



Investor Presentation

September, 2010

CANFOR PULP INCOME FUND



Disclosure of Risk Factors

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", "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. In particular, material forward-looking statements in this press release include the expected effective date of the Arrangement. In some instances, material assumptions are disclosed elsewhere in this press release in respect of forward-looking statements. Other risks and uncertainties are detailed from time to time in reports filed by the Fund with the securities regulatory authorities in all of the provinces and territories of Canada to which recipients of this press release are referred to for additional information concerning the Fund and Partnership, its prospects and uncertainties relating to the Fund and Partnership and its prospects. Although we believe that the expectations reflected by the forward-looking statements presented in this press release are reasonable, these forward-looking statements are based on management's current expectations and beliefs and actual events or results may differ materially. New risk factors may arise from time to time and it is not possible for management to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual events and results, performance and achievements of the Fund and Partnership to be materially different from those contained in forward-looking statements. The forward-looking statements speak only as of the date on which such statement is made, are based on current information and expectations and the Fund and Partnership assume to obligation to update such information to reflect later events or developments, except as required by law.

In this presentation, references are made to EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization and before other non-operating income and expenses) and adjusted distributable cash. Canfor Pulp considers EBITDA and adjusted distributable cash to be an important indicator for identifying trends in the performance and of the Fund's ability to generate funds to meet its debt service, capital expenditure requirements and to make cash distributions to its partners. EBITDA and adjusted distributable cash is not a generally accepted earnings measure and should not be considered as an alternative to net income or cash flows as determined in accordance with Canadian generally accepted accounting principles. As there is no standardized method of calculating EBITDA and adjusted distributable cash , the Fund's use of these terms may not be directly comparable with similarly titled measures used by other entities.

Unless otherwise noted, all financial references are in Canadian dollars.

Overview

- ▶ **Canfor Pulp Limited Partnership (CPLP)**
 - 3 mills in the central interior of BC
 - Market pulp capacity of 1.1 million tonnes
 - Kraft paper capacity over 140,000 tonnes
 - Ownership*: Canfor Pulp Income Fund 49.8%
Canfor Corporation 50.2%

- ▶ **Canfor Pulp Income Fund (CFX.UN)**
 - Float of 35.5 million units
 - Market capitalization approx. \$500 million
 - 2010 YTD ~ 164,000 units trade on average per day

