Q4 2009

For the three months ended December 31, 2009

CANFOR CORPORATION 2009 FOURTH QUARTER INTERIM REPORT

News Release

For Immediate Release

CANFOR REPORTS NET LOSS OF $17.0 MILLION FOR LAST QUARTER OF 2009
Q4 Lumber Markets Were Weak, Pulp Markets Continued to Improve

February 10, 2010 Vancouver, B.C. - Canfor Corporation (TSX: CFP) today reported a net loss of $17.0 million ($0.12 per share) for the fourth quarter of 2009, compared to a net loss of $5.2 million ($0.04 per share) for the third quarter of 2009 and a net loss of $229.8 million ($1.61 per share) for the fourth quarter of 2008. For the year ended December 31, 2009, the Company's net loss was $70.5 million ($0.50 per share), compared to a net loss of $345.2 million ($2.42 per share) reported for 2008.

The net loss for the fourth quarter of 2009 included several items affecting comparability with prior periods, which had an overall positive impact on net income of $1.8 million ($0.01 per share). For the 2009 year, items affecting comparability improved results by $75.7 million ($0.53 per share).

After taking account of all items affecting comparability, the Company's adjusted net loss for the fourth quarter of 2009 was $18.8 million ($0.13 per share), compared to a similarly adjusted net loss of $32.2 million ($0.23 per share) for the third quarter of 2009 and an adjusted net loss of $46.2 million ($0.32 per share) for the fourth quarter of 2008. For the 2009 year, the Company's adjusted net loss was $146.2 million ($1.03 per share), compared to an adjusted net loss of $109.7 million ($0.77 per share) for 2008.

U.S. housing activity showed no improvement through the last quarter of 2009, with U.S. housing starts remaining at historically very low levels. Prices for several Western Spruce/Pine/Fir ("SPF") lumber products, including 2x4 grades, edged up through the quarter, mostly as a result of further market curtailments. Southern Yellow Pine ("SYP") lumber prices for most products were down slightly from the previous quarter, reflecting continued weak demand. On a more positive note, pulp prices continued to climb in the fourth quarter, in response to continued low global inventory levels and a steady improvement in demand. For all Canadian operations, pricing gains were offset to some extent by the Canadian dollar which drew closer to par with the US dollar through the quarter.

The Company's reported EBITDA of $15 million was up $8 million from the third quarter of 2009. For the most part, the increase reflected higher US dollar pulp prices and further savings from the Company's continued cost reduction focus, which more than offset the impact of the stronger Canadian dollar and higher natural gas and scheduled maintenance costs.

Cash conservation was again a key area of focus in the last quarter of 2009. In addition to cash cost reductions realized in the period, the Company also continued to limit capital spending and retained a strong focus on working capital management. At year end, the Company had a cash balance of $133 million, and $426 million of available undrawn operating lines of credit.

Commenting on the results, Canfor's President and Chief Executive Officer Jim Shepard said, "Despite improved pulp markets and further progress in cost reduction efforts, the depressed U.S. housing sector continued to weigh heavily on the financial performance of our core lumber business."

In addition to the existing indefinite shuts of its Radium, Rustad, Vavenby and Chetwynd lumber operations, the Company took market-related downtime over the Christmas period at most of its other lumber operations, and in mid-January, curtailed its Quesnel sawmill as a result of weak market demand and the current economics of running that operation.

On a more positive note, the Company in December announced the restart of its Chetwynd sawmill in the spring of 2010, after a 2-year closure. "This welcome news in these challenging times has been made possible through the full cooperation of our employees and other stakeholders," said Shepard.

"Another positive factor is the Company's focused attention to the markets of China and South-East Asia and we are pleased with our progress in directing more shipments offshore," added Shepard.

Looking ahead, although current lumber market prices have improved significantly, market conditions are forecast to show only a modest improvement for the year overall. Concerns remain about the fragility of the recovery of the U.S. economy and especially the housing market. Demand for lumber in North America is projected to remain well below normal historical levels, with any price increases in the shorter term likely to be more supply than demand driven. In addition, it looks likely that Canadian producers will have to contend with a strong Canadian dollar for the foreseeable future. "While we are cautiously optimistic that the worst of the downturn is now behind us, the road ahead will not be without its challenges," said Shepard. He added that the Company would be managing production levels accordingly. The Company's key priorities in the short term remain cash conservation and sustainable performance improvement.

Additional Information and Conference Call

A conference call to discuss the fourth quarter's financial and operating results will be held on Thursday, February 11, 2010 at 7:30 AM Pacific time. To participate in the call, please dial 416-340-2216 or Toll-Free 866-226-1792. For instant replay access until March 11, 2010, please dial 416-695-5800 or 800-408-3053 and enter participant pass code 6440413#. The conference call will be webcast live and will be available at www.canfor.com. This news release, the attached financial statements and presentation used during the conference call can be accessed via the Company's website at http://www.canfor.ca/investors/webcasts.asp.

Forward Looking Statements

Certain statements in this press release constitute "forward-looking statements" which involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Words such as "expects", "anticipates", "projects", "intends", "plans", "will", "believes", "seeks", "estimates", "should", "may", "could", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and actual events or results may differ materially. There are many factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements. Forward-looking statements are based on current expectations and the Company assumes no obligation to update such information to reflect later events or developments, except as required by law.

Canfor is a leading integrated forest products company based in Vancouver, British Columbia (BC) with interests in BC, Alberta, Quebec, Washington state, and North and South Carolina. The Company produces the most softwood lumber in BC while also producing oriented strand board (OSB), remanufactured lumber products and specialized wood products. Canfor also owns a 50.2% interest in Canfor Pulp Limited Partnership, which is one of the largest producers of northern softwood kraft pulp in Canada and a leading producer of high performance kraft paper. Canfor shares are traded on the Toronto Stock Exchange under the symbol CFP.

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Canfor Corporation
Fourth Quarter 2009
Management's Discussion and Analysis

This interim Management's Discussion and Analysis ("MD&A") provides a review of Canfor Corporation's ("Canfor" or "the Company") financial performance for the quarter ended December 31, 2009 relative to the quarters ended September 30, 2009 and December 31, 2008, and the financial position of the Company. It should be read in conjunction with Canfor's unaudited interim consolidated financial statements and accompanying notes for the quarters ended December 31, 2009 and 2008, as well as the 2008 annual MD&A and the 2008 audited consolidated financial statements and notes thereto, which are included in Canfor's Annual Report for the year ended December 31, 2008 (available at www.canfor.com). The financial information in this interim MD&A has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Throughout this discussion, reference is also made to EBITDA (calculated as operating income before amortization) which Canfor considers to be an important indicator for measuring trends in the performance of each of its operating segments and the Company's ability to generate funds to meet its debt repayment and capital expenditure requirements. Reference is also made to Adjusted Net Income (Loss) (calculated as Net Income (Loss) less specific items affecting comparability with prior periods – for the full calculation, see reconciliation included in the section "Analysis of Specific Items Affecting Comparability of Net Income (Loss)") and Adjusted Net Income (Loss) per Share (calculated as Adjusted Net Income (Loss) divided by the weighted average number of shares outstanding during the period). EBITDA, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share are not generally accepted earnings measures and should not be considered as an alternative to net income or cash flows as determined in accordance with Canadian GAAP. As there is no standardized method of calculating these measures, Canfor's EBITDA, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share may not be directly comparable with similarly titled measures used by other companies. Reconciliations of EBITDA and Adjusted Net Income (Loss) to net income (loss) reported in accordance with GAAP are included in this MD&A.

Factors that could impact future operations are also discussed. These factors may be influenced by both known and unknown risks and uncertainties that could cause the actual results to be materially different from those stated in this discussion. Factors that could have a material impact on any future oriented statements made herein include, but are not limited to: general economic, market and business conditions; product selling prices; raw material and operating costs; foreign exchange rates; interest rates; changes in law and public policy; the outcome of labour and trade disputes; and opportunities available to or pursued by Canfor.

Certain prior period comparative information throughout this report has been restated for consistency with the presentation in the current period. All financial references are in millions of Canadian dollars unless otherwise noted. The information in this report is as at February 10, 2010.

Forward Looking Statements

Certain statements in this MD&A constitute "forward-looking statements" which involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Words such as "expects", "anticipates", "projects", "intends", "plans", "will", "believes", "seeks", "estimates", "should", "may", "could", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and actual events or results may differ materially. There are many factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements. Forward-looking statements are based on current expectations and the Company assumes no obligation to update such information to reflect later events or developments, except as required by law.

