

13.4. OEE0

2.0 EMPLOYMENT AND ECONOMIC OBJECTIVES

The overall objective of Slocan Vavenby Division is to continue to provide stable employment and contribute to the economic and social structure of the local communities.

Specific objectives will be:

- Maintain and encourage local independent contractors and consultants from surrounding communities
- Continue with modernization and update of the manufacturing facilities to ensure competitiveness in the market
- Minimize reductions in the workforce due to automation or economic pressure by exploring alternate employment opportunities such as value added manufacturing or intensive management activities on the landbase
- Ensure the social impact of operations are considered when promoting economic benefits
- Continue to support local communities and ensure that the general public are involved in and informed of activities in Slocans' operating area.

Slocan has also taken steps to ensure local aboriginal groups or individual contractors are considered in employment opportunities. The following initiatives have taken place to date:

- Established a partnership agreement with the North Thompson Indian Band (NTIB) for work provided through an FRBC multi year funding agreement
- Employed aboriginal contractors in a variety of FRBC projects initiated by Slocan
- Supply dry wood to the NTIB for their sawmill operations in Chu Chua

OBJECTIVES FOR EMPLOYMENT AND ECONOMIC OPPORTUNITY

INTRODUCTION

Slocan Forest Products Ltd. purchased Clearwater Timber Products Ltd. in 1987 and became the holder of the Tree Farm Licence #18 tenure.

Slocan Forest Products Ltd. is a publicly, Canadian owned company, manufacturing and marketing lumber, plywood, pulp and wood chips to markets including North America, Asia and Europe. Slocan harvests approximately 4.3 million cubic metres of timber annually. Processing facilities include:

- ten sawmills
- one pulp mill
- one oriented strand board plant

In addition, Slocan has the following joint ventures:

- 50% interest in a plywood facility owned by Cantree near Vancouver
- 80% interest in a pulp mill at Taylor B.C.
- 50% interest in two sawmills, pulp mill and newsprint mill at Mackenzie

1.0 ECONOMIC IMPACT OF VAVENBY OPERATIONS

The timber supply produced by TFL #18 is primarily processed at Slocans' mill in Vavenby B.C., located approximately 150 km north of Kamloops.

Timber harvested from the TFL accounts for approximately 26% of Vavenby divisions mill demands which total approximately 660,000 m3. A breakdown by tenure and purchased timber is indicated below:

| TENURE | VOLUME (M3) |
|-------------------------------|------------------------|
| T.F.L. #18 | 176,500* |
| F.L. A18688 | 269,638* |
| Purchased Timber (avg annual) | 214,000 |
| TOTAL | 660,138 |

* Annual allowable cut

Purchased timber generally comes entirely from B.C. The majority is purchased within the Kamloops Forest Region with smaller volumes coming from the Cariboo and Prince George.

The majority of employees live in Vavenby, Clearwater and surrounding areas. Vavenby divisions operations, including the sawmill, planer mill and woodlands, employ 193 people full time with minor variations due to seasonal or market demands as Vavenby operates from two to three shifts in both the sawmill and planer mill.

In addition, Slocan employs approximately 300 full and part time contractors and consultants.

Slocan's operations in Vavenby contribute significantly to the economy of the North Thompson:

- Payroll to Employees: \$13,875,000
- Payroll to Contractors: \$26,050,000
- Stumpage and Royalty: \$12,850,000
- Timber Purchases: \$19,150,000

In addition Slocan supports numerous local non profit organizations and societies through donations as well as bursaries and scholarships for local schools.

The original Vavenby mill complex was constructed in 1954 and has undergone extensive renovations and upgrades since. The sawmill complex consists of the sawmill with canter, V-6 and head rig lines, planer mill and three dry kilns. The planer mill underwent a \$7,000,000 upgrade in 1997 making it one of the more efficient planer mills in Canada.

The mill produces approximately 172,000 Mfbm high quality dimension lumber annually in sizes 2x4 to 2x12 and specializes in longer lengths of 18 to 24 feet. Value added products include J-grades for the Japanese market. An average of 83,000 BDUs of chips are also produced annually. A breakdown of lumber products (average annual) follows:

| LUMBER PRODUCT | PERCENT OF TOTAL |
|-----------------------|-------------------------|
| 1" | 3.2 |
| 2 X 4 | 27.5 |
| 2 X 6 | 33.7 |
| 2 X 8 | 9.2 |
| 2 X 10 | 12.0 |
| 2 X 12 | 4.4 |
| "J" GRADE | 10.0 |
| TOTAL: | 100.0 |

Finished lumber products are marketed in the following locations:

| | |
|--------|-----|
| Canada | 20% |
| U.S.A. | 75% |
| Asia | 5% |