Source: *Ministry of Forests*

Part III

B.C.'S FORESTS AND FOREST INDUSTRY

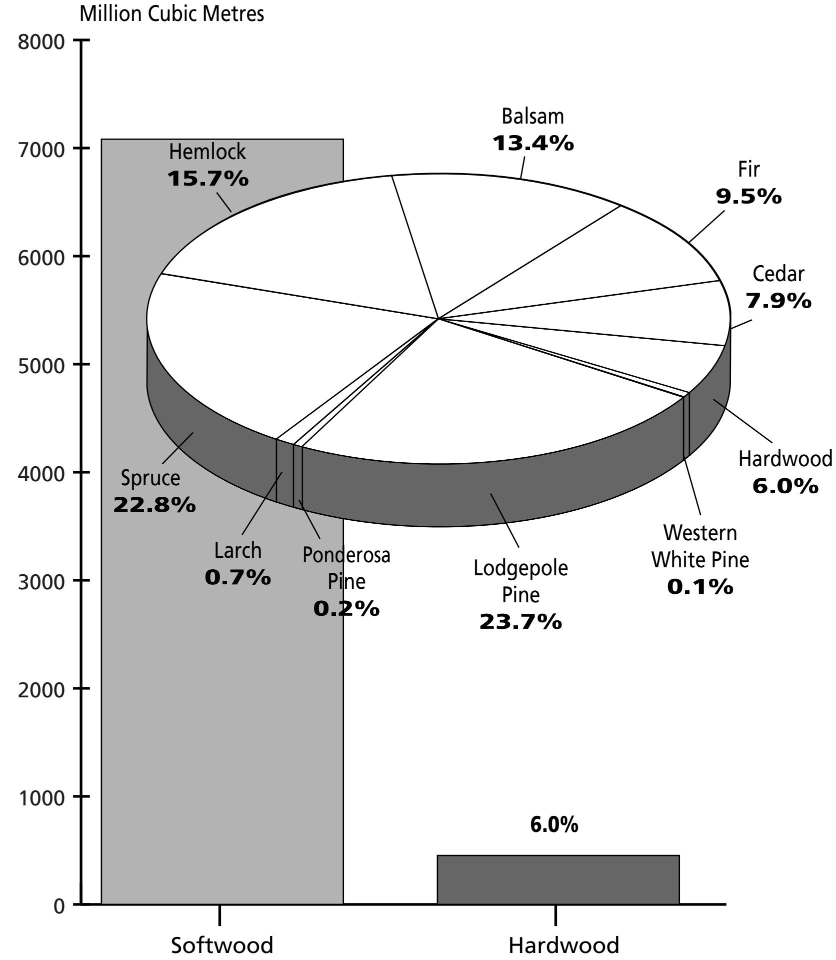
B.C. GROWING STOCK

B.C.'s total growing stock, which includes both immature and mature trees by all ownership, totalled 7,534.9 million cubic metres in 1996. The predominant species are softwood, or coniferous accounting for 94 per cent of the total, or 7,081.9 million cubic metres. Hardwood, or deciduous trees, make up the balance of 6 per cent or 453.0 million cubic metres.

In 1996 the total harvest in B.C. was 75.2 million cubic metres.

B.C. GROWING STOCK: 1996

Total Volume: 7,534.9 Million Cubic Metres
Softwood: 7,081.9 Million Cubic Metres
Hardwood: 453.0 Million Cubic Metres



B.C.'S ALLOWABLE ANNUAL CUT AND VOLUME HARVESTED

The allowable annual cut or AAC is the volume of timber that the Chief Forester of British Columbia determines can be harvested from the lands regulated by the province.

Every five years the Chief Forester reassesses the allowable annual cut (AAC) for the 37 timber supply areas (TSA's) and 34 tree farm licence areas (TFL's) within B.C.'s commercial forests. The most recent set of timber supply review AAC determinations were completed in December 1996 and resulted in the total provincial AAC for the TSA's and TFL's being reduced by 0.5 per cent or 325,000 cubic metres since the timber supply review began in 1992. The AAC before and after the timber supply review, however, are not entirely comparable. The conventional timber supply of coniferous wood was reduced by 5.2 per cent while some wood previously harvested under special licences outside the AAC, such as pulpwood forests and over mature cedar and hemlock are now included in the AAC. After allowing for the changes described above, the real reduction in terms of the pre-timber supply review AAC is somewhat greater and is in the range of one or two per cent.

The Chief Forester's determinations underscore the fact B.C. is in a period of transition. While original forests will continue to be a significant source of timber for another 25-50 years, B.C. is moving towards an era of increased management and utilization of second growth forests.

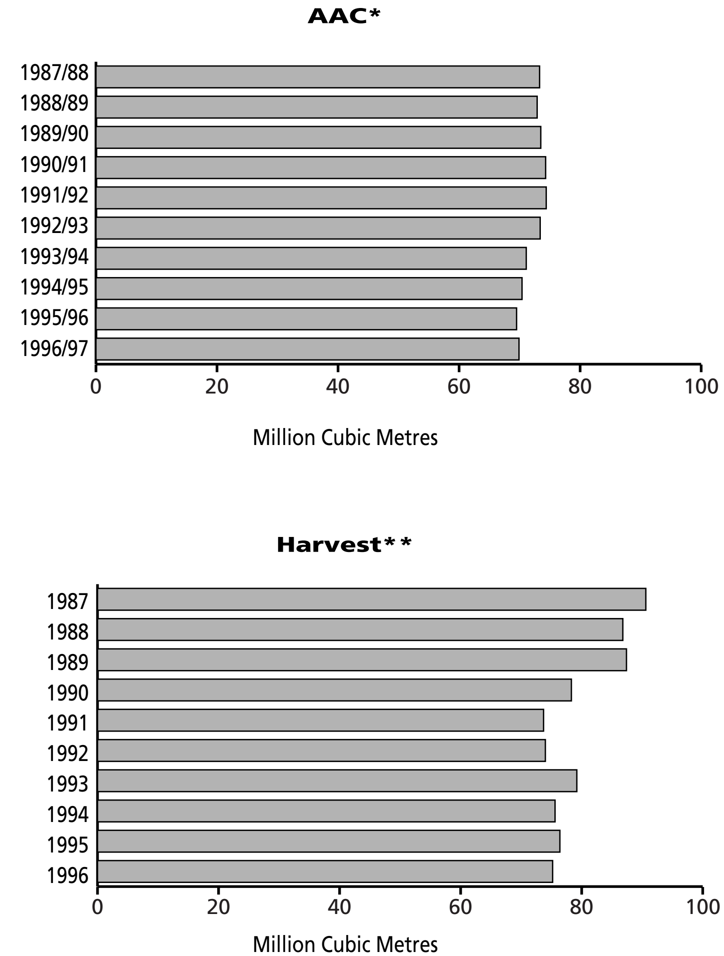
In the final analysis, the future AAC will be what British Columbians decide to make it. Achieving and maintaining the level of AAC necessary to assure ongoing benefits from the forest resource ultimately requires the involvement of everyone who receives those benefits.

Timber can also be harvested from lands that are not included in the AAC determination. As a result, the actual harvest can exceed the AAC without necessarily jeopardizing the principles on which the AAC is determined.

As well, on regulated lands, the law permits harvesting to fluctuate from the AAC by 50 per cent each year as long as the harvest is within 10 per cent of the AAC over a five-year period. This allows for variations in the harvest due to market conditions, adverse weather and other factors than can influence the level of harvest.

Source: B.C. Ministry of Forests

B.C.'S ALLOWABLE ANNUAL CUT & VOLUME HARVESTED: 1987 - 1996



* *Applies to Timber Supply Areas and Tree Farm Licences on a fiscal year basis.*

** *Includes logs harvested from both public and private lands and represents a larger land base than that from which the AAC is derived.*

B.C. FOREST INDUSTRY AND THE PROVINCIAL ECONOMY

The B.C. forest industry is a key contributor to the provincial economy. In 1996 it made up over 50 per cent, or $16.5 billion of total manufactured shipments. Wood products accounted for 31.8 per cent up slightly from the previous year, and pulp and paper products accounted for 18.3 per cent, down from 21.5 per cent in 1995.

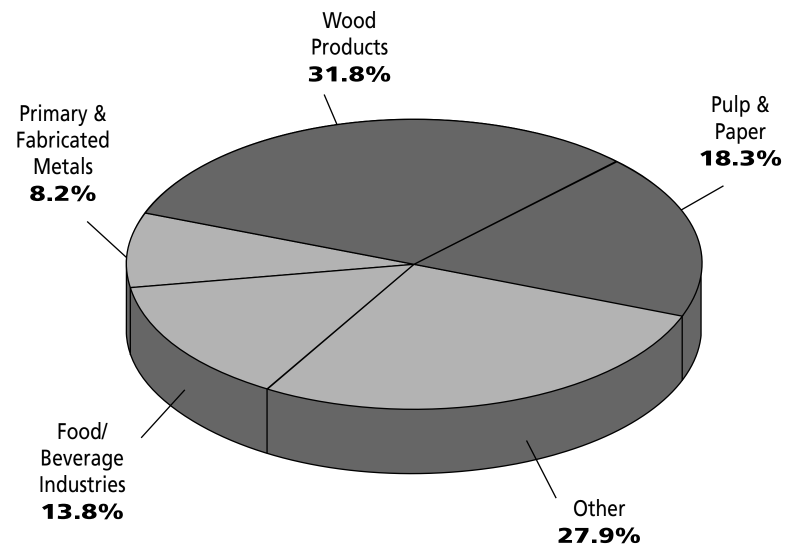
The B.C. forest industry provided direct employment of 99,100 jobs in 1996, up 1,600 jobs over 1995. The direct jobs support an additional 198,200 jobs under the principle known as the multiplier effect. As a result a total of 297,300 people and their families depend on the B.C. forest industry for their livelihood.

The B.C. forest industry continues to be the mainstay of the provincial economy.