FOURTH QUARTER 2009 EARNINGS OVERVIEW

Selected Financial Information and Statistics[1]

(millions of dollars, except for per share amounts)	**Q4 2009**	Q3 2009	**Year 2009**	**Q4 2008**	**Year 2008**
Sales	**$ 549.6**	$ 540.9	**$ 2,120.4**	$ 588.7	$ 2,611.6
EBITDA	**$ 15.2**	$ 7.0	**$ (55.1)**	$ (30.2)	$ 13.1
Operating income (loss)	**$ (23.6)**	$ (31.4)	**$ (210.4)**	$ (74.2)	$ (158.1)
Foreign exchange gain (loss) on long-term debt and investments, net	**$ 8.0**	$ 26.2	**$ 50.4**	$ (72.0)	$ (100.3)
Gain (loss) on derivative financial instruments[2]	**$ 2.3**	$ 17.7	**$ 24.4**	$ (81.7)	$ (88.5)
Gain on sale of mill property	**$ -**	$ -	**$ 44.6**	$ -	$ -
North Central Plywoods mill fire, net	**$ -**	$ -	**$ (3.0)**	$ -	$ 57.9
Prince George Pulp & Paper mill fire, net	**$ -**	$ -	**$ -**	$ (0.3)	$ 8.2
Asset impairments	**$ -**	$ -	**$ -**	$ (99.6)	$ (169.6)
Net income (loss)	**$ (17.0)**	$ (5.2)	**$ (70.5)**	$ (229.8)	$ (345.2)
Net income (loss) per share, basic and diluted	**$ (0.12)**	$ (0.04)	**$ (0.50)**	$ (1.61)	$ (2.42)
Average exchange rate (US$/CDN$) [3]	**$ 0.947**	$ 0.912	**$ 0.876**	$ 0.825	$ 0.938
U.S. housing starts (million units SAAR) [4]	**0.554**	0.587	**0.554**	0.656	0.902

[1] Certain amounts in prior periods have been reclassified to conform to the presentation in the current period.
[2] Includes gains (losses) from natural gas, diesel, foreign exchange and lumber future derivative financial instruments (see "Unallocated and Other" section for more details).
[3] Source – Bank of Canada (average noon rate for the period).
[4] Source – U.S. Census Bureau, seasonally adjusted annual rate ("SAAR").

The Company's net income (loss) and adjusted net income (loss), together with the related adjustments, are detailed in the table below:

Analysis of Specific Items Affecting Comparability of Net Income (Loss)

After-tax impact, net of non-controlling interests (millions of dollars, except for per share amounts)	**Q4 2009**	Q3 2009	**Year 2009**	**Q4 2008**	**Year 2008**
Net income (loss), as reported	**$ (17.0)**	$ (5.2)	**$ (70.5)**	$ (229.8)	$ (345.2)
Restructuring, mill closure and severance costs	**$ 5.4**	$ 5.3	**$ 22.4**	$ 6.8	$ 35.3
Foreign exchange (gain) loss on long-term debt and investments, net	**$ (5.8)**	$ (19.6)	**$ (36.0)**	$ 52.2	$ 72.2
(Gain) loss on derivative financial instruments	**$ (1.4)**	$ (12.7)	**$ (19.0)**	$ 50.3	$ 54.5
Gain on sale of mill property	**$ -**	$ -	**$ (37.8)**	$ -	$ -
North Central Plywoods mill fire, net	**$ -**	$ -	**$ 2.0**	$ -	$ (45.0)
Prince George Pulp & Paper mill fire, net	**$ -**	$ -	**$ -**	$ 0.2	$ (3.4)
Asset impairments	**$ -**	$ -	**$ -**	$ 74.1	$ 131.0
Corporate income tax rate reductions	**$ -**	$ -	**$ (7.3)**	$ -	$ (9.1)
Net impact of above items	**$ (1.8)**	$ (27.0)	**$ (75.7)**	$ 183.6	$ 235.5
Adjusted net income (loss)	**$ (18.8)**	$ (32.2)	**$ (146.2)**	$ (46.2)	$ (109.7)
Net income (loss) per share (EPS), as reported	**$ (0.12)**	$ (0.04)	**$ (0.50)**	$ (1.61)	$ (2.42)
Net impact of above items per share	**$ (0.01)**	$ (0.19)	**$ (0.53)**	$ 1.29	$ 1.65
Adjusted net income (loss) per share	**$ (0.13)**	$ (0.23)	**$ (1.03)**	$ (0.32)	$ (0.77)

EBITDA

The following table reconciles the Company's net income (loss), as reported in accordance with GAAP, to EBITDA:

(millions of dollars)		Q4 2009		Q3 2009		Year 2009		Q4 2008		Year 2008
Net income (loss), as reported	**$**	**(17.0)**	$	(5.2)	**$**	**(70.5)**	$	(229.8)	$	(345.2)
Add (subtract):										
Amortization	**$**	**38.8**	$	38.4	**$**	**155.3**	$	44.0	$	171.2
Interest expense, net	**$**	**7.1**	$	6.9	**$**	**29.3**	$	7.7	$	25.4
Foreign exchange (gain) loss on long-term debt and investments, net	**$**	**(8.0)**	$	(26.2)	**$**	**(50.4)**	$	72.0	$	100.3
(Gain) loss on derivative financial instruments	**$**	**(2.3)**	$	(17.7)	**$**	**(24.4)**	$	81.7	$	88.5
Gain on sale of mill property	**$**	**-**	$	-	**$**	**(44.6)**	$	-	$	-
North Central Plywoods mill fire, net	**$**	**-**	$	-	**$**	**3.0**	$	-	$	(57.9)
Prince George Pulp & Paper mill fire, net	**$**	**-**	$	-	**$**	**-**	$	0.3	$	(8.2)
Asset impairments	**$**	**-**	$	-	**$**	**-**	$	99.6	$	169.6
Other expense (income)	**$**	**2.7**	$	8.7	**$**	**11.4**	$	(12.9)	$	(12.7)
Income tax (recovery) expense	**$**	**(14.0)**	$	(7.2)	**$**	**(71.9)**	$	(80.2)	$	(141.9)
Non-controlling interests	**$**	**7.9**	$	9.3	**$**	**7.7**	$	(12.6)	$	24.0
EBITDA, as reported	**$**	**15.2**	$	7.0	**$**	**(55.1)**	$	(30.2)	$	13.1
Included in above:										
Restructuring, mill closure and severance costs	**$**	**5.9**	$	6.2	**$**	**29.9**	$	10.3	$	53.5
Negative (positive) impact of inventory write-downs[5]	**$**	**(0.5)**	$	1.7	**$**	**(21.2)**	$	17.6	$	(28.4)
EBITDA excluding impact of inventory write-downs and restructuring	**$**	**20.6**	$	14.9	**$**	**(46.4)**	$	(2.3)	$	38.2

[5] In accordance with Canadian GAAP, Canfor records its log and finished product inventories at the lower of cost and net realizable value (NRV). Significant movements in inventory volumes occur due to the seasonal build and drawdown of logs in the first and second quarters each year. Where NRV is below cost this can result in large swings in inventory write-down amounts recorded in those periods. In addition to inventory volumes, the level of inventory write-downs recorded reflects changes in market prices, foreign exchange rates, and costs over the respective reporting periods.

The severe downturn in the U.S. housing market continued to weigh heavily on Canfor's results in the fourth quarter of 2009. U.S. housing starts were little changed from the previous quarter and remained at depressed levels. Pulp markets benefitted from continued tight supply and also an improvement in demand for printing and writing papers, the largest consuming segment of market pulp.

Average US dollar prices for most Western Spruce/Pine/Fir ("SPF") lumber products showed modest gains from the previous quarter, but these were partially offset by a stronger Canadian dollar, which was up 3.5 cents, or 4%, versus its U.S. counterpart compared to the third quarter. Southern Yellow Pine ("SYP") lumber prices remained weak, with prices for 2x4 #2 largely unchanged from the previous quarter. OSB prices also trended downward in the quarter. Pulp prices in US dollars continued to increase steadily through the fourth quarter, and more than offset the impact of the stronger Canadian dollar. Compared to the corresponding quarter of 2008, average prices in Canadian dollars for lumber and pulp products were down, principally as a result of a 12 cent, or 15%, increase in the value of the Canadian dollar over the period.

Lumber shipments continued to reflect significant mill curtailments taken by the Company. In addition to the existing indefinite idling of its Radium, Rustad, Vavenby and Chetwynd lumber operations, the Company took market downtime over the Christmas period at most of its other sawmill operations. In mid-January of 2010, the Company also curtailed its Quesnel sawmill as a result of weak market demand and the current economics of running that operation.

The Company's reported EBITDA of $15.2 million for the fourth quarter of 2009 was up $8.2 million from the third quarter. The increase reflected higher Canadian dollar realized pulp prices, and to a lesser extent, further cost improvements, which more than offset the impact of the stronger Canadian dollar, and higher natural gas and scheduled maintenance costs.

Compared to the corresponding quarter of 2008, reported EBITDA was up by $45.4 million. Excluding inventory write-downs and restructuring costs, which were significantly higher in the comparative period, EBITDA was up $22.9 million. This improvement was mostly attributable to the pulp business where higher shipments, and lower fibre, chemical and natural gas costs, and reduced overhead costs (in part due to fewer scheduled maintenance outages) more than offset weaker sales realizations in Canadian dollars. In the lumber business, lower raw material and energy costs and operating and overhead cost reductions more than offset the impact of lower Canadian dollar lumber prices and a Third Country Adjustment export tax refund recorded in the fourth quarter of 2008.

