

**CANFOR PULP PRODUCTS INC.
ANNUAL INFORMATION FORM**

February 13, 2013

TABLE OF CONTENTS

EXPLANATORY NOTES	1
CORPORATE STRUCTURE	1
NAME, ADDRESS AND INCORPORATION	1
OWNERSHIP RELATIONSHIPS	2
GENERAL DEVELOPMENT OF THE BUSINESS	3
HISTORY.....	3
SIGNIFICANT ACQUISITIONS.....	3
THE PULP AND PAPER BUSINESS OF CPPI	4
GENERAL	4
MARKET POSITION.....	4
THE MILLS.....	4
PRODUCTS.....	5
SALES AND MARKETING	6
HUMAN RESOURCES.....	6
FIBRE SUPPLY.....	6
ENERGY	7
CHEMICALS.....	7
TRANSPORTATION.....	8
ENVIRONMENT	8
COMPETITIVE POSITION	8
TRENDS, EVENTS RISKS, AND UNCERTAINTIES	8
DESCRIPTION OF CAPITAL STRUCTURE	9
DISTRIBUTIONS AND DIVIDENDS	9
DIVIDEND POLICY.....	9
HISTORICAL DISTRIBUTIONS	9
MARKET FOR SECURITIES	10
TRADING PRICE AND VOLUME.....	10
DIRECTORS AND EXECUTIVE OFFICERS OF CPPI	11
BIOGRAPHIES.....	12
COMMITTEES OF THE BOARD OF DIRECTORS OF CPPI	15
CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS ..	17
CORPORATE CEASE TRADE ORDERS.....	17
BANKRUPTCIES	17
PENALTIES OR SANCTIONS.....	18
CONFLICTS OF INTEREST	18
LIQUIDITY, SUPPORT AND SECURITY HOLDER AGREEMENTS	18
SHAREHOLDERS' AGREEMENT.....	18
PARTNERSHIP SERVICES AGREEMENT.....	21
SUPPORT AGREEMENT.....	21

LEGAL PROCEEDINGS AND REGULATORY ACTIONS	21
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	21
TRANSFER AGENT AND REGISTRAR	22
INTERESTS OF EXPERTS	23
ADDITIONAL INFORMATION	23
GLOSSARY OF TERMS	24
APPENDIX "A" – Audit Committee Terms of Reference	

EXPLANATORY NOTES

The information in this Annual Information Form (“AIF”) is stated as at December 31, 2012, unless otherwise indicated.

Unless otherwise indicated or the context otherwise requires, “CPPI” refers to Canfor Pulp Products Inc. and its subsidiaries including Canfor Pulp Limited Partnership (the “Partnership”), and Canfor Pulp Holding Inc. (the “General Partner”). “Canfor” refers to Canfor Corporation and its subsidiaries; “Fund” refers to Canfor Pulp Income Fund; and “Trust” refers to Canfor Pulp Trust.

For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the “Glossary of Terms” at the end of this AIF. Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to “\$” are to Canadian dollars.

CORPORATE STRUCTURE

Name, Address and Incorporation

CPPI is the successor to the Fund following the completion of the conversion of the Fund from an income trust structure to a corporate structure by court approved plan of arrangement under the *Business Corporations Act* (British Columbia) (the “BCBCA”) on January 1, 2011 (the “Conversion”). The Conversion involved the exchange, on a one-for-one basis, of all outstanding Fund Units for common shares of CPPI (“CPPI Shares”). Upon implementation of the Conversion, on January 1, 2011, the unitholders of the Fund became the sole shareholders of CPPI which became sole owner of all of the outstanding Fund Units.

Immediately following the Conversion, CPPI completed the reorganization of its corporate structure by winding-up the Fund and the Trust on January 1, 2011. As a result of this reorganization, CPPI became the direct holder of the 49.8% interest in the Partnership and the General Partner previously held by the Fund (indirectly through the Trust). On March 2, 2012, Canfor exercised its right to exchange its 50.2% interest in the Partnership for a 50.2% interest in CPPI. As a result of this exchange, CPPI now holds a 100% interest in the Partnership.

CPPI was incorporated on March 12, 2010 under the BCBCA and did not carry on any active business prior to the Conversion, other than executing the arrangement agreement pursuant to which the Conversion was implemented and carrying-out certain steps in connection with the implementation of the Conversion and the subsequent winding-up of the Fund and the Trust.

The CPPI Shares are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) under the symbol “CFX”.

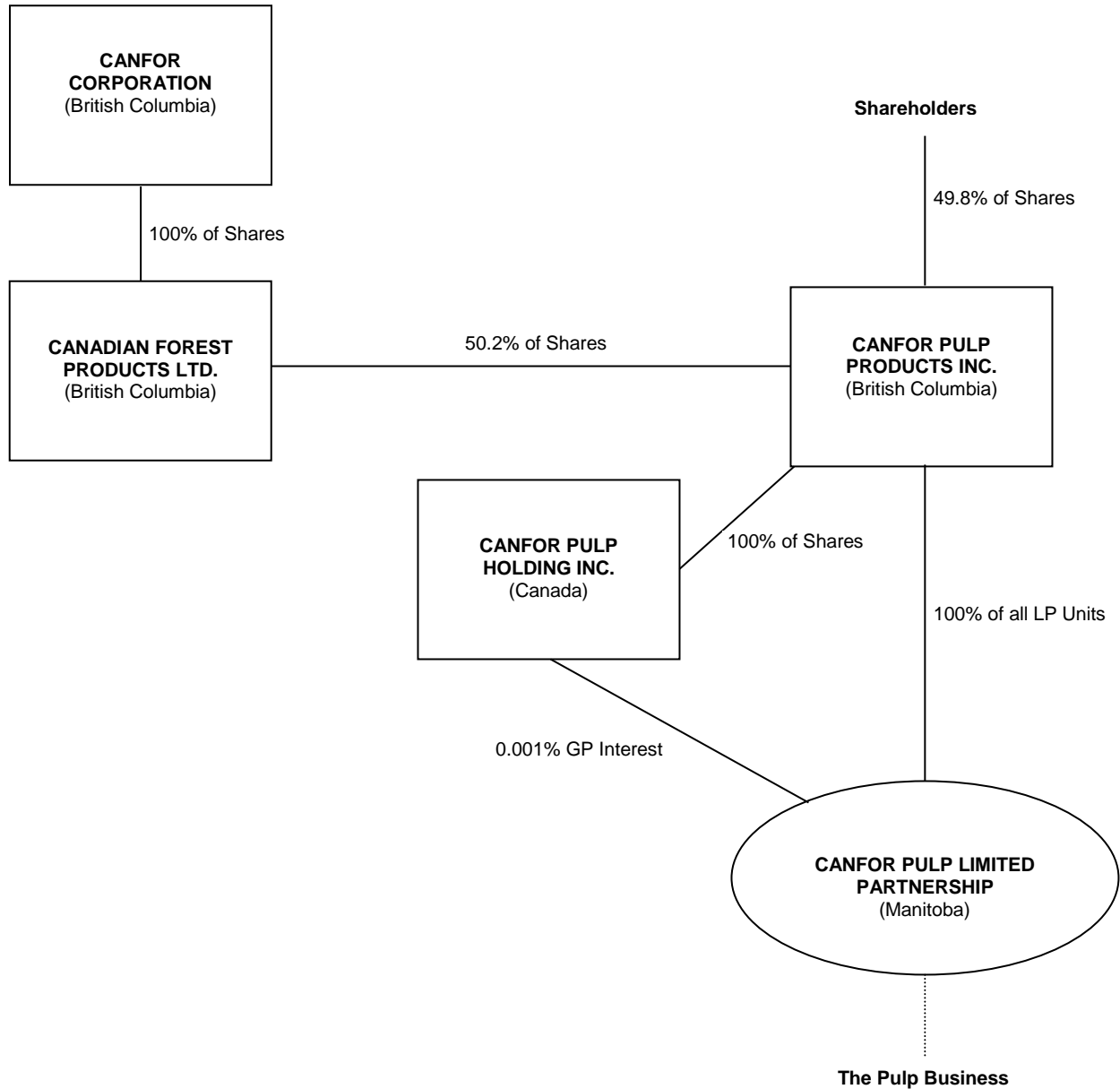
The Partnership is a limited partnership formed under the laws of Manitoba pursuant to a limited partnership agreement made as of April 19, 2006 (the “Partnership Agreement”). The Partnership was formed to hold the NBSK pulp and paper business (the “Pulp Business”) which it acquired from Canfor in connection with the Spinout described below (see “General Development of the Business – History”). The Pulp Business primarily consists of owning and operating the Mills.

The General Partner is a corporation incorporated under the laws of Canada. The General Partner acts as general partner of the Partnership and operates the Pulp Business on behalf of the Partnership in its capacity as general partner.

The principal and head office of CPPI is located at 230-1700 West 75th Avenue, Vancouver, British Columbia, V6P 6G2. The registered office of CPPI is located at 100-1700 West 75th Avenue, Vancouver, British Columbia, V6P 6G2.

Ownership Relationships

The following chart illustrates, on a simplified basis, the intercorporate relationships among CPPI and its subsidiaries as of the date of this AIF (including jurisdiction of establishment/incorporation of the various entities).



GENERAL DEVELOPMENT OF THE BUSINESS

This section describes the general development of the business of CPPI and its subsidiaries.

History

CPPI holds a 100% interest in the Partnership and the General Partner but does not conduct any active business. The General Partner operates the Pulp Business on behalf of CPPI (through the partnership). CPPI is a leading global supplier of pulp and paper products with operations based in the central interior of British Columbia. CPPI owns and operates the Northwood Pulp Mill, Intercontinental Pulp Mill and Prince George Pulp and Paper Mill (the “**Mills**”) with annual capacity to produce over one million air-dried metric tonnes (“**ADMT**”) of northern softwood market kraft pulp, 90% of which is bleached to become NBSK Pulp, for sale to the market and approximately 140,000 tonnes of bleached and unbleached Kraft Paper each year.

Prior to July 1, 2006, the Pulp Business was 100% owned by Canfor. On July 1, 2006, the Pulp Business was spun-out pursuant to a plan of arrangement under the BCBCA (the “**Spinout**”). Under the Spinout, the Pulp Business was transferred to the Partnership and the shareholders of Canfor Corporation (“**Canfor**”) received Fund Units representing a 20% indirect interest in the Pulp Business with Canfor retaining the remaining 80% interest in the Pulp Business through its holding of LP Units, which were indirectly exchangeable for Fund Units. The Fund Units commenced trading on the TSX on July 6, 2006 under the symbol “CFX.UN”.

On November 30, 2006, Canfor exchanged (indirectly) a number of its Class B Exchangeable LP Units, representing a 29.8% interest in the Partnership, for Fund Units and distributed those Fund Units to its shareholders of record on November 15, 2006 (the “**November 2006 Dividend**”). As a result of the November 2006 Dividend, with effect from November 15, 2006 the Fund held an aggregate 49.8% interest in the Partnership, representing a 49.8% indirect interest in the Pulp Business. Following the November 2006 Dividend, Canfor, through its wholly-owned subsidiary Canadian Forest Products Ltd. (“**CFP**”), owned 35,776,483 Class B Exchangeable LP Units of the Partnership, representing a 50.2% interest in the Pulp Business.

