

THIS MEMORANDUM OF AGREEMENT is made effective as of the Effective Date.

BETWEEN:

THE GOVERNMENT OF SASKATCHEWAN
as represented by the Minister of Environment
(the "**Minister**")

- AND -

SAKAW ASKIY MANAGEMENT INC.
("**Sakaw Askiy**")

- AND -

THE SHAREHOLDERS OF SAKAW ASKIY
being, as of the date hereof, those Shareholders
that are signatory hereto
(collectively, the "**Shareholders**")

MEMORANDUM OF AGREEMENT
(Prince Albert FMA Side Agreement)

WHEREAS:

1. Sakaw Askiy entered into an assignment agreement dated for reference June 30th, 2010 (the "**Assignment Agreement**") with the Minister, Domtar Corporation and Weyerhaeuser Company Limited pursuant to which the Prince Albert FMA was, with the consent of the Minister, assigned by Weyerhaeuser Company Limited to Sakaw Askiy with effect as of the Effective Date on the terms set forth therein.
2. The Prince Albert FMA, as amended and restated, authorizes Sakaw Askiy (in its capacity as the Licensee thereunder) to harvest Crown timber within the Agreement area in accordance with the terms thereof.
3. The Minister has allocated certain timber harvest volumes from within the Agreement area to each of the Shareholders as set forth in Schedule "F" of the Prince Albert FMA.
4. A number of the Shareholders operate processing facilities in the Province of Saskatchewan and a continuous supply of timber, adequate to meet the needs of such processing facilities, is required now and for the life of the said facilities.
5. The Minister and Sakaw Askiy agree that it is desirable to ensure a viable, profitable and competitive timber processing industry and the development of other forestry related industries in the Province of Saskatchewan and that the provisions of this Agreement and the Prince Albert FMA are necessary and

- appropriate to secure long term timber supplies for the use of the Shareholders and to support investments in their processing facilities.
6. The Minister recognizes the importance of creating economic development opportunities, including for the benefit of Sakaw Askiy's First Nation-controlled Shareholders, within the forestry and timber processing industry (and including economic development opportunities in relation to renewal, road construction and road maintenance).
 7. The Parties have agreed to enter into this Agreement to identify and confirm certain additional rights and obligations on the part of Sakaw Askiy, the Minister and the Shareholders, as applicable, with respect to the Prince Albert FMA and the Agreement area.

NOW THEREFORE in consideration of the agreements herein contained, and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the Parties hereto) the Parties hereby agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Where used in this Agreement, including in the recitals hereto, the following terms and phrases shall have the meanings, respectively, ascribed to them below, namely:

- (a) "**Agreement**" means this agreement, including the recitals and any schedules hereto, as amended from time to time.
- (b) "**Agreement area**" has the meaning given to that term in the Prince Albert FMA.
- (c) "**Allocation**" has the meaning given to that term in the Prince Albert FMA.
- (d) "**Allocation holder**" means any Person who holds an Allocation, including Shareholders.
- (e) "**Applicable Law**" means all statutes, regulations, laws, rules, orders and directions in effect from time to time and made by any Governmental Entity having legal jurisdiction over the Prince Albert FMA, the Agreement area and/or the Parties, as applicable, including *The Forest Resources Management Act* and the Regulations.
- (f) "**Assignment Agreement**" has the meaning given to that term in the recitals.
- (g) "**Effective Date**" means the effective date of the Assignment Agreement.
- (h) "**forest management**" has the meaning given to that term in the Prince Albert FMA.
- (i) "**forest management plan**" has the meaning given to that term in the Prince Albert FMA.

