

CANFOR CORPORATION CHAIRMAN'S MESSAGE TO SHAREHOLDERS

Dear Shareholder:

You are invited to attend the Annual General and Special Meeting of Shareholders of Canfor Corporation which will take place on May 4, 2007 at 11:30 a.m. at the Fairmont Hotel Vancouver.

The items of business to be considered at the meeting are described in the accompanying Notice of Annual General and Special Meeting and Information Circular.

As all shareholders are aware, 2006 was a difficult year for several of the Company's business units. It was also a year during which the Board faced some challenges.

The common objective shared by the Board was that the Company have a strong balance sheet as we moved into the cyclical downturn for building materials. That fundamental objective has been achieved, and I am pleased to say that Canfor enjoys a very strong financial position.

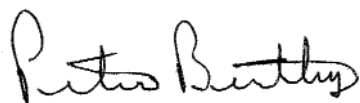
On behalf of the Board, I want to thank all employees for their input through the year, and I want to thank all our Directors for their counsel.

We have always been fortunate at Canfor to attract a very high calibre of distinguished Directors. Paul Tellier, who resigned in March, and fellow Directors Stephen Jarislowky, Brandt Louie, Eric Newell and Michael Phelps have chosen not to stand for re-election. On behalf of the Company, I sincerely thank each of them for all for their input over the time that they have served on the Board.

Finally, a very genuine thank-you to Jim Shepherd who, after leading the Company for the past three years, has announced that he will be stepping down at the Annual General and Special Meeting. Jim has made a lasting and important impression on Canfor, starting with the April 2004 merger between Canfor and Slocan and including our acquisition of New South Companies in the US southeast and his personal leadership of the negotiated solution to the long-running softwood lumber dispute. On behalf of the Board, we certainly wish Jim every continued success in all of his future endeavours.

The Company's future is in good hands and, if elected, the proposed downsized Board will continue to focus on optimizing Canfor's future opportunities.

Sincerely,



Peter J. G. Bentley
Chairman
Canfor Corporation

March 26, 2007

Canfor Corporation

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

To: The Common Shareholders of Canfor Corporation

Notice is hereby given that the Annual General and Special Meeting of the Common Shareholders of Canfor Corporation (the "Company") will be held in the Vancouver Island Room, The Fairmont Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia, on Friday, May 4, 2007 at 11:30 a.m. for the following purposes:

1. To receive and consider the report of the Directors and the consolidated financial statements of the Company and its subsidiaries for the fiscal year ended December 31, 2006 and the report of the auditors thereon.
2. To elect Directors for the ensuing year.
3. To appoint auditors for the ensuing year.
4. To approve the Shareholder Rights Plan as more particularly set out in the Information Circular dated as of March 26, 2007.
5. To transact such other business as may properly come before the meeting.

DATED at Vancouver, British Columbia this 26th day of March, 2007.

By Order of the Board of Directors

David M. Calabrigo
Corporate Secretary

An Information Circular and a copy of the Annual Report of the Company for the year ended December 31, 2006 accompany this Notice of Annual General and Special Meeting. The Information Circular contains details of matters to be considered at the Meeting. The Annual Report includes consolidated financial statements of the Company for the year ended December 31, 2006 and the auditors report thereon and the Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company.

A shareholder who is unable to attend the Meeting in person and who wishes to ensure that its shares will be voted at the Meeting is requested to complete, date and sign the enclosed form of proxy and to deliver the form of proxy in accordance with the instructions set out in the form of proxy and the Information Circular.

Canfor Corporation

INFORMATION CIRCULAR

DATED AS OF MARCH 26, 2007
(except as otherwise provided)

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation by the management of Canfor Corporation (the "Company") of proxies to be used at the Annual General and Special Meeting (the "Meeting") of the Common Shareholders of the Company to be held at the time and place and for the purposes set forth in the notice of the Meeting accompanying this Information Circular.

The solicitation will be by mail. The cost of solicitation will be borne by the Company.

RECORD DATE

The Directors of the Company have fixed March 20, 2007 at the close of business as the record date for determining the names of Common Shareholders of the Company entitled to receive notice of the Meeting. Each person who is entered in the central securities register of the Company at the close of business on March 20, 2007 as a holder of one or more Common Shares of the Company is entitled to attend and vote at the Meeting in person or by proxy and in the event of a poll to cast one vote for each Common Share held.

APPOINTMENT OF PROXYHOLDERS AND REVOCATION OF PROXIES

Each of the persons named in the enclosed form of proxy is a Director and senior officer of the Company. **A shareholder has the right to appoint a person (who need not be a shareholder) as his nominee to attend and act for him and on his behalf at the Meeting other than the persons designated in the form of proxy accompanying this Information Circular. To exercise this right a shareholder may insert the name in full of his nominee in the blank space provided in the form of proxy and strike out the names of the persons now designated, or complete a similar form of proxy.** The proxy will not be valid unless the completed form of proxy is delivered to CIBC Mellon Trust Company, Suite 1600, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1, or the Corporate Secretary of the Company, not less than twenty-four (24) hours (excluding Saturdays and holidays) before the time of the Meeting. A shareholder who has given a proxy has the power to revoke it by a signed instrument in writing in the manner provided in the articles of the Company or in any other manner provided by law any time before it is exercised. The articles of the Company provide that the revocation must be executed by the shareholder or his/her legal representative or trustee in bankruptcy authorized in writing, or where the shareholder is a corporation, by a duly authorized representative of the corporation, and delivered to the registered office of the Company at any time up to and including the last business day preceding the Meeting or delivered to the Chairman of the Meeting prior to the Meeting on the day of the Meeting.

VOTING OF SHARES AND EXERCISE OF DISCRETION BY PROXYHOLDER

The form of proxy accompanying this Information Circular confers discretionary authority upon the proxy nominee with respect to any amendments or variations to matters identified in the notice of the Meeting and any other matters which may properly come before the Meeting. At the date of this Information Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the notice of the Meeting and routine matters incidental to the conduct of the Meeting. In the event that any further or other business is properly brought before the Meeting, it is the intention of the persons designated in the enclosed form of proxy to vote in accordance with their judgment of such business. **On any ballot or poll, the Common Shares represented by the proxy will be voted or withheld from voting in accordance with the instructions of the shareholder as specified in the proxy with respect to any matter to be acted on. If a choice is not so specified with respect to any such matter, the Common Shares represented by a proxy given to management are intended to be voted in favour of the resolutions referred to therein and for the nominees of management for election as Directors, appointment of PricewaterhouseCoopers LLP as auditors and the approval of the shareholder rights plan.**

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at March 20, 2007, the Company has outstanding and entitled to be voted at the Meeting 142,563,797 Common Shares, each Common Share carrying the right to one vote. To the knowledge of the Directors and senior officers of the Company, no person or company owns beneficially, directly or indirectly, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attached to all Common Shares of the Company entitled to be voted at the Meeting except as set out below:

Title of Class	Name of Beneficial Holder	Number of Shares	Percentage of Class
Common Shares	James A. Pattison ¹	35,722,605	25.06
Common Shares	Third Avenue Management LLC ²	26,817,804	18.81
Common Shares	Jarislowsky Fraser Limited ³	26,117,153	18.32
Common Shares	Mackenzie Financial Corporation ²	14,373,100	10.08

¹ The Common Shares beneficially owned by James A. Pattison, a Director, are held by companies wholly owned by Mr. Pattison.

² Based upon publicly available information. Beneficial ownership is not known to the Company.

³ Jarislowsky Fraser Limited, an investment management firm with which Stephen A. Jarislowsky, a Director, is associated, exercises control or direction over 26,117,153 Common Shares of the Company.

James A. Pattison announced on March 12, 2007 that Great Pacific Industries Inc., Great Pacific Capital Corp. and 4123221 Canada Inc. (collectively, "Great Pacific"), all of which are wholly-owned by him, have entered into a voting agreement with Third Avenue Management LLC ("Third Avenue") and Matthews-Cartier Holdings Limited ("Matthews-Cartier"), a holding company controlled by the Company's founding Bentley and Prentice families, with respect to the Common Shares of the Company controlled by each of them. The announcement reported that, collectively, Great Pacific, Third Avenue and Matthews-Cartier (collectively, the "Shareholders") currently own or control 74,636,313 of the Company's Common Shares, or approximately 52% of the outstanding Common Shares.

According to the announcement, under the voting agreement, each of the Shareholders has agreed to vote for a mutually agreed slate of directors at the Meeting and withhold from voting in favour of any other individual nominated for election as a Company director. In addition, each of the Shareholders has agreed to vote against confirmation of the Company's shareholder rights plan adopted by the board of directors of the Company on December 22, 2006 (see "Shareholder Rights Plan" herein). The announcement also states that the voting agreement shall expire immediately following the Meeting.

The Shareholders have indicated to the Company that, under the voting agreement, they will vote at the Meeting for the list of nominees listed below under "Election of Directors".

ELECTION OF DIRECTORS

The persons named in the enclosed form of proxy intend, unless otherwise directed, to vote for the election of a Board of Directors composed of the 8 nominees in the list that follows. Certain nominees are currently Directors of the Company. If any of the nominees do not stand for election or is unable to serve, proxies may be voted for a smaller Board at the discretion of the proxy nominee.

The term of each Director currently in office will expire on May 4, 2007. Certain of the existing Directors have decided not to stand for re-election at the Meeting (see "Shareholder Rights Plan" herein). Each Director proposed as a nominee below will hold office until the Company's next Annual General Meeting, unless his office is earlier vacated in accordance with the articles of the Company.

The following is further information regarding each of the individuals who are proposed as nominees for election as Directors of the Company, including their other principal occupations, directorships and appointments and, where applicable, memberships on committees of the Board of Directors of the Company. A record of attendance at meetings of the Board and its committees during the twelve months ended December 31, 2006 is set out in the "Compensation of Directors/Attendance" section of this Information Circular.



Peter J. G. Bentley, O.C., LL.D., of Vancouver, British Columbia, Canada has served on Board of the Company since 1966. Mr. Bentley is Chairman of the Board of Directors of the Company and of the Company's principal subsidiary, Canadian Forest Products Ltd. ("CFP"), and Co-chairman and a director of HSPP General Partner Ltd., the general partner of Howe Sound Pulp and Paper Limited Partnership. Mr. Bentley is a director of Canfor Pulp Holding Inc., the general partner of Canfor Pulp Limited Partnership.

