February 1, 2019

Dear Applicant:

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act FLR-131-2018

On December 18, 2018, the Department of Fisheries and Land Resources (FLR) received your request for access to the following records:

“Any and all records concerning Active Energy Group since January 1st, 2017. This includes, but is not limited to, coorespodance, agreements, contracts, meeting requests, etc.”

Clarified on January 7, 2019 to:

“Any and all records concerning Active Energy Group and Roddickton since January 1st, 2017. This includes, but is not limited to, coorespodance, agreements, contracts, meeting requests, etc.”

Please be advised that a decision has been made by the Deputy Minister for FLR provide access to the requested information. Redactions have been made using section 40 – Personal Privacy and Section 29 – Policy advice or recommendations, Section 34 – Disclosure harmful to intergovernmental relations, Section 35 – Disclosure harmful to the economic interests of a public body, Section 27 – Cabinet Confidences of the Access to Information Protection of Privacy Act (ATIPPA). You will find a copy of responsive material attached. Please see below a list of pages fully redacted and exceptions used.

<table>
<thead>
<tr>
<th>Pages</th>
<th>Sections applied</th>
<th>Reason for redaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>29-30</td>
<td>Section 29, 34,30,35</td>
<td>Policy advice or recommendations, intergovernmental relations , Legal advice, Financial or economic interests of a public body</td>
</tr>
<tr>
<td>31</td>
<td>Section 29, 34,30,35</td>
<td>Policy advice or recommendations, intergovernmental relations , Legal advice, Financial or economic interests of a public body</td>
</tr>
<tr>
<td>32-33</td>
<td>Section 34, 29</td>
<td>Financial or economic interests of a public body, Policy advice or recommendations,</td>
</tr>
<tr>
<td>34-36</td>
<td>Section 27</td>
<td>Cabinet Confidences</td>
</tr>
<tr>
<td>75-117</td>
<td>Section 35</td>
<td>Financial or economic interests of a public body</td>
</tr>
<tr>
<td>118-133</td>
<td>Section 35, 39</td>
<td>Financial or economic interests of a public body, Third Party Harm</td>
</tr>
<tr>
<td>134-142</td>
<td>Section 35</td>
<td>Financial or economic interests of a public body</td>
</tr>
<tr>
<td>144-153</td>
<td>Section 35, 39</td>
<td>Financial or economic interests of a public body, Third Party Harm</td>
</tr>
<tr>
<td>154-55</td>
<td>Section 39</td>
<td>Third Party Harm</td>
</tr>
<tr>
<td>162-196</td>
<td>Section 35</td>
<td>Financial or economic interests of a public body</td>
</tr>
<tr>
<td>197-218</td>
<td>Section 35, 39</td>
<td>Financial or economic interests of a public body, Third Party Harm</td>
</tr>
<tr>
<td>219-228</td>
<td>Section 35</td>
<td>Financial or economic interests of a public body</td>
</tr>
<tr>
<td>238</td>
<td>Section 29, 39</td>
<td>Policy advice or recommendations, Third Party Harm</td>
</tr>
</tbody>
</table>

Please be advised that you may appeal this decision and ask the Information and Privacy Commissioner to review the decision to provide partial access to the requested information, as set out in section 42 of the Act (a copy of this section of the Act has been enclosed for your reference). A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner. Your appeal should identify your concerns with the request and why you are submitting the appeal.

The appeal may be addressed to the Information and Privacy Commissioner as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P.O. Box 13004, Stn. A
St. John’s, NL. A1B 3V8

Telephone: (709) 729-6309
Toll-Free: 1-877-729-6309
Facsimile: (709) 729-6500

You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to section 52 of the Act (a copy of this section of the Act has been enclosed for your reference).

Please be advised that this letter will be published following a 72 hour period after the response is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the responsive records posted to the Office of Public Engagement’s website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

If you have any further questions, please contact me by telephone at 709.729.3730 or by email at hollywarford@gov.nl.ca.

Sincerely,

Holly Warford
ATIPP Coordinator

Right of access

8. (1) A person who makes a request under section 11 has a right of access to a record in the custody or under the control of a public body, including a record containing personal information about the applicant.

(2) The right of access to a record does not extend to information excepted from disclosure under this Act, but if it is reasonable to sever that information from the record, an applicant has a right of access to the remainder of the record.

(3) The right of access to a record may be subject to the payment, under section 25, of the costs of reproduction, shipping and locating a record.

Access or correction complaint

42. (1) A person who makes a request under this Act for access to a record or for correction of personal information may file a complaint with the commissioner respecting a decision, act or failure to act of the head of the public body that relates to the request.

(2) A complaint under subsection (1) shall be filed in writing not later than 15 business days

(a) after the applicant is notified of the decision of the head of the public body, or the date of the act or failure to act; or

(b) after the date the head of the public body is considered to have refused the request under subsection 16(2).

(3) A third party informed under section 19 of a decision of the head of a public body to grant access to a record or part of a record in response to a request may file a complaint with the commissioner respecting that decision.

(4) A complaint under subsection (3) shall be filed in writing not later than 15 business days after the third party is informed of the decision of the head of the public body.

(5) The commissioner may allow a longer time period for the filing of a complaint under this section.

(6) A person or third party who has appealed directly to the Trial Division under subsection 52(1) or 53(1) shall not file a complaint with the commissioner.

(7) The commissioner shall refuse to investigate a complaint where an appeal has been commenced in the Trial Division.

(8) A complaint shall not be filed under this section with respect to

(a) a request that is disregarded under section 21;

(b) a decision respecting an extension of time under section 23;
(c) a variation of a procedure under section 24; or

(d) an estimate of costs or a decision not to waive a cost under section 26.

(9) The commissioner shall provide a copy of the complaint to the head of the public body concerned.

**Direct appeal to Trial Division by an applicant**

**52.** (1) Where an applicant has made a request to a public body for access to a record or correction of personal information and has not filed a complaint with the commissioner under section 42, the applicant may appeal the decision, act or failure to act of the head of the public body that relates to the request directly to the Trial Division.

(2) An appeal shall be commenced under subsection (1) not later than 15 business days

(a) after the applicant is notified of the decision of the head of the public body, or the date of the act or failure to act; or

(b) after the date the head of the public body is considered to have refused the request under subsection 16 (2).

(3) Where an applicant has filed a complaint with the commissioner under section 42 and the commissioner has refused to investigate the complaint, the applicant may commence an appeal in the Trial Division of the decision, act or failure to act of the head of the public body that relates to the request for access to a record or for correction of personal information.

(4) An appeal shall be commenced under subsection (3) not later than 15 business days after the applicant is notified of the commissioner’s refusal under subsection 45 (2).
Hi Debbie,

Would you add to TRIM and request response please

Thank you
Pam
Pam Hunt
Secretary to Minister
Department of Fisheries and Land Resources Petten Building, 30 Strawberry Marsh Road
Telephone: (709) 729-3705
Fax: (709) 729-0360
e-mail: pamhunt@gov.nl.ca
To:
Premier Dwight Ball
Minister Gerry Byrne
Minister Christopher Mitchelmore
Minister Tom Osborne
Minister Graham Letto

CC:
Gudie Hutchings, MP Long Range Mountains
Gerry Gros, Chairperson, Joint Council of the Northern Peninsula
Sheila Fitzgerald, Mayor of Roddickton Bide-Arm
Gracien Plowman, Mayor of Hawke's Bay

I have lived in [redacted] all of my life, working in the forests for over [redacted] years. I know these forests and the critical role they play in our ecosystem and way of life, providing heat for our homes, food on our tables, and unbeatble recreation opportunities and natural beauty that attracts tourists from around the world.

My connection to and passion for the forest compels me to speak out against the recent forestry deal that gives AEG control over the 1.2M hectares of timber rights in District 17 and 18. AEG, is a foreign-owned company, whose majority shareholders are venture capitalists, hedge fund managers and private equity firms, who care little for and know nothing of our forests. Their history demonstrates a primary function of controlling and shifting around large amounts of leveraged capital for profit; not forestry management.

It appears that our provincial government has failed to do their due diligence on this project. Either that, or the province’s Environmental Assessment Regulation and the history of AEG and Richard Spinks’ have been willfully disregarded. The public record demonstrates that AEG is not capable to deliver on this project, which will decimate our forests, negatively impacting our wildlife, waterways, tourism and our way of life for future generations.

We must demand that our provincial government explain why they have failed to follow their own Environmental Assessment (EA) Regulations, Regulation 54/03. It appears that our province is allowing AEG to “piggyback” their project on the back of the Environmental Registration (ER) #1905 for the 5 Year Forestry Management Plan for Zone 8. This Plan authorizes clear cutting and only provides minimal protections for our waterways and natural beauty. Specifically, it requires a 30M buffer zone between cutting and waterways and that they “minimize negative visual effects” of clear cuts along Highway 430 and 432.

---

1 https://www.assembly.nl.ca/Legislation/sr/Regulations/rc030054.htm
This begs the question as to why the 5 Year Plan does not protect the beauty of the forest for our fellow communities in Roddickton Bide-Arm, Englee and Conche, along Highway 433.

AEG has not submitted an ER for any of their operations including details of harvesting processes, transportation, and operation of a sawmill and a new bioprocessing plant. As of 9AM on December 4th, 2018, there have been no environmental registrations submitted by AEG, Timberlands or Advanced Biomass Solutions for these projects, despite the fact that the legislation requires AEG to register their own project, separate from the 5 Year Forestry Management Plan. There has also been no public news about granting AEG an exemption to this Regulation.

The province must compel AEG to submit to an ER as per Part III of the Regulations. Part III of the Regulation clearly indicate that a company must register for environmental registration if the project:

- is within 200M of a scheduled salmon river (section 28)
- involves developing land in excess of 10 hectares for lease (section 36)
- produces more than 1200 cubic metres of wood products per year (section 39)
- manufactures chemicals from raw materials (section 41)
- operates of a waste management site that services more than 5000 people (section 47)

AEG’s business in Zone 8 will perform most, if not all, of these activities. Yet, Minister Byrne has approved this project without an environmental registration, denying the residents of the Great Northern Peninsula (GNP) their opportunity to express their support or rejection while also denying our scientists at Municipal Affairs and Environment from performing their own due diligence.

We must demand that AEGs business goes through this process before giving away the rights to our entire forest for at least 5 years. During the last 5 year plan (2013-2017), there was 450,000m³ of wood harvested from our forests in District 17 and 18, for an average of 90,000m³ per year, with about half of the wood harvested for fuel to heat our homes.

AEG has been authorized to harvest 100,000m³ per year under this deal, which will more than double the amount of wood being harvested every year from our forests. If you think it is hard to find wood to heat your home now, imagine what it will be like when you no longer have the right to get your wood where you have always gotten it. Imagine what it will be like for our current sawmills who only have right of first refusal on 25% of the annual harvest.

A foreign-owned, profit-driven company will be dictating who gets to harvest wood from the prime spots. We all know that AEG will choose the wood that is easiest to access and provides the highest yields because it costs less, leaving the rapidly aging population of the GNP to go deeper and deeper into medium or poor-grade forest to get wood to heat their homes. Cutting wood has been a pillar of the GNP culture for generations.