On January 1, 2011, the income trust structure of the Fund was converted to a corporate structure pursuant to the Conversion. As described above under “Corporate Structure – Name, Address, and Incorporation”, CPPI is the successor to the Fund as a result of the Conversion which involved the exchange, on a one-for-one basis, of all outstanding Fund Units for CPPI Shares. Upon implementation of the Conversion, on January 1, 2011, the unitholders of the Fund became the sole shareholders of CPPI which became sole owner of all of the outstanding Fund Units. Upon completion of the Conversion an aggregate of 35,493,307 CPPI Shares were issued and outstanding (being the same number of CPPI Shares as the number of Fund Units outstanding immediately prior to the Conversion becoming effective). The CPPI Shares commenced trading on the TSX on January 06, 2011 under the symbol “CFX”.

Immediately following the Conversion, CPPI completed the reorganization of its corporate structure with the winding-up the Fund and the Trust on January 1, 2011. As a result of this reorganization, on January 1, 2011, CPPI became the direct holder of the 49.8% interest in the Partnership and the General Partner previously held (indirectly) by the Fund.

Subsequently, on March 2, 2012, Canfor exchanged all the remaining Class B Exchangeable LP Units of the Partnership and the common shares of the General Partner it held for shares in CPPI (the “**March 2012 Exchange**”). As a result of this exchange, Canfor now holds 50.2% of the shares of CPPI, and CPPI holds a 100% interest in the Partnership and the General Partner.

As of the date of this AIF, there are 71,269,790 CPPI Shares issued and outstanding.

Significant Acquisitions

Other than mentioned in “General Development of the Business – History”, no significant acquisitions or dispositions were completed by CPPI or any of its subsidiaries during the last financial year for which disclosure is required under Part 8 of *National Instrument 51-102 - Continuous Disclosure Obligations*.

THE PULP AND PAPER BUSINESS OF CPPI

General

The General Partner operates the Pulp Business on behalf of CPPI (through the partnership). CPPI is a leading global supplier of pulp and paper products with operations based in the central interior of British Columbia. CPPI's overall business strategy is to be a pulp and paper industry leader with strong financial performance accomplished through: (i) preserving its low-cost operating position, (ii) maintaining the premium quality of its products, (iii) growing its green energy business, and (iv) capitalizing on attractive growth opportunities.

CPPI owns and operates three mills with annual capacity to produce over one million ADMT of northern softwood market kraft pulp, 90% of which is bleached to become NBSK Pulp, for sale to the market and approximately 140,000 tonnes of Kraft Paper. The Mills are among the lowest cost producers in Canada.

Market Position

CPPI is Canada's largest, and the world's fourth largest producer of NBSK Pulp for sale on the open market, based on global production capacity of existing facilities. Prince George Specialty Paper is the largest producer of its types of bleached high performance Kraft Paper in North America.

The Mills

Northwood is a two line pulp mill with annual production capacity of approximately 615,000 ADMT of NBSK Pulp, making it the largest NBSK Pulp facility in North America. Northwood's pulp is used to make a variety of products including printing and writing paper, tissue and specialty papers and is primarily delivered to customers in North America, Europe, and Asia.

Intercontinental is a single line pulp mill with annual production capacity of approximately 330,000 ADMT of NBSK Pulp. Intercontinental's pulp is used to make substantially the same product as that from Northwood, and is delivered to the same markets.

PGP&P is an integrated two line pulp and paper mill with an annual market pulp production capacity of approximately 150,000 ADMT, and Kraft Paper production capacity of approximately 140,000 tonnes. PGP&P supplies pulp markets in North America, Europe, and Asia, and its internal paper making facilities. The paper mill supplies primarily North American and European markets, with a wide range of both bleached and unbleached Kraft Paper grades.

Products

Pulp

Approximately 90% of the market pulp production of the Mills is focused on fully bleached NBSK Pulp in order to meet the demands of CPPI's customers. PGP&P also produces speciality varieties of unbleached, semi-bleached, and fully bleached pulp.

The following table shows the pulp production of the Mills for the past two years, classified according to the variety of pulp produced.

Market Pulp Production (ADMT)			
<u>Product</u>	<u>Mill</u>	<u>2012</u>	<u>2011</u>
Bleached	Northwood	563,782	532,779
	Intercontinental	278,133	322,950
	PGP&P	38	12,010
Semi-Bleached	PGP&P	12,457	18,036
Unbleached	PGP&P	<u>101,285</u>	<u>110,946</u>
Total		<u>955,696</u>	<u>996,721</u>

Kraft Paper

The following table shows the Kraft Paper production of PGP&P for each of the past two years, classified according to the variety of Kraft Paper produced.

Kraft Paper Production (tonnes)		
<u>Product</u>	<u>2012</u>	<u>2011</u>
Bleached	96,643	106,781
Unbleached.....	<u>33,521</u>	<u>29,588</u>
Total	<u>130,164</u>	<u>136,460</u>

Sales and Marketing

Pulp

The following table shows pulp sales by the Mills for the last two years, classified by sales region:

Market Pulp Sales by Geographic Region (ADMT)

<u>Year</u>	<u>Total Sales</u>	<u>Geographic Region</u>		
		<u>Americas</u>	<u>Europe</u>	<u>Asia</u>
2012	961,055	310,691 (32%)	113,784 (12%)	536,580 (56%)
2011	978,539	306,198 (32%)	159,664 (16%)	512,677 (52%)

For an arm's-length fee negotiated from time to time with Canfor, CPPI also markets and sells chemi-thermo mechanical pulp produced by Canfor's Taylor Pulp Mill.

Kraft Paper

The following table shows sales of Kraft Paper produced by PGP&P for the last two years, classified by sales region.

Kraft Paper Sales by Geographic Region (tonnes)

<u>Year</u>	<u>Total Sales</u>	<u>Geographic Region</u>		
		<u>Americas</u>	<u>Europe / Middle East</u>	<u>Asia</u>
2012	129,042	88,697 (69%)	23,344 (18%)	17,001 (13%)
2011	127,642	85,990 (67%)	21,878 (18%)	19,774 (15%)

Human Resources

CPPI currently employs approximately 1,160 people throughout the organization. Approximately 73% of these employees are hourly employees covered by collective agreements ("the **Labour Agreements**") with the Communications, Energy, and Paperworkers Union ("**CEP**") and the Pulp, Paper and Woodworkers of Canada ("**PPWC**"). Labour agreements with the CEP and the PPWC covering the pulp and paper operations were successfully concluded and ratified in 2012 for terms of five years expiring on April 30, 2017.

Fibre Supply

General

When running at full capacity, the Mills' ongoing annual fibre requirements are approximately 2.6 million ODTs of wood chips and 540,000 ODTs of hog fuel. The availability of wood chips for purchase and processing in the central interior of British Columbia is influenced significantly by the timber supply in the Prince George Timber Supply Area ("**PGTSA**") and by the operating rates of sawmills within the geographic area of fibre supply for the Mills.

Fibre Supply Agreement

CPPI has a Fibre Supply Agreement with CFP under which Canfor supplies CPPI with agreed annual quantities of the residual wood chips and hog fuel produced at specified sawmills in the Prince George forest region. The price paid by CPPI for all residual wood chips supplied by Canfor under the Fibre Supply Agreement is a market price determined in relation to CPPI's Canadian dollar pulp prices.

The price paid by CPPI is also adjusted for wood chip quality and to reflect any changes in the actual freight cost for delivering the wood chips to the Mills if Canfor elects to supply wood chips from Canfor sawmills other than the Canfor sawmills specified in the Fibre Supply Agreement.

CPPI is also entitled, upon giving three months prior written notice, to request Canfor to supply CPPI with pulplogs or other pulpwood harvested by or on behalf of Canfor from its woodlands operations in the Prince George forest region at market prices.

Canfor also supplies CPPI with agreed annual quantities of hog fuel produced from specified Canfor sawmills located within the Prince George forest region. The price paid by CPPI to Canfor for hog fuel supplied under the Fibre Supply Agreement is at the prevailing market price.

Historically, CPPI has competed successfully for residual chips which cannot be supplied by Canfor's sawmills and timber tenures.

Other Fibre Supply Arrangements

The Mills currently have short and long term chip supply agreements with 15 different suppliers, other than Canfor, supplying approximately 1.3 million ODTs on an annual basis. These agreements are for periods ranging between one and eighteen years and each agreement permits the Mills to purchase wood chips available at a specified sawmill, subject to certain maximums. These agreements do not provide for minimum volumes, which protects the Mills from being required to purchase wood chips in excess of their requirements.

Pricing for wood chips purchased under these agreements is based on the same formula as used in the Fibre Supply Agreement, subject to adjustment for chip quality.

Energy

Cogeneration Agreements with BC Hydro

In October 2003 BC Hydro entered into an agreement (the "**Cogeneration Agreement**") under which it agreed to contribute \$45.8 million, through its PowerSmart Program, to construct an electrical cogeneration facility at PGP&P (the "**Cogeneration Project**"). In addition to the construction of the electrical cogeneration facility, the Cogeneration Project included the modification of two of the three boilers at PGP&P and the addition of wood waste and ash handling systems to enable a more efficient use of energy generated from black liquor and significantly higher steam production from hog fuel.

The original Cogeneration Agreement required the Cogeneration Project to be operated for a period of 15 years from its completion, to offset electricity purchases from BC Hydro at the PGP&P and Intercontinental mills.

On September 15, 2009, a new Electricity Purchase Agreement ("**EPA**") with BC Hydro became effective. Several conditions of the original Cogeneration agreement required amendment to integrate with the new EPA. The new EPA has a term of 10 years effective September 15, 2009.

On December 6, 2012, CPPI entered into a new EPA and Load Displacement Agreement ("**LDA**") with BC Hydro to upgrade the turbines at Northwood. The EPA and LDA are part of the Integrated Power Offer program, which provides for the commitment to electrical load displacement and the sale of incremental power production at Northwood commencing April 1, 2014.

Chemicals

CPPI has entered into a long-term supply agreement (the "**Chemical Supply Agreement**") under which it has agreed to obtain all of the Mills' requirements for the principal chemical used in the production of pulp, sodium chlorate, exclusively from Chemtrade, a subsidiary of Chemtrade Logistics Income Fund, whose facilities are located adjacent to Intercontinental. The long-term supply agreement has a minimum annual purchase requirement of 48,000 tonnes. Sodium chlorate is used for the production of chlorine dioxide, which in turn is used in the bleaching phase of the kraft pulping process. The supply agreement has been extended an additional five years beyond its initial 10-year term, with the agreement expiring August 31, 2018. The agreement still includes automatic renewal for additional five-year terms unless either party gives notice of termination not less than two years prior to expiry of the then current term. The price payable by CPPI for sodium chlorate supplied by Chemtrade is subject to a periodic adjustment to reflect the actual costs incurred by Chemtrade for salt, caustic soda, electricity, and steam used in the production of sodium chlorate.

Transportation

CPPI uses various modes of surface transportation to distribute its pulp and Kraft Paper products. In the case of pulp, nearly all is shipped from the Mills by rail and each of the Mills is serviced by at least one dedicated rail spur. In the case of Kraft Paper, due to the smaller average order size, a much higher percentage is shipped by truck with the balance being shipped by rail. Products destined for overseas customers are loaded at terminals in Vancouver and in Montreal, and are then transported by break-bulk cargo vessel for European customers, and either break-bulk or container cargo vessels for Asian customers depending on which mode is most cost effective.

CPPI's costs of transportation over the past five years have risen due to increasing fuel costs, and as a result of reduced break-bulk capacity in the marketplace. CPPI is working to minimize the effect of these cost increases by optimizing CPPI's geographic pulp distribution. Re-directing pulp sales from certain offshore markets to North American markets reduces total transportation costs due to shorter shipping distances.

