

NEW OSB MILL CONSTRUCTION TO START SOON



Consider it the calm before the storm. At the site of the new Slocan-LP oriented strand board (OSB) mill in Fort St. John there are just a few technicians moving about the area taking soil samples among the last remains of winter snow. However, when the snow is gone and spring brings warmer winds and the frost is out of the ground, the site will quickly become a major construction site complete with white portable offices, heavy equipment of all types and eventually tall cranes for lifting steel beams high into the air to help build one of the world's largest OSB mills.

The project should provide Fort St. John school kids with lots to watch as they enjoy summer break this year. The mill will be the largest building in northeastern B.C. and big enough inside that the employees will ride special three-wheel bicycles from machine center to machine center. You won't believe it until you see it. Bill Hebert, the president of Slocan-LP OSB and the head of the Project Management Team, can't wait until things really get rolling in mid-May. Roger Latterell is the Project Manager and Gilles Sauvé is the Project Engineer. These three will oversee construction of the mill that will cost more than \$200 million and command the activities of the 300 trades and construction people needed to build it. CPM Consultants of Vancouver is the lead engineering firm. The firm has guided the construction of almost every new OSB mill built in the past several years. For 2004, the priority is to prepare the site, build the forms, pour the concrete floor, erect the steel walls and roof, and then cover everything over with steel cladding to keep out the snow and cold.

“Once the joint venture Board gives final approval to the project budget and construction time line, we will be ready to move fast. At that point, we will announce further details about the variety of companies that will supply specific services and supplies to the project,” said Hebert. “By the end of the year we expect to have the mill structure up and enclosed so that machinery and systems can be installed during the winter and spring of 2005. If everything goes as planned, we anticipate producing the first board of OSB in September of 2005. We're all proud to be contributing to the construction of a state-of-the-art, world-class OSB mill.”

Much of the equipment needed to make OSB is available in North America and can be sourced in Canada. The OSB press and forming line will likely come from one of two manufacturers in Germany. Production crews expected to be hired next year will be trained and gain work experience in LP's OSB mill in Dawson Creek and Slocan's OSB mill in Fort Nelson. Hebert expects there will be opportunities for some employees in the two existing mills to apply for positions in the Fort St. John

operation. But, for the next 15 months, the priority is to get it built, on time, on budget and safely!

Slocan-LP Chairman Confident About OSB Project



Jim Shepherd spends most of his day as the President & CEO of Slocan Forest Products Ltd. and is currently leading a team of senior staff from both Slocan and Canfor getting ready to launch one of the world's largest softwood lumber companies. This is expected to happen in late March when Slocan shareholders approve an offer from Canfor to acquire Slocan. Shepherd will become the President & CEO of Canfor when the deal is complete. However, he has also recently been appointed to another important position.

On January 22, 2004, Shepherd became the Chairman of the Board of Slocan-LP OSB Corp. This was the same day former Slocan-LP OSB Corp. President, Ike Barber announced in Fort St. John the construction of what will be one of the largest OSB mills in the world. Shepherd is looking forward to his new duties and is looking forward to being involved in the construction of the OSB mill.

“I'm pleased as a businessman that all the years of hard work had paid off and that we could announce on January 22, 2004 that the project would move forward. It was a wonderful day. The project provides the opportunity to help create economic wealth from a unique forest basket in northeastern BC and benefit Fort St. John and the Peace River Region. The excitement in the room after Ike announced the construction of the OSB mill was just great”, said Shepherd.

The project was first proposed in 2000 after Slocan and Louisiana-Pacific teamed up to better utilize the available forest resources. Slocan-LP proposed to construct one of the largest OSB mills in the world to convert aspen and cottonwood into oriented strand board that is demanded by construction contractors for roofing, outside wall sheathing and flooring. Both Slocan and LP have operated OSB mills in northeast BC for many years and had extensive production and marketing experience with OSB. In the fall of 2002, the BC government granted a Project Approval Certificate for the OSB mill.

“We had no doubts that it was a great project but we needed time to secure the \$214 million required to build the plant and we needed to be sure about the affordability of the mill for the long term. The perfect time to construct the mill would have been 18 months ago when OSB prices began to climb and have remained buoyant ever since, however, we are confident the design and technology in the Fort St. John mill will allow it to be competitive whether OSB markets are up or down and for us, it was necessary to have this before announcing the project would proceed”, said

Shepherd.