OPERATING RESULTS BY BUSINESS SEGMENT

Lumber

Selected Financial Information and Statistics - Lumber

(millions of dollars unless otherwise noted)	**Q4 2009**	Q3 2009	**Year 2009**	**Q4 2008**	**Year 2008**
Sales	**$ 285.3**	$ 301.1	**$ 1,162.9**	$ 363.9	$ 1,490.5
Operating income (loss)	**$ (30.8)**	$ (36.3)	**$ (171.4)**	$ (50.8)	$ (155.0)
EBITDA, as reported	**$ (8.6)**	$ (14.6)	**$ (81.4)**	$ (24.1)	$ (55.5)
Restructuring, mill closure and severance costs	**$ 4.3**	$ 4.5	**$ 20.9**	$ 3.7	$ 18.7
Negative (positive) impact of inventory write-downs	**$ 0.1**	$ 2.5	**$ (16.2)**	$ 15.5	$ (13.9)
EBITDA excluding impact of inventory write-downs and restructuring	**$ (4.2)**	$ (7.6)	**$ (76.7)**	$ (4.9)	$ (50.7)
Average SPF 2x4 #2&Btr lumber price in US$[6]	**$ 205**	$ 191	**$ 182**	$ 190	$ 222
Average SPF price in Cdn$	**$ 216**	$ 209	**$ 208**	$ 230	$ 237
Average SYP 2x4 #2 lumber price in US$[7]	**$ 231**	$ 230	**$ 233**	$ 258	$ 281
Average SYP price in Cdn$	**$ 244**	$ 252	**$ 266**	$ 313	$ 300
Production – SPF lumber (MMfbm)	**691.7**	613.9	**2,766.8**	791.6	3,299.4
Production – SYP lumber (MMfbm)	**76.0**	70.5	**267.5**	78.6	388.6
Shipments – SPF lumber (MMfbm) [8]	**750.1**	714.7	**2,914.2**	834.3	3,388.2
Shipments – SYP lumber (MMfbm) [8]	**115.8**	66.0	**317.6**	86.2	432.7
Shipments – wholesale lumber (MMfbm)	**20.6**	56.1	**165.8**	35.7	171.0

[6] Western Spruce/Pine/Fir, per thousand board feet (Source – Random Lengths Publications, Inc.)
[7] Southern Yellow Pine, Eastside, per thousand board feet (Source – Random Lengths Publications, Inc.)
[8] Canfor-produced lumber, including lumber purchased for remanufacture.

Overview

Reported EBITDA for the Lumber segment was negative $8.6 million for the fourth quarter of 2009, an improvement of $6.0 million compared to negative $14.6 million reported for the third quarter of 2009, and an improvement of $15.5 million compared to the fourth quarter of 2008. For the 2009 year, EBITDA for the Lumber segment was negative $81.4 million, an adverse movement of $25.9 million compared to 2008.

Excluding the impact of inventory write-down adjustments and restructuring costs, EBITDA for the fourth quarter of 2009 was negative $4.2 million, a marginal improvement from the previous quarter (negative $7.6 million) and a slightly higher loss than for the fourth quarter of 2008 (negative $4.9 million). The fourth quarter of 2008's results included significantly higher inventory write-down adjustments, reflecting a significant decline in market prices that resulted from a sharp falloff in demand.

Higher shipments and production in the fourth quarter of 2009 compared to the previous quarter reflected the impact from summer vacation shuts taken in the third quarter, as well as productivity gains in the current quarter. Shipments and production of Western SPF in the current quarter were well down from those of the fourth quarter of 2008, reflecting significantly weaker product demand and resulting higher market curtailment.

Compared to the third quarter of 2009, modest price increases for most Western SPF grades and widths were offset by the stronger Canadian dollar. Overall unit manufacturing costs were down 2% from the previous quarter. The further cost reductions and improved residual chip prices (linked to higher pulp prices) in the current quarter were offset by higher energy and scheduled maintenance costs.

Compared to the same quarter of 2008, there were modest increases in US dollar prices for most narrow dimension Western SPF lumber products, and more significant price gains for several wider dimensions. The Company's unit manufacturing costs at its sawmills were down 8%, despite significantly higher market curtailment. The price gains and lower unit costs offset the combined impact of the 15% increase in the Canadian dollar, the Third Country Adjustment export tax refund recorded in late 2008, and to a lesser extent lower residual chip prices related to lower Canadian dollar realized pulp prices.

Markets

Demand for softwood lumber remained weak in the last quarter of 2009. U.S. housing starts averaged 554,000[9] units SAAR for the quarter, down 6% from the third quarter. Single family starts declined by 5% over the same period to 472,000[9] units SAAR, but on a more positive note, the level of single family housing permits increased towards the end of the year. Home sales increased and inventories of both new and existing homes declined in response to lower home prices, historically low mortgage rates, and the U.S. federal government's tax credit of $8,000 for first-time homebuyers. The U.S. federal government has extended the deadline for this credit from November 2009 to April 2010, and recently announced a further home buyers tax credit of $6,500 for current homeowners which will also end in April 2010.

The slow recovery of the Canadian housing market from the lows in the first part of 2009 continued in the fourth quarter. Housing starts averaged 171,000[10] units SAAR, an increase of 21,000 units SAAR, or 14%, compared to the previous quarter, and in line with the fourth quarter of 2008.

Total offshore lumber shipments were up 29% from the previous quarter, and up 90% from fourth quarter of last year. Compared to the previous quarter, exports to both China and Japan were well up, gaining 31% and 29% respectively.

Sales

Lumber sales revenues for the fourth quarter of 2009 were $285.3 million, down $15.8 million, or 5%, from the previous quarter of 2009, and down $78.6 million, or 22%, compared to the fourth quarter of 2008.

Shipments for the fourth quarter of 2009 were 887 million board feet, up 50 million board feet, or 6%, compared to the previous quarter, and reflected higher offshore shipments. Compared to the fourth quarter of 2008, shipments were down 70 million board feet, or 7%, with additional market-related curtailment offset in part by draw-downs in finished good inventories and productivity gains in the current quarter. The increase in sales to offshore markets, particularly China, has helped to mitigate the impact from the downturn in U.S. markets.

The benchmark Western SPF 2x4 #2&Btr lumber price averaged US$205[11] per thousand board feet ("Mfbm") in the fourth quarter of 2009, up US$14 from the previous quarter, and by a similar amount from the fourth quarter of 2008. Compared to the previous quarter, the positive impact from modest price increases for most Western SPF narrow dimensions was partially offset by the stronger Canadian dollar. Compared to the fourth quarter of 2008, the 15% increase in the value of the Canadian dollar more than offset higher US dollar prices for most SPF products in the current quarter. The one exception was 2x10 wide dimension lumber, where US dollar prices moved up over 50% from the same quarter in 2008.

The average benchmark SYP 2x4 #2 price was US$231[11] per Mfbm in the fourth quarter of 2009, substantially unchanged from the previous quarter, but US$27 per Mfbm, or 10%, lower than for the corresponding quarter of 2008. Canadian dollar sales realizations were down 22% from the same quarter of 2008, reflecting a 15% increase in the value of the Canadian dollar over the period.

The Random Lengths Framing Lumber Composite price averaged US$243 per Mfbm for the fourth quarter of 2009, up US$5, or 2%, compared to the previous quarter, but still well below the trigger price of US$315 per Mfbm that is required to reduce the export tax rate on all U.S. bound shipments below the current rate of 15%.

[9] U.S. Census Bureau
[10] CMHC
[11] Random Lengths Publications, Inc.

Total residual fibre revenue was up compared to the previous quarter, reflecting higher production volume and improved residual chip prices resulting from improved Canadian dollar pulp prices. Compared to the same quarter of 2008, however, revenue was well down due to the combination of reduced operating rates and lower prices.

Operations

Lumber production for the fourth quarter of 2009 continued to reflect significant market curtailments taken by the Company. Production was 768 million board feet, 83 million board feet, or 12%, higher than the previous quarter when extended summer shuts reduced operating hours. Production was 103 million board feet, or 12%, lower than the same quarter of 2008, reflecting the significant additional market downtime, mitigated by productivity gains in the current quarter.

Overall, the Company's unit manufacturing (log and conversion) costs were down 2% compared to the previous quarter as continued cost reduction efforts and performance improvements more than offset higher energy and scheduled maintenance costs. Compared to the fourth quarter of 2008, unit manufacturing costs were down 8%, reflecting operational and overhead cost savings, lower log market stumpage rates and purchased wood costs (resulting from depressed markets and lumber prices) and weaker energy prices.

Inventory write-down adjustments were small in the third and fourth quarters of 2009. In contrast, the fourth quarter of 2008's results included a negative impact of $15.5 million from such adjustments, principally reflecting the sharp falloff in prices resulting from the significant deterioration in market conditions during that quarter.

Restructuring costs in the current quarter were $4.3 million, similar to those for the previous quarter, and $0.6 million higher than for the last quarter of 2008. Costs in the third and fourth quarters of 2009 included costs associated with three B.C. Interior sawmills that the Company indefinitely idled midway through the year, while the Mackenzie sawmill was idled in the last quarter of 2008 (subsequently reopened in July 2009).

Pulp and Paper[12]

Selected Financial Information and Statistics – Pulp and Paper

(millions of dollars unless otherwise noted)	**Q4 2009**	Q3 2009	**Year 2009**	**Q4 2008**	**Year 2008**
Sales	**$ 253.3**	$ 227.2	**$ 918.2**	$ 204.3	$ 950.8
Operating income (loss) [13]	**$ 16.5**	$ 13.0	**$ 5.4**	$ (2.2)	$ 76.8
EBITDA[13]	**$ 29.3**	$ 25.9	**$ 55.9**	$ 8.9	$ 125.6
Average pulp price delivered to U.S. – US$[14]	**$ 820**	$ 733	**$ 718**	$ 787	$ 857
Average price in Cdn$	**$ 866**	$ 804	**$ 820**	$ 954	$ 914
Production – pulp (000 mt)	**307.3**	315.6	**1,192.0**	256.1	1,124.6
Production – paper (000 mt)	**38.4**	33.6	**131.1**	30.1	132.6
Shipments – Canfor-produced pulp (000 mt)	**315.4**	307.1	**1,243.5**	235.6	1,088.0
Pulp marketed on behalf of HSLP (000 mt)[15]	**68.2**	101.9	**322.9**	52.6	313.1
Shipments – paper (000 mt)	**38.1**	37.4	**135.0**	24.3	124.8

[12] Includes the Taylor Pulp mill and 100% of Canfor Pulp Limited Partnership, which is consolidated in Canfor's operating results. Pulp production and shipment volumes presented are for both northern bleached softwood kraft ("NBSK") and bleached chemi-thermo mechanical pulp ("BCTMP").
[13] Earnings for Q4 2009 include a negative impact from inventory write-down adjustments of $0.1 million, compared to a positive impact in Q3 2009 of $0.7 million and no impact in Q4 2008.
[14] Per tonne, NBSK pulp list price delivered to U.S. (Resource Information Systems, Inc.).
[15] Howe Sound Pulp and Paper Limited Partnership pulp mill.

