

APPENDIX #1

FOREST

MANAGEMENT

AGREEMENT

Anc Timber Ltd. ANC Timber Ltd.

ANC Timber Ltd.

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UNOFFICIAL OFFICE CONSOLIDATION

GOVERNMENT OF THE PROVINCE OF ALBERTA

FORESTS ACT

FOREST MANAGEMENT AGREEMENT

O.C. 313/89, dated at EDMONTON

June 8, 1989

including amendments authorized by O.C. 428/96

MEMORANDUM OF AGREEMENT

BETWEEN:

HER MAJESTY THE QUEEN in the right of the Province of Alberta, as represented by the Minister of Forestry, Lands and Wildlife, (hereinafter referred to as "the Minister"),

OF THE FIRST PART

and

ANC TIMBER LTD., a Company registered under the laws of Alberta, with its head office in Whitecourt, Alberta (hereinafter referred to as "the Company"),

OF THE SECOND PART

WHEREAS the Company proposes to have a joint venture (consisting of the Company's shareholders, being Whitecourt Newsprint Limited Partnership and West Fraser Mills Ltd.) operate a chemi-thermomechanical pulp and paper mill ("the mill") in the vicinity of Whitecourt, Alberta, (for the manufacture of newsprint) with an initial rated capacity of 620 finished metric tonnes per day (220 000 metric tonnes of paper annually); and

WHEREAS the Minister, recognizing the Company's needs for a forest management agreement to supply such a mill, desires to provide for a perpetual sustained yield of timber; and

WHEREAS it is anticipated that additional forestry projects will be developed as markets and other circumstances warrant; and

WHEREAS the Minister desires to provide for the fullest possible economic utilization of forest stands and stable employment in local communities, and to ensure a perpetual supply of benefits and products while maintaining a forest environment of high quality by maximizing the value of the timber resource base and ensuring that it yields an uninterrupted flow of timber over time; and

WHEREAS Alberta Newsprint Funding Corporation will own legal title to the mill;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises, terms, conditions, covenants, stipulations, agreements and provisions herein contained, the Minister and the Company hereby agree as follows:

DEFINITIONS

1.

1. (1) In this Agreement

(a) "annual allowable cut" is the amount of timber that may be harvested in any one year as stipulated in the pertinent forest management plan approved by the Minister;

(b) "Associated Companies" means both the legal and beneficial owner or owners of and the operator or operators of the mill facilities, whether or not they are one and the same;

(c) "bone dry unit" means 2400 pounds of wood chips of standard quality dried to a constant mass at 103 + 2 degrees centigrade;

(d) "cut control period" means a period of five consecutive forest management operating years;

(e) "cubic metre" shall have the same meaning as that prescribed by the Timber Management Regulation;

(f) "Department" means the Department of Forestry, Lands and Wildlife;

(g) "dollar" means Canadian currency of the value of one Canadian dollar, or

the Canadian equivalent value of any other currency;

(h) "forest management area" refers to the tract of forest land over which the Company has been given management rights for establishing, growing and harvesting coniferous and deciduous trees on a perpetual sustained yield basis for a defined period of time; and as specifically defined in paragraph 3;

(i) a "merchantable coniferous stand" is a stand having 47.5 cubic metres or more per hectare of merchantable coniferous trees;

(j) a "merchantable coniferous tree" is one having a minimum 15 centimetres diameter, measured outside bark at 30 centimetres above ground level, and having a minimum 3.66 metre usable length to a 10 centimetre top diameter, measured inside bark, unless otherwise specified in the ground rules;

(k) a "merchantable deciduous stand" is a stand having 50 cubic metres or more per hectare of merchantable deciduous trees;

(l) a "merchantable deciduous tree" is one having a minimum 15 centimetre diameter, measured outside bark at 30 centimetres above ground level, and having a minimum 3.66 metre usable length to a 10 centimetre top diameter measured inside bark, unless otherwise specified in the ground rules;

(m) "mill facilities" means the mill and the forest project referred to in paragraph 37.1;

(n) "periodic allowable cut" is the total of the annual allowable cuts approved for a five-year cut control period;

(o) "Scaling Regulation" means Alberta Regulation 336/79 authorized by Ministerial Order 40/79 and any amendments thereto or substitutions therefor;

(p) "Surface Materials Regulation" means Alberta Regulation 11/78 and any amendment thereto or substitutions therefor;

(q) "Timber Management Regulation" means Alberta Regulation 60/73 authorized under Order-in-Council 309/73 and any amendments thereto or substitutions therefor; and

(r) "Timber Regulation" means Alberta Regulation 268/78 and any amendments thereto or substitutions therefor.

(2) The Forests Act, the Public Lands Act, and the regulations made thereunder shall mean for the purpose of this Agreement, those Acts and the regulations as each may from time to time be amended or substituted and terms defined by the Forests Act, the Public Lands Act, and the regulations made thereunder shall in, and for the purpose of this Agreement, have the meaning given to them by those Acts and regulations as each may be amended or substituted from time to time.

2.

2. (1) This Agreement shall commence on the 13th day of June, 1989 hereinafter referred to as the commencement date and shall expire on the 12th day of June, 2009 unless renewed under the provisions of subparagraph (3) or extended under the provisions of subparagraph (4).

(2) It is the intention of the parties hereto to continue the rights of the Company under paragraph 7 to grow and harvest timber on the forest management area for additional terms of twenty years each not limited to the initial twenty year term of this Agreement if pursuant to subparagraph (3) mutual agreement thereon can be reached by the Minister and the Company and such agreement is approved by the Lieutenant Governor in Council.

(3) Subject to the approval of the Lieutenant Governor in Council and provided that the Company is not in default on the expiry date as to any of the terms, conditions, stipulations, covenants, agreements and provisions of this Agreement, the Company shall be entitled to a renewal of this Agreement whereby its rights under paragraph 7 to grow and harvest timber are continued for a further term of 20 years on condition that mutually acceptable terms, conditions, stipulations, covenants, agreements and provisions including further renewal provisions or other requirements can be renegotiated at the time of renewal. The Company shall give notice to the Minister of its desire to renew

twelve months prior to the expiry date of this Agreement and within sixty days of receiving such notice the Minister shall commence discussions with the Company to negotiate the terms, conditions, stipulations, covenants, agreements, and provisions of the renewal agreement.

(4) Notwithstanding subparagraphs (1), (2) and (3), if a renewal agreement cannot be agreed upon by the Company and the Minister and approved by the Lieutenant Governor in Council by the expiry date of this Agreement then this Agreement shall be extended for a further term of five years from that date and the Company and the Minister shall act reasonably and continue to carry out good faith negotiations in an attempt to agree on a renewal Agreement and have it approved by the Lieutenant Governor in Council before the end of the five year period.

FOREST MANAGEMENT AREA

3.

3. (1) The Minister and the Company hereby enter into a forest management agreement in respect of the forest management area comprising, subject to paragraphs 4, 5, and 6, public lands within the boundaries shown outlined on a map registered in the Department, a copy of which is annexed hereto as Appendix "A".

