

# Canfor Corporation

## NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

To: The Common Shareholders of Canfor Corporation

Notice is hereby given that the Annual General Meeting of the Common Shareholders of Canfor Corporation (the "Company") will be held in the Saturna Island Room, The Fairmont Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia, on Friday, May 2, 2008 at 11:30 a.m. for the following purposes:

1. To receive and consider the report of the Directors and the consolidated financial statements of the Company and its subsidiaries for the fiscal year ended December 31, 2007 and the report of the auditors thereon.
2. To elect Directors for the ensuing year.
3. To appoint auditors for the ensuing year.
4. To transact such other business as may properly come before the meeting.

DATED at Vancouver, British Columbia this 18th day of March, 2008.

**By Order of the Board of Directors**

**David M. Calabrigo**  
**Corporate Secretary**

An Information Circular and a copy of the Annual Report of the Company for the year ended December 31, 2007 accompany this Notice of Annual General Meeting. The Information Circular contains details of matters to be considered at the Meeting. The Annual Report includes consolidated financial statements of the Company for the year ended December 31, 2007 and the auditors report thereon and the Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company.

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



**Canfor Corporation**  
**INFORMATION CIRCULAR**  
DATED AS OF MARCH 18, 2008  
(except as otherwise provided)

**SOLICITATION OF PROXIES**

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

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

**RECORD DATE**

The Directors of the Company have fixed March 18, 2008 at the close of business as the record date for determining the names of Common Shareholders of the Company entitled to receive notice of the Meeting. Each person who is entered in the central securities register of the Company at the close of business on March 18, 2008 as a holder of one or more Common Shares of the Company is entitled to attend and vote at the Meeting in person or by proxy and in the event of a poll to cast one vote for each Common Share held.

**APPOINTMENT OF PROXYHOLDERS AND REVOCATION OF PROXIES**

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

**VOTING OF SHARES AND EXERCISE OF DISCRETION BY PROXYHOLDER**

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

**VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

As at March 18, 2008, the Company has outstanding and entitled to be voted at the Meeting 142,589,297 Common Shares, each Common Share carrying the right to one vote. To the knowledge of the Directors and senior officers of the Company, no person or company owns beneficially, directly or indirectly, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attached to all Common Shares of the Company entitled to be voted at the Meeting except as set out below:

Title of Class	Name of Beneficial Holder	Number of Shares	Percentage of Class
Common Shares	James A. Pattison <sup>1</sup>	41,915,400	29.40
Common Shares	Jarislowsky Fraser Limited <sup>2</sup>	26,117,153	18.32
Common Shares	Mackenzie Financial Corporation <sup>2</sup>	21,767,700	15.27
Common Shares	Third Avenue Management LLC <sup>2</sup>	21,218,703	14.88

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

<sup>2</sup> Based upon publicly available information. Beneficial ownership is not known to the Company.

## ELECTION OF DIRECTORS

The persons named in the enclosed form of proxy intend, unless otherwise directed, to vote for the election of a Board of Directors composed of the 9 nominees in the list that follows. All nominees except one, are currently Directors of the Company. If any of the nominees do not stand for election or is unable to serve, proxies may be voted for a smaller Board at the discretion of the proxy nominee.

The term of each Director currently in office will expire on May 2, 2008. Each Director proposed as a nominee below will hold office until the Company's next Annual General Meeting, unless his office is earlier vacated in accordance with the articles of the Company.

The following is further information regarding each of the individuals who are proposed as nominees for election as Directors of the Company, including their other principal occupations, directorships and appointments and, where applicable, memberships on committees of the Board of Directors of the Company. A record of attendance at meetings of the Board and its committees during the twelve months ended December 31, 2007 is set out in the "Compensation of Directors/Attendance" section of this Information Circular.



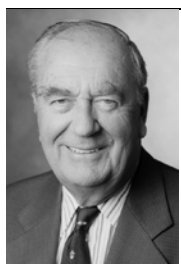
**Peter J. G. Bentley, O.C., LL.D.**, of Vancouver, British Columbia, Canada has served on Board of the Company since 1966. Mr. Bentley is Chairman of the Board of Directors of the Company and of the Company's principal subsidiary, Canadian Forest Products Ltd. ("CFP"), and Co-chairman and a director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

After working in various positions throughout the Company, Mr. Bentley became Executive Vice-President in 1970, President in 1975, and Chairman and Chief Executive Officer ("CEO") in 1985, a position he held until April 24, 1995. Mr. Bentley was reappointed to the position of President and CEO of the Company on July 25, 1997 and relinquished the position of President and CEO of the Company on January 1, 1998.

Mr. Bentley is President and a director of Sierra Mountain Minerals Inc. and a member of the Board of the Canadian Institute for Advanced Research, a member of the Advisory Board of BuildDirect.com and a Trustee and Chair Emeritus of the Vancouver General Hospital and University of British Columbia Hospital Foundation. He also served for many years as a director of Bank of Montreal and Shell Canada Ltd. Mr. Bentley retired as Chancellor of the University of Northern British Columbia in May 2007. Mr. Bentley holds an Honorary Doctorate of Laws degree from the University of British Columbia.

Mr. Bentley chairs the Company's Management Resources and Compensation and Environmental, Health and Safety Committees and is a member of the Capital Expenditure and Corporate Governance Committees.

<u>Shareholdings</u>	<u>2007</u>	<u>2006</u>
Common Shares	482,607	472,607
DSUs <sup>1</sup>	18,414	15,914








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

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

Mr. Cliff received his Commerce Degree from the University of British Columbia and qualified as a Chartered Accountant in 1954.

Mr. Cliff chairs the Company's Audit Committee and is a member of the Management Resources and Compensation Committee.

<u>Shareholdings</u>	<u>2007</u>	<u>2006</u>
Common Shares	74,582	74,582
DSUs <sup>1</sup>	18,414	15,914

