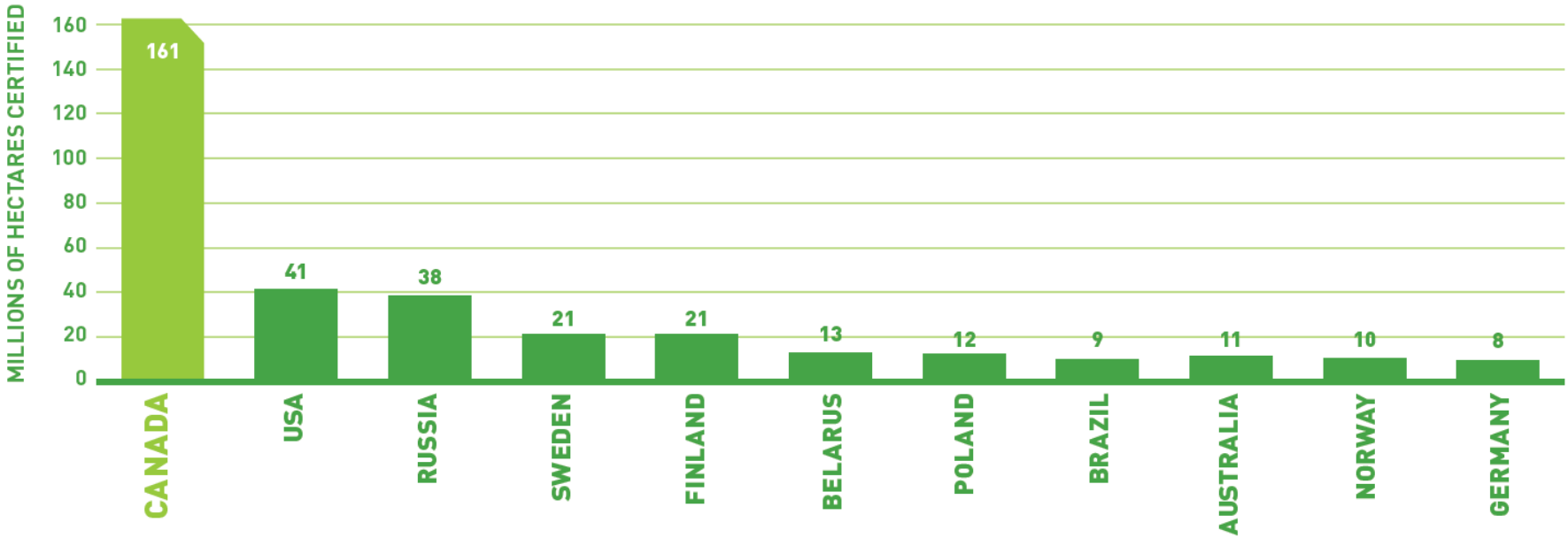
PARTNERING WITH THE FOREST SECTOR

Presented By: Joerg Goetsch
General Manager of Corporate Affairs
Daishowa-Marubeni International Ltd.

CANADA'S FOREST PRODUCTS INDUSTRY BY THE NUMBERS

- Employs more than 230,000 people and is the lifeblood of much of rural Canada
- Generates $58 billion / year in economic activity
- Exports to more than 180 countries and Canada is the number one exporter to Asia
- Canada has 348 million hectares of forest or 9% of the world's forest cover
- 94% of Canada's forests are publicly owned — predominantly by the provincial and territorial governments, with small shares by the federal government and Aboriginal peoples.
- 232 million hectares of Canada's forests are managed, and only 0.2% of Canada's forests are harvested annually.

Canadian Sustainable Forest Management Certification



Biofuels Industries seek Forestry Partner Synergies

Forestry-related industries expected to experience some pain and suffering.

