

THIS AGREEMENT made in duplicate this 15th day of December
in the year of Our Lord One Thousand Nine Hundred and Sixty-Six.

BETWEEN:

THE MINISTER OF LANDS, FORESTS, AND WATER RESOURCES,
of the Province of British Columbia, who, with his
successors in office, is

hereinafter called "the Minister", of the one part,

AND:

EUROCAN PULP AND PAPER COMPANY LIMITED, a Corporation
duly incorporated under the laws of the Province of
British Columbia, and having its registered office
in the City of Vancouver, in the said Province,

hereinafter called "the Licensee", of the other part.

WHEREAS by Subsection (2) of Section 36 of the Forest Act, being
Chapter 153 of the Revised Statutes of British Columbia, 1960 and subsequent
amendments, it is provided that the Minister may by agreement grant a tree
farm licence to any person for the management of Crown lands specified in
the Agreement, reserved to the sole use of the Licensee for the purpose of
growing continuously successive crops of forest products to be harvested in
approximately equal annual or periodic cuts adjusted to the sustained yield
capacity of the lands in the area covered by the tree farm licence, or may
enter into an agreement to be known as a tree farm licence with the owner
of other tenures to combine such other tenures and Crown forest lands into
a single unit reserved by mutual consent and agreement to the sole use of
the Licensee for the like purpose:

AND WHEREAS the conditions precedent to the issuance of this
Licence, as set forth in said Section 36, have been complied with to the
satisfaction of the Minister:

NOW THIS AGREEMENT WITNESSETH THAT pursuant to Section 36 of
the Forest Act and in consideration of the payments, agreements and
stipulations to be made and observed by and on the part of the Licensee
as hereinafter mentioned, the Minister doth hereby grant unto the Licensee

COPY

the management of the Crown land specified in Schedule "B" to this Agreement, which lands are reserved to the sole use of the Licensee for the purpose of growing continuously successive crops of forest products to be harvested in approximately equal annual or periodic cuts adjusted to the sustained yield capacity of the lands described in this Agreement;

And in consideration of the premises, IT IS HEREBY AGREED AS FOLLOWS:

1. This Tree Farm Licence may be referred to as the "Kitimat Tree Farm Licence" and is numbered Forty One (41) on the Forest Service Register of Tree Farm Licences and on the official atlas maps of the Department of Lands, Forests, and Water Resources.
2. This Tree Farm Licence is given for the maintenance of the manufacturing plant or plants owned or operated by the Licensee. Said plant or plants shall be capable of using an amount equivalent to the allowable cut of forest products from the Licence area, and such plant or plants shall be maintained in operation in sufficient continuity to use an amount equivalent to the allowable annual cut from the Licence. Notwithstanding the provisions of this clause, the Minister may, for good and sufficient reasons, at his discretion, in writing, afford such relief from the provisions of this clause as he may see fit.
3. The Licensee shall manage the Tree Farm Licence area in accordance with the provisions of the said Section 36 of the Forest Act and of regulations under the said Act for the regulation of tree farm licences, and in accordance with the Management Working Plan applicable thereto, for the purpose of growing continuously successive crops of forest products to be harvested in approximately equal annual or periodic cuts adjusted to the sustained yield capacity of the Tree Farm Licence area.
4. The term of this Tree Farm Licence shall be 21 years from the date of this Agreement, subject to the provisions of this Agreement, and compliance with the Management Working Plan. This Tree Farm Licence shall be renewable but subject to renegotiation of the terms and conditions of the contract according to the provisions of the Forest Act and the regulations in force at the time of the application for renewal.

5. The Tree Farm Licence area includes all Crown lands not otherwise alienated at this date, as set forth in Schedule "B" hereto, together with all the lands owned or controlled by the Licensee, as set forth in Schedule "A" hereto and shall include, immediately following their reversion, all the lands not otherwise permanently alienated at this date all of which are within the area outlined in bold black line on the plan attached hereto, subject, however, to increase, decrease, re-allocation or exchange of lands as provided by this Agreement or by Subsection (14) of Section 36 of the Forest Act; and in addition it includes any and all lands that may be subsequently acquired by the Licensee and incorporated into said Schedule "A" pursuant to Clause 7 hereof, provided also that any lands included in Schedule "A", the title or interest to which reverts to the Crown, or which the Licensee elects to revert to the Crown, shall be included in Schedule "B" immediately following their reversion.
6. The Licensee hereby declares that it owns or controls the cutting rights on each parcel of the lands listed and described in Schedule "A" hereto.
7. The acquisition by the Licensee of forest lands within the Tree Farm Licence area subsequent to the issuance of this Tree Farm Licence, shall, pursuant to Subsection (9) of said Section 36, be reported to the Minister, and such forest lands if they are located in the watershed and drainage basins as defined in Clause 8 hereunder shall be included forthwith in the Tree Farm Licence area and be incorporated in Schedule "A" hereof.
8. For the purposes of Subsection (8) of Section 36 of the Forest Act, the watershed and drainage basins relating to this Tree Farm Licence are defined as the areas within the Tree Farm Licence area.
9. The Minister may from time to time withdraw from the Crown lands included in the Tree Farm Licence area such lands as are required for forest experimental purposes, parks, or for aesthetic purposes; but the lands so withdrawn if productive forest land shall not exceed one per cent of the total productive area of forest lands in the Tree Farm Licence area without the consent of the Licensee, and no land shall be withdrawn from areas being developed under the current cutting plan of the Tree Farm Licence without the consent of the Licensee. Any such withdrawals shall be deducted from Schedule "B" of the Tree Farm Licence.

