




## Overview of Canfor Corporation Fort Nelson Division Overview Challenges in the North East Certification


CANADIAN FOREST PRODUCTS LTD.



### Canfor Corporation

- **Canfor Corporation**
  - Canadian Forest Products Ltd.
  - Publicly traded on the Toronto Stock Exchange (CFP)
  - Founded in 1938 by John Prentice & Poldi Bentley
  - Corporate Offices Vancouver, B.C.
- Major Shareholders include:
  - Great Pacific Industries - Jim Pattison 19.9%
  - Matthews Cartier Holdings – Bentley and Prentice Family 19.2%
  - Jarislowsky Funds – 13.5%
  - Balance about 47% publicly traded

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### CANFOR – APRIL 1, 2004

CANFOR CORPORATION

|

100%  
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Wood Products

Pulp Group


Coastal Operations

Other

Lumber

Panels

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### Wood Products Group

- **Wood Products West**
  - Houston Sawmill
  - Plateau Sawmill
  - Prince George Sawmill
  - Clear Lake Sawmill
  - Isle Pierre Sawmill
  - Rustad Sawmill
  - Mackenzie Sawmill
  - Polar Sawmill
  - Quesnel Sawmill
  - North Central Plywood
- **Wood Products East**
  - **Tackama Sawmill**
  - **Tackama Plywood**
  - **PolarBoard OSB**
  - Fort St John Sawmill
  - Chetwynd Sawmill
  - Grande Prairie Sawmill
  - Hines Creek Sawmill
  - Vavenby Sawmill
  - Radium Sawmill
  - Daquaam Sawmill

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### Other Operations

- **Canfor-LP OSB Corp.**
- Canfor USA (Reman)
- Englewood Logging
- J.D. Little Seedling Farm
- Kyahwood (Reman)
- Panel and Fibre
- Canfor Research and Development Centre
- Uneeda (Reman)

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### Canfor Facts

- Largest producer of softwood lumber in Canada
- Also produce kraft pulp, paper products, OSB, plywood, fibre board, remanufacturing, coastal log sales
- 5.2 billion fbm lumber, 950 million ft2 plywood & OSB, 1.2 million tonnes of pulp
- Over 10,000 employees at 30 locations, includes 15 sawmills
- Managed forest tenure over 14 million m3
- Plant approx. 64 million trees annually
- Committed to Sustainable Forest Management
  - 3<sup>rd</sup> Party Certification
  - Canadian Standards Association

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Fort Nelson Division

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Vision

**Fort Nelson Operations VISION:**

*“We will lead Canfor in operational excellence!”*

*Operational Excellence = Safety + Cost + Margin + Environment + Leadership*

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Operational Objectives

- **Profit Margin** – Achieve the highest profit margin per cubic meter at Canfor.
- **Cost** – Produce the lowest cost products for our customers.
- **Customer** – Provide our customers with high quality products and services that meet our mutual expectations.
- **People** – Develop high performing, innovative and accountable teams that are committed to achieving operational excellence in our region.

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Values

**Safety** – We are committed to providing a safe and healthy work environment for our employees, contractors and suppliers.

**Environment** – We will meet or exceed the environmental requirements for our operations and achieve sustainable forest management objectives for the forests we manage.

**People** – We are committed to providing our people with the skills and opportunities to excel in their roles and grow in their careers.

**Leadership** – We provide leadership for Canfor and the forest industry by developing innovative, motivated and accountable employees that lead organizational improvement and deliver operational excellence.

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Values

**Recognition** – We encourage, recognize and reward personal and team excellence in results.

**Honesty & Integrity** – We deliver on our commitments and treat others fairly, recognizing and respecting individual values and the cultural diversity that makes us stronger.

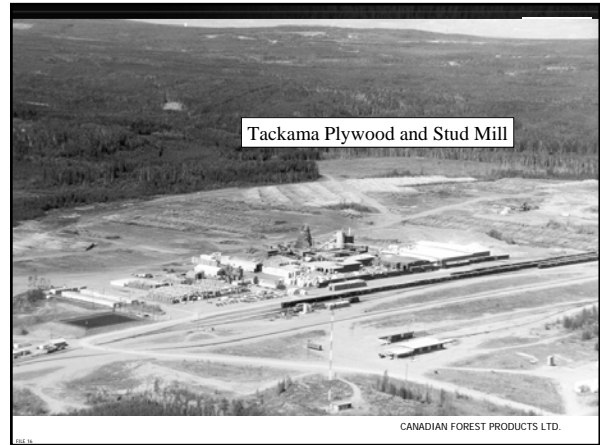
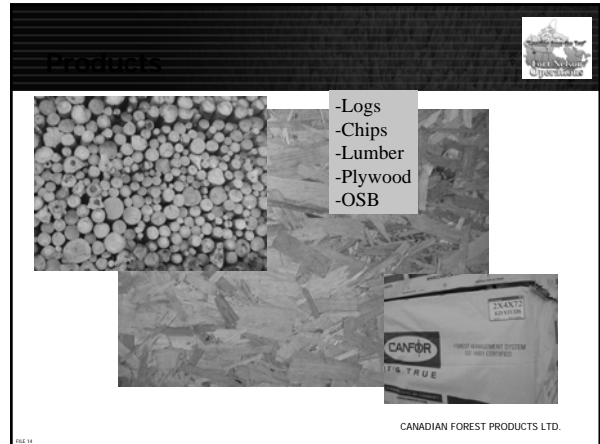
**Relationships** – We develop and support positive and collaborative relationships with our employees, customers and our community.