<u>Shareholdings</u>	<u>2006</u>	<u>2005</u>
Common	472,607	428,328
DSUs ¹	15,914	10,094

After working in various positions throughout the Company, Mr. Bentley became Executive Vice-President in 1970, President in 1975, and Chairman and Chief Executive Officer ("CEO") in 1985, a position he held until April 24, 1995. Mr. Bentley was reappointed to the position of President and CEO of the Company on July 25, 1997 and relinquished the position of President and CEO of the Company on January 1, 1998. Mr. Bentley is President and a director of Sierra Mountain Minerals Inc. and a member of the Board of the Canadian Institute for Advanced Research, a member of the Advisory Board of BuildDirect.com and a Trustee and Chair Emeritus of the Vancouver General Hospital and University of British Columbia Hospital Foundation. He also served for many years as a director of Bank of Montreal and Shell Canada Ltd. Mr. Bentley is Chancellor of the University of Northern British Columbia. Mr. Bentley holds an Honorary Doctorate of Laws degree from the University of British Columbia.

Mr. Bentley is a member of the Company's Environmental, Health and Safety and Capital Expenditure Committees and is an ex-officio member of the Audit, Corporate Governance, Management Resources and Compensation and Pension Committees.



Ronald L. Cliff, C.M., F.C.A., of West Vancouver, British Columbia, Canada has served on the Board of the Company since 1983. Mr. Cliff is Chairman of Heathcliff Properties Ltd. He is also President of the Heathcliff Foundation.

Mr. Cliff was Chairman and a director of BC Gas Inc. (now Terasen Inc.) from 1972 to 2002. He is Chair of Vancouver Police Foundation, a Member of the Dean's Advisory Board to the Sauder School of Business at the University of British Columbia, a Trustee and Treasurer of Vancouver General Hospital and University of British Columbia Hospital Foundation and Chairman of the Vancouver Symphony Foundation.

Mr. Cliff received his Commerce Degree from the University of British Columbia and qualified as a Chartered Accountant in 1954. Mr. Cliff chairs the Company's Audit Committee and is a member of the Pension Committee.

<u>Shareholdings</u>	<u>2006</u>	<u>2005</u>
Common	74,582	74,582
DSUs ¹	15,914	10,094



Benjamin C. Duster IV, of Atlanta, Georgia, USA has been nominated to stand for election to the Board of the Company at the Meeting. Mr. Duster is a Senior Advisor at Watermark Advisors LLC, an advisory firm specializing in mergers and acquisitions (2002 to present).

Mr. Duster was a Partner at Masson & Company, LLC from 2001-2005 and Managing Director, Mergers and Acquisitions, Wachovia Securities, 1997 to 2001.

Mr. Duster is Chairman of the Board of Algoma Steel, Inc. and a Director of Catalyst Paper Corporation, Chairman of the Audit Committee of RCN Corporation, and an Advisory Board Member of River Cities Capital Fund.

Mr. Duster received his B.A. in Economics from Yale College (1981) and an MBA from Harvard Business School (1985) and J.D. (1985) from Harvard Law School.

<u>Shareholdings</u>	<u>2006</u>	<u>2005</u>
Common	Nil	N/A
DSUs ¹	N/A	N/A



Michael J. Korenberg of West Vancouver, British Columbia, Canada, has served on the Board of the Company since 2003. Mr. Korenberg is the Managing Director, Vice-Chairman and a director of The Jim Pattison Group. He was previously the Managing Director, Corporate Development of The Jim Pattison Group.

Mr. Korenberg is a director of Jim Pattison Group Inc. (and its affiliates), a trustee of Westshore Terminals Income Fund and an adjunct professor, Faculty of Law, University of British Columbia.

Mr. Korenberg chairs the Company's Capital Expenditure Committee and is a member of the Company's Audit and Corporate Governance Committees.

<u>Shareholdings</u>	<u>2006</u>	<u>2005</u>
Common	5,995	5,995
DSUs ¹	12,659	7,518



John D. (Ian) Lapey, of Pelham Manor, New York, USA has been nominated to stand for election to the Board of the Company at the Meeting. Mr. Lapey is a senior member of the investment team at Third Avenue Management LLC. He is a portfolio manager for Third Avenue Management's sub-advised portfolios in the small/mid-cap, multi-cap and global value strategies. Mr. Lapey is also responsible for mentoring junior analysts. Mr. Lapey joined Third Avenue in 2001. Prior to joining Third Avenue Management, Mr. Lapey was an equity research analyst with Credit Suisse First Boston.

Mr. Lapey received a B.A. in Economics from Williams College, a M.S. in Accounting from Northeastern University Graduate School of Professional Accounting, and a M.B.A. from New York University Stern School of Business.

<u>Shareholdings²</u>	<u>2006</u>	<u>2005</u>
Common	Nil	N/A
DSUs ¹	N/A	N/A



James A. Pattison, O.C., O.B.C., of West Vancouver, British Columbia, Canada, has served on the Board of the Company since 2003. Mr. Pattison serves as the President, Managing Director, CEO and Chairman of The Jim Pattison Group.

Mr. Pattison is a director of Jim Pattison Group Inc. (and its affiliates), BCE Inc., Bell Canada, Canaccord Capital Inc. and a Trustee of the Board of the Ronald Reagan Presidential Foundation.

Mr. Pattison is a member of the Company's Management Resources and Compensation Committee.

<u>Shareholdings</u>	<u>2006</u>	<u>2005</u>
Common	35,722,605 ³	28,600,000
DSUs ¹	12,659	7,518



Donald C. Selman, F.C.A., of Richmond, British Columbia, Canada, has served on the Board of the Company since 2004. Mr. Selman is a senior consultant with Wolrige Mahon, a firm of chartered accountants and is a chartered business valuator.

Mr. Selman obtained a CA designation in 1958 and a Law Degree from the University of British Columbia in 1960. Mr. Selman is a director of Sun-Rype Products Ltd.

Mr. Selman is a member of the Company's Audit and Pension Committees.

<u>Shareholdings</u>	<u>2006</u>	<u>2005</u>
Common	8,129	8,129
DSUs ¹	9,477	5,000



James F. Shepard, P.Eng., of Vancouver, British Columbia, Canada has been nominated to stand for election of the Board of the Company at the Meeting. Mr. Shepard is a corporate director.

Mr. Shepard retired from Finning International Inc. in April 2000 after a 32-year career, including nine years as Chief Executive Officer (1991 to 2000). Mr. Shepard also served as Chairman of the Board of Finning International Inc., Chairman of the Board of MacDonald Dettwiler and Associates, Vice-Chairman of the Conference Board of Canada, Vice-Chairman of the Business Council on National Issues, Honorary Chairman of Leadership Vancouver and is the past Chairman of the Executive Committee for the Business Council of B.C. He was founding Co-Chairman of the Business Summit of B.C. and is a member of The Conference Board, Inc., New York. Mr. Shepard is Chairman of the Board of Directors of OncoGenex Technologies Inc., a Director of Imperial Oil Limited and initial Chairman of the Cabinet of the Business Laureates of the B.C. Hall of Fame.

Mr. Shepard received a B.Sc. Degree in Civil Engineering from the University of British Columbia and is a member of the Association of Professional Engineers of B.C.

<u>Shareholdings</u>	<u>2006</u>	<u>2005</u>
Common	Nil	N/A
DSUs ¹	N/A	N/A

1. Represents Deferred Units under the Deferred Unit Plan. See "Compensation of Directors/Attendance" herein.
2. Third Avenue Management, LLC, an investment management firm which Mr. Lapey, a nominee for a Director of the Company, is associated, exercises control or direction over 26,817,804 Common Shares of the Company (See "Voting Shares and Principal Holders Thereof" herein).
3. The Common Shares beneficially owned by Mr. James A. Pattison, a Director of the Company, are held by companies wholly owned by Mr. Pattison. See "Voting Shares and Principal Holders Thereof" herein.

For additional information regarding current Directors of the Company see the section of the Company's Annual Information Form dated March 29, 2007 entitled "Directors and Officers," which is incorporated by reference herein.

To the knowledge of the Company, no nominee for election as a Director of the Company was within the last 10 years prior to the date of this Information Circular, a director or executive officer of a company that, while acting in that capacity, (i) was subject to a cease trade or similar order or an order that denied access to any exemption under securities legislation for a period of 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased in such capacity, in a cease trade or similar order or an order that denied access to any exemption under securities legislation for a period of 30 consecutive days; or (iii) within a year of ceasing to act in such capacity, became bankrupt, made a proposal under legislation relating to bankruptcy or insolvency or was subject to any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Mr. James A. Pattison who, from May 1997 to September 1999, was a director of Livent Inc., which in November 1998 filed for protection from creditors under the Companies' Creditors Arrangement Act (Canada) and in September 1999 filed for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code in the United States.

To the knowledge of the Company, no nominee for election as a Director of the Company has, within the last 10 years prior to the date of this Information Circular become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver or receiver manager or trustee appointed to hold his assets.

EXECUTIVE COMPENSATION

COMPOSITION OF THE COMPENSATION COMMITTEE

The Board of Directors has final authority to approve the recommendations of its Management Resources and Compensation Committee (the "Compensation Committee") regarding the compensation of the executives of the Company. The following independent Directors were members of the Compensation Committee at December 31, 2006: S. A. Jarislowsky, E. P. Newell, J. A. Pattison, M. E. J. Phelps and P. M. Tellier. Mr. P. J. G. Bentley is an ex-officio member. For further information on the role and responsibility of the Compensation Committee see "Board Committees – Management Resources and Compensation Committee" herein.

REPORT ON EXECUTIVE COMPENSATION

The executive compensation policies of the Company are designed to attract and retain high calibre executives who will successfully lead the organization so as to ensure a satisfactory return to its shareholders, financial soundness and competitiveness within its business sectors. The compensation package for executives includes base salary, short-term incentives and long-term incentives. The incentive programs are designed to provide the potential for top quartile compensation when compared to similar positions in the Canadian forest products sector and to a broader industry comparison, when performance warrants.

The Compensation Committee engages the services of Mercer Human Resource Consulting LLC ("Mercer") and Towers Perrin, independent consulting firms, to provide advice and counsel on executive compensation matters, including base salary and incentive bonus programs as described further below. The fees paid to Mercer in 2006 for this service were \$47,400 and the fees paid to Towers Perrin in 2006 were \$42,587.

