



18 May 2011

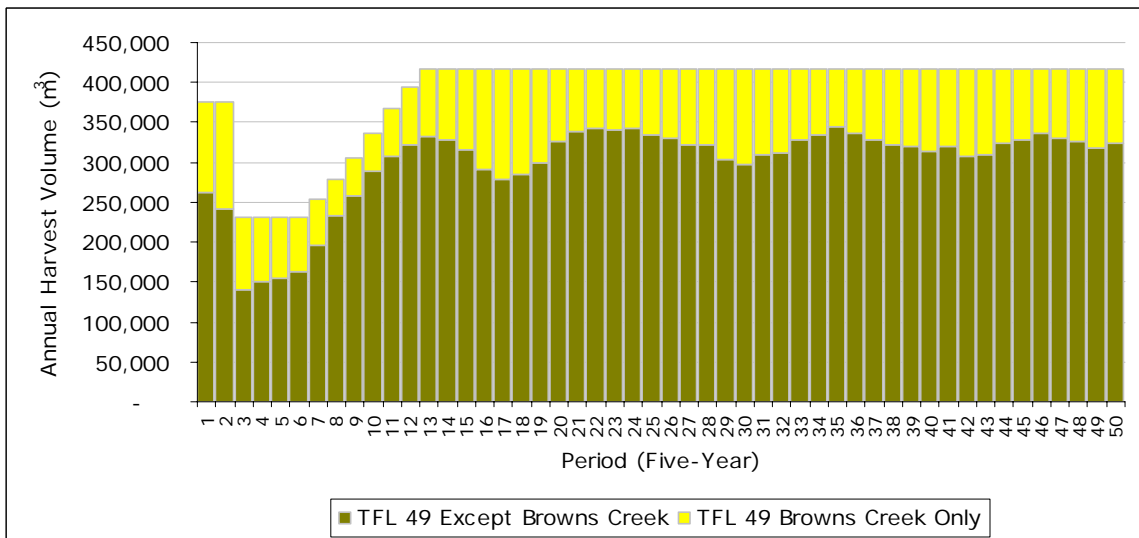
Tolko Industries Ltd.
Okanagan Regional Woodlands

Attention: Rob Kennett, RPF

Re: Brown's Creek Contribution to TFL 49 Timber Supply

Dear Rob;

I have re-examined the contribution that the Brown's Creek block to timber supply in light of the changes that we made to the base case related to site productivity and the IRM constraint. As a starting point, I summarized the output from the base case model run to show the amount of volume that would be harvested in the Brown's Creek block. The results are summarized in the chart below.

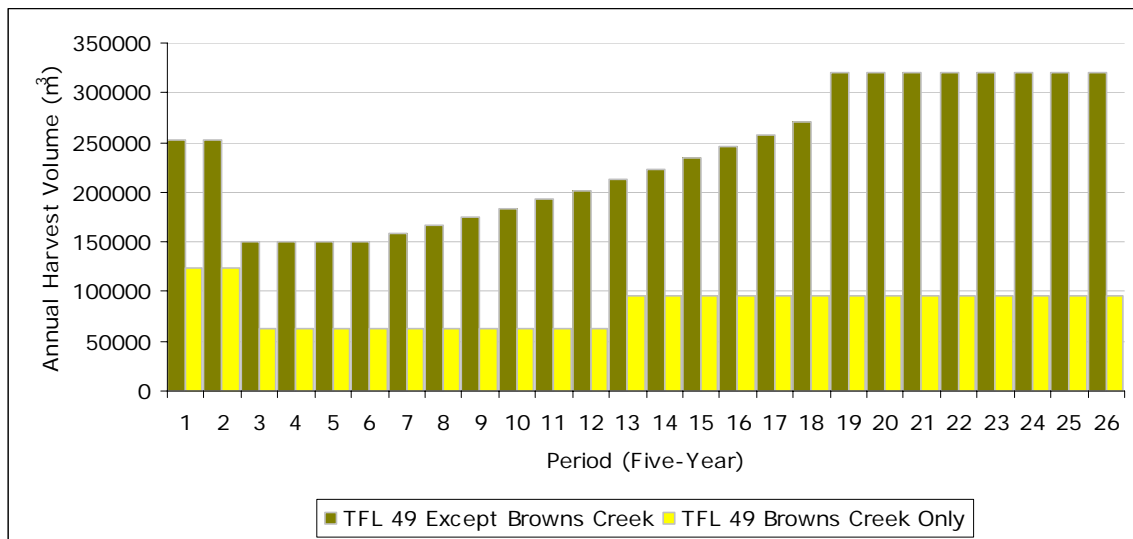


Brown's Creek accounts for approximately 23.5% of the harvesting in the long term. However, its average contribution to the short-term timber supply is more significant.

During the salvage period (the first ten years) 33.0% of harvesting occurs on the Brown's Creek block. This proportion increases slightly for the twenty years following the salvage period – to 34.1%. Its contribution to timber supply is at a minimum during the harvest step-up between period 7 and period 12; only 16.8% of the harvest comes from Browns Creek. The average contribution of the area to the TFL 49 timber supply over the remainder of the planning horizon is 23.1%.

A forest estate model run was set up to determine what the timber harvest flow would be from each of these two areas if they were managed as separate sustained yield units. The implicit assumption is that harvesting would continue on both parts of the TFL, but that each operator would complete a timber supply analysis that would establish short-, mid- and long-term harvest levels for their landbase. This is as opposed to assuming that the Brown's Creek area would not be harvested and assuming that the increasingly mature landbase would be available to satisfy other resource requirements.

Harvest accounts were established for the Brown's Creek and non-Brown's Creek portions of the TFL. The base case run was used to establish preliminary harvest targets for each of these areas. The model was run and slight adjustments were made to the targets. The resulting harvest flow from each of the areas is shown in the chart below. (Note that the chart only shows the first 130 years of the planning horizon; the harvest level for each of the areas remain constant for the remainder of the 250-year planning horizon.)



This chart is consistent with the results of the base case analysis, and confirms that the contribution of Brown's Creek to the TFL 49 timber supply is greater in the short term than in the long term. Relative to the base case, the drop in timber supply after the salvage period is greater for the Brown's portion of the TFL, and it takes longer for growing stock levels to increase to the point that the long-term harvest level can be reached (at period 26, or 130 years. It is possible to increase the

harvest in the Browns Creek area starting in period 13 as managed stands become available for harvest.

For the non-Brown's part of the TFL, the post salvage drop in harvest is less severe, and growing stock levels recover by period 19.

Please don't hesitate to call if you need additional details or further documentation.

Yours truly,

A handwritten signature in black ink that reads "Jerry Miehm". The signature is written in a cursive style with a long horizontal flourish at the end.

Jerry Miehm
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