News Release

Canfor Pulp Products Inc.

FOR IMMEDIATE RELEASE

CANFOR PULP PRODUCTS INC. ANNOUNCES FIRST QUARTER 2014 RESULTS AND QUARTERLY DIVIDEND

April 29, 2014 - Vancouver, B.C. - Canfor Pulp Products Inc. ("CPPI") (TSX: CFX) today reported net income of $25.7 million, or $0.36 per share, for the first quarter of 2014, compared to $14.2 million, or $0.20 per share, for the fourth quarter of 2013 and $10.9 million, or $0.15 per share, for the first quarter of 2013.

The following table summarizes selected financial information for the Company for the comparative periods:

(millions of Canadian dollars, except per share amounts)	Q1 2014	Q4 2013	Q1 2013
Sales	**$ 226.4**	$ 245.6	$ 217.5
Operating income	**$ 36.4**	$ 24.0	$ 19.0
Net income	**$ 25.7**	$ 14.2	$ 10.9
Net income per share, basic and diluted	**$ 0.36**	$ 0.20	$ 0.15
Adjusted net income	**$ 26.7**	$ 17.3	$ 12.4
Adjust net income per share, basic and diluted	**$ 0.37**	$ 0.24	$ 0.17

After adjusting for items affecting comparability with the prior periods, the Company's adjusted net income for the first quarter of 2014 was $26.7 million, or $0.37 per share, compared to an adjusted net income of $17.3 million, or $0.24 per share, for the fourth quarter of 2013. CPPI's adjusted net income for the first quarter of 2013 was $12.4 million, or $0.17 per share.

The Company reported operating income of $36.4 million for the first quarter of 2014, an increase of $12.4 million from operating income of $24.0 million for the fourth quarter of 2013, with the Company's pulp segment contributing $10.9 million of the improvement. The increase largely reflected gains in Northern Bleached Softwood Kraft ("NBSK") pulp sales realizations, which more than offset the impact of reduced shipments resulting from abnormally severe winter weather which limited railcar supply to Western Canada, and a 28-day truckers' strike at Canada's largest port in Vancouver, British Columbia.

Global softwood pulp markets showed a modest improvement in all major regions in the first quarter of 2014, while global softwood pulp producer inventory levels remained balanced over the period, increasing 1 day from the end of December 2013, to 28 days' supply in March 2014 (market conditions are generally considered balanced when inventories are in the 27-30 days of supply range). Average NBSK pulp list prices saw solid gains in all regions during the first quarter of 2014, with the North American NBSK pulp list price increasing US$34, or 3%, from the previous quarter to US$1,017 per tonne (the highest level in almost three years), while list prices to China and Europe saw gains of 2%. Current quarter pulp sales realizations were also buoyed by the weaker Canadian dollar and proportionately higher shipments to the higher-margin U.S. market.

Pulp shipments were down 51,000 tonnes, or 19%, from the prior quarter, largely reflecting the transportation challenges experienced in the quarter. Pulp production levels were up 5% from the previous quarter, mainly as a result of an improvement in operating rates as the quarter progressed and a scheduled maintenance outage at the Prince George Pulp Mill in the previous quarter. Pulp unit manufacturing costs were up slightly compared to the previous quarter, with the favourable impact of increased production more than offset by higher market prices for sawmill residual chips and higher energy costs, the latter reflecting both seasonally higher consumption as well as natural gas price increases.

The Company's paper segment results showed a modest improvement from the previous quarter, with improved unit sales realizations, due principally to the weaker Canadian dollar, offset in part by higher unit manufacturing costs. Unit manufacturing costs were up moderately as a result of increased costs for slush pulp, reflecting higher market pulp prices, mitigated somewhat by higher productivity and lower unit operating costs.

Commenting on the first quarter's results, CPPI's Chief Executive Officer, Don Kayne, said, "Our earnings benefitted from better-than-anticipated global softwood pulp markets, as well as improved operating rates at our facilities. Our energy business was boosted with the start-up of our upgraded turbines at the Northwood Pulp Mill."

NBSK pulp markets are projected to face challenges by the middle of the year, with the annual spring maintenance downtime providing some supply side relief in the second quarter of 2014. For the month of April 2014, the Company announced NBSK pulp list prices of US$1,030 per tonne in North America, unchanged from March 2014, and list prices to China and Europe also remained unchanged. A risk of price weakness remains due in part to the significant new hardwood pulp capacity forecast to come online through 2014. The Company anticipates that it will clear its transportation-related backlog of finished inventories by early in the third quarter of 2014. Maintenance outages are planned at the Intercontinental and Prince George Mills in the second quarter of 2014 with a projected 15,000 tonnes of reduced production.

On April 29, 2014, the Board of Directors declared a quarterly dividend of $0.0625 per share, a 25% increase from the previous quarter, with a declaration date of April 29, 2014, payable on May 20, 2014, to the shareholders of record on May 12, 2014.

Additional Information and Conference Call

A conference call to discuss the first quarter's financial and operating results will be held on Thursday, May 1, 2014 at 8:00 AM Pacific time. To participate in the call, please dial 416-340-9534 or Toll-Free 800-952-6845. For instant replay access until May 15, 2014, please dial 800-408-3053 and enter participant pass code 6959461#. The conference call will be webcast live and will be available at www.canforpulp.com. This news release, the attached financial statements and a presentation used during the conference call can be accessed via the Company's website at http://www.canforpulp.com/investors/webcasts.

Forward Looking Statements

Certain statements in this press release constitute "forward-looking statements" which involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Words such as "expects", "anticipates", "projects", "intends", "plans", "will", "believes", "seeks", "estimates", "should", "may", "could", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and actual events or results may differ materially. There are many factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements. Forward-looking statements are based on current expectations and the Company assumes no obligation to update such information to reflect later events or developments, except as required by law.

CPPI is a leading global supplier of pulp and paper products with operations in the central interior of British Columbia ("BC") employing approximately 1,200 people throughout the organization. Canfor Pulp owns and operates three mills in Prince George, BC with a total capacity of 1.1 million tonnes of Premium Reinforcing Northern Bleached Softwood Kraft Pulp. Canfor Pulp is the largest North American and one of the largest global producers of market NBSK Pulp. Canfor Pulp also markets 210,000 tonnes of bleached chemi-thermo mechanical pulp ("BCTMP") from the Canfor Taylor BCTMP Mill. CPPI shares are traded on the Toronto Stock Exchange under the symbol CFX.

