

CIBC Forest Products Tour



Canfor Southern Pine, Camden Sawmill

October 9, 2013

Agenda



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|--|---|
| 1. Welcome and Introductions | Pat Elliott (Vice President and Treasurer) |
| 2. Corporate Overview and Market Outlook | Pat Elliott |
| 3. Canfor Southern Pine Overview | Doug Warstler (President, Canfor Southern Pine) |
| 4. Canfor Southern Pine Fiber | Dave Dodge (Vice President, CSP Procurement) |
| 5. Canfor Southern Pine Operations | Keith McGregor (Vice President, CSP Operations) |
| 6. Camden Sawmill | Marc Mendenhall (General Manager, Camden Plant) |
| 7. Questions | |



Corporate Overview and Market Outlook

Pat Elliott

NORTH AMERICAN ROOTS WITH A GLOBAL VISION

Who We Are

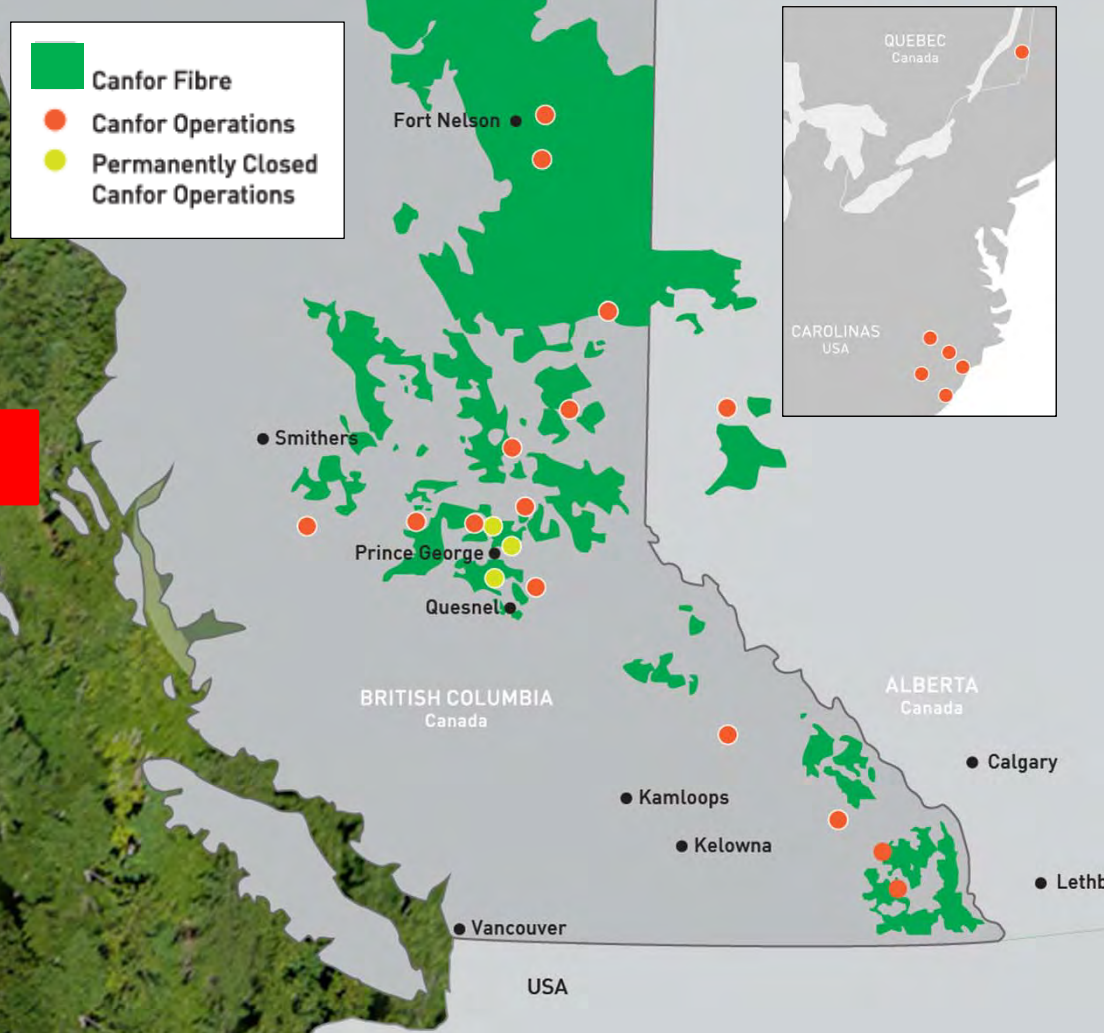
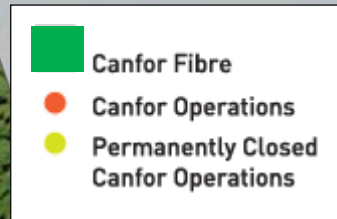
- 2nd largest global producer of softwood lumber
- 50.2% owner of Canfor Pulp Products Inc.
- Builder of market demand in the world's fastest-growing economies
- Company with a strong reputation for quality, customer service and excellence in logistics support
- Supplier of products the world wants – smart green solutions
- Top performer, anchored by an exceptional balance sheet



VERSATILE, ADAPTABLE AND GREEN

Operations and Fibre

- Strong, sustainable fibre supply
- Fibre base supports our customer focused strategy
- Well capitalized mills in regions minimally impacted by mountain pine beetle, and US South
- Acquisition of Tembec tenure strengthens fibre security (75% of all Canfor fibre from committed tenure)