Environment

The Mills are subject to a wide range of general and industry-specific environmental statutes, laws, regulations, bylaws, guidelines, policies, directives and other requirements (the "**Environmental Requirements**") governing or relating to among other things: air emissions, wastewater discharge, waste management, landfill sites, pollution prevention, site contamination and hazardous and residual materials. In addition, the Mills have obtained numerous environmental permits, authorizations, and approvals relating to the protection of the environment and operation of equipment. Compliance with the Environmental Requirements requires the Mills to incur expenses and to monitor their operations on an ongoing basis.

The Mills have an Environmental Management System ("**EMS**") that is certified under ISO 14001. Risks to the environment are formally assessed providing the foundation for continuous improvement on a priority basis. This systematic approach ensures optimum utilization of resources. Third party EMS audits and internal audits of the EMS, compliance with legal requirements, company policies, and good industry practice are conducted on a regular basis.

The Mills are actively engaged in the local airshed management program including areas of ambient monitoring and research. Staff serving on air quality committees work to ensure that future airshed plans are guided by sound science.

During 2012 CPPI obtained 72% of its fibre supply from forest districts that had been certified to either the Canadian Standards Association Sustainable Forest Management Standard (CAN/CSA-Z809) or the Sustainable Forestry Initiative (SFI®). All of the pulp CPPI produced in 2011 was eligible for sale as Controlled Wood under the Forest Stewardship Council (FSC) certification standard.

During 2012 the Mills were able to continue their overall trend of lowering emissions of greenhouse gases. CPPI is committed to continue to reduce its dependence on fossil fuels. Projects funded under the Canadian federal government's Pulp and Paper Green Transformation Program ("GTP") will reduce this dependence even further. The GTP has enabled the advancement of projects at all of CPPI's facilities that yield a variety of environmental benefits. The improvements include reductions in odour and particulate emissions; reduced fossil fuel and water consumption; and incremental renewable electricity generation.

Competitive Position

The pulp industry is highly competitive, with a substantial number of competitors having extensive manufacturing expertise and sales and distribution organizations, some of which are larger than CPPI's, but none of which is considered to be dominant. The principal competitive factors in the pulp market are price, quality, volume, availability, and reliability of supply, financial viability, and customer service.

CPPI's main product line for its Kraft Paper business is high performance, bleached paper. CPPI's main competitors in its sale of Kraft Paper products are several European producers.

TRENDS, EVENTS RISKS, AND UNCERTAINTIES

For additional information regarding changes to CPPI's business expected in 2013, and known trends, commitments, events or uncertainties, see CPPI's Management's Discussion and Analysis for the year ended December 31, 2012, in particular the "Outlook" and "Risks and Uncertainties" sections thereof, which are incorporated by reference herein. A

copy of CPPI's Management's Discussion and Analysis can be located on the Company's SEDAR profile at www.sedar.com.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of CPPI consists of an unlimited number of common shares. As of the date of this AIF, there are 71,269,790 CPPI Shares issued and outstanding.

The following is a summary of the rights, privileges, restrictions, and conditions attaching to the CPPI Shares.

Holders of CPPI Shares are entitled to one vote per share at meetings of shareholders of CPPI, to receive dividends if, as and when declared by the board of directors of CPPI and to receive *pro rata* the remaining property and assets of CPPI upon its dissolution or winding-up, subject to the rights of shares having priority over the CPPI Shares.

The 1940 Act imposes restrictions on the ownership of CPPI Shares. In order to ensure compliance with the 1940 Act, the articles of CPPI prohibit CPPI Shares from being held by or for the benefit of a person who resides, or appears to CPPI to reside, in the US (a "**US Person**") and who is not a Qualified Purchaser (the "**US Qualified Purchaser Restriction**"). The articles of CPPI also permit CPPI to refuse to register a transfer of a CPPI Share if the directors of CPPI believe that the transfer would result in a contravention of the US Qualified Purchaser Restriction. In addition, if CPPI becomes aware that the US Qualified Purchaser Restriction is, or may be, contravened, then CPPI may give notice (or cause notice to be given) to any US Person who holds CPPI Shares or any person who holds (or appears, at any time, to CPPI to hold) CPPI Shares on behalf of a US Person requiring it to (a) provide a declaration in form and content satisfactory to CPPI that (i) the person is not a US Person and does not hold CPPI Shares for the benefit of any person who resides in the US and is not a Qualified Purchaser, or (ii) if the person is a US Person, that the person is a Qualified Purchaser and does not hold CPPI Shares for the benefit of any person who is not a US Qualified Purchaser or (b) sell its CPPI Shares. If such declaration is not provided or if CPPI is not satisfied that such person has sold all of the CPPI Shares held by such person within the period specified in the notice, then CPPI may, to the extent permitted by applicable law, arrange for the sale of such CPPI Shares on behalf of such holder.

DISTRIBUTIONS AND DIVIDENDS

This section describes the dividend and distribution policies and amounts declared pursuant thereto, if any, of CPPI and its subsidiaries.

Dividend Policy

The declaration and payment of dividends is subject to the discretion of CPPI's Board of Directors and may change from time to time. For 2013, the Board has announced its intention to target a quarterly dividend of \$0.05 per share reflecting its outlook for 2013 and corporate structure. The Board reviews the issuance of dividends on a quarterly basis.

Historical Distributions

CPPI is the successor to the Fund following the Conversion. As the Fund was an income trust, it did not pay dividends, however it did make distributions on the outstanding Fund Units.

The table below sets out the cash distributions declared by the Fund from January 1, 2010 until December 31, 2010, on a per Fund Unit basis. No distributions were declared after December 31, 2010.

<u>Record Date</u>	<u>Monthly Distribution</u>	<u>Supplemental Distribution</u>	<u>Total Distribution</u>	<u>Date Paid</u>
	\$	\$	\$	
December 31, 2009	0.08	-	0.08	January 15, 2010
January 29, 2010	0.08	-	0.08	February 15, 2010
February 26, 2010	0.12	-	0.12	March 15, 2010
March 31, 2010	0.12	-	0.12	April 15, 2010
April 30, 2010	0.12	-	0.12	May 14, 2010
May 31, 2010	0.20	-	0.20	June 15, 2010

<u>Record Date</u>	<u>Monthly Distribution</u>	<u>Supplemental Distribution</u>	<u>Total Distribution</u>	<u>Date Paid</u>
June 30, 2010	0.20	-	0.20	July 15, 2010
July 30, 2010	0.22	-	0.22	August 13, 2010
August 31, 2010	0.22	-	0.22	September 15, 2010
September 30, 2010	0.25	-	0.25	October 15, 2010
October 29, 2010	0.25	-	0.25	November 15, 2010
November 30, 2010	0.25	-	0.25	December 15, 2010
December 31, 2010	0.25	0.30	0.55	January 14, 2011

CPPI did not declare or pay any dividends prior to May 02, 2011. The table below sets out the dividends declared by CPPI for the year from January 1, 2011 until December 31, 2012:

<u>Quarter</u>	<u>Declaration Date</u> \$	<u>Record Date</u> \$	<u>Amount per Share</u> \$	<u>Date Paid</u>
1 st Quarter, 2011	May 2, 2011	May 12, 2011	0.40	May 19, 2011
2 nd Quarter, 2011	July 21, 2011	August 2, 2011	0.40	August 9, 2011
3 rd Quarter, 2011	October 24, 2011	November 3, 2011	0.40	November 10, 2011
4 th Quarter, 2011	February 6, 2012	February 16, 2012	0.25	February 23, 2012
1 st Quarter, 2012	April 23, 2012	May 4, 2012	0.22	May 11, 2012
2 nd Quarter, 2012	July 25, 2012	August 7, 2012	0.05	August 14, 2012

MARKET FOR SECURITIES

The CPPI Shares are listed and posted for trading on the TSX under the symbol "CFX". The Fund Units (trading symbol "CFX.UN") were delisted from the TSX on January 6, 2011 upon the listing of the CPPI Shares in substitution thereof, following the completion of the Conversion.

Trading Price and Volume

The following table shows the price ranges per CPPI Share, and the volume of shares traded on the TSX for the most recently completed financial year of CPPI: January 1, 2012 to December 31, 2012.

<u>2012 Month</u>	<u>High</u> \$	<u>Low</u> \$	<u>Volume</u> (Shares)
January	14.32	11.60	3,495,250
February	14.15	12.38	4,351,330
March	15.19	12.48	1,765,875
April	15.15	11.72	1,613,646
May	12.50	9.97	2,032,705
June	11.17	9.31	2,160,886
July	12.21	8.25	2,132,477
August	9.60	8.58	1,152,336
September	9.51	8.17	2,282,077
October	10.55	8.20	2,790,957
November	9.26	7.60	1,492,617
December	10.38	8.05	1,130,628

DIRECTORS AND EXECUTIVE OFFICERS OF CPPI

The following table sets forth the name, place of residence and position for each of the directors and executive officers of CPPI, together with their principal occupations during the last five years.

<u>Name and Province or State and Country of Residence</u>	<u>Position with CPPI</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Peter J. G. Bentley, O.C., LL.D. ⁽²⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾ British Columbia, Canada	Director	Chairman Emeritus of the Board of Canfor Corporation	April 24, 2012
Stan E. Bracken-Horrocks, FCA, ⁽¹⁾⁽³⁾ British Columbia, Canada	Director	Retired Partner of PricewaterhouseCoopers LLP	December 10, 2010
David M. Calabrigo, Q.C., British Columbia, Canada	Director	Senior Vice-President, Corporate and Legal Affairs/Corporate Secretary, Canfor Corporation	April 24, 2012
Donald W. Campbell ⁽²⁾⁽⁴⁾ Québec, Canada	Director	Senior Strategy Advisor, Davis LLP	December 10, 2010
Ronald L. Cliff, C.M., FCA, ⁽¹⁾⁽²⁾ British Columbia, Canada	Director and Co-Chairman	Co-Chairman, Canfor Corporation	April 24, 2012
Charles J. Jago Ph.D., C.M. ⁽⁵⁾⁽⁶⁾ British Columbia, Canada	Director	Director of Canfor Pulp Products Inc.	December 10, 2010
Michael J. Korenberg ⁽¹⁾⁽³⁾⁽⁴⁾ British Columbia, Canada	Director and Co-Chairman	Deputy Chairman and Managing Director, The Jim Pattison Group	April 24, 2012
Conrad A. Pinette ⁽²⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾ British Columbia, Canada	Director	Director of Canfor Corporation	April 24, 2012
William W. Stinson ⁽⁴⁾⁽⁶⁾ British Columbia, Canada	Director	Chairman and Chief Executive Officer of Westshore Terminals Investment Corporation	April 24, 2012

- (1) Member of Audit Committee.
- (2) Member of Joint Corporate Governance Committee.
- (3) Member of Joint Pension Committee.
- (4) Member of Joint Capital Expenditure Committee
- (5) Member of Joint Environmental, Health & Safety Committee
- (6) Member of Joint Management of Resources and Compensation Committee

The term of office for each of the directors of the CPPI will expire at the time of the next annual meeting of the shareholders of the CPPI, unless earlier terminated.