Media Contact:
Christine Kennedy
Canfor's Vice President, Public Affairs &
Corporate Communications
(604) 661-5225
Christine.Kennedy@canfor.com

Investor Contact:
Pat Elliott
Canfor's Vice President & Treasurer
(604) 661-5441
Patrick.Elliott@canfor.com

Rick Remesch
Corporate Controller
(604) 661-5221
Rick.Remesch@canforpulp.com

Canfor Pulp Products Inc.
First Quarter 2014
Management's Discussion and Analysis

This interim Management's Discussion and Analysis ("MD&A") provides a review of Canfor Pulp Products Inc.'s ("CPPI" or "the Company") financial performance for the quarter ended March 31, 2014 relative to the quarters ended December 31, 2013 and March 31, 2013, and the financial position of the Company at March 31, 2014. It should be read in conjunction with CPPI's unaudited interim consolidated financial statements and accompanying notes for the quarters ended March 31, 2014 and 2013, as well as the 2013 annual MD&A and the 2013 audited consolidated financial statements and notes thereto, which are included in CPPI's Annual Report for the year ended December 31, 2013 (available at www.canforpulp.com). The financial information in this interim MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises.

Throughout this discussion, reference is made to Operating Income before Amortization which CPPI considers to be a relevant indicator for measuring trends in the Company's performance and its ability to generate funds to meet its debt service and capital expenditure requirements, and to pay dividends. Reference is also made to Adjusted Net Income (Loss) (calculated as Net Income (Loss) less specific items affecting comparability with prior periods – for the full calculation, see reconciliation included in the section "Analysis of Specific Material Items Affecting Comparability of Net Income (Loss)") and Adjusted Net Income (Loss) per Share (calculated as Adjusted Net Income (Loss) divided by weighted average number of shares outstanding during the period). Operating Income before Amortization, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share are not a generally accepted earnings measures and should not be considered as an alternative to net income or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, CPPI's Operating Income before Amortization, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share may not be directly comparable with similarly titled measures used by other companies. Reconciliations of Operating Income before Amortization to Operating Income (Loss) and Adjusted Net Income (Loss) to Net Income (Loss) reported in accordance with IFRS are included in this MD&A.

Factors that could impact future operations are also discussed. These factors may be influenced by both known and unknown risks and uncertainties that could cause the actual results to be materially different from those stated in this discussion. Factors that could have a material impact on any future oriented statements made herein include, but are not limited to: general economic, market and business conditions; product selling prices; raw material and operating costs; currency exchange rates; interest rates; changes in law and public policy; the outcome of labour and trade disputes; and opportunities available to or pursued by CPPI.

All financial references are in millions of Canadian dollars unless otherwise noted. The information in this report is as at April 29, 2014.

Forward Looking Statements

Certain statements in this MD&A constitute "forward-looking statements" which involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Words such as "expects", "anticipates", "projects", "intends", "plans", "will", "believes", "seeks", "estimates", "should", "may", "could", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and actual events or results may differ materially. There are many factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements. Forward-looking statements are based on current expectations and the Company assumes no obligation to update such information to reflect later events or developments, except as required by law.

FIRST QUARTER 2014 OVERVIEW

Selected Financial Information and Statistics

(millions of Canadian dollars, except per share amounts)	Q1 2014	Q4 2013	Q1 2013
Operating income (loss) by segment:			
Pulp	**$ 35.0**	$ 24.1	$ 15.4
Paper	**$ 4.5**	$ 3.8	$ 5.9
Unallocated	**$ (3.1)**	$ (3.9)	$ (2.3)
Total operating income	**$ 36.4**	$ 24.0	$ 19.0
Add: Amortization	**$ 16.0**	$ 15.5	$ 18.9
Total operating income before amortization	**$ 52.4**	$ 39.5	$ 37.9
Add (deduct):			
Working capital movements	**$ (19.9)**	$ 27.9	$ (7.2)
Defined benefit pension plan contributions	**$ (2.5)**	$ (2.5)	$ (2.8)
Other operating cash flows, net	**$ (6.1)**	$ 4.2	$ 0.4
Cash from operating activities	**$ 23.9**	$ 69.1	$ 28.3
Add (deduct):			
Proceeds from issuance of long-term debt	**$ -**	$ 50.0	$ -
Repayment of long-term debt	**$ -**	$ (116.6)	$ -
Dividends paid	**$ (3.5)**	$ (3.5)	$ (3.6)
Finance expenses paid	**$ (0.8)**	$ (4.9)	$ (0.2)
Capital additions, net[1]	**$ (10.0)**	$ (19.9)	$ (6.9)
Other, net	**$ -**	$ -	$ 0.1
Change in cash / operating loans	**$ 9.6**	$ (25.8)	$ 17.7
Quarterly ROIC – Consolidated[2]	**5.8%**	4.0%	3.0%
Average exchange rate (US$ per C$1.00)[3]	**$ 0.906**	$ 0.953	$ 0.991

[1] Additions to property, plant and equipment are shown net of amounts received under Government funding initiatives.
[2] Consolidated Return on Invested Capital ("ROIC") is equal to operating income, plus realized gains/losses on derivatives and other income/expense, divided by the average invested capital during the period. Invested capital is equal to capital assets, plus long-term investments and net non-cash working capital.
[3] Source – Bank of Canada (average noon rate for the period).

Analysis of Specific Material Items Affecting Comparability of Net Income

After-tax impact, net of non-controlling interests (millions of Canadian dollars, except per share amounts)	Q1 2014	Q4 2013	Q1 2013
Net income, as reported	**$ 25.7**	$ 14.2	$ 10.9
(Gain) loss on derivative financial instruments	**$ 1.0**	$ 0.1	$ (0.5)
Foreign exchange loss on long-term debt	**$ -**	$ 3.0	$ 2.0
Net impact of above items	**$ 1.0**	$ 3.1	$ 1.5
Adjusted net income	**$ 26.7**	$ 17.3	$ 12.4
Net income per share (EPS), as reported	**$ 0.36**	$ 0.20	$ 0.15
Net impact of above items per share	**$ 0.01**	$ 0.04	$ 0.02
Adjusted net income per share	**$ 0.37**	$ 0.24	$ 0.17

The Company reported operating income of $36.4 million for the first quarter of 2014, an increase of $12.4 million from operating income of $24.0 million for the fourth quarter of 2013, with the Company's pulp segment contributing $10.9 million of the improvement. The increase largely reflected gains in Northern Bleached Softwood Kraft ("NBSK") pulp sales realizations, which more than offset the impact of reduced shipments resulting from abnormally severe winter weather which limited railcar supply to Western Canada, and a 28-day truckers' strike at Canada's largest port in Vancouver, British Columbia.

