News Release

February 22, 2007

CANFOR CORPORATION ANNOUNCES FOURTH QUARTER AND 2006 EARNINGS

Vancouver, B.C. – Canfor Corporation (TSX: CFP) today reported net income of $471.8 million for the year, or $3.31 per share on a diluted basis. Net income of $465.3 million, or $3.26 per share, was recorded for the fourth quarter. These results include a refund of antidumping and countervailing duties plus interest of $551.2 million after tax, which had a $3.87 favourable impact on earnings per share in the quarter.

”2006 was an important year for Canfor, with several key accomplishments, but also a year of difficult market conditions and operating challenges. Prices for wood products deteriorated throughout the year, which, combined with the continued strength of the Canadian dollar, contributed to weaker financial results. We had operating challenges from the beetle-infested wood throughout central BC and in the start-up of new technology and capital in our mills, “ said Jim Shepherd, President and CEO of Canfor Corporation.

Mr. Shepherd continued by saying, “In 2006, we continued to deliver on our strategy of focussing our growth on our Wood Products business. To this end, we reorganized our coastal assets and separated our NBSK pulp and paper assets through the creation of the Canfor Pulp Income Fund, and then distributed fund units representing 49.8% of the pulp and paper business to our shareholders, providing a significant shareholder value return. We also acquired the New South group of companies in the Carolinas, diversifying our product mix and extending our manufacturing base into the United States. Furthermore, a long-term resolution was negotiated in the softwood lumber dispute, which has provided a framework for greater certainty and with the duty refunds fully received, financial flexibility going forward with a strong balance sheet.

Mr Shepherd also said, “We expect markets to continue to be difficult through 2007, but our efforts are focused on reducing costs and improving productivity and efficiency, which, combined with a loyal, growing customer base, will allow Canfor to weather this downturn in the cycle. Another challenge in 2007 will be to deal with the impact of the mountain pine beetle. The epidemic is well known, but the ever-changing fibre quality impacts are not. Significant effort is going into understanding the beetle impacts, both present and future, for our Company. And lastly, the strength of our balance sheet gives us options for growth that we will prudently explore.”

On November 30, 2006, Canfor completed a distribution to its shareholders of record on November 15, 2006 consisting of an in-kind taxable dividend of 1.49 units of Canfor Pulp Income Fund (CPIF) for every 10 shares of Canfor Corporation held. Following the dividend, Canfor’s interest in the Canfor Pulp Limited Partnership was reduced from 80% to 50.2%.

Significant items during 2006 were as follows:

4th Quarter

- Receipt of $815.4 million of duty refunds and interest (before tax)
- EBITDA of $703.6 million
- Earnings per share of $3.26
- Dividend-in-kind of Canfor Pulp Income Fund units completed

2006

- Creation of the Canfor Pulp Income Fund
- Acquisition of New South
- EBITDA of $817.1 million
- Earnings per share of $3.31

SUMMARY OF SELECTED RESULTS

(millions of dollars, except for per share amounts)	**Q4 2006**	Q3 2006	**YTD 2006[1]**	Q4 2005	YTD 2005
Sales [2]	**$ 892.0**	$ 927.7	**$ 3,842.3**	$ 853.8	$ 3,787.1
Countervailing/anti-dumping duties and export tax expensed	**$ 23.2**	$ 24.3	**$ 109.8**	$ 39.9	$ 224.8
EBITDA	**$ 703.6**	$ 3.3	**$ 817.1**	$ 23.7	$ 294.0
EBITDA before duty refund	**$ (14.1)**	$ 3.3	**$ 99.4**	$ 23.7	$ 294.0
Duty refund	**$ 717.7**	$ -	**$ 717.7**	$ -	$ -
Operating income (loss)	**$ 656.1**	$ (44.8)	**$ 634.5**	$ (14.7)	$ 142.4
Interest income on duty refund	**$ 97.7**	$ -	**$ 97.7**	$ -	$ -
Foreign exchange gain (loss) on long-term debt and temporary investments	**$ (12.0)**	$ (6.7)	**$ 4.7**	$ (4.7)	$ 10.0
Net income (loss)	**$ 465.3**	$ (51.6)	**$ 471.8**	$ (12.3)	$ 96.0
Net income (loss) per share, diluted	**$ 3.26**	$ (0.36)	**$ 3.31**	$ (0.09)	$ 0.67
Average Canadian/US exchange rate [3]	**$ 0.878**	$ 0.892	**$ 0.882**	$ 0.852	$ 0.826

Excluding the duty refund of $717.7 million, an operating loss of $61.6 million was recorded in the fourth quarter, which was $16.8 million and $46.9 million worse than in the previous quarter and in the fourth quarter of 2005, respectively. Although the value of the Canadian dollar against the US dollar weakened compared with the previous quarter, it was 3% stronger than in the fourth quarter of 2005, which, along with the sharp decline in lumber and OSB prices contributed to the decline in profitability. The benchmark US dollar SPF lumber price declined by 12% from the third quarter and by 25% from the same time last year and SYP prices also weakened by 11% in the quarter. The decline in US dollar OSB prices was even more significant, with prices falling by 8% from the third quarter and by 48% from the same period last year. These factors were partially offset by the continuing strength of pulp prices, which averaged 3% higher than the previous quarter and 22% higher than the same period last year, and earnings from New South, which was acquired in March of 2006.

The following summarizes the significant factors that affect comparability of the fourth quarter and 2006 annual results with prior periods:

(millions of dollars after tax)	Q4 2006	YTD 2006
Duty refund, including interest component	$ 551.2	$ 551.2
Mill closure and severance costs	(4.3)	(4.3)
Foreign exchange gain (loss) on long-term debt and temporary investments	(9.9)	3.9
Write-down of equity and other investments	(16.2)	(16.2)
Tax adjustment arising from rate reductions enacted in the 2006 Federal Budget and prior year reassessments and other adjustments	(1.1)	41.8
Various other adjustments	-	(5.5)
Net favourable impact of above items on net income	$ 519.7	$ 570.9
Net favourable impact of above items on earnings per share	$ 3.64	$ 4.00

[1] Includes the results of New South from March 6, 2006.

[2] Prior year sales figures in the Lumber segment, as presented in the Quarterly Financial Information in the 2005 Annual Report, have been restated for comparability with the presentation in the current year.

