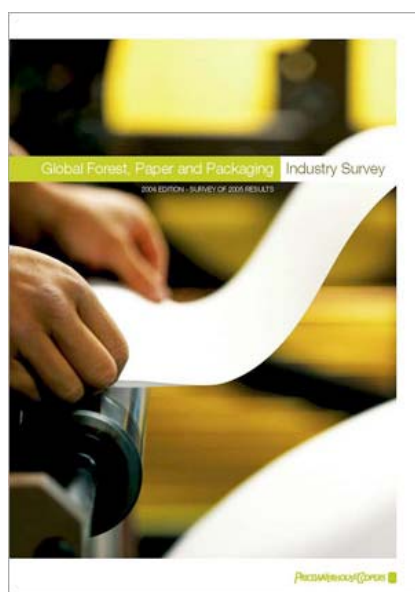


Financial Performance and Opportunities for the Forest and Paper Industry

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PricewaterhouseCoopers Global Top 100

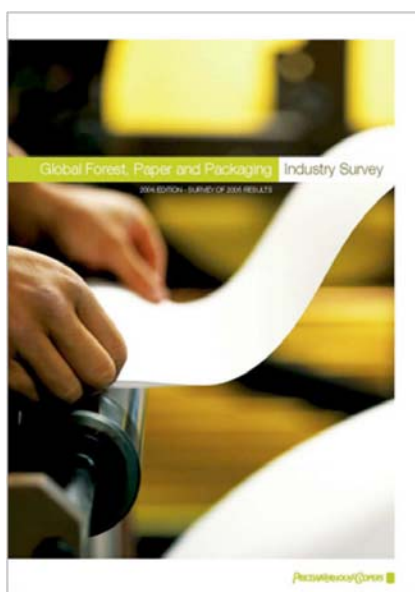


	2006(E)	2005	2004	2003	2002
Sales (USD billions)	360	340	328	304	295
Net Earnings (USD billions)	15	9.1	13.7	7.8	3.5
ROCE * (%) (Return on Capital Employed)	4.6	4.5	5.3	4.2	4.3