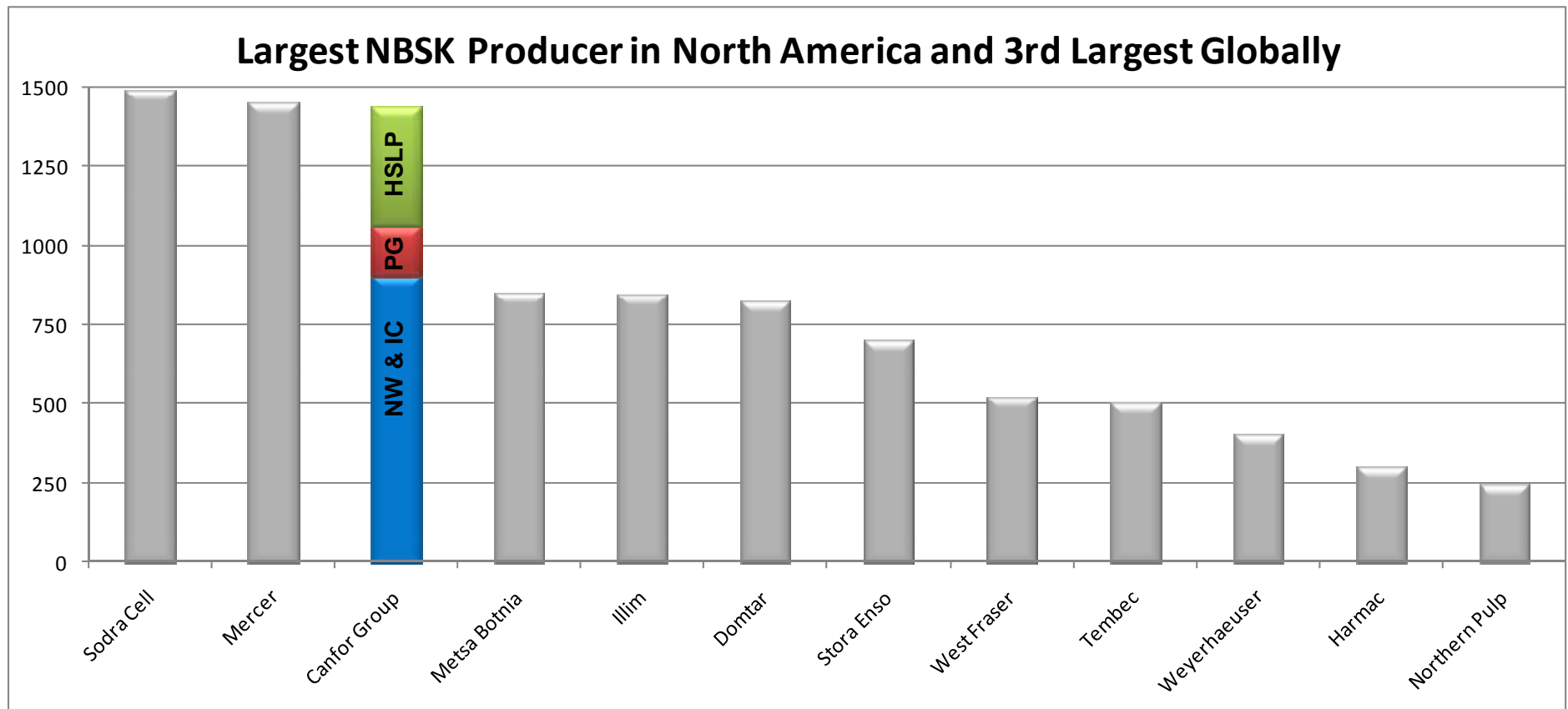


Northwood



Intercon and Prince George Pulp & Paper

Market Leadership



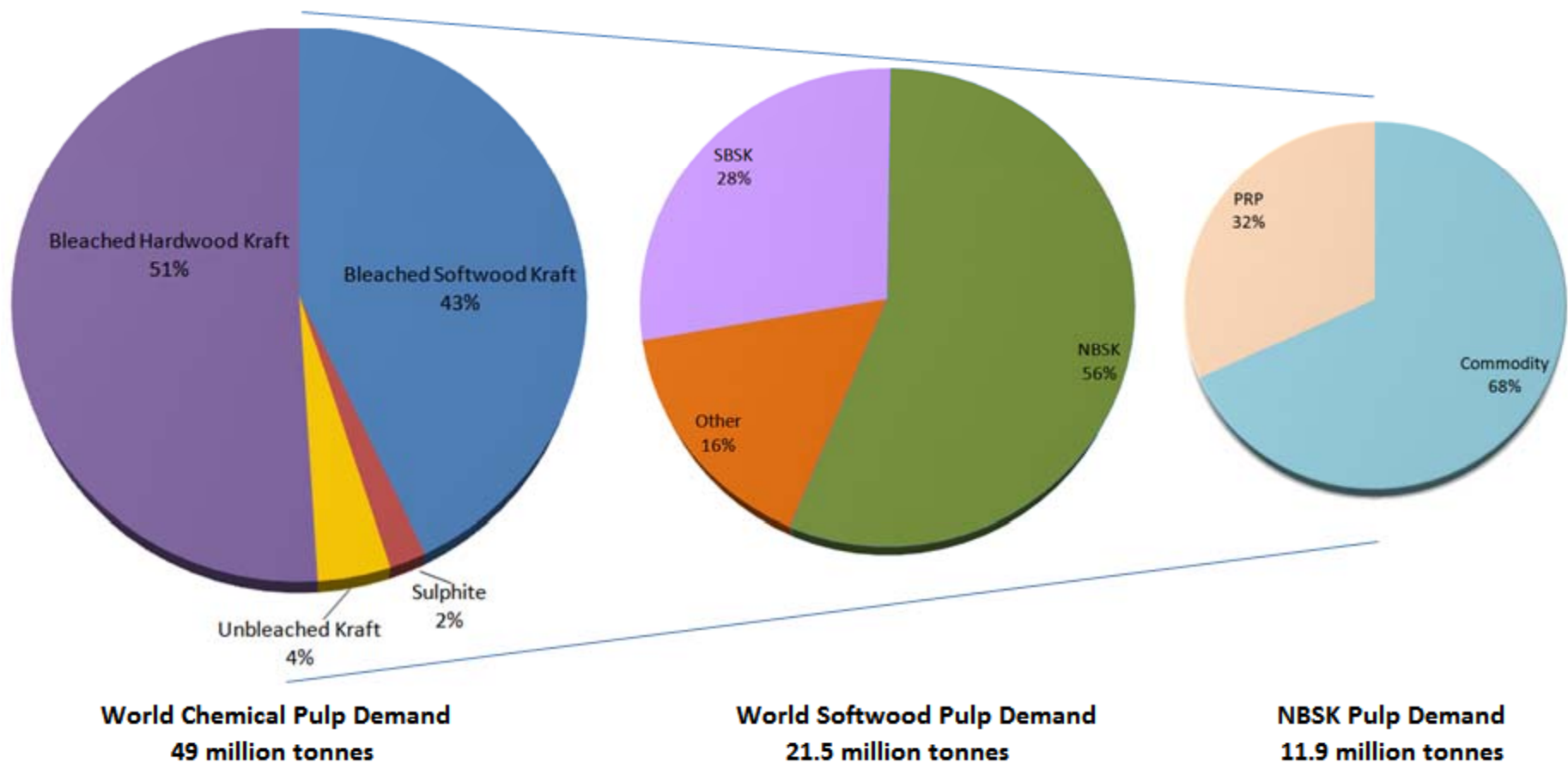
Strengths

- ▶ Fibre
- ▶ Investment
- ▶ Asset Base

State of the Industry

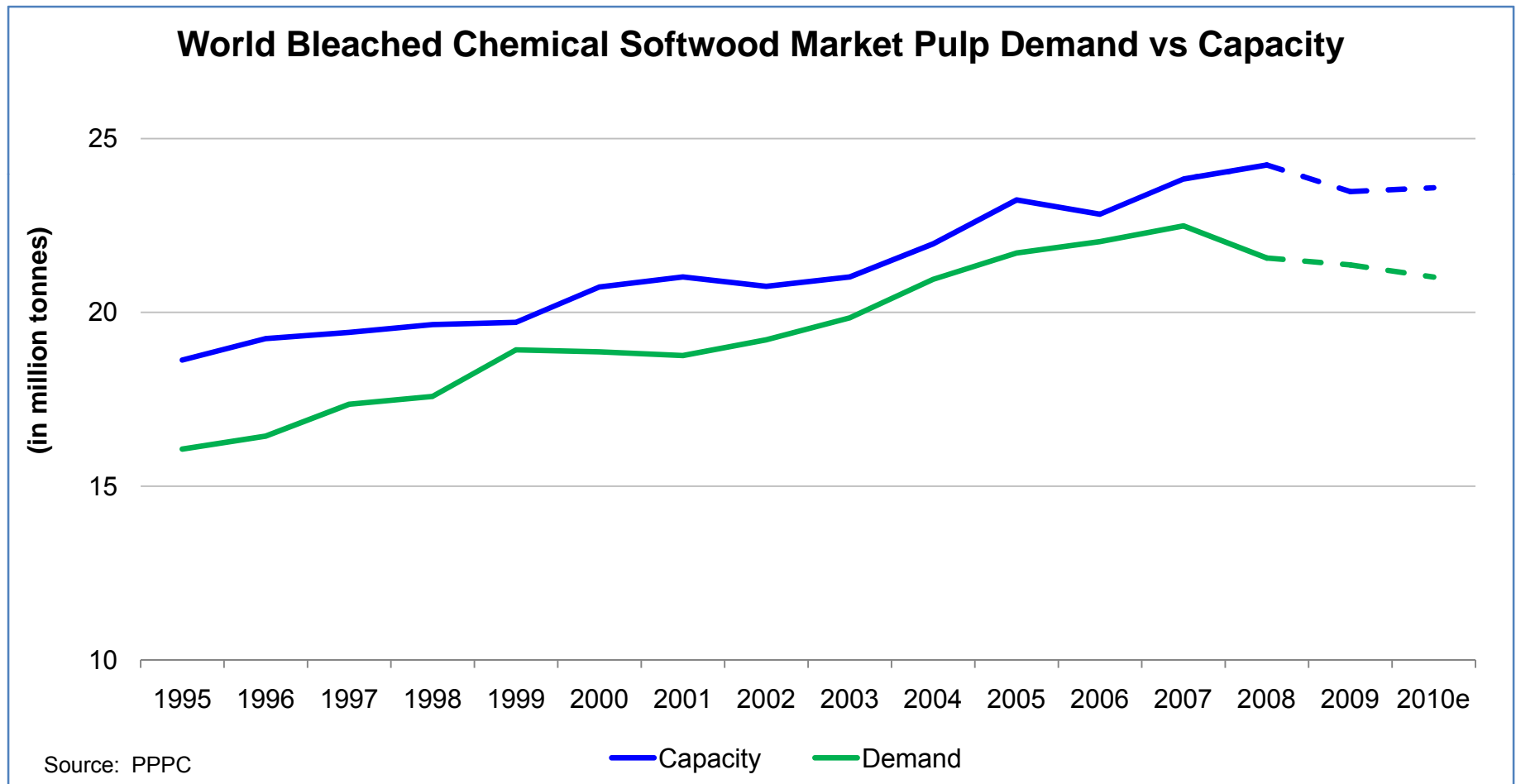
Global Chemical Market Pulp Demand

10 yr Chemical Market Pulp Demand CAGR ~ 2.3%



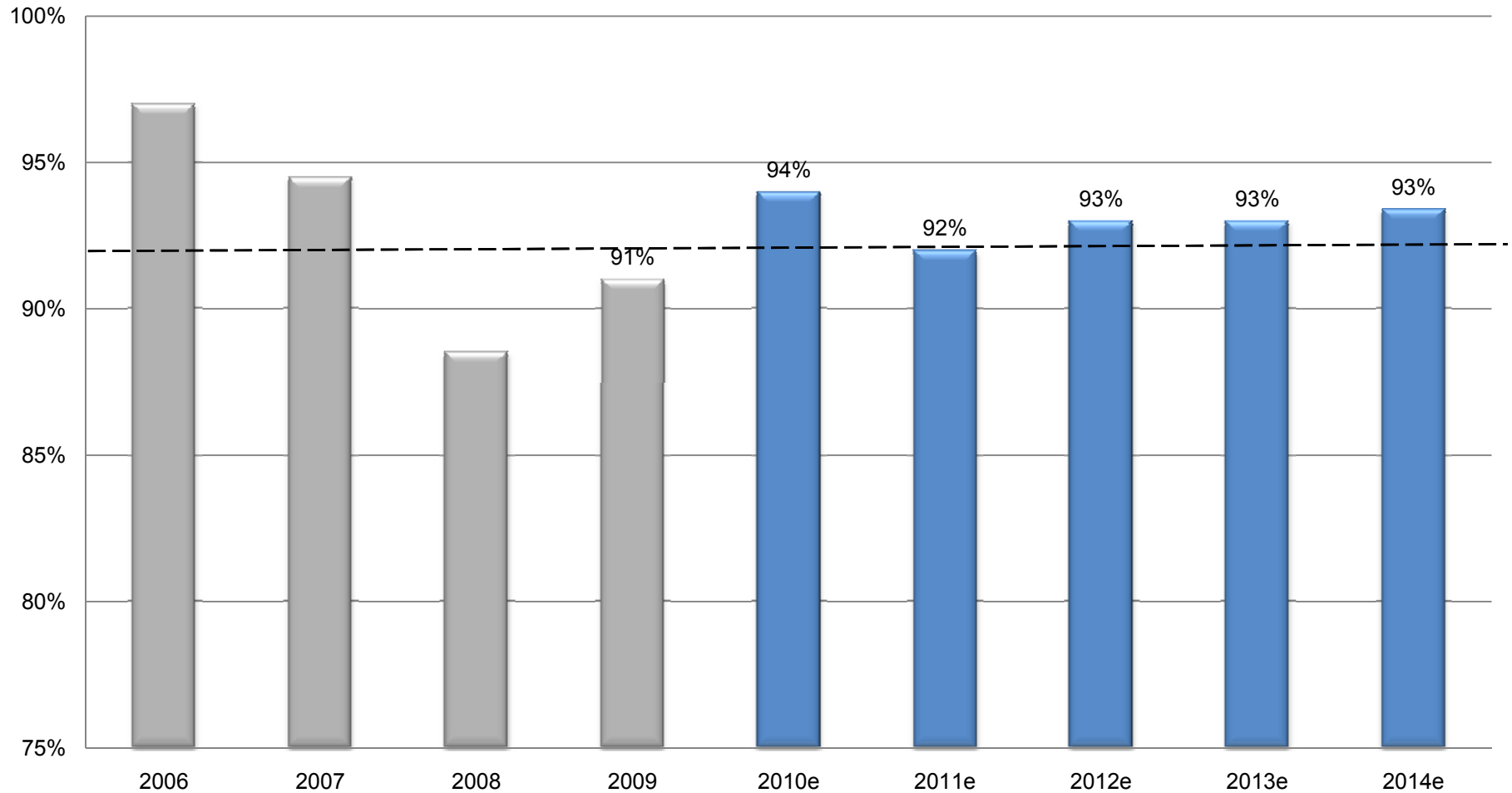
Pulp Markets: Long-Term NBSK Growth

Historically demand has grown at 1-2% per year and over the long term will continue to do so. Supply reduced in reaction to demand.