[3] Source – Bank of Canada (average noon rate for the period)

OPERATING RESULTS BY BUSINESS SEGMENT

Lumber [1]

(millions of dollars unless otherwise noted)	**Q4 2006**	Q3 2006	**YTD 2006**	Q4 2005	YTD 2005
Sales [2]	**$ 555.7**	$ 593.4	**$ 2,521.5**	$ 543.1	$ 2,544.9
EBITDA	**$ 672.2**	$ (44.7)	**$ 686.2**	$ 7.5	$ 218.4
EBITDA before duty refund	**$ (45.5)**	$ (44.7)	**$ (31.5)**	$ 7.5	$ 218.4
EBITDA margin	**(8)%**	(8)%	**(1)%**	1%	9%
Operating income (loss)	**$ 645.2**	$ (71.5)	**$ 585.2**	$ (13.1)	$ 131.5
Average SPF 2x4 #2 & Better lumber price in US $ [4]	**$ 245**	$ 278	**$ 295**	$ 328	$ 355
Average SPF price in Cdn $	**$ 279**	$ 312	**$ 334**	$ 385	$ 430
Average SYP 2x4 #2 lumber price in US $ [5]	**$ 272**	$ 304	**$ 348**	$ 439	$ 447
Average SYP price in Cdn $	**$ 310**	$ 341	**$ 395**	$ 515	$ 541
Production – SPF lumber (MMfbm)	**1,028.7**	1,072.2	**4,459.8**	1,049.9	4,624.4
Production – SYP lumber (MMfbm)	**92.4**	107.7	**341.4**	-	-
Shipments – Canfor-produced SPF lumber (MMfbm)	**1,050.9**	1,058.1	**4,432.3**	1,053.3	4,681.1
Shipments – Canfor-produced SYP lumber (MMfbm)	**104.1**	113.0	**381.1**	-	-
Shipments – wholesale lumber (MMfbm)	**197.2**	244.9	**864.5**	122.7	415.7

Operating income in the Lumber segment amounted to $645.2 million in the fourth quarter. Excluding the duty refund, the segment incurred an operating loss of $72.5 million in the quarter, which was a $1.0 million decline from the previous quarter and $59.4 million lower than the fourth quarter 2005 operating income.

The downward trend in both SPF and SYP lumber markets continued in the fourth quarter. The 2x4 SPF price averaged US $245 per Mfbm in the quarter, down $33 from the previous quarter and down $83 from the same period last year. SYP 2x4 pricing also fell, averaging US $272 per Mfbm, down $32 from the previous quarter and down $167 from the same period last year. These price changes contributed to a $37 million decrease in sales from the third quarter. Largely offsetting the price variance was a $32 million favourable change in lumber inventory devaluation. The favourable movement in the US/Cdn exchange rate contributed an additional $4.5 million in earnings improvement over the prior quarter.

Operations

Fourth quarter operating metrics in the areas of fibre recovery, productivity and conversion costs were below third quarter levels as a result of market-related downtime taken and increasing fibre quality issues. Lumber market conditions triggered a number of curtailments in the quarter, which, in combination with the early onset of winter weather in November, contributed to a decline in production from the third quarter. Lumber inventories decreased as a result of the curtailments.

Despite the ongoing challenges faced by deteriorating fibre supply issues resulting from the Mountain Pine Beetle epidemic, the segment improved quarter-over-quarter prime grade production.

The Plateau sawmill, which completed its mill rebuild project earlier in 2006, continues to make progress as it works through its challenging start-up curve.

The Houston Pellet Plant, in which Canfor has a 60% interest, started up successfully in the fourth quarter and is contributing expected returns.

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[4] Western Spruce/Pine/Fir, per thousand board feet, random lengths (Source – Random Lengths Publications, Inc.)

[5] Southern Yellow Pine, Eastside, per thousand board feet (Source – Random Lengths Publications, Inc.)

Panels

(millions of dollars unless otherwise noted)	**Q4 2006**	Q3 2006	**YTD 2006**	Q4 2005	YTD 2005
Sales	**$ 82.3**	$ 85.5	**$ 367.9**	$ 89.0	$ 365.7
EBITDA	**$ (20.2)**	$ (10.4)	**$ (27.3)**	$ 1.2	$ 37.3
EBITDA margin	**(25)%**	(12)%	**(7)%**	1%	10%
Operating income (loss)	**$ (26.5)**	$ (17.3)	**$ (53.3)**	$ (2.7)	$ 25.4
Average plywood price in Cdn $ [6]	**$ 366**	$ 364	**$ 367**	$ 387	$ 387
Average OSB price in US $ [7]	**$ 166**	$ 181	**$ 217**	$ 317	$ 319
Average OSB price in Cdn $	**$ 189**	$ 203	**$ 246**	$ 372	$ 386
Production – plywood (MMsf 3/8")	**105.7**	104.0	**439.2**	109.9	433.3
Production – OSB (MMsf 3/8")	**184.8**	200.8	**734.4**	113.5	478.8
Shipments – plywood (MMsf 3/8")	**109.9**	103.2	**441.5**	98.3	435.7
Shipments – OSB (MMsf 3/8")	**184.2**	193.4	**722.6**	118.0	469.3

The Panels segment reported an operating loss of $26.5 million in the fourth quarter, which was $9.2 million worse than in the previous quarter and $23.8 million worse than in the same period last year.

Although plywood prices remained relatively stable, averaging US $2 per Msf higher than the third quarter, a reduction in prime product sales resulted in a Cdn $19 per Msf ($2.0 million) decline in plywood revenues from the third quarter. OSB prices continued their downward trend, declining by US $15 per Msf to average US $166 in the fourth quarter. This OSB price change accounted for $3.7 million of the quarter-over-quarter unfavorable change in segment earnings.

Operations

The Tackama plywood facility announced plans to move from being a 7-day to a 5-day per week operation, effective January 2, 2007. Associated costs of $0.5 million were reflected in the fourth quarter operating results.

The OSB joint venture in Fort St. John, which is proportionately consolidated in Canfor's results, was negatively impacted by market changes, which reduced earnings by $0.7 million compared to the prior quarter. OSB pricing levels prompted 4 weeks of downtime at the PolarBoard plant in the quarter, which reduced production by 44 million square feet. Despite the downtime, PolarBoard achieved a gain in productivity over the third quarter.

A $1.9 million asset impairment expense was recorded at the Panel & Fibre operation as a result of the discontinuation of a product line.

Markets – Lumber and Panels

The low level of demand for solid wood products experienced in the US during the third quarter continued into the fourth quarter. US housing starts were 1.57 million units (seasonally adjusted annual rate)[8] for the fourth quarter of 2006, down 24% compared with the fourth quarter 2005 level of 2.06 million units. Inventories of new homes remained relatively high and continued to restrict new home construction.

Repair and remodeling demand remained strong in the quarter. Canfor's lumber shipments to Home Center customers increased in the fourth quarter of 2006, compared with the fourth quarter of 2005.

Lumber – Lumber prices increased in the fourth quarter from the extremely low levels experienced in October. Extended Christmas sawmill shutdowns, coupled with an increase in housing starts during November, helped to

[6] Canadian softwood plywood, per Msf 3/8" basis, delivered to Toronto (Source – C.C. Crowe Publications, Inc.)
[7] Oriented strand board, per Msf 7/16" North Central (Source – Random Lengths Publications, Inc.)
[8] US Census Bureau

bolster prices. However, the average fourth quarter price for SPF 2x4 #2 & Better was US $245 per Mfbm, which is a three-year quarterly low. The average fourth quarter price for SYP 2x4 #2 was US $272 per Mfbm for 2006, down from US $348 in the fourth quarter of 2005. The Random Lengths Framing Lumber Composite price that determines the export tax level payable by Canadian producers averaged US $280 per Mfbm during the fourth quarter of 2006. This was 30% below the 2005 fourth quarter average of US $363, and 7% lower than the third quarter average of US $300. This level of Random Length Composite pricing resulted in Canfor paying a 15% export tax on all US bound shipments since the new Softwood Lumber Agreement began on October 12, 2006.

