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FOR IMMEDIATE RELEASE **TSX: WEF**

Western posts quarterly EBITDA of $44.9 million on strong operational performance supported by increased market demand

July 31, 2013 – Vancouver, British Columbia. Western Forest Products Inc. (TSX: WEF) ("Western" or "the Company") today announced results for the second quarter of 2013. The Company reported EBITDA of $44.9 million for the second quarter of 2013 compared to EBITDA of $31.9 million for the first quarter of 2013 and $18.8 million for the second quarter of 2012.

Q2 2013 HIGHLIGHTS

- Record low Company and Contract safety incidents
- EBITDA of $44.9 million, an increase of $26.1 million over the second quarter 2012 result
- Capitalized on improved markets by focusing production on higher margin segments
- Liquidity improved to $232 million with no net debt
- Announced a $100 million share repurchase and amended debt financing
- Initiated a regular quarterly dividend of $0.02 per share, payable on September 20, 2013 to shareholders of record on August 30
- Substantial progress made on our $38 million capital project at Saltair sawmill

"In the second quarter we achieved record safety results across company and contract operations, and we earned $44.9 million of operating EBITDA, a historic high. Our results were supported by continued strong markets and excellent operational performance as we matched our log and lumber supply to market needs. In the quarter we began implementation of the next phase of our capital allocation strategy by announcing a substantial issuer bid to repurchase up to $100 million of our outstanding voting shares, and by initiating a quarterly dividend payment. Looking forward, we expect to benefit from improved markets compared to a year ago. However, the third quarter operating environment on the coast of BC is always a challenge as hot, dry summer weather often reduces our operating days due to fire closure. This year we have seen an early start to the fire season" said Don Demens, Chief Executive Officer.

Net income for the second quarter of 2013 was $35.5 million ($0.08 per share), on sales of $262.3 million, which compared to a net income reported in the second quarter of 2012 of $10.4 million ($0.02 per share) and a net income reported for the first quarter of 2013 of $22.8 million ($0.05 per share).

Financial Summary

(millions of dollars except where noted)	Three months ended June 30, 2013	Three months ended June 30, 2012 Restated[1]	Six months ended June 30, 2013	Six months ended June 30, 2012 Restated[1]
Sales	$ 262.3	$ 251.4	$ 496.1	$ 474.8
EBITDA	44.9	18.8	76.8	28.2
EBITDA as % of revenues	17.1%	7.5%	15.5%	5.9%
Operating income before restructuring items and other income	36.2	11.5	60.8	14.0
Net income from continuing operations	35.7	10.8	58.8	12.7
Net income for the period	35.5	10.4	58.3	12.1
Basic earnings per share (in dollars)	$ 0.08	$ 0.02	$ 0.12	$ 0.03
Diluted earnings per share (in dollars)	$ 0.07	$ 0.02	$ 0.12	$ 0.03
Net Debt at June 30,			-	29.9
Liquidity at June 30,			231.7	175.5

[1] Restated to reflect implementation of revised IAS 19 *Employee Benefits* as described below in Adoption of New Accounting Policy.

Overview

Second quarter 2013

Our second quarter 2013 EBITDA of $44.9 million is a $26.1 million improvement over the same period last year, and a $13.0 million increase over the previous quarter. EBITDA margins increased to 17.1% in the second quarter of 2013 from 7.5% a year ago, and from 13.6% in the first quarter of 2013. The improvement in our financial results was largely driven by improved lumber and log prices, and the continuation of benefits derived from log sort changes that we have implemented, which have resulted in a broader mix of logs being available to our mills at a faster rate, and other operational improvements.

Lumber and log market conditions have improved from last year. By June, United States ("US") housing permits were up 16% over the same period a year ago, which is a prime driver of lumber demand. Benchmark Kiln Dried WSPF 2x4 prices were up 14% in the second quarter of 2013 compared to the same period last year, while our average realized lumber and log prices were up 12% and 22% respectively over this period. In particular, Western Red Cedar ("WRC"), whitewood specialty lumber and commodity lumber prices were all significantly higher in the current quarter compared to a year ago. Log markets continue to reflect strong demand. Prices for both domestic and export logs have been stronger compared to the second quarter of 2012. Our strategy of moving volume quickly through our supply chain, creating a higher value log mix through better matching our log sorts to changing market demand, and at the same time supplying logs to our mills to maintain production levels has been executed well in the quarter.

