

Consolidated Financial Statements of

**Forest Protection Limited**

March 31, 2009

## 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, 2009 and the consolidated statements of operations, changes in unrestricted net assets, changes in net investment in capital assets, changes in net assets 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte, Touche LLP*

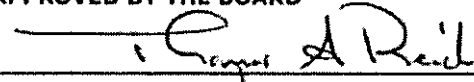
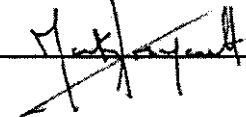
Chartered Accountants  
June 15, 2009

# Forest Protection Limited

Consolidated balance sheet  
as at March 31, 2009

	2009	2008 (Note 13)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ -	\$ 1,455,466
Term deposit	435,000	-
Accounts receivable	324,577	794,881
Income taxes receivable	21,917	-
Prepaid expenses and consumable supplies	29,757	49,566
	<b>811,251</b>	<b>2,299,913</b>
<b>Capital assets (Note 4)</b>	<b>13,128,242</b>	<b>11,521,809</b>
	<b>\$ 13,939,493</b>	<b>\$ 13,821,722</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$ 273,582	\$ -
Bank advances	378,283	-
Accounts payable and accruals	740,760	517,081
Deferred revenue	313,081	655,531
Income taxes payable	-	35,131
Current portion of capital lease obligation (Note 5)	18,118	16,506
	<b>1,723,824</b>	<b>1,224,249</b>
<b>Capital lease obligation (Note 5)</b>	<b>260,533</b>	<b>276,427</b>
<b>Reserve for retiring allowance (Note 6)</b>	<b>111,629</b>	<b>76,359</b>
<b>Non-controlling interest</b>	<b>55,941</b>	<b>52,624</b>
<b>Equity</b>		
Share capital (Note 7)	2,000	2,000
Contributed surplus (Note 8)	244,586	715,888
Net investment in capital assets	12,093,750	10,270,882
Net assets internally restricted for equipment replacement	(935,075)	806,038
Unrestricted net assets		
Forest Protection Limited	(121,159)	(76,359)
Sylvar Technologies Inc.	503,464	473,614
	<b>11,787,566</b>	<b>12,192,063</b>
	<b>\$ 13,939,493</b>	<b>\$ 13,821,722</b>

APPROVED BY THE BOARD

  
 \_\_\_\_\_ Director  
  
 \_\_\_\_\_ Director

**Forest Protection Limited**  
**Consolidated statement of operations**  
**year ended March 31, 2009**

	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
Contributions from owners		
- Province of New Brunswick	\$ 3,318,474	\$ 2,781,539
- Industry	353,863	328,108
Other revenue	1,283,966	4,674,436
Product sales	504,000	752,000
Interest earned	30,838	69,565
	<u>5,491,141</u>	<u>8,605,648</u>
<b>Operating expenses (Note 9)</b>		
Fire suppression	2,114,649	1,876,964
Overhead	868,484	913,827
Research and development	1,918,112	1,659,184
Pest control	241,037	2,357,224
Business opportunity	-	8,710
	<u>5,142,282</u>	<u>6,815,909</u>
<b>Other (income) expense</b>		
Amortization of capital assets	754,870	632,723
Amortization of intangible asset	-	59,000
Reserve for retiring allowance	35,270	6,753
Foreign exchange gain	(4,634)	(2,632)
Gain on sales of aircraft and parts	(117,801)	(88)
	<u>667,705</u>	<u>695,756</u>
<b>Excess (deficiency) of revenues over expenses before undernoted items</b>	<b>(318,846)</b>	<b>1,093,983</b>
Provision for income taxes	1,504	43,149
<b>Excess (deficiency) of revenues over expenses before non-controlling interest</b>	<b>(320,350)</b>	<b>1,050,834</b>
Non-controlling interest	(3,317)	(24,330)
<b>Excess (deficiency) of revenues over expenses for the year</b>	<b>\$ (323,667)</b>	<b>\$ 1,026,504</b>

