



2009

Forest Management Annual Report

Forest Management Licence (FML) Area No. 2

**Prepared by the Woodlands Department
Manitoba Solid Wood & Woodlands Division
Tolko Industries Ltd.**

March 11, 2011

A handwritten signature in blue ink, appearing to read "P. Chapman", written over a horizontal line.

Divisional Forester _____

P. Chapman

A handwritten signature in blue ink, appearing to read "D. Hunt", written over a horizontal line.

Woodlands Manager _____

D. Hunt

TABLE OF CONTENTS

	Page No.
1.0 INTRODUCTION	1
2.0 MANUFACTURING FACILITY PRODUCTION	3
3.0 FIBRE SUPPLY	4
3.1 Deliveries	4
3.2 Harvesting	4
3.3 Stumpage	6
3.4 Timber Sale Administration	6
3.5 Deletions From Forest Management License Area	7
3.6 Annual Allowable Cut	7
4.0 2009 ANNUAL OPERATING PLAN	11
5.0 FOREST MANAGEMENT PLAN	14
6.0 FOREST RENEWAL	15
6.1 Site Preparation	15
6.2 Scarification	15
6.3 Tree Planting	16
6.4 Silviculture Surveys	16
6.5 Summary of Forest Renewal	17
6.6 WTS Tracking of Forest Renewal	17
7.0 PLANNING AND REPORTING	18
8.0 FOREST PROTECTION	19
8.1 Fire Protection	19
8.2 Forest Insect and Disease Protection	20
9.0 FOREST INVENTORY	21
9.1 Pre-Harvest Forest Investigations	21
9.2 Flexible Utilization	21
9.3 Roadside Delimiting	21
10.0 INTEGRATED RESOURCE MANAGEMENT	24
11.0 PUBLIC COMMUNICATION	25
12.0 WOODLANDS ORGANIZATION STRUCTURE	27

13.0	MANITOBA ENVIRONMENT ACT LICENCE	29
14.0	ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)	31
15.0	SUSTAINABLE FOREST MANAGEMENT	32
	APPENDICES	35
	APPENDIX I - GLOSSARY OF TERMS	36
	APPENDIX II - FOREST SECTION SUMMARIES FOR FML AREA NO. 2	46
	MOUNTAIN FOREST SECTION	47
	Blocks Harvested	48
	Forest Renewal	48
	INTERLAKE FOREST SECTION	49
	Blocks Harvested	50
	Forest Renewal	50
	SASKATCHEWAN RIVER FOREST SECTION	51
	Blocks Harvested	52
	Forest Renewal	52
	HIGHROCK FOREST SECTION	54
	Blocks Harvested	55
	Forest Renewal	55
	NELSON RIVER FOREST SECTION	57
	Blocks Harvested	58
	Forest Renewal	58

LIST OF TABLES

	Page No.
Table 1. Company Manufacturing Facilities Production and Consumption for 2009	3
Table 2. Harvest and Delivery Volumes by Forest Management Unit for 2009	5
Table 3. Stumpage Rates	7
Table 4. FML Area No. 2 Softwood Annual Allowable Cut Status to 2009/10 for Cut Control Period 2005 to 2010	9
Table 5. Block Amendments to 2008/2009- 2009/2010 Annual Operating Plan	11
Table 6. Access Development for FML Area No. 2 for 2009	12
Table 7. Roads Achieving Decommissioned Status in 2009	13

LIST OF FIGURES

	Page No.
Figure 1. FML Area No. 2	2
Figure 2. Amalgamated Forest Management Units	10
Figure 3. Species Breakdown for the 2009 Planting Program	16
Figure 4. Woodlands Organizational Structure	28

2009 Forest Management Annual Report

1.0 INTRODUCTION

The 2009 Forest Management Annual Report is submitted in compliance with Section 6 of the Forest Management Licence (FML) Agreement, dated May 4, 1989, between Tolko Industries Ltd. (hereinafter referred to as the Company) and the Province of Manitoba.

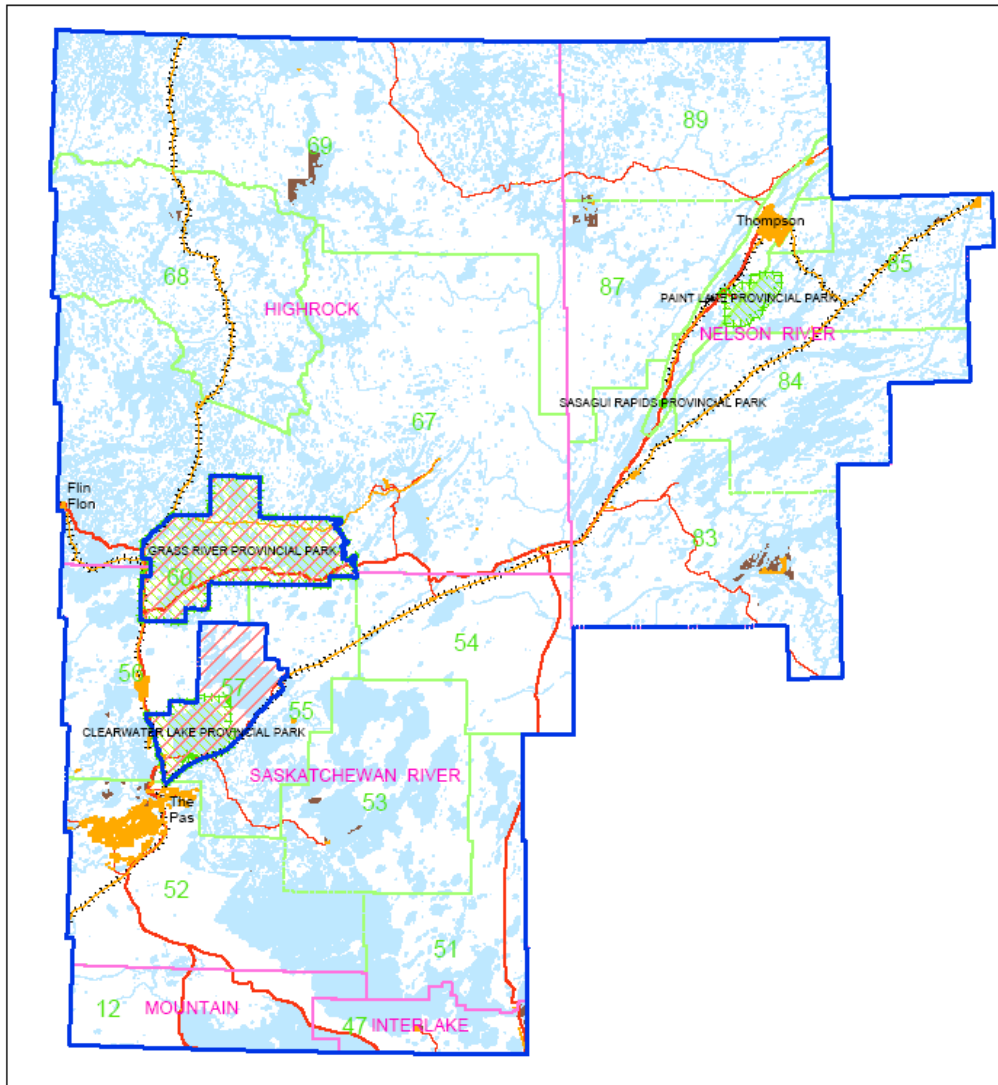
This Annual Report will summarize the forest management activities undertaken by the Company on Forest Management Licence Area No. 2 (FML Area), illustrated in Figure 1, during the calendar year 2009. The Annual Allowable Cut is summarized on the operating period of June 1, 2009 to May 31, 2010.

Where applicable, levels of forest management activities undertaken in 2009 are related to those that were projected in the Company's 2008/2009 Annual Harvest and Renewal Plans. The 2008/2009 plan was submitted to the Manitoba Government on March 16, 2008. During the approval process for the 2008/2009 Annual Harvest and Renewal Plan, Manitoba initiated an additional round of consultations with First Nations on proposed Forest Management activities. These additional consultations between Manitoba and the First Nations were not completed in time for approval of the plan by June 1, 2008. Consequently Manitoba Conservation (MC) extended the 2007/2008 Annual Harvest and Renewal Plan to the end of 2008 to allow the Company to operate while Manitoba completed their consultations. The 2008/2009 AOP was approved December 2008 so operations outlined in the plan were implemented January 1, 2009 to December 31, 2009. Operations for January 1, 2010 to May 31, 2010 were incorporated into the 2010/2011 Annual Harvest and Renewal Plan.

Overall summaries under general headings constitute the main body of this annual report. A series of appendices provide detailed descriptions of forest management activities undertaken in each forest section in 2009.

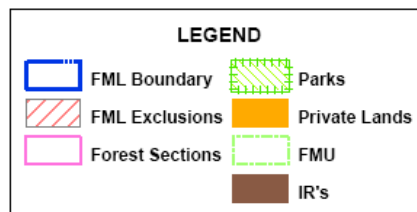
This Annual Report also contains a section outlining the Company's actions undertaken in 2009 to comply with the Environment Act Licence 2302E issued December 30, 1997 and amended October 8, 1998.

Figure 1. FML Area No. 2



TOLKO INDUSTRIES LTD. SUSTAINABLE FOREST MANAGEMENT PLAN FML AREA No.2

**DEFINED FOREST AREA
as of
NOVEMBER 27, 2008**



2.0 MANUFACTURING FACILITY PRODUCTION

The Company operates an unbleached kraft paper mill and a random length/stud sawmill at the manufacturing facilities site in The Pas. During 2009, the paper mill produced 162,920 metric tonnes of unbleached kraft paper. The sawmill net production for the year was 1,175,000 board feet of planed, kiln-dried, random-length lumber and studs. Fibre required to manufacture this production is outlined in Table 1. Total consumption by the Company's manufacturing facilities in 2009 was 960,149 cubic metres (m³).

Table 1. Company Manufacturing Facilities Production and Consumption for 2009

	<u>Softwood Fibre Volume (m³)</u>	
Sawmill Consumption	696,137	
Lumber Production		6,194
Residual Chip Production	3,955	
Whole Log Chip Production	607,420	
Hog Production	82,926	
DEAL Processor Consumption	329,559	
Whole Log Chip Production	281,362	
Hog Production	48,197	
Pulp and Paper Mill Consumption –		
Wood Chips		729,245
*Hog Fuel (150,203 green tonnes) x 1.6 to convert to m ³		224,710
Total Mill Consumption		960,149

*There is no standard formula to convert green tonnes to cubic metres. The above conversion of hog fuel from green tonnes to cubic metres is an estimate only.

The paper mill operated 343.4 days with an average production of 474 tonnes of paper per day.

Due to market conditions the sawmill curtailed lumber production in January 2009, operating for 10 days that month. The planer continued operations until February 20 to clear existing inventory. The sawmill decks operated for part of the year as a whole-log chipping facility to provide chips and hog fuel for the paper mill. The decks operated on a three shift basis for April to June, after which they operated on a two shift basis until October 22. 3,955 m³ of residual and 607,420 m³ whole log chips were manufactured as a co-product used at the paper mill for kraft paper production. The remaining 82,926 m³ of sawmill residue was used as hog fuel at the paper mill for energy production.

The DEAL processor on site produced 281,362 m³ whole log chips used at the paper mill for Kraft paper production. The remaining 48,197 m³ of processor residue was used as hog fuel at the paper mill for energy production.

3.0 FIBRE SUPPLY

3.1 Deliveries

The actual volume of softwood fibre delivered to the millsite for manufacturing in 2009 (Table 2) was 769,417 m³. This softwood fibre, for manufacturing, was delivered to the mill complex in two forms:

- i. Roundwood - softwood logs between 2.6-metre and 5.08-metre-lengths, and
- ii. Wood chips - quality softwood chips with less than 2% bark content.

Of the total 769,417 m³ of softwood fibre volume delivered, 540,543 m³ were delivered as roundwood and 228,874 m³ delivered as chips.

Roundwood, which constituted 62% of the fibre delivered, was supplied from three general sources:

- i. Contract logging operations.
- ii. Manitoba third party operator purchase suppliers.
- iii. Saskatchewan purchase suppliers.

Roundwood from contractor logging operations was delivered to the mill site, or to roadside, with separate hauling contractors delivering the roadside fibre to the millsite. All roundwood purchased from Manitoba third party operators and Saskatchewan suppliers was based upon delivery to the mill site.

