



**CANFOR CORPORATION
Q3-2007 CONFERENCE CALL
8am (Pacific) November 2, 2007**

COMPANY REPRESENTATIVES

Mr. Jim Shepherd - President and Chief Executive Officer

Don Kayne - Vice President of Marketing and Sales

Ken Higginbotham - Vice-President, Forestry and Environment

Mark Feldinger - Vice President of Manufacturing

Operator:

Good morning, ladies and gentlemen. Welcome to the Canfor Corporation third quarter results 2007 conference call. Please be advised that this call is being recorded and Webcast live at www.canfor.com. A recording of the call and a transcript will be available on Canfor's Website. Also, the Company would like to point out that this call will include forward-looking statements, so please refer to the press release for the associated risk of such statements. I would now like to turn the call over to Mr. Jim Shepherd, President and Chief Executive Officer of Canfor Corporation. Please go ahead Mr. Shepherd.

Mr. Jim Shepherd, President and CEO:

Thank you, operator, good morning and welcome to our conference call to discuss the company's third quarter results. I would like to take this opportunity to thank Scott Wilson for all his hard work and guidance while I transitioned into my new position here at Canfor. With me here today is Thomas Sitar, who is taking over as our Chief Financial Officer. This completes the restructuring of our executive and puts the theme in place that will move this company forward. I look forward to working with Tom as we continue to update you on Canfor's performance. Also on the room with me today is Don Kayne, our Vice President of Marketing and Sales, Ken Higginbotham our appointed Vice-President, Forestry and Environment and Mark Feldinger, our Vice President of Manufacturing.

Third quarter results. I would like to make a few brief remarks, give an overview of our performance over the previous quarter and then we will take questions from analysts followed by the media.

Yesterday we announced results of the third quarter, a net loss of \$42.1 million or \$0.30 per share in this quarter as compared to a loss of \$38.8 million in the prior quarter.

3Q operations. Despite improved operational performance during the third quarter, poor markets and the strengthening of the Canadian dollar had a negative impact on our financial results. From an operations perspective, the mills ran well in the quarter. Of the five key metrics we measure, safety, productivity, recovery, cash conversion costs and the percentage of prime rate out turns, all have modest improvements, quarter-over-quarter. When I first came to Canfor I said that in order to turn this company around we needed to take immediate steps to conserve cash and to improve the efficiencies and lower costs at our mills. This is my second time reporting to you and I can say that we are making progress. Since our AGM in May, lumber recovery is up 3%. Cash conversion costs down by 7%. Productivity is up 4% and log costs improved by 9%. These are really real results and we will do more. These performance improvements can be attributed to events taken by our people to improve efficiencies at all our operations and our experience in finding better ways in which to process beetle-killed wood. The trend is positive and we intend to sustain it. In the third quarter we announced the purchase of the Chesterfield Mill in South Carolina. This is a small but strategic acquisition that improves our possession in the Southern Yellow Pine market in South Eastern United States. We expect this deal to close at the end of the month.

Cost Management. Our focus continues to be on finding ways in which to drive cost out of our business. The objective is to protect our strong balance sheet. Preserve cash as much as possible through cost reductions, reducing working capital and minimizing operating losses. We are seeing results from this front and I am satisfied with our progress so far, but we have more work ahead.

Markets. With regard to our markets, demand for solid wood products declined in the quarter. US housing stocks continue to erode and the unsold inventory of new and used homes in that unprecedented levels. Looking ahead we expect these poor markets to continue for the foreseeable future. In the third quarter Canfor generated sales of \$837 million, an EBITDA loss at \$6.5 million and a net loss of \$42.1million for the quarter or \$0.30 per share. The various adjustments as listed on page four of our press release amounted to \$0.03 per share difference. Therefore the adjusted loss would be \$0.33 per share. At the end of the third quarter Canfor's net debt capitalization stood at 1%. After repaying \$37.8 million of long-term debt in the quarter we have no further schedule for debt repayments for the remainder of the year. Our capital spending was \$24 million in the second quarter and \$63 million for year-to-date of which \$44 million is for the wood product business. We expect full year capital spending in the wood product business to be \$80 million for the year. This reduced amount for the year reflects our cash management focus. At this point we are developing plans for the 2008 Capital Program, but based on current and projected market

condition we will continue with limited capital spending in 2008. At quarter end Canfor had cash and temporary investments of \$403.8 million on a consolidated basis. A further \$75.3 million is invested in asset-backed commercial paper that has been reclassified as a long-term receivable. During the quarter Canfor purchased \$600 million U.S. of foreign exchange hedging contract in the form of colors to protect against the Canadian dollar strengthening beyond parity with US dollar. These contracts extend through February 2009 and covers approximately 50% of our US dollar cash hold closure during that period.