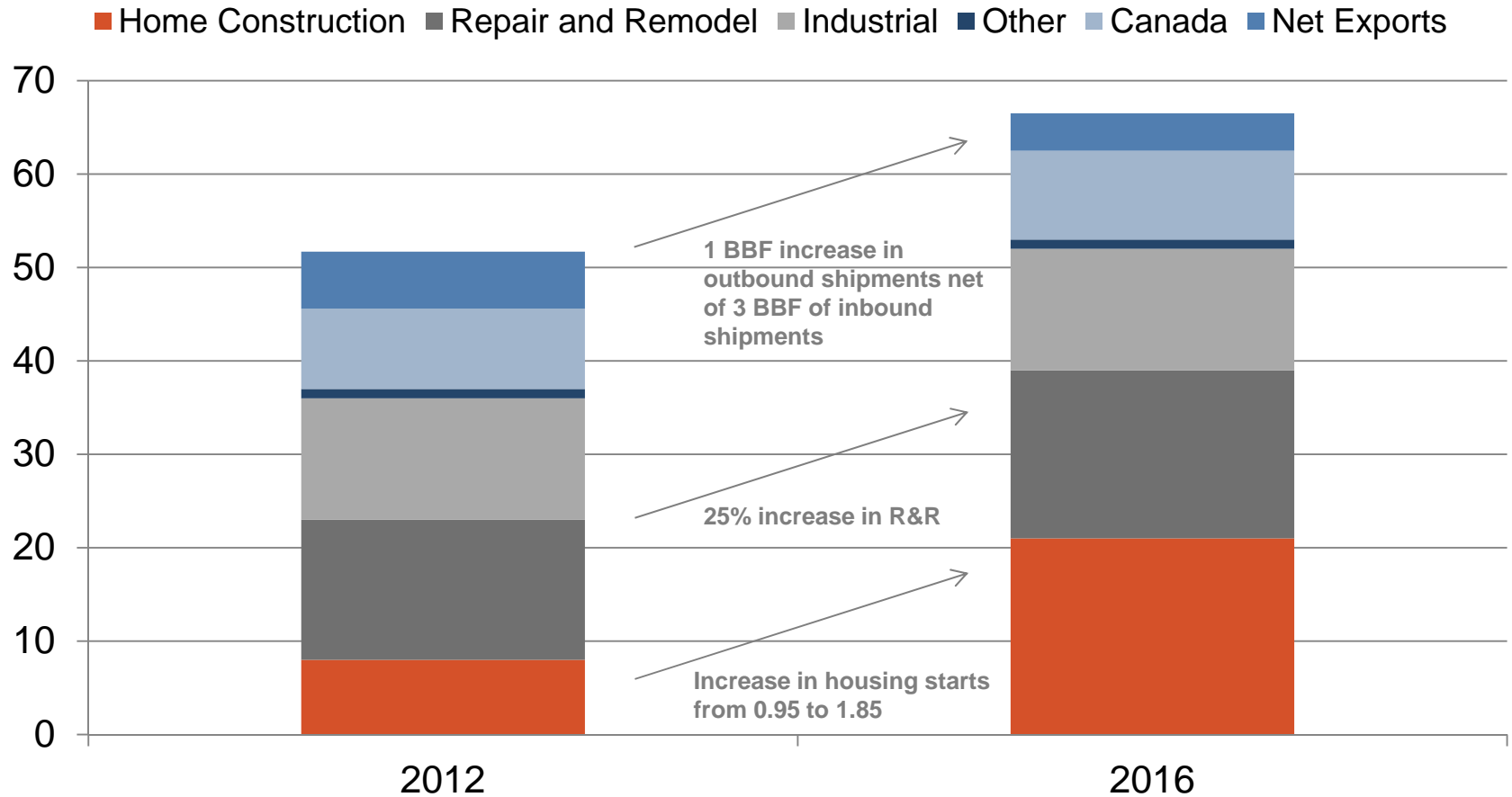
Sales Regions



Canfor is aggressively building demand in the world's fastest growing economies, while maintaining our commitment to our valued customers.

- **North America:** US market continues to be our largest, representing 45% of SPF sales, 95% of SYP sales; Market demand and pricing are improving; Canada is a strong, steady market for 15-20% of our SPF production.
- **China:** Continued growth in market volume and increased demand for higher value products, driven by a strong remanufacturing segment and steady demand from housing construction supporting significant urbanization.
- **Japan:** Mature, high value market with strong cultural tradition of wood construction that Canfor has served for more than 30 years.

Demand on North American Mills (BBF)

