

Forests for Tomorrow

Quarterly Report

September 30, 2005

PRICEWATERHOUSECOOPERS 

Forests for Tomorrow
Quarterly Report
September 30, 2005

Table of Contents	Page
1. Overview.....	1
2. Program Analysis.....	2
3. Administrative Analysis	4
4. Quarter 3 Administrator Objectives	5

Appendices

- Appendix 1 Forests for Tomorrow Allocation by Region and Management Unit
- Appendix 2 Summary of Total Projects & Dollars for each FFT Component & Activity By Region
- Appendix 3 Summary of FFT Projects by Status and Number

Forests For Tomorrow

Quarterly Report

September 30, 2005

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 September 30, 2005.

During the second quarter, PwC continued to contact Recipients in the identified management units that have been significantly impacted by the mountain pine beetle ("MPB"), as well as those units where the 2003 or 2004 large wildfires occurred. The Ministry of Forests and Range ("MoFR") also announced in August an additional four management units were eligible for funding consideration and thus, PwC initiated contact with licensees and other Recipients within these areas to raise their awareness of the FFT during the second quarter.

The number of projects submitted for approval grew to 64 (\$4.1 million) during the second quarter from the 24 (\$1.3 million) in quarter one. PwC anticipates a further increase in funding requests during the third quarter as a result of the completion of planning projects leading to implementation of works, and as well as the inclusion of fertilization as an eligible activity under the FFT in this fiscal year in specific management units. However, at the same time, PwC believes a number of current Recipients will be unable to spend the funds allocated to them for this fiscal year as it appears that many were concerned that the program guidelines (and eligibility) for Recipient activities were not well defined in time for implementation during the field season and, as well, the projected lower FFT budget allocation in 2006/07 may have impacted their activity level in this current fiscal year.

Overall, PwC's investment team has reviewed over 95% of the Recipient's submissions and approved approximately 88% of these projects in the second quarter. No major issues have arisen to-date. PwC will be planning performance and financial audits of the FFT over the next few months.

Forests For Tomorrow

Quarterly Report

September 30, 2005

2. Program Analysis

As of September 30, 2005 we have received project plans for \$4.1 million in the FFT investment schedules, representing 39.4% of the FFT budget (\$10.4 million) allocated to-date to eligible FFT Recipients. A summary of the number and value of program projects submitted by the end of the second quarter through PwC is found in the table following.

Summary of FFT Submitted Projects as of September 30, 2005

Component	#	\$
Information Gathering and Management	7	1,209,032
Stand Establishment and Treatment	47	2,437,541
Strategic Resource Planning	10	490,244
Total	64	\$4,136,818
FFT Allocation Under Investment Schedules	N/A	\$10,362,250
Total FFT Allocation (PwC Administration)	N/A	\$14,000,000

As can be seen in the above table, 74% (\$10.4 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 at least two Recipients (Beliveau Consulting and Genesis Reforestation) will not fully utilize the funds allocated to them in this fiscal year. The estimated amount of unspent funds from all current Recipients is \$2 million.

PwC has recently received a summary 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. PwC's Investment Managers have begun the process of contacting Recipients in the FFT management units to seek their input on these openings and to ascertain the potential funding needed to complete work in these areas.

Also, fertilization planning for Spruce and Douglas fir stands in the MPB impacted management units began in quarter two and is anticipated to add to the funds expended under PwC's administration of the FFT. This fertilization program is widely viewed by forest managers and practitioners as a valuable tool for mitigating

Forests For Tomorrow

Quarterly Report

September 30, 2005

"pinch points" in the mid-term timber supply caused by age class imbalances, and for increasing long term harvest levels. The MoFR staff are continuing to review and discuss this activity internally and PwC will implement the program as directed by the designated MoFR lead.

The majority of projects submitted to-date under FFT has been focused on the Stand Establishment and Treatment component (73%). Under this component, surveys related to brushing opportunities, as well as the implementation of brushing work account for over 61% of the projects received. There have also been a number of silviculture strategies proposed under the Strategic Resource Planning component, accounting for approximately 14% of the projects (\$0.5 million) in the current fiscal year. A summary of the projects submitted by region is shown in Appendix 2.

At the end of the second quarter, PwC had reviewed and approved almost 88% of the projects submitted (See Appendix 3). During quarter three, PwC will continue to focus its efforts on ensuring timely reviews of the priority projects identified by Recipients.

Forests For Tomorrow
Quarterly Report
September 30, 2005

3. Administrative Analysis

Financial Statements

As of September 30, 2005, \$2.6 million of the FFT funding has been distributed to Recipients (PwC applies a 20% holdback on all approved projects). We expect that approximately \$5.4 million (based on our cash flow projections) will be distributed in the third quarter.

Auditing

PwC has not currently completed any of the work necessary to carry out the 2005/06 audit plan for the FFT. 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. Detailed planning for the 2005/06 FFT audit program will be carried out during the third quarter. We anticipate completing some performance audits this Fall, possibly commencing in October 2005.

Forests For Tomorrow

Quarterly Report

September 30, 2005

4. Quarter 3 Administrator Objectives

The following is a summary of objectives that PwC has established for the third 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 and Recipients to identify backlog and impeded stands that fall within the FFT parameters.
- PwC will continue to work with the MoFR Forest Practices Branch to clarify and implement eligible projects and to ensure Recipients who have expressed an interest in the program have an opportunity to uptake these funds.
- The planning for the 2005/06 financial and performance audits will be initiated during the third quarter. PwC will review the approved investment schedules and associated projects to begin the formulation of this plan and will coordinate these audits as best as possible with PwC audits under the LBIP.

