

This is the 8th affidavit of
R. Lindstrom in this case and was
made on August 23, 2012

No. S-120712
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

AND

**IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C.
1985, c. C-44**

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57

AND

**IN THE MATTER OF CATALYST PAPER CORPORATION
AND THE PETITIONERS LISTED IN SCHEDULE "A"**

PETITIONERS

AFFIDAVIT

I, Robert H. Lindstrom, businessperson, of 2nd Floor, 3600 Lysander Lane, Richmond,
British Columbia, SWEAR THAT:

1. I am the Vice President, Supply Chain, Energy and Information Technology of Catalyst Paper Corporation ("**CPC**"), a Petitioner in this proceeding (along with the other Petitioners and Catalyst Paper General Partnership, the "**Company**" or "**Catalyst**"), and

as such I have personal knowledge of the matters deposed to in this Affidavit except where I depose to a matter based on information from an informant I identify, in which case I believe that both the information from the informant and the resulting statement are true.

2. This Affidavit is made in support of an application by the Company for an Order approving the sale of certain lands, waterfront leases and assets owned by the Company in Campbell River, British Columbia.

3. All capitalized terms used and not defined below shall have the same meaning as that ascribed to them in the Affidavit #1 of Brian Baarda, made January 31, 2012.

The Amended and Restated Initial Order

4. On January 31, 2012, the Company was granted relief under the CCAA pursuant to the Initial Order of this Court (the “**Initial Order**”). At that time, PricewaterhouseCoopers Inc. was appointed as Monitor. On February 3, 2012, the Initial Order was amended and restated (the “**Amended and Restated Initial Order**”).

Elk Falls Mill

Background on the Property

5. The Company’s former manufacturing plant near Campbell River, B.C. is a large integrated pulp and paper mill (the “**Elk Falls Mill**”). The Elk Falls Mill is comprised of a number of parcels of land, which have a number of buildings and equipment situated on them and associated waterfront leases.

6. In 2008, the pulp mill production at the Elk Falls Mill was shut down due to its high costs for operation and a lack of supply.

7. In 2009, all three paper machines at the Elk Falls Mill were shut down due to poor market conditions for paper products and continued high costs.

8. In September 2010, the Elk Falls Mill was permanently closed in light of persistent weak markets for commodity paper grades combined with uncompetitive manufacturing costs, including labour, municipal taxes, fibre, and other input costs. The closure of the Elk Falls Mill, in combination with the closure of the Company's paper recycling division in Coquitlam in 2010, resulted in, among other things, a \$304.2 million loss due to asset impairment, severance and other closure costs.

9. In furtherance of the Company's restructuring efforts following the Amended and Restated Initial Order, the Company conducted a bidding process for the removal, sale and scrap of certain pieces of equipment located at the Elk Falls Mill. An overview of that process is described at paragraphs 9 to 19 of my second affidavit, dated March 19, 2012.

10. Following the completion of the bidding process, Catalyst Paper General Partnership entered into an agreement with Schnitzer Steel BC, Inc. for the removal, sale and scrapping of selected equipment at the Elk Falls Mill (the "**Steel Agreement**"). The Steel Agreement was approved pursuant to an Order of this Court, dated March 21, 2012.

The Marketing and Auction Process

11. Following the commencement of the sale and investor solicitation process (the "**SISP**"), approved pursuant to an Order of the Court dated March 22, 2012 (the "**SISP Order**"), the Company began marketing the land and remaining assets of the Elk Falls Mill in accordance with the timelines and procedures set out in the SISP.

12. The Elk Falls Mill was a "Parcel" (as such term is defined in the SISP, attached as Schedule "C" to the SISP Order) and subject to the terms of the SISP.

13. The Company, with the assistance of its advisor, Perella Weinberg Partners LLP, contacted approximately 75 potential bidders as part of the SISP. A number of those parties signed confidentiality agreements and were provided with information relating to the Parcels, including the Elk Falls Mill.

14. As a result of the sanctioning of the Second Amended and Restated Plan of Compromise and Arrangement (the “**Plan**”), the SISP has been suspended pending effectiveness of the Plan although the Company has generally continued to follow the procedures and timelines prescribed in the SISP for the marketing and sale of the Elk Falls Mill.

15. A number of parties conducted an examination of the Elk Falls Mill, several of which became “Qualified Phase 1 Bidders” (as such term is defined in the SISP) in respect of the Elk Falls Mill sales process. The Qualified Phase 1 Bidders advised the Company of the assets of the Elk Falls Mill that they were interested in and a potential purchase price (or range) for such assets.

16. A number of the Qualified Phase 1 Bidders submitted binding offers to purchase the Elk Falls Mill (the “**Binding Offers**”). The Company, with the assistance of its advisors, reviewed and analyzed the Binding Offers. The Monitor was provided with copies of the Binding Offers.

17. Following this review, the Company concluded that the offer from Pacifica Deep Sea Terminals Incorporated (the “**Purchaser**”) was the superior offer based upon, among other things, the purchase price offered.

The Sale Agreement

18. On August 16, 2012, the Company entered into an asset purchase agreement with the Purchaser (the “**Sale Agreement**”) pursuant to which the Company agreed to sell the Acquired Assets (as such term is defined in the Sale Agreement) to the Purchaser for CDN \$8.61 million.

19. Attached hereto and marked as **Exhibit “A”** is a copy of the Sale Agreement.

20. The transaction pursuant to the Sale Agreement is expected to close on or before September 5, 2012, subject to the approval of the British Columbia Supreme Court.

21. On August 1, 2012, the Purchaser delivered a deposit in the amount of \$450,000 to the Monitor.

The Purchase Price is Fair and Reasonable

22. Based on the marketing history for the Elk Falls Mill and with reference to the Binding Offers submitted, the Company believes the Sale Agreement represents the best outcome for the Company with respect to this asset. The Sale Agreement provides the best available price for the Elk Falls Mill in light of the current market conditions and given the risk of environmental liabilities associated with the mill site.

23. The Sale Agreement has a number of benefits, including:

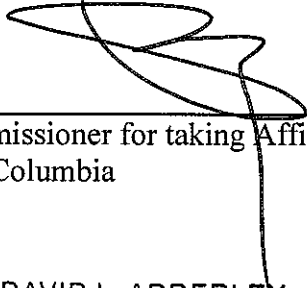
- (a) the Purchaser will be assuming all liabilities in respect of environmental matters at the Elk Falls Mill and will provide an indemnity to the Company in respect thereof;
- (b) the transaction contemplated by the Sale Agreement is scheduled to be completed quickly;
- (c) the consummation of the transaction will enable the Company to avoid any additional costs in the continued marketing of Elk Falls Mill as well as the possibility that any later offer may include a lower purchase price;
- (d) the proceeds of sale will assist the Company in exiting from the CCAA process and consummating the Plan; and
- (e) the transaction will enable the Company to avoid additional costs associated with the Elk Falls Mill, such as property taxes.

Discussions with the Monitor and 2016 Noteholders

24. The Company has discussed the terms of the Sale Agreement with the Monitor. I understand that the Monitor is supportive of the Sale Agreement.

25. The Company advised its primary secured creditors, the 2016 Noteholders, of the sale process for the Elk Falls Mill and has provided their advisors with a copy of the Sale Agreement.

SWORN BEFORE ME at Richmond,
British Columbia on August 23, 2012.



A Commissioner for taking Affidavits for
British Columbia

DAVID L. ADDERLEY
Barrister & Solicitor
2nd Floor, 3600 Lysander Lane
Richmond, B.C. V7B 1C3

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Robert H. Lindstrom

SCHEDULE "A"

LIST OF ADDITIONAL PETITIONERS

Catalyst Pulp Operations Limited
Catalyst Pulp Sales Inc.
Pacifica Poplars Ltd.
Catalyst Pulp and Paper Sales Inc.
Elk Falls Pulp and Paper Limited
Catalyst Paper Energy Holdings Inc.
0606890 B.C. Ltd.
Catalyst Paper Recycling Inc.
Catalyst Paper (Snowflake) Inc.
Catalyst Paper Holdings Inc.
Pacifica Papers U.S. Inc.
Pacifica Poplars Inc.
Pacifica Papers Sales Inc.
Catalyst Paper (USA) Inc.
The Apache Railway Company

EXECUTION VERSION

ASSET PURCHASE AGREEMENT

This is Exhibit "A" referred to in the affidavit of Robert Lindstrom sworn before me at Richmond this 23 day of August 2012.
A Commissioner of British Columbia
for Affidavits

THIS AGREEMENT is dated August 16, 2012

BETWEEN:

PACIFICA DEEP SEA TERMINALS INCORPORATED, an Alberta corporation with an office at Suite 316, 5065 – 31 Avenue, Edmonton, Alberta, T6L 6S5
(the "Buyer")

DAVID L. ADDERLEY
Barrister & Solicitor
2nd Floor, 3600 Lysander Lane
Richmond, B.C. V7B 1C3

AND:

CATALYST PAPER CORPORATION, a company organized under the laws of Canada with an office at 2nd Floor, 3600 Lysander Lane, Richmond, BC V7B 1C3 ("Catalyst Paper")

AND:

CATALYST PULP OPERATIONS LIMITED, a British Columbia company with an office at 2nd Floor, 3600 Lysander Lane, Richmond, BC V7B 1C3 ("Catalyst Pulp", together with Catalyst Paper, the "Sellers")

AND:

ELK FALLS PULP AND PAPER LIMITED, a British Columbia company with an office at 2nd Floor, 3600 Lysander Lane, Richmond, BC V7B 1C3 (the "Nominee")

WHEREAS:

(A) The Nominee is the registered owner of the Lands that are part of the Acquired Assets used at the Elk Falls Mill located in Campbell River, B.C. (the "Mill") and holds the Lands in trust for the Sellers as nominee and bare trustee; and

(B) The Sellers are the beneficial owners of the Lands and have agreed to sell, transfer, assign set over and convey the Acquired Assets to the Buyer and the Buyer has agreed to purchase, acquire and assume the Acquired Assets from the Sellers on the terms and conditions set forth in this Agreement.

THIS AGREEMENT WITNESSES that in consideration of the mutual covenants contained in this Agreement and other good and valuable consideration by each of the Sellers and the Buyer to the other, the receipt and sufficiency of which is hereby acknowledged by each of them, the parties hereto agree as follows:

PART 1

INTERPRETATION

Definitions

1.1 In this Agreement, including the Schedules and the recitals hereto, except as otherwise expressly provided or unless the context otherwise requires,

- (a) **“Acquired Assets”** means:
 - (i) the Lands;
 - (ii) the Buildings and Fixtures;
 - (iii) the Personal Property;
 - (iv) the benefit of the Licences and Permits;
 - (v) the benefit of the Contracts and the Leases; and
 - (vi) the Books and Records being transferred to Sellers;

but, for greater certainty, excluding the Excluded Assets,

- (b) **“Agreement”** means this agreement as amended or supplemented from time to time,
- (c) **“Assumed Liabilities”** means:
 - (i) all Liabilities arising after the Closing Time under any of the Contracts, the Leases and the Licences and Permits;
 - (ii) all Environmental Liabilities whether arising before or after the Closing Time;
 - (iii) all Liabilities relating to the Acquired Assets with respect to First Nations Claims whether arising before or after the Closing Time; and
 - (iv) all other Liabilities associated with, relating to or arising or incurred with respect to the Acquired Assets arising after the Closing Time,

but, for greater certainty, excluding the Liabilities relating to the Excluded Assets which, for greater certainty, will remain the responsibility of the Sellers,

(d) **"Books and Records"** means all books, records, documents, reports, maps (whether in electronic, digital or paper format), plans and other records exclusively relating to the Acquired Assets, save and except the Excluded Books and Records,

(e) **"Buildings and Fixtures"** means all buildings and fixtures, private roads, structures, fixtures located on the Lands and other improvements situate thereon or appurtenant thereto, save and except any fixtures and other improvements which are Excluded Assets,

(f) **"Business Day"** means any day, other than a Saturday, Sunday or any British Columbia provincial holiday,

(g) **"Claim of Builders Lien"** means the claim of builders lien registered against title to the Lands under No. CA2397020 in favour of T-Mar Industries Ltd.;

(h) **"Closing"** means the completion of the purchase and sale of the Acquired Assets as contemplated by this Agreement,

(i) **"Closing Date"** means, unless this Agreement has been terminated in accordance with §4.6, the later of September 5th, 2012, or such other date as may be agreed upon by the Parties,

(j) **"Closing Time"** means 1:00 p.m. (Pacific Standard time) on the Closing Date, or such other time as may be agreed upon by the Parties,

