



PHP LAUNCHES APPEAL AGAINST RECENT TRADE PETITION FILED BY AMERICAN PAPER MANUFACTURERS



IT'S BUSINESS AS USUAL FOR PORT HAWKESBURY PAPER

PHP has filed an appeal through NAFTA (North American Free Trade Agreement) following the International Trade Commission's conclusion in late November 2015 that there had been 'material injury' to the U.S. supercalendered industry as a result of Canadian imports. While we are disappointed by the ITC's decision, we are keen to have the opportunity for our case to be heard by an impartial NAFTA panel of five Canadian and U.S. international trade legal experts.

Port Hawkesbury Paper's filing initiates its NAFTA appeal of the erroneous decisions made by the U.S. Department of Commerce (DOC) and the International Trade Commission (ITC) with respect to the trade petition filed by two American paper manufacturers, Verso and UPM Madison, against the Canadian supercalendered paper industry. NAFTA appeals were also filed by the Canadian government and on behalf of the Provinces of British Columbia, New Brunswick, Nova Scotia, Ontario and Quebec, and by Irving Paper and Resolute.

In addition to the NAFTA appeal, the mill is in the process of evaluating various other appeal options – including through the World Trade Organization – in close coordination with the Canadian and Nova Scotia governments. In recent weeks, numerous parties (i.e. the Canadian government, the Provinces of British Columbia, New Brunswick, Nova Scotia, Ontario and Quebec, Port Hawkesbury Paper, Catalyst Paper and Irving Paper) have also filed notices to commence appeals at the U.S. Court of International Trade.

In the meantime, it is business as usual for Port Hawkesbury Paper. The mill will continue with its ongoing focus on producing the highest quality paper in the safest and most cost-effective manner possible. We will continue to constantly evaluate all aspects of our cost structure to ensure our long-term competitiveness and sustainability. And we will continue to invest in our mill to provide top quality paper and customer service.

We have the best supercalendered facility in North America and look forward to remaining a leader in the industry for many years to come.

PUBLIC SUPPORT & AWARENESS OF PORT HAWKESBURY PAPER REMAINS STRONG

Earlier this year we commissioned Corporate Research Associates to conduct public opinion polling in Nova Scotia, an investment we consider important to understanding what Nova Scotians know and think about Port Hawkesbury Paper, our contribution to the economy and our practices. This same research was undertaken in 2014 as well, and the results are consistent, year over year.

Among the high number (7 in 10) of Nova Scotians who have heard about the mill, 74 per cent believe that the mill generates business in both the Strait area as well as across Nova Scotia and a majority (over 60 per cent) recognize the degree to which the mill contributes to the overall Nova Scotia economy. More than half of Nova Scotians have a "completely or mostly favourable" opinion of the mill.



ANOTHER SAFETY MILESTONE

On September 29, 2015, PHP passed the three year mark without a Lost-time Injury. This is another safety milestone for the mill.

As of November 30, PHP's safety incident rate for YTD 2015 is less than 1.0.

We are very proud of our employees for working safely for another year. More than just a statistic, it means that everyone gets to go home to their families at the end of the work day.

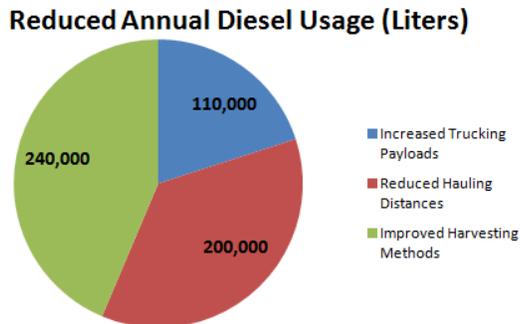
PORT HAWKESBURY PAPER ANNOUNCES NEW PAPER GRADE

Port Hawkesbury Paper is proud to announce that a new paper grade has been produced by the mill. *Artisan Plus*, an 80-Bright SCA+++ sheet, is available to paper consumers looking to replace coated #4 and #5 paper with a high-

PHP WOODLANDS UPDATE:

Port Hawkesbury Paper's mill, located on the southern portion of Cape Breton Island, is centered among the seven eastern counties of Nova Scotia. The Crown lands we manage are expected to provide slightly over half of the mill's supply needs; and combined with continued growth from the private wood supply, we expect to be sustainably supplying the mill from the seven eastern counties within the next few years.