Global softwood pulp markets showed a modest improvement in all major regions in the first quarter of 2014, while global softwood pulp producer inventory levels remained balanced over the period, increasing 1 day from the end of December 2013, to 28 days' supply in March 2014 (market conditions are generally considered balanced when inventories are in the 27-30 days of supply range). Average NBSK pulp list prices saw solid gains in all regions during the first quarter of 2014, with the North American NBSK pulp list price increasing US$34, or 3%, from the previous quarter to US$1,017 per tonne (the highest level in almost three years), while list prices to China and Europe saw gains of 2%. Current quarter pulp sales realizations were also buoyed by the weaker Canadian dollar and proportionately higher shipments to the higher-margin U.S. market.

Pulp shipments were down 51,000 tonnes, or 19%, from the prior quarter, largely reflecting the transportation challenges experienced in the quarter. Pulp production levels were up 5% from the previous quarter, mainly as a result of an improvement in operating rates as the quarter progressed and a scheduled maintenance outage at the Prince George Pulp Mill in the previous quarter. Pulp unit manufacturing costs were up slightly compared to the previous quarter, with the favourable impact of increased production more than offset by higher market prices for sawmill residual chips and higher energy costs, the latter reflecting both seasonally higher consumption as well as natural gas price increases.

The Company's paper segment results showed a modest improvement from the previous quarter, with improved unit sales realizations, due principally to the weaker Canadian dollar, offset in part by higher unit manufacturing costs. Unit manufacturing costs were up moderately as a result of increased costs for slush pulp, reflecting higher market pulp prices, mitigated somewhat by higher productivity and lower unit operating costs.

Compared to the first quarter of 2013, operating income improved by $17.4 million, principally due to higher pulp segment earnings. Higher pulp segment earnings primarily reflected increased sales realizations, attributable to improved pulp markets and a 9% weaker Canadian dollar. Partially offsetting these gains were lower total shipments and higher unit manufacturing costs, with the latter largely attributable to higher fibre and energy costs coupled with lower production levels. The first quarter of 2013 results also included a $1.5 million non-cash benefit from scientific research and development tax credits.

OPERATING RESULTS BY BUSINESS SEGMENT

Pulp

Selected Financial Information and Statistics – Pulp

(millions of Canadian dollars unless otherwise noted)	**Q1 2014**	Q4 2013	Q1 2013
Sales	**$ 190.7**	$ 212.3	$ 180.4
Operating income before amortization	**$ 50.1**	$ 38.8	$ 33.3
Operating income	**$ 35.0**	$ 24.1	$ 15.4
Average pulp price delivered to U.S. – US$[4]	**$ 1,017**	$ 983	$ 897
Average price in Cdn$	**$ 1,122**	$ 1,032	$ 905
Production – pulp (000 mt)	**258.7**	246.1	264.5
Shipments – pulp (000 mt)	**222.4**	273.3	257.9
Marketed on behalf of Canfor	**33.5**	56.2	50.3

[4] Per tonne, NBSK pulp list price delivered to U.S. (Resource Information Systems, Inc.).

Overview

Operating income for the pulp segment was $35.0 million for the first quarter of 2014, an improvement of $10.9 million from the previous quarter and up $19.6 million from the first quarter of 2013.

Improved pulp segment results compared to the previous quarter reflected a moderate increase in pulp sales realizations, resulting from increases in pulp list prices and a weakening of the Canadian dollar, down 5% from the previous quarter. Offsetting these gains were reduced shipments due to the aforementioned transportation challenges experienced in the current quarter. While overall shipments were down, sales realizations benefitted from reduced volumes to lower-margin regions, principally China. Unit manufacturing costs were up slightly compared to the previous quarter, with higher fibre (linked to NBSK pulp sales realizations) and energy costs largely offset by higher production volumes, primarily the result of improved operating rates. The current quarter results also included increased energy revenue with the start-up of the recently upgraded Northwood Pulp Mill turbines.

Higher operating earnings compared to the first quarter of 2013 principally reflected the improved pulp markets, with strong gains in NBSK pulp list prices across all regions coupled with a 9% weaker Canadian dollar. Partially offsetting these gains were lower total shipments compared to the same period in 2013 which similarly reflected the transportation challenges experienced in the current quarter. Compared to the first quarter of 2013, higher unit manufacturing costs reflected higher market-based fibre and energy costs and lower production levels, offset in part by lower chemical costs.

Markets

Global softwood pulp markets showed a modest improvement in the first quarter of 2014, with solid increases in list prices across all regions through the quarter and global softwood pulp producer inventory levels remaining in the balanced range. Global softwood pulp producer inventory levels increased 1 day from the end of December 2013 to 28 days' supply in March 2014[5], partly reflecting the aforementioned transportation disruptions. Market conditions are generally considered balanced when inventories are in the 27-30 days of supply range.

Global shipments of bleached softwood kraft pulp were down 3% in the first quarter of 2014 compared to the previous quarter and relatively flat compared to the same period in 2013[6]. The decrease in softwood pulp shipments compared to the fourth quarter of 2013 reflected decreases to almost all regions in part due to the transportation challenges experienced in North America.

Sales

The Company's pulp shipments in the first quarter of 2014 were 222,000 tonnes, a decrease of 51,000 tonnes, or 19%, from the previous quarter, and down 36,000 tonnes, or 14% from the same period in 2013, largely reflecting the transportation challenges in the current quarter. Shipments to China were well down from both comparative periods, with the decrease relative to the fourth quarter of 2013 in part reflecting strong buying late in 2013 and the traditional Chinese Lunar New Year holiday in the current quarter, offset in part by increased volumes to the U.S. Reduced shipments compared to the previous quarter also reflected a build in finished goods inventories to target levels following a significant drawdown related to the higher Chinese purchasing activity at the end of 2013.

Global softwood pulp markets saw solid price increases through the current quarter, with the North American NBSK pulp list price reaching the highest level in almost three years, increasing US$34 per tonne to US$1,017, an increase of 3% from the fourth quarter of 2013. NBSK pulp list prices to China and Europe experienced similar solid gains through the quarter, both up 2% from the previous quarter to US$753 per tonne and US$920 per tonne, respectively. Current quarter sales realizations further benefitted from the 5% weaker Canadian dollar as well as increased shipments to the higher-margin U.S. market. Current quarter sales included higher energy revenue with the start-up of the Company's upgraded Northwood Pulp Mill turbines combined with additional operating days reflecting a planned maintenance outage of the Prince George Pulp Mill turbine in the fourth quarter of 2013.

Compared to the first quarter of 2013, pulp sales realizations saw strong gains as a result of marked improvements in average pulp list prices in all regions and the 9% weaker Canadian dollar. The North American NBSK pulp list price increased US$120 per tonne, or 13%. NBSK pulp list prices to Europe and China also experienced solid increases, both up 11% compared to the first quarter of 2013. Contributing to the improved NBSK pulp list prices were reduced volumes to lower-margin regions, principally China, which more than offset the impact of increased pressure on discounts in North American markets compared to the same period in 2013. Energy revenue was also up compared to the same period in 2013, principally attributable to the upgrades to the Northwood Pulp Mill turbines.

