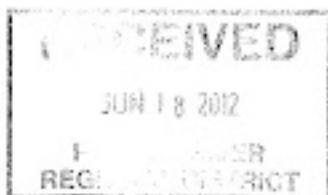


June 12, 2012

Mac Fraser
Chief Administrative Officer
Powell River Regional District
5776 Marine Avenue
Powell River, BC V8A 2M4

Dear Mr. Fraser:

Thank you for your letter of April 12 regarding your regional park acquisition objectives. As you are no doubt aware, the core business of Island Timberlands involves growing, harvesting, and delivering high quality timber from our privately owned managed forest lands. Since acquiring approximately 258,000 hectares of managed forest lands from Weyerhaeuser almost seven years ago, in addition to harvesting timber we have planted in excess of 26 million trees. We have also worked hard to maintain good relationships with our many neighbours in the 27 regional districts, municipalities, cities, and towns where we own private lands.

From time to time we receive unsolicited expressions of interest regarding the purchase of specific parcels of our private lands. We do consider these approaches seriously, and at times the offering party is able to provide us with an offer that meets our expectations. In these cases, we reach a willing seller/willing buyer agreement and transact the sale. As a matter of course we do not enter into agreements to defer our rights to use our lands while interested parties determine what price they can offer and how they might finance a proposed acquisition.

With regard to District Lot 3040, we are aware that it was identified in the Powell River Regional District's Parks and Greenspace Plan in 2010 as a priority for acquisition. Although I am not aware of any immediate plans to conduct harvesting operations in this area, timber markets have been volatile recently and our operational plans are always subject to change. Once the regional district has considered its budgetary constraints and financing timelines, and has formulated an acquisition proposal including offer price and closing date, we are more than willing to meet to discuss the proposal in detail.

Please contact Christopher Dawes, Director Real Estate at 250.755.3546 to schedule a time to meet in our Nanaimo office.

Yours truly,
Island Timberlands LPDarshan Sihota
President

cc: Bill Waugh, Christopher Dawes