Source: *Statistics Canada*

B.C. FOREST INDUSTRY AND THE PROVINCIAL ECONOMY: 1996

Total B.C. Manufactured Shipments: $32.9 Billion



GROSS DOMESTIC PRODUCT OF GOODS-PRODUCING INDUSTRIES IN B.C.

Economic performance is commonly measured in terms of Gross Domestic Products or GDP. A portion of the GDP is made up of the goods-producing sector.

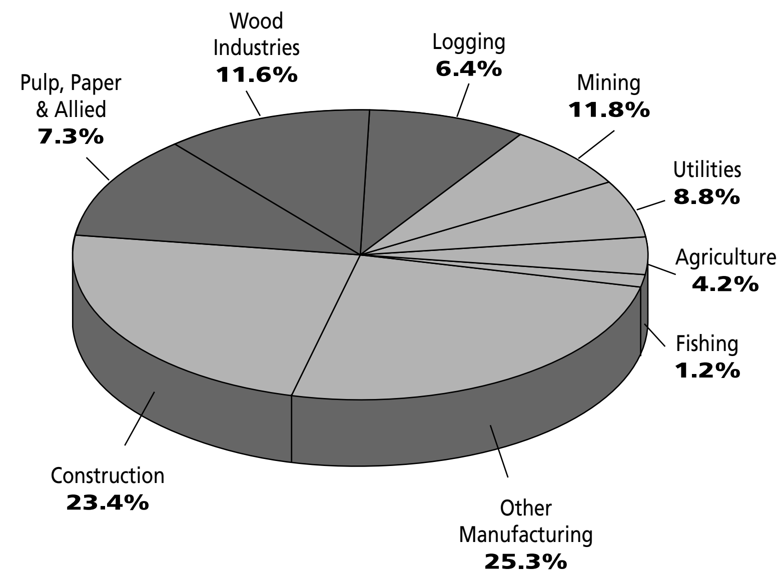
Among the goods-producing industries, the forest industry is the largest single contributor to B.C.'s GDP at 25.3 per cent. The forest industry is comprised of the wood industries, pulp, paper and allied industries and the logging industry.

Construction contributes 23.4 per cent, followed by other resource-based, good-producing industries such as mining at 11.8 per cent, utilities at 8.8 per cent, agriculture and fishing at 5.4 per cent.

From this information one can conclude that the B.C. economy still depends heavily on its natural resources and their development. The importance of natural resources to the B.C. economy has also impacted the composition of the province's service sector. The transportation industry, for example, depends heavily on moving shipments of manufactured products to markets in Canada as well as transporting exports to the United States and around the world.

Source: Statistics Canada

GROSS DOMESTIC PRODUCT OF GOODS-PRODUCING INDUSTRIES IN B.C.: 1996



BC. FOREST PRODUCTS EXPORTS

The total value of B.C.'s forest products exports was $14.8 billion in 1996, a drop of 11.8 per cent from $16.8 billion in 1995.

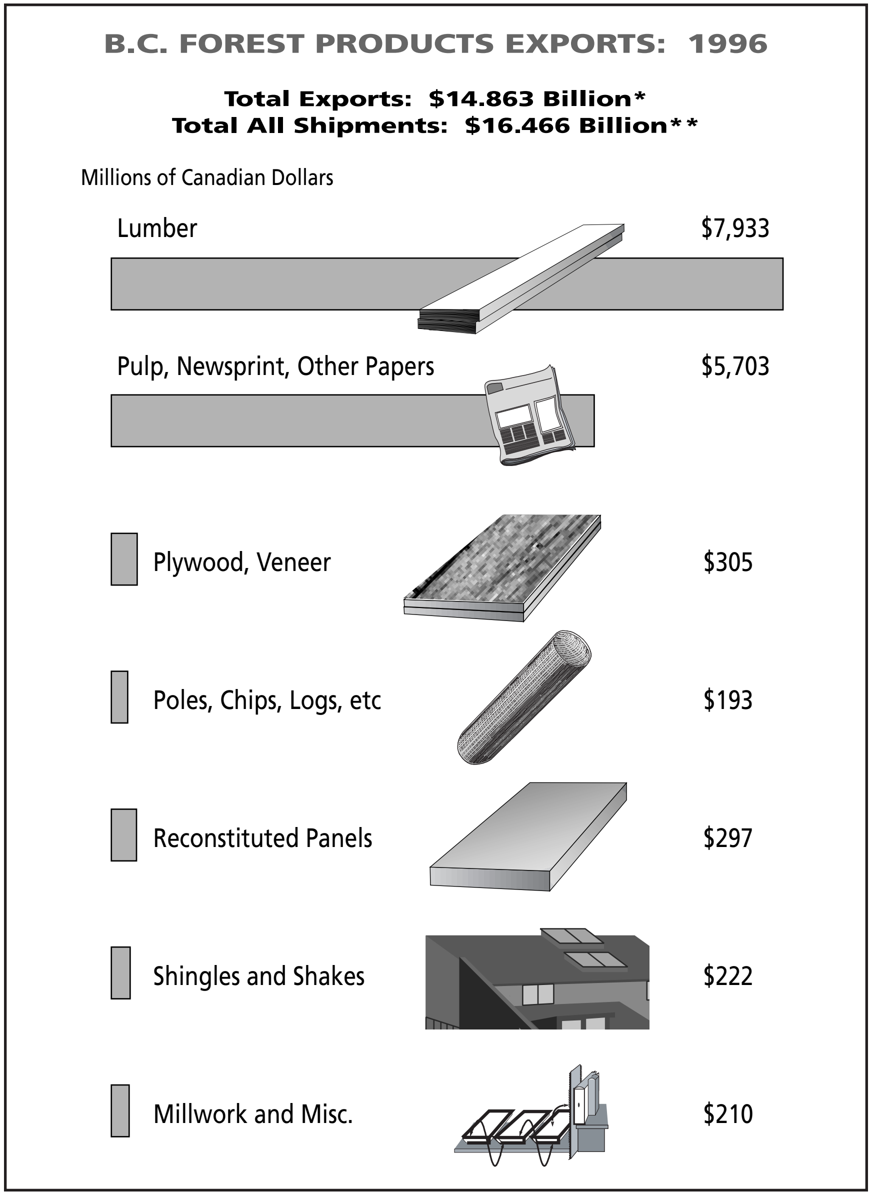
In 1996 B.C.'s softwood lumber exports totalled $7.9 billion, up 5.5 per cent from 1995. Lumber accounted for 53 per cent of total forest products exported. B.C.'s major market, the U.S. accounted for 60 per cent of total softwood exports, while exports of softwood lumber to Japan accounted for 31 per cent.

In 1996 pulp, newsprint and other paper products exports totalled $5.7 billion, a drop of 30 per cent, or a loss of $2.5 billion from 1995. Pulp and paper products accounted for 38.4 per cent of all forest products exports in 1996. The plunge in revenues was due to the crash in pulp prices. In 1996 prices peaked at US$1,000 and dropped to a low of US$490 per tonne by April, 1996.

Plywood exports were $232.2 million in 1996, and veneer exports totalled $73.2 million.

The balance of exports were made up of chips, logs, poles, shingles/shakes, millwork, reconstituted panels accounting for $922 million.

*Source: *Statistics Canada, International Trade Division **Statistics Canada. Catalogue 31-001*



B.C. LOG HARVEST

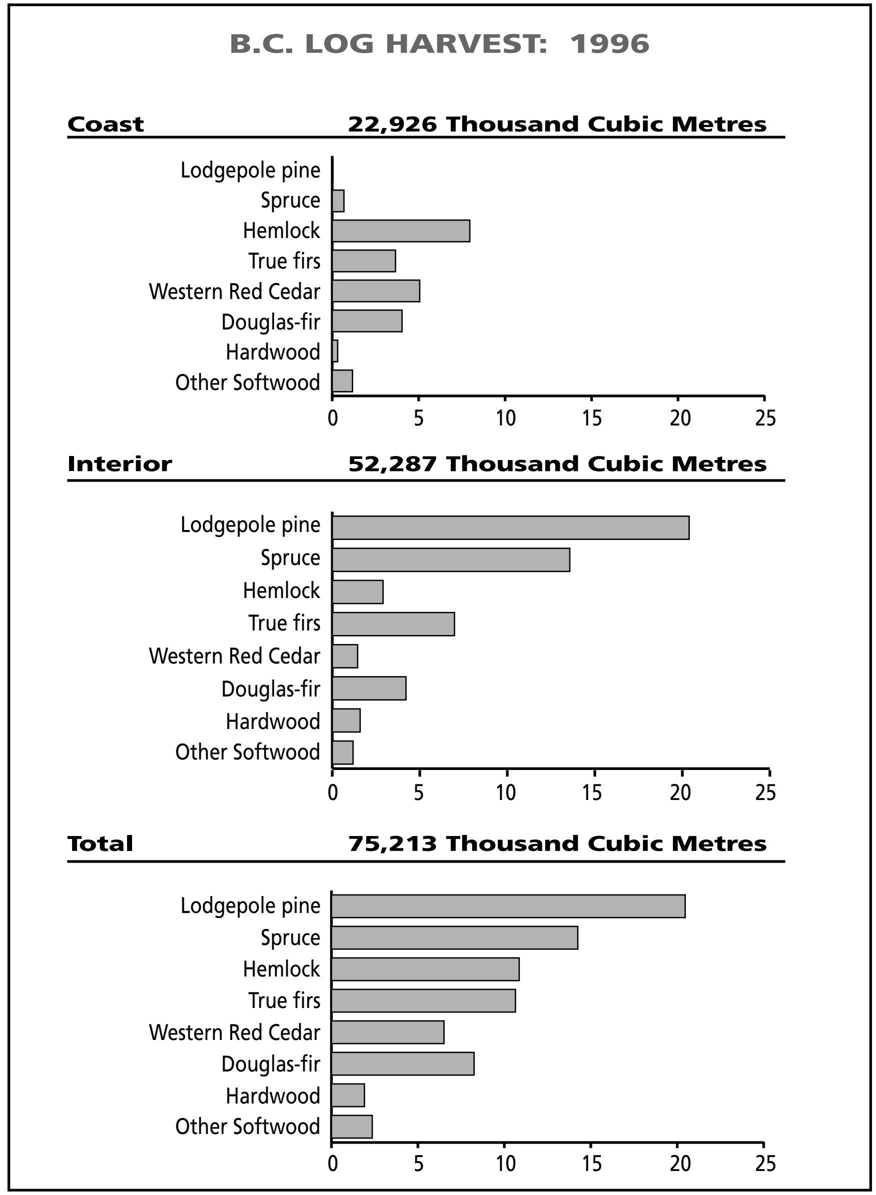
In 1996 the B.C. log harvest was 75,213 thousand cubic metres, down from the 76,471 thousand cubic metres harvested in 1995, a decline of 1.6 per cent. The logs were harvested from both private and public lands.