And now for our business segment, beginning with lumber. The EBITDA loss increased to \$50.5 million from \$27.7 million in the second quarter. The operating loss at \$75.9 million in the quarter compared to a loss of \$51.2 million in the previous quarter. All of our operational improvements were more than off set by the strong Canadian dollar. Looking at these figures it is important to note that the third quarter includes a \$17.9 million charge to reduce the curing value of inventory. The second quarter had a recovery of \$19.1 million for a quarter-over-quarter change of \$37 million. The quarter also includes restructuring cost of \$10.5 million compared to \$4.1 million in the previous quarter. Our mills continue to run efficiently, we continue to see quarter-over-quarter improvements. Cash conversion costs were down by 2% and log costs improved by 8%. In the third quarter 81 million board feet was taken out in curtailments and reduced operations. In the fourth quarter we will curtail 255 million board feet of lumber production. Our new South Mills continue to run well. Turning to the panel segment. The panel segment had an EBITDA loss of \$2 million this quarter, which represent an \$8.2 improvement over the second quarter. The improvement was driven by productivity improvement and a price increase of 8% for OSB and 10% increase for plywood over the previous quarter after factoring in the impact of foreign exchange. During the quarter the Tacoma Plywood Mill took 8.5 million square feet of production out of market, out for market reasons while Polar board OSB took 14 million square feet out of production. A further 10 million square feet will be curtailed in the fourth quarter and now turning to pulp and paper. The third quarter results reported for pulp and paper include Canfor's tailor pulp mills combined with the Canfor pulp limited partnership. The third quarter sales were \$256.3 million and net income of \$36.1 million. These results are down from the prior quarter due primarily to the impact of the strengthening Canadian dollar and higher fiber cost, which more than off set the benefits of increased list prices for NBSK pulp and improved mill operating performance. As I stated earlier our focus continues to be on driving cost out of the business in improving our operational performance and minimizing cash losses going forward. With that operator I will turn it over to you for questions.

Operator:

Thank you. We will now take questions from the telephone line. We will first take questions from the Financial Analyst followed by the media. If you have a question please press *1 on your telephone keypad. If you are using the

speakerphone please press lift your receiver and then press. If at any time you wish to cancel your question please press the # key. Please press *1 now if you have a question. There will be a brief pause before the participants register for questions, thank you for your patience. The first question is from John Robert from CIBC World Market, please go ahead.

John Robert – CIBC World Markets:

Thank you. Jim several questions. First of all would you give us a little more of break down if possible on the lumber segmented results the US versus the Canadian operations.

Jim Shepherd, President and CEO:

What do you think of -- you mean the magnitude of volume or unless the....

John Robert – CIBC World Market:

No, no in terms of say EBITDA margin or EBITDA per period or what?

Jim Shepherd, President and CEO:

Tom, you want to take that one.

Tom Sitar - Chief Financial Officer:

Yeah we don't separate in that forum Don. This is Tom Sitar. I am not sure I know how to answer your question specifically.

John Robert – CIBC World Markets:

Are you getting operating profit on the US operations are they?

Tom Sitar - Chief Financial Officer:

The new south operations are EBITDA neutral in the quarter.

John Robert – CIBC World Markets:

EBITDA neutral, okay.

Tom Sitar - Chief Financial Officer:

It in the quarter and positive for on a year-to-day basis.

John Robert – CIBC World Markets:

Okay now as you have down the Chesterfield deal which is interesting, to what extent is this New South team still really searching for opportunities down in the south and to what extent with these sort of current conditions are you seeing or they seeing either an increase or decrease in number and sort of potential assets that you could look at.