World Chemical Market Softwood Pulp Balance

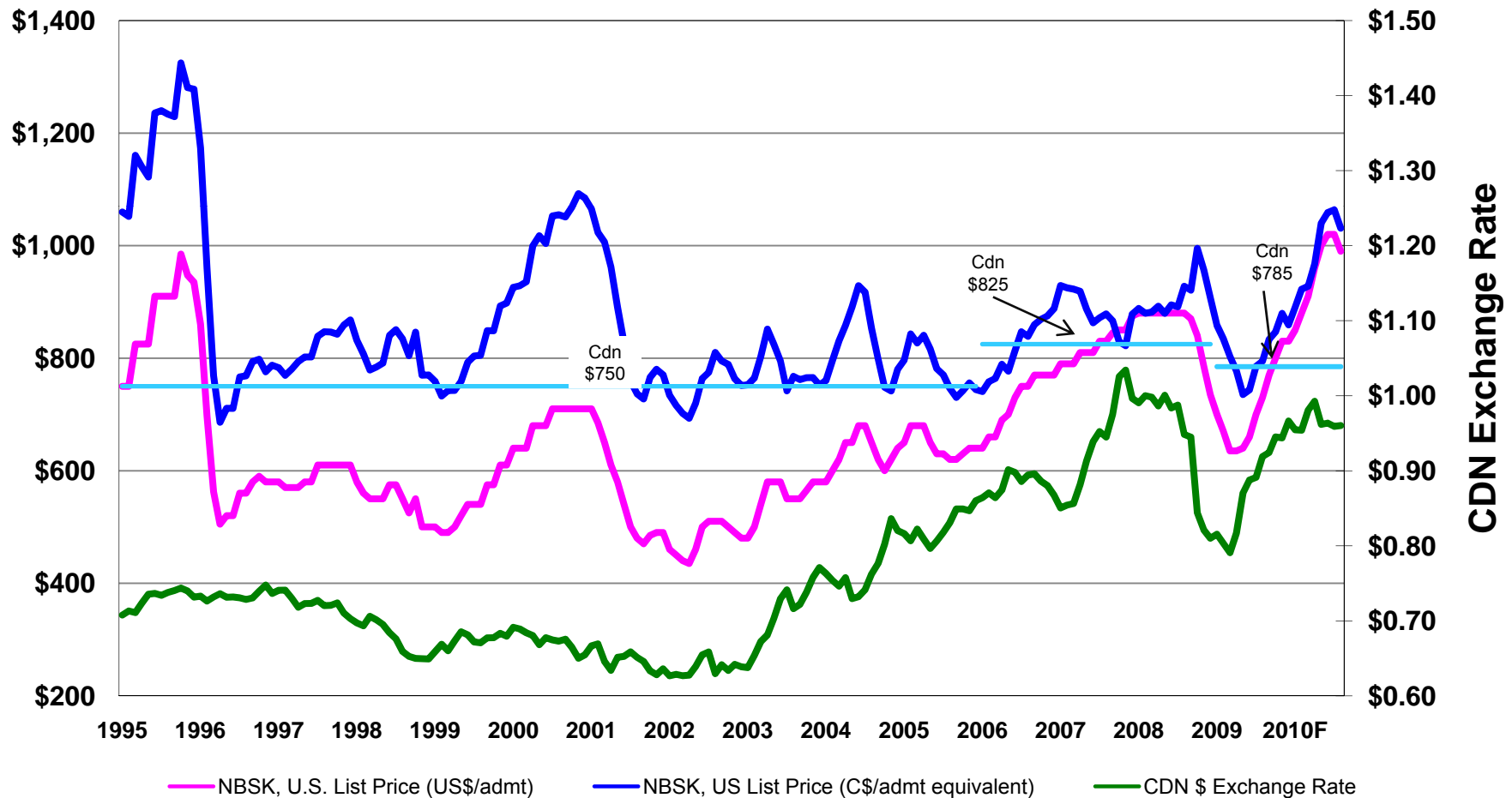
Projected High Operating Rates



Source: PPC

Pulp Markets: Historical NBSK Prices

NBSK List Prices in \$US Delivered to North America vs. Foreign Exchange - to September 2010

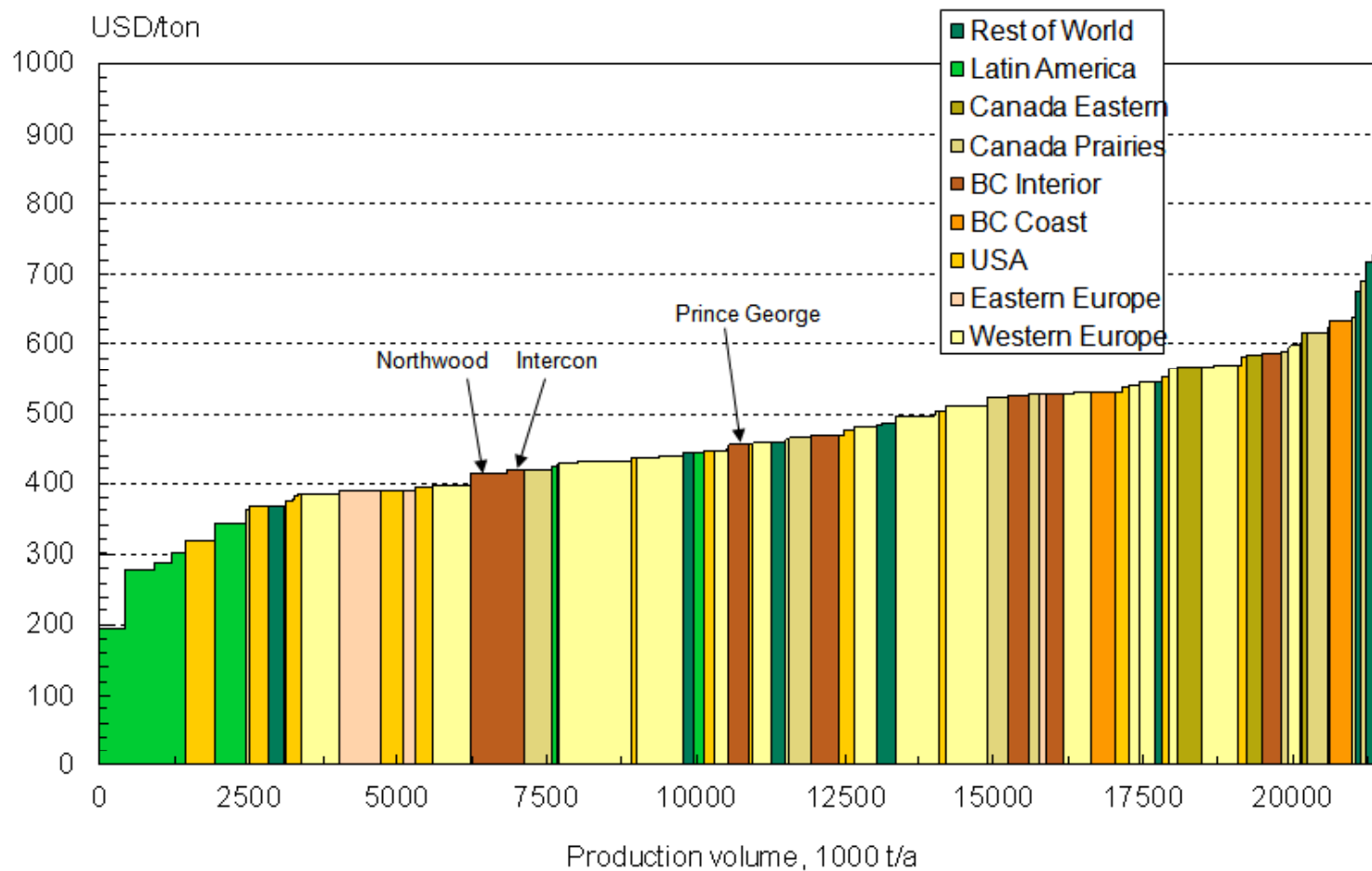


Competitive Position

Relative Cost Position - Poyry Consulting Cost Curve Estimates

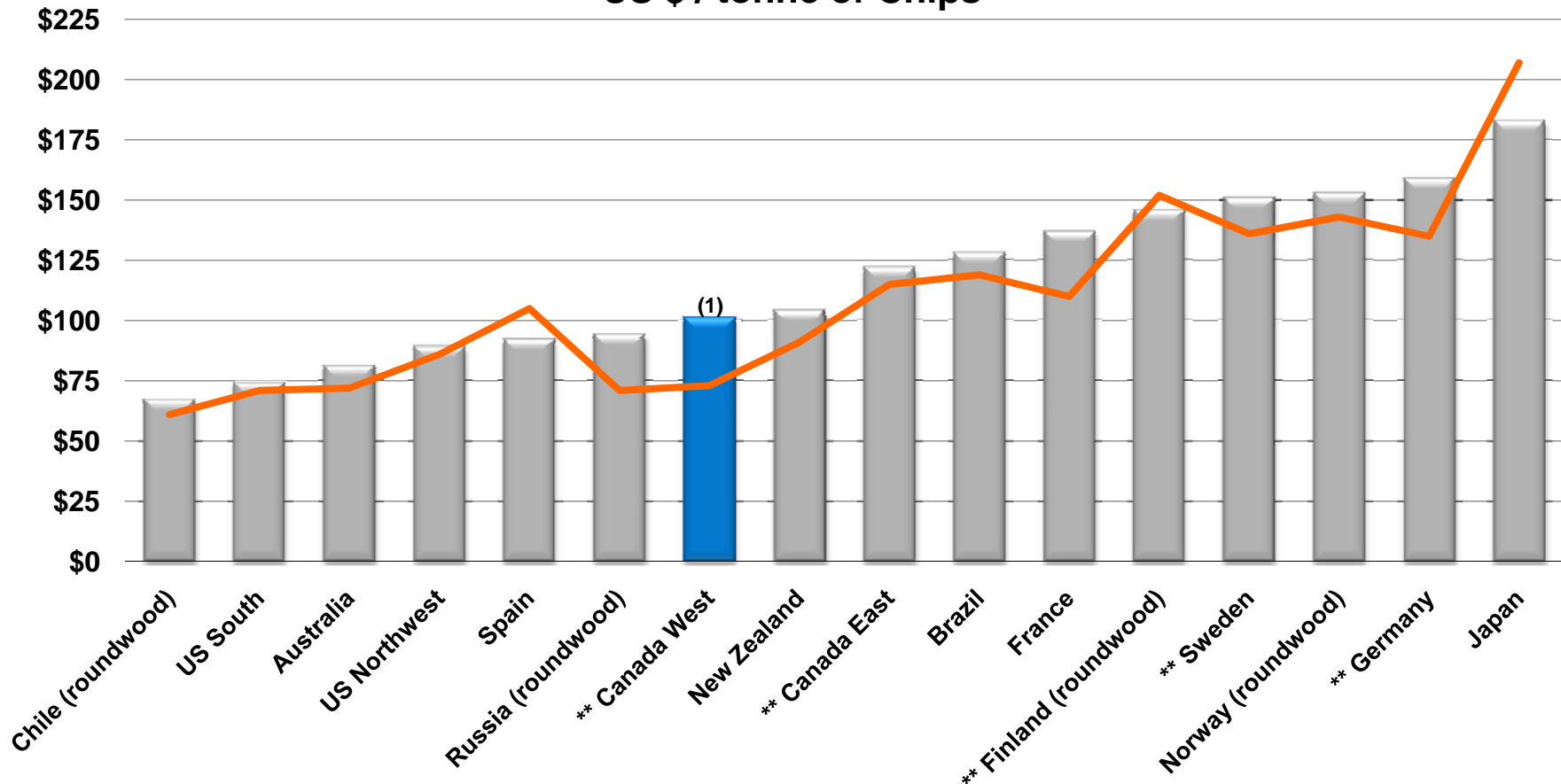
Global BSKP Cost Competitiveness – Poyry Consulting May, 2010

