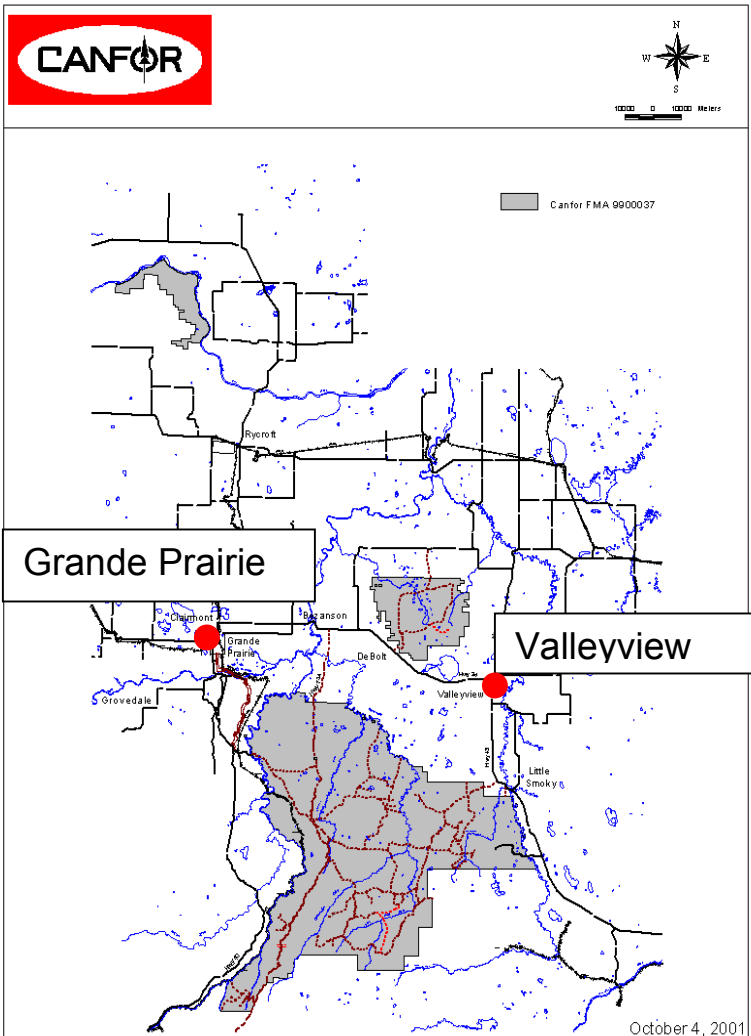



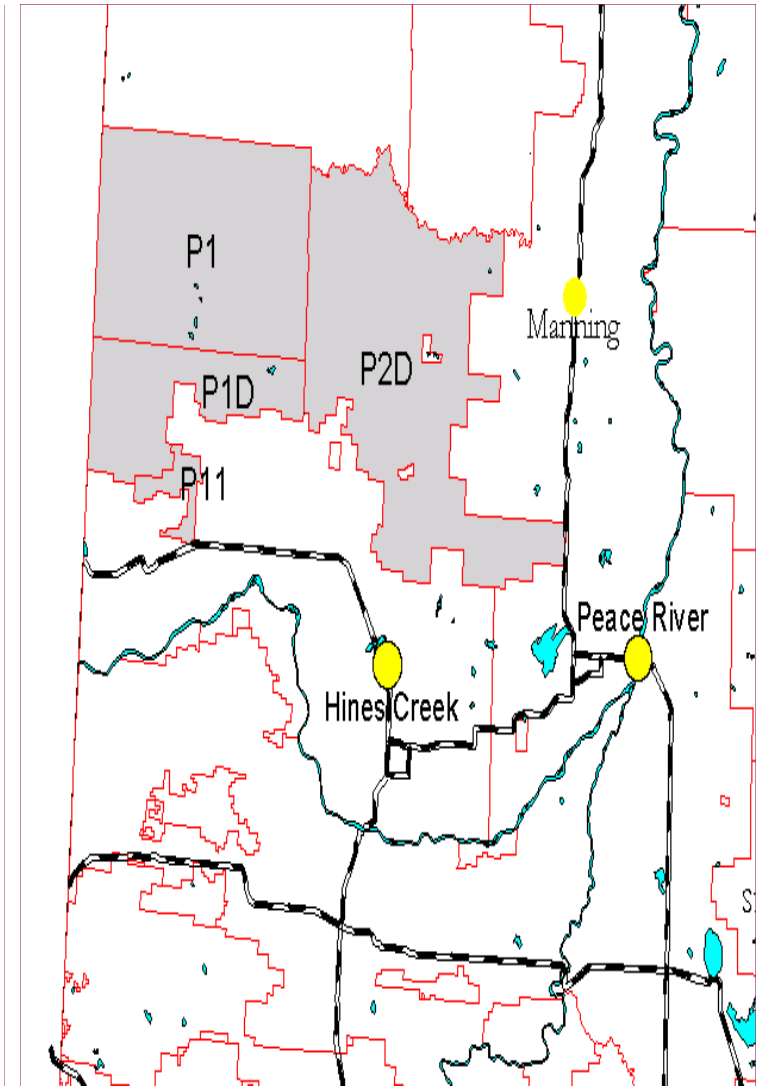



ANNUAL PUBLIC REPORT

Reporting Period May 01 2000 – April 30 2001



**Grande Prairie Operations
Forest Management Agreement
FMA 9900037** 



**Hines Creek Operations
Coniferous Quota Areas** 

2000/2001 Annual Report for Alberta Region

The purpose of this report is to inform the public of Canfor's activities within Alberta for the reporting period of April 30, 2000 to May 01, 2001 (operating season). To obtain more detailed information – see back cover.

Alberta Region is comprised of 2 operations; Grande Prairie and Hines Creek.

Grande Prairie Operations consists of a dimension sawmill located within the city limits of Grande Prairie. The Hines Creek Operations consists of a stud mill located outside the Hamlet of Hines Creek. The Alberta Government allocates timber to the mills operating within the province of Alberta through the tenure system, which includes the Forest Management Agreement and the Timber Quota system.

Grande Prairie operates under a Forest Management Agreement. A Forest Management Agreement is a long-term, negotiated and legislated agreement between the Province of Alberta and a company to establish, grow and harvest timber on a perpetual, sustained-yield basis in a defined land area. The volume of timber that can be harvested is determined through the Annual Allowable Cut (AAC) calculation. The Forest Company is required to conduct forest management responsibilities, established by the Government, which can change over time based on changing needs and science. The company is also required to construct major facilities to process the timber (e.g. sawmills, pulp mills, oriented strandboard plants, etc.).

Grande Prairie Operations recently submitted a new Detailed Forest Management Plan (DFMP) based on *ecosystem principles*. The AAC was recalculated and based on new objectives, a reduction in cut is proposed (see Table 1 below). In addition, this new plan calculated the coniferous as well as the deciduous AAC. Tolko and Ainsworth have deciduous rights within our FMA. Canfor is working co-operatively with both companies to produce joint operational plans that meet the DFMP objectives. The DFMP was submitted to the Government on July 31, 2001 and approval is pending. Hines Creek operates under DMI's (*Daishowa Marubeni International*) Detailed Forest Management Plan, which also has incorporated ecosystem principles.

Hines Creek operates under the Timber Quota tenure system that provides the quota holder with the long-term right to harvest a percentage share of the AAC in a forest management unit (FMU). In Hines Creek's case, their quota is within DMI's FMA and as such work closely with them during the planning stages. A quota does not have a landbase area associated with its cut, therefore there are reporting differences as noted in the table below.

Table 2 below depicts the volumes associated with the various wood sources from which the companies procure their timber. Purchase wood volume varies by year depending on availability. Mill requirements may vary in a given year depending on market conditions and our volumes from FMA/Quota deliveries are then adjusted accordingly.