* Excluding unusual items

Source: PricewaterhouseCoopers

Return on Capital Employed by Region*

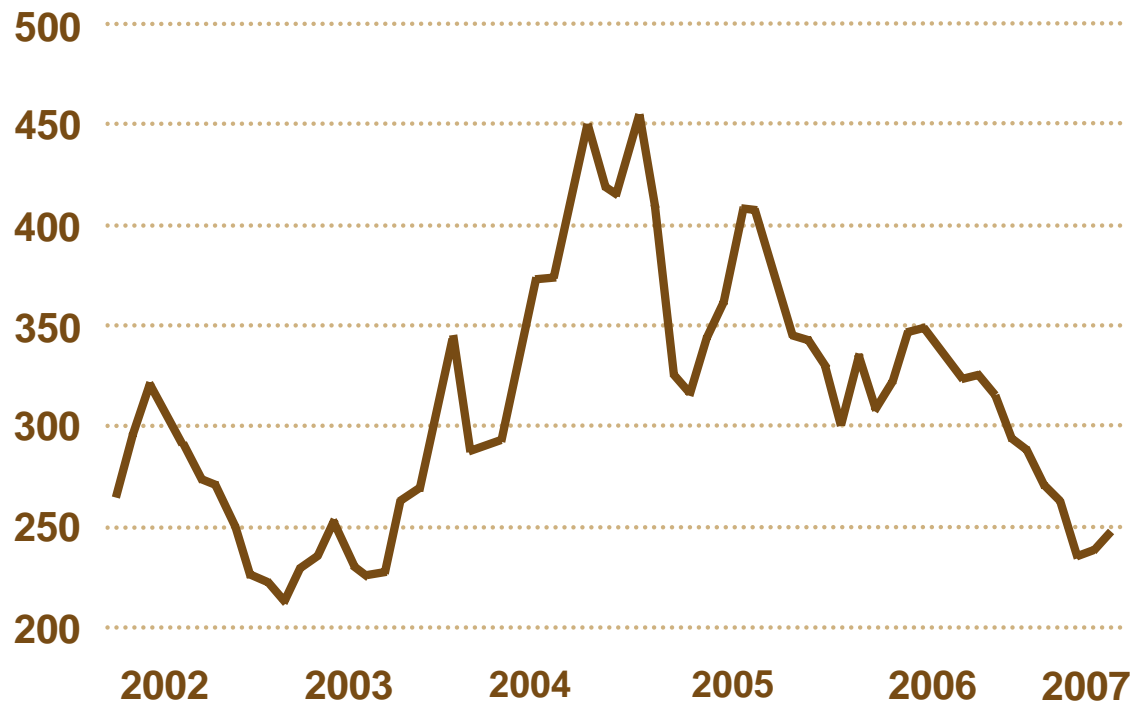


	2006(E)	2005
British Columbia	-1.8%	4.1%
Canada	0.5	5.5
USA	4.2	6.3
Europe	3.8	2.3
Japan	4.7	3.1
Emerging Markets	12.6	9.5
GLOBAL TOP 100	4.6%	4.5%

* Excluding unusual items

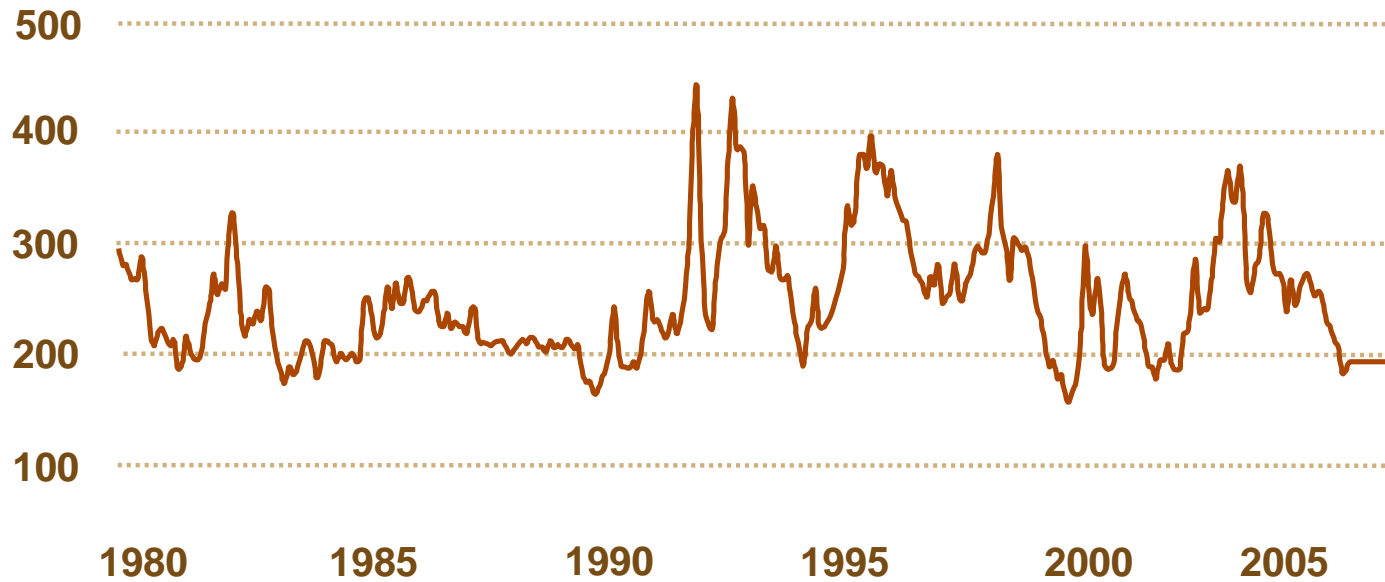
Source: PricewaterhouseCoopers

Lumber Prices (USD per mfbm)



