

May 15, 2007

**DAISHOWA-MARUBENI INTERNATIONAL LTD.
Peace River Pulp Division**

and

Tolko Industries Ltd. High Level Lumber Division

FINAL ANNUAL OPERATING PLAN

INTRODUCTION

This plan for Coniferous Timber Licence **CTLP100009** issued under **Coniferous Timber Quota CTQP100001** and Compartment **FMAP100126** issued under **Forest Management Agreement 8900027** covers the operating period from May 1, 2007 to April 30, 2008.

The proposed location of manufacture for deciduous volume harvested under the authority of this plan is the Daishowa-Marubeni International Ltd., Peace River Pulp Mill located near Peace River, Alberta.

Incidental coniferous timber harvested as a result of deciduous harvesting operations, will be offered to Tolko Industries Ltd. High Level Lumber Division.

Table 7 of Peace River Pulp Division's (PRPD) 2007 General Development Plan (GDP) summarizes incidental conifer volumes and destination.

Upon delivery to the respective mill sites all material will be weigh scaled.

DECIDUOUS PRODUCTION (Quadrant)

CONIFEROUS PRODUCTION (Quota)

Proposed production for this timber year:

Proposed production for this timber year:

Deciduous Dominated Stands: **129,261 m³**
Incidental Deciduous: **0m³**

Coniferous Dominated Stands: **0 m³**
Incidental Coniferous: **39,713m³**

The deciduous production record is summarized in **Table 1** of PRPD's 2007 GDP.

WOOD OPERATIONS

Deciduous operating conditions and merchantability standards are subject to the DMI Timber Harvest Planning and Operating Ground Rules, Operating Conditions listed in Section 5 of PRPD's General Development Plan and any additional Operating conditions listed in the Alberta Sustainable Resource Development (ASRD) Letter of Approval.

The coniferous operations and merchantability standards will comply with the Alberta Timber Harvest Planning and Operating Ground Rules and any additional Operating conditions listed in the ASRD Letter of Approval.

ACCESS DEVELOPMENT

Prior to company use of any existing road, pipeline, power line, well site or other disposition held by a third party, the consent of the holder will be obtained.

Reclamation will be concurrent with completion of operations. The access development and reclamation will follow the company's weed control plan.

Licences of Occupation:

Disposition Number	Holder	Road Class	Season of Operation
LOC 890557	DMI	V	Winter
LOC 021812	Encana Oil and Gas Co. Ltd.	V	Non-frozen
LOC 030219	Apache Canada Ltd.	V	Winter
LOC 771236	Conocophillips Canada Resources Corp.	V	Winter

Road Construction

Class V Roads

In-block roads will be installed during the harvest of 2007. The block roads will be reclaimed upon completion of hauling.

Access Construction:

Road Number	Class	Season	Development Required	Reclamation	Company
43	V	Winter	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
49	V	Winter	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
58	V	Winter	Blade Line, Pre-log And Stump Access and Block Roads	Roll Back, piling, and seeding as required	DMI
61	V	Winter	Pre-log And Stump Access and Block Roads	Roll Back, piling, and seeding as required	DMI
66	V	Winter	Pre-log And Stump Access and Block Roads	Roll Back, piling, and seeding as required	DMI
68	V	Winter	Blade Line, Pre-log And Stump Access and Block Roads	Roll Back, piling, and seeding as required	DMI
80	V	Winter	Blade Line, Pre-log And Stump Access and Block Roads	Roll Back, piling, and seeding as required	DMI
81	V	Winter	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
83	V	Summer	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
91	V	Winter	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
92	V	Winter	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
95	V	Winter	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
100	V	Summer	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
101	V	Summer	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI

Road Number	Class	Season	Development Required	Reclamation	Company
103	V	Summer	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
104	V	Winter	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
105	V	Winter	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
107	V	Summer	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
108	V	Summer	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
111	V	Summer	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
114	V	Winter	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
119	V	Winter	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
121	V	Winter	Pre-log And Stump Access and Block Roads	Roll Back, piling, and seeding as required	DMI
122	V	Winter	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
125	V	Winter	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
126	V	Summer	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
127	V	Summer	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI
129	V	Winter	Blade Line and Log and Stump Block Access	Roll Back, piling, and seeding as required	DMI

STREAM CROSSINGS

The table below lists the crossings to be utilized during this timber year. This table does not list crossings that are located on routes held under LOC by DMI or other companies.

The removal of crossings constructed with snow or log fills will be removed after operations are completed.

The crossings listed in this table do not require any approval from Department of Fisheries and Ocean Canada or the Water Management Division of Alberta Environment.

