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Does the Coast Forest Industry Have a Future?

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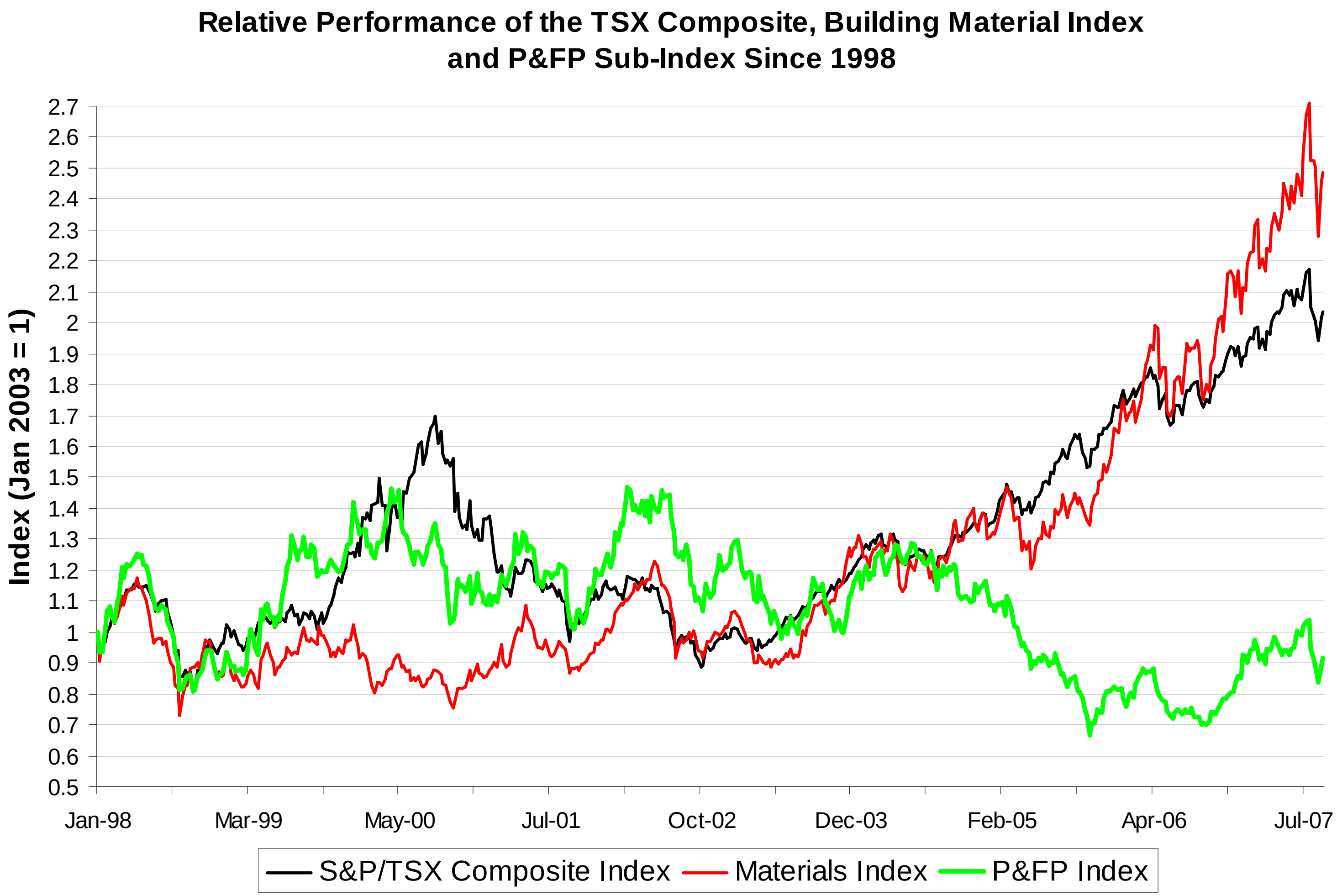
The North American Forest Industry is a Chronic Underperformer

- The TSX P&FP sub-index performed well, in comparison to the TSX/S&P Composite and Materials Indices, until 2004.



