



(* Transcription of online webcast at www.canfor.com)
Annual General Meeting
Friday, May 4, 2007
11:30 a.m. PDT

MR. CLIFF: Good morning, ladies and gentlemen. It is now 11:30 and I would like to ask the meeting to please come to order.

My name is Ron Cliff. I'm a director of Canfor Corporation and will be acting as Chairman for this meeting.

Peter Bentley regretfully is enjoying the hospitality of the Pattison Pavilion at VGH having some tests and he is being hospitalized for a couple days and, therefore, unable to fulfill duties as Chairman today. And of course we all wish Peter a speedy recovery through his tests.

It is with great pleasure for me to extend a warm welcome to all of you today to the 24th Annual General Meeting of Canfor Corporation as a public corporation.

At this point I would like to introduce our President and Chief Executive Officer, Mr. Jim Shepherd, who is seated beside me, and will be calling -- and I will be calling on Jim to address you later in the meeting.

With your indulgence, I propose that any questions you may have -- you may have be reserved until after you have heard from Jim and myself and we are done with the -- with the regular orders of business of the Corporation.

Also seated at the head table is Mr. David Calabrigo, who is Vice-President, Corporate Development, General Counsel and Corporate Secretary. David will act as the Secretary of the this meeting.

And I would now like to introduce to you our directors: Stephen Jarislowsky from Montreal; Michael Korenberg; Brandt Louie, who is not present, I believe.

MR. LOUIE: Here.

MR. CLIFF: Where? I don't see you, Brandt. Where are you? Oh. Eric Newell, who sends his regrets. He's from Edmonton; he sends his regrets for the meeting. Jim Pattison; Michael Phelps; Don Selman, Jim Shepherd. They have all worked very hard and we appreciate their counsel during the past year.

Directors Stephen Jarislowsky, Brandt Louie, Eric Newell, and Michael Phelps have chosen not to stand for re-election. While I have expressed my personal thanks to them, I would be remiss if I didn't use this occasion to thank them on your behalf.

I am also pleased to introduce Ian Lapey of Pelham Manor, New York, and Jim Shepard of Vancouver. Also, Ben Duster of Atlanta was unable to get here for the meeting. Ben, Ian, and Jim, we are delighted that you have accepted our invitation to be here today and let your name stand for election as directors of the company.

At this point, however, I would like to express my appreciation for the contribution that all of the companies (indiscernible) have made during the past year and introduce the other officers of the company. Dealing with them alphabetically: Patch Bonkeymeyer, Senior Vice-President, Operations; Ken Higginbotham, Vice President, Forestry & Environment; Trev James, Vice-President, Human Resources; Don Kayne, Vice-President, Wood Products Marketing and Sales; Mac Palmiere, Vice-President and Regional Manager West Region; Scott Wilson, Vice-President Finance and Chief Financial Officer.

At this time I would appoint CIBC Mellon Trust Company to act as scrutineers for the meeting.

And I would now like to call on Mr. Calabrigo to deal with the notice of the meeting.

MR. CALABRIGO: Mr. Chairman, notice calling the meeting was mailed to all shareholders of the company entitled to receive such notice. CIBC Mellon Trust Company has provided us with a certificate as to the mailing, and a copy of the certificate will be kept for the records of the meeting.

MR. CLIFF: Thank you, David.
I would now ask the Secretary to read the Preliminary Scrutineers' Report.

MR. CALABRIGO: We are pleased to report that there are 621 shareholders representing 101,551,180 common shares represented in person or by proxy. This represents 71.2% of the total issued and outstanding common shares.

MR. CLIFF: Thank you.

As Chairman, I will adopt the Scrutineers' Report and declare the attendance of this meeting to be as -- as having been set forth. And in accordance with the Scrutineers' Preliminary Report, I declare a quorum present and the meeting to be duly constituted for the transaction of business.

I would ask those who have kindly agreed to move or second motions to also be kind enough to give their names and to state whether they are shareholders or proxy holders.

And as all of you know, there are certain necessary motions that must be made and seconded at an Annual Meeting. In order to expedite this meeting, some of the shareholders have graciously agreed to make these movement or second. It is in no way intended to inhibit discussion, of course, of the question.

The minutes of the last meeting of shareholders are available for perusal by any shareholder. And unless someone wishes them read, I will entertain a motion to take the minutes as read and to approve them.

MR. McIVER: Hi, my name is Ian McIver. I am a shareholder of Canfor. I move that the minutes of the Annual General Meeting of members held on April 28th, 2006 and the minutes of the Special Meeting of Shareholders held on June 9th, 2006 be taken as read and be approved.