Base Salaries

Base salaries and salary ranges are established using market-competitive information provided by Mercer and Towers Perrin, the independent consulting firms retained by the Compensation Committee for this purpose. In 2006, the Compensation Committee retained Mercer to provide advice on market base salary and bonus information for the senior executives and the CEO. Market information is updated annually and salaries are reviewed annually. The mid-point for salary ranges is set at the median of the market place. The Compensation Committee has sole responsibility for recommending for approval by the Board the compensation of the CEO. The CEO's compensation is compared to top executive positions in the Canadian forest products sector and to a broader industry group.

Canfor Salaried Incentive Plan

The Company instituted a short term incentive plan in 2004 known as the Canfor Salaried Incentive Plan ("CSIP"). The CSIP applies to all salaried employees of the Company (including the CEO) and has three components: corporate performance, business unit performance and individual performance. Corporate performance is measured by return on net assets (RONA). A minimum level of RONA must be achieved before a payout will occur. Target RONA performance levels are established annually taking into account the Company's cost of capital and actual historical RONA levels. For 2006, the minimum target RONA level required for CSIP rewards relating to the corporate performance component was not achieved. Business unit performance relates to the performance of the employee's work unit as measured against specific financial, operational and organization goals and, for the CEO, relates to the performance of the Company generally. Business unit levels or targets are established as part of the annual planning process. Individual performance is measured against agreed upon goals and objectives which are also established as a part of the annual planning process. These goals and objectives may relate to health and safety, training and development or individual performance goals. Award opportunity varies by level within the organization. For senior executives, performance is also measured in relation to the performance of competitors in the forest industry. Market competitive awards range from 10% to 55% of base salary. The highest maximum award can be earned by the CEO and is equal to 110% of base salary. In 2006, the Company paid a total of \$9,482,000 in CSIP awards. Reference is made to the Summary Compensation Table for amounts paid to Named Executive Officers (as defined below) pursuant to CSIP awards. Also in 2006, the Company paid the total amount of \$1,880,000 as a one time discretionary bonus to certain non executive officers and managers in recognition of past performance.

Long Term Incentive Plan ("LTIP")

The Company established a long term incentive plan in 2004. The LTIP applies to designated senior executives including the CEO. The awards are based on a four year comparison of the Company's Total Shareholder Return ("TSR") to the TSR on the Toronto Stock Exchange Paper and Forest Index with respect to certain companies in the Index, RONA and the Company's performance relative to its peer group in the forest sector. LTIP payouts are made in a combination of cash and market purchased shares. The shares will be subject to resale restrictions until the executive achieves the share ownership guidelines for senior officers set by the Company (see "Executive Ownership Guidelines" below). Annual target awards under the LTIP for executive officers (other than the CEO) range from 75% to 100% of base salary, with the CEO's maximum target award being 125%. In 2006 the Company paid a total of \$2,666,957 in LTIP awards. Reference is made to the Summary Compensation Table for amounts paid to Named Executive Officers pursuant to LTIP awards.

Executive Ownership Guidelines

Effective January 1, 2003, the Company instituted share ownership guidelines for senior officers. The guidelines are 1.0 x base salary for Vice-Presidents and 3.0 x base salary for the CEO, based on the market value of the Company's Common Shares. Officers are expected to meet their guideline over a five-year time frame and amounts received from LTIP awards are to be used to purchase shares to meet ownership guidelines. The executive ownership guidelines are reviewed by the Compensation Committee on a periodic basis and may be adjusted in the future.

Minimum share ownership guidelines

Chief Executive Officer	3 times base salary
Vice-President including the Chief Financial Officer	1 times base salary

Compensation of Chief Executive Officer

The Compensation Committee monitors and assesses the performance of the CEO and other senior executives and determines their pay levels. For the fiscal year ending December 31, 2006, the compensation of Mr. James Shepherd, the CEO of the Company, consisted of base salary and short term incentive bonus under the CSIP and long term incentive bonus under the LTIP. In setting the base salary of the CEO, the Compensation Committee considered market competitive information and compared similar positions in the Canadian and British Columbia forest products industry and a broader industry group provided by Mercer.

In determining the 2006 CSIP bonus award for Mr. Shepherd, in addition to the criteria regarding corporate performance and individual performance under the CSIP as described above, the Compensation Committee considered the Company's relative performance to its peer group, various corporate development initiatives completed or commenced in 2006, leadership of the Company and management of succession plans.

The Company and Mr. Shepherd have entered into an agreement whereby if Mr. Shepherd resigns or his employment is terminated without cause, he will receive a lump sum payment of \$2.3 million and be credited under all pension plans of the Company of which he is a member such additional number of years of service that would be sufficient to provide a \$250,000 annual pension at age 55.

CEO Total Compensation – Three Year Summary

	Total 2004-2006	2006	2005	2004
Base Salary	1,707,211	649,615	619,615	437,981
Bonus	817,450	163,450	60,000	594,000
CEO Long Term Incentive Plan	3,219,000	998,250	693,000	1,527,750
Other annual compensation	99,072	38,560	39,850	20,662
Total Consideration Paid/Owing to CEO	5,842,733	1,849,875	1,412,465	2,580,393
Annual Pension Service Cost	623,034	198,000	308,289	116,745
Year-End Market Capitalization (billions)	5,696	1,538	1,914	2,244
Change over 2004-2006 in Year-End Market Capitalization	(.31%)			
Number of Common Shares held in Company	90,633	90,633	13,191	8,957

Stock Options

In 1998, the Company established a Performance Stock Option Plan (the "PSO Plan"), subject to approval by ordinary resolution of the shareholders which was granted at the annual general meeting on April 20, 1999. The PSO Plan was subsequently broadened and, with shareholder approval, the number of Common Shares which may be issued upon exercise of options under the PSO Plan was increased to 5,800,000, which represents 4.07% of the Company's currently outstanding Common Shares.

Under the PSO Plan, the Company may grant to employees of the Company or its subsidiaries or affiliates, options to purchase a specified number of Common Shares of the Company. The exercise price for options granted under the PSO Plan will be not less than the closing price of the Common Shares on the Toronto Stock Exchange ("TSX") on the day prior to the day on which the option is granted.

Stock Options Granted Pursuant to PSO Plan

Date Options Granted	No. of Individuals as at December 31, 2006	Aggregate No. of Common Shares as at December 31, 2006	Exercise Price per Share \$	Option Expiry Date
January 29, 2001	13	95,383	8.30	January 29, 2011
May 18, 2001	1	2,500	11.80	January 29, 2011
February 5, 2002	28	160,835	9.80	February 5, 2012
April 29, 2002	3	11,000	10.10	April 29, 2012
November 29, 2002	1	2,334	7.57	October 7, 2012

For information regarding the vesting and terms and conditions of exercise of options granted in 2001 and 2002 under the PSO Plan, see the Notes to the table entitled "Aggregated Option/SAR Exercises During the Year Ended December 31, 2006 and Year-End Option/SAR Values" herein. The maximum number of Common Shares issuable to all insiders under the PSO Plan is 10% of the Company's outstanding Common Shares, and to any one insider is a maximum of 5% of outstanding Common Shares. Entitlements under the PSO Plan cease on termination of an employee's employment as a result of the employee's death, disability or retirement (after three years), termination for cause (immediately) and for any other reason other than cause, normal retirement, death or disability (30 days). The rights of the employees under the PSO Plan are not assignable except to certain family members and personal representatives upon death.

No stock options were granted in 2006.

During the year-ended December 31, 2006, a total of 38,417 Common Shares were issued pursuant to the exercise of options. As at March 17, 2007, there are a total of 257,052 options outstanding, representing 0.02 % of the Company's currently outstanding Common Shares.

The Company does not plan to grant further stock options and has not granted options since November 2002.

Employee Share Purchase Plan

The Company has established an employee share purchase plan (the "Employee Purchase Plan") for employees of the Company's wholly owned subsidiary, CFP. CFP is the direct employer of virtually all of the Company's employees. The Employee Purchase Plan was approved by the shareholders of the Company by special resolution on April 20, 1999.

The Employee Purchase Plan is an employee profit sharing plan in accordance with section 144 of the Income Tax Act (Canada).

The purpose of the Employee Purchase Plan is to develop an interest by the employees of CFP in the growth and development of the Company by providing them with the opportunity to participate in the ownership of the Company through the purchase of its outstanding Common Shares. All regular employees of CFP are eligible to participate in the Employee Purchase Plan upon completion of one year of employment with CFP.

Enrolment in the Employee Purchase Plan is voluntary. Each participating employee is entitled to contribute as a basic contribution a minimum of 1% and a maximum of 5% of his or her basic wages or salary to the Employee Purchase Plan and may make a supplementary contribution of up to an additional 5% of such wages or salary. CFP will make a basic contribution each month in an amount equal to 30% of each participant's basic contribution and also pays the cost of brokerage and commissions.

All Common Shares purchased under the Employee Purchase Plan are outstanding shares purchased in the market or by private purchase by the trustee appointed from time to time for the Employee Purchase Plan (the "Trustee"). No Common Shares will be issued from treasury under the Employee Purchase Plan. All cash dividends received by the Trustee in respect of Common Shares held in the Employee Purchase Plan will be reinvested by the Trustee in additional Common Shares.

Change of Control and Termination Agreements

The Company has entered into Change of Control Agreements with certain senior executives, including some of the Named Executive Officers as defined below. The agreements provide that if during a period commencing on a change in control of the Company and ending eighteen (18) months later, the senior executive's employment is terminated or he is constructively dismissed, the senior executive may elect to accept either a salary continuation or a lump sum payment. In either case, the senior executive will be entitled to a severance payment equal to twenty-four (24) months salary, a percentage of annual base salary equal to the target bonus for that period and a pro-rated bonus for the year in which his or her employment ceased, and in the case of the salary continuation, certain continued benefits.

For the purposes of these agreements, a "change in control" is defined as an acquisition by a person or group of persons of more than twenty (20%) percent of the Company's outstanding Common Shares, a change in a majority of the Board of Directors (other than through solicitation by management of the Company), a business combination involving the Company or any of its subsidiaries where, as a consequence, the book value of the assets of the resulting entity is more than one hundred and fifty (150%) per cent of the book value of the Company's assets on a consolidated basis before the business combination or any disposition of assets comprising more than fifty (50%) per cent in book value of the Company's assets on a consolidated basis.