	<p><b>Michael J. Korenberg</b> of West Vancouver, British Columbia, Canada, has served on the Board of the Company since 2003. Mr. Korenberg is the Managing Director, Vice-Chairman and a director of The Jim Pattison Group. He was previously the Managing Director, Corporate Development of The Jim Pattison Group.</p>	<u>Shareholdings</u>	<u>2007</u>	<u>2006</u>
		Common Shares	5,995	5,995
		DSUs <sup>1</sup>	15,159	12,659
	<p>Mr. Korenberg is a director of Jim Pattison Group Inc. (and its affiliates), a trustee of Westshore Terminals Income Fund and an adjunct professor, Faculty of Law, University of British Columbia.</p>			
	<p>Mr. Korenberg chairs the Company's Capital Expenditure Committee and is a member of the Audit and Corporate Governance Committees.</p>			
	<p><b>James A. Pattison, O.C., O.B.C.</b>, of West Vancouver, British Columbia, Canada, has served on the Board of the Company since 2003. Mr. Pattison serves as the President, Managing Director, CEO and Chairman of The Jim Pattison Group.</p>	<u>Shareholdings</u>	<u>2007</u>	<u>2006</u>
		Common Shares	41,791,800 <sup>2</sup>	35,722,605
		DSUs <sup>1</sup>	15,159	12,659
	<p>Mr. Pattison is a director of Jim Pattison Group Inc. (and its affiliates), BCE Inc., Bell Canada, Brookfield Asset Management, Telestat Canada and a Trustee of the Board of the Ronald Reagan Presidential Foundation.</p>			
	<p>Mr. Pattison is a member of the Company's Management Resources and Compensation and Environmental Health and Safety Committees.</p>			
	<p><b>Conrad A. Pinette</b> of Vancouver, British Columbia, Canada has been nominated to stand for election to the Board of the Company at the Meeting.</p>	<u>Shareholdings</u>	<u>2007</u>	<u>2006</u>
		Common Shares	Nil	Nil
		DSUs <sup>1</sup>	N/A	N/A
	<p>Mr. Pinette's work in the Canadian forest industry began 40 years ago as an owner and President of a family lumber business, Pinette &amp; Therrien Mills Ltd. Mr. Pinette has also served as Executive Vice President, Tolko Industries Ltd. (2005), Executive Vice President, Riverside Forest Products Limited (2004) and served as President and Chief Operating Officer of Lignum Limited from January 1990 to April 2004.</p>			
	<p>Mr. Pinette is currently Chairman and a director of Finning International Inc., a director of TimberWest Forest Corp, a director of Northgate Minerals Corporation, a director of A&amp;W Revenue Royalties Income Fund, and a past director of the British Columbia Business Council.</p>			
	<p><b>Donald C. Selman, F.C.A.</b>, of Richmond, British Columbia, Canada, has served on the Board of the Company since 2004. Mr. Selman is a senior consultant with Wolrige Mahon, a firm of chartered accountants and is a chartered business valuator.</p>	<u>Shareholdings</u>	<u>2007</u>	<u>2006</u>
		Common Shares	8,129	8,129
		DSUs <sup>1</sup>	11,977	9,477
	<p>Mr. Selman obtained a CA designation in 1958 and a Law Degree from the University of British Columbia in 1960. Mr. Selman is a director of Sun-Rype Products Ltd and a trustee of Rainmaker Income Fund.</p>			
	<p>Mr. Selman chairs the Company's Corporate Governance and Pension Committees and is a member of the Audit and Capital Expenditure Committees.</p>			
	<p><b>James F. Shepard, P.Eng.</b>, of Vancouver, British Columbia, Canada was appointed to the Board and as the Company's Interim President and CEO on May 4, 2007. On July 27, 2007, Mr. Shepard was appointed President and CEO of the Company.</p>	<u>Shareholdings</u>	<u>2007</u>	<u>2006</u>
		Common Shares	10,000	N/A
		DSUs <sup>3</sup>	31,149	N/A
	<p>Mr. Shepard retired from Finning International Inc. in April 2000 after a 32-year career, including nine years as CEO (1991 to 2000). Mr. Shepard also served as Chairman of the Board of Finning International Inc., Chairman of the Board of MacDonald Dettwiler and Associates, Vice-Chairman of the Conference Board of Canada, Vice-Chairman of the Business Council on National Issues, Honorary Chairman of Leadership Vancouver and is the</p>			

past Chairman of the Executive Committee for the Business Council of B.C. He was founding Co-Chairman of the Business Summit of B.C. and is a member of The Conference Board, Inc., New York. Mr. Shepard is Chairman of the Board of Directors of OncoGenex Technologies Inc., a director of Imperial Oil Limited and initial Chairman of the Cabinet of the Business Laureates of the B.C. Hall of Fame.

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

Mr. Shepard is a member of the Company's Environmental Health and Safety Committee and an ex-officio member of the Capital Expenditure Committee.



**J. McNeill (Mack) Singleton**, of Myrtle Beach, South Carolina, USA was appointed to the Board of the Company on October 31, 2007. Mr. Singleton is the CEO of New South Companies, Inc. ("New South"), headquartered in Myrtle Beach, South Carolina. New South is a wholly owned subsidiary of CFP which was acquired in March 2006.

Mr. Singleton has 35 years of experience in the wood products industry, all with New South or its predecessor companies, and has been CEO of New South since 1985. He has served on numerous industry associations and committees and is past chairman of the US Coalition for Fair Lumber Imports and Southern Forest Products Association. He is involved with many civic organizations including serving on the Board of Visitors of Coastal Carolina University's Wall School of Business and is Past President and Chairman of the United Way of Horry County.

Mr. Singleton received a BA degree from Presbyterian College, a J.D. degree from the University of South Carolina School of Law, and completed the PMD Program at Harvard Business School.

Mr. Singleton is a member of the Company's Environmental, Health and Safety and Capital Expenditure Committees.

<u>Shareholdings</u>	<u>2007</u>	<u>2006</u>
Common Shares	Nil	N/A
DSUs <sup>4</sup>	N/A	N/A



**Thomas A. Tutsch**, of Toronto, Ontario, Canada was appointed to the Company's Board on May 18, 2007. Mr. Tutsch is a corporate director.

Mr. Tutsch is a former Deputy Chairman of BMO Nesbitt Burns and CEO of BMO Nesbitt Burns Equity Partners. Mr. Tutsch served as Interim Vice-President, Private Markets of the Canada Pension Plan Investment Board (2004 to 2005). During the past 10 years, Mr. Tutsch has served on several corporate and not for profit boards.

Mr. Tutsch is a member of the Company's Management Resources and Compensation, Pension and Corporate Governance Committees.

<u>Shareholdings</u>	<u>2007</u>	<u>2006</u>
Common Shares	10,000	N/A
DSUs <sup>1</sup>	2,500	N/A

1. Represents DSUs under the Non-Employee Director DSU Plan (See "Compensation of Directors/Attendance" herein).
2. The Common Shares beneficially owned by Mr. James A. Pattison, a Director of the Company, are held by companies wholly owned by Mr. Pattison (See "Voting Shares and Principal Holders Thereof" herein).
3. Mr. Shepard receives his annual base salary as CEO pursuant to the CEO DSU Plan (See "Executive Compensation – CEO DSU Plan" herein). The number of DSUs represented are provided pursuant to the CEO DSU Plan. As a management Director, Mr. Shepard is not eligible to receive director DSUs under the Non-Employee Director DSU Plan.
4. As a management Director, Mr. Singleton is not eligible to receive DSUs under the Non-Employee Director DSU Plan.