Table 1 – Landbase information

STATISTIC	GP (FMA)	HC (quota)
Total Landbase	649,159 ha	684,736
Productive landbase (coniferous & deciduous)	474,193 ha	369,144
Approved Annual Allowable Cut (AAC)	730,000 m ³	243,000
Tentative New AAC (coniferous) (2001)* (GP Only)	640,000 m ³	
Tentative New AAC (deciduous) (2001)* (GP Only)	453,712 m ³	

Table 2: Wood Sources

STATISTIC	GP (FMA)	HC (QUOTA)
Mill requirement	707,000 m ³	244,000
Crown purchase	2,510 m ³	36,001 m ³
Private	93,213 m ³	NA
*FMA or Quota	599,590 m ³	170,119 m ³
Conifer incidental to mill	NA	33,408 m ³
Salvage Wood from energy sector activity	14,480 m ³	5,353 m ³
Total wood delivered to Mill	709,793 m³	244,881 m³

* FMA/quota wood is amount harvested less the amount sold to other mills.

HARVESTING STATISTICS

- It is only recently that the deciduous trees within the FMA area have been utilized. The deciduous trees harvested on the FMA are utilized by Tolko and Ainsworth. Pure stands of deciduous are harvested only when sufficient incidental volume (deciduous volume contained in coniferous stands that Canfor harvests) is not available

Table 3 – Harvesting Statistics

STATISTIC	GP	HC
Hectares Harvested (coniferous)	2,492 ha	739.8 ha
Hectares Harvested (pure deciduous)	703 ha	0
Conifer Volume Harvested	627,712 m ³	191,910 m ³
Incidental Deciduous Volume Harvested	178,552 m ³	30,710
Volume Harvested (Pure deciduous) (m ³)	150,396 m ³	NA



Skidding to a road-side deck.



Loading logs onto truck

Table 4 Log Haul Statistics

STATISTIC	GP	HC
Average log haul – Government roads	130 km	85 km
Average log haul – Industrial roads	142 km	75 km
# of loads hauled on Government roads	2,210	540
# of loads hauled on Industrial roads	9,650	3,650



Log Truck hauling on industrial road system.

Both Grande Prairie and Hines creek utilize Government and Industrial road systems to bring in the required volume to the respective mills.

ROAD BUILDING STATISTICS

Canfor has an objective to minimize landbase loss and share roads wherever feasible. Temporary roads are those built to access cutunits but are reclaimed after one or two seasons of use. Permanent roads are built for roughly 10-20 year period of use (or longer) and contribute to landbase loss

Table 5 – Road Building Statistics

STATISTIC	GP	HC
Amount of temporary road built (KM)	103.4 km	19 km
Amount of permanent road built (KM)	12.0 km	0 km

SILVICULTURE STATISTICS

- ◆ All stands harvested are required to meet legal standards to ensure areas are successfully restocked. Only the coniferous statistics are currently tracked. Pure Deciduous area is currently not treated and regenerates naturally.
- ◆ Stand tending occurs after the area is surveyed to determine stocking density and if successfully restocked (SR). If not successfully restocked, the area will be re-scarified and replanted. If too much competition is present, stand tending may be required.



Overstocked stand required stand tending.



Healthy forest of young pine trees recently stand tended (thinned to provide optimum growing space).

Table 6 – Silviculture Statistics

STATISTIC	GP (FMA)	HC (Quota)
Hectares Scarified (coniferous)	685.7 ha	191 ha
Trees Planted (coniferous)	5.1 Million	1.7 Million
Hectares planted (coniferous)	2,467 ha	1,374 ha
Area Successfully Restocked (coniferous) (SR)	5,514 ha (97.6%)	1,613 ha (97.1%)
*Stand tending: Area treated – aerial herbicide	2,014 ha	393.5 ha
Stand tending: Area treated – backpack foliar	73 ha	0
Stand tending: Area treated – mechanically thinned/weeded.	300 ha	0



Superior seedling performance – Planted in 1997, photo taken 2000.



Disc trencher scarifying cutunit to prepare planting spots.