During the second quarter of 2013, revenues were $262.3 million, an increase of 4% over the second quarter of 2012. Net income for the second quarter of 2013 was $35.5 million, an increase of $25.1 million from net income of $10.4 million reported for the second quarter of 2012, and also an increase over our net income of $22.8 million reported in the previous quarter. The increase in net income is principally due to the higher EBITDA generated in the current quarter.

Our liquidity position at June 30, 2013 increased to $231.7 million from $207.0 million at the end of the previous quarter, and up from $175.5 million at June 30, 2012.

The Saltair mill upgrade project continues to progress well, and is on schedule and expected to be on budget. To date we have spent $22.0 million of the projected total cost of $38.0 million. The first phase of the project is complete and all equipment is installed. The initial ramp up is in progress and, so far, performance is above expectations. The upgrades will increase production capacity by approximately 15%, reduce the unit cost of production, and will increase our ability to provide a greater variety of finished products to our customers. This project will make Saltair the largest single line sawmill on the coast of British Columbia.

Our second project is the development and subsequent installation of automated coastal species lumber grading technology. The autograder is currently being built for our Alberni Pacific sawmill, with installation expected for early October. This technology will allow us to better match lumber grades to our customer needs and improve processing efficiency. We believe that this will be the first application of this technology, now in common use in the British Columbia interior mills, for coastal species.

On June 28, 2013, the Company extended the maturity date of its existing $110.0 million revolving term loan facility from June 28, 2016 to June 29, 2017. Under the terms of the new arrangement, certain financial covenants have been amended to allow Western to make distributions to its shareholders, not to exceed

$150.0 million in aggregate, until June 30, 2014. At June 30, 2013, $100.0 million was drawn on the revolving term loan facility.

On July 2, 2013, we announced a substantial issuer bid (the “Issuer Bid”) to repurchase up to $100.0 million of our outstanding voting common and non-voting shares (“Shares”), and the commencement of a regular quarterly dividend of, initially, $0.02 per Share. The Issuer Bid is an all-cash offer made by way of a modified “Dutch Auction” and the range of prices will be from $1.30 to $1.50 per Share. The maximum purchase price under the Issuer Bid represents a premium of approximately 15% over the daily volume weighted average trading price of the Company’s common shares on the TSX for the 30 trading days preceding the date of the Issuer Bid announcement. The Issuer Bid will remain open for acceptance until Monday, August 12, 2013, unless withdrawn or extended by the Company. We expect to fund purchases of Shares pursuant to the Issuer Bid from cash drawn on the Company’s revolving term loan facility. We expect the regular quarterly dividend to commence in the Company’s third fiscal quarter of 2013 and to be funded from operating cash flow.

Operating results

Second quarter 2013

Our EBITDA for the second quarter of 2013 of $44.9 million compares to EBITDA in the same quarter last year of $18.8 million and to $31.9 million in the first quarter of 2013. The improved EBITDA result for the second quarter of 2013 primarily reflects improved market conditions and the resulting higher prices for our products. Also contributing to the improved EBITDA in the current quarter were lower freight costs and reduced export taxes, operating efficiencies and the beneficial impact of a weakening Canadian dollar against the US dollar. Partially offsetting these positive improvements to EBITDA were lower shipment volumes of logs, higher per unit log costs, and the negative impact of a weakening Japanese yen against the Canadian dollar.

