Canfor Corporation
Canfor Pulp Products Inc.
The presentation and answers to questions today contain 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. Factors that could have a material impact on any future oriented statements made herein include, but are not limited to: general economic, market and business conditions, product selling prices, raw material and operating costs, foreign exchange rates, interest rates, changes in law and public policy, the outcome of trade disputes, and opportunities available to or pursued by the Company.

For further details on these factors and our assumptions and applicable risks and uncertainties, please refer to Canfor Corporation’s Annual Report for the year ended December 31, 2011 available at www.canfor.com or www.sedar.com.
NORTH AMERICAN ROOTS WITH A GLOBAL VISION

Who We Are

• 2nd largest global producer of softwood lumber
• 50.2% owner of Canfor Pulp Products Inc.
• Builder of market demand in the world’s fastest-growing economies
• Company with a strong reputation for quality, customer service and excellence in logistics support
• Supplier of products the world wants – smart green solutions
• Top performer, anchored by an exceptional balance sheet
Key Facts

- 19 sawmills in Canada and the US (5 Bfbm of capacity)
- Controlling interest in 3 NBSK pulp mills through Canfor Pulp Products Inc. (1.1 million admf of capacity)
- 16 million m3 of annual log harvest

Market Capitalization (billions $)
As at October 2012

CFX represents ≈ $0.3B of CFP market cap
Overview

- US market demand slowly recovering, reflecting improved housing prices, pent up demand and falling unemployment; Canadian market continues to be steady and strong
- China shipments have increased in volume and value for 2012, despite the general economic slowdown; Japan demand for the highest quality lumber remains consistent
- Supply constraints in Canada will limit production upswing as markets recover; US supply response beginning but muted by permanent curtailments
- Global customer base is expecting significant future growth in demand and product quality
- Benefits of $300 million capital program and Tembec strategic acquisition, upgrades are being realized
- Strategic growth targeted in strong fibre areas
U.S. Housing Starts Forecast

(Thousands of Units)

Source: U.S. Census Bureau

Note: Forecast for 2014-2016 based on analyst consensus forecast

Forecasts (000) | 2012 | 2013
---|---|---
Moody’s Analytics-Oct 9 | 800 | 1,100
Mesirow Financial- Oct 11 | 750 | 980
RBC-Sep 18 | 750 | 922
Mortgage Bankers-Sep 18 | 756 | 898
NAHB- Oct 9 | 751 | 903
Wells Fargo Oct 10 | 760 | 890
RISI-Oct 25 | 750 | 920
APA-Oct 17 | 770 | 905
FEA-Nov 8 | 744 | 920
Average | 759 | 938

Source: APA (Oct Report)
Current production at 74% of 2006 levels

Significant growth in offshore shipments partly offsetting weaker US demand

Fibre constraints are projected to limit future increases in production

Source: U.S. Census Bureau / CMHC
North American Lumber Production versus Theoretical Capacity

<table>
<thead>
<tr>
<th>P/C Ratio (%)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBC</td>
<td>75</td>
<td>81</td>
<td>88</td>
<td>96</td>
<td>102</td>
<td>-</td>
</tr>
<tr>
<td>RISI</td>
<td>72</td>
<td>78</td>
<td>84</td>
<td>89</td>
<td>83</td>
<td>86</td>
</tr>
<tr>
<td>FEA</td>
<td>76</td>
<td>79</td>
<td>84</td>
<td>89</td>
<td>93</td>
<td>91</td>
</tr>
</tbody>
</table>

**SOURCE:** FEA
Canfor is aggressively building demand in the world’s fastest growing economies, while maintaining our commitment to our valued customers.

- **North America**: US market continues to be our largest, representing 45% of SPF sales; Market demand and pricing are improving; Canada is a strong, steady market for 20% of our SPF production.
- **China**: Continued growth in market volume and increased demand for higher value products, driven by a strong remanufacturing segment and steady demand from housing construction supporting significant urbanization.
- **Japan**: Mature, high value market with strong cultural tradition of wood construction that Canfor has served for more than 30 years.
VERSATILE, ADAPTABLE AND GREEN

Operations and Fibre

• Strong, sustainable fibre supply
• Fibre base supports our customer focused strategy
• Well capitalized mills in regions minimally impacted by mountain pine beetle
• Acquisition of Tembec tenure strengthens fibre security (75% of all Canfor fibre from committed tenure)
In Summary - CFP