One of the important components of the Slocan-LP OSB project is the commitment to work closely with communities and First Nations. The company has Memorandums of Agreement in place to enable First Nations to play a significant role in the woodlands operations. These agreements include provisions to help First Nations better understand forestry, opportunities for summer employment for First Nations students, community development and an active role in resource planning and the creation of a First Nations Forest Training Plan. Scholarship funding for First Nations students to pursue forestry related programs at post-secondary education institutions is also available.

The company has also committed to establishing a Community Advisory Group to monitor and review air quality data, noise and dust related issues during construction and an important role once production begins at the new OSB mill. This group will play a key role in working directly with staff at the mill to ensure community concerns are dealt with in a timely manner.

“These are critical relationships”, stated Shepherd. “In today’s forest industry a company must have the consent of the province and to earn that confidence, a company must demonstrate a sincere commitment to work with local communities. I define communities as both aboriginal and non-aboriginal. I consider it a privilege to access and help manage the public forests in British Columbia and I treat that privilege with the utmost responsibility”.

Shepherd believes his role as Chairman of Slocan-LP OSB Corp. is to ensure the founding principles of the joint venture are respected and that a “chemistry for success” exists within the company, especially as new staff and contractors are hired to construct the mill and begin production sometime in the fall of 2005. Shepherd says there will be no impact on the new joint venture once the Canfor merger with Slocan is complete sometime in early April. For now, it’s full steam ahead with construction of the new OSB mill and creation of a new company in northeastern BC.

Slocan-LP President Ready to Build OSB Mill



Bill Hebert plans to spend quite a bit of time in Fort St. John during the construction of the new Slocan-LP oriented strand board (OSB) mill. As the new President of the joint venture company, Hebert will share his time between his LP office in Portland, Oregon, the joint venture office in Vancouver, British Columbia, and the office and construction site in Fort St. John. Hebert doesn’t foresee any problems with the travel between the three locations and is looking forward to the challenge of

overseeing construction of one of the largest OSB mills in the world.

“This project was conceived, designed and planned by combining the expertise of both parent companies and their advisors. I expect the project to proceed smoothly through the implementation and construction phases,” stated Hebert.

Hebert was named President of Slocan-LP OSB on January 22, 2004 – the day both companies announced the decision to move forward with the project. His appointment is another step in a successful 31-year career with LP. Prior to this position, Hebert was LP’s Vice President for Business Development. Prior to that he held positions within LP as Director - Business Development, Vice President - Treasurer and Controller, and Chief Financial Officer. Throughout his career with LP, Hebert has obtained significant knowledge and expertise relating to OSB manufacturing, which will benefit the Slocan-LP OSB joint venture.

“We’re currently putting the finishing touches on the project budget and time line. Once those are given final approval by the Board of Directors, things will really get busy,” said Hebert. “In the meantime we are doing soil testing at the mill site and air monitoring work, and we’ll hit the ground running as soon as the weather allows in mid-May. I see my role primarily as a Facilitator, ensuring that the Project Team has the resources it needs to deliver the project. I also consider part of my job to limit the interference that might prevent them from doing their work. The Project Team already knows my expectations - a project that is on time, on budget and built in a safe manner.”

Safety is paramount in Hebert’s mind when it comes to defining a successful project. No project is worth anyone being injured on the job and safety will be stressed for every person entering the OSB mill site before, during and after construction. Hebert recalls the construction of the LP OSB mill in Chile. The project involved dismantling a shutdown mill in Idaho and literally “boxing” it up and shipping it to Chile for reassembly. Throughout the many complicated phases of the operation only one worker was injured and it involved the employee twisting his ankle while stepping into a shallow hole on the mill site in Chile. Hebert says that one injury was one too many for the Project Manager to accept.

Hebert is looking forward to getting to know the North Peace region better during the construction period. When he is not working with the Project Team or inspecting progress at the mill site he plans to find time for hiking, cycling and possibly a little golf. “I grew up in a smaller community, not unlike Fort St. John, in the Upper Peninsula in Michigan,” said Hebert.

A great track record with OSB combined with a love of the outdoors should ensure Hebert feels right at home in northeastern BC while he oversees construction of the new OSB mill.