Lumber sales revenues in the second quarter of 2013 were 10% higher than in the second quarter of 2012. This increase was driven by increased pricing as overall sales volumes were similar in the respective quarters. We shipped 231 million board feet in the current quarter compared to 234 million board feet in the same quarter of 2012. The average price realized on the volume sold was 12% higher in the second quarter of 2013 compared to 2012, and 7% higher than those in the first quarter of 2013. WRC, whitewood specialty lumber and commodity lumber prices were all significantly higher in second quarter of 2013 compared to the second quarter of 2012. WRC improved in the second quarter with increased consumption during the prime building season, and relatively tight supply. Japanese lumber market demand has strengthened because of increased home building activity, allowing for price increases. We were also able to use our flexible manufacturing base to change our commodity lumber product mix to sell into higher margin opportunities. Our niche lumber products, which serve a variety of specialty lumber demand, also benefited from the rising global demand for wood products.

Log sales revenues in the second quarter of 2013 were lower than the second quarter 2012 by 8%. This reduction was primarily driven by lower sales volumes, partially offset by higher pricing. Log sales volumes were lower by 25%, or 255,000 cubic metres, in the second quarter of 2013 compared to the second quarter of 2012. This reduction is partially explained by the fact that we harvested fewer logs in the current period, and were able to process more logs through our own mills rather than sell them. The majority of our logs available to sell, external to our needs, experienced price increases, with domestic log prices for shingle and peeler logs being particularly high. This was largely driven by a tight log supply in these markets. Our average price per cubic metre sold in the current quarter increased by $15, or 22%, over the second quarter of 2012.

By-product revenues increased in the current quarter to $14.9 million, marginally higher than the same quarter in 2012. Chip prices and sales volumes have remained relatively consistent over the two quarters. Our mills produced more chips in the current quarter compared to the first quarter of 2012, and we purchased correspondingly fewer units from outside sources to meet commitments with our pulp mill customers.

Total log production in the second quarter of 2013 was 1,495,000 cubic metres, which was 17% less than in the same quarter a year ago, and 9% more than in the first quarter of 2013. The decline from the second quarter 2012 level reflects increased harvesting undertaken in 2012 in order to catch up on previous year’s undercut volumes. Harvesting costs were higher by approximately $2 per cubic metre harvested in the current quarter compared to the second quarter of 2012. Costs per unit were higher in the current quarter due to lower harvest volume, higher equipment maintenance, and increased road construction. Primary lumber mill production was 202 million board feet in the second quarter of 2013, which was 5% more than the production in the second quarter of 2012. We continue to face the challenge of a very tight log supply situation on the coast and, as in the first quarter of 2013, we addressed it by running a broadened mix of species and quality of logs through our primary mills. As a result, the primary mills again ran at close to current capacity in the second quarter of this year. Productivity, as measured on a production volume per shift basis, was 2% higher in the current quarter compared to the same quarter in 2012. Lumber recoveries were consistent with those in the second quarter last year, but were improved from the previous quarter.

Our operating results were positively impacted by an approximate 1% weakening in the average value of the Canadian dollar relative to the US dollar from the second quarter of 2012. At the end of the current quarter, the Canadian dollar had weakened to a rate of 1.0512 Canadian dollars to a US dollar, approximately 3% lower than at June 30, 2012. However, the Japanese Yen weakened significantly against the Canadian dollar in the current quarter, falling by almost 17% compared to the second quarter of 2012, and had a negative effect on our results. Western mitigates its foreign exchange risk associated with sales transactions denominated in US dollars and Japanese Yen by utilizing forward currency transactions to match future commitments.

Minimal export taxes were incurred in the second quarter of 2013 compared to taxes of $2.1 million expensed in the same quarter in 2012. This change is a reflection of the increase in lumber prices this year. Under the Softwood Lumber Agreement with the US, the export tax rate is zero when the Random Lengths Framing Lumber Composite Index exceeds US$355 per thousand board feet. However, lumber prices have fallen towards the end of the second quarter of 2013 and we will see a return to paying export taxes in August and possibly in September.

Total freight costs were $21.7 million in the second quarter of 2013, compared to the second quarter of 2012 costs of $25.1 million. The reduction is because of a lower percentage of direct shipment volumes to overseas customers (40% compared to 46% in 2012), favourable impact of exchange rates, and slightly lower overall shipment volumes.

Selling and administration costs in the current quarter were $8.0 million, which is the same as the first quarter of 2013, but $0.7 million higher than those in the second quarter of 2012. The increase of $0.7 million is primarily the result of increases in employee compensation costs associated with our improved financial performance, compared to the second quarter of 2012.