- We are offering a solution:
  - Overall declining trends in paper/pulp & some areas of timber operations, particularly in N. America
  - JV is an opportunity for innovation and business growth
  - Industry Transforming, it's not likely to resemble that seen over the last 5-10 years
- J.V. should not be viewed as a threat to timber supplies, but a potential consumer/partner for underutilized resources.
  - Partnerships will assist this industry in proper forest management while capitalizing on an emerging industry.
  - Feedstock preferences (i.e. hardwood vs conifer)
- If wood mill closures continue (as expected), declining forest health possible.
  - forests vulnerable to overgrowth, beetle infestations, destructive wildfires
- Timing is everything! JV partnerships near-term opportunity to be first to market.
- Emerging industry:
  - Provinces' desire for diversification
  - Oil & energy volatility
  - Global Climate Change
  - RFS set to take place in Canada (and even larger market in US).

DMI's Diversification initiative goals

- To strategically diversify our operation while maintaining our excellence in pulp manufacturing

- To specifically capitalize on our current knowledge and expertise, infrastructure and fibre basket to generate value added products and additional revenue streams

Investment Risk Considerations

- Minimize Technological Risks
- Leverage Existing Infrastructure
- Increase Utilization of Fibre / Residual Biomass
- Feedstock & Product Flexibility
- Produce Bioproducts with low market Risks

Specific Goals are to:

- Capitalize on and leverage available Government funding such as the Federal “IFIT” Investments in Forest Industry Transformation, and the Provincial “BPP” Bio Producer Program
- Prescreen the feasibility of existing technologies
- Investigate the feasibility of emerging technologies
- Refine fiber supply analysis

Why do companies Partner?

For most people it means to Manage Risks

- Financial Risks (Secure Financing, EPC, ROI, Off-take agreements, etc.)
- Operational Risks (i.e. Start up / Commissioning, Feedstock Supply, Technology Performance, Safety, Skilled Labour, Maintenance, etc.)
- Strategic Risks (i.e. Leveraging Relationships, Developing Markets, Legal, Protecting Intellectual Property, etc.)
- Compliance Risks (i.e. Permitting, Government Policy and legislation, Best Practices, etc.)