FX: \$Cdn = \$0.90 USD and \$Euro = 1.35 USD



Fibre Advantage - Low Cost

**Conifer Chips - Delivered Prices Q2 / 09 vs. Q2 / 10
US \$ / tonne of Chips**



(1) Fibre Costs linked to price of pulp

** NBSK Producing Region

Canada West region includes BC Interior, BC Coast and Alberta

■ Q2-10 — Q2-09

Resource: Wood Resources

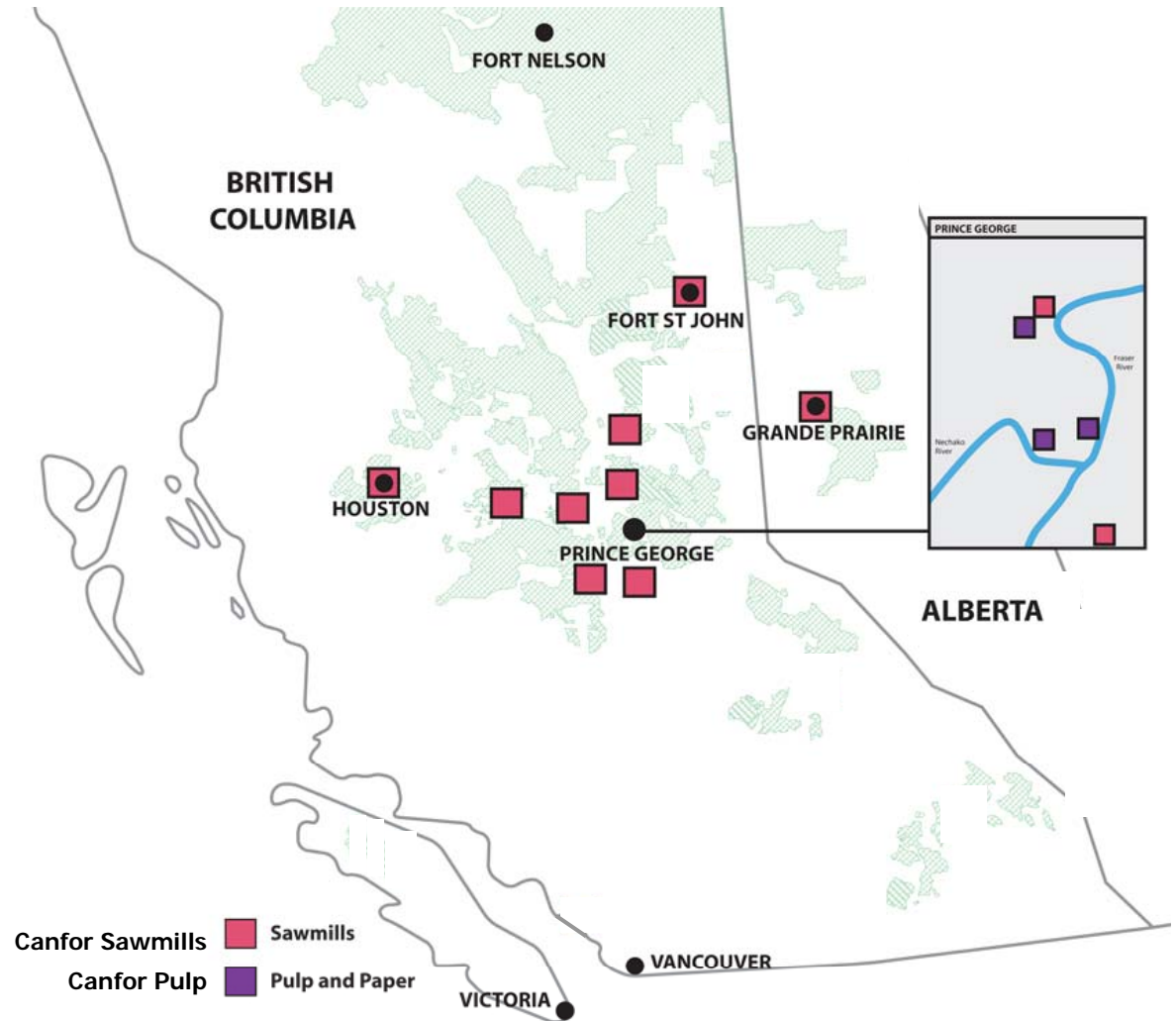
Fibre Advantage: Abundant Supply

Fibre Sources

<i>(million Odt's)</i>	<u>Normal</u>	<u>Current</u>
Canfor Sawmills ^{(1)/(2)}	1.6	1.1
Other Sawmills ⁽²⁾	1.0	1.1
Whole-log chipping	-	0.3
TOTAL	2.6	2.5

- (1) Evergreen contract
- (2) Chip prices are linked to the price of pulp with a market adjustment consideration

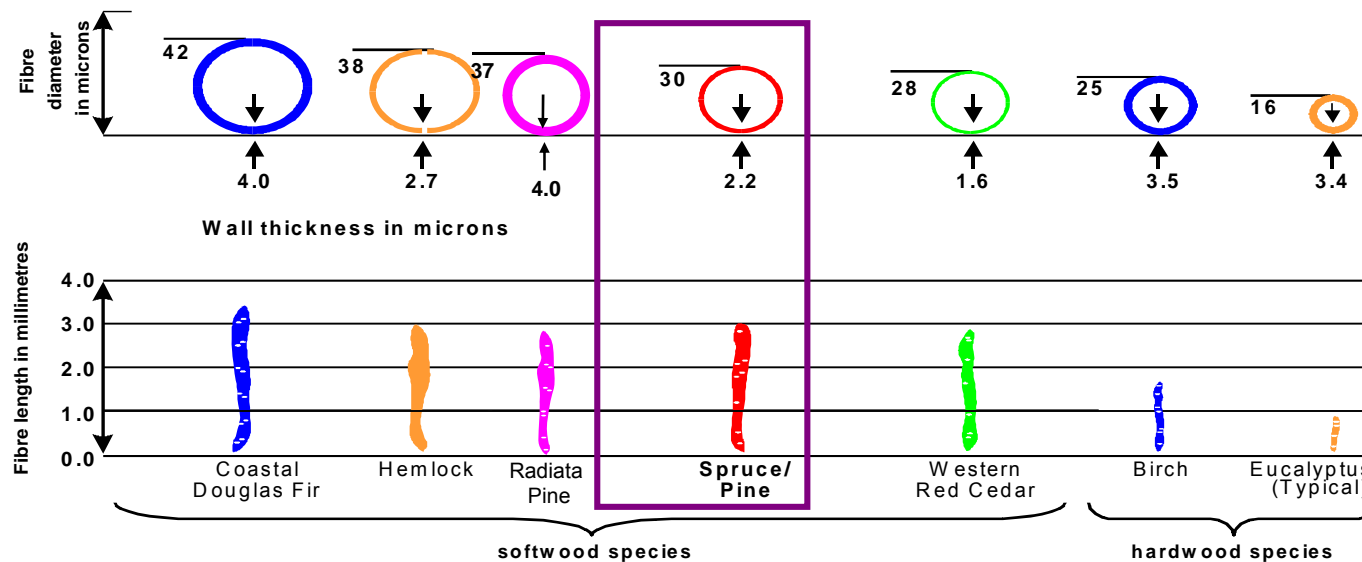
Whole log chip requirements reduced in future.



Fibre Advantage: Characteristics

Not all pulps are the same: Northern spruce and pine fibre grown in the central interior of British Columbia is recognized as one of the strongest in the world due to the long, slender, thin-walled fibres. This provides for a better printing surface, better softness and better strength, which in turn commands a premium return.

