

Press Release

Clean Technology Development Announced in Dauphin For Hemp Processing

Parkland Bio Fibre Ltd. receives \$3 Million Contribution from Sustainable Development Technology Canada

Dauphin, MB – July 5, 2005 -- The first hemp processing plant in Manitoba is one step closer to diversifying the rural and agricultural economy in the Parkland Region, following a funding announcement made in Dauphin today. A Canadian consortium led by Parkland Bio Fibre Ltd. will receive a contribution of \$3 million, subject to final contract negotiations, from Sustainable Development Technology Canada (SDTC). This funding complements significant efforts of the provincial and municipal governments in moving this project forward.

The funding will be used to develop and demonstrate a process that will utilize raw industrial hemp fibre to produce insulation and other products while reducing agricultural waste streams. The process will utilize European technology, currently used in small-scale operations, that will be adapted and configured into a larger pilot processing facility in Dauphin.

The main value-added product will be biofibre insulation, which can be used in place of “pink” fibre glass insulation in the construction industry. Other products produced initially will be non-woven matting for use in the horticulture industry, fibre for the paper recycling industry and short fibre that makes excellent horse and pet bedding.

Products made through this initiative will eliminate the atmospheric emissions from the current practice of burning hemp plants after grain harvest and will sequester carbon for extended periods if used in long life buildings. There is currently no alternative use for this residue, other than to burn it. By introducing a more environmentally-sensitive process, the technology will help Canada achieve its greenhouse gas targets.

In addition to SDTC funding, the project will be leveraged by a contribution of \$8.1 million from private consortium partners including McMunn & Yates Building Supplies, North American Natural Fibers, Olds Agtech Industries Inc., Parkland Industrial Hemp Growers Coop, Plant Fibre Technology and UKAL (Canada) Ltd.

The project has also garnered support from the City and Rural Municipality of Dauphin, which has donated the future site of the facility, as well as the Province of Manitoba.

“This announcement comes after countless hours of effort and is truly a reflection of the dedication shown by all of our partners who believe that hemp processing has a sustainable future in Manitoba,” said Joe Federowich, President of Parkland Industrial Hemp Growers, a project partner that will supply the raw materials to the plant .

“The Parkland BioFibre project is another example of Canada’s leadership in developing innovative approaches to climate change and sustainable development,” said Reg Alcock, President of the Treasury Board, speaking on behalf of the Government of Canada. “This project will have many far-reaching benefits, such as reduced greenhouse gas emissions, increased use of renewable energy sources and a strong and diverse agricultural industry.”

Don Dewar, a farmer from the Dauphin area and well-known community leader, has been elected as President of Parkland BioFibre and is optimistic that the facility will continue to bring tangible benefits to the community.

“We expect to employ about 20 people and to become an important economic driver for our region,” says Dewar. “The expertise and commitment of our board will ensure that Parkland BioFibre has a sustainable and successful future here in the Parkland.”

“SDTC’s support for this project reflects its strong potential to reduce greenhouse gas emissions and to develop new economic opportunities in an industry worth \$550 million annually in Canada,” said Vicky J. Sharpe, President and CEO of SDTC. “Today’s announcement is further evidence of Canada’s rapidly growing capacity for green technology innovation and our nation’s momentum in building a true sustainable development infrastructure.”

“Producers across Manitoba consistently demonstrate strength in their ability to diversify and find opportunities in the face of challenges,” said Premier Gary Doer. “Producers immediately recognized an opportunity when industrial hemp was licensed by the federal government, and turned this into good news for Dauphin, the Parkland region, and for producers across Manitoba.”

About SDTC

Sustainable Development Technology Canada is a foundation created by the Government of Canada that operates a \$550 million fund to support the development and demonstration of clean technologies — solutions that address issues of climate change, clean air, and water and soil quality to deliver environmental, economic and health benefits to Canadians.

An arm’s length, not-for-profit corporation, SDTC fills the void in the innovation chain between research and commercialization — helping clean technology developers move through the development and demonstration phases, in preparation for commercialization.

SDTC encourages collaboration among private, financial, academic, public sector partners and with the Government of Canada and all levels of government to build a sustainable development infrastructure in Canada.

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PARKLAND INDUSTRIAL HEMP GROWERS COOP-PARKLAND BIOFIBRE

In 1999, Parkland Industrial Hemp Growers Coop (PIHG) was formed by a group of farmers to supply a proposed processing facility. The facility failed to materialize and the farmers were left with the yields of grain and fibre from approximately 12000 acres. The membership decided to try to market the grain collectively and research whether there would be a future for the hemp industry. This research led them to Wales and the BioComposite Centre at the University at Bangor. It was agreed that the future was in fibre production as the grain market was limited.

In 2002, P.M. Associates a Winnipeg consulting firm was engaged to prepare a business plan to build a small fibre processing facility in Dauphin to both utilize the existing fibre (some of which remains and is usable) and create a market for new fibre. This facility has been named Parkland BioFibre. The vision was created to use the Dauphin facility as a pilot, to assemble and perfect the technology and provide proof of concept, at the same time be economically sustainable. To this end letters of intent have been obtained to sell both raw fibre and hurds. The raw fibre would be used in the recycling industry and the hurds for animal bedding. The facility would have a non-woven matting machine to add value as erosion matting or horticulture mulch. This machine would also be the basis for manufacturing an insulation product similar in properties to fibreglass insulation. The major market potential is the use of fibres in biocomposites to make biomaterials for consumer products and ultimately for the automobile and aerospace industries. This would require millions of tonnes of fibre production. This pilot plant will produce 14000 tonnes of fibre annually at maximum capacity.

The Parkland Industrial Hemp Growers sought out strategic partners to bring expertise to the pilot processing plant. These are: Transfeeders Inc.(Alberta), Plant Fibre Technology (Wales), PIHG (Dauphin), North American Natural Fibers (South Carolina), Ukal Canada (Quebec) and McMunn and Yates Building Supplies (Dauphin) have recently joined the consortium.

Once the processing technology is perfected, and the fibre market defined, the technology could then be replicated across Canada in any region adaptable to industrial hemp production. The production capacity will expand, by adding facilities at different locations, as the fibre market grows. It is hoped to use local investment to build these facilities, and allow the local region to benefit from the wealth generated by the economic activity and profits associated with the industry.

This is the first for Canada and North America, hence the risk is high. The business plan includes financing from both the Federal and Provincial governments of \$6million of the total cost of \$24.4million. The balance would be debt financing and private capital. Parkland BioFibre is developing a prospectus to raise the private capital.