Jim Shepherd, President and CEO:

Well I think that you know quite honestly in very peculiar way, I am an eternal optimist you have to be in this business, but I really think in a way that's bad news that we are getting. The worse it gets it can't be good news for those people who have got a balance sheet strong enough to be able to take advantage of the opportunity to present themselves and I think the, just to pulp and Talbot examples coming in chapter 11 early this week is an example of the kind of opportunities that are going to appear in the months ahead and that is why we are working so hard and diligent to make sure we are retaining our cash so that we will be in a position to take advantage of those opportunities when they appear, but when you ask where specifically these opportunities are going to rise I can't be absolutely certain to give you any names but I certainly can say that if you guys look at these companies and look at their performance reports more closer than we do and certainly there is going to be opportunities not in Canada just but also in the United States we will be looking them carefully and certainly it is many secret that we have been very happy with our investment in South Eastern United States. I guess it is away from the concern of our exchange, I guess it is away from the concern about the softwood lumber agreement, and quite frankly we have been very pleased with what we have seen of the operations that we have purchased down there New South. The work ethic is strong down there, the cost of the labor is very competitive and quite frankly we are surprised to see that the fiber is strong and growing. So the south east certainly will be an added advantage for us going forward.

Operator:

Thank you. The next question is from John Kohler, Oppenheimer & Co., please go ahead.

John Kohler - Oppenheimer & Co:

Yes, first question if I may sort of follow up on that. If you look at the Canfor's balance sheet, which is in great shape and maybe it's too early to tell, but what leverage do you see the company taking out to make any acquisitions, as prices get cheap.

Tom Sitar - Chief Financial Officer:

I don't think we want to speculate on that, it will all depend on what the situation is, what the transaction, if that was one that looks like -- I wouldn't speculate on that.

John Kohler - Oppenheimer & Co:

Okay and then the second question here is, in the overall industry capacity, how much further do you think, how much more capacity needs to be taken out to sort of bring supply in demand in equilibrium?

Jim Shepherd, President and CEO:

Well, that is a very good question. I guess all I could say to you is that we are right now projecting a curtailment of a quarter of a billion board seat in the fourth quarter which I understand is the substantial curtailment that has ever happened in the industry and if market conditions don't improve I think it is fair to say that that is kind of curtailment level we are thinking of in 2008. I can't speak for other people on the business, they will have to make their own decisions. We are acting in the best interests of our shareholders and that is where we are approaching in.

John Kohler - Oppenheimer & Co:

Right thank you very much.

Operator:

Thank you. The next question is from David Shapiro from AGS. Please go ahead.

David Shapiro - AGS:

Hi guys. Two questions, the log cost, have those been trending down for the third quarter and if so maybe gives an average price that you are at in the third quarter?

Jim Shepherd, President and CEO:

I am going to ask Mark Feldinger to answer that question, our VP of manufacturing.

Mark Feldinger - Vice President of Manufacturing:

So, I guess with respect to specific cost, we don't disclose that. What we are seeing is a quarter-over-quarter improvement in our fiber costs, based both on market as well as our activities operation.

David Shapiro - AGS:

Give an order of magnitude, on the improvement?

Mark Feldinger - Vice President of Manufacturing:

The 8% improvement quarter-over-quarter and 9% improvement over Q1.

David Shapiro - AGS:

Okay that's helpful. Are you seeing -- you said that the US mills are roughly EBITDA neutral at the end of the quarter. Are you seeing -- is there any appetite for additional mill capacity in the US or it is just the matter of mills changing ownership hands at this point.

Jim Shepherd, President and CEO:

You mean increased production of Southern Yellow Pine.

David Shapiro - AGS:

I am talking about additional capacity, any new mills coming to the market or anybody announcing plants for new builds or it is just ownership changing hands of existing mills?

Jim Shepherd, President and CEO:

No, at the moment all we are seeing is basically people changing chairs here. We will see some mills shutting down, not starting up. It is really -- a consolidations taking place with regard to with our acquisitions of for instance this recent acquisition, we made be consolidating that in with the New South group and of course our competitors have been doing the same thing so, no we are not seeing additional capacity coming up down there.

Operator:

Thank you. The next question is from Sean Stewart from TD Newcrest. Please go ahead.