# Forest Protection Limited

## Consolidated statement of changes in unrestricted net assets year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
<b>Unrestricted net assets , beginning of year</b>	<b>\$ 397,255</b>	<b>\$ 185,043</b>
Excess (deficiency) of revenues over expenses for the year	<b>(323,667)</b>	1,026,504
Transfer (to) from net investment in capital assets	<b>(1,822,868)</b>	139,220
Transfer from (to) net assets internally restricted for equipment replacement	<b>2,131,585</b>	<b>(953,512)</b>
<b>Unrestricted net assets, end of year</b>	<b>\$ 382,305</b>	<b>\$ 397,255</b>
Represented by:		
Forest Protection Limited	<b>\$ (121,159)</b>	<b>\$ (76,359)</b>
Sylvar Technologies Inc.	<b>503,464</b>	<b>473,614</b>
	<b>\$ 382,305</b>	<b>\$ 397,255</b>

# Forest Protection Limited

## Consolidated statement of changes in net investment in capital assets year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
<b>Net investment in capital assets</b>		
Balance at beginning of year	\$ 10,270,882	\$ 10,410,102
Transfers from (to) unrestricted net assets:		
Acquisition of capital assets	2,548,764	476,098
Principal portion of capital lease	16,506	15,038
Amortization of capital assets	(742,402)	(630,356)
	<u>1,822,868</u>	<u>(139,220)</u>
Balance at end of year	\$ 12,093,750	\$ 10,270,882

# Forest Protection Limited

Consolidated statement of changes in net assets internally  
restricted for equipment replacement  
year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
<b>Net assets internally restricted for equipment replacement</b>		
<b>Balance at beginning of year</b>	<b>\$ 806,038</b>	<b>\$ (147,474)</b>
Transfers (to) from unrestricted net assets:		
Transfer of Unrestricted Net Assets	88,064	1,290,356
Purchase of AT802F Fireboss		
- Advance payments	(1,948,558)	-
- Final payment	(433,692)	-
Proceeds from sales of aircraft and parts	162,601	88
Purchase of Cessna 337	-	(236,932)
Deposit on AT802F Fireboss	-	(100,000)
	<b>(2,131,585)</b>	<b>953,512</b>
Transfer from contributed surplus (Note 8)	379,718	-
Product return	10,754	-
	<b>390,472</b>	<b>-</b>
<b>Balance at end of year</b>	<b>\$ (935,075)</b>	<b>\$ 806,038</b>

# Forest Protection Limited

## Consolidated statement of cash flows year ended March 31, 2009

	2009	2008
<b>Net inflow (outflow) of cash related to the following activities</b>		
<b>Operating</b>		
Excess (deficiency) of revenues over expenses	\$ (323,667)	\$ 1,026,504
Amortization of capital assets	754,870	632,723
Amortization of intangible asset	-	59,000
Gain on sales of aircraft and parts	(117,801)	(88)
Non-controlling interest	3,317	24,330
Reserve for retiring allowance	35,270	6,753
Spare parts revaluation charged to contributed surplus (Note 8)	(91,584)	-
Changes in non-cash operating working capital items:		
Accounts receivable	470,304	(556,051)
Prepaid expenses and consumable supplies	19,809	(26,429)
Accounts payable	223,679	115,165
Income taxes receivable/payable	(57,048)	(5,066)
Deferred revenue	(342,450)	289,583
	<b>574,699</b>	<b>1,566,424</b>
<b>Financing</b>		
Bank advances	378,283	-
Capital lease obligation repayment	(14,282)	(15,038)
	<b>364,001</b>	<b>(15,038)</b>
<b>Investing</b>		
Purchase of term deposit	(435,000)	-
Acquisition of capital assets	(2,566,700)	(482,715)
Spare parts, net	160,597	26,646
Proceeds on sales of aircraft and parts	162,601	88
Proceeds from returned product	10,754	-
Deposit on aircraft	-	(100,000)
	<b>(2,667,748)</b>	<b>(555,981)</b>
<b>Net cash (outflow) inflow</b>	<b>(1,729,048)</b>	<b>995,405</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,455,466</b>	<b>460,061</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ (273,582)</b>	<b>\$ 1,455,466</b>
<b>Cash and cash equivalents is comprised of:</b>		
Cash and cash equivalents	\$ -	\$ 1,455,466
Bank indebtedness	(273,582)	-
	<b>\$ (273,582)</b>	<b>\$ 1,455,466</b>



# Forest Protection Limited

Notes to the consolidated financial statements  
year ended March 31, 2009

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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 and pest control. The Company's subsidiary, Sylvar Technologies Inc. ("Sylvar") is primarily engaged in the development, manufacturing and commercialization of baculovirus bio-pesticide technology used for forest pest control.