The following table sets forth the name, place of residence and position for each of the executive officers of the General Partner, together with their principal occupations during the last five years and the number of CPPI Shares they hold as at the date of this AIF:

<u>Name and Province or State and Country of Residence</u>	<u>Position with CPPI</u>	<u>Principal Occupation</u>	<u>Position Held Since</u>
Don Kayne British Columbia, Canada	Chief Executive Officer	President and Chief Executive Officer of Canfor Corporation	September 30, 2012
Alan Nicholl British Columbia, Canada	Chief Financial Officer	Chief Financial Officer of Canfor Corporation	September 30, 2012
Brett R. Robinson British Columbia, Canada	President	President, of Canfor Pulp Products Inc.	September 30, 2012
Sean Curran British Columbia, Canada	Vice President, Sales and Marketing	Vice President Sales and Marketing of Canfor Pulp Products Inc.	May 1, 2010
Martin Pudlas British Columbia, Canada	Vice President, Operations	Vice President, Operations of Canfor Pulp Products Inc.	October 23, 2012
David Calabrigo British Columbia, Canada	Secretary	Senior Vice President, Corporate Development, Legal Affairs and Human Resources / Corporate Secretary	September 30, 2012

As at the date of this AIF, the directors and executive officers of CPPI and the General Partner as a group beneficially owned, or had control or direction over, directly or indirectly, 1,078,759 CPPI Shares, representing approximately 3% of the outstanding CPPI Shares.

Biographies

Set forth below are brief profiles of each of the directors and executive officers of CPPI, and directors and executive officers of the General Partner. Each of the directors and executive officers has been engaged for more than five years in his present principal occupation or in other capacities with the organization in which the person currently holds his principal occupation, except as set forth below.

Directors

Peter J.G. Bentley, LL.D., O.C., of Vancouver, British Columbia, Canada, was appointed to the Board of CPPI on April 24, 2012. Mr. Bentley served as a Director of the General Partner from April 28, 2006 to April 23, 2012. Mr. Bentley has served on the Board of Canfor since 1966. Mr. Bentley is Chairman Emeritus of the Board of Directors of Canfor. After working in various positions throughout Canfor, Mr. Bentley became Executive Vice-President in 1970, President in 1975, and Chairman and Chief Executive Officer ("CEO") in 1985, a position he held until April 24, 1995. Mr. Bentley was reappointed to the position of President and CEO of Canfor on July 25, 1997 and relinquished the position of President and CEO of the company on January 1, 1998. Mr. Bentley is Chairman and a director of Sierra Mountain Minerals Inc. and a member of the Board of the Canadian Institute for Advanced Research, a member of the Advisory Board of BuildDirect.com and a Trustee and Chair Emeritus of the Vancouver General Hospital and University of British Columbia Hospital Foundation. He also served for many years as a director of Bank of Montreal and Shell Canada Ltd. Mr. Bentley retired as Chancellor of the University of Northern British Columbia in May 2007. Mr. Bentley holds Honorary Doctorate of Law degrees from the University of British Columbia and from University of Northern British Columbia.

Stan E. Bracken-Horrocks, FCA, of Kelowna, British Columbia, Canada has been a Director of CPPI since December 10, 2010 and served as a Trustee of the Fund from April 26, 2006 until January 1, 2011. Mr. Bracken-Horrocks served as a Director of the Board of the General Partner from April 28, 2006 to April 23, 2012. Mr. Bracken-Horrocks is a retired partner of PricewaterhouseCoopers LLP and held various leadership positions during his career with PricewaterhouseCoopers LLP, including Global Leader of its Forest and Paper Industry practice. As a member of the Canadian Institute of Chartered Accountants, Mr. Bracken-Horrocks served as a member of the Board of Governors

and a member of the Accounting Standards Committee and, as a member of the Institute of Chartered Accountants of British Columbia, he served as a member of council, Vice-President and President. Mr. Bracken-Horrocks is a former Director and Chairman of the Audit Committee of the Business Development Bank of Canada.

David Calabrigo, Q.C. of Surrey, British Columbia, Canada was appointed to the Board of CPPI on April 24, 2012. Mr. Calabrigo served as a Director of the General Partner from May 3, 2011 to April 23, 2012. Mr. Calabrigo is Senior Vice President, Corporate and Legal Affairs / Corporate Secretary of Canfor. Mr. Calabrigo was appointed General Counsel and Corporate Secretary on January 3, 2001; on July 1, 2003, he was appointed Vice President, Human Resources, General Counsel and Corporate Secretary; on April 2, 2004, he was appointed Vice President, Corporate Development, General Counsel and Corporate Secretary; and on May 5, 2011, he was appointed Senior Vice President Corporate and Legal Affairs. Prior to joining Canfor, he was General Counsel and Corporate Secretary of Viceroy Resource Corporation. Mr. Calabrigo received his Bachelor of Arts degree from Simon Fraser University and his Law degree from the University of Alberta.

Donald W. Campbell, of Montreal, Quebec, Canada has been a Director of CPPI since December 10, 2010 and served as a Trustee of the Fund from April 26, 2006 until January 1, 2011. Mr. Campbell served as a Director of the General Partner from April 28, 2006 to April 23, 2012. Mr. Campbell is Senior Strategy Advisor of Davis LLP, a position he has held since May, 2007. Previously, he was Executive Vice President of CAE Inc. 2006 - 2007 and Group President, Military Simulation and Training Division, CAE 2000 - 2006. Prior to this position, Mr. Campbell served as Deputy Foreign Minister and as the Prime Minister's Personal Representative for G-8 Summits (1997-2000), Canada's Ambassador to Japan (1993-1997), Deputy Minister for International Trade (1989-1993) and Canada's Ambassador to Korea (1984-1985). Mr. Campbell is currently a director of Toyota Canada Inc., and Perimeter Institute and Davie Yards Inc. Mr. Campbell is a Distinguished Fellow of the Asia Pacific Foundation and the Canadian Chair of the Pacific Economic Cooperation Council. In April 1999, Mr. Campbell received the Outstanding Achievement Award of the Public Service of Canada from the Governor General and the Prime Minister. In 2003, Mr. Campbell was appointed by the Prime Minister as the Canadian Co-Chairman of the Canada-Japan Forum, an external advisory group established by the governments of Japan and Canada to provide advice and to promote the bilateral relationship between the two countries. Mr. Campbell is a graduate of Laurier University (Hon. B.A. Economics and Political Science) and holds Honorary Doctorate degrees from the University of Ottawa, Carleton University and Laurier University. He is a graduate of the Institute of Corporate Directors programme of the University of Toronto and holds an ICD.D.

Ronald L. Cliff, C.M., FCA, of West Vancouver, British Columbia, Canada was appointed to the Board of CPPI on April 24, 2012. Mr. Cliff has served as a Director of the General Partner since April 28, 2010. Mr. Cliff is Co-chairman of the Board of Directors of CPPI. Mr. Cliff is Co-chairman of the Board of Directors of Canfor and its subsidiary, CFP. Mr. Cliff is Chairman of Heathcliff Properties Ltd. and President of the Heathcliff Foundation. Mr. Cliff was Chairman and a Director of BC Gas Inc. (now FortisBC) from 1972 to 2002. He also served as a Director of the Royal Bank of Canada and was a Director and Chairman of Southam Inc. Mr. Cliff is a Trustee and Chairman Emeritus of the Vancouver Police Foundation; a former Trustee of the Vancouver General Hospital and University of British Columbia Hospital Foundation and the Chairman of the Vancouver Symphony Foundation. Mr. Cliff received his Commerce Degree from the University of British Columbia and qualified as a Chartered Accountant in 1954 and was elected a Fellow of the Institute of Chartered Accountants of British Columbia in 1994.

Charles J. Jago, Ph.D., C.M., of Prince George, British Columbia, Canada, has been a Director of CPPI since December 10, 2010 and served as a Trustee of the Fund from April 26, 2006 until January 1, 2011. Dr. Jago was appointed to the Board of the General Partner on April 28, 2006. Dr. Jago was President of the University of Northern British Columbia 1995-2006 and on an interim basis from 2008-09. Dr. Jago's professional service has included membership on the Boards of the Association of Universities and Colleges of Canada, the Association of Commonwealth Universities, the Office of Partnerships for Advanced Skills (OPAS) and Partnerships B.C. Dr. Jago has also served as Chair of the Council of Western University Presidents, The University President's Council of British Columbia, and the Northern BC United Way. He currently chairs the Boards of Northern Health Authority of British Columbia, Fraser Basin Council and the Sinclair Group Forest Products Ltd. He also serves as a member of the Board of Initiatives Prince George and the Canada West Foundation. Dr. Jago received his BA in Honours English and History from the University of Western Ontario in London, Ontario, graduating as the Honours gold medalist from Huron University College (an affiliated college of The University of Western Ontario), and received a PhD in History

from Cambridge University. Dr. Jago was awarded the Queen's Diamond Jubilee Medal for community service in 2003 and the Order of Canada in 2006.

Michael J. Korenberg, of West Vancouver, British Columbia, Canada was appointed to the Board of CPPI on April 24, 2012 and was appointed the Co-Chair of the CPPI Board on February 13, 2013. Mr. Korenberg served as a Director of the General Partner from May 3, 2011 to April 23, 2012. Mr. Korenberg is the Deputy Chairman & Managing Director of The Jim Pattison Group, a diversified group of companies. Mr. Korenberg is a director of Sun-Rype Products Ltd., Westshore Terminals Investment Corporation and Westshore Terminals Ltd. Mr. Korenberg is also the Co-Chairman of the Board of Directors of Canfor and its principal subsidiary, Canadian Forest Products Ltd. He is an adjunct professor, Faculty of Law, University of British Columbia, a member of the Dean's Advisory Committee for the National Centre for Business Law and a member of the Law Societies of Upper Canada (Ontario) and British Columbia.

Conrad A. Pinette, of Vancouver, British Columbia, Canada was appointed to Board of the General Partner and CPPI on April 24, 2012. Mr. Pinette's work in the Canadian forest industry began 40 years ago as an owner and President of a family lumber business, Pinette & Therrien Mills Ltd. Mr. Pinette has also served as Executive Vice President, Tolko Industries Ltd. (2005), Executive Vice President, Riverside Forest Products Limited (2004) and served as President and Chief Operating Officer of Lignum Limited from January 1990 to April 2004. Mr. Pinette is the former Chairman of Finning International Inc. and a former Director of TimberWest Forest Corp, Northgate Minerals Corporation, A&W Revenue Royalties Income Fund, Finning International Inc. and the British Columbia Business Council. Mr. Pinette is currently a member of the Vancouver General Hospital and University of British Columbia Prostate Advisory Board, and Chairman and a director of Gold Canyon Resources.

William W. Stinson, of Vancouver, British Columbia, Canada was appointed to the Board of CPPI on April 24, 2012. Mr. Stinson served as a Director of the General Partner from February 17, 2009 to April 23, 2012. Mr. Stinson spent the majority of his business career with Canadian Pacific Ltd. retiring as Chairman and CEO in 1996 after 11 years in that position. He has served on a wide variety of boards and has held the positions of Chairman of Sun Life Financial, Chairman of the Executive Committee of United Dominion Industries and Lead Director of CHC Helicopters Ltd. He is currently the Chairman and CEO of Westshore Terminals Investment Corporation and a Director of Canfor Corporation.

Executive Officers

Don Kayne was appointed Chief Executive Officer of CPPI on September 30, 2012. Mr. Kayne is the Chief Executive Officer of Canfor, a position he has held since May 2011. Prior to this appointment, Mr. Kayne was Canfor's Vice President, Wood Products Marketing and Sales for ten years dating back to January 2001. Mr. Kayne also served as General Manager, Wood Products Sales and Marketing for six years. Born and raised in North Vancouver, Mr. Kayne completed the Forestry and Business Administration program at the British Columbia Institute of Technology. Mr. Kayne began his career with Canfor in 1979, and has held a variety of sales and marketing roles in our Wood Products Group.