(k) **"Contracts"** means those contracts, equipment leases, commitments, instruments and binding obligations and arrangements exclusively relating to the Acquired Assets and listed in Schedule B,

(l) **"Deposit"** has the meaning ascribed thereto in §2.5,

(m) **"Environmental Condition"** means:

(i) the presence or release, whether before or after the Closing Time, of any Hazardous Substances in, on, at, under, to or from:

(A) the Lands and waters subject to or used or occupied at any time in connection with the Acquired Assets or the lands or waters subject to the Leases, Licences and Permits or Contracts, or

(B) the lands or waters adjacent to, or in the vicinity of, the Lands and waters described in above subparagraph affected by the use or ownership of the Acquired Assets or the lands or waters subject to the Leases, Licences and Permits or Contracts; and

(ii) any other circumstance, condition, matter, occurrence, issue, event or requirement relating to the environment (which includes any building or structure on, or forming part of, the Acquired Assets), environmental assessment, health, occupational health and safety, transportation of dangerous goods or the existence or presence of Hazardous Substances that arises from, is caused (directly or indirectly) by, or relates to, the use or ownership of the Acquired Assets whether before or after the Closing Time;

(n) **"Environmental Liability"** means any claim or Legal Proceeding and any Liability or Loss, whether or not arising as a result of a claim or Legal Proceeding, arising out of, relating to, or resulting from any Environmental Condition, whether such Environmental Condition occurred or came into existence before or after the Closing Time,

(o) **"Excluded Assets"** means:

(i) subject to §2.9, any Contracts, Leases and Licences and Permits that, by their nature or terms or under applicable Law, are not transferable to the Buyer,

(ii) all assets, properties, rights or interests of the Sellers, and all information systems and technology of the Sellers or in respect of which the Sellers have rights, not held for use or used by the Sellers exclusively in connection with the use of the Acquired Assets,

(iii) all Licences and Permits and Contracts relating to the Excluded Assets,

(iv) all the following assets, and all such similar assets, whether or not relating to the Acquired Assets or the Mills:

(A) accounts receivable, raw materials, wood chips, wood waste, logs, consumables, fuel and other items normally included in current assets under GAAP,

(B) insurance policies held by the Sellers and the proceeds of such policies,

(C) Taxes and instalments of Taxes paid by the Sellers and the right to receive any refund of Taxes paid by the Sellers and investment tax credits refundable to the Sellers, scientific research and experimental development tax credit refunds, workers' compensation premiums refundable and similar premiums refundable and rebates and credits and all interest thereon and any amounts recorded by the Sellers as Taxes in accordance with GAAP,

(D) funds, deposits, accruals or reserves relating to any employee pension plan, retirement benefits or retirement compensation arrangements or any other benefit plan of the Sellers,

- (E) cash and cash equivalent in bank accounts,
 - (v) all rights in respect of the Sellers' arms' length and non-arms' length supply arrangements including fibre, log, wood waste and wood chip supply arrangements and all rights in respect of Licences and Permits, Contracts and other arrangements to access, cut, harvest and transport trees, timber and logs,
 - (vi) prepaid expenses, rebates and refunds of monies paid or payable to the Sellers in connection with the Acquired Assets before the Closing Date, including with respect to performance bonds and remediation order bonds,
 - (vii) cash and other security deposits and any guarantees, letters of credit or similar security arrangements made by the Sellers in connection with the Acquired Assets, except to the extent adjusted at the Closing Time (replacements for which the Buyer will be responsible for as of the Closing Time),
 - (viii) the Excluded Books and Records,
 - (ix) the Excluded Pulp and Paper Equipment (specifically Paper machine number 5),
 - (x) the Specified Pulp and Paper Assets,
 - (xi) the other assets, properties, machinery, equipment, accessories, capital spares, trucks, automobiles and vehicles described in Schedule G and such other assets, properties, machinery, equipment, accessories, capital spares, trucks, automobiles and vehicles that the Sellers request, from time to time, by Notice and the Sellers and the Buyer agree, each acting reasonably and in good faith, be added to Schedule G before Closing which are of the type and character or otherwise similar to those in paragraphs (i) to (x) of this definition or those described in Schedule G, and Schedule G will be amended accordingly, and
 - (xii) any other assets that do not specifically fall within the definition of the Acquired Assets,
- (p) **"Excluded Books and Records"** means (i) all financial, business, corporate, sales books, books of account, sales and purchase records, business reports, accounts, financial statements, financial working papers, invoices, receipts, plans, projections, employee records, benefit plan documents, lists of suppliers and customers, and credit and pricing information whether or not relating to the Mill or the Acquired Assets, and (ii) all books, records, documents, files, ledgers, correspondence, lists, manuals, reports, texts, notes, engineering, environmental or feasibility studies, memoranda, computer disks, tapes or other means of electronic storage and all other records or documents of any nature or kind whatsoever, in each such case of or relating to the Acquired Assets at the Closing Time that are necessary to use and own the Acquired Assets, that the Sellers are unable to segregate from records of the Sellers unrelated to the Acquired Assets having used commercially reasonable efforts to do so, and all emergency backup,

electronic tapes and data that contain historical information, data and records pertaining to the business affairs generally of the Sellers, including the Acquired Assets,

(q) **“Excluded Pulp and Paper Equipment”** means specifically paper machine 5 sold to a third party including accessories, capital spares and other spare parts, and all information systems and technology of the Sellers or in respect of which the Sellers have rights, held for use or used by the Sellers in connection with the pulp and paper operations of the Sellers conducted at or relating to the Mill or the Acquired Assets, including any such assets attached or affixed to any Acquired Assets or which are fixtures thereto or as described in Schedule G under the heading “Paper Machine 5”,

(r) **“Existing Elk Falls Mortgages”** means the following registered mortgages:

(i) Mortgage CA1482588 and Assignment of Rents CA1482589 in favour of Computershare Trust Company of Canada; and

(ii) Mortgage CA1482609 (transferred by FB422192 and modified by FB421275) and Assignment of Rents CA1482610 (transferred by FB422193 and modified by FB421276) in favour of JPMorgan Chase Bank, National Association;

(s) **“Existing Nominee and Sellers’ Security”** means the following security:

(i) the following mortgages:

(A) Mortgage CA1482421 and Assignment of Rents CA1482422 in favour of Computershare Trust Company of Canada charging the Leases;

(B) Unregistered Mortgages dated March 4, 2010 granted by the Sellers in favour of Computershare Trust Company of Canada charging the Lands;

(C) Mortgage CA1482582 (transferred by FB422190 and modified by FB421271) and Assignment of Rents CA1482583 (transferred by FB422191 and modified by FB421272) in favour of JPMorgan Chase Bank, National Association charging the Leases; and

(D) Unregistered Mortgages dated March 4, 2010 granted by the Sellers in favour of JPMorgan Chase Bank, National Association (as assigned and modified) charging the Lands; and

(ii) the following security interests:

(A) all personal property security registrations granted by the Sellers and the Nominee in favour of JPMorgan Chase Bank, National Association.; and

(B) all personal property security registrations granted by the Sellers and the Nominee in favour of Computershare Trust Company of Canada;

- (t) **"First Nations Claims"** has the meaning ascribed thereto in §3.3(b)(i),
- (u) **"First Nations Persons"** means any native person, band council, tribal council, first nation or other native group,
- (v) **"GAAP"** means generally accepted accounting principles in effect in Canada, including the accounting recommendations published in the handbook of the Canadian Institute of Chartered Accountants,
- (w) **"Governmental Authority"** means, the government of Canada, the government of an applicable Canadian province or territory and each ministry, department, commission, board, bureau or other agency of, or municipality, regional district or other local governing body established by, any such government, or other political subdivision thereof, and includes any Person exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government,
- (x) **"Hazardous Substance"** means any radioactive materials, asbestos, asbestos-containing materials, urea formaldehyde, hydrocarbons, polychlorinated biphenyls ("PCBs"), pentachlorophenol ("PCPs"), PCB or PCP-containing equipment or materials, pollutants, contaminants, mold, deleterious substances, dangerous substances or goods, hazardous, corrosive or toxic substances, hazardous waste, waste, wood waste leachate, pesticides, defoliant or any other substance, solid, liquid, gas, vapour, odour, radiation or any combination thereof that is likely to cause immediately or at some future time harm or degradation to the surrounding environment or risk to human health and without restricting the generality of the foregoing, includes any such pollutant, contaminant, waste, hazardous waste or dangerous goods present in such quantity or state that it contravenes any Requirements of Environmental Law whether such laws came into force before or after the Closing Time,
- (y) **"Lands"** means the lands comprising the Mill site and the Mill terminal described in Schedule C,
- (z) **"Law"** means an applicable law, statute or ordinance, including an applicable rule or regulation thereunder, all directives of any Governmental Authority having the force of law and legally enforceable orders or decrees of any Governmental Authority, as such may be amended from time to time,
- (aa) **"Leases"** means the leased premises and the interests of the Sellers under the Crown leases and other similar rights listed in Schedule D,
- (bb) **"Legal Proceeding"** means any litigation, action (including a cost recovery action pursuant to the *Environmental Management Act*) (British Columbia), suit, prosecution, investigation, hearing, claim, demand, complaint, grievance, notice of non-compliance or defect, citation, directive, legal charge, arbitration proceeding or other legal notice or legal proceeding, judgment, order or decree and any appeal or review and any application for appeal or review,

(cc) "**Liabilities**" means obligations, liabilities, settlement payments, awards, judgments, fines, penalties, damages, losses, all Taxes, including Taxes resulting from an assessment or reassessment, costs (including remediation costs) and expenses (including reasonable fees and disbursements of legal counsel, consultants, expert witnesses and other professionals and including any costs incurred in investigating, defending or pursuing any legal proceedings related thereto), deficiencies and other charges, in each case whether paid, incurred, accrued, contingent or otherwise,

(dd) "**Licences and Permits**" means those licences, registrations, permits, authorizations and approvals exclusively relating to the use of the Acquired Assets and listed in Schedule E,

(ee) "**Losses**" means, with respect to any matter, all losses, claims, damages, liabilities, deficiencies, costs, expenses (including all costs of investigation, legal and other professional fees and disbursements, interest, penalties and amounts paid in settlement) or diminution of value, whether or not involving a third party claim arising directly as a consequence of such matter, in each case whether paid, incurred, accrued, contingent or otherwise,

(ff) "**Material Loss**" means any expropriation of the Acquired Assets or part thereof which has a material adverse effect on the value of the Acquired Assets, taken as a whole, and that cannot be replaced or restored, in the opinion of the Buyer, acting reasonably, within 60 days after the occurrence of that expropriation, cancellation, termination, change or amendment,

(gg) "**Notice**" has the meaning ascribed thereto in §7.2,

(hh) "**Parties**" means the Sellers, the Nominee and the Buyer and each of their respective permitted successors and permitted assigns and "**Party**" means either one of the Parties,

(ii) "**Permitted Encumbrances**" means (i) reservations, limitations, provisos or conditions expressed in the original or other grants from the Crown of any of the Lands and the statutory exceptions to title currently applicable to the Lands; and (ii) all legal notations, exceptions, reservations, rights-of-way, easements, restrictive covenants, mineral claims, undersurface rights, and other similar rights or agreements registered against any of the Lands (and if applicable, any mortgages of or other liens against such rights or agreements) as of the date of this Agreement more particularly described in Schedule F,

(jj) "**Person**" means an individual, corporation, body corporate, limited liability company, partnership, joint venture, firm, society, association, trust, unincorporated organization, Governmental Authority or any trustee, executor, administrator or other legal representative,

(kk) "**Personal Property**" means all of the machinery, plant, equipment, trade fixtures, furnishings, accessories, trucks, automobiles, vehicles and similar equipment (including accessories) exclusively relating to the Acquired Assets, and all capital spares

and other spare parts exclusively relating thereto, save and except any personal property which are Excluded Assets,

(ll) **"Purchase Price"** has the meaning set out §2.3,

(mm) **"Requirements of Environmental Law"** means all obligations under common law and all requirements imposed by statutes, regulations, rules, ordinances, policies, orders, approvals, notices, permits or directives of any Governmental Authority, relating to environmental, health or safety matters including all such obligations and requirements which relate to (i) the presence, generation, handling, use, treatment, storage, disposal or transportation of Hazardous Substance and (ii) the release of or exposure to Hazardous Substance that are in force from time to time, and

(nn) **"Specified Pulp and Paper Assets"** means certain assets in respect of which the Sellers have rights, held for use or used by the Sellers in connection with the pulp and paper operations of the Sellers conducted at or relating to the Mill or the Acquired Assets, including any such assets attached or affixed to any Acquired Assets or which are fixtures thereto or as described in Schedule G under the heading "Specified Pulp and Paper Assets";

(oo) **"Statutory Rights of Way"** means the statutory rights of way as set forth in Schedule C under the heading "Statutory Rights of Way";

(pp) **"Taxes"** means all taxes, surtaxes, duties, levies, rates, fees, premiums, assessments, withholdings, dues and other charges of any nature imposed by any Governmental Authority, including consumption, sales, excise, use, transfer, goods and services, harmonized or other value added, business, school, property, local improvement, development and occupation taxes, together with all fines, interest, penalties on or with respect to, or in lieu of or for non-collection of, those taxes, surtaxes, duties, levies, rates, fees, premiums, assessments, withholdings, dues and other charges.

