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 (the "Meeting") of the Common Shareholders of Canfor Corporation (the "Company") will be held at the Terminal City Club, at 837 West Hastings Street, Vancouver, British Columbia, on Wednesday, April 26, 2017 at 1:00 p.m. for the following purposes:

1. To receive and consider the consolidated financial statements of the Company and its subsidiaries for the fiscal year ended December 31, 2016 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 consider the shareholder proposal, as set out in Schedule A of the Information Circular appended to this Notice.

5. To transact such other business as may properly come before the Meeting.

DATED at Vancouver, British Columbia this 16th day of March, 2017.

By Order of the Board of Directors

David M. Calabrigo, QC
Corporate Secretary

An Information Circular accompanies this Notice of Annual General Meeting. The Information Circular contains details of matters to be considered at the Meeting. The Company's Annual Report is available electronically on the Company's website at www.canfor.com/Investor-Relations or upon request at annualreport@canfor.com. The Annual Report includes consolidated financial statements of the Company for the year ended December 31, 2016 and the auditors' report thereon and the Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company.

A Common Shareholder who is unable to attend the Meeting in person and who wishes to ensure that their 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.

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CANFOR CORPORATION

INFORMATION CIRCULAR

Dated As Of March 16, 2017
(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 16, 2017 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 16, 2017 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 or 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/her 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 CST Trust Company Inc., 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 Common 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 for the nominees of management for election as Directors and the appointment of KPMG LLP as auditors and against the shareholder proposal regarding gender diversity.**

VOTING BY NON-REGISTERED SHAREHOLDERS

Registered Common Shareholders hold shares in the capital of the Company in their own names and can vote by attending and voting those shares at the Meeting or by appointing a proxy holder as described above.

Common Shareholders not having Common Shares recorded in their own names ("Non-Registered Shareholders") will usually hold their shares in the name of an intermediary (for example, a bank, a trustee, a broker or an investment dealer) or in the name of a clearing agency of which the intermediary is a participant. A Non-Registered Shareholder which receives these meeting materials from an intermediary must complete and return the voting materials in accordance with the instructions provided by their intermediary as to how to vote the Common Shares held by them. If a Non-Registered Shareholder does not complete and return the materials in accordance with these instructions, they may lose the right to vote at the Meeting, either in person or by proxy. Non-Registered Shareholders who have questions or concerns regarding any of these procedures should contact their intermediary directly or the Company.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at March 16, 2017, the Company has outstanding and entitled to be voted at the Meeting132,804,543 Common Shares, each Common Share carrying the right to one vote. To the knowledge of the Directors and senior officers of the Company, no person or company owns beneficially, directly or indirectly, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attached to all Common Shares of the Company entitled to be voted at the Meeting except as set out below:

Title of Class	Name of Beneficial Holder	Number of Shares	Percentage of Class
Common Shares	James A. Pattison(1)	63,003.722	47.44

Notes:
(1) The Common Shares beneficially owned by James A. Pattison, a current Director of the Company, are held by companies wholly owned by Mr. Pattison.

During 2016, the Company did not purchase any Common Shares pursuant to the normal course issuer bids applicable during that year. The Company again renewed its normal course issuer bid on March 3, 2017. For additional information regarding the Company's normal course issuer bids, see the section of the Company's Annual Information Form dated February 8, 2017 entitled "Business of Canfor – Other Significant Events – Normal Course Issuer Bids".

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 nine nominees in the list that follows. All are currently Directors of the Company except for Ryan Barrington-Foote, who is a new nominee. If any of the nominees do not stand for re-election or are 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 April 26, 2017. 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 disclosure 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, 2016 is also noted below.

Peter J.G. Bentley, O.C., O.B.C., LL.D

Vancouver, British Columbia
Canada

Age: 87
Director of Canfor since 1966

Independent

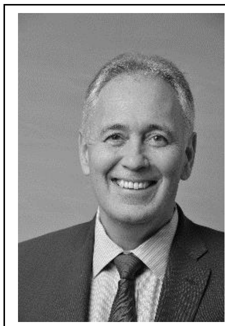
Key areas of expertise:
- Business management
- Governance
- Operations
- Compensation
- Risk Management

Mr. Bentley is Chairman Emeritus of the Board of Directors of the Company and a Director of Canfor Pulp Products Inc. ("Canfor Pulp"). 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 Chairman 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 Honorary Doctorate of Laws degrees from the University of British Columbia and University of Northern British Columbia.

Other public company board/committee memberships in the past five years:
- Canfor Pulp (2006 – present)

Board/Committee Membership[1]	Overall Attendance: 100% Attendance at Regular Meetings
Board	4/4
Joint Corporate Governance - Chair	1 /1
Joint Capital Expenditure	1/ 1
Joint Environmental, Health & Safety	4/4
Joint Management Resources and Compensation	2/ 2

Securities Held	March16, 2017	March 23, 2016
Common Shares	497,607	497,607
DSUs[2]	28,414	28,414



Glen D. Clark

Vancouver, British Columbia
Canada

Age: 58
Director of Canfor since 2009

Independent

Key areas of expertise:
- Business Management
- Operations
- Financial
- Risk Management

Mr. Clark is the President and Chief Operations Officer of The Jim Pattison Group and a member of the Board of Directors of Westshore Terminals Investment Corporation. In the capacity of President and Chief Operations Officer of The Jim Pattison Group, Mr. Clark has corporate responsibility for, Canadian Fishing Company, COMAG, Everything Wine, Genpak, Guinness World Records, Jim Pattison Lease, Montebello, Ocean Brands, Overwaitea Food Group, Pattison Sign Group, Ripley Entertainment, Sunrype, The Jim Pattison Broadcast Group and TNG. Prior to 2001, Mr. Clark served as Premier of British Columbia from February 1996 to August 1999. He was Minister of Finance and Corporate Relations from November 1991 to September 1993 and Minister of Employment and Investment from September 1993 until February 1996. Mr. Clark was first elected to the Legislative Assembly of British Columbia in 1986 to represent the constituency of Vancouver-East. In the 1991 and 1996 general elections, he was re-elected to represent the constituency of Vancouver-Kingsway. Mr. Clark holds a Bachelor of Arts degree from Simon Fraser University and a Master's Degree in Community and Regional Planning from the University of British Columbia.

Other public company board/committee memberships in the past five years:

•Westshore Terminals Investment Corporation (2013 – present)

Board/Committee Membership[1]	Overall Attendance: 100% Attendance at Regular Meetings
Board	4/ 4
Joint Capital Expenditure	1/1
Joint Environmental, Health & Safety	4/4

Securities Held	March16, 2017	March 23, 2016
Common Shares	2,000	2,000
DSUs[2]	7,500	7,500

Michael J. Korenberg

West Vancouver, British Columbia
Canada

Age: 56
Director of Canfor since 2003

Independent

Key areas of expertise:

- Business management
- Financial
- Operations
- Legal/regulatory
- Risk management

Mr. Korenberg is a Director and the Chairman of the Company's principal subsidiaries, Canadian Forest Products Ltd. ("CFP") and Canfor Pulp. Mr. Korenberg is a Director of Westshore Terminals Investment Corporation and Kruger Products LP and its associated company, KP Tissue Inc., which he chairs. He is a member of the Dean's Advisory Committee for the Centre for Business Law, a member of the Law Societies of Upper Canada (Ontario) and British Columbia and serves as Vice Chair of the Board of Governors of the University of British Columbia and as an advisory board member of the Heart & Stroke Foundation of BC & the Yukon.
Other public company board/committee memberships in the past five years:

- Canfor Pulp (2011 – present)
- Westshore Terminals Investment Corporation and Westshore Terminals Ltd. (2001 – present)
- Sun-Rype Products Ltd. (2008 – 2013)

Board/Committee Membership[1]	**Overall Attendance: 100%** **Attendance at Regular Meetings**
Board - Chair	4 /4
Audit	8/ 8
Joint Corporate Governance	1/1
Joint Capital Expenditure - Chair	1/1

Securities Held

	March16, 2017	March 23, 2016
Common Shares	20,000	20,000
DSUs[2]	25,159	25,159

British Columbia
Canada

Age: 37
Proposed Nominee as Director of Canfor

Independent

Key areas of expertise:

- *Business Management*
- *Financial Compensation*
- *Taxation*
- *Risk Management*

Mr. Barrington-Foote is currently the Managing Director, Accounting, at The Jim Pattison Group where he has worked since 2001 with oversight responsibility for accounting and tax related functions. From 1996-2001, he was associated with KPMG LLP, where he earned his (CPA) CA designation in 2001.