This company has not publicly demonstrated knowledge of our forest or even an interest in finding out; they don’t know where our cabins, camps, hunting grounds, salmon rivers and fishing grounds are located or the paths we take to get there. They know nothing of the secret, pristine world and hidden
pathways in our forests and we have no guarantee that they will not behave like a bull in a china shop once they start harvesting.

If my concerns about the lack of environmental registration and public consultation are not enough to persuade you to act now to protect our forests, maybe this information about AEG and its CEO, Richard Spinks will spur you into action.

This statement alone, printed for the entire world to see, on their Interim financial statements released on September 28, 2018, should have brought this project to a grinding halt. In regards to AEG’s prospects of remaining a going concern business, their auditors state:

"However, as of the date of signing these financial statements, none of the potential sources of funds have been finalised and therefore there can be no guarantee that further funds will be received. These circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern.”

In addition, any mention of AEG’s past operations in Ukraine and prior year financial statements all seem to have been scrubbed from their website in the past 6 months, with plenty of Google search results coming up with “Page Not Found” for links to where these documents used to be available.

I cannot adequately express how worried we should be about the risks associated with doing business with Richard Spinks and AEG. History shows us that it is highly unlikely that the investors in AEG have the best interests of the people of the GNP in mind. In fact, Richard Spinks has a documented history of going into economically depressed, corrupt and/or lawless regions, where they can acquire assets, such as land or timber rights, at a deep discount. And despite getting land and timber rights for pennies on the dollar, it appears that most of his companies have never made money, but somehow the majority shareholders usually come out on top, which is very concerning. The volume of share trades on dates surrounding key announcements relating to the Newfoundland deal and tweets with #AEG from angry investors about insider trades and pumping up share prices should also be looked at.

His record demonstrates that this approach has not worked well in past ventures with Spinks openly admitting that, “I’ve never been an expert in what I have done”3. One of his first ventures, Vavo.com, crashed during the dot com bust, despite raising more than $13M USD4 from investors. The second significant venture, LandKom PLC, operating the Ukraine with 250,000 hectares of land under its control, ended with nearly $80M USD in losses in 2008 and 2009 alone5. According to Transparency International, Ukraine is considered one of the most corrupt countries in the world.6

---

4 https://www.investorschronicle.co.uk/2014/07/21/comment/chronic-investor-blog/smallworld-ukraine-approaching-a-chipping-point-LIPS5nLe1YxLoVzFA5aM7N/article.html
Ultimately Spinks resigned from LandKom in May 2009 and stepped down from the board on the same day in August 2009 that the company revealed problems with previous land purchases. LandKom was subsequently sold to a Swedish company, Alpcot Agro/AgroKultura in a share conversion deal.

Spinks then moved on to a new start-up, Alternativa, promising to open 4 or 5 biofuel plants over 5 years in the Ukraine. What happens to Alternativa from there is unclear but involves a supply agreement with a company called GreenShift and ultimately, no biofuel plants being constructed.

Shortly after Alternativa disappeared from the public record, we see the emergence of AEG in the Ukraine. This ended up in another failed venture, with AEG's Ukraine operations being completely written off, after only about 2 years in operation, with losses totalling around $9M USD. AEG's difficulties continued in Canada with a prospective deal for 200,000 hectares of forestry rights in Northern Alberta in partnership with 3 Metis settlements and Grand Chief Ronald Derrickson, under the company name Kaquo Forestry and Natural Resources Development Corporation. This deal was surrounded by "plenty of drama" with the Alberta government stepping in with a Ministerial Order demanding more due diligence. The project was eventually scrapped entirely by the incoming NDP government.

And when we look at AEG's financial statements we see that the company is in a very deep hole. The company has losses of more than $37M USD since it began operation. In 2018, AEG earned $0 in revenue because its Ukraine operations had shut down. The company has more than $17M in liabilities but has earned no revenue. If you were a shareholder in that company, would you your number one priority be the people of Newfoundland, or getting your money back? Would you be concerned that auditors lack confidence that AEG is a going concern business?

This checkered past, riddled with repeated failures, should have made AEG ineligible for such a large project. The Newfoundland deal gives AEG control of 1.2M hectares of timber rights, almost 500% larger than any other project they have managed in the past. The lack of experience, series of failures, lack of local expertise, and lack of public consultation are all serious red flags.

So why would our provincial government give a company that is $17M in debt, has lost $37M dollars, has no sources of revenue, and has never managed more than 250,000 hectares, the timber rights in Zone 8, spanning 1.2M hectares and a book value of $300M? That's correct, AEG, who before this deal, had assets of only $17.2M, has put these timber rights on their books as a $300,000,000 biological asset. Our province has in effect, given away our forest to this company, increasing their asset value on the books by more than 1500% with nothing in-hand to show for it.

https://www.investorschronicle.co.uk/2014/07/21/comment/chronic-investor-blog/small-world-ukraine-approaching-a-chipping-point-JUP5anL61YxqFvFA5m7Ni/article.html

http://www.terranuova.org/file_download/856/Impact+of+EU+Agrofuel+Policies+in+Central+and+Eastern+Europe_April+2012_FINAL.pdf

http://greenshift-gers.blogspot.com/2010_02_01_archive.html


https://markets.ft.com/data/announce/full?dockey=1323-13808017-69EL6SBG5T14ERPCE4S84UKPKQ

Potential copyright material

If you wish to obtain a copy please contact the ATIPP Office at (709) 729-7072 or atippoffice@gov.nl.ca.
the fact that it is the only 100% foreign-owned company in Ukrainian agriculture and also had 100% foreign management." The same can be said for operating on the GNP.

We must act now to stop this tragedy from unfolding in front of our very eyes. We must protect our forest for our children, grandchildren and our way of life. While I am an old man now, do not underestimate the fight left in me to protect the forest for my children, grandchildren and their children.

We shall resist. We will call and write our MHA’s, Minister Byrne and Premier Ball. We will sing this story to the media and the people. We will tell the story about AEG and Richard Spinks.

You must dig deeper into what went wrong with the AEG in the Ukraine and Northern Alberta. You must enforce the environmental registration, preview report and impact statement on AEG.

Once our forest is gone and our ecosystem is destroyed by clear-cutting, it will be too late. What will our children and grandchildren think if we let this project go ahead despite knowing all of this information? It is our duty to protect our forests. It is our duty to stop this project.

I encourage our government leaders and fellow Newfoundlanders to reach out to me by phone at

40(1) We will bring this project to a halt, before it’s too late. This is our forest and we will fight for it.

Sincerely,

[Name]

40(1)

Potential copyright material

If you wish to obtain a copy please contact the ATIPP Office at (709) 729-7072 or atippoffice@gov.nl.ca.
Minister will need the info that was requested from Steve as well – regarding the investment made on the NP previously – how much and over what period of time and what is still outstanding.

Hi Minister,

Minor change in numbers has been revised below. Hard copy has been printed for you - Steve has it.

Contact info is 40(1)

Thanks,

Linda

KEY MESSAGES

Fisheries and Land Resources
Active Energy Group
August 21, 2018

Summary:

- The Provincial Government is reviewing a proposal from Active Energy Group Plc to purchase and operate a random-length sawmill and convert the pellet plant on the Northern Peninsula (currently owned by Holson Forest Products Limited).
- AEG requires access to 140,000 cubic metres per year under their current business model. The combined total softwood Annual Allowable Cut (AAC) under the proposed boundary is approximately 100,000 cubic metres per year.
- On May 1, FLR officials met with the Northern Peninsula Loggers Association and Great Northern Peninsula Joint Council, including representatives from Roddickton-Bide Arm and St. Anthony, to get a clear understanding from local forest operators and town councils of their intentions to participate in Active Energy’s proposed project.
- On August 20 the Northern Pen ran an article “Main Brook sawmill stops taking logs, lays off workers.” Article states: “the only ray of hope is the tentative agreement between Active
Energy Group (AEG) and the province on a 20-year forestry lease covering most of the Northern Peninsula that would allow the company to upgrade and re-open an existing pellet plant in the area."

- Richard Spinks, Active Energy CEO, told the Northern Pen the plant will create 45 direct jobs and a significant economic trickle-down effect. Mr. Spinks was complimentary to the government saying the province has not only had to deal with the specific proposal and done so diligently and rapidly, but also in updating the entire regulatory regime to make it happen.

**Anticipated Questions:**

- What is the status of the Active Energy proposal?
- Can you confirm whether there will be a decision this month?
- What does this proposal mean for the province and Northern Peninsula region?
- What is the regulatory process?
- How will this proposal impact current forest operators?

**Key Messages:**

1. FLR continues to work with representatives with Active Energy on a Forest Management Agreement that will support and sustain their proposal, and is engaging with forest operators and area councils to discuss the proposal.

2. This is the first long-term forest tenure consideration since the time of the paper companies and decisions cannot be made without the full consideration of all government departments, communities and stakeholders comment and concerns. We cannot provide a specific timeframe on this decision, only that the process will be given the full time required to ensure an informed decision can be made.

3. Government is committed to the sustainable utilization of the forest resources on the Northern Peninsula, which will contribute to the local and provincial economy. The forestry industry on the Great Northern Peninsula was once a large and vibrant industry. The decline in the forest industry overall and more specifically in the news print industry has led to a downturn in forestry opportunities in this area. To find a solution to restart this industry is significant for this area.

4. Without the investment by Active Energy Group, prospects for forest sector development in Forest Management Districts 17 and 18 are limited. This proposal represents what could potentially be the only opportunity to realize a return on investment for the region from the original investment.

**Secondary Messages:**

- The Minister, with the approval of the Lieutenant-Governor in Council, may issue a Crown Timber Licence to a person who owns or operates a timber processing facility in the province or who undertakes by agreement with the minister to construct and operate a processing facility in the province and has entered into a 20-year forest management agreement that has been approved by the Lieutenant-Governor in Council. A party to a forest management agreement shall manage the area of Crown lands in accordance with the principles of
sustained yield forest management and shall submit a sustainable forest management plan prepared in accordance with the regulations.

- FLR recognizes the traditional forest operators currently dependent on the forests of the GNP and will ensure that their timber allocations are maintained.
Hi Minister,

KMs updated with Steve’s info for Active Energy proposal. [Contact info redacted] contact info is [Contact info redacted]

Thanks,

Linda

---

**KEY MESSAGES**

**Fisheries and Land Resources**

**Active Energy Group**

August 21, 2018

**Summary:**

- The Provincial Government is reviewing a proposal from Active Energy Group Plc to purchase and operate a random-length sawmill and convert the pellet plant on the Northern Peninsula (currently owned by Holson Forest Products Limited).
- AEG requires access to 140,000 cubic metres per year under their current business model. The combined total softwood Annual Allowable Cut (AAC) under the proposed boundary is approximately 170,000 cubic metres per year.
- On May 1, FLR officials met with the Northern Peninsula Loggers Association and Great Northern Peninsula Joint Council, including representatives from Roddickton-Bide Arm and St. Anthony, to get a clear understanding from local forest operators and town councils of their intentions to participate in Active Energy’s proposed project.
- On August 20 the Northern Pen ran an article “Main Brook sawmill stops taking logs, lays off workers.” Article states: “the only ray of hope is the tentative agreement between Active Energy Group (AEG) and the province on a 20-year forestry lease covering most of the Northern Peninsula that would allow the company to upgrade and re-open an existing pellet plant in the area.”
- Richard Spinks, Active Energy CEO, told the Northern Pen the plant will create 45 direct jobs and a significant economic trickle-down effect. Mr. Spinks was complimentary to the government saying the province has not only had to deal with the specific proposal and done so diligently and rapidly, but also in updating the entire regulatory regime to make it happen.