Overview

EBITDA in the Pulp and Paper segment in the fourth quarter of 2009 was $29.3 million, up $3.4 million compared to the previous quarter. The improvement was attributable largely to higher NBSK and BCTMP Canadian dollar prices, which resulted from the improved market conditions. These gains were offset in part by higher natural gas costs, and costs associated with a scheduled maintenance outage at Canfor Pulp Limited Partnership's ("CPLP") Northwood Pulp mill.

Compared to the same quarter of 2008, EBITDA was up $20.4 million. The improved performance was attributable to higher shipments, lower fibre, chemical and natural gas costs, fewer scheduled maintenance outages and the favourable impact of higher production volumes on unit costs. An increase in NBSK pulp and BCTMP US dollar prices and lower freight costs was more than offset by the significantly stronger Canadian dollar and a lower value sales mix, principally reflecting more non-contract business. The reduced fibre costs reflected lower prices for sawmill residual and whole log chips. Both CPLP and the Taylor Pulp mill took market downtime towards the end of the fourth quarter of 2008, as a result of a sharp drop in demand and prices.

Markets

Pulp market conditions were strong in the fourth quarter of 2009 as a significant number of pulp mills remained idled which kept supply constrained, resulting in significant reductions in producer inventory stocks. The consumption levels have been steadily improving since earlier in the year. Although full year 2009 Pulp and Paper Products Council statistics indicate that global demand for printing and writing papers was down 11%, there has been steady improvement in monthly demand since the end of the first quarter of 2009.

The steady improvement in consumption and continued reduction of supply has resulted in lower pulp inventories. At the end of December 2009, World 20[16] producers of bleached softwood pulp inventories stood at 23 days of supply. By comparison, December 2008 inventories stood at 40 days of supply. Market conditions are considered balanced when inventories fall in the 27-30 days of supply range.

Kraft paper demand in the fourth quarter remained strong as customers replenished stock levels that had been drawn down, in many cases to critically low levels.

Sales

Shipments of Canfor-produced pulp for the fourth quarter of 2009 were up 8,000 tonnes compared to the previous quarter, and up 80,000 tonnes, or 34%, compared to the fourth quarter of 2008, primarily reflecting improved demand and additional non-contract business.

The improved market conditions resulted in further price increases for pulp producers in the fourth quarter of 2009. NBSK pulp price increases from the bottom of the market in April 2009 totalled US$195 per tonne or 30%, bringing December list prices before discounts in the U.S. and Northern Europe markets to US$830 and US$800 per tonne respectively, and China, with no discounts, to US$710 per tonne. Average NBSK market pulp list prices for U.S. delivery in the fourth quarter were US$820 per tonne, up US$87, or 12%, from the third quarter. BCTMP prices also saw solid gains in the quarter. The 4% rise in the value of the Canadian dollar compared to the previous quarter partly offset these US dollar price increases.

Compared to the fourth quarter of 2008, the 15% increase in the value of the Canadian dollar and a higher percentage of sales of lower margin business (including non-contract business) outweighed a US$33 per tonne, or 4%, increase in NBSK pulp U.S. delivery list prices.

Operations

Pulp production for the fourth quarter of 2009 was 307,000 tonnes, down 8,000 tonnes, or 3%, from the previous quarter due primarily to the Northwood pulp mill's scheduled maintenance outage. Pulp production was up 51,000 tonnes, or 20%, compared to the fourth quarter of 2008, mostly as a result of fewer scheduled maintenance outages, and the market curtailment taken by CPLP and the Taylor Pulp mill in late 2008.

Unit manufacturing costs for the fourth quarter of 2009 were up slightly from the previous quarter, reflecting seasonally higher natural gas usage and prices offset in part by lower chemical costs. An increase in sawmill residual chip prices was offset in part by a reduction in the cost and usage of higher-cost whole log chips.

Compared to the fourth quarter of 2008, unit manufacturing costs were well down, as a result of higher production volumes, lower fibre, chemical and energy costs and less scheduled maintenance. The lower fibre costs reflected lower market prices for sawmill residual and whole log chips.

[16] World 20 data is based on twenty producing countries representing 80% of world chemical market pulp capacity and is based on information compiled and prepared by the Pulp and Paper Products Council ("PPPC").

Unallocated and Other Items

(millions of dollars)	Q4 2009	Q3 2009	Year 2009	Q4 2008	Year 2008
Operating loss of Panels operations[17]	**$ (3.5)**	$ (3.8)	**$ (23.0)**	$ (15.2)	$ (56.9)
Corporate costs	**$ (5.8)**	$ (4.3)	**$ (21.4)**	$ (6.0)	$ (23.0)
Interest expense, net	**$ (7.1)**	$ (6.9)	**$ (29.3)**	$ (7.7)	$ (25.4)
Foreign exchange gain (loss) on long-term debt and investments, net	**$ 8.0**	$ 26.2	**$ 50.4**	$ (72.0)	$ (100.3)
Gain (loss) on derivative financial instruments	**$ 2.3**	$ 17.7	**$ 24.4**	$ (81.7)	$ (88.5)
Gain on sale of mill property	**$ -**	$ -	**$ 44.6**	$ -	$ -
North Central Plywoods mill fire, net	**$ -**	$ -	**$ (3.0)**	$ -	$ 57.9
Prince George Pulp & Paper mill fire, net	**$ -**	$ -	**$ -**	$ (0.3)	$ 8.2
Asset impairments	**$ -**	$ -	**$ -**	$ (99.6)	$ (169.6)
Other income (expense), net	**$ (2.7)**	$ (8.7)	**$ (11.4)**	$ 12.9	$ 12.7

[17] The Panels operations include the Peace Valley OSB joint venture, the only facility currently operating, and the Company's Tackama plywood and PolarBoard OSB plants, both of which are currently indefinitely idled.

Results of the Panels operations in the fourth quarter of 2009 continued to reflect weak OSB market conditions and ongoing costs associated with the indefinitely idled Tackama and PolarBoard plants. The current quarter's operating loss was similar to that for the previous quarter, with weaker Canadian dollar sales realizations and annual maintenance shutdown costs at the Peace Valley OSB plant in the current quarter offsetting lower costs at the indefinitely idled operations and positive inventory write-down adjustments resulting from improved prices at the end of the year.

The fourth quarter of 2008's higher operating loss was principally attributable to restructuring costs related to the indefinite closure of the Tackama plant in October 2008 and higher log inventory write-downs recorded in the last quarter of 2008. At Peace Valley OSB, a higher-value sales mix and lower wax and resin costs in the current quarter more than offset the impact of the stronger Canadian dollar on sales realizations and annual maintenance shutdown costs in the fourth quarter of 2009.

Corporate costs were $5.8 million for the fourth quarter of 2009, up $1.5 million from the third quarter of 2009. The increased costs in the current quarter reflected higher share based compensation costs as well as the recovery of cost accruals in the previous quarter. Compared to the fourth quarter of 2008, corporate costs were down $0.2 million, as savings from the elimination of short term incentive compensation in 2009 and other cost reduction initiatives were offset by higher share based compensation related to an increase in the Company's share price in the current period and the reversal of an incentive compensation expense recorded in the last quarter of 2008.

Net interest expense of $7.1 million for the fourth quarter of 2009 was substantially unchanged from the previous quarter, and down $0.6 million from the fourth quarter of 2008. Compared to the fourth quarter of 2008, savings from lower debt levels in the current quarter and the impact of the stronger Canadian dollar on interest on US dollar denominated debt more than offset lower interest income on reduced cash balances in the current period. The expense for the fourth quarter of 2009 also included fees related to CPLP's new credit facilities.

The Company recorded a foreign exchange translation gain on its US dollar denominated debt, net of investments, of $8.0 million for the fourth quarter of 2009. This resulted from the 2.2 cent, or 2%, increase in the value of the Canadian dollar against the US dollar over the quarter. In the fourth quarter of 2008, the Company recorded a loss of $72.0 million, as a result of a 12.7 cent, or 13%, decline in the value of the Canadian dollar over the quarter.

The Company uses a variety of derivative financial instruments as partial economic hedges against unfavourable changes in natural gas and diesel costs, foreign exchange rates and lumber prices. In the fourth quarter of 2009, the Company recorded a net gain of $2.3 million related to its derivative instruments, due substantially to the stronger Canadian dollar. For the fourth quarter of 2008, the Company recorded a net loss of $81.7 million, as a result of the significant weakening of the Canadian dollar over that period. The following table summarizes the gain (loss) on derivative financial instruments for the comparable periods.