Total offshore shipments increased by 6% in the fourth quarter of 2006 compared to the same quarter in 2005. Although shipments to Japan were lower than the same period last year because of high inventory levels in Japan, sales to China increased by 189% over the same time period. However, these sales represent a relatively small percentage of Canfor's total sales.

Panels – OSB prices have also been affected by the reduction in new home construction and increases in supply. As considerable new capacity has come on stream during the past 12 months, buyers have not been required to cover more than their immediate needs. OSB prices reached a 3-year low during the quarter, with the price of OSB 7/16" (North Central) averaging US $166 per Msf, compared with the 2005 fourth quarter price of US $319. Canadian softwood plywood prices fared better during the fourth quarter, as the average price was Cdn $366 per Msf 3/8" (Toronto). This price was slightly lower than the 2005 fourth quarter price of Cdn $384 per Msf.

Outlook – Lumber and Panel Markets

The recent low prices for lumber resulted in many North American sawmills curtailing their production. Lumber prices typically increase in the first part of the year, as a result of seasonal trends in building activity. This seasonal trend may not occur to the same degree in OSB markets because of the significant increase in capacity during the past year. US housing starts are expected to remain near current low levels for the first half of 2007 because of the existing high inventories of unsold new homes. In contrast, repair and remodeling markets are expected to remain relatively strong for the next several months.

Pulp and Paper [9]

(millions of dollars unless otherwise noted)	**Q4 2006**	Q3 2006	**YTD 2006**	Q4 2005	YTD 2005
Sales	**$ 254.0**	$ 248.8	**$ 952.9**	$ 221.7	$ 876.5
EBITDA	**$ 62.8**	$ 65.1	**$ 190.7**	$ 28.9	$ 68.4
EBITDA margin	**25%**	26%	**20%**	13%	8%
Operating income	**$ 50.1**	$ 52.1	**$ 141.9**	$ 16.8	$ 22.2
Average pulp price – US $ [10]	**$ 730**	$ 711	**$ 683**	$ 600	$ 611
Average price in Cdn $	**$ 831**	$ 797	**$ 774**	$ 704	$ 740
Production – pulp (000 mt) [11]	**310.8**	308.4	**1,209.8**	304.7	1,189.1
Production – paper (000 mt)	**33.9**	32.0	**129.1**	31.5	127.4
Shipments – Canfor-produced pulp (000 mt) [11]	**292.0**	307.7	**1,206.1**	312.4	1,189.1
Marketed on behalf of HSLP (000 mt) [12]	**86.0**	101.7	**374.6**	97.4	372.9
Shipments – paper (000 mt)	**33.4**	32.5	**128.3**	30.7	127.3

[9] Includes the Taylor Pulp Mill, which was excluded from the spinout transaction, and 100% of CPLP.

[10] Per tonne, delivered to Northern Europe

[11] Includes Northern Bleached Softwood Kraft (NBSK) pulp produced by CPLP and Bleached Chemi-Thermo Mechanical pulp (BCTMP) produced by Canfor's Taylor Pulp Mill.

[12] Howe Sound Pulp and Paper Limited Partnership

Operating income in the Pulp and Paper segment decreased by $2.0 million from the previous quarter, but was $33.3 million higher than in the same period last year.

Improved operating performance at the NBSK mills over the prior quarter, higher pulp prices and a slightly weaker Canadian dollar were offset by higher fibre, energy and maintenance costs and lower shipment volumes. The higher fibre costs were driven primarily by weak lumber markets, which precipitated sawmill downtime and subsequently a temporary shortage of residual chips. Higher maintenance costs were due to the timing of several routine projects.

The results for the quarter include operating income of $1.3 million from the Taylor operation, which was $0.7 million lower than in the previous quarter but $3.4 million better than in the same period last year. The decrease in earnings over the third quarter is mainly as a result of lower production volume.

Operations

NBSK production during the fourth quarter was 6,200 tonnes higher than the prior quarter and 8,300 tonnes over the same quarter in 2005. The increase was due to improved performance and reliability at all facilities. There was no maintenance downtime in the last two quarters. The production increase over the same period in 2005 was primarily the result of maintenance downtime in 2005, including the reduced production at the Prince George pulp mill during the cogeneration project ramp up.

The cogeneration facility at the Prince George Pulp mill averaged 877 megawatt hours per day compared to 968 in the prior quarter and 898 in the same period last year. A 4-day outage in December to allow for the installation of upgrades to the ash system contributed to the reduced power generation during the fourth quarter. Additional modifications are expected to the cogeneration system during 2007 to further improve its performance.The Taylor operation produced 47,100 tonnes in the quarter, which was 3,800 less than in the previous quarter and 2,300 below the fourth quarter 2005 production level. The lower production was due to a variety of factors, including a shortage of aspen chips, planned maintenance and some mechanical issues.

Howe Sound Limited Partnership, which Canfor does not consolidate in its results, also benefited from the improvement in pulp markets, earning EBITDA of 14.1 million in the fourth quarter and $50.3 million for the year.

Markets

CPLP experienced strong demand during the fourth quarter of 2006, following very strong demand in the preceding quarter. This was partly driven by above normal consumption in Europe and Asia, but mostly due to the large reduction in Canadian NBSK production capacity. Approximately 1 million tonnes or 16% of Canadian capacity has shut down in 2006, primarily as a result of mill closures in Eastern Canada due to high fibre and energy costs and the negative effect on sales prices resulting from the strengthening Canadian dollar.

The benchmark price for NBSK pulp delivered into Northern Europe stood at US $710 per tonne at the end of the third quarter and rose to average US $730 during the fourth quarter. Inventory levels for NBSK pulp declined by 1 day in the quarter, to 24 days of supply, with 30 days of supply generally considered to be a balanced market.

Outlook – Pulp Markets

In January 2007, list price increases were announced in all markets. For Northern Europe a US $30-$40 increase was announced, which will take prices to US $760-$770 per tonne. In the United States, a US $20 increase will bring prices to US $790. The Asian markets also saw a US $20 list price increase announcement, which would take prices to US $730-$760 depending on the country of delivery. Looking ahead into 2007, it is believed that demand and pricing will hold up well through the first half of the year. While global economies are projected to slow somewhat,the year is beginning with very low global inventories and the NBSK market is expected to continue to be in short supply. Some moderation in prices in the second half of 2007 may occur.

Non-Segmented Items

(millions of dollars)	**Q4 2006**	Q3 2006	**YTD 2006**	Q4 2005	YTD 2005
Corporate costs	**$ (12.7)**	$ (8.1)	**$ (39.3)**	$ (15.7)	$ (36.7)
Net interest income (expense)	**$ 88.6**	$ (10.8)	**$ 56.2**	$ (9.3)	$ (42.2)
Foreign exchange gain (loss) on long-term debt and temporary investments	**$ (12.0)**	$ (6.7)	**$ 4.7**	$ (4.7)	$ 10.0
Equity income (loss) and other income (expense)	**$ (20.8)**	$ (6.2)	**$ (29.6)**	$ 7.9	$ 12.8

Corporate Costs

Corporate costs of $12.7 million in the quarter were $4.6 million higher than in the previous quarter, but were $3.0 million lower than the same period last year. The current quarter's expense was higher than usual, primarily as a result of recording $2.9 million of additional severance and lease costs related to the integration of Slocan and Canfor. The fourth quarter 2005 expense was also higher than usual, primarily because of a $6.5 million accrual for long-term incentive plan payments related to 2004 and 2005 and $1.0 million of severance costs.