(2) In order to satisfy the overall wood requirements of the initial pulp and paper mill, the Minister shall grant to the Company from within the area depicted on Appendix "A" of this Agreement as 'DECIDUOUS QUOTA AREA FOR INITIAL PULP AND PAPER MILL', a deciduous timber allocation in forest management unit W2 for 33,235 cubic metres of deciduous annual allowable cut and from within the area depicted on Appendix "A" as 'CONIFEROUS QUOTA AREA FOR INITIAL PULP AND PAPER MILL', a coniferous timber quota in forest management unit W6 for 43.14% of the coniferous annual allowable cut.

(3) With respect to the coniferous timber quota and deciduous timber allocations issued under subparagraph (2) and paragraph 37.1(6), the Company shall comply with the production control requirements specified under the Forests Act and the Timber Management Regulation. In addition, the Minister may cancel any coniferous timber quota or deciduous timber allocation issued to the Company under subparagraph (2) and paragraph 37.1(6), or reduce the authorized annual allowable cut under any such coniferous quota or deciduous timber allocations to the extent that the Company cannot reasonably demonstrate by the end of the tenth year from their date of issuance that the coniferous or deciduous timber is required to support the mill facilities at the rated capacity that exists at the end of that tenth year.

4.

4. Out of the area shown within the boundaries outlined as shown in Appendix "A" the following are excepted:

(a) areas which are the subject of any timber dispositions issued pursuant to the Forests Act at the date of this Agreement;

(b) lands which are the subject of a disposition issued prior to the date of this Agreement pursuant to the Public Lands Act;

(c) lands heretofore sold, patented, licensed, leased or applied for in respect of which any disposition is pending at the date of this Agreement;

(d) all permanent and naturally occurring bodies of water and all naturally occurring rivers, streams, watercourses and lakes; and

(e) lands contained within any Provincial Park or Forest Recreation area at the date of this Agreement.

5.

5. Whenever any of the productive or potentially productive land excepted under paragraph 4 (a) and (b) or subsequently withdrawn from the forest management area becomes available for disposition and where such land is intended to be returned to timber production by the Minister, the Minister shall return these lands back to the forest management area in a potentially

productive state.

WITHDRAWALS

6.

6. (1) The Minister may, at any time and from time to time in his discretion, after discussion with the Company with respect to the effect any such withdrawal may have on the forest management area, either permanently or for a specified term, withdraw from the forest management area:

(a) any land which cannot be logged without causing substantial harm to the water table or to lakes, rivers, streams or other bodies of water, to the margins of water courses or to roads;

(b) any lands required for rights-of-way, water resource development or for any other purposes deemed by the Minister to be essential for the human or physical resource development of the Province;

(c) any lands required for commercial and industrial facilities; and

(d) any lands which, in the opinion of the Minister, are not capable of producing coniferous or deciduous timber.

(2) A withdrawal shall take effect

(a) on the date the notice of withdrawal is given by the Minister to the Company, or

(b) where the notice given states that the withdrawal shall take effect at a future date, on the date stated in the notice.

(3) In the event from time to time of any withdrawal or withdrawals of land from the forest management area by the Minister:

(a) for disposition to users other than the Crown except where that use has been designated for exemption by the Minister, the Company shall be entitled to reasonable compensation from the users for any loss of profit or other damage or loss suffered by the Company and the Associated Companies, including by way of example, but without limitation, damage to timber, improvements, regeneration, forest growth, or to its operations on the forest management area resulting from such withdrawal;

(b) for use by the Crown, and for uses designated for exemption by the Minister, wherein the cumulative net aggregate area withdrawn does not exceed 2% of the original net forest management area as calculated at the commencement date of this Agreement, the Minister shall determine the compensation and arrange for reimbursement to the Company for the actual loss or damage resulting from such withdrawal to any improvements created by the Company's efforts, but not for any loss of profit, inconvenience nor increased costs reasonably incurred by the Company in harvesting an equivalent volume of timber elsewhere;

(c) for use by the Crown and for uses designated for exemption by the Minister, wherein the net aggregate area withdrawn on a cumulative basis does exceed 2% of the original net forest management area as calculated at the commencement date of this Agreement, the Minister shall determine the compensation in respect of such excess and arrange for reimbursement to the Company, including damage to timber, improvements, regeneration, forest growth, or to its operations on the forest management area.

(4) All compensation received by the Company under this paragraph shall be placed in a separate interest bearing trust account with an independent financial institution, and funds from the trust account shall be used solely for the purposes of:

(a) purchasing logs from farmers and permittees who are logging on lands outside the forest management area;

(b) purchasing wood chips that are not the subject of chip direction by the Minister to the Company; and

(c) intensive forest management programs as approved by the Minister.

(5) For the purposes of applying subparagraphs (3)(b) and (c), the net area for the forest management area shall be established and agreed upon by both parties to be effective on the commencement date of this Agreement.

(6) For purposes other than applying subparagraphs (3)(b) and (c), the net area shall be adjusted annually on the anniversary date of this Agreement in accordance with all exceptions, additions and withdrawals to the forest management area under this Agreement.

RIGHTS OVER THE LAND

7.

(1) Subject to all the terms and conditions the Minister grants to the Company the rights, during the term of this Agreement, to establish, grow and harvest timber on the forest management area, on a perpetual sustained yield basis, with such rights to include, but not be limited to,

(a) the right during the term of this Agreement to enter and occupy the forest management area for the purposes referred to in subparagraphs (b), (c) and (d);

(b) the right during the term of this Agreement to grow, cut and remove timber on the forest management area;

(c) the right during the term of this Agreement to carry out reforestation and other programs that are approved by the Minister in accordance with this Agreement; and

(d) the right during the term of this Agreement to construct, operate and maintain roads, wood concentration yards and other installations necessary and incidental to the Company's logging and silvicultural operations on the forest management area.

(2) For the purpose of interpreting the Surface Rights Act, or as amended from time to time, the Company is an occupant of the public lands comprising the forest management area.

(3) The Minister shall cause land dispositions required within the forest management area for work such as roads, bridges, and other necessary works incidental to the Company's logging and silvicultural operations to be issued to the Company without any dues, fees or rental charges being paid but such dispositions shall otherwise be subject to any pertinent regulations.

(4) Notwithstanding subparagraph (3), the Company may obtain sand and gravel needed for its operations under this Agreement from any vacant public land on the forest management area pursuant to the Surface Materials Regulation, subject to the payment by the Company of all required fees and royalties. In no case, however, shall the Company have to pay fees or royalties for in situ right-of-way material located and used where it is found within the right-of-way.

8.

(1) In keeping with the policy for multiple use of the public land, the Minister reserves all land rights on the forest management area not specifically given hereby to the Company in this Agreement, including by way of example, but without limiting the generality of the foregoing:

(a) the rights of others to travel, hunt, fish and otherwise use the said lands for recreational purposes, or to trap, subject to any necessary restrictions approved by the Minister for the purpose of prevention of accidents, fire control and seasonal protection of roads;

(b) the right to authorize any person to conduct any work in connection with or incidental to geological or geophysical exploration pursuant to the Mines and Minerals Act, or the Exploration Regulation; provided that the Company shall be entitled to reasonable compensation, from the person conducting the exploration, for any loss or damage suffered by the Company and resulting from such exploration including by way of example but without limitation, for any damage to timber, forest growth, regeneration, improvements or to any of its operations on the forest management area; and provided that the Company shall not be entitled to compensation for damage to coniferous or deciduous timber or forest growth caused by any such geological or geophysical exploration where the rights to cut such timber has been granted to a third party under a timber licence or

permit;

(c) the right to maintain and enhance fish and wildlife resources provided the Company's right to manage the area for timber production is not significantly impaired; and

(d) the right to authorize domestic stock grazing provided, however, that the coniferous regeneration will not be damaged to the point where the overall stocking is reduced below the reforestation stocking standard as set out in the Timber Management Regulation, and provided that the Company's right to manage the area for timber production is not significantly impaired.