Typical Fibre Dimensions



"Weight weighted lengths measured by Kajaani FS 200"

High Margin Producer: Targeted Sales

Achieve higher mill nets through:

▶ Target Customers That Need Reinforcing Pulp

Printing & Writing

- Magazines / Catalogues

Specialty

- Adhesive labels (beer) / Masking tape

Tissue

- Branded top quality “Use at-home” tissues

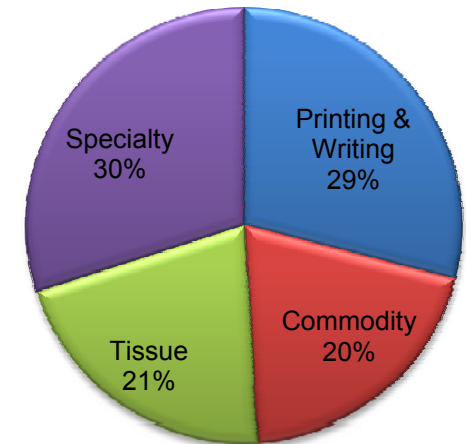
Commodity

- Photocopy paper

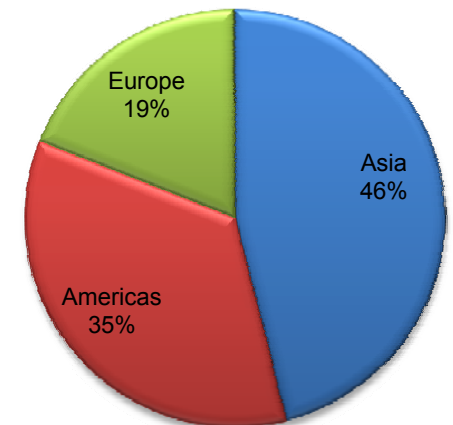
▶ Diversify Sales

Geographically balanced sales

2009 Sales



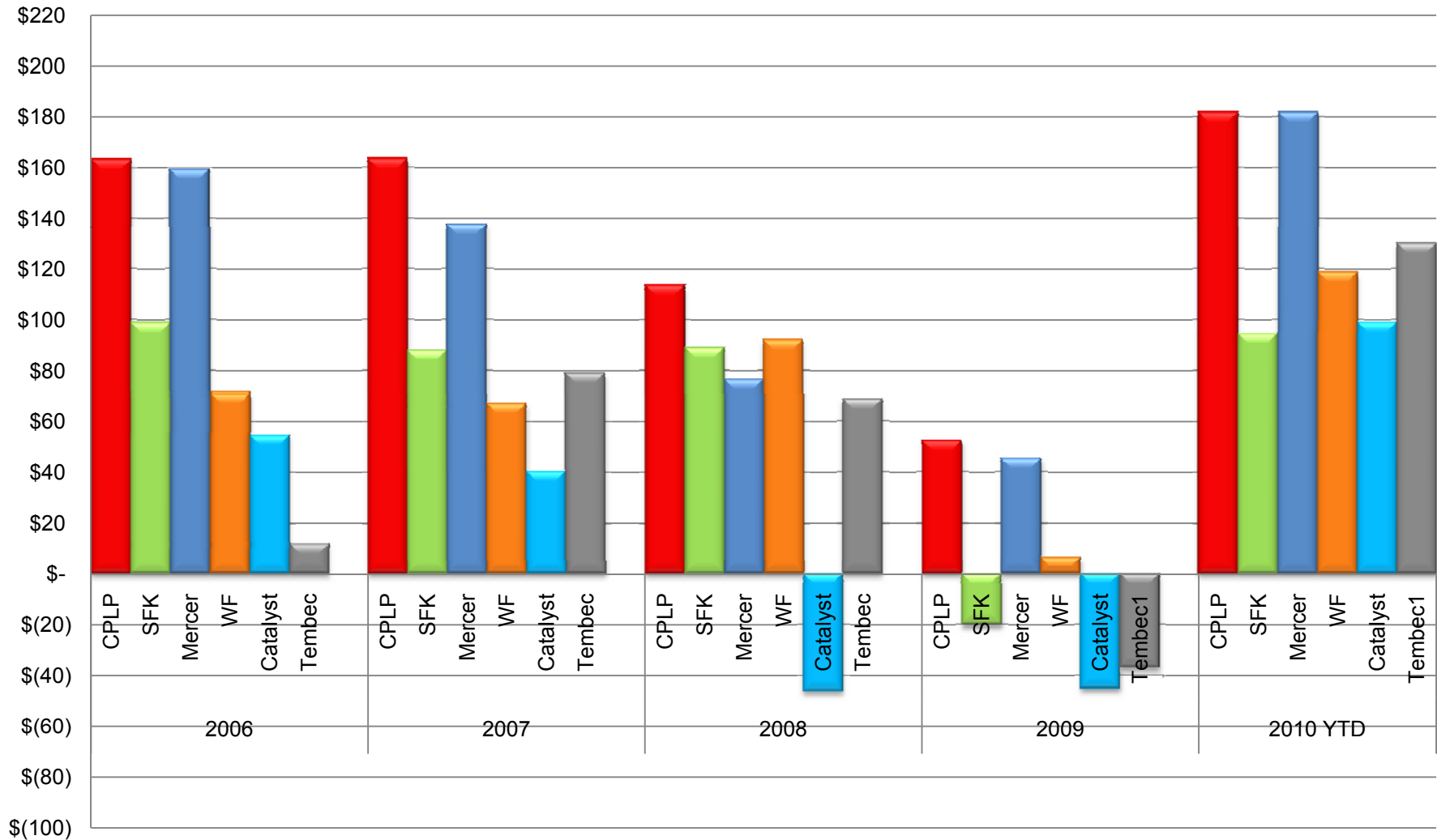
2009 Sales



Relative Competitive Position

CPLP is #1 in Canada

EBITDA per tonne



Investment Plans

Green Transformation Program Update

Canada's Green Transformation Program

- ▶ Canadian Federal Government Program Announcement – June 2009
- ▶ \$1 Billion Dollar Cap
- ▶ Based on burning of “Black Liquor” (similar to US program)
- ▶ Qualifying Investments
 - An energy efficiency improvement and/or positively impact the use of renewable (alternate) energy or
 - Measureable environmental benefits along with at least energy use improvements
- ▶ Spending must be completed by March 31, 2012

Green Transformation Program

- ▶ **CPLP Awarded \$122.2 million (12% of Program Funding)**

- ▶ **PG Pulp Mill Odour Reduction Project** **\$10.7 MM**
 - Significant Odour & TRS Emission Reductions
 - *NRCAN Approved June, 2010 / Q2, 2011 Start-up*

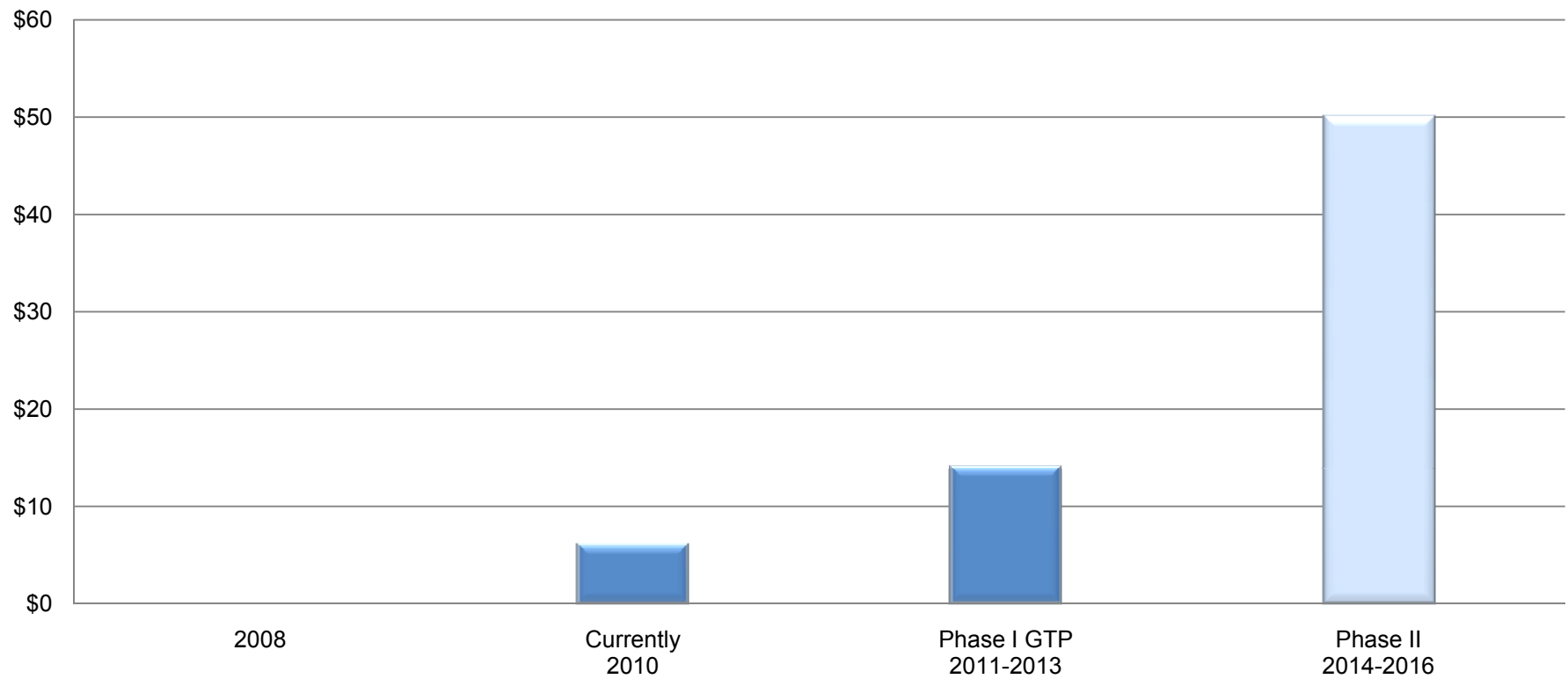
- ▶ **Increased PGI Bio-Fuel Power Generation** **\$4.2 MM**
 - Increased Electricity Sales
 - *NRCAN Approved June, 2010 / Q3 2010 Start-up*

- ▶ **Northwood Recovery Upgrade** **\$108 MM**
 - Reduced Particulate & Odour Emissions + Reduced GHG
 - *Submitted to NRCAN in July / Q4 ,2011 Start-up*

- ▶ **Other Miscellaneous Projects**

Energy Revenue Growth

"Future Power Sales Opportunities"



Financials: Strong Performance

Canfor Pulp Limited Partnership			
C\$ millions unless otherwise noted	6 months June 2010	Year ended Dec 2009	Year ended Dec 2008
Sales	487.1	816.7	844.6
EBITDA	107.8	61.8	116.9
- ebitda margin %	22%	8%	14%
Net Income	75.6	13.4	46.8
- per unit	\$1.06	\$0.19	\$0.66
Distributable cash - per unit	\$1.45	\$0.43	\$1.35
C\$ ave list pulp price (del to USA)	969	820	914
Shipments - pulp (m tonnes)	520.7	1,044.6	932.8
Production - pulp (m tonnes) *	517.6	1,006.8	905.4

* Market pulp, excludes pulp used in internal paper production.