The remaining 38% of the fibre was delivered as chips from two general sources:

- i Three mobile in-bush, full-tree chippers.
- ii Two Manitoba sawmills.

The mobile chippers operating on the licence area produced 64,365 m³ of in-bush chips from the Saskatchewan River and High Rock Forest Sections, 19,791 from Quota from Saskatchewan River Forest Section and 12,296 m³ of in-bush chips from private land on the licence area. The remaining chips were delivered to the millsite as purchase sawmill residual chips (526 m³ from Manitoba and 0 m³ from the Province of Saskatchewan) and as purchase field chips (106,458 m³ from Spruce Products Ltd.).

In addition to roundwood and wood chip fibre delivered to the millsite for manufacturing, additional wood material, not suitable for pulping, such as shavings, bark and trim ends, is utilized as hog fuel. This hog fuel is burned in a power boiler to supplement the use of fossil fuel in the generation of steam at the power plant.

3.2 Harvesting

Delivery volumes by FMU for 2009 are shown in Table 2. Delivery volumes include both Company and third party operations. For details for the cut control period see Table 4 in section 3.6 – Annual Allowable Cut.

Table 2. Delivery Volumes by Forest Management Unit for 2009

Forest Section	FMU	Softwood Volumes m ³	
		Company & Contractor Operations ¹	Third Party Operations ²
FML Area No. 2			
*Mountain	12	0	32,505
Sub-Total		0	32,505
Interlake	47	0	0
Sub-Total		0	0
Saskatchewan River	51	8,064	0
	52	1,228	0
	53	102,048	0
	54	9,000	0
	55	52,710	0
	56	24,597	3,795
Sub-Total		197,649	3,795
Highrock	60	0	14,175
	63	309	0
	65	0	0
	67	133,923	0
	68	0	0
	69	0	0
Sub-Total		134,232	14,175
Nelson River	83	55,085	0
	84	0	0
	85	31,724	0
	87	43,195	0
99 Inco Strip	83/85/87	12,997	0
Sub-Total		143,000	0
Total Inside FML Area No. 2		474,880	50,476
Outside FMLA Area No. 2			
Interlake	46	0	0
Saskatchewan River	57	0	25,592
Saskatchewan River Sturgeon Landing Road	56	0	239
High Rock (Snow Lake Hydro ROW)	61	0	0
Nelson River	87	0	0
MB Private Land		0	18,267
MB Spruce Products FMUs 46,11,12,13,14 & Mill Yard		0	106,458
MB Purchase Sawmill Residual Chips			
Kotyk Lumber		0	526
Province of Sask		0	92,978
SK Purchase Sawmill Residual Chips			
Carrier Forest Products		0	0
Total Outside FML Area No. 2		0	244,061
TOTAL ALL AREAS		474,880	294,537

1 Wood harvested for Company

2 Tolko mill gate deliveries

* Mountain – Report for FMU 12 Tolko Allocation North of the 53rd Parallel

In addition to the harvest from the FMLA, 92,978 m³ of roundwood was purchased from Saskatchewan vendors, 5,801 m³ of roundwood was delivered from Crown Land outside FML Area No. 2 and 5,971 m³ of roundwood was purchased from Manitoba private land operators. These operators also make use of a combination of conventional and mechanical harvesting systems.

The total area harvested from FML Area No. 2 during the 2009/2010 operating year is 2,929 hectares (ha). The actual harvest area from the 2008/2009 operating year, estimated to be 2,831 hectares (ha) in last years annual report was calculated to be 2,960 ha based on aerial photography.

3.3 Stumpage

As per the FML Agreement, the Company is required to pay the applicable Forest Section rates for softwood stumpage as listed in Table 3 for each cubic metre of softwood delivered to the mill complex in The Pas from FML Area No. 2, as well as for wood delivered from Manitoba locations outside FML Area No. 2. In 2009, the Company paid \$1,024,094 in stumpage dues to the Province of Manitoba. Of this total amount, \$828,705 was paid out for wood delivered from FML Area No. 2 and the balance of \$195,389 was paid for wood outside FML Area No. 2. In addition to stumpage the Company paid Manitoba \$185,134 in renewal charges for wood harvested outside FMLA #2 and \$103,000 fire protection charge for wood within and outside the FMLA.

3.4 Timber Sale Administration

With the implementation of Manitoba's new Timber Administration System on April 1, 2008, timber returns were eliminated for timber delivered to EDT (Electronic Data Transfer) mills by third party operators. Third party operators are now responsible for reporting and paying for all timber delivered to a destination other than an FML and/or an EDT Mill. The Company (Tolko) is an EDT mill. The Company no longer collects Crown Dues from third party operators for wood harvested from FML Area No. 2 other than for the timber delivered to the mill which is reported electronically and dues paid as invoiced by MC.

The stumpage rate per cubic metre for third party operators varies between Forest Sections and species. These rates were not adjusted in this reporting period.

Table 3 is the list of rates for the reporting period for the various forest sections.

3.5 Deletions From Forest Management License Area

In November 2008 the Company was notified that the Province of Manitoba was withdrawing Grass River Provincial Park from FML Area No 2. Logging within the Grass River Provincial Park was to end effective May 31, 2009.

Table 3. Stumpage Rates

<u>Forest Section</u>		<u>Rates (\$/m³)</u>				
		<u>Aspen & Poplar</u>	<u>Birch</u>	<u>Softwood</u>	<u>Tree Length Chipperwood</u>	<u>16-Foot Chipperwood</u>
Mountain	Stumpage	\$ 1.15	\$ 2.95	\$ 2.95	0.78	1.30
	Renewal	0.50	0.50	6.69	6.69	6.69
Interlake	Stumpage	1.15	2.15	2.15	0.48	N/A
	Renewal	0.50	0.50	6.69	6.69	--
Saskatchewan R.	Stumpage	1.00	2.40	2.40	1.10	1.11
	Renewal	0.50	0.50	6.69	6.69	6.69
Highrock	Stumpage	1.00	1.80	1.80	0.82	0.83
	Renewal	0.50	0.50	6.69	6.69	6.69
Nelson River	Stumpage	1.00	1.80	1.80	0.82	0.83
	Renewal	0.50	0.50	6.69	6.69	6.69

Rates effective for the duration of the reporting period.

3.6 Annual Allowable Cut

The Annual Allowable Cut (AAC) is the volume of wood that can be harvested annually from an FMU on a sustainable basis. AAC levels are determined by MC Forestry Branch.

As indicated in the 1997-2009 Forest Management Plan (FMP), the planning target in terms of AAC regulation is to plan and harvest within the AAC for each FMU on an annual basis. This target may not always be feasible due to access limitations in some FMUs, timber salvage requirements and other operating constraints (such as the practicality of harvesting a relatively small AAC from an FMU each year). The AACs for all FMUs, including FMU 12, are based upon Level 1 Utilization of the MC Forest Inventory which includes only softwood stands.

The softwood volume reported against the AAC is based on mill gate deliveries. In prior years estimates of bush inventories were included in the AAC reporting and then adjusted once they were scaled at the mill. This resulted in adjustments to previous years harvest levels from time to time. As there may be small volumes of previous years inventories still to be hauled it is possible that some previous years AAC volumes will be reconciled in the future.

An agreement was reached on September 23, 2008 on the amalgamation of the Highrock FMUs combining the 6 Highrock FMUs (excluding FMU 60) into 3 larger units: FMU 67

including all of FMUs 61 and 62 and portions of 63, 64 and 65, FMU 68 including portions of FMUs 63, 64, and 66 and FMU 69 which includes portions of FMUs 64, 65 and 66. This change has been made retroactive to the start of the cut control period beginning June 1, 2005. The AACs for the new FMUs are included in Table 4.

In 2001 the Company requested modification of the utilization standards that would allow the Company to harvest to a 4" diameter top. Temporary approval was granted by MC allowing the Company to harvest to a 4" top in FMUs 61 to 64 in the Highrock (now FMUs 67, 68 and 69) and Nelson River Forest Sections. It was agreed that the AAC for these areas would be reduced by 35% for the period that this modification covered.

In 2003 an agreement was reached between MC and the Company to provide a credit to the Company for utilizing wood below the Provincial minimum utilization level as a result of extensive wood chipping operations. These volumes are listed in the "Unmerch Delivered Volume" columns in Table 4 and represent a reduction to the harvested volume.

Table 4 displays the status of the softwood AAC for each FMU in FML Area No. 2 with respect to the current cut control period; June 1, 2005 to May 31, 2010. The AACs for Nelson River Forest Section FMUs and FMUs 68 and 69 of the Highrock Forest Section have been reduced by 35% to reflect the modified utilization standards.

3.6.1 Wood Supply Modeling

Late in 2003, the Company cooperated with Manitoba Conservation to jointly undertake the volume sampling for the Saskatchewan River Forest Section. The sampling was completed in 2006.

This information was then used by Manitoba Conservation to generate yield curves to be used in the Wood Supply Modeling for the Saskatchewan River Forest Section. The outcome of the model will be a new AAC for the forest section.

The Company met with Manitoba Conservation three times to discuss inputs to the Wood Supply Model; e.g. yield curves, treatment response tables and land base net downs.

Table 4. FML Area No. 2 Softwood Annual Allowable Cut Status to 2009/10 for Cut Control Period 2005 to 2010