(2) The Minister also reserves the following rights to the timber on the forest management area:

(a) the right to issue timber permits, not exceeding one year in duration, to provide timber for local use in construction and maintenance of public works by any local authority, municipality, county, the Crown in the right of Alberta or Canada, and for residents of Alberta for their own use and sale, up to an individual yearly maximum of 750 cubic metres provided, however, that the total volume of timber cut under authority of such permits on the forest management area in any timber operating year does not exceed one percent (1.0%) of the approved annual allowable cut;

(b) the right to issue timber licences to the existing quota holders listed in Appendix "B" to maintain their operations after the commencement date of this Agreement, but shall not issue any new quotas, and will not increase existing quotas beyond provisions which exist in the quota certificates or provided for by legislation; and

(c) the right to manage and reforest coniferous tree species on any lands which may be required to maintain the coniferous annual allowable cut.

(3) The Minister shall consult with the company on an ongoing basis as may be required to minimize any conflict between the operations authorized under the permits and licences issued pursuant to subparagraph (2) and the operations of the Company.

FOREST MANAGEMENT

A. GENERAL PROVISIONS

9.

9. On the forest management area the Company shall:

(a) follow sound forestry practices with the purpose of achieving and maintaining a perpetual sustained timber yield from the productive forest land, while not diminishing the productivity of the land; and

(b) harvest the annual allowable cut of merchantable trees from merchantable stands in accordance with paragraph 12.

10.

10. (1) Not more than twelve months following the commencement date of this Agreement and in any case before the commencement of woods operations, the Company shall submit for the Minister's approval a preliminary forest management plan describing the methods approved by the Minister that the Company will follow in managing the timber located within the forest management area on a sustained yield basis and establishing a preliminary estimate of the sustainable annual allowable cut.

(2) Not more than three years after the commencement date of this Agreement, unless otherwise extended by the Minister, the Company shall submit to the Minister a detailed forest management plan describing the methods approved by the Minister that the Company will follow in managing the timber located within the forest management area on a sustained yield basis for a period equivalent to one approved full rotation and this plan upon approval by the Minister shall replace the preliminary plan. The plan shall reflect sound reforestation and multiple use management practices and shall include yield projections for a period equivalent to at least one full rotation plus a harvest schedule and road development plan for the duration of this Agreement. The Company shall specify

in their detailed management plan the amount of annual allowable cut which will be allocated to supply the mill facilities. Cut controls specified in paragraph 12 shall be applied to the allowable cut.

(3) Not later than the tenth anniversary date of this Agreement the Company shall submit for the Minister's approval a revised detailed management plan, and this revised plan when approved will replace that supplied under subparagraph (2).

(4) The Minister may require the Company to alter any of the methods described in its preliminary plan or detailed management plans before his approval may be given provided, however, that in so doing, the Minister may not unilaterally alter the ground rules.

11.

(1) Within six months following the commencement date of this Agreement, the Minister and the Company shall jointly develop a set of ground rules to provide guidelines for the preparation of annual operating plans and management plans which will facilitate supervision of timber harvesting and reforestation operations.

(2) At the initiative of either party and in any event at intervals not exceeding five years, the established ground rules shall be reviewed jointly by the Minister and the Company. These ground rules may be altered by mutual agreement of the Minister and the Company.

(3) In the event that the initial ground rules or a revision to a set of ground rules cannot be established by mutual agreement after good-faith negotiations, the Minister may establish or revise a set of ground rules but only with the approval of the Lieutenant Governor in Council.

12.

(1) The term of this Agreement shall be divided into four cut control periods each with a duration of five years. The annual allowable cut shall be recalculated when requested by the Minister and not later than by the end of the second control period.

(2) If the Company overcuts the periodic allowable cut, the Minister shall reduce the allowable cut during the subsequent period by an amount equivalent to the entire overcut volume.

13.

(1) The Company shall forthwith upon the commencement of this Agreement establish a forest management operating year that shall commence and end on dates approved by the Minister.

(2) Not less than four calendar months before the commencement of each forest management operating year or within such shorter period as may be permitted in writing by the Minister, the Company shall submit to the Minister an operating plan and this plan will include the reforestation and forest protection plans and road construction and maintenance plans covering the next ensuing forest management operating year.

(3) Each operating plan shall be in accordance with and include a two year operating projection showing the entire harvesting operation intended by the Company to be implemented during the next ensuing two forest management operating years.

(4) The Minister may approve such plans as are submitted, or may require the Company to alter any aspect of harvesting operations described in the plans, provided that the Minister shall not thereby alter the ground rules in effect at the time made pursuant to paragraph 11 and acts promptly so as to avoid delay in the Company's operations.

(5) When the operating plan does not provide for the salvage of dead, damaged, diseased or decadent timber, the Minister may give notice to the Company that he requires provision for its salvage in such plan. The Company shall have thirty days from the date on which such notice is given to it by the Minister within which to amend the plan, or to justify the exclusion of such

timber from its plan, but if it fails or elects not to do either within such period, the Company shall not be deemed to be in default and the Minister may dispose of such timber to any person by permit without compensating the Company.

(6) Each operating plan shall incorporate the integration of deciduous and coniferous (mixed wood) harvesting so as to accommodate the full utilization of the timber resource as well as other resource needs and in so doing minimize the adverse impact on such public resources as fish and wildlife throughout the forest management area.

14.

14. When, in the opinion of the Minister, any plan approved by him becomes obsolete or inadequate, he may, by reasonable notice in writing, require the Company to submit a revised plan for his approval within a specified time or within any extended time he may subsequently allow.

15.

15. The Company may not commence or carry on any construction project or any operation on the forest management area until the relevant plans which are required to be submitted pursuant to paragraphs 10, 13 and 14 have been submitted by the Company and approved in writing by the Minister; and the Company may not digress from the approved plans without the Minister's consent in writing, with the understanding that the Minister shall provide a full explanation whenever consent is withheld.

16.

16. The Company shall at its own expense make such surveys of the forest management area as are necessary to prepare the plans required by paragraphs 10, 13 and 14.

17.

17. The Company shall utilize all the merchantable coniferous and deciduous trees growing within merchantable stands cut in road construction and other incidental operations of the Company unless otherwise permitted in writing by the Minister.

18.

18. The Company shall conduct woods operations and shall cause the operator or operators of the mill facilities to conduct manufacturing operations in such a manner so as to achieve economic utilization of the timber on the forest management area and shall not commit acts of waste in respect of such timber provided, however, that nothing in this Agreement shall preclude the Company from using any wood harvested for the purpose of manufacturing paper.