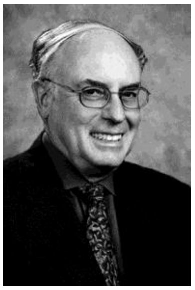
Other public company board/committee memberships in the past five years:

- Just Energy Group Inc. (2015 – present)

Board/Committee Membership[1]	**Overall Attendance: N/A** **Attendance at Regular Meetings**
Proposed Nominee	N/A

Securities Held

	March16, 2017	March 23, 2016
N/A	N/A	N/A



Conrad A. Pinette

Vancouver, British Columbia
Canada

Age: 76
Director of Canfor since 2008

Independent

Key areas of expertise:
- Business management
- Compensation
- Operations
- Governance
- Risk Management

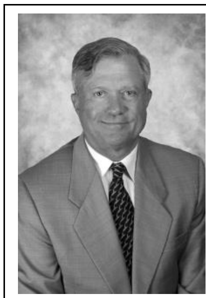
Mr. Pinette's work in the Canadian forest industry began 40 years ago as an owner and President of a family lumber business, Pinette & Therrien Mills Ltd. Mr. Pinette has also served as Executive Vice President, Tolko Industries Ltd. (2005), Executive Vice President, Riverside Forest Products Limited (2004) and served as President and Chief Operating Officer of Lignum Limited from January 1990 to April 2004. Mr. Pinette is the former Chairman of Finning International Inc. and a former Director of Gold Canyon Resources Inc., TimberWest Forest Corp, Northgate Minerals Corporation, A&W Revenue Royalties Income Fund, Finning International Inc. and the British Columbia Business Council. Mr. Pinette is currently a member of the Vancouver General Hospital and University of British Columbia Prostate Advisory Board, and a Director of Canfor Pulp.

Other public company board/committee memberships in the past five years:

- Canfor Pulp (2012 – present)
- Gold Canyon Resources Inc. (2011 – 2014)

Board/Committee Membership[1]	Overall Attendance: 100% Attendance at Regular Meetings
Board	4 /4
Joint Management Resources and Compensation	2 /2
Joint Capital Expenditure	1 /1
Joint Environmental, Health and Safety - Chair	4/4

Securities Held	March16, 2017	March 23, 2016
Common Shares	15,000	15,000
DSUs[2]	10,000	10,000



J. McNeill (Mack) Singleton

Myrtle Beach, South Carolina,
United States of America

Age: 71
Director of Canfor since 2007

Independent

Key areas of expertise:
- Business management
- Operations
- Governance
- Risk management

Mr. Singleton has 38 years of experience in the wood products industry, all with New South Companies Inc. (now Canfor Southern Pine Inc. ("Southern Pine")) or its predecessor companies and was the CEO of Southern Pine since 1985. Mr. Singleton retired as the CEO of New South in September 2009. He has served on the boards of numerous industry associations and committees and is past Chairman of the US Coalition for Fair Lumber Imports and the Southern Forest Products Association. 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.

Other public company board/committee memberships in the past five years:

- None

Board/Committee Membership[1]	Overall Attendance: 100% Attendance at Regular Meetings
Board	4/4
Joint Capital Expenditure	1/1
Joint Environmental, Health and Safety	4/4

Securities Held	March16, 2017	March 23, 2016
Common Shares	10,000	10,000
DSUs[2]	5,000	5,000

Ross S. Smith, F.C.A.
West Vancouver, British Columbia, Canada

Age: 77
Director of Canfor since 2009

Independent

Key areas of expertise:
- Business management
- Compensation
- Financial
- Operations
- Risk management

Mr. Smith had a successful 35 year career at KPMG LLP where he held various roles, including Managing Partner for British Columbia region and served for 13 years on the National Management Committee prior to his retirement in 1998. While in public practice, Mr. Smith served major public and private companies, many of which were in the forest industry, from an audit and securities perspective. Mr. Smith has served on many charitable and community boards in past years and is a past member of the Board of Governors of the University of British Columbia. Mr. Smith is a former member of the Board of Directors of HSBC Bank Canada. Mr. Smith qualified as a Chartered Accountant in 1962 and was elected a Fellow of the Institute of Chartered Accountants of British Columbia ("ICABC") in 1990 and in 2010 was awarded a lifetime achievement award by the ICABC. He is also a member of the Board of Directors of Kal Tire Ltd. and Rotherdam Holdings Ltd, a member of the Advisory Board of Marsh Canada Limited and Chairman of the Board for K-Bro Linen Inc. and Kal Tire Holdings Ltd.

Other public company board/committee memberships in the past five years:

- None

Board/Committee Membership[1]	Overall Attendance: 100% Attendance at Regular Meetings
Board	4/4
Audit - Chair	8/8
Joint Management Resources and Compensation	2/2

Securities Held	March16, 2017	March 23, 2016
Common Shares	5,000	5,000
DSUs[2]	7,500	7,500

William W. Stinson

Vancouver, British Columbia
Canada

Age: 83
Director of Canfor since 2011

Independent

Key areas of expertise:
- Business management
- Compensation
- Operations
- Risk management

Mr. Stinson is the Chairman and CEO of Westshore Terminals Investment Corporation and a Director of Canfor Pulp. Mr. Stinson spent the majority of his business career with Canadian Pacific Ltd., retiring as Chairman and CEO in 1996 after 11 years in that position. He has served on a wide variety of boards and has held the positions of Chairman of Sun Life Financial, Chairman of the Executive Committee of United Dominion Industries and Lead Director of CHC Helicopter Corporation.

Other public company board/committee memberships in the past five years:

- Canfor Pulp (2009 – present)
- Westshore Terminals Investment Corporation (1997 – present)

Board/Committee Membership[1]	Overall Attendance: 100% Attendance at Regular Meetings
Board	4 /4
Audit	8/ 8
Joint Environmental, Health and Safety	4/4
Joint Management Resources and Compensation	2/2
Joint Capital Expenditure	1/1

Securities Held	March16, 2017	March 23, 2016
Common Shares	11,000	11,000
DSUs[2]	2,500	2,500

Honourable John R. Baird
Toronto, Ontario
Canada

Age: 47
Director of Canfor since 2016

Independent

Key areas of expertise:

- Business management
- Foreign Affairs
- Government Relations
- Financial

John Baird is a Senior Advisor to various enterprises and former Canadian Foreign Minister. An instrumental figure in bilateral trade and investment relationships, Mr. Baird has played a leading role in the Canada-China dialogue and worked to build ties with ASEAN countries. In addition, Mr. Baird has worked closely with international leaders to strengthen security and economic ties with the United States and Middle Eastern countries. A native of Ottawa, Mr. Baird spent three terms as a Member of Parliament and four years as Foreign Minister. He also served as President of the Treasury Board, Minister of the Environment, Minister of Transport and Infrastructure, and Leader of the Government in the House of Commons. Prior to entering federal politics, Mr. Baird spent ten years in the Ontario Legislature where he served as Minister of Community and Social Services, Minister of Energy, and Government House Leader. Currently, Mr. Baird serves as a Senior Business Advisor with Bennett Jones LLP, a premier Canadian law firm. In addition, Mr. Baird sits on the advisory board of Barrick Gold Corp., the corporate boards of Canadian Pacific, the FWD Group and PineBridge Investments. He also serves as a Global Strategic Advisor to Hatch Ltd, a Canadian global multidisciplinary management, engineering and development consultancy, and is a Senior Advisor at Eurasia Group, a global political risk consultancy. Mr. Baird also volunteers his time with Community Living Ontario, an organization that supports individuals with developmental disabilities, the Prince's Charities, the charitable office of His Royal Highness The Prince of Wales, and is a board member of the Friends of Israel Initiative. He holds an Honours Bachelor of Arts in Political Studies from Queen's University.

