April 27, 2009

CANFOR PULP INCOME FUND ANNOUNCES FIRST QUARTER 2009 RESULTS

Vancouver, BC – Canfor Pulp Income Fund (the "Fund") (TSX: CFX.UN) announced today its first quarter 2009 results as well as the results of Canfor Pulp Limited Partnership (the "Partnership") in which the Fund has a 49.8% ownership.

The Partnership reported sales of $186.3 million and a net loss of $21.6 million, or $0.30 per unit, for the quarter ended March 31, 2009. Non-operating items impacting the Partnership's net loss totalled $11.8 million or $0.16 per unit and include a $3.9 million foreign exchange loss on translation of US dollar denominated long-term debt and a $5.7 million charge to net income representing settlement and revaluation to market of outstanding natural gas and US dollar working capital foreign exchange hedging contracts. The Partnership generated EBITDA of $2.2 million in the quarter. The Fund reported a net loss of $10.7 million, or $0.30 per Fund unit in the quarter, representing the Fund's share of the Partnership's loss.

The Partnership generated positive standardized distributable cash of $15.8 million, or $0.22 per unit. Adjusted distributable cash (defined as standardized distributable cash before changes in working capital and long-term deferred maintenance, and after provision for accrued capital expenditures) was negative $4.3 million, or $0.06 per unit, in the first quarter of 2009. Capital expenditures were $2.4 million in the quarter. For the first quarter, the Partnership and the Fund declared distributions of $0.06 per unit.

Financial results of the Partnership in the quarter were significantly impacted by the poor global economic environment resulting in a reduction in global demand for pulp and paper products, increased global inventory levels and further reductions in NBSK pulp list prices. As a result of these adverse conditions the Partnership, as previously reported, had commenced a market curtailment in December 2008 that continued into the first quarter of 2009. The market curtailment allowed the Partnership to manage inventory levels and mitigate the impact of the significant decline in global demand heading into the 2009 year. The market curtailment at all of the manufacturing operations reduced market pulp production by approximately 14,000 tonnes and paper production by approximately 4,700 tonnes in the first quarter of 2009. Continued reductions in demand, particularly in the US printing and writing paper grades, resulted in a 15% decrease in the US dollar list price of NBSK pulp in the first quarter of 2009.

To manage inventories during the adverse market conditions, the Partnership actively targeted opportunities in the tissue segment and non-contract spot sales. The Northwood Pulp Mill completed a maintenance outage in the first quarter of 2009, which resulted in approximately 7,000 tonnes of reduced production. Overall NBSK inventories were reduced in the quarter as a result of these measures, in spite of the difficult market conditions.

The Intercontinental and Prince George Pulp and Paper Mills are planning scheduled maintenance outages in the second quarter of 2009 and estimate reduced market pulp production of 7,000 tonnes and reduced paper production of 3,000 tonnes. There are no planned maintenance outages in the third quarter. For the remainder of the year there is a planned maintenance outage in the fourth quarter at our Northwood facility which is expected to reduce production levels by 21,000 tonnes.

On April 21, 2009 the Fund announced a cash distribution of $0.01 per Fund unit for the month of April to be paid on May 15, 2009.

Additional Information

A conference call to discuss the first quarter 2009 financial and operating results will be held on Wednesday, April 29, 2009 at 8:00 a.m. Pacific time.

To participate in the call, please dial 416-641-2140 or Toll-Free 1-800-952-4972. For instant replay access, please dial 416-695-5800 or Toll-Free 1-800-408-3053 and enter participant pass code 8846323. The conference call will be webcast live and will be available at www.canforpulp.com/investors/webcasts.asp.

This news release is available on the Partnership's website at www.canforpulp.com.

About Canfor Pulp Income Fund

The Fund is an unincorporated, open-ended trust established under the laws of Ontario, created to indirectly acquire and hold an interest in the Canfor Pulp Limited Partnership. The Fund indirectly holds a 49.8% interest in the Partnership with Canadian Forest Products Ltd. (a subsidiary of Canfor Corporation) holding the remaining 50.2% interest in the Partnership.

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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. The risks and uncertainties are detailed from time to time in reports filed by the Fund with the securities regulatory authorities in all of the provinces and territories of Canada to which recipients of this press release are referred to for additional information concerning the Fund and Partnership, its prospects and uncertainties relating to the Fund and Partnership and its prospects. These statements are based on management's current expectations and beliefs and actual events or results may differ materially. New risk factors may arise from time to time and it is not possible for management to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance and achievements of the Fund and Partnership to be materially different from those contained in forward-looking statements. The forward-looking statements are based on current information and expectations and the Fund and Partnership assume no obligation to update such information to reflect later events or developments, except as required by law.

Forward-looking statements in this press release include statements made under:

- *"Critical Accounting Estimates" on page 4;*
- *"Conversion to International Financial Reporting Standards" on pages 4 and 5;*
- *"Outlook – Pulp" on page 9;*
- *"Outlook – Kraft Paper" on page 10;*
- *"Liquidity and Financial Requirements" on page 12;*
- *"Critical Accounting Estimates" on page 13;*
- *"Conversion to International Financial Reporting Standards" on page 14;*
- *"Distributable Cash and Cash Distributions" on page 15.*

Material risk factors that could cause actual results to differ materially from the forward-looking statements contained in this press release include: general economic, market and business conditions; product selling prices; raw material and operating costs; exchange rates; changes in law and public policy; and opportunities available to or pursued by the Fund and Partnership. Additional information concerning these and other factors can be found in the Fund's Annual Information Form dated February 17, 2009, which is available on www.sedar.com.

Canfor Pulp Income Fund and Canfor Pulp Limited Partnership
First Quarter 2009
The information in this report is as at April 27, 2009.

CANFOR PULP INCOME FUND

The Fund is an unincorporated open-ended trust established under the laws of Ontario on April 21, 2006, pursuant to the Fund Declaration. The principal head office of the Fund is located at 1700 West 75th Avenue, Vancouver, BC, Canada. The Fund has been established to acquire and hold, through a wholly owned trust, the Canfor Pulp Trust (the Trust), investments in Limited Partnership Units of the Partnership, and such other investments as the Trustees of the Fund may determine. The general partner of the Partnership is Canfor Pulp Holding Inc. (the General Partner) and each limited partner holds an ownership interest in the General Partner equal to its proportionate interest in the Partnership.

At April 27, 2009, there were a total of 35,493,505 Fund units issued and outstanding, and the Fund indirectly held a total of 35,493,542 units of the Partnership, representing 49.8% of the Partnership and Canfor held 35,776,483 Class B Exchangeable Limited Partnership Units, representing 50.2% of the Partnership. The Class B Exchangeable LP Units are indirectly exchangeable for an equivalent number of Fund Units pursuant to the terms of an exchange agreement (Exchange Agreement) dated July 1, 2006 among Canadian Forest Products Ltd. (CFP), the Fund, Canfor Pulp Trust, Canfor Pulp Limited Partnership and Canfor Pulp Holding Inc. The Exchange Agreement contains, among other things, the procedure through which the Class B Exchangeable LP Units may be exchanged for Fund Units.

Each unitholder participates pro-rata in any distributions from the Fund. Under present income tax legislation, income tax obligations related to the distributions of the Fund are the obligations of the unitholders and the Fund is only taxable on any amount not allocated to the unitholders.

SELECTED QUARTERLY FUND FINANCIAL INFORMATION

(thousands of dollars, except per unit amounts, unaudited)	**Q1 2009**	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Equity income (loss) in Canfor Pulp Limited Partnership	**(10,740)**	(12,947)	5,513	9,046	21,667	5,999	16,541	17,900
Net income (loss)[1]	**(10,740)**	(13,686)	5,208	7,015	21,667	8,703	16,541	(21,437)
Net income (loss) per Fund unit[1]	**$(0.30)**	$(0.39)	$0.15	$0.20	$0.61	$0.25	$0.46	$(0.60)
Distributions earned from the Partnership and declared to unitholders	**2,130**	9,938	12,778	12,777	12,778	13,487	19,167	17,747
Distributions declared per Fund unit	**$0.06**	$0.28	$0.36	$0.36	$0.36	$0.38	$0.54	$0.50

Note: [1] In the second quarter of 2007 the Fund recorded a non-cash future income tax charge of $39.3 million to net income relating to the Fund's 49.8% ownership in the Partnership and based on temporary differences between the accounting and tax basis of the Partnership's assets and liabilities expected to reverse after January 1, 2011.

OPERATING RESULTS AND LIQUIDITY

For the quarter ended March 31, 2009, the Fund had a net loss of $10.7 million or $0.30 per Fund unit. The net loss is the Fund's share of the Partnership's loss for the first quarter of 2009. The Fund's equity loss in the Partnership is $2.2 million less than the prior quarter due to the Fund's share of the Partnership's higher operating loss, which was more than offset by a reduction in losses of non-operating items. The Fund's share of operating loss increased by $4.4 million due primarily to lower prices for the Partnership's pulp and paper products. Non-operating items for the first quarter of 2009 totaled $5.9 million compared to $12.5 million in the fourth quarter 2008 with the reduction mainly the result of a lower foreign exchange loss on translation of US dollar denominated long-term debt, and lower loses on settlement and revaluation to market of derivative financial instruments. Distributions declared by the Partnership and accruing to the Fund were $2.1 million of which $0.3 million was receivable at March 31, 2009. Cash distributions received from the Partnership are the only source of liquidity for the Fund. The Fund's requirements for administrative services are minimal and are funded and expensed by the Partnership. For further information refer to the Partnership's discussion of operating results and liquidity on pages 7 through 12 of this press release.

