

Consolidated Financial Statements of

**Forest Protection Limited**

March 31, 2010

.



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## Auditors' report

To the Shareholders,  
FOREST PROTECTION LIMITED

We have audited the consolidated balance sheet of FOREST PROTECTION LIMITED (the "Company") as at March 31, 2010 and the consolidated statements of operations, changes in unrestricted (deficit) net assets, changes in net investment in capital assets, changes in deficit internally restricted for equipment replacement and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
April 27, 2010

# Forest Protection Limited

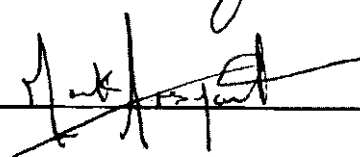
## Consolidated balance sheet

as at March 31, 2010

	2010	2009
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 236,247	\$ -
Term deposit (Note 4)	200,000	435,000
Accounts receivable	523,632	324,577
Income taxes receivable	42,420	21,917
Prepaid expenses and consumable supplies	2,683	29,757
	<b>1,004,982</b>	<b>811,251</b>
<b>Capital assets (Note 5)</b>	<b>12,560,982</b>	<b>13,128,242</b>
	<b>\$ 13,565,964</b>	<b>\$ 13,939,493</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$ -	\$ 273,582
Bank advances	-	378,283
Accounts payable and accruals	499,002	740,760
Deferred revenue	1,114,579	313,081
Income taxes payable	-	-
Current portion of long-term debt (Note 6)	32,629	18,118
	<b>1,646,210</b>	<b>1,723,824</b>
<b>Long-term debt (Note 6)</b>	<b>201,212</b>	<b>260,533</b>
<b>Reserve for retiring allowance (Note 7)</b>	<b>102,812</b>	<b>111,629</b>
<b>Non-controlling interest</b>	<b>34,141</b>	<b>55,941</b>
<b>Equity</b>		
Share capital (Note 8)	2,000	2,000
Contributed surplus	244,586	244,586
Net investment in capital assets	11,709,480	12,093,750
Deficit internally restricted for equipment replacement	(342,609)	(935,075)
Unrestricted (deficit) net assets		
Forest Protection Limited	(339,135)	(121,159)
Sylvar Technologies Inc.	307,267	503,464
	<b>11,581,589</b>	<b>11,787,566</b>
	<b>\$ 13,565,964</b>	<b>\$ 13,939,493</b>

APPROVED BY THE BOARD

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

# Forest Protection Limited

Consolidated statement of operations  
year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Contributions from owners		
- Province of New Brunswick	<b>\$ 3,049,475</b>	\$ 3,318,474
- Industry	<b>120,750</b>	353,863
Other revenue	<b>3,007,666</b>	1,283,966
Product sales	<b>100,000</b>	504,000
Interest earned	<b>3,597</b>	30,838
	<b>6,281,488</b>	5,491,141
<b>Operating expenses (Note 9)</b>		
Fire suppression	<b>2,377,868</b>	2,114,649
Research and development	<b>1,538,448</b>	1,918,112
Overhead	<b>1,137,771</b>	868,484
Pest control	<b>567,255</b>	241,037
Surveys and assessments	<b>157,038</b>	-
	<b>5,778,380</b>	5,142,282
<b>Other expense (income)</b>		
Amortization of capital assets	<b>759,814</b>	754,870
Reserve for retiring allowance (Note 7)	<b>11,820</b>	35,270
Foreign exchange loss (gain)	<b>18,220</b>	(4,634)
Gain on sales of aircraft and parts	<b>(12,740)</b>	(117,801)
	<b>777,114</b>	667,705
<b>Deficiency of revenues over</b>		
<b>expenses before undernoted items</b>	<b>(274,006)</b>	(318,846)
Provision for income taxes (recovery)	<b>(46,229)</b>	1,504
<b>Deficiency of revenues over</b>		
<b>expenses before non-controlling interest</b>	<b>(227,777)</b>	(320,350)
Non-controlling interest	<b>21,800</b>	(3,317)
<b>Deficiency of revenues over</b>		
<b>expenses for the year</b>	<b>\$ (205,977)</b>	\$ (323,667)