Feedstock Misconceptions

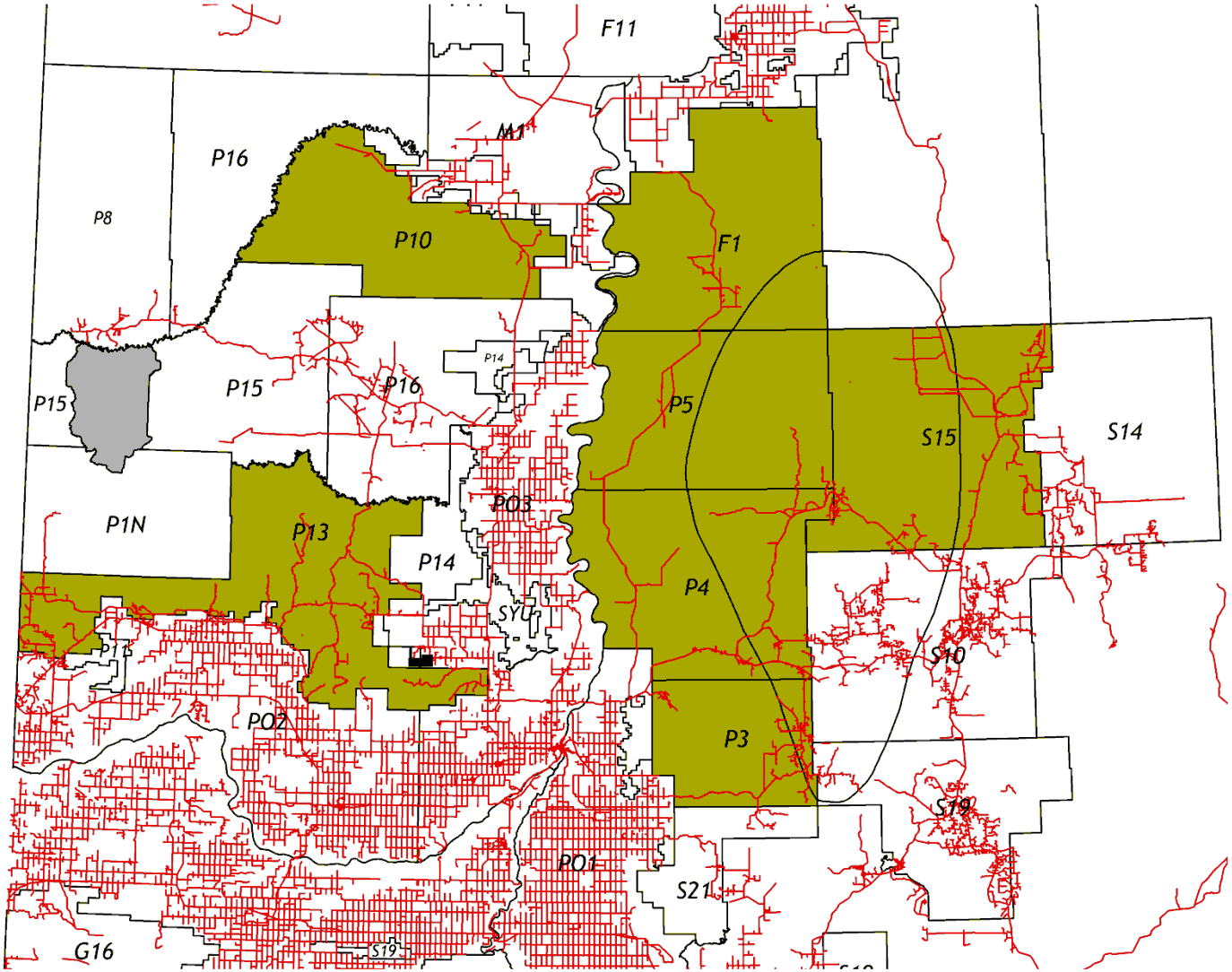
Feedstock

- Composition
- Cost
- Sustainability
- Accessibility
- Security
- Quantity