**Anticipated Questions:**
• What is the status of the Active Energy proposal?
• Can you confirm whether there will be a decision this month?
• What does this proposal mean for the province and Northern Peninsula region?
• What is the regulatory process?
• How will this proposal impact current forest operators?

Key Messages:

1. FLR continues to work with representatives with Active Energy on a Forest Management Agreement that will support and sustain their proposal, and is engaging with forest operators and area councils to discuss the proposal.

2. This is the first long-term forest tenure consideration since the time of the paper companies and decisions cannot be made without the full consideration of all government departments, communities and stakeholders comment and concerns. We cannot provide a specific timeframe on this decision, only that the process will be given the full time required to ensure an informed decision can be made.

3. Government is committed to the sustainable utilization of the forest resources on the Northern Peninsula, which will contribute to the local and provincial economy. The forestry industry on the Great Northern Peninsula was once a large and vibrant industry. The decline in the forest industry overall and more specifically in the news print industry has led to a downturn in forestry opportunities in this area. To find a solution to restart this industry is significant for this area.

4. Without the investment by Active Energy Group, prospects for forest sector development in Forest Management Districts 17 and 18 are limited. This proposal represents what could potentially be the only opportunity to realize a return on investment for the region from the original investment.

Secondary Messages:

• The Minister, with the approval of the Lieutenant-Governor in Council, may issue a Crown Timber Licence to a person who owns or operates a timber processing facility in the province or who undertakes by agreement with the minister to construct and operate a processing facility in the province and has entered into a 20-year forest management agreement that has been approved by the Lieutenant-Governor in Council. A party to a forest management agreement shall manage the area of Crown lands in accordance with the principles of sustained yield forest management and shall submit a sustainable forest management plan prepared in accordance with the regulations.

• FLR recognizes the forest operators currently dependent on the forests of the GNP and will ensure that their timber allocations are maintained according to departmental policy or through positive business to business arrangements with Active Energy.
FOR TRIM

From: Young, Eric M.
Sent: Wednesday, August 1, 2018 9:32 AM
To: Balsom, Stephen <StephenBalsom@gov.nl.ca>
Cc: Hunt, Pam <PamHunt@gov.nl.ca>
Subject: RE: Active Energy Group proposal for northern peninsula

Thanks Steve;

As I figured this is stored in TRIM in a Container I cannot access.

I will draft a response back to the gentlemen along the lines we discussed.

Pam.. can you resend the letter? Thanks ey

From: Balsom, Stephen
Sent: Wednesday, August 1, 2018 9:29 AM
To: Young, Eric M. <emyoung@gov.nl.ca>
Cc: Hunt, Pam <PamHunt@gov.nl.ca>
Subject: RE: Active Energy Group proposal for northern peninsula

The reply (COR/2018/0090) was sent on June 21, 2018. As discussed we are able to provide information on the forest management planning process, the current approved five year operating plan but anything related to land claims will need to be referred to Indigenous Affairs.

Steve

Stephen Balsom, RPF
Assistant Deputy Minister
Department of Fisheries and Land Resources.
Forestry and Wildlife Branch
P.O. Box 2006, Fortis Building
Corner Brook, NL Canada, A2H 6J8
t 709.637.2199
c 709.640.1330
t 709.637.2461
e stephenbalsom@gov.nl.ca
Hello Pam;

Yesterday I spoke with Chief Mildred Lavers (& representatives from their consulting company Shared Value Solutions) regarding her correspondence to the Minister regarding the Northern Peninsula project. She told me that she did not receive any reply to date from the Minister’s office. I can’t seem to find the response letter on TRIM... However I do recall seeing the letter on an email (that unfortunately I deleted some time ago).

I think again that the email we are using may be incorrect... I noticed when I tried to email her to set up the call it bounced back... the correct email is [redacted]@hotmail.com

They are requesting the letter and some response in regards to bullet #2 below. [redacted] I explained the 5 year forest management planning process (which was completed for the Northern Peninsula a few years ago) and the opportunity to become involved at that time.

Regards}

From: Mike VanEgmond [mailto:mike.vanegmond@sharedvaluesolutions.com]
Sent: Tuesday, July 31, 2018 4:57 PM
To: Young, Eric M. <emyoung@gov.nl.ca>
Cc: Bruce Clarke <bclarke@burchells.ca>; Nichole Frasermacdonald <nichole.frasermacdonald@sharedvaluesolutions.com>; Don Richardson <don.richardson@sharedvaluesolutions.com>; gmitchell@xplornet.com; Mildred Lavers <[redacted]@hotmail.com>
Subject: RE: Active Energy Group proposal for northern peninsula

Eric,

Thanks for your time today, particularly in light of your efforts multitasking to ensure personnel were in place for Ontario forest firefighting.

As discussed:
  • Please forward along any response to our letter of December 2017 you have access to as the Northern Peninsula Mi’kmaq Band has not received any to date.
  • While we appreciate the details you provided on the contents of Active Energy’s proposal, our most substantive concerns raised in the letter of December of 2017 you reference below have not been addressed. Namely: given the major implications the proposal may have to Mekap’sk’s Aboriginal rights, an appropriate consultation and engagement process must be established and carried out prior to the Crown reaching a decision with respect to Active Energy’s proposal. To this end, please provide the appropriate parties and contact information for us to address further correspondence to to resolve these concerns.

Mike VanEgmond, B.A.
Regulatory & Research Consultant
Shared Value Solutions Ltd.

62 Baker Street
Guelph ON N1H 4G1
Canada

Shared Value Solutions Ltd. is a certified B Corporation and part of a growing movement of businesses using the power of business to solve social and environmental problems.

From: "Young, Eric M." <emyoung@gov.nl.ca>
Date: July 24, 2018 at 10:20:28 AM NDT
To: "********@hotmail.com" <********@hotmail.com>
Subject: FW: Active Energy Group proposal for northern peninsula

Sec 40(1)

Hello Chief Mildred Lavers;

I am writing to touch base with you regarding your recent correspondence with Minister Byrne regarding the proposal from Active Energy Group to restart the sawmill and pellet plant operations in Roddickton.

I am available to discuss the project with you and answer any questions you may have. Can you have a look at your schedule and suggest when an appropriate time for a call would be? I am available Wednesday or Friday of this week or anytime next week. My contact info is below.

Thanks

<image001.jpg>Eric Young, P.Eng., RPF
Director Forest Engineering & Industry Services
Forestry & Wildlife

www.gov.nl.ca/faa
@FAA_GovNL

Sec 40(1)


This e-mail and any files transmitted are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this e-mail in error, please notify the sender.

“This email and any attached files are intended for the sole use of the primary and copied addressee(s) and may contain privileged and/or confidential information. Any distribution, use or copying by any means of this information is strictly prohibited. If you received this email in error, please delete it immediately and notify the sender.”
From: Young, Eric M.  
Sent: Wednesday, August 1, 2018 9:39 AM  
To: 'Mike VanEgmond' <mike.vanegmond@sharedvaluesolutions.com>  
Cc: Bruce Clarke <bclarke@burchells.ca>; Nichole Frasermacdonald <nichole.frasermacdonald@sharedvaluesolutions.com>; Don Richardson <don.richardson@sharedvaluesolutions.com>; gmitchell@xplornet.com; Mildred Lavers <*****@hotmail.com>; Balsom, Stephen <StephenBalsom@gov.nl.ca>; Hunt, Pam <PamHunt@gov.nl.ca>  
Subject: RE: Active Energy Group proposal for northern peninsula

Hello Mike;

It was good meeting you yesterday; in regards to your points below:

- I have asked the Minister’s office to resend the response letter (I think the problem may have been the use of a misspelled email which we have corrected).

- As for the second point, I have forwarded and discussed your concerns with my executive. They have reached out to the Office of Indigenous Affairs for advice.

Regards

[Image: Newfoundland Labrador]

Eric Young, P.Eng., RPF  
Director Forest Engineering & Industry Services  
Forestry & Wildlife  

www.gov.nl.ca/faa  
@FAA_GovNL  

Dept of Fisheries and Land Resources  
P.O. Box 2006  
Corner Brook, NL Canada A2H 6J8  
t 709.637.2350  
c 709.632.9810  
f 709.637.2403  


This e-mail and any files transmitted are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this e-mail in error, please notify the sender.
To: Young, Eric M. <emyoung@gov.nl.ca>
Cc: Bruce Clarke <bclarke@burchells.ca>; Nichole Frasermacdonald <nichole.frasermacdonald@sharedvaluesolutions.com>; Don Richardson <don.richardson@sharedvaluesolutions.com>; gmitchell@xplornet.com; Mildred Lavers <noreply@hotmail.com>
Subject: RE: Active Energy Group proposal for northern peninsula

Eric,

Thanks for your time today, particularly in light of your efforts multitasking to ensure personnel were in place for Ontario forest firefighting.

As discussed:
- Please forward along any response to our letter of December 2017 you have access to as the Northern Peninsula Mi'kmaq Band has not received any to date.
- While we appreciate the details you provided on the contents of Active Energy's proposal, our most substantive concerns raised in the letter of December of 2017 you reference below have not been addressed. Namely: given the major implications the proposal may have to Mekap'sk's Aboriginal rights, an appropriate consultation and engagement process must be established and carried out prior to the Crown reaching a decision with respect to Active Energy's proposal. To this end, please provide the appropriate parties and contact information for us to address further correspondence to to resolve these concerns.

Mike VanEgmond, B.A.
Regulatory & Research Consultant
Shared Value Solutions Ltd.

Office: 2267068888 ext. 101
Mobile: [redacted]
E-mail: mike.vaneegmond@sharedvaluesolutions.com
Web: www.sharedvaluesolutions.com

Shared Value Solutions Ltd.
62 Baker Street
Guelph ON N1H 4G1
Canada

Shared Value Solutions Ltd. is a certified B Corporation and part of a growing movement of companies using the power of business to solve social and environmental problems.

From: "Young, Eric M." <emyoung@gov.nl.ca>
Date: July 24, 2018 at 10:20:28 AM NDT
To: "norpenband@hotmail.com" <norpenband@hotmail.com>
Subject: FW: Active Energy Group proposal for northern peninsula

Hello Chief Mildred Lavers,

I am writing to touch base with you regarding your recent correspondence with Minister Byrne regarding the proposal from Active Energy Group to restart the sawmill and pellet plant operations in Roddickton.

I am available to discuss the project with you and answer any questions you may have. Can you have a look at your schedule and suggest when an appropriate time for a call would be? I am available Wednesday or Friday of this week or anytime next week. My contact info is below.
Thanks


This e-mail and any files transmitted are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this e-mail in error, please notify the sender.