Prior to the combination with the Company, Slocan had entered into change of control agreements with certain of its senior executives, including the CEO of the Company, Mr. Shepherd, which agreements continue to be applicable to the benefit of those executives as a result of the acquisition of all of the issued shares of Slocan by the Company, and the amalgamation of Slocan with the Company's wholly owned subsidiary, CFP, on April 1, 2004. These change of control agreements provided for lump sum payments in lieu of any other severance entitlements in certain circumstances, including in the event of the termination of the executive's employment within three years of the occurrence of a change of control of Slocan. A change of control is defined as an acquisition of direct or indirect beneficial ownership of more than 35% of Slocan's outstanding shares. The combination of Slocan and the Company was a change of control as defined by these agreements. Under these agreements, the cash lump sum payable is equal to the aggregate of the executive's annual base salary for periods ranging from two to three years, plus an amount representing the cost of the then existing benefits provided to the executive by Slocan over that period, plus a bonus based on the average of the highest two years of bonus paid to the senior executive in the prior three years. In addition, the executive is entitled to receive a lump sum payment in respect of any accrued vacation pay and other unpaid incentives, to exercise outstanding options which had vested or would vest within the period from the date of termination for which salary is paid (of which none currently remain outstanding) and to have such period credited as service under Slocan's pension plans.

The Company and Mr. Shepherd have entered into an agreement regarding his termination of employment without cause or resignation (see "Compensation of Chief Executive Officer" herein).

This report is made by the members of the Compensation Committee.

S.A. Jarislowsky
E. P. Newell
J.A. Pattison
M. E. J. Phelps, Chairman
P. M. Tellier

Summary Compensation Table

The following Summary Compensation Table sets forth, for each of the Company's three most recently completed financial years, the compensation of the CEO and the chief financial officer ("CFO"), the three most highly compensated executive officers of the Company, other than the CEO and CFO who were serving as executive officers at December 31, 2006 and any individual who would have been disclosed except he was not serving as an officer as at December 31, 2006 (the CEO, CFO and such executive officers are referred to collectively as the "Named Executive Officers"). For the year-ended December 31, 2006, the Company paid aggregate direct remuneration to its Directors and senior officers in the total amount of \$7,148,975.

SUMMARY COMPENSATION TABLE

Annual Compensation

Long-Term Compensation

Name and Compensation ⁶ Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation ⁴ (\$)	Awards	Payouts		All Other (\$)
					Securities Under Options/SARs Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts ⁵ (\$)	
J.A. Shepherd ¹ President and Chief Executive Officer	2006	649,615	163,450	-	-	-	998,250	38,560
	2005	619,615	60,000	-	-	-	693,000	39,850
	2004	437,981	594,000	-	-	-	1,527,750	20,662
S.R. Wilson ² Vice President, Finance and Chief Financial Officer	2006	339,577	68,440	-	-	-	406,980	13,836
	2005	135,289	13,960	-	-	-	-	78,972
	2004	-	-	-	-	-	-	-
J.M. Singleton ³ President and Chief Executive Officer New South Companies, Inc.	2006	497,468	158,066	-	-	-	-	41,160
	2005	-	-	-	-	-	-	-
	2004	-	-	-	-	-	-	-
D.B. Kayne Vice-President, Wood Products Sales and Marketing	2006	253,269	57,930	-	-	-	308,550	19,058
	2005	244,807	49,090	-	-	-	220,000	14,843
	2004	222,284	153,610	-	5,000	-	485,000	13,512
D.M. Calabrigo Vice-President, Corporate Development, General Counsel and Corporate Secretary	2006	236,573	38,140	-	16,000	-	216,167	17,427
	2005	230,558	23,350	-	16,000	-	154,110	13,406
	2004	225,000	160,880	-	16,000	-	339,743	11,824
D.W. Madlung ⁷ Former Vice-President, Wood Products, West	2006	176,740	-	-	-	-	-	392,915
	2005	273,923	49,560	-	-	-	242,880	21,536
	2004	199,096	172,380	-	-	-	535,440	19,627

1. Slocan combined with the Company on April 1, 2004. Mr. Shepherd was appointed as an officer of the Company in April 2004. Accordingly, the amounts indicated for Mr. Shepherd in the table do not include any compensation paid by Slocan in the first quarter of 2004.
2. Mr. Wilson was appointed Vice-President, Finance and CFO on July 29, 2005.
3. Mr. Singleton is the President and CEO of New South Companies, Inc., which was acquired by the Company on March 6, 2006. All amounts indicated for Mr. Singleton are for the period of March 6, 2006 to December 31, 2006.
4. The aggregate amount of compensation by way of perquisites or other personal benefits, securities or property under this column paid to the Named Executive Officers does not exceed the lesser of \$50,000 and 10% of the total annual salary and bonus for the applicable financial year. The Company's perquisite plan for senior officers consists of an automobile lease, parking, financial counselling and a club membership. The maximum annual amount available under the perquisite plan to the CEO is \$35,000 and to Vice-Presidents \$30,000.
5. These amounts reflect payments made under the Company's LTIP for the performance period of 2004, 2005 and 2006 (See "Executive Compensation – Long Term Incentive Plan" herein for a description of the plan). Pursuant to the terms of the LTIP, the payment is to be used to purchase a sufficient number of shares of the Company in order for the Named Executive Officers to comply with the Company's executive ownership guidelines (See "Executive Compensation – Executive Ownership Guidelines" herein).
6. For all Named Executive Officers these amounts may also include imputed benefit or loan and mortgage assistance, amounts contributed toward the Company's Employee Share Purchase Plan, flexible pension allocations, medical and dental benefits and relocation expenses. For Mr. Madlung, this amount includes a lump sum payment made in connection with his cessation of employment.
7. Mr. Madlung resigned as Vice-President, Wood Products, West on August 11, 2006.

The total aggregate compensation for the Named Executive Officers is shown below.

	2006	2005	2004
Total Aggregate Named Executive Officers Compensation	5,092,171	3,178,749	5,118,789
As a % of Total Market Capitalization as at December 31	0.32	0.16	0.22
As a % of Total Net Income After Tax ¹	1.0	3.3	1.2

1. See the Company's financial statements for the respective financial years ending December 31, 2004, 2005 and 2006 on SEDAR at www.sedar.com or on the Company's website www.canfor.com.

AGGREGATED OPTION/SAR EXERCISES DURING THE YEAR ENDED DECEMBER 31, 2006 AND YEAR-END OPTION/SAR VALUES

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at December 31, 2006 (#) ^{1,2,4}	Value of Unexercised In-the-Money Options/SARs at December 31, 2006 (\$) ^{2,3}
D. M. Calabrigo	-	-	16,000	15,840

- Based on options exercisable for Common Shares of the Company. No SARs are currently outstanding.
- The options granted by the Company under the PSO Plan in 2001 and 2002 vest over a three year period. See "Executive Compensation – Report on Executive Compensation - Stock Options Granted Pursuant to PSO Plan". The options granted in January 2001 are exercisable upon the market price having attained a level of \$10 per share or greater. All of these options have vested and all are exercisable. All of the options granted in May 2001 and in 2002 have vested and are exercisable. In the event of a "change of control" as defined in the stock option agreements held by the Named Executive Officers for options granted under the PSO Plan, all outstanding options will vest, 50% of the options will be exercisable immediately and the remaining options may be exercised depending on the compounded annual growth rate of the Common Shares since the dates on which the options were granted.
- "In-the-money" means the excess of the market value of the Common Shares of the Company on December 31, 2006 (\$10.79) over the exercise price of the options granted during 2001 (\$8.30) and options granted during 2002 (\$9.80).
- Exercisable, subject to trading restrictions pursuant to the Company's share trading policy.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS AS AT DECEMBER 31, 2006

Equity Compensation Plan Information

Plan Category	Number of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants and Rights (A)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)
Equity compensation plans approved by securityholders	272,052 ¹	\$9.40	2,777,422
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	272,052		2,777,422

1. All of these securities are issued under the PSO Plan referred to above.

PENSION PLANS

Other than Mr. Singleton, the Named Executive Officers are members of the Company's defined benefit pension plans, which provide retirement benefits determined primarily by: (i) highest average pensionable earnings which includes regular salary and 50% of any bonuses (100% for the CEO) and lump sum performance awards in a highest period of three consecutive years during the final ten years of employment; and (ii) years of service. Mr. Singleton is an employee of New South Companies, Inc. and as such is not a member of the Company's pension plan. The estimated annual benefits payable upon retirement under those plans are in accordance with the following table.

PENSION PLAN TABLE

Remuneration (\$)	Years of Service (not limited to 35 years)				
	15	20	25	30	35
250,000	71,031	94,613	118,196	141,778	165,361
300,000	86,031	114,613	143,196	171,778	200,361
400,000	116,031	154,613	193,196	231,778	270,361
500,000	146,031	194,613	243,196	291,778	340,361
600,000	176,031	234,613	293,196	351,778	410,361
700,000	206,031	274,613	343,196	411,778	480,361
800,000	236,031	314,613	393,196	471,778	550,361
900,000	266,031	354,613	443,196	531,778	620,361
1,000,000	296,031	394,613	493,196	591,778	690,361
1,100,000	326,031	434,613	543,196	651,778	760,361
1,200,000	356,031	474,613	593,196	711,778	830,361
1,300,000	386,031	514,613	643,196	771,778	900,361
1,400,000	416,031	554,613	693,196	831,778	970,361
1,500,000	446,031	594,613	743,196	891,778	1,040,361

The earnings upon which benefits under the plans are based are those shown in the columns headed "Salary" and "Bonus" in the Summary Compensation Table. Benefits are computed on the basis of a straight life annuity, guaranteed for a minimum of five years, and are subject to deductions for personal income tax. The estimated years of service of the Named Executive Officers is set out under "Fiscal 2006 Changes in Accrued Pension Liabilities" below.

The Company has also entered into an agreement with Mr. Shepherd, the CEO of the Company, regarding his credited years of service under the Company's pension plans in the event of termination of his employment without cause (See "Executive Compensation" and "Compensation of Chief Executive Officer" herein).