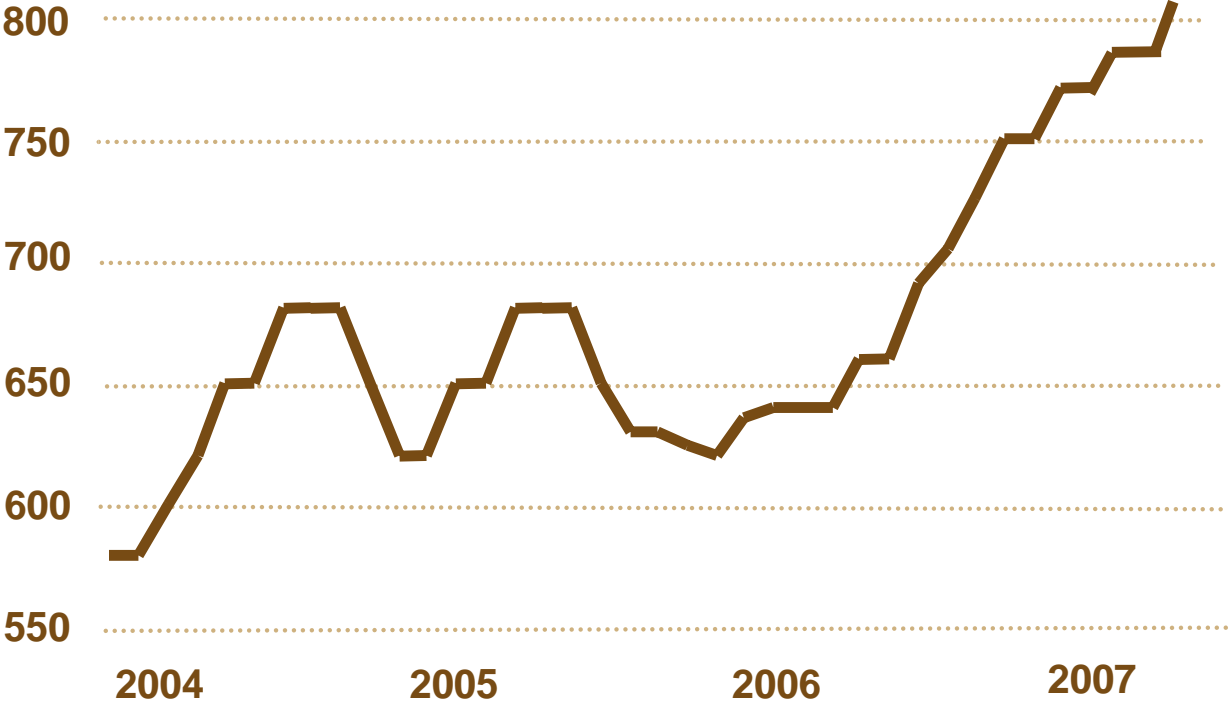
Source: Random Lengths (SPF, Western 2x4, KD, Std & Btr, Random, Mill Prices)

Lumber Prices (USD per mfbm - inflation adjusted)