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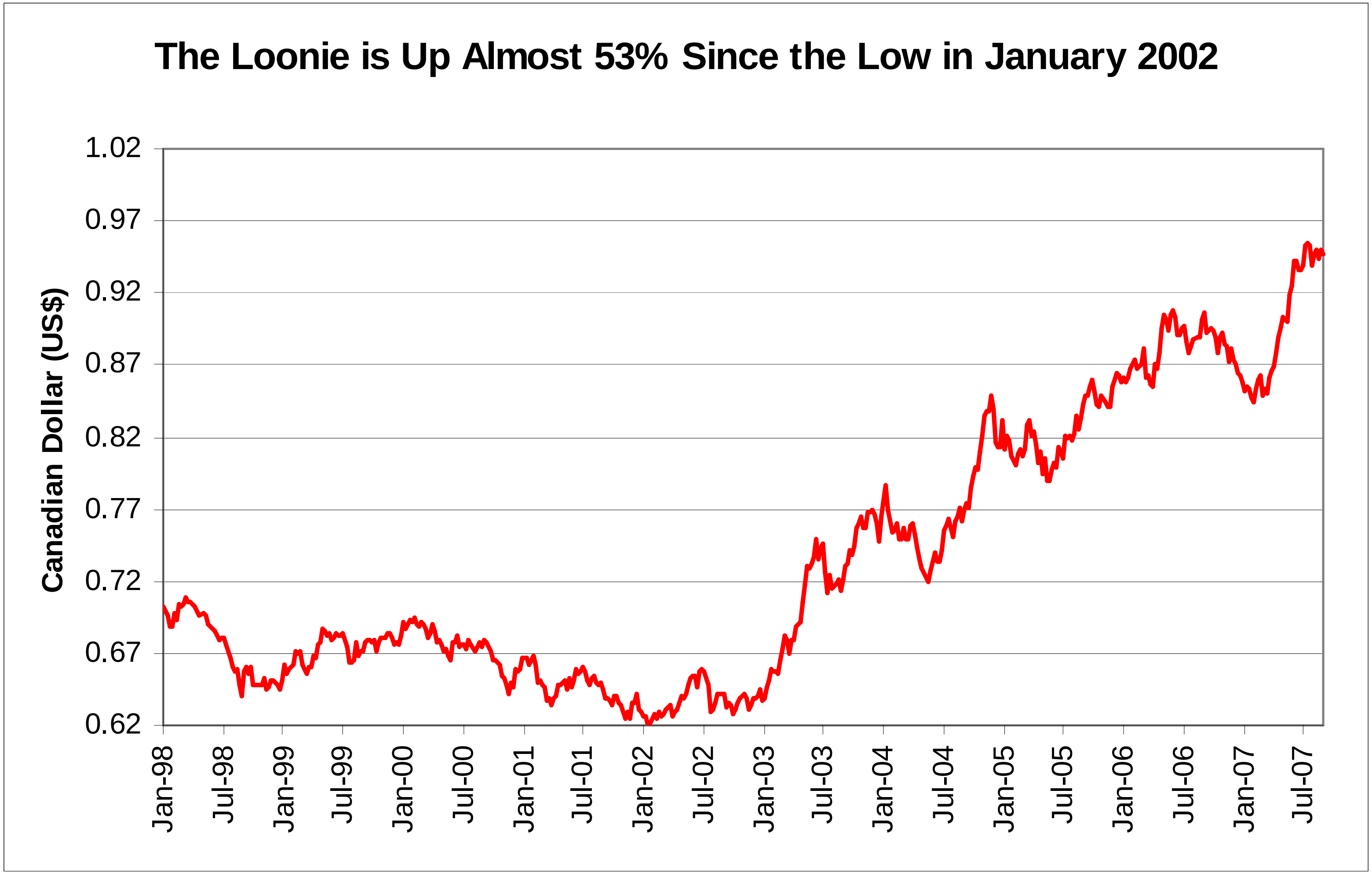
The Rapid Rise in the Canadian Dollar is a Key Factor