Interpretation

1.2 In this Agreement, except as otherwise expressly provided or unless the context otherwise requires,

(a) **"this Agreement"** means this Asset Purchase Agreement, including the Schedules hereto, as from time to time supplemented or amended by one or more agreements entered into pursuant to the applicable provisions hereof,

(b) the headings in this Agreement are inserted for convenience only and do not form a part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof,

(c) the word **"including"**, when following any general statement or term, is not to be construed as limiting the general statement or term to the specific items or matters set forth or to similar items or matters, but rather as permitting the general statement or

term to refer to all other items or matters that could reasonably fall within its broadest possible scope,

(d) a reference to a statute includes all regulations made thereunder, all amendments to the statute or regulations in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulations,

(e) a reference to an entity includes any successor to that entity,

(f) words importing the masculine gender include the feminine or neuter, words in the singular include the plural, words importing a corporate entity include individuals, and vice versa,

(g) a reference to "approval", "authorization", "waiver" or "consent" means written approval, authorization or consent,

(h) a reference to a Part is to a Part of this Agreement or to a Part of a Schedule hereto and the symbol § followed by a number or some combination of numbers and letters refers to the section, paragraph, subparagraph, clause or subclause of this Agreement so designated, and

(i) except as otherwise expressly provided, a reference to currency herein means Canadian dollars and all amounts payable hereunder will be paid in Canadian dollars.

Schedules

1.3 The following are the Schedules attached to and incorporated in this Agreement by reference and are deemed to form a part hereof:

Schedule A	Representations and Warranties
Schedule B	Contracts
Schedule C	Lands
Schedule D	Leases
Schedule E	Licences and Permits
Schedule F	Permitted Encumbrances
Schedule G	Excluded Assets

PART 2

PURCHASE AND SALE OF ASSETS

Purchase and Sale

2.1 The Sellers will sell, assign and transfer to the Buyer, and the Buyer will purchase from the Sellers, at the Closing Time, the Acquired Assets free and clear of any and all claims,

liens, or encumbrances except for the Permitted Encumbrances in consideration of the Purchase Price.

Excluded Assets

2.2 For greater certainty, the Parties acknowledge and agree that the Excluded Assets are excluded from and will not be included in or comprise part of the Acquired Assets.

Purchase Price

2.3 The purchase price for the Acquired Assets (the "Purchase Price") will be the sum of \$8,610,000, of which:

- (a) \$300,000 is in respect of the following Acquired Assets located on the Lands:
 - (i) the older loader at the landfill shed;
 - (ii) savant automated units in the warehouses;
 - (iii) two loader buckets against outer warehouse wall;
 - (iv) sweeper in maintenance building;
 - (v) dump truck in maintenance building; and
 - (vi) two forklifts currently in or near warehouse buildings,

all of which are useful in the continued maintenance and operation of the Acquired Assets; and

- (b) \$8,310,000 is in respect of the remainder of the Acquired Assets including, but not limited to, the Lands, landfill, water lots, leases, structures, tanks, fixed equipment, and fixtures throughout the properties.

Payment of Purchase Price

2.4 The Buyer will pay the Purchase Price to the Sellers as follows at the Closing:

- (a) by the application of the \$450,000 Deposit as set out in §2.6 in partial payment of the Purchase Price; and
- (b) in cash as to the balance of the Purchase Price, in the amount of \$8,160,000, to be delivered to the Sellers by wire transfer to the bank account designated by the Sellers.

Deposit

2.5 The Sellers acknowledge that the Buyer has delivered the amount of \$450,000, representing approximately 5% of the Purchase Price (the "Deposit") to PricewaterhouseCoopers LLP on August 1, 2012. The parties agree the Deposit will be held in

trust by the Sellers and applied by the Sellers on terms set out in §2.6. This Agreement will automatically terminate if the Deposit is not paid by the Buyer to the Sellers as provided herein.

Terms of Deposit

2.6 The Sellers will hold the Deposit upon the following terms:

- (a) if the Closing occurs, the Deposit shall be retained by the Sellers and applied in partial payment of the Purchase Price and the Sellers shall credit the Deposit to that portion of the Purchase Price payable at the Closing; and
- (b) if the Closing does not occur:
 - (i) due to conditions precedent in favour of the Buyer set forth in §4.3 or conditions precedent of the Sellers and Buyer set forth in §4.4 of this Agreement of this Agreement not having been satisfied or waived or due to the making by the Buyer of a valid election under §6.2(a), the Deposit shall be returned to the Buyer; or
 - (ii) for any other reason, other than as set out in sub-section (i) above, the Deposit will be retained by the Sellers on account of a reasonable estimate of the Sellers' damages in such event. The Buyer acknowledges that in such event it will have no right to the return of the Deposit, in whole or in part.

Allocation of Purchase Price

2.7 The Purchase Price will be allocated among the Acquired Assets as follows:

- (a) \$1 to the Books and Records being transferred to the Sellers;
- (b) \$1 to the Contracts and Leases;
- (c) \$1 to the Licenses and Permits;
- (d) \$1 to the Buildings and Fixtures;
- (e) \$300,000 to the equipment set out in §2.3 hereof;
- (f) \$1 to all other personal property, excluding the equipment set out in §2.3 hereof;
and
- (g) the balance of the Purchase Price to be allocated to the Lands.

Assumption of Liabilities

2.8 Subject to the provisions of this Agreement,

(a) at the Closing Time, the Buyer will, as provided in §5.3(d), enter into an agreement, in a form satisfactory to the Buyer acting reasonably, to assume the Assumed Liabilities and to pay, satisfy, discharge, perform and fulfil the Assumed Liabilities from and after the Closing Time, and

(b) from and after the Closing Time, the Buyer will be responsible for all Liabilities with respect to the use and ownership of the Acquired Assets and will indemnify, keep indemnified and hold the Sellers harmless from and against the Assumed Liabilities in any manner accruing from, arising out of or with respect to or relating to any failure by the Buyer to fully and properly satisfy the Assumed Liabilities and all Liabilities with respect to the use and ownership of the Acquired Assets from and after the Closing Time.

The covenants and agreements made by the Buyer in this §2.8 will survive Closing and will not be subject to any limitation.

Non-Transferable Acquired Assets

2.9 Subject to the provisions of this Agreement,

(a) If any Leases, Contracts or Licences and Permits are not transferable to the Buyer, by their nature or terms or under applicable Law, then at the Buyer's request, made before or after the Closing Time, the Sellers will provide to the Buyer its reasonable cooperation and assistance to obtain, at the Buyer's expense, replacements for such Leases, Contracts and Licences and Permits as the Buyer requires for its use of the Acquired Assets after Closing. Until replacements for such Leases, Contracts and Licences and Permits are issued, the Sellers will, to the extent permitted by applicable Law and the terms of such Leases, Contracts and Licences and Permits, hold such non-transferable Leases, Contracts and Licences and Permits in trust for the Buyer after the Closing Time and perform the obligations with respect to such Leases, Contracts and Licences and Permits in the name of the Buyer, and all benefits derived therefrom and costs relating thereto will be for the account of the Buyer, and the Buyer will indemnify and hold harmless the Sellers from any Liabilities that the Sellers incur in doing so; and

(b) The parties acknowledge that the Buyer will, prior to Closing, make the necessary applications to the Surveyor General of the British Columbia Land Title and Survey Authority for designation of authority to hold the Statutory Rights of Way pursuant to Section 218 of the *Land Title Act* (British Columbia).

Taxes

2.10 The Purchase Price is exclusive of any applicable sales, goods and services, harmonized sales, value added, use, transfer and other similar Taxes. The Buyer shall be responsible for paying when due any applicable Taxes and any registration and transfer charges

and fees payable in respect of the sale and transfer of the Acquired Assets. The Buyer shall pay all applicable Taxes in respect of the transfer of Acquired Assets that are not real property, including goods and services tax and harmonized sales tax, directly to the Sellers, and the Sellers shall remit same to the relevant Governmental Authority in accordance with applicable Law. The Buyer shall self-assess all applicable goods and services tax and harmonized sales tax in respect of the sale of the real property directly to the relevant Governmental Authority pursuant to subsections 221(2) and 228(4) of the *Excise Tax Act* (Canada). For greater certainty, the Lands and the Leases that are transferred pursuant to this Agreement constitute real property for the purposes of the self-assessment described in this §2.10.

Removal of Excluded Assets

2.11 Until the later of the Closing Date or March 31, 2013, the Sellers may sell, dispose of or transfer to any third party purchaser or to any affiliate of the Sellers or may retain for the Sellers or any of its divisions those Excluded Pulp and Paper Equipment and Specified Pulp and Paper Assets located at the Mill or on the Lands or which are attached or affixed or are fixtures to any of the Acquired Assets. From and after the Closing Date, the Sellers, their affiliates and any third party purchaser of such Excluded Pulp and Paper Equipment and Specified Pulp and Paper Assets may, at their cost and expense, remove from the Mill, the Lands or the Acquired Assets all such Excluded Pulp and Paper Equipment and Specified Pulp and Paper Assets provided that such removal occur no later than March 31, 2013 (the "**Removal Deadline**") and the Buyer will grant, permit and arrange for the Sellers, their affiliates and any third party purchasers of such Excluded Pulp and Paper Equipment and Specified Pulp and Paper Assets to have access to and enter the Mill and the Lands (including the Mill terminal) on a non-exclusive basis and at their own risk and cost, at reasonable times until the Removal Deadline, for the purpose of dismantling, removing and transporting such Excluded Pulp and Paper Equipment and Specified Pulp and Paper Assets. In the event any such Excluded Pulp and Paper Equipment and Specified Pulp and Paper Assets are not removed on or before the Removal Deadline, the Buyer will purchase such remaining Excluded Pulp and Paper Equipment and Specified Pulp and Paper Assets for an aggregate purchase price of \$1.00 plus the assumption of all Excluded Liabilities related thereto and the Sellers shall have no liability or any obligation to the Buyer with respect to those Excluded Pulp and Paper Equipment and Specified Pulp and Paper Assets. Notwithstanding the foregoing if requested by the Sellers, the Buyer will consider and will not unreasonably withhold its consent to a request by the Sellers to a reasonable extension of the Removal Deadline.

Insurance

2.12 From and after the Closing Date and until the date that is 30 days after the date the Sellers, their affiliates or any third party purchaser have completed the removal of the Excluded Assets under §2.11, the Sellers will, and will cause any such third party purchaser to, obtain and maintain the following insurance and will upon request, deliver to the Buyer certificates of insurance certifying that the Sellers or such third party purchaser are insured for,

- (a) comprehensive general liability and accident insurance including bodily injury, property damage, personal injury, broad contractual liability, employer's and contractor's protective liability insurance, contingent employer's liability, employer's

liability, medical payments, and non-owned motor vehicle liability insurance in the minimum amount of \$5,000,000 for each occurrence, such policies to include coverage for contractual liability and a cross-liability clause, and to name the Buyer as an additional insured; and

(b) owned and non-owned motor vehicle liability and property damage insurance on all motor vehicles and equipment in the minimum amount of \$2,000,000 for each occurrence.

Sale of Specified Pulp and Paper Assets

2.13 In the event the Sellers decide to sell the Specified Pulp and Paper Assets to a third party, such decision to be at the sole discretion of the Sellers, the Parties acknowledge and agree that any proceeds actually received from such sale to a third party shall be distributed promptly upon receipt as follows: (a) 50% to the Buyer; and (b) 50% to the Sellers. Notwithstanding the foregoing, any sale of the Specified Pulp and Paper Assets in which the net proceeds are less than \$4,000,000 shall be subject to the consent of the Buyer, in the Buyer's sole discretion.

PART 3

REPRESENTATIONS, WARRANTIES AND COVENANTS

Representations and Warranties of the Sellers and Nominee

3.1 The Sellers and Nominee represent and warrant to the Buyer that the statements contained in Part 1 of Schedule A are representations and warranties that are true, accurate and complete as at the date of execution and delivery of this Agreement and as at the Closing Time as if such representations and warranties were made at each such time.