10. If at any time, or from time to time, part of the Crown lands within the Tree Farm Licence area is found to be required for a higher economic use than growing and harvesting forest crops, or for any use deemed to be essential to the public interest, said lands may be withdrawn from Schedule "B" of the Tree Farm Licence area by the Minister, provided that if by such withdrawal the productive capacity of the Licence area is diminished by more than one-half of one per cent of its total productive capacity, other lands, if available, will be added to the Licence area in substitution therefor. Any such withdrawals shall be deducted from Schedule "B", and any such additions shall be added to Schedule "B". For the purposes of this clause, the development of mines and mineral claims may be deemed to be essential to the public interest.
11. It is expressly understood that the Minister may at his discretion and at any time, either permanently or for a specified time, withdraw from this Tree Farm Licence and from the Tree Farm Licence area any Crown lands needed for rights-of-way under Part VI of the Forest Act, or for railway, highway, power transmission, or other right-of-way purposes, and such lands will be deducted from Schedule "B" of the Tree Farm Licence.
12. Notwithstanding the provisions of Clauses 10 and 11, if in the opinion of the Minister it is not necessary to withdraw lands for the aforementioned purposes then the Minister may in his discretion not withdraw such lands but may grant the use of such lands for the said purposes; provided however that before making such grant of use the Minister notifies the Licensee of the application for the proposed use and in the event the Licensee does not within 30 days object to the same the Minister may make the grant of use. In the event the Licensee objects to the making of such a grant the Minister may enter into an agreement with the Licensee in respect of such use and in the event no agreement is made within 30 days after the objection the Minister may grant the use of such lands subject to such terms and conditions he deems advisable.
13. In the event of the withdrawal of any lands from the Tree Farm Licence area pursuant to Clauses 9, 10, 11 and 15 hereof, the Minister may require the Licensee to remove from such lands within one hundred and twenty days thereafter all timber then cut thereon and all buildings, machinery, equipment, and other

property placed by it thereon which is capable of removal. Compensation shall be paid to the Licensee by the Crown in respect of improvements capable of removal from the lands so withdrawn to the extent only of the cost of removal and damage incidental thereto; and compensation shall be paid to the Licensee in respect of improvements not capable of removal on the basis of cost less depreciation.

Without limiting the generality of the foregoing, the term "improvements" means all buildings, structures, fixtures, and things erected upon or under or affixed to such lands and shall include machinery, boilers, tanks, pipes, dams, flumes, tunnels, roads, railways, transmission lines, and other works used in connection with the business of the Licensee. Improvements shall also mean areas artificially reforested by planting or seeding, compensation for which shall be the cost incurred in the act of reforestation.

If the amount of compensation payable to the Licensee is not agreed upon, then such amount shall be appraised and awarded by a single arbitrator in case the Minister and Licensee agree upon one; otherwise by three arbitrators, one to be appointed by the Minister, one to be appointed by the Licensee, and the third to be appointed by writing under the hands of the two appointed, such arbitration to be in accordance with the provisions of the "Arbitration Act" of the Province of British Columbia. In the event that both parties are unable to agree on a third arbitrator, the Chief Justice of the Supreme Court of British Columbia shall be requested to make an appointment.

14. If at any time, or from time to time, part of the lands included in Schedule "A" is found to be required for a higher economic use than raising forest crops, said lands may be withdrawn from the Tree Farm Licence area at the request of the Licensee and on the consent of the Minister, and after such withdrawal such lands will be deducted from Schedule "A" and shall be disposed of or used by the Licensee for the purpose of which they were withdrawn.

15. Where the Tree Farm Licence insofar as Crown lands in Schedule "B" are concerned, includes within the described boundaries a belt or area of non-productive land surrounding or adjacent to the productive forest land of the Licence, any or all of such non-productive land may be withdrawn from the Tree Farm Licence at the pleasure of the Minister.

16. Other tenures includ this Tree Farm Licence shall not be transferred, or otherwise disposed of except as hereinbefore provided or except as provided in Section 36 of the Forest Act.

17. This Tree Farm Licence, insofar as Crown lands in Schedule "B" are concerned, shall not be considered to limit the use of the lands at the discretion of the Minister for other purposes such as mining, trapping, hunting, fishing, hydro-electric development, or any use that does not materially prejudice the rights granted to the Licensee to employ the use of the lands for the growing and harvesting of forest products under the terms of this Tree Farm Licence.

18. It is understood and agreed between the parties hereto that any rights under this Agreement in respect of Crown lands in Schedule "B" hereof do not include any riparian or foreshore rights, and all such riparian and foreshore rights vested in the Crown in respect of the said Crown lands shall remain in the same status as if this Agreement had not been entered into, and the Licensee shall have no rights or claims whatsoever in respect thereto by virtue of this Agreement.

19. The Minister may direct the Licensee to have surveyed and defined on the ground, and at the Licensee's expense, any or all the boundaries of the Tree Farm Licence area which he may deem necessary to have so surveyed and defined. In the event of failure of the Licensee to complete any such survey within time limits set by the Minister, the Minister may cause the survey to be made and the costs shall be charged to and be payable forthwith by the Licensee.