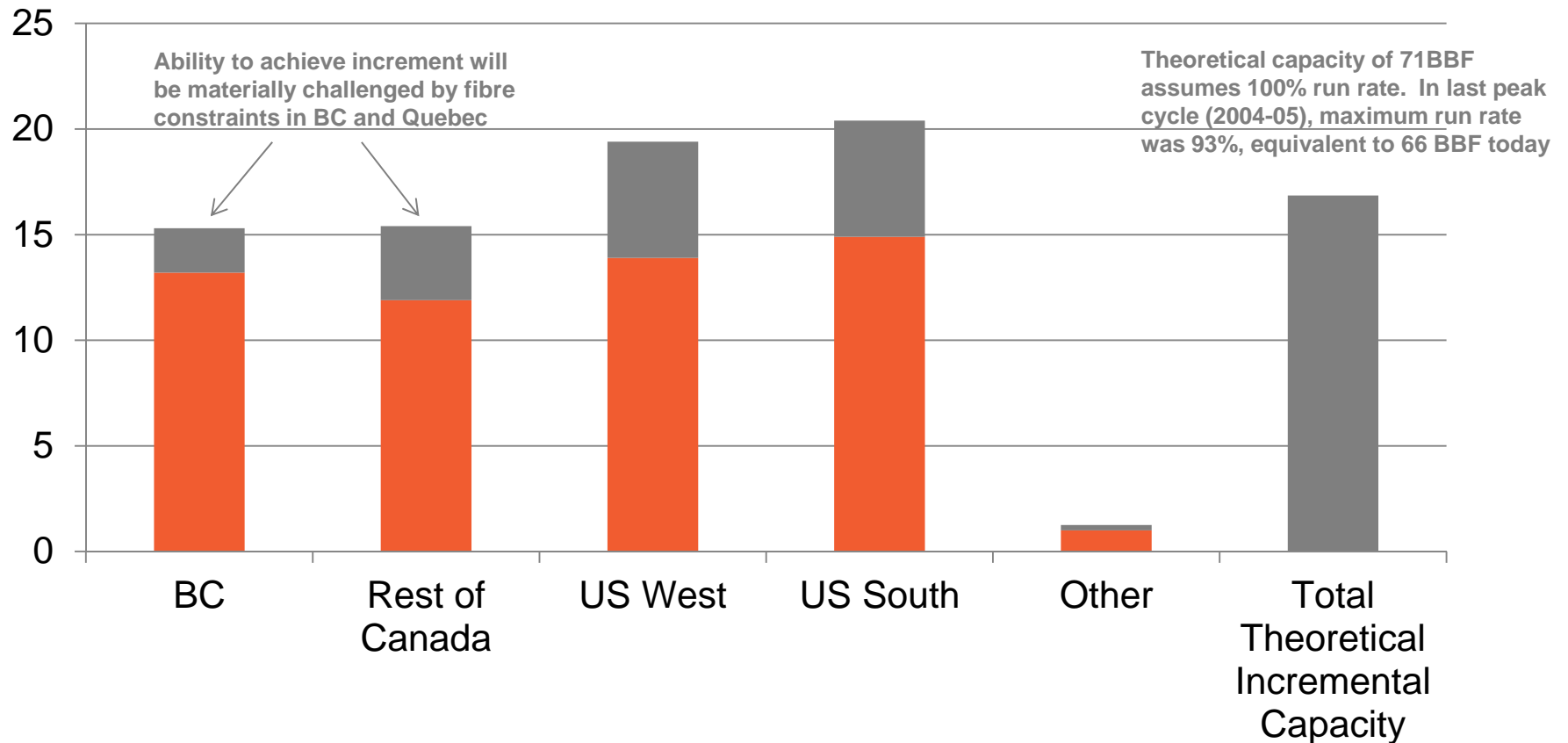


Source: FEA

North American Production Growth Potential

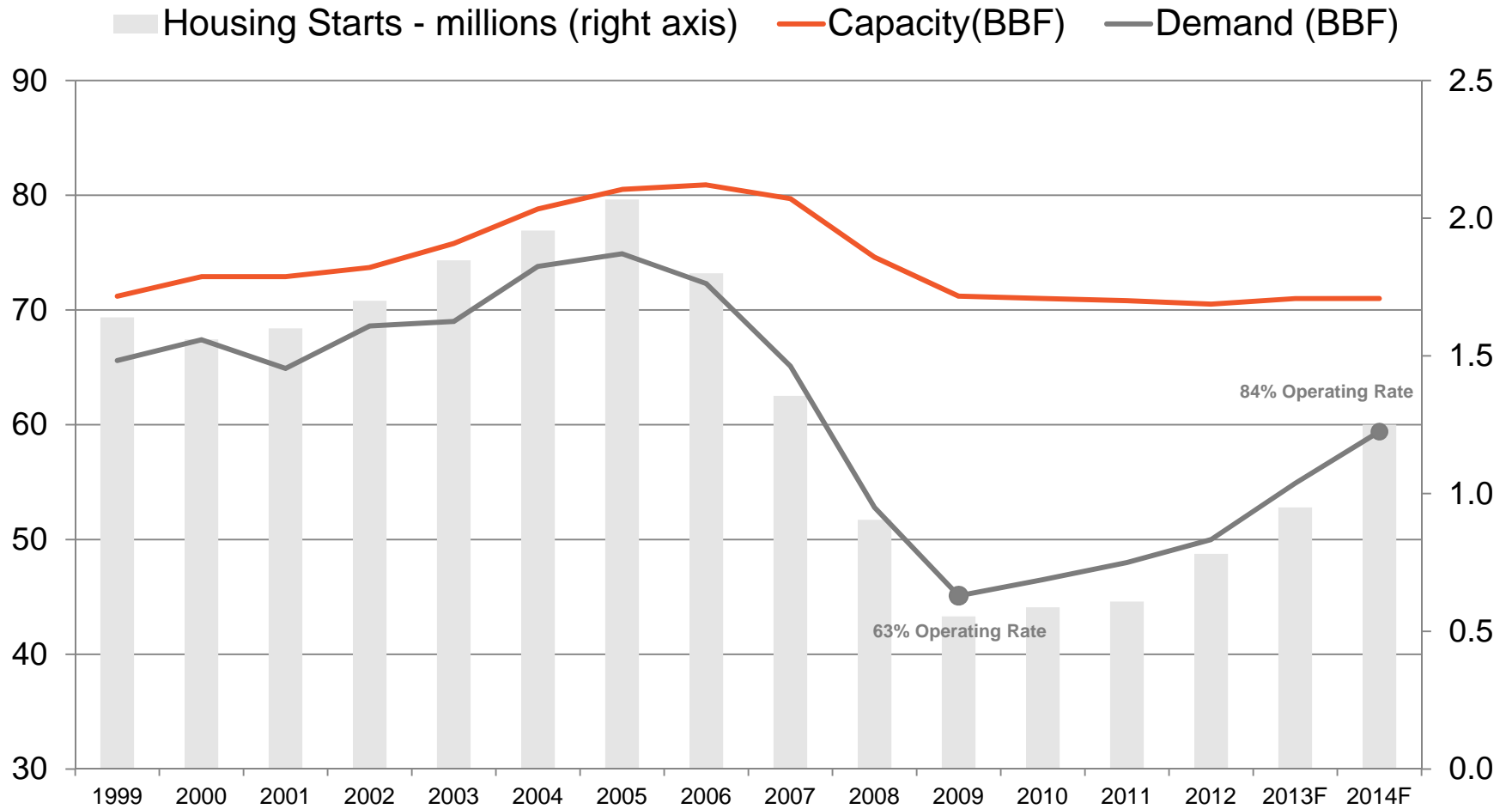


■ 2013 Forecast Production (BBF) ■ Theoretical Incremental Capacity (BBF)



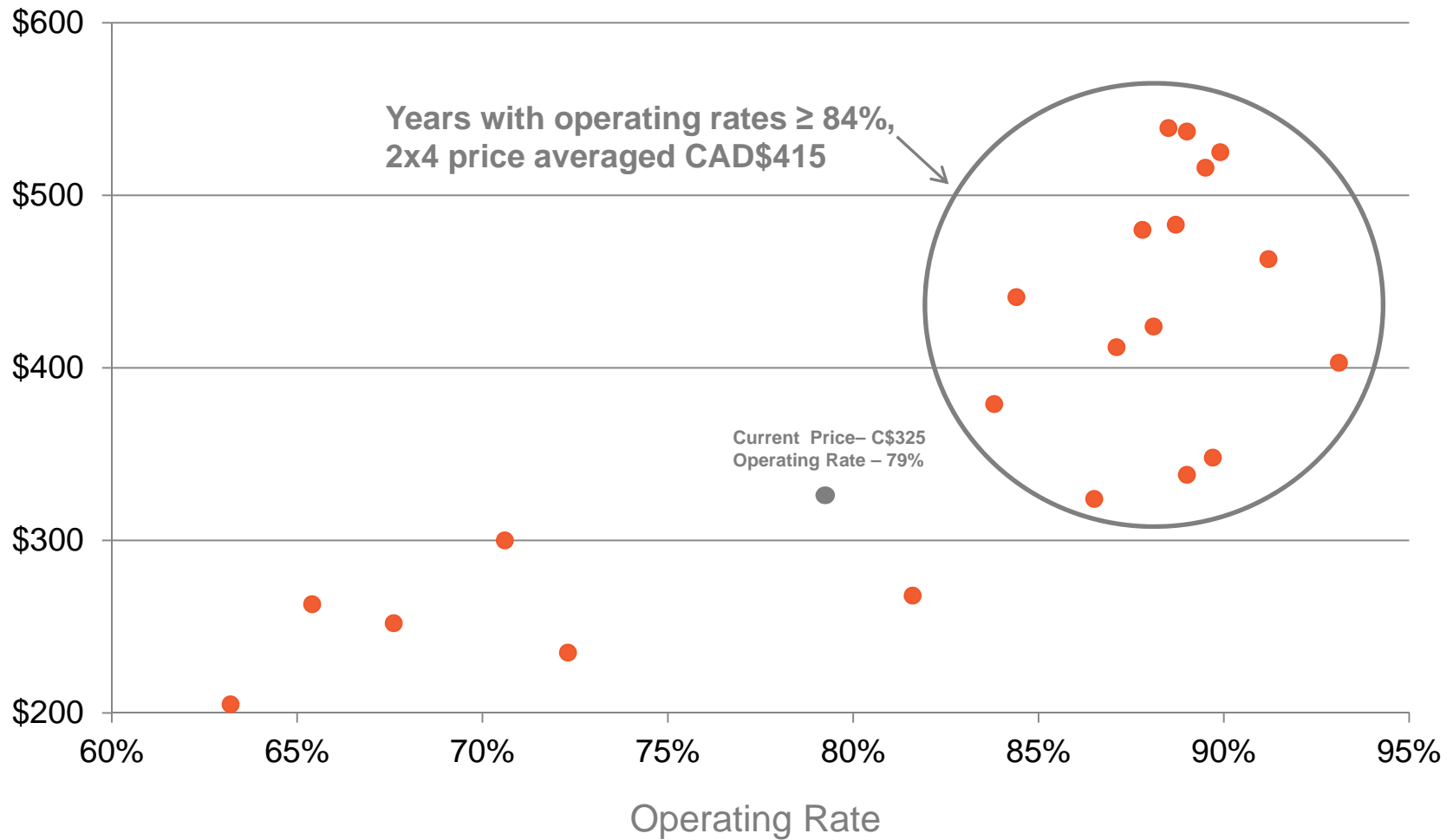
Source: FEA

North American Capacity and Demand



Source: FEA, US Census, Company Data

CAD Price/Operating Rate (1992-2012)