For additional information regarding current Directors of the Company, see the section of the Company's Annual Information Form dated February 22, 2008 entitled "Directors and Officers", which is incorporated by reference herein.

To the knowledge of the Company, no nominee for election as a Director of the Company is, at the date of this Information Circular, or has been within the last 10 years prior to the date of this Information Circular, a director, chief executive officer or chief financial officer of any company that, (i) while acting in that capacity, was subject to a cease trade or similar order or an order that denied access to any exemption under securities legislation for a period of 30 consecutive days; (ii) was subject to an event that occurred while the nominee was acting in such capacity but which resulted, after he ceased to act in such capacity, in a cease trade or similar

order or an order that denied access to any exemption under securities legislation for a period of 30 consecutive days. To the knowledge of the Company, no nominee for election as a Director of the Company is, at the date of this Information Circular, or has been within the last 10 years of the date of this Information Circular, a director or executive officer of any company that, while acting in that capacity or within a year of ceasing to act in such capacity, became bankrupt, made a proposal under legislation relating to bankruptcy or insolvency or was subject to any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than (i) Mr. James A. Pattison who, from May 1997 to September 1999, was a director of Livent Inc., which in November 1998 filed for protection from creditors under the Companies' Creditors Arrangement Act (Canada) and in September 1999 filed for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code in the United States; and (iii) Messrs. Bentley and Shepard, each of whom was a director and/or executive officer of HSPP General Partner Ltd., general partner of Howe Sound Pulp and Paper Limited Partnership ("HSLP"), during the period of January 29 to February 1, 2008 when HSLP completed a restructuring under the Companies Creditors Arrangement Act (Canada).

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

## **EXECUTIVE COMPENSATION**

### **COMPOSITION OF THE COMPENSATION COMMITTEE**

The Board of Directors has final authority to approve the recommendations of its Management Resources and Compensation Committee (the "Compensation Committee") regarding the compensation of the executives of the Company. The following independent Directors were members of the Compensation Committee as at December 31, 2007: P. J. G. Bentley, R. L. Cliff, J. A. Pattison and T. A. Tutsch. Prior to May 4, 2007, the date of last year's annual general meeting, Messrs. Bentley, Pattison, Phelps, Jarislowsky and Tellier were members of the Compensation Committee. For further information on the role and responsibility of the Compensation Committee see "Board Committees – Management Resources and Compensation Committee" herein.

### **REPORT ON EXECUTIVE COMPENSATION**

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

The Compensation Committee engages the services of Hay Group ("Hay"), an independent consulting firm, to provide advice and counsel on executive compensation matters, including base salary and incentive bonus programs as described further below. The fees paid to Hay in 2007 for this service were \$7,172.16.

#### **Base Salaries**

Base salaries and salary ranges are established using market-competitive information provided by Hay, the independent consulting firm retained by the Compensation Committee for this purpose. In 2007, the Compensation Committee retained Hay to provide advice on market base salary and bonus information for the senior executives and the CEO. Market information is updated annually and salaries are reviewed annually. The mid-point for salary ranges is set at the median of the market place. The Compensation Committee has sole responsibility for recommending for approval by the Board the compensation of the CEO. The CEO's compensation is compared to top executive positions in the Canadian forest products sector and to a broader industry group.

#### **Canfor Salaried Incentive Plan**

The Company instituted a short term incentive plan in 2004 known as the Canfor Salaried Incentive Plan ("CSIP"). The CSIP applies to all salaried employees of the Company (including the CEO) and 50% of the award relates to three components: corporate performance, business unit performance and individual performance. The other 50% relates to performance gains. Corporate performance is measured by return on net assets (RONA). A minimum level of RONA must be achieved before a payout will occur. Target RONA performance levels are established annually taking into account the Company's cost of capital and actual historical RONA levels. For 2007, the minimum target RONA level required for CSIP rewards relating to the corporate performance component was not achieved. Business unit performance relates to the performance of the employee's work unit as measured against specific financial, operational and organization goals and, for the CEO, relates to the performance of the Company generally. Business unit levels or targets are established as part of the annual planning process. Individual performance is measured against agreed upon goals and objectives which are also established as a part of the annual planning process. These goals and objectives may relate to health and safety, training and development or individual performance goals. Performance gains are measured by EBITDA improvements with a baseline EBITDA threshold. For senior executives, performance is also measured in relation to the performance of competitors in the forest industry. Award opportunity varies by level within the organization. Market competitive awards range from 10% to 55% of base salary. The highest maximum award can be earned by the CEO and is equal to 110% of base salary. The

Company did not pay out any CSIP award for 2007. Reference is made to the Summary Compensation Table for amounts paid to Named Executive Officers (as defined below) pursuant to CSIP awards

### **Long Term Incentive Plan (“LTIP”)**

The Company established a long term incentive plan in 2004, which was terminated in 2007. Until 2007, the LTIP applied, and awards were made, to designated senior executives, including the CEO. Awards under the LTIP were based on a four year comparison of the Company's Total Shareholder Return (“TSR”) to the TSR on the Toronto Stock Exchange Paper and Forest Index with respect to certain companies in that Index, RONA and the Company's performance relative to its peer group in the forest sector. LTIP payouts were to be made in a combination of cash and market purchased shares.

### **Executive Ownership Guidelines**

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

### **Minimum share ownership guidelines**

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

### **Compensation of Chief Executive Officer – CEO DSU Plan**

Upon being appointed as CEO and President, Mr. Shepard voluntarily reduced his annual base salary as established for his position by the Compensation Committee by 25% to \$495,000 per year as a cost reduction initiative and agreed to be paid in Deferred Share Units (“DSUs”) pursuant to the Company's CEO Deferred Share Unit Plan (the “CEO DSU Plan”). Accordingly, for the fiscal year ending December 31, 2007, the compensation of Mr. Shepard, the CEO of the Company, consisted of DSUs under the CEO DSU Plan in lieu of a cash payment.

Pursuant to the CEO DSU Plan, Mr. Shepard receives his annual salary in DSUs, which are allocated on a monthly basis, based on the proportion of Mr. Shepard's salary payable that month and the then market price of the Company's Common Shares. As with DSUs issued under the Non-Employee Director DSU Plan (see “Compensation of Directors/Attendance” below in this Information Circular), a DSU issued under the CEO DSU Plan is a bookkeeping entry having the same value as one Common Share of the Company, but is not paid out until such time as the CEO leaves this position, thereby providing the financial equivalent of an ongoing equity stake in the Company throughout his period of service. Payment in respect of DSUs may be made in cash or Common Shares of the Company purchased on the open market or both. The CEO DSU Plan provides that the CEO is credited with additional units reflecting an equivalent value of dividends paid from time to time in respect of the Company's Common Shares and also allows for the adjustment to the outstanding DSUs held by the CEO which are appropriate to reflect any significant reorganizations or other corporate changes affecting the Company's Common Shares.