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### Work Force

Fort Nelson	Salary	Hourly	Fort Nelson Total	Contract
Woodlands	30 (1 Temp)	2	32	400
Tackama	33	358	391	40
PolarBoard	20	128	148	50
Total	83	488	571	490

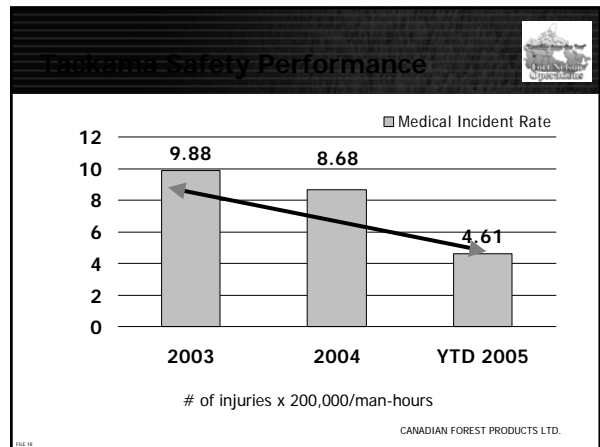
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### Tackama Plywood

- Annual Plywood Production 265,000 Msf 3/8
  - one of the largest single plywood operations in B.C.
- Strategic Plan is 300,000 Msf 3/8 by 2007
  - Recent Investments:
    - Upgrade Lathe #2
    - Press chargers and Press upgrades 1 & 2
    - Green scanner
    - Dry veneer scanner
    - Auto veneer grader
    - Dryer infeed accumulators
    - New Lunchroom, Offices, Washroom facilities
    - Building Expansion

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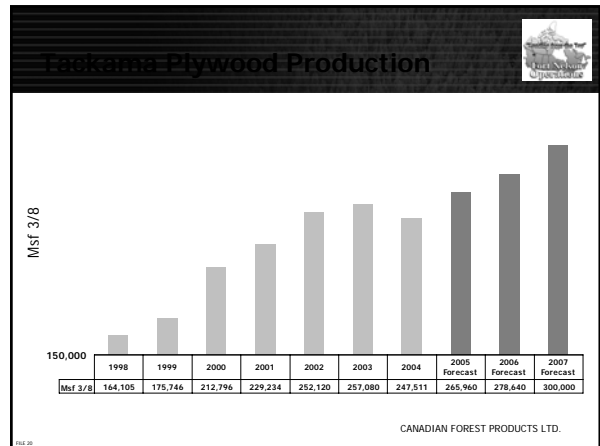


## Tackama Strengths

**Achieving value from fibre basket**

- High quality Spruce and Aspen fibre basket
- Large production capacity – Twin Lathe Operation
- Increased annual production from 164 million ft<sup>2</sup> (3/8) in 1998 to 265 million ft<sup>2</sup> (3/8) in 2005
- Significant investment in new technology

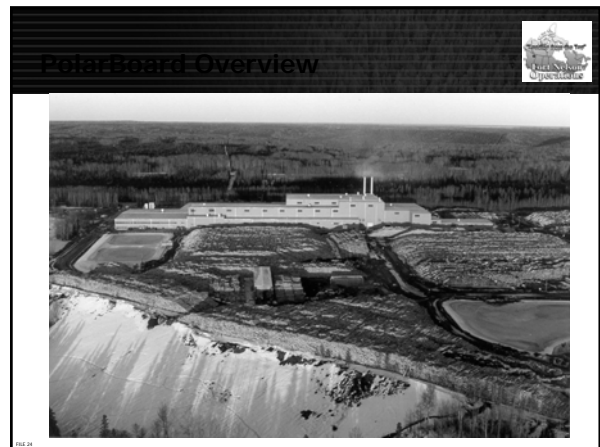
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## Tackama Sawmill

- Annual lumber Production 54,000 Mfbm
- Current strategic plan is 59,900 Mfbm by 2007 due to plywood expansion
- Recent Investments:
  - Upgrade to 9' lumber capability
  - Bar Coding