Appendix 1

Forests for Tomorrow Allocation by Region & Management Unit 2005 - 2006				
Management Unit	Location	Investment		Allocation
		Schedule #	Licensee	
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	\$25,000
TSA 02	Boundary	SOTSA024540	Beliveau Consulting	\$6,000
TSA 05	Cranbrook	SOTSA054537	Beliveau Consulting	\$420,000
TSA 07	Golden	SOTSA074544	Louisiana-Pacific Canada Ltd.	\$215,500
TSA 09	Invermere	SOTSA094535	Beliveau Consulting	\$190,000
TSA 11	Kamloops	SOTSA114541	Genesis Reforestation Consultants	\$610,000
		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	\$375,000
TSA 22	Okanagan	SOTSA224542	Genesis Reforestation Consultants	\$217,500
		SOTSA224528	Louisiana-Pacific Canada Ltd.	\$87,000
		SOTSA224536	Okanagan Innovative Forest Association	\$260,000
		SOTSA224518	Weyerhaeuser Company Ltd.	\$610,000
TSA 23	100 Mile House	SOTSA234533	West Fraser Mills Ltd.	\$512,500
TSA 26	Quesnel	SOTSA264524	C & C Wood Products Ltd.	\$281,000
		SOTSA264521	West Fraser Mills Ltd.	\$937,500
TSA 27	Revelstoke	SOTSA274543	Genesis Reforestation Consultants	\$27,500
TSA 29	Williams Lake	SOTSA294532	Alex Fraser Research Forest	\$30,000
		SOTSA294519	West Fraser Mills Ltd.	\$251,000
		SOTSA294527	Yun Ka Whu'ten Holdings Ltd.	\$901,000
TFL 05	Mac-Cariboo	SOTFL054522	West Fraser Mills Ltd.	\$120,000
TFL 15	Inkameep	SOTFL154517	Weyerhaeuser Company Ltd.	\$200,000
TFL 23	Arrow Lakes	SOTFL234529	Pope & Talbot Ltd.	\$89,000
TFL 35	Jamieson Creek	SOTFL354515	Weyerhaeuser Company Ltd.	\$325,000
TFL 52	Bowron-Cottonwood	SOTFL524523	West Fraser Mills Ltd.	\$812,000
TFL 55	Selkirk	SOTFL554545	Louisiana-Pacific Canada Ltd.	\$38,500
			Regional Total	\$8,311,500
			Provincial Total	\$10,362,250

Appendix 2

Summary of Total Projects and Dollars for Each FFT Component and Activity by Region as at September 30, 2005

Activity	Northern Interior Forest Region			Southern Interior Forest Region			Total #	Total \$	Total %
	#	\$	%	#	\$	%			
Shared Exchange/Land and Resource Data Warehouse	0	-	0.00%	1	7,700.20	0.19%	1	7,700.20	0.19%
Information Gathering and Management - Data Management Total	0	-	0.00%	1	7,700.20	0.19%	1	7,700.20	0.19%
Growth and Yield (e.g. psp, strategy)	0	-	0.00%	1	97,155.43	2.35%	1	97,155.43	2.35%
Information Gathering and Management - Forest Dynamics and Decision Support Total	0	-	0.00%	1	97,155.43	2.35%	1	97,155.43	2.35%
Airborne and Satellite Remote Sensing Data	0	-	0.00%	2	711,672.78	17.20%	2	711,672.78	17.20%
Predictive Ecosystem Mapping	0	-	0.00%	1	250,999.61	6.07%	1	250,999.61	6.07%
Wildlife and Wildlife Habitat Mapping	0	-	0.00%	2	141,504.41	3.42%	2	141,504.41	3.42%
Information Gathering and Management - Resource Inventories Total	0	-	0.00%	5	1,104,176.81	26.69%	5	1,104,176.81	26.69%
Brushing	5	433,142.92	10.47%	3	290,763.62	7.03%	8	723,906.55	17.50%
Planting	0	-	0.00%	4	242,963.52	5.87%	4	242,963.52	5.87%
Site Preparation	0	-	0.00%	1	3,129.70	0.08%	1	3,129.70	0.08%
Surveys	1	68,858.67	1.66%	10	334,169.92	8.08%	11	403,028.59	9.74%
Stand Establishment and Treatment - Backlog Reforestation Total	6	502,001.60	12.13%	18	871,026.76	21.06%	24	1,373,028.36	33.19%
Planting	0	-	0.00%	8	648,725.23	15.68%	8	648,725.23	15.68%
Site Preparation	0	-	0.00%	5	192,099.13	4.64%	5	192,099.13	4.64%
Surveys	0	-	0.00%	8	186,785.15	4.52%	8	186,785.15	4.52%
Stand Establishment and Treatment - Current Fire and Pest Reforestation Total	0	-	0.00%	21	1,027,609.51	24.84%	21	1,027,609.51	24.84%
Brushing	1	13,721.59	0.33%	1	23,181.82	0.56%	2	36,903.41	0.89%
Stand Establishment and Treatment - Impeded Stands Total	1	13,721.59	0.33%	1	23,181.82	0.56%	2	36,903.41	0.89%
Forest Health Strategy	0	-	0.00%	1	38,740.95	0.94%	1	38,740.95	0.94%
Silviculture Strategies	1	50,277.76	1.22%	8	401,225.38	9.70%	9	451,503.14	10.91%
Strategic Resource Planning - Developing Management Unit or Watershed Level Strategies Total	1	50,277.76	1.22%	9	439,966.33	10.64%	10	490,244.09	11.85%
Grand Total	8	\$ 566,000.95	13.68%	56	\$ 3,570,816.86	86.32%	64	\$ 4,136,817.81	100.00%

Appendix 3

Summary of FFT Projects by Status & Number as at September 30, 2005

Millions