Representations and Warranties of the Buyer

3.2 The Buyer represents and warrants to the Sellers that the statements contained in Part 2 of Schedule A are representations and warranties that are true, accurate and complete as at the date of execution and delivery of this Agreement and as at the Closing Time as if such representations and warranties were made at each such time.

As Is, Where Is

3.3 Notwithstanding anything contained in §3.1 or Part 1 of Schedule A or any other provision of this Agreement, the Buyer acknowledges and agrees that:

(a) none of the Sellers, the Nominee, their affiliates, nor any of their respective directors, officers, employees, agents or representatives, are making or have made any representations or warranties whatsoever, express or implied, including any implied warranty of fitness for purpose, merchantability, suitability or quality or in respect of

any other matter or thing whatsoever concerning the Acquired Assets, other than the representations and warranties expressly set forth in this Agreement; and

(b) the Acquired Assets are being sold on a strictly "as is, where is" basis and the Buyer's consummation of the transaction hereunder constitute the Buyer's acknowledgement that it has satisfied itself with regards to all matters relating to the condition of the Acquired Assets and for greater certainty acknowledges and agrees that

(i) the Sellers and the Nominee have not and do not provide any representation or warranty with respect to the basis for or outcome of any claims by any First Nations Persons (including any and all claims to aboriginal rights or title or interest or treaty rights) or the effect of such claims, or any outcome thereof, on the Acquired Assets and that no action with respect to claims, losses or Liabilities suffered or incurred by the Buyer in respect of any claims by First Nations Persons (including any claims with respect to title to any Acquired Asset) may be brought against the Sellers or the Nominee in respect thereof (collectively, the "First Nations Claims"),

(ii) the Acquired Assets have been used for various industrial purposes including but not limited to, the manufacture, use, storage and transportation of linerboard, kraft paper and related raw materials, by-products, chemicals and other materials, finished and unfinished goods and raw material terminal, storage, transportation and related operations and sawmill, lumber treatment and related operations and that such use will be expected to have resulted in the existence or leakage or release of Hazardous Substances into, at, on or under the Acquired Assets and the neighbouring properties, water bodies or other areas located adjacent to the Acquired Assets,

(iii) the Sellers and the Nominee make no representation or warranty whatsoever regarding the fitness of the Acquired Assets for use or regarding the Environmental Condition or the presence or absence on, at or under the Acquired Assets or any surrounding or neighbouring properties, water bodies or other areas of, or the leakage, release or emission from, onto or under the Acquired Assets of, any Hazardous Substance, and

(iv) the Buyer waives any requirements for the Sellers or the Nominee to obtain or provide site profiles pursuant to Part 4 of the *Environmental Management Act* (British Columbia) with regard to the transfers contemplated by this Agreement. The Buyer agrees to assume and be responsible for all Environmental Liabilities whether arising before or after the Closing Time and the Buyer, the Sellers and the Nominee acknowledge and confirm that the provisions of this Agreement constitute a private agreement between them respecting liabilities for contamination and remediation thereof as contemplated by Part 4 of the *Environmental Management Act* (British Columbia).

Covenants of the Sellers

3.4 The Sellers covenant with the Buyer that between the date hereof and the Closing Time, they will:

- (a) at or before the time required for delivery, duly execute and deliver, or arrange to have duly executed and delivered, all documents and instruments to be delivered by it pursuant to this Agreement,
- (b) use all reasonable efforts to assist the Buyer in obtaining any required consents of third parties, including Governmental Authorities, to the assignment, conveyance and transfer of the Acquired Assets to the Buyer, and will deliver to the Buyer copies of any such consents forthwith after its receipt thereof, provided that such efforts will not require the Sellers to make any payments to any third parties to obtain any such consents,
- (c) give to the Buyer and the Buyer's counsel, accountants and other representatives, full access, during normal business hours, throughout the period from the execution and delivery of this Agreement to the Closing Date, to all of the Books and Records and will furnish to the Buyer and the Buyer's counsel, accountants and other representatives during that period any information reasonably requested by them which is exclusively relating to the Acquired Assets,
- (d) if it determines a state of facts exists which will result in an untrue representation in Part 1 of Schedule A, the non-fulfilment of any condition, or any material adverse or detrimental change to the Acquired Assets, the Sellers will as soon as is reasonably possible notify the Buyer of such state of facts,
- (e) not sell, assign, lease or otherwise transfer or dispose of any of the Acquired Assets to any third party, provided that nothing in this Agreement will restrict the Sellers from discussing with any third party, or entering into any agreement for, the sale of any of the Acquired Assets to such third party in the event the Buyer is not able or not willing to complete the transactions contemplated by this Agreement.

Covenants of the Buyer

3.5 The Buyer covenants with the Sellers that between the date hereof and the Closing Time,

- (a) it will use all reasonable efforts and act reasonably and in good faith to fulfill the condition in §4.3(a) on or prior to the date such conditions are to be fulfilled,
- (b) at or before the time required for delivery, it will duly execute and deliver or arrange to have duly executed and delivered all documents and instruments to be delivered by it pursuant to this Agreement, and
- (c) it will use all reasonable efforts to obtain before the Closing Date any required consents of third parties, including Governmental Authorities, to the assignment,

conveyance and transfer of the Acquired Assets to the Buyer, and will deliver to the Sellers copies of any such consents forthwith after its receipt thereof.

Post-Closing Environmental Covenants of the Buyer

3.6 The Buyer hereby covenants and agrees with the Sellers as follows:

(a) it will comply with all Requirements of Environmental Law with respect to the use or ownership of the Acquired Assets and obtain and maintain in good standing all Leases, Contracts and Licences and Permits from or with all Governmental Authorities required relating to Requirements of Environmental Law with respect to the use or ownership of the Acquired Assets;

(b) it will permit the Sellers and their respective employees and agents on 48 hours prior written notice to enter upon and inspect the Acquired Assets and its books and records from time to time and will permit the Sellers and their agents to conduct environmental investigations of Acquired Assets, and it will execute and deliver all consents and further assurances as may be necessary or desirable in order for the Sellers and their agents to obtain information from Governmental Authorities and other third parties with respect to environmental matters; and

(c) it will provide immediate written notice to the Sellers of the occurrence of any event or development which could result in the breach of any of the covenants contained herein.

Environmental Indemnity

3.7 The Buyer agrees to, from and after the Closing, indemnify and save harmless the Sellers and the Nominee, any successor or assignee of the Sellers or the Nominee, any agent of the Sellers or the Nominee or such successor or assignee and the respective officers, directors and employees of the Sellers or the Nominee (collectively, the "Indemnities") from and against:

(a) any Losses suffered by the Indemnities for, in connection with, or as a direct or indirect result of, the failure of the Buyer to comply with any Requirements of Environmental Law;

(b) any Losses suffered by the Indemnities for, in connection with, or as a direct or indirect result of, the Environmental Condition or the presence or release of any Hazardous Substance situated in, on, under or adjacent to the Acquired Assets or any other adjacent property owned by the Buyer or in which it has any interest or upon which it carries on business; and

(c) any and all Liabilities and Losses, including any and all Environmental Liabilities, which may be incurred or asserted against or paid by the Indemnities for, in connection with, or as a direct or indirect result of, any Legal Proceedings with respect to the Environmental Condition or the presence or release of any Hazardous Substance situated in, on, under or adjacent to the Acquired Assets or any other adjacent property owned by the Buyer or in which it has any interest or upon which it carries on business,

or the discharge, emission, spill, radiation or disposal of any Hazardous Substance into or upon any land, the atmosphere, or any watercourse or body of water; including, without limitation the costs of defending and/or counterclaiming or claiming over against third parties in respect of any action or matter and any cost, liability or damage arising out of a settlement entered into by the Indemnities of any such action or matter.

Survival of Covenants, Representations and Warranties of the Sellers

3.8 Other than those specific covenants of the Sellers which this Agreement contemplates will be completed after Closing (including those set out in §2.9), the covenants, representations and warranties of the Sellers contained herein will not survive the Closing and will not continue after the Closing Date.

Survival of Covenants, Representations and Warranties of the Buyer

3.9 Other than those specific covenants of the Buyer which this Agreement contemplates will be completed after Closing (including those set out in §3.6 and §3.7), the covenants, representations and warranties of the Buyer contained herein will not survive the Closing and will not continue after the Closing Date.

PART 4

CONDITIONS

Conditions for the Benefit of the Sellers

4.1 The obligations of the Sellers to be performed pursuant to this Agreement at or before the Closing Time are subject to the fulfilment, at or before the Closing Time, of each of the following conditions:

(a) the representations and warranties of the Buyer set out in this Agreement will be, as at the Closing Time, true, accurate and complete in all respects, except to the extent that a misrepresentation or breach of warranty by the Buyer would have a negligible effect on the Sellers;

(b) the Buyer will have performed and complied in all material respects with all of its covenants and obligations to be performed and complied with by it pursuant to this Agreement at or before the applicable time; and

(c) no order, direction, statute, rule, regulation, stay, decree, judgment, injunction or court order will, after the date hereof, have been enacted, entered, issued, promulgated or enforced by any Governmental Authority or a court which prohibits or restricts in any material respect the purchase and sale of the Acquired Assets hereunder or seeks damages in a material amount or other material relief in connection therewith and no such proceeding seeking any such action will have been commenced, other than any proceeding which has no substantial likelihood of resulting in a successful outcome for any Person bringing such proceeding.

Waiver of Conditions by the Sellers

4.2 The conditions set out in §4.1 are for the exclusive benefit of the Sellers and may be waived, in whole or in part, by the Sellers at or prior to the Closing Time.

Conditions for the Benefit of the Buyer

4.3 The obligations of the Buyer to be performed pursuant to this Agreement at or before the Closing Time are subject to the fulfilment, at or before the Closing Time, of each of the following conditions:

- (a) On or before August 1, 2012, the Buyer will have, in each case through the use of all reasonable efforts and acting reasonably and in good faith completed, to its reasonable satisfaction, its due diligence review of those Leases and Contracts respecting the Mill and all Licences and Permits relating to the discharge and storage of Hazardous Substances (including at the Mill landfill) and the Environmental Liabilities, and provided that such conditions will be deemed to be waived if the Buyer does not deliver Notice to the Sellers within seven (7) business days of the date of this Agreement that such conditions have not been fulfilled;
- (b) the representations and warranties of the Sellers set out in this Agreement will be as, at the Closing Time, true, accurate and complete in all respects, except to the extent that a misrepresentation or breach of warranty by the Sellers would have a negligible effect on the Acquired Assets;
- (c) the Sellers will have performed and complied in all material respects with all of their covenants and obligations to be performed and complied with by them pursuant to this Agreement at or before the applicable time;
- (d) no Material Loss will have occurred during the period commencing on the date of this Agreement and ending immediately before the Closing Time;
- (e) the Claim of Builders Lien shall have been discharged from the Lands;
- (f) no order, direction, statute, rule, regulation, stay, decree, judgment, injunction or court order will, after the date hereof, have been enacted, entered, issued, promulgated or enforced by any Governmental Authority or a court which prohibits or restricts in any material respect the purchase and sale of the Acquired Assets hereunder or seeks damages in a material amount or other material relief in connection therewith and no such proceeding seeking any such action will have been commenced, other than any proceeding which has no substantial likelihood of resulting in a successful outcome for any Person bringing such proceeding.

Conditions for the Benefit of the Sellers and the Buyer

4.4 The obligations of the Sellers and the Buyer to be performed pursuant to this Agreement at or before the Closing Time are subject to the fulfilment, at or before the Closing Time, of each of the following conditions:

(a) the Supreme Court of British Columbia shall have granted an order approving the transaction contemplated by this Agreement and the discharge of the Existing Elk Falls Mortgages and the release of the Lands, Leases and other Acquired Assets, as applicable, from the Existing Nominee and Sellers' Security; and

(b) the Sellers and the Buyer will have obtained all required consents, approvals applicable Governmental Authorities necessary to permit the completion of the transactions contemplated in this Agreement to be completed at the Closing Time, which such consents and approvals will impose no obligations on the Sellers, other than obligations that the Buyer agrees to assume and satisfy or obligations that the Sellers agree to retain under this Agreement.

Waiver of Conditions by the Buyer

4.5 The conditions set out in §4.3 are for the exclusive benefit of the Buyer and may be waived, in whole or in part, by the Buyer at or prior to the Closing Time.