Gain (loss) on derivative financial instruments: (millions of dollars)	3 months ended December 31, 2009	2008	Year ended December 31, 2009	2008
Foreign exchange collars and forward contracts	**$ 2.7**	$ (65.6)	**$ 36.0**	$ (86.1)
Natural gas swaps	**$ (1.5)**	$ (4.8)	**$ (16.0)**	$ 1.0
Diesel options and swaps	**$ 0.4**	$ (11.3)	**$ 1.6**	$ (3.4)
Lumber futures	**$ 0.7**	$ -	**$ 2.8**	$ -
	$ 2.3	$ (81.7)	**$ 24.4**	$ (88.5)

Other expense, net of $2.7 million for the fourth quarter of 2009 and $8.7 million for the previous quarter, and other income, net of $12.9 million for the fourth quarter of 2008 for the most part reflected foreign exchange movements on US dollar denominated cash, receivables and payables of Canadian operations over each of the respective quarters.

SUMMARY OF FINANCIAL POSITION

The following table summarizes Canfor's cash flow and financial position for and as at the end of the following periods:

(millions of dollars)	Q4 2009	Q3 2009	Year 2009	Q4 2008	Year 2008
Increase (decrease) in cash and cash equivalents	**$ (19.3)**	$ (0.1)	**$ (229.0)**	$ 28.2	$ 66.9
Operating activities	**$ (13.8)**	$ 33.3	**$ (68.6)**	$ 15.5	$ 151.8
Financing activities	**$ (2.6)**	$ (16.1)	**$ (208.3)**	$ 8.1	$ (42.4)
Investing activities	**$ (2.2)**	$ (15.9)	**$ 49.6**	$ (0.2)	$ (48.4)
Foreign exchange gain (loss) on cash and cash equivalents of self-sustaining foreign operations	**$ (0.7)**	$ (1.4)	**$ (1.7)**	$ 4.8	$ 5.9
Ratio of current assets to current liabilities			**2.6 : 1**		2.0 : 1
Ratio of net debt to capitalization			**14.5%**		14.8%

Changes in Financial Position

Operating activities used cash of $13.8 million in the fourth quarter of 2009 compared to cash generated of $33.3 million in the previous quarter. Higher cash earnings in the current quarter were offset principally by higher pulp accounts receivable balances and reduced accounts payable balances. Further reductions in finished product inventories in the fourth quarter more than offset seasonally higher log inventories. Compared to the fourth quarter of 2008, cash from operating activities was down $29.3 million, with a significant reduction in working capital in the prior period resulting from the significant slowdown in business in late 2008 more than offsetting higher cash earnings in the current quarter.

Financing activities used cash of $2.6 million in the fourth quarter of 2009, compared to $16.1 million used in the previous quarter and cash generated of $8.1 million in the fourth quarter of 2008. The current quarter's use of cash reflected cash distributions paid to non-controlling interests, principally by CPLP, of $2.6 million, up $1.0 million from the third quarter and down $10.2 million from the same quarter of 2008. In the third quarter of 2009, CPLP repaid its operating loan of $15.1 million. In the fourth quarter of 2008, CPLP increased its operating loans by $21.1 million.

Investing activities in the fourth quarter of 2009 used net cash of $2.2 million, $13.7 million less than the previous quarter and $2.0 million more than the fourth quarter of 2008. In the current quarter, capital spending was restricted to $10.3 million (Quarter 3, 2009 - $22.4 million; Quarter 4, 2008 - $21.9 million), and was partly offset by proceeds of $6.5 million from the sale of property, plant and equipment, which included further sales of non-core assets, as well as $1.1 million of proceeds from the partial redemption of the Company's investment in asset-backed commercial paper.

Changes in Equity

In addition to the net loss of $17.0 million for the quarter, which reduced retained earnings, other comprehensive income decreased by $9.1 million, due to the impact of the stronger Canadian dollar on the translation of the Company's foreign subsidiaries.

Liquidity and Financial Requirements

At December 31, 2009, the Company, on a consolidated basis, had cash and cash equivalents of $133.4 million and $445.6 million of bank operating lines of credit, of which $0.6 million was drawn down and $18.6 million was reserved for several standby letters of credit. In addition CPLP arranged a separate facility to cover a $16.0 million standby letter of credit issued to BC Hydro.

The Company's net debt to capitalization ratio at the end of fourth quarter of 2009 was 14.5%.

Long-term debt repayments totaling $175.5 million (US$137.3 million) were made by the Company in the first half of 2009.

As at December 31, 2009, and during 2009, the Company was in compliance with the covenants relating to its operating lines of credit and long-term debt and expects to remain so for the foreseeable future.

Scheduled debt repayments in 2010 are US$32.3 million, due on March 1.

B.C. Interior Labour Negotiations Update

The contract between the Company's B.C. Interior manufacturing operations and the United Steelworkers Union ("USW") expired on July 1, 2009. The Company is currently in negotiations with the USW regarding a new labour agreement.

Green Transformation Program

On October 9, 2009, the Canadian federal government announced the allocation of credits from a Pulp and Paper Green Transformation Program (the "Program", which was originally announced on June 17, 2009). The Program is designed as a reimbursement of funds to be spent on qualifying energy and environmental capital projects. Credits may be used until the program end date of March 31, 2012. CPLP was allocated $122.2 million from this Program, and has identified and will be submitting a number of projects for Program approval which are expected to provide economic and environmental benefits to CPLP's operations.

Howe Sound Pulp and Paper Limited Partnership ("HSLP"), in which the Company holds an investment, was allocated $45.5 million under the Program. HSLP's results are not reflected in the Company's consolidated financial statements.

OUTLOOK

Lumber

Looking ahead, although current lumber market prices have improved significantly in early 2010, market conditions in the U.S. are expected to show only a modest improvement for the year overall. New and existing home inventories are forecast to decline somewhat during this period, although high unemployment rates and high mortgage delinquency and foreclosure rates are expected to limit this reduction. Global lumber supply and inventory levels are expected to remain at historically low levels and demand is projected to show a modest increase, in part due to the extension of the U.S. home buyer tax credit to April, 30, 2010. The combination of all these factors is expected to have a positive impact on prices for all products in the first half of the year relative to the fourth quarter of 2009. Lumber consumption in Canada is also expected to increase as new housing starts rise as a result of improved consumer confidence.

The repair and remodeling segment is also expected to show some modest improvement as a result of a projected increase in home sales and increased consumer spending.

Overall, markets in Asia are expected to remain strong, particularly in Japan, China and Korea, which should ensure that inventory levels remain low.

Pulp and Paper

Markets are expected to remain strong through the first quarter of 2010 due to strong seasonal demand. Approximately 12% of global capacity is still idled and some mill restarts are expected to help absorb the current supply shortfall. Inventories held by producers and customers are at low levels compared to what is considered a balanced market. With the supply/demand balance still in the favour of producers, there is potential for further price increases in March or April. Any relative weakness in the US dollar versus the Canadian dollar and the Euro is also expected to exert upward pressure on list prices which are denominated in US dollars.

Canfor Corporation
Consolidated Balance Sheets

(millions of dollars, unaudited)	**As at December 31, 2009**	As at December 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 133.4**	$ 362.4
Accounts receivable		
Trade	**137.2**	105.9
Other	**41.9**	93.7
Income taxes recoverable	**45.5**	47.1
Future income taxes, net	**11.4**	31.2
Inventories (Note 2)	**311.3**	404.9
Prepaid expenses	**36.4**	35.1
Total current assets	**717.1**	1,080.3
Long-term investments and other (Note 3)	**93.7**	125.7
Property, plant, equipment and timber	**1,676.6**	1,798.5
Goodwill	**73.3**	85.7
Deferred charges	**117.1**	110.2
	$ 2,677.8	$ 3,200.4
LIABILIITES		
Current Liabilities		
Operating loans (Note 4(a))	**$ 0.6**	$ 25.2
Accounts payable and accrued liabilities	**211.4**	322.9
Current portion of long-term debt (Note 4(b))	**34.0**	168.3
Current portion of deferred reforestation obligation	**27.8**	32.5
Total current liabilities	**273.8**	548.9
Long-term debt (Note 4(b))	**333.3**	428.7
Long-term accrued liabilities and obligations (Note 5)	**209.8**	208.8
Future income taxes, net	**200.8**	242.4
Non-controlling interests	**273.3**	276.8
	$ 1,291.0	$ 1,705.6
SHAREHOLDERS' EQUITY		
Share capital – 142,589,297 common shares outstanding	**$ 1,124.7**	$ 1,124.7
Contributed surplus	**31.9**	31.9
Retained earnings	**246.2**	316.7
Accumulated other comprehensive income (loss)	**(16.0)**	21.5
	$ 1,386.8	$ 1,494.8
	$ 2,677.8	$ 3,200.4

The accompanying notes are an integral part of the consolidated financial statements.