Other public company board/committee memberships in the past five years:

- Canadian Pacific Railway Limited (May 14, 2015 - present)

	Overall Attendance: 100%
Board/Committee Membership[1]	**Attendance at Regular Meetings**
Board	3/3
Joint Environmental, Health and Safety	2/2
Joint Capital Expenditure[3]	1/1

Securities Held		
	March 16, 2017	March 23, 2016
Common Shares	NIL	N/A

1. All Committees of the Company, other than Audit, have as members Directors of Canfor Pulp and are joint committees with Canfor Pulp.

2. Represents deferred share units ("DSUs") under the Non-Employee Director DSU Plan (See "Director Compensation - Compensation of Directors/Attendance" herein).

3. Mr. Baird became a Director on April 27 2016 and was therefore only eligible to attend some of the meetings held by the Board and these committees during the year.

For additional information regarding current Directors of the Company, see the section of the Company's Annual Information Form dated February 8, 2017 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 Mr. Bentley, who was a Director and/or executive officer of HSPP General Partner Ltd. ("HSPP"), general partner of Howe Sound Pulp and Paper Limited Partnership ("HSLP"), during the period of January 29, 2008 to February 1, 2008 when HSLP completed a restructuring under the *Companies' Creditors Arrangement Act* (Canada). On January 27, 2011, HSLP, then renamed "6382 Pulp and Paper Limited Partnership", voluntarily filed for bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) (the "BIA") after the sale of substantially all of its assets to a third party effective October 1, 2010. HSLP filed a proposal under the BIA which was subsequently approved by its creditors and finally by the British Columbia Supreme Court on July 18, 2011. Mr. Stinson was a director of Grant Forest Products Inc. ("Grant"). On June 25, 2009, Grant obtained creditor protection from the Ontario Superior Court under the *Companies' Creditors Arrangement Act* (Canada). Mr. Stinson ceased to be a director on June 30, 2010.

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 MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE

The Board of Directors has final authority to approve the recommendations of its Joint 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, 2016: Messrs. Bentley, Pattison, Pinette, Smith and Stinson. Mr. Charles Jago, a Director of Canfor Pulp, is also a member 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.

All members of the Compensation Committee have experience in compensation matters either as members of compensation committees of other public companies and/or from having served as senior executives with significant responsibility for or involvement in compensation matters, including as follows: Mr. Bentley was formerly on the compensation committees of the Bank of Montreal and Shell Canada Ltd. and serves on the compensation committee of Canfor Pulp; Mr. Smith currently serves on the compensation committee for K-Bro Linen Inc. and was formerly on the compensation committee for the Board of Governors of University of British Columbia and on the National Management Committee with KPMG, which included the responsibility for compensation and benefit plans for the partners of KPMG; Mr. Stinson was formerly the CEO of Canadian Pacific Ltd. and as such had responsibility for compensation policies and programs for that company and also serves on the compensation committee of Canfor Pulp; Mr. Pinette, the current Chair of the Compensation Committee, was a former executive in the forestry industry, with considerable experience in industry related compensation issues; Mr. Pattison, the former Chair of the Compensation Committee , is the CEO of The Jim Pattison Group which runs a diversified group of companies with extensive experience in compensation matters as a senior executive and director and has extensive experience with compensation issues for numerous companies; Dr. Jago was formerly the President of the University of Northern British Columbia and had oversight of the University compensation programs and policies; Mr. Smith is also a member of the Audit Committee of the Company; Messrs. Stinson and Pinette are members of the Joint Capital Expenditure Committee; and Mr. Bentley is and Mr. Pattison was a member of the Joint Corporate Governance Committee. The cross memberships between committees supports the oversight of compensation polices and standards and ensures alignment with the Company's risk management principles.

COMPENSATION DISCUSSION AND ANALYSIS

Overview of Compensation Policies, Programs and Objectives and Consulting Fees

Overview

The Company's executive compensation policies are designed to enable it 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 (including the Named Executive Officers (as defined under the section entitled "Summary Compensation Table" below)) includes base salary and incentive bonus programs. 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 programs are based on the combination of a set level of base salary plus a significant portion of total compensation based on a combination of both short and long term performance based bonus incentives.

The Compensation Committee periodically engages the services of an independent consulting firm, Hay Group ("Hay"), to provide advice and counsel on executive compensation matters, such as base salary, incentive and bonus programs, all as described further below. Hay is an independent resource for advice to the Compensation Committee and has assisted the Committee in reviewing compensation trends including market competitive information, designing compensation programs, and assisting the Compensation Committee in assessing the compensation of the CEO.

Compensation oversight and risk management are closely aligned. Mr. Smith, who is the Chair of the Audit Committee, also is a member of the Compensation Committee. These Committees review the Company's compensation policies and practices to ensure that they do not encourage any Named Executive Officer or other members of senior management to take inappropriate or excessive risks or otherwise give rise to risks that would reasonably be likely to have a material adverse effect on the Company.

Executive Compensation – Related Fees

The consulting fees paid to Hay for compensation related services in 2016 were $34,151.78 and in 2015 were $126,057. The comparatively higher fees in 2015 related to a compensation framework review, most of which was completed in that year. Hay was first engaged to provide these services to the Company in September 2002.

Hedging

No Director of the Company or member of senior management, including any Named Executive Officer, is permitted to purchase financial instruments for hedging purposes related to compensation, including to offset decreases in the market value of the Company's securities.

Say on Pay

The Board regularly considers whether or not to hold an advisory "say on pay" vote at its annual general meeting of Common Shareholders on the Company's approach to executive compensation. It was determined not to hold such a vote at the Meeting. Given the cyclical nature of the forest products industry and the longer payment terms (of three years) under the PBP (as defined below), the Board believes that its compensation policies as discussed in this Information Circular provide strong and appropriate performance incentives, provide adequate mitigation protections and are unequivocally preferable to equity-based compensation programs used by the Company in the past. The Board will again review the issue of holding an advisory vote for its annual general meeting in 2018.

Elements of Compensation

Pay for Performance Principles

The Company's compensation programs have been structured to establish a clear relationship between pay and performance by providing, in particular, a limited portion of base salary and higher compensation for outstanding performance and less compensation when performance expectations are not met, while also reflecting financial risk and strategic and operational objectives. The Company's executive compensation programs under the Canfor Salary Incentive Plan ("CSIP") and Senior Executive Performance Bonus Plan ("PBP"), each as described below, are designed to directly provide a link between the Company's financial performance and executive bonuses and better align payments under the plans with the interests of shareholders.

The Board, through the Compensation Committee, retains the discretion to award compensation to senior executives, including the Named Executive Officers, even when performance goals or targets are not achieved. In making such awards, the Compensation Committee will consider a number of factors, including the recommendation of the CEO, the financial condition of the Company, the performance of the individual being considered for the award, the state of the markets generally and any other factor the Compensation Committee considers relevant. However, discretionary awards will only be granted by the Compensation Committee to individuals who have shown exemplary or outstanding performance beyond normal job performance.

The terms of the CSIP and PBP described below reflect the Company's plans which were in place in 2016. Other than changes made to the CSIP and PBP for 2017 as discussed below under "Senior Executive Performance Bonus Plan", the Compensation Committee does not anticipate making significant further changes to its compensation policies and practices in the next year, but has reserved the right to do so if the Compensation Committee is of the view that it would be necessary to achieve the Company's compensation objectives.

Base Salaries

Base salaries and salary ranges for all of the Company's executive officers are established using market-competitive information provided by Hay, the independent consulting firm retained by the Compensation Committee for this purpose. The Compensation Committee periodically retains Hay to provide advice on market base salary and bonus information for its senior executives, including the CEO and the other Named Executive Officers. Market information is updated when necessary and salaries are reviewed annually. The mid-point for salary ranges is set at the median of the marketplace. The primary source for market information is the Hay Forest Industry Survey (FIS) which contains companies engaged in the forest products business similar to the Company. The companies included in the peer group market data are AV Nackawic Inc., Ainsworth Engineered Canada L.P., Alberta-Pacific Forest Industries Inc., Daishowa-Marubeni International Ltd., International Forest Products Limited, Minas Basin Pulp & Power Co. Ltd., Northern Pulp Nova Scotia Corp., Tembec Inc., TimberWest Forest Corp., Tolko Industries Ltd., Twin Rivers Paper Company, West Fraser Timber Co. Ltd. and Zellstoff Celgar Partnership Limited. The FIS data has been "point adjusted" and takes into account, and arithmetically adjusts for, size/complexity differences between the companies included in the peer group. The Compensation Committee has sole responsibility for recommending for approval by the Board the compensation of the CEO.