Fiscal 2006 Pension Expense Related to Service and Compensation

Amounts reported in the table below represent the Company's 2006 pension expense related to each of the Named Executive Officers and the impact of differences between actual compensation paid in 2006 and the actuarial assumptions used for the year.

Name	Fiscal 2006 pension expense related to service and compensation
J. A. Shepherd	198,500
S. R. Wilson	117,500
D. B. Kayne	50,000
D. M. Calabrigo	47,000
D. W. Madlung	51,000

Fiscal 2006 Changes in Accrued Pension Liabilities

The Company's accrued pension liability is calculated following the method prescribed by the Canadian Institute of Chartered Accountants and is based on management's best estimate of future events that affect pension liabilities, including assumptions about future salary adjustments and bonuses. Changes in accrued pension liabilities for the Named Executive Officers are summarized in the following table. These changes include the fiscal 2006 expense attributed to service and compensation as reported in the previous table as well as the normal changes/increases¹ to pension liabilities arising.

Name	Accrued liability at December 31, 2005 ^(2,4)	Change in accrued liability for 2006 ^(2,3)	Accrued liability at December 31, 2006 ^(2,5)	Years of credited service at December 31, 2006
	(a)	(b)	(c) = (a) + (b)	
J. A. Shepherd	1,208,983	464,017	1,674,000	7.87
S. R. Wilson	41,000	130,000	171,000	3.68 ⁽⁶⁾
D. B. Kayne	1,151,000	263,000	1,674,000	26.5
D. M. Calabrigo	197,000	140,000	337,000	6.0
D. W. Madlung	171,125	(67,125)	104,000	3.38

1. The normal changes/increases include interest on the beginning of year liability, employee contributions to the pension plan, changes in interest rate assumptions as the result of changes in long-term bond yield and changes in exchange rates.
2. The calculation of reported amounts uses actuarial assumptions and methods that are consistent with those used for calculating pension liabilities and annual expense as disclosed in the Company's 2005 and 2006 Consolidated Financial Statements. As the assumptions reflect the Company's best estimate of future events, the values shown in the above table may not be directly comparable to similar estimates of pension liabilities that may be disclosed by other corporations.
3. The change in accrued liability for 2006 excludes the impact of investment returns on the Company's pension plan assets.
4. The accrued liability at December 31, 2005 is based on the 2005 salary and 50% of the bonus attributed to 2005 that was paid in 2006. For Mr. Shepherd 100% of the bonus was attributed.
5. The accrued liability at December 31, 2006 is based on the 2006 salary and 50% of the bonus attributed to 2006 that was paid in 2007. For Mr. Shepherd 100% of the bonus was attributed.
6. Mr. Wilson has entered into an arrangement with the Company whereby he receives approximately 2.6 years of credit for every year of Company service until age 55.

Based on the years of credited service in the foregoing table, the annual pension entitlements for the Named Executive Officers are as follows:

Name	Annual Pension Entitlement
J. A. Shepherd	127,000
S. R. Wilson	13,500
D. B. Kayne	147,000
D. M. Calabrigo	34,000
D. W. Madlung	12,900

Indebtedness of Directors, Executive Officers and Senior Officers

Loans are provided to officers and employees of the Company for re-location purposes. The aggregate indebtedness to the Company or any of its subsidiaries of all officers, directors, employees and former directors, officers and employees of the Company or any of its subsidiaries outstanding as at March 17, 2007 amounted to \$746,194.

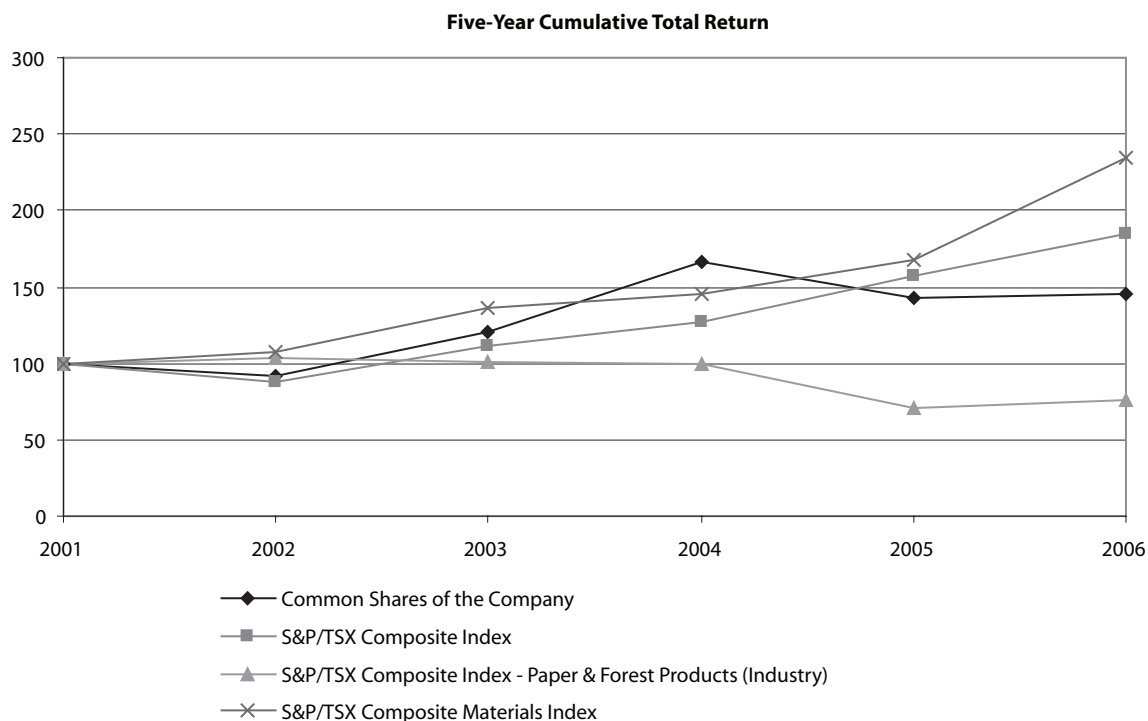
AGGREGATE INDEBTEDNESS (\$)¹

Purpose	To the Company or its Subsidiaries	To Another Entity
Share purchases	N/A	N/A
Other	\$746,194	N/A

1. As at March 17, 2007.

PERFORMANCE GRAPH

The following graph compares the total cumulative shareholder return for \$100 invested in Common Shares of the Company on December 31, 2001 with the cumulative total shareholder return of the S&P/TSX Composite Index, S&P/TSX Composite Index - Paper & Forest Products (Industry) and S&P/TSX Composite Materials Index for the five most recently completed financial years.



	2001	2002	2003	2004	2005	2006
Company Common Shares	100	91	120	167	143	145
S&P/TSX Composite Index	100	88	111	127	158	185
TSX Paper & Forest Index	100	103	101	100	71	76
S&P/TSX Composite Materials Index	100	107	136	146	168	235

Note: Dividends declared on Common Shares of the Company are assumed to have been reinvested at the market price of the Company's shares on the payment date. The S&P/TSX Composite Index and the TSX Paper and Forest Index are similarly based on the reinvestment of dividends.

Compensation of Directors/Attendance

For the fiscal year ended December 31, 2006, the Directors who are not officers of the Company were paid a retainer of \$20,000 and were also paid an attendance fee of \$1,000 for each day of a scheduled meeting and an attendance fee of \$2,000 for each day of a non-scheduled meeting of the Board or any Committee of the Board. Those Directors who are not officers of the Company and serve on a Committee of the Board were also paid a retainer of \$3,000 for the most recently completed financial year. In addition, the Chairman of each Committee of the Board was paid a fee of \$3,000 for the most recently completed financial year. The Chairman of the Board was paid a quarterly fee of \$25,000 for serving as Chairman of the Board. Director compensation for Board and Committee meetings is summarized in the following table.

Annual Board Chair Retainer	\$100,000
Annual Board Retainer	\$20,000
Annual Committee Retainer	\$3,000
Annual Committee Chair Retainer	\$3,000
Board/Committee Meeting Fees for scheduled meeting	\$1,000
Board/Committee Meeting Fees for non-scheduled meeting	\$2,000

Effective January 1, 2002 the Company instituted a non-employee director deferred share unit plan (the "Deferred Unit Plan"). Each non-employee director of the Company receives 2,500 deferred units ("Deferred Units") annually in accordance with the Deferred Unit Plan. The Plan also provides for the issuance of Deferred Units with respect to any dividend paid by the Company. A Deferred Unit is a bookkeeping entry having the same value as one Common Share of the Company, but is not paid out until such time as the Director leaves the Board, thereby providing the financial equivalent of an ongoing equity stake in the Company throughout the Director's period of Board service. Payment of Deferred Units may be in cash or Common Shares of the Company purchased on the open market or both. The Deferred Unit Plan provides that Directors holding Deferred Units are credited with additional units reflecting an equivalent value to dividends paid from time to time in respect of the Company's Common Shares and also allows for the adjustment to the outstanding Deferred Units held by the Directors which are appropriate to reflect any significant reorganizations or other corporate changes affecting the Company's Common Shares (such as the spin out of the Company's pulp and paper business to Canfor Pulp Limited Partnership in 2006). As at December 31, 2006, the accrual in respect of the Deferred Units currently outstanding to Board members was \$1,030,000.

The Board has instituted shareholding expectations for each of its Directors. The guidelines provide that each Director is expected to own 10,000 Common Shares of the Company. The Directors have a period of 2 years in which to achieve the guidelines and Deferred Units are included in the ownership guideline.