- Quality
- Acceptability (Social License)

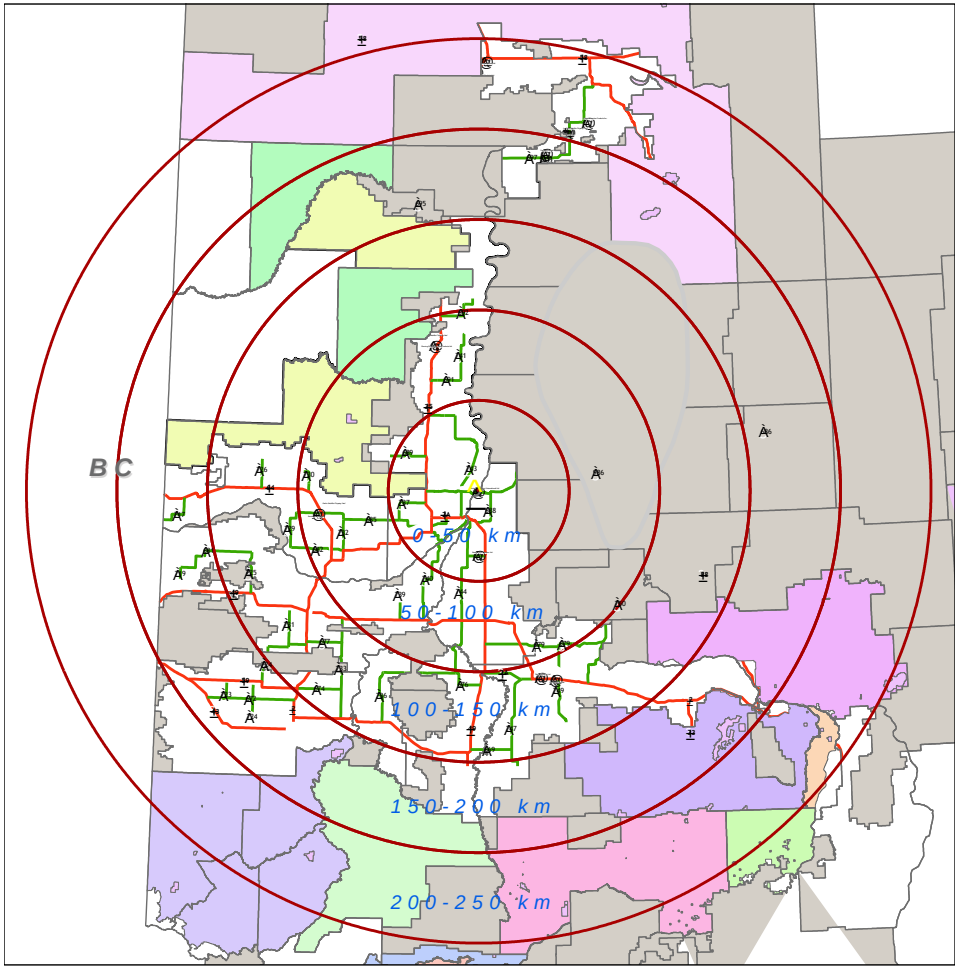
Biomass sourced feedstock tend to have substantially different compositions