[5] World 20 data is based on twenty producing countries representing 80% of world chemical market pulp capacity and is based on information compiled and prepared by the Pulp and Paper Products Council ("PPPC").
[6] As reported PPPC statistics.

Operations

Pulp production in the current quarter was 259,000 tonnes, up 13,000 tonnes, or 5%, from the previous quarter, and down 6,000 tonnes, or 2%, from the first quarter of 2013. Increased production compared to the fourth quarter of 2013 reflected an improvement in operating rates as the quarter progressed. The previous quarter also included a scheduled maintenance outage at the Prince George Pulp Mill which resulted in reduced market pulp production of 4,000 tonnes. Compared to the first quarter of 2013, production levels were impacted by slightly lower operating rates and increased transfers of slush pulp to the paper segment in the current quarter.

Pulp unit manufacturing costs increased slightly from the previous quarter, with higher energy costs, reflecting market-related price increases as well as increased consumption in part due to the harsh weather in the quarter, as well as a modest increase in fibre costs offsetting the favourable impact of higher production levels and reduced chemical and (timing-based) maintenance spending. Higher fibre costs principally reflected a market-related increase in prices for sawmill residual chips, where prices are linked to NBSK pulp sales realizations, mitigated slightly by seasonal pricing adjustments.

Higher unit manufacturing costs compared to the first quarter of 2013 were primarily driven by increased fibre costs and to a lesser extent, higher energy costs and the impact of lower production levels, offset in part by reduced chemical costs. The increase in energy costs resulted mainly from increased rates and higher gas usage, in part related to increased electricity generation. Contributing to the higher fibre costs in the current quarter were higher prices for sawmill residual chips, reflecting increased market prices, coupled with higher prices for whole log chips, in part related to pressure on stumpage rates, offset in part by a small decrease in the proportion of the higher-cost whole log chips.

Paper

Selected Financial Information and Statistics – Paper

(millions of Canadian dollars unless otherwise noted)		Q1 2014		Q4 2013		Q1 2013
Sales	$	**34.8**	$	33.2	$	36.1
Operating income before amortization	$	**5.4**	$	4.6	$	6.9
Operating income	$	**4.5**	$	3.8	$	5.9
Production – paper (000 mt)		**36.7**		30.8		34.8
Shipments – paper (000 mt)		**31.3**		31.1		35.0

Overview

Operating income for the paper segment was $4.5 million for the first quarter of 2014, up $0.7 million from the fourth quarter of 2013 and down $1.4 million from the first quarter of 2013. The increase in earnings compared to the previous quarter primarily resulted from improved unit sales realizations due principally to the weaker Canadian dollar offset in part by higher unit manufacturing costs. Higher costs for slush pulp, reflecting higher market pulp prices, contributed to the increase in unit manufacturing costs, which was mitigated somewhat by higher productivity and lower spending on maintenance and operating costs. Compared to the first quarter of 2013, lower operating earnings reflected an increase in unit manufacturing costs, slightly offset by higher Canadian dollar sales realizations.

Markets

Global kraft paper market demand improved through the first quarter of 2014 with strong order files. North American demand remained steady throughout the quarter, as end users ran at full capacity and maintained full order files.

Sales

The Company's paper shipments in the first quarter of 2014 were 31,000 tonnes, in line with the previous quarter and down 4,000 tonnes, or 11%, from the first quarter of 2013. The Company's paper segment was also impacted by the transportation challenges in the quarter, which resulted in higher-than-normal inventory levels at the end of the period. Prime bleached shipments, which attract higher prices, were in line with the fourth quarter of 2013 but up 5% from the first quarter of 2013.

Unit sales realizations for paper products in the current period saw a moderate increase from both comparative periods of 2013, largely due to the weaker Canadian dollar relative to both periods.

Operations

Paper production in the first quarter of 2014 was 37,000 tonnes, an increase of 6,000 tonnes, or 19%, from the previous quarter and up 2,000 tonnes, or 5%, from the first quarter of 2013. The increased production reflected improved operating rates as well as the scheduled maintenance outage at the Company's paper machine in the fourth quarter of 2013.

Paper unit manufacturing costs increased moderately from the previous quarter, mostly reflecting the impact of higher market pulp prices on slush pulp costs and increased chemical costs, partially offset by the favourable impact of higher production volumes on unit costs, as well as lower maintenance and operating costs.

Compared to the first quarter of 2013, unit manufacturing costs saw a more marked increase, principally due to market driven increases in slush pulp costs and higher chemical costs. Lower maintenance costs and higher productivity in the current quarter helped to mitigate these increases.

Unallocated Items

Selected Financial Information

(millions of Canadian dollars)		**Q1 2014**		**Q4 2013**		**Q1 2013**
Corporate costs	**$**	**(3.1)**	$	(3.9)	$	(2.3)
Finance expense, net	**$**	**(1.5)**	$	(3.2)	$	(3.1)
Foreign exchange loss on long-term debt	**$**	**-**	$	(3.4)	$	(2.3)
Gain (loss) on derivative financial instruments	**$**	**(1.4)**	$	(0.1)	$	0.7
Other income, net	**$**	**0.9**	$	2.2	$	0.7

Corporate costs were $3.1 million for the first quarter of 2014, down $0.8 million from the previous quarter and up $0.8 million from the first quarter of 2013. The decrease compared to the previous quarter in part reflected higher income from green energy attributes which are not allocated to segment results as well as costs in the previous quarter associated with the wind-up of the Canfor Pulp Limited Partnership. Compared to the first quarter of 2013, the higher costs included higher incentive-based compensation costs.

Net finance expense for the first quarter of 2014 was $1.5 million, down $1.7 million from the fourth quarter of 2013 and down $1.6 million from the first quarter of 2013. The decrease from both comparative periods principally reflected lower debt levels in the current quarter coupled with lower employee future benefit net interest costs, due in part to the improved financial position of most of the Company's defined benefit plans.

The Company uses a variety of derivative financial instruments as partial economic hedges against unfavourable changes in foreign exchange rates, energy costs, interest rates and pulp prices. For the first quarter of 2014, the Company recorded a net loss of $1.4 million principally reflecting unrealized losses on US dollar foreign exchange collars and forward contracts as a result of the weakening of the Canadian dollar through the quarter, as well as realized and unrealized losses on pulp futures as a result of the improved NBSK pulp list prices through the quarter.