19.

19. The Company shall use every reasonable effort to purchase all pulp quality wood chips that are offered to the Company from any quota holder or permittee within the Province at a price to be mutually agreed upon by the disposition holder and the Company.

20.

(1) The Company shall not hinder or obstruct the lawful timber operations of licensees and permittees.

(2) It is recognized that during their operations, the coniferous licensees and permittees may cause some incidental damage to deciduous timber. No claim shall be made by the Company against any licensee, permittee or the Minister for such incidental damage to deciduous timber.

21.

21. The Minister shall consult with the Company concerning proposed areas and methods of harvesting by timber licensees and permittees in the forest management area before designating the areas in which their operation may be carried on and the Company shall suggest in its annual operating plans for the Minister's approval areas available for harvesting by timber licensees and permittees.

22.

22. (1) The Minister shall require timber licensees and permittees operating within the forest management area to conduct all harvesting operations in accordance with sound forestry practices and to refrain from hindering or obstructing the lawful operations of the Company.

(2) With the approval of the Minister, the Company shall have the right to acquire timber quotas and negotiate other arrangements with quota holders and permittees in order to combine harvesting operations for maximum utilization of the forest resources.

B. REFORESTATION

23.

(1) The Company shall be obliged to progressively reforest at its own expense all land cut over by the Company and shall describe its reforestation program in its management and annual operating plans.

(2) For the purpose of the reforestation requirements, "year" shall mean the period from May 1st to April 30th until such time as the phrase "timber year" is defined in the Timber Management Regulation and from that time on shall have the same meaning as may be thereby ascribed to that phrase.

(3) Considering the year of cut as being year zero, the Company shall complete a reforestation survey which meets the specifications of the Minister for all areas that it is obliged to reforest and submit same to the Minister before the end of the seventh year.

(4) In this Agreement, subject to subparagraph (5), the required reforestation standard means the reforestation standard set out in the Timber Management Regulation as amended from time to time or in any regulations passed in substitution thereof.

(5) For the purposes of applying the Timber Management Regulation, the Minister agrees that the Company may substitute a deciduous seedling tree for a coniferous seedling tree on lands from which deciduous timber was cut, provided such substitution is in accordance with the approved Detailed Management Plan.

(6) Where the Company fails to reforest any area it is obliged to reforest to the required reforestation standard by the end of the tenth year the Company shall comply with any direction received from the Minister in relation to the reforestation of the area.

(7) In the event that the Company does not comply with the Minister's direction under subparagraph (6), the Minister may suspend timber harvesting operations until such time as the Company has complied with the Minister's direction in relation to the reforestation of the area.

24.

(1) As part of its operations under this Agreement the Company shall, at its sole expense, furnish all of the coniferous and deciduous seedling trees and propagules required for its reforestation needs under this Agreement.

(2) Seed, seedling trees and propagules used for reforestation programs under this Agreement shall be produced in accordance with the rules established by the Minister governing the source and type of tree seed and species used to reforest public land.

25.

(1) The Company shall not be required to reforest lands cut over or burned after the commencement date of this Agreement by persons other than the Company, its agents or contractors.

(2) Notwithstanding paragraph 27(1), the Company shall be solely responsible for reforesting all lands burned by fire, when the fire has been caused by the Company, its employees, its agents or its contractors.

26.

(1) If the Company desires to implement, at its own cost, more intensive silvicultural practices than required by the Minister under this Agreement, the Company and the Minister may enter into an agreement which will define the programs and conditions that, in the Minister's opinion, will

establish a sustainable increase in the annual allowable cut.

(2) Where the Company implements the program under the terms of such an agreement, and where the Minister and the Company agree on the amount of additional annual allowable cut which will result from the Company's silvicultural efforts over and above those required under the Forest Management Agreement and the Forests Act, then such additional cut shall be offered by the Minister to the Company free of timber dues providing the Minister has been duly authorized to do so by a regulation passed under section 4 of the Forests Act.

(3) Notwithstanding subparagraph (2), the additional allowable cut resulting from the Company's intensive silvicultural efforts will only be offered to the Company free of timber dues after the Company has harvested the annual allowable cut approved in the Company's management plans.

(4) The additional allowable cuts agreed upon by both parties shall not be used for the purpose of calculating the periodic allowable cuts for cut control purposes specified in paragraph 12.

27.

(1) The Company and the Minister shall devise and implement a reforestation program (hereinafter referred to as "supplemental reforestation") on potentially productive lands in the forest management area, except for lands cut over for green timber by persons other than the Company after the commencement date of this Agreement, which have not been restocked to the required reforestation standard. Lands acceptably stocked with poplar species shall not be considered as understocked for these purposes. The expense of such supplemental reforestation shall be shared equally between the Company and the Minister.

(2) The maximum supplemental reforestation that the Company and the Minister jointly may be required to carry out during any operating year shall not exceed 15% of the total area harvested by the Company in the immediately preceding operating year. Over any five-year period the average annual supplemental reforestation shall not exceed one-twentieth of the total area found to be not satisfactorily regenerated.

(3) The Minister may direct in any operating year that the maximum supplemental reforestation program area be reduced to the extent necessary to fit the Minister's estimated departmental budget for that purpose.

(4) The supplemental reforestation program shall be included in the Company's annual operating plan submission.

(5) Coniferous seedlings required for supplemental reforestation will be supplied free of charge by the Minister provided the Company has furnished the Minister with two years' advanced notice and that sufficient seed is available from that seed stored by the Minister under paragraph 24(4). These seedlings shall not be included as part of the Minister's obligation under paragraph 24(2).

28.

(1) The Company shall establish a growth and yield program acceptable to the Minister on lands within the forest management area.

(2) The growth and yield program will include the establishment of a system of permanent sample plots which will be used to monitor the results of different harvesting systems during the term of this Agreement so as to provide accurate information for the preparation of reliable coniferous and deciduous yield tables.

(3) The permanent sample plots established under subparagraph (2) shall also be used to provide additional information related to other resource uses on the forest management area such as the effects of harvesting on wildlife and watershed values.

(4) Under the growth and yield program, the Company shall, within ten (10) years following the commencement date of this Agreement, undertake a tree improvement program, whereby the Company will establish trial plantations of

both imported species and genetically selected Alberta stock and shall monitor their performance on a continuing basis during the term of this Agreement.

(5) All of the information collected by the Company under this paragraph shall be provided to the Minister free of charge upon his request for such information.

C. FOREST PROTECTION

29.

(1) The Minister agrees to provide and maintain an organization of men and equipment necessary for the protection of the forest from and suppression of forest fires on the forest management area and, except as herein otherwise provided, to pay the cost of fighting any forest fire that originates on the forest management area on the understanding that the Minister will not be liable for damages to the Company resulting from a failure to prevent, control or suppress any fire.

(2) Notwithstanding subparagraph (1), the Company shall pay the cost of suppressing any forest fire that originates on the forest management area if the fire is caused by or arises out of any of the operations or activities conducted on the forest management area by the Company, its employees, agents or contractors; provided, however, that in no event shall the liability of the Company exceed the liability provided for in a separate Fire Control Agreement which may be negotiated and entered into by the Minister with the Company. Until such time as a Fire Control Agreement has been entered into, the Company agrees to have on hand in good working order such fire fighting equipment and shall train such employees in fire suppression as specified by the Minister. If the cause of any fire is disputed by the Company, the dispute shall be resolved by means of civil suit in the Courts of Alberta.