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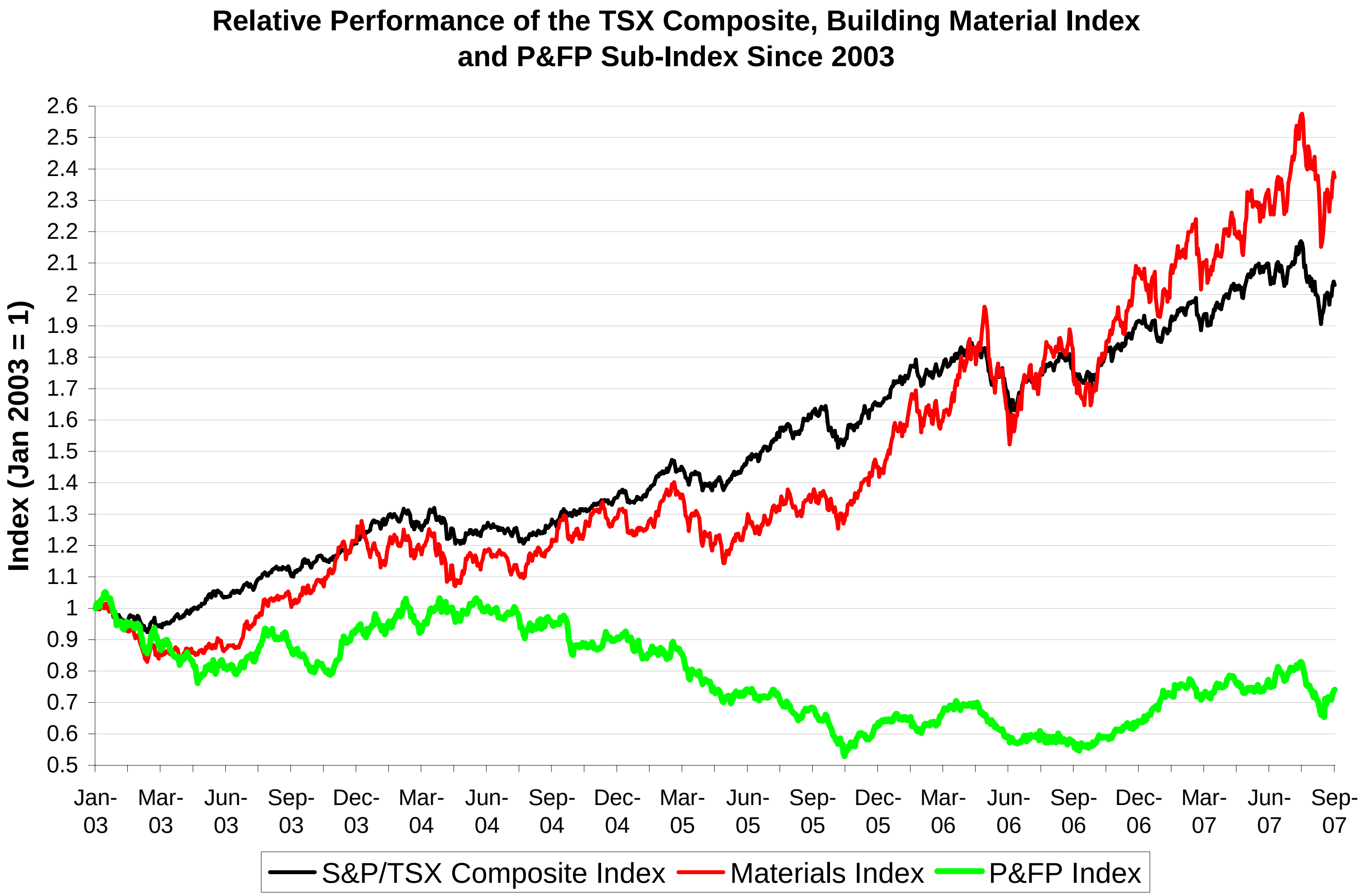
Industry Performance Has Been Particularly Poor Since 2003