## 2. Change in accounting policies

### *Capital disclosures*

CICA Handbook Section 1535 establishes standards for disclosure of information about the Company's objectives, policies and processes for managing capital. Disclosure requirements pertaining to this Section are included in Note 12.

## 3. Accounting policies

The Company has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Company for the year ended March 31, 2009. The Company applies the requirements of Section 3861 of the CICA Handbook.

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. (90% owned). 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.

### 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

# Forest Protection Limited

## Notes to the consolidated financial statements year ended March 31, 2009

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### 3. Accounting policies (continued)

#### 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. Costs funded are reduced by proceeds on disposal of capital assets, except for aircraft sales, which are transferred to net assets internally restricted for equipment replacement.
- 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.

# Forest Protection Limited

Notes to the consolidated financial statements  
year ended March 31, 2009

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## 3. Accounting policies (continued)

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

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*

g. 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. 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.

### *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.

# Forest Protection Limited

Notes to the consolidated financial statements  
year ended March 31, 2009

## 4. Capital assets

	2009			2008	
	Cost	Accumulated amortization	Net book value	Cost	Net book value
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000	\$ 75,000
Building and mobile homes	764,948	516,932	248,016	741,645	286,920
Aircraft	15,578,525	3,779,313	11,799,212	13,280,350	9,889,642
Furniture and fixtures	3,407	1,659	1,748	3,407	2,819
Computer equipment	13,265	10,446	2,819	7,627	5,457
Equipment	1,675,372	1,361,258	314,114	1,647,471	414,041
	18,110,517	5,669,608	12,440,909	15,755,500	10,673,879
Spare parts	687,333	-	687,333	847,930	847,930
	<u>\$ 18,797,850</u>	<u>\$ 5,669,608</u>	<u>\$ 13,128,242</u>	<u>\$ 16,603,430</u>	<u>\$ 11,521,809</u>

## 5. Capital lease obligation

	2009	2008
Capital lease obligation	\$ 278,651	\$ 292,933
Less current portion	(18,118)	(16,506)
Capital lease obligation, net of current portion	<u>\$ 260,533</u>	<u>\$ 276,427</u>

Future capital lease payments are as follows:

Year ending March 31,	
2010	\$ 43,200
2011	43,200
2012	43,200
2013	43,200
2014	43,200
2015 and thereafter	225,137
	<u>441,137</u>
Less amount representing interest	162,486
	<u>\$ 278,651</u>

## 6. 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, 2009

## 7. Share capital

	2009	2008
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

## 8. Contributed surplus

During the year, spare parts of \$91,584, represented by originally contributed assets, were revalued to nil due to the disposition of certain aircraft. The Board of Directors also approved the transfer of \$379,718 from contributed surplus to net assets externally restricted for equipment replacement.

## 9. Program expenditures

	2009	2008
Salaries and wages	\$ 2,233,399	\$ 2,240,108
Consultants' fees, legal fees, audit, contractual services, insurance, etc.	1,606,454	1,513,482
Transportation and communications	340,427	469,648
Employer contributions	312,139	302,804
Pesticides, materials and supplies	252,606	1,621,128
Rentals	186,354	316,640
Materials and supplies	59,470	45,480
Maintenance and repairs (contractual)	113,113	266,456
Interest on capital lease	26,694	28,162
Rent - Laboratory and equipment	7,756	11,296
Interest and bank charges	3,870	705
Expenses charged to operations	5,142,282	6,815,909
Capitalized - capital assets	2,566,700	239,165
Principal portion of capital lease	16,506	15,038
<b>Total program expenditures</b>	<b>\$ 7,725,488</b>	<b>\$ 7,070,112</b>