(3) Notwithstanding anything contained in this Agreement, the Company shall not be liable for loss of or damage to Crown timber by fire that is caused by or arises out of any of the operations conducted on the forest management area by the Company, its employees, agents or contractors.

(4) In the event of an occurrence of insect damage of epidemic nature to forest growth or a disease epidemic affecting forest growth on the forest management area the parties hereto will cooperate in suppressing the epidemic.

RECORDS AND SCALING

30.

(1) All scaling, measuring and weighing of timber harvested on the forest management area shall be performed by the Company in accordance with subparagraph (2), and the Company shall cause the operator or operators of the mill facilities to scale, measure and weigh in accordance with subparagraph (2) all timber delivered to the mill facilities.

(2) All scaling and measuring of timber weights and volumes shall be conducted in accordance with the Timber Regulation, the Scaling Regulation and the published instructions of the Department.

(3) The Company shall maintain in the form and in the manner approved by the Minister complete and accurate records of the operations it conducts on the forest management area including data collected by it under subparagraph (1).

(4) The Minister, or any person authorized by him, may inspect the records maintained by the Company pursuant to subparagraph (3).

(5) The Company shall cause the operator or operators of the mill facilities to maintain in the form and in the manner approved by the Minister complete and accurate records of the data collected by the operator or operators under subparagraph (1).

(6) The Company shall cause the operator or operators of the mill facilities to allow the Minister or any person authorized by him to inspect the records maintained by the operator or operators pursuant to subparagraph (5).

(7) The measurement of the volume of all wood cut by or for the Company and sold to others or purchased by the Company may be determined, at the option of

the Company, by physical measurement of said wood or by derivation of volume/weight factors by sampling in the manner prescribed by the Minister from time to time.

31.

31. (1) Within 21 days of the termination of every three month period, the Company shall submit with respect to subparagraphs (1)(a) and (b), and shall cause the Associated Companies to submit with respect to subparagraphs (1)(c) and (d) to the Minister in writing, on a form prescribed by the Minister, a return reporting for each such period:

(a) the volume of timber cut by and for the Company;

(b) the volume of timber cut or destroyed by others for which the Company is entitled to compensation under this Agreement;

(c) at the request of the Minister, the volumes of primary timber products manufactured and sold from each of the mill facilities in Alberta; and

(d) at the request of the Minister, the volume of timber and primary timber products purchased for use in the mill facilities and timber and primary timber products sold by the Company and any of the Associated Companies from operations in Alberta, the names of all persons from whom timber was purchased, to whom timber was sold, and the land from which the timber was cut.

(2) Unless otherwise directed in writing by the Minister, the Company shall remit to the Minister with each timber return the amount of all dues payable for the volume of timber shown in such returns as required by subparagraph (1).

CHARGES AND DUES

32.

32. (1) On the commencement date of this Agreement and thereafter on each anniversary date during the term of this Agreement, the Company shall pay to the Minister:

(a) a holding charge, and

(b) a forest protection charge

for every square kilometre, to the nearest square kilometre, within the forest management area on the first of the month immediately preceding the date the payment is due.

(2) Initially, on the commencement date of this Agreement the charges in subparagraph (1) will be:

(a) a holding charge of \$1.22 per square kilometre; and

(b) a forest protection charge of \$27.31 per square kilometre.

(3) Subsequent holding charges and forest protection charges shall be adjusted annually on the anniversary of the commencement date of this Agreement using the Annual Implicit Price Index for government current expenditure in goods and service, as published by Statistics Canada, in the following formula:

Charge for Year =
of Payment

Charge for x
Previous YearIndex for Year
Prior to Year of Payment
Index for Second Year
Prior to Year of Payment

Examples:

(a) 1990 Holding Charge = 1.22 x 1989 Index
1988 Index

(b) 1990 Forest Products Charges = 27.31 x 1989 Index
1988 Index

In the event that the Annual Implicit Price Index is no longer published or in

the event of a change in the method used to calculate the Index, the Minister and the Company shall mutually and reasonably agree on a comparable published index to be used in the above formula.

(4) The amounts of annual holding charges and forest protection charges payable to the Minister by quota holders within the forest management area will be deducted from the amounts calculated in subparagraph (3).

33.

The Company shall pay dues in accordance with this Agreement in respect of all timber for which the Company is entitled to compensation and in respect of all timber cut by and for the Company on the forest management area.

34.

(1) The Company shall pay to the Minister dues on all timber cut for manufacture as pulp and paper at the following rates for the period January 1, 1989 to December 31, 1989:

(a) all coniferous species \$1.56 per cubic metre; and

(b) all deciduous species \$0.27 per cubic metre.

(2) The rates of dues to be paid by the Company on all timber cut by or for the Company for manufacture as pulp and paper shall be adjusted effective on January 1, 1990 and annually thereafter effective on January 1 of every year of this Agreement, upward or downward from the rate of dues applicable in the previous year by multiplying:

(a) the rates of dues applicable in the previous year

BY

(b) the price for January 1 of the then current year divided by the price for January 1 of the previous year.

The above being illustrated as follows:

Timber Dues for =
Current Year

Timber Dues for x
Previous Year Price of Newsprint for
Jan. 1 of Current Year
Price of Newsprint for
Jan. 1 of Previous Year

(3) In subparagraph (2),

(a) "price for January 1 of the then current year" means the price quoted in U.S. dollars for the first quarter of the then current year for newsprint (30 lb.) (west coast). Such price is to be obtained from the first issue of Pulp & Paper Week in the then current year which correctly states the first quarter price.

(b) "price for January 1 of the previous year" means the price quoted in U.S. dollars for the first quarter of the previous year for newsprint (30 lb.) (west coast). Such price is to be obtained from the first issue of the Pulp & Paper Week in that previous year which correctly states the first quarter price.

(4) For the purposes of subparagraphs (2) and (3):

(a) A separate calculation shall be made for coniferous species and for deciduous species.

(b) The adjustment for both species shall use the prices quoted in Pulp & Paper Week for newsprint (30 lb.).

(c) In the event that the selling prices are no longer published in the Pulp & Paper Week or in the event of a change in the method used to calculate the price listings, the Minister and the Company shall mutually and reasonably agree on comparable published price lists to be used in the above formula and provisions.

(5) For all timber cut by or for the Company and sold or used for purposes other than the production of pulp and paper, the Company shall pay to the Minister timber dues at the rates established under the Timber Management Regulation.

35.

35. The Minister has, in addition to any rights and powers conferred on him by this Agreement, all the rights and powers for enforcing the payment of Crown charges that are provided for pursuant to the Forests Act. In addition, nothing in this Agreement shall, or shall be construed so as to, limit or restrict the Minister's rights and remedies at common law or equity.

MILL CONSTRUCTION AND OPERATION

36.

(1) Not later than twelve (12) months following the commencement date of this agreement, the Company shall cause the commencement of construction of the mill in the vicinity of Whitecourt, Alberta having a rated capacity of 620 finished metric tonnes of paper daily at a capital cost of not less than three hundred (300) million dollars capable of producing 220000 metric tonnes of paper annually.