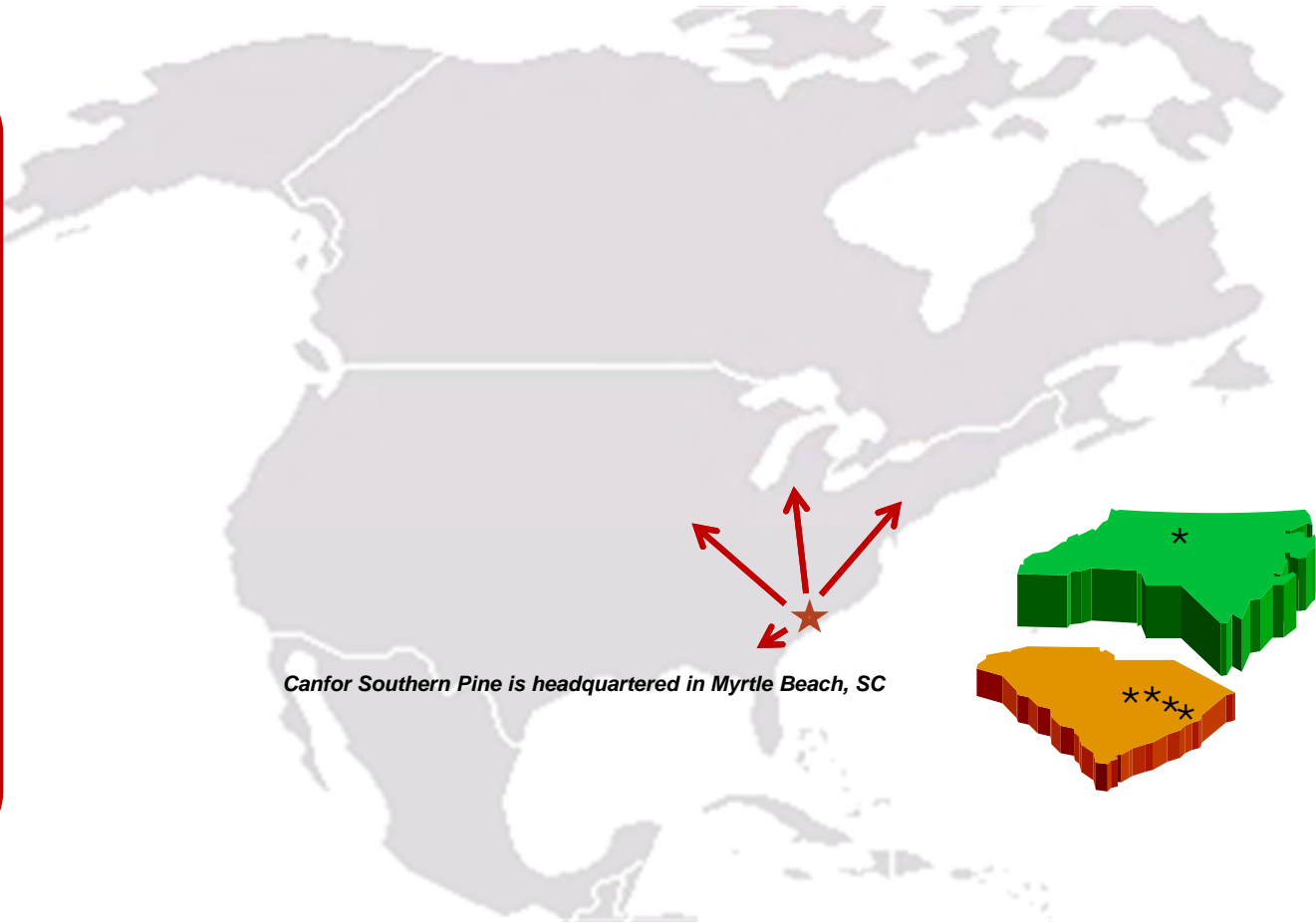
Source: Company Data



Canfor Southern Pine Overview

Doug Warstler

Canfor Southern Pine – Building a Company



1957

The Wall, Sledge, Singleton, and Campbell families built a sawmill in **Conway, SC**

1983

New South built a new, modern sawmill in **Camden, SC**

1988

The company developed a trucking company under the name **New South Express**

1992

A molding and finger-joint stud facility was constructed in **Marion, SC**

1999

New South acquired a third sawmill in **Graham, NC**

2006

Canfor acquired New South, and the company was later rebranded as **Canfor Southern Pine**

2007

A fourth sawmill was acquired in **Darlington, SC**

2013

The company entered into a step acquisition agreement to purchase **Scotch & Gulf Lumber** in Alabama

Over the years, treating facilities were incorporated into the Conway and Camden mills

Canfor Southern Pine Product Segments



Value Add



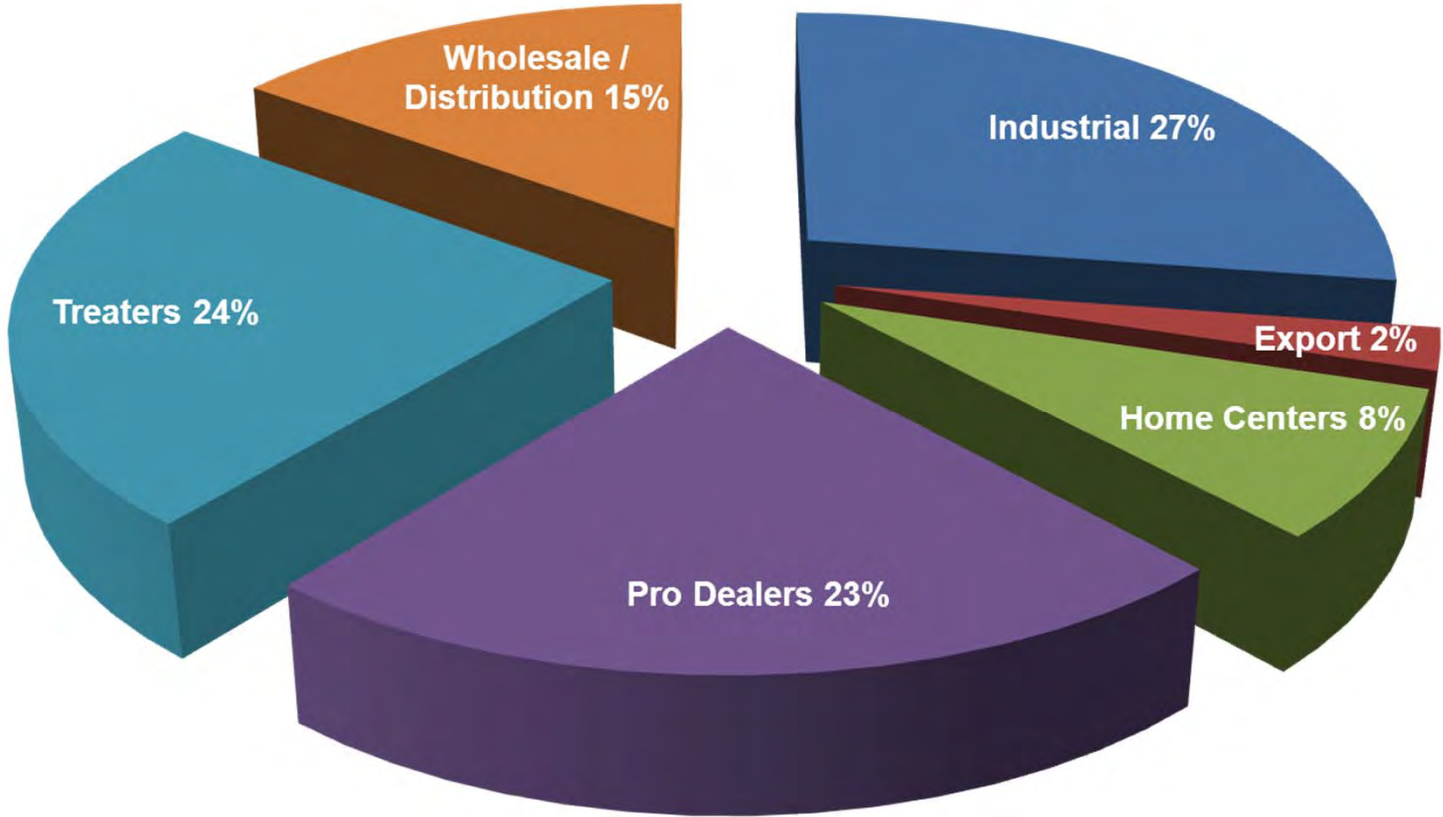
Construction



Industrial

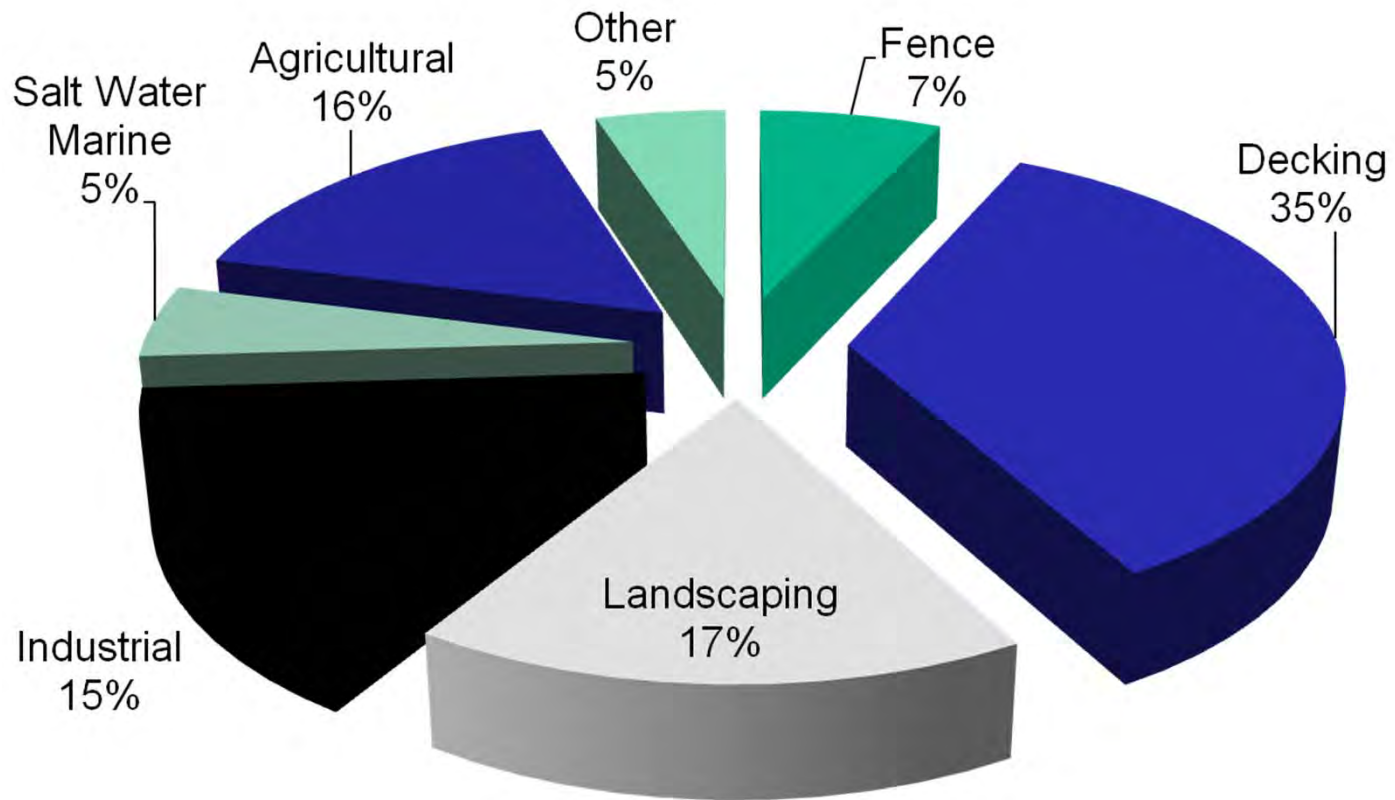
- **SYP Value Add Lumber**
 - Clear
 - MSR/DSS
 - DI-65
 - #1
 - 5/4x6 Premium & Std
 - #2 Prime
- **SYP Construction Lumber**
 - #2
 - Finger Joint #2 and Stud
- **SYP Industrial Lumber**
 - #3
 - #4
 - 6' trim #2, #4/Btr
 - 4' & 2' block