Canfor Salaried Incentive Plan (CSIP)

The CSIP is a short-term incentive program that provides for salaried employee participation in the success of the Company, recognizes employee contribution to the Company's business improvement objectives and supports a "one team" approach. The Company's CEO and Senior Vice Presidents are not eligible to participate in the CSIP, only the PBP.

The CSIP is designed to meet the following objectives:

- to focus on the Company's key strategic financial measure, Return on Invested Capital ("ROIC");
- to reinforce the Company's goal of achieving a minimum ROIC threshold;
- to help align corporate, team and individual performance objectives; and
- to provide market-competitive incentive opportunities.

Target incentive levels for participating employees under the CSIP are determined by job or position and may change if the employee's position within the Company changes. The table below outlines the structure of the CSIP's target incentive levels, representing the percentage of annual base salary payable to senior management, on achieving the target payout requirements of the plan, as discussed below. All salaried employees other than the CEO and Senior Vice Presidents of the Company participate in the CSIP at incentive target levels ranging from 10% to 40%. Payments under the incentive program are based on annual base salary as of December 31 of the year for which the incentive is payable.

Employee Group	**Target Incentive Level (as a % of salary)**
Senior Management [(1)]	40%
Management	30%

[(1)] *Excludes the CEO and all of the Company's Senior Vice Presidents (including the Named Executive Officers).*

The CSIP is based on two components: the ROIC achieved in the year; and controllable performance gains, as measured against goals and objectives established at the beginning of each year. ROIC is defined as the sum of operating income/(loss), realized gains/(losses) on derivative financial instruments and other income/(expense), all net of any minority interest, divided by the average invested capital during the year, and accounts for 50% of the CSIP program. Controllable performance gains also account for the balance of the 50% of the CSIP program, and are measured by four factors: safety, quality, cost and delivery. Payments are subject to threshold, target and maximum levels established under the CSIP. Threshold is defined as the minimum level of performance required to qualify for a 50% payout under a component of the CSIP. Target is defined as the level of performance required to receive a 100% payout under a component of the CSIP. Maximum is defined as the level of performance required to receive a payout of 150% under a component of the CSIP.

The ROIC payout factors are as follows:

Performance Level	Payout factor of ROIC Target Incentive	ROIC Rate
Threshold	0.5	10%
Target	1.0	15%
Maximum	1.5	20%

When the ROIC level is below the threshold performance level, no payment under this component will be made.

Payments made under the CSIP are, unlike the PBP, made in one year.

For 2016, the amount of $10,601,901 was paid pursuant to the CSIP. As noted above, no Named Executive Officers (as defined below) are participants in the CSIP.

Senior Executive Performance Bonus Plan (PBP)

The PBP applies to all senior executives of the Company who have significant management and decision-making responsibilities in the Company, including the Named Executive Officers.

Pursuant to the PBP, bonuses are awarded based on annual ROIC percentage as to 50% and the extent to which the Company was able to attain margin and working capital improvements for 2015 and 2016 for the balance of 50%. PBP ROIC bonus payment factors for senior executives eligible to participate in the PBP, including the Named Executive Officers are:

ROIC	Payout as a Percent of Annual Salary
<10%	**Nil**
10% - 14%	**25%**
15% - 19%	**37.5%**
20% and above	**50%**

For the margin and working capital component, targets are established each year by the Compensation Committee at the time the operating budget for the year is approved by the Company's Board. Each of the ROIC and margin/working capital components of the PBP are separately calculated.

Bonuses are capped at 100% of salary. In order to emphasize the intended long-term incentive objective of the PBP, payments are made over three years, on the basis of 50% at the time of the award and the balance paid in equal installments in each of the following two years. The Compensation Committee has staggered payments in this way to mitigate perceived risks associated with one year incentive bonus compensation and believes it eliminates the need for any other mitigation factors, such as claw-backs. If a person voluntarily leaves the Company during the three year PBP payment period, then his/her unpaid PBP bonus entitlement is forfeited. If the annual ROIC is below 10%, no payment will be made under the PBP pursuant to the ROIC portion of the plan. However, if the threshold ROIC of 10% is not met, the Compensation Committee has the discretion to award bonuses, on the recommendation of the CEO, to individuals who have exemplified superior or exceptional performance during the year.

For 2016, the total amount of $2,575,170 was paid to the senior management including the Named Executive Officers of which $1,306,335.00 was paid in 2017 and the balance to be paid equally in 2018 and 2019 in accordance with the terms of the PBP. Reference is made to the Summary Compensation Table below for amounts paid to Named Executive Officers.

For the 2017 financial year, the Compensation Committee has adjusted the ROIC targets for the PBP and CSIP such that the threshold will be 9% rather than 10% and the target will be 13.5% rather than 15% and the maximum will be 18% rather than 20%. In addition, any payment under the PBP for 2017 will be based entirely on the achievement of these established ROIC percentages. The Compensation Committee has the discretion to award further bonuses based on margin and working capital improvements attained during the year.

Compensation of Chief Executive Officer

The Compensation Committee monitors and assesses the performance of the CEO and other senior executives and determines their pay levels. For the fiscal year ending December 31, 2016, the compensation of Mr. Donald B. Kayne, the CEO of the Company, consisted of base salary and eligibility for bonus under the PBP. In recommending the base salary of the CEO, the Compensation Committee considered market competitive information and compared similar positions in the Canadian and British Columbia forest products industry and a broader industry group provided by Hay, an independent consulting firm engaged for this purpose (see "Compensation Discussion and Analysis - Elements of Compensation" herein). The compensation of the CEO is finally decided upon by the Board.

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, including all of the Named Executive Officers. 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 paid the cost of brokerage and commissions. In June 2007, CFP discontinued its contributions to the Employee Purchase Plan and the brokerage and commission payments.

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

In 2000, the Company entered into change of control agreements with certain senior executives, including two of the Named Executive Officers, as described below. Other than the two Named Executive Officers referred to below, all other change of control agreements have been terminated as a result of these senior executives ceasing employment with the Company.

The agreements with Mr. Kayne and Mr. Calabrigo 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 (including target bonuses under the PBP), and in the case of the salary continuation, certain continued benefits.

For the purposes of the 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.

Assuming a change in control and termination of employment for the two Named Executive Officers having a change of control agreement with the Company referred to above occurred on December 31, 2016, the following table represents the amounts that would be payable to each of them.

Name	Position	Base Salary $	Bonus[1] $	Benefits[2] $	Total $	Present Value of Additional Pension $
Donald B. Kayne	President and CEO	1,300,000	1,300,000	90,000	2,690,000	$64,000
David M. Calabrigo	Senior Vice President, Corporate Development, Legal Affairs and Corporate Secretary	800,000	800,000	80,000	1,680,000	$284,000

Notes:

(1) *Estimated at PBP maximum payout based on 24 months.*

(2) *Represents two years maximum perquisite visit plan amounts and other benefits.*

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, 2016 and 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, 2016 (such CEO, CFO and executive officers are referred to collectively as the "Named Executive Officers"). For the year-ended December 31, 2016, the Company paid aggregate direct remuneration to its Directors and senior officers in the total amount of $6,865,003.46