Shawn Stewart - TD Newcrest:

Thank you. Tom a question on the colors that were referred to, can you gave us an idea of what effective rate that might be. I am just trying to get a sort of an effective apex rate looking at the Q4 where I can average the current rate how much of a benefit that might be.

Tom Sitar - Chief Financial Officer:

Well, what we were saying is that approximately half of our cash flow exposure is protected at par. So, I mean that is a specific as really I can get for you, I mean it will obviously depend on where the dollar goes for the quarter, but you have protection for half of that cash flow.

Shawn Stewart - TD Newcrest:

At par, okay.

Tom Sitar - Chief Financial Officer:

At par.

Shawn Stewart - TD Newcrest:

Okay that's helpful. Thank you.

Operator:

Thank you. The next question is from John Robert front CIBC World Market. Please go ahead.

John Robert – CIBC World Markets:

Yes, given that you know we have got everyone has seen how much fast your are going to come down by other folks, could you give us some insight maybe on your mill that you have got operating, say if you would have referred us to the Price water house surveys, what percentage of capacity would be in sort of a top house occur for DC and what is in the bottom house?

Jim Shepherd, President and CEO:

Mark you go ahead.

Mark Feldinger - Vice President of Manufacturing:

So when you look at the surveys out there we no longer participate in Price Water House surveys, so we wouldn't have that number for you yeah.

John Robert – CIBC World Markets:

Is there a back survey or anything else that you – just that we have some kind of sign. Everyone is sort of taking this last man standing strategy to some extent, just give us some sense on this cost curve that you have, where you are now.

Jim Shepherd, President and CEO:

Well you know, I don't think it is going to be the last man standing, this is going to be some last men standing. And we definitely will be one of them.

John Robert – CIBC World Markets:

Okay just along the same question, just as your scene evolved here, this whole the mountain pine beetle issue and then we are comfortable dealing with it over time, any updated views of probably deccan in terms of the impact on lumber recovery factors and the great mix of you've seen to compare now to say at the end of the year?

Mark Feldinger - Vice President of Manufacturing:

So this is Mark I will take this.

John Robert – CIBC World Markets:

Okay Mark, sorry.

Mark Feldinger - Vice President of Manufacturing:

We are learning how to deal with mountain pine beetle on a quarter-over-quarter basis. It requires different handling processes, it requires different logged processing processes, different Kiln drying processes and we are managing to mitigate the impact of what would be seen as a deteriorating log over time and to this point in time we actually are improving our operating metrics.

John Robert – CIBC World Markets:

Okay. Is there any kind of quantification you can give of course for either LRF or Grade mix?

Mark Feldinger - Vice President of Manufacturing:

But we have released the improvements in our LRF in the actual NDNA.

John Robert – CIBC World Markets:

Okay thank you.

Operator:

Thank you. The next question is from Mark Bishop from RBC Capital Markets. Please go ahead.

Mark Bishop - RBC Capital Markets:

Thanks a couple of questions. First maybe Mark, a question for you, just looking at your predecessors approach I guess sig sigma and various other tools that are going to be talking about, what are you doing differently than your predecessor to improve I guess dramatically either know performance, how are you coming at this task and how do you see it unfolding over the next year and a half?

Mark Feldinger - Vice President of Manufacturing:

It will be the lean sigma, sig sigma work that was under way, we are continuing with probably the primary factor driving improvements in operational performance is leveraging the knowledge base that we have within the Company and as Jim had stated earlier when he came on board and through the summer as we are acting as one factory, we are standardizing business processes and leveraging that expertise.

Mark Bishop - RBC Capital Markets:

Okay, I mean that's something that Pat said he was doing as well. I guess what are you doing differently to make sure that happens? Is there a different section of balances that you're meeting differently, I guess I'm just trying to get a sense of comfort over why it's different this time in terms of the pace of progress.