Financial Position

Maintain a strong balance sheet

(\$ millions)	June 2010	Dec 2009
Current Assets	349.5	286.4
Other	15.7	17.1
Fixed Assets	515.1	534.1
Total	880.3	837.6

	June 2010	Dec 2009
Current Liabilities	164.1	140.2
Long-term Debt ⁽¹⁾	116.7	115.1
Other Long-term Liabilities ⁽²⁾	54.6	53.2
Equity	544.9	529.1
Total	880.3	837.6

Long-term Debt / Debt & Equity	=	0.176	0.179
Current Assets / Current Liabilities	=	2.13	2.04

(1) US\$ 110 million Notes

(2) Primarily Pension Obligations and Future Employee Benefits

Conservative Capital Structure

- ▶ Revolving Loan
 - C\$40 million
 - Unsecured
 - Matures November 2011
 - Used to fund working capital fluctuations
 - Cash at June 30, 2010 \$40.3 million

- ▶ Long-term Debt
 - US\$110 million
 - Unsecured private placement notes
 - Fixed interest rate of 6.41%
 - Repayable in full on November 2013
 - Covenants:
 - Interest coverage > 2.5
 - Leverage ratio < 3.25
 - Agreement is posted on SEDAR (dated December 6, 2006)

- ▶ Covenant ratios in compliance throughout downturn and improving in 2010

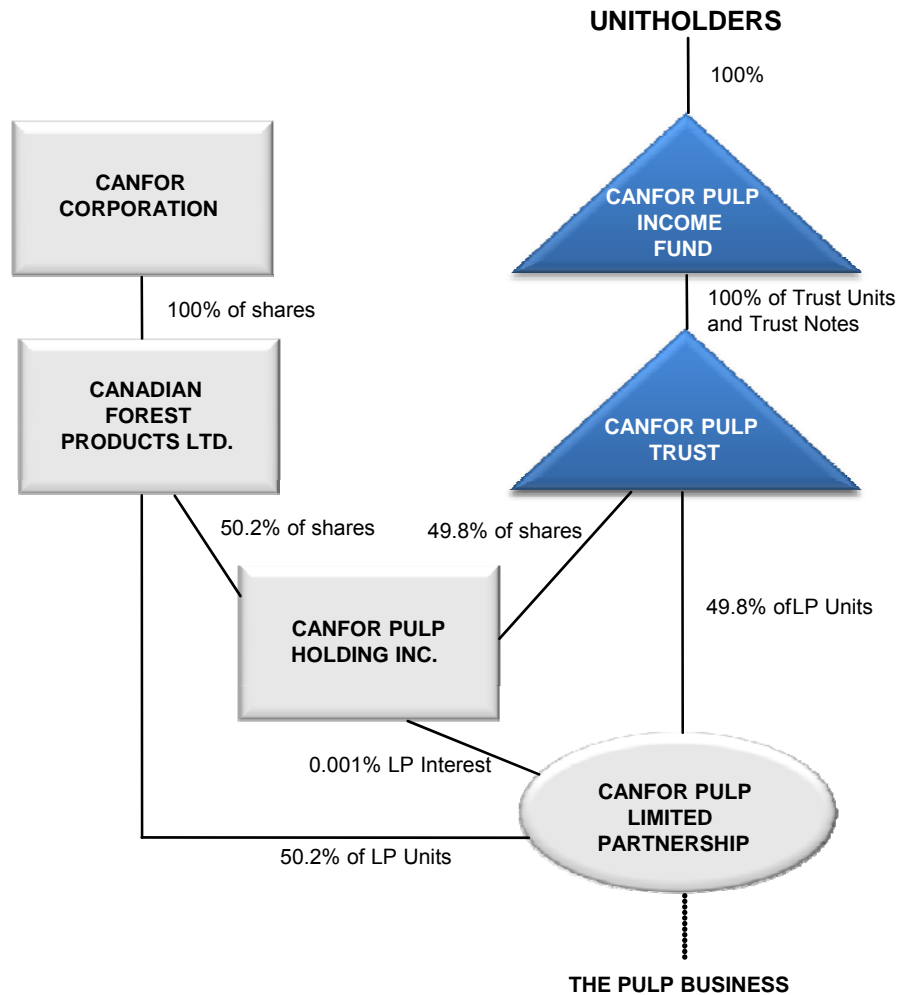
Sources of Competitive Advantage

- ▶ Fibre
 - Abundant, low cost, high quality
- ▶ Investment
 - Business maintenance, high payback, strategic
- ▶ Asset Base
 - Scale, proximity

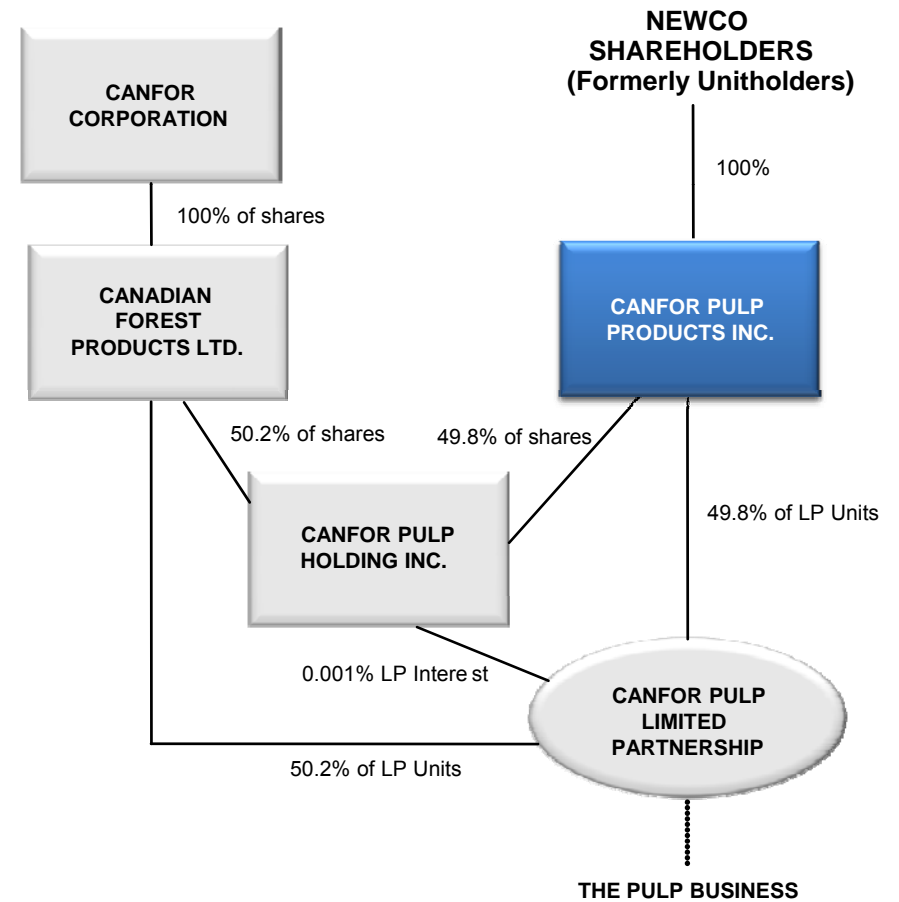
De-Trusting Implications

Conversion - Structure

As of March 16, 2010



Upon completion of the Arrangement and the wind-up of the Fund and the Trust



Impact on Unit Holders

- ▶ Conversion from Trust to corporation will result in Units being exchanged for shares on one-for-one basis
- ▶ Monthly Distributions replaced with Quarterly Dividend

Distributions / Dividends

- ▶ Based on estimates of full year cash flow from operations after debt service and capital expenditures
 - Low debt service costs ~ US\$8 million
 - Capital requirements to retain competitive cost structure
 - Maintenance capex ~ \$10 - \$15 million
 - Normal strategic capex ~ \$15 - \$20 million*

- ▶ Flow through from CPLP operations to unit holders for 2010

- ▶ Conversion to corporation in 2011
 - Flow through from CPLP operations to corporation
 - Corporate tax at 25-30%
 - Residual after tax available for payment paid as dividend to shareholders

Investor Contact



▶ CFX.UN

– Investor Contact

Terry Hodgins

Chief Financial Officer & Secretary

604-661-5421

terry.hodgins@canforpulp.com

– Canfor Pulp Income Fund

230 - 1700 West 75th Avenue

Vancouver, BC V6P 6G2

▶ www.canforpulp.com

Canfor Pulp Income Fund



▶ APPENDIX

Experienced Leadership

BOARD OF DIRECTORS

- Charles Jago, Chairman ^{1, 2, 3}
- Peter J.G. Bentley ^{2, 3}
- Stanley E. Bracken-Horrocks ^{1, 2}
- Donald Campbell ^{1, 3}
- Ronald L. Cliff ^{1, 3}
- Joe Nemeth ⁴
- James F. Shepard ⁵
- William Stinson ^{1, 2}