One-third of the 1996 B.C. log harvest came from Coastal forests. Hemlock comprised the largest volume, followed by Western Red Cedar, Douglas-fir, true firs, and spruce.

Roughly two-thirds of the logs harvested were from the Interior. Lodgepole pine comprised the largest volume followed by spruce, true firs, Douglas-fir and hemlock.

B.C. hardwood species make up only a small proportion (2.5 per cent) of the log harvest.

Source: B.C. Ministry of Forests



B.C. LOG EXPORTS

Provincial forest policy continues to encourage the domestic use of logs for processing in B.C. mills.

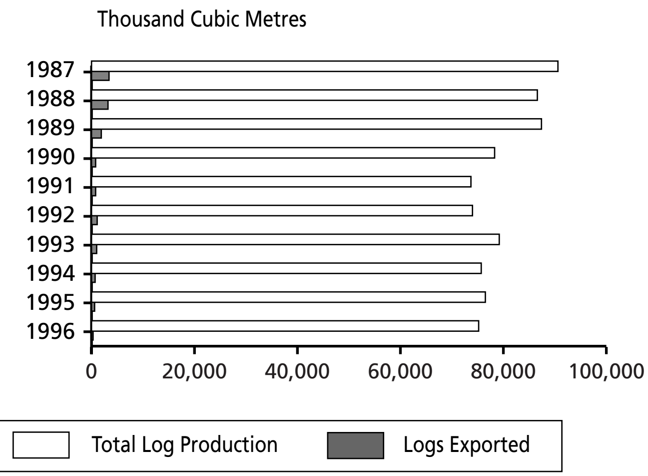
Generally, the government permits only those logs deemed to be surplus to B.C. milling requirements to be exported. Exemptions may be given when timber cannot be processed economically within the province.

In 1987 the province exported 3.4 million cubic metres of logs, or 3.7 per cent of total log harvest. By 1996 log exports had declined to 312 thousand cubic metres, or 0.4 per cent of the province's total log harvest.

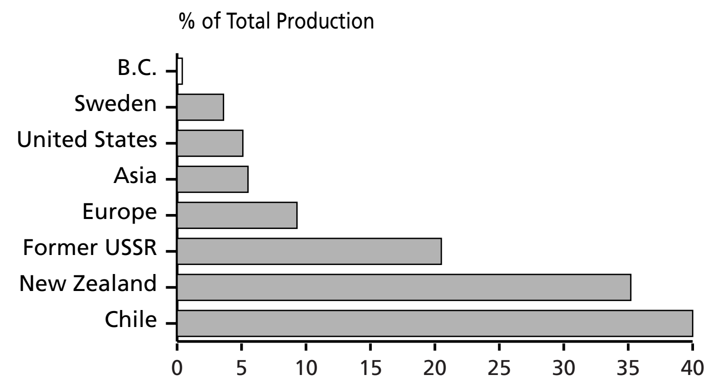
*Sources: COFI and B.C. Ministry of Forests **Sources: B.C. Ministry of Forests, U.N. Food & Agriculture Organization

B.C. LOG EXPORTS: 1987 - 1996

B.C. LOG EXPORTS COMPARED TO TOTAL LOG PRODUCTION - 1987 - 1996 *



B.C. LOG EXPORTS COMPARED TO LOG EXPORTS BY OTHER JURISDICTIONS - 1995 **



DESTINATION OF B.C. WOOD PRODUCTS (BY VALUE)

The value of B.C. domestic and overseas wood products shipments (excluding pulp and paper products) totalled $10.5 billion in 1996, slightly higher than in 1995.

Exports of B.C.'s wood products accounted for 86 per cent of total forest products shipped in 1996. As the largest consumer of B.C. wood products, the United States received 54.1 per cent .

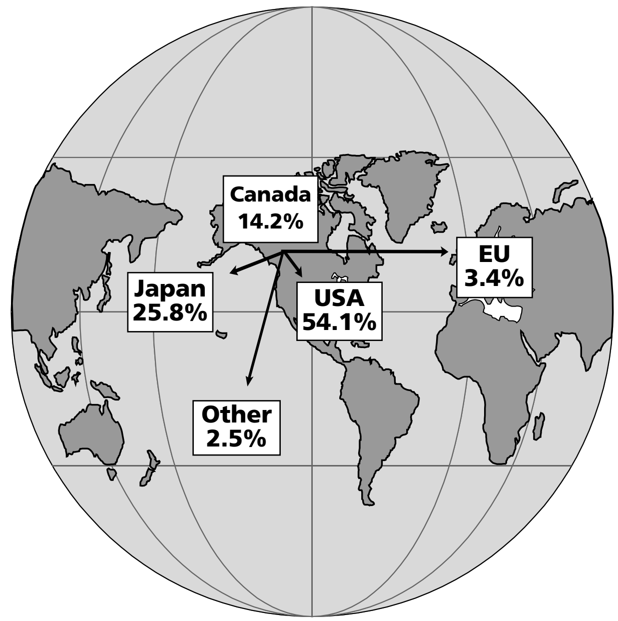
As the second largest customer of B.C. wood products Japan received 25.8 per cent of total. The European Union (EU) accounted for 3.4 per cent while the remaining countries took the balance of 2.5 per cent in 1996.

Canada's domestic consumption of wood products was 14.2 per cent in 1996.

Source: Statistics Canada, Catalogue 31-001

DESTINATION OF B.C. WOOD PRODUCTS (By Value): 1996

Total Value All B.C. Wood Products Shipments: $10.450 Billion



Note: Includes lumber, plywood, shingle/shakes and millwork

DESTINATION OF B.C. PULP, PAPER AND PAPERBOARD PRODUCTS (BY VOLUME)

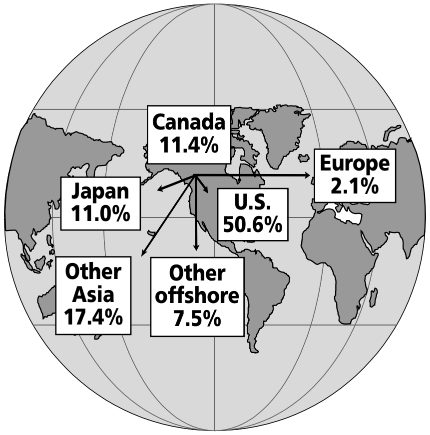
B.C. newsprint shipments totalled 1,367 thousand metric tonnes in 1996. The largest customer, the United States, accounted for 50.6 per cent of total exports. Asia (excluding Japan) accounted for 17.4 per cent, while Japan received 11.0 per cent. Europe 2.1 per cent and all other offshore exports amounted to 7.5 per cent. Domestic shipments were 11.4 per cent in 1996.

B.C. pulp, paper and paperboard shipments (excluding newsprint) totalled 5,810 thousand metric tonnes in 1996. The largest customer was Europe representing 26.5 per cent, followed by other Asia (excluding Japan) with 24.0 per cent. The United States with 20.1 per cent, Japan with 15.7 per cent, and all other offshore exports with 4.6 per cent. Domestic shipments accounted for 9.1 per cent in 1996.

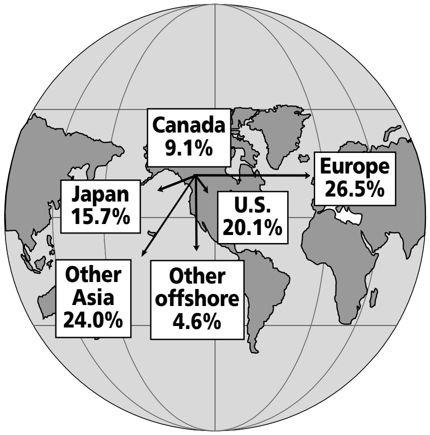
Source: Canadian Pulp and Paper Association

DESTINATION OF B.C. PULP, PAPER & PAPERBOARD PRODUCTS (By Volume): 1996

Destination of newsprint by volume



Destination of pulp, paper and paperboard by volume (excluding newsprint)



FOREST INDUSTRY EMPLOYMENT IN B.C.

The forest industry in B.C. accounted for 99,100 direct jobs and a further 198,000 indirect jobs in 1996. The forest industry is a major source of livelihood for 297,000 British Columbians, up 1.6 per cent over 1995, and represents 16.5 per cent of the total provincial employment.

Employment in the logging sector in 1996 accounted for 30,500 jobs, or 30.8 per cent of the total. This sector over the past five-years has increased in employment by 21.8 per cent. Siliviculture employed 4,600 in 1996 and over the same five-year period rose 15 per cent. This is in part, a result of increased work due to the implementation of the B.C.'s Forest Practices Code.

Employment in 1996 in the lumber/manufacturing sector accounted for 23,700, or 24 per cent of total. The plywood sector, in 1996, employed 3,300 and was up 3.1 per cent over 1995. Value-added or secondary manufacturing in 1996 was at 13,000, up 500 jobs over 1995. The pulp and paper sector (market pulp and newsprint) employed a total of 11,200.