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Valuations are Reasonable, But Little Commodity Pricing Momentum

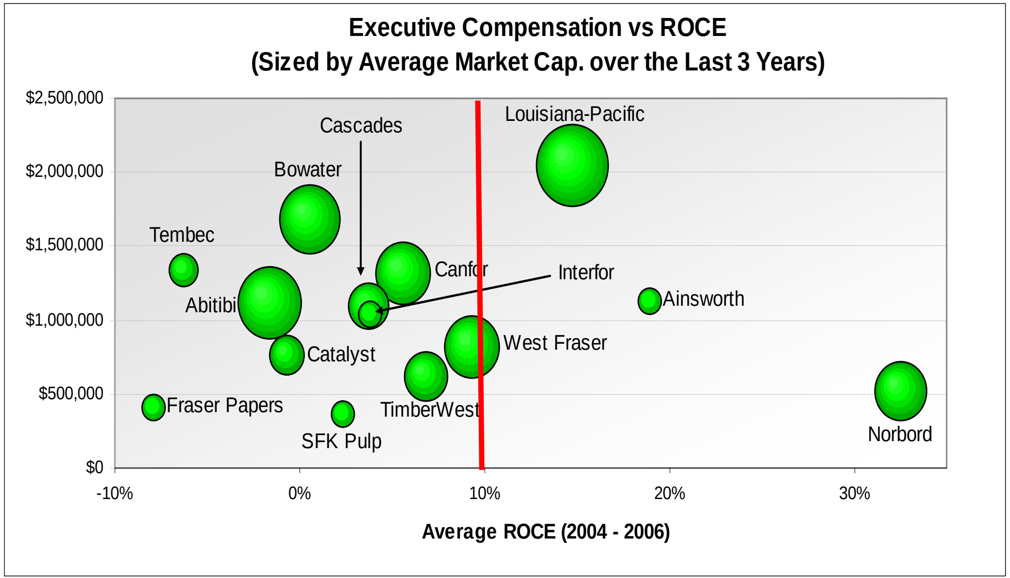
- A review of P&FP valuations suggests the market is slightly pessimistic in its outlook for most P&FP companies' earnings as we find most companies to be relatively undervalued.
- We believe that trend EV/EBITDA should be 5x to 7x and trend P/E should be 10x to 12x. Median multiple is 4.6x for Canadian Large Caps, 4.3x for Canadian Small Caps, 9.3x for Income Trusts and 4.8x for U.S. Large Caps.

Company	Share Price	Market Capitalization	Enterprise Value ($M)	Earnings LTM	$\text{EBITDA}_{\text{LTM}}$ ($M)	$\text{EBITDA}_{\text{trend}}$ ($M)
Western Forest Products	$2.20	$449.7	$591.3	($0.10)	$37.0	$100.0
Interfor	$7.38	$358.3	$313.8	$0.02	$47.6	$115.0
TimberWest	$15.02	$1,170.6	$1,391.1	$0.96	$82.2	$130.2
Canfor	$12.66	$1,805.7	$2,103.9	($1.33)	($7.0)	$328.7
West Fraser	$39.85	$1,722.8	$2,420.6	($1.59)	$162.0	$605.3
Acadian	$11.20	$185.6	$255.1	$1.08	$22.7	$24.0

Company	Valuation Metrics			
	P/E_{LTM}	$\text{EV/EBITDA}_{\text{LTM}}$	$\text{EV/EBITDA}_{\text{trend}}$	P/Book
Western Forest Products	-22.2	16.0	5.9	0.94
Interfor	369.0	6.6	2.7	0.78
TimberWest	15.7	16.9	10.7	1.25
Canfor	-9.5	-300.6	6.4	0.86
West Fraser	-25.1	14.9	4.0	0.79
Acadian	10.4	11.2	10.6	1.36

Executive Compensation Not In Line with Shareholder Interests

- There was almost no correlation between executive compensation and return on capital employed (ROCE).
- ROCE, the key financial metric, measures the efficiency at which capital is being used to generate earnings.