Forest Section	Forest Management Unit	Current 5-Year Averaging Period	AAC (m3) Level 1	AAC (m3) Flexible Utilization	5-year Period AAC	2005/06 AAC	2005/06 Harvest (2,6)	Unmerch 2005/06 Delivered Volume(5)	2006/07 AAC	2006/07 Harvest (2,6)	Unmerch 2006/07 Delivered Volume(5)	2007/08 AAC	2007/08 Harvest (2,6)	Unmerch 2007/08 Delivered Volume(5)	2008/09 AAC	2008/09 Harvest (2,6)	Unmerch 2008/09 Delivered Volume(5)	2009/10 AAC	2009/10 Harvest (2,6)	2005/06/07/08/09/10 Total (2,6)	Remaining current 5-year Period AAC
Mountain	12 (1)(5)	2005-2010	<i>10,710</i>	-	53,550	10,710	3,545	29	10,710	12,483	155	10,710	685	2	10,710	32,592	1,726	10,710	14,620	62,013	-8,463
subtotal			<i>10,710</i>			<i>10,710</i>	<i>3,545</i>	<i>29</i>	<i>10,710</i>	<i>12,483</i>	<i>155</i>	<i>10,710</i>	<i>685</i>	<i>2</i>	<i>10,710</i>	<i>32,592</i>	<i>1,726</i>	<i>10,710</i>	<i>14,620</i>	<i>62,013</i>	
Interlake	47(5)	2005-2010	<i>12,041</i>	-	60,205	12,041			12,041	0	0	12,041	0	0	12,041	0	0	12,041	0	0	60,205
subtotal			<i>12,041</i>			<i>12,041</i>	<i>0</i>	<i>0</i>	<i>12,041</i>	<i>0</i>	<i>0</i>	<i>12,041</i>	<i>0</i>	<i>0</i>	<i>12,041</i>	<i>0</i>	<i>0</i>	<i>12,041</i>	<i>0</i>	<i>0</i>	
Sask River	51	2005-2010	68,448	<i>65,026</i>	325,130	65,026			65,026	6,688	24	65,026	51,766	319	65,026	9,021	1,072	65,026	26,527	92,586	232,544
	52	2005-2010	<i>17,960</i>	-	89,800	17,960			17,960	36,355	2,253	17,960	21,621	1,346	17,960	5,114	69	17,960	2,018	61,440	28,360
	53	2005-2010	<i>134,600</i>	-	673,000	134,600	137,049	1,342	134,600	88,530	1,783	134,600	75,334	1,123	134,600	86,413	2,841	134,600	101,921	482,157	190,843
	54	2005-2010	<i>7,060</i>	-	35,300	7,060			7,060	0		7,060	0		7,060	10,243	504	7,060	0	9,739	25,561
	55	2005-2010	<i>26,300</i>	-	131,500	26,300			26,300	0		26,300	29,456	1,646	26,300	20,936	681	26,300	44,470	92,535	38,965
	56	2005-2010	<i>67,250</i>	-	336,250	67,250	95,425	2,083	67,250	100,319	2,135	67,250	36,863	704	67,250	6,678	245	67,250	73,033	307,152	29,098
subtotal			<i>321,618</i>	<i>65,026</i>	<i>1,590,980</i>	<i>318,196</i>	<i>232,474</i>	<i>3,425</i>	<i>318,196</i>	<i>231,892</i>	<i>6,195</i>	<i>318,196</i>	<i>215,041</i>	<i>5,137</i>	<i>318,196</i>	<i>138,405</i>	<i>5,413</i>	<i>318,196</i>	<i>247,968</i>	<i>1,045,609</i>	
Highrock	60	2005-2010	<i>21,110</i>	13,721	105,550	21,110	21,691	565	21,110	15,661	293	21,110	27,972	406	21,110	22,567	474	21,110	6,598	92,751	12,799
	67(7)	2005-2010	<i>313,909</i>	204,041	1,569,545	313,909	157,742	4,535	313,909	192,645	4,439	313,909	244,477	5,435	313,909	153,963	6,482	335,216	63,925	791,860	777,685
	68(7)	2005-2010	<i>142,641</i>	<i>92,717</i>	463,585	142,641	4,929		92,717	92,717		92,717	64,789	338	92,717			92,717	0	69,380	394,205
	69(7)	2005-2010	<i>168,132</i>	<i>109,286</i>	546,430	109,286			109,286			109,286			109,286			109,286	0	0	546,430
subtotal			<i>645,792</i>	<i>419,765</i>		<i>537,022</i>	<i>184,362</i>	<i>5,100</i>	<i>537,022</i>	<i>208,306</i>	<i>4,732</i>	<i>537,022</i>	<i>337,238</i>	<i>6,180</i>	<i>537,022</i>	<i>176,530</i>	<i>6,956</i>	<i>558,329</i>	<i>70,523</i>	<i>953,991</i>	
Nelson River	83	2005-2010	190,050	<i>123,532</i>	617,660	123,532	49,019		123,532	65,390	1,853	123,532	109,511	198	123,532	0	0	123,532		221,869	395,791
	84	2005-2010	174,600	<i>113,490</i>	567,450	113,490	131,803		113,490	52,022	394	113,490	35,070	36	113,490	0	0	113,490		218,466	348,984
	85	2005-2010	121,130	<i>78,735</i>	393,675	78,735	66,649		78,735	6,134	7	78,735	42,700	322	78,735	0	0	78,735		115,154	278,521
	87	2005-2010	115,380	<i>74,997</i>	374,985	74,997	11,981		74,997	65,679	185	74,997	6,859		74,997	0	0	74,997		84,334	290,651
	89	2005-2010	33,050	<i>21,482</i>	107,410	21,482	0		21,482			21,482			21,482	0	0	21,482		0	107,410
	Inco	2005-2010	41,100	<i>26,715</i>	133,575	26,715	18,333		26,715	47,909	85	26,715			26,715	0	0	26,715		66,157	67,418
Subtotal			<i>675,310</i>	<i>438,951</i>		<i>438,951</i>	<i>277,785</i>	<i>0</i>	<i>438,951</i>	<i>237,133</i>	<i>2,524</i>	<i>438,951</i>	<i>194,141</i>	<i>555</i>	<i>438,951</i>	<i>0</i>	<i>0</i>	<i>438,951</i>	<i>0</i>	<i>705,980</i>	
Total FMU Area No. 2			<i>1,665,471</i>	<i>923,742</i>		<i>1,316,920</i>	<i>698,165</i>	<i>8,554</i>	<i>1,316,920</i>	<i>689,815</i>	<i>13,606</i>	<i>1,316,920</i>	<i>747,104</i>	<i>11,875</i>	<i>1,316,920</i>	<i>347,527</i>	<i>14,095</i>	<i>1,338,227</i>	<i>333,111</i>	<i>2,767,593</i>	

(1) FMU AACs are either Level 1 or Flexible Utilization. AAC used in FMU is italicized and bolded.

(2) Some FMU harvest levels include bush estimates that will be updated in future reports with mill scales.

(3) Bush estimate harvest volumes revised from previous report to reflect mill gate scale volumes.

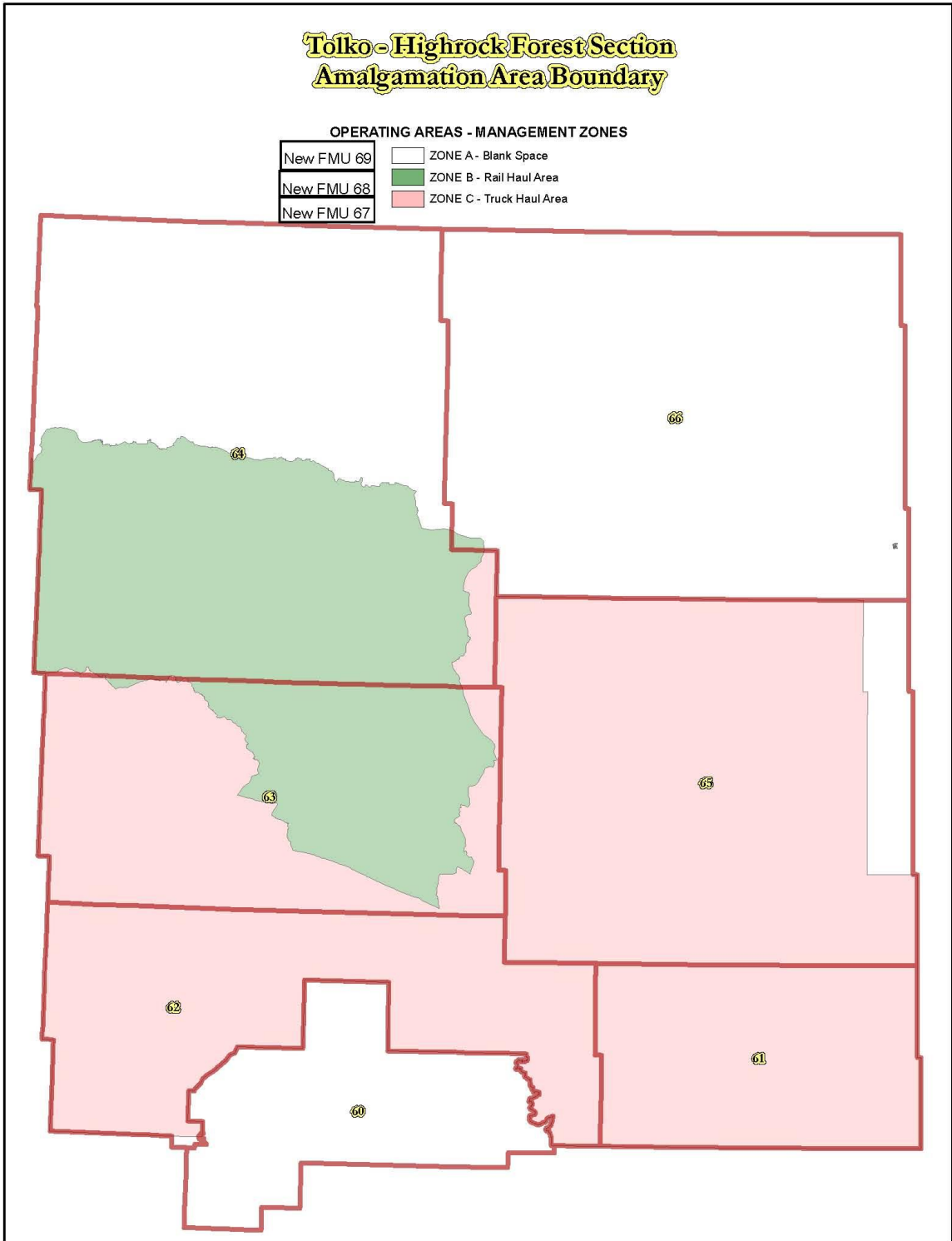
(4) Interlake area FMU 47 and Mountain area FMU 12 remain as a portion of the FMUs is inside the FML Area.

(5) Unmerchantable volume (Forestry Branch Circular C-8) is not applied to quotas, timber sales or deducted from the AAC. Volume is recorded by year delivered, not by cut date.

(6) Volume reported against AAC excludes deliveries of unmerchantable volumes to reflect exceeding provincial utilization standard.

(7) FMUs in Highrock Forest Section were amalgamated in 2007. The details on how the original FMUs 61-66 were regrouped can be found in the AAC section on page 8.

Figure 2. Amalgamated Forest Management Units



4.0 2009 ANNUAL OPERATING PLAN

2009/2010 Annual Operating Plan (AOP) Submission

With the delay in implementation of the 2008/2009 from its' original intended period of coverage of June 1, 2008 to May 31, 2009 to January 1, 2009 to December 31, 2009, there remained only 5 uncovered months in the 2009/2010 operating year. In consultation with Forestry Branch, the decision was made to amalgamate the last 5 months of the 2009/2010 operating year into the 2010/2011 operating year and cover the entire 17 month period under an extended 2010/2011 AOP. The extended 2010/2011 Annual Operating Plan, covering the period of January 1, 2010 to May 31, 2011 was submitted on August 17, 2009.

Public Consultation and Development of the AOP

Meetings for the 2010/2011 AOP were held throughout communities on Tolko's FML Area in June 2009.

Plan Amendments

Each year blocks may be added to the approved AOP at the work permit level. This is required for a variety of reasons including response to market, labour or weather conditions, to replace blocks not approved in the AOP, to accommodate MC's request to make third party wood available. In some cases amended blocks may be included in the AOP as year 2 or 3 blocks. Table 5 is a summary of all the amendments requested in 2009. All of these amendments except NW-093 were included in the 2008 Annual Report as they were made to the extended 2008/2009 AOP.

Table 5. Amendments to 2008/2009- 2009/2010 Annual Operating Plan

Amendment #	Block	In 3-Year Plan	In 13-Year Plan	Reason for Amendment	Harvested in Amendment Year
NW-088	WT-2/3 and BZ-4	No No No	Yes	WT-2/3 were left out of AOP as it was thought they would be complete prior to the end of the winter logging season, BZ-4 was an oversight	No
NW-089	TM-26, 27, 28	Yes	Yes	Contractor producing beyond expectations	No
NW-090	Optic Winter Rd	Yes	Yes	MC requested location change on road	Yes
NW-091	Hardisty Point Winter Rd	Yes	No	MC requested location change on road	Yes

NW-092	AB-200, DO- 210/211/214/ 215, TD- 47/49/51, TM-210	No, No, No, No, No, No, Yes, No, Yes	Yes	Extension of the 2008/09 AOP beyond its intended expiry, shift in focus to chipperwood	No
NW-093	TM-209	Yes	Yes	Add area to approved block for dwarf mistletoe sanitation	No

Access Development and Decommissioning

Access Development is a key component in the management of the forest resource throughout FML Area No. 2. Contributing factors such as the management of the AACs on an FMU basis and the long-term balancing of delivery costs make it necessary to gain access into various areas to conduct harvesting and forest renewal activities.

To meet the timber requirements of the Company mill facilities, access development, including clearing of right-of-ways, road construction and upgrade, and construction of watercourse crossings, is required. Table 6 outlines the planned (as per the extended 2008/2009 AOP) and actual access development activities for 2009.

Table 6. Access Development for FML Area No. 2 for 2009

Forest Section	Road Name	Access Development in Km		
		Planned	Actual	
			Right-Of-Way	Roadway
Highrock	Dickstone Road	39.4	0	0
	Hardisty Point Winter Road (2008 plan)	10.0	11.3	11.3
	Optic Winter Road (2008 plan)	20.6	17.9	17.9
Nelson River	Black Duck Creek Winter Rd.	8.5	0	0
	Buckingham Lake Road	4.0	0	0
	Three Point Lake Road	8.5	0	0
Saskatchewan River	Okaw West Road (2008 plan)	9.7	8.7	8.7
Mountain	Ripper's Point Winter Road (2008 plan)	12.5	12.8	12.8
Total Road Program		113.2	50.7	50.7

Forest Road Development Plans Submitted

Forest Section	Road Name
Highrock	Hardisty Point
	Optic (version 2)
	Syme Lake (version 2)
Saskatchewan River	Dolomite
	East Talbot
	Okaw West
	TD-47

Water Crossing Development

Forest Section	Road Name	Planned Crossing	Installed Crossing
Highrock	Dickstone Road	Km 46.2 Culvert	No
		Km 58.7 Bridge	No
Nelson River	Buckingham Lake Road	Km 34.0 Temporary Snow/Ice	No
	Three Point Lake Road	Km 8.5 Temporary Snow/Ice	No
Mountain	Ripper's Point Winter Road	Km 1.8 Temporary Bridge (2008 plan)	Yes

Where applicable, watercourse crossings are reviewed by DFO and the Canadian Coast Guard under the Navigable Waters Protection Act.