The following table summarizes the gains (losses) on derivative financial instruments for the comparable periods:

(millions of Canadian dollars)		**Q1 2014**		**Q4 2013**		**Q1 2013**
Foreign exchange collars and forward contracts	**$**	**(1.0)**	$	0.1	$	0.7
Crude oil collars	**$**	**-**	$	(0.1)	$	0.1
Interest rate swaps	**$**	**(0.1)**	$	-	$	(0.1)
Pulp futures	**$**	**(0.3)**	$	(0.1)	$	-
	$	**(1.4)**	$	(0.1)	$	0.7

Other income, net for the first quarter of 2014 of $0.9 million included favourable exchange movements on US dollar denominated cash, receivables and payables.

Other Comprehensive Income (Loss)

In the first quarter of 2014, the Company recorded an after-tax charge to the Statements of Other Comprehensive Income (Loss) of $6.8 million in relation to changes in the valuation of the Company's employee future benefit plans. The loss reflects a lower discount rate used to value the net retirement benefit obligations, offset in part by a modest return on plan assets. Defined benefit actuarial gains, net of taxes, were recorded in both the comparable periods, with an after-tax gain of $16.0 million in the fourth quarter of 2013 and an after-tax gain of $0.2 million in the first quarter of 2013.

SUMMARY OF FINANCIAL POSITION

The following table summarizes CPPI's cash flow and selected ratios for and as at the end of the following periods:

(millions of Canadian dollars, except for ratios)		**Q1 2014**		Q4 2013		Q1 2013
Increase (decrease) in cash and cash equivalents	**$**	**3.4**	$	(15.2)	$	17.7
Operating activities	**$**	**23.9**	$	69.1	$	28.3
Financing activities	**$**	**(10.5)**	$	(64.5)	$	(3.8)
Investing activities	**$**	**(10.0)**	$	(19.8)	$	(6.8)
Ratio of current assets to current liabilities		**2.2 : 1**		1.8 : 1		1.2 : 1
Net debt to capitalization		**7.8%**		9.7%		19.5%
Quarterly ROIC – Consolidated		**5.8%**		4.0%		3.0%

Changes in Financial Position

Cash generated from operating activities was $23.9 million in the first quarter of 2014, down $45.2 million from the previous quarter, with higher cash earnings more than offset by an increase in non-cash working capital and $9.6 million in income tax payments in the current quarter. The increase in non-cash working capital balances principally reflected significantly higher finished inventory levels due to the transportation challenges experienced in the current quarter coupled with a decrease in accounts payable that mainly reflected the timing of payments. In the immediately preceding quarter, cash generated from non-cash working capital reflected a significant reduction in finished goods pulp inventory levels before year-end. Compared to the first quarter of 2013, cash generated from operating activities was down $4.4 million due mostly to increased non-cash working capital balances and income tax payments in the current quarter, which more than offset the higher operating income in the current quarter.

Cash used for financing activities was $10.5 million in the first quarter of 2014, down $54.0 million from $64.5 million used in the previous quarter. The previous quarter financing cash outflows included repayment of the Company's US$110 million 6.41% interest rate debt less proceeds from completion of a new $50.0 million floating rate term debt financing. CPPI paid $4.1 million less in finance costs in the current quarter principally reflecting the timing of the final interest payment on the Company's US$110 million debt in the fourth quarter of 2013. Current quarter financing cash flows also included dividend payments of $3.5 million, which was in line with the previous quarter. Compared to the first quarter of 2013, cash used for financing activities was up $6.7 million largely comprising payments against the operating loan facility in the current quarter. At the end of the first quarter of 2014, CPPI had $5.0 million outstanding on its operating loan facility.

Cash used in investing activities of $10.0 million in the current quarter primarily related to the Northwood and Intercontinental Pulp Mills' turbine upgrades. Construction of the Northwood Pulp Mill turbines was substantially completed in 2013 and the facility commenced selling power in the current quarter. Completion of the upgrade to the Intercontinental Pulp Mill turbine is targeted for early 2015.

Liquidity and Financial Requirements

At March 31, 2014, CPPI had cash of $16.9 million, $5.0 million drawn on its operating loans, and an additional $12.2 million reserved for standby letters of credit related to energy sales agreements. Total available undrawn operating loans were $112.8 million.

CPPI has $50.0 million of floating interest rate term debt, repayable in November 2018.

The Company remained in compliance with the covenants relating to its operating loans and long-term debt during the quarter, and expects to remain so for the foreseeable future.

On March 5, 2014, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 3,550,367 common shares or approximately 5% of its issued and outstanding common shares as of February 28, 2014. The renewed normal course issuer bid is set to expire on March 4, 2015. There were no shares purchased by the Company during the first quarter of 2014.

Dividends

On April 29, 2014, the Board of Directors declared a quarterly dividend of $0.0625 per share, a 25% increase from the previous quarter, with a declaration date of April 29, 2014, payable on May 20, 2014, to the shareholders of record on May 12, 2014.

OUTLOOK

Pulp

NBSK pulp markets are projected to face challenges by the middle of the year, with the annual spring maintenance downtime providing some supply side relief in the second quarter of 2014. For the month of April 2014, the Company announced NBSK pulp list prices of US$1,030 per tonne in North America, unchanged from March 2014, and list prices to China and Europe also remained unchanged. A risk of price weakness remains due in part to the significant new hardwood pulp capacity forecast to come online through 2014. The Company anticipates that it will clear its transportation-related backlog of finished inventories by early in the third quarter of 2014.

Maintenance outages are planned at the Intercontinental and Prince George Mills in the second quarter of 2014 with a projected 15,000 tonnes of reduced production.

The Company anticipates that it will complete the upgrades to the Intercontinental Pulp Mill turbine and commence selling power under an Electricity Purchase Agreement early in 2015.

Paper

Paper markets are stable heading into the second quarter of 2014 with solid order files and demand. Price increases announced in North American and offshore markets are projected to be fully implemented in the second quarter of 2014, thereafter new bleached capacity coming online in Europe in the second quarter of 2014 may put pressure on prices.

OUTSTANDING SHARES

At April 29, 2014, there were 71,007,341 common shares outstanding.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts recorded in the financial statements. On an ongoing basis, management reviews its estimates, including those related to useful lives for amortization, impairment of long-lived assets, pension and other employee future benefit plans and asset retirement obligations based upon currently available information. While it is reasonably possible that circumstances may arise which cause actual results to differ from these estimates, management does not believe it is likely that any such differences will materially affect the Company's financial condition.

ACCOUNTING STANDARDS ISSUED AND NOT APPLIED

In May 2011, the International Accounting Standards Board ("IASB") issued IFRS 9, *Financial Instruments.* The required adoption date for IFRS 9 has been deferred from the original adoption date of January 1, 2015 and is currently under review by the IASB.