All other forest industry operations including the Ministry of Forests staff, Forest Renewal B.C. and the Forest Practices Board accounted for 12,800 jobs.

The forest industry generated, directly and indirectly, 4.0 jobs for every 1,000 cubic metres harvested in 1996.

Source: Price Waterhouse

FOREST EMPLOYMENT IN B.C.: 1990 - 1996

Direct Employment

	1990	1991	1992	1993	1994	1995	1996
Logging	23,500	23,200	25,050	26,300	28,200	29,400	30,500
Lumber	26,900	25,400	24,450	24,100	24,300	24,100	23,700
Market Pulp	8,200	8,100	7,950	7,900	7,700	7,700	7,500
Newsprint	4,900	4,900	4,600	4,200	4,000	3,900	3,700
Value Added Sector	11,500	11,500	11,500	11,700	12,500	12,500	13,000
Plywood	4,500	3,900	3,200	3,250	3,200	3,200	3,300
Ministry of Forests	3,500	4,000	4,500	4,500	4,800	4,900	5,000
Silvicultural	2,000	2,000	4,000	4,000	4,600	4,600	4,600
Other Operations	8,800	7,700	6,950	6,250	6,600	7,200	7,800
Total	**93,800**	**90,700**	**92,200**	**92,200**	**95,900**	**97,500**	**99,100**

Employment Per 1,000 Cubic Metres Logs Harvested

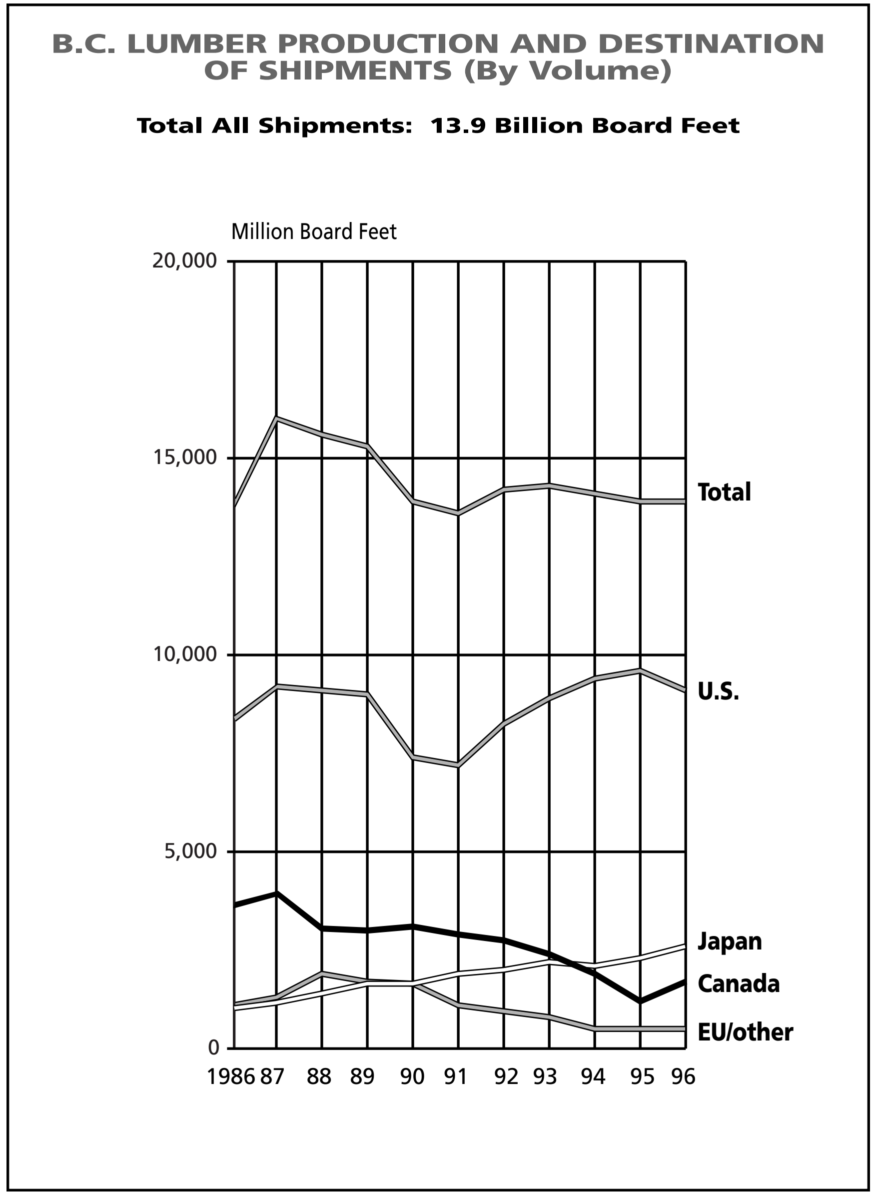
Direct	1.3	1.3	1.2	1.2	1.3	1.3	1.3
Direct & Indirect	3.8	3.9	3.7	3.5	3.8	3.8	4.0

B.C. LUMBER PRODUCTION AND DESTINATION OF SHIPMENTS (By Volume)

Shipments of B.C. lumber totalled 13.9 billion board feet in 1996, up marginally over 1995.

Statistics Canada reported 1996 shipments to the United States were 9.1 billion board feet in 1996, down 4.2 per cent from 9.5 billion board feet in 1995. Japan received 2.6 billion board feet, up 8.3 per cent from 2.4 billion board feet. Canada's domestic consumption was 1.7 billion board feet, up 21.4 per cent from 1.4 billion board feet in 1995. The balance 491.4 million board feet was shipped to the European Union and other countries in 1996, down 20 per cent from 615.4 in 1995.

Source: Statistics Canada



Source: Statistics Canada

B.C. LUMBER PRODUCTION BY REGION

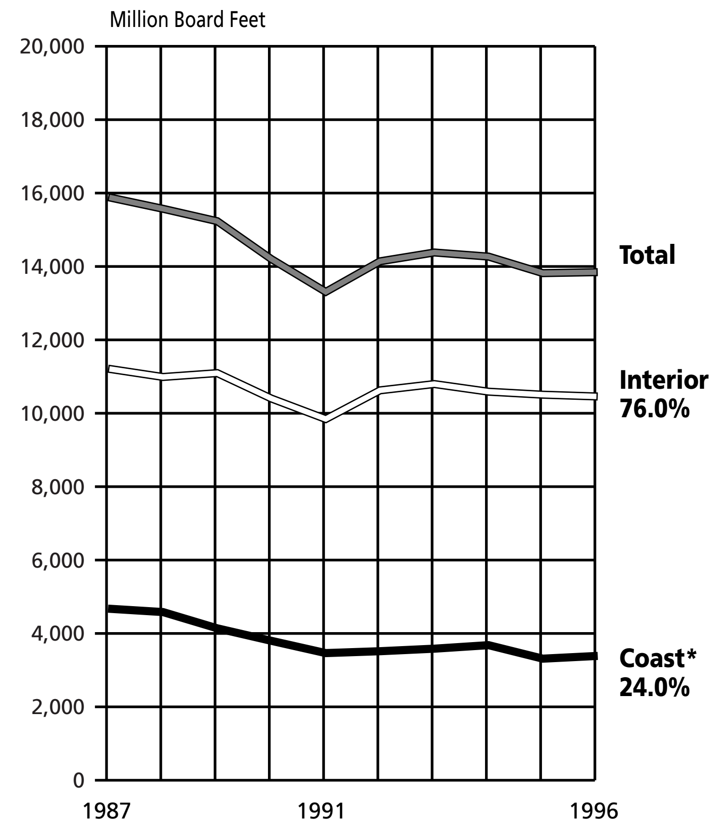
Total B.C. softwood lumber production was13.845 billion board feet in 1996, up slightly from 13.820 in 1995.

Interior lumber producers accounted for three-quarters of all softwood lumber; the remaining quarter was produced by the Coast lumber manufacturers.

Lumber production fluctuates in response to world supply and demand and other factors including price, exchange rates, capacity levels and the impact of trade decisions.

B.C. SOFTWOOD LUMBER PRODUCTION BY REGION: 1987 - 1996

1996 Total: 13.845 Billion Board Feet



** Revised for 1992, 1993 and 1994.*

TRANSPORTING B.C. LUMBER TO MAJOR MARKETS

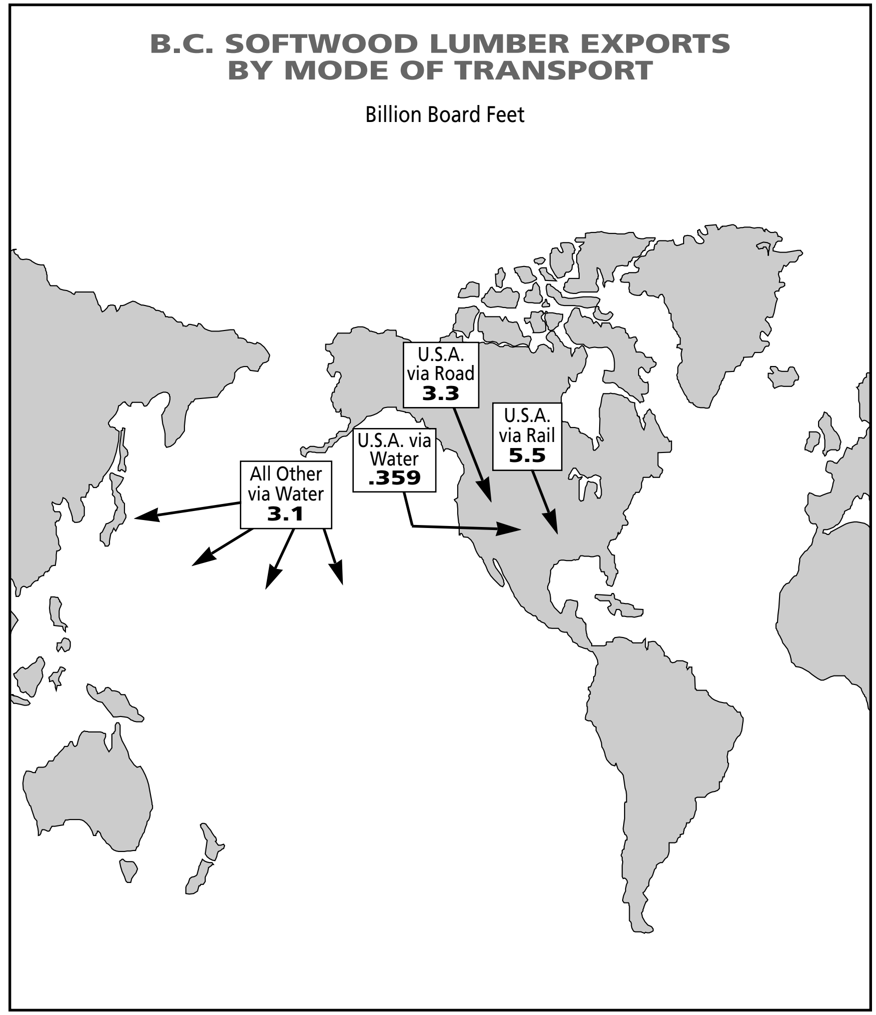
The cost of transporting B.C. lumber to world markets is critical to the industry's competitiveness.