Table 7. Roads Achieving Decommissioned Status in 2009

FMU	Road Decommissioned	Decommissioning Approval in Progress
67		<i>Corky's Point</i>
INCO Strip	<i>South Joey</i>	
67	<i>Wabishkok</i>	
67		<i>Westarm</i>

5.0 FOREST MANAGEMENT PLAN

The Company's 1997–2009 Forest Management Plan (FMP) describes timber harvesting, access development and forest renewal activities planned for the FML Area for the 13-year period of 1997 to 2009. The FMP development included an environmental impact assessment, public hearing before the Manitoba Clean Environmental Commission and licensing under the Manitoba Environment Act.

Key elements of the FMP include:

- Summary of forest resource organization and administration.
- Description of the biophysical environment for the FML Area including information on the lands and resources.
- Information on the land and resource uses that are present on the FML Area.
- Sustainability analysis for the FML Area over a future 100 year forecasting period for wood supply as well as representative parameters for the ecosystem in terms of Forest Ecosystem Classification types and wildlife habitat.
- Public communication program including community meetings and the operation of the FRAC committee.
- Summary of former and existing forest management practices.
- Long term strategic level proposal of forest management operations.
- Forest Management objectives for the 1997 to 2009 planning period.
- Outline of monitoring activities to measure performance.
- Outline on proposed research that will contribute to sustainable forest management.
- Training and development of staff

As a component of the FMP the Company produced the Forest Management Planning and Operating Practices (FMPOP). This document provides a detailed documentation of the planning and operating practices employed by the Company for its forest management activities on the FML Area, including planning, public participation processes, road development, harvesting, forest renewal, monitoring and reporting. The FMPOPs have undergone a review to incorporate revisions to existing processes and to document requirements for EMS and CSA.

In an effort to provide the FMPOP document in a format that is easily understood for contractors and their employees, the Company developed the Operators Guide (OG) in 1999 and revised in 2005. The Operators Guide took information from the FMPOP in a manner to assist operators to easily understand environmentally sound forest management practices when carrying out day-to-day activities. The Operators Guide has undergone a review to better reflect the introduction of EMS and CSA and to reflect changes to existing processes.

An executive summary of the FMP was placed on the Tolko Manitoba web site along with a map showing proposed eligible stands for harvest.

Amendments to the FMP

No applications were made to Manitoba to amend the FMP in 2009.

6.0 FOREST RENEWAL

Under the terms of the 1989 FML Agreement, the Company is responsible for reforestation of all harvest areas within FML Area No. 2 where the harvest volume is subsequently delivered to the millsite.

Where harvested timber is retained by third party operators or is sold elsewhere, the responsibility for reforestation remains with the Province of Manitoba.

Tolko's corporate accounting policy is to accrue silviculture liability to the free-to-grow stage on all blocks harvested since 1989. This will ensure that funds are available not only for basic silviculture such as site preparation and planting, but that potential costs such as vegetation management, replanting and future survey work can be conducted on all sites which the Company retains liability on. Going forward, the Company's free-to-grow obligation is accruing on a block-by-block basis to reflect all expected future treatments.

6.1 Site Preparation

Site preparation is a treatment to mechanically enhance the biological and operational effectiveness of tree planting by creating improved conditions for rooting and growing seedlings, decreasing undesirable competition, regulating spacing and improving access for planters. Site specific prescriptions include separating and aligning logging slash, decreasing the depth of organic material over mineral soil, temporarily reducing woody or herbaceous competition for light, moisture and nutrients, and enhancing infill of natural regeneration to augment the planted seedlings.

In 2009, a total of 619 ha in 1 FMU within FML Area No. 2 was site prepared for planting. The equipment used was either barrels and anchor chains, or anchor chains alone, depending on site conditions.

Details of site preparation activity is listed in Appendix II.

6.2 Scarification

Scarification is the treatment used to enhance natural regeneration by creating the conditions necessary for seed germination and growth and to improve spacing by distributing existing seed more evenly. In 2009, scarification treatments were applied to 1,130 ha in three FMUs as a reforestation treatment for natural jack pine regeneration. Scarification treatment consisted of pulling shark finned barrels and spiked anchor chains across the cutovers to expose mineral soil and scatter the cones and seed. Sites that had

previously supported the jack pine working group were scarified. Project area details can be found in Appendix II.

6.3 Tree Planting

In 2009, 4,708,463 seedlings were planted on 3,854 ha within FML Area No. 2. These seedlings were purchased from Pineland Forest Nursery at Hadashville, Manitoba.

The trees planted in 2009 were grown in containers and shipped as either boxed, frozen, over winter stock or boxed current stock. In both cases the seedlings are extracted from the container prior to shipping. The species planted were black spruce and white spruce. (Figure 3). Details of the planting blocks and project locations can be found in Appendix II.

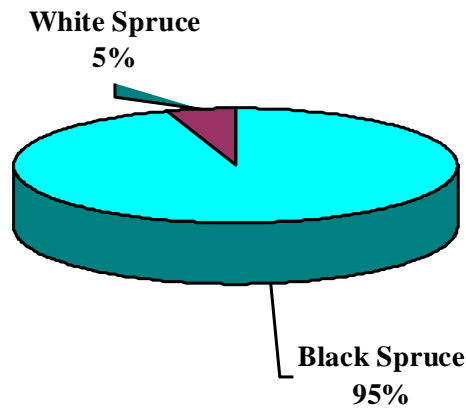


Figure 3. Species Breakdown for the 2009 Planting Program

6.4 Silviculture Surveys

There were no formal regeneration or free to grow surveys conducted in 2009. The Divisional Forester conducted aerial surveys by helicopter to assess the possibility of determining block status from low level aerial evaluation conducted in leaf-off conditions. 59 blocks or sub blocks were evaluated and it was determined that 8 appeared to meet the Free-To-Grow (FTG) survey standard and 12 appeared to meet the regeneration standard with low competition levels that should ensure they meet the FTG standard once the height requirement is met. An additional 14 blocks appeared to meet the regeneration standard but would need herbicide treatment to meet the FTG eventually. Release areas were mapped at that time. An additional 12 blocks were currently requiring herbicide release to meet the FTG standard and treatment areas were mapped at that time. 10 blocks required a ground survey in order to confirm the current stand condition, generally due to

the variability of the conditions, however one of those blocks only required confirmation that the hardwood control from previous herbicide treatment was successful. One block was scheduled for fill planting of one section and two stands were identified as having too much over story aspen to consider further management at this time. Follow up surveys and treatments have been scheduled on appropriate blocks.

6.5 Summary of Forest Renewal

The Company's 2009 forest renewal program consisted of the planting of 4,708,463 seedlings over 3,854 ha; scarification of 1,130 ha for natural regeneration and site preparation of 619 ha for future planting.

6.6 WTS Tracking of Forest Renewal

Woodlands made the transition to using Woodlands The System (WTS) for planning and recording forest management activities in 2005. This program makes GIS capability more accessible to planning staff and allows scheduling of forest management activities in future years. This feature is being used to track the company's progress in meeting Free-To-Grow requirements and ensure that adequate funds are accrued to allow all necessary treatments and surveys.

7.0 PLANNING AND REPORTING

Forest management activities to be undertaken on the Company's FML Area are first described as proposals to MC through a series of plans, as well as through the site-specific MC work permit process. Once such activities are completed, reports such as this 2008 Forest Management Annual Report are prepared to summarize the actual activities that have occurred. Following is a summary of the plans and reports that were prepared for this purpose in 2009:

- i 2009 Fire Protection and Suppression Plan**
Submitted to MC May 14 2009, in compliance with Section 23 (B) of the FML Agreement.

- ii 2008 Forest Management Annual Report**
Submitted to MC November 18, 2009, in compliance with Section 6 (A) of the FML Agreement.

- iii 2009/2010 Annual Harvest and Renewal Plan**
With the delay in implementation of the 2008/2009 from its' original intended period of coverage of June 1, 2008 to May 31, 2009 to a January 1, 2009 to December 31, 2009, there remained only 5 uncovered months in the 2009/2010 operating year. In consultation with Forestry Branch, the decision was made to amalgamate the last 5 months of the 2009/2010 operating year into the 2010/2011 operating year and cover the entire 17 month period under an extended 2010/2011 AOP. The extended 2010/2011 Annual Operating Plan, covering the period of January 1, 2010 to May 31, 2011 was submitted on August 17, 2009.

- iv Quarterly F-40 Timber Sales Reports and Dues**
On April 1, 2008, Manitoba's new Timber Administration System took effect eliminating the requirement for quarterly F-40 Timber Sales Reports.

8.0 FOREST PROTECTION

8.1 Fire Protection

Fire Protection Highlights for 2009:

The province-wide number of fires totaled 184. The number of fires and the cause broken down by regions where Tolko was operating is shown in the following table:

FIRE CATEGORY	TOTAL	NE REGION	NW REGION	IL REGION
Lightening Caused	67	26	39	0
Human Caused	117	51	12	11
ACTIONED	151	52	51	7
Limited Action	9	3	0	4
No Action	24	22	0	0
TOTAL FIRES	184	77	51	11
Total Area Burned	2872	746	219	822
Actioned Area Burned	1628	381	219	63
Limited Action Area Burned	861	0	0	759
No Action Area Burned	383	364	0	0

There is no dedicated Tolko Initial Attack Fire Suppression Crew; however Area Supervisors and Forestry Staff have all received either initial Attack Crew or Crew Boss training.

All contractors hired by Tolko that are active during the wildfire season are required to comply with Tolko's Industrial Forest Operations Equipment Standard detailing minimum suppression requirements and participate in Forest Operation Modification Guidelines (F.O.M.G.). These programs promote the availability of fire suppression hand tools, such as axes, shovels, mattocks, back pack pumps and fire extinguishers. Specifications for self-contained portable water resources supporting a consistent pressure pump and fire hose configuration that could be utilized to suppress wildfires regardless of reduced sources of water. Communications both radio and phone must be available to provide dependable fire reporting capabilities.

Contractor operations are reviewed daily based on fire danger and equipment risk levels. Each operation is assigned a code for the day from level 1 (normal operations with standard practices to reduce risk of fire) to level 4 (shut down due to unacceptable risk of fire). In 2009 all operations in the fire season were assessed at level 1 or 2.

No fires resulted from contractor or Tolko operations in 2009.

Tolko's Sustained Forest Management certification program has commitments to reducing the number of fires and/or accidental spills resulting from forestry activities of its

contractors and has a provision for Emergency Preparedness Testing as one of its components. Company staff were involved in a live fire extinguisher event in 2009.

8.2 Forest Insect and Disease Protection

MC is responsible for forest insect and disease protection on the FML Area and carries out a monitoring and data collection program for forest insects and disease. The Company cooperates by reporting all outbreaks detected in the course of field activities and planning of harvest and forest renewal activities to minimize the effects of insect and disease outbreaks. Forest health reports from the PHFI surveys are forwarded to MC throughout the field season, generally twice a month.

No significant insect and disease concerns were noted during aerial surveys of regenerating cutovers.

In 2009 Manitoba Conservation did not conduct any spruce budworm control activities on the FML.

In order to prevent the spread of lodgepole pine dwarf mistletoe into regenerating stands, the following activities took place in 2009.

- Five blocks (244 ha) that had lodgepole pine dwarf mistletoe reported in the PHFI survey or noted during field visits were planted with a resistant species (black spruce).
- Thirteen additional blocks (586 ha) which had lodgepole pine dwarf mistletoe were anchor chained for natural regeneration, with instructions to the operator to eliminate as much residual pine as possible in the process. This practice generally provides good in-block control by eliminating the source of re-introduction.

9.0 FOREST INVENTORY

The forest inventory projects that are usually undertaken by the Company are necessary to provide more detailed information than is provided by the Manitoba Forest Inventory. This information is useful for block planning and wood flow (product) projections. The more detailed projects include pre-harvest forest investigations, the enhanced forest inventory development, flexible utilization and roadside delimiting.

9.1 Pre-Harvest Forest Investigations

In 2009 Pre-Harvest Forest Investigations (PHFI) continued sampling at 1 plot per 5 hectares. The recording of soil erosion risk rating and ecosite also continued. The Manitoba Endangered Species SARA and COSEWIC lists were reviewed and updates made as necessary.

The practice of measuring and recording all trees greater than 9.0 centimeters in diameter at breast height (dbh) for actual dbh and height continued in 2009.