Canfor Southern Pine Customer Channels



Source: Company Data

US Treated Lumber Market by End Use



Source: Osmose, Inc.

Expanding Southern Pine into Export Markets



Clear Face
Thailand
China
Malaysia
Middle East

DSS
Thailand
China
Malaysia
India

2 Prime
India
Korea
Thailand

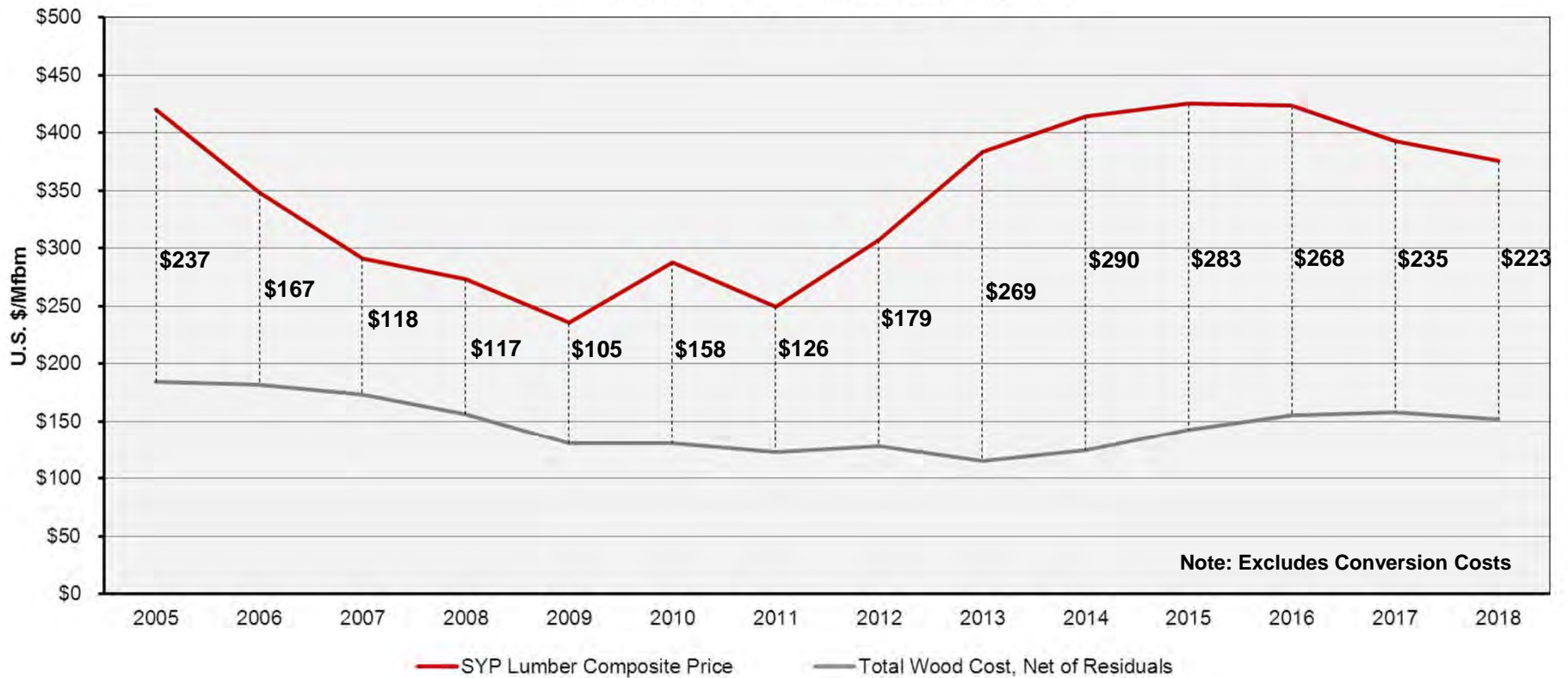
#2
India
Korea
Middle East

3
India

SYP Margin Trends 2005 - 2018



RISI Fiber Margin Trend
Southern Pine Lumber Price & Wood Cost Comparison



Source: Random Lengths Publications

Scotch Gulf Acquisition



Mobile, AL
Fulton, AL
Jackson, AL

- ❑ Entered into a three-year step acquisition plan with Scotch & Gulf Lumber LLC in August 2013
- ❑ All facilities located in Alabama
 - Three sawmills
 - One treating facility
- ❑ Strong management team
- ❑ Largest lumber manufacturer in the state of Alabama
- ❑ Heavily weighted value add product mix
 - Long history of producing MSR
- ❑ Broad customer base
- ❑ Close proximity to deep-water port

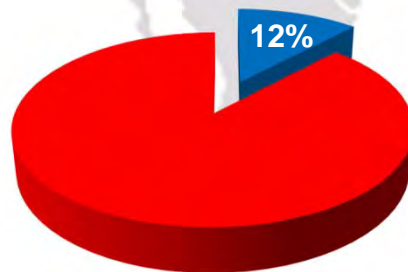
Canfor Southern Pine – Building Market Share



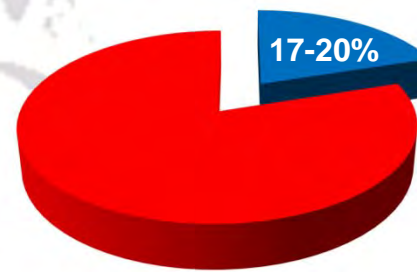
Top 5 U.S. SYP Producers

	2013	2016 Projected
1	Weyerhaeuser	Weyerhaeuser
2	Georgia-Pacific	Georgia-Pacific
3	West Fraser	West Fraser
4	Gilman	Canfor Southern Pine
5	Canfor Southern Pine	Gilman

Total Canfor Production



2012 Southern Pine Production
450 MMfbm



2016 Southern Pine Production
1,000 MMfbm



Canfor Southern Pine Fiber

Dave Dodge

Southern Pine Landscape



80-90% privately owned

- Family or individual landowners - 60%
- Corporate owners - 40%
 - TIMO, REIT

10-20% public ownership

- State and federal forests

Southern Pine Forest

- 50% plantation
 - Primarily grown for commercial timber production
 - Increasingly large component of our fiber supply
- 50% natural growth
 - Slower growth
 - Generally produce higher value lumber