# Forest Protection Limited

Consolidated statement of changes in unrestricted (deficit) net assets  
year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
<b>Unrestricted net assets ,</b>		
<b>beginning of year</b>	\$ 382,305	\$ 397,255
Deficiency of revenues over expenses for the year	(205,977)	(323,667)
Transfer from (to) net investment in capital assets	384,270	(1,822,868)
Transfer (to) from deficit internally restricted for equipment replacement	(365,351)	2,131,585
Transfer of insurance proceeds to deficit internally restricted for equipment replacement	(227,115)	-
<b>Unrestricted (deficit) net assets,</b>		
<b>end of year</b>	\$ (31,868)	\$ 382,305
Represented by:		
Forest Protection Limited	\$ (339,135)	\$ (121,159)
Sylvar Technologies Inc.	307,267	503,464
	\$ (31,868)	\$ 382,305

# Forest Protection Limited

## Consolidated statement of changes in net investment in capital assets year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
<b>Net investment in capital assets</b>		
Balance at beginning of year	<b>\$ 12,093,750</b>	\$ 10,270,882
Transfers from (to) unrestricted net assets:		
Acquisition of capital assets	<b>339,067</b>	2,548,764
Principal portion of long-term debt	<b>30,093</b>	16,506
Amortization of capital assets	<b>(753,430)</b>	(742,402)
	<b>(384,270)</b>	1,822,868
Balance at end of year	<b>\$ 11,709,480</b>	\$ 12,093,750

# Forest Protection Limited

Consolidated statement of changes in deficit internally  
restricted for equipment replacement  
year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
<b>(Deficit) net assets internally restricted for equipment replacement</b>		
Balance at beginning of year	<b>\$ (935,075)</b>	\$ 806,038
Transfers (to) from unrestricted net assets:		
Transfer of unrestricted (deficit) net assets	<b>795,290</b>	88,064
Transfer to unrestricted (deficit) net assets (Note 10)	<b>(233,113)</b>	-
Purchase of support aircraft	<b>(200,427)</b>	-
Purchase of AT802F Fireboss		
- Advance payments	-	(1,948,558)
- Final payment	-	(433,692)
Proceeds from sales of aircraft and parts	<b>3,601</b>	162,601
	<b>365,351</b>	(2,131,585)
Aircraft insurance proceeds	<b>227,115</b>	-
Transfer from contributed surplus	-	379,718
Product return	-	10,754
	<b>227,115</b>	390,472
Balance at end of year	<b>\$ (342,609)</b>	\$ (935,075)

# Forest Protection Limited

Consolidated statement of cash flows  
year ended March 31, 2010

	2010	2009
<b>Net inflow (outflow) of cash related to the following activities</b>		
<b>Operating</b>		
Deficiency of revenues over expenses	\$ (205,977)	\$ (323,667)
Amortization of capital assets	759,814	754,870
Gain on sales of aircraft and parts	(12,740)	(117,801)
Non-controlling interest	(21,800)	3,317
Reserve for retiring allowance	11,820	35,270
Payment of retirement allowance	(20,637)	-
Spare parts revaluation charged to contributed surplus	-	(91,584)
Changes in non-cash operating working capital items:		
Accounts receivable	(199,055)	470,304
Income taxes receivable	(20,503)	(57,048)
Prepaid expenses and consumable supplies	27,074	19,809
Accounts payable and accruals	(241,758)	223,679
Deferred revenue	801,498	(342,450)
	<b>877,736</b>	<b>574,699</b>
<b>Financing</b>		
Bank (repayment) advances	(378,283)	378,283
Capital lease obligation repayment (Note 6)	(263,936)	(14,282)
Proceeds from loan (Note 6)	261,032	-
Loan repayment	(27,192)	-
	<b>(408,379)</b>	<b>364,001</b>
<b>Investing</b>		
Proceeds (purchase) of term deposit	235,000	(435,000)
Acquisition of capital assets	(339,067)	(2,566,700)
Aircraft insurance proceeds	191,115	-
Spare parts, net	(50,177)	160,597
Proceeds on sales of aircraft and parts	3,601	162,601
Proceeds from returned product	-	10,754
	<b>40,472</b>	<b>(2,667,748)</b>
<b>Net cash inflow (outflow)</b>	<b>509,829</b>	<b>(1,729,048)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>(273,582)</b>	<b>1,455,466</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 236,247</b>	<b>\$ (273,582)</b>
<b>Cash and cash equivalents is comprised of:</b>		
Cash and cash equivalents	\$ 236,247	\$ -
Bank indebtedness	-	(273,582)
	<b>\$ 236,247</b>	<b>\$ (273,582)</b>