In 2009, the pre-harvest forest investigations surveyed 7,555 ha, and a total of 55 blocks across the FML Area.

9.2 Flexible Utilization

With the market curtailment of the sawmill in January, 2009, flexible utilization was not implemented during 2009.

9.3 Roadside Delimiting

A Memorandum of Agreement (MOA), between the Company and MC, for Roadside Delimiting and Brush Disposal was signed in the spring of 2005. The agreement is for five (5) years. Some of the key points of the MOA include exclusion of shallow sites, conducting coarse woody debris surveys, debris disposal, annual reporting and a final report.

In accordance with the MOA and the CSA indicator 3.1.1.1.5, the Company developed a coarse woody debris survey methodology in 2005. Fifty-six harvest blocks from 2003 to 2008 have been surveyed, seventeen in the Saskatchewan River Forest Section and seventeen in the Nelson River Forest Section and twenty-two in the Highrock Forest Section. The total area surveyed in 2009 is 1155 hectares. Below is the summary of the blocks surveyed in 2009.

Saskatchewan River Forest Section

<u>Block ID</u>	<u>Total Area</u>	<u># Plots</u>	<u>Volume/ha (m³)</u>
PI-6- winter	67.4	14	41.48
PI-6-spring	45.1	25	49.89
PI-6-fall	148.3	30	25.20
DO-207	31.5	25	38.63
Baril Salvage- upland**	80.2	16	36.66
Baril Salvage- lowland**	29.5	25	61.85
Baril Salvage- mid-slope**	9.4	9	71.33
OF-3	38.	25	64.64
TM-32**	58	25	36.54
TM-33**	32.	25	44.66
TM-36**	46.6	25	32.027
TM-37**	50.7	25	83.52
Total	638.4	269	
Average Volume /ha			41.48

Nelson River Forest Section: no blocks were survey in 2009

Highrock Forest Section

<u>Block ID</u>	<u>Total Area</u>	<u># Plots</u>	<u>Volume/ha (m³)</u>
AF-210	155.1	36	52.55
PU-1	66.5	14	69.99
PU-2	83.3	17	58.91
PU-3	43.3	25	111.50
AF-209	78	16	55.33
BS-11	32	32	88.38
BZ-13	56.	26	34.62
Total	516.6	166	
Average volume/ha			67.32

2009 Total Area

** combination delimiting

For blocks where roadside delimiting occurred, debris disposal consisted of either burning slash piles or redistributing slash onto the cut blocks.

Forest Section	Number of blocks debris piled and burned.	Number of blocks slash redistributed in cut block.
Saskatchewan River	4	10
Highrock	28	
Nelson River	15	

For blocks where delimiting occurred at roadside, debris disposal consists of either burning debris piles or redistributing debris onto the cutblock.

In the Saskatchewan River Forest Section, 3 blocks were delimited at roadside, one of which was burned, one (in bush chipping block) had the debris hogged and the third had slash redistributed. Sixteen blocks were raked at the stump. Two of the stump rake blocks had the chipper debris hogged rather than burning, the rest (combination of chipper and roundwood blocks) were pushed up for burning.

The three Ripper's Point blocks were delimited at roadside and the debris was piled for burning.

In the Highrock Forest Section, 5 blocks were harvested, all were delimited at roadside and all were piled for burning.

No blocks were harvested in the Nelson River Forest Section during the 2009/2010 operating year.

10.0 INTEGRATED RESOURCE MANAGEMENT

The Company implemented a new computer program, “Woodlands The System” (WTS) in 2005. The program provides a better means of tracking other values. The program automatically overlays blocks with existing coverage for other values such as traplines, Areas of Special Interest, parks and Permanent Sample Plots. There is opportunity within the system to record any other values that have been identified during the pre-harvest forest investigation or during public consultation. As the system evolves, the tracking and monitoring of mitigation for other values will be recorded.

Caribou Habitat Strategy

The Woodland Caribou (Boreal population) is listed as a threatened species under Schedule 1 of the federal Species At Risk Act (SARA).

A strategy designed by Tolko forestry staff for the Kississing-Naosap herd that was implemented in 1999 as an integral part of harvesting activities occurring in the Naosap Operating Area was completed with the conclusion of the 2006 harvest.

The portion of the Naosap Road beyond the Sewap Creek Bridge that was interim decommissioned in 2007 remained closed through 2008. In addition to the gate at the origin of the road at km 32 of the Sherridon Road, a ditch and berm closure was constructed in 2008 between the road origin and the gate as a supplemental access deterrent.

Discussions with Manitoba Conservation were continued during 2009 on timber harvest activities in the Peterson and Rodwalsh Operating Areas that form part of the Kississing-Naosap caribou range.

In 2009 Tolko continued to participate as a member of the Northwest Region Caribou Management Committee. The Company also contributed aircraft fuel and time for caribou survey work in the Northeast and Northwest Regions.

Tolko in-kind contributions toward the ongoing collection of DNA data through fecal sampling of the Kississing/Naosap herds continued in 2009 also helping to further identify the relationships between the several groups/family of caribou that inhabit the range. Genetics are a non-invasive tool that can be used to monitor the stability of the population and identify differing/related ecological units while helping to draw more accurate range lines on a map.

Going forward the management strategy will be based on the broader landscape planning level rather than micro managing at an operating level. The ultimate goal will be to see boreal woodland caribou as self-sustaining populations in existing ranges while ensuring an ongoing supply of habitat within those ranges.

A compatible combination of caribou and caribou habitat preservation and a sustainable timber harvesting strategy will be integrated as part of Tolko’s AOP submissions for implementation where scheduled harvesting overlaps with caribou ranges.

11.0 PUBLIC COMMUNICATION

During 2009, the Company continued to take a pro-active role in communicating planned harvest and forest renewal activities to the general public. In June, prior to the 2010/2011 Annual Plan being submitted to the Manitoba Government, the Company undertook a series of public meetings in 12 communities. These meetings included most communities across the FML Area in proximity to proposed forest management activities. The purpose of these meetings was to provide an opportunity for those people who have an interest in the Company's operations to learn more about the proposed activities in each of the operating districts. These meetings were also designed to provide the public with an opportunity to discuss their interests and concerns with Company representatives, prior to the 2010/2011 Annual Plan being submitted to MC for approval.

Notices of these meetings were sent to community groups, First Nations and special interests groups, as well as being advertised in various local newspapers, online publications, radio announcements, community bulletin boards and local TV channel in Snow Lake. The notice was also posted on the Tolko website. The meetings followed an open-house format with participants encouraged to review the preliminary information on upcoming plans as displayed on maps and photographs.

The Company created a standard process for all public meetings. Accompanying the traditional notice of public meetings is the public meeting agenda. The standard agenda includes access to Company plans, review of the operating plan or amendment, road development and closure, traditional knowledge concerns, local plant and/or wildlife knowledge and local community issues (e.g. other forest uses). Opportunity to raise concerns privately is accommodated through a public consultation questionnaire available at every meeting. Minutes are documented for each public meeting including the question and answer period that follows the presentation of the AOP. These minutes form part of the AOP submitted to Manitoba Conservation. Where issues are raised that require more than a clarification answer and would result in further meetings, discussions, field trips and potential modification of plans or operating directions, such issues are then noted in the monthly issues and concerns table for ongoing follow-up, a summary of the issues and concerns that have been documented throughout 2009 are listed in the summary of 2009 Public Issues and Concerns Table January 1 to December 31, 2009.

In 1996, the Company established a Forest Resource Advisory Committee (FRAC) to provide an additional opportunity for ongoing public involvement in forest management activities within the FML Area. The FRAC has since evolved into a broader role that includes providing input to the Company as a component of the SFM system for the DFA. This has occurred through the merger of the SFM Committee and the FRAC committees once the SFM Plan had been developed. FRAC membership is comprised of a broad spectrum of interest groups, stakeholders and individuals from across FML Area that has an interest in forest management activities. The objectives of the FRAC are to provide an opportunity for the Company to learn the diverse interests, values, and concerns of Committee members and to provide an opportunity for members to comment on forest management activities in FML Area No. 2. The FRAC met on four occasions in 2009, and members were given a field tour of the pulp and paper manufacturing facility.

In addition, there have been three community-based FRACs formed since 2004: Sherridon, Wanless and Snow Lake. The community based FRACs were initiated to address local concerns with pending harvest plans near the communities. Only the Snow Lake FRAC has been active in recent years with the last meeting in 2008. None of the community-based FRACs met in 2009.

Tolko staff also undertook a variety of communication activities with special interest groups, other resource users, community groups, local governments, schools and other stakeholders to communicate forest management activities and practices as well as general information on our business activities that were of interest to the public. These activities not only provided an opportunity to provide information on Tolko's operations, but also afforded opportunities for stakeholders to ask questions and express their interest and concerns to Tolko representatives. Forest management presentations were given to the Opaskwayak Cree Nation (OCN) Resource Council and First Nation Ranger Program, a forest planning presentation was given to the OCN Resource Management Board, field tours were conducted with the OCN Resource Council and University College of the North (UCN) students, an open house meeting was held in Snow Lake and Peterson Lake stakeholder meetings were held in The Pas and Cranberry Portage.

Support of school and post –secondary programs included:

- University College of the North Natural Resource students.
- Training and work experience provided to First Nations youth through the Northern Ranger Program

Staff attended:

- Pineland Nursery Advisory Board Meetings
- Manitoba Forestry Association Board of Directors meetings
- Forest Practices Committee meetings
- Woodland Caribou committee meetings
- Provincial Silvicultural Technical Meeting
- Forest Industry Association of Manitoba meetings
- Meetings or web based conferences on:
 - Managing forest ecosystems
 - Navigable waters protection act
 - Strategies and tools for effective public participation in forest management

Company supported:

- Membership in FP Innovations
- Canadian Pulp and Paper Association
- Forest Products Association of Canada

12.0 WOODLANDS ORGANIZATION STRUCTURE

To meet its operational requirements and forest management responsibilities the Company has a staff organizational structure in place with the technical and administrative expertise to fulfill its responsibilities. The staff organizational structure in place for 2009 is illustrated in Figure 7.

Major areas covered include:

- Area Operations
Area Superintendent, Area Supervisor and Area Planner staff in place to plan and implement harvesting, wood procurement and logging development activities in the FML Area.
- Forestry
Forest Management - Forest Management staff in place to conduct forest inventory and to plan and implement the Company's forest renewal program.

Woodlands Information Systems - WIS facilities in place to provide computer services, particularly WIS requirements, for production, planning, forest management, biological and scaling requirements. This includes planning, record keeping and forecast modeling.

Scaling - The scaling staff provide for scaling measurement and record keeping for monitoring and reporting of timber harvest and inventory volumes.