	Averages for 3 Year Period: 2004 to 2006 Inclusive				
	ROCE	ROA	ROE	Total Return[1]	Executive Compensation[4]
Abitibi	-1.59%	-1.67%	-5.71%	-69.92%	$1,118,499
Ainsworth	18.92%	5.05%	19.48%	-14.38%	$1,126,124 [5]
Bowater	0.51%	-2.30%	-10.76%	-47.47%	$1,685,643
Canfor	5.57%	7.76%	15.84%	20.63%	$1,312,540
Cascades	3.74%	1.16%	3.58%	11.25%	$1,090,149 [5]
Catalyst Paper	-0.71%	-0.86%	-2.28%	-14.86%	$767,858
Fraser Papers	-7.93%	-6.73%	-17.18%	-63.63%	$414,686
Interfor	3.81%	7.27%	10.57%	19.83%	$1,035,408
Louisiana-Pacific	14.76%	13.10%	64.41%	27.60%	$2,045,416
Norbord	32.51%	26.94%	43.48%	50.29%	$515,727
SFK Pulp	2.34%	1.11%	1.46%	-35.65%	$364,209
Tembec	-6.25%	-5.98%	-27.62%	-81.76%	$1,334,512
TimberWest	6.83%	1.08%	1.72%	48.26%	$616,920
West Fraser	9.29%	6.09%	11.82%	13.13%	$821,296 [5]

[1] Total Return uses Bloomberg data, daily from December 31st, 2003 to December 31st, 2006 or since inception
[2] Fraser Papers' Total Return is only for the period since its June 25th, 2004 inception
[3] Norbord's Total Return includes returns for Nexfor Inc. prior to June 25th, 2004
[4] Average annual compensation of top three executives for last 3 years not including options or restricted units awarded (C$)
[5] Compensation does not include dividends received on share ownership

Source: Bloomberg, company documents, Salman Partners Inc. research

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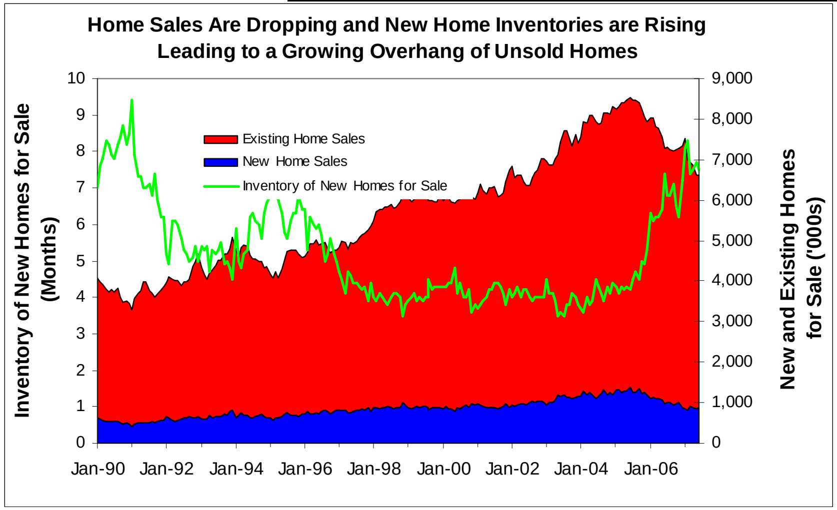
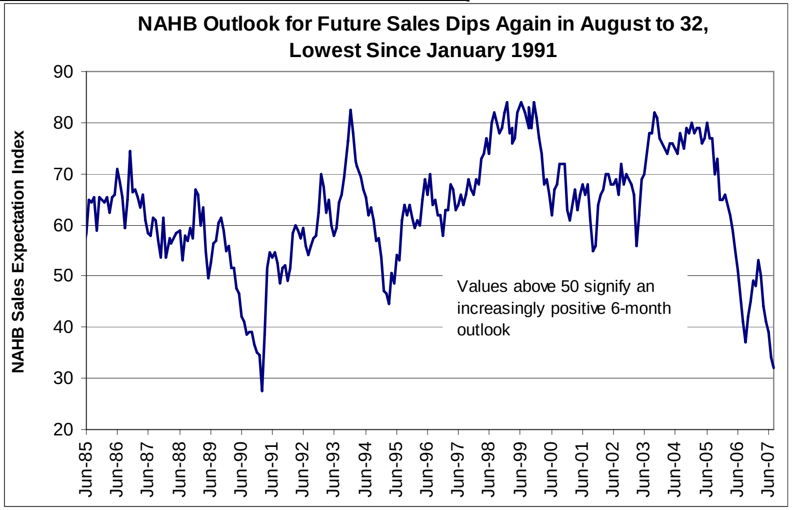
U.S. Housing Sector in Free-fall; Analysts Now Questioning '08 Rebound

