

Media Backgrounder

MOU on Prince Albert Area Forest Developments

September 12, 2007

The Government of Saskatchewan and Domtar have signed a Memorandum of Understanding dated September 12, 2007 regarding the redevelopment of the Prince Albert pulp mill and associated assets.

The parties have agreed that subject to the conclusion of various engineering studies, consultation with Aboriginal people, finalization of the business plan demonstrating that the mill will be a world class competitor, as well as regulatory approvals:

- Domtar will make reasonable efforts to re-open the P.A. pulp mill as early as late summer/early fall to produce 100 per cent softwood pulp for North American and offshore markets and for Domtar's North American paper facilities.
- Domtar will undertake a green energy capital expansion at the Pulp Mill to produce additional green energy which will be sold to SaskPower for use in the provincial grid;
- Domtar will look for an independent third party to finance, build and operate a wood sorting and chipping plant. The facility will sort and debark softwood logs from the P.A. FMA, sending small logs to be chipped for pulp production and larger logs being allocated for lumber production and other uses;
- Domtar will work with its partners to double the size of the Wapawekka Sawmill to approximately 200 million board feet of annual production;
- Domtar will relinquish its rights to the Prince Albert Forest Management Agreement. The Province will undertake to have the FMA certified by the Forest Stewardship Council and will provide annual softwood allocations of 1.1 million m³ to the pulp mill and 800,000 m³ to Wapawekka;
- Area First Nations and aboriginal people generally will be given an opportunity to participate in the forest developments and to invest equity.

The Government of Saskatchewan will provide the following incentives and investments to facilitate these developments:

- **Up to \$32.5 million in grants** from the General Revenue Fund (GRF) to assist with the start-up the P.A. pulp mill and the plant's green energy expansion;
- **Up to \$67.2 million in equity financing** from Crown Investments Corporation (CIC) for an ownership position in the Wapawekka Sawmill, capital upgrades to the sawmill, and a 100 per cent interest in the Big River Sawmill;
- Total of **up to \$99.7 million**, if all conditions are met.

	P.A. Pulp Mill	Wapawekka Sawmill *	Total
Equity (from CIC)	\$15 million in equity financing for the purchase of a 10 per cent interest in the pulp mill to be made available for purchase by area First Nations	<p>\$26.5 million in 2007 to acquire a 36 per cent interest in the Wapawekka sawmill from Domtar and a 100 per cent interest in the Big River Sawmill for the Province</p> <p>Option to purchase Domtar's remaining 15 per cent interest in the Wapawekka Sawmill for \$7 million in 2009/10</p> <p>\$18.7 million for capital upgrades to the Wapawekka sawmill</p>	\$67.2 million
Grants (from GRF)	\$32.5 million to re-start the pulp mill and expand its electrical generation capacity		\$32.5 million
Total	\$47.5 million	\$52.2 million	\$99.7 million

***Domtar now owns 51 per cent of Wapawekka. The remaining 49 per cent is owned by three First Nations – Peter Ballantyne, Lac La Ronge and Montreal Lake.**

Employment Statistics

This plan will see the creation of between 400 and 425 jobs in the Pulp, Chip, and Sawmill with another 1000 estimated in the forest and associated businesses.