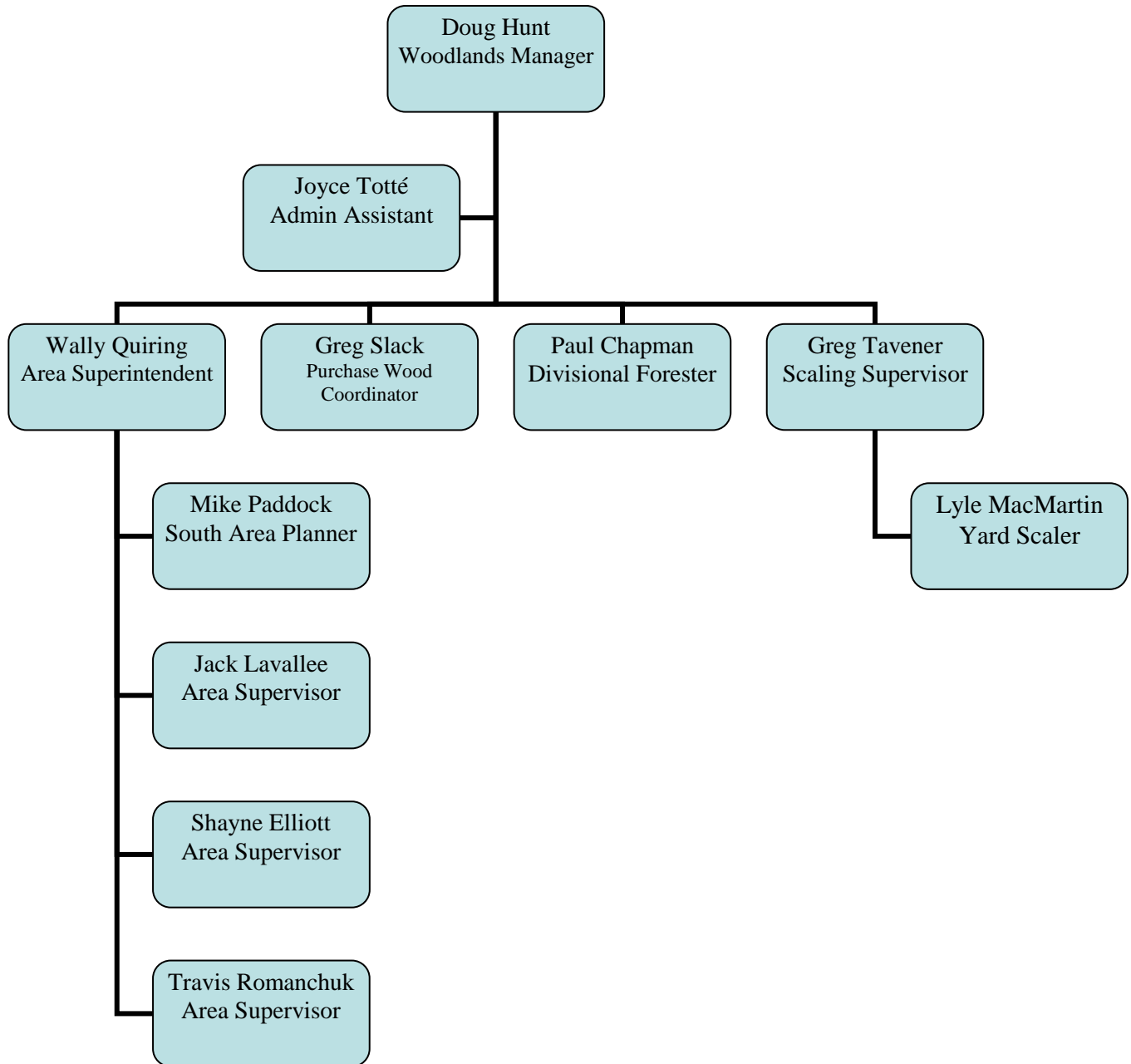
Staff development is an important component to the process of continual improvement in the manner in which the Company conducts its forest management planning and operations activities. During 2009, staff personnel attended conferences and training programs with this goal in mind.

Conference/Meeting

- Species at Risk Act
- Managing forest ecosystems
- Strategies and tools for effective public participation in forest management
- WHMIS
- Effects of climate change
- Beneficial use of wood ash
- Disturbance effects on watersheds
- Navigable waters protection act regulatory development

Figure 4. Woodlands Organizational Structure December 2009

**Tolko Industries Ltd.
Manitoba Woodlands**



13.0 MANITOBA ENVIRONMENT ACT LICENCE

Manitoba Environment Act Licence 2302E for the 1997-2009 Forest Management Plan was issued on December 20, 1997 and was amended in October 1998. Many of the clauses outlined in the Environment Act Licence are addressed on an ongoing basis during the year and are indirectly referenced throughout this report. Specific highlights for 2009 are as follows.

General Terms and Conditions

- The FML Area FRAC committee met four times in 2009 – for detailed notes on these meetings please see the Tolko web site located at www.tolkomanitoba.com
- Snow Lake Community – one meeting was held regarding the Dickstone South Road.
- Tolko Manitoba forest management web site updated throughout 2009.
- Mailed 387 personal invitations to attend the 2010/2011 Annual Harvest and Renewal Plan community meetings.
- The 2010/2011 Annual Harvest and Renewal Plan public meetings were held in 12 communities across the FML Area. The FML communities included Wanless, Snow Lake, Flin Flon, Cranberry Portage, The Pas, Sherridon, Grand Rapids, Easterville, Cormorant, Moose Lake, Thompson, and Wabowden.
- 2010/2011 Annual Harvest and Renewal Plan provided to First Nation bands located on the FML Area.
- The 2008/2009 Annual Harvest and Renewal Plan placed on the Tolko Manitoba web site.

Pre-Harvest Forest Investigation Monitoring and Research

- Continued to undertake PHFI.
- PHFI field data used in the development of the 2010/2011 Annual Operating Plan.

Operating Procedures

- Addressed non-timber resource issues through mitigation strategies developed and incorporated in the 2010/2011 Annual Harvest and Renewal Plan.
- Continued implementation of soil disturbance guideline.
- Continued to capture soil erosion risk rating within the PHFI.
- PHFI field crews trained on vulnerable, threatened, endangered and rare species that could be found on the FML Area as noted by SARA, COSEWIC, MBESA and MBCDC.

Stream Crossings

- 2010/2011 Annual Harvest and Renewal plan provided to Department of Fisheries and Oceans.

Non Timber Resources

- Continued to participate with Manitoba Conservation with on going research work for the Kississing/Naosap woodland caribou herd.
- Continuation of a public meeting agenda to ensure implication of forest planning takes into account other users of the forest, local plant and animal species of interest to the community, heritage values and opportunity for sharing aboriginal forest values.
- Continuation of public concerns table to document concerns raised via phone calls, email and letters.

Roads

- Displayed maps at community meetings (June 2009) held on the 2010/2011 Annual Harvest and Renewal Plan.
- Provided First Nation communities located on the Tolko FML Area with a copy of the extended 2008/2009 Annual Harvest and Renewal Plan.
- Letter sent out to all communities to advise the extended 2008/2009 Annual Harvest and Renewal Plan is located at the Tolko Manitoba web site.
- The Company's road monitoring program for culvert, bridges and roadbed continued in 2009.

14.0 ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

EMS is a method of organizing and managing the Company's environmental performance and to provide a structured process for continuously improving this performance over time. The foundation of an EMS is the Company's Environmental Policy, which is a statement of intentions and commitments with respect to environmental performance. Working within this framework the Company identified significant environmental risks, which are part of operations, or products that could have an important impact on the environment. The Company developed procedures and tracking systems to ensure continual improvement in the areas that have been identified as significant. The Company regularly reviews and adapts EMS as necessary.

EMS Programs

The Company identified corporate environmental objectives around water, soil and planning and each Division developed programs around these objectives. In 2009, programs were set up to report on the progress of the clauses in Tolko's Environment Licence as all of the clauses relate to the corporate objectives.

Environmental Incidents in 2009

A reportable oil spill occurred in a contractor operation in 2009. Cleanup, as required by Tolko and MC, was conducted satisfactorily, and corrective action plans were developed.

A trespass of the approved harvest boundary occurred in Block DO-208. A root cause analysis determined that following the closure of the Thompson office not all of the latest copies of mitigated and approved work permits were filed in the central permit file in the Pas. Any remaining active permits that were managed from the Thompson office were updated against the approved permit in the MC office to ensure this mistake would not happen again.

EMS Audit

An internal review of the EMS was conducted in 2009 to determine if the EMS continued to meet the requirements of the ISO 14001 1996 standard. The Company was successful and the audit found no non-conformances.

15.0 SUSTAINABLE FOREST MANAGEMENT

In 2003 the Company initiated a public process to develop local values, objectives, indicators and target around the 6 national criteria developed by the Canadian Council of Forest Ministers. The Company followed the Z809-2002 standard set by the Canadian Standards Association (CSA) for Sustainable Forest Management (SFM).

With the help of a local citizens advisory committee, the Company developed a Sustainable Forest Management plan (SFM) which was completed in May 2004 and released to the public in August 2004. The SFM plan outlines the defined forest area, ownership rights and responsibilities, public participation process, performance indicators and how EMS will be used to manage the CSA process.

The plan contains 48 performance indicators that will be monitored and measured to determine progress towards sustainable forest management. The following are some key targets of the indicators that will measure sustainable forest management and also help the Company comply with its Environmental Licence.

- Monitor and report on patch size and distribution resulting from natural and timber harvest disturbances for the Defined Forest Area (DFA).
- Implement forest management strategy for the Kississing-Naosap lakes woodland caribou range.
- 100% of Tolko Woodlands staff to undertake review of COSEWIC, SARA and MESA lists annually.
- Leave at least 5 standing trees per hectare retained across harvested areas following harvest.
- 100% of all blocks in the AOP will be subject to a PHFI survey.
- Limit extent of in-block roads and landings to less than 8% of total harvested area each year.
- Total amount of Company category 1 and 2 all-weather roadbed not to exceed half of one percent of the total productive forest landbase.
- Implement a research project to assess and document levels of coarse woody debris retention for various cover types and logging systems on the DFA.
- Construct and maintain stream crossings and roadways in a condition that prevents siltation and blockage that results in serious impacts to water quality of rivers, streams and headwaters.
- Report annually on evolution of watershed research specific to forestry.
- Over the first 5 years decommission 150 km of older logging roads no longer required.
- Forest planning will take into account aboriginal and other community interests and concerns for development of FMPs, AOPs and Road Management Plans.
- 100% of new all-weather roads will be reviewed for the potential for the presence of heritage resources

- 100% of all Woodlands staff will receive aboriginal, treaty rights and cultural awareness training.
- FRAC members will receive forest management presentations and information updates from the Company at least 2 times per year and the opportunity to participate in at least 1 field tour per year.
- Sufficient information sharing mechanisms so the broad public will have access to the recent SFM Plan, FMP, and AOPs and the Annual SFM Report.

CSA SFM Advisory Committee

This committee was initiated in 2003 to help the Company develop the local indicators and targets. Once the CSA SFM Plan was completed in 2004 the CSA SFM Advisory committee was terminated and the members were asked to continue their participation by joining the ongoing FRAC committee. In 2009 there were four FRAC meetings.

CSA SFM Audit

In September 2009 a third party firm audited the Company's CSA SFM Plan. The Company was successful in meeting the requirements of the CAN/CSA Z809:2002 standard and there were no non-conformances identified.

CSA SFM Annual Report

A review of each of the performance indicators was completed up to the end of the 2009 calendar year and the results were published in the 2009 CSA SFM Annual Report. Below are the highlights and issues from the 2009 SFM Annual Report.

- Implementation of Opportunities for Improvements (OFIs) from certification audit.
- Continuation of CSA certification after surveillance audit.
- Continuing development, refinement and documentation of public consultation process.
- Pre-harvest surveys were completed on 100% of the blocks prior to harvest.
- Bulldozing remains less than 4% of productive land.
- Roads remain well below target of 0.05% of productive land.
- Road decommissioning has achieved over 187% of 5 year target.
- Nineteen blocks were surveyed for CWD.

Issues for 2009:

- The Company could not demonstrate where its relative log cost performance fell in the Price Waterhouse Coopers Log Cost Comparison as the survey no longer includes comparable operations.
- FRAC members were not invited to observe the external audit.
- Not all staff reviewed the species at risk training information in 2009.
- The Company did not conduct watershed research in 2009. Tolko is a member company supporting the Sustainable Forest Management Network which is conducting a major summary of watershed research with recommendations for Sustainable Forest Management Systems.

Corrective actions and/or review of indicators are being undertaken to correct issues.

Tolko Manitoba Web Site

The Tolko Manitoba web site located at www.tolkomanitoba.com was launched in early 2004. Material currently found on the web site includes the current Annual Operating Plan plus maps, FRAC meeting minutes, CSA SFM Plan, CSA SFM Annual Report, meeting minutes from the public meetings held to review the proposed annual plan, a summary of the 1997 to 2009 Forest Management Plan and announcements of upcoming public meetings.

APPENDICES

APPENDIX I

Glossary of Terms

AAC: Annual Allowable Cut

The Annual Allowable Cut (AAC) is the volume of wood that can be harvested from an area each year on a sustained yield basis. This AAC volume is essentially equal to the volume of wood that grows from the forest base in one year. It is somewhat analogous to taking the interest from a bank account while leaving the principal intact. In Manitoba AAC volumes are determined by the MC Forestry Branch.

AOP: Annual Operating Plan

Plan submitted for review and approval to Manitoba Conservation. The plan identifies the scheduled harvest for the current year with projections for the following two years. The plan also outlines major access proposed for the next three years. This allows interested parties to raise concerns during the public consultation portion of the plans development. The company is then obligated under our CSA–SFM certification commitments to attempt to mitigate those concerns or respond as to why mitigation is not possible.

CCFM: Canadian Council of Forest Ministers

The creation of the Canadian Council of Forest Ministers (CCFM) in 1985 has provided an important forum for the federal, provincial, and territorial governments responsible for forests to work cooperatively to address major areas of common interest. The Council provides leadership on national and international issues and sets direction for the stewardship and sustainable management of Canada's forests.