Directors' Compensation Summary for 2006

Director	Total Fees Paid in Cash⁽¹⁾
Peter J. G. Bentley	\$ 189,500
Ronald L. Cliff	\$ 56,000
Stephen A. Jarislowsky	\$ 50,750
Michael J. Korenberg	\$ 69,000
Brandt C. Louie	\$ 57,250
Eric P. Newell	\$ 64,750
James A. Pattison	\$ 39,000
Michael E. J. Phelps	\$ 64,000
Donald C. Selman	\$ 49,000
James A. Shepherd ⁽²⁾	N/A
Paul M. Tellier ⁽³⁾	\$ 33,500
Total	\$ 672,750

1. Before deduction of applicable taxes.

2. As an executive of the Company, Mr. Shepherd is not paid board/committee retainers or meeting fees.

3. Mr. Tellier was appointed to the Board on April 28, 2006.

Summary of Board/Committee Meetings Held

For the 12-month period ended December 31, 2006

Board	10
Audit	5
Corporate Governance	5
Environmental, Health and Safety	4
Capital Expenditure	7
Management Resources and Compensation	4
Pension	4

Summary of Attendance of Directors

For the 12-month period ended December 31, 2006

Director/Age	Board Meetings Attended ⁽¹⁾	Committee Meetings Attended
Peter J. G. Bentley (77)	10 of 10	29 of 30
Ronald L. Cliff (78)	10 of 10	9 of 9
Stephen A. Jarislowsky (81)	9 of 10	9 of 9
Michael J. Korenberg (46)	10 of 10	18 of 18
Brandt C. Louie (63)	9 of 10	8 of 10
Eric P. Newell (62)	8 of 10	16 of 21
James A. Pattison (78)	8 of 10	3 of 4
Michael E. J. Phelps (59)	9 of 10	14 of 14
Donald C. Selman (72)	9 of 10	8 of 9
James A. Shepherd (54) ²	8 of 8	11 of 11
Paul M. Tellier (67) ³	8 of 8	2 of 4

1. In 2006, there were 4 scheduled Board meetings and 6 unscheduled Board meetings.

2. Mr. Shepherd is an ex-officio member of the Capital Expenditure and Environmental, Health and Safety Committees and, as a non-independent director, did not sit as a member on any other Board Committees but attended Committee meetings on behalf of management.

3. Mr. Tellier was appointed to the Board on April 28, 2006.

CORPORATE GOVERNANCE

INTRODUCTION

National Instrument 58-101 "Disclosure of Corporate Governance Practices" ("N1 58-101") requires public companies to disclose annually their corporate governance practices, including the constitution and independence of their board of directors, their mandates, roles, responsibilities and membership, and various items dealing with effective corporate governance. The following disclosure describes the Company's current corporate governance practices.

Board Responsibilities

Under a set of Governance Principles and a Code of Conduct adopted by the Board, the Board has explicitly acknowledged its responsibility for the stewardship of the Company, including the supervision of the management of its affairs and business. The basic objective of the Board is to ensure that shareholder value is preserved and maximized over the longer term and that the highest ethical standards are maintained throughout the Company's operations. In pursuing this objective, consideration is given to the interests of other stakeholders and to balancing gain against risk in order to ensure the financial viability of the business of the Company. Under the Governance Principles and the Code of Conduct, the Board (directly or through its Committees) has expressly assumed responsibility in the areas listed below, among others.

Culture of Integrity

The Board has assumed responsibility for satisfying itself, to the extent feasible, as to the integrity of the CEO and the other executive officers of the Company and that those officers work to create a culture of integrity throughout the Company. The Governance Principles and Code of Conduct are designed to assist the Board in defining and maintaining appropriate standards of integrity throughout the organization (see also "Ethical Business Conduct" below).

Strategic Planning

The Board participates in the strategic planning process by reviewing and evaluating management's strategic plan. The Board sets aside at least one meeting per year to review and comment on management's strategic plan. This allows the Directors to gain a better appreciation of management's strategic planning priorities. Updates are provided to the Board throughout the year. The Board held a full day strategic planning session in 2006.

Risk Management

Risk Management is a primary responsibility of the CFO and includes the identification and management of the principal risks of the Company's business. Regular reports on risk issues are made to the Audit Committee and management conducts an annual corporate risk assessment. In its deliberations, the Board considers the principal risks of the Company's business and satisfies itself that management has systems in place to manage those risks. In order to facilitate the management of the Company's business risks, the Board has adopted a risk management controls policy which sets out the responsibilities, reporting and counterparty credit requirements associated with all risk management activities as well as a specific energy risk management policy which sets out principles for managing energy price exposure risks.

Succession

The Management Resources and Compensation Committee reviews succession planning for the CEO and other key senior executives as well as personal development plans for senior management. The Compensation Committee is provided with regular updates on the succession and development programs from the CEO and reports to the Board on succession planning matters.

Communication Policy and Disclosure Control

The Company has adopted a Corporate Disclosure Policy covering timely dissemination of material information. The policy establishes guidelines relating to how material/sensitive company information is disclosed, responsibilities of officers, avoidance of selective disclosure and blackout periods. The Company also communicates through the dissemination of continuous disclosure materials such as annual and quarterly reports, news releases and its Annual Information Form. The Company maintains and regularly updates its website and conducts briefing sessions and group meetings.

Integrity of Internal and Financial Disclosure Controls

From time to time the Board directly and through its Audit Committee reviews and assesses the adequacy and integrity of the Company's internal controls and management and information systems, as well as its disclosure controls and procedures to ensure that financial information for public disclosure is properly recorded, processed, summarized and reported to the Board and the Audit Committee. The Company has established a Disclosure Committee comprised of senior managers of the Company. The Disclosure Committee reviews and assesses the financial disclosure of the Company and the internal controls and procedures for ensuring that accurate information is being processed. The Disclosure Committee meets with the CEO and CFO to discuss its findings. The Audit Committee regularly meets with the internal auditor, external auditor and management to discuss the effectiveness of such controls.

THE BOARD OF DIRECTORS

Independence

The Board is currently composed of 10 Directors, 9 of whom are independent Directors as defined in NI 58-101. One of the present directors, James Shepherd, is a member of senior management and therefore is not considered to be independent for this purpose. Another Director, Mr. Peter Bentley, who was previously President and CEO of the Company, does not currently exercise management functions as Chairman of the Board and has not been a member of management of the Company since 1997, and is therefore considered to be an independent director. No independent Director has entered into any contracts with the Company, received remuneration from the Company in excess of Director's compensation or worked for the Company in the last 5 years. The Board has provided a means whereby individual Directors may engage outside advisors at the expense of the Company in appropriate circumstances. In 2006, no advisors were engaged on behalf of individual Directors. Of the 8 individuals proposed as nominees for election as Directors at the Meeting, all are considered to be independent as defined in NI 58-101.

Other Directorships

The names of other reporting issuers in respect of which each Director and proposed Director presently serves as a director are set out under the "Election of Directors" section of this Information Circular.

Board Meetings

The independent directors, as part of each Board meeting, hold *in camera* sessions without the presence of Mr. Shepherd (as a non-independent Director) and other members of management to discuss issues relating to management and governance of the Company generally. The Board held seven such meetings in 2006. The Chairman of the Corporate Governance Committee meets annually with the CEO and Chairman of the Board to discuss the relationship between management and the Board and reports the results of these discussions to the Board.

Attendance Record

The attendance record of each Director for Board meetings and committee meetings is disclosed under the "Summary of Attendance of Directors" section of this Information Circular.

Chairman

Mr. Peter Bentley is the Chairman of the Board of Directors. As discussed under "Independence" above, Mr. Bentley is considered to be an independent director as defined in NI 58-101. As Chairman, Mr. Bentley is responsible for ensuring the effective functioning of the Board, independent of management, and in a manner consistent with the Governance Principles and Code of Conduct, as described under "Code of Conduct" below. A written position description of the Chair of the Board is available on the Company's website at www.canfor.com.

BOARD MANDATE

In 2006, the Board approved a written Board Mandate entitled The Board Terms of Reference, which defines the Board's roles and responsibilities. The Board Terms of Reference have been filed on SEDAR at www.sedar.com and on the Company's web site at www.canfor.com.

POSITION DESCRIPTIONS

The Board has adopted position descriptions for the Chair of the Board, the Chair of each Board Committee and for the CEO, each of which is available on the Company's web site at www.canfor.com.

ORIENTATION AND CONTINUING EDUCATION

Programs for the orientation for new Directors and the ongoing education of existing Directors are the responsibility of the Corporate Governance Committee and the Chairman of the Board oversees the program. New Directors are provided with a Directors Orientation Manual containing details of the Company's organizational structure, terms of reference for the Board and Committees, the Company's Annual Information Form and other relevant materials. Visits to various operations sites of the Company are organized for such members by the Chairman of the Board. The Board receives updates and other information from management relating to changes in law or other matters relevance to the Board.

ETHICAL BUSINESS CONDUCT

Code of Conduct

As noted above, the Board has adopted a set of Governance Principles and a Code of Conduct. The Governance Principles deal with issues such as the role of the Board and management, functions of the Board, qualifications of Directors, independence of Directors, ethics and conflicts of interest. The Code of Conduct defines the standards and values which the Company expects all of its employees to follow in their dealings with stakeholders and is consistent with the Company's corporate values of integrity, trust, openness and respect for people. The Board Governance Principles and Code of Conduct have been filed on SEDAR at www.sedar.com and on the Company's website at www.canfor.com and a copy may be obtained from the Corporate Secretary of the Company.

The CEO of the Company reports to the Corporate Governance Committee on his efforts to monitor and promote a culture of integrity consistent with the Code of Conduct which includes meetings and discussions with senior managers and other stakeholders of the Company. A further description of the roles and responsibilities of the Corporate Governance Committee is set out under the section "Board Committees" below.

On an annual basis, each Director is required to disclose and the Board reviews all of the Directors' personal or business relationships with the Company in order to allow the Board to determine whether such relationships could reasonably be expected to interfere with the Director's independent judgment. If a conflict of interest arises between the Director and the Company, that Director would not participate in the relevant decision.

NOMINATION OF DIRECTORS

The responsibility for the identification of new candidates for Board nomination resides with the Company's Corporate Governance Committee.

The Corporate Governance Committee canvasses Board members for their suggestions regarding potential appointees to the Board and identifies and recommends annually to the Board, for its consideration, a short list of proposed nominees for election to the Board. In considering the candidates on the list, the Committee considers individual backgrounds, skills and expertise, geographic representation and the requirements of the Board in terms of skills and mix.

The Corporate Governance Committee is composed entirely of independent Directors. A further description of the responsibility, power and operations of this Committee is set out under the Section entitled "Board Committees" below.

The Board has instituted a retirement policy for Directors which provides for a retirement age of 75 years. In addition, any new nominee to the Board must be able to serve at least 5 years before attaining the retirement age. The Board has also adopted transitional provisions for current Directors which provides that for current Board members that are 75 years or older, such Directors will be entitled to stand for election at an annual general meeting provided that such Director is not older than 79 years at the date of the meeting.