Because B.C. is so far from some of its major markets the end cost of lumber includes a higher transportation cost than many international competitors.

Transportation carriers deliver lumber to the United States market by all surface modes of transportation. Rail is the dominant mode of transportation. B.C. sawmills shipped 5.5 billion feet, or 60 per cent by rail in 1996, while road accounted for 3.3 billion board feet, or 36 per cent and waterborne shipments totalled 359 million board feet, or 4 per cent. Overall shipment to the United States totalled 9.1 billion board feet.

B.C. waterborne lumber exports to offshore markets amounted to 3.1 billion board feet in 1996.

Sources: Statistics Canada and COFI



Source: Statistics Canada

B.C. MARKET DIVERSIFICATION OVERSEAS

Since 1970, B.C. lumber exports to overseas markets have nearly doubled from 1.6 billion board feet to 3.1 billion board feet in 1996.

Progress was made in diversifying markets for B.C. lumber under the Cooperative Overseas Market Development Program (COMPD), which involved the B.C. and Alberta forest industries, the B.C. and Alberta provincial and federal governments.

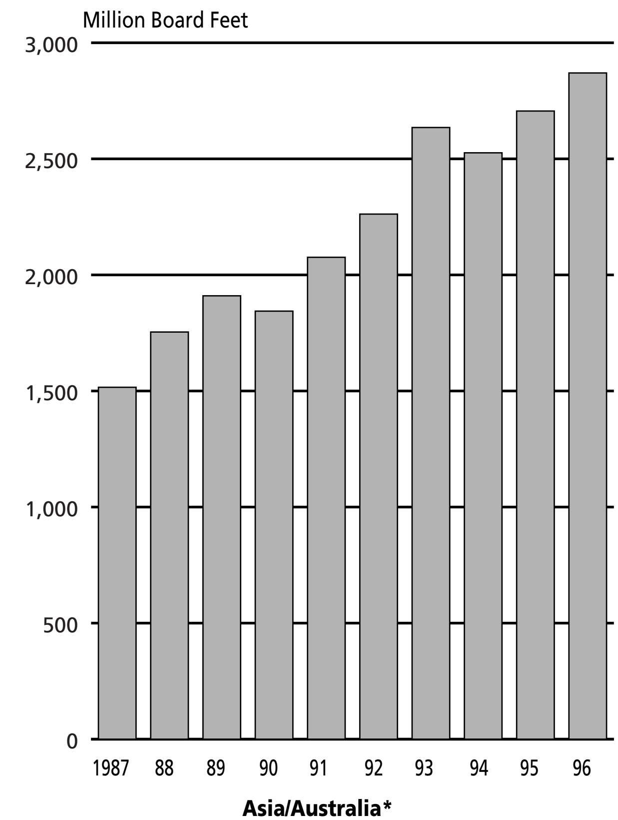
The Pacific Rim markets including Japan, China, South Korea, Taiwan, Australia, other Asia and other Oceania accounted for nearly 2.9 billion board feet of lumber shipments up from 2.5 billion in 1995. Overall offshore lumber exports were 3.1 billion board feet up from 3.0 billion board feet in 1995.

Japan is the B.C.'s largest overseas market for lumber. B.C. lumber exports to Japan have grown from 699 million board feet in 1970 to over 2.6 billion board feet in 1996.

A multi-stakerholder Technical Committee of the Canadian Standards Association (CSA) has developed a national Sustainable Forest Management Standard based on the International Standards Organization (ISO) 14000 Environmental Management System (EMS). Canadian forest industry companies will use the standard as the basis for independent evaluations of their forest practices. Where appropriate, certification will be awarded confirming that the Standard is being complied with. Once the standard is available Canada will also adopt a proposed new ISO Standard, which has become the internationally recognized measure of sustainable forest management.

B.C. MARKET DIVERSIFICATION OVERSEAS: 1987 - 1996

Total Overseas Lumber Exports 1996: 3.1 Billion Board Feet
Total Asia/Australia Lumber Exports 1996: 2.9 Billion Board Feet

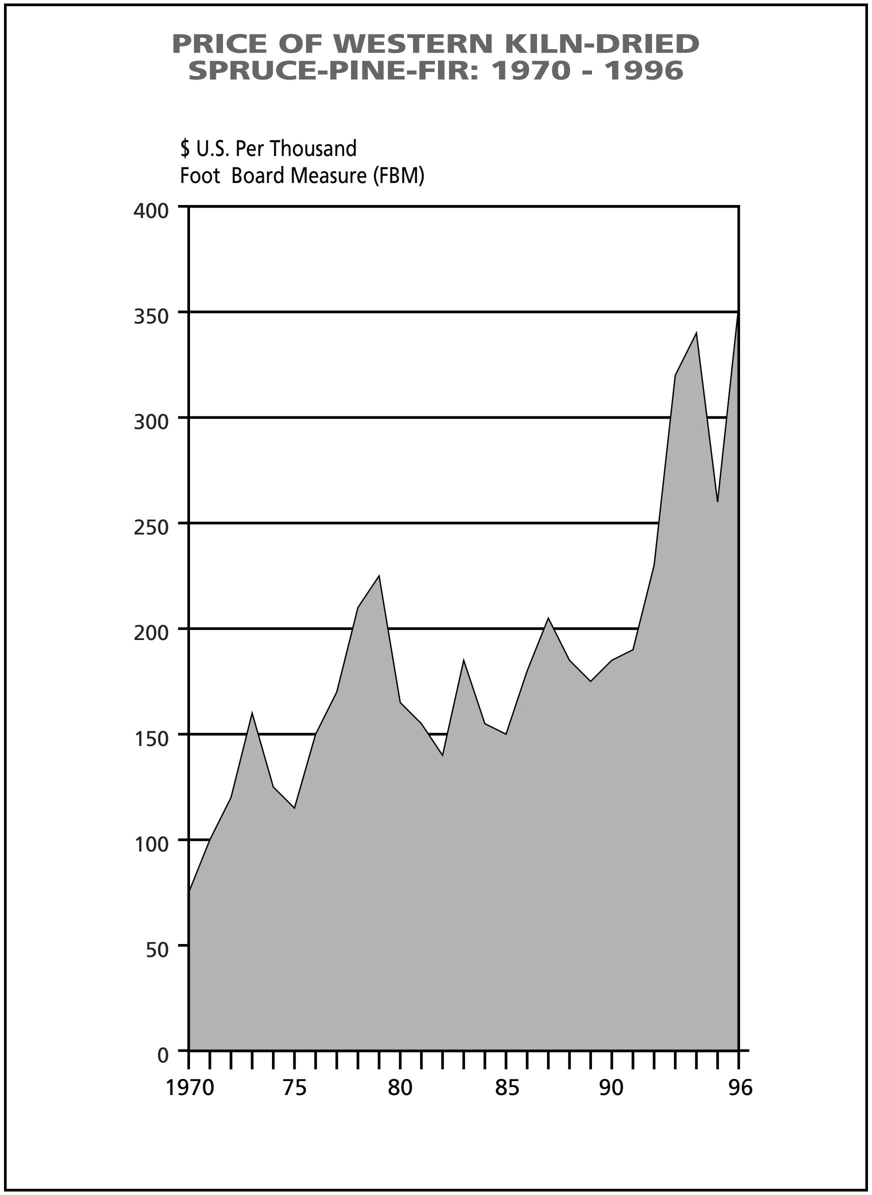


* *Includes: Japan, China, S. Korea, Taiwan, Australia, Other Asia & Other Oceania*

Source: *Random Lengths Yearbook*

PRICE OF WESTERN KILN-DRIED SPRUCE-PINE-FIR

The F.O.B. mill price of Spruce-Pine-Fir (SPF) 2x4 is recognized as the industry benchmark for commodity lumber prices. In 1996 the average annual SPF lumber price was US$353, up 41 per cent from $251 in 1995. The monthly average price was $257 in January of 1996 and rose to a high of $432 in November. Prices are affected by several factors including, supply and demand, trade restrictions, exchange rates and inventories.



SOFTWOOD LUMBER END USES (U.S. MARKET)

The United States buys more B.C. lumber than any other country in the world.