- (j) "**Forest Renewal Obligations**" means the renewal and reforestation obligations imposed on Sakaw Askiy (or on a Shareholder, as applicable) pursuant to the Prince Albert FMA, *The Forest Resources Management Act* and the Regulations, including the obligation to pay fees for renewal of forest products and reforestation.
- (k) "**Governmental Entity**" means (i) any international, multinational, national, federal, First Nation, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the above, (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
- (l) "**operating plan**" has the meaning given to that term in the Prince Albert FMA.
- (m) "**operating zone**" the meaning given to that term in the Prince Albert FMA.
- (n) "**Parties**" means, collectively, the parties to this Agreement from time to time and includes their respective successors and permitted assigns, as the case may be, and "**Party**" means any one of them.
- (o) "**Person**" includes any individual, partnership, limited partnership, limited liability partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or Governmental Entity however designated or constituted.
- (p) "**Prince Albert FMA**" means the amended and restated Prince Albert Forest Management Agreement entered into between Sakaw Askiy and the Minister and made effective as of the Effective Date.
- (q) "**Regulations**" means the regulations from time to time enacted pursuant to *The Forest Resources Management Act* (Saskatchewan) and, for greater certainty, includes any code or codes thereunder or forming part thereof.
- (r) "**Sakaw Askiy USA**" means the unanimous shareholder agreement dated for reference June 21, 2010 and entered into between Sakaw Askiy and the current shareholders of Sakaw Askiy, as amended or replaced.
- (s) "**Shareholder**" means a shareholder of Sakaw Askiy and "**Shareholders**" means all of such shareholders, collectively.
- (t) "**Shareholder FMA Obligations**" means duties, activities or obligations identified in the Prince Albert FMA as being the responsibility or obligation of a Shareholder.

- (u) "term supply licence" has the meaning given to that term in *The Forest Resources Management Act*.
- (v) "timber" has the meaning given to that term in the Regulations.
- (w) "TSL" means a volume based term supply licence issued by the Minister in relation to the Agreement area in a form that contains terms and conditions:
 - (i) consistent with the standard terms and conditions of other five year term supply licences being issued by the Minister at the time of issuance of such term supply licence;
 - (ii) permitting the ongoing renewal of such term supply licence by the Minister upon expiration thereof in accordance with *The Forest Resources Management Act*; and
 - (iii) that otherwise comply with *The Forest Resources Management Act* and the Regulations.

ARTICLE 2 SECURITY OF TENURE

2.1 In the event that the Prince Albert FMA is hereafter terminated for any reason the Minister agrees to issue a TSL having a term of five (5) years to each Allocation holder that is, at such time, a Shareholder. The TSL may:

- (a) be renewed by the Minister in accordance with *The Forest Resources Management Act*;
- (b) be subject to a requirement for those Shareholders who have been issued TSL's to work cooperatively to maintain and implement a coordinated forest management plan and operating plan for the Agreement area; and
- (c) include conditions respecting road ownership, road maintenance, reclamation of roads and renewal responsibilities within the Shareholder's operating zone.

2.2 The TSL shall be issued by the Minister pursuant to Section 2.1 unless the Minister, acting reasonably and for valid forest management reasons, determines that:

- (a) such Shareholder has not fulfilled its Shareholder FMA Obligations (including any Forest Renewal Obligations or obligations to pay Crown dues, fees and other charges);
- (b) one or more of the processing facilities of such Shareholder located in Saskatchewan and associated with the Agreement area has immediately prior to such time been, for any reason, closed or inoperative for a continuous period in excess of twelve (12) months without the consent of the Minister;

- (c) such Shareholder has contravened any material provision of *The Forest Resources Management Act* or the Regulations and has not remedied or taken steps to remedy such contravention;
- (d) such Shareholder has contravened any material provision of the then current forest management plan or operating plan and has not remedied or taken steps to remedy such contravention; or
- (e) there is no longer a sustainable volume of timber on the land base which would support the volume proposed for the TSL, in which case the TSL issued to each Shareholder will be adjusted to reflect the *pro rata* share of the revised sustainable volume of timber on the land base.

