering and Management	12	1,348,899
Stand Establishment and Treatment	79	5,892,404
Strategic Resource Planning	14	813,626
Total Submitted	105	\$8,054,929
FFT Allocation Under Investment Schedules		\$10,085,350
Total FFT Allocation (PwC Administration)		\$14,000,000

As can be seen in the above table, 74% (\$10.1 million) of the FFT allocation under PwC has been set-up in investment schedules for Recipients partaking in the program in fiscal 2005/06. The summary of those Recipients involved in the FFT can be found in Appendix 1. Based on PwC's discussions with these Recipients, it is believed that funding will be fully utilized in this fiscal year. However, the final spending is dependent on weather and also on the Recipients' abilities to complete the assessment of the impeded stands in the impacted management units in the limited time remaining in the 2005/06 fiscal year.

FFT Recipients are currently completing projects in a number of management units that are centered on a review and assessment of the backlog and impeded openings that were identified by the MoFR staff involved in the FFT and subsequently used as the basis for program funding. These projects will form the basis for brushing-related projects in future fiscal years and can also provide information valuable to the timber supply review process.

Fertilization planning and implementation for Spruce and Douglas fir stands in the mountain pine beetle impacted management units occurred during quarter three. As

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noted previously, this fertilization program is widely viewed by forest managers and practitioners as a valuable tool for mitigating "pinch points" in the mid-term timber supply caused by age class imbalances, and for increasing long term harvest levels.

The majority of projects submitted to-date under FFT has been focused on the Stand Establishment and Treatment component (75%). Under this component, surveys related to brushing opportunities, as well as the implementation of brushing work account for almost 56% of the projects received. There have also been a number of silviculture strategies proposed under the Strategic Resource Planning component, accounting for approximately 13% of the projects (\$0.8 million) in the current fiscal year. A summary of the projects submitted by region is shown in Appendix 2.

At the end of the third quarter, PwC had reviewed and approved over 95% of the projects submitted (See Appendix 3). During the final quarter, PwC will continue to focus its efforts on ensuring timely reviews of the priority projects identified by Recipients.

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3. Administrative Analysis

Financial Statements

As of December 31, 2005, \$5.3 million (September 30, 2005, \$2.6 million) of the FFT funding has been distributed to Recipients. We expect that approximately \$4.7 million will be distributed in the fourth quarter.

Auditing

Based on our approach for the Land Base Investment Program ("LBIP"), PwC's planned audits for the FFT will be completed in a similar manner, leveraging our LBIP experience to ensure that these audits are carried out efficiently and effectively. Planning for the 2005/06 performance audits commenced in the third quarter and will be finalized early in the fourth quarter. PwC will contact Recipients who will be audited prior to the end of the fourth quarter and anticipates that performance audit work will be carried out mainly in March through June 2006. PwC completed interim performance reviews on two??? Recipients in the third quarter and no issues of concern were noted.

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4. Quarter 4 Administrator Objectives

The following is a summary of objectives that PwC has established for the fourth quarter:

- PwC will continue to focus on the utilization of funds under the FFT to ensure that Recipients are using this year's available FFT funds. PwC will also determine if excess funds will be available under any investment schedule and subsequently develop an action plan with the MoFR to utilize any excess funds identified.
- PwC will continue to work with the MoFR Forest Practices Branch to assist in the planning process for the 2006/07 FFT program, including clarifying the potential eligible projects that Recipients may undertake in 2006/07 and the role PwC may play.
- The final planning for the 2005/06 financial and performance audits will be completed during the fourth quarter. PwC will review the approved investment schedules and associated projects to formulate this plan and will coordinate these audits as best as possible with PwC audits under the LBIP.
- With the fiscal year end approaching, PwC will continue to work closely with Recipients to ensure completion reports are submitted and approved in a timely manner.