COMPENSATION

The process for the determination of the compensation of the Company's directors and officers is overseen by the Company's Management Resources and Compensation Committee. As described under the "Report on Executive Compensation" section of this Information Circular, the Management Resources and Compensation Committee engaged the services of Mercer and Towers Perrin to assist the Management Resources and Compensation Committee in determining the Company's compensation levels in 2006.

The Management Resources and Compensation Committee annually reviews Directors' and officers' compensation, with the assistance of its outside independent consultants, to amend compensation as required to reflect adequate compensation aligned with shareholder interests.

The Management Resources and Compensation Committee is composed entirely of independent directors. A description of the responsibilities, powers and operations of the Company's Management Resources and Compensation Committee is set out under the section of this Information Circular entitled "Board Committees" below.

BOARD COMMITTEES

Set out below is a description of the written charters of the six Committees of the Board, their mandates and their activities. All Board Committees are composed entirely of independent Directors.

Audit Committee

The overall purpose of the Audit Committee is to oversee the Company's financial reporting process and to review with the Company's external auditors the Company's audited financial statements that are to be submitted to its annual general meeting. The Audit Committee also reviews with management and the external auditors of the Company the impact of significant risks, potential liabilities and uncertainties which may affect the Company, any financial statements that are to be included in a prospectus or take-over bid circular of the Company as required by securities law, as well as certain interim unaudited financial statements and all public disclosure documents containing audited or unaudited earnings information before their release to the public, and reports the results of such reviews and any associated recommendations to the Company's Board. In addition, the Audit Committee makes recommendations to the Board regarding the appointment of independent auditors, reviews the nature and scope of the annual audit plan presented by the Company's external auditors, and reviews with management the risks inherent in the Company's business and the management of such risks. The Audit Committee also reviews with both external and internal auditors and with management of the Company the adequacy of the internal accounting procedures and systems established by the Company and reviews the Company's annual financing plan, any proposed financings and the method by which the Company measures financial results and performance. The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The Audit Committee has regular sessions with the internal auditor and the external auditor (both with and without management) to discuss issues as it deems appropriate and requires management to implement and maintain appropriate internal controls and reviews these controls regularly at Committee meetings. The Audit Committee has implemented controls to approve non-audit work performed by the external auditor. The Audit Committee is composed of three independent Directors and the Chairman of the Board as an ex-officio member.

For further information regarding the Company's Audit Committee, see the Section of the Company's Annual Information Form dated March 29, 2007 entitled "Audit Committee Information", which is incorporated by reference herein and which is available on SEDAR at www.sedar.com.

Corporate Governance Committee (the "Governance Committee")

The principal role and function of the Governance Committee is to ensure that the Company, through its Board, sustains an effective approach to corporate governance. The Governance Committee monitors best practices for corporate governance and reviews practices and terms of reference to ensure the Company's compliance with industry standards and applicable laws and regulatory rules and policies. An additional function of the Governance Committee is to review the Board's overall relationship with management. The Governance Committee is also responsible for identifying and recommending proposed nominees for election to the Board, recommending the assignment of Directors to Committees of the Board and undertaking an annual assessment of the size and effectiveness of the Board and the Board Committees. The Governance Committee also develops and periodically reviews compliance with the Board Governance Principles and the Code of Conduct and the resolution of potential or real conflicts of interest and also functions as a forum for concerns of individual Directors about matters that are not readily or easily discussed in a full meeting of the Board. The Governance Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The Governance Committee is composed of four independent Directors and the Chairman of the Board as an ex-officio member.

Management Resources and Compensation Committee (the "Compensation Committee")

The overall purpose of the Compensation Committee is to oversee human resources and compensation policies approved by the Board and to make recommendations to the Board regarding human resources policies and executive compensation.

The Compensation Committee is responsible for ensuring that the Company has in place programs and policies to attract and retain high calibre executives and a process to provide for the orderly succession of management. The Compensation Committee annually assesses the performance of the CEO, recommends for approval by the Board of that officer's compensation and benefits and approves the compensation for all other designated senior officers of the Company, its subsidiaries and affiliates. This is done after considering the recommendations of the CEO, all within the human resources and compensation policies, guidelines and pay and performance systems approved by the Board. The Compensation Committee also reviews from time-to-time, as and when required, the Company's broad policies and programs in relation to pension and other benefits. In addition, the Compensation Committee reviews from time-to-time with the CEO, policies on compensation for all employees. It also annually reviews the adequacy and form of the compensation of the Directors and reports and makes recommendations to the Board accordingly. The Compensation Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The Compensation Committee annually provides a report on executive compensation for inclusion in the Company's Information Circular. The Compensation Committee is composed of five independent Directors and the Chairman of the Board as an ex-officio member.

Environmental, Health and Safety Committee (the "EH&S Committee")

The overall purpose of the EH&S Committee is to develop, review and make recommendations as required on matters related to the Company's environmental, health and safety policies and practices and to monitor compliance with government regulations and with the Company's commitment to excellence on these issues. The EH&S Committee is also responsible for reviewing and making recommendations to the Board concerning the Company's compliance with policy statements and implementation standards adopted from time to time by the Company on environmental, health and safety issues, the Company's environmental disaster response plan and degree of readiness for each of its operations and the Company's management programs and standards addressing the health of its employees and the public and the safety of the workplace. The EH&S Committee monitors the Company's development of policies and initiatives in the area of environment, health and safety. The EH&S Committee requires that at least one meeting per year is held at one of the Company's operations. The EH&S Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The EH&S Committee is composed of three independent Directors and the CEO as an ex-officio member.

Pension Committee

The overall purpose of the Pension Committee is to oversee the administration, financial reporting and investment activities of the Company's pension plans. The Pension Committee is also responsible for reporting to the Board in respect of the actuarial soundness of the plans, the administration of the plans, investment policy, the performance of the investment funds and compliance with government legislation. Where contemplated by the Company's pension plan documents, the Pension Committee may appoint actuaries, auditors, trustees and investment counsel for each plan and seek to ensure that actuarial valuation studies are completed and contain such calculations, recommendations and information as required by applicable legislation or by the Company. The Pension Committee reviews and approves annually, a statement of investment beliefs and principles and the investment policies and procedures for each plan. The Pension Committee may, from time to time, recommend to the Board changes to the plans and their administration. The Pension Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The Pension Committee is composed of four independent Directors and the Chairman of the Board as an ex-officio member.

Capital Expenditure Committee (the "Capex Committee")

The overall purpose of the Capex Committee is to act on behalf of the Board in reviewing and making recommendations on expenditures for capital projects that are in excess of the management limit, but within the authority of the Capex Committee, as set by the Board from time to time. Subject to any change by the Board, the Capex Committee reviews and considers individual capital expenditures of \$5 million or more. The Capex Committee has the authority to approve any capital expenditure between \$5 million and \$25 million. Any project approval in excess of \$25 million is subject to the approval of the Board. In addition, the Capex Committee reviews any lesser capital expenditures referred to it by the Board or the CEO. The Capex Committee is composed of four independent Directors and the President and CEO as an ex-officio member.

BOARD/COMMITTEE ASSESSMENTS

The Governance Committee annually undertakes assessments of the size and effectiveness of not only the Board's Committees, but also of the Board as a whole. It also reviews attendance by individual members at Committee and Board meetings. The Board evaluates its performance by asking each Director to complete a Questionnaire, the contents of which are summarized by an independent consultant, evaluated by the Corporate Governance Committee and then discussed at a meeting of the full Board. The Governance Committee consults with the Company's CEO regarding periodic assessments of the relationship between management and the Board and after such reviews advises the Board of its findings.

At the Meeting, 8 Directors will stand for election. The Company has implemented a policy whereby if the CEO no longer holds that office or if a director changes his/her principal occupation, they will offer their resignation as a Board member. The Board may accept or not accept the resignation.

APPOINTMENT OF AUDITOR

On the recommendation of the Audit Committee, subject to confirmation at the Meeting, the Board has re-appointed PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company to hold office until the next Annual General Meeting. The persons named in the enclosed proxy will, unless otherwise directed, vote for such reappointment.

The fees paid by the Company to its auditor in each of the last two fiscal years, by category, are as follows:

Financial Year Ending	Audit, Tax and Financial Services Fees	Consulting Services	Total Fees
December 31, 2006	\$3,133,000	\$26,000	\$3,159,000
December 31, 2005	\$2,178,000	\$83,000	\$2,261,000

The increase in audit, tax and financial service fees for 2006 is the result of one-time events such as the Canfor Pulp Trust spin out transaction of the Company's pulp and paper business to Canfor Pulp Limited Partnership in 2006.

The Audit Committee has the responsibility to approve any non-audit related services provided by the auditors of the Company exceeding \$100,000 and the Chairman of the Audit Committee has the authority to approve any such services exceeding \$50,000 but not in excess of \$100,000.

NORMAL COURSE ISSUER BID

In 2005, the Board of Directors authorized the Company to conduct a normal course issued bid (the "2005 Issuer Bid"). The 2005 Issuer Bid commenced on November 15, 2005 and terminated November 14, 2006. The Company did not purchase any shares pursuant to the 2005 Issuer Bid.

In 2004, the Board of Directors authorized the Company to conduct a normal course issuer bid (the "2004 Issuer Bid"). The 2004 Issuer Bid commenced on October 15, 2004 and terminated on October 14, 2005. Prior to the termination of the 2004 Issuer Bid, the Company purchased a total of 1,104,800 Common Shares, at an average price of \$13.91 per share, all of which have been returned to the treasury of the Company for cancellation.

SHAREHOLDER RIGHTS PLAN

The Board of the Company adopted a shareholder rights plan on December 22, 2006 (the "Rights Plan"). The Rights Plan is consistent with the terms of the shareholder rights plan that shareholders previously approved in 2003 and that expired in April 2006. The Company's previous rights plan was originally adopted in November 1999, amended in March 2000, confirmed at the Annual General Meeting in 2000 and reconfirmed at the Annual General Meeting in 2003. The terms of that rights plan provided that it would expire if not reconfirmed at the Annual General Meeting in April 2006.

In early 2006, the Board, as part of its review and analysis of the possible continuation of the previous rights plan, considered the recent experience of Canadian and American companies with shareholder rights plans, the terms of these plans and possible means of providing comparable protection to shareholders. At that time the Board concluded that rather than renewing the previous rights plan, it would seek shareholder approval of a Shareholder Rights Plan Policy ("Policy") that would allow the Board to put in place a rights plan in certain circumstances such as after a formal take-over bid had been initiated. That Policy, which received shareholder approval at the Annual General Meeting held in April 2006, provided that the Corporate Governance Committee was to review the Policy on at least an annual basis and that, on the advice of the Corporate Governance Committee, the Board could revise or repeal the Policy.