Year to date, June 30, 2013

EBITDA for the first six months of 2013 was $76.8 million, ahead of the $28.2 million we reported for the six months to June 30, 2012. The improved margins are driven primarily by increased prices for both lumber and logs, although partially offsetting this was the impact of lower sales volumes.

Total revenues for the six months to June 30, 2013 were $496.1 million, which was 4% higher than the same period in 2012. Revenues for lumber and logs were up by 5% and 4% respectively, while by-product revenues were relatively flat. Shipment volumes for lumber and logs were down for the first six months of 2013 compared to 2012 by 2% and 15% respectively, but revenues were higher primarily due to stronger prices this year compared to the first six months of 2012. Average prices realized for lumber and logs for the six months ended June 30, 2013 were higher than the first six months of 2012 by 7% and 23%, respectively. The reasons for these changes year on year are similar to those discussed in the second quarter summary above, and largely reflect improved markets for our products, combined with continued efforts by management to maximize margins by channeling some of our products into higher priced markets.

Also contributing to the increased EBITDA in the first half of 2013 over 2012 were lower freight costs and less export taxes incurred in 2013. Freight costs were $7.1 million less for the first six months of this year, primarily because of shipping proportionately less product overseas compared to 2012. Export taxes were $4.0 million lower for the first six months of this year because higher lumber prices in 2013 exceeded the threshold for triggering export taxes.

To the end of the second quarter of 2013, our non-capital margin improvement program has contributed $16.3 million in annualized margin enhancements since the inception of the program at the beginning of 2012. We are targeting a total of $25.0 million in such enhancements over a three year period. The majority of the benefits derived to date relate to manufacturing throughput improvements, and also timberlands, logistics and procurement initiatives.

Non-operating Income and Costs

Finance costs decreased from $1.9 million in the second quarter of 2012 to $0.8 million in the current quarter. This decrease is primarily attributable to a reduction in the outstanding debt amount over the respective periods. In the twelve months to June 30, 2013, we have repaid $60.0 million in debt, of which $54.8 million was from cash generated from operations and $5.2 million from the sale of non-core assets. The finance costs for 2012 also included an amount of $0.4 million for previously deferred finance charges that were fully expensed following the refinancing that occurred in June 2012. Finance costs of $2.0 million incurred in the first six months of 2013 were $1.5 million lower than the same period in 2012. The reduction is largely because of lower average debt outstanding over the respective six month periods.

Other income of $0.7 million for the second quarter of 2013 compares to other income of $1.6 million in the second quarter of 2012. The higher income in the second quarter 2012 reflects larger gains on asset sales last year, which included the sale of TFL 60. The current quarter’s amount is net of demolition costs of $0.7 million incurred at our Saltair mill in the period.

Adoption of New Accounting Policy

IAS 19 *Employee Benefits* (revised 2011) (IAS 19R)

IAS 19R comprises a number of amendments to the accounting for defined benefit plans, including a change to the basis for determining the income or expense related to defined benefit plans. As a result of the change, the Company now determines the net interest expense (income) for the period on the net defined benefit obligation by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability at the beginning of the annual period. It takes into account any changes in the net defined benefit liability during the period as a result of contributions and benefits payments. Consequently, the net interest on the net defined benefit liability now comprises:

- interest cost on the defined benefit obligation; and
- interest income on plan assets.

Previously, the Company determined interest income on plan assets based on their expected long-term rate of return. The adoption of IAS 19R required the restatement of prior period figures and the impact on the three and six months to June 30second quarter 2012 was a reduction to net income of $0.2 million and $0.4 million, respectively. This comprised an increase to finance charges for these periods of $0.3 million and $0.6 million, respectively, and a decrease to selling and administration costs of $0.1 million and $0.2 million, respectively. There was a corresponding reduction in the defined benefit plan actuarial losses recognized in other comprehensive income of $0.2 million and $0.4 million for the three and six months to June 30, 2012, respectively. The revision had no impact on net assets at June 30, 2012 or December 31, 2012. The impact on earnings per share for the quarter ending June 30, 2012 was not material. The impact of adopting IAS 19R is more fully explained in Notes 3 and 14 in its Second Quarter 2013 Financial Statements.