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation[1][2] ($)	Total compensation ($)
					Annual incentive plans	Long-term incentive plans[3]			
Donald B. Kayne President and Chief Executive Officer	2016 2015 2014	650,000 650,000 650,000	- - -	- - -	- - -	502,130 370,500 510,250	32,000 17,000 6,000	44,836 73,793 65,393	1,228,966 1,111,293 1,231,643
Alan Nicholl Senior Vice President, Finance and Chief Financial Officer	2016 2015 2014	435,000 435,000 435,000	- - -	- - -	- - -	336,040 347,950[4] 341,480	64,950 56,226 47,850	33,559 50,207 48,145	869,550 889,383 872,475
Fred Stimpson[5] President, Southern Pine	2016 2015 2014	418,717 406,465	- -	- -	- - -	309,000 244,733	9,600[6] -	88,132 101,436	825,449 752,634

Name and principal position	Year	Salary ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation (1)(2) ($)	Total compensation ($)
					Annual incentive plans	Long-term incentive plans(3)			
David M. Calabrigo Senior Vice President, Corporate Development, Legal Affairs and Corporate Secretary	2016 2015 2014	400,000 400,000 400,000	- - -	- - -	- - -	309,000 228,000 314,000	70,000 70,000 57,000	37,573 41,878 36,529	816,573 739,878 807,529
Mark A. Feldinger Senior Vice President, Energy, Environment, Transportation and Sourcing	2016 2015 2014	400,000 400,000 400,000	- - -	- - -	- - -	309,000 228,000 314,000	28,000 28,000 22,000	66,935 81,602 71,854	805,132 737,602 807,854

1. *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 or 10% of the total annual salary for the applicable financial year. The Company's perquisite plan for senior officers includes an automobile lease, financial counselling and club membership. The maximum annual amount available under the perquisite plan to the CEO is $45,000 and to Senior Vice Presidents $40,000.*
2. *For all Named Executive Officers, these amounts may also include flexible benefit cash allocations, medical and life insurance benefits and other minor items not included in the perquisite plan.*
3. *These amounts include amounts paid under the Company's PBP. As discussed in this Information Circular (see "Compensation Discussion and Analysis – Elements of Compensation – Senior Executive Performance Bonus Plan " above), the PBP is designed as a long-term incentive bonus plan which provides for payments of performance based incentives over three years. Accordingly, 50% of the awards reflected above was paid to the Named Executive Officers in respect of the year ended December 31, 2016 and the balance will be paid evenly over the next two years, which latter amounts are forfeited if the executive leaves the Company during that time.*
4. *Includes a one-time special bonus of $100,000 paid to Mr. Nicholl in 2015.*
5. *Mr. Stimpson was appointed as President of Southern Pine Inc. on February 28, 2015.For 2016 his compensation is expressed in Canadian dollars. As at December 31, 2016, the exchange rate to U.S dollars was 1.3248.*
6. *Represents a 401K Plan Contribution.*

OUTSTANDING SHARE-BASED AWARDS, OPTION-BASED AWARDS AND INCENTIVE PLAN AWARDS

There were no share or option based awards outstanding at December 31, 2016 or value vested or earned in respect thereof during the financial year ended December 31, 2016.

All non-equity incentive plan compensation awards for each Named Executive Officer are set out in the Summary Compensation Table above.

SECURITIES AUTHORIZED FOR ISSUANCE

UNDER EQUITY COMPENSATION PLANS AS AT DECEMBER 31, 2016

Equity Compensation Plan Information

The Company has no securities to be issued upon exercise of outstanding options, warrants and rights as of December 31, 2016. Given the longer term incentive nature the Company's existing compensation arrangements under the PBP, the Company does not currently plan to grant further stock options and has not granted options since 2002. Accordingly. Option grants are not considered as part of the determination of compensation for Named Executive Officers.

PENSION PLAN BENEFITS

Defined Benefit Plan

The Company's accrued pension liability is calculated following the method prescribed by the Canadian Institute of Actuaries 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.

Other than Mr. Nicholl and Mr. Stimpson, the Named Executive Officers are members of the Company's Canadian defined benefit pension plans, which provide retirement benefits determined primarily by: (i) highest average pensionable earnings which includes regular salary Mr. Nicholl, Senior Vice President, Finance and Chief Financial Officer is a member of the Company's defined contribution plan and Mr. Stimpson, President of Southern Pine participates in a 401K Plan in the United States and is not a member of any pension plan of the Company

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

Name	Number of years credited service (#)	Annual benefits payable(1) ($)		Accrued obligation at start of year(3) ($)	Compensatory Change(4) ($)	Non-compensatory Change(5) ($)	Accrued obligation at year end(6) ($)
		At year-end(1)	At age 65(2)				
Donald Kayne	36.5	460,500	538,200	6,446,000	32,000	384,000	6,862,000
Mark Feldinger	30	229,600	294,200	3,283,000	28,000	211,000	3,522,000
David Calabrigo	16	123,300	178,200	1,816,000	70,000	117,000	2,003,000

1. *Annual lifetime benefit accrued as at December 31, 2016 based on credited service and actual pensionable earnings at December 31, 2016.*
2. *Annual lifetime benefit payable at age 65 based on credited service projected to age 65 and actual pensionable earnings at December 31, 2016.*
3. *As of plan measurement date at end of prior year – December 31, 2015, using assumptions as at December 31, 2015 selected by the Company for the 2015 year-end disclosures under international accounting standards.*
4. *The compensatory change includes the service cost, plus the impact of actual 2016 pensionable earnings that differ from the estimated earnings, less the impact of future bonuses no longer being pensionable.*
5. *The non-compensatory change includes interest on the obligation, changes in assumptions and employee contributions to the flexible pension option.*
6. *As of plan measurement date at end of year – December 31, 2016 using assumptions as at December 31, 2015 selected by the Company for the 2015 year-end disclosures under international accounting standards.*

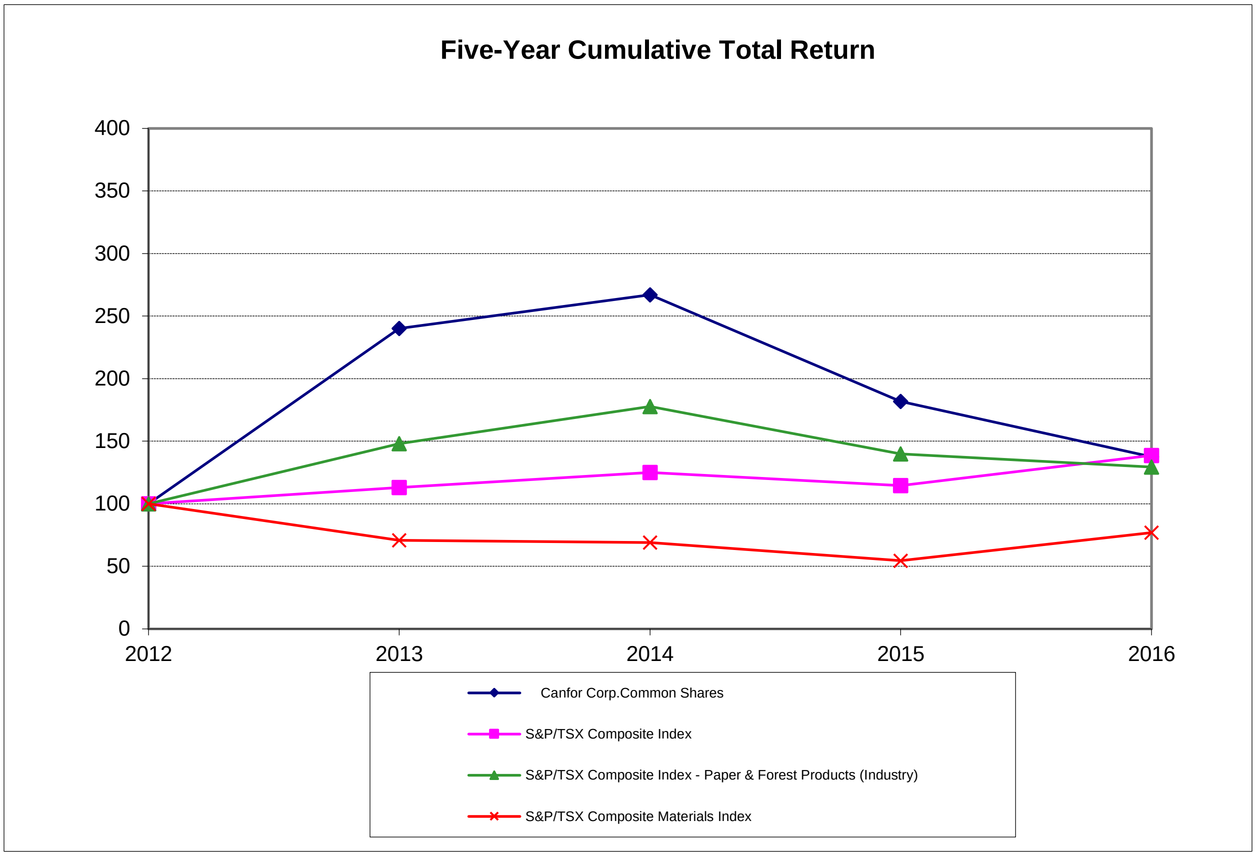
Defined Contribution Plan

The following table sets forth the benefits attributable to Alan Nicholl the only Named Executive Officer that is a member under the Company's defined contribution plan.