“This email and any attached files are intended for the sole use of the primary and copied addressee(s) and may contain privileged and/or confidential information. Any distribution, use or copying by any means of this information is strictly prohibited. If you received this email in error, please delete it immediately and notify the sender.”
Hello Antonio;

Thank you for your response and edits to the proposed Crown Timber Licence and Forest Management Agreement documents. We offer the following for your consideration:

General Considerations

- FLR are proposing to offer AEG (Newfoundland Timberlands Inc.) a Forest Management Agreement for forested areas within District 17 and 18. The proposed area (some 499,741 ha) would contain an AAC of 103,800 m³ for the remainder of the current 5 year plan (see attached maps).
- Any increase in productive area or volume within the proposed FMA area would be identified as part of the timber supply analysis process. Any gains would indeed be attributed to AEG's annual allowable cut.
- FLR shall manage the portion of MD 17 & 18 retained as Crown. Crown permits cannot exceed available AAC and thus permits would be capped at that level.
- Permit holders are not assigned a permanent area but rather harvest blocks are identified through the five year planning process. In the event that an existing permit holder revokes his permit there is no area as per se that can be reassigned to AEG. Rather FLR proposes that after each successive five year review period that the FMA boundary is revisited.

Specific Clauses (NEW FMA)

Par 11.1 Indemnity Clause

- This clause is a standard clause used by the Government of NL in all legal contracts.

Par 4.3 Guidelines

- As copies of these documents were provided to Zimmer for this past year we thought you would have them. My apology; please see attached.

Par 6.3 Construction and Maintenance
• It is common forest management practice to develop a roads construction cycle that is a minimum of one year ahead of planned harvesting operations. This gives roads constructed in year one a chance to overwinter and dry prior to use the following year. A revolving two year plan will provide FLR with an opportunity to propose budget allocations in sequence with AEG’s needs. Due to the budget process a one year plan will be out of step. Note that while it may be a two year plan; revisions can be made annually.

Original FMA

2. Security Clause
The original draft contained the following clause:
10.6 Security.
For the purposes of section 19,(1)(a) of the Act, the Minister hereby approves that this Agreement and Crown Timber Licence may be pledged as security for a debt.
• Subsection 19,(1)(a) of the Forestry Act speaks to the assignment of the Licence not the FMA.

12. AUTHORITY, EXECUTION AND FUTURE MATTERS
12.3 Effective Date. This Agreement is not effective unless and until:
(a) it is executed and delivered by both the Minister and the Company;
(b) it is approved by the Lieutenant-Governor in Council for the purposes of section 15(1)(b) of the Act;
(c) the Minister issues to the Company the following licences that are executed and delivered by the Minister and the Company:
(i) a Crown timber licence in respect of respect of Forest Management Districts 17 and 18 that is sufficient to meet ongoing fibre requirements of up to 140,000 solid cubic metres annually, and to which this Agreement applies;
(ii) a mill licence to operate a white pellet plant and sawmill in Roddickton and export facility in St, Anthony, Newfoundland and Labrador, and
(d) the Minister approves of the Company pledging, charging or otherwise using the Crown timber licence as security for a debt,
whereupon this Agreement will take effect as of the commencement of the Term.

Those clauses have been eliminated from the document.
Besides the obvious changes needed we would like to understand why this paragraph has been deleted.
• The majority of these clauses are repeating what is already in the Forest Act and thus redundant and have been removed.
• 12.3 c i speaks to volume which is not correct as the FMA is area based (volume is a product of the SFMP process and changes every 5 years).
• AGREED 12.3 c ii will be added to the final document: a mill licence to operate a pellet plant and sawmill in Roddickton and export facility in St, Anthony, Newfoundland and Labrador.
• We will link the continued operation of the Roddickton facilities to the licence.
cc: Steve Balsom, ADM FLR

Sincerely,

[Signature]
Eric Young, P.Eng., RPF
Director
Forest Engineering & Industry Services
Information Note
Departments of Fisheries and Land Resources

Title: Active Energy Group (AEG) Plc. forest development proposal for the Great Northern Peninsula

Issue:
- Proposal submission from Active Energy Group Plc for the purchase and operation of a random length sawmill and conversion of pellet plant on the Great Northern Peninsula (currently owned by Holson Forest Products Limited (HFPL)).

Background and Current Status:
- Active Energy Group Plc. (AEG) is a biomass energy company based out of the United Kingdom with substantive business operations in Ukraine (www.active-energy.com). The company has three main lines of business:
  o Timberland development services
  o Industrial wood fibre production
  o Biomass coal replacement fuels (steam exploded wood pellets)

- AEG is a junior company listed on the London Stock Exchange. Its revenue was generated primarily from production of industrial wood chips in the Ukraine which were sold to medium density fibre board (MDF) producers in Turkey. Sec 29 (1)(a)

- The Business Analysis Division of the Department of Tourism, Culture, Industry and Innovation (TCII) advises For 2016, it reported a comprehensive loss of $2.4 million US on revenue of $19 million US, bringing their Retained Loss to $21.8 million US at year end. The company also has very little in tangible real long-term assets.

- AEG previously submitted a proposal to the Government of Newfoundland and Labrador consisting of two phases. Phase 1 being the purchase and operation of HFPL (sawmill and white pellet plant) on the Great Northern Peninsula (GNP). Phase 2 would be the potential development of a wood pellet plant based on their “Coalswitch” technology (wood pellets suitable for use in coal fired boiler process) in an area of the province where fibre supply is available.

- AEG now proposes to move directly to the introduction of the Coalswitch technology at the Roddickton facility. They propose to make CoalSwitch wood pellets at the plant versus white wood (residential heating) pellets. Much of the infrastructure of the current facility would remain, however the drying unit would not be required.

- CoalSwitch pellets have a number of benefits:
  o Reduced contaminates (increased operability in boilers).
  o Increased energy density (power generation per unit biomass to slightly lower than coal).
  o High resistance to water absorption (important for storage and transportation)
  o Low environmental impact and cost during processing.
  o Process is tolerant of a wide spectrum of feedstock.
  o No biomass drying required (reduced energy costs).
• The pellets created by this process are substantially higher quality than traditional white pellets and can be used at coal fired facilities without plant conversion.

• AEG has reached an agreement with HFPL on the current assets, and wish to enter into a long term forest management agreement (FMA) for forest management districts (FMD) 17 and 18 with the Department of Fisheries and Land Resources (FLR).

• AEG is now currently proposing to:
  o Operate the random length sawmill at an annual production of 9 million foot board measure (MMFBM) with local and off island markets identified
  o Operate a wood pellet plant at a production (by year 2) of approximately 40-50,000 metric tonnes per year (TPY) with local and overseas markets shipped in bulk out of St. Anthony
  o Reach an agreement with existing commercial harvesters on the GNP for supply of timber for the sawmill and pellet plant

• AEG has chosen Newfoundland and Labrador to take advantage of shipping prices and the underutilized fibre basket.

• AEG is proposing investing a total of $11.37 million in the production and shipping facilities.

• AEG require the following to support their proposal:
  o A long-term FMA for access to 100 thousand cubic metres of fibre in Forest Management Districts 17 and 18
  o Options for debt restructuring on the Forest Industry Development Fund (FIDF) loan to HFPL. This loan is administered by FLR
  o Agreements with existing permit holders for first right of purchase of their combined permit allocations (44,000 m3)

• AEG is not seeking any direct financial assistance from the Province.

• An initial $7 million loan was provided to HFPL through the Forest Industry Diversification Fund (FIDF), a $1 million grant from Natural Resources' Green Fund and a $2 million non-repayable investment from the FIDF. In addition, over a period of two years, five amending agreements to the original FIDF loan were made. As of December 2016, the FIDF loan balance stood at $7.319 million with repayment supposed to begin in fiscal 2015. With the plant in idle mode since 2012, repayment has not commenced. HFPL also has $197K in outstanding debt with TCII. Total debt due to Government at this time is $7.516 million.

• Both TCII and Finance have completed their project analysis and submitted their results to FLR.

• FLR has met with the Town of Roddickton-Bide Arm, Anchor Point, St. Anthony and the Great Northern Peninsula Loggers Association to discuss project status and fibre
allocations. A meeting with the tri-town councils (Port Saunders, Port Au Choix and Hawkes Bay) is now being planned.

- AEG has provided a signed letter to FLR from the president of Great Northern Peninsula Loggers Associations stating that their members are committed to selling and granting a first option to purchase to Timberlands International Newfoundland and Labrador (TINL) Ltd. the entire timber volume allocated by FLR to the members of the association. Also, AEG is to offer first right to harvest the remaining AEG allocation that will be granted through an FMA.

Analysis:

29(1)(a)
• FLR are working with Department of Justice and Public Safety in the development of FMA template documents. This would be a 20 year agreement with 5 year renewal periods and would encompass the productive forests of FMD 17 and 18. All forest management activities (silviculture, inventory, forest access, insect monitoring and forest fire protection) would remain funded and administered by FLR.

• Additional discussions with AEG will be required to finalize terms of the FMA. Some of the issues under consideration for the FMA are as follows:

• If the Crown timber license is transferred due to the security holder realizing on its security, the Crown timber license would be subject to the same terms and conditions within the license.
- If non-use of the Crown timber license for a period of time is of concern, a condition to address this would be put in the license.

- AEG requires access to 140,000 cubic metres per year under their current business model. The combined total softwood Annual Allowable Cut (AAC) in FMD 17 and 18 is approximately 165,000 cubic metres per year.

- This proposal represents what could potentially be the only opportunity to realize a return on investment for the region from the original FIDF investment, by restarting both the pellet plant and sawmill. Sec 27 (2)(a), Sec 27 (1)(i)

- Clarification has been provided in regards to the supporting letter issued by the Great Northern Peninsula Loggers Association. FLR shall continue to issue crown timber permits under a land base that shall be retained Crown. The balance of the lands shall be allocated to AEG in the form of a Forest Management Agreement.

- FLR staff shall draft FMA boundaries and conduct a wood supply analysis on that area to determine an annually allowable cut (currently estimated to be 100,000 m3)

- AEG have committed to this proposed arrangement based on a smaller FMA. Section 39(1)(c)(i), 39(1)(c)(iii), 39(1)(a)(ii), 39(1)(b)

- FLR shall meet with the Tri-Town Council to update the town officials on project status and new fibre arrangements. It is anticipate that there shall be a request for a local contractor to harvest a portion of AEG's allocation in District 17. AEG are aware of this request and are prepared to address with local contractors Sec 29 (1)(a)

Prepared/Approved by: E. Young/S. Balsom/ in consultation with TCII
Ministerial Approval: Honourable Gerry Byrne

May 16, 2018
Potential copyright material

If you wish to obtain a copy please contact the ATIPP Office at (709) 729-7072 or atippoffice@gov.nl.ca.
Ok

Sent from my iPhone

On May 3, 2018, at 3:57 PM, Tompkins, John <jtompkins@gov.nl.ca> wrote:

Minister, please see revised statement with Lori anne’s input.

Statement from the Department of Fisheries and Land Resources:

Officials from the Department of Fisheries and Land Resources met with the Northern Peninsula Loggers Association and Great Northern Peninsula Joint Council, including representatives from Roddickton-Bide Arm, Anchor Point and St. Anthony, to clearly identify to local forest operators the proposal from AEG. The department plans to engage with other councils in the area.

Government is committed to the sustainable utilization of the forest resources on the Northern Peninsula, which will contribute to the local and provincial economy. The department recognizes forest operators that are currently dependent on the forests of the Great Northern Peninsula and will ensure timber allocations are maintained according to departmental policy or through the promotion of positive business-to-business arrangements with Active Energy.