The Compensation Committee approves the number of DSUs to be issued to the CEO and the number of DSUs outstanding under the Plan shall not exceed 1,000,000. The Board may terminate this Plan with the consent of the CEO at any time. The accrual in respect of the DSUs outstanding to the CEO at December 31, 2007 was \$0.3 million.

As CEO, Mr. Shepard remains eligible to participate in the Company's short and long term incentive and other compensation programs.

### **Former CEO Compensation**

For the fiscal year ending December 31, 2007, the compensation of Mr. James A. Shepherd (“JAS”), who had previously resigned as CEO of the Company on May 4, 2007, consisted of base salary and a severance amount. Before his resignation, the Company and JAS had entered into an agreement whereby if JAS resigned or his employment was terminated without cause, he would receive a lump sum payment of \$2.3 million and be credited under all pension plans of the Company of which he was a member with such additional number of years of service that would be sufficient to provide a \$250,000 annual pension at age 55.

### **Stock Options**

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



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

#### Stock Options Granted Pursuant to PSO Plan

<b>Date Options Granted</b>	<b>No. of Individuals as at December 31, 2007</b>	<b>Aggregate No. of Common Shares as at December 31, 2007</b>	<b>Exercise Price per Share \$</b>	<b>Option Expiry Date</b>
January 29, 2001	11	68,883	8.30	January 29, 2011
May 18, 2001	1	2,500	11.80	January 29, 2011
February 5, 2002	25	141,835	9.80	February 5, 2012
April 29, 2002	3	11,000	10.10	April 29, 2012

For information regarding the vesting and terms and conditions of exercise of options granted in 2001 and 2002 under the PSO Plan, see the Notes to the table entitled "Aggregated Option/SAR Exercises. During the Year Ended December 31, 2007 and Year-End Option/SAR Values" herein.

The maximum number of Common Shares issuable to all insiders under the PSO Plan is 10% of the Company's outstanding Common Shares, and to any one insider is a maximum of 5% of outstanding Common Shares. Entitlements under the PSO Plan cease on termination of an employee's employment as a result of the employee's death, disability or retirement (after three years), termination for cause (immediately) and for any other reason other than cause, normal retirement, death or disability (30 days). The rights of the employees under the PSO Plan are not assignable except to certain family members and personal representatives upon death.

No stock options were granted in 2007.

During the year-ended December 31, 2007, a total of 40,500 Common Shares were issued pursuant to the exercise of options. As at December 31, 2007, there were a total of 219,135 options outstanding, representing 0.15% of the Company's currently outstanding Common Shares.

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

#### Employee Share Purchase Plan

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

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

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

Enrolment in the Employee Purchase Plan is voluntary. Each participating employee is entitled to contribute as a basic contribution a minimum of 1% and a maximum of 5% of his or her basic wages or salary to the Employee Purchase Plan and may make a supplementary contribution of up to an additional 5% of such wages or salary. Until June 2007, CFP made a basic contribution each month in an amount equal to 30% of each participant's basic contribution and also pays the cost of brokerage and commissions. In June 2007, CFP discontinued its contributions to the Employee Purchase Plan.

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

#### Change of Control Agreements

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

that period and a pro-rated bonus for the year in which his or her employment ceased, and in the case of the salary continuation, certain continued benefits.

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

The Company has also entered into a change of control agreement with the Chief Financial Officer (“CFO”) which provides that if the CFO is dismissed without cause or constructively dismissed within six months of a change of control, he is entitled to receive a severance amount equal to 24 months of base salary and actual bonus for that period. Change of control is defined as any person or persons acting jointly or in concert acquiring more than 50% of the issued Common Shares of the Company.

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

P. J. G. Bentley, Chairman  
R. L. Cliff  
J.A. Pattison  
T. A. Tutsch

### Summary Compensation Table

The following Summary Compensation Table sets forth, for each of the Company’s three most recently completed financial years, the compensation of each person who served as the CEO or the CFO during the fiscal year ended December 31, 2007, the three most highly compensated executive officers of the Company, other than the CEO and CFO, who were serving as executive officers at December 31, 2007 and any individual who would have been disclosed herein except he was not serving as an officer of the Company as at December 31, 2007 (such CEOs, CFOs and executive officers are referred to collectively as the “Named Executive Officers”). For the year-ended December 31, 2007, the Company paid aggregate direct remuneration to its Directors and senior officers in the total amount of \$9,511,104.28.

### SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation <sup>4</sup> (\$)	Awards		Payouts	
					Securities Under Options/SARs Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts <sup>5</sup> (\$)	All Other Compensation <sup>6</sup> (\$)
<u>Company Executive Officers Serving as at December 31, 2007</u>								
J.F. Shepard <sup>1</sup> President and Chief Executive Officer	2007	288,750	—	—	—	—	—	18,326
	2006	—	—	—	—	—	—	—
	2005	—	—	—	—	—	—	—
T. Sitar <sup>2</sup> Vice-President, Finance and Chief Financial Officer	2007	43,215	—	—	—	—	—	9,706
	2006	—	—	—	—	—	—	—
	2005	—	—	—	—	—	—	—
J.M. Singleton <sup>3</sup> President and Chief Executive Officer New South Companies, Inc.	2007	528,976	—	—	—	—	—	20,730
	2006	497,468	158,066	—	—	—	—	41,160
	2005	—	—	—	—	—	—	—
D.B. Kayne Vice-President, Wood Products Sales and Marketing	2007	255,000	—	—	—	—	—	28,015
	2006	253,269	57,930	—	—	—	308,550	37,448
	2005	244,807	49,090	—	—	—	220,000	46,705
D.M. Calabrigo Vice-President, Corporate Development, General Counsel and Corporate Secretary	2007	238,200	—	—	16,000	—	—	25,494
	2006	236,573	38,140	—	16,000	—	216,167	25,230
	2005	230,558	23,350	—	16,000	—	154,110	17,975

---

**Former Company CEO and CFO during 2007**

J.A. Shepherd <sup>7</sup>	2007	241,154	—	—	—	—	—	2,838,663
Former President and Chief Executive Officer	2006	649,615	163,450	—	—	—	998,250	70,980
	2005	619,615	60,000	—	—	—	693,000	65,618
S.R. Wilson <sup>8</sup>	2007	294,646	—	—	—	—	—	881,705
Former Vice President, Finance and Chief Financial Officer	2006	339,577	68,440	—	—	—	406,980	20,841
	2005	135,289	13,960	—	—	—	—	108,210