(2) For the purpose of subparagraph (1), the commencement of construction means the date on which construction physically begins on the site under the terms of a firm construction contract or the first of a series of firm construction contracts with a reputable contractor or contractors, providing for continuing construction leading to the completion of the mill on a schedule that will permit commencement of production on or before July 1, 1991.

(3) The Company shall cause the commencement of production of the mill on or before July 1, 1991.

37.

(1) If the Company fails to cause the commencement of construction of the mill or if production does not commence within the times specified in paragraph 36, the Minister may give notice to the Company stating the default complained of and requiring the Company to remedy such default within six months of the date of such notice, and if the Company fails to remedy the default within the said period of six months, the Minister may cancel this Agreement and declare the rights of the Company under this Agreement to be at an end and thereupon the deposit referred to in paragraph 43(1) shall be forfeited and become the property of the Crown, unless the Lieutenant Governor in Council extends the period as provided in subparagraph (2).

(2) The Lieutenant Governor in Council may from time to time extend the period during which the Company is to remedy the default complained of in a notice given under subparagraph (1).

37.1

37.1 (1) On or before September 1, 1998, the Company shall submit to the Minister a proposal for a forest industry project (the 'forest project'), including an implementation timetable, that is acceptable to the Minister.

(2) If the proposal is acceptable to the Minister, the Company shall proceed to obtain all the necessary environmental and other regulatory approvals and permits required prior to the commencement of construction.

(3) Once the Company proceeds under subparagraph (2), if a delay occurs due to circumstances beyond the Company's control and not avoidable by reasonable effort or foresight, then the Minister may extend all the benchmark dates in the implementation timetable accordingly.

(4) For the purpose of subparagraph (2), the commencement of construction means the date on which construction physically begins on the site under the terms of a firm engineering contract or construction contract or the first of a series of firm contracts with a reputable contractor or contractors, providing for continuing construction leading to the completion of the forest project.

(5) The failure of the Company to comply with subparagraphs (1) or (2) shall

not amount to a default or breach by the Company of any provisions of this Agreement.

(6) Upon commencement of construction of the forest project within the time set out in the approved proposal or as extended under paragraph (3), the Minister shall grant to the Company from within the areas depicted on Appendix "A" of this Agreement as 'Deciduous Quota Area For Second Mill', deciduous timber allocations for 80 880 cubic metres of deciduous annual allowable cut in forest management unit G5C and for up to 95% of the unallocated deciduous annual allowable cut of forest management unit W2 respectively.

(7) If the Company does not complete construction of the forest project within the time set out in the approved proposal or as extended under subparagraph (3), the Minister shall have the right to and may cancel the deciduous timber allocations granted to the Company under subparagraph (6).

38.

(1) If, at any time after completion of construction, the mill ceases to be in production and operation for a period of 12 consecutive months, the Company shall have no right to and shall not harvest timber on the forest management area or under the deciduous timber allocations and the coniferous timber quota granted to the Company under paragraphs 3(2) and 37.1(6) until such time as the Company advises the Minister in writing of its intentions to resume production and operation of the mill.

(2) Notwithstanding subparagraph (1), where the Company fails to cause the owner or owners of the mill to recommence production and operation of the mill after the period of 12 consecutive months referred to in subparagraph (1), the Company shall, subject to paragraph 46, be in default under this Agreement.

(3) If, at any time after completion of construction of the forest project, such forest project ceases to be in production and operation for a period of 12 consecutive months, the Company shall have no right to and shall not harvest timber under the deciduous timber allocations granted to the Company under paragraph 37.1(6) until the forest project is back in production and operation.

(4) If the mill and the forest project have been constructed, the Company shall cause the owner or owners of these facilities to have these facilities in production and operation such that the facilities will not cease to be in production and operation for the same period of 12 consecutive months and if the Company does not cause this, the Company shall, subject to paragraph 46, be in default under this Agreement.

39.

The Company shall satisfy the Minister of Economic Development throughout the term of this Agreement with respect to the use by the Company and each of the Associated Companies wherever practicable of Alberta engineering and other professional services, and Alberta tradesmen and other construction personnel, equipment, materials and supplies from Alberta.

40.

The Company shall submit and shall cause the Associated Companies to submit to the Minister when required any information or documents the Minister may reasonably request relating to this Agreement or the mill facilities or both.

41.

(1) In recognition of the fact that this Agreement was entered into to provide a secure supply of fibre for the mill facilities, the Company shall deliver all timber harvested from the forest management area and harvested under the coniferous timber quota and deciduous timber allocations granted to the Company under paragraphs 3(2) and 37.1(6) to the mill facilities except that the Company may enter into roundwood sales or exchanges with third parties and may cause the establishment of additional facilities within Alberta to use some of this timber. However, the Company shall promptly reduce such sales, exchanges and operations of the additional facilities if the fibre volume available

directly or indirectly from such sales, exchanges or operations would be insufficient for the mill facilities to operate at their rated capacities. If such reductions are or will be inadequate to permit the mill facilities to operate at their rated capacities, the Company shall promptly terminate all such sales, exchanges and additional facility operations.

(2) If the mill owners advise the Minister that the Company is not providing them with sufficient fibre to operate the mill facilities at the level desired by the mill owners, the Company shall, at the request of the Minister, assign this Agreement and all rights and obligations it has under this Agreement to the owner or owners of the mill facilities. If the Company does not assign this Agreement in accordance with this subparagraph or if such assignment will not in the opinion of the Minister result in the mill owners having unencumbered and effective access to all sources of wood fibre provided for directly and indirectly under this Agreement, the Minister may cancel this Agreement.

42.

42. The Company will notify and shall cause the Associated Companies to notify the Minister, in writing, of any intended major reduction in production levels of the mill facilities and such notification will be submitted to the Minister at least four weeks prior to the intended reduction taking effect.

DEPOSIT

43.

43. (1) The Company shall deposit with the Minister the sum of \$1,000,000.00 on the date this Agreement is executed.

(2) The deposit referred to in subparagraph (1) may consist in whole or in part of cash, a certified cheque or letter of credit submitted in accordance with all of the requirements of the Minister, or bearer bonds of the Government of Canada or of the Province of Alberta having a market value at time of placement equivalent to the sum of such deposit.

(3) The interest coupons attached to any bonds deposited pursuant to subparagraph (2) shall, as they fall due for payment, be detached and returned by the Minister to the Company.

(4) Upon the completion of construction and commencement of production of the mill referred to in paragraph 36, the Company may make application for a partial refund of deposit whereupon the Minister shall retain \$250,000.00 as a deposit to guarantee against default by the Company of any of the covenants, terms, stipulations, conditions, agreements and provisions of this Agreement and will return the balance to the Company.

(5) The Company may with the consent of the Minister, at any time during the existence of this Agreement, substitute one or more forms of deposit as described in subparagraph (2) herein, for any one or more forms of deposit held by the Minister pursuant to this Agreement.

(6) When this Agreement expires and if it is not renewed, and there is not then an unremedied default under this Agreement of which the Company has been notified, the Minister will return to the Company all deposits then held by the Minister under this Agreement.