Termination

4.6 This Agreement may be terminated at any time prior to the Closing Time:

- (a) by mutual written agreement of the Sellers and the Buyer;
- (b) by either the Sellers or the Purchaser pursuant to the provisions of §4.1, §4.3 or 4.4 as applicable; or
- (c) by the Buyer in accordance with §6.2.

If this Agreement is terminated by the Sellers or the Buyer as permitted under §4.6, then §7.4 and §7.7 shall remain in full force and effect following any such permitted termination, and the remedies available to the Parties in respect of such termination shall be governed by §2.6.

PART 5

CLOSING

Time and Place of Closing

5.1 The Closing will take place

at the offices of Blake, Cassels & Graydon LLP at Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, BC,

- (a) at the Closing Time, or
- (b) at such other place, date or time as the Buyer and the Sellers agree in writing.

Deliveries by the Sellers for Closing

5.2 At or before the Closing Time, the Sellers will deliver or cause to be delivered to the Buyer:

- (a) a certified copy of the resolutions of the directors of the Sellers approving the sale of the Acquired Assets to the Buyer and authorizing the execution and delivery of this Agreement and the performance of the Sellers' covenants and obligations hereunder,
- (b) a certificate, in form and substance satisfactory to the Buyer (acting reasonably), of the Sellers, duly executed by an officer of the Sellers, on behalf of the Sellers and not in such officer's personal capacity, stating that, except as disclosed in such certificate,
 - (i) the representations and warranties of the Sellers contained in Part 1 of Schedule A of this Agreement were true, accurate and complete in all material respects as at the Closing Time, and
 - (ii) each of the Sellers' covenants and obligations hereunder to be performed and satisfied at or before the Closing Time has been performed and satisfied,
- (c) copies of the Licenses and Permits set forth in Schedule E attached hereto and copies of the Contracts set forth in Schedule B attached hereto; and
- (d) such customary closing documents, in form and substance satisfactory to the Buyer (acting reasonably), as the Buyer may reasonably request to give effect to the assignment, conveyance and transfer by the Sellers to, and the assumption by, the Buyer of the Acquired Assets and the Assumed Liabilities under §2.8 hereof, duly executed by the Sellers.

Deliveries by the Buyer for Closing

5.3 At or before the Closing Time, the Buyer will deliver or cause to be delivered to the Sellers:

- (a) a certified copy of the resolutions of the directors of the Buyer approving the purchase of the Acquired Assets by the Buyer and authorizing the execution and delivery of this Agreement and the performance of the Buyer's covenants and obligations hereunder,
- (b) a certificate, in form and substance satisfactory to the Sellers (acting reasonably), of the Buyer, duly executed by an officer of the Buyer, on behalf of the Buyer and not in such officer's personal capacity, stating that, except as disclosed in such certificate,
 - (i) the representations and warranties of the Buyer contained in Part 2 of Schedule A of this Agreement are true, accurate and complete in all material respects as at the Closing Time, and

- (ii) each of the Buyer's covenants and obligations hereunder to be performed and satisfied at or before the Closing Time has been performed and satisfied,
- (c) the amount referred to in §2.4(b), and
- (d) such customary closing documents, in form and substance satisfactory to the Sellers (acting reasonably), as the Sellers may reasonably request to give effect to the assignment, conveyance and transfer by the Sellers to, and the assumption by, the Buyer of the Acquired Assets and the Assumed Liabilities under §2.8 hereof, duly executed by the Buyer.

PART 6

RISK AND DAMAGE

Risk

6.1 Up to the Closing Time, any risk of loss to the Acquired Assets will remain with the Sellers and the Sellers will hold any proceeds received by it as compensation for any such loss, in trust, for the Buyer.

Buyer's Election

6.2 If, prior to the Closing Time, there occurs a Material Loss, then the Buyer may, at its option:

- (a) terminate this Agreement by reason of a failure to fulfil the condition precedent in §4.3(d); or
- (b) elect to complete the purchase and sale of the Acquired Assets, in which case any proceeds received by the Sellers as compensation with respect to the Acquired Assets will be assigned or paid by the Sellers to the Buyer.

Not Material Loss

6.3 In the event of damage, loss or changes to the Acquired Assets that is not a Material Loss, the Buyer will complete the purchase and sale of the Acquired Assets, in which event any proceeds received by the Sellers as compensation with respect to the Acquired Assets will be assigned or paid by the Sellers to the Buyer.

PART 7

GENERAL

Entire Agreement

7.1 Except as expressly agreed by the parties hereto in writing, the provisions in this Agreement constitute the entire agreement between the Sellers and the Buyer with respect to the matters contemplated in this Agreement and supersede all previous expectations, understandings, communications, representations and agreements between them with respect to such matters.

Notices

7.2 Every notice, request, demand, direction or other communication (each for the purposes of this §7.2 and §7.3 a "Notice") required or permitted to be given pursuant to this Agreement by the Sellers or the Buyer to the other will be deemed to be well and sufficiently given if in writing and delivered by hand or transmitted by facsimile as follows:

(a) if to the Buyer, at

Suite 316, 5065 – 31 Avenue
Edmonton, Alberta
T6L 6S5

Attention: Harold Jahn, Director
Email: haroldjahn@yahoo.com
Facsimile: (780) 249-6882

With copy to:

Borden Ladner Gervais LLP
1900, 520 – 3rd Avenue S.W.
Calgary, Alberta T2P 0R3

Attention: Melissa M. Smith
Fax: (403) 232-9787
Email: mesmith@blg.com

(b) if to the Sellers, at

2nd Floor, 3600 Lysander Lane
Richmond, BC V7B 1C3

Attention: David Adderley
Vice President and General Counsel
Facsimile: (604) 247-0551
Email: david.adderley@catalystpaper.com

With copy to:

Blake, Cassels & Graydon LLP
Suite 2600 - 595 Burrard Street
P.O. Box 49314
Vancouver, BC V7X 1L3

Attention: Peter Kalbfleisch
Fax: (604) 631-3309
Email: peter.kalbfleisch@blakes.com

or to such other address or transmission receiving station as is specified by the particular Party by Notice to the others.

Deemed Receipt

7.3 Any Notice delivered or sent as aforesaid will be deemed conclusively to have been effectively given and received on the day such Notice was delivered or sent as aforesaid if it was delivered or sent on a day that was a Business Day or on the next day that is a Business Day if it was delivered or sent on a day that was not a Business Day.

Consultation

7.4 The Parties will consult with each other before issuing any press release or making any other public announcement with respect to this Agreement or the transactions contemplated hereby and, except as required by any applicable Law or regulatory requirement, neither the Sellers nor the Buyer will issue any such press release or make any such public announcement without the prior written consent of the other, which consent will not be unreasonably withheld or delayed.

Assignment and Enurement

7.5 No Party may assign or transfer its rights hereunder to any Person without the prior written consent of the other Party. This Agreement will enure to the benefit of and be binding on the respective successors and permitted assigns of each of the Sellers, the Nominee and the Buyer.

Amendment or Termination

7.6 Except as otherwise expressly provided herein, this Agreement may not be amended or terminated except by an instrument in writing executed by the Sellers and the Buyer.

Costs and Expenses

7.7 Except as expressly set forth herein, each Party hereto will be responsible for its own costs and expenses, including legal and accounting costs, in connection with the transactions contemplated herein.

Governing Law

7.8 This Agreement is and will be deemed to have been made in British Columbia, for all purposes will be governed exclusively by and construed and enforced in accordance with the laws prevailing in British Columbia and the rights and remedies of the Sellers and the Buyer will be determined in accordance with those laws.

Attornment

7.9 The Sellers, the Nominee and the Buyer irrevocably attorn to the exclusive jurisdiction of the courts of British Columbia and all courts having appellate jurisdiction thereover and agree that any proceeding commenced or maintained in respect of or arising as a consequence of this Agreement will be commenced or maintained only in such of those courts as is appropriate.

Cumulative Remedies

7.10 The rights of the Sellers, the Nominee and the Buyer provided in this Agreement are cumulative and no exercise or enforcement by such parties of any right or remedy under this Agreement will preclude the exercise or enforcement by such parties of any other right or remedy under this Agreement or otherwise available to such parties at law or in equity.

Time

7.11 Time is of the essence in the performance of each obligation under this Agreement.

Further Assurances

7.12 Each of the Sellers, the Nominee and the Buyer will use all reasonable efforts to give full effect to the transactions contemplated herein, and will execute and deliver all such further documents and instruments and do all such further acts and things as the other Party reasonably requests to evidence, carry out and give full effect to the terms, conditions, intent and meaning of this Agreement.

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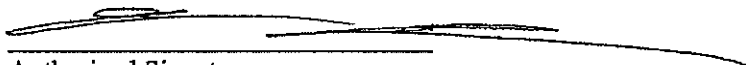
Counterparts

7.13 This Agreement may be executed in any number of counterparts and delivered, in original form or by electronic facsimile, each of which will together, for all purposes, constitute one and the same instrument as if the parties hereto had executed the same document, and all counterparts will be construed together and constitute one and the same instrument.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto on the day and year first above written.

PACIFICA DEEP SEA TERMINALS INCORPORATED

Per:



Authorized Signatory

CATALYST PAPER CORPORATION

Per:

Authorized Signatory

CATALYST PULP OPERATIONS LIMITED

Per:

Authorized Signatory

ELK FALLS PULP AND PAPER LIMITED

Per:

Authorized Signatory

Counterparts

7.13 This Agreement may be executed in any number of counterparts and delivered, in original form or by electronic facsimile, each of which will together, for all purposes, constitute one and the same instrument as if the parties hereto had executed the same document, and all counterparts will be construed together and constitute one and the same instrument.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto on the day and year first above written.

PACIFICA DEEP SEA TERMINALS INCORPORATED

Per: _____
Authorized Signatory

CATALYST PAPER CORPORATION

Per: _____
Authorized Signatory

CATALYST PULP OPERATIONS LIMITED

Per: _____
Authorized Signatory

ELK FALLS PULP AND PAPER LIMITED

Per: _____
Authorized Signatory

SCHEDULE A

PART 1

REPRESENTATIONS AND WARRANTIES OF THE SELLERS AND NOMINEE

Representations and Warranties of the Sellers and the Nominee

1.1 The Sellers and Nominee represent and warrant to the Buyer as follows:

(a) **Status of the Sellers and the Nominee.** Each of the Sellers and the Nominee is duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation, has the power and capacity to own and dispose of the Acquired Assets and to enter into this Agreement and carry out its terms.

(b) **Authority to Sell.** Subject to obtaining the approvals and court order set out in §4.4, the execution and delivery of this Agreement and the completion of the transactions contemplated by this Agreement, have been, or will be, duly and validly authorized by all necessary corporate action of the Sellers and the Nominee, and, assuming the valid execution and delivery by all the Parties, this Agreement will constitute a legal, valid and binding obligation of the Sellers and the Nominee, enforceable against the Sellers and the Nominee in accordance with its terms, except as may be limited by bankruptcy, insolvency and other applicable Laws affecting the rights of creditors and subject to the availability of any equitable remedy in any particular instance.

(c) **GST Registration.** Each of the Sellers and the Nominee is registered for purposes of Part IX of the *Excise Tax Act* under: (i) GST Registration No. 10182 1171 RT0001 in respect of Catalyst Paper; (ii) GST Registration No. 87758 4565 RT0002 in respect of Catalyst Pulp; and (iii) GST Registration No. 88497 9493 RT0001 in respect of the Nominee.

(d) **Title to Acquired Assets.** The Acquired Assets are owned by the Sellers beneficially with registered title of the Lands in the name of the Nominee for and on behalf of the Sellers and title to the Acquired Assets is free and clear of any and all claims, liens, pledges, option rights, charges, mortgages, security interests or encumbrances except for the Permitted Encumbrances, the Existing Elk Falls Mortgages, the Existing Nominee and Sellers' Security and the Claim of Builders Lien.

(e) **No Options to Acquire.** Except as set out in the Joint Use Agreement identified in Schedule B and this Agreement, no person has any agreement or option or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement or option to purchase or acquire from the Sellers any of the Acquired Assets or any interest therein.

PART 2
REPRESENTATIONS AND WARRANTIES
OF THE BUYER

Representations of the Buyer

1.2 The Buyer represents and warrants to the Sellers as follows:

(a) **Status of the Buyer.** The Buyer is a corporation, duly incorporated, validly existing, and in good standing under the laws of its jurisdiction of incorporation, has the power and capacity to enter into this Agreement, and to carry out its terms.

(b) **Authority to Purchase.** Subject to obtaining the approvals and court order set out in §4.4, the execution and delivery of this Agreement and the completion of the transactions contemplated by this Agreement, have been, or will be, duly and validly authorized by all necessary corporate action on the part of the Buyer, and, assuming the valid execution and delivery by all the Parties, this Agreement will constitute a legal, valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms, except as limited by bankruptcy, insolvency and other applicable laws affecting the rights of creditors and subject to the availability of any equitable remedy in any particular instance.