From: Skinner, Linda
Sent: Thursday, May 3, 2018 3:48 PM
To: Byrne, Gerry <GerryByrne@gov.nl.ca>; Tompkins, John <jtompkins@gov.nl.ca>
Cc: Boland, Connie <ConnieBoland@gov.nl.ca>
Subject: FOR REVIEW media inquiry re pellet plant meeting

Hi Minister,

Statement for your approval below – this was requested by the Northern Pen and CBC Morning Show (west coast).

Thanks,
Linda

Statement from the Department of Fisheries and Land Resources:

Officials from the Department of Fisheries and Land Resources met with the Northern Peninsula Loggers Association and Great Northern Peninsula Joint Council, including representatives from Roddickton-Bide Arm, Anchor Point and St. Anthony, to get clear
commitments from local forest operators and to advise town councils of operators’ intentions to participate in Active Energy’s proposed sawmill and pellet plant project. The department plans to engage with other councils in the area, and will discuss the results with Active Energy as we continue to work together to advance the company’s proposal.

Government is committed to the sustainable utilization of the forest resources on the Northern Peninsula, which will contribute to the local and provincial economy. The department recognizes forest operators that are currently dependent on the forests of the Great Northern Peninsula and will ensure timber allocations are maintained according to departmental policy or through the promotion of positive business-to-business arrangements with Active Energy.

Linda Skinner
Media Relations Manager
Fisheries and Land Resources
(709) 637-2284
lindaskinner@gov.nl.ca
Timberlands International (Newfoundland and Labrador) Inc.
Active Energy Group Plc
27-28 Eastcastle Street
London
W1W 8DH
United Kingdom

Att'n Richard Spinks, Antonio Esposito
mailto: richard.spinks@aegplc.com

Roddickton, 4/21/2018

Subject: Wood supply Timberlands International (Newfoundland and Labrador) Inc.

Dear Antonio,

Following our conversation, as president of the Northern Peninsula Loggers Association, an organization consisting of the following members:

- Coates Lumber Company
- Gibbons Construction
- Fillier's Logging
- Tatchell's Logging
- Weir's Constructions

with cutting permits over 44,000 m3 in Districts 17, 18, I immediately discussed the opportunity within the association.

With reference to your proposal/project of a Coalswitch™ pellet mill and sawmill in Roddickton NL, we confirm our commitment to sell, and grant a first option to purchase, to Timberlands International Newfoundland and Labrador Inc. the entire timber volume allocated by the Forestry Department of the Ministry of Fisheries and Land Resources to the members of the association.

The contractors of the Association will in turn, as discussed with Timberlands International (Newfoundland and Labrador) executives, receive surety of first rights to harvest timber allocated to the company.

For this purpose, once Timberlands International (Newfoundland and Labrador) Inc. will receive the Forest Management Agreement and Crown Timber License, the parties agree to formalize the above-mentioned arrangements.

Sincerely,

Northern Peninsula Loggers Association

Trevor Fillier

President
Potential copyright material

If you wish to obtain a copy please contact the ATIPP Office at (709) 729-7072 or atipppoffice@gov.nl.ca.
Ms. Sheila Fitzgerald, Mayor  
Town of Roddickton-Bide Arm  
P.O. Box 10  
Roddickton, NL A0K 4P0

Dear Mayor Fitzgerald:

Thank you for your letter of April 2, 2018, regarding an update on the proposal from Active Energy Group.

The Department of Fisheries and Land Resources continues to work with Active Energy on a potential solution to restart the sawmill and pellet manufacturing facility in Roddickton.

Forestry and Wildlife Branch officials with the Department would be happy to meet with you, the Northern Peninsula Loggers Association and the Great Northern Peninsula Joint Council to discuss this project, as well as the recently announced changes to our timber allocation policies and procedures.

I would encourage you to contact Mr. Stephen Balsom, Assistant Deputy Minister with Forestry and Wildlife, to arrange a suitable time to discuss these items. Relevant staff will be on hand to address any issues that may arise regarding forest sector development and timber allocation. Mr. Balsom may be reached at (709) 637-2199.

Sincerely,

HONOURABLE GERRY BYRNE, MHA  
District of Conception Bay  
Minister

c: Honourable Christopher Mitchemore, MHA  
Mr. Trevor Fillier, President of the Northern Peninsula Loggers Association  
Mayor Gerry Gros, Chair Great Northern Peninsula Joint Council  
Mr. Stephen Balsom, Assistant Deputy Minister, Forestry and Wildlife Branch
April 17, 2018

Honourable Gerry Byrne  
Minister  
Department of Fisheries and Land Resources  
P.O. Box 8700  
St. John’s, NL  
A1B 4J6  

Re: Active Energy Group  

Dear Minister Byrne:  

With a changing economic outlook, the Great Northern Peninsula area communities are becoming increasingly concerned about its future. The fishery is in a decline with reduction to shrimp and crab stocks and cod news not being what we anticipated. Combine that with an aging and declining population community leaders are becoming very concerned.  

However, the mutual efforts put forth by the Town of St. Anthony and the Town of Roddickton to work with Active Energy Group to establish a forestry operation (Pellets/Saw Mill/Coal Switch/Shipping) in our region would provide locals with a sense of optimism. However, since our first meetings with Active Energy Group, there hasn’t been any movement to make this initiative a reality on the Northern Peninsula. If there ever was a time when we needed the support of government on such projects the time is now.  

The Town of St. Anthony wishes to offer its full support to the Town of Roddickton and we ask that your department and the Government of Newfoundland and Labrador expedite negotiations to move this initiative forward.  

We thank you for considering our request and look forward to hearing from you in the future, please feel free to contact me at 709-454-6046 if you wish to discuss.  

Best regards,  

Desmond McDonald  
Mayor  

Cc Hon. Christopher Mitchelmore – MHA  
Sheila Fitzgerald – Mayor Roddickton
February 23, 2018

Timberland International NL Limited
Antonio Esposito
C/O Renewable Logistics Systems, LLC
PO Box 751
Wrightsville Beach, NC, 28480

Project: Active Energy Saw Mill and Coalswitch Pellet Plant
Location: Near Roddickton

Please be advised that The Environmental Assessment Regulations, 2003, Section 26 & 39 define your project as an undertaking requiring environmental review pursuant to the Environmental Protection Act, SNL 2002, cE-14.2.

You are therefore required to register your undertaking with this Department. The attached booklet entitled Environmental Assessment: A Guide to the Process provides the registration format and other information to assist you. It is recommended that a draft of the registration document be submitted for review.

Please be aware that under provisions of the Act, undertakings may not proceed and other government agencies may not issue any relevant authorizations until a decision is rendered by the Minister. A decision by the Minister will be provided to you within 45 days following receipt of your registration.

Please be advised that, in accordance with Government’s Proactive Disclosure Initiative, all Ministerial decision letters related to your project will be posted online subject to any exceptions to disclosure provided under the Access to Information and Protection of Privacy Act, 2015.

If you have any questions, please contact Eric Walton at (709) 729-0834, toll free at 1-800-563-6181 or email at ericwalton@gov.nl.ca. Our staff is always ready to assist you.

Sincerely,

Susan Squires, Ph.D.
Director (A)
Environmental Assessment Division

c.c. Eric Young, Director, Forestry Division
Frank Skeard, Director, Forestry Division
Dear Mayor Fitzgerald,

Thank you for your email and interest in the forest industry for the Great Northern Peninsula and its potential. I have been away since Wednesday, but a response will be forthcoming on your request. As Forestry falls under the Department of Fisheries and Land Resources we will work with that Department to share with your Council information that can be communicated, recognizing there are limitations as to what specifics can be shared with your Council between a company and the Government of NL. I am aware that the company you referenced has been providing you directly with regular updates.

Best Regards,

Christopher Mitchelmore, MHA
St. Barbe-L’anse aux Meadows

Minister of Tourism, Culture, Industry and Innovation
Minister Responsible for Francophone Affairs

t. 709.454.2633
e. cmitchelmore@gov.nl.ca

From: Sheila Fitzgerald [mailto:********@hotmail.com]
Sent: Wednesday, January 31, 2018 3:44 PM
To: Mitchelmore, Christopher <CMitchelmore@gov.nl.ca>; Byrne, Gerry <GerryByrne@gov.nl.ca>  
Cc: Della D. <della_d@bellaliant.com>; Bram Randell <bramrandell@gmail.com>; ********@outlook.com; Lynn Ellsworth <******@bellaliant.com>; Marlene Randell <mrandell@gmail.com>; Tracy Randell <********@hotmail.com>; roddickton@nf.aibn.com
Subject: Roddickton-Bide Arm Pellet Plant Update

Good Afternoon Mr. Mitchelmore and Mr. Byrne,

The past coupe of days there has been much media attention drawn to the economic feasibility and potential future for the forestry sector in Central NL. As you are aware, Active Energy Group (AEG) has shown great interest in investing into our local pellet plant and saw mill here in Roddickton-Bide Arm. It is our understanding that there has been ongoing discussions between the province and the AEG investment group over the past several months. The council is very eager to hear the outcome with hope that is it a positive one ensuring a long-term future for not only our community but the entire Great Northern Peninsula.
At this time, the council is asking for an update regarding developments of the negotiations, plan or anticipated date of the same. We have been very patiently waiting to hear what plan the NL government has for the development forestry sector and investment into rural communities in this area. Any information you could share would be greatly appreciated.

If you would like to discuss this matter further, myself and/or the council would eagerly make ourselves readily available for the same.

Kindest Regards,

Sheila

Sheila Fitzgerald - Mayor
Town of Roddickton-Bide Arm, NL
Decision Note
Department of Fisheries and Land Resources

Title: Active Energy Group (AEG) Plc. Proposal for the Northern Peninsula

Decision Required:
- Whether to extend an Agreement in Principle with Active Energy Group for an additional six month period as they continue to develop their proposal for a biomass facility and sawmill on the Northern Peninsula.
- It is recommended that the Department of Fisheries and Land Resources (FLR) be directed to extend the Agreement in Principle between Active Energy and FLR for an additional six month period.

Background and Current Status:
- Active Energy Group Plc. (AEG) is a biomass energy company based out of the United Kingdom with substantive business operations in Ukraine ([www.active-energy.com](http://www.active-energy.com)). The company has three main lines of business:
  - Timberland development services
  - Industrial wood fibre production
  - Biomass coal replacement fuels (steam exploded wood pellets)
- AEG is a junior company listed on the London Stock Exchange. Its revenue is generated primarily from production of industrial wood chips in the Ukraine which are sold to medium density fibre board (MDF) producers in Turkey.
- Tourism, Culture, Industry and Innovation (TCII) advises

  For 2016, it reported a comprehensive loss of $2.4 million US on revenue of $19 million US, bringing their Retained Loss to $21.8 million US at year end. The company also has very little in tangible real long-term assets.