- North American building permits are down 25.4% in 2007 while single family building permits have dropped by 28.7% YTD. U.S. pending home sales, new home sales and existing home sales are all at depressed levels, with interest rates rising.

Total Starts (000s)	Single Family (000s)	Year	Y/Y Change Total Starts	Y/Y Change Single Family
1,601.2	1,271.7	**2001**	1.8%	3.2%
1,710.3	1,363.3	**2002**	6.8%	7.2%
1,853.8	1,505.1	**2003**	8.4%	10.4%
1,949.5	1,604.2	**2004**	5.2%	6.6%
2,072.9	1,718.5	**2005**	6.3%	7.1%
1,811.9	1,474.3	**2006**	-12.6%	-14.2%
1,451.0	1,155.7	**2007 YTD**	-25.9%	-28.1%
		Forecast		
1,375	1,086	**2007F**	-24.1%	-26.3%
1,450	1,160	**2008F**	5.5%	6.8%





	New Home Sales	Y/Y %	Existing Sales	Y/Y %	Total Home Sales	Y/Y %
2002	976,167		5,656,667		6,632,833	
2003	1,090,667	11.7%	6,175,833	9.2%	7,266,500	9.6%
2004	1,200,833	10.1%	6,726,667	8.9%	7,927,500	9.1%
2005	1,278,917	6.5%	7,075,000	5.2%	8,353,917	5.4%
2006	1,049,333	-18.0%	6,510,000	-8.0%	7,559,333	-9.5%
2006 YTD	1,088,714		6,684,286		7,773,000	
2007 YTD	866,286	-20.4%	6,110,000	-8.6%	6,976,286	-10.2%