¹ Audit Committee

² Compensation Committee

³ Governance Committee

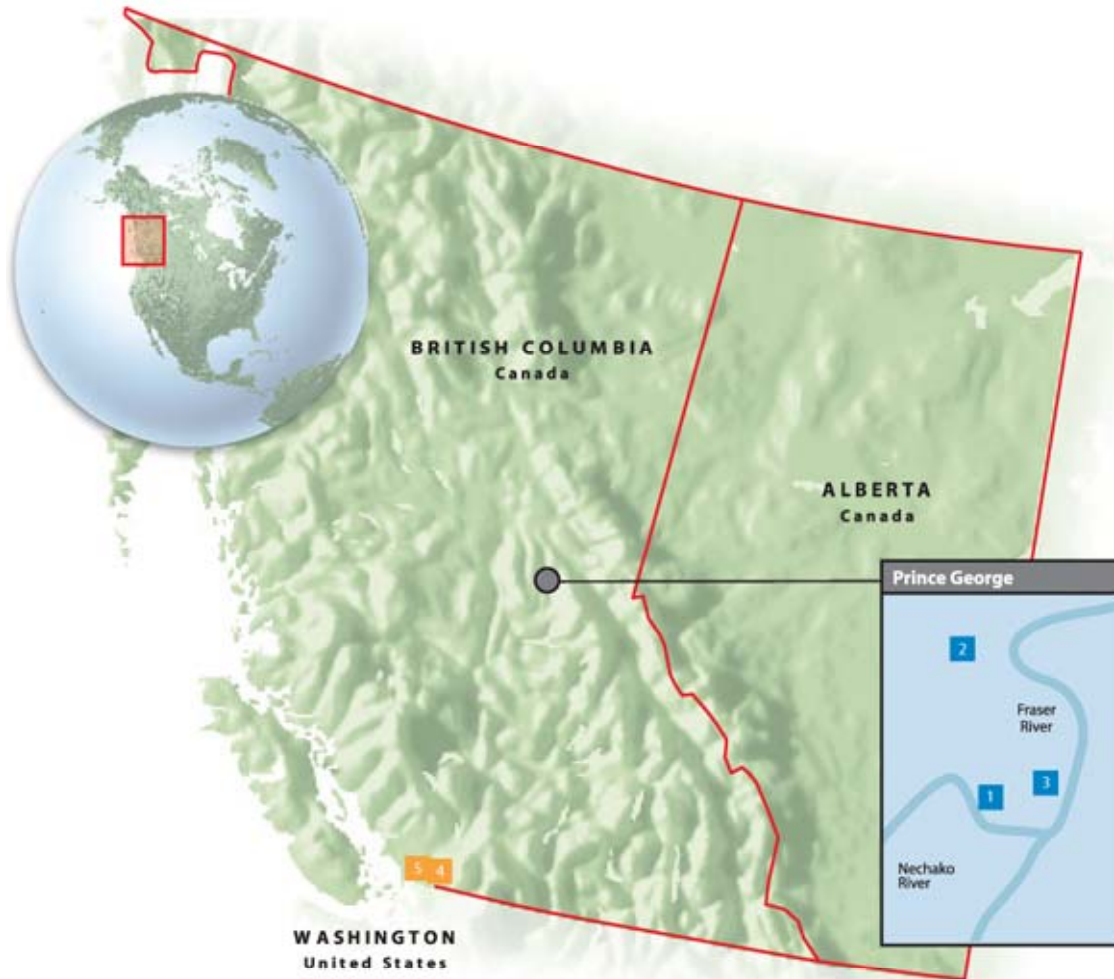
⁴ Canfor Pulp President & CEO

⁵ Canfor Corp. President & CEO

SENIOR MANAGEMENT

- Joe Nemeth, *President & CEO*
- Terry Hodgins, *CFO & Secretary*
- Sean Curran, *VP, Sales & Marketing*
- Brett Robinson, *VP, Operations*
- Rick Cooper, *General Manager, Fibre Supply*
- Robert Dufresne, *GM, Northwood Pulp Mill*
- Rick Pingel, *GM, Logistics & Procurement*
- Martin Pudlas, *GM, Prince George Pulp Mills & Specialty Paper*
- Rick Remesch, *Corporate Controller*
- David Scott, *GM, Human Resources*

Our Location



3 mills in the BC Interior:

- 1.1 million tonnes of NBSK pulp
- 140,000 tonnes of Kraft paper
- 4 pulp machines and 1 paper machine

MILL/LOCATION

KEY PRODUCTS

1	Intercontinental	NBSK Pulp
2	Northwood	NBSK Pulp
3	Prince George Pulp & Paper	NSK Pulp
3	Prince George Pulp & Paper	Kraft Paper
4	Head Office - Vancouver	
5	Canfor Pulp R&D Centre - Vancouver	

- Pulp & Paper
- Other

The Operations

	Northwood	Intercontinental	Prince George Pulp & Paper	
Year Built	1966 / 1984	1968	1966	
No. of employees*	495	277	365	
Capacity (ADMT**)	590,000	315,000	155,000 (pulp)	140,000 (paper)
Operations	2-line pulp	1-line pulp	1-line pulp	1-line paper
Markets	North America, Europe & Asia			North America & Europe
Products	Bleached NBSK		Semi-bleached and Unbleached	Bleached and Unbleached
Fibre consumed (Oven-dried tonne)	2.6 million			
Certification	ISO 9001 and ISO 14001			

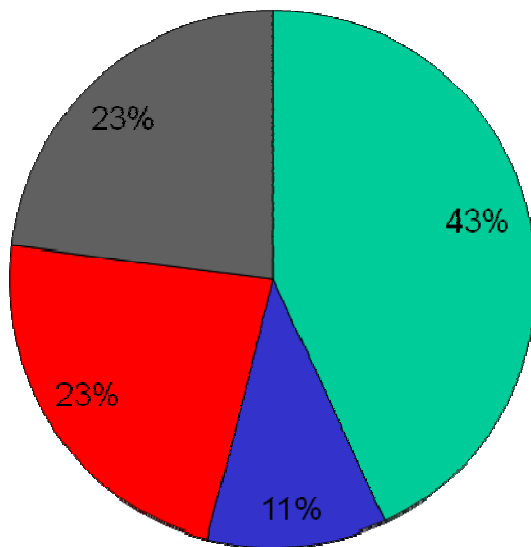
* Total of 1,200 employees. 75% are unionized with the labour agreements expiring April 2012

**Air-dried metric tonnes; tonne = metric ton = 2240 lbs

Markets: Supply and Demand by Region

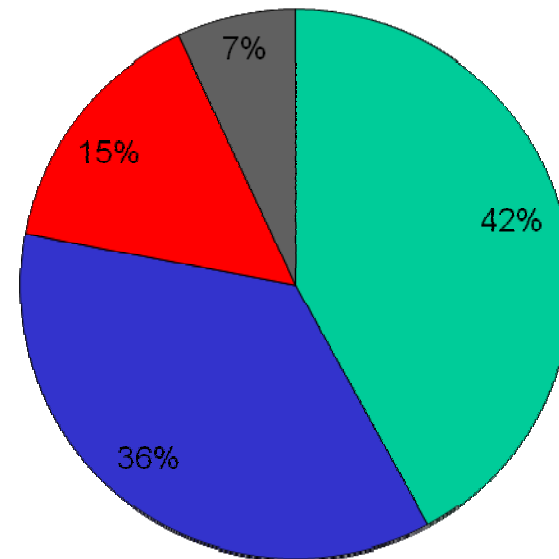
NBSK Supply
~ 14 million tonnes

■ Canada ■ Finland ■ Sweden ■ Other



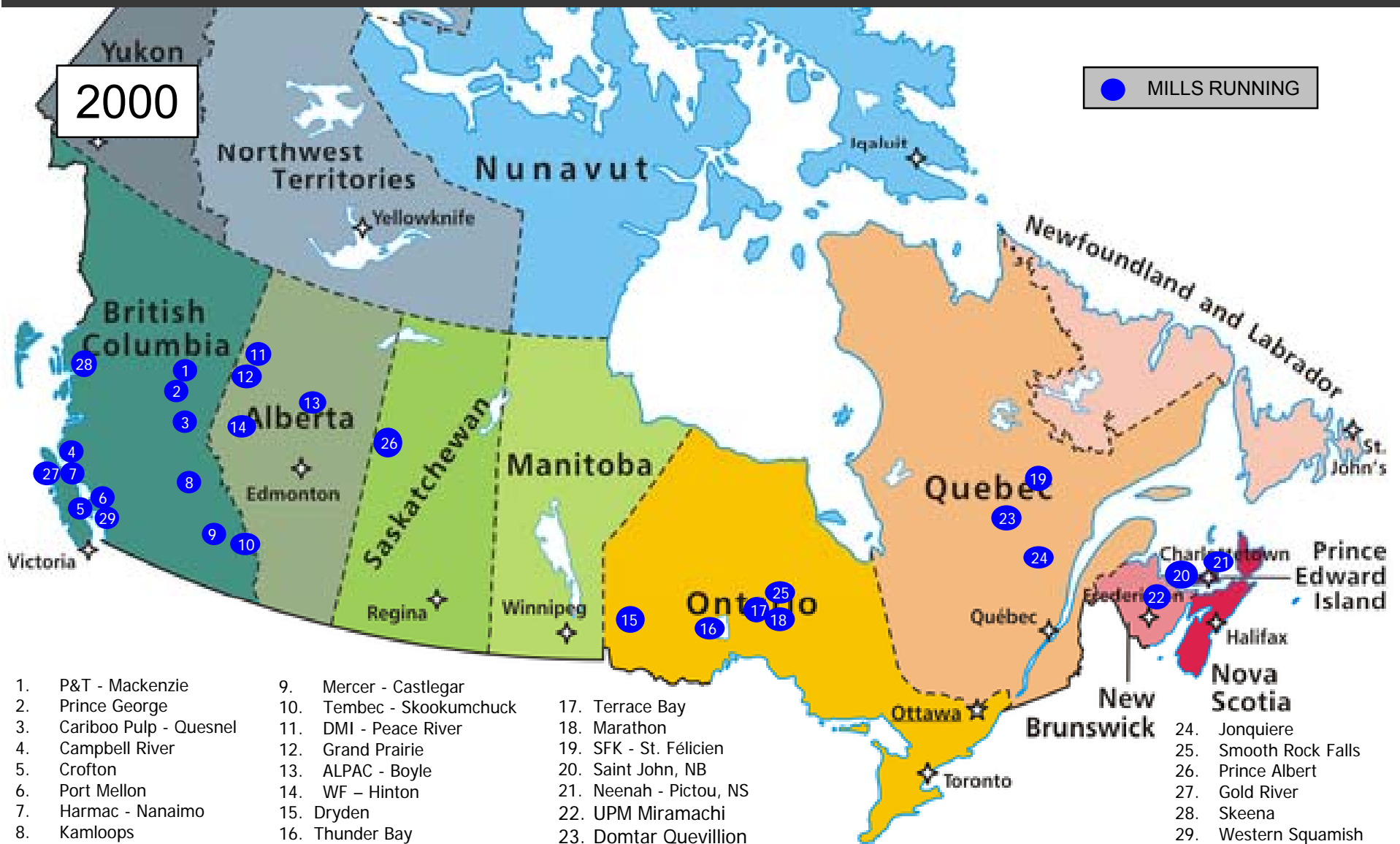
Chemical Market Pulp Demand
~ 49 million tonnes