Interest Expense

Net interest income of $88.6 million in the quarter includes $97.7 million of interest on the duty refund. Excluding this amount, interest expense of $9.1 million was $1.7 million lower than in the third quarter due to the increase in cash from the duty refund in the quarter, resulting in a substantial increase in interest income on temporary investments and reduced interest on operating bank loans.

Equity Income (Loss) and Other Income (Expense)

Equity losses and other expenses amounted to $20.8 million in the quarter, mainly comprising a $0.9 million loss from equity investees, a $19.1 million write down of the equity investment in Lakeland Mills and Winton Global Lumber and $0.4 million of other asset write downs. The year-to-date expense includes $5.9 million of costs incurred by CPLP directly on the spinout transaction ($2.2 million of which are backed out in the non-controlling interests line) and $3.9 million of corporate development costs incurred by Canfor to effect the segregation of the pulp business. Other income in 2005 was comprised of equity income from affiliates of $2.7 million, Seaboard General Partnership income of $8.9 million and miscellaneous income of $1.2 million.

Changes in Financial Position

Canfor's cash position increased by $1,008.5 million in the fourth quarter, primarily as a result of receiving the duty refund and interest, amounting to US $921.5 million, during the last two months of the year. This represents the gross amount of duty deposits refunded, plus interest. The special export charge of US $164.0 million, payable to the Canadian government on January 31, 2007, has been accrued at the end of the year.

Cash of $63.5 million was generated by financing activities, including $125.7 million of proceeds from new long-term debt obtained by CPLP, which was utilized to repay the $125 million promissory note to Canfor. Other financing activities in the quarter included $15.8 million of long-term debt repayments, $32.3 million of operating bank loan repayments and $14.2 million of CPLP distributions paid to non-controlling interests.

Capital expenditures of $33.7 million were made in the quarter.

Labour Disruption

On February 9, 2007 Canadian National Railway (CN) broke off negotiations with the United Transportation Union (UTU), the union representing its train conductors and yard service crews. The UTU commenced strike action on February 10, 2007 and CN has been running a reduced schedule since then using management replacement workers. The Company is dependent on CN's rail service for its shipment of finished products and inbound deliveries

of chemicals and fibre to CPLP. Contingency plans have partially mitigated the effects of this work stoppage for both outbound and inbound shipments, but the Company has incurred additional costs as a result of the action.

EBITDA Reconciliation

Throughout this news release, reference is made to EBITDA (operating income before amortization), which Canfor considers to be an important indicator for identifying trends in the performance of each operating segment and of the Company's ability to generate funds to meet its debt repayment and capital expenditure requirements. EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to net income or cash flows as determined in accordance with Canadian generally accepted accounting principles (GAAP). As there is no standardized method of calculating EBITDA, Canfor's use of the term may not be directly comparable with similarly titled measures used by other companies.

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

(millions of dollars, except for per share amounts)	**Q4 2006**	Q3 2006	**YTD 2006**	Q4 2005	YTD 2005
Net income (loss) from continuing operations	**$ 466.9**	$ (51.6)	**$ 475.7**	$ (10.6)	$ 101.8
Add (subtract):					
Non-controlling interests	**12.3**	8.4	**20.7**	-	-
Income tax (recovery) expense	**232.7**	(25.3)	**169.4**	(7.9)	12.4
Unusual items	**-**	-	**-**	(2.3)	8.8
Other (income) expense	**19.9**	5.8	**29.4**	(0.3)	(1.2)
Foreign exchange (gain) loss on long-term debt and temporary investments	**12.0**	6.7	**(4.7)**	4.7	(10.0)
Interest (income) expense	**(88.6)**	10.8	**(56.2)**	9.3	42.2
Equity (income) loss of affiliated companies	**0.9**	0.4	**0.2**	(7.6)	(11.6)
Amortization	**47.5**	48.1	**182.6**	38.4	151.6
EBITDA (operating income before amortization)	**703.6**	3.3	**817.1**	23.7	294.0
Countervailing and anti-dumping duty refund	**(717.7)**	-	**(717.7)**	-	-
EBITDA excluding duty refund	**$ (14.1)**	$ 3.3	**$ 99.4**	$ 23.7	$ 294.0

Disclosure Controls

The Company has established disclosure controls and procedures to ensure that information disclosed in this news release and the related financial statements was properly recorded, processed, summarized and reported to the Board and the Audit Committee.

Conference Call

A conference call to discuss the third quarter financial and operating results will be held on Friday, February 23, 2007 at 8:00 am (Pacific time). To participate in the call, please dial 416-695-6120 or toll-free 1-888-789-0150. For instant replay access until March 2, 2007, please dial 416-695-5275 or toll-free 1-888-509-0081 and enter Participant Pass Code 639270. The call will be webcast live and will be available at www.canfor.com.

Forward Looking Statements

Certain statements in this press release constitute "forward-looking statements" which involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results,

performance or achievements expressed or implied by such statements. Words such as “expects”, “anticipates”, “intends”, “plans”, “will”, “believes”, “seeks”, “estimates”, “should”, “may”, “could”, and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on management’s current expectations and beliefs and actual events or results may differ materially. There are many factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements. Forward-looking statements are based on current expectations and the Company assumes no obligation to update such information to reflect later events or developments, except as required by law.

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

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Consolidated Statements of Income and Retained Earnings

(millions of dollars, unaudited)	3 months ended December 31, 2006	3 months ended December 31, 2005	12 months ended December 31, 2006	12 months ended December 31, 2005
Sales	**$ 892.0**	$ 853.8	**$ 3,842.3**	$ 3,787.1
Costs and expenses				
Manufacturing and product costs	**710.1**	622.0	**2,949.8**	2,597.7
Freight and other distribution costs	**146.8**	145.1	**598.3**	593.3
Countervailing and anti-dumping duties (Note 7)	**1.2**	39.9	**87.8**	224.8
Export tax (Note 7)	**22.0**	-	**22.0**	-
Amortization	**47.5**	38.4	**182.6**	151.6
Selling and administration costs	**19.5**	23.0	**78.5**	72.0
	947.1	868.4	**3,919.0**	3,639.4
Restructuring, mill closure and severance costs (Note 9)	**(6.5)**	(0.1)	**(6.5)**	(5.3)
Countervailing and anti-dumping duty refund (Note 7)	**717.7**	-	**717.7**	-
Operating income (loss) from continuing operations	**656.1**	(14.7)	**634.5**	142.4
Equity income (loss) of affiliated companies	**(0.9)**	7.6	**(0.2)**	11.6
Interest income (expense) (Note 7)	**88.6**	(9.3)	**56.2**	(42.2)
Foreign exchange gain (loss) on long-term debt and temporary investments	**(12.0)**	(4.7)	**4.7**	10.0
Other income (expense) (Note 10)	**(19.9)**	0.3	**(29.4)**	1.2
Unusual item	**-**	2.3	**-**	(8.8)
Net income (loss) from continuing operations before income taxes and non-controlling interests	**711.9**	(18.5)	**665.8**	114.2
Income tax recovery (expense) (Note 11)	**(232.7)**	7.9	**(169.4)**	(12.4)
Non-controlling interests (Note 2)	**(12.3)**	-	**(20.7)**	-
Net income (loss) from continuing operations	**466.9**	(10.6)	**475.7**	101.8
Net loss from discontinued operations (Note 4)	**(1.6)**	(1.7)	**(3.9)**	(5.8)
Net income (loss)	**$ 465.3**	$ (12.3)	**$ 471.8**	$ 96.0
Per common share (in dollars) (Note 12)				
Net income (loss) from continuing operations				
Basic	**$ 3.28**	$ (0.07)	**$ 3.34**	$ 0.71
Diluted	**$ 3.27**	$ (0.07)	**$ 3.34**	$ 0.71
Net income (loss)				
Basic	**$ 3.26**	$ (0.09)	**$ 3.31**	$ 0.67
Diluted	**$ 3.26**	$ (0.09)	**$ 3.31**	$ 0.67
Retained earnings, beginning of year			**$ 779.5**	$ 691.9
Net income for the year			**471.8**	96.0
Dividend-in-kind of Canfor Pulp Income Fund units (Note 2)			**(182.8)**	-
Premium paid on common shares purchased for cancellation			**-**	(4.9)
Excess of fair market value over cost of property purchased from related party			**-**	(3.5)
Retained earnings, end of year			**$ 1,068.5**	$ 779.5