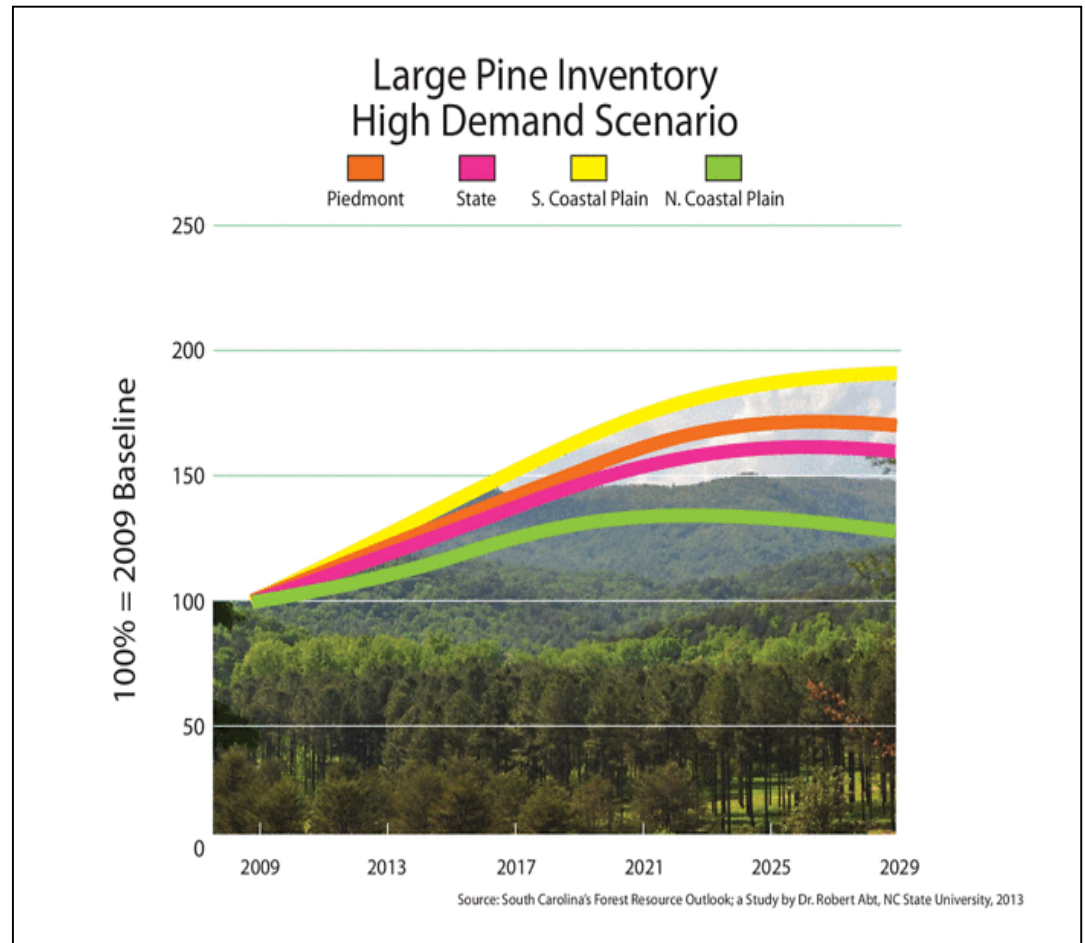


Excess sawtimber volume and growth

- Growth to Drain
 - 1.1 - 1.5 in all Canfor Regions

15 year projections

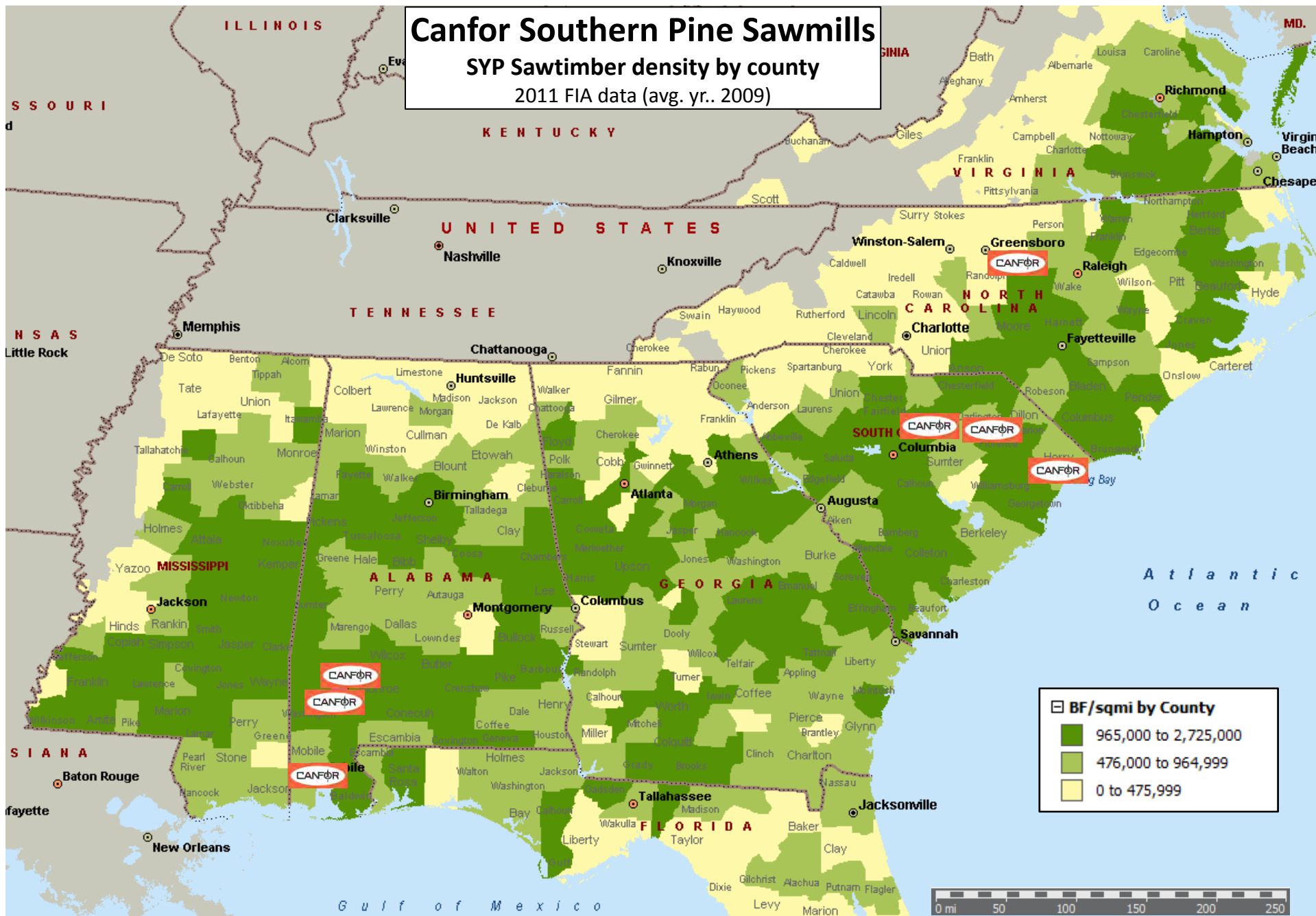
- Continued positive growth



Canfor Southern Pine Sawmills

SYP Sawtimber density by county

2011 FIA data (avg. yr. 2009)

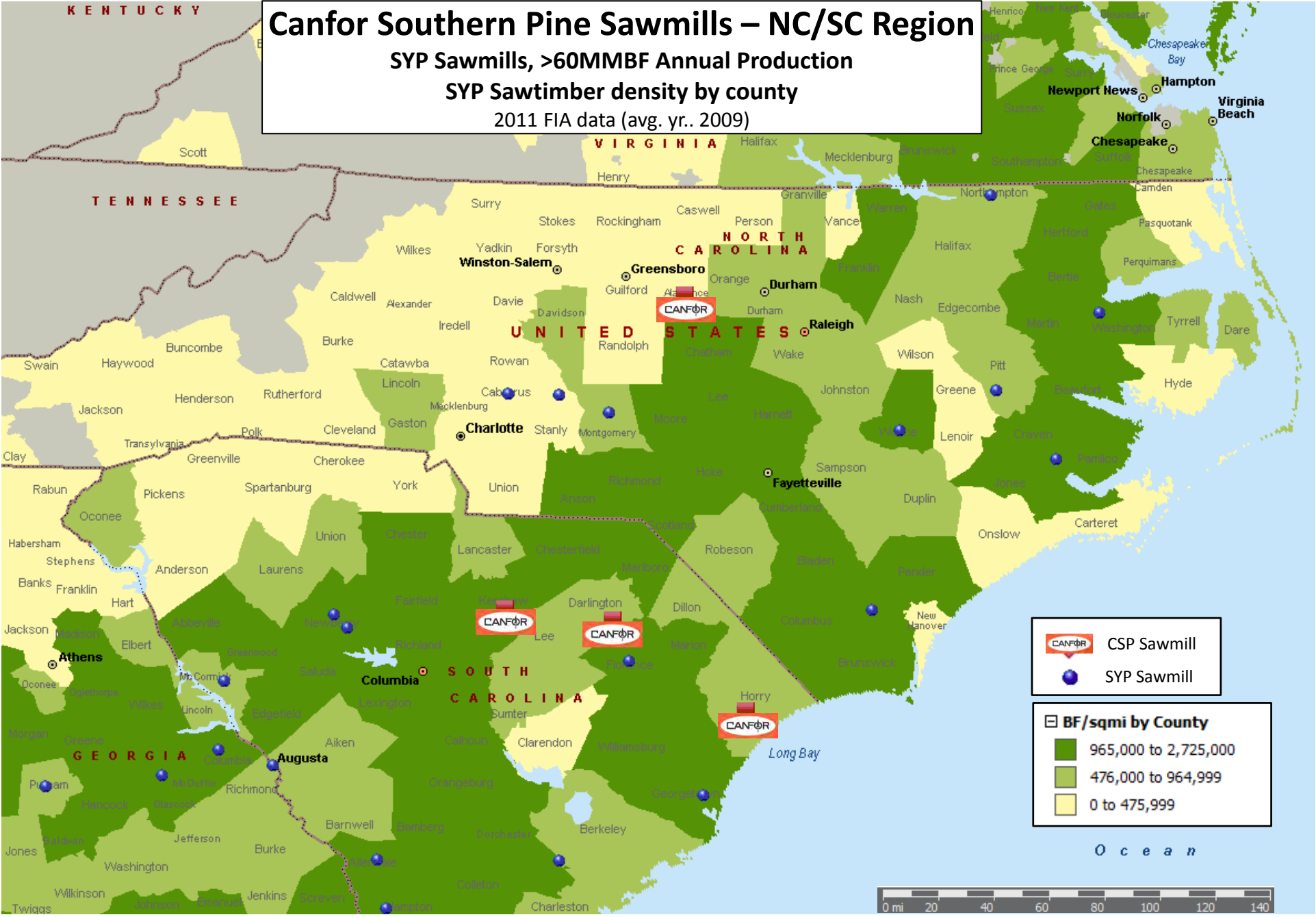


Canfor Southern Pine Sawmills – NC/SC Region

SYP Sawmills, >60MMBF Annual Production

SYP Sawtimber density by county

2011 FIA data (avg. yr.. 2009)

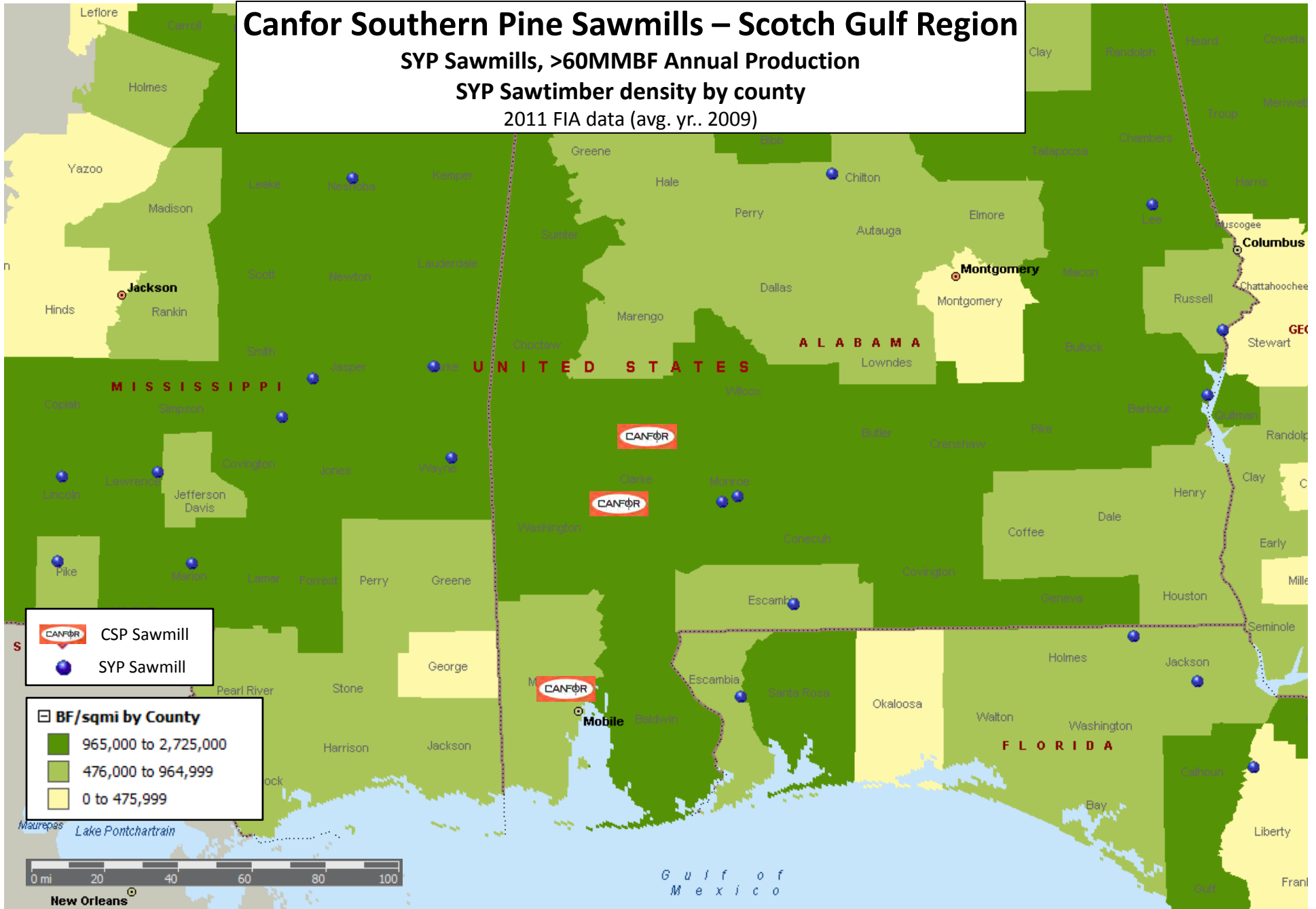


Canfor Southern Pine Sawmills – Scotch Gulf Region

SYP Sawmills, >60MMBF Annual Production

SYP Sawtimber density by county

2011 FIA data (avg. yr. 2009)





Quality Logs = Quality Lumber



- Currently have two Log Quality Foresters on staff
- Inspect every load for quality at scales
- Randomly select loads for more detailed inspection
- Results communicated immediately to the harvesting contractor
 - Log Quality Forester available for training and follow-up

Sustainable Forestry Initiative (SFI)



SFI involves the practice of sound land stewardship to meet the needs of the present without compromising the ability of future generations to meet their own needs.