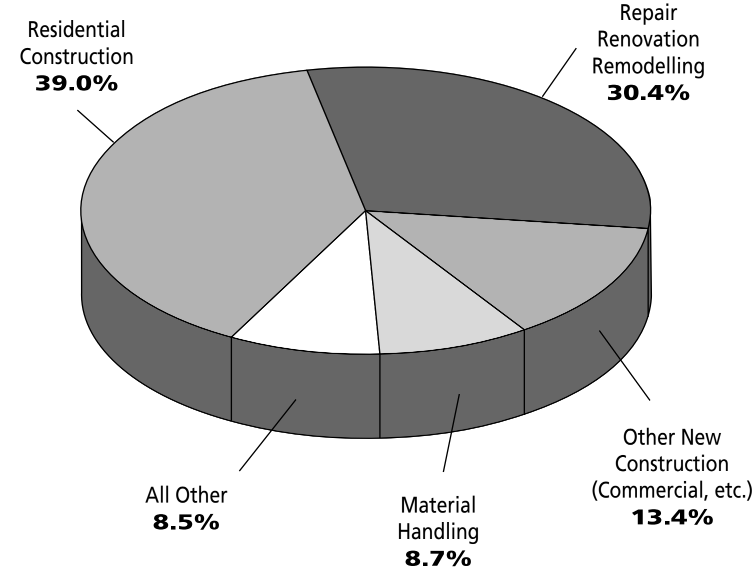
The end-use consumption by the U.S. of softwood lumber was 50.5 billion board feet in 1996. This was up by 6 per cent from the 47.6 billion board feet recorded in 1995.

Residential housing construction consumed 39 per cent of all softwood lumber used in the United States in 1996. The repairs and remodelling market, including the home renovation market, consumed 30.4 per cent of total softwood lumber.

Other new construction, including commercial buildings, accounted for 13.4 per cent in 1996 while material and handling consumed 8.7 per cent. All other accounted for the balance of 8.5 per cent.

Source: Western Wood Products Association

SOFTWOOD LUMBER END USES: 1996 (U.S. MARKET)



Source: Canadian Pulp and Paper Association

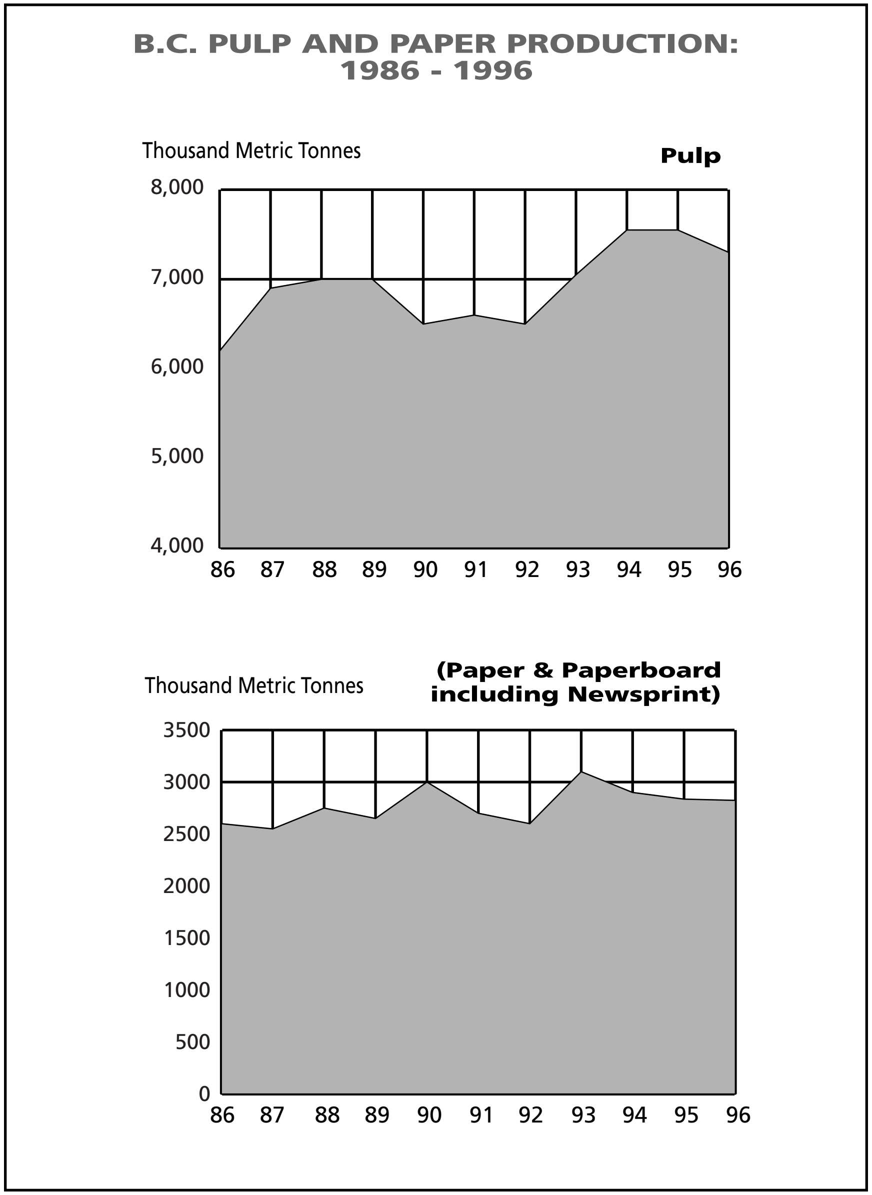
B.C. PULP AND PAPER PRODUCTION

The B.C. pulp industry produced 7,295 thousand metric tonnes in 1996, down from 7,608 metric tonnes in 1995.

Paper and paperboard production (including newsprint) was 2,824 thousand metric tonnes in 1996, unchanged from 1995.

Pulp prices have fluctuated rapidly in the past few years and were largely responsible for the industries financial losses in the past year. In December of 1993 pulp prices were US$390 per tonne, by October of 1994 they had climbed to US$700, reaching an all-time high of US$1,000 per tonne in October of 1995. By December of 1995 prices had started to slide and bottomed out in 1996 at US$500 per metric tonne.

The pulp and paper industry in Canada consumed 4.4 million tonnes of recyclable paper in 1996, compared with 1.8 in 1990. Low prices for recovered paper has encouraged Canadian mills to add more recycled content to their fibre mix - thus sending less to landfills. In 1996 Canada imported 2.1 million tonnes of recyclable paper from the United States. Since 1990 Canadian mills have invested in excess of $1.5 billion in recycling capacity.

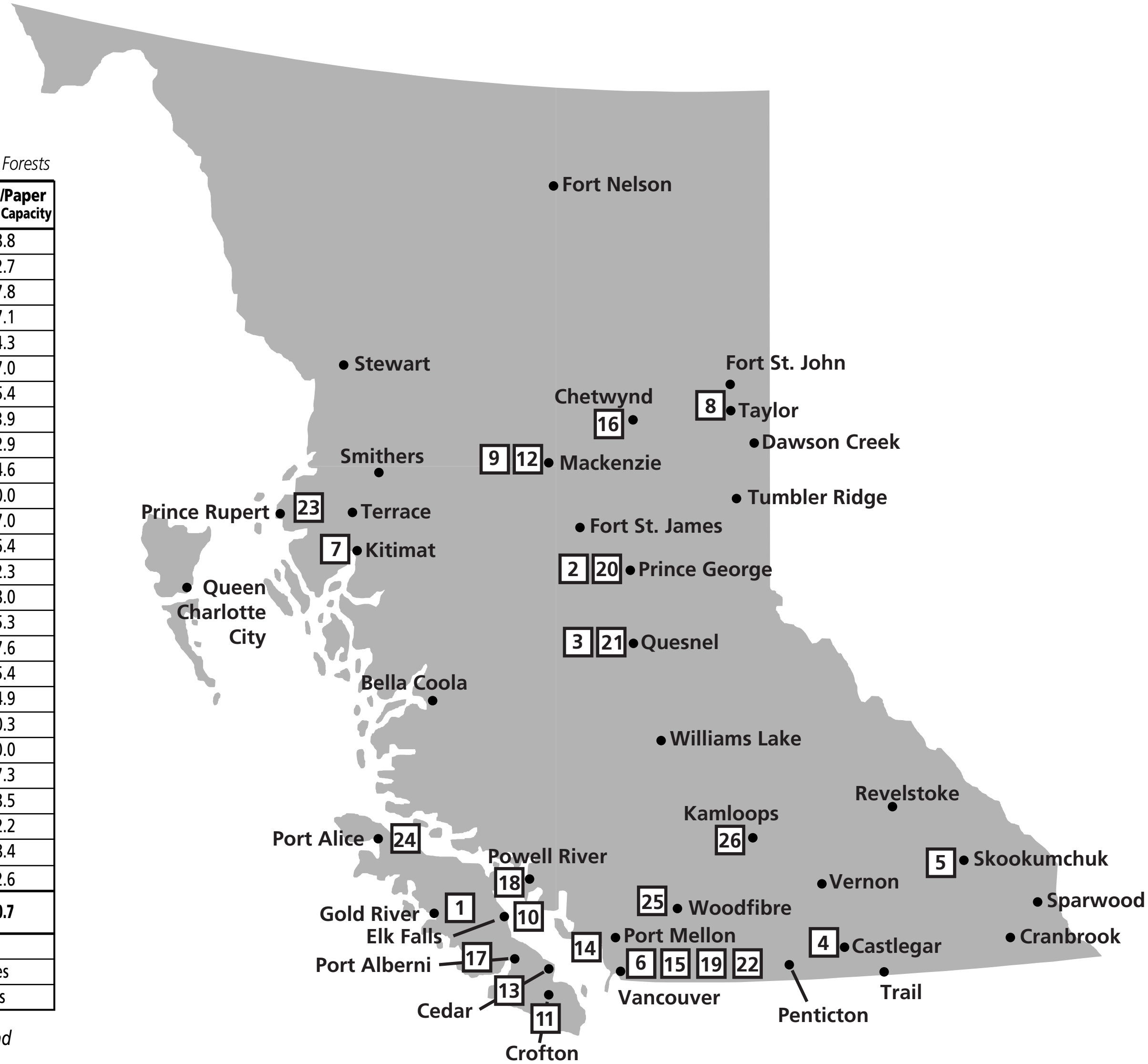


PULP AND PAPER MILLS IN B.C.