Further details of the new accounting Standard and potential impact on CPPI can be found in the Company's Annual Report for the year ended December 31, 2013.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended March 31, 2014, there were no changes in the Company's internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

RISKS AND UNCERTAINTIES

A comprehensive discussion of risks and uncertainties is included in the Company's 2013 annual statutory reports which are available on www.canforpulp.com or www.sedar.com.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Sales and income (millions of Canadian dollars)								
Sales	**$ 226.4**	$ 245.6	$ 196.1	$ 227.6	$ 217.5	$ 201.9	$ 177.7	$ 210.8
Operating income (loss)	**$ 36.4**	$ 24.0	$ 11.3	$ 19.5	$ 19.0	$ 12.1	$ (8.3)	$ 10.3
Net income (loss)	**$ 25.7**	$ 14.2	$ 9.1	$ 7.6	$ 10.9	$ 5.4	$ (5.0)	$ 3.0
Per common share (Canadian dollars)								
Net income (loss) – basic and diluted	**$ 0.36**	$ 0.20	$ 0.13	$ 0.11	$ 0.15	$ 0.08	$ (0.07)	$ 0.04
Book value[7]	**$ 6.39**	$ 6.17	$ 5.79	$ 5.67	$ 5.53	$ 5.42	$ 5.37	$ 5.55
Dividends declared	**$ 0.0625**	$ 0.0500	$ 0.0500	$ 0.0500	$ 0.0500	$ 0.0500	$ -	$ 0.0500
Statistics								
Pulp shipments (000 mt)	**222.4**	273.3	212.2	255.0	257.9	246.6	214.4	230.2
Paper shipments (000 mt)	**31.3**	31.1	35.5	37.2	35.0	32.0	30.6	36.8
Average exchange rate – US$/Cdn$	**$ 0.906**	$ 0.953	$ 0.963	$ 0.977	$ 0.991	$ 1.009	$ 1.005	$ 0.990
Average NBSK pulp list price delivered to U.S. (US$)	**$ 1,017**	$ 983	$ 947	$ 937	$ 897	$ 863	$ 853	$ 900

[7] Book value per common share is equal to shareholders' equity at the end of the period, divided by the number of common shares outstanding at the end of the period.

Sales are primarily influenced by changes in market pulp prices, sales volumes and fluctuations in Canadian dollar exchange rates. Operating income, net income and operating income before amortization are primarily impacted by: sales revenue; freight costs; fluctuations of fibre, chemical and energy prices; level of spending and timing of maintenance downtime; and production curtailments. Net income is also impacted by fluctuations in Canadian dollar exchange rates, the revaluation to the period end rate of US dollar denominated working capital balances and long-term debt, and revaluation of outstanding natural gas swaps and US dollar forward contracts.

Other material factors that impact the comparability of the quarters are noted below:

After-tax impact, net of non-controlling interests[8] (millions of Canadian dollars, except for per share amounts)	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Net income (loss), as reported[8]	**$ 25.7**	$ 14.2	$ 9.1	$ 7.6	$ 10.9	$ 5.4	$ (5.0)	$ 3.0
(Gain) loss on derivative financial instruments	**$ 1.0**	$ 0.1	$ (1.5)	$ 2.0	$ (0.5)	$ 0.1	$ (1.4)	$ 1.1
Foreign exchange (gain) loss on long-term debt	**$ -**	$ 3.0	$ (2.0)	$ 3.4	$ 2.0	$ 1.1	$ (3.4)	$ 1.9
Change in substantively enacted tax rate	**$ -**	$ -	$ -	$ 2.4	$ -	$ -	$ -	$ -
Net gain on post retirement plan amendments	**$ -**	$ -	$ -	$ -	$ -	$ (4.0)	$ -	$ -
Restructuring charges for management changes	**$ -**	$ -	$ -	$ -	$ -	$ -	$ 1.3	$ -
Net impact of above items	**$ 1.0**	$ 3.1	$ (3.5)	$ 7.8	$ 1.5	$ (2.8)	$ (3.5)	$ 3.0
Adjusted net income (loss)[8]	**$ 26.7**	$ 17.3	$ 5.6	$ 15.4	$ 12.4	$ 2.6	$ (8.5)	$ 6.0
Net income (loss) per share (EPS), as reported[8]	**$ 0.36**	$ 0.20	$ 0.13	$ 0.11	$ 0.15	$ 0.08	$ (0.07)	$ 0.04
Net impact of above items per share	**$ 0.01**	$ 0.04	$ (0.05)	$ 0.11	$ 0.02	$ (0.04)	$ (0.05)	$ 0.04
Adjusted net income (loss) per share[8]	**$ 0.37**	$ 0.24	$ 0.08	$ 0.22	$ 0.17	$ 0.04	$ (0.12)	$ 0.08

[8] 2012 amounts exclude the impact of non-controlling interest in the Partnership. Amounts are attributable to controlling interest in the Partnership.

Canfor Pulp Products Inc.
Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)		**As at March 31, 2014**		As at December 31, 2013
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**16.9**	$	13.5
Accounts receivable - Trade		**65.4**		71.0
- Other		**12.7**		10.3
Inventories (Note 2)		**149.4**		128.0
Prepaid expenses and other assets		**3.3**		7.2
Total current assets		**247.7**		230.0
Property, plant and equipment		**520.4**		528.1
Retirement benefit surplus (Note 4)		**4.4**		8.2
Other long-term assets		**1.8**		2.3
Total assets	**$**	**774.3**	$	768.6
LIABILITIES				
Current liabilities				
Operating loans (Note 3)	**$**	**5.0**	$	10.6
Accounts payable and accrued liabilities		**107.5**		118.4
Total current liabilities		**112.5**		129.0
Long-term debt		**50.0**		50.0
Retirement benefit obligations (Note 4)		**80.8**		75.8
Other long-term provisions		**3.3**		3.0
Deferred income taxes, net		**74.3**		72.8
Total liabilities	**$**	**320.9**	$	330.6
EQUITY				
Share capital	**$**	**523.4**	$	523.4
Retained earnings (deficit)		**(70.0)**		(85.4)
Total equity	**$**	**453.4**	$	438.0
Total liabilities and equity	**$**	**774.3**	$	768.6

Subsequent Event (Note 11)

The accompanying notes are an integral part of these condensed consolidated financial statements.