In December 2006, the Governance Committee reviewed the appropriateness of the Policy and, in light of requests received from shareholders asking that they be given the opportunity to vote on a Rights Plan at a meeting of shareholders and the fact that there had been increases in the ownership of Common Shares of the Company since adoption of the Policy, recommended that the Board should repeal the Policy and adopt the Rights Plan. On December 22, 2006, the Board accepted this recommendation, repealed the Policy and adopted the Rights Plan, on the basis that it should be submitted for confirmation by the Company's shareholders at the Meeting. On March 12, 2007, a voting agreement was announced between Great Pacific, Third Avenue and Matthews-Cartier (see "Voting Shares and Principal Holders Thereof") under which these shareholders, who stated that they collectively own or control 74,636,313 Common Shares, representing 52% of the Company's issued share capital, have agreed to vote for a mutually agreed slate of directors and against the Rights Plan at the Meeting. In light of the voting agreement amongst Great Pacific, Third Avenue and Matthews-Cartier, Messrs. Louie, Newell, Phelps and Jarislowsky, each of whom voted in favour of the Rights Plan, have decided not to stand for re-election.

If shareholders do not confirm the Rights Plan at the Meeting, the Rights Plan will terminate. The Board has determined that the Rights Plan is in the best interests of the Company and its shareholders and recommends that shareholders vote in favour of the confirmation of the Rights Plan.

Purpose of the Rights Plan

The Rights Plan is designed to give the Company's shareholders sufficient time to properly assess a take-over bid without undue pressure and to give the Company's Board of Directors in the event of a take-over bid time to explore and consider alternatives which would allow the Company's shareholders to receive full and fair value for their Common Shares. Additionally, the Rights Plan is designed to provide shareholders of the Company with equal treatment in a take-over bid.

Summary of the Rights Plan

The following is a summary of the principal terms of the Rights Plan which is qualified in its entirety by reference to the text of the Rights Plan. Copies of the Rights Plan are available to any shareholder (without charge) by contacting the Secretary of the Company or at the Company's website www.canfor.com or on SEDAR at www.sedar.com.

Term

The Rights Plan will remain in effect until the close of business on the ninth anniversary of its initial adoption, being December 22, 2015, provided that its continuance is approved by shareholders at the Company's annual general meetings in May, 2007 and in 2010 and 2013.

Issue of Rights

To implement the plan, the Board of Directors authorized the issuance, as at 5:00 p.m. on December 22, 2006 (the "Record Time"), of one right (a "Right") in respect of each outstanding Common Share to holders of record at the Record Time and in respect of each Common Share issued thereafter during the term of the Rights Plan. The Rights Plan was established by a rights agreement dated as of December 22, 2006, with CIBC Mellon Trust Company, as rights agent, which provides for the exercise of the Rights, the issue of certificates evidencing the Rights and other related matters, including those described in this Information Circular (the "Rights Plan Agreement").

Rights Exercise Privilege

The Rights will trigger (i.e. separate from the Company's Common Shares) and will become exercisable ten trading days after a person (an "Acquiring Person") has acquired 20% or more of, or commences or announces a take-over bid for, the Company's outstanding Common Shares (defined to include the Common Shares and any other shares that the Company may issue that carry voting rights relating to the election of Directors), other than by an acquisition pursuant to a Permitted Bid or a Competing Permitting Bid. The acquisition by an Acquiring Person of 20% or more of the Common Shares is referred to as a "Flip-in Event". When a Flip-in Event occurs, each Right becomes a right to purchase from the Company, upon exercise thereof in accordance with the terms of the Rights Plan, that number of the Company's Common Shares having an aggregate market price on the date of consummation or occurrence of such Flip-in Event equal to twice the exercise price of \$100 (the "Exercise Price") for an amount in cash equal to the Exercise Price (such right to be subject to adjustment in accordance with the Rights Plan Agreement). For example, if at that time the Exercise Price remained at \$100 and the Common Shares had a market price of \$20, the holder of each Right would be entitled to receive \$200 in market value of the Common Shares (10 Common Shares) for \$100, i.e., at a 50% discount.

Any Rights held by an Acquiring Person will become void upon the occurrence of a Flip-in Event. By making any take-over bid other than a Permitted Bid or a Competing Permitted Bid prohibitively expensive for an Acquiring Person, the Rights Plan is designed to require any person interested in acquiring more than 20% of the Company's Common Shares to do so by way of a Permitted Bid or a Competing Permitted Bid or to make a take-over bid which the Board of Directors considers to represent the full and fair value of the Company's Common Shares.

Prior to the Rights being triggered, they will have no value and will have no dilutive effect on the Company's Common Shares.

Permitted Bid Requirements

The Permitted Bid requirements include the following:

- (i) the take-over bid must be made by way of a take-over bid circular;
- (ii) the take-over bid must be made to all holders of Common Shares;
- (iii) the take-over bid must be outstanding for a minimum period of 60 days and Common Shares tendered pursuant to the take-over bid may not be taken up prior to the expiry of the 60 days period and only if at such time more than 50% of the Common Shares held by the shareholders, other than the bidder, its affiliates and persons acting jointly or in concert and certain other persons (the "Independent Shareholders"), have been tendered to the take-over bid and not withdrawn;
- (iv) the Common Shares deposited pursuant to the take-over bid may be withdrawn until taken up or paid for; and
- (v) if more than 50% of the Common Shares held by Independent Shareholders are tendered pursuant to the take-over bid within the 60 day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Common Shares for an additional 10 business days from the date of such public announcement.

The Rights Plan permits a partial bid to qualify as a Permitted Bid, provided that it satisfies the conditions set out above. The Rights Plan also allows for a competing Permitted Bid (a "Competing Permitted Bid") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all of the requirements of a Permitted Bid except that it may expire on the same day as the Permitted Bid, subject to the requirement that it be outstanding for a minimum period of 35 days.

Exemptions for Investment Advisors

Investment advisors (for fully managed accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds, administrators of registered pension plans, and crown agents acquiring greater than 20% of the Common Shares are exempt from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid.

Grandfathered Persons

As is customary in most shareholder rights plans adopted in Canada, the Rights Plan deems any person who is the beneficial owner (as defined in the Rights Plan) of more than 20% of the outstanding Common Shares at the Record Time (a "Grandfathered Person") not to be an Acquiring Person for the purposes of the plan. Such a person will cease to be a Grandfathered Person if such person (i) ceases to beneficially own more than 20% of the Common Shares; or (ii) increases its beneficial ownership of Common Shares by more than 1% of the Common Shares outstanding at the Record Time, subject to certain exceptions.

As at March 20, 2007, James A. Pattison owned or exercised control or direction over 35,722,605 Common Shares, representing 25.06% of the outstanding Common Shares and, accordingly, is a "Grandfathered Person" under the Rights Plan (See "Voting Shares and Principal Holders Thereof").

Certificates and Transferability

Prior to separation, the Rights will be evidenced by a legend imprinted on the Common Share certificates of the Company and will not be transferable separately from the Common Shares. Common Share certificates therefore do not need to be exchanged to entitle a Canfor shareholder to these Rights. The legend will be on all new certificates issued by the Company. From and after separation, the Rights will be evidenced by Rights certificates and will be transferable separately from the Company's Common Shares.

Waiver

The Board of Directors, acting in good faith, may prior to the occurrence of a Flip-in Event, waive the application of the Rights Plan to a particular Flip-in Event (an "Exempt Acquisition") where the take-over bid is made by a take-over bid circular to all shareholders. Where the Board exercises the waiver power for one take-over bid, the waiver will also apply to any other take-over bid for the Company made by a take-over bid circular to all shareholders prior to the expiry of any other take-over bid for which the Rights Plan has been waived.

Redemption

The Board of Directors, with the approval of the majority of votes cast by shareholders (or the holders of the Rights if separation has occurred), at a meeting duly called for that purpose, may prior to the occurrence of a Flip-in Event, redeem all of the then outstanding Rights at \$0.0001 per Right (as adjusted by the terms of the Rights Plan). The Rights will also be deemed to have been redeemed by the Board without such approval following completion of a Permitted Bid, Competing Permitted Bid or Exempt Acquisition.

Amendment

The Board of Directors may amend the Rights Plan with the approval of a majority of votes cast by shareholders (or the holders of the Rights if separation has occurred), at a meeting duly called for that purpose. The Board, without such approval, may correct clerical or typographical errors and, subject to the approval as noted above at the next meeting of the shareholders (or holders of Rights, as the case may be), may make amendments to the Rights Plan to maintain its validity due to changes in applicable legislation.

Shareholder Approval

In order to continue in effect, the Rights Plan must be reconfirmed by both more than 50% of the votes cast at the Meeting by shareholders present or voting by proxy. If the Rights Plan is not reconfirmed, it will terminate at the end of the Meeting.

The Rights Plan (and the listing of the Rights) has been conditionally accepted by the TSX. In order for the Rights Plan to be fully accepted by the TSX, the Rights Plan must also be approved by more than 50% of the votes cast at the Meeting by shareholders present or voting by proxy, excluding any Grandfathered Persons.

Pursuant to a voting agreement between Great Pacific, Third Avenue and Matthews-Cartier (see "Voting Shares and Principal Holders Thereof"), these shareholders have agreed to vote against the Rights Plan at the Meeting.

OTHER INFORMATION

These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, the issuer (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

The Company's Annual Report which contains the audited Financial Statements for the year ended December 31, 2006 and Management's Discussion and Analysis of Financial Condition and Results of Operations, which contain financial information relating to the Company, accompany this Information Circular. An additional copy of those documents, this Information Circular and any interim financial statements filed subsequent to the annual audited Financial Statements, and additional information regarding the Company may be obtained from the Corporate Secretary of the Company and may be accessed on the Company's website www.canfor.com. Additional information relating to the Company is available on SEDAR at www.sedar.com.

The contents and the sending of this Information Circular have been approved by the Board of Directors of the Company.

By Order of the Board of Directors

**David M. Calabrigo
Corporate Secretary**

Vancouver, B.C.
March 26, 2007