FUND DISTRIBUTIONS

The Fund is entirely dependent on distributions from the Partnership to make its own distributions and declares distributions on a monthly basis with the record date on the last business day of each month and payable within the 15 days following. Distributions payable by the Partnership to the Fund and distributions payable by the Fund to its unitholders are recorded when declared. During the first quarter of 2009, the Fund declared distributions of $0.06 per Fund unit or $2.1 million.

Monthly cash distributions from the Partnership are not directly equal to the Fund's pro-rata share of the Partnership's income (loss) under the equity method, primarily due to capital expenditures, foreign exchange gains or losses on translation of US dollar denominated debt, changes in value of derivative instruments, amortization and other non-cash expenses of the Partnership.

RISKS AND UNCERTAINTIES

The Fund is subject to certain risks and uncertainties related to the nature of its investment in the Partnership and the structure of the Fund, as well as all of the risks and uncertainties related to the business of the Partnership. A comprehensive discussion of these risks and uncertainties is contained in the Fund's Annual Information Form dated February 17, 2009, which is available on www.sedar.com and www.canforpulp.com.

FUND UNITS

At April 27, 2009, there were a total of 35,493,505 Fund units outstanding.

RELATED PARTY TRANSACTIONS

All accounting, treasury, legal and administrative functions for the Fund are performed on its behalf, without charge, by the Partnership pursuant to a support agreement. Distributions earned from the Partnership for the three months ended March 31, 2009 were $2.1 million of which $1.8 million was received, with the balance of $0.3 million receivable on March 31, 2009.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements. Management regularly reviews these estimates and assumptions based on currently available information. Significant areas requiring the use of management's estimates are the determination of future income taxes and assessing whether there has been an other than temporary decline in the value of the investment in the Partnership. The determination of the future income tax liability requires management to estimate the future impacts of the Partnership's amortization of capital assets, capital cost allowance claims for tax purposes, and changes to actuarial estimates of employee benefit plans. The Fund accounts for its investment in the Partnership using the equity method. Management periodically evaluates whether there has been an other than temporary decline in the value of the investment in the Partnership. The Fund relies on the recoverability analysis of the Partnership for the purposes of this assessment. Changes in these estimates could have a material impact on the calculation of the future income tax liability or equity investment in the Partnership.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 13, 2008, the Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Fund will rely on the resources of the Partnership to ensure compliance with IFRS. The Partnership intends to convert to these new standards according to the timetable set for these new rules and has completed the following steps:

- Commenced a comprehensive Institute of Chartered Accountants of BC in-house training program for the Partnership's Finance team. This program has included an overview of IFRS and was tailored to issues that may impact the financial statements, disclosures and results of operations of the Fund and Partnership.

- Formally established a transition plan, steering committee and a project implementation team. The project team consists of members from Finance and Information Technology and is being overseen by the Partnership's Chief Financial Officer. Reporting is done to senior management and to the Audit Committee on a regular basis.

- Completed the first phase of its transition program, which included scoping to identify the significant accounting policy differences and their related areas of impact in terms of systems, procedures and financial statements.

- Commenced the second phase of the transition plan, which involves a completed design and work plan to measure the differences between IFRS and Canadian GAAP, and the impact on its financial statements, disclosures and results of operations.

The Fund expects the transition to IFRS to impact financial reporting, business processes and information systems of the Partnership, which the Fund relies on. The Partnership will continue to review all proposed and continuing projects of the International Accounting Standards Board to determine their impact on the Fund, and will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

At this time, the impact on the Fund's future financial position and results of operations is not reasonably determinable.

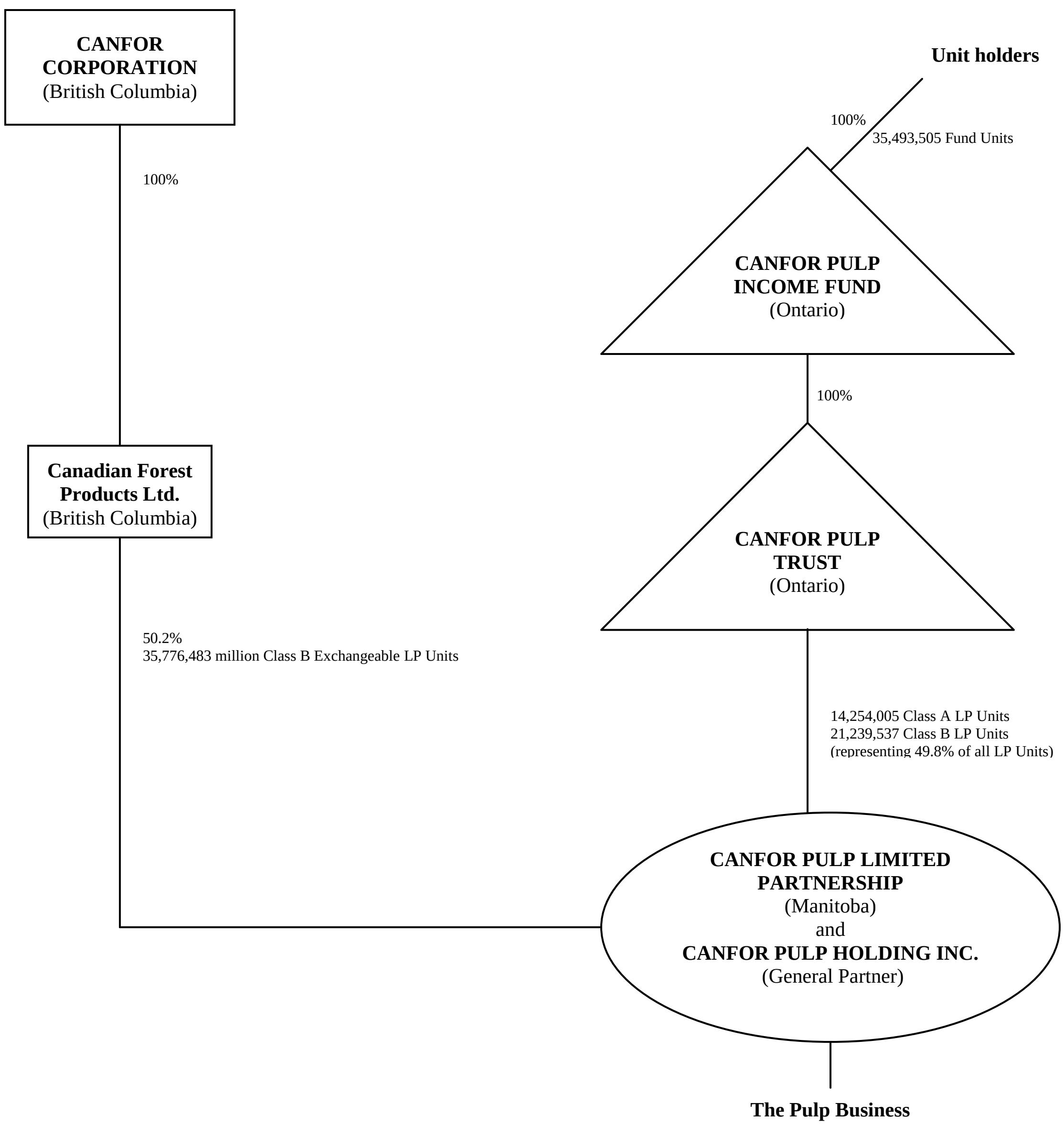
CANFOR PULP LIMITED PARTNERSHIP

Structure

The Partnership is a limited partnership formed on April 21, 2006, under the laws of Manitoba to acquire and carry on the NBSK pulp and paper business of Canfor. The business consists of two NBSK pulp mills and one NBSK pulp and paper mill located in Prince George, BC and a marketing group based in Vancouver, BC (the Pulp Business).

At April 27, 2009, the Fund indirectly held a total of 14,254,005 Class A Limited Partnership Units and 21,239,537 Class B Limited Partnership Units, representing 49.8% of the Partnership and Canfor owns the remaining 50.2%. The Partnership is managed, on behalf of the limited partners, by Canfor Pulp Holding Inc., the General Partner. Below is a simplified schematic of the ownership structure.

Partnership Structure



Business

The Partnership is a leading global supplier of pulp and paper products with operations based in the central interior of British Columbia. The Partnership's strategy is to maximize cash flows and enhance the value of its assets by: (i) preserving its low-cost operating position, (ii) maintaining the premium quality of its products and (iii) opportunistically acquiring high quality assets.

The Partnership owns and operates three mills with annual capacity to produce over one million tonnes of northern softwood market kraft pulp, 90% of which is bleached to become NBSK pulp for sale to the market, and approximately 140,000 tonnes of kraft paper.

SUMMARY OF SELECTED PARTNERSHIP RESULTS

(millions of dollars, except for per unit amounts, unaudited)	**Q1 2009**	Q4 2008	Q1 2008
Sales	**186.3**	186.1	211.4
EBITDA [1]	**2.2**	9.8	42.5
Operating income (loss)	**(9.8)**	(1.0)	30.6
Net income (loss)	**(21.6)**	(26.0)	43.5
Per Partnership unit, basic and diluted			
Net income (loss)	**(0.30)**	(0.36)	0.61
EBITDA	**0.03**	0.14	0.60
Average exchange rate (US$/Cdn$) [2]	**0.803**	0.825	0.996

Notes: [1] For calculation of EBITDA, see supplementary financial information on page 15.
[2] Source – Bank of Canada (average noon rate for the period).