Contributing significantly to achieving this goal has been the continued investment by suppliers and truckers to replace equipment and grow their businesses with approximately \$20 million spent on equipment since the mill opened three years ago. In addition to the growth in number of machines, this new equipment supports improved efficiencies and production levels. The combined benefits from more productive equipment, improved harvesting methods and reduced hauling distances has resulted in more than 500,000 less liters of fuel consumed each year.



Improvement in the mill's wood yard equipment has also resulted in significant fuel usage reductions. Three new machines, all with improved productivity and less fuel usage, have reduced fuel usage by twenty per cent.

Port Hawkesbury Paper LP is committed to environmentally sustainable and socially responsible forest management. This ongoing commitment is clearly demonstrated by our successful implementation of Forest Stewardship Council® (FSC) and Sustainable Forestry Initiative® (SFI) Forest Management Standards. In September 2015, SAI Global, an independent and internationally recognized auditing firm, spent several days rigorously examining our forest management practices and policies. The results were some of the most positive that we have received to date. We successfully passed our audits and have maintained our FSC and SFI certifications for responsible forest management.

In addition to recognizing our "strong health and safety performance, including effective staff engagement", the auditors were impressed with our recently updated and comprehensive High Conservation Value Forest Report (HCVF) and associated special management practices. The mill also successfully completed its annual audits to the FSC, SFI, and PEFC™ Chain of Custody standards, which track the movement of products from the forest through the mill. This allows the company to market its paper products as certified, which customers can choose when sourcing paper that supports responsible forest management.

The success of our latest forest management certification audits and the success of our company would not be possible without the effort and dedication of our wood suppliers, contractors and woodlands staff. We are proud of their work.

Public summaries of our audit results will be released in the coming months. In the meantime, to learn more about our forest certification programs and other sustainable forest management initiatives, we invite you to contact us at woodlands@porthawkesburypaper.com, or call 1.866.875.1869.

WOODLANDS 2014 ANNUAL MONITORING REPORT – SFM (SUSTAINABLE FOREST MANAGEMENT) INDICATORS & HIGH CONSERVATION VALUES

The 2014 Annual Monitoring Report provides a summary of Port Hawkesbury Paper's safety, environmental, and forest management progress in the Woodlands Unit. Since 2002, the company has been monitoring and reporting on a suite of sustainable forest management

quality, lower cost alternative. The product is available in 45 pound (67 gram) and 50 pound (74 gram) basis weights.

Port Hawkesbury Paper is the only North American supercalendered paper mill which can produce this grade and it has received great reviews from the customers who have trialed it. One of the critical components of producing this grade is the addition of up to 42 per cent clay in the sheet. Artisan Plus is available FSC and SFI certified.



WOODLANDS DEPARTMENT RAISES \$120,000 FOR THE IWK CHILDREN'S HOSPITAL

PHP's Woodlands Department, as a member of the Canadian Woodlands Forum, once again organized a golf tournament for the Log A Load For Kids Canada program. Log A Load For Kids is a national giving campaign through which loggers and other forest industry people donate the value of a load of wood (or any amount raised through fundraising events) to local Children's Miracle Network hospital foundations.

Back in 2007, a group of Woodlands employees got together and planned a golf tournament to raise funds for the IWK Children's Hospital. Employees volunteered their time to help organize the tournament, canvass sponsors for the event, sign up teams and work at the tournament. Since 2007, the Woodlands group has raised over \$120,000 for the IWK.