The accompanying notes are an integral part of these interim financial statements.

Consolidated Cash Flow Statements

(millions of dollars, unaudited)	3 months ended December 31, 2006	3 months ended December 31, 2005	12 months ended December 31, 2006	12 months ended December 31, 2005
Cash generated from (used in)				
Operating activities				
Net income (loss) from continuing operations	**$ 466.9**	$ (10.6)	**$ 475.7**	$ 101.8
Items not affecting cash:				
Amortization	**47.5**	38.4	**182.6**	151.6
Income taxes	**0.2**	(10.7)	**(66.0)**	(0.6)
Long-term portion of deferred reforestation	**5.3**	6.7	**2.3**	0.8
Employee future benefits	**(9.7)**	(3.0)	**(0.2)**	8.5
Foreign exchange loss (gain) on long-term debt	**27.9**	4.7	**11.2**	(10.0)
Adjustment to accrued duties (Note 7)	**44.4**	(1.5)	**46.3**	(6.2)
Write down of equity investments (Note 10)	**19.1**	-	**19.1**	-
Non-controlling interests	**12.3**	-	**20.7**	-
Other	**3.9**	(0.9)	**0.8**	3.2
Changes in non-cash working capital (Note 14)	**484.1**	21.0	**447.7**	(55.8)
	1,101.9	44.1	**1,140.2**	193.3
Financing activities				
Proceeds from long-term debt (Note 5)	**125.7**	-	**126.7**	0.6
Repayment of long-term debt	**(15.8)**	(11.8)	**(100.2)**	(68.4)
Changes in operating bank loans (Note 5)	**(32.3)**	(3.4)	**(23.0)**	(1.3)
Common shares purchased for cancellation	**-**	-	**-**	(13.8)
Distributions paid to non-controlling interests (Note 2)	**(14.2)**	-	**(17.6)**	-
Other	**0.1**	-	**(0.2)**	1.6
	63.5	(15.2)	**(14.3)**	(81.3)
Investing activities				
Business acquisition (Note 3)	**-**	-	**(206.1)**	-
Change in temporary investments	**(126.0)**	26.9	**(119.0)**	3.0
Proceeds from timber take-back	**-**	62.0	**-**	62.0
Net proceeds from sale of discontinued operations	**-**	-	**-**	59.0
Property, plant, equipment and timber	**(33.7)**	(95.9)	**(107.1)**	(334.5)
Electrical co-generation incentive payments	**-**	-	**11.4**	8.3
Howe Sound Pulp and Paper Limited Partnership	**-**	-	**-**	(50.0)
Proceeds from sale of property, plant and equipment	**0.2**	2.5	**2.8**	7.5
Other	**2.6**	(3.4)	**0.4**	(4.1)
	(156.9)	(7.9)	**(417.6)**	(248.8)
Increase (decrease) in cash and cash equivalents from continuing operations	**1,008.5**	21.0	**708.3**	(136.8)
Increase (decrease) in cash from discontinued operations (Note 4)	**-**	(0.1)	**16.6**	7.4
Increase (decrease) in cash and cash equivalents *	**1,008.5**	20.9	**724.9**	(129.4)
Cash and cash equivalents at beginning of period (Note 5)	**15.3**	278.0	**298.9**	428.3
Cash and cash equivalents at end of period	**$ 1,023.8**	$ 298.9	**$ 1,023.8**	$ 298.9
Cash payments (recoveries) in the period				
Interest, net (Note 7)	**$ (81.3)**	$ 5.3	**$ (46.0)**	$ 41.9
Income taxes	**$ 1.5**	$ (0.2)	**$ 8.0**	$ 2.8

** Cash and cash equivalents is comprised of cash and highly liquid temporary investments with maturities of three months or less from the date of acquisition.*

Consolidated Balance Sheets

(millions of dollars, unaudited)	**As at December 31, 2006**	As at December 31, 2005
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,023.8**	$ 298.9
Temporary investments	**126.0**	7.0
Accounts receivable		
Trade	**223.9**	205.4
Other	**72.8**	79.8
Future income taxes	**15.7**	23.9
Inventories	**635.7**	600.9
Prepaid expenses	**37.7**	36.2
Current assets of discontinued operations (Note 4)	**-**	39.8
Total current assets	**2,135.6**	1,291.9
Long-term investments and other assets	**115.3**	186.5
Property, plant, equipment and timber	**2,254.9**	2,211.1
Goodwill (Note 3)	**81.6**	-
Deferred charges	**91.8**	96.9
Non-current assets of discontinued operations (Note 4)	**-**	43.7
	$ 4,679.2	$ 3,830.1
LIABILITIES		
Current Liabilities		
Operating bank loans (Note 5)	**$ 1.1**	$ 3.0
Accounts payable and accrued liabilities	**579.0**	380.3
Current portion of long-term debt	**87.5**	95.7
Current portion of deferred reforestation	**39.6**	43.3
Income taxes payable	**235.4**	4.1
Future income taxes	**20.7**	-
Current liabilities of discontinued operations (Note 4)	**-**	9.3
Total current liabilities	**963.3**	535.7
Long-term debt (Note 5)	**602.8**	544.5
Other accruals and provisions (Note 6)	**173.3**	220.5
Long-term liabilities of discontinued operations (Note 4)	**-**	0.4
Future income taxes, net	**415.4**	468.3
Deferred credit (Note 11)	**-**	14.1
Non-controlling interests (Note 2)	**296.7**	-
	2,451.5	1,783.5
SHAREHOLDERS' EQUITY		
Share capital – 142,548,812 shares outstanding (Note 2)	**1,124.3**	1,268.7
Contributed surplus (Note 2)	**31.9**	-
Retained earnings	**1,068.5**	779.5
Foreign exchange translation adjustment	**3.0**	(1.6)
	2,227.7	2,046.6
	$ 4,679.2	$ 3,830.1

APPROVED BY THE BOARD

Director, R.L. Cliff

Director, J.A. Shepherd

Notes to the Consolidated Financial Statements (unaudited)

1. These unaudited interim financial statements do not include all of the disclosures required by Canadian generally accepted accounting principles for annual financial statements and, accordingly, should be read in conjunction with the financial statements and notes included in Canfor's Annual Report for the year ended December 31, 2005. These interim financial statements follow the same accounting policies and methods of computation as used in the 2005 consolidated financial statements.