EBITDA for the first quarter of 2009 decreased by $7.6 million from the fourth quarter of 2008 and was $40.3 million lower when compared to the first quarter of 2008. Financial results of the Partnership continue to be significantly impacted by the global financial crisis resulting in a reduction in global demand for pulp and paper products, increased global inventory levels, and further reductions in NBSK pulp list prices. As a result of these adverse conditions the Partnership commenced a market curtailment in December 2008 that continued into 2009. The market curtailment allowed the Partnership to manage inventory levels and to mitigate the impact of the significant reductions in global demand heading into the 2009 year. The decrease in first quarter 2009 EBITDA, when compared to the fourth quarter of 2008, is primarily related to a 15% decrease in NBSK pulp US dollar list price. The lower list prices were partially offset by a weaker Canadian dollar, and lower unit manufacturing and freight costs. Lower unit manufacturing costs were the result of higher production volumes, lower spending on fixed costs and lower fibre costs. Lower spending on fixed costs in the first quarter of 2009, compared to the prior quarter, was primarily attributable to a reduction in scheduled maintenance outages. Fibre costs decreased by approximately 9% due to lower prices for sawmill residual chips and the cessation of several high cost whole log chipping initiatives. Freight costs in US dollar terms were 7% lower when compared to the fourth quarter of 2008 as a result of a higher percentage of sales into Asia and an overall trend downwards in rates and fuel surcharges. The 15% decline in NBSK pulp US dollar list price was partially offset by a 3% weakening of the Canadian dollar.

When compared to the first quarter of 2008, the $40.3 million decrease in EBITDA was primarily attributable to lower NBSK pulp US dollar list prices, reduced production volumes and higher freight costs, partially offset by lower fibre costs, a weaker Canadian dollar and higher sales volumes. NBSK pulp US dollar list price decreased 24% when compared to the same period a year ago and increases in the Partnership's sales into lower margin business consisting primarily of the tissue segment and non-contract business were partially offset by the significantly weaker Canadian dollar. Fibre costs decreased approximately 5% due to lower prices for sawmill residual and whole log chips. First quarter 2009 production was lower by approximately 36,000 tonnes when compared to the same period in 2008 after accounting for the impact of the fire at the Prince George Pulp and Paper Mill in January 2008. The fire was covered by business interruption insurance which totalled $11.4 million in the first quarter of 2008. The first quarter 2009 production was impacted by a market curtailment and maintenance outage. Overall freight costs increased by 13% in Canadian dollar terms as a 19% weaker Canadian dollar was partially offset by lower container rates and fuel surcharges. Realized paper prices in Canadian dollar terms increased by 8% when compared to the first quarter of 2008.

OPERATING RESULTS BY BUSINESS SEGMENT

Pulp

(millions of dollars unless otherwise noted, unaudited)	**Q1 2009**	Q4 2008	Q1 2008
Sales[1]	**159.2**	159.1	176.2
EBITDA (loss)	**(0.5)**	9.5	44.0
EBITDA (loss) margin	**0%**	6%	25%
Operating income (loss)	**(11.6)**	(0.4)	33.0
Average NBSK pulp list price – (US$ per tonne, delivered to USA)	**673**	787	880
Average NBSK pulp list price – (Cdn$ per tonne, delivered to USA)	**838**	954	884
Production – pulp (000 mt)	**230.4**	219.6	231.5
Shipments – Partnership-produced pulp (000 mt)	**240.3**	208.2	228.9
Marketed on behalf of HSLP & Canfor (000 mt)	**107.2**	79.9	128.4

Note: [1] Comparative figures have been reclassified to conform to current year presentation.

First quarter 2009 operating income of the pulp segment was $11.2 million lower than the fourth quarter of 2008. The decrease is primarily due to lower NBSK pulp US dollar list prices, partially offset by a weaker Canadian dollar, higher production volume resulting in lower unit manufacturing costs, and lower fibre costs. NBSK pulp US dollar list price decreased 15% and was partially offset by a 3% weakening of the Canadian dollar. Lower unit manufacturing costs were the result of higher production volumes, lower spending on fixed costs and lower fibre costs. Production volumes were higher due to less downtime taken for market curtailment and maintenance outages, partially offset by lower overall operating rates which were attributable to the impact of cold weather. Lower spending on fixed costs in the first quarter of 2009, as compared to the prior quarter, were primarily attributable to reduced scheduled maintenance outages. Fibre costs decreased approximately 9% due to lower prices for sawmill residual chips and the cessation of several high cost whole log chipping initiatives. Sales volume in the first quarter of 2009 was 32,100 tonnes higher than the prior quarter as the Partnership aggressively pursued the tissue segment and non-contract spot sales. Although this business to the Partnership is at historically lower margins, the higher sales volumes mitigated the significant reduction in global demand, allowing the Partnership to reduce finished goods inventory to manageable levels.

The first quarter 2009 operating income was $44.6 million lower than the same period a year ago. The decrease in income was the result of lower NBSK pulp US dollar list prices and the impacts of reduced production on unit manufacturing costs, partially offset by lower fibre costs, a weaker Canadian dollar and higher sales volumes. A 24% decrease in NBSK pulp US dollar list price and increases in the Partnership's sales into lower margin businesses were partially offset by a 19% weakening of the Canadian dollar, resulting in a decrease of realized prices in Canadian dollar terms of 14%. First quarter 2009 production was lower by approximately 36,000 tonnes when compared to the same period in 2008 after accounting for the impact of the fire at the Prince George Pulp and Paper Mill in January 2008. The fire was covered by business interruption insurance which totalled $11.4 million in the first quarter of 2008. The lower production in the first quarter of 2009 was due to a market curtailment, maintenance outage and lower overall operating rates. Higher unit manufacturing costs were attributable to lower production volumes, higher spending on fixed costs due to the maintenance outage, partially offset by lower fibre costs. Fibre costs decreased approximately 5% due to lower prices for sawmill residual and whole log chips.

Operations

NBSK market pulp production during the first quarter of 2009 was 10,800 tonnes higher than the fourth quarter of 2008. The major components of increased production in the first quarter of 2009 were decreased scheduled maintenance outages totaling 7,100 tonnes (fourth quarter 2008 – 15,900 tonnes), a decrease in market related curtailments totaling 14,000 tonnes (fourth quarter 2008 – 25,800 tonnes), partially offset by lower overall operating rates attributable to cold weather and start-up issues coming out of the market curtailment.

When compared to the same period in 2008, first quarter 2009 production of 230,400 tonnes was 1,100 tonnes lower. However, after accounting for the impact of the January 2008 fire at the Prince George Pulp and Paper Mill (approximately 35,000 tonnes), production was 36,100 tonnes lower when compared to the first quarter of 2008. The major components of reduced production in the first quarter of 2009 were increased scheduled maintenance outages totaling 7,100 tonnes (first quarter 2008 – nil), market related curtailments totaling 14,000 tonnes (first quarter 2008 – nil), and overall lower operating rates attributable to cold weather and start-up issues coming out of the market curtailment.

Markets – Pulp

The global pulp market deteriorated further during the first quarter of 2009 resulting in lower global demand for pulp and paper products, reduced global shipments, higher producer inventories and continued pressure on prices.

The demand for market pulp has fallen largely due to reduced demand for printing and writing papers. According to the PPPC[1], global demand for printing and writing papers decreased 18% for March 2009 year-to-date, when compared to the same period in 2008.

For March year-to-date 2009, the World 20[1] producers reported a shipment-to-capacity ratio of 84% (March 2008 – 92%) for northern bleached softwood kraft (NBSK) market pulp (per PPPC[1]), The World 20[1] NBSK market pulp shipments were down 18% year-to-date through March 2009 compared to the same period in 2008.

Pulp inventories are at high levels, by historic standards. At the end of March 2009, producer softwood pulp inventories were at 40 days of supply (March 2008 – 33 days), after peaking at 43 days in January 2009.

The price of market pulp has fallen with demand. In March of 2009, the price for NBSK settled in the USA and Europe at US$650 per tonne and US$580 per tonne respectively. In comparison, in December of 2008, prices were at US$735 per tonne and US$635 per tonne, for USA and Europe respectively and in March of 2008, both markets were priced at US$880 per tonne.

Note: [1] World 20 data is based on twenty producing countries representing 80% of world chemical market pulp capacity and is based on information compiled and prepared by the Pulp and Paper Products Council (PPPC)

Outlook – Pulp

It is difficult to forecast market conditions for the balance of this year, because the supply and demand conditions in the market are changing rapidly. The lower demand and prices experienced recently have caused numerous pulp mills in Canada and Scandinavia to curtail production in order to conserve cash and control inventories. These curtailments include temporary and permanent closures. Hence the supply of market pulp is unpredictable, both short and medium–term. Demand is expected to remain under pressure in the short–term and potentially through the balance of this year. The balance of supply, demand, and the level of customer inventories are currently allowing for some very modest price gains in Asian markets. However, a recent development in the United States allows certain pulp producers to receive tax credits by defining kraft black liquor as an “alternative fuel”. This has the potential to significantly reduce cost structures of these producers.