APPROVED BY THE BOARD

"S.E. Bracken-Horrocks"

Director, S.E. Bracken-Horrocks

"M.J. Korenberg"

Director, M.J. Korenberg

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Income

(millions of Canadian dollars, except per share data, unaudited)	3 months ended March 31, 2014	2013
Sales	**$ 226.4**	$ 217.5
Costs and expenses		
Manufacturing and product costs	**138.5**	143.3
Freight and other distribution costs	**28.9**	30.9
Amortization	**16.0**	18.9
Selling and administration costs	**6.6**	5.4
	190.0	198.5
Operating income	**36.4**	19.0
Finance expense, net	**(1.5)**	(3.1)
Foreign exchange loss on long-term debt	**-**	(2.3)
Gain (loss) on derivative financial instruments (Note 5)	**(1.4)**	0.7
Other income, net	**0.9**	0.7
Net income before income taxes	**34.4**	15.0
Income tax expense (Note 6)	**(8.7)**	(4.1)
Net income	**$ 25.7**	$ 10.9
Net income per common share: (in Canadian dollars)		
Attributable to equity shareholders of the Company		
- Basic and diluted (Note 7)	**$ 0.36**	$ 0.15

The accompanying notes are an integral part of these condensed consolidated financial statements.

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Other Comprehensive Income (Loss)

(millions of Canadian dollars, unaudited)	3 months ended March 31, **2014**	2013
Net income	**$ 25.7**	$ 10.9
Other comprehensive income (loss)		
Items that will not be recycled through net income:		
Defined benefit plan actuarial gains (losses) (Note 4)	**(9.2)**	0.3
Income tax recovery (expense) on defined benefit plan actuarial losses (gains) (Note 6)	**2.4**	(0.1)
Other comprehensive income (loss), net of tax	**(6.8)**	0.2
Total comprehensive income	**$ 18.9**	$ 11.1

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended March 31, **2014**	2013
Share capital		
Balance at beginning and end of period	**$ 523.4**	$ 525.3
Retained earnings (deficit)		
Balance at beginning of period	**$ (85.4)**	$ (138.7)
Net income	**25.7**	10.9
Defined benefit plan actuarial gains (losses), net of tax	**(6.8)**	0.2
Dividends declared	**(3.5)**	(3.6)
Balance at end of period	**$ (70.0)**	$ (131.2)
Total equity	**$ 453.4**	$ 394.1

The accompanying notes are an integral part of these condensed consolidated financial statements.

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended March 31, 2014	2013
Cash generated from (used in):		
Operating activities		
Net income	**$ 25.7**	$ 10.9
Items not affecting cash:		
Amortization	**16.0**	18.9
Income tax expense	**8.7**	4.1
Foreign exchange loss on long-term debt	**-**	2.3
Changes in mark-to-market value of derivative financial instruments	**1.2**	(0.6)
Employee future benefits	**1.2**	1.4
Net finance expense	**1.5**	3.1
Other, net	**1.6**	(1.8)
Defined benefit pension plan contributions	**(2.5)**	(2.8)
Income taxes paid, net	**(9.6)**	-
	43.8	35.5
Net change in non-cash working capital (Note 8)	**(19.9)**	(7.2)
	23.9	28.3
Financing activities		
Change in operating bank loans	**(6.2)**	-
Finance expenses paid	**(0.8)**	(0.2)
Dividends paid	**(3.5)**	(3.6)
	(10.5)	(3.8)
Investing activities		
Additions to property, plant and equipment, net	**(10.0)**	(6.9)
Other, net	**-**	0.1
	(10.0)	(6.8)
Increase in cash and cash equivalents*	**3.4**	17.7
Cash and cash equivalents at beginning of period*	**13.5**	(1.2)
Cash and cash equivalents at end of period*	**$ 16.9**	$ 16.5

* Cash and cash equivalents include cash on hand less unpresented cheques.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Canfor Pulp Products Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited, millions of Canadian dollars unless otherwise noted)

1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, and include the accounts of Canfor Pulp Products Inc. ("CPPI") and its subsidiary entities, hereinafter referred to as "CPPI" or "the Company". At March 31, 2014, Canfor Corporation ("Canfor") held a 50.4% interest in CPPI.

These financial statements do not include all of the disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. Additional disclosures relevant to the understanding of these financial statements, including the accounting policies applied, can be found in the Company's Annual Report for the year ended December 31, 2013, available at www.canforpulp.com or www.sedar.com.

The currency of presentation for these financial statements is the Canadian dollar.

Accounting Standards Issued and Not Applied

In May 2011, the International Accounting Standards Board ("IASB") issued IFRS 9, *Financial Instruments*. The required adoption date for IFRS 9 has been deferred from the original adoption date of January 1, 2015 and is currently under review by the IASB.

Further details of the new accounting Standard and potential impact on CPPI can be found in the Company's Annual Report for the year ended December 31, 2013.

2. Inventories

(millions of Canadian dollars)	**As at March 31, 2014**	As at December 31, 2013
Pulp	**$ 74.2**	$ 52.8
Paper	**19.8**	15.7
Wood chips	**8.8**	14.1
Materials and supplies	**46.6**	45.4
	$ 149.4	$ 128.0

3. Operating Loans

Available Operating Loans

(millions of Canadian dollars)	**As at March 31, 2014**	As at December 31, 2013
Available Operating Loans:		
Operating loan facility	**$ 110.0**	$ 110.0
Facility for letters of credit related to energy agreements	**20.0**	20.0
Total operating loans	**130.0**	130.0
Drawn	**(5.0)**	(10.6)
Energy letters of credit	**(12.2)**	(12.2)
Total available operating loans	**$ 112.8**	$ 107.2

The terms of the Company's operating loan facility include interest payable at floating rates that vary depending on the ratio of net debt to total capitalization, and is based on the lenders' Canadian prime rate, bankers acceptances, US dollar base rate or US dollar LIBOR rate, plus a margin. The facility has certain financial covenants that stipulate maximum net debt to total capitalization ratios and minimum net worth amounts based on shareholders' equity. The maturity date of this facility is January 31, 2018.

The Company has a separate facility with a maturity date of June 30, 2015 to cover energy-related letters of credit. At March 31, 2014, $9.4 million of energy-related letters of credit were covered under this facility with the balance of $2.8 million covered under the Company's general operating loan facility.

As at March 31, 2014 the Company was in compliance with all covenants relating to its operating loans.

4. Employee Future Benefits

For the three months ended March 31, 2014, a loss of $9.2 million (before tax) was recognized in other comprehensive income in relation to changes in the valuation of the Company's employee future benefit plans. The loss reflects a lower discount rate used to value the net retirement benefit obligations, offset in part by a modest return on plan assets. For the three months ended March 31, 2013, a gain of $0.3 million (before tax) was recognized in other comprehensive income.

For the Company's defined benefit plans, a one percentage point increase in the discount rate used in calculating the actuarial estimate of future liabilities would decrease the accrued benefit obligation by an estimated $13.7 million.