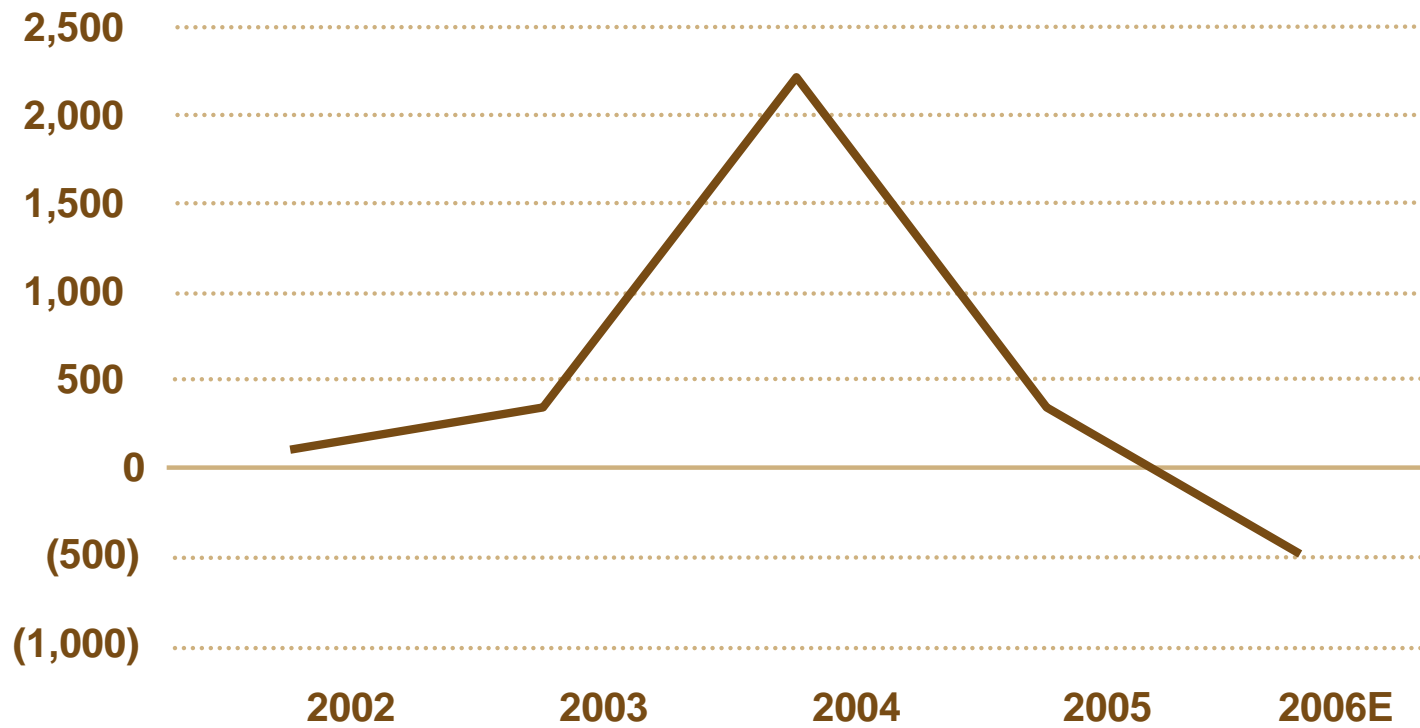
Source: Random Lengths (SPF, Western 2x4, KD, Std & Btr, Random, Mill Prices)
Adjusted for inflation using BC CPJ, 1992=100

Pulp Prices (USD per tonne)



Source: Pulp & Paper Week; NBSK List

BC Operations Net Earnings (Loss) (CAD millions)



Source: PricewaterhouseCoopers; 2006 excludes softwood duty refunds

2006 CEO Survey Findings



An industry undergoing comprehensive and far-reaching change:

- demand growth moving East to Asia
- supply advantage moving South

Interviews indicate:

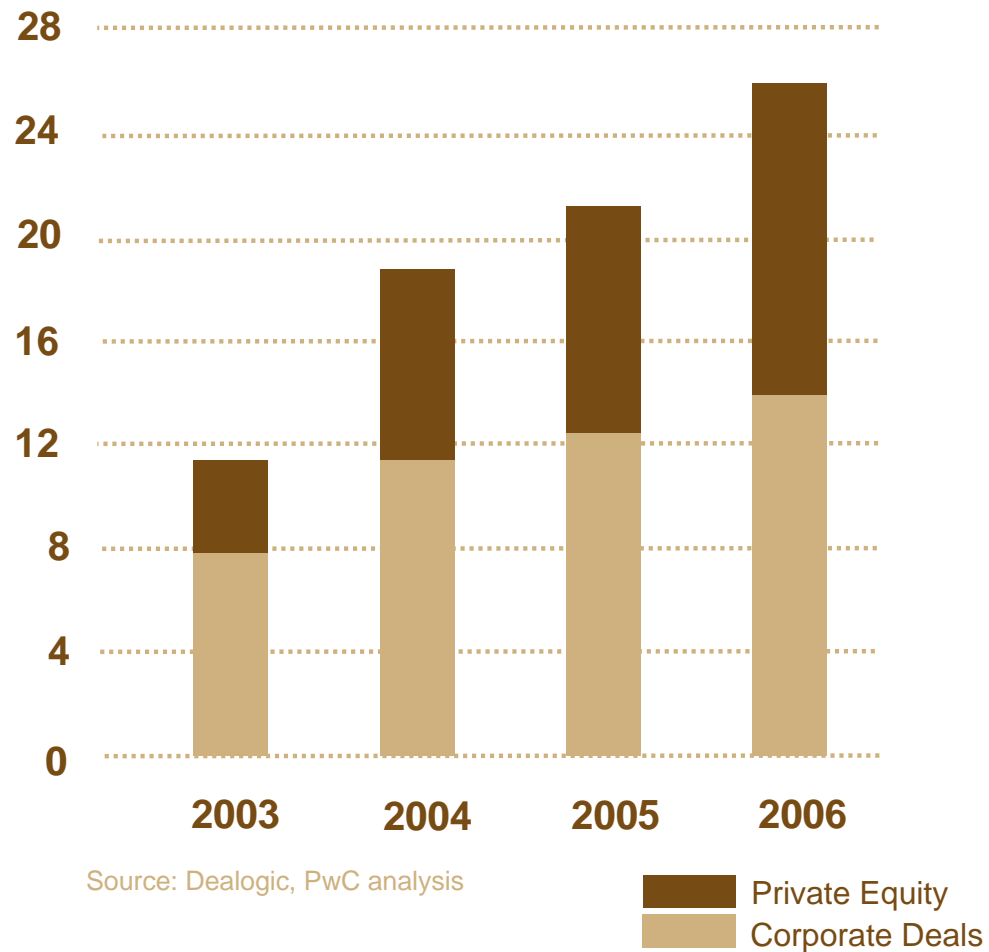
- Optimism about future demand for products; highest amongst Emerging Market CEOs
- Executives facing up to the major challenges of balancing short and long term strategies
- More innovative thinking and actions are required

Industry fragmentation: Further consolidation and rationalization is necessary

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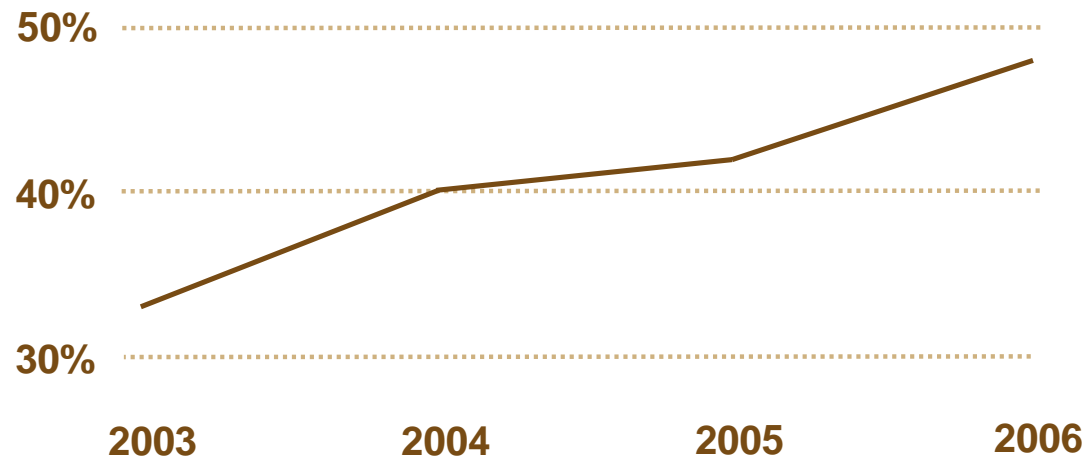


Global Forest and Paper Deal Trends (USD billions)



Global Forest and Paper Deal Trends

Private Equity Percent of Total Deal Value



Source: Dealogic, PwC analysis

Mountain Pine Beetle Epidemic



- >550m m³ infected
- Annual cut in BC = 80m m³
- Projected loss = 900m m³

Source: Natural Resources Canada

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Mountain Pine Beetle Epidemic