# Forest Protection Limited

Notes to the consolidated financial statements  
year ended March 31, 2010

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## 1. Description of the business

The mandate of Forest Protection Limited (the "Company") is to protect forests with services such as fire management, research and development, pest management and aerial surveys. The Company's subsidiary, Sylvar Technologies Inc. ("Sylvar") develops and offers biopesticide technology solutions for controlling forest pests.

## 2. Change in accounting policies

Effective April 1, 2009 the Company adopted the following recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook.

### *Not-for-profit-organizations*

Sections 1540, 4400, 4430 and 4460 and the new recommendations of Section 4470.

### *Goodwill and intangible assets*

Section 3064 on Goodwill and Intangible Assets establishes standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous CICA Handbook Section 3062.

The adoption of these sections had no impact on the Company's consolidated financial statements.

## 3. Accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

### *Principles of consolidation*

The consolidated financial statements include the accounts of the Company and its subsidiary Sylvar Technologies Inc. All inter-company transactions have been eliminated.

### *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

# Forest Protection Limited

## Notes to the consolidated financial statements

### year ended March 31, 2010

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### 3. Accounting policies (continued)

#### Classification

Cash and cash equivalents	Held for trading
Term deposit	Held for trading
Accounts receivable	Loans and receivables
Bank indebtedness and bank advances	Held for trading
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

#### Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other revenue.

Financial liabilities designated as held for trading are those non-derivative financial liabilities that the Company elects to designate on initial recognition as instruments that it will measure at fair value through other interest expense. These are accounted for in the same manner as held for trading assets. The Company has not designated any non-derivative financial liabilities as held for trading.

#### Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

#### Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

#### Effective interest method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

#### *Operations and net investment in capital assets*

- a. The Company carries out pest control, fire suppression and research and development programs comprised predominantly of forest protection activities. The costs of the pest control programs, including all overhead expenditures, are shared between various owners, including, the Province of New Brunswick and other organizations on the basis of approved cost sharing formulae. Costs directly attributable to fire suppression activities are recovered directly from the Province of New Brunswick and other jurisdictions. The net cost of research and development activities, after deducting revenues received, is recovered on the basis of a separate approved cost sharing formula.
- b. Program expenditures include all costs incurred during the year, including the cost of capital assets consumed during the year, reduced by proceeds on disposal of capital assets, except for aircraft sales, which are transferred to net assets internally restricted for equipment replacement.