- Canfor Southern Pine is a certified participant in the SFI program at all our mills
- 20% of our logs originate from certified forests
- As a participant in the SFI program we:
 - Utilize SFI trained harvesting contractors
 - Monitor their BMP compliance
 - Promote reforestation
 - Abide by all local, state, and federal laws
 - Participate in the education of responsible forest management and the promotion of our forest products industry
 - Undergo a third-party audit each year to ensure compliance to the SFI Standard
- SFI vs. FSC



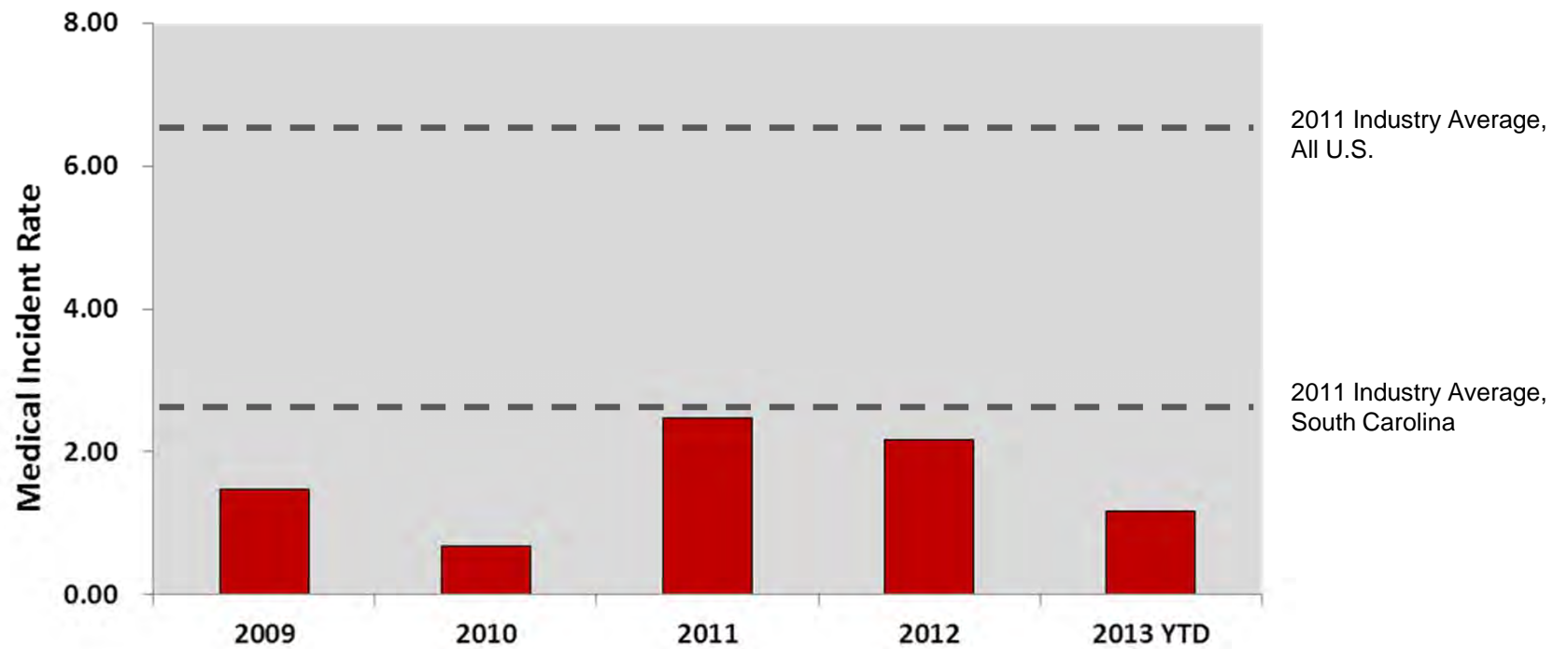
Canfor Southern Pine Operations

Keith McGregor

Safety Comes First at Canfor



Canfor Southern Pine takes pride in being an industry leader in safety



Source: Company Data and U.S. Bureau of Labor Statistics



Over \$60 million invested in CSP operations since Canfor acquisition in 2006

Recent major capital expenditures include:

- 2010/2011 – Planermill GradExpert Optimizers at all mills
- 2011/2012 – Conway Edger and Residue System Project
- 2011/2012 – Marion Fingerjoint Line
- 2012 – A-Grader MSR Systems at all mills

Canfor Southern Pine Capital Program



Current major capital expenditures include:

- 2012/2013 Conway Continuous Dry Kiln
 - New 210' USNR Kiln
 - Start-up as steam-fired
 - Convert to direct-fired in 2014

- 2013 Darlington Two-Shift Expansion / Upgrade
 - New 170' USNR Direct-fired Continuous Dry Kiln
 - Sawmill modifications to gang infeed/outfeed
 - New Chip Bin
 - New Crane
 - Fire Protection System



Canfor Southern Pine Reman Facility



Marion, SC

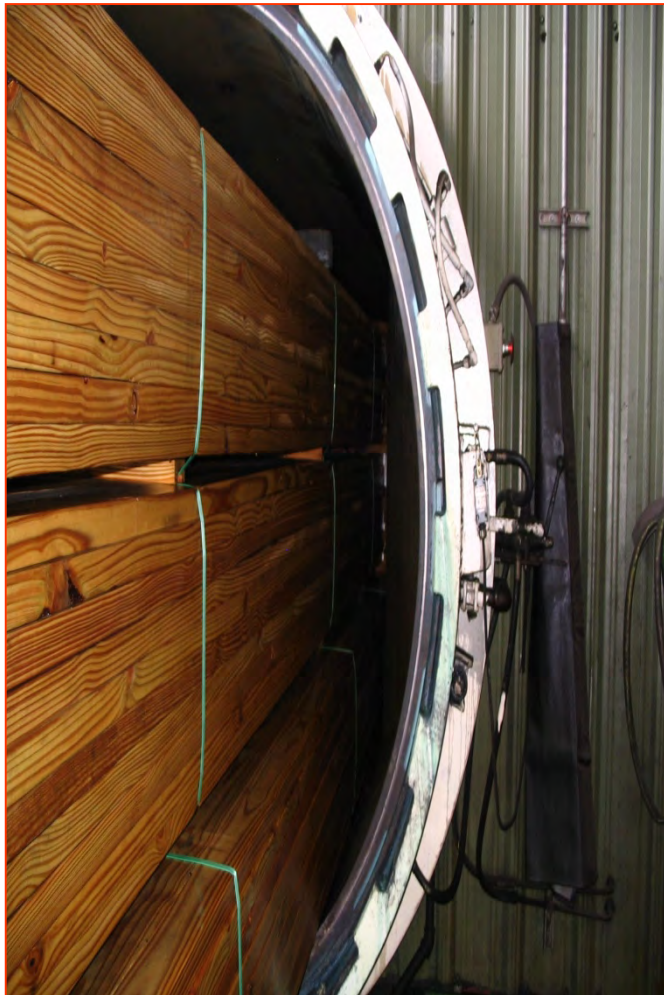


- 2x4 F/J #2 & stud
- 2x6 F/J #2 & stud



- Finger Joint SYP
 - Heat Rated Adhesive
 - Vertical Use Only
- Primed 1" S4S Fascia
 - 1x4 to 1x12 #2 Euro Spruce
 - All 16' lengths
- T & G Decking W-SPF
 - 2x6-12' & 16' Premium





- Camden, SC and Conway, SC
- 160 MMfbm Capacity
- GatorGuard MCA
 - *MicroPro by Osmose*
 - *SCS Certified EPP (environmental preferable product)*
 - *NAHB Green Approved*
 - *Building Code Compliant ICC ESR-2240*
- Delivered by New South Express

New South Express



■ Primary Functions

- *CSP outbound finished lumber*
- *By-product hauling for CSP mills*
- *Inbound freight to treating plants*
- *Backhauls – for hire*

■ Fleet Details

- *47 Power units (25 sleepers/ 22 day cabs)*
- *65 Drivers*
- *6 Salaried staff (144 years combined with CSP)*
- *58 Flatbed trailers*
- *81 Open-top dry van trailers*

■ Licensed Operating Region

- *Carolinas, Virginia & Georgia*
- *2013 est. fleet miles – 6.5 million*

■ Safety and Technology

- *NPTC Safety Award 2008 & 2009*
- *S.C. Trucking Association Safety Award '07-'10, '12*
- *Canfor President's Safety Award 2010 & 2012*
- *GPS units in all trucks*
- *Electronic drivers' log book*



Questions?