Name	Accumulated value at start of year ($)	Compensatory ($)	Accumulated value at year end ($)
Alan Nicholl	437,403.17	64,950.39	557,728.08

PERFORMANCE GRAPH

The following graph compares the total cumulative shareholder return for $100 invested in Common Shares of the Company on January 1, 2012 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.



	2012	2013	2014	2015	2016
Canfor Corp. Common Shares	100	240	267	182	138
S&P/TSX Composite Index	100	113	125	115	139
S&P/TSX Composite Index - Paper & Forest Products (Industry)	100	148	178	140	129
S&P TSX Composite Materials Index	100	71	69	55	77

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, the S&P/TSX Composite Index - Paper and Forest Products (Industry) [and the S&P/TSX Composite Index] are similarly based on the reinvestment of dividends.*

In 2016, the Company's Common Shares were in line with the S&P/TSX composite Index and generally outperformed the S&P/TSX Composite Index-Paper & Forest Products (Industry) and the S&P/TSX Composite Materials Index.***]*** Compensation of employees including the Named Executive Officers are linked to corporate performance. Corporate performance is generally measured by ROIC and margin and working capital improvements. The Company's compensation plans have minimum ROIC thresholds in order for bonuses to be paid. As corporate performance increases as measured by ROIC, compensation for the Named Executive Officers increases in accordance with the term of the PBP (see "Executive Compensation – Elements of Compensation – Senior Executive Performance Bonus Plan" herein).

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 S&P/TSX Composite Index - Paper and Forest Products (Industry) are similarly based on the reinvestment of dividends.

DIRECTOR COMPENSATION

Compensation of Directors/Attendance Fees

Annual Director compensation for Board and Committee meetings is summarized in the table set out below.

In contrast to its other committees, the Chair of the Audit Committee receives a $10,000 retainer and a $10,000 annual fee and each Audit Committee member receives a $10,000 annual fee. In respect of the Joint Capital Expenditure ("Joint Capex") Committee with Canfor Pulp, the Joint Capex Chair receives a $10,000 retainer and a $10,000 annual fee and each member receives a $10,000 annual fee, and no meeting fees. The Company and Canfor Pulp pay fees to each of their representatives on the Joint Capex Committee except where such representative sits on both the Canfor Pulp Board and the Company Board, then the fee is split 50/50 between the two companies.

	Fees
Annual Board Chair retainer	$150,000
Annual Board retainer	$80,000
Board/Committee meeting fees for scheduled meeting(1)	$2,000
Board/Committee meeting fees for non-scheduled meeting(1)	$2,000
Annual Committee Chair retainer (Audit & Joint Capex)	$10,000
Annual Committee retainer (Audit & Joint Capex)	$10,000
Annual Committee Chair retainer (Other)	$5,000
Annual Committee retainer (Other)	$5,000
Joint Capex Committee meeting fees	N/A

Notes: (1) Excluding Joint Capex Committee

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 DSUs annually in accordance with the Non-Employee Director DSU Plan. A DSU under this plan is a notational 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. As at December 31, 2016, the accrual in respect of the DSUs currently outstanding to Board members was $1.7 million. Effective July 27, 2011 the Board determined not to issue any further DSU's to Directors under the Non-Employee Director DSU Plan.

Directors' Share Ownership Expectations

The Board has instituted shareholding expectations for each of its Directors. These 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 2016

The following table summarizes the amount of Directors' fees paid to Directors for the fiscal year ending December 31, 2016 (as discussed under "Director Compensation - Compensation of Directors/Attendance Fees" above).

Name	Retainer				Attendance Fees		Total Paid[1] $
	Board $	Board Chair $	Committee Member $	Committee Chair $	Board $	Committee Meetings $	
Peter J.G. Bentley	80,000	n/a	12,500	2,500	8,000	8,000	107,000
John R. Baird[2]	60,000	n/a	5,625	n/a	6,000	3,000	74,625
Glen D. Clark[3]	80,000	n/a	15,000	5,000	8,000	8,000	116,000
Michael J. Korenberg	80,000	150,000	17,500	5,000	8,000	16,000	276,500
James A. Pattison[3]	80,000	n/a	10,000	2,500	8,000	3,000	103,500
Conrad A. Pinette	80,000	n/a	10,000	2,500	8,000	4,000	104,500
J.M (Mack) Singleton	80,000	n/a	15,000	n/a	8,000	8,000	11,000
Ross S. Smith	80,000	n/a	15,000	10,000	8,000	16,000	129,000
William Stinson	80,000	n/a	20,000	n/a	8,000	20,000	128,000

Note:

(1) *Before deduction of applicable taxes.*
(2) *Mr. Baird joined the Board on April 27, 2016*
(3) *All Director's retainers and attendance fees for Messrs. Clark and Pattison were paid to GPCC (See "Management Agreement" below)*

Summary of Board/Committee Meetings Held

For the 12-month period ended December 31, 2016

Board	4
Audit	8
Joint Corporate Governance	1
Joint Environmental, Health and Safety	4
Joint Capital Expenditure	1
Joint Management Resources and Compensation	2

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

There are no material loans outstanding as at March 16, 2017 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.

MANAGEMENT AGREEMENT

The Company is a party to a services agreement with Great Pacific Capital Corp. ("**GPCC**"), a company wholly owned by James A. Pattison, a current Director of the Company and its largest shareholder. Pursuant to this agreement, GPCC provides to the Company, on its request, the services of certain of its senior officers, the use by Company personnel of certain premises and other assets of GPCC and its affiliates and administrative assistance and advisory support in respect of various corporate functions. In the year ended December 31, 2016, these services were provided at market rates for a total of $2,583,000. In addition to the services provided under the services agreement, the

Company arranges for certain other lease and insurance services through other companies owned by The Jim Pattison Group, all of which are wholly owned by Mr. Pattison.

All Director's retainers and attendance fees for senior officers of GPCC or its affiliates in The Jim Pattison Group acting as Directors of the Company are paid to GPCC, not the individual Directors.

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 practical, 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, evaluating and providing input to 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. The Board was updated on the Company's strategic plan throughout the year and provided comments and input. The Board and management plan to conduct a comprehensive strategic planning session in 2017.

Risk Management

Risk management is a primary responsibility of the CEO 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. See "Compensation Discussion and Analysis - Overview of Compensation Policies, Programs and Objectives" herein for a discussion on risk as it relates to compensation issues.

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

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. In addition, through the use of the Company's internal auditors, the Board monitors and assesses internal control mechanisms and functions. The Company has established a Disclosure Committee comprised of senior managers of the Company and Canfor Pulp. 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 reports its findings to the CEO, CFO and Audit Committee. The Audit Committee regularly meets with the internal auditor, external auditor and management to review the effectiveness of such controls.

THE BOARD OF DIRECTORS

Independence

The Board is currently composed of nine Directors, none of whom are members of management and all of whom are independent Directors as defined in NI 58-101. Mr. Korenberg, Chairman of the Company, does not exercise any management functions and is 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 five years. The Board has provided a means whereby individual Directors may engage outside advisors at the expense of the Company in appropriate circumstances. In 2016, no advisors were engaged on behalf of individual Directors.