5mm

Alternatives for the BC Forest Industry

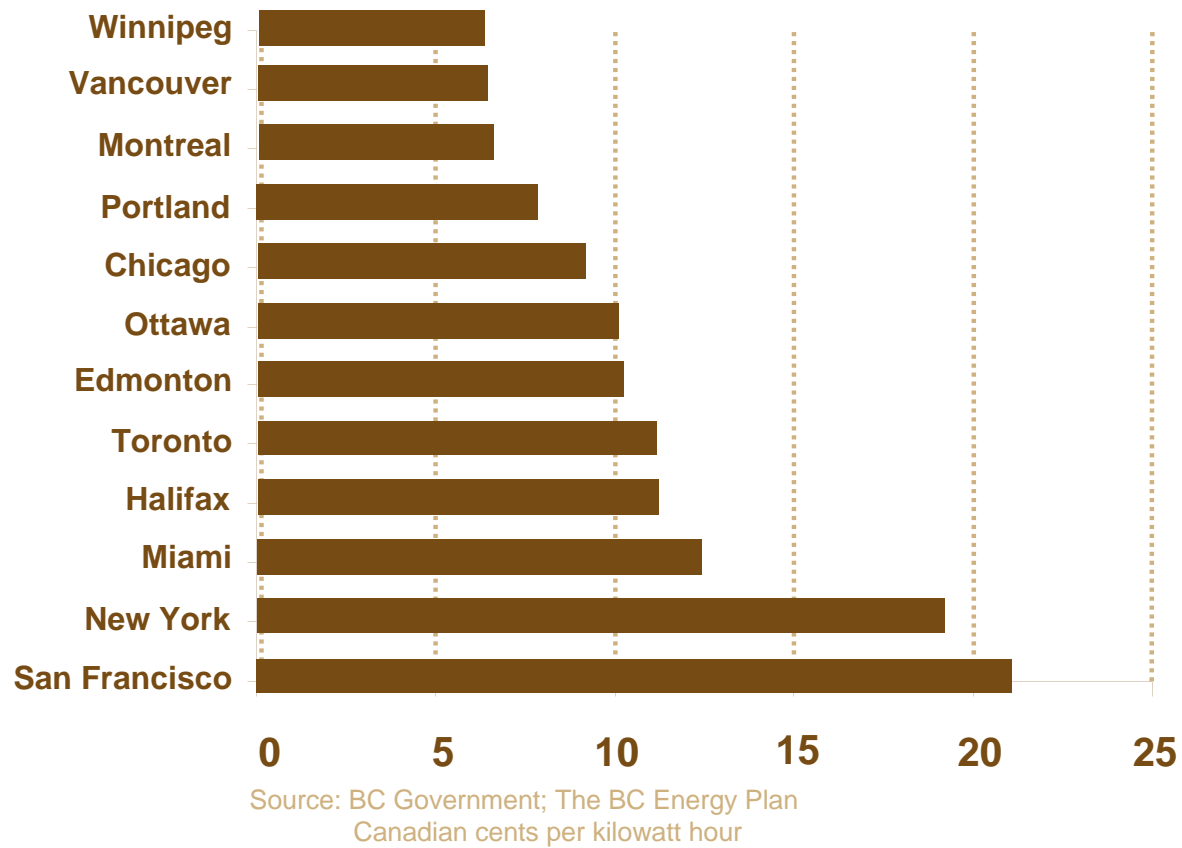
- Invest in the pulp sector leveraging beetle kill wood
- **Status quo**
 - Old pulp industry continues to be subsidized by world class lumber industry, then dies;
 - Interior lumber industry shrinks significantly
- Research alternative long term uses of beetle wood such as **energy**, engineered lumber, etc.
- Combination of above