APPROVED BY THE BOARD

"R.S. Smith" *"J.F. Shepard"*

Director, R.S. Smith Director, J.F. Shepard

Canfor Corporation
Consolidated Statements of Income (Loss)

(millions of dollars, unaudited)	3 months ended December 31, **2009**	3 months ended December 31, 2008	12 months ended December 31, **2009**	12 months ended December 31, 2008
Sales	**$ 549.6**	$ 588.7	**$ 2,120.4**	$ 2,611.6
Costs and expenses				
Manufacturing and product costs	**405.0**	472.5	**1,633.0**	1,953.1
Freight and other distribution costs	**104.2**	117.1	**410.4**	476.2
Export taxes	**11.2**	6.0	**48.7**	55.1
Amortization	**38.8**	44.0	**155.3**	171.2
Selling and administration costs	**8.1**	13.0	**53.5**	60.6
Restructuring, mill closure and severance costs (Note 6)	**5.9**	10.3	**29.9**	53.5
	573.2	662.9	**2,330.8**	2,769.7
Operating income (loss)	**(23.6)**	(74.2)	**(210.4)**	(158.1)
Interest expense, net	**(7.1)**	(7.7)	**(29.3)**	(25.4)
Foreign exchange gain (loss) on long-term debt and investments, net	**8.0**	(72.0)	**50.4**	(100.3)
Gain (loss) on derivative financial instruments (Note 14)	**2.3**	(81.7)	**24.4**	(88.5)
Gain on sale of mill property (Note 7)	**-**	-	**44.6**	-
North Central Plywoods mill fire, net (Note 8)	**-**	-	**(3.0)**	57.9
Prince George Pulp and Paper mill fire, net	**-**	(0.3)	**-**	8.2
Asset impairments (Note 10)	**-**	(99.6)	**-**	(169.6)
Other income (expense), net	**(2.7)**	12.9	**(11.4)**	12.7
Net income (loss) before income taxes and non-controlling interests	**(23.1)**	(322.6)	**(134.7)**	(463.1)
Income tax recovery (Note 11)	**14.0**	80.2	**71.9**	141.9
Non-controlling interests	**(7.9)**	12.6	**(7.7)**	(24.0)
Net income (loss)	**$ (17.0)**	$ (229.8)	**$ (70.5)**	$ (345.2)
Per common share (in dollars) (Note 12)				
Net income (loss) – Basic and Diluted	**$ (0.12)**	$ (1.61)	**$ (0.50)**	$ (2.42)

The accompanying notes are an integral part of the consolidated financial statements.

Canfor Corporation
Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income (Loss)

(millions of dollars, unaudited)	3 months ended December 31, **2009**	2008	12 months ended December 31, **2009**	2008
Consolidated Statements of Changes in Shareholders' Equity				
Share capital				
Balance at beginning and end of period	**$ 1,124.7**	$ 1,124.7	**$ 1,124.7**	$ 1,124.7
Contributed surplus				
Balance at beginning and end of period	**$ 31.9**	$ 31.9	**$ 31.9**	$ 31.9
Retained earnings				
Balance at beginning of period	**$ 263.2**	$ 546.5	**$ 316.7**	$ 692.5
Change in accounting for inventories	**-**	-	**-**	(30.6)
Net income (loss) for the period	**(17.0)**	(229.8)	**(70.5)**	(345.2)
Balance at end of period	**$ 246.2**	$ 316.7	**$ 246.2**	$ 316.7
Accumulated other comprehensive income (loss)				
Balance at beginning of period	**$ (6.9)**	$ (22.2)	**$ 21.5**	$ (32.0)
Net change in foreign exchange translation adjustment on self-sustaining foreign subsidiaries	**(9.1)**	43.7	**(37.6)**	54.2
Reclassification to income of losses on derivative instruments designated as cash flow hedges in prior periods	**-**	-	**0.1**	(0.7)
Balance at end of period	**$ (16.0)**	$ 21.5	**$ (16.0)**	$ 21.5
Total shareholders' equity – Balance at end of period	**$ 1,386.8**	$ 1,494.8	**$ 1,386.8**	$ 1,494.8
Consolidated Statement of Comprehensive Income (Loss)				
Net income (loss) for the period	**$ (17.0)**	$ (229.8)	**$ (70.5)**	$ (345.2)
Other comprehensive income (loss)				
Net change in foreign exchange translation adjustment on self-sustaining foreign subsidiaries	**(9.1)**	43.7	**(37.6)**	54.2
Reclassification to income of losses on derivative instruments designated as cash flow hedges in prior periods	**-**	-	**0.1**	(0.7)
Other comprehensive income (loss)	**(9.1)**	43.7	**(37.5)**	53.5
Total comprehensive income (loss)	**$ (26.1)**	$ (186.1)	**$ (108.0)**	$ (291.7)

The accompanying notes are an integral part of the consolidated financial statements.

Canfor Corporation
Consolidated Cash Flow Statements

(millions of dollars, unaudited)	3 months ended December 31, 2009	3 months ended December 31, 2008	12 months ended December 31, 2009	12 months ended December 31, 2008
Cash generated from (used in)				
Operating activities				
Net income (loss) for the period	**$ (17.0)**	$ (229.8)	**$ (70.5)**	$ (345.2)
Items not affecting cash				
Amortization	**38.8**	44.0	**155.3**	171.2
Future income taxes	**(1.4)**	(62.1)	**(22.5)**	(94.0)
Long-term portion of deferred reforestation	**5.3**	7.2	**(2.8)**	(2.5)
Gain on sale of mill property (Note 7)	**-**	-	**(44.6)**	-
North Central Plywoods mill fire, net (Note 8)	**-**	-	**3.0**	(57.9)
Prince George Pulp & Paper mill fire, net	**-**	0.3	**-**	(8.2)
Foreign exchange (gain) loss on long-term debt and investments, net	**(8.0)**	72.0	**(50.4)**	100.3
Changes in mark-to-market values of derivative financial instruments	**(4.6)**	64.4	**(65.5)**	79.3
Asset impairments (Note 10)	**-**	99.6	**-**	169.6
Employee future benefits	**2.3**	1.2	**11.4**	7.9
Non-controlling interests	**7.9**	(12.6)	**7.7**	24.0
Other, net	**8.9**	3.5	**8.0**	15.3
Net proceeds from replacement of derivative financial instruments	**-**	-	**-**	11.0
Salary pension plan contributions	**(4.1)**	(4.3)	**(16.4)**	(15.9)
Deferred scheduled maintenance spending	**(7.1)**	(1.5)	**(10.5)**	(8.7)
Net change in non-cash working capital (Note 13)	**(34.8)**	33.6	**29.2**	105.6
	(13.8)	15.5	**(68.6)**	151.8
Financing activities				
Repayment of long-term debt (Note 4(b))	**-**	-	**(175.5)**	(14.8)
Increase (decrease) in operating bank loans	**0.4**	21.1	**(24.6)**	25.2
Cash distributions paid to non-controlling interests	**(2.6)**	(12.8)	**(8.9)**	(52.3)
Other, net	**(0.4)**	(0.2)	**0.7**	(0.5)
	(2.6)	8.1	**(208.3)**	(42.4)
Investing activities				
Additions to property, plant, equipment and timber	**(10.3)**	(21.9)	**(59.0)**	(80.2)
Proceeds from disposal of property, plant, equipment and timber	**6.5**	1.3	**55.3**	5.6
Proceeds from North Central Plywoods mill fire claim (Note 8)	**-**	20.0	**33.3**	30.0
Proceeds from Prince George Pulp & Paper mill fire claim	**-**	1.5	**-**	9.5
Advances to affiliated companies	**-**	-	**-**	(11.5)
Interest received for restructuring period of asset-backed commercial paper (Note 3)	**-**	-	**4.5**	-
Proceeds from redemption of asset-backed commercial paper (Note 3)	**1.1**	-	**15.4**	-
Other, net	**0.5**	(1.1)	**0.1**	(1.8)
	(2.2)	(0.2)	**49.6**	(48.4)
Foreign exchange gain (loss) on cash and cash equivalents of self-sustaining foreign operations	**(0.7)**	4.8	**(1.7)**	5.9
Increase (decrease) in cash and cash equivalents	**(19.3)**	28.2	**(229.0)**	66.9
Cash and cash equivalents at beginning of period	**152.7**	334.2	**362.4**	295.5
Cash and cash equivalents at end of period	**$ 133.4**	$ 362.4	**$ 133.4**	$ 362.4
Cash receipts (payments) in the period				
Interest, net	**$ (7.5)**	$ (7.9)	**$ (29.5)**	$ (26.6)
Income taxes	**$ 3.8**	$ 1.8	**$ 52.0**	$ 137.5

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Interim Financial Statements

(unaudited, in millions of dollars unless otherwise noted)

1. Significant Accounting Policies and Changes in Accounting Policies

(a) Basis of Presentation

These interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles ("GAAP") for annual financial statements and, accordingly, should be read in conjunction with the financial statements and notes included in Canfor Corporation's ("Canfor" or "the Company") Annual Report for the year ended December 31, 2008 available at www.canfor.com or www.sedar.com. These interim financial statements follow the same accounting policies and methods of computation as used in the 2008 consolidated financial statements, except as noted below.

Canfor's financial results are impacted by seasonal factors such as weather and building activity. Adverse weather conditions can cause logging curtailments, which can affect the supply of raw materials to sawmills and pulp mills. Market demand also varies seasonally to some degree. For example, building activity and repair and renovation work, which affects demand for solid wood products, is generally stronger in the spring and summer months. Shipment volumes are affected by these factors as well as by global supply and demand conditions.

(b) Changes in Accounting Policies

Effective January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants' ("CICA") new Handbook Section 3064 *Goodwill and Intangible Assets*. These requirements have been incorporated into the unaudited interim consolidated financial statements. This Section replaced Section 3062 *Goodwill and Intangible Assets* and Section 3450 *Research and Development Costs*, and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. On adoption of this new Standard, EIC 27 *Revenues and Expenditures During the Pre-operating Period* is withdrawn and so various pre-production and start-up costs are required to be expensed as incurred. No material adjustments were required upon adoption of this new Standard.

(c) Future Changes in Accounting Policy

The CICA has issued three new inter-related accounting standards, Handbook Sections 1582 *Business Combinations*, 1601 *Consolidated Financial Statements*, and 1602 *Non-controlling Interests*. Prospective application of these new Sections is mandatory for annual reporting periods beginning on or after January 1, 2011, with earlier adoption permitted. The CICA requires all three Sections to be adopted concurrently. Canfor expects to early adopt the new standards as of January 1, 2010.