---

1. Mr. Shepard was appointed Interim President and CEO on May 4, 2007 and President and CEO on July 27, 2007. The amounts indicated in the table are for the period commencing May 4, 2007 to December 31, 2007. Mr. Shepard receives his salary in DSUs (see "Compensation of Chief Executive Officer – CEO DSU Plan" above).
2. Mr. Sitar was appointed Vice-President and CFO on November 3, 2007. For the period commencing January 1, 2007 to October 23, 2007, Mr. Sitar was the Vice-President and CFO of Canfor Pulp Limited Partnership ("CPLP"). The Company owns 50.2% of CPLP. Mr. Sitar received from CPLP for this period a salary in the amount of \$213,231, a short term bonus of \$111,550 and a long term bonus award of \$285,600.
3. Mr. Singleton is the President and CEO of New South Companies, Inc., which was acquired by the Company on March 6, 2006. All amounts indicated in 2006 for Mr. Singleton are for the period of March 6, 2006 to December 31, 2006.
4. The aggregate amount of compensation by way of perquisites or other personal benefits, securities or property under this column paid to the Named Executive Officers does not exceed the lesser of \$50,000 and 10% of the total annual salary and bonus for the applicable financial year. The Company's perquisite plan for senior officers consists of an automobile lease, parking, financial counselling and a club membership. The maximum annual amount available under the perquisite plan to the CEO is \$35,000 and to Vice-Presidents \$30,000.
5. These amounts reflect payments made under the Company's LTIP for the performance periods of 2005 and 2006 (See "Executive Compensation – Long Term Incentive Plan" herein for a description of the plan). Pursuant to the terms of the LTIP, the payment is to be used (where applicable) to purchase a sufficient number of shares of the Company in order for the Named Executive Officers to comply with the Company's executive ownership guidelines (See "Executive Compensation – Executive Ownership Guidelines" herein). The LTIP was terminated in 2007.
6. For all Named Executive Officers these amounts may also include imputed benefit or loan and mortgage assistance, amounts contributed toward the Company's Employee Share Purchase Plan, flexible pension allocations, medical and dental benefits and relocation expenses. For JAS and Mr. Wilson, this amount includes an additional lump sum payment made to each of them in connection with their cessation of employment.
7. JAS resigned as President and CEO on May 4, 2007.
8. Mr. Wilson was appointed Vice-President, Finance and CFO on July 29, 2005 and resigned from this position on October 31, 2007.

**OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR**

No stock options were granted in 2007 and no SARs are currently outstanding.

**AGGREGATED OPTION/SAR EXERCISES DURING THE YEAR ENDED DECEMBER 31, 2007 AND YEAR-END OPTION/SAR VALUES**

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at December 31, 2007 (#) <sup>1,2,4</sup>	Value of Unexercised In-the-Money Options/SARs at December 31, 2007 (\$) <sup>2,3</sup>
D. M. Calabrigo	—	—	16,000	Nil

---

1. Based on options exercisable for Common Shares of the Company granted in 2001 and 2002. No SARs are currently outstanding.
2. The options granted by the Company under the PSO Plan in 2001 and 2002 vest over a three year period. See "Executive Compensation – Report on Executive Compensation - Stock Options Granted Pursuant to PSO Plan". The options granted in January 2001 are exercisable upon the market price having attained a level of \$10 per share or greater. All of these options have vested and all are exercisable. All of the options granted in May 2001 and in 2002 have vested and are exercisable.  
In the event of a "change of control", as defined in the stock option agreements held by the Named Executive Officers for options granted under the PSO Plan, all outstanding options will vest, 50% of the options will be exercisable immediately and the remaining options may be exercised depending on the compounded annual growth rate of the Common Shares since the dates on which the options were granted.
3. "In-the-money" means the excess of the market value of the Common Shares of the Company on December 31, 2007 (\$8.73) over the exercise price of the options granted during 2001 (\$8.30) and options granted during 2002 (\$9.80). None of the options granted to Named Executive Officers were in-the-money as at December 31, 2007.
4. Exercisable, subject to trading restrictions pursuant to the Company's share trading policy.

**SECURITIES AUTHORIZED FOR ISSUANCE  
UNDER EQUITY COMPENSATION PLANS AS AT DECEMBER 31, 2007**

**Equity Compensation Plan Information**

<b>Plan Category</b>	<b>Number of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants and Rights (A)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)</b>	<b>Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)</b>
Equity compensation plans approved by securityholders	219,135 <sup>1</sup>	\$9.38	3,860,320
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>Total</b>	<b>219,135</b>		<b>3,860,320</b>

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

**PENSION PLANS**

Other than Mr. Shepard and Mr. Singleton, the Named Executive Officers are members of the Company's defined benefit pension plans, which provide retirement benefits determined primarily by: (i) highest average pensionable earnings which includes regular salary and 50% of any bonuses (100% for the CEO) and lump sum performance awards in a highest period of three consecutive years during the final ten years of employment; and (ii) years of service. Mr. Singleton is an employee of New South Companies, Inc. and as such is not a member of the Company's pension plans, and is therefore not included in the tabular disclosure below. Mr. Shepard has elected not to participate in the Company's pension programs

The estimated annual benefits payable upon retirement under the Company's defined benefit pension plans are in accordance with the following table.

**PENSION PLAN TABLE**

**Years of Service (not limited to 35 years)**

<b>Remuneration (\$)</b>	<b>20</b>	<b>25</b>	<b>30</b>	<b>35</b>	<b>YEARS</b>
\$ 250,000	71,150	94,670	118,189	141,709	165,228
\$ 300,000	86,150	114,670	143,189	171,709	200,228
\$ 400,000	116,150	154,670	193,189	231,709	270,228
\$ 500,000	146,150	194,670	243,189	291,709	340,228
\$ 600,000	176,150	234,670	293,189	351,709	410,228
\$ 700,000	206,150	274,670	343,189	411,709	480,228
\$ 800,000	236,150	314,670	393,189	471,709	550,228
\$ 900,000	266,150	354,670	443,189	531,709	620,228
\$ 1,000,000	296,150	394,670	493,189	591,709	690,228
\$ 1,100,000	326,150	434,670	543,189	651,709	760,228
\$ 1,200,000	356,150	474,670	593,189	711,709	830,228
\$ 1,300,000	386,150	514,670	643,189	771,709	900,228
\$ 1,400,000	416,150	554,670	693,189	831,709	970,228
\$ 1,500,000	446,150	594,670	743,189	891,709	1,040,228

The earnings upon which benefits under the plans are based are those shown in the columns headed "Salary and Bonus" in the Summary Compensation Table. Benefits are computed on the basis of a straight life annuity, guaranteed for a minimum of five years, and are subject to deductions for personal income tax. The estimated years of service of the Named Executive Officers is set out under "Fiscal 2007 Changes in Accrued Pension Liabilities" below.