# Forest Protection Limited

## Notes to the consolidated financial statements year ended March 31, 2010

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### 3. Accounting policies (continued)

#### *Operations and net investment in capital assets (continued)*

- c. Capital assets on hand at the year end are recorded in the consolidated financial statements as net investment in capital assets.
- d. Spare parts acquired up to October 31, 1975 are valued at historical cost, if determinable or at an estimated replacement value at that date. Spare parts acquired after October 31, 1975 are recorded at acquisition cost. Pesticides, aviation fuel and lubricants on hand at the end of each year are included in the prepaid expenses and consumable supplies balance.
- e. Land and buildings acquired before October 31, 1975, are recorded at estimated cost. All other capital assets, including buildings acquired subsequent to October 31, 1975 are recorded at cost.
- f. Amortization of capital assets is calculated as follows:

Building and mobile homes	-	10% straight-line
Aircraft	-	4% straight-line
Equipment	-	20% straight-line
Computer equipment	-	50% straight-line
Furniture and fixtures	-	20% straight-line

#### *Net assets internally restricted for equipment replacement*

By authority of the Board of Directors, the following sources of funds are to be transferred to this account for the purpose of replacing the Company's equipment:

- proceeds received from aircraft sales; and
- operating surpluses arising from unrestricted operations of Forest Protection Limited.

#### *Impairment of long-lived assets*

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from the date of acquisition.

#### *Revenue recognition*

The Company recognizes product sales and other revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured. Contributions from owners are recognized in the period to which the contribution is applicable. Interest revenue is recognized on the accrual basis.

# Forest Protection Limited

Notes to the consolidated financial statements  
year ended March 31, 2010

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## 3. Accounting policies (continued)

### *Income taxes*

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the enacted and substantively enacted income tax rates for the years in which the differences are expected to reverse.

### *Research and development costs*

Research costs are expensed as incurred. Development costs are expensed in the year incurred unless management believes a development project meets the generally accepted accounting criteria for deferral and amortization. In the opinion of management, no development costs incurred to date meet all the criteria for deferral and amortization. Therefore, all development costs have been expensed as incurred.

### *Investment tax credits*

The Company accounts for investment tax credits using the cost reduction method whereby investment tax credits related to qualified expenditures are accrued and applied to reduce such expenditures in the year in which they are incurred. Investment tax credits related to the acquisition of property and equipment are deducted from the cost of the related assets.

### *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Areas involving significant management estimates include allowance for doubtful accounts, estimated useful lives of capital assets and the reserve for retiring allowance. Actual results could differ from these estimates.

## 4. Term deposit

Term deposit consists of a term deposit of 0.20% maturing in September 2010.

# Forest Protection Limited

Notes to the consolidated financial statements  
year ended March 31, 2010

## 5. Capital assets

	2010			2009	
	Cost	Accumulated amortization	Net book value	Cost	Net book value
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000	\$ 75,000
Building and mobile homes	848,479	563,587	284,892	764,948	248,016
Aircraft	15,445,552	4,276,238	11,169,314	15,578,525	11,799,212
Furniture and fixtures	3,407	2,341	1,066	3,407	1,748
Computer equipment	13,265	13,265	-	13,265	2,819
Equipment	1,666,815	1,409,618	257,197	1,675,372	314,114
	18,052,518	6,265,049	11,787,469	18,110,517	12,440,909
Spare parts	773,513	-	773,513	687,333	687,333
	<b>\$ 18,826,031</b>	<b>\$ 6,265,049</b>	<b>\$ 12,560,982</b>	<b>\$ 18,797,850</b>	<b>\$ 13,128,242</b>

## 6. Long-term debt

	2010	2009
Loan payable bearing interest at 2.55%, due in monthly payments of principal of \$2,719 plus interest, until May 2018 and secured by land and building at 2502 Rte. 102 Hwy, Unit D, Lincoln, NB with a carrying value of \$350,000.	\$ 233,841	\$ -
Capital lease obligation, repaid during the year	-	278,651
	<b>233,841</b>	<b>278,651</b>
Less current portion	32,629	18,118
	<b>\$ 201,212</b>	<b>\$ 260,533</b>

Future loan payments are as follows:

Year ending March 31,	
2011	\$ 32,629
2012	32,629
2013	32,629
2014	32,629
2015	32,629
2016 and thereafter	70,696
	<b>\$ 233,841</b>

## 7. Reserve for retiring allowance

The Company provides a retiring allowance, payable upon retirement, for regular employees equal to one week's salary for each year of service to a maximum of 25 weeks. The amount represents the present value of the estimated liability for current employees based on a retirement age of 65 or earlier if the Company has received formal retirement notices from eligible employees.