MR. CLIFF: Thank you, Mr. McIver.

Do I have a seconder?

MS. GOODERHAM: My name is Diane Gooderham. I am a shareholder. I second the motion.

MR. CLIFF: Thank you, Ms. Gooderham.

You have heard the motion. All in favour please signify in the usual manner by raising your hand.

Contrary?

Carried.

The next item of business is to place before the meeting the Consolidated Financial Statements of the company for the year ended December 31, 2006, together with the auditor's report and the report of the directors to the members. These statements and reports are contained in the company's Annual Report, which has been mailed to all shareholders and copies of which are available at the back of this room. Unless there are any questions, I will regard the statements and reports as having been received by the meeting.

The next item of business is the election of directors. Your meeting is now open for nominations.

MS. HURST: My name is Marietta Hurst, and I am a shareholder. I nominate Peter J.G. Bentley; Ronald L. Cliff; Benjamin C. Duster IV; Michael J. Korenberg; John D. Ian Lapey; James A. Pattison; Donald C. Selman; James F. Shepard as directors of the company to hold office until the next Annual General Meeting.

MR. CLIFF: Thank you, Mrs. Hurst.

The persons nominated are management's nominees for election, as was stated in the Information Circular sent to the shareholders of the company.

Are there any further nominations?

There being no further nominations, I declare nominations closed. And as only the required number of persons have been nominated, I declare that those persons nominated have been duly elected by acclamation as directors of the company to hold office until the next Annual General Meeting.

The next item of business is the appointment of auditors, and it is management's recommendation that the present auditors be reappointed. May I please have a motion to that effect?

MR. JAN: My name is David Jan, and I am a shareholder. I move that the Price Waterhouse Coopers LLP Chartered Accountants be appointed auditors of the company to hold office until the next Annual General Meeting.

MR. CLIFF: Thank you, Mr. Jan.

May I have a seconder?

MS. MURDOCK: My name is Sally Murdock, and I am a shareholder. I second the motion.

MR. CLIFF: Thank you, Ms. Murdock.

You have heard the motion. All in favour please signify in the usual manner by raising your hand.

Contra, if any.

They got the job again.

I declare Price Waterhouse Coopers LLP Chartered Accountants appointed auditors for the ensuing year.

Next is the resolution to approve the Shareholders Rights Plan. The Shareholders Rights Plan, as set out in the Information Circular, is being put forward for approval. Approval of the Rights Plan requires an ordinary resolution of shareholders. If the Rights Plan is not -- If the Rights Plan is not approved by ordinary shareholders -- by the ordinary resolution, by its terms it will terminate at the conclusion of today's meeting. I will entertain a motion to approve the adoption of the Rights Plan.

MS. GOODERHAM: My name again is Diane Gooderham. I move as an ordinary resolution that the adoption by the Board of Directors of the company of the Shareholders Rights Plan as described in the Information Circular of Canfor Corporation dated as of March 26, 2007 be approved.

MR. CLIFF: Thank you, Ms. Gooderham.
May I have a seconder?

MS. BRADBEER: Julie Bradbeer. I am a shareholder. I second the motion.

MR. CLIFF: Thank you, Mrs. Bradbeer.

The issued and outstanding shares on this motion have been voted by proxy against the ordinary resolution. Nevertheless, I will direct that a pole be -- that a pole by ballot be taken on this motion and that the scrutineers conduct the balloting and report the results in writing.

A ballot paper has been handed out to registered shareholders and proxy nominees. If you have already filed a proxy and do not wish to change your vote, it is not necessary to complete a ballot. Shareholders completing a ballot should mark an 'X' or any other -- or other mark in the square associated with the word "For" or the word "Against" and sign the ballot. So, also please print your name under your signature and record the total number of shares that you are entitled to vote. When you have completed your ballot, please hand it to one of the ushers if you have not yet -- if you have not already submitted it before the meeting. So, I would suggest that anybody who has got a ballot filled out now that they wish to be picked up, just raise their hand and we'll see that they're collected.

Are there any more ballots to be collected? There's some still over there.

Okay. I declare the balloting closed and instruct the scrutineers to advise the Secretary when they are ready to report. In the meantime, we shall continue with the business of the meeting.

At this time it is my pleasure to call on Jim Shepherd, the company's President and Chief Executive Officer, to make his remarks.
Jim.

MR. SHEPHERD: Thank you, Mr. Chairman, and good morning, everyone.