- It’s not Free
- It’s not Pure
- Many Sources
- Lots of it
- GHG benefits

All season Infrastructure Access



FMAs within 250 km



Legend

ASRD FMAs 2005

FMA

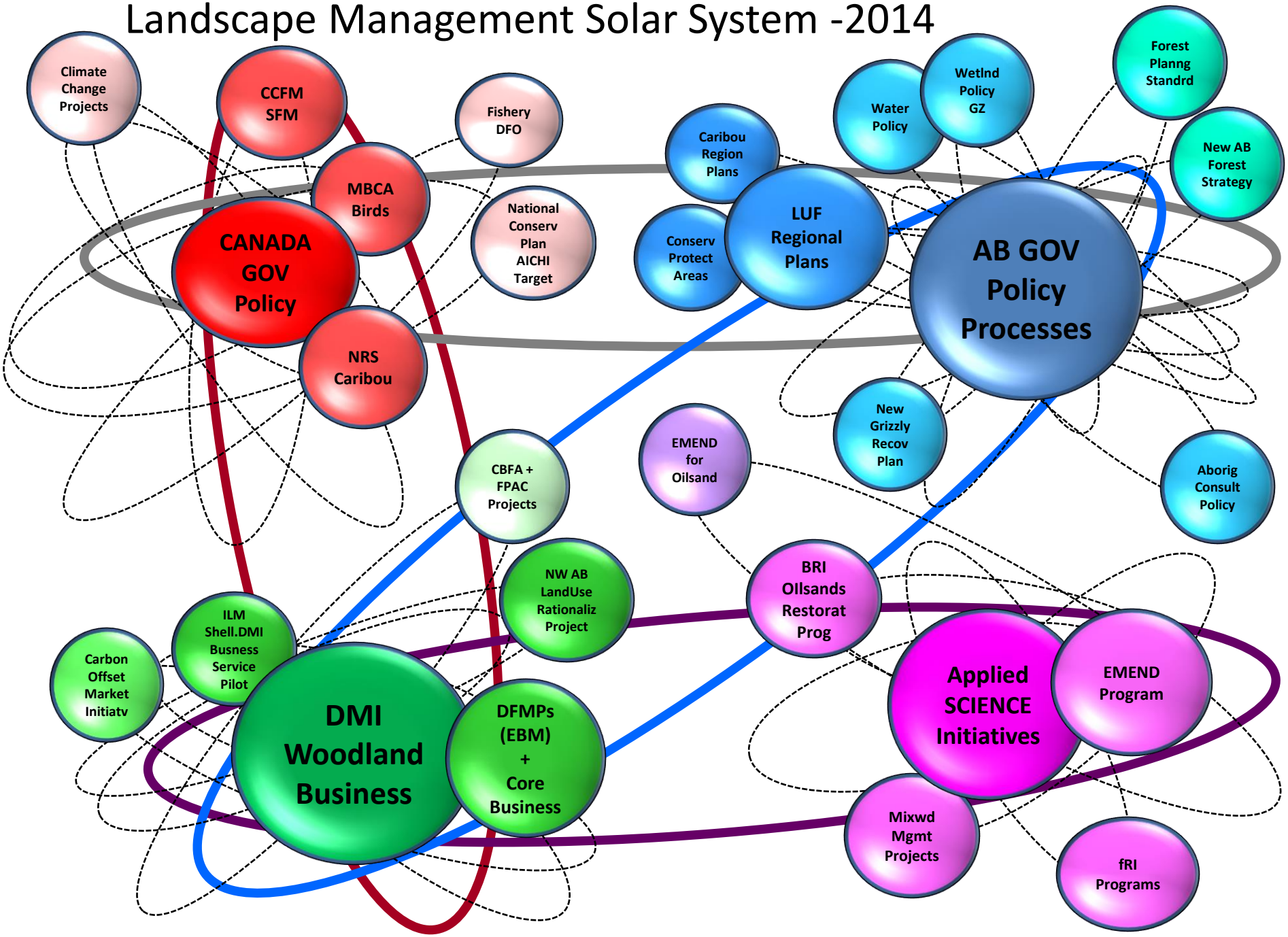
- [A] ANC Timber Ltd.
- [B] Spray Lake Sawmills (1980) Ltd.
- [C] Canadian Forest Products Ltd.
- [D] Daishowa-Marubeni International Ltd.
- [E] Blue Ridge Lumber Inc.
- [F] Weyerhaeuser Company Limited (Edson)
- [G] Gordon Buchanan Enterprises Ltd. and Tolko Industries Ltd.
- [H] Tolko Industries Ltd. and Footner Forest Products Ltd.
- [J] Alpac Forest Products Incorporated
- [K] Manning Diversified Forest Products Ltd.
- [L] Millar Western Forest Products Limited
- [N] Weldwood of Canada Limited
- [P] Weyerhaeuser Company Limited (Grande Prairie)
- [S] Slave Lake Pulp Corporation
- [T] Tolko Industries Ltd. (High Prairie)
- [U] Sunpine Forest Products Ltd.
- [V] Vanderwell Contractors (1971) Ltd.
- [W] Tolko Industries Ltd. (Slave Lake)
- [Y] Weyerhaeuser Company Limited (Drayton Valley)
- [Z] Sundance Forest Industries Ltd.