Canfor's financial results are impacted by seasonal factors such as weather and building activity. Adverse weather conditions can cause logging curtailments, which can affect the supply of raw materials to sawmills, plywood and OSB plants, and pulp mills. Market demand also varies seasonally to some degree. For example, building activity and repair and renovation work, which affects demand for lumber and panel products, is generally stronger in the spring and summer months. Shipment volumes are affected by these factors as well as by global supply and demand conditions. Therefore, the quarterly results are not necessarily indicative of results to be expected for an entire year.

2. Pulp Income Fund Transaction

On July 1, 2006, Canfor completed the transfer of its Prince George NBSK pulp and paper business (the Pulp Business) to the Canfor Pulp Limited Partnership (CPLP) in exchange for a $125 million promissory note, 14.254 million Class A Limited Partnership Units and 57.016 million Class B Exchangeable Limited Partnership Units (the Spinout). Canfor exchanged its Class A Limited Partnership Units for an equal number of Units of Canfor Pulp Income Fund (CPIF). Upon the completion of the Spinout, the existing Common Shares of Canfor were cancelled and Canfor shareholders were entitled to receive one New Common Share of Canfor and 0.1 of a Unit of CPIF, with the distribution of the Fund Units being structured as a return of capital on the Canfor Shares. As a result, on the date of the Spinout Canfor Shareholders owned all of the issued and outstanding New Common Shares and all of the issued and outstanding Fund Units, with the outstanding Fund Units representing a 20% indirect interest in the Pulp Business.

On November 30, 2006, Canfor completed a distribution to its shareholders consisting of an in-kind taxable dividend of 1.49 Units of CPIF for every 10 shares of Canfor Corporation held. The fair value of the dividend was deemed to be $10.99 per CPIF Unit (the accounting value of the dividend equated to $182.8 million). Following this dividend, Canfor owned 35.494 million Class B Exchangeable Limited Partnership Units.

Through its interest in CPLP, which is indirectly exchangeable for Fund Units, Canfor owns a 50.2% interest in the Pulp Business. CPLP is managed by Canfor Pulp Holdings Inc. (the general partner) on behalf of the limited partners.

Canfor and the CPLP have entered into a long-term fibre supply agreement under which Canfor will continue to provide CPLP with residual wood chips and hog fuel produced at certain of its sawmills at market prices. CPLP also purchases, at cost, a number of administrative, accounting, legal and management services from Canfor under a partnership services agreement, which can be terminated, in whole or in part, on 12 months notice. CPLP continues to provide marketing services to Canfor, acting as a selling representative on behalf of Howe Sound Limited Partnership and Canfor's Taylor Pulp operation.

Canfor is continuing to consolidate CPLP in these financial statements, with a provision for non-controlling interests. All intercompany balances and transactions have been eliminated.

3. Business Acquisition

On March 6, 2006, Canfor completed its acquisition of New South Companies, Inc. (New South) at a cost of US $181.6 million, net of assumed debt and including transaction costs.

New South operates three sawmills with an annual capacity of 430 million board feet of southern yellow pine, one remanufacturing facility and two lumber treating plants located in North and South Carolina and an international lumber import business. New South also operates a lumber-trucking fleet of 55 trucks on the US East Coast.

The acquisition has been accounted for using the purchase method, in which the purchase consideration was allocated to the fair values of the assets and liabilities assumed on March 6, 2006. In the second quarter, following the completion of an independent valuation of the assets acquired, the following adjustments were made to the original allocation: a $1.8 million increase to non-cash working capital, a $0.6 million decrease to goodwill, a $1.9 million decrease to other assets and a $0.7 million decrease to the future income tax liability. In the fourth quarter, a $1.1 million reduction to goodwill was recorded as a result of adjustments to accrued transaction costs and future income taxes.

(millions of dollars)	
Net assets acquired at March 6, 2006	
Non-cash working capital	$ 85.5
Property, plant and equipment	96.3
Goodwill	79.5
Other assets	29.4
Operating loans and long-term debt	(44.6)
Future income taxes, net	(37.5)
Other liabilities	(2.5)
	$ 206.1

New South is financially and operationally self-sustaining and, accordingly, the current rate method is used for the translation of their financial statements to Canadian dollars on consolidation. Under this method, assets and liabilities, including any excess of purchase price over book value arising on acquisition, are translated at the exchange rate in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rate in effect during the period. Exchange gains or losses arising from the current rate method of translation are deferred in a separate component of shareholders' equity.

4. Discontinued Operations

On March 20, 2006, Canfor completed the transfer of its Englewood logging operation and associated timber licences (Englewood operations) to a new limited partnership, Coastal Fibre Limited Partnership (CFLP), jointly owned with Oji Paper Canada Ltd., which contributed cash of equal value. In consideration of the transfer Canfor received a partnership interest valued at $45.0 million, which approximates the book value of the assets transferred. On the same day, CFLP transferred the Englewood operations and cash of $35.0 million to Western Forest Products Inc. (WFP) in return for a long-term agreement with WFP to supply CFLP with fibre, and CFLP will supply this fibre to Howe Sound Pulp and Paper Limited Partnership (HSLP). Canfor's 50% interest in CFLP has been proportionately consolidated and the long-term fibre agreement with WFP, which is valued at $40.0 million, has been recorded in "long-term investments and other assets" on the balance sheet, and will be amortized as the fibre is supplied to CFLP.

The following table presents selected financial information related to discontinued operations for the current and comparative periods:

	3 months ended December 31,					
	2006			2005		
(millions of dollars)	**Coastal Operations**	**Sawmills**	**Total**	Coastal Operations	Sawmills	Total
Sales to external customers	**$ -**	**$ -**	**$ -**	$ 20.8	$ -	$ 20.8
Operating loss before income taxes	**$ -**	**$ -**	**$ -**	$ (1.6)	$ -	$ (1.6)
Loss on disposal before income taxes	**-**	**-**	**-**	-	(3.0)	(3.0)
Income tax recovery (expense)	**(1.6)**	**-**	**(1.6)**	0.6	2.3	2.9
Net loss	**$ (1.6)**	**$ -**	**$ (1.6)**	$ (1.0)	$ (0.7)	$ (1.7)
Net loss per share - diluted			**$ (0.01)**			$ (0.02)

	12 months ended December 31,					
	2006			2005		
(millions of dollars)	**Coastal Operations**	**Sawmills**	**Total**	Coastal Operations	Sawmills	Total
Sales to external customers	**$ 9.5**	**$ -**	**$ 9.5**	$ 67.9	$ 61.7	$ 129.6
Operating income (loss) before income taxes	**$ (4.3)**	**$ -**	**$ (4.3)**	$ (6.8)	$ 5.1	$ (1.7)
Loss on disposal before income taxes	**(2.8)**	**-**	**(2.8)**	-	(9.2)	(9.2)
Income tax recovery	**3.2**	**-**	**3.2**	2.4	2.7	5.1
Net loss	**$ (3.9)**	**$ -**	**$ (3.9)**	$ (4.4)	$ (1.4)	$ (5.8)
Net loss per share - diluted			**$ (0.03)**			$ (0.04)

5. Bank Indebtedness, Operating Bank Loans and Long-Term Debt

At December 31, 2006, Canfor had $451 million of bank operating lines of credit available, of which $1.1 million was drawn down and an additional $53.9 million was reserved for several standby letters of credit. These credit facilities are presented as “operating bank loans” on the Consolidated Balance Sheet.