20. As a first essential to the primary object of sustained yield management of this Tree Farm Licence, it is agreed that all denuded forest land within the Tree Farm Licence area shall be kept by the Licensee in growing stock as provided in Clause 21 hereof, and adequately stocked in accordance with standards to be defined from time to time by the Forest Service for lands of a comparable site quality in British Columbia.

21. Any lands in the Tree Farm Licence area denuded before the date of this Agreement which are found to be stocked below the minimum standards defined by the Forest Service as provided in Clause 20 above, shall be classified as to site quality and those determined by the Forest Service

to be of a site quality index 1 to or better than 80, unless in the opinion of the Minister they are occupied by an advanced growth of brush, or otherwise in such condition or location as to make planting operations economically impractical, shall be reforested by the Licensee by artificial means with a merchantable species suitable to the locality at a rate per year of not less than one thousand acres, or ten per cent of the total acreage of such lands, whichever is the lesser, all in accordance with the Management Working Plan and to the satisfaction of the Minister.

The Licensee further agrees that lands of site quality index better than 110 denuded after the date of this Agreement, and not found to be restocked satisfactorily five years after logging, will be artificially regenerated by the Licensee before the end of the seventh year after logging; and that lands of site quality index between 80 and 110 not found to be restocked satisfactorily eight years after logging, will be artificially regenerated by the Licensee before the end of the tenth year after logging, all to the satisfaction of the Minister.

22. On failure of the Licensee to comply with the provisions of Clause 21, the Minister, his servants or agents, may enter on the Tree Farm Licence lands in respect of which the Licensee is in default, and restock them, and the cost thereof shall be recoverable by the Crown from the Licensee and may be taken in whole or in part from the deposit referred to in Clause 36 hereof.

23. The operations covered by the Tree Farm Licence shall be managed in accordance with the currently approved Management Working Plan, each of which in turn as approved for each successive period is hereby incorporated into and made a part of this Agreement.

24. Management Working Plans for the Tree Farm Licence will be approved for such period as the Chief Forester may decide, and will be subject to revision as set forth in the said Plans.

25. Revised Management Working Plans for the Tree Farm Licence shall be submitted for the approval of the Chief Forester not later than six months prior to the expiry of currently approved Plans.

26. The object of each silvicultural Plan shall be to implement the primary object of the Tree Farm Licence; i.e., sustained yield in equal annual or periodic cuts, and the Plan may embody any method of attaining that objective that over a reasonable period of years is likely to prove economically feasible, that is approved by the Chief Forester, and that is consistent with the spirit and intent of the Act and regulations. In preparing the Management Working Plan, advantage shall be taken of all available data and experience.

27. Should it appear at any time to either party hereto necessary or expedient in case of emergency to increase or decrease the rate of cutting contemplated by the Tree Farm Licence cutting budget then in effect, or to alter the cutting plan then being observed, then, subject to the approval of the Chief Forester, emergency revision of the Management Working Plan will be undertaken upon the request of either the Licensee or the Chief Forester.

Without limiting the generalities of the preceding paragraph, cause for revision on account of emergency conditions will cover such things as fire damage of major proportions, serious windthrow, insect or disease attacks, serious damage to the Licensee's manufacturing plant, or other catastrophe of great moment, or should there occur a national emergency brought about by war, or an economic depression severe enough in the opinion of the Minister to justify revision of the Management Working Plan.

28. In the process of harvesting the crop from the Tree Farm Licence area, regardless of the tenure of the land from which it is harvested, the Licensee shall provide the opportunity for contractors, other than the Licensee's own employees or shareholders who own more than one per cent interest to harvest up to the equivalent of fifty per cent of the allowable cut from Crown lands in Schedule "B" hereof, not held under other tenure but where the Minister is satisfied that such contract operation is not feasible, either by reason of lack of operators or for other good and sufficient reason, the Minister may relieve the Licensee in whole or in part from this responsibility.

29. In the event of the development on the Tree Farm Licence area of injurious insects in numbers which in the opinion of the Minister will seriously reduce the current or future allowable annual harvest of wood, and which in the opinion of the Minister can be controlled, then the Licensee and the Minister shall take such control measures as may be mutually agreed upon, or the Licensee shall take such control measures as the Minister shall direct, provided that the cost of such control measures to the Licensee at its own expense in any one calendar year shall not exceed one-half the cost of such control measures incurred during that calendar year, or the total stumpage of that year's allowable cut, whichever may prove to be the lesser. For the purposes of this Clause, the stumpage shall be the stumpage appraised by the Forest Service.

30. In the event that mutual agreement cannot be reached between the parties hereto as to the allowable annual cut of the Tree Farm Licence or as to the sequence or methods of cutting to be employed at the time an emergency, or any other revision of the cutting plan or cutting budget is undertaken, the Minister shall determine the allowable annual cut and the plan and methods of cutting.

31. The Licensee, in its logging operations on the Tree Farm Licence area, shall at all times maintain at least as high a standard of utilization as, in the Chief Forester's reasonable opinion, is being maintained by well-conducted logging operations in the Prince Rupert Forest District.