• Improving demand signals in existing and emerging markets
• Canfor has aggressive and proven program of building markets, recognition of our products around the world
• Canfor well positioned to meet increasing global demand for premium products:
  • High quality, secure fibre supply
  • Low cost asset base realizing benefits of $300 million capital program and strategic acquisitions
  • Committed to growth with our key customers
Canfor Pulp Overview

- 3 facilities located in close proximity within Prince George, BC
  - Well capitalized mill operations with stable, low cost fibre supply
  - Significant recent capital investment (≈$200M) preserving top quartile performance
  - Mills currently running at target levels after challenging Q3
  - Growing energy revenues from current and future high return capital investment
- Market pulp capacity of 1.1 million tonnes, kraft paper capacity of 140,000 tonnes
  - Fourth largest NSK producer in the world
- Market conditions expected to remain fairly challenging in the near term
- Marketing focus on premium product sales to high quality customers
Softwood Operating Rates

Source: PPC – Sept 2012

CANFOR CORPORATION
Diversified Customer Base

Targeting customers that need reinforcing pulp
- Specialty
  - Décor, Masking tape base, Abrasive backing, Labels
- Publishing
  - Magazines / Catalogues
- Tissue
  - Branded top quality lightweight tissue
- Commodity
  - Photocopy paper

Geographically diversifying sales
Recent Changes to Corporate Structure

- Canfor Corporation ("CFP") converted its 50.2% interest in Canfor Pulp Limited Partnership to 50.2% of the shares of Canfor Pulp Products Inc. ("CFX"), in March 2012
- Tax benefits from partnership structure ceased, effective 2011
- A majority of CFX board members are selected by CFP
- Consolidation of certain functions within CFP and CFX (fibre, transportation, finance and administration) undertaken starting in August 2012 to capitalize on significant synergies
- Non-CFP selected Board members of CFX approve non-arm’s length transactions between CFP and CFX (e.g. residual fibre contracts, various service agreements, cost allocations)
In Summary - CFX

- Softwood pulp markets projected to remain below balanced levels over the next 2 years
- Continued focus on development and expansion of premium product markets
- Low cost mill operations will be competitive throughout the cycle, boosted by recent capital spending; future capex principally focused on high return energy projects
- Significant synergies being realized from consolidation of certain key functions
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Investor Contacts

TSX Ticker: CFP, CFX

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604-661-5441
## Capitalization and Liquidity (CFP)

<table>
<thead>
<tr>
<th>Long Term Debt</th>
<th>$ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Unsecured Notes</td>
<td>5.42% 2013</td>
</tr>
<tr>
<td>Non Revolving Term Debt</td>
<td>Floating</td>
</tr>
</tbody>
</table>

| Total Debt                                  | 175        |
| Operating Loans                             | (13)       |
| Shareholders’ Equity                        | 1,092      |

<table>
<thead>
<tr>
<th>Liquidity</th>
<th>$ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Syndicated credit facility</td>
<td>Oct 2015 350</td>
</tr>
<tr>
<td>Outstanding Letters of Credit</td>
<td>(18)</td>
</tr>
<tr>
<td>Operating Loans</td>
<td>(13)</td>
</tr>
</tbody>
</table>

| Net Liquidity                              | 319        |

### Net Debt to Total Capitalization

14.5%

*All amounts as at September 30, 2012 and exclude the Canfor Pulp Limited Partnership*
## Capitalization and Liquidity (CFX)

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<th>Long Term Debt</th>
<th>$ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Unsecured Notes</td>
<td>6.41% 2013</td>
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<tr>
<td>Total Debt</td>
<td></td>
</tr>
<tr>
<td>Operating Loans</td>
<td>(11)</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td></td>
</tr>
<tr>
<td><strong>Net Debt to Total Capitalization</strong></td>
<td></td>
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</tbody>
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<table>
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<tr>
<td>Syndicated credit facility</td>
<td>Nov 2016</td>
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<tr>
<td>BC Hydro Credit Facility</td>
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<tr>
<td>Outstanding Letters of Credit</td>
<td></td>
</tr>
<tr>
<td>Operating Loans</td>
<td></td>
</tr>
<tr>
<td><strong>Net Liquidity</strong></td>
<td></td>
</tr>
</tbody>
</table>