Alan Nicholl was appointed Chief Financial Officer of CPPI, on September 30, 2012. Alan is the Senior Vice President, Finance and Chief Financial Officer of Canfor, a position he has held since May 2011. Mr. Nicholl joined Canfor as Corporate Controller on April 1, 2008. For ten years prior to this, he held various senior financial positions within the Canadian forest products industry. Born and raised in Northern Ireland, Mr. Nicholl received his Bachelor of Science degree in Economics and Accounting from Bristol University, England in 1985. He is a fellow of the Institute of Chartered Accountants in Ireland and a member of the Institute of Chartered Accountants of British Columbia.

Brett R. Robinson was appointed President of CPPI on September 30, 2012. Prior to this appointment, he held the position of Executive Vice President, Operations of the General Partner from July 22, 2011 and from October 1, 2008, he served as the Vice President, Operations. Mr. Robinson previously held the position of General Manager, Intercontinental and Prince George Pulp and Paper Mills of the General Partner. Over the past 23 years, he has held a broad range of pulp and solid wood positions within the Northwood and Canfor organizations. Mr. Robinson has a

Bachelor of Mechanical Engineering degree from the University of Manitoba, the Canadian Securities Certification and is a Registered Professional Engineer.

Sean Curran was appointed Vice President, Sales and Marketing of the General Partner and CPPI on May 1, 2010. Prior to this appointment, Mr. Curran was the Director, Global Pulp and Paper Sales for Canfor Pulp and Paper Sales Ltd. Mr. Curran previously held the position of Director, Americas Pulp Sales with Canadian Forest Products Ltd. from April, 2003, and then with Canfor Pulp and Paper Sales Ltd. from July, 2006. Before joining Canadian Forest Products Ltd., Mr. Curran held a number of senior management positions with Norske Skog Canada Ltd., Atlantic Newsprint Company, and C.P. Forest Products.

Martin Pudlas was appointed Vice President, Operations of CPPI on October 23, 2012. Prior to this appointment, he held the position of General Manager, PGP&P/Intercontinental Pulp Mills and Specialty Paper. Mr. Pudlas began his employment with Northwood Pulp and Timber Ltd. at the Northwood Pulp Mill in 1988 as a Process Engineer. Over the years, Mr. Pudlas held various positions of increasing responsibility within all of Canfor's Pulp and Paper operations, and has been the General Manager at all three of Canfor Pulp's facilities. He is currently a member of the Board of Directors for the College of New Caledonia and Premium One Papers. Mr. Pudlas is located in Prince George, British Columbia, Canada. Mr. Pudlas has a Bachelor of Chemical Engineering degree from the University of British Columbia and is a Registered Professional Engineer.

David Calabrigo was appointed Secretary of CPPI, on September 30, 2012. Mr. Calabrigo is the Senior Vice President, Corporate Development, Legal Affairs and Human Resources and Corporate Secretary of Canfor, a position he has held since February 2013. Prior to this appointment, Mr. Calabrigo was Canfor's Senior Vice President, Corporate and Legal Affairs/Corporate Secretary since

COMMITTEES OF THE BOARD OF DIRECTORS OF CPPI

The Board of Directors of CPPI has an Audit Committee and the following joint committees with Canfor: a Joint Corporate Governance Committee, a Joint Capital Expenditure Committee, a Joint Management of Resources and Compensation Committee, a Joint Pension Committee, and a Joint Environment, and Health and Safety Committee.

Audit Committee

The purpose of the Audit Committee is to assist the board of directors in fulfilling its responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures; the adequacy of internal accounting and financial reporting controls and procedures; and the quality and integrity of financial statements of CPPI. In addition, the Audit Committee will be responsible for directing the auditors' examination into specific areas of CPPI.

Audit Committee Terms of Reference

The Board of Directors of the General Partner has approved the terms of reference for the Audit Committee on November 16, 2006 as is set out in Appendix A to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee is composed entirely of independent directors, all of whom are financially literate as defined in Multilateral Instrument form 52-110F1. Mr Bracken-Horrocks is a Chartered Accountant and is a retired partner of PricewaterhouseCoopers LLP. Mr. Cliff is a Chartered Accountant and received a commerce degree from the University of British Columbia. Mr. Korenberg is the Vice-Chairman of the Jim Pattison Group and an adjunct professor of the Faculty of Law, University of British Columbia.

Pre-approval Policies and Procedures

The Audit Committee has adopted a policy for the engagement of the external auditor for non-audit services, whereby the prior approval by the Chairman of the Audit Committee is required for all such services not exceeding \$50,000 in value, and services exceeding such value required Audit Committee approval. All non-audit engagements of the auditor are reported to the Audit Committee.

The Audit Committee will also require and review a report from the external auditor, if deemed appropriate by the Audit Committee, of all relationships between the external auditor and its related entities and CPPI and the Partnership and their related entities, including all work performed and fees paid for such work of a non-audit nature, that in the external auditor's professional judgment may reasonably be perceived to bear on its objectivity and independence and confirming that in the external auditor's professional judgment it is independent of CPPI and the Partnership and discuss this report with the external auditor in order to evaluate the objectivity and independence of the external auditor. The Audit Committee will also review steps taken by the external auditor to address any findings in any of the foregoing reviews.

Audit Fees

PricewaterhouseCoopers LLP has served as the Fund's and Partnership's auditing firm since July 25, 2006. PricewaterhouseCoopers LLP has served as the auditor of CPPI since its incorporation on March 12, 2010. Fees payable by CPPI, and the Partnership for the year ended December 31, 2012 to PricewaterhouseCoopers LLP and its affiliates were \$618,927.

	Period ended December 31, 2012	Period ended December 31, 2011
Audit Fees	\$ 410,000	\$ 575,000
Audit-Related Fees	42,000	0
Tax Fees	166,927	12,540
All Other Fees	<u>0</u>	<u>54,250</u>
	<u>\$ 618,927</u>	<u>\$ 641,790</u>

The nature of each category of fees is described below:

Audit Fees – for the audit of CPPI's, the Fund's and the Partnership's financial statements and services normally provided by the principal auditor in connection with CPPI, and the Fund's statutory filings.

Audit Related Fees – for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements that are not reported in Audit Fees, including accounting consultations, interim review work, and various agreed upon procedures, but excluding travel costs and other disbursements.

Tax Fees – for tax compliance, tax advice and tax planning services. Included in 2012 were fees totalling \$138,512 related to tax planning and filing of Scientific Research and Development Tax Credits.

All Other Fees – for all other services.

Independent Review Process

Any material commercial transaction that the CPPI or any subsidiary proposes to enter into with Canfor or any of its affiliates, and any material amendment of the terms of any material contract between the CPPI or any subsidiary on the one hand, and Canfor or any of its affiliates on the other hand, entered into prior to January 1, 2011 must be

considered and approved by a majority of the Independent Directors of the CPPI who are not also directors, officers, or employees of Canfor or any of its affiliates (other than the CPPI or any of its subsidiaries).

CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Corporate Cease Trade Orders

Except as disclosed below, to the knowledge of CPPI, none of the directors or executive officers of CPPI is, as at the date of the AIF, or was within the 10 years before the date of the AIF, a director, chief executive officer or chief financial officer of any company (including CPPI and any personal holding companies), that:

- (i) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer,

where "order" refers to a cease trade order, or an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

- Mr. Don Campbell was a director of Rutter Inc. ("**Rutter**"), which voluntarily requested a management cease trade order ("**MCTO**") as a result of Rutter's delay in filing its audited annual financial statements, CEO and CFO certifications, MD&A and annual information form for the year ended August 31, 2008 (the "Required Filings"). Rutter attributed this delay to the lack of final agreement on a potential restructuring of the debt with Rutter's principal lender. The Ontario Securities Commission ("**OSC**") issued a temporary MCTO on December 2, 2008 which prohibited the then current Chief Executive Officer of Rutter (the "**Rutter CEO**") and Chief Financial Officer of Rutter (the "**Rutter CFO**") from trading in or acquiring securities of Rutter for a period of 15 days. The OSC issued a permanent MCTO on December 16, 2008, prohibiting the Rutter CEO and Rutter CFO from trading in or acquiring securities of Rutter until the earlier of two (2) full business days after the Required Filings were received by the OSC, or a further order of the OSC (in the case of the permanent MCTO). The Required Filings were made on or about January 12, 2009 and the permanent MCTO was subsequently lifted. Neither the temporary nor the permanent MCTO were imposed on Mr. Campbell. Mr. Campbell ceased to be a director of Rutter on January 15, 2010.

Bankruptcies

Except as disclosed below, to the knowledge of CPPI, none of the directors or executive officers of CPPI, or shareholders holding a sufficient number of securities of CPPI to affect materially the control of CPPI:

- (i) is, as at the date of the AIF, or has been within the 10 years before the date of the AIF, a director or executive officer of any company (including CPPI and any personal holding companies) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or
 - (ii) has, within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.
- Mr. Campbell was a director of Mecachrome International Inc. ("**Mecachrome**") from July, 2007 to December, 2009. Between December 2008 to 2009, Mecachrome obtained creditor protection from the Quebec Superior Court under the Companies' Creditors Arrangement Act (Canada). In December, 2009, Mecachrome completed its financial restructuring and reorganization process. Mr. Campbell ceased to be a director in December 2009.
 - Mr. Campbell was a director of ExelTech Aerospace Inc. ("**ExelTech**"). On February 4, 2010, ExelTech filed a notice of intention (NOI) to file a proposal under the Bankruptcy and Insolvency Act (Canada),

seeking protection from its creditors. On February 9, 2010, the Superior Court of Quebec appointed RSM Richter Inc. as interim receiver of the assets of ExelTech Canada Inc., a wholly-owned subsidiary of ExelTech. ExelTech was declared bankrupt in May 2010, and Mr. Campbell ceased to be a director.

- Mr. Campbell is a director of Davie Yards Inc. ("**Davie**"). On February 25, 2010, Davie filed for creditor protection under the Companies' Creditor Arrangement Act (Canada) ("**CCAA**") with the Quebec Superior Court (the "**Court**"). On November 3, 2011 Davie obtained an order from the Court extending the stay of proceedings ordered by the Court, the whole pursuant to the CCAA.
- Mr. Stinson was a director of Grant Forest Products Inc. ("**Grant**"). On June 25, 2009, Grant obtained creditor protection from the Ontario Superior Court under the Company Creditors Agreement Act (Canada). Mr. Stinson ceased to be a director on June 30, 2010.
- Messrs. Bentley and Calabrigo, each of whom were directors or officers of HSPG General Partner Ltd., general partner of Howe Sound Pulp and Paper Limited partnership ("**HSLP**"), during the period of January 29 to February 1, 2008 when HSLP completed a restructuring under the Companies' Creditors Arrangement Act (Canada), and on January 27, 2011, when 6382 Pulp and Paper Limited Partnership (formerly HSLP) ("**6382 LP**") voluntarily filed for bankruptcy under the Bankruptcy and Insolvency Act (Canada) (the "**BIA**") after the sale of substantially all of its assets to a third party effective October 1, 2010. 6382 LP filed a proposal under the BIA in February 2011.

Penalties or Sanctions

Except as disclosed herein, to the knowledge of CPPI, none of the directors or executive officers of CPPI, or shareholders holding a sufficient number of securities of CPPI to affect materially the control of CPPI, or any of their personal holding companies, has been subject to:

- (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

Except as otherwise disclosed in the section "Interests of Management and Others in Material Transactions" and elsewhere in this AIF, no director or officer of CPPI, the General Partner, the Partnership or any of their subsidiaries, nor any associate or affiliate of the foregoing persons, has any existing or potential material conflicts of interest with CPPI, the General Partner, the Partnership or any of their subsidiaries.