OSB Project a Satisfying Event For Ike Barber



I.K. “Ike” Barber was 19 or 20 years old when he first came to the Peace River Region. That was in 1940-41 when the Alaska Highway was being built to link Alaska to the “Lower 48” states through the Yukon, BC and Alberta. Ike was a parts man for Caterpillar Tractor based in Fort St. John.

He remembers the first aspen tree he cut was near Charlie Lake and it was needed to keep a “Cat” from sinking into the mud. He used to hike in the mixed-wood forests around Fort St. John on his free time and his fondness for the area has never waned. However, Ike had no idea then that 60 years later he would return to Fort St. John with a view to building an oriented strand board (OSB) mill. After working for Caterpillar for a year or so, all Ike wanted to do was board a train at Dawson Creek for Edmonton and join the air force.

The BC forest industry legend eventually went on to become a forester and in his late 50’s on borrowed money, started building Slocan Forest Products that has become one of the largest forest products companies in British Columbia. Ike began by purchasing a sawmill in Slocan, BC and named the company after the community. Ike continued to purchase other forest products operations and he soon looked at the opportunity to purchase a mill in Fort Nelson. This facility was the based on the spruce resource for manufacturing plywood and stud lumber while the aspen trees remained unutilized.

“I was trained in forestry by H.R. MacMillan who went on to help create MacMillan-Bloedel, one of the largest forest companies on the BC Coast for many decades” stated Barber. “H.R.” used to say the proper way to manage a forest is to use all of it. You need to understand the nature and the distribution of the forest base and then build converting facilities to utilize the full range of the forest base. In the case of Fort Nelson we knew we were not using the total forest base and asked ourselves what more did we need to do so we are in harmony with that”.

While Ike and the team at Slocan were pondering the challenge demand was growing in the construction industry in North America for more panel board. Traditionally, plywood was used for flooring, roofing and cladding. However, the plywood industry was not able to keep up with demand and researchers and others began to look at other products that would do the job of plywood. OSB was the answer and Aspen was found to be one of the species that made great OSB.

A number of other companies in western Canada had already taken the initiative to manufacture OSB from the aspen fibre base. Louisiana-Pacific continued the trend by announcing plans in the early 1980s to build an OSB mill in Dawson Creek. Soon after, Slocan announced that it would build an OSB mill in Fort Nelson that allowed the company to utilize the total forest base. Ike concluded that Slocan

should cease the opportunity to further expand and use the aspen fibre base in the Fort St. John area. He also became aware that LP had plans to do the same thing.

“We determined that it was best for the Fort St. John area to build one large OSB plant rather than two smaller mills and fight over the trees” said Barber. “I then met with LP’s President and CEO early on about the business logic of creating a joint venture to utilize the available fibre. It didn’t take long to determine that Slocan and LP had the right chemistry to work together and support the joint venture”.

Slocan-LP OSB Corp. was launched in June 2000 and Barber was appointed the new company’s first President. An office in Fort St. John was opened in early 2001. An application for a Project Approval Certificate was submitted to the provincial government in August 2001 and a Project Approval Certificate to allow the mill to be built was granted in January 2002. Two years later on January 22, 2004 Ike Barber announced at a community luncheon in Fort St. John, that construction on the OSB mill would begin as soon as the weather and conditions allowed.

“It was very significant and very satisfying to make the announcement” stated Barber. “I look forward to watching the new mill being built and I hope I’m around to assist with the ribbon cutting at the official opening in late 2005”.

Ike has recently been appointed an Officer of the Order of Canada to go along with his previous appointment to the Order of British Columbia. One would like to think that one of the drivers behind these two prestigious awards was his understanding and determination to assist in the complete harvesting of the mixed-wood forest resource.

Cut-to-Length For New OSB Mill

Once the new Slocan-LP OSB mill takes shape and dots the Fort St. John skyline later this year and is completed in late summer of 2005, the next “big” thing to appear on the mill site will be the log yard, under twin cranes on rails. Big stacks of aspen and cottonwood will be needed because once the sheets of OSB begin to roll off the production line it will take a lot of wood to keep the mill operating year round. Up to 1.1 million cubic metres of aspen and cottonwood to be exact! Considering BC’s allowable annual cut or AAC is about 75 million cubic metres, this is a lot of wood!