The discount rate assumptions used to estimate the changes in net retirement benefit obligations were as follows:

Pension Benefit Plans	
Discount rate	
March 31, 2014	**4.40%**
December 31, 2013	4.80%
March 31, 2013	4.10%
December 31, 2012	4.20%
Other Benefit Plans	
Discount rate	
March 31, 2014	**4.50%**
December 31, 2013	4.90%
March 31, 2013	4.30%
December 31, 2012	4.40%

5. Financial Instruments

CPPI's cash and cash equivalents, accounts receivable, loans and advances, operating loans, accounts payable and accrued liabilities, and long-term debt are measured at amortized cost subsequent to initial recognition. At March 31, 2014, the fair value of the Company's long-term debt approximates its amortized cost of $50.0 million (December 31, 2013 - $50.0 million).

Derivative instruments are measured at fair value. IFRS 13, *Fair Value Measurement,* requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly;

Level 3 – Inputs that are not based on observable market data.

The Company uses a variety of derivative financial instruments to reduce its exposure to risks associated with fluctuations in foreign exchange rates, pulp prices, energy costs, and floating interest rates on long-term debt.

At March 31, 2014, the fair value of derivative financial instruments was a net liability of $1.4 million (December 31, 2013 – net liability of $0.1 million). The fair value of these financial instruments was determined based on prevailing market rates for instruments with similar characteristics.

The following table summarizes the gain (loss) on level 2 derivative financial instruments for the three month periods ended March 31, 2014 and 2013:

	3 months ended March 31,	
(millions of Canadian dollars)	**2014**	2013
Foreign exchange collars and forward contracts	**$ (1.0)**	$ 0.7
Crude oil collars	**-**	0.1
Interest rate swaps	**(0.1)**	(0.1)
Pulp futures	**(0.3)**	-
Gain (loss) on derivative financial instruments	**$ (1.4)**	$ 0.7

6. Income Taxes

	3 months ended March 31,	
(millions of Canadian dollars)	**2014**	2013
Current	**$ (5.0)**	$ (5.3)
Deferred	**(3.7)**	$ 1.2
Income tax expense	**$ (8.7)**	$ (4.1)

The reconciliation of income taxes calculated at the statutory rate to the actual income tax provision is as follows:

	3 months ended March 31,	
(millions of Canadian dollars)	**2014**	2013
Income tax expense at statutory rate 2014 – 26.0% (2013 – 25.0%)	**$ (8.9)**	$ (3.8)
Add (deduct):		
Permanent difference from capital gains and other non-deductible items	**(0.1)**	(0.3)
Entities with different income tax rates and other tax adjustments	**0.3**	-
Income tax expense	**$ (8.7)**	$ (4.1)

In addition to the amounts recorded in net income, a tax recovery of $2.4 million was recorded to other comprehensive income for the three month period ended March 31, 2014 (three months ended March 31, 2013 – expense of $0.1 million) in relation to the actuarial gains (losses) on defined benefit employee compensation plans.

7. Earnings per Share and Normal Course Issuer Bid

Basic net income per share is calculated by dividing the net income available to common shareholders by the weighted average number of common shares outstanding during the period.

	3 months ended March 31,	
	2014	2013
Weighted average number of common shares	**71,007,341**	71,269,790

On March 5, 2014, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 3,550,367 common shares or approximately 5% of its issued and outstanding common shares as of February 28, 2014. The renewed normal course issuer bid is set to expire on March 4, 2015. There were no shares purchased by the Company during the first quarter of 2014.

8. Net Change in Non-Cash Working Capital

	3 months ended March 31,	
(millions of Canadian dollars)	**2014**	2013
Accounts receivable	**$ 0.5**	$ (14.1)
Inventories	**(21.4)**	(0.3)
Prepaid expenses and other assets	**2.3**	1.2
Accounts payable and accrued liabilities	**(1.3)**	6.0
Net increase in non-cash working capital	**$ (19.9)**	$ (7.2)

9. Segment Information

The Company has two reportable segments which operate as separate business units and represent separate product lines.

Sales between pulp and paper segments are accounted for at prices that approximate fair value. These include sales of slush pulp from the pulp segment to the paper segment.

(millions of Canadian dollars)		Pulp	Paper	Unallocated	Elimination Adjustment		Consolidated
3 months ended March 31, 2014							
Sales to external customers	**$**	**190.7**	**34.8**	**0.9**	**-**	**$**	**226.4**
Sales to other segments	**$**	**24.5**	**-**	**-**	**(24.5)**	**$**	**-**
Operating income (loss)	**$**	**35.0**	**4.5**	**(3.1)**	**-**	**$**	**36.4**
Amortization	**$**	**15.1**	**0.9**	**-**	**-**	**$**	**16.0**
Capital expenditures[1]	**$**	**9.9**	**0.1**	**-**	**-**	**$**	**10.0**
Identifiable assets	**$**	**675.4**	**59.6**	**39.3**	**-**	**$**	**774.3**
3 months ended March 31, 2013							
Sales to external customers	$	180.4	36.1	1.0	-	$	217.5
Sales to other segments	$	18.1	-	-	(18.1)	$	-
Operating income (loss)	$	15.4	5.9	(2.3)	-	$	19.0
Amortization	$	17.9	1.0	-	-	$	18.9
Capital expenditures[1]	$	6.6	0.2	0.1	-	$	6.9
Identifiable assets	$	671.5	64.4	40.0	-	$	775.9

[1] Capital expenditures represent cash paid for capital assets during the periods net of capital expenditures that were partially financed by government grants.

10. Related Party Transactions

The Company depends on Canfor to provide approximately 63% (2013 – 63%) of its fibre supply as well as certain key business and administrative services. As a result of these relationships the Company considers its operations to be dependent on its ongoing relationship with Canfor. The transactions with Canfor are consistent with the transactions described in the December 31, 2013 audited consolidated financial statements of CPPI and are based on agreed upon amounts between the parties.

Transactions and payables to Canfor include purchases of wood chips, pulp and administrative services. These are summarized below:

(millions of Canadian dollars)		3 months ended March 31, **2014**		2013
Transactions				
Purchase of wood chips and other	**$**	**35.0**	$	31.3

(millions of Canadian dollars)		**As at March 31, 2014**		As at December 31, 2013
Balance Sheet				
Included in accounts payable and accrued liabilities	**$**	**14.8**	$	18.9
Included in trade and other accounts receivable	**$**	**1.9**	$	9.0

11. Subsequent Event

On April 29, 2014, the Board of Directors declared a quarterly dividend of $0.0625 per share with a declaration date of April 29, 2014, payable on May 20, 2014, to shareholders of record on May 12, 2014.