32. Cutting on the Tree Farm Licence area shall be done only in accordance with the Management Working Plan, and only after notice of intent has been given to the Chief Forester and a Cutting Permit has been issued. Such Cutting Permit shall be issued by the Chief Forester if the proposed cutting is in keeping with the provisions of this Tree Farm Licence and the Management Working Plan. If the proposed cutting is to be on other tenures, the Cutting Permit will constitute the Minister's concurrence that the cutting is according to plan and specify such other details as he may deem necessary, such details, however, always to be in keeping with the provisions of the Management Working Plan and this Agreement. If cutting is on Crown lands not held under other tenures, the Cutting Permit will, in addition, fix the stumpage rate in accordance with Subsection (20), Section 36 of the Forest Act.

Any cutting not covered by a Cutting Permit will be deemed to be in tree and the Licensee may be assessed a sum by the Minister in respect thereof in an amount not in excess of the value of the logs or other products so cut or wasted or destroyed.

33. Timber Marks shall be secured by the Licensee and marking carried out as required by Part IX of the Forest Act.

34. All timber harvested on the Tree Farm Licence area shall be scaled in cubic feet and otherwise in all respects in accordance with the provisions of Part VIII of the Forest Act.

35. Timber and wood cut from lands included in this Tree Farm Licence, regardless of the tenure of the lands, shall be subject in all respects to the provisions of Part X of the Forest Act, insofar as they relate to lands granted after the 12th day of March 1906.

36. The Licensee herewith deposits, pursuant to Subsection (6) of Section 36 of the Forest Act, the sum of Fifty Four Thousand Dollars (\$54,000) receipt of which is acknowledged. The said deposit shall be held for the purpose of ensuing compliance on the part of the Licensee with the terms of the Forest Act, the regulations made thereunder, this Tree Farm Licence, the Management Working Plan, and any permit issued pursuant to this Tree Farm Licence.

37. The Licensee agrees to pay stumpage on all wood cut, wasted, or removed by the Licensee, its agents or servants on or from that part of the Tree Farm Licence area described in Schedule "B" hereto, as provided in the Forest Act and the Cutting Permit.

38. Starting on the first day of January, 1970 the wood harvested from the Tree Farm Licence area in any one year shall not be less than fifty per cent and not more than one hundred and fifty per cent of the approved annual cut, and the total cut over five consecutive years shall not vary more than ten per cent from the total approved cut for the five year period. Prior to January 1, 1970, the Licensee shall harvest wood from the Tree Farm Licence area in accordance with the approved Management Working Plan.

39. Damages, recoverable in full or in part from the deposit made by the Licensee under Clause 36 hereof, may be assessed by the Minister for failure to observe the provisions of Clause 38 of this Tree Farm Licence Agreement, as follows:

(a) The full stumpage appraised by the Forest Service on the quantity of timber by which the year's cut falls below fifty per cent of the approved annual cut.

(b) Double the stumpage as appraised by the Forest Service on the quantity of timber by which the year's cut is in excess of one hundred and fifty per cent of the approved annual cut, whether cut from Crown lands or from other tenures, and any stumpage paid on such excess under Clause 37 above will be credited against such assessment.

(c) Should the total cut over five consecutive years vary more than ten per cent over the total of the five years' approved cut, a sum per one hundred cubic feet of double the stumpage as established for the fifth year of the period, will be assessed by the Minister on the amount cut over the ten per cent allowance, whether cut from Crown land or from other tenures. Should the total cut over five consecutive years vary more than ten per cent under the total of the five years' approved cut, a sum per one hundred cubic feet equal to the stumpage as established for the fifth year of the period, will be assessed by the Minister on the amount cut under the ten per cent allowance whether cut from Crown land or from other tenures.

(d) Should the total cut over ten consecutive years, including the five-year period referred to in (c) above, vary less than ten per cent from the total of the ten-year cutting budget as approved in the Working Plan, the damage assessed under Paragraph (c) above, if any, will be refunded.

(e) For the purposes of Clause 39, stumpage shall be appraised on the same basis and in the same manner as provided in Clause 32 hereof.

(f) Any damages provided for in any Cutting Permit mentioned in Clause 32 may be deducted from the deposit mentioned in Clause 36, and thereupon the Licensee shall forthwith deposit with the Minister sufficient moneys to make the said deposit equal to the amount of deposit required under Clause 36.

(g) In the event that the Tree Farm Licence is cancelled by reason of any default or breach of the Tree Farm Licence by the Licensee, then all moneys on deposit with the Licensor under the terms of this Agreement shall be payable to the Crown for damages.

40. For the purpose of carrying out the provisions of Clauses 38 and 39 hereof, the Licensee may elect to start a new five-year period from any year in which the periodic cut for the preceding five-year period is within ten per cent of the accumulated approved annual cuts.
41. The aggregate acreage of the Crown lands not held under other tenure in the Tree Farm Licence area for the purposes of rental under Subsection (19) of Section 36 of the Forest Act, as of this date, shall be the acreage as set forth in the Working Plan.
42. For the purposes of Section 126, Subsection (2) of the Forest Act, Chapter 153 of the Revised Statutes of British Columbia for 1960 and subsequent amendments, the allowable annual cut of the Tree Farm Licence shall be such as may be determined in the current approved Working Plan, and forest protection tax shall be payable as provided by the said Section 126.
43. All camps or other living quarters established incident to the management of the Tree Farm Licence area shall be of a standard at least as high as those that, in the Minister's reasonable opinion, are being maintained by comparable well conducted forest operations in the Prince Rupert Forest District.
44. All roads, on lands within the boundaries of this Tree Farm Licence, including the lands listed in Schedule "A", shall be held available for public use in accordance with the terms of the Forest Act relating thereto.
45. The Licensee shall provide, to the satisfaction of the Chief Forester reasonable office and living accommodation for a reasonable Forest Service inspection staff on the Tree Farm Licence area or at any headquarters, plant, or operation maintained by the Licensee, if instructed by the Chief Forester in writing so to do.
46. The Licensee shall employ one Forester, registered under the terms of Chapter 37 R.S.B.C., 1960, and amendments thereto, and as many additional Registered Foresters as may be deemed necessary by the Chief Forester. The Working Plan and all revisions and amendments thereto shall be signed and sealed by the Registered Forester and by one other officer authorized to sign contracts for the Licensee.