Of the nine individuals proposed as nominees for election as Directors at the Meeting, all are considered to be independent as defined in NI 58-101. Although Mr. Singleton was previously treated as non-independent given his role as the former CEO of New South, (now Canfor Southern Pine, Inc.), which was acquired by the Company in 2006, the Board has determined that given the length of time since he held that executive position in 2009, he may now be regarded as independent of management and other interests which could affect his independent decision making as a Director. New South was the Company's first acquisition of processing facilities in the United States, including three sawmills. The Company has since acquired interests in an additional 11 facilities in the United States, unrelated to New South. Similarly Mr. Bentley, who has not held a management position with the Company since 1998, is treated as an independent director. Neither Mr. Singleton nor Mr. Bentley is involved in any management decision making processes.

In compliance with its legal and other regulatory requirements, in assessing the independence of each Director, the Board has considered (and regularly re-evaluates) whether there are any financial or other material relationships between any one or more of the Directors and their outside interests, whether it be pursuant to shareholding, financial or transactional relationships or otherwise.

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. Other than Canfor Pulp, in which the Company holds a 53.6% interest, Messrs. Clark, Korenberg and Stinson are Directors of Westshore Terminals Investment Corporation, Mr. Barrington-Foote, a nominee as a Director, is a Director of Just Energy Group Inc. and Mr. Baird is a Director of Canadian Pacific Railway Limited. The Governance Committee reviews whether the presence of Directors with common outside directorships affects the independence, decision making or functioning of the Board. The Governance Committee also considers these relationships in its assessment of the effectiveness of the Board and overall board composition, as well as the impact of Director's memberships on other public company boards generally.

Board Meetings

The independent Directors, as part of each Board meeting, hold *in-camera* sessions without the presence of management to discuss issues relating to management and governance of the Company generally. The Board held four such meetings in 2016. The Chairman of the Board meets annually with the CEO and Chairman of the Governance Committee 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 "Election of Directors" section of this Information Circular.

Chairman

Mr. Korenberg was appointed Co-Chairman of the Board on February 14, 2013 and Chairman of the Board on January 1, 2014. As discussed under "Independence" above, Mr. Korenberg is considered to be an independent Director as defined in NI 58-101. As Chairman, Mr. Korenberg is responsible for ensuring the effective functioning of the Board, independent of management, and in a manner consistent with the Governance Principles and Code of Conduct, as described under "Code of Conduct" below. A written position description of the Chair of the Board is available on the Company's website at *www.canfor.com*.

BOARD MANDATE

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* and on the Company's web site at *www.canfor.com*.

POSITION DESCRIPTIONS

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

ORIENTATION AND CONTINUING EDUCATION

Programs for the orientation of new Directors and the ongoing education of existing Directors are the responsibility of the Governance Committee and the Chairman of the Board oversees these programs. 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 relevant 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 have been filed on SEDAR at *www.sedar.com and* on the Company's website at *www.canfor.com* and a copy may be obtained from the Corporate Secretary of the Company.

The CEO of the Company reports to the Governance Committee (as defined below) 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 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 Governance Committee.

The Company has adopted a majority voting policy guideline which stipulates that if any nominee director receives a majority "withhold" vote at a shareholders meeting, the Board will accept the resignation of such director unless the Governance Committee determines that there are extraordinary circumstances that should delay the resignation.

The 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 Governance Committee considers individual backgrounds, skills and expertise, geographic representation and the requirements of the Board in terms of skills, experience and mix (see "Election of Directors" and "Board/Committee Assessments of Effectiveness and Renewal" herein).

The 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.

COMPENSATION

The process for the determination of the compensation of the Company's Directors and senior officers is overseen by the Company's Compensation Committee. As described under the "Executive Compensation" section of this Information Circular, the Compensation Committee engaged the services of Hay to assist the Compensation Committee in determining the Company's compensation levels in 2016.

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

The Compensation Committee is composed entirely of independent Directors. A description of the responsibilities, powers and operations of the Company's 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 five committees of the Board, their mandates and their activities. All Board Committees are composed of independent Directors. In order to create efficiencies in the governance and reduce cost, all Committees of the Company, other than the Audit Committee, have as members, directors of Canfor Pulp. These Committees meet jointly to deal with issues that relate to the Company and Canfor Pulp.

Any actual or perceived conflicts of interest between the Company and Canfor Pulp are referred to the companies' respective Audit Committees for consideration.

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 auditors (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 pre-approve non-audit work performed by the external auditors.

The Audit Committee also has the responsibility to oversee the administration, financial reporting and investment activities of the Company's defined benefit pension plan. The Audit Committee also has an oversight role with regard to the Company's defined contribution plan and is 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 governing legislation. Where contemplated by the Company's pension plan documents, the Audit 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 Audit Committee reviews and approves annually a statement of investment policies and procedures for each plan and may, from time to time, recommend to the Board changes to the plans and their administration.

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 is composed of three independent Directors of the Company. For further information regarding the Company's Audit Committee, see the Section of the Company's Annual Information Form dated February 8, 2017 entitled "Audit Committee Information", which is incorporated by reference herein and which is available on SEDAR at *www.sedar.com*.

Joint 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 composition and effectiveness of the Board and the Board Committees and their terms (see "Board/Committee Assessments of Effectiveness" below). The Governance Committee also develops and periodically reviews compliance with the Board Governance Principles and the Code of Conduct and the resolution of potential or real conflicts of interest and also functions as a forum for concerns of individual Directors about matters that are not readily or easily discussed in a full meeting of the Board. The Governance Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The Governance Committee is composed of four independent Directors, two members who are directors of both the Company and Canfor Pulp, one member who is a director of the Company only and one member who is a director of Canfor Pulp only.

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

The overall purpose of the Compensation Committee is to oversee compensation policies approved by the Board and to make recommendations to the Board regarding 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 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 is composed of six independent Directors, three members who are directors of both the Company and Canfor Pulp, two members who are directors of the Company only and one member who is a director of Canfor Pulp only.

Joint 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, safety and First Nations. 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 seven independent Directors. Four members of the Committee are directors of both the Company and Canfor Pulp, two members who are directors of the Company only and one member who is a director of Canfor Pulp only.

Joint 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. The Capex Committee also has the authority to review capital projects proposed by Canfor Pulp. Subject to any change by the Board, the Capex Committee reviews and considers individual capital expenditures of $7.5 million or more. The Capex Committee has the authority to approve any capital expenditure between $7.5 million and $35 million. Any project approval in excess of $35 million is subject to the approval of the full Board. In addition, the Capex Committee reviews any lesser capital expenditures referred to it by the Board or the CEO, subject to further approval requirements as stipulated by the Board, if any. The

Capex Committee is composed of eight independent Directors. Five members of the Committee are directors of both the Company and Canfor Pulp, two members are directors of the Company only and one member is director of Canfor Pulp only.

BOARD/COMMITTEE ASSESSMENTS OF EFFECTIVENESS AND RENEWAL

General

The Governance Committee undertakes assessments of the size, composition and effectiveness of not only the Board's Committees, but also of the Board as a whole. The Governance Committee's bi-annual assessments include consideration of the key skills, experience and competencies (such as strategic experience and leadership, financial acumen, international experience and industry or relevant knowledge) for Board and Committee membership, as well as other relevant factors such as diversity, cross or interlocking directorships and directorship terms, and the impact of service as directors of other public companies.

The Board evaluates its performance through a formal bi-annual review process based on individual Director questionnaires, the contents of which are summarized and evaluated by the Governance Committee and then discussed at a meeting of the full Board, or by the Chairman interviewing each Director on the effectiveness of the Board and reporting the results to the Board. This formal evaluation process is used not only to better assess the effectiveness and composition of the Board but also to engage Board members further in the business and emphasize the Company's strategic decision-making processes. The Governance Committee also reviews attendance by individual members at Committee and Board meetings. 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, nine Directors will stand for election. The Company has implemented a policy whereby 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.