This year's tournament was held on Saturday, September 12th at the Antigonish Golf and Country Club. The tournament was followed by a steak barbeque and prize give-aways. \$23,000 was raised for the IWK. Well done Woodlands volunteers and thanks to all who participated!

FIRST NATIONS PARTNERSHIPS

PHP continues to work diligently with the Assembly of Nova Scotia Chiefs to finalize the Socio-Economic Benefits Agreement (SEBA). At the core of this agreement is our intent as an employer to provide opportunity for qualified Mi'kmaq

indicators to measure its progress towards achieving targets regarding social, economic, environmental and cultural forest values. Long-term monitoring of these values allows the public to better understand PHP's forest management activities, and the goals and objectives we set to ensure our forest management is having a positive impact and to implement action items in areas that we are not. This is an important element of continual improvement, which PHP strives for every day.



Liscomb River High Conservation Value Forest Area
(photo by Matt McKenna, PHP employee – taken with his drone)

This report also summarizes the effectiveness monitoring program for High Conservation Value Forests (HCVF). These values were first identified in 2008 for Forest Stewardship Council® (FSC®) certification and updated in March 2015 to include new knowledge and information. Annual monitoring is conducted to assess the effectiveness of the measures used to maintain or enhance the identified values. The Woodlands 2014 Annual Monitoring Report is available at: <http://www.porthawkesburypaper.com/sustainability/port-hawkesbury-paper/forestry-practices.aspx>

RAIL AND WHARF TRANS-LOAD ACTIVITIES

The mill continues to pursue opportunities to generate additional revenue by utilizing the rail sidings and the wharf to trans-load dry bulk and other cargos. Through our partnership with Eastern Canada Stevedoring we are attempting to secure shipments of fertilizer, bark for the biomass facility, Kraft pulp and salt. Business at the wharf has been slow to this point in 2015 reflecting lower levels of traffic in commodities globally.



On the rail sidings we are on pace to handle approximately 350 railcars of bulk product over the course of 2015. This business has resulted from the discontinuation of rail service between St. Peters and Sydney Nova Scotia. While providing a modest source of revenue for the mill, it also benefits the railroad and it's Sydney customers who now use the mill's infrastructure to trans-load various plastic and lumber products. We are also continuing to work with the local short line railroad to try to bring other products to the mill for trans-loading.

COST IMPROVEMENT INITIATIVES

The entire PHP team is committed to the long-term sustainability of the mill and we are focused on producing the highest quality paper, in the most cost-efficient manner possible. To this end, during 2015, there has been a continued emphasis on cost-reduction initiatives that will allow us to achieve these goals. The team has been working diligently in many areas to produce results that will allow us to realize savings, not only by reducing our energy use, but also by reducing our paper losses. The list of projects in various stages of investigation and implementation is long and diverse, covering all areas of the mill site, from PM2, to TMP, to the Woodroom, to Water Treatment, and beyond.

candidates seeking employment. Our purchasing group has recently communicated to each of our contractors and sub-contractors the intent to include criteria for awarding tenders and contracts, which gives preference to bids containing a Mi'kmaq employment strategy, or to companies who employ Mi'kmaq personnel - assuming all other factors and criteria are equal. We are pleased to have had 16 employees working in 2015 which included three summer students and two maintenance apprentices. In addition to this, we note the continued successful partnership with First Alliance Security of Waycobah First Nation. On the forestry side, we have also entered into successful partnerships and have two Mi'kmaq harvesting companies working for us in Cape Breton as well as Mi'kmaq contractors performing silviculture work as contemplated in the S.E.B.A.

In the coming months, we will be sharing news of this and other important initiatives underway with our Mi'kmaq partners.

2015 CHRISTMAS PARADE

Once again this year our volunteers from PHP's Recreation Committee put their heads together and created a float to enter in the Town of Port Hawkesbury's Christmas Parade held on November 28th. The Minions were a huge hit - as were the chocolate treats that our PHP 'elves' handed out to the folks who came out to watch the parade. Pictured below is the PHP truck all decorated for the parade and a few of the PHP 'elves' who walked behind the float handing out chocolates.