- AEG previously submitted a proposal to the Government of Newfoundland and Labrador consisting of two phases. Phase 1 being the purchase and operation of Holson Forest Products Limited (HFPL) (sawmill and white pellet plant) on the Northern Peninsula. Phase 2 would be the potential development of a “black wood” pellet plant based on their “Coalswitch” technology in an area of the province where fibre supply is available.
- AEG now proposes to move directly to the introduction of the Coalswitch technology at the Roddickton facility. They propose to make black wood pellets at the plant versus white wood pellets. Much of the infrastructure of the current facility would remain, however the drying unit would not be required.
- In conjunction with the University of Utah, AEG have developed technology for steam exploded biomass. The AEG Coalswitch product is a variation on steam exploded biomass / pellets produced by a number of companies globally.
- Steam exploded biomass is a method of washing and compressing wood biomass at high temperature, and then rapidly cooling it using thermo-mechanical processes to induce changes in the chemical structure. This has a number of benefits:
  - Reduced contaminates (increased operability in boilers).
  - Increased energy density (power generation per unit biomass to slightly lower than coal).
  - High resistance to water absorption (important for storage and transportation).
  - Low environmental impact and cost during processing.
  - Process is tolerant of a wide spectrum of feedstock.
  - No biomass drying required (reduced energy costs).
  - The pellets created by this process are substantially higher quality than traditional white pellets and can be used at coal fired facilities without plant conversion.

- AEG are in the process of commissioning a CoalSwitch plant in Utah and are proposing to move this unit to Roddickton once commissioned. This technology has not yet reached the commercial phase.

- AEG has reached an agreement with HFPL on the current assets, and wish to enter into a long term forest management agreement (FMA) for Management Districts 17 and 18 with the Department of Fisheries and Land Resources (FLR).

- AEG is now currently proposing to:
  - operate the random length sawmill at an annual production of 9 million foot board measure (MMFBM) with local and off island markets identified.
  - operate a black wood pellet plant at a production (by year 2) of approximately 50,000 metric tonnes per year (TPY) with local and overseas markets shipped in bulk out of St. Anthony.
  - reach an agreement with existing commercial harvesters on the Northern Peninsula for supply of timber for the sawmill and pellet plant.

- AEG has chosen Newfoundland and Labrador to take advantage of shipping prices and the underutilized fibre basket.

- AEG is proposing investing a total of $11.37 million in the production and shipment facilities.

- AEG require the following to support their proposal:
  - a long-term FMA for access to 140 thousand cubic metres of fibre in Forest Management Districts 17 and 18
  - options for debt restructuring on the Forest Industry Development Fund (FIDF) loan to HFPL

- AEG is not seeking any direct financial assistance from the Province.

- An initial $7 million loan was provided to HFPL through the FIDF, a $1 million grant from Natural Resources' Green Fund and a $2 million non-repayable investment from the FIDF. In addition, over a period of two years, five amending agreements to the original FIDF loan were made. As of December 2016, the FIDF loan balance stood at $7.319 million with repayment supposed to begin in fiscal 2015. With the plant in idle mode since 2012, repayment has not commenced. HFPL also has $197K in outstanding debt with TCII. Total debt due to Government at this time is $7.516 million.
• The previous Agreement in Principle between the Province and AEG expired on October 03, 2017.

• AEG has subsequently provided a revised Business Proposal.

Analysis:

• 29(1)(a)

As a result of the revised course of action (to move directly to the CoalSwitch technology), AEG will submit a new business plan with new financials and market intelligence. This revised business case shall be analyzed by the Major Projects Unit of TCII and finance.

• 29(1)(a), 39(1)(a)(ii)
FLR is working closely with AEG in the draft of the FMA. This would be a 20 year agreement with 5 year renewal periods and would encompass the productive forests of Forest Management districts 17 and 18.

Additional discussions with AEG will be required to finalize terms of the FMA as well as the proposed debt restructuring. Some of the issues under consideration for the FMA are as follows:

- AEG requires access to 140,000m³/yr under their current business model. The combined total softwood Annual Allowable Cut (AAC) under the proposed AEG FMA boundary is approximately 170,000m³/yr. They have agreed in principle to the award of sub-license agreements up to 47,000m³/yr.
- This Agreement in Principle represents what could potentially be the only opportunity to realize a return on investment for the region from the original FIDF investment, by restarting both the pellet plant and sawmill.

Alternatives:
1) FLR to extend the Agreement in Principle with AEG for an additional six month period

   Pros:
   - Enables the proponent to continue development of proposal and commissioning of CoalSwitch technology with the goal of introducing to Newfoundland and Labrador
   - Provides level of comfort to potential investors

2) FLR not to extend the Agreement in Principle with AEG

   Pros:
   - Provides opportunity for other potential resource developers to put forth proposals

Prepared/Approved by: E. Young/ S. Balsom/L. Companion
Ministerial Approval: Honourable Gerry Byrne

December 13, 2017
Title: Active Energy Group (AEG) Plc. Proposal for the Northern Peninsula

Issue:
- How to proceed with proposal submission from the Active Energy Group Plc for the purchase and operation of a random length sawmill and white wood pellet plant on the Northern Peninsula (currently owned by Holson Forest Products Limited (HFPL)).

Background and Current Status:
- Active Energy Group Plc. (AEG) is a biomass energy company based out of the United Kingdom with substantive business operations in Ukraine (www.active-energy.com). The company has three main lines of business:
  o Timberland development services
  o Industrial wood fibre production
  o Biomass coal replacement fuels (steam exploded wood pellets)
- AEG is a junior company listed on the London Stock Exchange. Its revenue is generated primarily from production of industrial wood chips in the Ukraine which are sold to medium density fibre board (MDF) producers in Turkey.
  
  For 2016, it reported a comprehensive loss of $2.4 million US on revenue of $19 million US, bringing their Retained Loss to $21.8 million US at year end. The company also has very little in tangible real long-term assets.
- AEG has submitted a proposal to the Government of Newfoundland and Labrador consisting of two phases. Phase 1 being the purchase and operation of HFPL (sawmill and pellet plant) on the Northern Peninsula. Phase 2 would be the potential development of a “black wood” pellet plant based on their “Coalswitch” technology in an area of the province where fibre supply is available.
- In conjunction with the University of Utah, AEG have developed technology for steam exploded biomass. The AEG Coalswitch product is a variation on steam exploded biomass / pellets produced by a number of companies globally.
- Steam exploded biomass is a method of washing and compressing wood biomass at high temperature, and then rapidly cooling it using thermo-mechanical processes to induce changes in the chemical structure. This has a number of benefits:
  o Reduced contaminants (increased operability in boilers).
  o Increased energy density (power generation per unit biomass to slightly lower than coal).
  o High resistance to water absorption (important for storage and transportation)
  o Low environmental impact and cost during processing.
  o Process is tolerant of a wide spectrum of feedstock.
  o No biomass drying required (reduced energy costs).
  o The pellets created by this process are substantially higher quality than traditional white pellets and can be used at coal fired facilities without plant conversion.
In Phase 1 of the proposal, AEG is proposing to purchase the current assets of HFPL, and enter into a long term forest management agreement (FMA) for Management Districts 17 and 18 with the Department of Fisheries and Land Resources (FLR).

AEG met with executive of FLR and TCII in May of 2017 to discuss their business concept. They were encouraged to submit a detailed business plan.

AEG submitted their proposal to the Major Projects Unit (within TCII) and FLR on June 2, 2017. This was followed up by several conference calls and face to face meetings with AEG woodlands staff to provide additional information for proposal review.

AEG is proposing to:
- operate the random length sawmill at an annual production of 9 million foot board measure (MMFBM) with local and off island markets identified.
- operate the white wood pellet plant at a production of 50,000 metric tonnes per year (TPY) with overseas markets shipped in bulk out of St. Anthony.
- reach an agreement with existing commercial harvesters on the Northern Peninsula for supply of timber for the sawmill and pellet plant.
- work with FLR in the identification of other potential development areas for possible construction of their black wood pellet plant (Phase 2).

AEG has chosen Newfoundland and Labrador to take advantage of shipping prices and the underutilized fibre basket.

AEG is proposing investing a total of $21 million for both phases of their proposal in a production facility, and harvesting and transportation equipment.

A letter of intent from the Province to enter into negotiations with AEG on fibre rights has been provided (attached).

AEG made four requests to support their proposal:
- a long-term FMA for access to 140 thousand cubic metres of fibre in Forest Management Districts 17 and 18
- a royalty rate reduction for non-sawlog biomass
- clarification of policy on biomass / full tree harvesting

AEG is not seeking any direct financial assistance from the Province.

An initial $7 million loan was provided to HFPL through the FIDF, a $1 million grant from Natural Resources' Green Fund and a $2 million non-repayable investment from the FIDF. In addition, over a period of two years, five amending agreements to the original FIDF loan were made. As of December 2016, the FIDF loan balance stood at $7.319 million with repayment supposed to begin in fiscal 2015. With the plant in idle mode since 2012, repayment has not commenced. Holson also has $197K in outstanding debt with TCII. Total debt due to Government at this time is $7.516 million.
- The Flat Bay Band (southwest coast) has also been working with Active Energy for approximately two years on a bio-energy project.

Analysis:
Typically GNL’s equity investments in companies have been through preferred shares with set redemption rates based on a percentage of cash flow. Under these arrangements GNL does not have a defined ownership stake in a company, does not participate in the upside of a company beyond the redemption of its shares and possibly a prescribed dividend rate, and does not provide strategic direction.

FLR are working closely with AEG in the preliminary draft of the FMA. This would be a 20 year agreement with 5 year renewal periods and would encompass the productive forests of Forest Management districts 17 and 18. Current legislation (Forestry Act) requires the collection of stumpage as well as the application of a land management tax.

Additional discussions with AEG will be required to finalize terms of the FMA as well as the proposed debt restructuring. Some of the issues under consideration for the FMA are as follows:
AEG requires access to 140,000m³/yr under their current business model. The combined total softwood Annual Allowable Cut (AAC) under the proposed AEG FMA boundary is 170,000m³/yr. They have requested to limit sublicense agreements to 15,000m³/yr. Historically crown has issued 52,000m³ in commercial permit allocations in Districts 17 & 18. Additional discussion is required to accommodate existing commercial permit holders.

This proposal represents what could potentially be the only opportunity to realize a return on investment for the region from the original FIDF investment, by restarting both the pellet plant and sawmill. However, it is imperative that direction is first provided with respect to the outstanding issues outlined above pertaining to the FMA, specifically the assignment of cutting rights. Resolution of these issues will directly impact both options considered below, and the decision regarding the assignment of cutting rights specifically will have long term implications for the province, as well as the potential to impact AEG’s ability to secure financing for both Phase 1 and 2.

**Alternatives:**

**Option 1**

**Advantages:**

- Provides an outlet for small diameter wood.

**Disadvantages:**
Option 2:

Advantages:

- Fibre would still be utilized.

Disadvantages:

Prepared/Approved by: Michael Day/E. Young/S. Balsom/
Ministerial Approval:

October 30, 2017
Meeting Note  
Department of Fisheries and Land Resources  
Active Energy Group Plc.  
4:00 PM Sunday May 7, 2017  
Petten Building, St. John’s

Attendees: Richard Spinks CEO - Active Energy Group Plc (AEG)

Purpose of Meeting:
- Introductory meeting between AEG and Minister Crocker. AEG will outline their development plans for the Northern Peninsula.

- Agenda:
  - Overview of development proposal by AEG
  - A discussion of the Agreement in Principle
    - Forest management agreement
    - Wood supply - existing harvester relations and full tree harvesting.
    - Relationship with HFPL – status of negotiations and debt re-structuring.
    - Royalty rates – opportunities for reductions or log exchanges with sawmills.
    - Announcement, communications and engagement plan for Northern Peninsula.
  - Liaison with FLR during development.
  - Domestic support for biomass utilization
  - Opportunities for expanded development in other regions.