The BC Energy Landscape

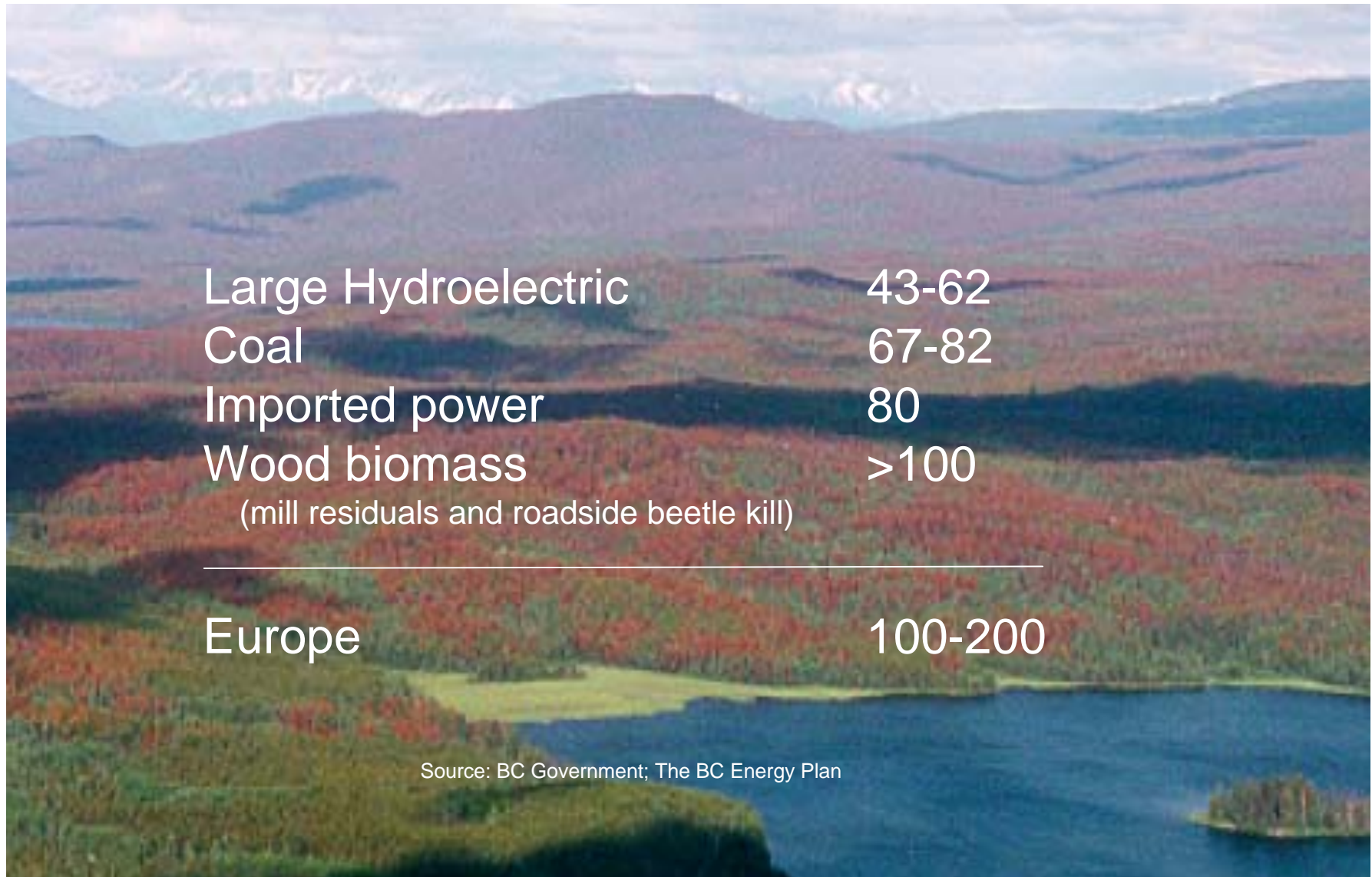
- BC Hydro currently has capacity to generate 11,000 MW
- BC Hydro imports 12% of energy requirements
- BC energy demand to increase by 25-45% over the next 20 years
- BC Pulp sector generates 850 MW for internal use

Source: BC Government; The BC Energy Plan

BC's Competitive Advantage



Costs to provide electricity in BC (CAD per MW hour)



Source: BC Government; The BC Energy Plan

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Roadside Beetle Wood



PricewaterhouseCoopers 20th Annual Global Forest and Paper Industry Conference

Wood Pellets



- BC pellet production capacity approximately 600,000 tonnes (1 dozen plants)
- More than 80% sold into Europe
- European demand for wood pellets to increase 150% by 2010
- Canada viewed as a secure supplier of quality wood pellets.
- Payback on capital approximately 3-4 years.

Source: BC Wood Pellet Association

Summary

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