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## PolarBoard Overview



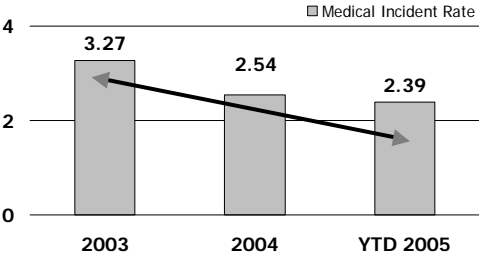
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## PolarBoard OSB

- Annual Panel Production 650,000 Msf 3/8
- Strategic Plan is 700,000 Msf 3/8 by 2007
  - Recent Investments:
    - 3rd waferizer completed 09/04 \$4.5 million
    - Upgrade of \$25.6 million - production capacity and emissions improvements
  - Plans
    - Bar Code/Stripes
    - Nail Lines
    - Radiant Barrier (Polarply)

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## PolarBoard Safety Performance



Year	Medical Incident Rate
2003	3.27
2004	2.54
YTD 2005	2.39

# of injuries x 200,000/man-hours

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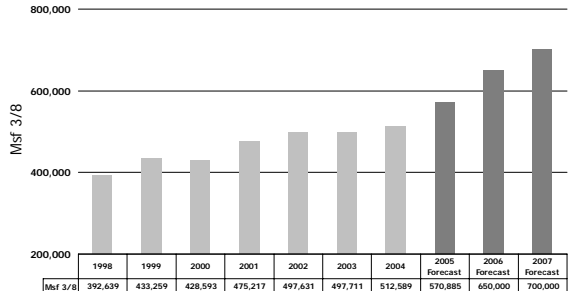
## PolarBoard OSB: Strengths

**Achieving value from fibre basket**

- High grade yields (99% A-Grade panels)
- High quality Aspen fibre basket
- Top quartile in manufacturing cost (Becks 2002)
- Increased productivity from 1,289 Msf 3/8 /day in 1999 to 1,478 Msf 3/8 /day in 2004
- 2005 Plan average 1,741 Msf 3/8 / day

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## PolarBoard Production



Year	Msf 3/8
1998	392,639
1999	433,259
2000	428,593
2001	475,217
2002	497,631
2003	497,711
2004	512,589
2005 Forecast	570,885
2006 Forecast	650,000
2007 Forecast	700,000

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### PolarBoard OSB Markets

- Annual Panel Production to 650,000 Msf 3/8 by 2006
  - Major Markets 20% Canada, 80% USA
  - Major Customers - Blue Linx, Weyerhaeuser, Taiga
- Plans
  - Product diversification
  - Grow production levels

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### Fort Nelson Timber Supply Area

•Timber supply area comprises approximately 10.5 million ha.

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### Fort Nelson Woodlands

Woodlands Timber Base 1,500,000 m3			26,000 truck loads
Tackama Plywood 500,000 m3 Spruce/Aspen	Tackama Sawmill 200,000 m3 Spruce/Pine	PolarBoard 800,000 m3 Aspen	
Products: 265,000 msf 3/8 Plywood 760 Railcars 1,900 Truckloads	Products: 54,000 mfbm stud lumber 400 Railcars 300 Truckloads	Products: 650,000 msf 3/8 OSB 4,100 Railcars 400 Truckloads	

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### Volume Distribution by Facility

Facility	Species Utilized	Volume m3	Volume %
OSB	Deciduous	740,000	93
	Conifer & Deciduous (cores)	60,000	7
Plywood	Deciduous	100,000	20
	Conifer	400,000	80
Sawmill	Deciduous	0	0
	Conifer	200,000	100
<b>Total</b>		<b>1,500,000</b>	

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## Challenges in the North East

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## Challenges in the North East

- **Logging**
  - Season December – March
  - 110 days to log 1,500,000 m3
  - 80 days to haul 26,000 truck loads
- **Infrastructure**
  - Ice Roads and Bridges
  - Gravel
- **Oil & Gas and Forest Industry Competition**
  - Forces Higher Rates
  - Limited and transient work force
  - Accommodation/Service/Parts

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## Challenges in the North East

- **Isolation**
  - Harder to recruit and retain employees
  - Generally higher salaries vs larger communities
  - Higher production costs = less margin vs similar plant in larger or less isolated community
- **Market Access**
  - Rail Freight / Trucking disadvantage
  - Limited options
  - Sawmill Operation \$14/Mbm shipping additive