2.3 In the event that the Minister receives written confirmation from Sakaw Askiy that a former Shareholder of Sakaw Askiy is a "Withdrawn Shareholder" within the meaning of the Sakaw Askiy USA then, provided that such Withdrawn Shareholder continues to be an Allocation holder, the Minister agrees to issue a TSL having a term of five (5) years to such Withdrawn Shareholder following receipt of a written request from such Withdrawn Shareholder unless the Minister, acting reasonably and for valid forest management reasons, determines that:

- (a) such Withdrawn Shareholder has not fulfilled its Shareholder FMA Obligations (including any Forest Renewal Obligations or obligations to pay Crown dues, fees and other charges);
- (b) one or more of the processing facilities of such Shareholder located in Saskatchewan and associated with the Agreement area has immediately prior to such time been, for any reason, closed or inoperative for a continuous period in excess of twelve (12) months without the consent of the Minister;
- (c) such Withdrawn Shareholder has contravened any material provision of *The Forest Resources Management Act* or the Regulations and has not remedied or taken steps to remedy such contravention;
- (d) such Withdrawn Shareholder has contravened any material provision of the then current forest management plan or operating plan and has not remedied or taken steps to remedy such contravention;
- (e) there is no longer a sustainable volume of timber on the land base which would support the volume proposed for the TSL, in which case the TSL issued to the Withdrawn Shareholder will be adjusted to reflect the *pro rata* share of the revised sustainable volume of timber on the land base; or
- (f) such Withdrawn Shareholder has failed to:
 - (i) provide evidence satisfactory to the Minister that such Withdrawn Shareholder has entered into an agreement with Sakaw Askiy regarding such Withdrawn Shareholder's timber harvesting and other Forest

Operations within the Agreement area in a form satisfactory to Sakaw Askiy; and

- (ii) supply to the Minister written confirmation from Sakaw Askiy, in a form satisfactory to the Minister, confirming that such Withdrawn Shareholder:
 - (A) is not indebted to Sakaw Askiy; and
 - (B) is not in breach of any of its obligations to Sakaw Askiy (whether pursuant to the Sakaw Askiy USA or otherwise).

2.4 For greater certainty, the Parties agree that a Withdrawn Shareholder shall have no right to and shall not harvest timber on the Agreement area until such time as the Withdrawn Shareholder has entered into an agreement, in a form satisfactory to Sakaw Askiy acting reasonably, regarding such Withdrawn Shareholder's timber harvesting and other forest operations within the Agreement area.

2.5 In the event that the Prince Albert FMA is hereafter terminated for any reason, the Minister, the Shareholders and, to the extent practical in the circumstances, Sakaw Askiy, each agree to use their best efforts, acting in good faith, to establish a new "single point of access" entity to hold (and become the Licensee pursuant to) the Prince Albert FMA.

ARTICLE 3 SHAREHOLDER COVENANTS

3.1 Each Shareholder severally covenants and agrees with each of Sakaw Askiy and the Minister that such Shareholder shall:

- (a) be responsible for:
 - (i) its own road construction within its operating zone (save and except for (A) roads being constructed under any roads and transportation agreement that may be hereafter entered into between Sakaw Askiy and the Government of Saskatchewan or (B) as may otherwise be agreed pursuant to an applicable road user agreement);
 - (ii) its own road maintenance within its operating zone (save and except for (A) roads being maintained under any road maintenance agreement that may be hereafter entered into between Sakaw Askiy and the Government of Saskatchewan or (B) as may otherwise be agreed pursuant to an applicable road user agreement);
 - (iii) its own timber harvesting operations and field work;
 - (iv) its own post-harvesting and silviculture operations;
 - (v) the transportation, sale and utilization of all timber harvested for it, or on its behalf;

- (vi) the due and punctual payment to the Minister of all Crown dues, fees and other charges in relation to all timber harvested for it, or on its behalf; and
- (vii) the due and punctual payment and/or performance of all Forest Renewal Obligations in respect of any timber harvested for it, or on its behalf, in the manner contemplated pursuant to the Prince Albert FMA;

provided that, for greater certainty, the Minister and Sakaw Askiy acknowledge that a Shareholder (a "**Contracting Shareholder**") may contract with Sakaw Askiy, or with another Shareholder, to perform any or all of the foregoing activities on such Shareholder's behalf in accordance with the Sakaw Askiy USA in which case the obligation to perform such activities shall, as applicable, be that of Sakaw Askiy or the other Shareholder, and not of the Contracting Shareholder;