Among the projects that address our goal of reducing energy use are those that focus on steam use reduction. An example of this is a simple, but effective, project that was undertaken to employ heat integration between TMP (which has excess heat) and PM2 (which consumes steam to heat cold water), including rearranging an existing heat exchanger configuration to shortcut a hot stream from TMP, directing it into a PM2 process stream. This increased the temperature in the wire pit, significantly reducing the steam required to reach the desired process temperature, in most operating scenarios, saving approximately 1 kg/s of steam.

Paper loss reduction is a multi-faceted issue, requiring attention to various areas and involving production, planning and sales team members. There is a dedicated resource in place to focus on this issue, underscoring its importance and the priority placed on making the required changes. Improved runnability on the paper machine and on the calenders reduces slab losses. Optimization of the run list combines smaller runs of similar grades into larger runs that trim at higher efficiency, reducing trim losses and production overruns. These examples highlight just a couple of the areas being addressed, and we are constantly striving to improve our operations and to be the lowest cost North American producer of top-quality supercalendered paper.

WATER USE AND OPPORTUNITIES

Our processes use water—and lots of it—so we must ensure that our infrastructure is reliable and sufficient to meet our demands and we are always looking for ways to reduce our requirements and to be as efficient as possible in our processes.

To ensure access to our water resources, a well-planned Capital Replacement Program is in place, which includes systematic replacement of the 50+ year-old wood stave pipeline with HDPE piping (a section is shown in the picture below). An audit has been completed in the area of our water supply and recommendations made for planning of upcoming projects, including repairs to the earthen dams along the margin of the Goose Harbour reservoir, to be completed in 2016. Next year will also mark the first internal inspection of the mill water supply line, which runs under the Strait of Canso, by a robot.



By minimizing the fresh water we need, we are not only being the best stewards of our natural resources, we are also reducing the associated treatment costs, both for the fresh water feed and for the discharge water once we are finished with it. A project to repurpose two large unused silos for white water storage and reuse was commissioned in November, successfully allowing us to store up to 5 million liters of water from one area for subsequent use in another area, to reduce fresh water use and sewer flow. Additional opportunities exist for optimization of our white water system and are being actively pursued to improve our process integration and further reduce water use. With the large number of water lines supplying many systems and areas across the mill site, comes the potential for water loss due to leaks. To identify and eliminate these losses, we have implemented a water loss survey program. A number of significant losses have been identified and repaired as a result of the program, which is ongoing.

Continued emphasis on water use reduction and on improvements to our water system infrastructure will support our long-term sustainability and will allow us to take advantage of potential development opportunities for use of our water resources.

Port Hawkesbury Paper
120 Pulp Mill Road
PO Box 9500

Port Hawkesbury, NS B9A 1A1
(902) 625-2460
www.porthawkesburypaper.com

FAMILY FALL FEST

On Sunday, November 29, PHP held a Family Fall Fest day at the Port Hawkesbury Civic Centre. Employees and their families came out for an afternoon of skating, bounce-r-amas and children's activities. There were face painters and balloon artists as well. The race track and velcro wall were huge hits with the kids and the kids at heart.

Those who attended were treated to barbequed burgers, hotdogs and drinks. As families left for the day, each child was given a treat bag to take home.



ANOTHER SUCCESSFUL YEAR FOR CAPITAL PROJECTS AT PHP

Caustic Storage, Wood Room and Screening System Improvements and Paper Machine 2 Distributed Control System (DCS) Up-grade highlighted the Capital Program at Port Hawkesbury Paper this year. The capital projects focused on quick pay back opportunities and in some cases, projects required to maintain business operational efficiency. Other significant cost items purchased include a new log handler for our Woodyard and a new online quality measurement system in TMP. The projects will help us achieve our goal of becoming the lowest cost, highest quality supercalendered paper producer in North America.