# Forest Protection Limited

## Notes to the consolidated financial statements year ended March 31, 2010

### 8. Share capital

	<u>2010</u>	<u>2009</u>
Authorized		
Unlimited number of common shares with a nominal or par value of \$10 each		
Issued and outstanding		
200 common shares	\$ 2,000	\$ 2,000

### 9. Program expenditures

	<u>2010</u>	<u>2009</u>
Salaries and wages	\$ 2,403,149	\$ 2,233,399
Consultants' fees, legal fees, audit, contractual services, insurance, etc.	1,538,065	1,606,454
Transportation and communications	360,419	340,427
Employer contributions	366,926	312,139
Pesticides, materials and supplies	565,182	252,606
Rentals	230,685	186,354
Materials and supplies	76,741	59,470
Maintenance and repairs (contractual)	214,443	113,113
Interest on capital lease	9,585	26,694
Rent - laboratory and equipment	12,345	7,756
Interest and bank charges	840	3,870
Expenses charged to operations	5,778,380	5,142,282
Capital asset expenditures	339,067	2,566,700
Principal portion of debt	30,093	16,506
<b>Total program expenditures</b>	<b>\$ 6,147,540</b>	<b>\$ 7,725,488</b>

#### Program expenditures by operational division

Fire suppression	\$ 2,377,868	\$ 2,114,649
Overhead	1,137,771	868,484
Research and development	1,538,448	1,918,112
Pest control	567,255	241,037
Surveys and assessments	157,038	-
	<b>\$ 5,778,380</b>	<b>\$ 5,142,282</b>

### 10. Transfer to unrestricted (deficit) net assets

During the year the Board of Directors approved that the shortfall in Industry contributions for operations be withdrawn from the Equipment Replacement Fund.

### 11. Pension plan contributions

The Company maintains a defined contribution pension plan for regular and contracted employees. The Company's contribution to the plan for fiscal 2010 was \$84,162 (2009 - \$60,706).

# Forest Protection Limited

## Notes to the consolidated financial statements

### year ended March 31, 2010

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#### 12. Statement of cash flows additional information

During the year, the Company received and paid the following:

	<u>2010</u>	<u>2009</u>
	\$	\$
Interest received	4,480	29,717
Interest paid	95	30,564
Income taxes paid	21,917	58,552

#### 13. Capital management

The Company's capital structure consists of share capital, contributed surplus, fund balances and unrestricted net assets. The Company's objective when managing capital is to ensure that it maintains adequate capital to support its operations. The Company is not subject to any externally imposed capital requirements.

#### 14. Financial instruments and risk management

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

##### *Credit risk*

The Company's principal financial assets are cash, term deposits and accounts receivable. The carrying amounts of financial assets on the consolidated balance sheet represent the Company's maximum credit exposure at the balance sheet date. The credit risk on cash and term deposits is limited because the counterparties are chartered banks with high credit ratings assigned by national credit-rating agency.

The Company provides credit to its customers in the normal course of its operations. It carries out, on a continuing basis, credit assessments on its customers and maintains provisions for contingent credit losses. Two customers represent 99% of the Company's accounts receivable as at March 31, 2010.

##### *Currency risk*

The Company is exposed to foreign currency risk on a portion of its purchases and capital asset acquisitions. The Company does not actively manage this risk.

##### *Interest rate risk*

The interest bearing term deposits have a limited exposure to interest rate risk due to their short-term maturity. The long-term debt bears a fixed interest rate, consequently, the cash flow exposure is not significant.

# Forest Protection Limited

Notes to the consolidated financial statements  
year ended March 31, 2010

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## **14. Financial instruments and risk management (continued)**

### *Liquidity risk*

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements.