- (b) it shall maintain its Allocation in good standing and shall not amend, surrender, transfer or otherwise dispose of such Allocation, or any interest therein, except as permitted in accordance with the Prince Albert FMA, the Sakaw Askiy USA, and with the consent of the Minister;
- (c) it shall provide Sakaw Askiy, or the Minister at the Minister's request, with all necessary reports, plans, applications, assessments and other documents in its possession or control where such information is required to be delivered by the Shareholder and/or Sakaw Askiy to the Minister, or to any other Governmental Entity, in respect of the Agreement area or pursuant to the Prince Albert FMA, the Sakaw Askiy USA, *The Forest Resources Management Act* or the Regulations, or must be consolidated with other Shareholder information in connection with the oversight role of Sakaw Askiy pursuant to the Prince Albert FMA, the Sakaw Askiy USA, *The Forest Resources Management Act*, the Regulations and Applicable Law;
- (d) it shall pay promptly, when due, any fees, levies, dues, charges, or other monies required to be paid by it pursuant to the Prince Albert FMA, the Sakaw Askiy USA, *The Forest Resources Management Act*, the Regulations and Applicable Law (including any amounts owing to Sakaw Askiy, to the Minister, or to any Governmental Entity);
- (e) it will follow lawful and commercially reasonable directions given on behalf of Sakaw Askiy and/or the Minister pursuant to the Prince Albert FMA, *The Forest Resources Management Act*, the Regulations and Applicable Law;
- (f) all forest operations undertaken or performed by it, or by directors, officers, employees, contractors, agents or others on its behalf, will comply with the forest management plan, the operating plan, the harvest volume schedule, the Prince Albert FMA, *The Forest Resources Management Act*, the Regulations (including any applicable provisions in the legislation where a licensee is obligated to carry out certain duties and functions) and Applicable Law; and

- (g) it will cause all of the timber it harvests (or which is harvested by employees, contractors, agents or others on its behalf) from within the Agreement area to be measured, counted, and/or weighed as required by Sakaw Askiy or the Minister pursuant to the Prince Albert FMA, *The Forest Resources Management Act*, the Regulations and Applicable Law (including, as applicable, the Saskatchewan Scaling Manual and the procedures and standards set out in an approved scaling plan).

ARTICLE 4

EFFECT OF SHAREHOLDER DEFAULTS

4.1 The Minister acknowledges that if a Shareholder defaults in the performance of such Shareholder's obligations, whether pursuant to the provisions of this Agreement, *The Forest Resources Management Act*, the Regulations or Applicable Law, such default shall not be, or be deemed to be, a default on the part of Sakaw Askiy or any other Shareholder and, for greater certainty, the Minister agrees that such Shareholder default will not:

- (a) result in the termination of the Prince Albert FMA;
- (b) in any way affect the rights or privileges of Sakaw Askiy, whether in relation to the Prince Albert FMA or otherwise; or
- (c) in any way affect the rights or privileges of any non-defaulting Shareholder, whether in relation to such non-defaulting Shareholder's Allocation or otherwise.

4.2 In the event that a Shareholder defaults in the performance of any of the Shareholder's covenants as outlined in Article 3, the Minister will:

- (a) provide written notice to the Shareholder and to Sakaw Askiy that the Shareholder has defaulted in the performance of one or more of such Shareholder's covenants as outlined in Article 3 and such notice shall identify the default or defaults and may direct the manner in which any such default is to be addressed by the Shareholder;
- (b) provide not less than 60 days for the Shareholder to remedy the default identified in the written notice;
- (c) consider any written response from the Shareholder or Sakaw Askiy in relation to the default identified in the written notice; and
- (d) meet with an official representative of Sakaw Askiy and the Shareholder to discuss the default identified in the written notice and to determine how the Shareholder will comply with the covenant to the satisfaction of the Minister.