47. If the Company shall make any assignment for the benefit of creditors or becoming bankrupt or insolvent shall take the benefit of any Act that may be in force for bankrupt or insolvent debtors, the Minister may cancel this Agreement and any or all monies on deposit may be declared by the Minister to be payable to the Crown for damages. Provided, however, that this clause shall not become effective until the Minister has given written notice to any and all Trustees for the holders of bonds, debentures or other securities of the Licensee of which he has notice of his intention to cancel this Agreement and has given such Trustee or Trustees reasonable time to exercise for the holders of bonds, debentures or other securities of the Licensee, or such holders themselves reasonable time to exercise, any rights or remedies contained in any Deed of Trust and Mortgage or other Agreement under which such bonds, debentures or other securities are issued or secured, including without restricting the generality of the foregoing, the taking of possession by any such Trustee of the Licensee's properties and assets and the operation or disposition thereof for the benefit of the holders of the Licensee's bonds, debentures or other securities.

48. This Agreement may be amended by the parties hereto by a memorandum in writing signed by the parties hereto.

49. Without the written consent of the Minister first having been obtained, this Tree Farm Licence shall not be sold or transferred by the Licensee within ten years immediately subsequent to the issuance of this Tree Farm Licence and the control of the Tree Farm Licence shall not be transferred in any manner whatsoever to any person or persons, firm or firms, corporation or corporations. Provided that nothing hereinbefore contained in this Clause 49 or in Clause 16 shall apply to any sale, assignment or transfer made to

- (a) a trustee for the holders of bonds, debentures and other securities of the Licensee or a mortgagee of the Licensee; and
- (b) a person, firm or corporation upon the sale or other disposition by or on behalf of such trustee or mortgagee aforesaid or other person realizing upon or enforcing any security for the benefit of the holders of such bonds, debentures or other securities of the Licensee or any mortgagee of the Licensee; and

the Minister insofar as is necessary to give effect to (a) and (b) above hereby consents pursuant to Section 36 (22) of the Forest Act to any such sale, assignment or transfer.

50. Any notice required to be given to the Licensee by the Minister or Chief Forester under this Agreement, may be given by written notice sent by registered mail or delivered to the registered office of the Licensee in British Columbia, and shall be deemed to be so given on the day it would be received by the Licensee in the ordinary course of post, or on the day it was so delivered.

51. (a) This Tree Farm Licence may be terminated at any time by mutual consent of the parties hereto.

(b) The Licensee may terminate this Tree Farm Licence on two years' notice in writing given to the Minister subject as hereinafter provided.

(c) In the event that the Licensee serves notice of termination of this Tree Farm Licence as provided in Subclause (b) above or if the Minister terminates this Tree Farm Licence such termination shall be subject to the following conditions:

- (i) All moneys held as security deposit of whatsoever nature or kind or any part thereof may be declared by the Minister payable to the Crown for damages or otherwise and the Minister shall not be obliged to account in respect thereof.
- (ii) All tenures which have reverted to the Crown pursuant to this Contract shall not revert in the Licensee.
- (iii) All improvements made on Crown lands included in Schedule "B" shall become and be the property of the Crown and the Licensee shall have no claim or in any way be entitled to compensation therefor: Provided the Licensee may remove its own improvements which are capable of removal in such a manner as not to damage other improvements; provided also such removal shall not in any way affect the lien of the Crown on such fixtures as provided in the Forest Act.
- (iv) All Cutting Permits issued pursuant to this Agreement shall terminate on the termination of the Agreement.

(v) The Licensee shall forthwith pay all moneys owing on outstanding accounts for stumpage, royalty, taxes, and annual rental.

(vi) All rights granted pursuant to any statute or regulation or under this Agreement as ancillary thereto and all appurtenances shall be cancelled effective on the termination of this Tree Farm Licence.

52. In the event that this Tree Farm Licence is cancelled or terminated, existing other tenures owned or controlled by the Licensee included within the Tree Farm Licence area shall in no way be encumbered by any commitments, agreements, understanding or in any other manner arising out of the execution of this Tree Farm Licence.

53. This Tree Farm Licence is issued on the understanding that the Licensee will build and have in operation or will cause to be built and put in operation on Kitimat Arm on or before October 1, 1970, a Kraft pulp mill having a rated daily capacity of at least 580 tons.

54. The Licensee herewith delivers to the Minister a performance bond in the penal sum of Six Hundred Thousand Dollars (\$600,000.00) of lawful money of Canada as guarantee of performance in respect of Clause 53 above, provided that such performance bond shall be released and returned to the Licensee by the Minister when the Licensee has made firm commitments, to the Minister's satisfaction, in the amount of Twenty Million Dollars (\$20,000,000.00) towards the construction of the new Kraft pulp mill and has delivered to the Minister a performance bond in the penal sum of Three Hundred Thousand Dollars (\$300,000.00) of lawful money of Canada.