Section 1582 will replace CICA Handbook Section 1581 *Business Combinations*, and will bring the accounting for business combinations under Canadian GAAP in line with the accounting under International Financial Reporting Standards ("IFRS"). This will impact Canfor's financial statements should a business combination, such as a merger or an acquisition, occur during the year.

Sections 1601 and 1602 replace CICA Handbook Section 1600 *Consolidated Financial Statements.* Adoption of these Sections also reduces the differences between Canadian GAAP and IFRS. The adoption of Section 1602 will have a significant impact on the consolidated balance sheet and consolidated statement of income (loss) of Canfor. The non-controlling interest on Canfor's balance sheet will be reclassified from long-term liabilities into equity, and the net income (loss) of non-controlling interests will no longer be deducted in arriving at the total net income (loss) of Canfor. As at December 31, 2009, the effect of applying the new Sections on Canfor's balance sheet would be to reduce long-term liabilities by $273.3 million, and increase equity by the same amount.

2. Inventories

(millions of dollars)	**As at December 31, 2009**	As at December 31, 2008
Logs	**39.9**	49.1
Finished products	**164.7**	238.1
Residual fibre	**22.3**	25.3
Processing materials and supplies	**84.4**	92.4
	311.3	404.9

The above inventory balances are stated after inventory write-downs from cost to net realizable value, which mostly reflect historically low prices for solid wood products at both reporting dates. Inventory write-downs at December 31, 2009 totaled $25.7 million (December 31, 2008 – $46.2 million).

3. Long-Term Investments and Other

(millions of dollars)	**As at December 31, 2009**	As at December 31, 2008
Non-bank asset-backed commercial paper	**41.1**	69.3
Other investments	**27.3**	28.9
Customer agreements	**16.8**	22.9
Other deposits, loans and advances	**8.5**	4.6
	93.7	125.7

In the first half of 2009, the Company received interest related to the restructuring period of its non-bank asset-backed commercial paper ("ABCP") of $4.5 million (US$3.6 million) which was recorded as a reduction in the carrying value of the ABCP (effective July 1, 2009, all interest received has been credited to the income statement - $0.2 million for the second half of 2009). In addition the Company received proceeds in 2009 of $15.4 million (US$13.4 million) from the partial redemption of its ABCP, which were also credited against its carrying value. The balance of the movement in the ABCP between December 31, 2008 and December 31, 2009 reflects the impact of the stronger Canadian dollar over the year.

4. Operating Loans and Long-Term Debt

(a) Operating Loans

On a consolidated basis, at December 31, 2009, the Company had $445.6 million of unsecured operating loan facilities (December 31, 2008 – $432.0 million), of which $0.6 million was drawn down (December 31, 2008 – $25.2 million) and an additional $18.6 million was reserved for several standby letters of credit (December 31, 2008 – $41.4 million). The Company also had a separate facility to cover a $16.0 million standby letter of credit at December 31, 2009.

The Company's operating loan facilities include two facilities in the amounts of US$12.9 million ("Facility A") and US$34.1 million ("Facility B") at December 31, 2009, which were negotiated in the first quarter of 2009. Facility A expires in January 2012, with the option of four one-year extensions, and is non-recourse to the Company under normal circumstances, except for an amount of US$6.7 million. Facility B expires in January 2011 and is non-recourse to the Company under normal circumstances. The ABCP assets of the Company have been pledged as security to support these credit facilities.

Excluding Canfor Pulp Limited Partnership ("CPLP"), the Company's bank operating lines were $405.6 million (December 31, 2008 - $357.0 million) of which $0.6 million was drawn down (December 31, 2008 – nil) and $18.1 million (December 31, 2008 – $17.3 million) was reserved for several standby letters of credit, the majority of which relates to unregistered pension plans. Except for Facility A and Facility B, interest is payable at floating rates based on lenders' Canadian prime rate, bankers acceptances, US dollar base rate or US dollar LIBOR rate, plus a margin that varies with the Company's net debt to total capitalization ratio. Facility A and Facility B have similar terms, except that their interest rate is plus or minus a margin. Other than Facility A and Facility B, substantially all of the bank operating lines expire in June 2011.

On September 30, 2009 CPLP completed a new $40.0 million bank credit facility with a maturity date of November 30, 2011, of which $0.5 million was utilized at December 31, 2009 for standby letters of credit issued for general business purposes. In addition, CPLP has arranged a separate facility with a maturity date of November 30, 2011, to cover a $16.0 million standby letter of credit issued to BC Hydro. The general terms and conditions of the new financing include interest payable at floating rates that vary depending on the ratio of net debt to operating earnings before interest, taxes, depreciation, amortization and certain other non-cash items, and is based on lenders' Canadian prime rate, bankers acceptances, US dollar base rate or US dollar LIBOR rate, plus a margin.

As at December 31, 2009, and during 2009, the Company was in compliance with all covenants relating to its operating lines of credit.

(b) Long-Term Debt

On March 2, 2009, the Company repaid $99.7 million (US$77.3 million) of privately placed senior notes (US$45.0 million at 7.98% interest rate and US$32.3 million at 8.03% interest rate). On April 1, 2009, the Company repaid $75.8 million (US$60.0 million) of 5.66% interest rate privately placed senior notes.

At December 31, 2009, the fair value of the Company's long-term debt, which was measured at its amortized cost of $367.3 million, was $377.4 million. The fair value of long-term debt was determined based on prevailing market rates for long-term debt with similar characteristics and risk profile.

5. Long-term Accrued Liabilities and Obligations

(millions of dollars)	**As at December 31, 2009**	As at December 31, 2008
Deferred reforestation obligation	**60.3**	63.1
Accrued pension obligations	**19.6**	20.0
Accrued pension bridge benefit obligations	**9.1**	8.7
Other post-employment benefits	**103.5**	98.3
Asset retirement obligations	**4.8**	4.7
Other	**12.5**	14.0
	209.8	208.8

6. Restructuring, Mill Closure and Severance Costs

Restructuring, mill closure and severance costs represent costs associated with the indefinite or permanent closures of facilities and staff reductions. The expense for the fourth quarter of 2009 amounted to $5.9 million and resulted principally from ongoing costs related to the Company's indefinitely-idled operations.

The following table provides a breakdown of the restructuring, mill closure and severance costs by reporting segment:

	3 months ended December 31,		12 months ended December 31,	
(millions of dollars)	**2009**	2008	**2009**	2008
Lumber	**$ 4.3**	$ 3.7	**$ 20.9**	$ 18.7
Unallocated and other	**1.6**	6.6	**9.0**	34.8
	$ 5.9	$ 10.3	**$ 29.9**	$ 53.5

The following table provides a reconciliation of the restructuring, mill closure and severance liabilities at December 31, 2009 and December 31, 2008:

(millions of dollars)	**As at December 31, 2009**	As at December 31, 2008
Accrued liability at beginning of period	**$ 23.3**	$ 29.8
Costs in the period [a]	**29.9**	39.8
Paid during the period	**(34.1)**	(46.3)
Accrued liability at end of period	**$ 19.1**	$ 23.3

[a] Excluding non-cash expenses and recoveries related to provisions for capital asset and inventory write-downs resulting from indefinite and permanent mill closures.

7. Sale of Mill Property

In February 2009, the Company completed the sale of a property located in New Westminster, British Columbia, for net proceeds of $46.0 million. The property was the site of the Company's former Panel and Fibre operation, which was permanently closed at the beginning of 2008. The sale transaction resulted in a pre-tax gain of $44.6 million.

8. Settlement of North Central Plywoods Mill Fire Insurance Claim

In April 2009, the Company reached a final settlement of the North Central Plywoods mill fire claim for gross proceeds of $65.5 million, less a deductible of $2.2 million, for net proceeds of $63.3 million. The Company received cash advances of $30.0 million from its insurer in 2008 and the remaining amount of $33.3 million in the second quarter of 2009. The final settlement resulted in a pre-tax loss of $8.8 million in the second quarter of 2009 of which $5.8 million was recorded to manufacturing and product costs and $3.0 million was recorded to North Central Plywoods mill fire, net. Under the terms of the settlement, there are no conditions attached to the use of the proceeds.

9. Employee Future Benefits Expense

	3 months ended December 31,		12 months ended December 31,	
(millions of dollars)	**2009**	2008	**2009**	2008
Defined benefit pension plans	**$ 3.5**	$ 0.8	**$ 14.0**	$ 3.3
Other employee future benefit plans	**2.4**	4.3	**11.3**	17.2
Defined contribution pension plans and 401(k) plans	**0.8**	0.9	**3.5**	3.6
Contributions to forest industry union plans	**3.5**	3.8	**14.5**	18.4
	$ 10.2	$ 9.8	**$ 43.3**	$ 42.5

10. Asset Impairments

In 2008 Canfor recorded asset impairments totaling $169.6 million, with $99.6 million recorded in the fourth quarter. These related principally to certain of the Company's capital panels assets, and assets related to Howe Sound Pulp and Paper Limited Partnership and Coastal Fibre Limited Partnership. Impairments were also recorded in relation to the Company's investment in ABCP, as well as other investments and spare parts inventory balances.

