

PORT HAWKESBURY PAPER SUMMER UPDATE 2013



The Port Hawkesbury Paper Mill and Woodlands Division have been fully operational for more than eight months. We are excited to share this update with stakeholders who have an interest in the Mill's success. The first reel of paper rolled off the PM2 machine on October 3, 2012 at 1:11 a.m. and production has hardly slowed down since.

After a safe and successful start-up, we have been achieving and surpassing performance records in a number of production areas and we are undertaking several initiatives that will contribute to the businesses long term sustainability and positive environmental footprint.

We've been making sure we have a good supply of materials to produce the quality paper our customers expect, and judging by the strength of our order books for the coming several months, we are optimistic that we are on the right path.

Our goals are simple:



To make the Port Hawkesbury Mill the safest, most efficient, economically sustainable, innovative and environmentally-friendly paper production facility in North America



To manage the forest resource with which we are entrusted, sustainably and safely



And to contribute to the economic success of the communities and regions in Nova Scotia where we conduct our business

Contribution To Economy On Track With Commitment

To date, in order to operate our business, we've spent over \$120 million buying supplies and services from businesses in Nova Scotia and we will meet our target of spending \$160 million here each year. We've created over 700 good jobs; 300 at the mill and another 400 in the woodlands. Our suppliers and partners number over 400, and are located in the community of Port Hawkesbury, throughout Cape Breton and Northern Nova Scotia and reach as far as Halifax and Hantsport.

Supporting the co-generation BioMass project with Nova Scotia Power (NSPI)

We are working with Nova Scotia Power on the co-generation BioMass facility, which became fully operational in mid July. We're pleased to have recently been chosen as supplier/partner for the facility's biomass-handling woodroom operations, which means we are responsible for the human and equipment resources that measure and annually move the up to 670,000 tonnes of biomass (bark and wood chips) into the boiler. This good news also means we will be hiring an additional 15 employees as soon as possible.



New dry de-barking woodroom capital investment

A \$10 million capital investment in a dry de-barking system for the woodroom, will allow us to make wood chips more efficiently, using less energy and creating lower costs and greater yield from our forestry operations. This project also contributes to the efficiency of the NSPI biomass boiler as a result of the bark from our pulpwood being dry due to the fact that no water is required in the de-barking process.



Nova Scotia Mi'kmaq and Port Hawkesbury Paper begin negotiations for an Impact Benefits Agreement



Kwilmu'kw Maw-klusuaqn Mi'kmaq Rights Initiative

We are working with the Assembly of Nova Scotia Mi'kmaq Chiefs to negotiate an Impact Benefits Agreement (IBA) arising from the Memorandum of Understanding (MOU), signed by both parties in January 2013. The MOU is a commitment between the Mi'kmaq of Nova Scotia and Port Hawkesbury Paper to work together and develop a Socio-economic Benefits Agreement and an Environmental Agreement, ensuring meaningful Mi'kmaq participation in forestry operations and the paper mill.

Like the Nova Scotia Mi'kmaq, Port Hawkesbury Paper is committed to ensuring a sustainable forestry sector; we work hard every day to ensure we balance social, environmental and economic considerations in the day-to-day operations of our business.

The Assembly of Nova Scotia Mi'kmaq and Port Hawkesbury Paper will negotiate an IBA which will include direction on shared priorities such as employment opportunities for the Mi'kmaq, preservation of the environment, and the protection of Mi'kmaq Aboriginal and Treaty Rights.

New Mi'kmaq security firm hired

PHP recently hired a new security firm which is comprised of members from the Waycobah band. WAYCOBAH CONTRACTING LTD. was chosen through a competitive bid process implemented as a result of a review of the mill's security services and needs. Their responsibilities include provision of necessary security requirements for the mill, forestry office and the wharf.

Leading research and innovation

We are contributing to research and applications around the future of an innovative and sustainable forestry sector here in Nova Scotia:

Innovation leading to energy efficiency

PHP is working with Cape Breton University, L'Université du Québec à Trois-Rivières, University of New Brunswick, FP Innovations and other industrial partners on a plan to make our Thermomechanical Pulping (TMP) Line 3 the most energy efficient TMP line in the world. The electrical efficiency and associated increase in pulp production will allow us to utilize one of our other two TMP lines for other bioeconomy opportunities. We are also investigating other bio-economy opportunities including Methane Gas production and a soil enhancement product development from our by-product streams.

Turning wood into a non-food sugar product

We have recently met with a company planning to build a non-food sugar production facility in North America. Sugar is made utilizing area hardwood chips, enzymes and our soon to be available extra Thermomechanical Pulping line. The sugar and by-products will be converted by extracting the cellulose fibers in wood chips and converting it into lactic acid which can be converted into a number of products. The lignin will be converted to other products which can be used locally or exported globally. Port Hawkesbury Mill has the assets required to make this project work efficiently, allowing us to add value through innovation and export. We are teaming with the government of Nova Scotia, researchers and the private sector to undertake a detailed evaluation of the opportunity and we look forward to sharing progress updates later this year. FP Innovations are leaders in this research and our membership in their organization is helping us move this initiative forward. It is cutting edge technology that may allow our mill to achieve its goal of creating bio-economy opportunities to be part of the mill's sustainability model for years to come.