Markets and Outlook

During the second quarter of 2013, we capitalized on strong market demand and pricing for our products, while continuing to benefit from the operational changes we have made to the business. Despite recent softening of some product markets heading into the third quarter of 2013, the Company expects to continue to generate adequate free cash flow over the next several quarters. Coupled with the strength of our balance sheet and liquidity position, we have commenced a one-time $100 million share repurchase program, and initiated a quarterly dividend starting in the third quarter 2013. We will also continue our strategic plan to invest in upgrading our manufacturing facilities. Our business strategy continues to focus on growing our lumber business around our four key lumber market segments: Western Red Cedar, Japan, Niche, and Commodity.

Overall demand for WRC continues to grow with improving US new home construction and increasing levels of US home renovations. As we exit the peak season for WRC demand, we anticipate prices to seasonally decline from second quarter 2013 levels. Export taxes will be applicable for the first time in 2013 by August, which will have a negative impact in the third quarter.

Demand for lumber in Japan is expected to remain strong, supported by new home construction. May housing starts in Japan, on a seasonally adjusted basis, exceeded one million for the first time since October 2008. Although weakness in US commodity prices may increase short-term lumber supply to Japan from the US, our outlook for Japan remains strong. However, our lumber realizations could be negatively impacted by any further weakening of the yen and reduced demand for yellow cedar.

Sales volumes in the Niche market segment have fallen slightly in 2013 due to tight Douglas fir and Hemlock log markets on the coast. As a result, we have undertaken less custom milling of our logs with third parties. These reduced sales volumes have meant that we are able to choose the markets and products that return the highest margins to the logs available. We continue to see increased demand for industrial products such as timbers, rail ties and cross arms which should translate into higher pricing for these products.

The weakening of the North American benchmark WSPF 2x4 commodity price through the second quarter of 2013 appears to have found a bottom, after falling 28% from the beginning of the quarter. Although supported by a combination of increased demand from China and mill curtailments, we expect third quarter 2013 prices to be lower than those in the previous quarter by 5 to 10%. We continue to use our market flexibility to manage our commodity pricing by shifting products between markets.

Strong demand in both export and domestic log markets is expected to continue through the third quarter, but we consider further price improvement to be unlikely at this time. Volumes of export and domestic log sales will decrease as we move our harvest to higher elevations of timber. Market fundamentals for pulp logs have deteriorated, and we will continue to maximize sawlog production from pulp log sorts.

As of the date of this report the first phase of our Saltair project has been completed and benefits are expected to be achieved immediately. Our first autograder is currently being built for the Alberni Pacific sawmill, with installation expected for early October. We expect to see benefits from this new technology in the fourth quarter, and we plan to implement the same technology in other sawmills.

Pursuant to the conditional agreement for sale of our former Woodfibre Pulp Mill site located near Squamish, British Columbia, work is currently in progress by our environmental engineers to prepare a detailed assessment of the remediation costs associated with the site. The work is almost complete and we expect to have the results of this assessment in the third quarter of 2013. We will continue to pursue other opportunities that may arise to sell non-core assets as appropriate.

The Company's Second Quarter 2013 news release, management's discussion and analysis, unaudited condensed interim financial statements and notes to the financial statements have been filed on SEDAR and are also available on the Company's website at www.westernforest.com.