Source: B.C. Ministry of Forests

Map#	Company	Location	Pulp/Paper Annual Capacity
1	Avenor, Inc.	Gold River	258.8
2	Canfor Corp.	Prince George	622.7
3	Cariboo Pulp & Paper Co. Ltd.	Quesnel	327.8
4	Celgar Pulp Ltd.	Castlegar	407.1
5	Crestbrook Forest Ind. Ltd.	Skookumchuk	224.3
6	Crown Packaging Ltd.	Burnaby	157.0
7	Eurocan Pulp & Paper Co.	Kitimat	455.4
8	Fiberco Pulp Inc.	Taylor	213.9
9	Finlay Forest Industries Ltd..	Mackenzie	182.9
10	Fletcher Challenge Canada Ltd.	Crofton	874.6
11	Fletcher Challenge Canada Ltd..	Duncan Bay	740.0
12	Fletcher Challenge Canada Ltd.	Mackenzie	207.0
13	Harmac Pacific Inc.	Cedar	386.4
14	Howe Sound Pulp & Paper Ltd.	Port Melon	512.3
15	Island Paper Mills Company	Annacis Island	138.0
16	Louisiana Pacific Corp.	Chetwynd	155.3
17	MacMillian Bloedel Ltd..	Port Alberni	617.6
18	MacMillan Bloedel Ltd.	Powell River	1095.4
19	Newstech Recycling Inc.	New Westminister	144.9
20	Northwood Pulp & Timber	Prince George	500.3
21	Quesnel River Pulp Co.	Quesnel	300.0
22	Scott Paper Ltd.	New Westminster	117.3
23	Repap B.C. Inc.	Prince Rupert	448.5
24	Western Pulp Ltd. Partnership	Port Alice	162.2
25	Western Pulp Ltd. Partnership	Woodfibre	248.4
26	Weyerhaeuser Canada Ltd.	Kamloops	422.6
Total Market Pulp & Paper Annual Capacity in Thousand Metric Tonnes			**9920.7**
12	Mills have an annual capacity of 0 - 299 thousand metric tonnes		
7	Mills have an annual capacity of 300 - 500 thousand metric tonnes		
7	Mills have an annual capacity of over 500 thousand metric tonnes		

** Market Pulp & Paper Annual Capacity measurements are in thousand metric tonnes based on a 24 hour work day, 345 days per year*



B.C. PLYWOOD

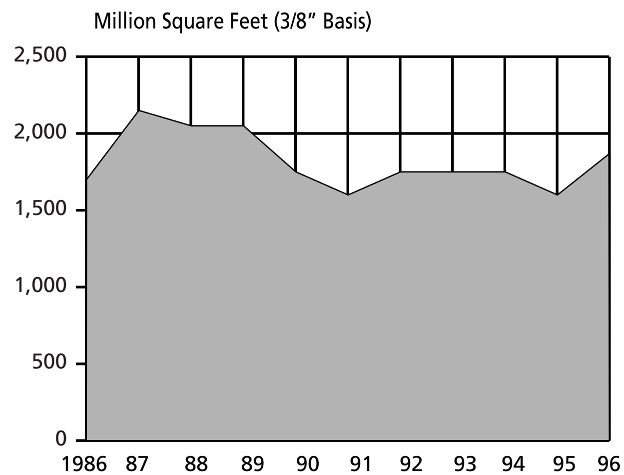
B.C. plywood production in 1996 was 1,800 million square feet (1.6 million cubic metres) representing 86 per cent of total plywood produced in Canada.

Total Canadian plywood shipments were 2,100 million square feet (1.8 million cubic metres), of which domestic shipments accounted for 1,500 million square feet (1.3 million cubic metres). The balance was exported, with Japan accounting for 69.4 per cent of total exports from Canada in 1996.

New markets, product innovation and more efficient manufacturing processes have enabled the plywood industry to maintain production levels. The trend of increasing production of plywood specialty products and grades designed for specific end uses is expected to continue.

Source: Statistics Canada and Canadian Plywood Association

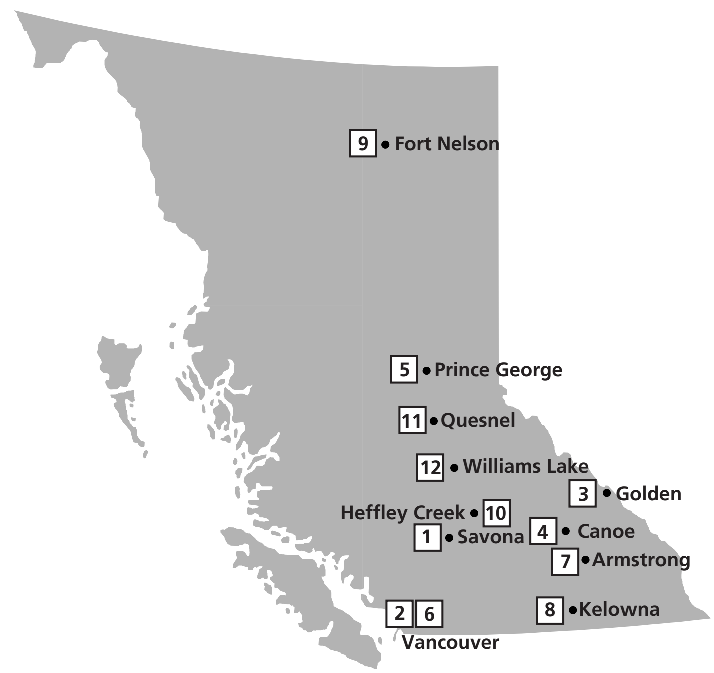
B.C. PLYWOOD PRODUCTION: 1986-1996



Source: B.C. Ministry of Forests

PLYWOOD MILLS ANNUAL CAPACITY IN MILLION SQUARE FEET 3/8" BASIS

Map#	Company	Location	Plywood
1	Ainsworth Lumber	Savona	57.6
2	Cantree Plywood Corp.	New Westminster	180.0
3	Evans Forest Products	Golden	144.0
4	Federated Co-op	Canoe	108.0
5	Northwood	Prince George	169.2
6	Richmond Plywood	Richmond	230.4
7	Riverside Forest Products	Armstrong	216.0
8	Riverside Forest Products	Kelowna	140.4
9	Tackama Forest Products	Fort Nelson	180.0
10	Tolko Industries	Heffley Creek	165.6
11	Weldwood of Canada	Quesnel	158.4
12	Weldwood of Canada	Williams Lake	169.2
Total Annual Plywood Capacity in Millions of Square Feet			**1,918.8**



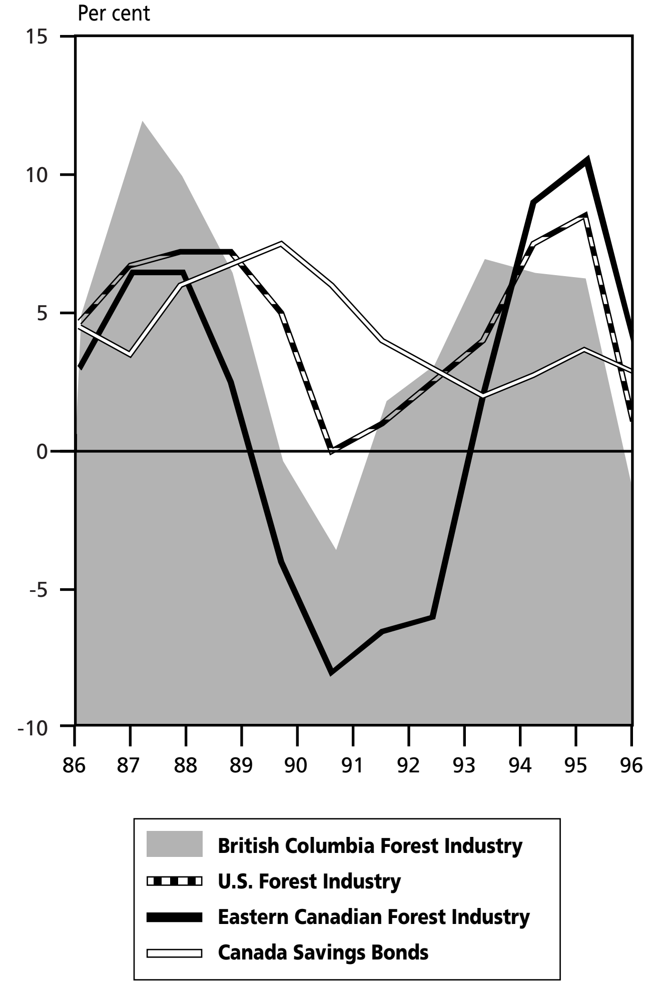
B.C. FOREST INDUSTRY RETURN ON ASSETS

During the early 90's the B.C. forest industry experienced three successive years of financial losses: 1990 $(9) million; 1991 $(869) million and in 1992 $(262) million. By 1993 the industry's net earnings rebounded to $520 million and accelerated to $1.4 billion in 1994. This included the countervailing duty pre-tax refund of $400 million. In 1995 the forest industry earned $1.3 billion after taxes, down 6.0 per cent from the $1.4 billion in 1994. In 1996, the forest industry suffered net losses of $290 million.

The Canadian dollar remained basically unchanged in 1996 at 73.3 cents. The forest industry benefits significantly by the lower Canadian dollar when exporting to the United States, for example in 1994 the forest industry gained $800 million over 1993 simply as a result of the dollar going from 0.7751 to 0.7323 a 4.28 cent drop.

Source: Price Waterhouse

B.C. FOREST INDUSTRY RETURN ON ASSETS: 1986 - 1996



GOVERNMENT REVENUES FROM THE B.C. FOREST INDUSTRY, INDUSTRY EARNINGS

The B.C. forest industry contributes substantial revenues to all levels of governments.