LIQUIDITY, SUPPORT AND SECURITY HOLDER AGREEMENTS

Shareholders' Agreement

On completion of the Conversion on January 1, 2011, CPPI entered into the Shareholders' Agreement with respect to the General Partner with CFP, the General Partner, and the Partnership. The Shareholders' Agreement supersedes and replaces the amended and restated shareholders' agreement dated as if October 26, 2009 between CFP, the General Partner, the Partnership, the Fund, and the Trust. The following is a summary of certain provisions of the Shareholders' Agreement, which summary is not intended to be complete. Reference is made to the Shareholders' Agreement on file at www.sedar.com for the full text of its provisions.

Board. The Shareholders' Agreement provides that if Canfor holds, directly or indirectly, a Partnership Interest of 30% or more, then, subject to the minimum and maximum number of directors set out in the articles of the General Partner, the board of directors of the General Partner shall be comprised of such number of directors as Canfor may determine from time to time. If CPPI holds, directly or indirectly, a Partnership Interest of more than 70%, then the board of directors of the General Partner shall be comprised of such number of directors as CPPI may determine from time to time (subject to the minimum and maximum number of directors set out in the articles of the General Partner). If Canfor holds, directly or indirectly, not less than a 30% Partnership Interest, Canfor is entitled to appoint such number of directors as Canfor may determine (subject to a maximum equal to the maximum number of directors less the number of directors of CPPI from time to time), a majority of whom must be "resident Canadians" (as defined in the CBCA). This effectively allows Canfor to appoint the majority of directors of the General Partner

for so long as it holds, directly or indirectly, a Partnership Interest of not less than 30%. If Canfor's Partnership Interest falls below 30%, but is not less than 20%, Canfor is entitled to appoint 49% of the number of directors of the General Partner (rounded down to the nearest whole number but subject to a minimum of two (two of whom must be "resident Canadians"); if Canfor's Partnership Interest falls below 20%, but is not less than 10%, Canfor is entitled to appoint such number of directors as provide Canfor with representation on the board of directors of the General Partner as is commensurate with its interest but subject to a minimum of two directors (one of whom must be a "resident Canadian"); if Canfor's Partnership Interest falls below 10%, but is not less than 5%, Canfor is entitled to appoint one director (who does not need to be a "resident Canadian"); and if Canfor's Partnership Interest falls below 5%, Canfor will cease to have any right to appoint directors of the General Partner. The Shareholders' Agreement permits CPPI to appoint the balance of the directors of the General Partner, provided that CPPI is entitled to appoint not less than three directors and its nominees shall include all of the directors of CPPI.

Committees of the Board. The Shareholders' Agreement provides that the board of directors of the General Partner will have an audit committee, a nominating committee (the Governance Committee), a compensation committee, and such other committees as may be determined from time to time by the board of directors of the General Partner. Each of the committees will consist of at least three members. Canfor is entitled to appoint one of the members of each of the committees for so long as it holds at least a 10% Partnership Interest and the chair of the Audit Committee shall be a person acceptable to Canfor for so long as Canfor holds at least a 20% Partnership Interest. The balance of the members of each committee will be appointed by the board of directors of the General Partner.

Nomination of Board of Directors members of CPPI. The number of CPPI directors is equal to the number of directors CPPI is entitled to appoint as directors of the General Partner. A majority of CPPI directors must be Canadian citizens resident in Canada. The board of directors of the General Partner, after considering the recommendation of the nominating committee, is entitled to propose the nominees for election as directors of CPPI. All nominees for election as a director of CPPI proposed by the board of directors of the General Partner shall be Independent Directors. CPPI Shareholders are not required to vote in favour of these nominees, and may elect CPPI directors as they see fit. The chair of the board of directors of CPPI shall be appointed by the CPPI directors from among the directors of CPPI who are Independent Directors.

Transfers. The Shareholders' Agreement provides that no transfer of GP Shares to any person (whether such person already holds, directly or indirectly, GP Shares or otherwise) will be permitted (other than pursuant to the exercise of the liquidity rights or exchange rights under the Exchange Agreement) unless the transferor transfers (or causes to be transferred, where such interest is held indirectly) an identical number of LP Units concurrently to the same person and such person agrees to be bound by the provisions of the Shareholders' Agreement. Any purported transfer by a shareholder of any GP Shares without a transfer of an identical number of LP Units held by that shareholder will be void to the maximum extent permitted by law. The Shareholders' Agreement permits the pledge of GP Shares and LP Units to a bank or other financial institution for the purpose of securing borrowings, subject to certain restrictions.

Assignment. The Shareholders' Agreement may not be assigned by any party without the written consent of all of the other parties to the agreement, except by Canfor to an affiliate of Canfor which agrees to be bound by the Shareholders' Agreement. However, such affiliate is only entitled to exercise Canfor's rights to appoint members of the board of directors of the General Partner and members of committees of the board of the General Partner and to approve certain matters (as described under "Shareholders' Approval for Certain Matters" below) for so long as it remains an affiliate of Canfor.

Share Issuance and Pre-emptive Rights. The Shareholders' Agreement provides that, subject to certain limited exceptions, if the Partnership authorizes the issuance of additional LP Units, or securities convertible into LP Units, it shall offer to sell to Canfor and to CPPI such LP Units or securities convertible into LP Units in proportion to their respective then current direct or indirect Partnership Interests. The Shareholders' Agreement also provides that, subject to certain limited exceptions, if CPPI authorizes the issuance of additional CPPI Shares or securities convertible into CPPI Shares, then it shall offer to sell to Canfor such CPPI Shares or other securities, as the case may be, in proportion to Canfor's then current direct or indirect Partnership Interest. Canfor may exercise its pre-emptive right to acquire CPPI Shares, in whole or in part, by either purchasing additional CPPI Shares or purchasing an equivalent number of additional LP Units or GP Shares.

These pre-emptive rights also apply in respect of the issuance of certain non-bank indebtedness by CPPI or the Partnership.

Take-Over Bids. The Shareholders' Agreement provides that Canfor shall not transfer any GP Shares or LP Units, other than to one or more of its affiliates in accordance with the terms of the Shareholders' Agreement or to CPPI in accordance with the Exchange Agreement, unless (a) the transferee would not be required under applicable securities legislation as a result of such transfer to make an offer to all holders of CPPI Shares to acquire such shares on the same terms and conditions if, immediately prior to such transfer, all outstanding Class B Exchangeable LP Units and the same number of GP Shares had been exchanged for CPPI Shares in accordance with the terms of the Exchange Agreement, or (b) the transferee makes a contemporaneous offer to CPPI Shareholders for CPPI Shares on the same terms (in terms of price, timing and proportion of securities sought to be acquired) and conditions and does not acquire such GP Shares or Class B Exchangeable LP Units unless the transferee also acquires a proportionate number of CPPI Shares tendered to such offer, if any.

Shareholders' Approval for Certain Matters. The Shareholders' Agreement provides that, so long as Canfor's Partnership Interest is not less than 20%, the General Partner shall not, either on its own behalf or on behalf of the Partnership, without the affirmative vote of the majority of the board of directors of the General Partner and the written consent of Canfor as a shareholder of the General Partner:

- (a) enter into any merger, amalgamation, consolidation, business combination, joint venture or other material corporate transaction, including the acquisition of property or assets with a fair market value in excess of \$25 million;
- (b) adopt any plan or proposal for a complete or partial liquidation or dissolution or any reorganization or commence any case, proceeding, or action seeking relief under any laws relating to bankruptcy or insolvency;
- (c) take, or permit to be taken, any action that would prevent the Pulp Business, as it exists on January 1, 2011, from continuing on an ongoing basis;
- (d) change the size of the board of directors of the General Partner;
- (e) enter into any agreement or make any offer or grant any right capable of becoming an agreement to allot or issue a number of GP Shares and LP Units or any combination of the foregoing, in each case where the aggregate number of GP Shares and LP Units to be issued or allotted exceeds 5% of the total number of such securities then outstanding;
- (f) enter into any agreement or make any offer or grant any right capable of becoming an agreement to allot or issue any shares or units of a subsidiary of the General Partner to any person other than the General Partner or one of its wholly-owned subsidiaries;
- (g) take any action which could reasonably be expected to lead to or result in a material change in the nature of the business of the Partnership;
- (h) sell, lease, exchange, or dispose of property or assets with a fair market value in excess of \$25 million, other than the sale or disposition of inventory in the ordinary course of business;
- (i) take, hold, subscribe for or agree to purchase or acquire shares in the capital of any body corporate with a fair market value in excess of \$25 million;
- (j) enter into a partnership or any arrangement for a sharing of profits, union of interests, joint venture or reciprocal concession with any person if the aggregate fair market value of the assets contributed and liabilities assumed by the Partnership in connection therewith either exceeds on formation, or at any time in the future could reasonably be expected to exceed, \$25 million;
- (k) directly or indirectly participate in any business other than the pulp and paper business; or
- (l) make any commitment or agreement to do any of the foregoing.

Canfor is entitled to provide or withhold its written consent to any such action in its sole discretion, and shall have no obligation to consider the interests of CPPI in doing so.

Term. The Shareholders' Agreement will continue in force until the earlier of (a) the date on which it is terminated by the written agreement of all the shareholders of the General Partner; or (b) the date on which CPPI holds, directly or indirectly, greater than 95% of the outstanding GP Shares. The restrictions on transfer of the GP Shares and the LP Units will survive the termination of the Shareholders' Agreement, so long as there is more than one shareholder of the General Partner.

Partnership Services Agreement

On July 1, 2006, CFP and the Partnership entered into the Partnership Services Agreement, pursuant to which CFP provides the Partnership with certain specified services. The services provided by CFP include corporate secretarial, financial, internal audit, maintenance, inventory, and purchasing systems, hourly payroll and time entry systems, production tracking systems and software and technology support. CFP does not receive a fee for the provision of these services but receives a reimbursement for its direct and indirect costs and expenses. The Partnership Services Agreement is terminable, in whole or in part, at the election of the General Partner or CFP, upon 12 months' written notice.

Support Agreement

On completion of the Conversion on January 1, 2011, CPPI, the Partnership and the General Partner entered into the Support Agreement under which the Partnership agreed, subject to the supervision of the board of directors of CPPI, where applicable, to provide or arrange for the provision of certain administrative and support services to CPPI, including those necessary to (a) effect CPPI's compliance with continuous disclosure obligations under applicable securities legislation, including the preparation of financial statements; (b) provide investor relations services; (c) provide or cause to be provided to shareholders all information to which shareholders are entitled; (d) assist in the calling and holding of meetings of shareholders and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings; (e) provide for the preparation of calculations to assist the CPPI directors in determining the distributions to shareholders; and (f) provide general accounting, bookkeeping and administrative services.

Unless terminated earlier in accordance with its terms, the Support Agreement will terminate upon CPPI ceasing to own, directly or indirectly, any interest in the Partnership. In addition, the Support Agreement may be terminated by the Partnership if CPPI is in material breach of its obligations under the Support Agreement (such breach not having been cured within 30 days of receipt of notice thereof) or by CPPI upon at least 30 days' notice. Either the Partnership or CPPI may terminate the Support Agreement if the other institutes or consents to the institution against it of any bankruptcy, insolvency or similar proceedings, or makes a general assignment for the benefit of its creditors, or a liquidator, trustee in bankruptcy, receiver or receiver manager is appointed over a substantial or material part of its assets. On or before termination of the Support Agreement, CPPI shall pay to the Partnership all costs and expenses incurred by the Partnership in terminating contracts entered into by it with third parties (provided such contracts were approved by CPPI, as the case may be) for the performance by the Partnership of its duties under the Support Agreement or, at the election of CPPI, assume the obligations of the Partnership under such contracts.