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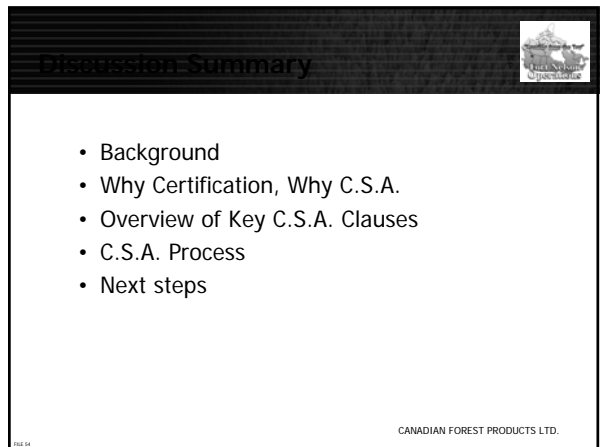
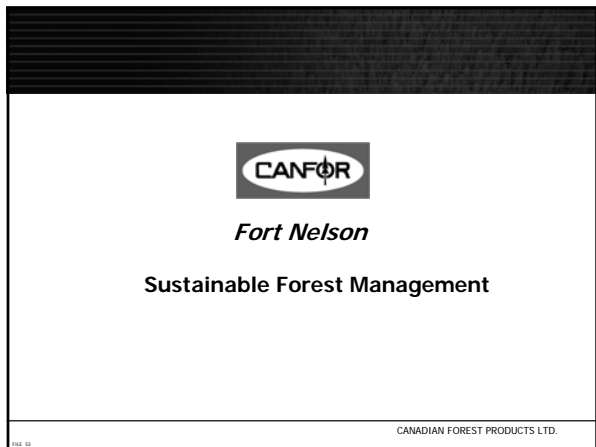
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## Background

- Summer 2002 Slocan Corporate decision to certify 3 Divisions by 2005
- Chosen few:
  - Fort Nelson
  - Vanderhoof
  - Quesnel

Remaining Divisions by 2006

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## Background

- Began process spring 2003
- Established Public Advisory Group (PRISM) fall 2003
- Merger with Canfor April 2004
- Third party certification audit December 2004
- Recommended for certification January 2005

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## Canadian Standards Association



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## Why Certification

- Certification provides a means to demonstrate that forest management is sustainable
- Canfor Customers are beginning to demand certified products
- Maintain or improve market share
- Provides proactive defensibility moving into the Results Based Code era of reduced government regulation – F.R.P.A. and Professional Reliance

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## Why Canadian Standards Association - CSA

- Canfor Corporate decision to go with C.S.A.
- Built in Canada approach
- Globally recognized, respected certification model
- Focus on Stewardship and Sustainability
- C.S.A. fits nicely into Canfor's Sustainable Forest Management Framework
- Our customers happy with choice of C.S.A.
- Significant public process

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## S.F.M. Framework

- S.F.M. Framework based on science
- Includes input from recognized experts – U.B.C.
- Science based development of business practices
- Annual improvements

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## C.S.A. Key Clauses



### Clause 4 – S.F.M. Requirements

- Compliance with legislation
- Setting appropriate values, objectives, indicators and targets
- Ongoing public participation
- Progress to or achievement of performance targets
- Continual improvement in performance

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## C.S.A. Key Clauses



### Clause 5 - Public Participation Requirements

- Must establish and implement public participation process
- Seek representation from broad range of interested parties
- Provides opportunity to be involved in decision making process

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## C.S.A. Key Clauses



### Clause 6 – S.F.M. Performance Requirements

- Identify specific values, objectives, indicators and targets for each S.F.M. element
- S.F.M. elements are derived from Canadian Council of Forest Ministers S.F.M. Criteria

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## C.S.A. Key Clauses



### Clause 7 – S.F.M. System Requirements

- Develop S.F.M. plan that describes how targets will be achieved
- Establish infrastructure to implement S.F.M. plan
- Monitor performance in achieving targets
- Report on progress
- Improve where required

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## C.S.A. Process to Date



- Established Defined Forest Area – Fort Nelson T.S.A.
- Partnership with B.C.T.S.
- Organized a Public Advisory Group (PRISM)
- With public input developed:
  - Criteria, indicators and targets
  - S.F.M. Plan
  - Gap Matrix
  - Implementation Plan
- Engaged experts
  - Dr. Bunnell, University of B.C.
  - Dr. Proulx, Alpha Wildlife Management

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## Next Steps



### Implement our Sustainable Forest Management Plan

- Develop best management practices
- Work with recognized experts – Dr. Bunnell, Dr. Proulx,
- Detailed Focus on:
  - Inventories
  - Biodiversity management
  - Species at Risk Guidebook
- Monitor and report on achievements
- Continue with Public Advisory Group Input

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**Next Steps – Public Advisory Group**

- Review work to date
- Glen Worthington represents Daylu Dena
- Next meeting September 21, 2005



03/02/2005

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**Public Involvement**



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**Biodiversity Retention – Mature**



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**Biodiversity Retention – Mixed Aged**



03/02/2005

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**Overview of Canfor Corporation  
Fort Nelson Division Overview  
Challenges in the North East  
Certification**

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Public Advisory Group Tour – Steamboat 2005



03/02/2005

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