11. Income Taxes

	3 months ended December 31,		12 months ended December 31,	
(millions of dollars)	**2009**	2008	**2009**	2008
Current	**$ 12.6**	$ 18.1	**$ 49.4**	$ 47.9
Future	**1.4**	62.1	**22.5**	94.0
Income tax recovery	**$ 14.0**	$ 80.2	**$ 71.9**	$ 141.9

The reconciliation of income taxes calculated at the statutory rate to the actual income tax provision is as follows:

	3 months ended December 31,		12 months ended December 31,	
(millions of dollars)	**2009**	2008	**2009**	2008
Income tax recovery at statutory rate	**$ 6.9**	$ 100.1	**$ 40.4**	$ 143.6
Add (deduct):				
Non-controlling interests	**2.4**	(3.9)	**2.3**	7.4
Change in corporate income tax rates	**-**	-	**7.3**	9.1
Entities with different income tax rates and other tax adjustments	**(0.3)**	0.9	**2.9**	4.4
Tax recovery at rates other than statutory rate	**0.3**	0.9	**2.8**	3.5
Permanent difference from capital gains and losses and other non-deductible items	**4.7**	(17.8)	**16.2**	(26.1)
Income tax recovery	**$ 14.0**	$ 80.2	**$ 71.9**	$ 141.9

12. Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is calculated by dividing the net income (loss) available to common shareholders by the weighted average number of common shares during the period using the treasury stock method. Under this method, proceeds from the potential exercise of stock options are assumed to be used to purchase the Company's common shares. When there is a net loss, the exercise of stock options would result in a calculated diluted net loss per share that is anti-dilutive.

	3 months ended December 31,		12 months ended December 31,	
	2009	2008	**2009**	2008
Weighted average number of common shares	**142,589,297**	142,589,297	**142,589,297**	142,589,297
Incremental shares from potential exercise of options [a]	**-**	-	**-**	1,778
Diluted number of common shares [a]	**142,589,297**	142,589,297	**142,589,297**	142,589,297

[a] Where the addition of share options to the total shares outstanding has an anti-dilutive impact on the diluted net income (loss) per share calculation, those share options have not been included in the total common shares outstanding for purposes of the calculation of diluted net income (loss) per share.

13. Net Change in Non-Cash Working Capital

(millions of dollars)	3 months ended December 31, **2009**	2008	12 months ended December 31, **2009**	2008
Accounts receivable	**$ (13.6)**	$ 74.1	**$ (24.7)**	$ 89.6
Income taxes recoverable	**(9.5)**	(18.0)	**1.6**	89.6
Inventories	**10.9**	13.9	**89.7**	2.9
Prepaid expenses	**(0.1)**	15.4	**(1.5)**	(0.6)
Accounts payable, accrued liabilities and current portion of deferred reforestation obligation	**(22.5)**	(51.8)	**(35.9)**	(75.9)
Net (increase) decrease in working capital	**$ (34.8)**	$ 33.6	**$ 29.2**	$ 105.6

14. Derivative Financial Instruments

The Company uses a variety of derivative financial instruments to reduce its exposure to risks associated with fluctuations in foreign exchange rates, lumber prices and energy costs. At December 31, 2009, the fair value of derivative financial instruments was a net liability of $5.8 million (December 31, 2008 – net liability of $69.3 million). The fair value of these financial instruments was determined based on prevailing market rates for instruments with similar characteristics.

The following table summarizes the gain (loss) on derivative financial instruments for the three and twelve months ended December 31, 2009 and 2008:

(millions of dollars)	3 months ended December 31, **2009**	2008	12 months ended December 31, **2009**	2008
Foreign exchange collars and forward contracts	**$ 2.7**	$ (65.6)	**$ 36.0**	$ (86.1)
Natural gas swaps	**(1.5)**	(4.8)	**(16.0)**	1.0
Diesel options and swaps	**0.4**	(11.3)	**1.6**	(3.4)
Lumber futures	**0.7**	-	**2.8**	-
	$ 2.3	$ (81.7)	**$ 24.4**	$ (88.5)

The following table summarizes the fair market value of the derivative financial instruments included in the balance sheet at December 31, 2009 and December 31, 2008:

(millions of dollars)	**As at December 31, 2009**	As at December 31, 2008
Foreign exchange collars and forward contracts	**1.6**	(53.2)
Natural gas swaps	**(6.8)**	(6.5)
Diesel options and swaps	**(0.9)**	(9.6)
Lumber futures	**0.3**	-
	(5.8)	(69.3)
Less: current portion	**(3.5)**	(65.4)
Long-term portion	**(2.3)**	(3.9)

15. Segmented Information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO") and the executive management team, who operate as Canfor's chief operating decision maker. The CEO and executive management team are responsible for allocating resources and assessing performance of the operating segments.

Canfor has two reportable segments, as described below, which offer different products and are managed separately because they require different production processes and marketing strategies. The following summary describes the operations of each of the Company's reportable segments:

Lumber - Includes logging operations, and manufacture and sale of various grades and widths of lumber products.

Pulp and paper – Includes purchase of residual fibre, and production and sale of pulp and paper products, including northern bleached softwood kraft ("NBSK") and bleached chemi-thermo mechanical pulp ("BCTMP"). This segment includes 100% of Canfor Pulp Limited Partnership and the Taylor Pulp mill.

Sales between segments are accounted for at prices that approximate fair value. These include sale of residual fibre from the lumber segment to the pulp and paper segment for use in their pulp production process.

Effective January 1, 2009, the operating results, capital expenditures and identifiable assets of the Company's panels business are no longer reported separately as an operating segment. With the exception of the Peace Valley OSB Limited Partnership, of which the Company owns a 50% share, all panel operations are currently indefinitely idled. Operating results, capital expenditures and identifiable assets of the panels business are now included in the Unallocated & Other segment. Sales of panels for the three months ended December 31, 2009 were $11.0 million (three months ended December 31, 2008 - $20.5 million) and $39.3 million for the year-to-date (twelve months ended December 31, 2008 - $170.3 million).

(millions of dollars)		Lumber	Pulp & Paper	Unallocated & Other	Elimination Adjustment		Consolidated
3 months ended December 31, 2009							
Sales to external customers	**$**	**285.3**	**253.3**	**11.0**	**-**	**$**	**549.6**
Sales to other segments	**$**	**31.2**	**-**	**-**	**(31.2)**	**$**	**-**
Operating income (loss)	**$**	**(30.8)**	**16.5**	**(9.3)**	**-**	**$**	**(23.6)**
Amortization	**$**	**22.2**	**12.8**	**3.8**	**-**	**$**	**38.8**
Capital expenditures	**$**	**5.6**	**2.9**	**1.8**	**-**	**$**	**10.3**
3 months ended December 31, 2008							
Sales to external customers	$	363.9	204.3	20.5	-	$	588.7
Sales to other segments	$	22.7	-	0.4	(23.1)	$	-
Operating income (loss)	$	(50.8)	(2.2)	(21.2)	-	$	(74.2)
Amortization	$	26.8	11.1	6.1	-	$	44.0
Capital expenditures	$	8.8	13.0	0.1	-	$	21.9

(millions of dollars)		Lumber	Pulp & Paper	Unallocated & Other	Elimination Adjustment		Consolidated
12 months ended December 31, 2009							
Sales to external customers	**$**	**1,162.9**	**918.2**	**39.3**	**-**	**$**	**2,120.4**
Sales to other segments	**$**	**78.9**	**-**	**0.1**	**(79.0)**	**$**	**-**
Operating income (loss)	**$**	**(171.4)**	**5.4**	**(44.4)**	**-**	**$**	**(210.4)**
Amortization	**$**	**90.0**	**50.5**	**14.8**	**-**	**$**	**155.3**
Capital expenditures	**$**	**39.1**	**17.9**	**2.0**	**-**	**$**	**59.0**
Identifiable assets	**$**	**1,279.3**	**861.8**	**536.7**	**-**	**$**	**2,677.8**
12 months ended December 31, 2008							
Sales to external customers	$	1,490.5	950.8	170.3	-	$	2,611.6
Sales to other segments	$	96.0	-	3.6	(99.6)	$	-
Operating income (loss)	$	(155.0)	76.8	(79.9)	-	$	(158.1)
Amortization	$	99.5	48.8	22.9	-	$	171.2
Capital expenditures	$	39.5	39.9	0.8	-	$	80.2
Identifiable assets	$	1,434.4	906.6	859.4	-	$	3,200.4

Sales to external customers in the lumber segment include the following sales of Canfor-produced lumber:

(millions of dollars)	3 months ended December 31, **2009**	3 months ended December 31, 2008	12 months ended December 31, **2009**	12 months ended December 31, 2008
Sales of Canfor-produced lumber	**$ 254.4**	$ 298.0	**$ 949.6**	$ 1,214.3

Geographic Information

(millions of dollars)	3 months ended December 31, **2009**	3 months ended December 31, 2008	12 months ended December 31, **2009**	12 months ended December 31, 2008
Sales by location of customer				
Canada	**$ 68.3**	$ 109.3	**$ 319.5**	$ 505.3
United States	**262.2**	317.6	**1,043.0**	1,378.3
Asia	**155.6**	120.5	**556.0**	522.7
Europe	**52.3**	37.3	**168.3**	174.5
Other	**11.2**	4.0	**33.6**	30.8
	$ 549.6	$ 588.7	**$ 2,120.4**	$ 2,611.6

(millions of dollars)	**As at December 31, 2009**	As at December 31, 2008
Capital assets and goodwill by location		
Canada	**$ 1,598.1**	$ 1,697.9
United States	**151.7**	186.1
Asia and Other	**0.1**	0.2
	$ 1,749.9	$ 1,884.2

16. Comparative Figures

Certain comparative information has been reclassified to conform to the presentation in the current period.