The Partnership will pay all expenses incurred by it and attributable to the exercise of its duties in the administration of CPPI. CPPI will reimburse all the expenses incurred by the Partnership on CPPI's behalf and pay the Partnership an annual fee not to exceed \$100,000.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal or regulatory proceedings to which CPPI is or was a party, or to which any of the property of any of them is or was the subject of, during the CPPI's financial year ended December 31, 2012, where such claims exceed 10% of the current assets of CPPI. In addition, there are no penalties or sanctions imposed against CPPI by a court relating to Canadian securities legislation or by a securities regulatory authority during the CPPI's financial year ended December 31, 2012 or any other penalties or sanctions imposed by a court or regulatory body against any of them which would likely be considered important to a reasonable investor in making an investment decision, and none of them have entered into any settlement agreements with a court relating to Canadian securities legislation or by a securities regulatory authority during the CPPI's financial year ended December 31, 2012.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set out under "Material Contracts" or described elsewhere in this AIF, none of the directors or executive officers of (a) CPPI, the Partnership, the General Partner, or Canfor, or (b) any person or company that beneficially owns, or controls or directs, directly or indirectly more than 10% of the CPPI Shares, or (c) any associate

or affiliate of the persons or companies referred to in (a) or (b), has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year, that has materially affected or is reasonably expected to materially affect CPPI or any of its subsidiaries.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the CPPI Shares is CIBC Mellon Trust Company at its principal transfer offices located in Vancouver, Toronto, Montreal, Calgary, and Halifax.

MATERIAL CONTRACTS

The only material contracts entered into by CPPI, the Partnership or the General Partner other than in the ordinary course of business, are as follows:

1. the Partnership Agreement referred to under "Corporate Structure";
2. the Shareholders' Agreement referred to under "Liquidity, Support and Security Holder Agreements — Shareholders' Agreement";
3. the Fibre Supply Agreement referred to under "The Pulp and Paper Business of CPPI—Fibre Supply —Fibre Supply Agreement";
4. the Cogeneration Agreement for PGP&P, referred to under "The Pulp and Paper Business of CPPI—Energy — Cogeneration Agreements with BC Hydro";
5. the EPA and LDA for Northwood, referred to under "The Pulp and Paper Business of CPPI—Energy — EPA and LDA with BC Hydro";
6. the Chemical Supply Agreement referred to under "The Pulp and Paper Business of CPPI—Chemicals";
7. the Support Agreement referred to under "Liquidity, Support and Security Holder Agreements —Support Agreement";
8. the Partnership Services Agreement referred to under "Liquidity, Support and Security Holder Agreements — Partnership Services Agreement";
9. the Term Facility between the Partnership and certain institutional investors in the United States under which the Partnership sold US\$110 million of unsecured notes (the "**Notes**"). The Notes bear interest at 6.41% and are repayable in full on their maturity date of November 30, 2013.

The Term Facility requires compliance with covenants that could, in certain circumstances, restrict the Partnership's ability to incur additional indebtedness, make distributions to partners, dispose of assets, or require the pledging of assets to the lenders as security;

10. a \$110 million unsecured bank credit facility (the "**Bank Facility**"). The Bank Facility matures on November 13, 2016. The Bank Facility bears interest and fees at rates that vary depending on prevailing market rates;
11. the Hydro LOC Facility. This Standby Letter of Credit is currently issued for \$9.2 million and the majority of the facility expires on November 30, 2013; and
12. the Labour Agreements referred to under "The Pulp and Paper Business of CPPI— Human Resources". The Labour Agreements are for terms of five years expiring on April 30, 2017.

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP are auditors of CPPI and its subsidiaries and have advised that they are independent with respect to CPPI and its subsidiaries within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia as of February 13, 2012.

ADDITIONAL INFORMATION

Additional information relating to CPPI and the Fund may be found on the System for Electronic Documents Analysis and Retrieval (SEDAR) at www.sedar.com and on the Partnership's web site at www.canforpulp.com.

Additional information, including trustees', directors' and officers' remuneration and indebtedness, principal holders of CPPI's securities and securities authorized for issuance under equity compensation plans, if applicable, are contained in CPPI's information circular for its most recent annual meeting of shareholders that involves the election of directors. Additional financial information is provided in CPPI's financial statements and management's discussion and analysis for the periods ended December 31, 2012.

CPPI will, upon request to the Corporate Secretary of Canfor Pulp Products Inc., 230 - 1700 West 75th Avenue, Vancouver, British Columbia V6P 6G2, provide to any person or company, the documents specified below:

- (a) when CPPI is in the course of a distribution of its securities under a short form prospectus, or has filed a preliminary short form prospectus in respect of a proposed distribution of its securities:
 - (i) one copy of CPPI's latest annual information form, together with one copy of any document or the pertinent pages of any document, incorporated therein by reference;
 - (ii) one copy of the comparative consolidated financial statements of CPPI, as applicable, for the most recently completed financial year for which financial statements have been filed, together with the auditors' report thereon, and one copy of any interim financial statements of CPPI for any period after its most recently completed financial year;
 - (iii) one copy of the information circular of CPPI, as applicable, in respect of its most recent annual meeting of shareholders that involved the election of directors, or one copy of any annual filing prepared instead of that information circular, as appropriate; and
 - (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under subparagraphs (i) to (iii); or
- (b) at any other time, CPPI shall provide to any person or company one copy of any of the documents referred to in subparagraphs (a)(i), (ii) and (iii) above, provided that CPPI may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of CPPI's securities.

GLOSSARY OF TERMS

In this Annual Information Form, the following terms shall have the meanings set forth below, unless otherwise indicated:

“**1940 Act**” means the United States *Investment Company Act of 1940*, as amended;

“**AAC**” means allowable annual cut;

“**Acquisition**” means the transfer of the Pulp Business from CFP to the Partnership;

“**Acquisition Agreement**” means the acquisition agreement between CFP, the Partnership and CCPI dated July 1, 2006;

“**ADMT**” means an air-dried metric tonne;

“**AIF**” means this Annual Information Form;

“**amended Cogeneration Agreement**” means, the Cogeneration Agreement plus the amendments made to this agreement as of September 15, 2009;

“**Bank Facility**” means a \$110 million unsecured bank credit facility entered into by the Partnership on November 13, 2012 and maturing on November 30, 2016;

“**BCBCA**” means the *Business Corporations Act* (British Columbia) as amended from time to time, including all regulations thereunder;

“**Business Day**” means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in Vancouver, British Columbia for the transaction of banking business;

“**Canfor**” means Canfor Corporation, a company incorporated under the laws of British Columbia and, unless otherwise indicated or the context otherwise requires, includes its subsidiaries and interests in joint ventures and other entities or any two of them or more, collectively;

“**CBCA**” means the *Canada Business Corporations Act*, as amended, and the regulations thereunder;

“**CDS**” means The Canadian Depository for Securities Limited;

“**CFP**” means Canadian Forest Products Ltd., a wholly-owned subsidiary of Canfor, incorporated under the laws of British Columbia;

“**Chemical Supply Agreement**” means the long-term, sodium chlorate supply agreement between Chemtrade and CFP, which was assigned to the Partnership after the Spinout became effective on July 1, 2006;

“**Chemtrade**” means Chemtrade Pulp Chemicals Limited Partnership;

“**Class A LP Units**” means the class A units of the Partnership;

“**Class B Exchangeable LP Units**” means the class B exchangeable units of the Partnership;

“**Cogeneration Agreement**” means the agreement between BC Hydro and Canfor relating to the Cogeneration Project, which was assigned to the Partnership after the Spinout became effective on July 1, 2006;

“**Cogeneration Project**” means the cogeneration project described in more detail in “The Pulp and Paper Business of CPPI— Energy —Cogeneration Agreements with BC Hydro”;

“**Commissions**” means the securities commission or other securities regulatory authority in each of the provinces and territories of Canada;

“**Conversion**” means the conversion of the Fund from an income trust structure to a corporate structure by court approved plan of arrangement under the BCBCA on January 1, 2011;

“**CPPI**” means Canfor Pulp Products Inc, a company incorporated under the laws of British Columbia;

"CPPI Shareholder" and **"CPPI Shareholders"** means the holders from time to time of CPPI Shares;

"CPPI Shares" means the common shares issued by Canfor Pulp Products Inc.

"CRA" means the Canada Revenue Agency;

"Credit Facilities" means the Term Facility, the Bank Facility, and the Hydro LOC Facility;

"Distributable Cash" means, for any given period, cash flow from operations before working capital changes, less net capital expenditures, major maintenance amortization, and debt service costs;

"EBITDA" means net earnings adjusted to exclude amortization of property, plant and equipment, other amortization, interest expense, transaction costs, income taxes, and other non-operating income and expenses;

"EPA" means the Electricity Purchase Agreement entered into with BC Hydro as of September 15, 2009 with a term of 10 years;

"ERISA" means the *United States Employee Retirement Security Act of 1974*, as amended;

"Fibre Supply Agreement" means the fibre supply agreement between CFP and the Partnership dated as of July 1, 2006, as amended;

"Fund" means Canfor Pulp Income Fund, an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to the declaration of trust made as of April 19, 2006, which was wound-up on January 1, 2011;

"Fund Units" means units of the Fund;

"GAAP" means generally accepted accounting principles;

"General Partner" means Canfor Pulp Holding Inc., a corporation incorporated under the laws of Canada;

"GP Interest" means the undivided nominal interest of the General Partner in the Partnership;

"GP Shares" means common shares of the General Partner;

"GTP" means the Pulp and Paper Green Transformation Program announced by the Canadian government on June 17, 2009;

"Hydro LOC Facility" means the separate credit facility which secures the standby letter of credits issued to BC Hydro, under the amended Cogeneration Agreement;

"Independent Director" means a director who is independent of CFP as determined pursuant to National Instrument 52-110 of the Canadian securities administrators, as amended from time to time, and any successor instrument or policy;

"Intercontinental" means Intercontinental Pulp Mill;

"Kraft Paper" means bleached and unbleached kraft paper;

"LP Units" means the limited partnership units of the Partnership, consisting of Class A LP Units and Class B Exchangeable LP Units;

"Mills" means, collectively, the Intercontinental Pulp Mill, Northwood Pulp Mill and Prince George Pulp and Paper Mill, and ancillary assets;

"NBSK" means northern bleached softwood kraft;

"NBSK Pulp" means northern bleached softwood kraft pulp;

"Non-Residents" means non-residents of Canada within the meaning of the Tax Act;

"Northwood" means the Northwood Pulp Mill;

"ODT" means oven-dried metric tonnes;

"Partnership" means Canfor Pulp Limited Partnership, a limited partnership formed under the laws of the Province of Manitoba;

"Partnership Agreement" means the amended and restated limited partnership agreement made as of January 1, 2011 between the General Partner, CFP and CPPI governed by the laws of the Province of Manitoba, as amended, supplemented, restated or replaced from time to time;

"Partnership Interest" of any person means the percentage of the outstanding LP Units held by that person;

"Partnership Services Agreement" means the partnership services agreement between the Partnership and CFP dated as of July 1, 2006, as amended thereafter, under which CFP provides certain operational and transitional services to the Partnership;

"person" means any individual, partnership, firm, trust, body corporate, government, governmental body, agency, or instrumentality, unincorporated body of persons or association;

"PGP&P" means the Prince George Pulp and Paper Mill;

"Plans" means registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, collectively;

"Pulp Business" means Canfor's NBSK pulp and paper business, primarily consisting of owning and operating the Mills, which business was acquired by the Partnership under the Acquisition Agreement;

"Qualified Purchaser" has the meaning set forth in Section 2(a) (51) (A) of the 1940 Act;

"SEDAR" means the System for Electronic Documents Analysis and Retrieval;

"Shareholders' Agreement" means the second amended and restated shareholders' agreement dated as of January 1, 2011, between CFP, CPPI, the General Partner, and the Partnership;

"Spinout" means the transaction completed on July 1, 2006 pursuant to which Canfor initially distributed Fund Units to shareholders of Canfor;

"Support Agreement" means the support agreement between CPPI, the Partnership, and the General Partner dated as of January 1, 2011;

"Tax Act" means the *Income Tax Act* (Canada), as amended, and the regulations thereunder;

"Term Facility" means the private placement of US\$110 million senior notes, due in full in 2013, entered into by the Partnership on November 30, 2006, the proceeds of which were used to repay the promissory note in the principal amount of \$125 million issued by the Partnership to Canfor as partial consideration for the Partnership's acquisition of the Pulp Business;

"Trust" means Canfor Pulp Trust, an unincorporated trust established under the laws of the Province of Ontario pursuant to the declaration of trust made as of April 19, 2006, which was wound-up on January 1, 2011;

"TSX" means the Toronto Stock Exchange; and

"United States" or **"US"** means the United States of America and any territory or possession thereof.

