CIBC Forest Products Tour

Canfor Southern Pine, Camden Sawmill
October 9, 2013
Agenda

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)
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

- Increase in housing starts from 0.95 to 1.85
- 25% increase in R&R
- 1 BBF increase in outbound shipments net of 3 BBF of inbound shipments

**Home Construction**

**Repair and Remodel**

**Industrial**

**Other**

**Canada**

**Net Exports**
North American Production Growth Potential

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

- Ability to achieve increment will be materially challenged by fibre constraints in BC and Quebec.
- Theoretical capacity of 71BBF assumes 100% run rate. In last peak cycle (2004-05), maximum run rate was 93%, equivalent to 66 BBF today.

Source: FEA
North American Capacity and Demand

Housing Starts - millions (right axis)  
Capacity (BBF)  
Demand (BBF)

63% Operating Rate  
84% Operating Rate

Source: FEA, US Census, Company Data
Years with operating rates ≥ 84%, 2x4 price averaged CAD$415

Current Price – C$325
Operating Rate – 79%

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 is headquartered in Myrtle Beach, SC

SYP Whitewood Lumber
SYP Treated Lumber
SYP Fingerjoint Lumber
Canfor Southern Pine Product Segments

- 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

- Treaters 24%
- Wholesale / Distribution 15%
- Pro Dealers 23%
- Home Centers 8%
- Industrial 27%
- Export 2%

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

Note: Excludes Conversion Costs

Source: Random Lengths Publications
Scotch Gulf Acquisition

- 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

Mobile, AL
Fulton, AL
Jackson, AL
# Canfor Southern Pine – Building Market Share

## Top 5 U.S. SYP Producers

<table>
<thead>
<tr>
<th>Rank</th>
<th>2013</th>
<th>2016 Projected</th>
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<tbody>
<tr>
<td>1</td>
<td>Weyerhaeuser</td>
<td>Weyerhaeuser</td>
</tr>
<tr>
<td>2</td>
<td>Georgia-Pacific</td>
<td>Georgia-Pacific</td>
</tr>
<tr>
<td>3</td>
<td>West Fraser</td>
<td>West Fraser</td>
</tr>
<tr>
<td>4</td>
<td>Gilman</td>
<td>Canfor Southern Pine</td>
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<tr>
<td>5</td>
<td>Canfor Southern Pine</td>
<td>Gilman</td>
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## Total Canfor Production

- **2012 Southern Pine Production**: 450 MMfbm
- **2016 Southern Pine Production**: 1,000 MMfbm

- 12% for 2012
- 17-20% for 2016
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
Timber Resource

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
Canfor Southern Pine Capital Program

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
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

- 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

- 2x4 F/J #2 & stud
- 2x6 F/J #2 & stud
Canfor Southern Pine Wood Preserving

- 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?