Jim Shepherd, President and CEO:

Let me answer that one, its Jim here. When I first arrived here I made a point of visiting in fact at this point I've now visited every plant that we operate with, just two left, so I've visited 21 of the 23, but after about a month and a half I regrouped with the board and the question was asked to me after all these visit's that I've made at that point, what had I learn about saw milling and I said "well I won't tell you what I know about saw milling, but let me tell you what I don't understand, what I don't understand is if we've got one raw material and we've got one conversion process and we've got one set of customers I don't understand why we've got fourteen different ways of doing it" and quite frankly what I saw was basically we had, basically that every body was basically kind of paddling their own canoe and we developed a concept here was called the five am approach, was we were going to mitigate the marketing mindset of our mill managers, because I would visit mills and I would hear mill managers talking about the market and quite frankly I don't think it makes any sense for a mill manager to be focused on the market. For two reasons number 1, he celebrates

the performance that he nothing whatsoever to do, if the market goes to five hundred bucks then the mills making lots of money, its got a lot more to do with the market than the performance of that mill and secondly the market goes the other way, it becomes the catchall excuse for things not being right. So we are basically adopting an approach here at Canfor, we are going to operate as one factory and every one of these mills that are out there are part of that factory but one system, one process one team and quite frankly I think that is helping to make this thing, make a little more sense these days

Mark Bishop - RBC Capital Markets:

Okay great, it's just a question on CapEx. I guess I am having a little trouble connecting the dots. Over the last couple of years has been significant reference and I think even since you've been there over the factor that your saw mills have been capital starved and that was the key reason why you were lagging your competitors and all sorts of metrics. I appreciate there's an expectation out of improved performance, at least I hope this is it to improve performance to earn the capital invest in the mill, but and Mark did suggest that there was different processes that needed the change to deal with, the changing resource as a result of the beetle. In your capitals is down next to your significantly I guess from what we were maybe a year ago again I understand the markets change, but is the whole capital allocation towards the BC interior mills coming up for grabs. Where are you going with the interior mills as in terms of capital requirements?

Jim Shepherd, President and CEO:

Well, I think looking back on, I don't think it was so much that the mills were capital starved. I think quite honestly, there was more of a focus on the big bang projects if you look at the total numbers that were there but I don't think the capital was directed in a very focused way, in my own personal opinion. Going forward, we are definitely going to be deliberately focusing our capital very rightfully focused at those technology improvements that enable us to make substantial improvements in the operations mill by mill by mill, but we're not going to be building any new mills or doing major expansions in the next year or so.

Mark Bishop - RBC Capital Markets:

That's great, question for Don on the Japanese market looks like volumes are falling off and understanding that the Europeans are maybe taking more market share, where do you see the Japanese market going in the next six months if you could pull out your crystal ball.

Don Kayne - Vice President of Marketing and Sales:

Yeah sure Mark it's a couple of things. First of all it's been much slower than we've expected partly because of that building standards law that took effect in middle of June this year and that really slowed down some of the starts and permit process significantly and we think the bulk of that hopefully in the fourth quarter will be behind us and we're -- in terms of our market share there we still we haven't lost any share there at all, so overall even with the blue stain and all the beetle issues that we've talked about before we've still been able to do a much better job there in terms of gray recovery and so we really haven't lost all that much volume there at all and overall if you roll it in to next year, I was told again it's a major focus like it always has been and in terms of that market and maintaining our share that's low we will continue to do that and focus on Japan.

Operator:

Thank you. The next question is from Patrick Young from Raymond James. Please go ahead.

Patrick Young – Raymond James:

Good morning guys. Just a few questions, first in terms of curtailment. Can you elaborate a bit on what your approach is in terms of bouncing the need to curtail with emitting labor turn over costs and the fiber supplying fact on Canfor pulp fund.

Jim Shepherd, President and CEO:

I'll maybe just start off first of all, what we're going to do is we're going to -- the broad brushes, we're going to curtail as much production as we possibly can without off setting the market place out there that we serve our high value customers. We've been meeting with them and letting them know that we're going to have to cut back and they understand where we're coming from, so with that said we've been doing the work here to determine the maximum amount of curtailment we can do without upsetting our own marketplace now having said that I'll turn over to Mark.

Mark Feldinger - Vice President of Manufacturing:

Yeah I would, I would think that you've actually captured the major challenges that are in there. We do have relationships in terms of fiber supply and income that comes from CPLP, from chips, chip

conversion and we do have employees that we value and we balance the impact with respect to curtailments with the volumes into the market place and I think that's really, really all we can say on it.

Patrick Young – Raymond James:

Right so is it safe to say you would avoid the Canfor pulp fund fiber basket reason first.

