

**Remarks to Canfor Corporation
Annual General Meeting
May 2, 2008**

**James F. Shepard
President and Chief Executive Officer**

Check Against Delivery

Address to Canfor Shareholders AGM - May 2, 2008

Thank you Peter and good morning ladies and gentlemen. Before I get into the discussion of the past year, I wish to share with you the results for the first quarter of 2008, which were released this morning.

The results for the first quarter 2008 are as follows:

This morning we released our results for the first quarter of 2008 reporting a net loss of \$85.4 million or (\$0.60 per share) compared to a net loss of \$237.0 million or (\$1.66 per share) for the fourth quarter of 2007 and a net loss of \$42.7 million or (\$0.30 per share) for the first quarter of 2007.

The loss for the first quarter of 2008 included several significant items that affect comparability with prior periods, including a \$42.0 million log inventory devaluation, resulting from a new inventory accounting standard, which impacted net earnings by \$29.0 million (\$0.20 per share), an after-tax foreign exchange translation loss on long-term debt net of investments of \$10.1 million (\$0.07 per share), and an income tax recovery of \$9.1 million (\$0.06 per share) resulting from a reduction in British Columbia corporate income tax rates. Earnings for the fourth quarter of 2007 were significantly impacted by an after-tax asset impairment charge of \$189.1 million (\$1.33 per share).

Today's Annual General Meeting represents the first time that I have been able to address you, our shareholders, as your President and CEO. Since being named Canfor's Interim President and CEO at last year's AGM, much has changed in our world.

For openers, my status changed when I accepted the offer from Canfor's Board of Directors to make my position permanent.

One might question my this decision given the depressed market conditions our industry is facing and the poor state of Canfor's financial performance when I took over the helm. But let me assure you of this, I have never been more certain about a decision than the one I made to become Canfor's President and CEO.

You see, during my first few months at Canfor, after having some time to assess our talent pool and our operational iron, I quickly realized that I liked what I saw. I determined that with some changes to the Executive and Management teams and a revised operating strategy that reflected current market realities, we had all of the pieces required to help Canfor weather this storm and come out the other side much, much stronger.

After rebuilding Canfor's executive and management over the course of the spring and early summer, we quickly embarked upon developing Canfor's new operating strategy that would better reflect the realities of the current market place. This company was carrying the costs and attitudes associated with the buoyant markets of 2004, 2005 and 2006. To be frank, we weren't ready for 2007. Simply put, things needed to change.

This new strategy dictates that we be prudent with our cash, aggressively manage our costs, and, to the best of our ability, match production with market demand while meeting the needs of our key strategic customers. We have also taken this challenge to our suppliers as well. Every single input that is part of performing our core business will be subject to these terms and conditions.

How have we done in this regard? Well I can tell you that much has been accomplished in the very short time that the new executive and management team have been together. The first order of business required a review of our production capabilities to identify areas where we could reduce conversion costs, remove inefficient production and focus on our core business. In doing so, we also needed to better align our production to what the

markets were demanding and, specifically, our key strategic customers.

To this end, we implemented rolling curtailments over the summer at many of our mills with additional market curtailments announced in the fall. In addition to curtailments, decisions were made to structurally reconfigure our production capacity to reflect market demand. To achieve this we announced the indefinite shut of one production line at our Mackenzie sawmill, the indefinite shut of the Chetwynd sawmill and the reduction of production shifts, moving from three shifts to two, at 5 of our mills. In December, we permanently closed our Panel and Fibre mill in New Westminster.

Earlier this year, we also announced the indefinite closure of our PolarBoard OSB mill in Fort Nelson.

Not that things were bad enough, we experienced a further slide in market in the first quarter, where we responded with the announcement of further production curtailments equivalent to 600 million board feet of annual volume by moving to reduced workweeks at 8 of our mills. Consistent with our determination to adjust production with market, our New South operations in the US also reduced its production rate by 100 million board feet. If you summed up all these curtailments we are now scheduled to produce 2.9 billion board feet compared to the 4.0 billion board feet Canfor produced in 2006.

On the cost side of the equation, we have taken some very aggressive steps to reduce overhead and administrative costs in the company through a 25% reduction in payroll costs at head office and salary rollbacks for all employees including the executive. By having everyone in the company participate in the cost reduction efforts, we felt it only fair that our suppliers do the same. We are currently in discussions with all of our contractors and service providers to reduce their costs as well. I am pleased to say that, to date, we are making some significant progress on this front.

As you can see, we have established a pattern in our behaviour. As the market conditions change, we take the appropriate steps to respond accordingly. In this heavy weather we have to keep our eyes constantly peeled on the seas ahead and make course corrections as needed.

There is no question that this is tough going and we expect to see this continuing throughout this year and possibly most of next. Given this outlook we are acutely aware that cash management must be the focus in all that we do.

Listening to all this, you may well be thinking, “when are we going to hear some good news?” Well, we have some.

Over the past few months as we downsized our production rate we kept in close touch with our strategic prime grade customers. As you know, Canfor’s key strength has always been its relationship capital with key customers. We have made this a focus and our customers are grateful for our thoughtful approach and are working with us to get through this difficult market together.

I would be remiss if I did not take this opportunity to comment on Canfor’s safety performance during all of this upheaval and turmoil. I am pleased to report that, despite these turbulent market conditions and changes within the company, Canfor’s operations stayed true to the company’s philosophy of “Safety Comes First at Canfor.” In 2007, we continued the trend of improved safety performance towards our company-wide objective of a 2.0 Medical Incident Rate (MIR) annual average by the end of 2008. The commitment all of our employees showed in 2007 and the results that they produced is proof of our unwavering focus on safety at the workplace.

Well, how does one summarize the incredible difficulties of the past year? I don’t think any words can do this justice. I do know, however, that the executive, the management team and all

of Canfor's employees are up to the task at hand. We are of one vision in pursuit of a common goal and that is to be one of the forest sector companies that comes out of the this storm stronger, and in a position to take advantage of the opportunities that present themselves when market conditions do turn around, and they will. When that day comes we will be there to reap the rewards.

As I wrap up my comments here today, let me say this. I expect great things from our company as we navigate through these troubled waters. I have the utmost confidence in our people and firmly believe that we have the strategy in place that will position us to not only persevere today but also achieve great success in the future. I would like to thank you for your patience and continued support for all of our efforts taken on your behalf.

A handwritten signature in black ink, appearing to read 'J. Shepard', written in a cursive style.

James F. Shepard
President and CEO
Canfor Corporation