The Company entered into an agreement with JAS, the former CEO of the Company, regarding his credited years of service under the Company's pension plans in the event of termination of his employment without cause (See "Executive Compensation - Former CEO Compensation" above).

## Fiscal 2007 Pension Expense Related to Service and Compensation

Amounts reported in the table below represent the Company's 2007 pension expense related to each of the Named Executive Officers and the impact of differences between actual compensation paid in 2007 and the actuarial assumptions used for the year.

Name	Fiscal 2007 pension expense related to service and compensation
T. Sitar	\$9,100
D. B. Kayne	\$46,800
D.M. Calabrigo	\$41,900
JAS	\$1,742,500 <sup>1</sup>
S.R. Wilson	\$67,000

1. This includes amounts arising as a result of the cessation of employment of JAS as CEO of the Company.

## Fiscal 2007 Changes in Accrued Pension Liabilities

The Company's accrued pension liability is calculated following the method prescribed by the Canadian Institute of Chartered Accountants and is based on management's best estimate of future events that affect pension liabilities, including assumptions about future salary adjustments and bonuses. Changes in accrued pension liabilities for the Named Executive Officers are summarized in the following table. These changes include the fiscal 2007 expense attributed to service and compensation as reported in the previous table as well as the normal changes/increases<sup>1</sup> to pension liabilities.

Name	Accrued liability at December 31, 2006 <sup>2,3</sup>	Change in accrued liability for 2007 <sup>2,4</sup>	Accrued liability at December 31, 2007 <sup>2,5</sup>	Years of credited service at December 31, 2007 <sup>6</sup>
	(a)	(b)	(c) = (a) + (b)	
T. Sitar	\$0	\$100,100	\$100,100	1.67
D. B. Kayne	\$1,414,000	\$16,900	\$1,430,900	27.50
D.M. Calabrigo	\$337,000	\$45,900	\$382,900	7.00
JAS	\$1,674,000	\$1,742,500 <sup>7</sup>	\$3,416,500 <sup>7</sup>	8.50
S. R. Wilson	\$171,000	(\$16,100)	\$154,900	6.30

1. The normal changes include interest on the beginning of year liability, employee contributions to the pension plan and changes in interest rate assumptions as the result of changes in long-term bond yields.

2. The calculation of reported amounts uses actuarial assumptions and methods that are consistent with those used for calculating pension liabilities and annual expense as disclosed in the Company's 2006 and 2007 Consolidated Financial Statements. As the assumptions reflect the Company's best estimate of future events, the values shown in the above table may not be directly comparable to similar estimates of pension liabilities that may be disclosed by other corporations.

3. The accrued liability at December 31, 2006 is based on the 2006 salary and 50% of the bonus attributed to 2006 that was paid in 2007.

4. The change in accrued liability for 2007 excludes the impact of investment returns on the Company's pension plan assets.

5. The accrued liability at December 31, 2007 is based on the 2007 salary and 50% of any bonus attributed to 2007. No bonuses were paid for 2007.

6. Mr. Sitar transferred from CPLP effective November 2, 2007.

7. This includes amounts arising as a result of the cessation of employment of JAS as CEO of the Company.

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

Name	Annual Pension Entitlement
T. Sitar	\$10,200 *
D. Kayne	\$153,000
D.M. Calabrigo	\$39,700
JAS	\$227,100
S. Wilson	\$20,700

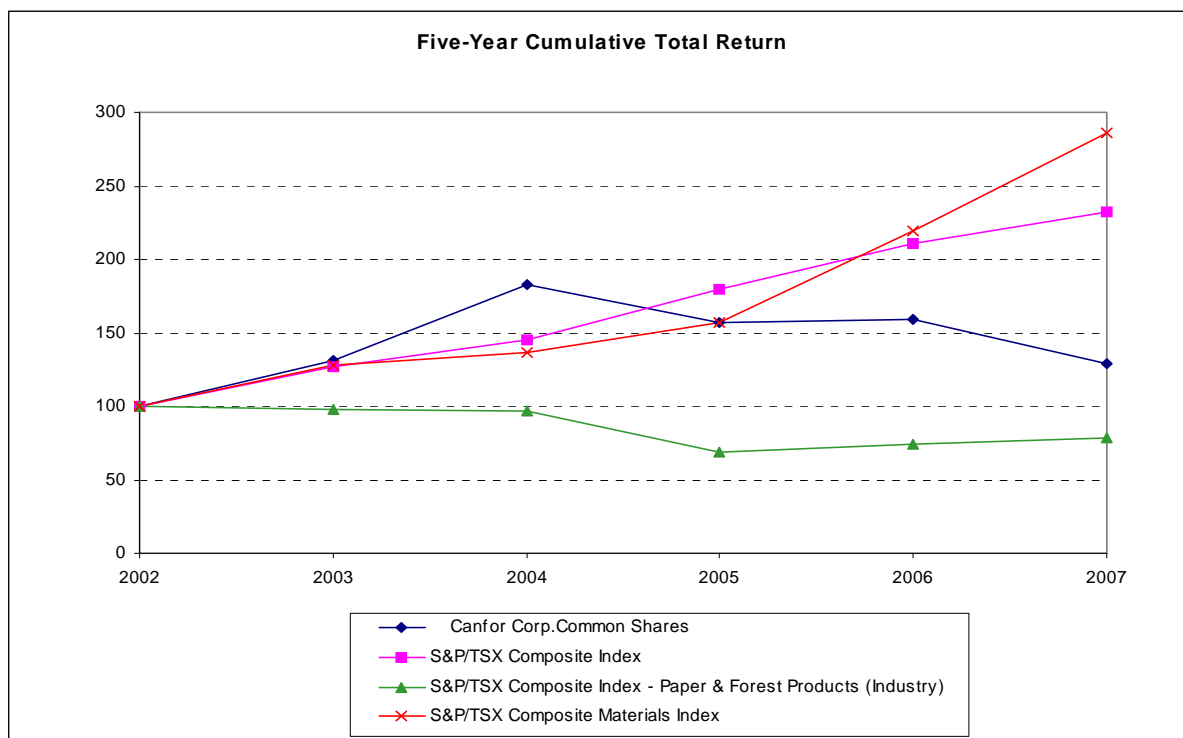
\* based on all credited service, including service with CPLP.

## Indebtedness of Directors, Executive Officers and Senior Officers

There are no material loans outstanding as at March 18, 2008 payable by officers, directors, employees and former directors, officers and employees of the Company or any of its subsidiaries to the Company or any of its subsidiaries.

## PERFORMANCE GRAPH

The following graph compares the total cumulative shareholder return for \$100 invested in Common Shares of the Company on December 31, 2002 with the cumulative total shareholder return of the S&P/TSX Composite Index, S&P/TSX Composite Index - Paper & Forest Products (Industry) and S&P/TSX Composite Materials Index for the five most recently completed financial years.