44.

44. (1) If the Company at any time during the term of this Agreement makes default under any of the covenants, terms, conditions, provisions, agreements and stipulations in this Agreement, the Minister may give notice to the Company setting out the default complained of and requiring the Company to remedy the default within six months of the giving of notice, and if the Company fails to remedy the default complained of within the said period of six months, the Minister may declare that the whole or part of the deposit referred to in paragraph 43 is forfeited and thereupon the amount becomes the property of the Crown, unless the Lieutenant Governor in Council extends the period as provided in subparagraph (2) below.

(2) The Lieutenant Governor in Council may from time to time extend the

period during which the Company is required to remedy any default complained of in a notice given pursuant to subparagraph (1).

(3) Where the whole or part of the deposit has been forfeited pursuant to subparagraph (1), the Minister may suspend timber harvesting operations and shall not approve the next operating plan unless the default complained of has been remedied to the satisfaction of the Minister and the deposit re-established subject to paragraphs 44 and 45 herein.

(4) The references in paragraphs 37, 38 and 44(5) to the Company being in default under certain circumstances does not mean or imply that the absence of such a reference in any other paragraph of this Agreement precludes the Company from being in default with respect to those other paragraphs.

(5) It is an integral part of this Agreement that the Company shall cause the Associated Companies to do certain things referred to in this Agreement and if, at any time, the company does not, for whatever reason, cause this to happen, or if the Associated Companies do not do one or more of these things, then the Company shall, subject to paragraph 46, be in default under this Agreement.

45.

45. Notwithstanding the rights of the Minister as provided for under either or both of paragraphs 37(1) and 44(1) to declare a forfeiture of the deposit provided pursuant to paragraph 43 or as re-deposited pursuant to the terms of paragraphs 43 and 44, the Minister shall have the right to have the Company perform all the covenants, terms, conditions, stipulations, provisions and agreements and obligations upon it as contained in this entire Agreement or to sue the Company for damages for any breach or breaches thereof and the Minister shall also have the right to cancel this Agreement as set forth in paragraph 47 and the rights of the Minister to have the Company perform the Agreement and to sue for damages as aforesaid as well as the right of cancellation shall be construed as additional remedies to forfeiture and not an alternative to it.

46.

46. When any default or delay by the Company in the performance or observance of any of the terms or conditions of this Agreement is occasioned in whole or in part through:

- (a) industrial disputes, or
- (b) interruption which is not the result of any willful or negligent act or omission by the Company, such as power failure, fire, sabotage, tempest, war or acts of God

and not avoidable by reasonable effort or foresight, the Company shall not be deemed in default under this Agreement.

GENERAL PROVISIONS

47.

47. (1) The Minister may, by giving the Company ninety (90) days notice

(a) any goods or chattels of the Company or any goods or chattels of any of the Associated Companies which are directly related to the mill facilities or the operations of the mill facilities, having a value in excess of \$2,000,000.00, which are liable to distress, are lawfully seized or taken in execution by a creditor of the Company, and the Company has failed to take any legal action to contest the same within ninety (90) days after such seizure or taking, or

(b) the Company or any of the Associated Companies makes any general assignment for the benefit of its creditors or an assignment in bankruptcy or takes the benefit of any Act in force for bankrupt or insolvent debtors, or

(c) the Company or any of the Associated Companies fails from time to time to observe or perform any of the covenants, stipulations, terms, conditions, provisions and agreements required to be observed or performed by the Company under this Agreement, and having been given notice of such failure under

paragraph 44 of this Agreement, fails to remedy such failure within the time allowed by the said paragraph for so doing, or any extension thereof given by the Lieutenant Governor in Council.

(2) Subparagraph (1) (b) does not apply if a trustee for the holders or receiver managers or the holders themselves of bonds, debentures, or other securities of the Company or of the owner or owners of the mill facilities exercises any rights or remedies contained in such bonds, debentures or other securities or in any deed of trust or mortgage or other agreement under which such bonds, debentures or other securities are issued or secured, including but without restricting the generality of the foregoing, the taking of possession by the trustee, receiver managers or the holders themselves of the Company's properties and assets and the operation or disposition thereof for the benefit of the holders of the Company's or owner or owners of the mill facilities of the bonds, debentures or other securities.

(3) The Company shall notify the Minister 30 days in advance of

(a) any change of ownership of the Company; or

(b) any change of ownership of any of the Associated Companies; or

(c) any change in the relationship between the Company and any or all of the Associated Companies.

(4)

(a) The Company covenants that at all times its shareholders will be the parties that are operating the mill facilities. The Minister may cancel this Agreement if at any time the shareholders of the Company are not the parties that are operating the mill facilities.

(b) The Minister may cancel this Agreement if at any time the voting interest, diluted voting interest, equity interest and diluted equity interest of each beneficial owner of shares of the Company ("shareholder") is not identical to the voting interest, diluted voting interest, equity interest and diluted equity interest respectively of that shareholder in the entity which operates the mill facilities.

(c) In this subparagraph (4):

(i) "diluted voting interest" and "diluted equity interest" mean the voting interest and the equity interest respectively calculated as if all rights to acquire shares in the Company, by way of convertible shares, redeemable shares, retractable shares, options to purchase, warrants, or otherwise (collectively, "acquisition rights") had been exercised by all shareholders,

(ii) "equity interest" of a shareholder means

(A) in a corporate entity, the percentage that the number of shares of that corporate entity beneficially owned by that shareholder is of the total number of shares of that corporate entity,

(B) in a joint venture or partnership, the share beneficially owned by that shareholder expressed as a percentage of the profit and losses of the joint ventures of partnership,

(iii) "share" means a share in the capital of a corporation to which is attached a voting right ordinarily exercisable at meetings of shareholders of the corporation and to which is ordinarily attached a right to receive a share of the profits, or to share in the assets of the corporation on dissolution, or both,

(iv) "voting interest" of a shareholder means:

(A) in a corporate entity, the percentage that the number of votes beneficially held by that shareholder is of the total number of votes eligible to be cast for the election of directors of that corporate entity,

(B) in a joint venture or partnership, the percentage that the number of votes beneficially held by that shareholder is of the total number of votes eligible to be cast for the election of the chief executive officer (or equivalent) of the joint venture or partnership, as determined by the relevant joint venture or partnership agreement, provided that if there are no such

voting provisions in such agreement the voting interest of that shareholder in the joint venture or partnership shall equal the equity interest of that shareholder in the joint venture or partnership.

48.

48. The Minister does not guarantee any quality or quantity of timber on the forest management area.

49.

49. No implied contract of any kind by or on behalf of the Minister shall arise or be construed from anything contained in this Agreement and the only rights, powers and privileges granted to the Company are those contained in this Agreement.

50.

50. The Minister and the Company agree that the lines on the map shown in Appendix "A" hereunto annexed are intended, where those lines outline areas that are yet unsurveyed, to be the survey lines of the townships, sections, or half sections, as the case may be, that would exist if such areas were surveyed under the system of township surveys prescribed by the Surveys Act of Alberta and any amendments or substitutions thereto.

51.

