

## Gobin, Linda S CSNR:EX

---

**From:** Giannotti, Anthony G FLNR:EX  
**Sent:** Wednesday, December 7, 2011 3:22 PM  
**To:** O'Donoghue, Eamon G FLNR:EX  
**Cc:** Saunders, Shellie L FLNR:EX; Hanchard, Jevan FLNR:EX; Baumbach, Rod FLNR:EX; Martin, Wayne FLNR:EX  
**Subject:** FW: REVIEW: Kitwanga issues note  
**Attachments:** IN\_Kitwanga\_Dec7.doc; KLC - News Release - FINAL -.docx; 20111207145346.pdf  
**Importance:** High

Jevan and I had a quick talk on this, here is where we landed.

Here is the clarification requested:

Fibre for the Kitwanga mill was being supplied via PacFor Timber Ltd., which manages three forest licences (FL A16832, A16833, A74498) in the Kispiox timber supply area. PacFor is a partnership between Forsite Consultants Ltd. and Pacific BioEnergy Corp. WHAT HAPPENS TO THE FOREST LICENCES? ANYTHING – OR DOES PACFOR CONTINUE TO HOLD THEM?

Answer:

Licence A16833 should be the only licence tied to Kitwanga Lumber Co Ltd. I would guess CIBC will become the owners based on the attached information I have provided. This is not my area of expertise, so someone else will have to make the call on this.

**Suggested re-work:** Fibre for the Kitwanga mill was being supplied via PacFor Timber Ltd., which manages three forest licences in the Kispiox timber supply area. Of the three licences, only the Pacific Bioenergy Timber (Kispiox) Corp. Forest Licence A16833 is linked to Kitwanga Lumber Co. Ltd.

(Forest Licence A16833 was used to secure a loan for Kitwanga Lumber Co. Ltd.)  
Licence A16833, AAC of 87,571m3 in the Kispiox TSA, Licensee: PACIFIC BIOENERGY TIMBER (KISPIOX) CORP

Anthony Giannotti, RPF  
*Tenures Specialist*  
250-565-4349

---

**From:** O'Donoghue, Eamon G FLNR:EX  
**Sent:** Wednesday, December 7, 2011 1:44 PM  
**To:** Giannotti, Anthony G FLNR:EX  
**Cc:** Hanchard, Jevan FLNR:EX  
**Subject:** FW: REVIEW: Kitwanga issues note  
**Importance:** High

Can you help Jevan with a response.

**Eamon O'Donoghue**  
Regional Executive Director  
Ministry of Forest, Lands and Natural Resource Operations  
Skeena Region

Ph: 250-847-7495  
Fax: 250-847-7347  
Email: [Eamon.ODonoghue@gov.bc.ca](mailto:Eamon.ODonoghue@gov.bc.ca)

---

**From:** Shirshac, Cory GCPE:EX  
**Sent:** Wednesday, December 7, 2011 12:54 PM  
**To:** Hanchard, Jevan FLNR:EX; O'Donoghue, Eamon G FLNR:EX  
**Subject:** REVIEW: Kitwanga issues note  
**Importance:** High

Hello. Can you please review the attached Issues Note regarding Kitwanga Lumber Company filing for bankruptcy protection. KLC's news release (going out later today) is also attached.

And there's one key unanswered question. Media and critics are bound to ask what happens to Kitwanga's forest licences. KLC had a fibre connection with PacFor Timber Ltd, which manages three forest licences in the Kispiox TSA. Do we know how many of those licences will be included in the receivership process? Or is it all three?

Basic info about PacFor is on their website:  
<http://www.pacfor.ca/>

Thanks for your review and any additional information you're able to provide.

Cory Shirshac  
Public Affairs Officer  
Forests, Lands and Natural Resource Operations  
Government Communications and Public Engagement  
phone: 250 953-4200  
e-mail: [Cory.Shirshac@gov.bc.ca](mailto:Cory.Shirshac@gov.bc.ca)

---

**From:** Thomas, Vivian P GCPE:EX  
**Sent:** Wednesday, December 7, 2011 11:21 AM  
**To:** Shirshac, Cory GCPE:EX  
**Cc:** Crebo, David GCPE:EX  
**Subject:** Fw: Fwd: Kitwanga Press Release

One of the questions for us will be what happens to Kitwanga's forest licences. I can't recall - do they have any, or are they all held by pacific bioenergy?