	2002	2003	2004	2005	2006	2007
Company Common Shares	100	131	183	157	159	129
S&P/TSX Composite Index	100	127	145	180	211	232
TSX Paper & Forest Index	100	98	97	69	74	79
S&P/TSX Composite Materials Index	100	128	136	157	219	286

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

## Compensation of Directors/Attendance

Until May 4, 2007, the Directors who are not officers of the Company were paid a retainer of \$20,000 and were also paid an attendance fee of \$1,000 for each day of a scheduled meeting and an attendance fee of \$2,000 for each day of a non-scheduled meeting of the Board or any Committee of the Board. Those Directors who are not officers of the Company and serve on a Committee of the Board were also paid a retainer of \$3,000 for the most recently completed financial year. In addition, the Chairman of each Committee of the Board was paid a fee of \$3,000 for the most recently completed financial year. The Chairman of the Board was paid a quarterly fee of \$25,000 for serving as Chairman of the Board.

In order to support the Company in its cost reduction initiatives, the Board approved a temporary one-third reduction in all Directors' fees effective May 4, 2007. This fee reduction will be reviewed periodically by the Compensation Committee. Annual Director compensation for Board and Committee meetings is summarized in the following table (which sets out the fees both before and after the 2007 fee reduction).

	Fees after May 4, 2007 Reduction	Fees Prior to May 4, 2007 Reduction
Annual Board Chair Retainer	\$66,666	\$100,000
Annual Board Retainer	\$13,333	\$20,000
Annual Committee Retainer	\$2,000	\$3,000
Annual Committee Chair Retainer	\$2,000	\$3,000
Board/Committee Meeting Fees for Scheduled Meeting	\$666	\$1,000
Board/Committee Meeting Fees for Non-Scheduled Meeting	\$1,333	\$2,000

Effective January 1, 2002, the Company instituted a non-employee director DSU plan (the "Non-Employee Director DSU Plan"). Each non-employee director of the Company receives 2,500 deferred units ("Deferred Units") annually in accordance with the Non-Employee Director DSU Plan. The Plan also provides for the issuance of DSUs with respect to any dividend paid by the Company. A DSU is a bookkeeping entry having the same value as one Common Share of the Company, but is not paid out until such time as the Director leaves the Board, thereby providing the financial equivalent of an ongoing equity stake in the Company throughout the Director's period of Board service. Payment in respect of DSUs may be made in cash or Common Shares of the Company purchased on the open market or both. The Non-Employee Director DSU Plan provides that Directors holding DSUs are credited with additional units reflecting an equivalent value to dividends paid from time to time in respect of the Company's Common Shares and also allows for the adjustment to the outstanding DSUs held by the Directors which are appropriate to reflect any significant reorganizations or other corporate changes affecting the Company's Common Shares (such as the spin out of the Company's pulp and paper business to Canfor Pulp Limited Partnership in 2006). As at December 31, 2007, the accrual in respect of the DSUs currently outstanding to Board members was \$718,688.

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

#### Directors' Compensation Summary for 2007

The following table summarizes the aggregate amount of total fees paid to Directors in cash during the fiscal year ending December 31, 2007.

Director	Total Fees Paid in Cash <sup>1</sup>
Peter J. G. Bentley	\$ 160,500
Ronald L. Cliff	\$ 57,160
Stephen A. Jarislowsky <sup>4</sup>	\$ 147,510 <sup>10</sup>
Michael J. Korenberg	\$ 66,660
Brandt C. Louie <sup>4</sup>	\$ 160,900 <sup>10</sup>
J. D. (Ian) Lapey <sup>6,8</sup>	N/A
Eric P. Newell <sup>4</sup>	\$ 239,990 <sup>10</sup>
James A. Pattison <sup>9</sup>	\$ 25,500
Michael E. J. Phelps <sup>4</sup>	\$ 242,000 <sup>10</sup>
Donald C. Selman	\$ 58,000
James F. Shepard <sup>2,6</sup>	N/A
JAS <sup>3,4</sup>	N/A
J. M. (Mack) Singleton <sup>2</sup>	N/A
Paul M. Tellier <sup>5</sup>	\$ 65,200 <sup>10</sup>
Thomas A. Tutsch <sup>7</sup>	\$ 16,660
<b>Total</b>	<b>\$ 1,240,080</b>

1. Before deduction of applicable taxes.

2. As executives of the Company, Messrs. Shepard and Singleton are not paid board/committee retainers or meeting fees.

3. As a former executive of the Company, JAS was not paid board/committee retainers or meeting fees.

4. Messrs. Jarislowsky, Louie, Newell, Phelps and JAS did not stand for re-election at the Company's Annual General Meeting on May 4, 2007.

5. Mr. Tellier resigned from the Board on March 15, 2007.

6. Messrs. Lapey and Shepard were appointed to the Board on May 4, 2007.

7. Mr. Tutsch was appointed to the Board on May 18, 2007.

8. Mr. Lapey, due to a policy of his employer Third Avenue Management LLC, has declined all directors' compensation, including DSUs.

9. Effective May 4, 2007, Mr. Pattison voluntarily declined all future directors' compensation.

10. These amounts reflect the payment of DSUs granted under the Non-Employee Director DSU Plan in cash following the cessation of

## Summary of Board/Committee Meetings Held

For the 12-month period ended December 31, 2007

Board	8
Audit	10
Corporate Governance	4
Environmental, Health and Safety	3
Capital Expenditure	4
Management Resources and Compensation	7
Pension	2

## Summary of Attendance of Directors<sup>1</sup>

For the 12-month period ended December 31, 2007

Director (Age)	Board Meetings Attended <sup>2,3,4</sup>	Committee Meetings Attended <sup>4</sup>
Peter J. G. Bentley (78)	7 of 8	20 of 21
Ronald L. Cliff (79)	7 of 8	16 of 16
Stephen A. Jarislowsky (82)	3 of 3	3 of 3
Michael J. Korenberg (47)	8 of 8	18 of 18
J. D. (Ian) Lapey (41)	6 of 6	7 of 7
Brandt C. Louie (64)	3 of 3	3 of 3
Eric P. Newell (63)	3 of 3	5 of 6
James A. Pattison (79)	7 of 8	8 of 8
Michael E. J. Phelps (60)	2 of 3	5 of 5
Donald C. Selman (73)	8 of 8	17 of 18
James F. Shepard (69)	6 of 6	5 of 5
JAS (55)	3 of 3	16 of 17
J. M. (Mack) Singleton (62)	2 of 2	N/A
Paul M. Tellier (68)	1 of 1	3 of 3
Thomas A. Tutsch (57)	4 of 4	6 of 6

1. See "Directors' Compensation Summary for 2007" for a summary of Directors' appointments, resignations and other cessations in 2007.