Jim Shepherd, President and CEO:

That considerably is a consideration in all of our actions yes.

Patrick Young – Raymond James:

Right, thanks for that and second question is given the currently challenging conditions how has your growth plans changed?

Jim Shepherd, President and CEO:

Well quite frankly we look at capital in two ways. One the capital that we have is there to get us through the storm and that's why we're tight fisted about it as we go forward, but we do have you know some investments and areas that might not be core in the future and that we may transition some investments and non-core into core investments and that will be fiber for the future.

Patrick Young – Raymond James:

Right, that makes sense. That's all I have, thanks a lot.

Operator:

Thank you. The next question is from Paul Quinn from Salman Partners. Please go ahead

Paul Quinn - Salman Partners:

Yeah thanks. Just following up on curtailment. I guess the plan on the Q4 here with the 255 million board feet down is to spread that among all the mills.

Jim Shepherd, President and CEO:

It's covering the majority of our mills yes.

Paul Quinn - Salman Partners:

Okay the plan going forward I guess is if markets don't improve would be to keep up that level -- do you see more directed focus on a mill being shut or is the plan spread going to be you know in 2008.

Jim Shepherd, President and CEO:

Well let me just respond there and that it's this that we're going to, that if this market continues to ratchet down we will continue to ratchet down in our production. We will be marked as responsive full stop. With respect to the question whether we would change our operating patterns that would be a determination we will take a look at going forth, we haven't made any decisions there yet.

Paul Quinn - Salman Partners:

Okay and just secondly, when you start to take a look at right down possibilities on some of this BC interior plant and equipment this phase, because of the mountain pine bill.

Don Kayne - Vice President of Marketing and Sales:

It's not just because the mountain beetle our accounting rules that we do have to look at that on an ongoing basis and we will let that value of the balance sheet and the components in it and do that periodically and we will again do it prior to year end. So anything that we need to do we'll do it flexor at the year end financial statement?

Paul Quinn - Salman Partners:

Okay and just lastly, just on the asset back commercial paper that you've got. I guess because of the stands no agreement, we won't see any change on that until after year end.

Don Kayne - Vice President of Marketing and Sales:

However, if there is new information that will reflect that information, right now the information is very limited and we'll see what happens in mid December when the date comes up. It'll just be based on facts as we can get them in and they are pretty limited at this stage.

Paul Quinn - Salman Partners:

Okay, thanks guys.

Operator:

Thank you. Once again please press *1 if you have a question. The next question is from David Shapiro from AGS. Please go ahead.

David Shapiro – AGS:

Hi guys, another follow up here. Do you have any EBITDA break even mills in Canada at all or are all of them negative EBITDA mills?

Jim Shepherd, President and CEO:

I don't think we want to go into a specific mill commentaries.

David Shapiro – AGS:

No, I'm not in any specific mill. I'm just saying in general are any profitable in Canada.

Jim Shepherd, President and CEO:

The answer is yes.

David Shapiro – AGS:

Okay and as far as you know the voting capital you said you want to pull from non core areas maybe devote more to core areas, what non core areas are you speaking of besides the pulp income fund.

Jim Shepherd, President and CEO:

I don't think we want to specifically identify assets at this time.

David Shapiro – AGS:

Okay as you look at investing further capital and other possible acquisitions how do you view those first where your stock currently stands.

Jim Shepherd, President and CEO:

Well certainly, I think are you asking about investment in Canada versus the rest United States or else where I'm not sure.

David Shapiro – AGS:

Yeah. including investment into your own stock.

Jim Shepherd, President and CEO:

Oh I'm sorry, call you back.

David Shapiro – AGS:

Correct, yeah.

Jim Shepherd, President and CEO:

Well as any major capital expenditure, I mean it's a decision that will be done at the board level. All of them are looked at and considered and we wouldn't speculate on it here on the call but all those things are discussed every time the board meets.

Operator:

Thank you, the next question is from Mark Bishop from RBC Capital market. Please go ahead.

Mark Bishop – RBC Capital Market:

Thanks. A couple of follow-ups. Tom could you give us an update on the status of the house sample, paper restructure.

