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Gwaii Trust Society
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Old Masset, BC V0T 1M0
Attention: The Administrator

VIA EMAIL – wfoster@qcislands.net

Warren Foster
P.O. Box 323
485 Alliford Bay Road
Sandspit, BC
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**VIA EMAIL –
lawrenceblah742@hotmail.com**

Lawrence Jones
P.O. Box 312
Masset, BC
V0T 1M0

May 21, 2008

Dear Trustees:

Re: Gwaii Forest Charitable Trust (“GFCT”)

We write in our capacity as “Protector” pursuant to the Deed of Trust (the “Deed”) made on the 29th day of March 2007 by the Gwaii Trust Society, to provide the Protector’s determination as to whether there may have been a Breach under the Deed during the fiscal year ended December 31, 2007. For purposes of this reporting letter, all defined names, unless otherwise defined herein, have the meaning as set out in the Deed.

Our comments are organized under the following subject headings:

- (1) Breach Determination and Review of Reporting Material
- (2) Protector Determination

BREACH DETERMINATION AND REVIEW OF REPORTING MATERIAL

In accordance with Section 38 of the Deed, the Protector is required annually within ninety days of the Receipt of the Financial Statements and Operations Report, to determine whether the Trustees are in breach of their obligations under the Deed or Applicable Law or whether there are reasonable grounds to believe that any or all of the Trust Property has been used, with the knowledge and acquiescence of the Trustees, for one or more purposes that are other than one or more of the Purposes during the Year just ended.



In considering whether there has been a Breach under the Deed, the Protector has performed a review of the Reporting Material and conducted such enquiries as deemed necessary. As a result of the Protector's review, the following items have been identified as not being in compliance with the requirements set out in the Deed:

- (a) Quarterly Statements in respect of the fiscal quarter ended June 30, 2007.
 - The quarterly financial statements for the fiscal quarter ended June 30, 2007 were received by the Protector on March 4, 2008.
 - Pursuant to Section 36(a) of the Deed, the Quarterly Statements are to be provided to the Protector within thirty days of the end of such Fiscal Quarter. In this case, the due date for the submission of the financial statements for the quarter ended June 30, 2007 was no later than July 30, 2007.
- (b) Quarterly Statements in respect of the fiscal quarter ended September 30, 2007.
 - The quarterly financial statements for the fiscal quarter ended September 30, 2007 were received by the Protector on November 8, 2007.
 - Pursuant to Section 36(a) of the Deed, the Quarterly Statements are to be provided to the Protector within thirty days of the end of such Fiscal Quarter. In this case, the due date for the submission of the financial statements for the quarter ended September 30, 2007 was no later than October 30, 2007.
- (c) Website Publishing of Reporting Material
 - The Website for the GFCT was established on March 18, 2008.
 - The Reporting Material consisting of the quarterly financial statements for the fiscal quarters ended June 30, 2007 and September 30, 2007 and the annual financial statement for the fiscal year ended December 31, 2007 were posted to the Website on May 20, 2008 and May 16, 2008 respectively.
 - Pursuant to Section 35(b) of the Deed, the publishing of the Reporting Material on the Website is to be completed not less than fourteen days after the Reporting Material is delivered to the Protector.
- (d) Website Publishing of the Investment Strategy.
 - The Website for the GFCT was established on March 18, 2008 and the Investment Strategy was subsequently posted to the Website on May 16, 2008.



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- Pursuant to Section 21 of the Deed, the publishing of the Investment Strategy should have been completed no later than June 29, 2007.

PROTECTOR DETERMINATION

As discussed above, the Protector in its review of the Reporting Material and other such enquires, has identified various items that were not in compliance with the requirements set out in the Deed. Pursuant to the requirements of the Deed, these items could technically be considered as a Breach. However, all of the items discussed above have been resolved prior to the date of this letter. Consequently, the Protector does not believe that further action is warranted at this time.

Accordingly, pursuant to Section 38(a) of the Deed, the Protector has found no reportable Breach of the Deed for the fiscal year ended December 31, 2007.

Should you have any questions or concerns with respect to the foregoing, please do not hesitate to contact either the writer by telephone or email at (604) 646-6342, belyea@kpmg.ca or Mr. Peter Gibson at (604) 691-3223, pgibson@kpmg.ca.

Yours very truly,

KPMG Inc., in its
capacity as Protector
and not in its personal capacity

Blake M. Elyea
Vice President

Enclosure

cc Anthony Knox, McCarthy Tétrault LLP