(c) **GST Registration.** The Buyer is registered for purposes of Part IX of the *Excise Tax Act* under GST Registration No. 858505290 RT0001.

(d) **No reliance on Sellers.** The Buyer: (i) has relied solely on its own independent review, investigation and/or inspection of the Acquired Assets; (ii) has not relied on any written or oral statements, representations, promises or warranties whatsoever made by the Buyer or its agents, other than those contained in this Agreement; (iii) is a sophisticated party capable of making its own assessments in respect to the acquisition of the Acquired Assets; and (iv) has had the benefit of independent legal advice in connection with the transaction contemplated hereunder.

(e) **No Entitlement to Break Fee.** In the event that Closing does not occur, the Sellers and the Nominee are not liable to the Buyer for any break fees, expense reimbursements or other similar types of payments under this Agreement or in connection with the transaction contemplated herein.

SCHEDULE B

CONTRACTS

Joint Use Agreement dated December 14, 1993 between Elk Falls Forest Industries Limited and Timberwest Forest Limited

Mill Services Agreement made as of September 29, 1998 between Island Cogeneration Project Inc. and Fletcher Challenge Canada Limited and Fletcher Challenge Canada Pulp Operations Ltd. and Elk Falls Forest Industries Limited, as amended by Amendment No. 1 to Mill Services Agreement dated as of September 22, 2009 by and among Catalyst Paper Corporation, Catalyst Pulp Operations Limited, Elk Falls Forest Industries Limited and Island Cogeneration No. 2 Inc.

SCHEDULE C

LANDS

000 849 731	District Lot 120 (DD 215778I) Sayward District Except part in Plans 14946 and VIP57724
000 849 821	That part of District Lot 67 Sayward District shown outlined in red on Plan 1374 RW
000 848 905	Lot A District Lot 68 Sayward District Plan 20538
000 849 561	That part of District Lot 151 Sayward District shown outlined in red on Plan 1433R
000 849 502	That Part of District Lot 163 Sayward District shown outlined in red on Plan 1431R
001 233 475	Block B of Lot 1504 Sayward District
001 233 467	Block C of Lot 1504 Sayward District
001 233 459	Block D of Lot 1504, Sayward District
000 848 913	Lot 1 District Lot 68 Sayward District Plan 16712
000 849 855	That part of District Lot 52 Sayward District shown outlined in red on Plan 659 RW
000 849 847	That part of District Lot 67 Sayward District shown outlined in red on Plan 659 RW
000 849 910	District Lot 26 Sayward District except part in Plans 34604 and 42540
000 848 921	Lot 1 District Lot 109 Sayward District Plan 16956
000 849 430	District Lot 164 Sayward District shown outlined in red on Plan 1431R
001 233 432	District Lot 109 Sayward District except Parcel A (DD 285472 I) and those parts in Plans 1373 R, 16956, 19371, 50636 and VIP54479, VIP64521 and EPP7297
001 233 441	Lot 1599 Sayward District except that portion in Plan VIP64521
000 846 287	District Lot 2 Sayward District except those parts in Plans 19371, 42540, 50636, VIP64521 and VIP64522

Statutory Rights of Way

Statutory Right of Way EK140688

Statutory Right of Way FB315872

Statutory Right of Way FB315873

SCHEDULE D

LEASES

Waterlot Lease 101447 made September 10, 1986 between Her Majesty the Queen in Right of the Province of British Columbia, represented by the Minister of Forests and Lands, as landlord and Catalyst Paper Corporation as tenant, in respect Block A of Lot 1504, Sayward District (Property Record No. H-6594) (joint use with Timberwest)

Waterlot Lease 111966 made September 10, 2005 between Her Majesty the Queen in the Right of the Province of British Columbia, represented by Minister responsible for the Land Act, as landlord and Catalyst Paper Corporation, as tenant, in respect of District Lot 411 (except Block A) and Block of District Lot 1516, Sayward District (Property Record No. H-6595) (joint use with Timberwest)

SCHEDULE E

LICENCES AND PERMITS

Park Use Permit No. ST9710007 issued by Her Majesty the Queen in the Right of the Province of British Columbia, represented by the Minister responsible for the Park Act to Norske Canada Limited in respect of use and maintenance of an existing 20 metre road right of way within Elk Fall Provincial Park

Conditional Water Licence No. C126184 issued by the Ministry of Environment on March 11, 2011 to Elk Falls Pulp and Paper Ltd. in respect of lands legally described as District Lot 109, Sayward District, except Parcel A (DD285472-I) and those parts in Plans 1373-R, 16956, 19371, 50636, VIP54479, VIP64521 and EPP7297

Conditional Water Licence No. C126205 issued by the Ministry of Environment on March 11, 2011 to Elk Falls Pulp and Paper Ltd. in respect of lands legally described as District Lot 109, Sayward District, except Parcel A (DD285472-I) and those parts in Plans 1373-R, 16956, 19371, 50636, VIP54479, VIP64521 and EPP7297

Effluent Discharge Permit PE-01164 issued by the Ministry of Environment on August 31, 2011 authorizing the discharge of effluent to marine water from an industrial effluent treatment facility

Landfill Permit PR -1602 issued by the Ministry of Environment on December 15, 1972, as amended November 9, 2010 to Catalyst Paper Corporation and Catalyst Pulp Operations Limited in respect of the Phase 1,2 & 3 Landfill and the Old Landfill

SCHEDULE F
PERMITTED ENCUMBRANCES

1. Legal Description:

PID: 000-849-731

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

This certificate of title may be affected by the Agricultural Land Commission Act; See Agricultural Land Reserve Plan No. 3, deposited May 29th, 1974, R.E. Hooper, Registrar, per: DM

See Plan 1613 OS (Re Road)

Hereto is annexed Restrictive Covenant P22204 (see DD P22203) over Lot A, Plan 42194

Hereto is annexed Easement P22203 over Lot A, Plan 42194

Hereto (inter alia) is annexed Easement ED131403 over Lot 1, Campbell River Indian Reserve #11, Sayward District, Plan 21743 and those parts of Campbell River Indian Reserve #11 Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673-R, except those parts in plans 12883, 21743, and 35318

Hereto is annexed Restrictive Covenant ED131404 over Lot 1, Campbell River Indian Reserve #11, Sayward District Plan 21743, and those parts of Campbell River Indian Reserve #11 Sayward District lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743 and 35318 (inter alia)

Dominant tenement in respect to Restrictive Covenant ED13404 cancelled as to Lots A, B and C, Plan VIP59470 by EK35978

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District lying to the west and north west

of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

This title may be affected by the Forest Land Reserve Act, see EN16484

"Notice of Interest Sec 3 (2) Builders Lien Act EN2625 filed 12.01.1999

This title may be affected by a permit under Part 26 of the Local Government Act, see EW131828

Hereto is annexed Easement FB369167 over Lot 1, Plan EPP7297

Charges, Liens and Interests:

- a) Right of Way 16515G in favour of British Columbia Hydro and Power Authority.
- b) Statutory Right of Way ED76599 in favour of Terasen Gas (Vancouver Island) Inc. Cancelled as to all except that part in Plan VIP53087 by EG15360 8/2/1993.
- c) Easement EG15361 in favour of Pacific Coast Energy Corporation.
- d) Statutory Right of Way EG63491 in favour of B.C. Tel.
- e) Statutory Right of Way EK27691 in favour of Terasen Gas (Vancouver Island) Inc.
- f) Statutory Right of Way EK140686 in favour of Timberwest Forest Corp.
- g) Easement EK140687 in favour of Timberwest Forest IV Limited and Timberwest Forest I Limited.
- h) Statutory Right of Way FB315617 in favour of Island Cogeneration No. 2 Inc.
- i) Statutory Right of Way FB315618 in favour of Island Cogeneration No. 2 Inc.
- j) Easement FB369173.
- k) Statutory Right of Way FB425327 in favour of Fortis BC Energy (Vancouver Island) Inc.

2. Legal Description:

PID: 000-849-821

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG125786 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523 and VIP57205; and Lot 1, Plan 21743, except part in Plan VIP57205

Hereto is annexed Restrictive Covenant EG125787 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523, and VIP57205; and Lot 1, Plan 21743, except part in Plan VIP57205 dominant tenement in respect of restrictive covenant EG125787 cancelled as to Lots A, B, and C, Plan VIP59470 by EK35979

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP57470

Charges, Liens and Interests:

- a) Undersurface Rights 5896D in favour of Louis Rosenfeld.
- b) Coal TSN DF57617 forfeited to Crown 18/10/1948 DF 59465.
- c) Undersurface Rights EE12109 forfeited to the Crown.
- d) Statutory Right of Way EK140686 in favour of Timberwest Forest Corp.
- e) Easement EK140687.
- f) Statutory Right of Way EL60597 in favour of District of Campbell River.

3. Legal Description:

PID: 000-848-905

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

Hereto is annexed Easement ED131403 over Lot 1, Campbell River Indian Reserve #11, Sayward District, Plan 21743, and those parts of Campbell River Indian Reserve #11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743 and 35318

Hereto (inter alia) is annexed Restrictive Covenant ED131404 over Lot 1, Campbell River Indian Reserve #11, Sayward District, Plan 21743 and those parts of Campbell River Indian Reserve #11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743 and 35318 ED131404 dominant tenement in respect to Restrictive Covenant ED131404 cancelled as to Lots A, B, and C, Plan VIP59470 by EK35978

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

"Notice of Interest Sec 3 (2) Builders Lien Act EN2625 filed 12.01.1999

Hereto is annexed Easement FB369167 over Lot 1, Plan EPP7297

Hereto is annexed Easement FB369168 over Lot 1, Plan EPP7297 as shown on Plan VIP88265

Charges, Liens and Interests:

- a) Statutory Right of Way FB315616 in favour of Island Cogeneration No. 2 Inc.
- b) Easement FB369173.

4. Legal Description:

PID: 000-849-561

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

This certificate of title may be affected by the Agricultural Land Commission Act; see Agricultural Reserve Plan No. 3, deposited May 29th, 1974, R.E. Hooper, Registrar, Per: DM

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG125786 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523 and VIP57205; and Lot 1, Plan 21743, except Part in Plan VIP57205

Hereto is annexed Restrictive Covenant EG125787 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523, and VIP57205; and Lot 1, Plan 21743, except part in Plan VIP57205 dominant tenement in respect of Restrictive Covenant EG125787 cancelled as to Lots A, B, and C, Plan VIP59470 by EK35979

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No.11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

Charges, Liens and Interests:

- a) Right of Way 165151G in favour of British Columbia Hydro and Power Authority.
- b) Statutory Right of Way ED76599 in favour of Terasen Gas (Vancouver Island) Inc. Cancelled as to all except part in Plan VIP60438, by EK51521

5. Legal Description:

PID: 000-849-502

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

Subject to the provisions contained in Order-in-Council No. 1442 deposited under DD No. 222882I

This certificate of title may be affected by the Agricultural Land Commission Act: See Agricultural Land Reserve Plan No. 3, deposited 29th May 1974, R.E. Hooper, Registrar, per HP

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG125786 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523 and VIP57205; and Lot 1, Plan 21743, except Part in Plan VIP57205

Hereto is annexed Restrictive Covenant EG125787 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523 and VIP57205; and Lot 1, Plan 21743, except Part in Plan VIP57205 Dominant tenement in respect of Restrictive Covenant EG125787 cancelled as to Lots A, B, and C, Plan VIP59470 by EK35979

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District lying to the west and north west of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

Charges, Liens and Interests:

None.