### Program expenditures by operational division

Fire suppression	\$ 2,114,649	\$ 1,876,964
Overhead	868,484	913,827
Research and development	1,918,112	1,659,184
Pest control	241,037	2,357,224
Business opportunity	-	8,710
	<b>\$ 5,142,282</b>	<b>\$ 6,815,909</b>

## 10. 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 2009 was \$60,706 (2008 - \$48,349).

# Forest Protection Limited

Notes to the consolidated financial statements  
year ended March 31, 2009

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## 11. Statement of cash flows additional information

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

	<u>2009</u>	<u>2008</u>
	\$	\$
Interest received	29,717	69,565
Interest paid	30,564	34,009
Income taxes paid	58,552	48,125

## 12. 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.

## 13. Comparative figures

Spare parts and consumables previously classified as inventories are now presented as capital assets-spare parts and prepaid expenses and consumable supplies respectively. The effects on the comparative figures are as follows.

	<u>Previously reported</u>	<u>Reclassifications</u>	<u>Reported as</u>
Inventories	\$ 882,849	\$ (882,849)	\$ -
Capital assets-spare parts	-	847,930	847,930
Prepaid expenses and consumable supplies	14,647	34,919	49,566
	<u>\$ 897,496</u>	<u>\$ -</u>	<u>\$ 897,496</u>

## 14. Future accounting changes

### *Goodwill and intangible assets*

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning April 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

## 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, 2009. Our report to the shareholders dated June 15, 2009 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.

*Deloitte & Touche LLP*  
Chartered Accountants  
June 15, 2009

# Forest Protection Limited

Schedule of revenue and expenditure by department  
year ended March 31, 2009

Department	Total annual budget	Revenue	Expenditures	Financial statement presentation entries	Total expenditures	Principal payment on capital lease	Capital expenditures
Administration	\$ 899,100	\$ 903,432	\$ 925,153	\$ (1,169)	\$ 923,984	\$ -	\$ 1,169
Firebombing	1,729,000	1,830,590	4,034,562	(2,462,696)	1,572,866	16,506	2,443,190
Birdlog	447,200	459,644	552,032	(49,542)	506,490	-	45,542
Fire Supp. BC	200,000	143,708	35,293	-	35,293	-	-
Fire Supp. U.S.A	100,000	-	-	-	-	-	-
Surveys & assessment	157,200	178,636	175,734	-	175,734	-	-
Aerial Treatment (Herb. - D.N.R.)	55,000	65,360	65,303	-	65,303	-	-
Ontario JPBW	300,000	-	-	-	-	-	-
Newfoundland HL/BFS	200,000	-	-	-	-	-	-
Marketing	-	-	-	-	-	-	-
Sylvar	-	10,000	10,000	-	10,000	-	-
R & D Projects	1,000,000	1,363,726	1,420,589	(56,863)	1,363,726	-	56,863
<b>Forest Protection Limited</b>	<b>5,987,500</b>	<b>4,955,196</b>	<b>7,219,746</b>	<b>(2,505,270)</b>	<b>4,653,476</b>	<b>16,506</b>	<b>2,549,764</b>

Sylvar Technologies Inc.	-	873,631	826,492	-	826,492	-	17,936
Intercompany eliminations	-	(337,686)	(337,686)	-	(337,686)	-	-
<b>Total</b>	<b>\$ 5,987,500</b>	<b>\$ 5,491,141</b>	<b>\$ 7,707,552</b>	<b>\$ (2,505,270)</b>	<b>\$ 5,142,282</b>	<b>\$ 16,506</b>	<b>\$ 2,566,700</b>

Equipment replacement fund (ERF)	Balance ERF March 31, 2008	Revenue	Expenses	Principal payment on capital lease	Total capital expenditures less Fire Boss (2,362,250)	Foreign exchange gain	Retirement allowance reserve	Transfer of unrestricted net assets
Sale of aircraft & parts	\$ 806,038	-	-	-	-	-	-	-
Transfer from contributed surplus	152,601	-	-	-	-	-	-	-
Product return	379,716	-	-	-	-	-	-	-
Transfer of unrestricted net assets	10,754	-	-	-	-	-	-	-
Advance payment on Fire Boss	88,064	-	-	-	-	-	-	-
	(1,049,558)	-	-	-	-	-	-	-
	(501,383)	-	-	-	-	-	-	-
<b>Final payment on Fire Boss</b>	<b>(433,692)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance ERF March 31, 2009</b>	<b>\$ (935,075)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Administration fees 15%: \$31,500. R&D: \$5,294