The said performance bond in the amount of Three Hundred Thousand Dollars (\$300,000.00) shall be released and returned to the Licensee when the new Kraft pulp mill is completed as prescribed in Clause 53.

55. The Licensee agrees to submit to the Minister whenever so requested by him and at regular six-month intervals from the date of this Agreement, and until commencement of production, a progress report of construction of the pulp mill, any contracts that have been made or let and any commitments for the equipment to be installed in the pulp mill.

56. (a) In the event of Licensee failing to have the pulp mill operation within the time specified the Minister may require the Licensee to remedy the matter complained of within three months from date of written notice to the Licensee and on failure to do so the Minister may declare the rights of the Licensee under this Agreement, forfeited, and thereupon the performance bond delivered pursuant to Clause 54 shall be forfeited and become the absolute property of the Crown and this Agreement shall be void, terminated and of no further force or effect.

(b) In the event the Licensee is delayed by reason of circumstances beyond its reasonable control, the Minister shall give such reasonable extension of time for the commencement of the operations of the pulp mill at least equal to the period of delay.

(c) The Minister, in his discretion, may waive any default or extend the time for the completion or commencement of any act.

(d) Any commencement or extensions of time given by the Minister pursuant to Subclauses (b) and (c) above shall not apply to enable the term of this Tree Farm Licence, as set forth in Clause 4 to be extended.

57. The Licensee shall use such techniques as are available and practical in the construction and operation of the pulp mill to safeguard the public generally from any deleterious effects which may result from the processing of pulp.

58. This Agreement is subject to the provisions of the Forest Act and such amendments thereto as may be made from time to time and the regulations made from time to time pursuant thereto.

59. In this Agreement:

"Forest Act" and "Act" mean the Forest Act, R.S.B.C. 1960, Chapter 153, and amendments thereto in force from time to time during the currency of this Agreement, and the regulations made pursuant thereto.

"Approved", if not otherwise defined in the context, means approved by the Minister.

"Denuded" or "denuded lands" means any forest lands in the Tree Farm Licence area from or on which substantially all mature or immature timber has been cut, logged, or destroyed, and on which trees of young growth in sufficient numbers to produce a valuable crop according to the standards to the Forest Service have not yet been established.

"Forest Service" means the Forest Service of the Department of Lands, Forests, and Water Resources of British Columbia.

"Higher economic use" means that use which in the opinion of the Minister will contribute most to the good and welfare of the Province, including non-monetary uses.

"Minister" means the Minister of Lands, Forests, and Water Resources and his successors in office.

"Other tenure" means any title, licence, lease, or berth whereby the Licensee has the right to cut timber on land included in Schedule "A" hereto, or on land that subsequently may be acquired by the Licensee and added to the Licence pursuant to Clause 7 hereof.

"Management Working Plan" means the Management and Working Plan submitted by the Licensee with the application for this Tree Farm Licence and approved prior to the execution of these presents and subsequent revised management working plans to be submitted by the applicant in accordance with the terms of this Licence as herein appearing.

60. This Licence shall enure to the benefit of and shall be binding upon, not only the parties hereto, but also the successors in office of the Minister and the successors and assigns of the Licensee, respectively.

IN WITNESS WHEREOF the Minister has executed these presents and the Licensee has hereunto affixed its corporate seal by the hands of its proper officers in that behalf.

SIGNED SEALED AND DELIVERED
in the presence of:

F. J. Matpinnon
Witness

Ray Whilliston
Minister of Lands, Forests, and Water Resources

THE COMMON SEAL OF THE LICENSEE
was hereunto affixed in the
presence of:

[Signature]

President

SCHEDULE "A"

KITIMAT TREE FARM LICENCE

Tree Farm Licence No. 41

Forest lands and merchantable timber in other tenures owned
or controlled by the Licensee in the Kitimat Tree Farm Licence, No. 41.

Nil.