Tom Sitar - Chief Financial Officer:

Well it is in progress, progress is being made. It goes fairly slowly and I'm new into watching this process, but progress is being made and we had hopes to have it wrapped up by year end at the moment that may or may not happen but we're pressing hard to kind of get that completed and so far it is on track, it's just going maybe a little bit slower than we would have expected.

Mark Bishop – RBC Capital Market:

Is there a strategic process that ramps up on the completion of that or what happens next?

Tom Sitar - Chief Financial Officer:

Well, we want to get that part behind us because it sort of acts as a bit of a roadblock to be able to do anything else so, let us get through that and we'll take the next steps after that.

Mark Bishop – RBC Capital Market:

Okay, I guess, question for you again Tom, given you were on the other side of this energy projects for Canfor, assume the CapEx guidance next year would obviously not include a potential investment in energy, what is the appetite for Canfor to be partnering with Canfor Pulp on an energy project.

Tom Sitar - Chief Financial Officer:

I think the interest is definitely there. It'll have to fit in the overall capital plans and we may have to be a bit innovative in how that is funded, but interest is there. It has a potential of lowering costs of for Canfor and being a good generator, so probably more important is to identify the specific projects and determine what sizes are appropriate on the pulp side and then we'll look at it on the Canfor solid wood side.

Mark Bishop – RBC Capital Market:

Is that something that we'll get more visibility on by say March '08?

Tom Sitar - Chief Financial Officer:

I would expect so based on what I understand the discussions with the Hydro are and where that is progressing.

Mark Bishop – RBC Capital Market:

Okay, maybe a question for Ken on the MPS systems. It sounds as if there may be a transmission coming to the full long MPS or MPSA. What do see the implications are there for Canfor of the move to the full MPS.

Ken Higginbotham - Vice-President, Forestry and Environment:

Well, first Mark I would say that we are supportive of the move and have been supportive of moving in some sort of transitional way to it from July '06 since the government put the current system in

place. We think that it's important to have a situation where the local market place for logs is evident in the stumpage that we pay on quarter wood or licensed wood. We think that it's very important to have the waterbed disappear and that takes a number of different forms about which impacts sometimes positively, sometimes negatively what stumpages is like in different areas but we are pleased to let the government appears to be headed in this direction, we're going to do everything we can to help them resolve whatever technical issues might come up to get there.

Mark Bishop – RBC Capital Market:

Okay, thanks very much. That's all I had.

Operator:

Thank you. We will now take questions from the media. Media members if you have a question please press *1 on your telephone keypad. There'll be a brief pause as you register for questions. Thank you for your patience. The first question is from Gordon Hokestra from Prince George Citizen. Please go ahead.

Gordon Hokestra - Prince George Citizen:

Morning gentlemen. Some questions around the curtailments. Just wondering with the 255 and the fourth quarter what's gonna be the total curtailment for the year in lumber.

Jim Shepherd, President and CEO:

For 2007?

Gordon Hokestra - Prince George Citizen:

Yes.

Jim Shepherd, President and CEO:

Close to 500.

Gordon Hokestra - Prince George Citizen:

Okay and can you give us any information about where exactly these saw mills shut down are going to take place. The ones that are just been, you know we see, I guess including both the 74 that was announced and up to 255 now in the 4Q.

Jim Shepherd, President and CEO:

Mark will give you the answer now.

Mark Feldinger - Vice President of Manufacturing:

Good morning Gordon.

Gordon Hokestra - Prince George Citizen:

Good morning.

Mark Feldinger - Vice President of Manufacturing:

We are in the process of making these announcements internally to our people and we wouldn't be commenting any further on specifics until we talk to our employees.

Gordon Hokestra - Prince George Citizen:

Right. That's it thank you.

Operator:

Thank you. There are no further questions registered at this time. I would to turn the meeting back to Mr. Shepherd.

Jim Shepherd, President and CEO:

Okay. Since there is no further questions I would like to thank everyone for participating on this call and your continued interest in Canfor. I look forward to talking to you again next quarter and if the analysts have any further questions you can take the contact of Pat Elliott and for the media, Lee Coonfer and they can help you with any follow up that you may require. Thank you again everybody.

Operator:

Thank you. The conference is now ended. Please disconnect your lines at this time. We thank you for your participation and have a nice day.