Background:
- Active Energy Group Plc. (AEG) is a biomass energy company based out of the United Kingdom with substantive business operations in Ukraine (www.active-energy.com). The company has three main lines of business:
  - Timberland development services
  - Industrial wood fibre production
  - Biomass coal replacement fuels (Steam exploded wood pellets)

- AEG is listed on London Stock Exchange and reported revenue of $22,293,153 in 2015, primarily from production of industrial wood chips in Ukraine sold to medium density fibre board (MDF) producers in Turkey.

- AEG is currently working on a development in Utah and Alberta to deploy its Coalswitch product with a United States utility company. This will be the first commercial project for AEG using this new technology.
• The AEG Coalswitch product is a variation on steam exploded biomass / pellets produced by a number of companies globally.

• Steam exploded biomass is a method of washing and compressing wood biomass at high temperature, and then rapidly cooling it using thermo-mechanical processes to induce changes in the chemical structure.

• The pellets created by this process are substantially higher quality than traditional white pellets and can be used at coal fired facilities without plant conversion.

• AEG is proposing the development of a 10 metric tonne (MT) per hour steam exploded pellet production facility at the harbour front in St. Anthony. Holson Forest Products Ltd. (HFPL) would operate a sawmill at their current site and send sawmill waste to the AEG facility (although this would be only a minority of the biomass used in the facility).

• First year production would be at 54 thousand MT, moving to 70 thousand MT per year thereafter.

• The AEG team presented their proposal to the Province February 17, 2017, outlining their business plan.

• The target market will be coal-based power utilities in the northeastern United States and Europe that have not yet switched to the use of white wood pellets. No specific take-off agreements were identified and prices quoted in financial models were standard freight on board (FOB) in Rotterdam, Denmark.

• AEG is proposing to invest $21.1 million in a production facility, and harvesting and transportation equipment. The production site would create 45 full-time equivalents (FTE). Harvesting employment would also be significant (15-25 FTE).

• AEG and the Province have signed an Agreement in Principle outlining four requests from AEG to support their proposal (See Annex A):
  o A letter of intent from the Province to enter into negotiations with AEG on fibre rights
    ▪ This would lead to a long-term Forest Management Agreement (FMA) for access to 140 thousand cubic metres of fibre in Forest Management Districts 17 and 18
  o A royalty rate reduction for non-sawlog biomass
  o Clarification of policy on biomass / full tree harvesting
  o Foster partnerships with existing forest sector stakeholders

• AEG is not seeking any direct financial assistance from the Province.
Agenda / Discussion Points:

Analysis - Agreement in Principle Commitments:

- Under the AIP the proponent has 6 months to:
  - Enter negotiations with HFPL and other local contractors.
  - Begin construction of facilities
  - Provide a detailed business plan
  - Outline business arrangements in support of the development.

- With regards to the Province’s commitments under the draft AIP:
  - The Province has a policy supporting the expansion FMA’s and expanded timber sale licenses. This development fits within that policy objective. Wood Supply analysis shows that the forests of Districts 17 and 18 can support a 140 thousand cubic meter annual allowable cut.
    - In the last 5 years 72.5% of the annual allowable cut (AAC) in Districts 17 and 18 remained un-harvested.
    - Most of the harvest that occurred was for fire wood.
    - 33 percent of District 17 and 56 percent of District 18 AAC is allocated to existing users. To reach 140,000 cubic meters, a portion of this allocation will have to be moved to AEG, or bought by AEG under agreements with existing harvesters.

- The province already negotiates reduced royalty rates with licensees for a number of variables around fibre quality and costs. For example, building of roads, snow clearing, or non-sawlog biomass.
- The Forestry and Wildlife Branch is already actively engaged in supporting business to business relationships between AEG and forest sector stakeholders.

- Full tree harvesting *maybe* possible, but will require further detailed analysis and an update of the Biomass Harvesting Policy. The Northern Peninsula has soil types that may reduce the risks of full tree harvesting. However, a policy supporting full tree harvesting should include a site monitoring and research component to assess any potential environmental impacts.

- The negotiation of the FMA should be led by ADM Stephen Balsom. FLR has an ongoing process in place to develop an FMA framework. This process will identify policy gaps and provide a template that will form the basis of the negotiations with AEG.

**Analysis - Holson Forest Products Ltd:**

- Sec 29(1)(a)

- 29(1)(a)

- 39(1)(a)(ii), 39(1)(c)(i), 39(1)(b)

- 29(1)(a)

- 29(1)(a)

**Analysis – Stakeholder and Local Industry Engagement**

- 29(1)(a)

- A communications plan should be developed in partnership with AEG and HFPL, Key Messages to include:
  - AEG is not seeking to displace existing commercial harvesters and will enter into discussions with active harvesters to involve them in the development
o Employment will increase overall and draw individuals from across the region based on merit.
o FLR will maintain access for local consumptive firewood harvest.
o Forest management planning will ensure that non-timber values will be considered as harvest activities increase.
o The AEG investment will reinvigorate the forest sector in the region, providing the capital needed to complete the Provinces long-term objectives outlined in the initial Forest Industry Development Fund.

- FLR and AEG should pursue a joint announcement of the development.

Analysis – Domestic Support for Biomass consumption

- The Province has attempted to grow biomass consumption locally in the past. Initiatives included a pellet stove rebate, and exploring the feasibility of conversion of large government facilities.
- Past attempts to grow this market have been limited by consistent supply of wood pellets, and initial capital costs on industrial conversions.

29(1)(a) however it would be worthwhile to pursue policy options that support this type of development.
o Examples of policy options may include:
  ▪ Adapting government procurement policies to allow for use of biomass as industrial energy.
  ▪ Exploring biomass options for remote sites and communities
  ▪ Promotion of biomass through FLR outreach and education

- Increasing electricity prices will be a natural driver of increased biomass use in the Province. However in the current context this will like increase traditional firewood use, not conversions to manufactured biomass products.

Analysis - Opportunities for expanded development in other regions.

- AEG views the Northern Peninsula as a pilot site where they can demonstrate their business model to the Newfoundland and Labrador government and other governments in the region.

29(1)(a)

Prepared/Approved by: B. Adams/ S. Balsom/ L.A. Companion

Ministerial Approval:

May 2, 2017
Annex A

DRAFT AGREEMENT IN PRINCIPLE

BETWEEN: Her Majesty in Right of Newfoundland and Labrador as represented by the Minister of Fisheries, and Land Resources

(the “Province”)

AND: Active Energy Group Plc.

(“AEG”)

WHEREAS:


2. The discussions between the Province and AEG (the Parties) have primarily been in respect to AEG establishing a steam exploded pellet and shipping facility in the town of St. Anthony, Newfoundland and Labrador, and establishing partnerships and/or agreements with other forest industrial entities for additional fibre supply.

3. The Parties have reached an agreement on certain matters relating to these issues and need to discuss other specific matters relating thereto, and wish at this time to confirm the principles upon which they are prepared to proceed with future discussions.

NOW THEREFORE the Parties agree as follows:

1. Definitions

   (a) “Crown Timber” has the same meaning as defined in the Forestry Act R.S.N.L. 1990, c F-23;

   (b) “Forest Management District” has the same meaning as defined in the Forestry Act R.S.N.L. 1990, c F-23;

   (c) “Forestry Act” means the Forestry Act R.S.N.L. 1990, c F-23; and

   (d) “Parties” means the Province and AEG

2. Commitments

   (a) Subject to the receipt of all necessary consents and approvals, including its Board of Directors, AEG agrees to the following as outlined in its proposal of February 22, 2017:

      (i) immediately enter negotiations with HFPLL. to purchase relevant components of the pellet production facility at Roddickton, Newfoundland and Labrador.
(ii) immediately commence construction of a biomass production and export facility in St. Anthony, Newfoundland and Labrador, with an annual production capacity of 70 thousand metric tonnes, to be in full operation within three years;

(iii) immediately enter into discussions with the existing commercial permit holders in Forest Management Districts 17 and 18 to incorporate them into harvesting plans where feasible.

(iv) provide to the Province the details of:

a. the ownership and management structure;
b. engineering and technical details and costs;
c. term sheet(s) outlining sources of financing and their terms and conditions with financial details;
d. human resource plan for achieving 60 direct full-time jobs within five years;
e. fibre requirements and supply sources and costs;
f. marketing strategy for all product lines and shipping arrangements; and
g. the forest management and harvest arrangements proposed to secure fibre supply.

(v) provide agreements achieved with other forest industrial entities in Newfoundland and Labrador for the purchase, sale, or exchange of fibre.

(b) Subject to Lieutenant-Governor in Council approval as necessary, the Province will:

(i) in accordance with the Forestry Act, provide AEG with a 20-year crown timber license and forest management agreement to cut Crown timber from Forest Management Districts 17 and 18 sufficient to meet the ongoing fibre requirements up to 140,000 solid cubic metres annually. The Province may issue commercial cutting permits under the Forestry Act for a portion of the aforementioned 140,000 solid cubic metres of Crown timber until a forest management agreement between the Parties is established;

(ii) establish an appropriate royalty regime for energy wood with associated royalty reductions similar to other classes of timber identified in the Schedule to the Timber Royalty Regulations O.C. 96-260 under the Forestry Act; and

(iii) foster partnerships with existing forestry entities to assist AEG in entering into contracts necessary to fulfill AEG’s requirement for fibre.

(iv) Provide a clear policy on full tree harvesting as a forest management tool in Newfoundland and Labrador
3. Status of Agreement in Principle

(a) The execution and delivery of this Agreement in Principle is not intended to and does not create legally enforceable rights or obligations among the Parties or between any of the Parties and any third party. No obligation is created upon any of the Parties to execute and deliver any subsequent binding contractual commitments or grant permissions under the Forestry Act or any other legislation. No party shall have any remedy against any other party as a result of a failure to execute and deliver any subsequent binding contractual commitments or grant permissions, to conduct negotiations towards any subsequent binding contractual commitments or grant permissions, or to perform any other provision of this Agreement in Principle.

(b) Each of the Parties acknowledges that the other party must complete extensive additional activities and analysis, including due diligence on all aspects of the proposed arrangement, and obtain all necessary approvals and consents prior to any decision being made by each party to execute and deliver any subsequent binding contractual commitments or permissions.

(c) The Parties acknowledge and agree that the sole remedy for any breach of this Agreement in Principle shall be the right to terminate this Agreement in Principle, and each hereby waives and releases any and all other actions, claims, or causes of action, in contract, tort, at equity or otherwise, for damages, equitable relief, or any other remedy that may be available to either against the other as a result of such a breach.

4. Termination

Unless the Parties otherwise agree, this Agreement in Principle will terminate upon: (i) any subsequent binding contractual commitments being entered; (ii) six months from the date of the Agreement in Principle; or (iii) mutual agreement between the Parties, whichever is earlier.

5. Governing Law and Attornment

This Agreement in Principle shall be subject to the laws of Newfoundland and Labrador and the Parties shall attorn to the jurisdiction of Newfoundland and Labrador courts to the extent any adjudication is required.

6. Entire Understanding

This Agreement in Principle sets out the entire understanding of the principles agreed to and supersedes all prior understandings, discussions, proposals, representations, or other forms of communication on the issues between the Parties.