---

**From:** Konkin, Doug FLNR:EX  
**Sent:** Wednesday, December 07, 2011 11:16 AM  
**To:** Crebo, David GCPE:EX; Thomas, Vivian P GCPE:EX  
**Cc:** Kriese, Kevin FLNR:EX  
**Subject:** Fwd: Kitwanga Press Release

FYI

Doug Konkin

Begin forwarded message:

**From:** "Bennett, Brad FOR:IN" <[BBennett@pacificbioenergy.ca](mailto:BBennett@pacificbioenergy.ca)>  
**Date:** 7 December, 2011 10:43:20 AM PST  
**To:** "Strongitharm, Bruce FLNR:EX" <[Bruce.Strongitharm@gov.bc.ca](mailto:Bruce.Strongitharm@gov.bc.ca)>

**Cc:** "Konkin, Doug FLNR:EX" <[Doug.Konkin@gov.bc.ca](mailto:Doug.Konkin@gov.bc.ca)>

**Subject:** Kitwanga Press Release

Bruce as discussed this press release will go out later today. Call if you have any questions

Brad Bennett

604-833-3506

## ADVICE TO MINISTER

### CONFIDENTIAL ISSUES NOTE

Ministry of Forests, Lands and Natural  
Resource Operations

Date: Nov 1, 2011 Updated Dec 7, 2011

Minister Responsible: Hon. Steve Thomson

## Kitwanga Mill closure

### ADVICE AND RECOMMENDED RESPONSE:

- The Kitwanga mill closed earlier this fall due to the uncertain economic conditions elsewhere in Canada, where a majority of its product is sent.
- That is precisely why we continue to expand and build new markets for B.C. lumber.
- B.C.'s lumber exports to China in 2010 were more than 10 times what they were in 2003, when B.C. first established an office there to market B.C. wood products.
- In 2010, lumber exports to China reached 4.56 million cubic metres –or the equivalent of 10 large B.C. sawmills.

#### Log exports:

- Log exports played no role in the mill's closure, rather it was about uncertain economic conditions.
- YTD August 2011, log exports were only 9.4 per cent of B.C.'s total forest product exports (value) to China.
- B.C.'s marketing efforts in China are focused on softwood lumber. A lot of mills are running today because of increased demand from China.

### KEY FACTS REGARDING THE ISSUE:

On Dec 7<sup>th</sup> Kitwanga Lumber Company (KLC) filed for bankruptcy protection. The mill has been shut down since October. KLC attributed the closure and subsequent bankruptcy protection to decreased demand for lumber and lower prices, resulting from continued global economic uncertainty.

Lumber production resumed at Kitwanga in June 2011 after Pacific BioEnergy acquired the mill in fall 2009. An estimated 80 per cent of Kitwanga's production was for domestic markets across Canada, with the other 20 per cent destined for China, Japan and Korea.

The Kitwanga lumber mill's return to production had directly generated 45 mill jobs and another 45 indirect jobs in logging, hauling, silviculture and support services and supplies.

KLC is a subsidiary of Pacific BioEnergy Corporation which spent two years attempting to make KLC successful while also working on plans to develop a wood pellet plant in Kitwanga.

Fibre for the Kitwanga mill was being supplied via PacFor Timber Ltd., which manages three forest licences (FL A16832, A16833, A74498) in the Kispiox timber supply area. PacFor is a partnership between Forsite Consultants Ltd. and Pacific BioEnergy Corp. WHAT HAPPENS TO THE FOREST LICENCES? ANYTHING – OR DOES PACFOR CONTINUE TO HOLD THEM?

Communications Contact:	Dave Crebo	250-356-6998
Program Area Contact:		

File Location:
----------------

# KLC

Kitwanga Lumber Co. Ltd.

## NEWS RELEASE

December 07, 2011

Kitwanga Lumber Co. Ltd. (KLC) announced this afternoon that has filed for bankruptcy protection. The action comes after efforts this fall to seek new niche markets for the specialty wood products mill proved unsuccessful. The outlook for 2012 is not expected to improve.

KLC restarted in June as lumber markets and prices looked stable and were expected to stay consistent through the remainder of the year and beyond. Continuing global economic uncertainty throughout the summer led to a decreased demand for lumber and decreased prices. KLC soon became unprofitable and was temporarily shut down in October.

KLC is a subsidiary of Pacific BioEnergy Corporation (PBEC) which spent two years attempting to make KLC successful while also working on plans to develop a wood pellet plant in Kitwanga. PBEC still believes there is a bright future for the Northwest BC bioenergy industry.

***For further information contact:***

Kevin Brown  
Director of Communications  
(250) 962-5005  
kevin@kbcommunications.ca