### *Fair value*

The fair value of cash, term deposits accounts receivable and accounts payable approximates their carrying values due to the short-term maturities of these instruments. The fair value of long-term debt approximates fair value as the debt was recently issued.

## **15. Subsequent event**

On April 23, 2010, one of the Company's TBM Avenger aircraft crashed while conducting a practice flight resulting in the death of the pilot, a Forest Protection employee. Following standard practice, the Transportation Safety Board of Canada has commenced an investigation. Although the resolution of this matter cannot be determined with certainty, the Company believes the outcome would not likely have a material adverse effect on its financial position given the insurance provisions in place.





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## Additional information

The Directors,  
FOREST PROTECTION LIMITED

We have completed our examination of the consolidated financial statements of FOREST PROTECTION LIMITED for the year ended March 31, 2010. Our report to the shareholders dated April 27, 2010 describes the scope of our examination and opinion. The following schedules are included for your reference but are not necessary for a fair presentation of the financial position and the results of operations of the Company:

- Schedule of revenue and expenditure by department
- Consolidated balance sheet - work sheet
- Consolidated statement of operations and unrestricted net assets (deficit) - worksheet
- Consolidated cash flows - worksheet

Our examination was intended to enable us to form an opinion on the consolidated financial statements as a whole and was not such as to enable us to express an opinion on all the details contained in these schedules.

Chartered Accountants  
April 27, 2010

**FOREST PROTECTION LIMITED**  
**Schedule of revenue and expenditure by department**  
**year ended March 31, 2010**

Department	Total annual budget	Revenue	Expenditures	Industry portion of operations	Principal portion of building loan	Capital purchases
Administration	\$ 914,100	\$ 870,327	\$ 912,773	\$ 75,961	\$ -	\$ 12,039
Fire Suppression - NB	2,205,400	2,237,792	2,119,509	-	30,093	284,119
Fire Suppression - BC/AL - Conair	100,000	731,548	258,258	-	-	-
Surveys & Assessment	157,200	-	157,038	157,152	-	-
Aerial Treatment (DNR Herbicide)	60,000	71,468	66,848	-	-	-
Other - NB Herb. - DND	-	29,582	26,259	-	-	-
Other - QC Herb - DND	-	301,092	226,056	-	-	-
Other - QC SBW - SOPFIM	400,000	504,339	248,092	-	-	13,274
Other - NL	200,000	-	-	-	-	-
Sylvar	-	-	-	-	-	-
R & D Projects	1,000,000	1,365,942	1,336,307	-	-	29,635
Forest Protection Limited	5,036,700	6,112,090	5,351,140	233,113	30,093	339,067
Sylvar Technologies Inc.	-	406,298	664,140	-	-	-
Intercompany eliminations	-	(236,900)	(236,900)	-	-	-
<b>Total</b>	<b>\$ 5,036,700</b>	<b>\$ 6,281,488</b>	<b>\$ 5,778,380</b>	<b>\$ 233,113</b>	<b>\$ 30,093</b>	<b>\$ 339,067</b>

**Equipment replacement fund**

Balance, April 1, 2009	\$ (935,075)
Industry portion of operations	(233,113)
Transfer from unrestricted net assets	795,290
Aircraft parts sale profit	3,601
Purchase of support aircraft	(200,427)
Insurance proceeds	227,115
Balance, March 31, 2010	<u>\$ (342,609)</u>

**Transfer of unrestricted net assets**

Revenue	\$ 6,112,090
Transfer from equipment replacement fund	233,113
Expenses	(5,351,140)
Principal payment	(30,093)
Purchase of other capital expenditures	(138,640)
Reserve for retirement allowance	(11,820)
Foreign exchange	(18,220)
	<u>\$ 795,290</u>