I'd like to start by welcoming everybody: Ladies and gentlemen, special guests, and certainly valued shareholders. It's hard to believe that three years ago I stood before you as president of Canfor and I remember how -- how proud I was at that time and I can remember the day very, very clearly. I'm as proud today as I was then to have been part of this great company.

Many positive changes have happened at Canfor and I wish to acknowledge and thank all of those who have participated in the process. This company has begun a journey of both growth and evolution that will continue well into the future.

The single most important task that I was given three years ago was to integrate Slocan Forest Products into the Canfor family; two companies who were defined by their dedication of the employees, their efficiency of production, and their commitment to their customers. An opportunity presented itself to build on these strengths to create a new company that would claim its place in the global international forest product sector. I firmly believe that we were successful in achieving this objective to the benefit of you, the shareholders, and of course the benefit of both the company and its customers.

Canfor has been both transformed and grown. Last year we witnessed the beginning of Canfor Pulp Limited Partnership, creating significant value for the shareholders of Canfor. This company has quickly established itself as one of the most profitable pulp operations in the business around the world. Our coastal assets were restructured, helping to better position Canfor for financial stability. I wish our former colleagues at Englewood continued success and look forward to a prosperous future for Howe Sound Pulp and Paper

We all also acquired the New South group of companies in North and South Carolina, which not only increased our market reach, but added to our production capacity in North America and diversified our product mix. I am pleased to report that we are maximizing the benefits of this strategic acquisition as they become an integral part of Canfor's asset base.

These and other changes have helped reshape our company. However, this past year has introduced challenges for American lumber producers. We all knew that the ever increasing volume of new housing starts in the United States couldn't last and, indeed, it didn't. Year over year housing starts have declined by over 30%, with uncertainty as to the timing of the eventual market recovery. And although there have been encouraging numbers out of Asia, they have not been sufficient to offset the decline in the U.S. marketplace, where over 70% of our products are consumed. All this has resulted in the lowest lumber and OSB prices witnessed in over a quarter of a century.

I am proud of our company's efforts to expand and develop new markets. The Japanese market continues to be strong. Our commitment to our valued Japanese customers is demonstrated by the new Distribution Centre recently constructed in Richmond. I support more efforts to build on our history in Japan and increase our market share going forward.

Our efforts in China are beginning to bear fruit, with sales doubling each year for the last three years. The Canfor School at Shanghai has been recognized as an innovative vehicle to train and develop users of wood for home construction. Those in Canfor who conceived and implemented this concept are to be commended.

Other Asian and European markets are also growing and present a valuable opportunity for our company.

Besides the market challenges, others exist. The U.S. Softwood Lumber Agreement has provided a business framework for selling lumber into our largest market. Low lumber prices, too much production capacity, and two fractured industries threaten this agreement, which is intended to bring stability to a volatile business. I encourage both countries and industries to find ways to make the agreement work as intended and not tear it apart. Our minds should be around a continental marketplace, not two foes fighting each other.

The mountain pine beetle continues the aggressive infestation of our forests. In the past year we saw the beetle make its way into Alberta, and in B.C. alone the area affected has grown to the size equaling three times the size of Vancouver Island. This epidemic is not stoppable by man, so we must continue to adapt and make productive use of this fiber. It will be two or three generations before full health is returned to the northern forest, so adapting is the key. I encourage all stakeholders, including government, industry, and communities, to work collectively together and develop long-term solutions and not just react to short-term remedies.

Finally, there is the continuing journey of becoming more cost competitive. Progress on this journey has been slower than expected and I am disappointed in our progress. Our results have not met with our expectations. The environment of unsustainably low product pricing, strong Canadian dollar, and significant downtime has resulted in a net loss of \$42.7 million for the first quarter of 2007. However, improvements are evident, as we are achieving higher recovery from our logs, higher productivity in the mills, and we maintain our production percentage of prime products despite the deterioration of the beetle-affected fiber. With investments such as our new mill in Vanderhoof; the new OSB plant in Fort St. John; the new boiler and pellet plant in Houston, and the new turbo-generator in Prince George, the benefits will be realized going forward. I am very proud of the efforts Canfor employees demonstrate every day getting the most out of the tools that they have been given to work with.

The Canfor today has many strengths: A strong balance sheet capable of withstanding the difficult markets while providing resources to improve and grow the company; a committed customer base with longstanding relationships in all markets; supportive communities standing beside an organization that believes in them; an improving asset base becoming more competitive going forward, and, most importantly, one of

the most talented employee and contractor groups in the business. I am proud of the Canfor team and wish them all a safe and prosperous future.