Mill tours being planned

In the coming weeks, we will be inviting members of the community, supporters, suppliers, partners, government representatives, customers and the media to come in and see what we've been up to at the mill. We're planning stakeholder and family day events at the mill for later this summer. We're keen to take people on tours and show them what we've accomplished.

Mill's safety records make history

On July 20th, Mill employees surpassed our longest period of time to have gone without a lost time injury. The mill has now been operating for over 300 consecutive days without a lost time injury, making it the longest period of time that the mill has achieved such a milestone during its operational history of more than 50 years. Congratulations to all for this terrific accomplishment.

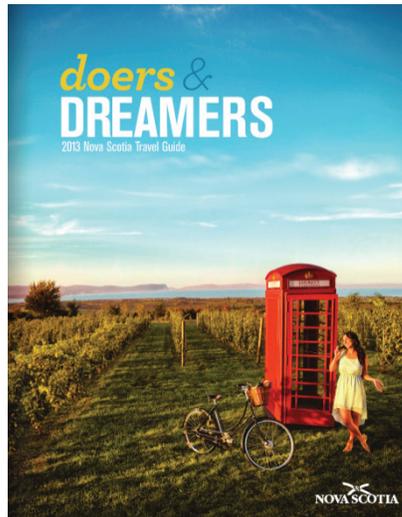


More mill by the numbers

Millwide, our absenteeism level is currently at 1.95%. This compares favorably to the mill's past average of 6.5% (pre-PHP). Nationally, the most currently available 2011 statistics indicate that average absenteeism rates are reported at 8%. We are pleased that our workforce is healthy and committed to our success.

Best practices in forestry management

Currently approximately 400 people work in the woodlands that we are entrusted to manage. In the past 8 months, we've achieved a record signing of long-term agreements with forestry contractors, have negotiated key fibre exchange agreements to supply hardwood and softwood mills in Nova Scotia, and have increased the proportion of our wood supplied from private woodlots throughout Nova Scotia to 45 percent. We're pleased to have achieved re-certification for our work on Crown Lands by the Forest Stewardship Council® and have increased our involvement in the government of Nova Scotia's Parks and Protected Areas Initiative. We've invested more than \$400,000 in technology upgrades and productivity training for harvesting contractors. We continue to reduce annual clear cut harvesting volumes; we are currently at 54% and have plan to reduce our clear cutting even below the 50% level mandated by the Provincial government by 2016. As part of our five year Forestry Management Plan, we will be reaching out to community stakeholders and the public in the coming months, presenting updates, sharing our plans and seeking valuable input.



Proud to produce the paper for Nova Scotia Tourism's Doers and Dreamers Guide

We are proud that we were chosen as the paper on which the Province's Doers and Dreamers tourism guide has been printed. We have expanded the mill's product line and are now competing against coated paper mills for many higher end publications. The mill wood supply, clay supply and Thermomechanical Pulp and Paper mill equipment and operators provide

us with an opportunity to make higher quality, higher brightness, more valuable paper products. Earlier this year, we delivered 215 tonnes of SCA++ paper brand named Artisan to Quebec-based printer Imprimerie Norecob Inc. on that company's recommendation to the province. The printer then produced about 315,000 travel guides. We are pleased to be making more of this higher value paper each month, which is exciting news for all involved in the business.

Thank you!

There have been times throughout the past several months that we've declared ourselves the most efficient mill in North America, based on the output achieved. Our TMP Line 3 is producing more pulp at a higher fibre length than any other TMP line in the world. This is due in large part to the hard working and very dedicated employee team we have. We are grateful to our team, our partners and suppliers and the many supporters who have been focused on ensuring the mill's long term success. Together, we are doing what we set out to do a year ago. We are proud of what we have accomplished to date and are working hard to complete our vision.

About Us

Port Hawkesbury Paper LP is a forestry operations and paper mill in Port Hawkesbury, Nova Scotia. Port Hawkesbury Paper is one of the most competitive producers of super-calendared paper in North America and ships to customers throughout North America, South America, Asia and Europe. Over the year, Port Hawkesbury Paper will invest approximately \$160 million in Nova Scotia. Port Hawkesbury Paper employs over 300 individuals at the mill and over 400 individuals in the woodlands. Port Hawkesbury Paper forestry operations are the only large forest operations that are Forest Stewardship Council® certified in Atlantic Canada.

If you have any comments or questions, please contact us at HR@porthawkesburypaper.com