■ Asia ■ Europe ■ NA ■ Other

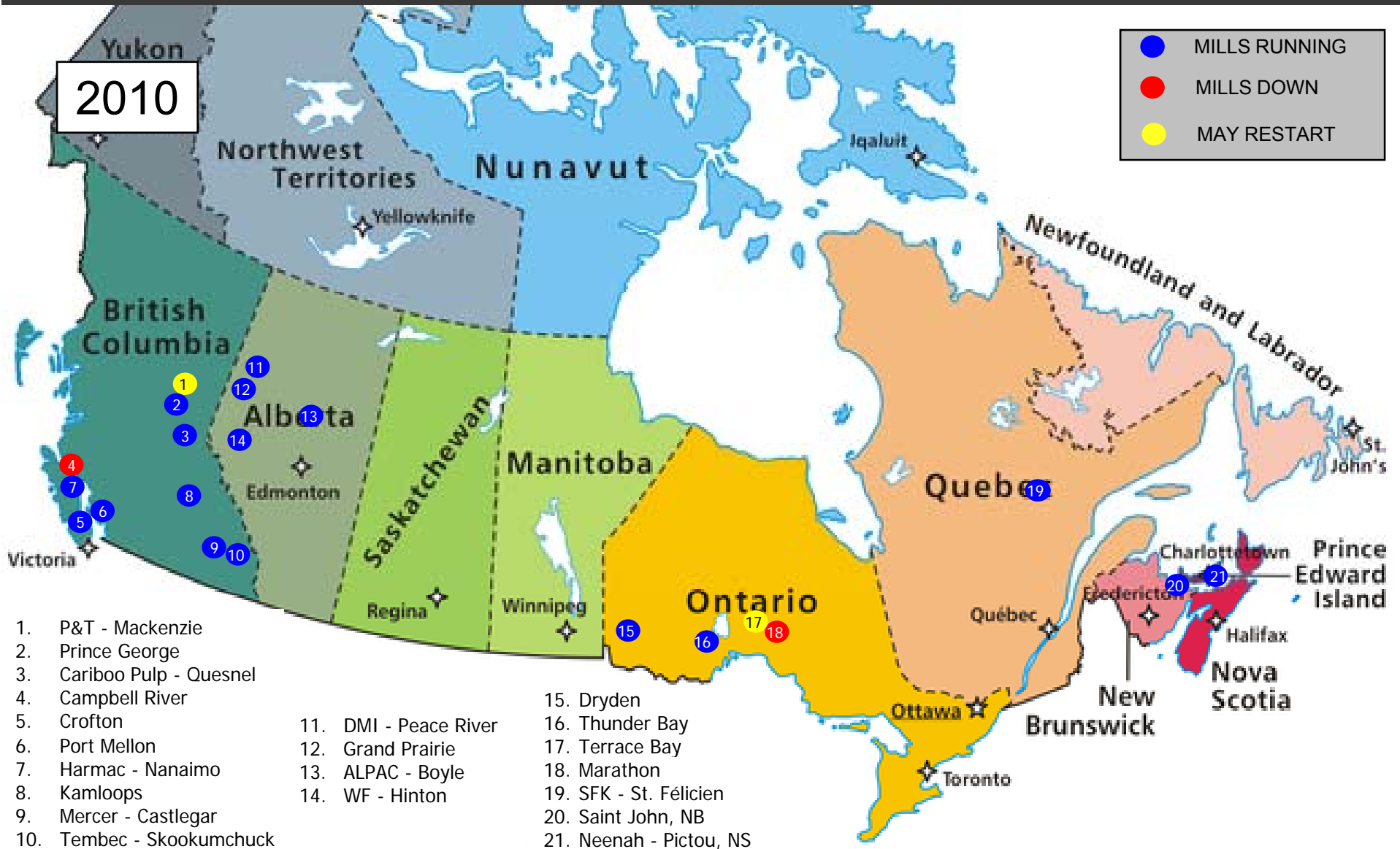


Source: PPPC Dec 2009

2000 Canada NBSK – 29 Mills Running & Nearly 8 Million ADMT



Today: 17 Mills are Running & 5.7 Million ADMT



Financials: Strong Earnings

Selected Quarterly Partnership Financial Information

<i>\$ millions unless otherwise noted</i>	Q2-2010	Q1-2010	Q4-2009	Q3-2009	Q2-2009	Q1-2009	Q4-2008	Q3-2008
Sales	247.6	239.5	220.2	202.0	205.0	186.3	186.1	215.4
EBITDA	63.7	44.1	27.3	25.1	7.2	2.2	9.8	40.6
- EBITDA %	25.7%	18.4%	12.4%	12.4%	3.5%	1.2%	5.3%	18.8%
Net Income	43.1	32.5	15.2	18.3	1.5	(21.6)	(26.0)	11.1
Adjusted Distributable Cash per Unit	0.88	0.57	0.31	0.16	0.02	(0.06)	0.02	0.54
Shipments (000 tonnes)								
- Pulp	252.3	268.4	258.6	259.5	286.2	240.3	208.2	234.5
- Paper	34.4	37.7	38.1	37.4	34.3	25.2	24.4	31.6
Pulp List Price Delivered to US (USD)	993	880	820	733	645	673	787	880
USD/CAD fx rate	0.973	0.961	0.947	0.912	0.858	0.803	0.825	0.960

EBITDA = Earnings before interest, taxes, depreciation and other non-operating income and expenses

Adjusted Distributable Cash = Cash flow from operations excluding changes in working capital less capital expenditures, and interest.

Financials

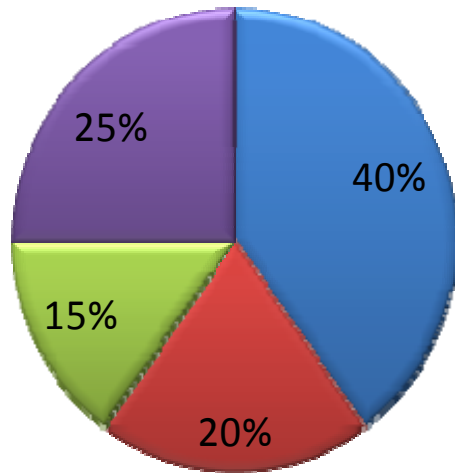
Customers:

- ▶ Top 10 customers made up 49% of Sales
- ▶ Largest customer accounted for 13% of Sales
- ▶ Negligible bad debts in 10 years
 - Managed with letters of credit and credit insurance
 - Long-term relationships with top tier customers

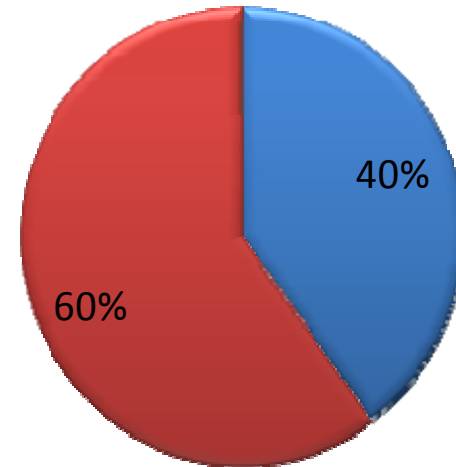
Hedging:

- ▶ US\$ working capital: lock-in FX rates when sale is made

Financials: Manufacturing Cost Components



■ Fibre ■ Labour ■ Chemicals ■ Supplies



■ Variable ■ Fixed

Financials: Sensitivities

▶ **Available on www.canforpulp.com and www.sedar.com are:**

- Annual Information Form
- Annual MD&A and Audited Financial Statements
- Quarterly MD&A and Financial Statements

▶ **Sensitivities**

(millions of dollars, unaudited)	Impact on annual EBITDA
Cdn dollar – US \$0.01 change per Cdn dollar	\$6
NBSK pulp price – US \$10 change per tonne	\$6
Fibre cost - C\$2 change per oven-dried tonne	\$5
Natural gas cost - \$1 change per gigajoule	\$4