Paper

(millions of dollars unless otherwise noted, unaudited)	**Q1 2009**	Q4 2008	Q1 2008
Sales [1]	**27.1**	27.0	35.2
EBITDA	**4.6**	3.3	2.3
EBITDA margin	**17%**	12%	7%
Operating income	**3.8**	2.5	1.4
Production – paper (000 mt)	**28.4**	30.1	32.4
Shipments – paper (000 mt)	**25.2**	24.4	35.1

Note: [1] Comparative figures have been reclassified to conform to current year presentation.

Operating income of the paper segment for the first quarter of 2009 was $1.3 million higher than the fourth quarter of 2008 and $2.4 million higher than the same period last year. The increase when compared to the fourth quarter of 2008 was primarily attributable to lower unit manufacturing costs, partially offset by lower realized prices in Canadian dollar terms and lower production volumes. Lower unit manufacturing costs are the result of lower costs for slush pulp and lower spending on fixed costs, partially offset by the impact of lower production volumes. Coinciding with the market curtailment of pulp production, the Partnership completed a curtailment of paper production in January 2009, reducing paper production by approximately 4,800 tonnes in the first 12.5 days of 2009 as compared to 3,400 tonnes in 2008. Realized prices in Canadian dollar terms decreased by approximately 3%.

When compared to the first quarter of 2008 the improved operating earnings were due to an 8% increase in realized prices in Canadian dollar terms and lower unit manufacturing costs, partially offset by lower sales and production volumes. Lower unit manufacturing costs are the result of lower costs for slush pulp and lower spending on fixed costs, partially offset by the impact of lower production volumes. Lower sales volumes are the result of weak global demand for kraft paper.

Operations

Paper production in the first quarter of 2009 decreased 1,700 tonnes when compared to the fourth quarter of 2008, and was 4,000 tonnes lower than the first quarter of 2008. Reduced production volumes in the first quarter were the result of the completion of the market curtailment that commenced in December 2008, representing 12.5 days of lost production in the first quarter of 2009 compared to nine days in the fourth quarter of 2008.

Markets - Paper

Weak sack kraft paper demand in the fourth quarter of 2008 continued into the first quarter of 2009. The weak demand is due to the continued turmoil and general economic weakness precipitated by the global financial crisis, resulting in inventory corrections by key contract customers. Kraft paper prices slipped further in the first quarter of 2009. The decline since the price peak in the summer of 2008 has been approximately 10% with lower list prices for sack kraft paper partially offset by a weaker Canadian dollar.

The Partnership’s first quarter of 2009 total prime paper shipments were down 28% from the first quarter of 2008. The Partnership’s first quarter 2009 bleached shipments were down 47% from the same period in 2008.

American Forest and Paper Association reported that US total kraft paper shipments in March 2009 decreased by 3% compared to February 2009. Bleached shipments increased 1% in March 2009 compared to February 2009, but decreased 31% when compared to March 2008. Bleached inventory dropped 8% in March 2009 compared to February 2009.

Outlook – Kraft Paper

Prices may continue to decline modestly in both domestic and offshore markets through the second quarter due to continued weak demand.

Non-Segmented Costs

(millions of dollars, unaudited)	**Q1 2009**	Q4 2008	Q1 2008
Unallocated costs	**2.0**	3.1	3.8
Interest expense, net	**2.6**	2.6	1.7
Foreign exchange loss on long-term debt	**3.9**	18.1	3.3
Loss (gain) on derivative financial instruments	**5.7**	11.1	(6.9)
Foreign exchange gain on working capital	**(0.6)**	(7.0)	(2.6)
Net property damage insurance gain[1]	**-**	0.3	(8.5)
Other (income) expense	**0.2**	(0.1)	0.1
	13.8	28.1	(9.1)

Note: [1] An adjustment of $0.3 million in the fourth quarter of 2008 reflects management's current estimate of final costs to complete the new chip screening system.

Unallocated Costs

Unallocated costs, comprised principally of general and administrative expenses, totalled $2.0 million in the first quarter of 2009 compared to $3.1 million in the fourth quarter of 2008 and $3.8 million in the first quarter of 2008. The reduction in unallocated costs when compared to prior periods is due to the cessation of accruals for Canfor Pulp Salaried Incentive Plans (PSIP). PSIP requires a minimum threshold of profitability prior to any payout. Management reviews the Partnership's financial performance on an ongoing basis and adjusts the PSIP accruals accordingly.

Interest Expense

The increased net interest expense in the first quarter of 2009 compared to the first quarter of 2008 is due to the cost of funding short-term working capital requirements.

Other Non-segmented Items

The loss on derivative financial instruments recorded in the first quarter of 2009 of $5.7 million relates to the settlement of maturing contracts during the quarter and the revaluation to market of outstanding contracts at the end of the quarter, for natural gas swaps and foreign exchange hedging contracts. The declining price of natural gas in the first quarter of 2009 resulted in a loss for the quarter of $1.4 million on settlement of contracts. The natural gas swaps are used to fix the price on a portion of the Partnership's future natural gas requirements. The declining value of the Canadian dollar in the first quarter of 2009 resulted in a loss for the quarter of $1.4 million on settlement of US dollar foreign exchange contracts to hedge the impact of currency fluctuations on US dollar working capital. This loss was partially offset by the foreign exchange gain on working capital of $0.6 million. The revaluation to market of outstanding derivative instruments recorded in the quarter of $2.9 million relates to a revaluation to market of outstanding natural gas swaps and outstanding US dollar foreign exchange hedging contracts at the end of the quarter. This is the result of a decrease in the market price of natural gas and the weaker Canadian dollar at the end of the quarter.

The foreign exchange loss on long-term debt results from translating the US$110 million debt at period-end exchange rates.

SUMMARY OF FINANCIAL POSITION

The following table summarizes the Partnership's financial position as at the end of and for the following periods:

(millions of dollars, except for ratios, unaudited)	**Q1 2009**	Q1 2008
Ratio of current assets to current liabilities	**1.81**	1.97
Ratio of net debt to partners' equity [1]	**0.30**	0.15
Increase in cash and cash equivalents	**1.6**	20.3
Comprised of cash flow from (used in):		
Operating activities [2]	**21.8**	51.6
Financing activities	**(14.0)**	(25.6)
Investing activities [2]	**(6.2)**	(5.7)

Notes: [1] Net debt consists of long-term debt and operating loans, net of cash and cash equivalents.
[2] Comparative figures have been reclassified to conform to current year presentation.

Changes in Financial Position

Cash generated from operating activities was $21.8 million in the first quarter of 2009 compared to $51.6 million in the first quarter of 2008. The decrease was primarily due to lower cash generated from operations partially offset by a decrease in cash used in working capital. The lower cash generated from operations is attributable to significant reductions in the price for the Partnership's pulp and paper products, and the impact of a market curtailment at all of the Partnership's manufacturing facilities taken to manage inventory levels as a result of reduced global demand. The decrease in cash used in working capital is primarily due to reductions in cost and volume of finished goods and chip inventories and receipt of amounts in relation to the Prince George Pulp and Paper Mill fire insurance claim.

The cash used in financing activities of $14.0 million in the quarter represents $6.4 million of distributions paid to the limited partners, namely Canfor and the Fund, and a reduction of $7.6 million in utilization of the Partnership's Revolving Facility.

The cash used in investing activities in the quarter is comprised of $6.0 million relating to capital expenditures.

LIQUIDITY AND FINANCIAL REQUIREMENTS

At the end of the current quarter, the Partnership had cash and cash equivalents of $2.0 million. The Partnership has a $75 million syndicated unsecured revolving bank credit facility (the Revolving Facility), maturing in November 2009, of which $32.7 million is available, with $24.7 million of the Revolving Facility reserved for standby letters of credit issued to BC Hydro and $17.6 million drawn to fund working capital requirements as of March 31, 2009. The Partnership expects to renew the Revolving Facility for a similar amount, with terms and interest rates based on prevailing market conditions at the time of renewal.

The Partnership manages cash resources to fund current and future operations through management of its capital structure in conjunction with cash flow forecasting including anticipated investing and financing activities, and use of the Revolving Facility to meet short-term working capital requirements. The Partnership also reviews on an ongoing basis, the level of distributions, capital expenditures and timing of scheduled major maintenance outages and may adjust these amounts periodically to manage cash resources.

The Partnership also utilizes discounting of letters of credit on outstanding trade receivables to reduce borrowing costs, credit, and foreign currency exposure, and to increase short-term liquidity.

OUTSTANDING UNITS

At April 27, 2009, there were 71,270,025 Limited Partnership Units outstanding, of which 35,493,542 units (consisting of 14,254,005 Class A Limited Partnership Units and 21,239,537 Class B Limited Partnership Units) are owned by the Fund through Canfor Pulp Trust and 35,776,483 Class B Exchangeable Limited Partnership Units are owned indirectly by Canfor.

RELATED PARTY TRANSACTIONS

The Partnership's transactions with related parties are consistent with the transactions described in the December 31, 2008 audited consolidated financial statements and are based on agreed upon amounts, and are summarized in note 10 of the unaudited interim consolidated financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ending March 31, 2009, there were no changes in the Partnership's internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

RISKS AND UNCERTAINTIES

A comprehensive discussion of risks and uncertainties is included in the Fund's Annual Information Form dated February 17, 2009, which is available on www.sedar.com and www.canforpulp.com.