Clear Cut Silvicultural System

Involves the harvest of all merchantable trees (mature and commercially valuable) from the area being harvested. This is the most commonly utilized harvest and renewal practice for the even aged forest stands of the boreal forest.

Contract Operation

Contract operations on FML Area No. 2 are those which are planned and assigned by the Company. Contractors are responsible for all aspects of their employees' activities such as training, safety, production quotas, and quality, etc. while completing the contracted volumes. Contracts can be of several types, the most common is a contract mill agreement where the contractor is responsible for all phases including delivery to a stockpile, rail spur or mill. Final payment is based on the product as scaled at the mill site. Timber volumes are harvested under authority of the Company's FML Agreement.

CRITERIA (in context of CSA-SFM)

The most current broadly accepted forest values generated to date and embodied within the 6 criteria of the CCFM -SFM criteria. See also "Elements."

CSA : Canadian Standards Association

The Canadian Standards Association is a not-for-profit membership-based association serving business, industry, government and consumers in Canada and the global marketplace. As a solutions-oriented organization, they work in Canada and around the world to develop standards that address real world needs, like helping to preserve the environment or enhancing public safety and health, or facilitating trade.

CSA SFM Certification

A multi-level Sustainable Forest Management (SFM) performance standard. One level prescribes the use of a Canadian Council of Forest Ministers SFM/CSA SFM criteria and elements. A second level provides opportunity for public input to assist in setting specific values, goals, objectives, indicators and targets at the local forest level for each of the CSA-SFM elements.

Cut and Skid

Cut and skid is the term applied to the method of harvesting whereby trees are cut, delimited and topped by a worker using a power saw. The trees are then pulled (skidded) to the roadside using a line (winch spooled with wire rope pulling chokers fastened to individual trees) or grapple type skidder.

Cut Block

Cut block is the term that is used to describe a forest area with defined boundaries in which specific forest stands or parts thereof have been designated to be harvested.

Cutover

This term is used to describe an area that has been harvested using various harvest systems including selective cutting, residual growth (understory) protection cutting or clear cutting.

Coarse Woody Debris

A term used to describe the trees and portions of trees left behind on the cutovers after harvesting. It consists of non operable or non merchantable and dead trees that were downed as a result of harvesting equipment. It also includes the limbs and tops that may have been removed as part of the harvesting process. This material is different from residual or standing structure in that it is dead, dying or will die because it has no rooting system. If the harvest operation consisted of chipping or limbing/processing/slashing at roadside that accumulation of the coarse woody debris is referred to as limbing or chipping debris. Usually the roadside debris is piled for burning or redistributed back into the cutover depending on the permit conditions prescribed by Manitoba Conservation.

Database

A logical collection of inter-related information managed and stored as a unit, usually on a computer system. As an example see the Woodlands Information System (WIS). This

database includes data about the spatial location and shapes of geographic features recorded as points, lines or areas, as well as their attributes. See also WIS

DBH Diameter at Breast Height

A measurement classification used by foresters and others during mensuration of lengths, volumes, areas, etc. of standing trees. It is a diameter expressed in cm. recorded at a height of 1.3 meters from the base of the tree (hence the term “breast height”). Individual DBH classes consist of a range of diameters as minimums and maximums. For example Diameter or DBH class ‘2’ trees would have a minimum diameter of 1.1 cm and a maximum diameter of 3.0 cm when measured at 1.3 m from the base. A tree in diameter class ‘4’ would measure between 3.1 cm and 5.0 cm. A 10 DBH class tree measures between 9.1 cm and 10.9 cm. The incremental measurement varies by class from 2 cm increments in the 2 to 10 cm class to 1 cm increments in the 11 to 20 cm trees and 2 cm in the trees greater than 22 cm in diameter.

DFA Defined Forest Area

A term used in CSA-SFM language to describe the scope of the applicable area under certification. Tolko’s DFA is the same area also known as our Forest Management Licence Area (FML #2).

ELEMENT (in context of CSA-SFM)

A concept to define the scope of each of the 6 CCFM criteria to more specific local applications. There are several elements in each of the 6 criteria for a total of 17 distinct elements. See also “Criteria”.

Environmental Management System (EMS)

An Environmental Management System is a systematic method for managing an organization’s environmental performance while providing a structured process for reviewing and continuously improving this performance over time.

Fire Protection Charge (FPC)

Are those monies paid for each m³ of timber cut to the Crown to be used for forest protection.

FMPOP (Forest Management Planning and Operating Practices)

Summary of processes, standard criteria and practices developed by Tolko to be implemented in forest management planning, operations (access development and including decommissioning, harvesting, transportation and forest renewal), and reporting on FML Area No. 2.

FMPOP-OG (Forest Management Planning and Operating Practices-Operators Guide)

A synopsis of the most typical activities performed by contractors and equipment operators during the performance of their activities. The format is designed to be

informative and easily readable for quick reference in the field. Details as to why precaution is necessary and work methods that will ensure minimal risk of detrimental environmental impact.

Forest Management License (FML) Agreement

A document signed by the Province of Manitoba and forestry companies that describes the terms and conditions governing that company's management of the forest resource within a prescribed area of the province. There are three FML agreements within Manitoba. FML #1 with Pine Falls Paper Co.; FML# 2 with Tolko; and FML #3 with Louisiana-Pacific.

Forest Management License (FML) Area No. 2

The area in central and northern Manitoba described within the Forest Management License Agreement between the Province of Manitoba and the Company, signed May 4, 1989 and as amended January 19, 1994 and again on June 27, 2002 (effective July 1, 2002 and January 1, 2003) to provide for a long-term timber supply for the Company. Under CSA-SFM this is called our "Defined Forest Area".

Forest Management Unit (FMU)

Forest Management Unit is the term applied to designated areas of the Province of Manitoba by MC for the administration of the forest resource. Each FMU is identified using a two-digit number.

Forest Operation Modification Guidelines

A guideline based on the relationships between season, selected fire weather indices, types of forest operation, and site characteristics. When the spark ignition potential of surface fuels (surface vegetation, slash, and duff) is rising, these guidelines indicate which operations may need to be modified. Rising fire danger could result in restricted work hours or curtailment of some operations.

Forest Resource Advisory Committee(s) F.R.A.C.

A body of interested people that meet on a regular basis with Tolko to discuss local forest resource and other area/community or non-timber value issues that may be impacted by harvesting proposals. Minutes are kept and available for review on the public site. Where feasible, mitigation is used to modify to best extent the harvesting or access proposals to accommodate concerns that are raised. As of December 31, 2005 Tolko has three active FRAC; a main CSA-SFM Committee which contains members from across the DFA representing varying interests that may be impacted by forestry activities. Two smaller FRAC (Snow Lake and Sherridon/Cold Lake) consisting of members of the respective communities that meet to discuss Tolko proposals in close proximity to the community.

Forest Renewal

A term used to describe any projects aimed at establishing a new forest stand on a site following a disturbance.

Forest Renewal Charge (FRC)

Funds paid to ensure reforestation of Crown Lands and management to meet Provincial standards.

Forest Section

Forest Section is the term applied to areas of the Province of Manitoba designated by Manitoba Conservation for the administration of the forest resource. Each forest section is identified with a name. A forest section is assigned to each group of FMUs with a matching first digit. For example the Highrock Forest Section is made up of all FMUs with the first digit of 6. Tolko's FML Area No. 2 is made up of all or portions of five forest sections: Highrock, Nelson River, Saskatchewan River, Mountain and Interlake.

Hardwood

Hardwood is a term used to describe tree species with the typical broad-leaved appearance. These tree species lose their foliage during the winter months. Species included in this group are trembling aspen, white birches, balsam poplar, oak species and Manitoba maple.

Herbicide

Chemical substance used to control competing vegetation. The application of the herbicide glyphosate on established areas of softwood forest renewal to inhibit growth of competing vegetation may be used by Tolko as part of an overall forest renewal program.

INCO Strip

An area of the land base, within the Nelson River Forest Section, for which International Nickel Company (INCO) Ltd. holds certain harvest rights. The INCO Strip is included within FML Area No. 2 for purposes of forest management and administration by the Company.

Indicator (under CSA-SFM)

A measure of the Value, used to monitor and assess achievement

Initial Fire Attack

The action taken to halt the spread or potential spread of a fire by the first fire fighting force to arrive at the fire. Usually this is a small highly mobile crew trained in quick deployment of pressure pumps and water hose lines.

Integrated Resource Management Teams (IRMT)

The regional operations Integrated Resource Management Teams are located in the Northwest Region (The Pas), the Northeast Region (Thompson), the Western Region (Swan River), and the Central Region (Gimli), and is composed of members of the following branches of Manitoba Conservation: Forestry, Wildlife, Water Stewardship,

Regional Operations, Lands, Fisheries, Water Resources, and Parks and Natural Areas. The committee is accountable to manage regional natural resources issues and reviews/approves Tolko's AOP submissions and all activities requiring a work permit authorization.

ISO-14001 - International Organization for Standardization

ISO is a world-wide federation of national standards body. The designation 14001 specifies the requirements for an environmental management system.

Juvenile Spacing

Is a means of reducing tree density on naturally regenerated sites to allow for optimal growth of the trees retained on the site. This is done using brush saws to remove a specific number of stems reducing the competition for available space and/or nutrients.

Kiln-dried

Lumber that has been dried under controlled conditions in a kiln with the use of applied heat to improve its serviceability, in particular to minimize warping.

Manitoba Conservation (MC)

Manitoba Conservation (MC) is the department of the Manitoba provincial government which is responsible for the administration and overseeing of the management of the natural resources on Crown lands. MC includes several branches, each of which is responsible for the administration of a particular segment of the natural resource. These branches include among others; Air Quality, Crown Lands, Forestry, Wildlife, Parks and Natural Areas, Lands and Regional Operations, Protected Area Initiatives, Environmental Assessment and Licensing, Sustainable Resources Management and Pollution Prevention.

Manitoba Fisheries

One of the sections of the stand alone Water Stewardship department of the Manitoba Government. Sections mandate is to ensure sustainable use of the fisheries resource by maintaining or enhancing fish populations and habitat, monitoring harvest and habitat alterations, and allocating resources for the best return.

Mitigation

Procedures and practices put in place to minimize the effects of forestry practices on other forest users and resource values. Mitigation takes place at the planning, permitting and operational phases of forest management in response to public or community consultations, stakeholder input, government conditions/approval and field investigation.

Mobile Chipper

The Peterson DDC 5000 Mobile Chipper is a mechanical device that delimits debarks and chips logs/trees into pulp chips. The chipper is on wheels and can be moved from site to site by a fifth wheel truck.

Natural Regeneration

The renewal of a forest stand by natural rather than artificial means, such as germination of seeds dislodged from mature softwood trees during harvesting activities and left on a harvest site or from non harvested adjacent stands. Regeneration may also originate from sprouting and suckering in the case of hardwoods, or layering in the case of softwoods. Protected immature or understory species during harvest activities (careful logging) are also a natural seed source.

Objective (under CSA-SFM) –

Statement of where the Value is or where we would like it to be in the future.

Permanent Sample Plots (PSP)

Plots established in forest stands of various ages from immediately post renewal to mature forest cover. Plots and the trees within them are permanently marked. PSP plots are re-measured at periodic intervals to monitor such factors as survival, health and growth over an extended period of time.

Quota Holder

A person/company with a licence granted by the province to harvest an annual timber volume allotment on provincial Crown land under authority of a Timber Permit or a Timber Sale. See also Timber Sale Licence.

Reforestation

The natural or artificial restocking of an area with forest trees.

Regeneration

The establishment phase of softwood or hardwood species on burned-over or cutover areas.

Regeneration Survey

A systematic survey designed to assess the establishment, growth and health of regenerating forest trees established either naturally or artificially on a site following a disturbance such as harvesting or fire.

Roundwood

Roundwood is the term applied to timber that has been harvested and the limbs and tops have been removed. The timber is then delivered as whole log. It may be further cut into standardized lengths suitable for immediate processing into dimensional lumber like 16 ft or 8 ft. when delivered to the mill. Roundwood may also be delivered to a mill in tree length form for further merchandizing at the mill.

Residual Structure

Term used to describe the trees that remain standing after harvesting is complete. They can be of any size, species and either alive or dead. Under Tolko's Sustainable Forest Management System when standing structure is surveyed only trees in excess of 10 cm. diameter at breast height class (DBH) are tallied and are not counted if they are uprooted or being held from falling by another tree.