Fibre Supply Analysis

It is very likely that the quantity, quality and cost of our fibre supply will determine the project technologies and size. We therefore need to:

- Model regionally available logging slash and hog fuel volumes based on harvest sequence and production estimates
- Model associated procurement cost of above
- Economic feasibility assessment of non-merchantable forest stand types
- Evaluate potential non-forest biomass sources
- Model available contingency volumes and costs
- All evaluations should consider assessment of all DMI tenured volumes as well as third party generated volumes
- Evaluate feasibility of developing project plan for Alberta Environment for stackable carbon offsets

Landscape Management Solar System -2014



Technology is Changing Industries

Emerging Forest Products

Pulp & Paper

Building Material

Energy

Bio Active Paper & Packs

Nano Crystalline Cellulose

Cellulosic Ethanol

Bio Plastics

Renewable diesel

Aircraft Fuels

Methanol

Bio Oils

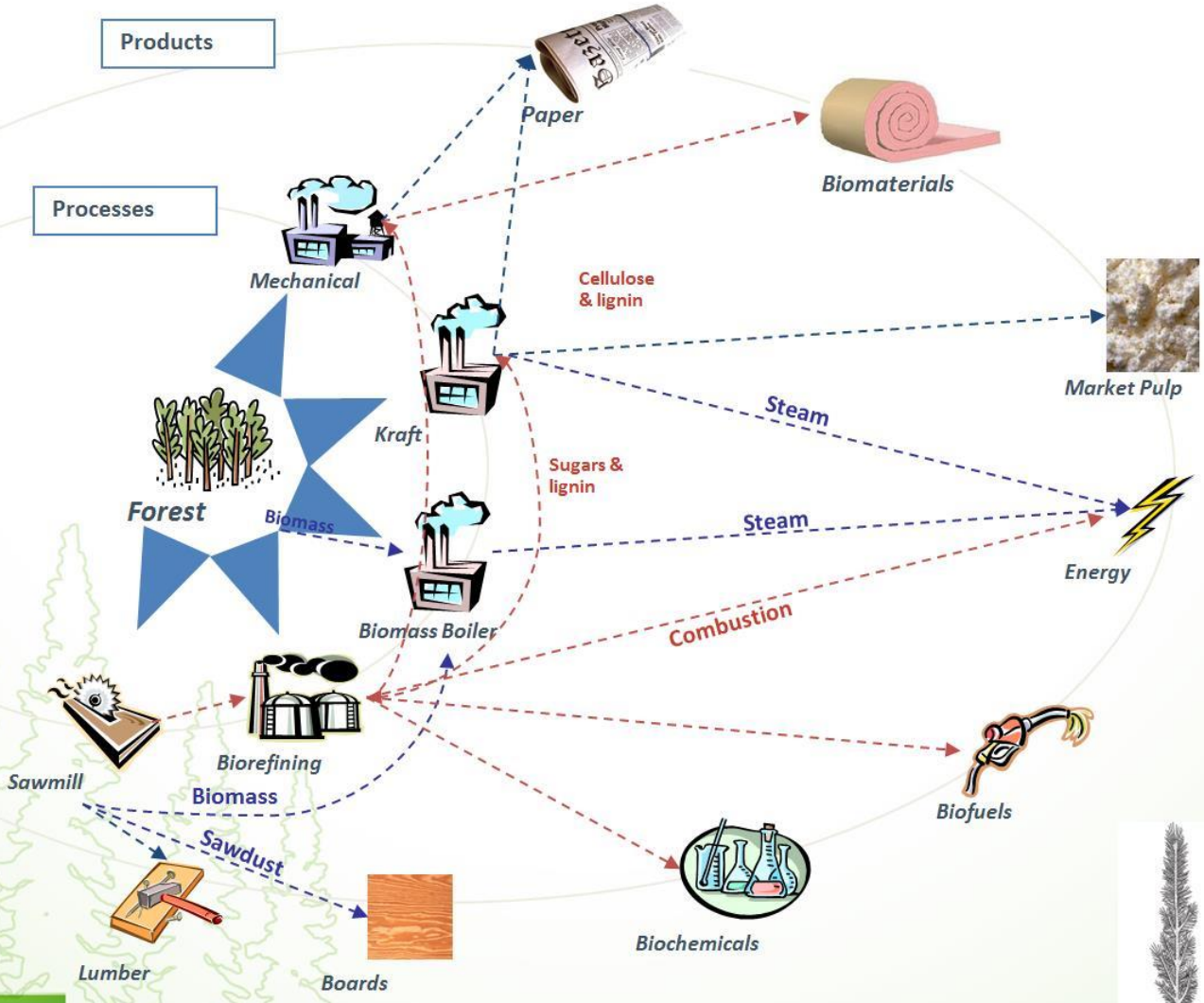
Textiles

Renewable Tires using Lignin

Bio Pharmaceuticals

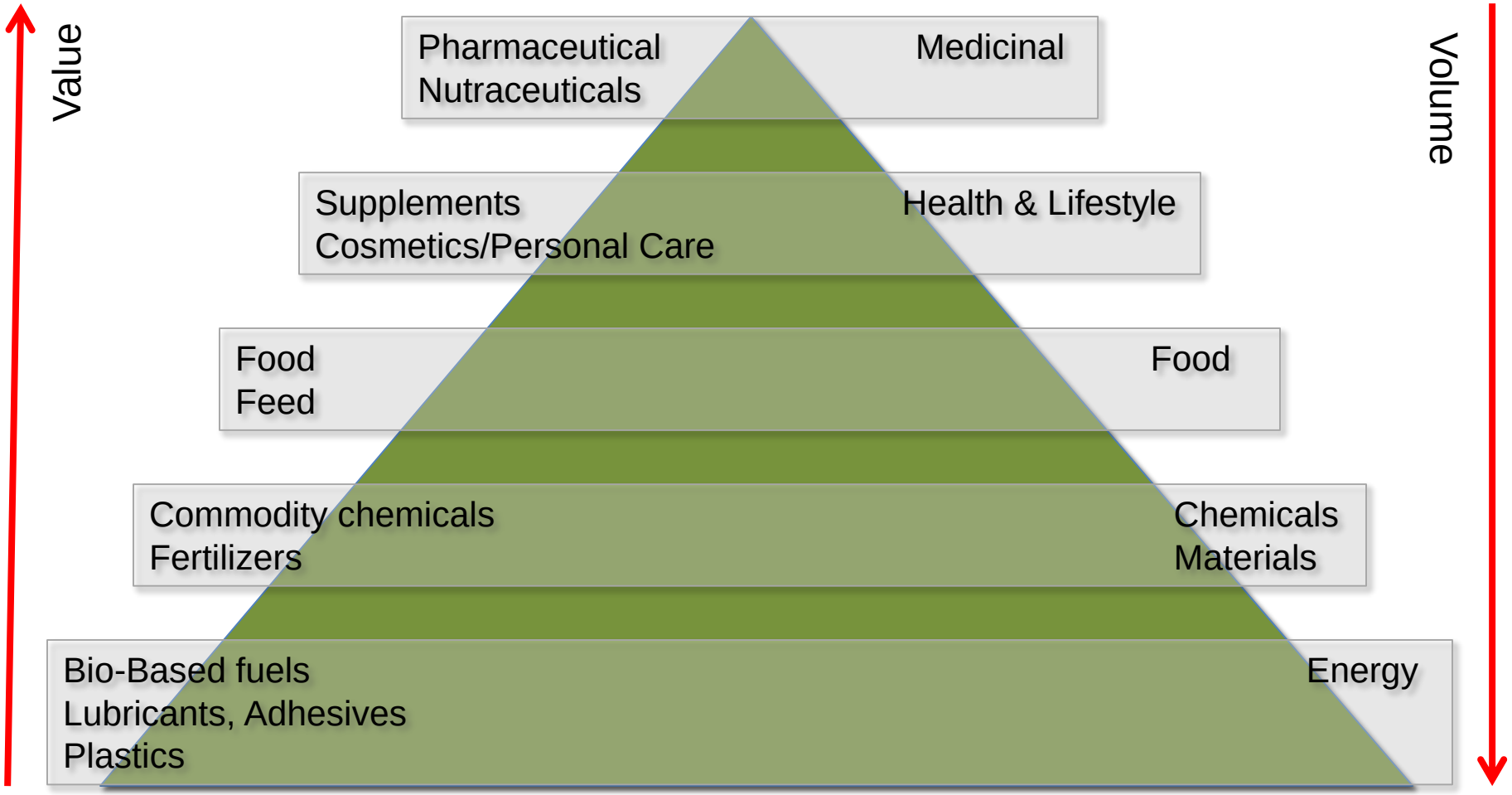
Food Additives

Extension of established business model



Forest Products Association of Canada
100 YEARS 1913-2013

Value chain


Value
Volume
Pharmaceutical
Nutraceuticals
Medicinal
Supplements
Cosmetics/Personal Care
Health & Lifestyle
Food
Feed
Food
Commodity chemicals
Fertilizers
Chemicals
Materials
Bio-Based fuels
Lubricants, Adhesives
Plastics
Energy

↓ Adapted from GOA Slide deck ↓

- The Forest Sector has all the key ingredients for successful bio investment.
- The Industry is interested in attracting greater investment in bioproducts and technology development and commercialization.
- Together we can create a unique business environment, which includes the collaborative forces of government, universities and industry partners working together to create and sustain a thriving bio industry.

“Opportunity dances with those on the dance floor.”

Questions?