SELECTED QUARTERLY PARTNERSHIP FINANCIAL INFORMATION

(unaudited)	**Q1 2009**	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Sales and Income (millions of dollars)								
Sales	**186.3**	186.1	215.4	212.6	211.4	215.1	228.9	239.4
Operating income (loss)	**(9.8)**	(1.0)	27.5	11.6	30.6	11.7	35.4	39.2
EBITDA	**2.2**	9.8	40.6	24.0	42.5	27.9	48.8	51.7
Net income (loss)	**(21.6)**	(26.0)	11.1	18.2	43.5	12.1	33.2	35.9
Per Partnership unit (dollars) [1]								
Net income (loss) basic and diluted	**(0.30)**	(0.36)	0.15	0.26	0.61	0.17	0.46	0.51
Statistics								
Pulp shipments (000 mt)	**240.3**	208.2	234.5	233.8	228.9	253.6	257.1	259.8
Paper shipments (000 mt)	**25.2**	24.4	31.6	33.7	35.1	32.4	30.8	35.9
Average exchange rate (US$/Cdn$) [2]	**0.803**	0.825	0.960	0.990	0.996	1.019	0.957	0.911
Average NBSK pulp list price – (US$ per tonne, delivered to USA)	**673**	787	880	880	880	857	837	810

Notes: [1] Based on Partnership units outstanding at March 31, 2009 (71,270,025) for all periods.
[2] Source – Bank of Canada (average noon rate for the period).

Sales are primarily influenced by changes in market pulp prices, sales volumes and fluctuations in Canadian dollar exchange rates. Operating income (loss), net income (loss) and EBITDA are primarily impacted by the level of sales, freight costs and fluctuations of fibre, chemicals and energy prices, level of spending and the timing of scheduled maintenance downtime, and production curtailments. Net income (loss) is also impacted by fluctuations in the Canadian dollar exchange rate, market price of natural gas, the revaluation to the period end rate of US dollar denominated working capital balances and long-term debt, and revaluation of outstanding natural gas commodity swaps and US dollar forward sales contracts.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements. On an ongoing basis, management reviews its estimates, including those related to asset useful lives for amortization, impairment of long-lived assets, pension and other employee future benefit plans, asset retirement obligations, and provisions for insurance claims, based upon currently available information. While it is reasonably possible that circumstances may arise which cause actual results to differ from these estimates, management does not believe it is likely that any such differences will materially affect the Partnership's financial condition.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 13, 2008, the Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Partnership intends to convert to these new standards according to the timetable set for these new rules and has completed the following steps:

- Commenced a comprehensive Institute of Chartered Accountants of BC in-house training program for the Partnership's Finance team. The program to date has included an overview of IFRS and was tailored to issues that may impact the financial statements, disclosures and results of operations of the Partnership.
- Formally established a transition plan, steering committee and a project implementation team. The project team consists of members from Finance and Information Technology and is being overseen by the Partnership's Chief Financial Officer. Reporting is done to senior management and to the Audit Committee on a regular basis.
- Completed the first phase of its transition program, which included scoping to identify the significant accounting policy differences and their related areas of impact in terms of systems, procedures and financial statements.
- Commenced the second phase of the transition plan, which involves a completed design and work plan to measure the differences between IFRS and Canadian GAAP, and the impact on its financial statements, disclosures and results of operations.

The Partnership expects the transition to IFRS to impact financial reporting, business processes and information systems. The Partnership will continue to review all proposed and continuing projects of the International Accounting Standards Board to determine their impact, and will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

At this time, the impact on the Partnership's future financial position and results of operations is not reasonably determinable.

CANFOR PULP LIMITED PARTNERSHIP

SUPPLEMENTARY FINANCIAL INFORMATION

(millions of dollars, unaudited)		Three months ended March 31, 2009		March 31, 2008
RECONCILIATION OF NET INCOME TO EBITDA				
Net Income (loss)	**$**	**(21.6)**	$	43.5
Add (deduct):				
Amortization		**12.0**		11.6
Net interest expense		**2.6**		1.7
Foreign exchange loss on long-term debt		**3.9**		3.3
Loss (gain) on derivative financial instruments		**5.7**		(6.9)
Foreign exchange gain on working capital		**(0.6)**		(2.6)
Loss on disposal of fixed assets		**-**		0.2
Net property damage insurance gain		**-**		(8.5)
Other expense		**0.2**		0.2
EBITDA	**$**	**2.2**	$	42.5
EBITDA per Partnership unit	**$**	**0.03**	$	0.60

(millions of dollars, unaudited)		Three months ended March 31, 2009		March 31, 2008
CALCULATION OF STANDARDIZED AND ADJUSTED DISTRIBUTABLE CASH				
Cash flow from operating activities [1]	**$**	**21.8**	$	51.6
Deduct: Capital expenditures – cash		**(6.0)**		(9.3)
Standardized distributable cash [1]	**$**	**15.8**	$	42.3
Adjustments to standardized distributable cash:				
Add (deduct):				
Decrease in non-cash working capital [1]		**(22.8)**		(5.5)
Net long-term deferred maintenance		**(0.9)**		(1.0)
Capital expenditures - accruals		**3.6**		6.1
Asset retirement obligation – current expenditures and accruals [1]		**-**		0.5
Adjusted distributable cash (deficiency)	**$**	**(4.3)**	$	42.4
Standardized distributable cash – per Partnership unit (in dollars) [1]	**$**	**0.22**	$	0.59
Adjusted distributable cash (deficiency)– per Partnership unit (in dollars)	**$**	**(0.06)**	$	0.60
Cash distributions declared (paid and payable)	**$**	**4.3**	$	25.6
Cash distributions declared – per Partnership unit (in dollars)	**$**	**0.06**	$	0.36

Note: [1] Comparative figures have been reclassified to conform to current year presentation.

DISTRIBUTABLE CASH AND CASH DISTRIBUTIONS

The Partnership reports standardized distributable cash in accordance with the Canadian Institute of Chartered Accountants July 2007 interpretive release “Standardized Distributable Cash in Income Trusts and other Flow-Through Entities”. In summary, for the purposes of the Partnership, standardized distributable cash is defined as the periodic cash flows from operating activities as reported in the GAAP financial statements, including the effects of changes in non-cash working capital less total capital expenditures as reported in the GAAP financial statements.

Adjusted distributable cash is defined as the standardized distributable cash prior to the effects of changes in non-cash working capital and long-term deferred maintenance, and after provision for accrued capital expenditures.

Management determines the level of cash distributions based on the level of cash flow from operations before changes in non-cash working capital and long-term deferred maintenance, less actual capital expenditures. During the year distributions are based on estimates of full year cash flow and capital spending; thus distributions may be adjusted as these estimates change. It is expected that normal seasonal fluctuations in working capital will be funded from cash resources or the revolving short-term credit facility.

Distributions are declared monthly with date of record on the last day of the month and payable within 15 days following.

Canfor Pulp Income Fund
Consolidated Statements of Income (loss), Comprehensive Income (loss) and Accumulated Earnings and Distributions

(thousands of dollars, except unit and per unit amounts, unaudited)	Three months ended March 31, 2009	March 31, 2008
Income (loss)		
Equity income (loss) in Canfor Pulp Limited Partnership	**$ (10,740)**	$ 21,667
Net income (loss)	**(10,740)**	21,667
Distributions declared (note 4)	**2,130**	12,778
Earnings in excess of distributions – surplus (deficit)	**$ (12,870)**	$ 8,889
Net income (loss) per unit, basic and diluted	**$ (0.30)**	$ 0.61
Weighted average number of units	**35,493,505**	35,493,542

Net income (loss) for the period	**$ (10,740)**	$ 21,667
Equity interest in other comprehensive loss of Canfor Pulp Limited Partnership	**(21)**	(54)
Comprehensive income (loss)	**$ (10,761)**	$ 21,613

Accumulated Earnings and Distributions		
Balance, beginning of period – distributions in excess of earnings	**$ (72,863)**	$ (44,796)
Earnings in excess of distributions – surplus (deficit), current period	**(12,870)**	8,889
Balance, end of period – Accumulated distributions in excess of earnings	**$ (85,733)**	$ (35,907)

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

Canfor Pulp Income Fund
Consolidated Statements of Cash Flows

(thousands of dollars, unaudited)	Three months ended **March 31, 2009**	March 31, 2008
Cash generated from (used in)		
Operating activities		
Net income (loss)	**$ (10,740)**	$ 21,667
Items not affecting cash:		
Equity (income) loss in Canfor Pulp Limited Partnership	**10,740**	(21,667)
Distributions received from Canfor Pulp Limited Partnership	**3,194**	12,778
	3,194	12,778
Financing activities		
Distributions paid to Unitholders	**$ (3,194)**	$ (12,778)
Beginning, change and ending balance in cash and cash equivalents	**$ -**	$ -

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

Canfor Pulp Income Fund
Consolidated Balance Sheets

(thousands of dollars, unaudited)		**As at March 31, 2009**		As at December 31, 2008
ASSETS				
Current assets				
Distributions receivable from Canfor Pulp Limited Partnership (notes 4,5)	$	**355**	$	**1,420**
Total current assets		**355**		**1,420**
Equity investment in Canfor Pulp Limited Partnership (note 3)		**253,383**		**266,274**
	$	**253,738**	$	**267,694**
LIABILITIES				
Current liabilities				
Distributions payable (note 4)	$	**355**	$	**1,420**
Total current liabilities		**355**		**1,420**
Future income taxes (note 6)		**39,709**		**39,709**
	$	**40,064**	$	**41,129**
UNITHOLDERS' EQUITY				
Unitholders' equity – 35,493,505 Fund units outstanding	$	**299,351**	$	**299,351**
Accumulated earnings and distributions		**(85,733)**		**(72,863)**
Accumulated other comprehensive income (note 7)		**56**		**77**
Total Unitholders' Equity		**213,674**		**226,565**
	$	**253,738**	$	**267,694**

Description of the fund and basis of presentation of financial statements (note 1).