2. In 2007, there were five scheduled Board meetings and three unscheduled Board meetings.

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

4. Messrs. Jarislowsky, Louie, Newell, Phelps and JAS ceased as Directors of the Company on May 4, 2007 and Mr. Tellier resigned as a Director of the Company on March 15, 2007.

## CORPORATE GOVERNANCE

### INTRODUCTION

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

### Board Responsibilities

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

#### *Culture of Integrity*

The Board has assumed responsibility for satisfying itself, to the extent feasible, as to the integrity of the CEO and the other executive officers of the Company and that those officers work to create a culture of integrity throughout the Company. The



Governance Principles and Code of Conduct are designed to assist the Board in defining and maintaining appropriate standards of integrity throughout the organization (see also "Ethical Business Conduct" below).

#### *Strategic Planning*

The Board participates in the strategic planning process by reviewing and evaluating management's strategic plan. The Board sets aside at least one meeting per year to review and comment on management's strategic plan. This allows the Directors to gain a better appreciation of management's strategic planning priorities. Updates are provided to the Board throughout the year. The Board held a strategic planning session in 2007.

#### *Risk Management*

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

#### *Succession*

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

#### *Communication Policy and Disclosure Control*

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

#### *Integrity of Internal and Financial Disclosure Controls*

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

## **THE BOARD OF DIRECTORS**

### **Independence**

The Board is currently composed of 9 Directors, 7 of whom are independent Directors as defined in NI 58-101. Two of the present directors, James Shepard and Mack Singleton, are members of senior management and therefore are not considered to be independent for this purpose. Another Director, Mr. Peter Bentley, who was previously President and CEO of the Company, does not currently exercise management functions as Chairman of the Board and has not been a member of management of the Company since 1997, and is therefore considered to be an independent director. No current independent Director has entered into any contracts with the Company, received remuneration from the Company in excess of Director's compensation or worked for the Company in the last 5 years. Mr. Pinette, a nominee for Director, worked as a consultant with the Company in 2007 and received consulting fees. This consulting relationship has terminated and will not be renewed as long as Mr. Pinette is a Director. The Board has provided a means whereby individual Directors may engage outside advisors at the expense of the Company in appropriate circumstances. In 2007, no advisors were engaged on behalf of individual Directors. Of the 9 individuals proposed as nominees for election as Directors at the Meeting, 7 are considered to be independent as defined in NI 58-101.

### **Other Directorships**

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

### **Board Meetings**

The independent directors, as part of each Board meeting, hold *in camera* sessions without the presence of Messrs. Shepard and Singleton (as non-independent Directors) and other members of management to discuss issues relating to management and governance of the Company generally. The Board held eight such meetings in 2007. The Chairman of the Corporate Governance

Committee meets annually with the CEO and Chairman of the Board to discuss the relationship between management and the Board and reports the results of these discussions to the Board.

### **Attendance Record**

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

### **Chairman**

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

### **BOARD MANDATE**

The Board has adopted a written Board Mandate entitled The Board Terms of Reference, which defines the Board's roles and responsibilities. The Board Terms of Reference have been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's web site at [www.canfor.com](http://www.canfor.com).

### **POSITION DESCRIPTIONS**

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

### **ORIENTATION AND CONTINUING EDUCATION**

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

### **ETHICAL BUSINESS CONDUCT**

#### **Code of Conduct**

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

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

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

### **NOMINATION OF DIRECTORS**

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

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

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

In 2007, the Board terminated its retirement policy. The Board does not currently have a retirement policy.

## **COMPENSATION**

The process for the determination of the compensation of the Company's directors and officers is overseen by the Company's Management Resources and Compensation Committee. As described under the "Report on Executive Compensation" section of this Information Circular, the Management Resources and Compensation Committee engaged the services of Hay to assist the Management Resources and Compensation Committee in determining the Company's compensation levels in 2007.

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

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

## **BOARD COMMITTEES**

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

### **Audit Committee**

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

For further information regarding the Company's Audit Committee, see the Section of the Company's Annual Information Form dated February 22, 2008 entitled "Audit Committee Information", which is incorporated by reference herein and which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Corporate Governance Committee (the "Governance Committee")**

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

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

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

The Compensation Committee is responsible for ensuring that the Company has in place programs and policies to attract and retain high calibre executives and a process to provide for the orderly succession of management. The Compensation Committee annually assesses the performance of the CEO, recommends for approval by the Board of that officer's compensation and benefits and

approves the compensation for all other designated senior officers of the Company, its subsidiaries and affiliates. This is done after considering the recommendations of the CEO, all within the human resources and compensation policies, guidelines and pay and performance systems approved by the Board. The Compensation Committee also reviews from time-to-time, as and when required, the Company's broad policies and programs in relation to pension and other benefits. In addition, the Compensation Committee reviews from time-to-time with the CEO, policies on compensation for all employees. It also annually reviews the adequacy and form of the compensation of the Directors and reports and makes recommendations to the Board accordingly. The Compensation Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The Compensation Committee annually provides a report on executive compensation for inclusion in the Company's Information Circular. The Compensation Committee is composed of four independent Directors.

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

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

#### **Pension Committee**

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

#### **Capital Expenditure Committee (the "Capex Committee")**

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

#### **BOARD/COMMITTEE ASSESSMENTS**

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

At the Meeting, 9 Directors will stand for election. The Company has implemented a policy whereby if the CEO no longer holds that office or if a director changes his/her principal occupation, they will offer their resignation as a Board member. The Board may accept or not accept the resignation.

#### **APPOINTMENT OF AUDITOR**

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

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

<b>Financial Year Ending</b>	<b>Audit, Tax and Financial Services Fees</b>	<b>Consulting Services</b>	<b>Total Fees</b>
December 31, 2007	\$1,173,000	\$12,000	\$1,185,000
December 31, 2006	\$3,133,000	\$26,000	\$3,159,000

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

#### **OTHER INFORMATION**

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

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

The Company's Annual Report which contains the audited Financial Statements for the year ended December 31, 2007 and Management's Discussion and Analysis of Financial Condition and Results of Operations, which contain financial information relating to the Company, accompany this Information Circular. An additional copy of those documents, this Information Circular and any interim financial statements filed subsequent to the annual audited Financial Statements, and additional information regarding the Company may be obtained from the Corporate Secretary of the Company and may be accessed on the Company's website *www.canfor.com*. *Additional information relating to the Company is available on SEDAR at www.sedar.com.*

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

**By Order of the Board of Directors**

**David M. Calabrigo**  
**Corporate Secretary**

Vancouver, B.C.  
March 18, 2008



[www.canfor.com](http://www.canfor.com)