As I leave Canfor, I am leaving many trusted and valued colleagues. I wish to thank them for their efforts and support. I especially wish to recognize the outgoing Canfor board members who have served with integrity and good business judgment.

To the continuing and new board members, I wish you well and hope the future of Canfor brings everyone much success. All the best to you.

I wish to finish by thanking Peter Bentley for the time he has spent with me. My thoughts and prayers are with him and his family today. His heart and vision have helped build the company with very respected values, and I do hope for a speedy recovery.

Thanks for the opportunity. Thanks to you all and all the best. Thank you.

MR. CLIFF: Thank you very much, Jim.

Have you got the results of the --? Mm. Then I won't turn to the results. The results of the vote on the Shareholders Rights Plan will be given to you as soon as it's given to me. Oh, we've got it. How about that for service?

MR. CLIFF: Please. Go ahead.

MR. CALABRIGO: The ballot indicates that voting in favour is 24.8%; votes against, 75.2%.

So, go ahead, Ron, with the rest of the script.

MR. CLIFF: So, we have 71% of the shareholders voting and 75% of those voted against the Shareholders Rights Plan. Accordingly, I declare this motion to be defeated. As a -- as a consequence of this result, the Shareholders Rights Plan has not been approved and will be terminated at the conclusion of this meeting.

This is now an appropriate time at the meeting to those of you who wish to ask any questions, to please do so. Use the microphone and identify yourself and whether you are a shareholder or proxy holder.

MR. HOBSON: Mr. Chairman, my name is Hobson, and I am a shareholder. Over the last three years the company has spent something like \$600 million on capital expenditures, and I'm just wondering of that expenditure what value has accrued to the common shareholder based on the fact that the book value currently is well over \$15 but the market struggles to pay something like 12. My point being is if the company doesn't find adequate places to place

its funds and get an adequate return, perhaps the shareholder could do better on himself. Thank you.

MR. CLIFF: Thank you, Brian.

I'll ask Jim to respond partly to that question, but obviously part of the answer has been in the price of our products that we have no control over.

Jim, would you like to add to that, please?

MR. SHEPHERD: Virtually all decisions around capital expenditures are based on the long-term future pricing of products and markets that we see. Unfortunately we're dealing with a very depressed market today, but I believe that the value that has been placed in these investments will be seen going forward.

MR. CLIFF: Also I should remind everybody that the price of the stock in the marketplace is -- is the result of buys and sales orders and not what necessarily the company would see.

But Mr. Jarislowsky, I think you'd like to make some remarks, please.

MR. JARISLOWSKY: I felt that I should give an explanation why I am not standing for re-election on the board even though our company's clients own something about 18 and a half per cent of the company's shares.

The reason I am resigning or not accepting to be renominated is reasonably simple. I believe that in a cyclical company like Canfor a poison pill is an absolute must because otherwise it allows, through a creeping process and through a process of buying shares from up to three shareholders for the 15% premium, somebody to take control, without the control premium going to the other shareholders. And so it is with great regret that I feel that I do not want to sit on the board where that kind of situation is possible and where that kind of situation if not possible is also a probability. The probability occurs because the right is there to do that. You can increase your position by 5% a year, plus by additionally from the three shareholders with the premium.

So, the -- the reason is really also, in the second place is that the stock of the company, and that has just been brought out, goes up and down with the business cycle. So, for those who want to buy cheap, this right to buy cheap beyond a certain level of shares and thereby to create this creeping takeover is a possibility to do that at a very low price when other shareholders are probably scared out of their stock because of the fact that the earnings are like the ones we heard this morning.

I have a full confidence in the management which is in place at Canfor at the present time, and I'd like to say that I have the highest respect for Jim Shepherd, who has guided us to date. Yes, there have

been mistakes made, but, yes, any merger is one of the most difficult things to carry out in any industry and in this industry it was no exception. It is a learning process and it's a melding of two different organizations and two different cultures, but on the whole when I look at the total achievement of Jim Shepherd I am very proud of what he has done and that's what I want to say to you.

MR. CLIFF: Thank you very much, Stephen, for your very thoughtful remarks.

Are there any other questions?

Hearing no other questions, I would entertain a motion to adjourn the -- terminate the meeting.

MR. WALKER: Hello, my name is David Walker. I am a shareholder, and I move that this meeting be concluded.

MR. CLIFF: Is there a seconder?

MS. BRADBEER: Julie Bradbeer. I'm a shareholder. I second the motion.

MR. CLIFF: Thank you.

You have heard the motion. All those in favour please signify by raising your hand. Contrary, if any.

I declare the meeting terminated and thank you very much for your attendance.