6. Legal Description:

PID: 001-233-475

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

Hereto is annexed Restrictive Covenant P22204 (See DD P22203) over Lot A, Plan 42194

Hereto is annexed Easement P22203 over Lot A, Plan 42194

Hereto is annexed Easement ED131403 over Lot 1, Campbell River Indian Reserve #11, Sayward District, Plan 21743 and those parts of Campbell River Indian Reserve #11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743 and 35318 Cancelled as to part in Plan VIP54523 by EF76365

Hereto (inter alia) is annexed Restrictive Covenant ED131404 over Lot 1, Campbell River Indian Reserve #11, Sayward District Plan 21743, and those parts of Campbell River Indian Reserve #11 Sayward District lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12883 21734 and 35318

Cancelled as to part in Plan VIP54523 by EF90264 Dominant Tenement in respect to Restrictive Covenant ED131404 cancelled as to Lots A, B, and C, Plan VIP59470 by EK35978

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District lying to the west and north west of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

Hereto is annexed Easement FB369167 over Lot 1, Plan EPP7297

Hereto is annexed Easement FB369168 over Lot 1, Plan EPP7297 as shown on Plan VIP88265

Charges, Liens and Interests:

a) Easement FB369173

7. Legal Description:

PID: 001-233-467

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

Hereto is annexed Restrictive Covenant P22204 (See DD P2223) over Lot A, Plan 42194

Hereto is annexed Easement P22203 over Lot A, Plan 42194

Hereto is annexed Easement ED131403 over Lot 1, Campbell River Indian Reserve #11, Sayward District, Plan 21743 and those parts of Campbell River Indian Reserve #11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743 and 35318 cancelled as to part in Plan VIP54523 by EF76365

Hereto (inter alia) is annexed Restrictive Covenant ED131404 over Lot 1, Campbell River Indian Reserve #11, Sayward District Plan 21743 and those parts of Campbell River Indian Reserve #11 Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12883 21743 and 35318 Cancelled as to part in Plan VIP54523 by EF90264

Dominant tenement in respect to Restrictive Covenant ED131404 cancelled as to Lots A, B, and C, Plan VIP59470 by EK40220

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District lying to the west and north west of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

Hereto is annexed Easement FB369167 over Lot 1, Plan EPP7297

Hereto is annexed Easement FB369168 over Lot 1, Plan EPP7297 as shown on Plan VIP88265

Charges, Liens and Interests:

a) Easement FB369173

8. Legal Description:

PID: 001-233-459

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

Hereto is annexed Restrictive Covenant P22204 (see DD P22203) over Lot A, Plan 42194

Hereto is annexed Easement P22203 over Lot A, Plan 42194

Hereto is annexed Easement ED131403 over Lot , Campbell River Indian Reserve #11, Sayward District, Plan 21743, and those parts of Campbell River Indian Reserve #11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743 and 35318 Cancelled as to part in Plan VIP54523 by EF76365

Hereto (inter alia) is annexed Restrictive Covenant ED131404 over Lot 1, Campbell River Indian Reserve #11, Sayward District Plan 21743 and those parts of Campbell River Indian Reserve #11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743 and 35318 Cancelled as to part in Plan VIP54523 by EF90264

Dominant tenement in respect to restrictive covenant ED131404 canceled as to Lots A, B, and C, Plan VIP59470 by EK35978

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District lying to the west and north west of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

Hereto is annexed Easement FB369167 over Lot 1, Plan EPP7297

Hereto is annexed Easement FB369168 over Lot 1, Plan EPP7297 as shown on Plan VIP88265

Charges, Liens and Interests:

a) Easement FB369173

9. Legal Description:

PID: 000-848-913

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

Hereto is annexed Easement ED131403 over Lot 1, Campbell River Indian Reserve #11, Sayward District, Plan 21743, and those parts of Campbell River Indian Reserve #11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743 and 35318

Hereto (inter alia) is annexed Restrictive Covenant ED131404 over Lot 1, Campbell River Indian Reserve #11, Sayward District Plan 21743 and those parts of Campbell River Indian Reserve #11 Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743 and 35318
Dominant tenement in respect to Restrictive Covenant ED131404 cancelled as to Lots A, B, and C, Plan VIP59470 by EK35978

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District 1673R, except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

Hereto is annexed Easement FB369167 over Lot 1, Plan EPP7297

Hereto is annexed Easement FB369168 over Lot 1, Plan EPP7297 as shown on Plan VIP88265

Charges, Liens and Interests:

a) Restrictive Covenant 253953G.

b) Easement FB369173.

10. Legal Description:

PID: 000-849-855

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

This certificate of title may be affected by the Agricultural Land Commission Act: see Agricultural Land Reserve Plan Number 3, deposited May 29, 1974

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG125786 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523 and VIP57205; and Lot 1, Plan 21743, except part in Plan VIP57205

Hereto is annexed Restrictive Covenant EG125787 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523, and VIP57205; and Lot 1, Plan 21743, except part in Plan VIP57205 Dominant tenement in respect to Restrictive Covenant EG125787 cancelled as to Lots A, B, and C, Plan VIP59470 by EK35979

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

Charges, Liens and Interests:

- a) Undersurface Rights 5896D in favour of Louis Rosenfeld.
- b) Coal TSN DF57617 forfeited to Crown 18.10.48 DF 59465.
- c) Undersurface Rights EE12109 forfeited to the Crown.
- d) Statutory Right of Way EG151982 in favour of Terasen Gas (Vancouver Island) Inc.
- e) Statutory Right of Way EK140686 in favour of Timberwest Forest Corp.
- f) Easement EK140687.

11. Legal Description:

PID: 000-849-847

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

Notice of Agreement under Conditional Sales Act filed 20.1.51

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG125786 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523 and VIP57205; and Lot 1, Plan 21743, except part in Plan VIP57205

Hereto is annexed Restrictive Covenant EG125787 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the line bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523, and VIP57205; and Lot 1, Plan 21743, except part in Plan VIP57205 Dominant tenement in respect to restrictive covenant EG125787 cancelled as to Lots A, B, and C, Plan VIP59470 by EK35979

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

Charges, Liens and Interests:

- a) Undersurface Rights 5896D in favour of Louis Rosenfeld.
- b) Coal TSN DF57617 forfeited to Crown 18/10/1948 DF 59465.
- c) Undersurface Rights EE12109 pursuant to Mineral Land Tax Act, S.B.C. 1979 Chapter 260 and amendments thereto minerals (except gold and silver) herein, forfeited and vested in Crown.

12. Legal Description:

PID: 000-849-910

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

This certificate of title may be affected by the Agricultural Land Commission Act; see Agricultural Land Reserve Plan No. 3, deposited May 29th, 1974

Hereto is annexed Easement K31061 over Lot A, Plan 34604

Hereto is annexed Restrictive Covenant K31062 over Lot A, Plan 34604 Restrictive Covenant K31062 cancelled by EP108587, 2000.12.27, as to servient tenement Lot 1, Plan VIP71431 (PID: 24-871-826) only

Hereto is annexed Restrictive Covenant P22204 (See DD P22203) over Lot A, Plan 42194

Hereto is annexed Easement P22203 over Lot A, Plan 42194

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG125786 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523 and VIP57205; and Lot 1, Plan 21743, except part in Plan VIP57205

Hereto is annexed Restrictive Covenant E125787 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523,

and VIP57205; and Lot 1, Plan 21743, except part in Plan VIP57205 Dominant tenement in respect to Restrictive Covenant EG125787 cancelled as to Lots A, B, and C, Plan VIP59470 by EK35979

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying the west and north west of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

Modified by EN96214

Modified by EN96215

This title may be affected by a permit under Part 26 of the Local Government Act, see EW131828

Charges, Liens and Interests:

- a) Statutory Right of Way EK140686 in favour of Timberwest Forest Corp.
- b) Easement EK140687.
- c) Covenant EX115282 in favour of City of Campbell River.

13. Legal Description:

PID: 000-848-921

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

Hereto is annexed Restrictive Covenant P22204 (see DD P22203) over Lot A, Plan 42194

Hereto is annexed Easement P22203 over Lot A, Plan 42194

Hereto (inter alia) is annexed Easement ED131403 over Lot 1, Campbell River Indian Reserve #11, Sayward District, Plan 21743 and those parts of Campbell River Indian Reserve #11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743 and 35318

Hereto (inter alia) is annexed Restrictive Covenant ED131404 over Lot 1, Campbell River Indian Reserve #11, Sayward District Plan 21743 and those parts of Campbell River Indian Reserve #11 Sayward District, lying to the west and north west of the lines

bordered in red on Plan 1673R, except those parts in Plans 12883, 21743 and 35318 Dominant tenement in respect to restrictive covenant ED131404 cancelled as to Lots A, B, and C, Plan VIP 59470 by EK35978

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

Hereto is annexed Easement FB369167 over Lot 1, Plan EPP7297

Hereto is annexed Easement FB369168 over Lot 1, Plan EPP7297 as shown on Plan VIP88265

Charges, Liens and Interests:

- a) Statutory Right of Way FB333977.
- b) Easement FB369173.

14. Legal Description:

PID: 000-849-430

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

Subject to the provisions contained in Order-In-Council No. 1442 deposited under DD 222882I

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG125786 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523 and VIP57205; and Lot 1, Plan 21743 except part in Plan VIP57205

Hereto is annexed Restrictive Covenant EG125787 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of those lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523, and VIP57205; and Lot 1, Plan 21743, except part in Plan VIP57205 Dominant tenement in respect to Restrictive Covenant EG125787 cancelled as to Lots A, B, and C, Plan VIP59470 by EK35979

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

Charges, Liens and Interests:

- a) Charge 45571G in favour of The North Pacific Lumber Company Limited.
- b) Undersurface Rights 45646G in favour of William Taylor.
- c) Coal TSN DF20420 forfeited to Crown 2.11.29 DF 23157/10
- d) Easement 163305G.
- e) Statutory Right of Way EK140686 in favour of Timberwest Forest Corp.
- f) Easement EK140687 in favour of Timberwest Forest IV Limited and Timberwest Forest I Limited.
- g) Statutory Right of Way EL60597 in favour of District of Campbell River.

15. Legal Description:

PID: 001-233-432

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

Hereto is annexed Easement K31061 over Lot A, Plan 334604

Hereto is annexed Restrictive Covenant K31062 over Lot A, Plan 34604

Restrictive Covenant K31062 cancelled by EP108587, 2000.12.27, as to servient tenement Lot 1, Plan VIP7143 (PID: 24-871-826) only

Hereto is annexed Restrictive Covenant P22204 (see DD P22203) over Lot A, Plan 42194

Hereto is annexed Easement P22203 over Lot A, Plan 42194

Hereto is annexed Easement ED131403 over Lot 1, Campbell River Indian Reserve #11, Sayward District, Plan 21743 and those parts of Campbell River Indian Reserve #11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743 and 35318

Hereto (inter alia) is annexed restrictive covenant ED131404 over Lot 1, Campbell River Indian Reserve #11, Sayward District Plan 21743, and those parts of Campbell River Indian Reserve #11 Sayward District lying to the west and north west of the lines bordered in red on Plan 1673R, except parts in Plans 12883, 21743 and 35318 Dominant tenement in respect to Restrictive Covenant ED131404 cancelled as to Lots A, B, and C, Plan VIP59470 by EK35978

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

Hereto inter alia is annexed Easement EK140680 over that part of Lot 1, Plan VIP64521 in Plan VIP64523 and that part of Lot A, Plan VIP64522 in Plan VIP64524

Hereto inter alia is annexed Easement EK140681 over Lot 1, Plan VIP64521

Hereto inter alia is annexed Easement EK140689 over Lot 1, Plan VIP64521 and Lot A, Plan VIP64522

Hereto is annexed Easement EK140690 over that part of Lot 1, Plan VIP64521 in Plan VIP64531

This title may be affected by a permit under Part 29 of the Municipal Act, see EK48112

Modified by EN96214

Modified by EN96215

This title may be affected by a Permit under Part 26 of the Local Government Act, see FB359747

Hereto is annexed Easement FB369167 over Lot 1, Plan EPP7297

Hereto is annexed Easement FB369168 over Lot 1, Plan EPP7297 as shown on Plan VIP88265

This title may be affected by a Permit under Part 26 of the Local Government Act, see FB51303

Charges, Liens and Interests:

- a) Right of Way 165151G in favour of British Columbia Hydro and Power Authority.
- b) Statutory Right of Way ED76599 in favour of Terasen Gas (Vancouver Island) Inc.
- c) Easement EG15361 in favour of Pacific Coast Energy Corporation.
- d) Covenant EK140676 in favour of District of Campbell River.
- e) Covenant EK140677 in favour of Timberwest IV Limited.
- f) Covenant EK140678 in favour of The Crown in Right of British Columbia, inter alia section 215 Land Title Act.
- g) Easement EL41360. Appurtenant to Lot 1599, Sayward District, Except Plan VIP64521.
- h) Covenant EN73590 in favour of District of Campbell River.
- i) Statutory Right of Way FB315615 in favour of Island Generation, Inc.
- j) Statutory Right of Way FB315616 in favour of Island Generation, Inc.
- k) Statutory Right of Way FB333977 in favour of Island Generation, Inc.
- l) Easement FB369173.
- m) Statutory Right of Way FB425327 in favour of Fortis BC Energy (Vancouver Island) Inc.