Forward Looking Statements and Information

This press release contains statements which constitute forward-looking statements and forward-looking information within the meaning of applicable securities laws. Those statements and information appear in a number of places in this document and include statements and information regarding our current intent, belief or expectations primarily with respect to market and general economic conditions, future costs, expenditures, available harvest levels and our future operating performance, objectives and strategies. Such statements and information may be indicated by words such as "estimate", "expect", "anticipate", "plan", "intend", "believe", "should", "may" and similar words and phrases. Readers are cautioned that it would be unreasonable to rely on any such forward-looking statements and information as creating any legal rights, and that the statements and information are not guarantees and may involve known and unknown risks and uncertainties, and that actual results and objectives and strategies may differ or change from those expressed or implied in the forward-looking statements or information as a result of various factors. Such risks and uncertainties include, among others: general economic conditions, competition and selling prices, changes in foreign currency exchange rates, labour disruptions, natural disasters, relations with First Nations groups, changes in laws, regulations or public policy, misjudgements in the course of preparing forward-looking statements or information, changes in opportunities and other factors referenced under the "Risks and Uncertainties" section of our MD&A in our 2012 Annual Report dated February 21, 2013. All written and oral forward-looking statements or information attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. Except as required by law, Western does not expect to update forward-looking statements or information as conditions change.

Reference is made in this report to EBITDA which is defined as operating income prior to operating restructuring items and other income (expenses), plus amortization of property, plant, equipment, and intangible assets, impairment adjustments, and changes in fair value of biological assets. Western uses EBITDA as a benchmark measurement of our own operating results and as a benchmark relative to our competitors. We consider EBITDA to be a meaningful supplement to operating income as a performance measure primarily because amortization expense, impairment adjustments and changes in the fair value of biological assets are non-cash costs, and vary widely from company to company in a manner that we consider largely independent of the underlying cost efficiency of their operating facilities. Further, the inclusion of operating restructuring items which are unpredictable in nature and timing may make comparisons of our operating results between periods more difficult. We also believe EBITDA is commonly used by securities analysts, investors and other interested parties to evaluate our financial performance.

EBITDA does not represent cash generated from operations as defined by IFRSs and it is not necessarily indicative of cash available to fund cash needs. Furthermore, EBITDA does not reflect the impact of a number of items that affect our net income. EBITDA is not a measure of financial performance under IFRSs, and should not be considered as an alternative to measures of performance under IFRSs. Moreover, because all companies do not calculate EBITDA in the same manner, EBITDA as calculated by Western may differ from EBITDA as calculated by other companies. A reconciliation between the Company's net income as reported in accordance with IFRSs and EBITDA is included in Appendix A to the Company's Management's Discussion & Analysis for the second quarter ended June 30, 2013, which is available under the Company's profile on SEDAR at www.sedar.com.

Western is an integrated Canadian forest products company and the largest coastal British Columbia woodland operator and lumber producer with an annual available harvest of approximately 6.4 million cubic metres of timber of which approximately 6.2 million cubic metres is from Crown lands and lumber capacity in excess of 1.1 billion board feet from eight sawmills and two remanufacturing plants. Principal activities conducted by the Company include timber harvesting, reforestation, sawmilling logs into lumber and wood chips and value-added remanufacturing. Substantially all of Western's operations, employees and corporate facilities are located in the coastal region of British Columbia while its products are sold in over 25 countries worldwide.

TELECONFERENCE CALL NOTIFICATION:

Thursday, August 1, 2013 at 7:00 a.m. PST/10:00 a.m. EST

On Thursday, August 1, 2013, Western Forest Products Inc. will host a teleconference call at 7:00 a.m. PST (10:00 a.m. EST). To participate in the teleconference please dial 1-416-981-9000 or 1-800-732-6870. This call will be taped, available one hour after the teleconference and on replay until August 9, 2013. To hear a complete replay, please call 1-416-626-4100 / 1-800-558-5253 Passcode 21668478.

Contacts:

For further information, please contact:

Don Demens (604) 899-3754
CEO

Brian Cairo (250) 734-4710
CFO and Corporate Secretary

July 31, 2013

Letter to Shareholders

Dear Shareholders,

Western capitalized on strong global lumber and log markets to deliver EBITDA of $44.9 million.

We continue to make progress in our business. Strong operational performance, supported by increased demand for our lumber and log products, allowed us to produce $44.9 million of EBITDA in the second quarter of 2013. We achieved milestones in safety across our company and contractor operations, delivering our lowest safety incident rate ever. We successfully operated our mills at current capacity even though British Columbia log supply remained tight. Our lumber prices rose, thanks to our diversified product mix, while benchmark commodity lumber prices declined. We ended the second quarter in a sound financial position with liquidity of $232 million and no net debt. Supported by our strong financial position and free cash flow projections, we commenced the next phase of our capital allocation strategy. We announced our plan to repurchase up to $100 million of our outstanding voting common shares and non-voting shares, as well as initiate a regular quarterly dividend. As we implement this next phase of our capital allocation process, we will continue to proceed with our strategic capital investment plans.