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

Approved by the Trustees

"Stan Bracken-Horrocks" *"Charles Jago"*

Stan Bracken-Horrocks Charles Jago

Canfor Pulp Income Fund

Notes to the Unaudited Interim Consolidated Financial Statements as at March 31, 2009

1. Description of the Fund and Basis of Presentation of Financial Statements

Canfor Pulp Income Fund (the Fund) is an unincorporated open-ended trust established under the laws of Ontario on April 21, 2006, pursuant to the Fund Declaration. The principal head office of the Fund is located at 1700 West 75th Avenue, Vancouver, BC, Canada. The Fund has been established to acquire and hold, through a wholly owned trust, the Canfor Pulp Trust (the Trust), investments in the Limited Partnership Units of the Canfor Pulp Limited Partnership (the Partnership), and such other investments as the Trustees of the Fund may determine. The general partner of the Partnership is Canfor Pulp Holding Inc. (the General Partner) and each partner holds an ownership interest in the General Partner equal to its Partnership interest.

Each unitholder participates pro-rata in any distributions from the Fund.

The Fund is entirely dependent on distributions from the Partnership to make its own distributions.

2. Significant Accounting Policies

These unaudited interim consolidated 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 audited consolidated financial statements and notes included in the Fund's 2008 Annual Report available at www.canforpulp.com or www.sedar.com. These unaudited interim consolidated financial statements follow the same accounting policies and methods of computation as used in the 2008 audited consolidated financial statements.

3. Equity Investment in Canfor Pulp Limited Partnership

The Fund's equity investment in the Partnership is as follows:

(thousands of dollars, unaudited)	**Three months ended March 31, 2009**	Year ended December 31, 2008
Balance, beginning of period	**266,274**	291,458
Equity interest in income (loss) of the Partnership	**(10,740)**	23,280
Equity interest in other comprehensive loss of the Partnership	**(21)**	(193)
Distributions from the Partnership	**(2,130)**	(48,271)
Balance, end of period	**253,383**	266,274

4. Distributions

The Fund declared distributions during the first three months of 2009 as follows:

(thousands of dollars, except per unit amounts, unaudited)

Record Date	**Payable Date**	**Amount per Fund Unit $**	**Amount $**
January 30, 2009	February 13, 2009	0.04	1,420
February 27, 2009	March 13, 2009	0.01	355
March 31, 2009	April 15, 2009	0.01	355
		0.06	2,130

The Fund's monthly distributions are based on the Partnership's monthly distributions.

Monthly cash distributions from the Partnership are based on the Partnership's cash flow and are not directly equal to the Fund's pro-rata share of the Partnership's income under the equity method.

5. Related Party Transactions

All accounting, treasury, legal and administrative functions for the Fund are performed on its behalf, without charge, by the Partnership pursuant to a support agreement. Distributions earned from the Partnership for the three months ended March 31, 2009 were $2.1 million of which $1.8 million was received, with the balance of $0.3 million receivable on March 31, 2009.

6. Future Income Taxes

The following table reconciles the income tax expense calculated using statutory tax rates to the actual income tax expense.

(thousands of dollars, unaudited)	**Three months ended March 31, 2009**	Year ended December 31, 2008
Expected income tax expense at statutory tax rate of nil (2008 – nil)	**-**	-
Future income taxes on temporary differences	**-**	3,076
	-	3,076

The temporary differences based on the Fund's 49.8% ownership of the Partnership are as follows:

(thousands of dollars, unaudited)	**March 31, 2009**	December 31, 2008
Future income tax liability:		
Equity investment in the Partnership	**43,129**	44,453
Expected reversal of temporary differences prior to 2011	**(3,420)**	(4,744)
	39,709	39,709

The future income tax liability is based on a current estimate of the balance at the beginning of 2011. The balance relates to the Fund's 49.8% ownership in the Partnership and is based on temporary differences between the accounting and tax basis of the Partnership's assets and liabilities expected to reverse after January 1, 2011.

7. Accumulated Other Comprehensive Income

(thousands of dollars, unaudited)	**Three months ended March 31, 2009**	Year ended December 31, 2008
Balance, beginning of period	**77**	270
Other comprehensive loss	**(21)**	(193)
Balance, end of period	**56**	77

8. Financial Instruments

The Fund's financial instruments consist of distributions receivable from the Partnership and distributions payable to unitholders. Distributions receivable are classified as loans and receivables, and are measured at amortized cost. Distributions payable are classified as other liabilities and are measured at amortized cost. The carrying values of these financial instruments approximate their fair values due to the relatively short period to maturity of these instruments.

The Fund is exposed to certain risks related to the nature of its investment in the Partnership and the structure of the Fund, as well as the underlying risks related to the business of the Partnership. The Fund relies on the objectives, policies and processes of the Partnership for managing these risks.

9. Segmented Information

The Fund operates in one industry segment, namely investing in pulp and paper producing assets in one geographic region, Canada.

Canfor Pulp Limited Partnership

Consolidated Statements of Income (Loss), Comprehensive Income (Loss) and Partners' Equity

(millions of dollars, except units and per unit amounts, unaudited)	Three months ended **March 31, 2009**	 March 31, 2008
Revenue		
Sales	**$ 186.3**	$ 211.4
Business interruption insurance	**-**	11.4
	186.3	222.8
Costs and expenses		
Manufacturing and product costs	**149.8**	148.9
Freight and other distribution costs	**28.8**	25.3
Amortization	**12.0**	11.6
Selling and administration costs	**5.5**	6.4
	196.1	192.2
Operating income (loss)	**(9.8)**	30.6
Net property damage insurance gain	**-**	8.5
Interest expense, net	**(2.6)**	(1.7)
Foreign exchange loss on long-term debt	**(3.9)**	(3.3)
(Loss) gain on derivative financial instruments (note 12)	**(5.7)**	6.9
Foreign exchange gain on working capital	**0.6**	2.6
Other expense	**(0.2)**	(0.1)
	(11.8)	12.9
Net income (loss)	**(21.6)**	43.5
Other comprehensive loss		
Adjustment for derivatives (note 15)	**-**	(0.1)
Comprehensive income (loss)	**$ (21.6)**	$ 43.4
Net income (loss) per Partnership unit (in dollars) (note 11)		
Basic and diluted	**$ (0.30)**	$ 0.61
Weighted average Partnership units outstanding	**71,270,025**	71,270,025
Partners' Equity		
Balance, beginning of period	**$ 534.4**	$ 584.9
Net income (loss)	**(21.6)**	43.5
Distributions declared to partners (note 14)	**(4.3)**	(25.6)
Other comprehensive loss (note 15)	**-**	(0.1)
Balance, end of period	**$ 508.5**	$ 602.7

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

Canfor Pulp Limited Partnership
Consolidated Statements of Cash Flows

(millions of dollars, unaudited)	Three months ended March 31, 2009	March 31, 2008
Cash and cash equivalents generated from (used in)		
Operating activities		
Net income (loss)	**$ (21.6)**	$ 43.5
Items not affecting cash:		
Amortization	**12.0**	11.6
Foreign exchange loss on long-term debt	**3.9**	3.3
Reduction (increase) in value of outstanding derivative financial instruments (note 12)	**2.9**	(6.9)
Employee future benefits	**1.5**	2.2
Loss on disposal of fixed assets	**-**	0.2
Net property damage insurance gain	**-**	(8.5)
Change in long-term maintenance provision	**0.9**	1.4
Other	**-**	0.2
Asset retirement obligation expenditures	**-**	(0.5)
Salary pension plan contribution	**(0.6)**	-
Long-term maintenance expenditure	**-**	(0.4)
Cash flow from (used in) operations before working capital changes	**(1.0)**	46.1
Changes in non-cash working capital (note 13)	**22.8**	5.5
	21.8	51.6
Financing activities		
Distributions paid to partners	**(6.4)**	(25.6)
Operating loan repayment (note 8)	**(7.6)**	-
	(14.0)	(25.6)
Investing activities		
Property, plant and equipment, net (note 13)	**(6.0)**	(9.3)
Net insurance proceeds	**(0.2)**	3.6
	(6.2)	(5.7)
Increase in cash and cash equivalents	**1.6**	20.3
Cash and cash equivalents, beginning of period	**0.4**	2.6
Cash and cash equivalents, end of period	**$ 2.0**	$ 22.9

Cash and cash equivalents include cash on hand and highly liquid investments with an original maturity date of 90 days or less net of outstanding cheques.

Supplementary cash flow information (note 13).