4.3 In the event that the Shareholder does not remedy the default as outlined in Section 4.2 to the Minister's satisfaction, the Minister may:

- (a) assess an administrative penalty against the defaulting Shareholder in accordance with section 78 of *The Forest Resources Management Act*;

- (b) place terms and conditions on the defaulting Shareholder's Allocation in Schedule "F" of the Prince Albert FMA pursuant to section 14.08 of the Prince Albert FMA; and/or
- (c) amend, vary, suspend or revoke the defaulting Shareholder's Allocation in Schedule "F" of the Prince Albert FMA pursuant to section 14.08 of the Prince Albert FMA;

and, in any of the foregoing circumstances, the Minister agrees to inform Sakaw Askiy of the Minister's decision and/or actions in relation to such defaulting Shareholder.

ARTICLE 5 GENERAL PROVISIONS

5.1 Each of the Parties hereto agrees to sign all such documents and do all such things as may be necessary and desirable to more completely and effectively carry out the terms and intent of this Agreement.

5.2 This Agreement shall enure to the benefit of and be binding upon the Parties hereto, including their respective successors and permitted assigns.

5.3 In this Agreement words importing the singular number include the plural and *vice versa*, and words importing gender include the masculine and feminine genders and the neuter.

5.4 This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Saskatchewan.

5.5 Each provision of this Agreement is hereby declared to be separate, severable and distinct. If any provision of this Agreement is determined to be invalid, illegal or unenforceable in any respect, the remainder of this Agreement shall not be affected thereby.

5.6 No amendment or waiver of any provision of this Agreement shall be binding on any Party unless the same has, as applicable, been agreed or consented to in writing by such Party. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver constitute a continuing waiver unless otherwise provided.

5.7 Notwithstanding the foregoing, any Person that hereafter holds an Allocation and becomes a shareholder of Sakaw Askiy shall be entitled to execute and deliver, and thereafter be bound by and receive the rights and benefits of, this Agreement.

5.8 This Agreement may be signed in counterparts and each of such counterparts shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument. Counterparts may be executed in original form or by faxed form or email with attached documents and the Parties adopt any signatures received by a receiving fax machine as original signatures of the Parties. Without limiting the foregoing, any Party providing its signature in such manner will promptly forward to Sakaw Askiy an original of the signed copy of this Agreement which was so faxed or emailed.

5.9 For greater certainty, the Parties recognize that nothing in this Agreement, or in any subsequent agreement signed as a result of this Agreement, is intended to confirm, deny, limit, enlarge, or otherwise affect any First Nation's aboriginal or Treaty rights, any First Nation's territorial or other land claims, or any other First Nation legal entitlements, including any existing aboriginal or Treaty rights recognized and affirmed by Section 35(1) of the *Constitution Act, 1982* (Canada).

5.10 Unless otherwise agreed by the Minister and Sakaw Askiy in writing, the term of this Agreement, as between Sakaw Askiy and the Minister, shall be coincident with the term of the Prince Albert FMA.

5.11 Unless otherwise agreed by the Parties in writing, the term of this Agreement as between a particular Shareholder, on one hand, and the Minister and Sakaw Askiy, on the other hand, shall terminate on the earliest of:

- (a) the date that such Shareholder ceases to be a shareholder of Sakaw Askiy; and
- (b) the date that the Sakaw Askiy USA is terminated.

5.12 A termination of this Agreement shall not affect or prejudice any rights or obligations which accrue or arise under this Agreement prior to the time of termination, and such rights and obligations shall survive the termination of this Agreement.

5.13 Any notices required to be given under this Agreement shall be in writing and shall be deemed to be given if delivered to the addresses below:

- (a) to Sakaw Askiy:

Sakaw Askiy Management Inc.
c/o 1500 - 410 22nd Street East
Saskatoon, Saskatchewan
S7K 5T6
Attention: President (Urgent)
Facsimile: (306) 975-7145

- (b) to the Minister:

Forest Service Branch
Ministry of Environment
P.O. Box 3003
Prince Albert, Saskatchewan
S6V 6G1
Attention: Executive Director, Forest Service Branch
Facsimile: (306) 953-2360

- (c) if to a Shareholder, to that Shareholder's address listed in Schedule "A";

or to such other address or facsimile number as a Party may from time to time inform another Party of in writing in accordance with this Section. The notice shall be deemed to


be received if given by personal delivery upon such delivery and if given by facsimile, upon confirmation of receipt.

