

**Annual General Meeting of Shareholders  
April 24, 2012**

**JOE NEMETH  
President & Chief Executive Officer's Speech**

Thanks Charles. Before I expand upon Charles' comments regarding the future, I would like to make a few remarks regarding our 2011 financial and operating performance. 2011 was the first full year that Canfor Pulp was a dividend paying taxable Canadian corporation. For clarity, my comments will pertain to the pulp business as a whole, as operated in the Partnership.

**2011 Year Highlights**

Pulp markets remained strong in 2011. The year began with low global pulp inventories - which allowed successive price increases through the first half of the year. During the second half of the year, inventories grew due to softening demand which resulted in downward pressure on pulp prices.

NBSK List prices for the North America market began the year at \$US 960 per tonne and steadily increased until June 2011, when prices peaked at \$US1040 per tonne. However, during the second half of 2011, prices declined by \$US 150 ending the year at \$US 890 per tonne.

During the first quarter of 2012, NBSK List prices appear to be recovering from the most recent low point of \$US 870 per tonne as we head into the traditionally tighter spring maintenance season. An NBSK List price increase of \$US 30 per tonne has been announced for April 1 – bringing the North American list price back up to \$US 900.

During 2011, Canfor Pulp achieved sales of \$Cdn 941 million, EBITDA of over \$Cdn 218 million and completed a \$Cdn 139 million capital expenditure program. Four projects were approved under the Canadian Pulp and Paper Green Transformation program, three of which were completed in 2011 with the final project scheduled for completion in the first half of 2012. The largest project was the upgrade of the Northwood mill recovery boiler, which required an extended production curtailment to complete. I am pleased to report that the NW mill has been exceeding both environmental and operational targets during the first six months of operation following completion of the project.

Our first quarter 2012 results reflect the weaker market conditions. We have achieved an EBITDA of \$28.8 million on sales of \$220.2 million in the quarter. Consistent with these results and the expectation of strengthening pulp markets in the second quarter, we have declared a quarterly dividend of \$0.25 for the first quarter of 2012, payable in May.

### **Looking to the Future / GTP**

Now let's look ahead to the future. As Charles mentioned earlier, what really matters is how we are positioned for long term success.

Truly sustainable business success starts with a strong foundation. In the capital intensive pulp & paper Industry – a big part of success depends upon the quality of the asset base. Canfor Pulp is unique in the Canadian Pulp Industry – as unlike many of our competitors, we have made significant investments in our assets, every year, during the past decade. And we significantly increased the level of investment during the 2010-2012 period – to over \$200 million - with \$122 million of the funding supplied through the Government of Canada's Green Transformation Program.

These strategic investments will strengthen our relative cost position and deliver major environmental benefits, specifically targeting the #1 issue in the Prince George area – air quality. But – what is most exciting – is that they provide the foundation for our next round of strategic investment – Green Energy.

### **Green Energy**

Green Energy is a logical extension of Canfor's Pulp's business. We already have the expertise, experience and infrastructure for electrical power generation. With moderate investment, our goal is to build a significant Green Energy Business within the next few years. The Green Energy business is a compelling opportunity – as it will diversify and stabilize our revenue base, while further enhancing our environmental performance and corporate citizenship.

### **Sustainability**

On the topic of environmental performance, I would like to speak about our Sustainability initiatives, since continually improving environmental performance has been a long term commitment of Canfor Pulp.

Our parent company, Canadian Forest Products, was the global leader in Sustainable Forest management (being the first company in Canada to achieve 100% certification). Canfor Pulp has maintained this tradition by being the Canadian leader in emissions reduction (For example - we have reduced carbon emissions at all of our facilities by over 50% since 1996).

To formalize Canfor Pulp's commitment to the environment and the Province in which we operate, we issued our second Sustainability Report this spring. Copies are available on the table by the entrance door. If you have not read it, please do so – as it provides a summary of the significant improvements Canfor Pulp has made in the areas of Environment, Social and Economic

Responsibility. More importantly, it represents our formal commitment to continue to invest in and report on, sustainability performance improvements in the future.

### **Recognize team & the board**

In closing, I would like to thank all the employees of Canfor Pulp for their hard work and dedication in making 2011 another strong year. And I especially recognize the board and the senior management team – whose counsel and leadership has helped deliver successes to date and create the roadmap for the future; a future that ensures Canfor Pulp will continue to be a global leader in the NBSK pulp business. Thank you.