In 1996 the B.C. provincial and municipal governments received payments of $2.3 billion, down from $2.5 billion in 1995. However, over a ten-year period significant increases were realized as contributions rose from $596 million in 1986 to $2.3 billion today.

Stumpage, royalties and rents totalled $1.7 billion in 1996 down from $1.8 billion in 1995 reflecting the second year of stumpage rates under the Forest Renewal Plan. Overall stumpage, royalties and rents have nearly trebled from $574 million in 1991 to $1.7 billion in 1996. Logging taxes declined significantly from $62 million in 1995 to $7 million in 1996.

Direct employee income tax payments increased 1 per cent to $1.9 billion reflecting the wage increase and the 1.6 per cent increase in employment in 1996.

Property taxes at the municipal level were unchanged year-over-year at $152 million in 1996. As were corporation capital taxes at $45 million.

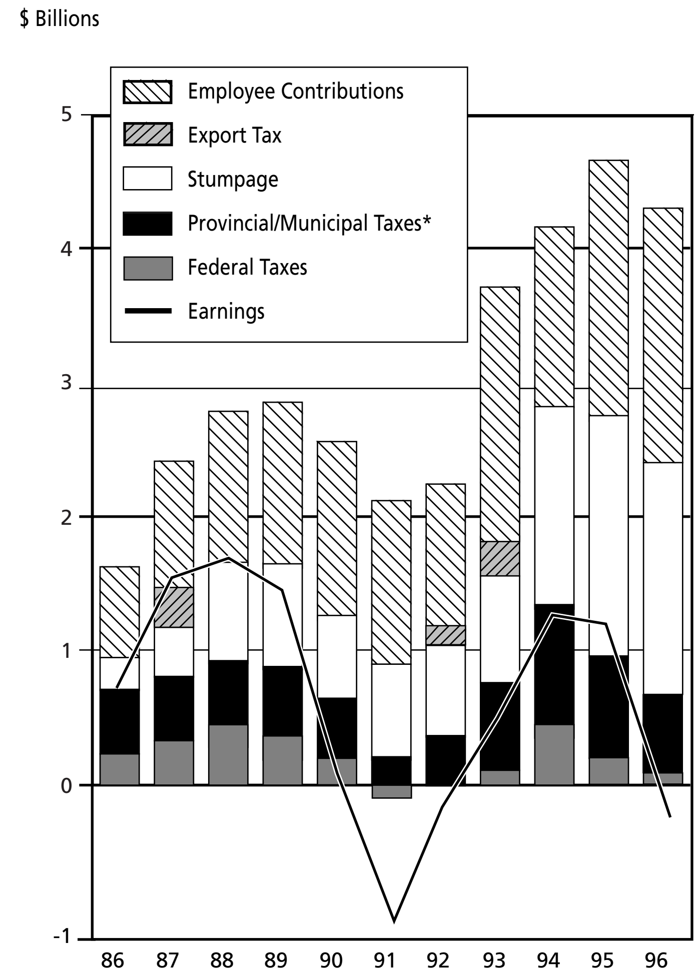
Payments to the federal government totalled $91 million in 1996, down from $280 million in 1995.

Over the past five years total payments to the municipal and provincial governments have more than doubled from $1.0 billion in 1992, to $2.3 billion in 1996, but down 16 per cent from $2.5 billion in 1995.

Total taxes, including the forest industry and employee taxes, represent nearly $4.3 billion, or 26.8 per cent of industry sales. Total industry sales in 1996 were $16.0 billion, down from $17.7 billion in 1995.

Source: Price Waterhouse

GOVERNMENT REVENUES FROM THE B.C. FOREST INDUSTRY, INDUSTRY EARNINGS: 1986 - 1996



* *Excluding Stumpage*

B.C. FOREST INDUSTRY CAPITAL EXPENDITURES

In 1996, the B.C. forest industry capital expenditures were $1.4 billion compared to $1.3 in 1995. Excluded from this total is the amount spent on repairs and maintenance.

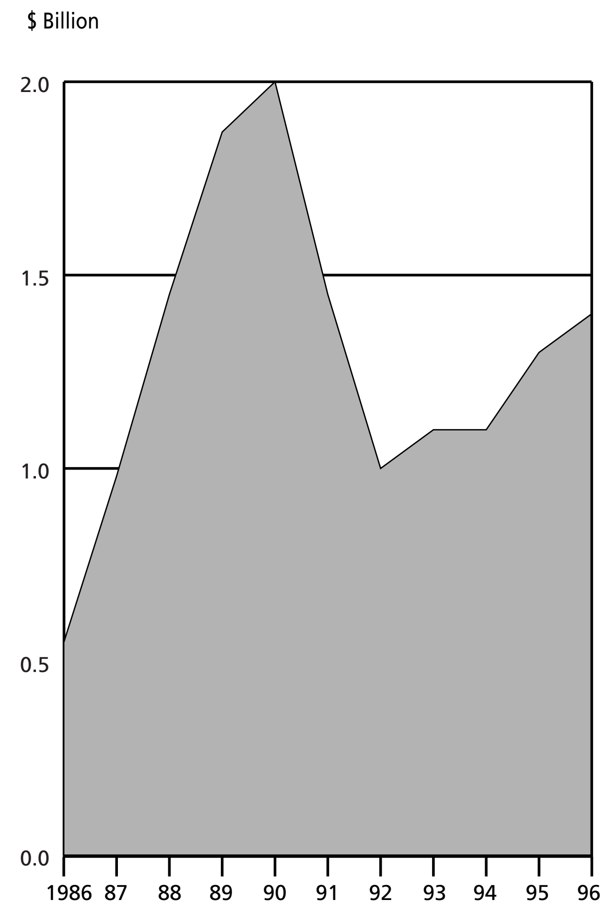
Capital expenditures in the pulp and paper sector were $422 million in 1996, compared to $547 million in 1995. Environmental expenditures accounted for $95 million of the total.

The lumber sector spent $211 million in 1996, mainly for mill modernization, including log use optimization equipment. Overall capital spending fell 23 per cent from $274 million in 1995.

The plywood and veneer sector spent $44 million in 1996 on capital projects. This was up significantly from the $25 million spent in 1995, due to upgrading of plywood plants in the Interior.

Source: Price Waterhouse

B.C. FOREST INDUSTRY CAPITAL EXPENDITURES: 1986 - 1996



B.C. FOREST INDUSTRY NET EARNINGS

The start of the 90's witnessed three consecutive years of losses followed by three years of profits. In 1993 the forest industry net earnings were $520 million, they soared to $1.4 billion in 1994 and dipped to $1.3 million in 1995. In 1996 earnings crashed primarily as a result of pulp prices and the year ended with a $290 million loss for the industry as a whole.

The weakest sector in 1996 was pulp and paper. Market pulp had net losses of $587 million (due to high inventories, strong competition and lower prices) compared to a profit of $393 million in 1995. Sales were down 43 per cent to $2.5 billion compared to $4.4 billion in 1995.

B.C. has become the highest cost producer of softwood market pulp production in the world, with cost for Interior and Coastal pulp at $743 and $814 per tonne repectively.

Newsprint had net earnings of $90 million compared with $112 million in 1995. Sales of newsprint were $1.5 billion in 1996 compared to $1.7 billion 1975.

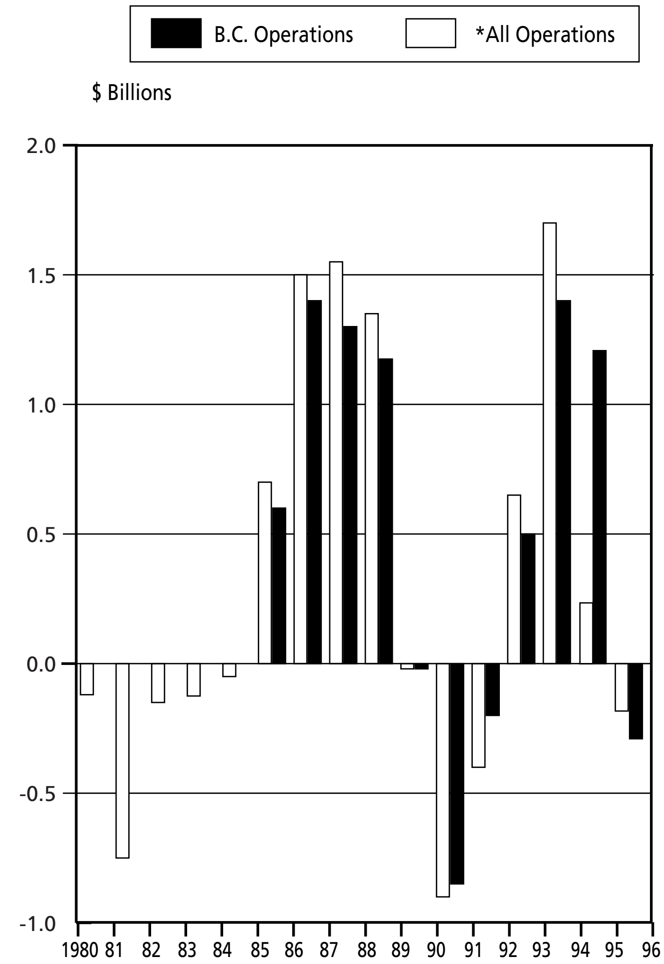
Lumber net earnings were $392 million in 1996, down from $479 in 1995. Lumber sales were $8.5 billion in 1996 including by-products such as wood chips.

Plywood and veneer suffered a net loss of $2 million compared to net earnings of $46 million in 1995. Contributing to this was lower by-product revenues. Sales in this sector including by-products were $780 million in 1996, down from $852 million in 1995. The decline was primarily attributed to lower chips prices.

All other operations had a net loss year-over-year of $183 million in 1996 compared to net gains of $250 million in 1995.

Source: Price Waterhouse

B.C. FOREST INDUSTRY NET EARNINGS: 1976-1996



* *All operations includes company operations outside of B.C.*