7. Counterpart Execution

This Agreement in Principle may be executed by the Parties in separate counterparts, each of which, when so executed, shall be deemed to be an original and all of which when together shall constitute one and the same Agreement in Principle. A facsimile of
a counterpart executed by a party shall be acceptable evidence of the execution by that party of that counterpart and shall be effective upon that party for all purposes as if it were an original signature.

This Agreement in Principle will be effective the _____ day of ________, 2017.

HER MAJESTY IN RIGHT OF
NEWFOUNDLAND AND LABRADOR

______________________________
Minister of Fisheries and Land Resources or his or her designate

Active Energy Group Plc.

______________________________
Name:

Position:
Decision Note
Department of Fisheries and Land Resources

Title: Active Energy Group Plc. Proposal for Steam Exploded Pellet Production

Decision Required:
• Whether to sign an agreement in principle with Active Energy Group Plc. (AEG) to develop a biomass production facility on the Northern Peninsula.

Background and Current Status:
• Proposal submission from the Active Energy Group Plc for steam exploded pellet production on the Northern Peninsula.

Background and Current Status:
• Active Energy Group Plc. (AEG) is a biomass energy company based out of the United Kingdom with substantive business operations in Ukraine (www.active-energy.com). The company has three main lines of business:
  o Timberland development services
  o Industrial wood fibre production
  o Biomass coal replacement fuels (Steam exploded wood pellets)

• AEG is listed on London Stock Exchange and reported revenue of $22,293,153 in 2015, primarily from production of industrial wood chips in Ukraine sold to medium density fibre board (MDF) producers in Turkey.

• AEG is currently working on a development in Utah and Alberta to deploy its Coalswitch product with a United States utility company. This will be the first commercial project for AEG using this new technology.

• The AEG Coalswitch product is a variation on steam exploded biomass / pellets produced by a number of companies globally.

• Steam exploded biomass is a method of washing and compressing wood biomass at high temperature, and then rapidly cooling it using thermo-mechanical processes to induce changes in the chemical structure. This has a number of benefits:
  o Reduced contaminates (increased operability in boilers).
  o Increased energy density (power generation per unit biomass to slightly lower than coal).
  o High resistance to water absorption (important for storage and transportation)
  o Low environmental impact and cost during processing.
  o Process is tolerant of wide spectrum of feedstock.
  o No Biomass drying required (reduced energy costs).

• The pellets created by this process are substantially higher quality than traditional white pellets and can be used at coal fired facilities without plant conversion.

• The technology proposed has not moved from the pilot plant scale (AEG operates a plant in association with the University of Utah) to an operational scale. This proposal or a similar project under development in Alberta would be the first fully operational plant in North America.
- AEG is proposing the development of a 10 metric tonne (MT) per hour steam exploded pellet production facility at the harbour front in St. Anthony. Holson Forest Products Ltd. (HFPL) would operate a sawmill at their current site and send sawmill waste to the AEG facility (although this would be only a minority of the biomass used in the facility).

- First year production would be at 54 thousand MT, moving to 70 thousand MT per year thereafter.

- The AEG team presented their proposal to the Province February 17, 2017, outlining their business plan.

- The target market will be coal-based power utilities in the northeastern United States and Europe that have not yet switched to the use of white wood pellets. No specific take-off agreements were identified and prices quoted in financial models were standard freight on board (FOB) in Rotterdam, Denmark.

- AEG is proposing to invest $21.1 million in a production facility, and harvesting and transportation equipment. The production site would create 45 full-time equivalents (FTE). Harvesting employment would also be significant (16-25 FTE).

- AEG has tentatively secured funding, but require written confirmation of intent to negotiate long-term access to fibre before the current funding window closes at the end of March 2017.

- AEG made four requests to support their proposal:
  - A letter of intent from the Province to enter into negotiations with AEG on fibre rights
    - This would lead to a long-term agreement Forest Management Agreement (FMA) for access to 140 thousand cubic metres of fibre in Forest Management Districts 17 and 18
  - A royalty rate reduction for non-sawlog biomass
  - Clarification of policy on biomass / full tree harvesting

- AEG is not seeking any direct financial assistance from the Province.
An initial $7 million loan was provided to HFPL through the Forest Industry Diversification Fund (FIDF), a $1 million grant from Natural Resources' Green Fund and a $2 million non-repayable investment from the FIDF. In addition, over a period of two years, five amending agreements to the original FIDF loan were made. As of December 2016 the loan through the FIDF stood at $7.319 million with repayment supposed to begin in fiscal 2015. With the plant in idle mode since 2012, repayment has not commenced.

Analysis:

Agreement in Principle -

The prospects for forest sector development in Forest Management Districts (FMDs) 17 and 18 without the investment by AEG are limited.

The AIP makes no reference to the debt of HFPL. The AIP only requires that AEG enter into negotiations with HFPL for the purchase of components of the existing pellet mill.

The draft AIP (see Annex A) mirrors a previous AIP extended to New Green Technologies for a development in central Newfoundland. Under this AIP template the proponent has 6 months to:

- Enter negotiations with HFPL and other local contractors
- Begin construction of facilities
- Provide a detailed business plan
- Outline business arrangements in support of the development.

With regards to the Province's commitments under the draft AIP:

- The Province has a policy supporting the expansion FMA's and expanded timber licenses. This development fits within that policy objective. Wood Supply analysis
shows that the forests of Districts 17 and 18 can support a 140 thousand cubic metre annual allowable cut.

- The province already negotiates reduced royalty rates with licensees for a number of variables around fibre quality and costs.
- The Forestry and Wildlife Branch is already actively engaged in supporting business to business relationships between AEG and forest sector stakeholders.
- Full tree harvesting maybe possible, but will require further detailed analysis and an update of the Biomass Harvesting Policy.
Annex A
DRAFT AGREEMENT IN PRINCIPLE

BETWEEN: Her Majesty in Right of Newfoundland and Labrador as represented by the Minister of Fisheries, and Land Resources

(the "Province")

AND: Active Energy Group Plc.

("AEG")

WHEREAS:


2. The discussions between the Province and AEG (the Parties) have primarily been in respect to AEG establishing a steam exploded pellet and shipping facility in the town of St. Anthony, Newfoundland and Labrador, and establishing partnerships and/or agreements with other forest industrial entities for additional fibro supply.

3. The Parties have reached an agreement on certain matters relating to these issues and need to discuss other specific matters relating thereto, and wish at this time to confirm the principles upon which they are prepared to proceed with future discussions.

NOW THEREFORE the Parties agree as follows:

1. Definitions

(a) "Crown Timber" has the same meaning as defined in the Forestry Act R.S.N.L. 1990, c F-23;

(b) "Forest Management District" has the same meaning as defined in the Forestry Act R.S.N.L. 1990, c F-23;

(c) "Forestry Act" means the Forestry Act R.S.N.L. 1990, c F-23; and

(d) "Parties" means the Province and AEG

2. Commitments
(a) Subject to the receipt of all necessary consents and approvals, including its Board of Directors, AEG agrees to the following as outlined in its proposal of February 22, 2017:

(i) immediately enter negotiations with HFPLL. to purchase relevant components of the pellet production facility at Roddickton, Newfoundland and Labrador.

(ii) immediately commence construction of a biomass production and export facility in St. Anthony, Newfoundland and Labrador, with an annual production capacity of 70 thousand metric tonnes, to be in full operation within three years;

(iii) immediately enter into discussions with the existing commercial permit holders in Forest Management Districts 17 and 18 to incorporate them into harvesting plans where feasible.

(iv) provide to the Province the details of:
   a. the ownership and management structure;
   b. engineering and technical details and costs;
   c. term sheet(s) outlining sources of financing and their terms and conditions with financial details;
   d. human resource plan for achieving 60 direct full-time jobs within five years;
   e. fibre requirements and supply sources and costs;
   f. marketing strategy for all product lines and shipping arrangements; and
   g. the forest management and harvest arrangements proposed to secure fibre supply

(v) provide agreements achieved with other forest industrial entities in Newfoundland and Labrador for the purchase, sale, or exchange of fibre.

(b) Subject to Lieutenant-Governor in Council approval as necessary, the Province will:

(i) in accordance with the Forestry Act, provide AEG with a 20-year crown timber license and forest management agreement to cut Crown timber from Forest Management Districts 17 and 18 sufficient to meet the ongoing fibre requirements up to 140,000 solid cubic metres annually. The Province may issue commercial cutting permits under the Forestry Act for a portion of the aforementioned 140,000 solid cubic metres of Crown timber until a forest management agreement between the Parties is established;
(ii) establish an appropriate royalty regime for energy wood with associated royalty reductions similar to other classes of timber identified in the Schedule to the Timber Royalty Regulations O.C. 96-260 under the Forestry Act, and

(iii) foster partnerships with existing forestry entities to assist AEG in entering into contracts necessary to fulfill AEG's requirement for fibre.

(iv) Provide a clear policy on full tree harvesting as a forest management tool in Newfoundland and Labrador

3. Status of Agreement in Principle

(a) The execution and delivery of this Agreement in Principle is not intended to and does not create legally enforceable rights or obligations among the Parties or between any of the Parties and any third party. No obligation is created upon any of the Parties to execute and deliver any subsequent binding contractual commitments or grant permissions under the Forestry Act or any other legislation. No party shall have any remedy against any other party as a result of a failure to execute and deliver any subsequent binding contractual commitments or grant permissions, to conduct negotiations towards any subsequent binding contractual commitments or grant permissions, or to perform any other provision of this Agreement in Principle.

(b) Each of the Parties acknowledges that the other party must complete extensive additional activities and analysis, including due diligence on all aspects of the proposed arrangement, and obtain all necessary approvals and consents prior to any decision being made by each party to execute and deliver any subsequent binding contractual commitments or permissions.

(c) The Parties acknowledge and agree that the sole remedy for any breach of this Agreement in Principle shall be the right to terminate this Agreement in Principle, and each hereby waives and releases any and all other actions, claims, or causes of action, in contract, tort, at equity or otherwise, for damages, equitable relief, or any other remedy that may be available to either against the other as a result of such a breach.

4. Termination

Unless the Parties otherwise agree, this Agreement in Principle will terminate upon: (i) any subsequent binding contractual commitments being entered; (ii) six months from the date of the Agreement in Principle; or (iii) mutual agreement between the Parties, whichever is earlier.

5. Governing Law and Attornment
This Agreement in Principle shall be subject to the laws of Newfoundland and Labrador and the Parties shall submit to the jurisdiction of Newfoundland and Labrador courts to the extent any adjudication is required.

6. Entire Understanding

This Agreement in Principle sets out the entire understanding of the principles agreed to and supersedes all prior understandings, discussions, proposals, representations, or other forms of communication on the issues between the Parties.

7. Counterpart Execution

This Agreement in Principle may be executed by the Parties in separate counterparts, each of which, when so executed, shall be deemed to be an original and all of which when together shall constitute one and the same Agreement in Principle. A facsimile of a counterpart executed by a party shall be acceptable evidence of the execution by that party of that counterpart and shall be effective upon that party for all purposes as if it were an original signature.

This Agreement in Principle will be effective the 29th day of November, 2017.

HER MAJESTY IN RIGHT OF
NEWFOUNDLAND AND LABRADOR

[Signature]
Minister of Fisheries and Land Resources or his or her designate

Active Energy Group Inc.

[Signature]
Name: [Redacted]
Position: C.E.O.