Seed Zone

Within the Province of Manitoba, MC has established 13 seed zones based on regional ecological conditions. Seedlings grown from seed collected from a specific seed zone can be planted anywhere within that specific seed zone.

Seeding

A silvicultural treatment that utilizes the placement of seed on site prepared or unprepared areas.

Shortwood

Term for a raw forest product that has been created by additional processing of a whole tree or tree length. The whole or tree length is cut (slashed) manually or mechanically into specified log lengths that are suitable for transport or further conversion to dimensional lumber.

Silviculture

The science and art of growing and tending forests based on the knowledge of the forest species requirements.

Slash(ing)

1. Slashing in terms of tree processing methods, slashing is the activity whereby tree lengths are cut (slashed) and sorted into various lengths of short wood logs.
2. Slash in terms of the forest renewal process, is the term used to describe the limbs, tops and any other non-merchantable timber residue remaining in the cutover after timber harvesting operations are completed.

Softwood

Softwood is a term used to describe conifer tree species with the typical "evergreen" appearance. Species included in this group are black spruce, white spruce, jack pine, balsam fir and tamarack.

Spur

Spur is a term used to describe an area adjacent to an established railway line in which wood is down piled from the cut block site for subsequent loading and delivery via railcar to the mill site. Spurs allow for continued year round deliveries from operating areas with

no primary access roads, or minimal all season road networks, or winter accessible only areas.

Stumpage

The price charged by the provincial government for the right to harvest timber from publicly owned forestland.

SFM- Sustained Forest Management.

SFM is forest management regimes that maintain the productive and renewal capacities, as well as the genetic, species and ecological diversity of forest ecosystems.

Target (under CSA-SFM)

A specific statement describing the desired condition of an Indicator.

Third Party Operators

Those parties operating within FML Area No. 2 which do not fall under direct supervision of the Company in terms of operations. Includes quota holders and special allocation holders who have their own separate timber volume agreements with Manitoba.

Timber Return (F-40)

Report submitted annually each quarter to the Province of Manitoba indicating the amount of timber harvested by an authorized license (quota holder).

Timber Sale Licence

An area of forest contained within a legally described perimeter that is licensed to a private party(s) for the exclusive right to conduct harvesting of Crown timber for subsequent processing into wood products from ties to lumber to panel products to pulp and paper or resale as a raw forest product.

Tree length

Whole trees that have had the limbs and tops removed either manually or mechanically. This form may be further processed in the bush at the stump or at the roadside or delivered to a stockpile or mill site for further processing.

Value

A term used in SFM to identify a quality of the forest environment that both the local stakeholders, as represented by FRAC, and Tolko believe to be important.

W.H.M.I.S. - Workplace Hazardous Material Information System

An information communication system that alerts workers to the potential hazards, and provides information/training for safe use/handling/storage methods when working around/with dangerous products as defined under the Controlled Products Regulations.

Water Stewardship

A stand-alone department of Manitoba government devoted to water stewardship. The department's mandate is to ensure the supply of high quality water through a comprehensive approach to water, fisheries and aquatic ecosystem management. See also Manitoba Fisheries.

Whole Tree

Trees that are felled (usually mechanically) and transported to roadside for further processing. Typically a chipping operation would process whole trees to maximize utilization of the available volume of chips while discarding the ground-up branches and tops back onto the forest floor.

Wood Chips

Wood chips is the term applied to a form of fibre supply which is delivered to the Company in an already processed form (chipped) as opposed to the round wood state. Wood chips are delivered from sawmill operation residuals or from portable wood chippers converting round wood at stockpile sites or at in-bush cut block locations.

Woodlands Information System (WIS)

1. An organized collection of computer hardware, software, geographic data, and personnel designed to efficiently capture, store, update, manipulate, analyse, and display all forms of geographically referenced information.
2. A computer system capable of holding and using data describing places on the earth's surface. The depiction may be in a tabular or graphic (mapping) format.

Work Permit

A work permit application is submitted to MC and must be approved by MC prior to commencement of each forest management activity on Crown land. The work permit, which follows after the Forest Management Plan and the Annual Harvest and Renewal Operating Plan have been approved, may include additional block level specific mitigation at the request of the IRMT.

APPENDIX II

Forest Section Summaries for FML Area No. 2

1. Blocks Harvested by FMU

2. Forest Renewal

Scarification and Site Preparation Activities by FMU

Tree Planting Activities by FMU

Aerial Seeding Activities by FMU

MOUNTAIN FOREST SECTION

**Mountain Forest Section
2009/2010 Forest Management Activities**

Blocks Harvested

FMU	Block	Estimated Block Size (Ha)
12	RP-1	62
12	RP-2	65
12	RP-4	56
Total		183

Forest Renewal

Scarification and Site Preparation

Nil

Herbicide Treatment

Nil

Tree Planting

FMU	Location	Area Planted (Ha)	Species	Trees Planted
12	TB-1	8.76	Black Spruce	14,147.00
Total Mountain		8.76		14,147

INTERLAKE FOREST SECTION

**Interlake Forest Section
2009/2010 Forest Management Activities**

Blocks Harvested

FMU	Block	Estimated Block Size (Ha)
No Harvest in Interlake Forest Section		
Total		

Forest Renewal

Scarification and Site Preparation
Nil

Herbicide Treatment
Nil

Tree Planting

FMU	Location	Area Planted (Ha)	Species	Trees Planted
47	EA-1	26.29	Black Spruce	32,805.00
Total Interlake		26.29		32,805

SASKATCHEWAN RIVER FOREST SECTION

**Saskatchewan River Forest Section
2009/2010 Forest Management Activities**

Blocks Harvested

FMU	Block	Estimated Block Size (Ha)
51	TM-209	171
51	TM-210	60
53	PI-5	581
53	TD-47	85
53	TM-26	119
53	TM-27	34
53	TM-28	68
53	TM-29	34
53	East Talbot ROW	20
55	DO-208	16
55	DO-210	39
55	DO-214	149
55	DO-215	83
55	RW-14	9
56	AB-200	68
56	AB-3	111
56	LK-6	33
56	MH-10	151
56	MH-11	63
56	MH-5	62
56	MH-8	111
56	MH-9	87
Total Saskatchewan River		2154

Forest Renewal

Scarification and Site Preparation

FMU	Location	Area Treated (Ha)	Treatment	Treatment Method
51	Baril Salvage-51	95.96	Scarification	Barrels & Chain
53	Baril Salvage-53	41.09	Scarification	Barrels & Chain
53	PI-4	215.48	Scarification	Barrels & Chain
53	PI-6	328.89	Scarification	Barrels & Chain
53	TM-29	33.03	Scarification	Barrels & Chain
53	TM-30	83.61	Scarification	Barrels & Chain
53	TM-32	51.95	Scarification	Barrels & Chain
53	TM-33	16.32	Scarification	Barrels & Chain
53	TM-35	57.91	Scarification	Barrels & Chain
53	TM-36	61.52	Scarification	Barrels & Chain
53	TM-37	49.26	Scarification	Barrels & Chain
54	TM-34	42.98	Scarification	Barrels & Chain
54	TM-47	10.84	Scarification	Barrels & Chain
54	TM-48	28.29	Scarification	Barrels & Chain
54	TM-49	13.64	Scarification	Barrels & Chain
Total Saskatchewan River		1,130.80		

Herbicide Treatment

Nil

Aerial Seeding

Nil

Tree Planting

FMU	Location	Area Planted (Ha)	Species	Trees Planted
51	OL-42	69.65	Black Spruce	98,218.00
51	OL-43	100.95	Black Spruce	26,640.00
52	OF-5	83.50	Black Spruce	134,047.00
53	Baril Salvage-53	46.43	Black Spruce	62,147.00
54	Baril Salvage-54	2.50	Black Spruce	3,250.00
55	DO-200	49.47	Black Spruce	47,572.00
Total Saskatchewan River		352.50		371,874

HIGHROCK FOREST SECTION

**Highrock Forest Section
2009/2010 Forest Management Activities**

Blocks Harvested

FMU	Block	Estimated Block Size (Ha)
67	AF-205	226
67	BZ-5	71
67	DL-2	24
67	PS-1	134
67	PS-5	28
67	VA-5	47
67	WM-1	62
Total		592

Forest Renewal

Scarification and Site Preparation

FMU	Location	Area Treated (Ha)	Treatment	Treatment Method
67	AF-205	254.80	Site preparation	Anchor Chains
67	AF-209	97.31	Site preparation	Anchor Chains
67	AF-210	166.66	Site preparation	Anchor Chains
67	BS-11	41.78	Site preparation	Anchor Chains
67	BS-9	58.49	Site preparation	Anchor Chains
Total Highrock		619.04		

Herbicide Treatment

Nil

Tree Planting

FMU	Location	Area Planted (Ha)	Species	Trees Planted
60	LE-3	101.11	Black Spruce	119,110.00
60	OB-2	74.95	Black Spruce	114,305.00
60	OB-3	30.97	Black Spruce	42,464.00
60	OB-6	21.73	Black Spruce	25,682.00
60	OB-7	5.98	Black Spruce	8,301.00
60	OB-8	22.04	Black Spruce	26,215.00
67	AF-200	50.77	Black Spruce	62,727.00
67	AF-201	54.77	Black Spruce	58,543.00
67	AF-202	29.72	Black Spruce	36,236.00
67	AF-204	239.91	Black Spruce	212,022.00
67	AF-205	296.99	Black Spruce	281,626.00
67	AF-209	108.45	Black Spruce	112,542.00
67	AF-210	189.79	Black Spruce	184,769.00
67	BS-12	139.09	Black Spruce	147,218.00
67	BS-2	24.34	Black Spruce	67,449.00
67	BS-5	94.34	Black Spruce	107,023.00
67	BS-7	11.00	Black Spruce	10,780.00
67	BS-8	28.67	Black Spruce	39,852.00
67	BS-9	74.07	Black Spruce	97,422.00
67	CL-10	30.00	Black Spruce	30,557.00
67	CL-10	37.64	White Spruce	40,609.00
67	CL-8	25.11	Black Spruce	33,755.00
67	CL-9	30.65	Black Spruce	23,174.00
67	CL-9	32.00	White Spruce	29,809.00
67	ST-27	9.75	Black Spruce	12,753.00
67	WM-13	100.91	Black Spruce	113,219.00
67	WM-13	54.00	White Spruce	61,949.00
67	WM-19	40.41	Black Spruce	48,337.00
67	WM-24	15.01	Black Spruce	14,391.00
67	WM-24	14.00	White Spruce	12,796.00
67	WM-5	112.28	Black Spruce	141,253.00
67	WM-5	60.00	White Spruce	77,137.00
67	WM-6	49.09	Black Spruce	59,406.00
67	WM-6	25.00	White Spruce	35,220.00
68	BL-7	33.95	Black Spruce	38,352.00
68	BL-7	2.00	White Spruce	1,913.00
68	BL-8	123.02	Black Spruce	167,391.00
68	BL-8	13.00	White Spruce	16,663.00
Total Highrock		2406.51		2,712,970

NELSON RIVER FOREST SECTION

**Nelson River Forest Section
2009/2010 Forest Management Activities**

Blocks Harvested

FMU	Block	Estimated Block Size (Ha)
No Harvest in Nelson River Forest Section		
Total		

Forest Renewal

Nil

Scarification and Site Preparation

Nil

Herbicide Treatment

Nil

Tree Planting

FMU	Location	Area Planted (Ha)	Species	Trees Planted
83	KL-38	11.22	Black Spruce	16,319.00
83	KL-50	38.11	Black Spruce	39,175.00
83	KL-51	183.93	Black Spruce	259,367.00
83	KL-52	124.70	Black Spruce	200,934.00
83	KL-53	19.67	Black Spruce	34,871.00
83	KL-60	79.71	Black Spruce	120,273.00
83	KL-61	113.76	Black Spruce	162,497.00
83	KL-63	108.24	Black Spruce	162,626.00
83	KL-64	52.77	Black Spruce	88,631.00
84	JO-77	12.40	Black Spruce	15,682.00
84	ML-4	6.05	Black Spruce	4,782.00
84	RL-24	14.42	Black Spruce	14,905.00
84	RL-41	4.81	Black Spruce	20,245.00
84	RL-65	162.66	Black Spruce	258,620.00
INCO STRIP	VE-3	127.62	Black Spruce	177,740.00
Total Nelson River		1060.07		1,576,667