In accordance with the Manitoba Environment Act (C.C.S.M. c. E125)

THIS LICENCE IS ISSUED TO:

PINE FALLS PAPER COMPANY LIMITED:
"the Licencee"

STAGE 1 LICENCE

for the Development which is the carrying out of forest management activities within the geographical boundaries of Forest Management Unit 13, as detailed in the 1995/96 Quota Holder Annual Harvest Plan, Mountain Forest Section, Forest Management Units 11 and 13, prepared by Repap Manitoba and approved by Manitoba Natural Resources, subject to the specifications, limits, terms and conditions of this Licence.

DEFINITIONS

In this Licence:

"all-weather road" means a graded and/or graveled road that may be passable by vehicles under both wet and dry weather conditions;

"buffer" means vegetation of sufficient height and density to act as a visual barrier between a harvested area and a road, or a band or area left around sensitive sites such as water bodies, wildlife habitat, etc.;

"chance road" means a temporary ungraveled road with minimal grade development, that may be passable by vehicles only when dry or frozen;

"cutover" means an area from which timber has been harvested;

"cutting block" means a forested area with defined boundaries in which specific forest stands or parts thereof are approved for harvest;
"Director" means an employee so designated pursuant to The Act;

"habitat" means the place where an organism lives and/or the conditions thereof, including soil, vegetation, water and food;

"harvesting" means the cutting and removal of trees from a forested area;

"ice bridge" means a temporary crossing constructed from ice, snow, and/or log material that may be passable by vehicles under frozen conditions;

"I.R.M.T." means the regional Integrated Resource Management Team of Manitoba Natural Resources located in the Northwest Region (The Pas), the Northeast Region (Thompson), the Western Region (Dauphin), and the Central Region (Gimli), and composed of members of the following branches of the Department: Forestry, Wildlife, Regional Operations, Lands, Fisheries, Water Resources, and Parks and Natural Areas, and which is organized to review regional natural resources issues;

"reforestation" means the establishment of trees on previously forested lands by natural seed germination or artificial restocking (i.e. planting and/or seeding), also referred to as forest regeneration;

"rehabilitate" means physical treatment of a disturbed site to reclaim its productive potential. This may include, but is not limited to: leveling the surface, establishing appropriate slopes to prevent erosion, loosening compacted surface soils to enable vegetation to root successfully, and revegetation to promote the development of the former species composition;

"scarification" means a method of seed bed preparation which consists of exposing patches of mineral soil through mechanical action;

"silviculture" means the science and methods used to tend, harvest and replace forests;

"site preparation" means the physical or chemical methods used to prepare a site for planting or to promote natural reforestation;

"slash" means the residue left on the ground after harvesting, including unused logs, uprooted stumps, branches, tops, etc.;

"stand" means a community of trees sufficiently uniform in species, age, arrangement or condition to be distinguishable as a group from the forest or other growth on the area;

"succession" means the replacement of one plant community by another in progressive development toward climax vegetation;
"The Act" means The Environment Act and Regulations thereunder, as amended from
time to time;

"winter road" means a road which is capable of being used only in winter.

SPECIFICATIONS, LIMITS, TERMS AND CONDITIONS

1. The Licencee shall ensure the volume of softwood harvested does not exceed
   29,356.40 m³, and the volume of hardwood harvested does not exceed 303.16 m³,
as identified in the 1995/96 Quota Holder Annual Harvest Plan.

2. The Licencee shall ensure that all harvest and associated activities occur within the
   geographical boundaries of Forest Management Unit 13, as specifically identified
   in the 1995/96 Quota Holder Annual Harvest Plan and associated maps.

3. The Licencee shall carry out harvest and associated activities in accordance with
   practices set out in "Forest Management Guidelines for Wildlife in Manitoba",
   "Recommended Buffer Zones for Protecting Fish Resources in Lakes and Streams
   in Forest Cutting Areas", and "Recommended Fish Protection Procedures for
   Stream Crossings in Manitoba", and any other provincial guidelines which may be
   adopted for forest management activities.

4. The Licencee shall, as directed by the I.R.M.T., design and/or modify cutting block
   layouts and road plans in order to mitigate land use and access impacts that may be
   identified through government and public review of proposed activities. Resources
   and land uses which may be impacted, include but are not limited to:

   (i) wildlife and fish resources;
   (ii) sensitive, threatened or unique wildlife habitat;
   (iii) rare, threatened or endangered flora and fauna;
   (iv) provincial parks (closed and restricted zones) and ecological reserves;
   (v) heritage resources;
   (vi) traplines;
   (vii) local communities;
   (viii) remote lodge and outfitter operations;
   (ix) recreation; and
   (x) First Nations treaty lands.