KITIMAT TREE FARM LICENCETREE FARM LICENCE NO. 41

DESCRIPTION: All Crown lands not otherwise alienated within the following area:-

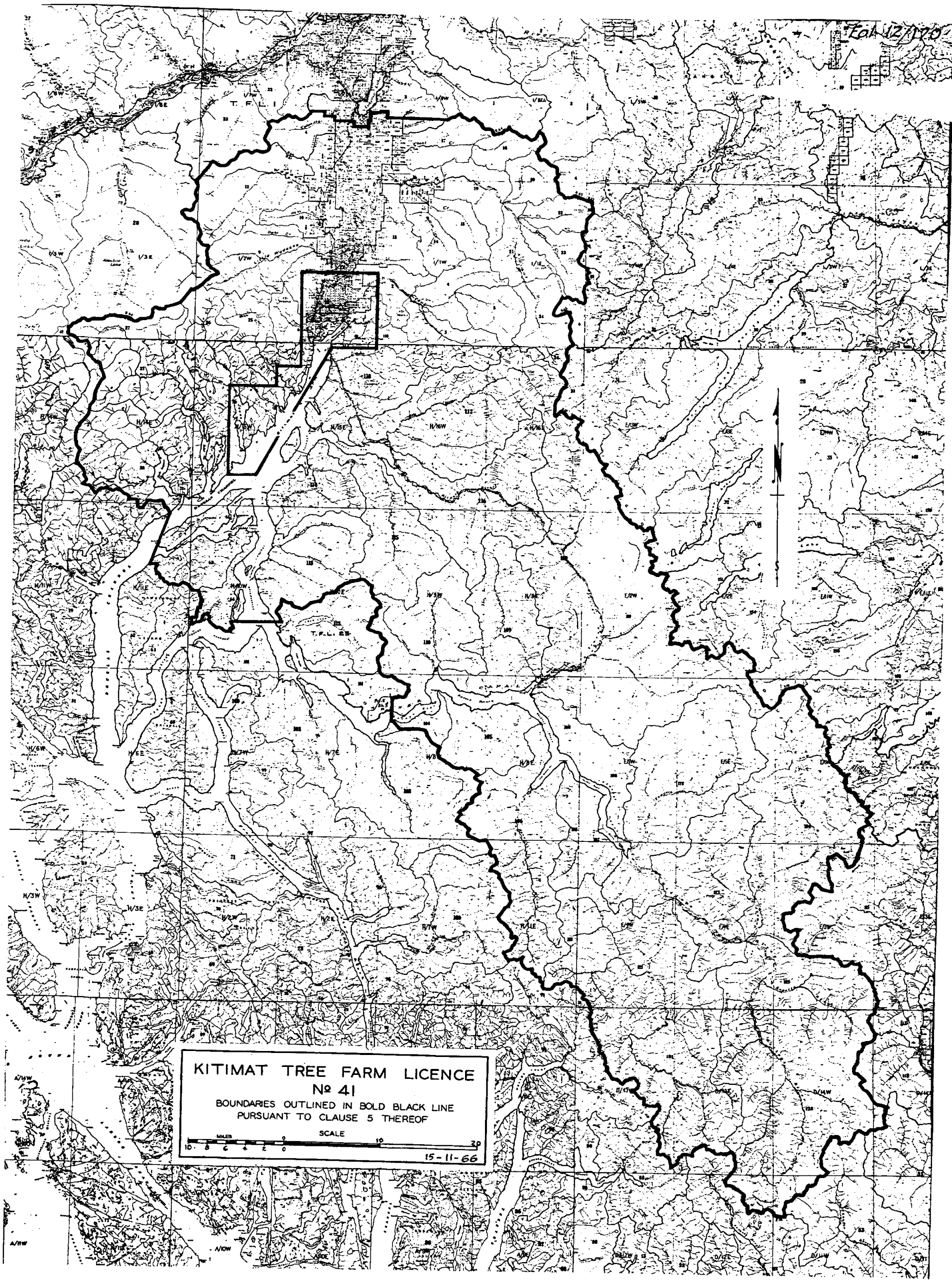
"Commencing at the northeast corner of Lot 2668, Range 5 Coast District, situated east of the southern end of Lakelse Lake; thence due east to the northerly boundary of the watershed of Chist Creek, being a point on the northerly boundary of the watershed of Kitimat River; thence in a general easterly and southerly direction along the northerly and easterly boundaries of the said watershed of Kitimat River and southerly along the easterly boundary of the watershed of Dala River to the north-easterly boundary of the watershed of Gardner Canal; thence in a general southeasterly, southwesterly, northwesterly, and northerly direction along the northeasterly, southeasterly, southwesterly, and westerly boundaries of the said watershed of Gardner Canal (including the watershed of Kemano, Tsaytis, Gamsby, Kapella, Kitlope, Tezwa, and Kowesas Rivers) to the southerly boundary of Kiltuish River watershed; thence northerly along the westerly boundary of the said watershed of Kowesas River to the southerly boundary of the watershed of Barrie Creek, being a point on the southerly boundary of the watershed of Barrie Reach, Gardner Canal; thence in a general westerly and northerly direction along the southerly and westerly boundaries of the said watershed of Barrie Reach to the southerly boundary of the watershed of Europa Reach, Gardner Canal; thence westerly along the said southerly boundary of the watershed of Europa Reach to a point South 45 degrees East from the northeast corner of Lot 44, Range 4, Coast District; thence North 45 degrees West to the northeast corner of said Lot 44; thence westerly along the northerly boundary of said Lot 44 to the most northerly northwest corner thereof, being a point on the southerly highwater mark of aforesaid Europa Reach; thence due north to a point on the northerly highwater mark of said Europa Reach; thence northerly in a straight line toward a point on the westerly boundary of the watershed of Owyacumish Creek North 45 degrees East from the most easterly northeast corner of Lot 43, Range 4, Coast District for 115 chains, more or less, (being the easterly boundary of Parcel "E" of Block 5 of T.F.L. No. 25) to the southerly boundary of the