Second quarter 2013 financial highlights included:

- EBITDA for the quarter was $44.9 million, an increase of $26.1 million over the second quarter of 2012.
- Announcement of a $100 million share buy-back and amendment to our debt financing.
- Initiated a regular quarterly dividend of $0.02 per share, payable on September 20, 2013 to shareholders of record on August 30, 2013, yielding 5% at today's share price.
- Zero net debt.
- Improved liquidity to $232 million.

We achieved the following operational successes:

- Medical incident rate in our company operations of less than 1.
- Capitalized on market opportunities by continuing to focus on higher margin segments.
- Mill productivity levels increased 2% over the second quarter of 2012.
- Margin improvement program delivered an additional $2.8 million in the second quarter.
- Installation of new equipment at Saltair sawmill on schedule.

U.S. commodity lumber pricing continues to be volatile at this stage in the housing recovery. Poor weather delayed many U.S. building projects early in the quarter which, coupled with seasonal peak lumber production, caused lumber inventories to build and pricing for commodity lumber to decline. This short term, weather-related issue has not impacted our longer-term view that lumber demand will continue to increase. In contrast, prices achieved for our commodity lumber products sold during the second quarter did not decline, due to the strong order files which we booked in advance of the quarter and our ability to direct product to the highest margin alternatives. Additionally, demand and pricing for our Western Red Cedar products remained strong through the second quarter.

In Japan, lumber demand continued to improve through the quarter, as the pace of housing starts surpassed 1 million. We anticipate demand for lumber in Japan to remain strong in the third quarter.

Our sales of log and lumber products to China remained stable. Balanced Chinese log inventories, coupled with our ability to change lumber product mix and ship to various regions, allowed us to maintain pricing throughout the quarter. We expect demand to remain steady through the third quarter.

Log markets remain steady. Looking forward, strong demand in both the domestic and export markets is expected to continue into the third quarter, with the exception of pulp log markets, which will remain challenging.

Third quarter operating conditions on the coast of B.C. are always a challenge. Hot, dry summer weather often limits our timber harvesting due to fire closure, which in turn reduces log production. Any significant downtime related to the weather will further tighten log supply on the coast of B.C.

We continue to invest in our manufacturing base. Implementation of our strategic capital is progressing according to plan. To date, we have invested $22 million of the projected total cost of $38 million for the Saltair mill upgrade. With phase one complete, we successfully re-started operations on time at the end of July. This first phase is projected to deliver 75% of the total benefits. The entire project will be completed by the second quarter of 2014. Overall, it will increase production, reduce unit costs and enhance our ability to provide a greater variety of finished products for our customers.

Our first auto-grader is currently being built for the Alberni Pacific sawmill, with installation planned in early October. We expect to see benefits from this new technology commencing in the fourth quarter of 2013, following which we plan to implement the same technology in other sawmills. This technology will allow us to better match lumber grades to customer needs and improve processing efficiency. We believe this will be the first application of this technology for coastal species.

We are pleased to announce the appointment of Shannon Janzen as our Chief Forester. Shannon is a Registered Professional Forester with extensive experience in developing and implementing cooperative and sustainable land use policies and practices. Shannon has been instrumental in establishing our strategic relationships and partnerships with First Nations, environmental groups and various levels of government.

To conclude, I am very pleased to report our positive second quarter performance. We have once again improved our financial results, while simultaneously delivering our best safety performance ever. We also continue to implement our strategic capital plan, while increasing our returns to you, our shareholders. Our team continues to operate at a high level, delivering logs and lumber products to an improving market. I would like to thank our employees and contract partners for their commitment to continuous improvement and to operating safely and efficiently, while sustainably producing high quality products for our worldwide customers.

Don Demens
President and CEO