# Forest Protection Limited

Consolidated balance sheet - work sheet

as at March 31, 2010

	FPL	Sylvar	Eliminations	Consolidated
<b>Current assets</b>				
Cash and cash equivalents	\$ 213,228	\$ 23,019	\$ -	\$ 236,247
Term deposit	-	200,000	-	200,000
Accounts receivable	473,095	97,486	(46,949)	523,632
Income taxes receivable	-	42,420	-	42,420
Prepaid expenses and consumable supplies	-	2,683	-	2,683
	<b>686,323</b>	<b>365,608</b>	<b>(46,949)</b>	<b>1,004,982</b>
Investment in Sylvar Technologies Inc.	90	-	(90)	-
Capital assets	<b>12,551,836</b>	<b>9,146</b>	<b>-</b>	<b>12,560,982</b>
	<b>\$ 13,238,249</b>	<b>\$ 374,754</b>	<b>\$ (47,039)</b>	<b>\$ 13,565,964</b>
<b>Current liabilities</b>				
Bank indebtedness	\$ -	\$ -	\$ -	\$ -
Bank advances	-	-	-	-
Accounts payable and accruals	512,695	33,246	(46,939)	499,002
Deferred revenue	1,114,579	-	-	1,114,579
Current portion of note payable	32,629	-	-	32,629
	<b>1,659,903</b>	<b>33,246</b>	<b>(46,939)</b>	<b>1,646,210</b>
Long-term debt	201,212	-	-	201,212
Reserve for retiring allowance	102,812	-	-	102,812
Non-controlling interest	-	-	34,141	34,141
<b>Equity</b>				
Share capital	2,000	100	(100)	2,000
Contributed surplus	244,586	-	-	244,586
Net investment in capital assets	11,709,480	-	-	11,709,480
Deficit internally restricted for equipment replacement	(342,609)	-	-	(342,609)
Unrestricted net assets (deficit)	(339,135)	341,408	(34,141)	(31,868)
	<b>11,274,322</b>	<b>341,508</b>	<b>(34,241)</b>	<b>11,581,589</b>
	<b>\$ 13,238,249</b>	<b>\$ 374,754</b>	<b>\$ (47,039)</b>	<b>\$ 13,565,964</b>

# Forest Protection Limited

Consolidated statement of operations and unrestricted net assets (deficit) - work sheet  
year ended March 31, 2010

Revenues	FPL	Sylvar	Eliminations	Consolidated
Contributions from owners				
- Province of New Brunswick	\$ 3,049,475	\$ -	\$ -	\$ 3,049,475
- Industry	120,750	-	-	120,750
Other revenue	2,941,806	105,860	(40,000)	3,007,666
Product sales	-	100,000	-	100,000
Interest earned	59	3,538	-	3,597
Special projects	-	196,900	(196,900)	-
	<b>6,112,090</b>	<b>406,298</b>	<b>(236,900)</b>	<b>6,281,488</b>
<b>Program expenditures</b>				
Salaries and wages	2,014,946	388,203	-	2,403,149
Consultants' fees, legal fees, audit, contractual services, insurance, etc.	1,467,100	108,965	(40,000)	1,536,065
Maintenance and repairs (contractual)	214,443	-	-	214,443
Pesticides, materials and supplies	762,082	-	(196,900)	565,182
Transportation and communications	333,370	27,049	-	360,419
Employer contributions	318,929	47,997	-	366,926
Rentals	230,685	-	-	230,685
Materials and supplies	-	76,741	-	76,741
Interest on capital lease	9,585	-	-	9,585
Rent - Laboratory and equipment	-	12,345	-	12,345
Interest and bank charges	-	840	-	840
Royalties	-	2,000	-	2,000
	<b>5,351,140</b>	<b>664,140</b>	<b>(236,900)</b>	<b>5,778,380</b>
<b>Other (income) expense</b>				
Amortization of capital assets	753,430	6,384	-	759,814
Reserve for retiring allowance	11,820	-	-	11,820
Gain on sales of aircraft and parts	(12,740)	-	-	(12,740)
Foreign exchange loss	18,220	-	-	18,220
	<b>770,730</b>	<b>6,384</b>	<b>-</b>	<b>777,114</b>
<b>Deficiency of revenues over expenses before undernoted items</b>	<b>(9,780)</b>	<b>(264,226)</b>	<b>-</b>	<b>(274,006)</b>
Provision for income taxes (recovery)	-	(46,229)	-	(46,229)
Deficiency of revenues over expenses before non-controlling interest	(9,780)	(217,997)	-	(227,777)
Non-controlling interest	-	-	21,800	21,800
<b>Deficiency of revenues over expenses for the year</b>	<b>(9,780)</b>	<b>(217,997)</b>	<b>21,800</b>	<b>(205,977)</b>
<b>Unrestricted net assets (deficit), beginning of year</b>	<b>(121,159)</b>	<b>559,405</b>	<b>(55,941)</b>	<b>382,305</b>
Transfer to net investment in capital assets	384,270	-	-	384,270
Transfer of insurance proceeds to net deficit internally restricted for equipment replacement	(227,115)	-	-	(227,115)
Transfer from deficit internally restricted for equipment replacement	(365,351)	-	-	(365,351)
<b>Unrestricted net assets (deficit), end of year</b>	<b>\$ (339,135)</b>	<b>\$ 341,408</b>	<b>\$ (34,141)</b>	<b>\$ (31,868)</b>