5. The Licencee shall, as directed by the I.R.M.T., minimize soil disturbance to
   sensitive areas such as dry upland ridges and wet soils, by scheduling harvesting
to avoid times when the sites are sensitive to surface disturbance, and by using
harvest methods which will reduce surface disturbance impacts.
6. The Licencsee shall:

(i) comply with the minimum buffer widths set out in "Recommended Buffer Zones for Protecting Fish Resources in Lakes and Streams in Forest Cutting Areas", "Forest Management Guidelines for Wildlife in Manitoba" and any other buffer requirements specified by the I.R.M.T.; and

(ii) design and/or modify buffers to ensure post-harvest runoff does not negatively affect sediment loads in local waterbodies, as directed by the I.R.M.T..

7. The Licencsee shall not conduct forest management activities in any established buffer, except where the I.R.M.T. conducts site specific inspections and grants approval subject to conditions which will protect environmental and aesthetic qualities.

8. The Licencsee shall:

(i) ensure a minimum 50 meter buffer is maintained between harvest areas and Provincial Trunk Highways or municipal roads, unless directed otherwise by the I.R.M.T.; and

(ii) ensure a minimum 30 meter buffer is maintained between borrow pits and Provincial Trunk Highways or municipal roads, unless directed otherwise by the I.R.M.T..

9. The Licencsee shall ensure all materials used in the construction of ice bridges (other than ice or snow), are removed from the site prior to spring break-up.

10. The Licencsee shall dispose of slash and harvesting debris as directed by the I.R.M.T..

11. The Licencsee shall:

(i) report rare, threatened or endangered species or ecosystems, as prescribed by the I.R.M.T., that are identified during the course of normal pre-harvest and pre-road construction activities; and

(ii) apply measures to protect rare, threatened or endangered species or ecosystems, as directed by the I.R.M.T.
12. The Licencsee shall:

(i) evaluate the potential for the occurrence of heritage resources on areas where forest management activities will occur, and the potential for forest management activities to impact heritage resources, as directed by the I.R.M.T., in consultation with the Historic Resources Branch of Manitoba Culture, Heritage and Citizenship; and

(ii) apply measures to protect heritage resources, as directed by the I.R.M.T., in consultation with the Historic Resources Branch of Manitoba Culture, Heritage and Citizenship.

13. The Licencsee shall ensure all-weather or chance roads are constructed:

(i) to prevent impacts on surface or subsurface drainage; and

(ii) only to the extent required, as determined by the I.R.M.T..

14. The Licencsee shall ensure that road construction is done in a manner which will prevent erosion, as directed by the I.R.M.T.. This shall include, but is not limited to:

(i) reducing the slope on the side banks of borrow pits, ditches and road shoulders; and

(ii) minimizing gradients and/or using flow control measures in roadside ditches.

15. The Licencsee shall:

(i) close and/or rehabilitate all-weather roads, as directed by the I.R.M.T.;

(ii) close and/or rehabilitate all chance and winter roads following the completion of harvest and silvicultural activities at each cutting block, as directed by the I.R.M.T.; and

(iii) reforest all chance and winter roads, as directed by the I.R.M.T..

16. The Licencsee shall:

(i) site, operate and rehabilitate borrow pits, camp sites, landing sites and garage sites, as directed by the I.R.M.T.;

(ii) ensure adequate containment protection is implemented for all sites when conducting vehicle or equipment maintenance activities, as directed by the I.R.M.T.;

(iii) adopt environmentally sensitive servicing techniques including the collection and recycling (or disposal by a means acceptable to Manitoba Environment), of waste oil and anti-freeze;
(iv) report and clean up spills in excess of 50 liters, as directed by Manitoba Environment's Emergency Response Team;
(v) dispose of domestic and industrial waste as directed by the I.R.M.T., in consultation with Manitoba Environment.

17. The Licencee shall comply with Manitoba Regulation 97/88 R, "Storage And Handling Of Gasoline And Associated Products Regulation" and Manitoba Regulation 172/85, "Regulation Respecting The Handling, Offering For Transport And Transporting Of Dangerous Goods".

18. The Licencee shall mitigate potential impacts on woodland caribou, eagle and grey wolves, as well as grebes, gyrfalcons, herons, and raptors, as directed by the I.R.M.T..

19. The Licencee shall comply with the requirements of the Manitoba Workplace Safety and Health Act and regulations pertaining thereto.

STAGE 1 LICENCE REVOCATION

If, in the opinion of the Director, the Licencee has exceeded or is exceeding the specifications, limits, terms or conditions set out herein, the Director may revoke, temporarily or permanently, this Licence.

STAGE 1 LICENCE TERM AND REVIEW

Unless earlier revoked for non-compliance, this Licence shall be in effect until August 31, 1995. However, should any changes to government policy occur that could affect the harvesting plans of the Licencee as detailed in the the 1995/96 Quota Holder Annual Harvest Plan, Mountain Forest Section, Forest Management Units 11 and 13, a Licence review will be conducted, with subsequent revisions or amendments to the specifications, limits, terms and conditions of this Licence.

[Signature]
Larry Strachan, P.Eng.
Director, Environment Act