# Forest Protection Limited

Consolidated balance sheet - work sheet  
as at March 31, 2009

	FPL	Sylvar	Eliminations	Consolidated
<b>Current assets</b>				
Term deposit	\$ -	\$ 435,000	\$ -	\$ 435,000
Accounts receivable	281,918	105,245	(62,586)	324,577
Income taxes receivable	-	21,917	-	21,917
Prepaid expenses and consumable supplies	15,991	13,766	-	29,757
	297,909	575,928	(62,586)	811,251
Investment in Sylvar Technologies Inc.	90	-	(90)	-
Capital assets	13,112,712	15,530	-	13,128,242
	\$ 13,410,711	\$ 591,458	\$ (62,676)	\$ 13,939,493
<b>Current liabilities</b>				
Bank indebtedness	\$ 326,833	\$ (53,251)	\$ -	\$ 273,582
Bank advances	378,283	-	-	378,283
Accounts payable and accruals	718,132	85,204	(62,576)	740,760
Deferred revenue	313,081	-	-	313,081
Current portion of capital lease obligation	18,118	-	-	18,118
	1,754,447	31,953	(62,576)	1,723,824
Capital lease obligation	260,533	-	-	260,533
Reserve for retiring allowance	111,629	-	-	111,629
Non-controlling interest	-	-	55,941	55,941
<b>Equity</b>				
Share capital	2,000	100	(100)	2,000
Contributed surplus	244,586	-	-	244,586
Net investment in capital assets	12,093,750	-	-	12,093,750
Net assets internally restricted for equipment replacement	(935,075)	-	-	(935,075)
Unrestricted net assets (deficit)	(121,159)	559,405	(55,941)	382,305
	11,284,102	559,505	(56,041)	11,787,566
	\$ 13,410,711	\$ 591,458	\$ (62,676)	\$ 13,939,493

# Forest Protection Limited

Consolidated statement of operations and unrestricted net assets (deficit) - work sheet  
year ended March 31, 2009

Revenues	FPL	Sylvar	Eliminations	Consolidated
Contributions from owners				
- Province of New Brunswick	\$ 3,318,474	\$ -	\$ -	\$ 3,318,474
- Industry	353,863	-	-	353,863
Other revenue	1,257,078	92,468	(65,580)	1,283,966
Product sales	-	504,000	-	504,000
Interest earned	25,781	5,057	-	30,838
Special projects	-	272,106	(272,106)	-
	<b>4,955,196</b>	<b>873,631</b>	<b>(337,686)</b>	<b>5,491,141</b>
<b>Program expenditures</b>				
Salaries and wages	1,800,798	432,601	-	2,233,399
Consultants' fees, legal fees, audit, contractual services, insurance, etc.	1,476,482	170,472	(40,500)	1,606,454
Maintenance and repairs (contractual)	113,113	-	-	113,113
Pesticides, materials and supplies	524,712	-	(272,106)	252,606
Transportation and communications	263,434	76,993	-	340,427
Employer contributions	261,889	50,250	-	312,139
Rentals	186,354	-	-	186,354
Materials and supplies	-	74,470	(15,000)	59,470
Interest on capital lease	26,694	-	-	26,694
Rent - Laboratory and equipment	-	7,756	-	7,756
Interest and bank charges	-	3,870	-	3,870
Royalties	-	10,080	(10,080)	-
	<b>4,653,476</b>	<b>826,492</b>	<b>(337,686)</b>	<b>5,142,282</b>
<b>Other (Income) expense</b>				
Amortization of capital assets	742,402	12,468	-	754,870
Reserve for retiring allowance	35,270	-	-	35,270
Gain on sales of aircraft and parts	(117,801)	-	-	(117,801)
Foreign exchange gain	(4,634)	-	-	(4,634)
	<b>655,237</b>	<b>12,468</b>	<b>-</b>	<b>667,705</b>
<b>Excess (deficiency) of revenues over expenses before undernoted items</b>	<b>(353,517)</b>	<b>34,671</b>	<b>-</b>	<b>(318,846)</b>
Provision for income taxes	-	1,504	-	1,504
<b>Excess (deficiency) of revenues over expenses before non-controlling interest</b>	<b>(353,517)</b>	<b>33,167</b>	<b>-</b>	<b>(320,350)</b>
Non-controlling interest	-	-	(3,317)	(3,317)
<b>Excess (deficiency) of revenues over expenses for the year</b>	<b>(353,517)</b>	<b>33,167</b>	<b>(3,317)</b>	<b>(323,667)</b>
<b>Unrestricted net assets (deficit) at beginning of year</b>	<b>(76,359)</b>	<b>526,238</b>	<b>(52,624)</b>	<b>397,255</b>
Transfer to net investment in capital assets	(1,822,868)	-	-	(1,822,868)
Transfer from net assets internally restricted for equipment replacement	2,131,585	-	-	2,131,585
<b>Unrestricted net assets (deficit) at end of year</b>	<b>\$ (121,159)</b>	<b>\$ 559,405</b>	<b>\$ (55,941)</b>	<b>\$ 382,305</b>