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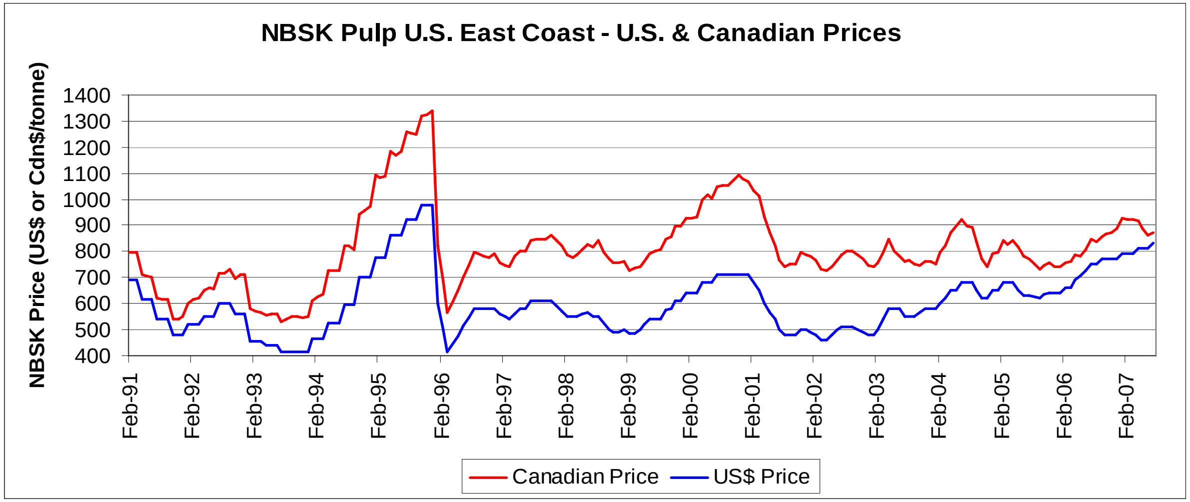
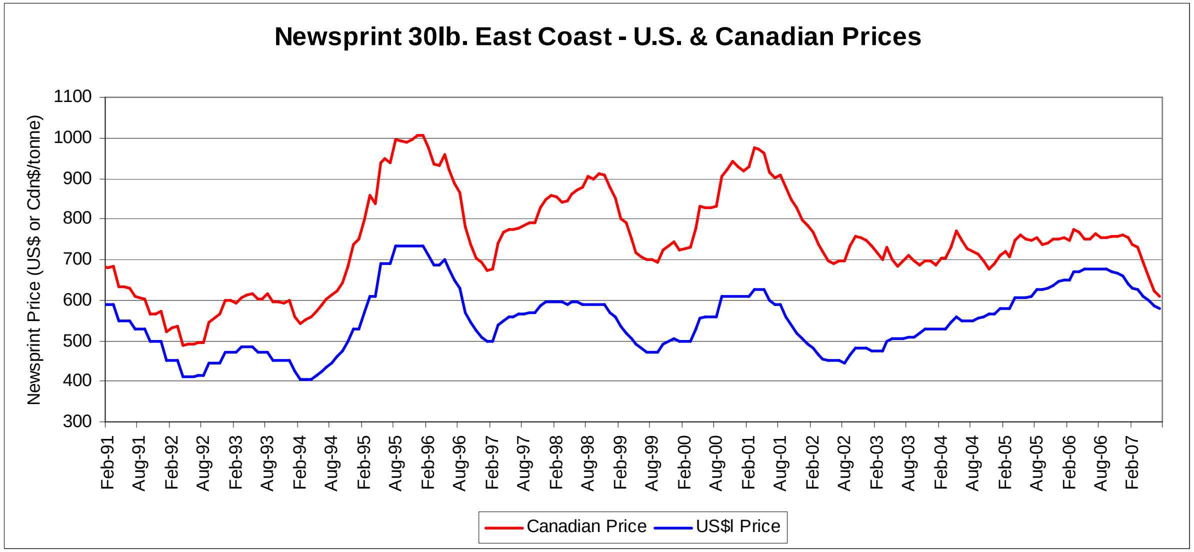
NBSK Pulp is Strong, But Newsprint is in the Tank!

- NBSK pulp continues to move higher on increased demand, low inventories and supply issues
- Newsprint and Groundwood papers hurt by weaker advertising, dropping circulation, high Canadian dollar and demographic change





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Impediments to a Future on the Coast

- Labour – Current Strike is Indicative of the Situation
  - Aging workforce (>48), Low Productivity, Rising Costs
- What's the Sustainable Harvest Level?
  - Mid-Coast, then Queen Charlottes. What's next?
  - 20 million m^3 or 12 million m^3?
- Lack of Overall Profitability
  - Few companies have made their cost of capital
  - Best are smaller niche players
- Very High Manufacturing Costs – Low LRF
  - Old & Tired mills need to be replaced by New Efficient Facilities
- Fibre Basket has 35% High-value component (65% HemBal), 25% Net of Pulp
- Second Growth Harvest (45%) is largely a commodity product
- Barriers to Market
  - Softwood Lumber Export Tax is 15%
  - No Relief Likely until 2009

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Bright Spots for the Coast

- Fibre Availability in B.C.
  - after Mountain Pine Beetle Harvest Reduction Occurs in the Interior
  - Coastal logs railed to the Interior? Log Export?
- Scarcity Looming in Global Timberlands
- Strong Log Export Markets – Japan, Korea, U.S. PNW
- Cedar – Consistently Profitable, Dependant on Strong U.S. Demand (>85%)
- Whitewood – Strength, Appearance and Commodity Attributes
- High-value Niche Species – Yellow Cedar, Sitka Spruce, Alder

Future is Up to Labour, Employers, Government, Communities