Board Renewal

The Company does not have an established term limit for its directors or an established retirement policy. The Governance Committee emphasizes the assessment processes described under "General" above as an effective basis to ensure board renewal and, has therefore determined that set term limits are unnecessary. The terms of the current nominees for election as Directors are not high, when compared to other similar public companies and prevailing governance standards. Other than for the longest serving Director, Mr. Bentley, the tenure of one of the directors is thirteen years and six of the other current Directors have been on the Board for ten years or less. . Furthermore, the Governance Committee recognizes that considerable Company and industry-specific knowledge is gained over a consistent tenure with the Board, and therefore seeks to retain this unique experience and skill set among its Board members unless circumstances otherwise require.

Gender Diversity

The Company has not adopted a written policy relating to the identification and nomination of women directors. It has also not adopted targets for women on the Board or in executive officer positions. The Company recognizes that diversity of skill and experience, including gender diversity, is a critical and valuable consideration in the assessment of the Board, its composition and prospective nominee candidates. The Governance Committee makes its identification, nomination and appointment recommendations based on merit and the assessment of the suitability of a candidate for a particular role in light of the needs of the Company based on a balance of skills, background experience and knowledge, including taking into account diversity considerations such as gender, age and geographic location and other characteristics of the communities in which the Company operates. In past years, the Company has had one or more women directors serving on the Board, and will consider the nomination for election of further women directors in the future in accordance with its overall Board assessment procedures.

The Company also gives consideration to similar criteria, including gender diversity, in its appointment of the Company's senior management employees and incorporates diversity and inclusiveness as an important part of its corporate culture. The Company emphasizes the internal development of its employees for career advancement, which contributes not only to the consistency of the Company's culture but also the development of industry specific knowledge as its employees gain seniority. The Company believes that one of the most effective ways to enhance gender diversity is to increase the representation of women in leadership roles by fostering the development of high potential female employees within the Company and, when recruiting externally, keeps gender diversity considerations in mind in its hiring decisions.

As at December 31, 2016, there are no women on the Board and 16 women were in senior management positions with the Company and its major subsidiaries, representing 15.8% of overall executive and senior management personnel with those companies**.**

APPOINTMENT OF AUDITOR

On the recommendation of the Audit Committee, subject to confirmation at the Meeting, the Board has proposed that KPMG LLP ("KPMG"), Chartered Accountants of Vancouver, British Columbia, be appointed as auditors of the Company for the year ending December 31, 2017. The Company recommends that KPMG be reappointed.

The Audit Committee is satisfied that KPMG meets the relevant independence requirements and is free from conflicts of interest that could impair their objectivity in conducting the Company's audit. The resolution appointing auditors must be passed by a majority of the votes cast by the shareholders who vote in respect of that resolution at the Meeting.

AUDITOR FEES

KPMG is the current auditor of the Company. The aggregate fees billed by the Company's auditors for the last two fiscal years, was an aggregate $1.9million. These amounts were for audit, tax, financial and other verification audits.

External Auditor Service Fees (000s)	**2016**	**2015**
Audit Fees (1)	$508	$472
Audit-Related Fees (2)	108	76
Tax Fees (3)	209	176
All Other Fees (4)	167	165
Total Fees (5)	**$992**	**$889**

Notes:

(1) For the audit of the Company's annual financial statements and services normally provided by the principal auditor in connection with the Company's statutory and regulatory filings.

(2) For assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported in item (1), including accounting consultations and various agreed upon procedures.

(3) For tax compliance and tax consulting services.

(4) For fees other than the fees reported in items (1) to (3).

(5) In addition to the above fees, total fees of $0.3 million were billed to the Company's subsidiary, Canfor Pulp (in 2015, $316,370 was billed to Canfor Pulp).

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.

SHAREHOLDER PROPOSAL

The Shareholder proposal submitted to the Company for consideration by the Company's shareholders at the Meeting are attached as Schedule "A". For the reasons set forth below the proposal in Schedule "A", the Board recommends that Common Shareholders vote against the proposal. The persons whose names are printed on the enclosed form of proxy will vote the Common Shares represented thereby against the shareholder proposal, unless the Common Shareholder has given contrary instructions in such form of proxy.

OTHER INFORMATION

These securityholder materials are being sent to both registered and non-registered owners of the Company's 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, 2016 and Management's Discussion and Analysis of Financial Condition and Results of Operations, which contain financial information relating to the Company, together with 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, Q.C.
Corporate Secretary
Vancouver, BC
March 16, 2017

SCHEDULE A

PROPOSAL – SHAREHOLDER PROPOSAL TO ADOPT A WRITTEN BOARD DIVERSITY POLICY

The Company has been advised that the Canadian Labour Congress Staff Pension Plan of 2541 Riverside Dr. Ottawa Ontario K1V 6X7, which has indicated it is a beneficial owner of 21,178 Common Shares, intends to submit the following proposal at the Meeting.

WHEREAS:

Recognizing the benefits of gender diversity on corporate boards, Canadian securities regulators made amendments to National Instrument 58-101. These amendments follow a "comply or explain" model and require issuers to make disclosures regarding the number of women on the board and in executive officer positions.

Diversity is a key attribute of a well-functioning board and a measure of sound corporate governance. Competing in a global marketplace requires companies select individuals for leadership positions who will bring diverse perspectives to the decision-making process. Research has demonstrated that companies that have women on their board have outperformed peers that do not.

The Company currently has neither gender diversity on the Board nor a diversity policy.

The Company says that "in past years, the Company has had one or more women directors serving on the Board" however the last time a women served on the Company's Board was in 2004.

The Company also says that it "makes its identification, nomination and appointment recommendations based on merit and the assessment of the suitability of a candidate for a particular role in light of the needs of the Company". Given the demonstrated growth in the number of senior, qualified female candidates available for directorships and senior management positions since the Company last included a female director on its Board, additional efforts to include women in the candidate search process are merited.

As long-term shareholders, we believe that the Company will benefit from expanding its recruitment pool and promoting a more diverse board and senior leadership team.

RESOLVED:

Shareholders request that the Board of Directors:

a) Adopt and publish a formal, written Board diversity policy by December 2017; and
b) Provide to shareholders a report by December 2017, at a reasonable cost and omitting proprietary information, which outlines the Board's plans, timelines, process and activities for increasing gender diversity on the Board of Directors and amongst senior management. We propose that the request reports should also address the number of women in the candidate pool for the most recent recruiting period.

Company's Response

The Board has carefully considered the shareholder proposal described above and has determined to make a recommendation against the proposal for the reasons set out below

As set out in more detail in the section entitled Board/Committee Assessments of Effectiveness and Renewal - "Gender Diversity", the Governance Committee, which is responsible for recommending Director nominees to the Board, has embedded diversity into its Director selection and nomination processes. In taking into consideration potential candidates, the Governance Committee considers their merit based on a balance of skills, background, experience and knowledge, including taking into account diversity considerations such as gender, age and geographic location and other characteristics of the communities in which the Company is present and conducts its business. The Board has decided not to fix a target regarding representation of women at the Board level and does not currently have a written policy regarding the identification and nomination of women directors. Even though the Board has not fixed such a target or instituted such a written policy, the Board highly values diversity including gender diversity, in its selection processes.

The same value placed on diversity at the Board level is placed on management and the Company strives to embed diversity and inclusion in its overall corporate culture. In considering fulfillment of executive and leadership roles, the Company believes in the value of having representation from both genders. While the Company seeks to recruit or appoint those individuals who are most qualified for the particular position, regardless of personal characteristics, the Company recognizes the value of diversity, including gender diversity, which offers a depth of perspectives and enhances the Company's operations.

The Company prides itself on developing its employees internally and providing them with opportunities to advance in their career. The Company has a leadership program to ensure that this pipeline of talent is properly developed. The Company believes the most effective ways to increase the representation of women in leadership roles is to identify and foster the development of high-potential women within the Company and, when recruiting externally to keep gender diversity considerations in mind. In 2016, the Company began developing and implementing programs specifically focussed on advancing diversity within its workforce which include but are not limited to enhanced recruitment processes, investing in talented female employees and building an inclusive workplace culture. While the Company has refrained from setting specific diversity targets, it has committed to publicly reporting diversity metrics in the annual sustainability report and tracking progress over time to measure the effectiveness of these efforts

Recommendation of the Board of Directors

The Board of Directors recommends that Common Shareholders vote AGAINST this proposal.