

Forests for Tomorrow

Quarterly Report
September 30, 2006

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

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

Forests for Tomorrow
Quarterly Report
September 30, 2006

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 second quarter ending September 30, 2006.

In March, 2005 the BC government announced funding earmarked at addressing the long term timber supply in management units that have been heavily impacted by the mountain pine beetle ("MPB") and/or wildfires. At that time, it was estimated that the FFT may run for 15 years, with a budget that would increase annually commencing in 2008/09 and decrease as free-growing forests are achieved.

In 2006/07, PricewaterhouseCoopers ("PwC") will administer \$6.7 million on behalf of the Ministry of Forests & Range ("MoFR"). The second quarter of the fiscal 2007 has seen a steady submission of project plans by Recipients. Overall, PwC's investment team has received project plans representing over 69% of the budget and approved 21 projects (84% of the Recipient's submissions).

As of quarter end, PwC has concluded the financial and performance audit program for the 2005/06 FFT program and forwarded these to the MoFR and Recipients during the second quarter.

Forests for Tomorrow

Quarterly Report

September 30, 2006

2. Program Analysis

As of September 30, 2006 we have received 37 project plans for \$4.6 million in the FFT investment schedules (September 30, 2005 – 64 projects/\$4.1 million), representing 69% of the FFT budget (\$6.7 million) allocated to eligible FFT Recipients. To-date, we have approved 37 projects (100% of the submissions) worth an aggregate value of \$4.6 million (September 30, 2005 – 56 projects/\$3.8 million).

A summary of the number and value of program projects submitted by the end of the first quarter by Recipients is found in the following table.

Summary of FFT Submitted Projects as of September 30, 2006

Component	#	\$
Brushing	2	148,132
Environmental Maintenance	1	3,820
Planting	9	937,503
Site Preparation	14	2,769,764
Surveys	11	707,711
Total Submitted	37	\$4,566,930
FFT Allocation Under Investment Schedules		\$6,742,776

The summary of those Recipients involved in the 2006/07 FFT can be found in Appendix 1.

As shown in the table above, the majority of project funding to-date under FFT has been focused on the site preparation activity area, accounting for almost 61% of the submissions to PwC. During the second quarter, Recipients cancelled a number of planting projects as planting stock was not ready, as well as the sites that were planned required further survey work to confirm the need for planting. As noted in the first quarter, the MoFR identified the 2006/07 eligible activities that were to be completed by each Recipient and as a result, the program delivery should be more efficient in this fiscal year. A summary of the projects submitted by region is shown in Appendix 2.

Forests for Tomorrow

Quarterly Report

September 30, 2006

3. Administrative Analysis

Financial Statements

As of September 30, 2006, **\$2.7** million (September 30, 2005 - \$2.6 million) of the FFT funding has been distributed to Recipients. We expect that approximately **\$1.9** million will be distributed in the second quarter.

2006/07 Audit Program

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 2006/07 performance audits will commence in the third quarter and auditing (both financial and performance) are scheduled to take place during April to June, 2007. PwC will be contacting the Recipients who will be audited during the third quarter.

Forests for Tomorrow
Quarterly Report
September 30, 2006

4. Quarter 3 Administrator Objectives

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

PwC will continue to work with the MoFR Forest Practices Branch to streamline the delivery of the FFT, focusing on the utilization of funds to ensure that Recipients are using the available funds to complete the priority areas determined by the MoFR. 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 commence the 2006/07 financial and performance audits planning in the third quarter. We also anticipate conducting field audits during the quarter on some program Recipients.

Appendix 1

Forests for Tomorrow Allocation By Region And Management Unit 2006/07

<i>Management Unit</i>	<i>Schedule #</i>	<i>Recipient</i>	<i>Allocation</i>	
Northern Interior Forest Region				
TSA 24	Prince George	NOTSA242580	Canadian Forest Products Ltd.	\$375,750.00
			Total for Region	\$375,750.00
Southern Interior Forest Region				
TSA 05	Cranbrook	SOTSA054675	Beliveau Consulting Ltd.	\$1,274,327.00
TSA 09	Invermere	SOTSA094676	Beliveau Consulting Ltd.	\$119,766.00
TSA 11	Kamloops	SOTSA114677	Beliveau Consulting Ltd.	\$105,791.00
		SOTSA114691	Forsite	\$1,080,319.50
			Timberline Forest Inventory	\$600,000.00
TSA 13	Kootenay Lake	SOTSA134678	Beliveau Consulting Ltd.	\$1,667,370.00
TSA 13	Kootenay Lake	SOTSA134683	Leesing Consulting	\$133,525.00
TSA 15	Lillooet	SOTSA154679	Beliveau Consulting Ltd.	\$141,198.26
TSA 18	Merritt	SOTSA184680	Beliveau Consulting Ltd.	\$827,170.00
TSA 22	Okanagan	SOTSA224681	Beliveau Consulting Ltd.	\$32,689.00
			Weyerhaeuser Company Ltd.	\$46,416.60
TSA 29	Williams Lake	SOTSA294682	Yun Ka Whu'ten Holdings Ltd.	\$28,500.00
TFL 15	Inkameep	SOTFL154686	Weyerhaeuser Company Ltd.	\$12,453.64
TFL 35	Jamieson Creek	SOTFL354687	Weyerhaeuser Company Ltd.	\$297,500.00
			Total for Region	\$6,367,026.00
			Grand Total (Recipients)	\$6,742,776.00

Appendix 2

Summary of Total Projects and Dollars for Each Forests for Tomorrow Component and Activity by Region as at September 30, 2006

Activity	Northern Interior Forest Region		Southern Interior Forest Region		Total #	Total \$	Total %
	#	\$	#	\$			
Environmental Maintenance Projects on Non-status Forest Roads	0	-	1	3,820.04	1	3,820.04	0.08%
Infrastructure - Roads Total	0	-	1	3,820.04	1	3,820.04	0.08%
Brushing	0	-	1	70,502.21	1	70,502.21	1.54%
Planting	0	-	1	52,446.90	1	52,446.90	1.15%
Site Preparation	3	298,440.23	0	-	3	298,440.23	6.53%
Surveys	0	-	1	6,404.18	1	6,404.18	0.14%
Stand Establishment and Treatment - Backlog Reforestation Total	3	298,440.23	3	129,353.29	6	427,793.52	9.37%
Brushing	0	-	1	77,630.14	1	77,630.14	1.70%
Planting	0	-	8	885,055.62	8	885,055.62	19.38%
Site Preparation	0	-	11	2,471,323.89	11	2,471,323.89	54.11%
Surveys	0	-	10	701,306.40	10	701,306.40	15.36%
Stand Establishment and Treatment - Current Fire and Pest Reforestation Total	0	-	30	4,135,316.07	30	4,135,316.07	90.55%
Grand Total	3	\$ 298,440.23	34	\$ 4,268,489.40	37	\$ 4,566,929.63	100.00%