During the fourth quarter, New South obtained a new US $50 million line of credit, expiring in 2011, to replace their existing line of US $37.5 million.

During the fourth quarter, CPLP completed a debt financing by private placement to institutional investors in the US. The financing consists of US $110 million of unsecured notes, which bear interest at 6.41% and are repayable in full on their maturity date of November 30, 2013. CPLP also entered into a Cdn $75 million syndicated unsecured revolving credit facility. The proceeds from the notes were used to repay the $125 million promissory note owing to Canfor (Note 2).

At December 31, 2006, the fair value of Canfor's long-term debt was $700.2 million.

6. Other Accruals and Provisions

(millions of dollars)	**December 31, 2006**	December 31, 2005
Deferred reforestation	**$ 70.9**	$ 67.7
Countervailing duty provision (Note 7)	**-**	67.4
Accrued pension obligations	**22.7**	20.8
Post employment benefits	**75.1**	63.1
Other long-term liabilities	**4.6**	1.5
Total other accruals and provisions	**$ 173.3**	$ 220.5

7. Countervailing (CVD) and Anti-dumping (ADD) Duties

Effective October 12, 2006, the governments of Canada and the United States implemented an agreement for the settlement of the softwood lumber dispute, which began in May 2002. The Softwood Lumber Agreement (SLA), which received formal approval by the Canadian Parliament on December 14, 2006, has a term of seven years and provides for an extension of two years. Either government can give notice to terminate the SLA after 23 months, but there is an additional 12-month notice period before the agreement can be terminated.

Under the terms of the SLA, effective October 12, 2006, the US Department of Commerce revoked all existing ADD and CVD orders on softwood lumber shipped to the US from Canada. Approximately 81% of deposits paid, together with accumulated interest, were to be returned to Canadian lumber producers. The remaining 19% (US $1 billion) was to be retained by the US government for distribution to the US forest industry petitioners and for use in funding "meritorious activities" such as disaster relief, the promotion of sustainable forestry management and low income housing. Approximately US $40 million will be utilized for a joint US/Canada committee designed to strengthen and build the North American lumber market.

In the fourth quarter, the full amount of the duty deposits was refunded by the US government, with the US $1 billion repayable by the Canadian producers as a special assessment to be collected by the Canadian government. At December 31, 2006, Canfor had accrued $187.7 million (US $164.0 million) for this assessment, to be paid on January 31, 2007.

In the fourth quarter, Canfor recorded into income a duty refund of $7I7.7 million and interest income of $97.7 million. This refund amount is net of the special assessment and includes the reversal of the cumulative additional CVD accrued in excess of the cash deposits and the cumulative additional ADD deposits in excess of the calculated expense, which were $64.4 million and $108.8 million, respectively, at September 30, 2006. Substantially all of the duty and interest was collected before the end of the year.

The SLA requires that, effective October 12, 2006, an export tax on lumber shipped to the US be collected by the government of Canada and returned to the province of origin of the lumber. The Province of BC had the right to choose between an export charge only (Option A) or a lower export charge with a quota (Option B) for each of the BC Coast and BC Interior regions. The Province of BC chose Option A for both the BC Coast and the BC Interior and will have the opportunity to change options on January 1, 2010 and January 1, 2013.

The export tax rate is determined monthly, based on the "Random Lengths Framing Lumber Composite Price" as follows: 15% tax at a composite price of US $315 or under; 10% at US $316-$355; 5% at US $336-$355 and nil when the price is over US $355. The SLA also includes a "Surge Mechanism", which increases the export tax rate for the month by 50% when the monthly volume of exports from a region exceeds a certain "Trigger Volume" as defined in the SLA. Export taxes of $22.0 million were paid in the fourth quarter of 2006.

8. Employee Future Benefits

Total employee future benefit costs were as follows:

	3 months ended December 31,		12 months ended December 31,	
(millions of dollars)	**2006**	2005	**2006**	2005
Defined benefit pension plans	**$ 4.8**	$ 7.4	**$ 18.7**	$ 19.5
Other employee future benefit plans	**4.2**	6.9	**16.6**	13.2
Defined contribution pension plans and 401(k) plans	**0.9**	0.8	**3.2**	2.1
Contributions to forest industry union plans	**5.9**	7.6	**24.6**	30.4
	$ 15.8	$ 22.7	**$ 63.1**	$ 65.2

9. Restructuring, Mill Closure and Severance Costs

In the fourth quarter, mill closure costs of $2.9 million were recorded, primarily related to the expected closure, in June 2007, of a mat plant located at the Panel and Fibre operation, and severance costs at the Tackama plywood plant as a result of reducing the number of shifts at that operation during the quarter. Other restructuring costs of $3.6 million were recorded in the fourth quarter, primarily comprised of dismantling costs at the Tackama sawmill, which was closed in 2005, and additional severance and lease costs related to the integration of Slocan and Canfor in 2004, which were not identified at the time of the original accrual.

The following provides a reconciliation of the restructuring, mill closure and severance provision for the current period:

(millions of dollars)	3 months ended December 31, 2006	3 months ended December 31, 2005	12 months ended December 31, 2006	12 months ended December 31, 2005
Accrued liability at beginning of period	**$ 4.0**	$ 10.9	**$ 9.7**	$ 24.3
Accrued in the period *	**6.5**	0.1	**6.5**	5.3
Less: non-cash items	**(3.5)**	-	**(3.5)**	(3.0)
Payments in the period	**(2.1)**	(1.3)	**(7.8)**	(16.9)
Accrued liability at end of period	**4.9**	$ 9.7	**4.9**	$ 9.7
* reported in the following segments:				
Lumber	**$ 1.3**	$ 0.3	**$ 1.3**	$ 4.9
Panels	**$ 2.3**	$ -	**$ 2.3**	$ -
Pulp and Paper	**$ -**	$ (0.2)	**$ -**	$ 0.4
Corporate	**$ 2.9**	$ -	**$ 2.9**	$ -

10. Write Down of Equity Investments

In the fourth quarter of 2006, Canfor recorded a $19.1 million write down of its equity investment in Lakeland Mills and Winton Global Lumber.