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

Canfor Pulp Limited Partnership
Consolidated Balance Sheets

(millions of dollars, unaudited)		**As at March 31, 2009**		As at December 31, 2008
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**2.0**	$	0.4
Accounts receivable (note 10)				
Trade		**98.2**		77.0
Insurance		**4.7**		7.4
Other		**3.9**		7.5
Inventories (note 3)		**160.8**		176.7
Prepaid expenses and other assets		**13.7**		16.5
Total current assets		**283.3**		285.5
Property, plant and equipment (note 4)		**560.5**		570.2
Other long-term assets (note 5)		**12.0**		13.2
	$	**855.8**	$	868.9
LIABILITIES				
Current liabilities				
Operating loan (note 8)		**17.6**		25.2
Accounts payable and accrued liabilities (note 10)		**138.5**		121.6
Distributions payable (note 14)		**0.7**		2.8
Total current liabilities		**156.8**		149.6
Long-term debt (note 8)		**138.6**		134.7
Long-term liabilities (note 9)		**51.9**		50.2
	$	**347.3**	$	334.5
PARTNERS' EQUITY – 14,254,005 Class A Limited Partnership Units and 57,016,020 Class B Limited Partnership Units (note 1)		**508.5**		534.4
	$	**855.8**	$	868.9

Description of the Partnership and basis of presentation of financial statements (note 1).

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

Approved on behalf of Canfor Pulp Limited Partnership by its
General Partner, Canfor Pulp Holding Inc.,

"Stan Bracken-Horrocks" *"Paul Richards"*

Stan Bracken-Horrocks
Director

Paul Richards
Director

Canfor Pulp Limited Partnership

Notes to the Unaudited Interim Consolidated Financial Statements as at March 31, 2009

1. Business Description and Basis of Presentation

Canfor Pulp Limited Partnership (the Partnership) is a limited partnership formed on April 21, 2006, under the laws of Manitoba, to acquire and carry on the NBSK pulp and paper business of Canadian Forest Products Ltd. a subsidiary of Canfor Corporation (collectively Canfor). The business consists of two NBSK pulp mills and one NBSK pulp and paper mill located in Prince George, British Columbia and a marketing group based in Vancouver, British Columbia (the Pulp Business).

At March 31, 2009, Canfor owned 50.2% and Canfor Pulp Income Fund (the Fund) indirectly owned 49.8% of the issued and outstanding units of the Partnership.

The general partner of the Partnership is Canfor Pulp Holding Inc. (the General Partner), which holds an interest of 0.001% of the Partnership.

These unaudited interim consolidated financial statements are those of the Partnership and do not include the assets, liabilities, revenues and expenses of its partners. The Partnership, other than its incorporated subsidiaries, is not subject to income taxes as its income is allocated for tax purposes to its partners. Accordingly, no recognition has been made for income taxes related to Partnership income in these financial statements. The tax attributes of the Partnership's net assets flow directly to the partners.

Certain comparative figures have been reclassified to conform to current year presentation.

Economic Dependence

The Partnership depends on Canfor to provide approximately 65% (2008 Year – 64%) of its fibre supply as well as to provide certain key business and administrative services as described in the Fund's 2008 Annual Report available at www.canforpulp.com or www.sedar.com. As a result of these relationships the Partnership considers its operations to be dependent on its ongoing relationship with Canfor.

2. Significant Accounting Policies

These unaudited interim consolidated financial statements do not include all of the note disclosures required by Canadian generally accepted accounting principles for annual financial statements. The Partnership's accounting policies are as disclosed in the annual consolidated financial statements of the Partnership included in the Fund's 2008 Annual Report available at www.canforpulp.com or www.sedar.com. These unaudited interim consolidated financial statements follow the same accounting policies and methods of computation as used in the 2008 audited consolidated financial statements.

3. Inventories

(millions of dollars, unaudited)	**March 31, 2009**	December 31, 2008
Pulp	**73.5**	86.7
Paper	**22.9**	20.6
Wood chips	**18.9**	23.3
Processing materials and supplies	**45.5**	46.1
	160.8	176.7

Pulp and paper finished goods inventory balances at March 31, 2009 are presented net of a write down from cost to net realizable value totaling $2.1 million (December 31, 2008 – $1.9 million).

4. Property, Plant and Equipment

	March 31, 2009		
(millions of dollars, unaudited)	Cost	Accumulated amortization	Net
Land and improvements	**5.4**	**-**	**5.4**
Asset retirement - Landfill	**2.3**	**0.8**	**1.5**
Buildings, machinery and equipment	**1,319.7**	**769.7**	**550.0**
Construction in progress	**3.6**	**-**	**3.6**
	1,331.0	**770.5**	**560.5**

	December 31, 2008		
(millions of dollars, unaudited)	Cost	Accumulated amortization	Net
Land and improvements	5.4	-	5.4
Asset retirement - Landfill	2.3	0.8	1.5
Buildings, machinery and equipment	1,318.6	757.7	560.9
Construction in progress	2.4	-	2.4
	1,328.7	758.5	570.2

5. Other Long-term Assets

(millions of dollars, unaudited)	March 31, 2009	December 31, 2008
Pension benefit plan	**11.5**	11.7
Maintenance shutdown costs	**-**	0.9
Other	**0.5**	0.6
	12.0	13.2

6. Employee Future Benefits

The Partnership, in participation with Canfor, has funded and unfunded defined benefit plans, as well as a defined contribution plan, that provide pension, other retirement and post-employment benefits to substantially all salaried employees and for its hourly employees covered under collective agreements. The defined benefit plans are based on years of service and final average salary. The post-employment benefit plans are non-contributory and include a range of health care and other benefits.

Total employee future benefit expenses were as follows:

	Three months ended	
(millions of dollars, unaudited)	March 31, 2009	March 31, 2008
Pension plans	**1.2**	0.9
Other employee future benefit plans	**0.9**	1.5
Contributions to forest industry union plans	**1.6**	1.6
	3.7	4.0

7. Asset Retirement Obligations

(millions of dollars, unaudited)	**March 31, 2009**	December 31, 2008
Balance beginning of period	**2.8**	11.3
Accretion expense	**-**	0.4
Current expenditures	**-**	(1.2)
Gain on settlement	**-**	(0.9)
Change in estimate	**-**	(6.8)
Balance end of period	**2.8**	2.8

8. Credit Facilities and Long-term Debt

The Partnership has a $75.0 million syndicated unsecured revolving bank credit facility (the Revolving Facility), maturing in November 2009, of which $32.7 million is available with $24.7 million of the Revolving Facility reserved for standby letters of credit issued to BC Hydro and $17.6 million drawn to fund working capital requirements as of March 31, 2009. The Revolving Facility bears interest and fees at rates that vary depending on the ratio of net debt to operating earnings before interest, taxes, depreciation and amortization (EBITDA) and which may, at the Partnership's option, be based on lenders' Canadian prime rate, bankers acceptances, US dollar base rate or US dollar LIBOR rate. The effective interest rate on the revolving facility for the quarter ended March 31, 2009 was 3.7%.

At March 31, 2009 the Partnership has outstanding long-term debt of $138.6 million (US$110.0 million) in the form of unsecured US dollar private placement notes (the Notes). The Notes bear interest at 6.41% and are repayable in full on their maturity date of November 30, 2013.

Each agreement relative to the Notes and Revolving Facility contains similar financial covenants including maximum allowable debt to EBITDA leverage ratio of 3.25 and minimum required EBITDA to interest coverage ratio of 2.5 and the Partnership remained in compliance with all covenants at March 31, 2009.

The fair value of long-term debt at March 31, 2009 was $137.4 million (US$109.0 million).

9. Long-term Liabilities

(millions of dollars, unaudited)	**March 31, 2009**	December 31, 2008
Accrued pension obligations	**6.1**	5.9
Post-employment benefits	**41.4**	40.8
Derivative financial instruments (note 12)	**1.6**	0.7
Asset retirement obligations (note 7)	**2.8**	2.8
	51.9	50.2

10. Related Party Transactions

The Partnership's transactions with related parties are consistent with the transactions described in the December 31, 2008 audited consolidated financial statements and are based on agreed upon amounts between the parties, and are summarized below:

(millions of dollars, unaudited)	Three months ended **March 31, 2009**	March 31, 2008
Transactions		
Canfor	**27.6**	39.4
Howe Sound LP – commission	**0.6**	0.7
Howe Sound LP – sale of wood chips	**0.1**	0.3
Lakeland Mills Ltd. and Winton Global Lumber Ltd. – purchase of wood chips	**0.5**	1.1

	March 31, 2009	December 31, 2008
Balance Sheet		
Included in accounts payable and accrued liabilities:		
Canfor	**31.1**	27.4
Howe Sound LP	**33.2**	20.4
Lakeland Mills Ltd. and Winton Global Lumber Ltd.	**0.1**	0.2
Included in trade accounts receivable:		
Product marketed for Canfor	**11.5**	9.9
Product marketed for Howe Sound LP	**26.7**	16.9

Transactions and payables to Canfor include purchases of wood chips, pulp and administrative services.

11. Net Income per Partnership Unit

Basic net income per Partnership unit is based on the weighted average number of Limited Partnership units outstanding during the period. All outstanding Partnership units were issued on July 1, 2006, and there was no change in the number of outstanding Partnership units during the quarter.

12. Financial Instruments

Classification of Financial Instruments

The Partnership has classified its cash and cash equivalents as held-for-trading. Accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, distributions payable, operating loan and long-term debt, including interest payable, are classified as other liabilities, all of which are measured at amortized cost. Derivative instruments are recorded in the balance sheet at fair value. The Partnership has no derivatives embedded in its financial or non-financial contracts that are not closely related to the host contract.

Financial Risk Management

The Partnership is exposed to a number of risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and market risk.