Appendix 1

Forests for Tomorrow Allocation by Region & Management Unit 2005 - 2006				
		Investment		
Management Unit	Location	Schedule #	Licensee	Allocation
Northern Interior Forest Region				
TSA 24	Prince George	NOTSA242464	Aleza Lake Research Forest	\$13,750
		NOTSA242459	Canadian Forest Products Ltd.	\$787,000
TFL 53	Naver	NOTFL532465	Dunkley Lumber Ltd.	\$1,250,000
Regional Total				\$2,050,750
Southern Interior Forest Region				
TSA 01	Arrow	SOTSA014539	Beliveau Consulting	\$48,000
TSA 02	Boundary	SOTSA024540	Beliveau Consulting	\$34,000
TSA 05	Cranbrook	SOTSA054537	Beliveau Consulting	\$420,000
TSA 07	Golden	SOTSA074544	Louisiana-Pacific Canada Ltd.	\$215,500
TSA 09	Invermere	SOTSA094535	Beliveau Consulting	\$220,000
TSA 11	Kamloops	SOTSA114556	Beliveau Consulting	\$5,600
		SOTSA114520	Integral Forest Management Ltd.	\$434,000
		SOTSA114525	Tolko Industries Ltd.	\$241,500
		SOTSA114516	Weyerhaeuser Company Ltd.	\$95,000
TSA 13	Kootenay Lake	SOTSA134538	Beliveau Consulting	\$294,000
		SOTSA134514	Meadow Creek Cedar	\$250,000
TSA 18	Merritt	SOTSA184555	Beliveau Consulting	\$7,500
		SOTSA184559	Weyerhaeuser Company Ltd.	\$57,500
TSA 22	Okanagan	SOTSA224528	Louisiana-Pacific Canada Ltd.	\$87,000
		SOTSA224536	Okanagan Innovative Forest Association	\$390,000
		SOTSA224518	Weyerhaeuser Company Ltd.	\$370,000
TSA 23	100 Mile House	SOTSA234533	West Fraser Mills Ltd.	\$512,500
TSA 26	Quesnel	SOTSA264524	C & C Wood Products Ltd.	\$281,000
		SOTSA264553	Tolko Industries Ltd.	\$80,000
		SOTSA264521	West Fraser Mills Ltd.	\$937,500
TSA 29	Williams Lake	SOTSA294532	Alex Fraser Research Forest	\$30,000
		SOTSA294554	Tolko Industries Ltd.	\$255,000
		SOTSA294519	West Fraser Mills Ltd.	\$251,000
		SOTSA294527	Yun Ka Whurten Holdings Ltd.	\$901,000
TFL 05	Mac-Cariboo	SOTFL054522	West Fraser Mills Ltd.	\$120,000
TFL 15	Inkameep	SOTFL154517	Weyerhaeuser Company Ltd.	\$139,000
TFL 18	Clearwater	SOTFL184549	Canadian Forest Products Ltd.	\$112,000
TFL 23	Arrow Lakes	SOTFL234529	Pope & Talbot Ltd.	\$89,000
TFL 35	Jamieson Creek	SOTFL354515	Weyerhaeuser Company Ltd.	\$325,000
TFL 49	Okanagan	SOTFL494557	Tolko Industries Ltd.	\$20,000
TFL 52	Bowron-Cottonwood	SOTFL524523	West Fraser Mills Ltd.	\$812,000
Regional Total				\$8,034,600
Provincial Total				\$10,085,350

Appendix 2

Summary of Total Projects and Dollars for Each FFT Component and Activity by Region as at December 31, 2005

Activity	Northern Interior Forest Region		Southern Interior Forest Region		Total #	Total \$	Total %
	#	\$	#	\$			
Shared Exchange/Land and Resource Data Warehouse	0	-	1	7,700.20	1	7,700.20	0.10%
Information Gathering and Management - Data Management Total	0	-	1	7,700.20	1	7,700.20	0.10%
Growth and Yield (e.g. psp, strategy)	0	-	1	97,155.43	1	97,155.43	1.21%
Information Gathering and Management - Forest Dynamics and Decision Support Total	0	-	1	97,155.43	1	97,155.43	1.21%
Terrestrial biological and physical monitoring	0	-	1	34,090.91	1	34,090.91	0.42%
Information Gathering and Management - Monitoring Values for SFM Total	0	-	1	34,090.91	1	34,090.91	0.42%
Airborne and Satellite Remote Sensing Data	0	-	2	366,775.85	2	366,775.85	4.55%
Inventory Projection	0	-	1	270,275.19	1	270,275.19	3.36%
Predictive Ecosystem Mapping	0	-	1	250,999.61	1	250,999.61	3.12%
Vegetation Resource Inventory	0	-	1	28,413.01	1	28,413.01	0.35%
Wildlife and Wildlife Habitat Mapping	0	-	4	293,488.58	4	293,488.58	3.64%
Information Gathering and Management - Resource Inventories Total	0	-	9	1,209,952.24	9	1,209,952.24	15.02%
Brushing	6	508,122.37	3	325,893.38	9	833,815.75	10.35%
Planting	0	-	4	242,963.52	4	242,963.52	3.02%
Site Preparation	0	-	1	3,129.70	1	3,129.70	0.04%
Surveys	4	187,469.38	17	809,500.02	21	996,969.40	12.38%
Stand Establishment and Treatment - Backlog Reforestation Total	10	695,591.75	25	1,381,286.63	35	2,076,878.37	25.78%
Brushing	0	-	1	32,987.50	1	32,987.50	0.41%
Planting	0	-	18	862,240.13	18	862,240.13	10.70%
Site Preparation	0	-	6	659,641.75	6	659,641.75	8.19%
Surveys	0	-	10	242,545.68	10	242,545.68	3.01%
Stand Establishment and Treatment - Current Fire and Pest Reforestation Total	0	-	35	1,797,415.06	35	1,797,415.06	22.31%
Brushing	1	13,721.59	2	198,422.46	3	212,144.05	2.63%
Stand Establishment and Treatment - Impeded Stands Total	1	13,721.59	2	198,422.46	3	212,144.05	2.63%
Fertilization	1	1,250,000.00	3	499,581.57	4	1,749,581.57	21.72%
Spacing	0	-	1	45,323.11	1	45,323.11	0.56%
Surveys	0	-	1	11,061.95	1	11,061.95	0.14%
Stand Establishment and Treatment - Stand Treatments to meet Timber objectives Total	1	1,250,000.00	5	555,966.63	6	1,805,966.63	22.42%
Forest Health Strategy	0	-	1	49,588.41	1	49,588.41	0.62%
Silviculture Strategies	2	119,245.74	11	644,792.23	13	764,037.96	9.49%
Strategic Resource Planning - Developing Management Unit or Watershed Level Strategies Total	2	119,245.74	12	694,380.64	14	813,626.38	10.10%
Grand Total	14	\$ 2,078,559.08	91	\$ 5,976,370.20	105	\$ 8,054,929.28	100.00%

Appendix 3

Summary of FFT Projects by Status & Number as at December 31, 2005

Millions