Appendix "A"

AUDIT COMMITTEE: TERMS OF REFERENCE

1. Purpose

The Audit Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibilities. The Audit Committee will:

- (a) Review the financial reports and other financial information provided by CPPI to its shareholders;
- (b) Monitor the integrity of the financial reporting process and the system of internal controls that management and the Board have established;
- (c) Monitor the management of the principal risks that could impact the financial performance of CPPI, including the distribution policy;
- (d) Review and receive the Audit Plan, process, results and performance of CPPI's independent external auditors and the internal audit department while providing an open avenue of communication between the external auditors, the internal auditors, risk manager, management and the Board;
- (e) Monitor the management of risk by CPPI generally; and
- (f) Review and assess capital expenditures exceeding \$2.5 million including AFE's, economic assumptions, economic benefits, and strategic value to CPPI.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to the external auditors as well as anyone in the organization. The Audit Committee has the authority to retain, at CPPI's expense, special legal, accounting and other consultants or experts it deems necessary in the performance of its duties.

2. Audit Committee Composition and Meetings

All Audit Committee members must be financially literate with the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by CPPI's financial statements. At least one Audit Committee member should have accounting or related financial expertise, including:

- (a) an understanding of financial statements and accounting principles used by CPPI to prepare its financial statements;
- (b) the ability to assess the general application of such accounting principles in connection with accounting for estimates, accruals and reserves;
- (c) experience preparing, auditing, analyzing or evaluating financial statements, or experience supervising the preparation, audit, analysis or evaluation of financial statements, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by CPPI's financial statements;
- (d) an understanding of internal controls and procedures for financial reporting; and
- (e) an understanding of audit committee functions.

A Chair shall be appointed by the Board annually from among the members of the Audit Committee.

The Audit Committee shall schedule regular meetings and shall meet at least four times annually, or more frequently as deemed necessary by the Chair. The Chair shall prepare and/or approve an agenda in advance of each meeting.

The Chief Executive Officer, the Chief Financial Officer and the external auditors shall be given notice of, and have the right to appear before and to be heard at, every meeting of the Audit Committee, and shall appear before the Audit Committee when requested to do so by the Committee.

3. Primary Duties and Responsibilities

To fulfill its primary duties and responsibilities, the Audit Committee shall adhere to the following terms:

(a) Review and Reporting Procedures

- (i) The Audit Committee is authorized to review and/or investigate any financial, internal control, or risk management related issue or activity of CPPI. The Audit Committee shall report to the Board at its next regular meeting all such action it has taken since the previous report.
- (ii) The Audit Committee is authorized to request the presence, at any meeting, of a representative from the external auditors, senior management, internal audit, legal counsel, or anyone else who could contribute to the subject of a meeting.
- (iii) The Audit Committee will review and reassess these Terms of Reference at least annually to determine whether revisions are necessary. The Audit Committee shall periodically self-assess its performance and effectiveness in fulfilling its role.
- (iv) Supporting schedules and information reviewed by the Committee will be available for examination by any director of the Audit Committee upon request to the Secretary of the Audit Committee.

(b) Internal Controls and Risk Management Processes

To assure itself that CPPI has appropriate controls in place to achieve the following objectives:

- (i) Effectiveness and efficiency of operations (including safeguarding of assets);
- (ii) Reliability of internal and external reporting;
- (iii) Compliance with applicable laws and regulations and internal policies.

To ensure CPPI has appropriate processes in place to manage the principal risks of its businesses, the Audit Committee shall:

- (i) Consider and review internal processes for managing the principal risks of CPPI's businesses, including a review of insurance coverage and hedging activities.
- (ii) Obtain assurance from management regarding the adequacy of risk management processes.
- (iii) Review with management and the external auditor:
 - The adequacy of CPPI's internal controls including computerized information systems, controls, and security.
 - Any related significant internal control findings and recommendations of the external auditor, together with management's responses thereto.
 - CPPI's compliance or adherence to debt covenants, terms, or conditions.
 - Significant related party transactions and potential conflicts of interest

(c) **Financial Reporting**

In order to satisfy itself that CPPI's annual financial statements are fairly presented in accordance with generally accepted accounting principles ("GAAP") and in a form sufficient for the Audit Committee's recommendation for approval by the Board, and that the financial information contained in CPPI's financial statements, Annual Report to Shareholders, Annual Information Form and other financial disclosure documents such as Management's Discussion and Analysis, is complete and accurate in all material respects, the Audit Committee shall:

General

- (i) Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.

Interim Financial Statements

- (ii) Review CPPI's interim financial statements with management prior to their release or distribution. This review will include a detailed reporting of quarterly and year-to-date results, variance against budget and prior year, and a discussion with the external auditor. Upon satisfactory completion of the review, the Audit Committee shall recommend to the Board approval of the financial statement release.
- (iii) Review any significant proposed changes to CPPI's accounting principles or policies, or financial reporting practices.
- (iv) Review the financial statement impact of any significant, unusual event or transaction.
- (v) Review news releases containing financial information disclosure and Management's Discussion and Analysis.

Annual Financial Statements and Other Financial Information

- (i) Obtain draft annual financial statements in advance of the Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by management.
- (ii) Review any material changes in accounting policies, GAAP, or financial reporting requirements that may affect the current year's financial statements.
- (iii) Obtain and review summaries of significant or unusual transactions, and other potentially complex matters whose treatment in the annual financial statements merits advance consideration.
- (iv) Review a summary provided by CPPI's legal counsel of the status of any material pending or threatened litigation, claims and assessments.
- (v) Review and discuss the annual financial statements and the external auditor's report thereon in detail with management and the external auditors.
- (vi) Through discussion with management and the external auditors, obtain assurance that the risk of material misstatement of the financial statements is acceptably low.
- (vii) Review the financial information included in the Management's Discussion and Analysis and consider whether the information is adequate and consistent with the Audit Committee member's knowledge of CPPI.
- (viii) Review the tax status of CPPI and understand the status of any related tax reserves, potential reassessments or other matters which could affect the annual financial statements.

- (ix) Review and assess the quality and appropriateness of CPPI's accounting and reporting principles and policies.
- (x) Provide to the Board a recommendation as to whether the annual financial statements should be approved.
- (xi) Review the news release announcing the annual financial results of CPPI.
- (xii) Review the annual financial disclosure contained in the Annual Information Form.
- (xiii) Prospectus and Information Circulars
- (xiv) Review the financial information included in any prospectus or information circular prior to their release and, as appropriate, recommend to the Board whether such prospectus or information circular should be approved by the Board.

(d) **External Audit**

The external auditors are accountable to the Audit Committee and the Board as representatives of the shareholders.

In order to assure itself that the external audit function has been effectively carried out and that any matters that the external auditors consider appropriate to bring to the attention of the Board have been addressed, the Audit Committee shall:

- (i) Recommend to the Board the selection (retention or replacement) of the external auditors, considering independence and effectiveness, and approve the fees and other compensation to be paid to the external auditors. On an annual basis, the Audit Committee should review and discuss with the external auditors all significant relationships its accountants have with CPPI to confirm their independence. If there is a recommendation to change auditors, review all the issues to change and the steps planned for an orderly transition.
- (ii) Review the external auditor's Audit Plan and engagement letter with management and the external auditors, including audit scope and approach.
- (iii) Meet with the external auditor and management in separate private sessions to discuss any matters that the Audit Committee or these groups believe should be discussed privately with the Audit Committee.
- (iv) Pre-approve any non-audit services to be provided by the external auditor. The Audit Committee may delegate this responsibility to the Chair and provided that any pre-approval granted pursuant to such delegation must be detailed as to the service to be provided and must be reported to the full Audit Committee at its next scheduled meeting
- (v) Review and assess the performance of the external auditor, including consideration of demonstrated external audit judgment and application and adherence to accounting policy and standards.
- (vi) Review the external auditor's policy on partner rotation.

(e) **Finance**

The Audit Committee is authorized to review and approve for recommendation to the Board:

- (i) CPPI's annual financing plan and any amendments thereto from time to time;
- (ii) any proposed financings;
- (iii) the method by which CPPI measures financial results or performance; and

- (iv) post audit or follow up reviews of capital projects.

4. Other Duties

(a) Legal and Regulatory Compliance

To provide assurance of CPPI's compliance with all legal and regulatory requirements, the Audit Committee shall:

- (i) In areas in which it has oversight responsibility, monitor CPPI's compliance and obtain management's assurance of compliance with applicable laws, regulations, and internal policies in all jurisdictions where CPPI does business. The Audit Committee will consider the financial statement implications of applicable laws and regulations, including the laws and regulations overseen by other Committees of the Board.
- (ii) Receive and review copies of legal letters provided to the external auditors by in-house and outside counsel regarding claims and possible claims against CPPI.
- (iii) Make inquiries of management and the external auditors to ensure that all material legal matters have been brought to the attention of the Audit Committee.
- (iv) On at least an annual basis, review with CPPI's counsel any legal matters that could have a significant impact on the organization's financial statements or risk profile, CPPI's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.
- (v) Ensure that all annual and interim financial statement filings are personally certified by the Chief Executive Officer and the Chief Financial Officer if and as required by applicable law.
- (vi) Review CPPI's procedures and establish procedures for the Audit Committee for the:
 - receipt, retention and resolution of complaints regarding accounting, internal accounting controls, financial disclosure or auditing matters; and
 - confidential, anonymous submission by employees regarding questionable accounting, auditing, or financial reporting and disclosure matters.

(b) Pension Funds

Be responsible for oversight of the supervision of the pension plans in which CPPI's employees participate by:

- (i) receiving, at least annually, a report from the Committee of the Canfor Board which has oversight responsibility over the relevant pension plans (the "Canfor Committee"), detailing the performance of the plans' money managers and the investment policies and practices in respect of the funds contributed to CPPI's pension plans;
- (ii) reviewing actuarial reports in respect of CPPI's pension obligations so as to determine the level of unfunded liabilities, if any; and
- (iii) receive a report from the Canfor Committee immediately upon the identification or disclosure of any issue or circumstance that may materially impact CPPI's obligations, liabilities, or responsibilities with respect to such pension plans.

(c) Officer Expenses

Review policies and procedures with respect to the Chairman of the Board and President and Chief Executive Officer's expense accounts and perquisites, including the use of corporate assets.

Periodically review major expenses incurred by the office of the Chairman of the Board and President and Chief Executive Officer.

(d) **Other Duties**

The Audit Committee will perform such other functions as assigned by law or regulation or as required by the Board.