Risk management is carried out by the risk management committee under a "Risk Management Controls Policy". The policy sets out the responsibilities, reporting and counter party credit and communication requirements associated with all Partnership risk management activity. Responsibility for overall philosophy, direction and approval is that of the Board of Directors.

I. *Credit risk:*

Credit risk is the risk of financial loss to the Partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Partnership to credit risk include cash and cash equivalents, accounts receivable and derivatives.

In order to mitigate the risk of financial loss, cash on deposit is held with major Canadian and international financial institutions. The cash and cash equivalents balance at March 31, 2009 was $2.0 million. The Partnership does not believe there is any significant credit risk associated with cash on deposit held in major Canadian and international financial institutions.

The Partnership utilizes a combination of credit insurance and self-insurance to manage the risk associated with trade receivables. Approximately 81% of the outstanding trade receivables are covered under credit insurance while the majority of the balance is with large and financially sound customers. In addition, the Partnership requires letters of credit on certain export trade receivables and periodically discounts these letters of credit without recourse. The Partnership recognizes the sale of the letters of credit at the settlement date, and accordingly reduces the related trade account receivable balance. At March 31, 2009, the Partnership had reduced the trade accounts receivable balance by $32.2 million due to discounting of letters of credit. The Partnership's trade receivable balance at March 31, 2009 was $98.2 million. The Partnership believes that its approach to managing credit risk associated with the collection of outstanding trade accounts receivable is appropriate in the current credit market.

The Partnership does not believe that there is any significant counter party credit risk in respect of outstanding derivatives.

II. *Liquidity risk:*

Liquidity risk is the risk that the Partnership will be unable to meet its financial obligations as they fall due. The Partnership manages liquidity risk through management of its capital structure in conjunction with cash flow forecasting including anticipated investing and financing activities, and use of the Revolving Facility to meet short-term working capital requirements. The Partnership's Revolving Facility matures in November 2009. The Partnership expects to renew the Revolving Facility for a similar amount, with terms and interest rates based on prevailing market conditions at the time of renewal.

Due to the current global financial crisis, the Partnership is also actively reviewing on an ongoing basis, the level of distributions, capital expenditures and timing of scheduled major maintenance outages and may adjust these amounts periodically to ensure adequate cash is available. In addition, the Partnership is utilizing discounting of letters of credit on outstanding trade receivables to manage liquidity risk. At March 31, 2009, the impact of discounting of letters of credit accelerated cash collection and reduced the trade accounts receivable balance by $32.2 million. The Partnership believes it will be able to meet all financial obligations as they come due.

At March 31, 2009, the Partnership accounts payable and accrued liabilities totalled $138.5 million, all of which fall due for payment within one year of the balance sheet date. The Partnership's distributions payable at March 31, 2009 totalled $0.7 million, which fall due for payment on April 15, 2009.

III. *Market risk:*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates and foreign currency.

a. Interest rate risk:

The Partnership is exposed to interest rate risk though its financial assets and financial obligations bearing variable interest rates and through its off-balance sheet lease obligations. The Partnership's cash and cash equivalents include term deposits with an original maturity date of 90 days or less.

Fluctuations in the market interest rates are not expected to have a material impact on the Partnership's results of operations due to the short-term nature of the respective financial assets and obligations and the fixed interest rate on long-term debt.

The Partnership currently does not use derivative instruments to reduce its exposure to interest rate risk.

b. Currency risk:

The Partnership is exposed to foreign exchange risk. The Partnership's products are sold globally with prices primarily denominated in US dollars or linked to prices quoted in US dollars with certain expenditures transacted in US dollars. In addition the Partnership holds financial assets and liabilities in US dollars. These primarily include US dollar bank accounts and investments, trade accounts receivable and long-term debt.

The Partnership enters into US dollar forward sales contracts to reduce exposure to fluctuations in US exchange rates on US dollar denominated accounts receivable and accounts payable balances.

c. Commodity price risk:

The Partnership's financial performance is dependant on the selling price of its products and the purchase price of raw material inputs. Subsequently, the Partnership is exposed to changes in commodity prices for pulp and paper, as well as changes in fibre, freight, chemical and natural gas prices. The markets for pulp and paper are cyclical and are influenced by a variety of factors. These factors include periods of excess supply due to industry capacity additions, periods of decreased demand due to weak global economic activity, inventory destocking by customers and fluctuations in currency exchange rates. During periods of low prices, the Partnership is subject to reduced revenues and margins, which adversely impact profitability.

The Partnership may periodically use derivative instruments to mitigate commodity price risk. For the quarter ended March 31, 2009 the Partnership used derivative instruments to reduce exposure to natural gas prices.

Derivative Instruments

Periodically, the Partnership uses a variety of derivative instruments to reduce its exposure to risks associated with fluctuations in foreign exchange rates, pulp prices and natural gas.

For the three months ended March 31, 2009 the Partnership recorded a loss on derivative financial instruments of $5.7 million (March 31, 2008 – gain of $6.9 million) relating to the settlement of maturing contracts during the quarter, and the revaluation to market of outstanding contracts at the end of the quarter, for natural gas swaps and foreign exchange hedging contracts.

The Partnership recorded losses of $1.4 million during the first quarter of 2009 (first quarter 2008 – loss of $0.6 million) relating to settlement of maturing natural gas contracts as a charge to non-operating income. At March 31, 2009 the Partnership had outstanding commodity swaps hedging future natural gas purchases of 3.1 million gigajoules extending to October, 2011. At March 31, 2009 the loss of $7.2 million (December 31, 2008 – $3.2 million) on these outstanding commodity swaps is recorded as a liability in accounts payable and accrued liabilities and in long-term liabilities.

The Partnership recorded losses of $1.4 million during the first quarter of 2009 (first quarter 2008 – nil) on settlement of maturing US dollar forward sales contracts as a charge to non-operating income. At March 31, 2009 the Partnership had outstanding US dollar forward sales contracts of $19.5 million extending to July, 2009. At March 31, 2009 the loss of $0.1 million (December 31, 2008 – $1.3 million) on these outstanding US dollar forward sales contracts is recorded as a liability in accounts payable and accrued liabilities.

13. Supplementary Cash Flow Information

(millions of dollars, unaudited)	Three months ended March 31, 2009	March 31, 2008
Changes in non-cash working capital		
Accounts receivable – trade and other	**(17.7)**	7.6
Insurance receivable	**3.0**	(13.6)
Inventories	**15.9**	(10.5)
Prepaid expenses and other assets	**2.9**	2.8
Accounts payable and accrued liabilities	**18.7**	19.2
	22.8	5.5
Capital expenditures		
Capital expenditures – cash	**6.0**	9.3
Capital expenditures – net accruals	**(3.6)**	(6.1)
	2.4	3.2
Net interest paid	**0.3**	-

14. Distributions

The Partnership declared distributions in the first three months of 2009 as follows:

(millions of dollars, except per unit amounts, unaudited)

Record Date	Payable Date	Amount per Partnership Unit $	Amount $
January 30, 2009	February 13, 2009	0.04	**2.9**
February 27, 2009	March 13, 2009	0.01	**0.7**
March 31, 2009	April 15, 2009	0.01	**0.7**
		0.06	**4.3**

15. Accumulated Other Comprehensive Income

(millions of dollars, unaudited)	Three months ended March 31, 2009	Year ended December 31, 2008
Balance, beginning of period	**0.1**	0.5
Adjustment for exchange translation	**-**	0.2
Adjustment for derivatives recorded in other comprehensive income	**-**	(0.6)
Balance, end of period	**0.1**	0.1

Since the inception of the Partnership, the total of the cumulative comprehensive income, less cumulative distributions is as follows:

(millions of dollars, unaudited)	March 31, 2009
Cumulative comprehensive income	**241.8**
Cumulative distributions	**(320.8)**
	(79.0)
Partners' capital – at July 1, 2006	**587.5**
Partners' equity, end of period	**508.5**

16. Segmented Information [a]

(millions of dollars, unaudited)	Pulp	Paper	Unallocated Costs	Total
Three months ended March 31, 2009				
Sales to external customers [b]	**159.2**	**27.1**	**-**	**186.3**
Sales of pulp to paper segment [c]	**13.7**	**(13.7)**	**-**	**-**
Operating income (loss)	**(11.6)**	**3.8**	**(2.0)**	**(9.8)**
Amortization	**11.1**	**0.8**	**0.1**	**12.0**
Capital expenditures, net	**2.4**	**-**	**-**	**2.4**
Identifiable assets	**761.9**	**73.8**	**20.1**	**855.8**
Three months ended March 31, 2008				
Sales to external customers [b]	176.2	35.2	-	211.4
Sales of pulp to paper segment [c]	20.1	(20.1)	-	-
Operating income (loss)	33.0	1.4	(3.8)	30.6
Amortization	10.6	0.9	-	11.6
Capital expenditures, net	2.9	0.3	-	3.2
Identifiable assets	823.6	72.3	46.1	942.0

(a) Operations are presented by product lines. Operations are considered to be in one geographic area since all production facilities are in Canada. Substantially all sales are exported outside Canada, with sales to the United States representing 39% (Year 2008 – 43%).

(b) Sales to the largest customer represented approximately 10% of pulp segment sales (Year 2008 – 22%).

(c) Sales of slush pulp to the paper segment are accounted for at approximate market value. The sales are transacted as a cost transfer and are not reflected in Pulp sales.