Crossing No.	Structure	Stream Class	Company
1	Log Fill and/or Snow Fill	Intermittent	DMI
2	Log Fill and/or Snow Fill	Intermittent	DMI
3	Log Fill and/or Snow Fill	Intermittent	DMI
4	Log Fill and/or Snow Fill	Intermittent	DMI
5	Log Fill and/or Snow Fill	Intermittent	DMI
6	Log Fill and/or Snow Fill	Intermittent	DMI
7	Log Fill and/or Snow Fill	Intermittent	DMI
8	Log Fill and/or Snow Fill	Intermittent	DMI
9	Log Fill and/or Snow Fill	Intermittent	DMI
14	Log Fill and/or Snow Fill	Intermittent	DMI
16	Log Fill and/or Snow Fill	Intermittent	DMI
17	Log Fill and/or Snow Fill	Intermittent	DMI
22	Log Fill and/or Snow Fill	Intermittent	DMI
23	Log Fill and/or Snow Fill	Intermittent	DMI
24	Log Fill and/or Snow Fill	Intermittent	DMI
25	Log Fill and/or Snow Fill	Intermittent	DMI
26	Log Fill and/or Snow Fill	Intermittent	DMI

OPERATIONS

Coniferous harvesting will be mechanized and completed with a feller-buncher, grapple skidder, and stroke delimber with tree-length haul to the sawmill

Deciduous harvesting will utilize a Feller-buncher, grapple skidder and a bush chipper hauling chips to the pulp mill.

TRAPPER NOTIFICATION

All Trappers will receive a copy of this Final AOP.

Number	Holder	Contact Date	Method
1269	Scot Halvorson	April 18, 2006 Copy of Final AOP(June 2007)	Registered Mail Registered Mail
1589	John Fix	April 18, 2006 Copy of Final AOP(June 2007)	Registered Mail Registered Mail
1233	Dennis Siverston	April 18, 2006 Copy of Final AOP(June 2007)	Registered Mail Registered Mail
2187	Dean Yardley	April 18, 2006 Copy of Final AOP(June 2007)	Registered Mail Registered Mail

DESIGN CONSIDERATIONS

The deciduous component of this plan was designed with objectives from the 1999 DMI Detailed Forest Management Plan and PRPD's 2007 GDP.

1. Implement a single-pass harvest system that utilizes natural stand boundaries as block boundaries to avoid potential fragmentation of the landbase.
2. Retain merchantable volume within harvested areas in the three designated classes of retention outlined in PRPD's "Retention Strategy". This retention will contribute to the overall goal of retaining 15% at the landscape level. The actual retention for individual blocks will vary between 0 and 30%.
3. Design in-block roading that minimize road construction, reclamation requirements, and access throughout the area after harvest.

CUTBLOCK SUMMARY

The cutblock summary is listed below.

Block Number	Total Area (ha)	DEC. Vol. (m3)	CON. Vol. (m3)
43	14.2	1,613	973
49	13.7	1,574	286
58	38.4	7,314	5,145
61	10.7	863	227
66	7.6	495	130
68	30.6	3,478	815
80	6.7	465	324
81	152.6	18,621	5,195
91	28.1	4,704	1,045
92	39.2	6,563	1,218
95	10.2	1,669	381
100	61.9	6,996	1,245
101	21.1	1,880	1,021
103	129.0	17,270	6,289
104	7.2	587	158
105	17.3	2,823	509
107	17.9	2,603	597
108	10.4	1,088	69
111	129.8	19,304	4,723
114	10.11	1,836	405
119	1.0	137	27
121	9.5	1,455	1,203
122	36.0	5,745	2,490
125	12.6	1,059	818
126	20.3	3,837	843
127	80.7	10,362	2,138
129	15.02	2,496	886
Total	953.7	129,261	39,713

BLOCK SEQUENCING

Blocks 49, 61, 66, 68, 107, 111, 126 and 127 scheduled for operations this timber year are within the Ungulate winter range. These blocks will be harvested first in order to complete harvesting and reclamation activities prior to January 15, 2007.

The blocks will be cut in the following order 100, 111, 126, 107, 127, 49, 61, 56, 68 and 66.

SLASH DISPOSAL

Slash disposal guidelines set out in section five of the 2007 GDP will be followed.

HISTORICAL RESOURCE CONSIDERATIONS

This plan's operations will comply with the Alberta Historical Resources Act.

UNDERSTORY MANAGEMENT

Any understory encountered during layout and operations within these blocks will be assessed and protection measures implemented as indicated in DMI's understory protection guidelines.

The inspecting Forest-Officer will be notified of any changes to the understory protection prescriptions.

REFORESTATION PROGRAM

The Reforestation Table below outlines the proposed harvest system, silviculture system (strategy) and reforestation tactic for the blocks to be harvested.

SILVICULTURE STRATEGIES

Timber Year	DISPOSITION	Block	(0.1 ha)	Pre-Harvest Assessment Completed	Frozen or Non-Frozen	Proposed Harvest System	SILVICULTURE SYSTEM	REFORESTATION TACTIC
2007	FMAP100126/CTLP100009	43	14.2	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	49	13.7	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	58	38.4	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	61	10.7	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	66	7.6	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	68	30.6	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	80	6.7	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	81	152.6	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	83	22.1	Prior to Harvest	Non-Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	91	28.1	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	92	39.2	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	95	10.2	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	100	61.9	Prior to Harvest	Non-Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	101	21.1	Prior to Harvest	Non-Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	103	129.0	Prior to Harvest	Non-Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	104	7.2	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	105	17.3	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	107	17.9	Prior to Harvest	Non-Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	108	10.4	Prior to Harvest	Non-Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	111	129.8	Prior to Harvest	Non-Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	114	10.1	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	119	1.0	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	121	9.5	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	122	36.0	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	125	12.6	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering

Timber Year	DISPOSITION	Block	(0.1 ha)	Pre-Harvest Assessment Completed	Frozen or Non-Frozen	Proposed Harvest System	SILVICULTURE SYSTEM	REFORESTATION TACTIC
2007	FMAP100126/CTLP100009	126	20.3	Prior to Harvest	Non-Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	127	80.7	Prior to Harvest	Non-Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering
2007	FMAP100126/CTLP100009	129	15.02	No	Frozen	Road Side Chipper	Clearcut	Leave For Natural Suckering

The Table below outlines pre harvest strata polygons by the four cover types based upon the current Forest Inventory data.

Pre-harvest Landbase

<u>Timber Year</u>	<u>DISPOSITION</u>	<u>Block</u>	<u>Area (Ha)</u>	<u>Map Inventory Type (pre-harvest)-ha</u>			
				<u>C</u>	<u>CD</u>	<u>DC</u>	<u>D</u>
2007	FMAP100126/CTLP100009	43	14.2	0.0	3.9	0.0	10.3
2007	FMAP100126/CTLP100009	49	13.7	0.0	0.0	0.0	13.7
2007	FMAP100126/CTLP100009	58	38.4	0.0	0.0	36.2	2.3
2007	FMAP100126/CTLP100009	61	10.7	0.0	0.0	0.0	10.7
2007	FMAP100126/CTLP100009	66	7.6	0.0	0.0	0.0	7.6
2007	FMAP100126/CTLP100009	68	30.6	0.0	0.0	0.0	30.6
2007	FMAP100126/CTLP100009	80	6.7	0.0	0.0	6.7	0.0
2007	FMAP100126/CTLP100009	81	152.6	8.5	0.0	6.1	138.0
2007	FMAP100126/CTLP100009	83	22.1	0.0	0.0	0.0	22.1
2007	FMAP100126/CTLP100009	91	28.1	0.0	0.0	0.0	28.1
2007	FMAP100126/CTLP100009	92	39.2	0.0	0.0	0.0	39.2
2007	FMAP100126/CTLP100009	95	10.2	0.0	0.0	0.0	10.2
2007	FMAP100126/CTLP100009	100	61.9	0.0	0.0	0.0	61.9
2007	FMAP100126/CTLP100009	101	21.1	0.0	0.0	17.9	3.2
2007	FMAP100126/CTLP100009	103	129.0	0.0	0.0	37.4	91.7
2007	FMAP100126/CTLP100009	104	7.2	0.0	0.0	3.9	3.3
2007	FMAP100126/CTLP100009	105	17.3	0.0	0.0	0.0	17.3
2007	FMAP100126/CTLP100009	107	17.9	0.0	0.0	0.0	17.9
2007	FMAP100126/CTLP100009	108	10.4	0.0	0.0	0.0	10.4
2007	FMAP100126/CTLP100009	111	129.8	3.3	0.0	1.2	125.3
2007	FMAP100126/CTLP100009	114	10.1	0.0	0.0	0.8	9.3
2007	FMAP100126/CTLP100009	119	1.0	0.0	0.0	0.0	1.0
2007	FMAP100126/CTLP100009	121	9.5	1.1	0.0	8.4	0.0
2007	FMAP100126/CTLP100009	122	36.0	0.9	0.0	16.4	18.7
2007	FMAP100126/CTLP100009	125	12.6	0.0	0.0	12.6	0.0
2007	FMAP100126/CTLP100009	126	20.3	0.0	0.0	0.0	20.3
2007	FMAP100126/CTLP100009	127	80.7	1.1	0.0	0.0	79.6
2007	FMAP100126/CTLP100009	129	15.0	2.5	0.0	0.0	12.5
	Totals		953.7	16.5	3.9	140.9	792.4

ENDORSEMENT OF AOP BY FMA HOLDER
ENDORSEMENT OF AOP: FMAP100126

Both companies have jointly developed and reviewed this Final Integrated Annual Operating Plan, and endorse the design that is applicable to each operation.

AOP prepared by:

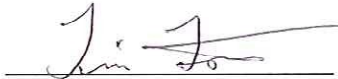
Name: Trina Tosh

Name: Ed Anderson

Position: Forest Resources Supervisor,
Planning

Position: Woodlands Field Supervisor

Signature:



Signature:



Date:

May 29, 2007

Date:

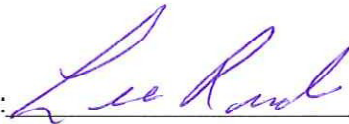
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ENDORSEMENT OF AOP BY FMA HOLDER
ENDORSEMENT OF AOP: FMAP100126

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AOP prepared by:

Name: Trina Tosh

Name: Ed Anderson

Position: Forest Resources Supervisor,
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Position: Woodlands Field Supervisor

Signature:

Signature:

Ed Anderson

Date:

Date:

May 30, 2007

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