16. Legal Description:

PID: 001-233-441

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

Hereto is annexed Restrictive Covenant P22204 (see DDP22203) over Lot A, Plan 42194

Hereto is annexed Easement P22203 over Lot A, Plan 42194

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148. Inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG125786 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523 and VIP57205; and Lot 1, Plan 21743, except Part in Plan VIP57205

Hereto is annexed Restrictive Covenant EG125787 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and northwest of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523, and VIP57205; and Lot 1, Plan 21743, except part in Plan VIP57205 Dominant tenement in respect to Restrictive Covenant EG125787 cancelled as to Lots A, B, and C, Plan VIP59470 by EK35979

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto (inter alia) is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

Hereto inter alia is annexed Easement EK140680 over that part of Lot 1, Plan VIP64521 in Plan VIP64523 and that part of Lot A, Plan VIP64522 in Plan VIP64524

Hereto inter alia is annexed Easement EK140681 over Lot 1, Plan VIP64521

Hereto inter alia is annexed Easement EK140689 over Lot 1, Plan VIP64521 and Lot A, Plan VIP64522

This title may be affected by a permit under Part 29 of the Municipal Act, see EK48112

Hereto is annexed Easement EL41360 over District Lot 109, Sayward District, except Parcel A (DD 285472I) and Plans 1373R, 16956, 19371, 50636, VIP54479 and VIP64521.

Servient Tenement cancelled as to Lot 1, Plan EPP7297 by FB369170

Hereto is annexed Easement FB369167 over Lot 1, Plan EPP7297

Hereto is annexed Easement FB369168 over Lot 1, Plan EPP7297 as shown on Plan VIP88265

Charges, Liens and Interests:

a) Easement FB369173.

17. Legal Description:

PID: 000-846-287

Registered Owner: Elk Falls Pulp and Paper Limited

Legal Notations:

Hereto is annexed Easement K31061 over Lot A, Plan 34604

Hereto is annexed Restrictive Covenant K31062 over Lot A, Plan 34604 Restrictive Covenant K31062 cancelled by EP108587, 2000.12.27, as to servient tenement Lot 1, Plan VIP71431 (PID: 24-871-826) only

Hereto is annexed Restrictive Covenant P22204 over Lot A, Plan 42194

Hereto is annexed Easement P22203 over Lot A, Plan 42194

Hereto (inter alia) is annexed Easement ED131403 over those parts of Campbell River Indian Reserve #11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673-R, except those parts in Plans 12883, 21743 and 35318, and Lot 1, Campbell River Indian Reserve #11, Sayward District, Plan 21743

Hereto (inter alia) is annexed Easement ED131404 over Lot 1, Campbell River Indian Reserve #11, Sayward District, Plan 21743 and those parts of Campbell River Indian Reserve #11, Sayward District, lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12833, 21743 and 35318 Dominant tenement in respect to Restrictive Covenant ED131404 cancelled as to Lots A, B, and C, Plan VIP59470 by EK35978

Hereto is annexed Easement EF74147 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Restrictive Covenant EF74148 inter alia over Lot 1, Plan VIP54479

Hereto is annexed Easement EG171215 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EG171216 over Lot 1, Plan VIP57724

Hereto is annexed Restrictive Covenant EH102792 over those parts of Campbell River Indian Reserve No. 11, Sayward District lying to the west and north west of the lines bordered in red on Plan 1673R, except those parts in Plans 12883, 21743, 35318, 54523, VIP57205, VIP58923 and VIP59470

Hereto inter alia is annexed Easement EK140680 over that part of Lot 1, Plan VIP64521 in Plan VIP64523 and that part of Lot A, Plan VIP64522 in Plan VIP64524

Hereto inter alia is annexed Easement EK140681 over Lot 1, Plan VIP64521

Hereto inter alia is annexed Easement EK140689 over Lot 1, Plan VIP64521 and Lot A, Plan VIP64522

This title may be affected by a permit under Part 29 of the Municipal Act, see EK48112

Modified by EN96214

Modified by EN96215

This title may be affected by a permit under Part 26 of the Local Government Act, see FB212101

Hereto is annexed Easement FB369167 over Lot 1, Plan EPP7297

Hereto is annexed Easement FB369168 over Lot 1, Plan EPP7297 as shown on Plan VIP88265

Charges, Liens and Interests:

- a) Statutory Right of Way EK140686 in favour of Timberwest Forest Corp.
- b) Easement EK140687.
- c) Covenant EX115282 in favour of City of Campbell River.
- d) Easement FB369173.

SCHEDULE G
EXCLUDED ASSETS

Under the Agreement, the Sellers have the right to sell to any third party purchaser or transfer to any affiliate of the Sellers the Excluded Assets. The list of Excluded Assets in this Schedule G may include assets that are not of the type and character or similar to those described in paragraphs (i) to (x) of the definition of Excluded Assets. This list will be reviewed by the Sellers and the Buyer prior to the Closing Date, to determine what, if any, additional items that are not of the type and character or similar to those described in paragraphs (i) to (x) of the definition of Excluded Assets and that the Buyer does not require for its operations at the Mill and can be added to this list of Excluded Assets.

a) Paper Machine 5

Elk Falls PM 5 less the Not Included Equipment

The following schedule details the major assets comprising Catalyst Paper Corporation's Elk Falls PM5 less the Not Included Equipment. The purchased assets are broadly defined as spare parts, clothing and equipment for the PM5.

"Not included equipment"

- All PM5 Wet End Electrical Room equipment except any related drives
- All PM5 600V MCC's
- All PM5 Transformers
- All PM5 Building lights, heating and ventilation systems, both wet and dry end overhead cranes
- All PM5 electrical cable
- All PM5 basement piping, excluding the machine specific approach flow, hood and blower systems

1.0 Definition of Purchased Assets

Within the physical delineation of the PM5 noted above, the over-riding criteria to be used in identifying components of the PM system for the purposes of the sale will be as follows:

- 1.1 Any equipment, including spares, designated for use of Elk Falls PM5 less the Not Included Equipment exclusively is to be included in the sale.
- 1.2 Equipment that is common to other operating machines or systems within the Elk Falls facility, is not included in the sale.

2.0 General Equipment Listing # PM5 less the Not Included Equipment.

2.1 PM5

Complete 8.53m trim width, 1981 Valmet Newsprint Machine, including all equipment from the Stock Approach Piping System through to Winder with all connected systems, less the Not Included Equipment, Headbox, Reel and other components previously removed prior to this agreement.

- Approach Equipment , All Pumps, E motor
 - Most there except screen filter housings and kraft refiner.
- All Fan Pumps and Headbox Screens (primary/secondary Etc) Including E Motor , all valves

- Missing headbox, but controller in tact.
- Wire Section with Control System and Frame
 - Yes, but the DCS control missing - We have the entire machine logic backup.
- Press Section with control System and Frame
 - Yes, but the DCS control missing - We have the entire machine logic backup.
- Dryer Section With Control System and Frame
 - Yes, but the DCS control missing - We have the entire machine logic backup.
- Callender Section With Control System and Frame
 - Yes, but the DCS control missing - We have the entire machine logic backup.
- Pope Reel Section with Control System and Frame
 - Yes, but the DCS control missing - We have the entire machine logic backup.
- Rewinder Section With Control System
 - Winder drives, slitler beam sent to other sites- But we have the entire machine logic backup.
- All Instrumentations (hardware and soft ware)
 - Most there.
- All Pump include E Motor
 - Most there.
- All Valve (Auto valve and manual valve)
 - Most there.
- All QCS system with control system and frame
 - Scanner and new ABB s-800 I/O is there for scanner and steam box, but steam box actuators are gone.
- All Lab Equipment
 - Some Paperlab equipment left but scattered.
- All Sole Plate (Wire - Rewinder)
 - Yes.
- Hood with Control system ,blower Etc
 - Machine equipment
- Broke System
 - Yes.
- Machine Broke Pulper
 - Yes.
- Hydraulic System For Wire section,Press section, Dry section, Reel, callender, winder
 - Yes.
- Vacuum System
 - Yes.
- Deculator
 - No
- MCC Panel
 - 600V MCC' s gone to other Catalyst sites
- All Spare Part (wire,canvas,press felt, valve, screen Etc)
 - Yes, what is left.
- All Roll Spare Part
 - Yes, what is left.
- All E Motor Spare
 - Most of the spares have gone.
- Oil System (Calendar Heating Unit, Lubrications Unit, Etc)
 - Yes.
- Steam System (pump, valve, tank condensate, instrumentation)
 - Yes, minor parts missing.(Pick heater for make up steam).
- Documentation
 - Will provide Gunung Gilead electronic access to search as this is a huge time commitment. Will provide all hard files, history, and original hard drawings.
- Crane – Mechanical components from PM1&2 Wet End Crane less frame

2.3 Documentation

Documentation, as it exists, will be made available for use by the Purchaser

2.4 Minor & Maintenance Spares & Machine Clothing

All the remaining maintenance spares & machine clothing specified in the mill stores inventory system exclusively for PMS less the Not Included Equipment spares

Spare Rolls

Spare Roll #	Machine Position	Description	Comments
5002	1, 9, 11	Former	
5008	7	Couch	
5009	6, 8, 12	Former	
5027	2, 3, 4, 5, 10	Former	
5011	18	Pick-up Suction Roll	
5057	20	Suction Press Roll	
5060	19, 22	Groove Press Roll	Spare not assembled
5064	21	Center Press Roll	
5072	4, 10, 15	Wet Felt Roll	
5075		Wet Felt Driven	
5078		Wet Felt Roll	
5087		Wet Felt Sill Roll	
5089	4, 10, 15	Wet Felt Roll	
5093	3	Driven Wet Felt Roll	
5153	Not Available	Wet Felt Roll	Sent to Catalyst Port Alberni
5205	Not Available	Spare Dryer Felt Roll	Sent to Catalyst Port Alberni
5213	Not Available	Spare Dryer Felt Roll	Sent to Catalyst Port Alberni
5245	Not Available	Spare Dryer Felt Roll	Sent to Catalyst Port Alberni
5311	301	Paper Guide	
5314	201	Paper Guide	With Sheave
5329	306	Cal Stack King Roll	
5332	305	Cal Stack 1st Intermediate Roll (Queen)	
5331	304	Cal Stack 2nd Intermediate Roll (Top Position)	
5326	303	Cal Stack Hydraulic Roll	
No Spare	307, 401		These are modified Dryer Felt Rolls
No Spare	403	Reel Drum	
5355		Bottom Winder Drum	
5097	24, 25, 26	Mount Hope Roll	
No ID #	Removed	Breaker Stack King Roll	Removed from service
No ID #	Removed	Breaker Stack Roll	Removed from service
5343, 5344, 5345, 5346, 5347, 5348, 5349, 5350, 5351, 5353		10 Paper Roll Reel Spools	

b) Specified Pulp and Paper Assets

- 1) Digester plant, with five batch digesters, two M&D digesters, and associated components such as:
 - Conveyors
 - Stainless steel tanks and stainless steel piping down to 2 inch diameter
 - Instrumentation/control components, control and manual valves down to 2 inch diameter, transmitters of all types as available.
 - Pumps as available
 - Other associated components in the digester process line (as limited by digester building area)
 - All available existing spare parts stored in the # 5 Warehouse

- 2) Washing and screening plant, all brown and bleach washers, screens and related auxiliary components such as:
 - Stainless steel tanks and stainless steel piping down to 2 inch diameter
 - Fiberglass piping associated with washers
 - Instrumentation/control components, control and manual valves down to 2 inch diameter, transmitters of all types
 - Requested pumps
 - Other associated components in the washer and screening process line (as limited by washer building area)
 - All available existing spare parts stored in the # 5 Warehouse

- 3) Causticizing plant, two existing kilns, slaker and major process equipment such as:
 - Stainless steel tanks and stainless steel piping down to 2 inch diameter as available.
 - Mud washers
 - Instrumentation/control components, control and manual valves down to 2 inch diameter, transmitters of all types as available.
 - Pumps
 - Other associated components in the causticizing process line (as limited by caustizing area)
 - All available existing spare parts stored in the # 5 Warehouse
 - No kiln linings (i.e. brick lining is not included)

- 4) Recovery Boiler, Evaporators, T & G Set, Stainless steel tanks and stainless steel piping down to 2 inch diameter
 - Instrumentation/control components, control and manual valves down to 2 inch diameter, transmitters of all types as available.
 - Pumps as available
 - Other associated components to the Recovery Boiler

- All available existing spare parts stored in the # 5 Warehouse

EXCLUSIONS:

This applies to items 1 through 4.

- MCC – motor control centers
- Transformers
- Electrical motors
- Cable trays
- Power cables
- Control wiring and components
- Mild steel piping
- Mild steel tanks
- Shipping, shipping cost of containers and oversize components