While there is a lot of work to be done before the first log is to be harvested for the new mill, the question of “how” the wood will be delivered to the mill has been known for months. Slocan-LP will use the “Cut to Length” harvesting system versus the traditional “tree length” system. The decision to use “cut to length” was made for all the right reasons. The system has a number of environmental advantages that lend themselves well to the needs of an oriented strand board (OSB) mill and specifically the Fort St. John mill. Some of those advantages include:

- Reduced noise and dust at the mill because crews will not have to process tree length deliveries, nor handle as much wood waste.
- Reduced mill emissions because tree length delivery waste will not have to be burned at the mill.
- Reduced costs overall to help keep the mill competitive during low markets.
- Acceptable and appropriate amounts of coarse woody debris left in the forests that small animals depend on for shelter and food.
- Reduced green house gasses because logging trucks are delivering more mill-able wood with minimal decay and waste.

“One of the keys to success for the new mill was the decision to go with the Cut to Length harvesting system”, said Slocan-LP OSB Woodlands Manager, Jeff Beale. “This harvesting system offers a lot of advantages from start to finish especially when our job involves blending environmental stewardship, responsible forest management, and cost efficiency. The people of BC and the northeast have made it very clear in recent years that they expect their forests to be managed with world-class standards and the greatest care possible. That is especially true in northeastern BC portion of the boreal forest where we have some of the most unique and ecologically diverse natural areas in the world.

With healthy populations of grizzly bear, black bear, elk, moose, whitetail and mule deer, woodland caribou, migratory songbirds, trumpeter swans, bull trout and others. People expect good forest management to include environmental, social, cultural and economic performance. The move to certify operations under CSA’s Sustainable Forest Management standard exemplifies this public concern”.

The Cut-to-Length harvesting system involves aspen and cottonwood trees being

harvested with feller bunchers, skidded to roadside processing areas and cut into preferred lengths of 6 metres (19 feet 8 inches). The logs are then loaded onto trucks and hauled to the mill. The wood required for the new OSB mill will be harvested and hauled 9 to 10 months a year. Winter is the busiest time of year for loggers and truckers. About 70% of the annual wood supply will be cut and hauled during a 138-day period beginning in November and ending in March. Log deliveries will ramp-up as the mill production increases. Beginning in March 2005, winter deliveries will be 25 loads per day, rising to 150 per day in 2009 at full capacity. During the summer season things will be less hectic with an average of 70 trucks a day visiting the mill each day for about 85 days beginning mid-July and ending mid-October. In total, about 25000 trucks carrying 44 cubic metres each of wood are needed to keep the mill running the year round. In total, about 300 people will be required to harvest the wood, haul it to the mill and make sure that all harvested areas grow back to healthy new forests.

The Cut-to-Length harvest system fits well with another key success decision made by the parent companies of Slocan-LP OSB. The company is part of a group of forest companies working with the government agencies in testing a new way to plan and administer forest management activities in the North Peace region. The project is known as the Fort St. John Pilot Project and has nothing to do with planes or people who fly them.

“The project is guided by a new regulation that allows participants in the project to conduct their planning in a way that considers the unique conditions in the North Peace”, said Beale. “Instead, the project involves foresters, biologists, loggers and other resource specialists working with a Public Advisory Group and scientific-technical advisors who determine the best way to achieve world-class standards without a lot of process and paper work.

The project participants ensure the new planning systems will maintain the level of protection for forest resources that is provided by the Code. The focus however, moves from “managing by process” to “managing by results ” and that is where it makes the most sense. The results have to be delivered on the ground, in the forests where it counts the most, by highly trained and skilled people”.

The Pilot Project has five major objectives:

- Incorporate landscape level planning into forestry planning starting with the Sustainable Forest Management Plan, which incorporates the resource management zone objectives of the Fort St. John LRMP.
- Combine individual forest development plans into one consolidated plan for the area in a new plan called a Forest Operations Schedule, which is subject to review & comment by the public.
- Eliminate the need for approval of most site level plans.
- Establish a process for ongoing public involvement in forestry planning.
- Register and manage under CSA's Sustainable Forest Management certification process as a means to improve environmental performance and demonstrate world-class forest stewardship.

With the environmental and economic benefits of the Cut-to-Length harvesting system combined with the positive outcomes of the Fort St. John Pilot Project, the new Slocan-LP OSB mill is already demonstrating that intends to produce quality products using quality forest practices. Jeff Beale is confident the results will speak for themselves.