11. Income Tax Recovery (Expense)

(millions of dollars)	3 months ended December 31, 2006	3 months ended December 31, 2005	12 months ended December 31, 2006	12 months ended December 31, 2005
Current	**$ (230.4)**	$ (1.7)	**$ (231.5)**	$ (12.1)
Future	**(16.7)**	11.8	**47.9**	(11.8)
Tax on equity earnings	**0.3**	0.5	**0.1**	(1.0)
	(246.8)	10.6	**(183.5)**	(24.9)
Amortization of deferred credit on utilization of acquired tax losses	**14.1**	(2.7)	**14.1**	12.5
	$ (232.7)	$ 7.9	**$ (169.4)**	$ (12.4)

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

(millions of dollars)	3 months ended December 31, 2006	3 months ended December 31, 2005	12 months ended December 31, 2006	12 months ended December 31, 2005
Income tax expense at statutory tax rate	**$ (242.7)**	$ 6.4	**$ (227.0)**	$ (39.7)
Change in corporate income tax rates	**(0.5)**	-	**41.9**	21.0
Amortization of deferred credit on utilization of acquired tax losses	**14.1**	(2.7)	**14.1**	12.5
Non-controlling interests	**4.2**	-	**7.1**	-
Permanent difference from capital gains and losses	**(6.0)**	(0.6)	**(3.1)**	2.4
Permanent differences from dividend income	**-**	3.1	**-**	3.1
Change in estimate of available capital losses	**-**	-	**-**	(8.6)
Large corporation tax	**-**	(1.1)	**-**	(4.8)
Other permanent differences and adjustments	**(1.8)**	2.8	**(2.4)**	1.7
Income tax recovery (expense)	**$ (232.7)**	$ 7.9	**$ (169.4)**	$ (12.4)

12. Earnings Per Share

Basic earnings per share is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares during the period using the treasury stock method. Under this method, proceeds from the potential exercise of stock options are assumed to be used to purchase the Company's common shares.

	3 months ended December 31,		12 months ended December 31,	
	2006	2005	**2006**	2005
Weighted average number of common shares	**142,546,801**	142,510,396	**142,536,619**	143,092,157
Incremental shares from stock options	**33,606**	99,191	**63,301**	163,120
Diluted number of common shares	**142,580,407**	142,609,587	**142,599,920**	143,255,277

13. Financial Instruments

Canfor, from time to time, uses simple derivative instruments, such as forward exchange contracts and futures contracts to hedge future movements of exchange rates and commodity prices.

At December 31, 2006, Canfor had entered into pulp swaps to hedge future pulp sales, along with matching US dollar forward exchange contracts. There was a combined unrealized loss of $1.0 million on the pulp swaps and forward contracts at the end of the period.

At December 31, 2006, Canfor had entered into energy derivatives to hedge future natural gas and diesel purchases. There were unrealized losses of $2.9 million on these contracts, respectively, at the end of the period.

14. Changes in Non-Cash Working Capital

	3 months ended December 31,		12 months ended December 31,	
(millions of dollars)	**2006**	2005	**2006**	2005
Accounts receivable	**$ 43.9**	$ 34.5	**$ 33.3**	$ 8.3
Current and future income taxes	**231.0**	(2.1)	**223.9**	1.7
Inventories	**(6.8)**	(26.7)	**28.8**	(27.0)
Prepaid expenses	**13.8**	6.9	**-**	2.9
Accounts payable, accrued liabilities and deferred reforestation (Note 7)	**202.2**	8.4	**161.7**	(41.7)
	$ 484.1	$ 21.0	**$ 447.7**	$ (55.8)

15. Segmented Information [a]

(millions of dollars)		Lumber [b]	Panels	Pulp & Paper [c]	Corporate & Other [d]		Consolidated
3 months ended December 31, 2006							
Sales to external customers	**$**	**555.7**	**82.3**	**254.0**	**-**	**$**	**892.0**
Sales to other segments [c]	**$**	**24.7**	**1.1**	**-**	**-**	**$**	**25.8**
Operating income (loss) [f]	**$**	**645.2**	**(26.5)**	**50.1**	**(12.7)**	**$**	**656.1**
Amortization	**$**	**27.0**	**6.3**	**12.7**	**1.5**	**$**	**47.5**
Capital expenditures	**$**	**24.6**	**3.1**	**5.2**	**0.8**	**$**	**33.7**
3 months ended December 31, 2005							
Sales to external customers	$	543.1	89.0	221.7	-	$	853.8
Sales to other segments [c]	$	15.4	0.8	-	-	$	16.2
Operating income (loss)	$	(13.1)	(2.7)	16.8	(15.7)	$	(14.7)
Amortization	$	20.6	3.9	12.1	1.8	$	38.4
Capital expenditures	$	74.1	19.5	5.2	(2.9)	$	95.9
12 months ended December 31, 2006							
Sales to external customers	**$**	**2,521.5**	**367.9**	**952.9**	**-**	**$**	**3,842.3**
Sales to other segments [c]	**$**	**82.9**	**3.7**	**-**	**-**	**$**	**86.6**
Operating income (loss) [f]	**$**	**585.2**	**(53.3)**	**141.9**	**(39.3)**	**$**	**634.5**
Amortization	**$**	**101.0**	**26.0**	**48.8**	**6.8**	**$**	**182.6**
Capital expenditures	**$**	**76.9**	**11.0**	**18.2**	**1.0**	**$**	**107.1**
Identifiable assets [g]	**$**	**1,869.7**	**331.8**	**920.8**	**1,556.9**	**$**	**4,679.2**
12 months ended December 31, 2005							
Sales to external customers	$	2,544.9	365.7	876.5	-	$	3,787.1
Sales to other segments [c]	$	104.2	4.5	-	-	$	108.7
Operating income (loss)	$	131.5	25.4	22.2	(36.7)	$	142.4
Amortization	$	86.9	11.9	46.2	6.6	$	151.6
Capital expenditures	$	158.7	105.7	63.5	6.6	$	334.5
Identifiable assets	$	1,717.9	345.8	895.3	871.1	$	3,830.1

(a) Operations are presented by product line.

(b) Sales for the quarter include sales of Canfor-produced lumber of $417.6 million (2005 – $457.7 million) and $1,964.2 million for the year to date (2005 – $2,215.9 million).

(c) Includes 100% of CPLP (Note 2) and the Taylor Pulp Mill, which was excluded from the spinout transaction.

(d) Corporate & Other includes discontinued operations (Note 3).

(e) Sales to other segments are accounted for at prices that approximate market value.

(f) Includes the duty refund of $717.7 million (Note 7), recorded in the Lumber segment.

(g) Identifiable assets of the Lumber segment includes goodwill of $81.6 million, which was acquired in March 2006 upon the acquisition of New South Companies Inc. (Note 3).

Geographic Information

(millions of dollars)	3 months ended December 31, **2006**	2005	12 months ended December 31, **2006**	2005
Sales by location of customer				
Canada	**$ 153.2**	$ 127.7	**$ 590.3**	$ 571.5
United States	**557.6**	551.4	**2,536.7**	2,485.8
Europe	**48.2**	59.4	**172.5**	233.2
Far East and Other	**133.0**	115.3	**542.8**	496.6
	$ 892.0	$ 853.8	**$ 3,842.3**	$ 3,787.1
Capital assets, goodwill and other intangible assets by location				
Canada			**$ 2,162.0**	$ 2,206.1
United States			**201.4**	4.9
Far East and Other			**0.7**	0.1
			$ 2,364.1	$ 2,211.1

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