51. The Company shall comply with and observe all the provisions and requirements of:

- (a) the Forests Act as amended from time to time, and
- (b) any Acts of the Legislature of the Province of Alberta in force, or enacted hereafter from time to time, and as amended from time to time, and
- (c) any Regulation inclusive of any amendments or substitutions in force from time to time under any of the Acts referred to in subparagraphs (a) and (b) that apply to the Company or to this Agreement either specially or generally by express wording or by implication.

52.

52. During the term of this Agreement, the Company shall maintain and cause the Associated Companies to maintain an office in the Province of Alberta and the Company shall obtain and maintain for itself and for each of the Associated Companies a registration under the Business Corporations Act of Alberta or the Partnership Act of Alberta, as the case may be.

53.

53. (1) Where any dispute arises between the parties to this Agreement concerning the interpretation of this Agreement the dispute may be referred to arbitration pursuant to the Arbitration Act of Alberta but only upon the mutual agreement of both parties.

(2) In the case of a dispute arising between the parties in relation to paragraphs 29, 46 and 57 or any other paragraph contained in this Agreement where both parties do not agree to refer a dispute concerning this Agreement to arbitration as provided in subparagraph (1) the dispute shall be resolved by means of civil action before the Courts of the Province of Alberta.

54.

54. (1) The Company shall not assign this Agreement or any of the rights granted to it by this Agreement without the consent of the Minister in writing and such consent may in his sole discretion be withheld. Where the Minister refuses consent to an assignment, he shall advise the Company in writing of his reasons for so refusing.

(2) Subparagraph (1) does not apply to:

- (a) the employment of one or more contractors to cut and remove timber;
- (b) an assignment or transfer of this Agreement by way of mortgage or charge or the grant of a security interest in this Agreement to lenders to or trustees for lenders to the Company or the owner or owners of the mill facilities and to the extent necessary, the Minister hereby consents to any such assignment, transfer or grant of security;

(c) an assignment or transfer to a person, firm or corporation upon the sale or other disposition by or on behalf of lenders to or trustees for lenders to the Company or the owner or owners of the mill facilities in the course of realization or enforcement of security against the mill facilities, provided that any such assignment, transfer or other disposition shall not be made without the consent of the Minister in writing, such consent not to be unreasonably withheld.

55.

Any waiver by the Minister of the strict performance by the Company of its covenants or of any term, condition, stipulation, agreement or provision under this Agreement is not binding upon the Minister unless such waiver is expressed in writing under the authority of the Minister and any such waiver or any extension of time granted by the Lieutenant Governor in Council hereunder shall not abrogate such or any covenant, term, condition, stipulation, agreement or provision herein or constitute a waiver or extension of time as to any subsequent breach of the same or any other covenant, term, condition, stipulation, agreement or provision herein.

56.

The Company covenants and agrees and shall cause each of the Associated Companies to covenant and agree to observe, perform and keep all covenants, terms, conditions, stipulations, agreements and provisions herein on its part to be observed, performed and kept provided that recourse against an Associated Company will be limited to its interest in the mill facilities and this Agreement and time shall be and remain of the essence thereof and notwithstanding any binding waiver given by the Minister as referred to in paragraph 55 or any extensions of time given by the Lieutenant Governor in Council under this Agreement that thereby may affect the time for performing any particular act, covenant, term, condition, stipulation, agreement, or provision of this Agreement herein, time shall remain of the essence pertaining to all subsequent performance by the Company and each of the Associated Companies of any and all acts, covenants, terms, conditions, stipulations, agreements and provisions herein contained and to this entire Agreement.

57.

The Company assumes liability for and shall pay all claims of the Minister for all damages to any real or personal property other than timber of the Crown in right of Alberta caused by the Company or any of the Associated Companies, or its or their servants, agents, workmen and contractors in the course of the exercise or purported exercise of its rights, powers and privileges under this Agreement, whether or not the damage so caused is due to the negligence of the Company or any of the Associated Companies, or its or their servants, agents, workmen and contractors, as the case may be.

58.

The Company shall keep the Minister indemnified against all claims and demands that may be made against the Minister by reason of anything done by the Company or any of the Associated Companies, or its or their servants, workmen, agents, and contractors on the forest management area in the exercise or purported exercise of its rights, powers and privileges under this Agreement.

59.

The Company shall comply and shall cause each of the Associated Companies to comply with the requirements of the Public Health Act, the Clean Air Act and the Clean Water Act of Alberta and as amended from time to time and all other applicable provincial and federal legislation now or hereafter enacted and the regulations inclusive of any amendments or substitutions thereunder relating to the control of air and water pollution and shall in this regard utilize and shall cause the Associated Companies to utilize the best achievable technology.

60.

60. Any notice required to be given under this Agreement shall be deemed to be well and sufficiently given if delivered to the address set out below or if mailed at any government post office in the City of Edmonton, Alberta by prepaid registered mail addressed as follows:

(a) to the Company:

ANC Timber Ltd.
#910, 10055 - 106th Street
Edmonton, Alberta

(b) to the Minister:

Minister of Forestry, Lands and Wildlife
Legislature Building
Edmonton, Alberta

or to such other address either party may from time to time inform the other party in writing, and any such notice shall be deemed to have been received on the fourth business day after the mailing thereof, or if delivered, when delivered; provided that if mailed should there be between the time of mailing and the actual receipt of the notice a mail strike, slow down or other labour dispute which might affect the delivery of such notice then such notice shall only be effective if and when actually delivered.

61.

61. This Agreement is made subject to its approval by the Lieutenant Governor in Council.

62.

62. This Agreement inures to the benefit of and is binding upon Her Majesty the Queen in Right of the Province of Alberta and Her assigns, and the Company and its successors and assigns if approved by the Minister in accordance with the provisions of this Agreement.

63.

63. This Agreement shall be construed as having been made in the Province of Alberta and the laws of the Province of Alberta shall be applied in the event of any action or arbitration mutually agreed to, respecting any dispute arising from this Agreement, its formulation, interpretation, and each and every other aspect pertaining to or resulting from its entire contents.

IN WITNESS WHEREOF the party of the first part executes this Agreement under the hand of the Minister subscribed hereunder and the party of the second part executes this Agreement by subscribing hereunder the signatures of its duly authorized corporate officers and by attesting hereto its lawful corporate seal this 13th day of June, 1989.

Her Majesty the Queen
in Right of Alberta

Witness Minister of Forestry, Lands and Wildlife
ANC Timber Ltd.

Per: _____

Witness
Per: _____

APPENDIX "A"
not available please refer to original

- APPENDIX "B"
- A. CONIFEROUS QUOTA HOLDERS WITHIN THE FOREST MANAGEMENT AREA
 - 1. Alberta Energy Company Ltd.
 - 2. Millar Western Industries Ltd.
 - 3. Mostowich Lumber Ltd.
 - B. CONIFEROUS QUOTA CERTIFICATES ISSUED WITHIN THE FOREST MANAGEMENT AREA
- CTQW010002
CTQW010004

CTQW010005

CTQW080001

The following clause shall apply to the list of quotas in Appendix "B".

(a) Where a quota listed above is merged with one or more quotas, the new quota shall be deemed to be listed in Appendix "B" for the purpose of paragraph 8(2)(b) of this Agreement.