# Forest Protection Limited

Consolidated Cash flows - work sheet

year ended March 31, 2010

	FPL	Sylvar	Eliminations	Consolidated
<b>Net inflow (outflow) of cash related to the following activities</b>				
<b>Operating</b>				
Deficiency of revenues over expenses	\$ (9,780)	\$ (217,997)	\$ 21,800	\$ (205,977)
Amortization of capital assets	753,430	6,384	-	759,814
Gain on sales of aircraft and parts	(12,740)	-	-	(12,740)
Non-controlling interest	-	-	(21,800)	(21,800)
Reserve for retiring allowance	11,820	-	-	11,820
Payment of retirement allowance	(20,637)	-	-	(20,637)
Spare parts revaluation	-	-	-	-
Changes in non-cash operating working capital items:				
Accounts receivable	(191,177)	7,759	(15,637)	(199,055)
Income tax receivable	-	(20,503)	-	(20,503)
Prepaid expenses and consumable supplies	15,991	11,083	-	27,074
Accounts payable	(205,437)	(51,958)	15,637	(241,758)
Deferred revenue	801,498	-	-	801,498
	<b>1,142,968</b>	<b>(265,232)</b>	<b>-</b>	<b>877,736</b>
<b>Financing</b>				
Bank advances repayment	(378,283)	-	-	(378,283)
Capital lease obligation repayment	(263,936)	-	-	(263,936)
Proceeds from loan	261,032	-	-	261,032
Loan repayment	(27,192)	-	-	(27,192)
	<b>(408,379)</b>	<b>-</b>	<b>-</b>	<b>(408,379)</b>
<b>Investing</b>				
Proceeds from term deposit	-	235,000	-	235,000
Acquisition of capital assets	(339,067)	-	-	(339,067)
Aircraft insurance proceeds	191,115	-	-	191,115
Spare parts, net	(50,177)	-	-	(50,177)
Proceeds on sales of aircraft and parts	3,601	-	-	3,601
	<b>(194,528)</b>	<b>235,000</b>	<b>-</b>	<b>40,472</b>
<b>Net cash inflow (outflow)</b>	<b>540,061</b>	<b>(30,232)</b>	<b>-</b>	<b>509,829</b>
<b>Cash position, beginning of year</b>	<b>(326,833)</b>	<b>53,251</b>	<b>-</b>	<b>(273,582)</b>
<b>Cash position, end of year</b>	<b>\$ 213,228</b>	<b>\$ 23,019</b>	<b>\$ -</b>	<b>\$ 236,247</b>