watershed of an unnamed creek flowing westerly to said Lot 43; thence in a general easterly, northerly, and westerly direction along the southerly, easterly, and northerly boundaries of the said watershed of the unnamed creek to the westerly boundary of the said watershed of Owyacumish Creek; thence in a general westerly direction along the said westerly boundary of the watershed of Owyacumish Creek to the easterly boundary of the watershed of Crab River; thence in a general northerly and westerly direction along the easterly and northerly boundaries of the said watershed of Crab River to the westerly boundary of the watershed of an unnamed creek which flows southerly toward the central external angle of Lot 50, Range 4, Coast District; thence southerly along the said westerly boundary of the watershed of the unnamed creek to the most westerly northerly boundary of said Lot 50; thence westerly along the northerly boundary of said Lot 50 to the most westerly northwest corner thereof; thence due west to a point on the westerly highwater mark of Devastation Channel; thence in a general southerly direction along the westerly highwater mark of Devastation Channel to the northerly highwater mark of Verney Passage; thence in a general westerly direction along the said northerly highwater mark of Verney Passage to the southwest corner of T.L. 5602P; thence northerly and easterly along the westerly and northerly boundaries of said T.L. 5602P to the westerly boundary of the watershed of an unnamed creek which flows southerly through said T.L. 5602P; thence northerly along the westerly boundaries of the watersheds of the said unnamed creek and Evelyn Creek to the southerly boundary of the watershed of a large unnamed creek flowing northerly into Sue Channel; thence westerly along the southerly boundaries of the watersheds of the unnamed creeks flowing northerly into Sue Channel to the westerly boundary of the watershed of the unnamed creek flowing through T.L. 42325; thence northerly along the said westerly boundary of the watershed of the unnamed creek to the southerly boundary of said T.L. 42325; thence westerly along the southerly boundary of T.L. 42325 to the southwest corner thereof; thence North 19 degrees East to a point on the northwesterly highwater mark of Douglas Channel (being a point 50 chains more or less northeasterly of the mouth of Stair Creek); thence North 28 degrees West to the northeasterly

boundary of the watershed of Stair Creek; thence in a general northwesterly direction along the said northerly boundary of the watershed of Stair Creek to the southerly boundary of the watershed of Foch Lagoon; thence in a general westerly and northerly direction along the southerly and westerly boundaries of the said watershed of Foch Lagoon to the westerly boundary of the watershed of Gilttoyees Creek; thence in a general northerly and easterly direction along the westerly and northerly boundaries of the said watershed of Gilttoyees Creek to the northwesterly boundary of the watershed of Jesse Creek; thence northeasterly along the said northwesterly boundary of the watershed of Jesse Creek to the westerly boundary of the watershed of Little Wedeene River; thence in a general northerly and easterly direction along the westerly and northerly boundaries of the watersheds of Little Wedeene River, Wedeene River and Coldwater Creek to a point due west of the northwest corner of S.T.L. 3100P; thence east to the northwest corner of said S.T.L. 3100P; thence southerly along the westerly boundary of said S.T.L. 3100P to the northwest corner of S.T.L. 3101P; thence easterly and southerly along the northerly and easterly boundaries of said S.T.L. 3101P to the northwest corner of Lot 2675, Range 5, Coast District; thence easterly along the northerly boundaries of Lots 2675 and 2674 to the northeast corner of said Lot 2674; thence southerly along the easterly boundary of said Lot 2674 to the northwest corner of Lot 2673; thence easterly along the northerly boundaries of Lots 2673 and 2672 to the westerly boundary of Lot 2666; thence northerly and easterly along the westerly and northerly boundaries of Lots 2666 and 2665 to the westerly boundary of Lot 684; thence southerly, easterly, and northerly along the westerly, southerly, and easterly boundaries of said Lot 684 to the northerly boundary of Lot 2664; thence easterly and southerly along the northerly and easterly boundaries of said Lot 2664 to the northwest corner of Lot 2667; thence easterly along the northerly boundaries of Lots 2667 and 2668 to the aforesaid northeast corner of said Lot 2668, being the point of commencement. Save and excepting thereout the District of Kitimat as defined in Letters Patent dated the 14th day of December 1965 and described as follows: Commencing at the north-west corner of Lot 1022, Range 4, Coast District (Indian Reserve No. 11), being a point on the high-water mark of Kitimat Arm on the easterly shore thereof;

thence easterly along the northerly boundary of said Lot 1022 to the northeast corner thereof; thence due east to a point due south of a point due east $2\frac{1}{2}$ miles from the northeast corner of Lot 6199, Range 5, Coast District; thence north to said point; thence due west to the northeast corner of said Lot 6199; thence westerly along the northerly boundary of said Lot 6199 to the north-west corner thereof; thence westerly in a straight line to the north-east corner of Lot 6087; thence westerly along the northerly boundaries of Lot 6087, 6088, 6089, 6090, 6091, 6092, 6093, and 6094, Range 5, Coast District, to the north-west corner of said Lot 6094; thence due west $1\frac{1}{2}$ miles; thence due south to a point due west of the south-west corner of Lot 309, Range 4, Coast District; thence due west to a point 3 miles due west of the said south-west corner of Lot 309; thence due south a distance of 2 miles; thence due west a distance of 5 miles; thence due south a distance of 9.3 miles, more or less, to the aforesaid highwater mark of Kitimat Arm on the westerly shore thereof; thence due east a distance of 2.9 miles; thence north-easterly in a straight line to a point on the middle line of said Kitimat Arm which lies due east of the aforesaid south-east corner of Lot 309; thence north-easterly in a straight line to the aforesaid north-west corner of Lot 1022, being the point of commencement, and containing by ad-measurement, 61,460 acres of land, more or less, and 18,080 acres of land covered by water, more or less."

Feb 12/1970



KITIMAT TREE FARM LICENCE
No 41
BOUNDARIES OUTLINED IN BOLD BLACK LINE
PURSUANT TO CLAUSE 5 THEREOF
SCALE
15-11-66