CERTIFICATION

Certification of sustainable forestry practices is becoming key to maintaining market share and meeting public demands. To that end, Canfor has sought and achieved certification under a variety of respected standards. (See Quick facts box)

Both Grande Prairie and Hines creek have received Forest Care and ISO 14001 certification.

Quick Facts

CANFOR'S CERTIFICATION CHRONOLOGY:

- June 1997 – ForestCare Certified;
- Nov 1999 - Environmental Management System Certified to the international standard of ISO 14001; and
- June 2000 – Sustainable Forest Management Plan certified to the national CSA standard. (Grande Prairie only)

ISO 14001 – Environmental Management System (EMS)

In the fall of 1999, Canfor's EMS was developed to the ISO 14001 standard and fully implemented in all of Canfor's operations in B.C. and Alberta. An independent third party team of KPMG (management consultants) certified auditors conducted a registration audit that verified the Company's compliance.



Since the initial registration audit, Canfor has undergone 2 periodic assessments. Both showed that Canfor has continually improved.

The EMS, combined with well-trained, highly motivated employees and advanced, proven technologies and techniques, allows Canfor to achieve high levels of performance through continual improvement.

Canadian Standards Association (CSA)

Canfor has committed to the Canadian Standards Association (CSA) Z809-96 Sustainable Forest Management (SFM) System standards for area based tenures such as the Grande Prairie FMA.

An essential element for the success of sustainable forest management is the inclusion of systematic and formal public input into the management of the forested landbase. The Forest Management Advisory Committee, established in 1995 in Grande Prairie, was the public group used for this process. The CSA Criteria are listed to the right.

The purpose of the CSA standard is to describe the components and performance objectives of a sustainable forest management system.

In 1996, 6 criteria were developed by the Canadian Council of Forest Ministers (CCFM) (refer to sidebar). The CSA process developed a set of critical elements for each criterion, numbering 22 in total. Through a process of public participation, the CSA performance framework attains a local relevance to the critical elements in the form of locally determined values, goals, indicators and objectives.

CSA Criteria

1. Conservation of Biological Diversity
2. Maintenance and Enhancement of Forest Ecosystem Condition and Productivity
3. Conservation of Soil and Water Resources
4. Forest Ecosystem Contributions to Global Ecological Cycles
5. Multiple Benefits to Society
6. Accepting Society's Responsibility for Sustainable Development



In June 2000, after an extensive review by an independent third party audit firm, KPMG, Canfor's Grande Prairie Sustainable Forest Management Plan (SFMP) was certified to CSA Z809-96 standards. Canfor's 2 area-based tenures in B.C. also received certification at that time. Since June 2 surveillance audits have been conducted, January and Dec 2001. Results showed that we are meeting our commitments.

Additional Information and Contacts

Canfor welcomes questions and comments from the public regarding all of its operations. Please feel free to contact us at the numbers listed below.

Grande Prairie Operations holds an annual Public Forestry Open House annually in April for the public to view our operational plans and ask questions and provide input. These open houses are held in Grande Prairie, Valleyview and Grande Cache. Watch the papers for details.

Hines Creek Operations serves as an advisor on the Daishowa-Marubeni International (DMI) public advisory committee and participates in their stakeholder meetings to present operational plans to the public for comments and feedback.

Grande Prairie Operations has a Forest Management Advisory Committee that meets on a quarterly basis to discuss various topics of interest. They were instrumental in providing input into our Detailed Forest Management Plan and our CSA Sustainable Forest Management Plan and certification process.

Copies of the Sustainable Forest Management Plan (SFMP) as well as our Annual Operating Plan/5 year General Development Plan are located in the local libraries for Grande Prairie, DeBolt, Valleyview, Spirit River and Grande Cache, as well as being available for viewing at our Offices listed below.

Once the Detailed Forest Management Plan for Grande Prairie is approved, copies will be sent to the local libraries and available to the public.

In addition, an Annual Performance Monitoring Report is produced to document our progress towards meeting the CSA objectives as stated in our SFMP. This report is available at the Grande Prairie Office.



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