# Forest Protection Limited

Consolidated Cash flows - work sheet  
year ended March 31, 2009

	FPL	Sylvar	Eliminations	Consolidated
<b>Net inflow (outflow) of cash related to the following activities</b>				
<b>Operating</b>				
Excess (deficiency) of revenues over expenses	\$ (353,517)	\$ 33,167	\$ (3,317)	\$ (323,667)
Amortization of capital assets	742,402	12,468	-	754,870
Gain on sales of aircraft and parts	(117,801)	-	-	(117,801)
Non-controlling interest	-	-	3,317	3,317
Reserve for retiring allowance	35,270	-	-	35,270
Spare parts revaluation	(91,584)	-	-	(91,584)
Changes in non-cash operating working capital items:				
Accounts receivable	511,174	55,270	(96,140)	470,304
Prepaid expenses and consumable supplies	18,928	881	-	19,809
Accounts payable	66,694	60,845	96,140	223,679
Income tax receivable/payable	-	(57,048)	-	(57,048)
Deferred revenue	(342,450)	-	-	(342,450)
	<b>469,116</b>	<b>105,583</b>	<b>-</b>	<b>574,699</b>
<b>Financing</b>				
Bank advances	378,283	-	-	378,283
Capital lease obligation repayment	(14,282)	-	-	(14,282)
	<b>364,001</b>	<b>-</b>	<b>-</b>	<b>364,001</b>
<b>Investing</b>				
Purchase of term deposit	-	(435,000)	-	(435,000)
Acquisition of capital assets	(2,548,764)	(17,936)	-	(2,566,700)
Spare parts, net	160,597	-	-	160,597
Proceeds on sales of aircraft and parts	162,601	-	-	162,601
Proceeds from returned product	10,754	-	-	10,754
	<b>(2,214,812)</b>	<b>(452,936)</b>	<b>-</b>	<b>(2,667,748)</b>
<b>Net cash outflow</b>	<b>(1,381,695)</b>	<b>(347,353)</b>	<b>-</b>	<b>(1,729,048)</b>
<b>Cash position, beginning of year</b>	<b>1,054,862</b>	<b>400,604</b>	<b>-</b>	<b>1,455,466</b>
<b>Cash position, end of year</b>	<b>\$ (326,833)</b>	<b>\$ 53,251</b>	<b>\$ -</b>	<b>\$ (273,582)</b>
<b>Cash and cash equivale</b>				
Cash and cash equivalents	\$ -	\$ 53,251	\$ -	\$ 53,251
Bank indebtedness	(326,833)	-	-	(326,833)
	<b>\$ (326,833)</b>	<b>\$ 53,251</b>	<b>\$ -</b>	<b>\$ (273,582)</b>