5.14 This Agreement may be executed in counterparts and by facsimile, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument.

[Balance of this page intentionally left blank. Signature page to follow.]


IN WITNESS WHEREOF each of the Parties have executed this Memorandum of Agreement with effect as of the day and year first above written.

THE GOVERNMENT OF SASKATCHEWAN,
as represented by the Minister of Environment




Name: Bill Boyd
Title: _____

SAKAW ASKIY MANAGEMENT INC.

Per: 

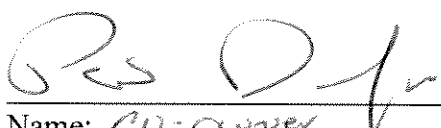
Name: President
Title: _____
Per: _____
Name: _____
Title: _____

EDGEWOOD FOREST PRODUCTS INC.

Per: 


Name: _____
Title: President
Per: _____
Name: _____
Title: _____

L & M WOOD PRODUCTS LIMITED PARTNERSHIP, as represented by its General Partner and authorized agent, L & M Wood Products Inc.

Per: 


Name: CO-owner
Title: _____
Per: _____
Name: _____
Title: _____

MEADOW LAKE MECHANICAL PULP INC.

Per: 

Name: GO ROSTE
Title: General Manager, CEO
Per: _____
Name: _____
Title: _____

MEADOW LAKE OSB LIMITED PARTNERSHIP, as represented by its General Partner and authorized agent, Meadow Lake OSB Mill Corp.

Per: 

Name: _____
Title: GENERAL MANAGER S.B.
Per: _____
Name: _____
Title: _____

MONTREAL LAKE BUSINESS VENTURES LTD.

Per: [Signature]

Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

CARRIER FOREST PRODUCTS LTD.

Per: [Signature]

Name: T. Kuznetsov
Title: _____

Per: _____
Name: _____
Title: _____

NORSASK P.A. FORESTRY INC.

Per: [Signature]

Name: Brock Folkersen
Title: _____

Per: _____
Name: _____
Title: _____

A.C. FORESTRY LTD.

Per: [Signature]

Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

Schedule "A"

Addresses for Notice - Shareholders

A.C. Forestry Ltd

P.O. Box 327
Spiritwood, SK S0J 2M8

Attention: Bob Gerow
Executive Director
Facsimile: 306.883.3336

Edgewood Forest Products Inc.

1751 Quesnel-Hixon Road
Quesnel, BC V2J 5Z5

Attention: Ron Dunn
Vice-President
Corporate Development
Facsimile: 250.992.5753

Meadow Lake Mechanical Pulp Inc.

P.O. Box 9100
Meadow Lake, SK S9X 1V7

Attention: Ed Roste
General Manager
Facsimile: 306.236.4880

Montreal Lake Business Ventures Ltd.

P.O. Box 106
Montreal Lake SK S0J 170

Attention: Alphonse Bird
Facsimile: 306.663.5320

Carrier Forest Products Ltd.

4722 Continental Way
Prince George, BC V2N 5S5

Attention: Terry Kuzma
Woodlands Manager
Facsimile: 250.563.9371

L & M Wood Products Limited Partnership

601 Service St
Box 280
Glaslyn, SK S0M 0Y0

Attention: Pat Delainey
Director
Facsimile: 306.342.4707

Meadow Lake OSB Limited Partnership

P.O. Box 280
Meadow Lake, SK S9X 1Y2

Attention: Dave Knight
Prairie Regional Woodlands
Manager
Facsimile: 780.805-3025

NorSask P.A. Forestry Inc.

P.O. Box 9020
Meadow Lake, SK S9X 1V7

Attention: Brock Folkersen, Secretary
Facsimile: 306.236.6477