News Release

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North American sawmill profits lowest in the world in 2006 and Q2 of 2007: global benchmarking report

Sawmills in South Africa, Chile and North-West Russia report the highest profits.

VANCOUVER, **BC, September 12, 2007** — Sawmills throughout the U.S. and Canada achieved dismal operating results in 2006 where the profits at "average"[1] mills were barely positive and slipped into negative territory in the second quarter of 2007, when lumber prices collapsed to below the cost of production. The cost of logs delivered to the mills have generally been rising in North America and, in conjunction with low lumber prices, have caused sawmills to incur deep operating losses that have not been seen since 1991. These and other findings were released today in the latest issue of a report published by International WOOD Markets, PricewaterhouseCoopers, and The Beck Group. The report is the most comprehensive compilation available on global timber, lumber and sawnwood cost benchmarking, covering over 170 sawmills in 29 major forest products producing regions of the world.

Sawmills in South Africa, Chile and North-west Russia were the most profitable in the world - their 2006 and 2007 Q2 earnings[2] at average mills were between two and five times greater than the overall global average earnings, a dismal USD 13/Mbf, or just 4**%** of lumber sales revenue. In North America, the U.S. South posted the best mill earnings– this was one of the few areas not punished by rising log costs. The worst sawmill earnings for all the regions in the report occurred in Brazil, the U.S. Inland West region, Quebec and the B.C. Coast. They all recorded negative earnings in 2006 as well as the second quarter of 2007.

The US West Coast region reported some of the lowest earnings in 2006 (near zero) and 2007 Q2 (negative) due to rising delivered log costs and poor lumber prices. This region had the highest average sawmill earnings in the world in 2004. The B.C. Interior challenged US West mills for lowest operating cost honours at 'top-quartile' mills but fell short in 2006, as in 2004.

"The largest sawmills in B.C., Washington and Oregon, especially those operating on three shifts, are recording the largest annual lumber output in the world, but European mills still boast both the highest capacity 'two-shift mills' and the lowest operating costs of all sawmills surveyed" said Russ Taylor, President of WOOD Markets Group. "Compared to North American mills, the European sawmilling process is more flexible and can produce commodity and/or specialty orders in almost any size or length at lower costs."

"The U.S. West and B.C. Interior sawmills had been bright spots in the industry's financial picture between 2002 and 2005," said Dave Thompson, a partner in PwC's Global Forest, Paper and Packaging Industry practice. "However, these regions posted weak operating results in 2006 and 2007 Q2, in spite of favourable operating costs. North American regions are also seeing increasing competition from emerging suppliers in lower cost regions, such as Russia, South America and China."

Bill Mitchell, Vice President of Beck added: "This year's report shows how the competitive position of sawnwood lumber producers in several regions shifted between 2004 and 2006, particularly US and Canadian mills. Lumber prices slumped while log costs in most regions increased, hitting the bottom line hard. The weakening US dollar was also responsible for higher costs in Canada and most other forest products regions of the world.

Taylor added: "Delivered log costs in virtually all regions have increased by an average of 66% over the last five years—the greatest cost increase for sawmills. This appears to be correlated to the timber supply and demand balance within regions, and the transition in ownership from integrated companies with forestland to the emergence of more stand-alone timberland investment management organizations".

Key Report findings include:

- Relative to the global EBITDA average of just USD 13/Mbf, North American average sawmills achieved weaker EBITDA earnings of just above zero in 2006 and were even worse in 2007 Q2 when prices bottomed out below cost levels.

- Canada's Prairie region posted the country's lowest and the world's second lowest delivered log costs. The BC Coastal Region had Canada's highest delivered log costs at over USD 60/m3, but still well below the delivered log costs in all regions of Europe.

- North America had slightly above average sawmill operating costs (excluding logs) when compared to other global regions – Europe and South America were the lowest cost regions.

- Russia has the lowest delivered log costs at average mills at about USD 30/m3.

- By contrast, China (over USD 100/m3) and Europe (led by Finland, Germany and Austria) reported the highest average delivered log cost for the second consecutive survey.

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<u>Notes:</u> 1.."Average" mill refers to the average or typical mill surveyed in each country or region. 'Top quartile' mills are larger, more modern and have lower costs and even higher earnings and are also profiled in the report.

2.”Earnings” is earnings before interest, taxes and depreciation allowance (EBITDA).

The *Global Lumber/Sawnwood Cost Benchmarking Report—2006 & 2007 Q2* was produced by International WOOD Markets Group Inc. (WOOD Markets) with strategic cost data supplied by PricewaterhouseCoopers LLP (PwC), and the Beck Group (Beck). The authors analyzed and compared operational and financial data from both average and top-quartile sawmills in Canada, United States, Brazil, Chile, South Africa, Europe and Scandinavia, Russia, China, Australia and New Zealand. A similar survey was produced by the three authors in 2005 and by WOOD Markets and PwC in 2003.

For more information on the Global Lumber/Sawnwood Cost Benchmarking Report—2006 and 2007 Q2, contact Russell Taylor**.** To arrange an interview with one of the co-authors to discuss the findings, please contact: Jim Nelson, PwC,at +1 (604) 806 7047, or email: jim.nelson@ca. pwc.com; Russell Taylor, International WOOD Market Group Inc, at: +1 (604) 801 5996; or Bill Mitchell, The Beck Group, +1 (503) 684 3406.

About International WOOD Markets Inc.

International WOOD Markets Group (www.woodmarkets.com) comprises both wood products industry, market and business consulting for clients with data-base services and offers six industry or market specific multi-client reports. Strategic business assessments matching the timber resource to the global wood products market coupled with our feasibility analyses of timber processing options are trademark skills of the firm. Our ability to conduct in-the-field investigations coupled with our global network of contacts and comprehensive data-base delivers strategic results for clients looking to review or expand their domestic or global business or in evaluating investments.

About PricewaterhouseCoopers

PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 140,000 people in 149 countries work collaboratively using Connected Thinking to develop fresh perspectives and practical advice. Now celebrating 100 years of excellence in Canada, PricewaterhouseCoopers LLP (www.pwc.com/ca) and its related entities have more than 5,200 partners and staff in offices across the country.

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About The Beck Group

The Beck Group is an established, highly experienced forest products-based planning, consulting and benchmarking firm. Key personnel at Beck have extensive forest industry experience. The firm has assisted more than 150 forest products companies at more than 250 locations. While the company focuses primarily on the US, it also has significant international experience, including projects in Eastern and Western Canada, Finland, Chile, New Zealand, and South Africa.

Beck is an industry leader in Competitive Assessment (benchmarking) studies for the forest products industry. The company has completed numerous studies for various segments of the industry, including hardwood lumber, oriented-strand board (OSB), softwood lumber, plywood, particleboard, and medium density fiberboard (MDF).

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