Canfor Corporation

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

To: The Common Shareholders of Canfor Corporation

Notice is hereby given that the Annual General Meeting of the Common Shareholders of Canfor Corporation (the "Company") will be held in the Saturna Island Room, The Fairmont Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia, on Thursday, May 5, 2011 at 11:30 a.m. for the following purposes:

1. To receive and consider the report of the Directors and the consolidated financial statements of the Company and its subsidiaries for the fiscal year ended December 31, 2010 and the report of the auditors thereon.
2. To elect Directors for the ensuing year.
3. To appoint auditors for the ensuing year.
4. To transact such other business as may properly come before the Meeting.

DATED at Vancouver, British Columbia this 14th day of March, 2011.

By Order of the Board of Directors

David M. Calabrigo
Corporate Secretary

An Information Circular and a copy of the Annual Report of the Company for the year ended December 31, 2010 accompany this Notice of Annual General Meeting. The Information Circular contains details of matters to be considered at the Meeting. The Annual Report includes consolidated financial statements of the Company for the year ended December 31, 2010 and the auditors' report thereon and the Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company.

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

Canfor Corporation

INFORMATION CIRCULAR

DATED AS OF MARCH 14, 2011
(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 14, 2011 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 14, 2011 as a holder of one or more Common Shares of the Company is entitled to attend and vote at the Meeting in person or by proxy and in the event of a poll to cast one vote for each Common Share held.

APPOINTMENT OF PROXYHOLDERS AND REVOCATION OF PROXIES

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

VOTING OF SHARES AND EXERCISE OF DISCRETION BY PROXYHOLDER

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

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at March 14, 2011, the Company has outstanding and entitled to be voted at the Meeting 142,686,097 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]	50,861,000	35.6
Common Shares	Mackenzie Financial Corporation[2]	19,764,000	13.9
Common Shares	Jarislowsky Fraser Limited[2]	17,578,000	12.3

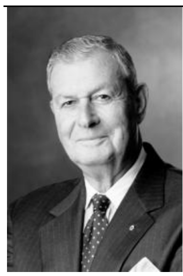
1. The Common Shares beneficially owned by James A. Pattison, a Director of the Company, are held by companies wholly owned by Mr. Pattison.
2. Based upon publicly available information. Beneficial ownership is not known to the Company.

ELECTION OF DIRECTORS

The persons named in the enclosed form of proxy intend, unless otherwise directed, to vote for the election of a Board of Directors composed of the 9 nominees in the list that follows. Other than Mr. Stinson, all are currently Directors of the Company. If any of the nominees do not stand for 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 May 5, 2011. Each Director proposed as a nominee below will hold office until the Company's next Annual General Meeting, unless his office is earlier vacated in accordance with the articles of the Company.

The following is further information regarding each of the individuals who are proposed as nominees for election as Directors of the Company, including their other principal occupations, directorships and appointments and, where applicable, memberships on committees of the Board of Directors of the Company. A record of attendance at meetings of the Board and its committees during the twelve months ended December 31, 2010 is set out in the "Director Compensation - Compensation of Directors/Attendance" section of this Information Circular.



Peter J. G. Bentley, O.C., LL.D., of Vancouver, British Columbia, Canada, has served on Board of the Company since 1966.

Mr. Bentley is Chairman Emeritus of the Board of Directors of the Company and a Director of Canfor Pulp Holding Inc.

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 Law degrees from the University of British Columbia and University of Northern British Columbia.

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

Shareholdings	2010	2009
Common Shares	497,607	482,607
DSUs[1]	25,914	23,415

Glen D. Clark, of Vancouver, British Columbia, Canada, has served on the Board of the Company since 2009.

Mr. Clark joined the Jim Pattison Group, a diversified group of companies in 2001 as General Manager of the Pattison Sign Group responsible for British Columbia. In 2002, he was promoted to Vice-President of the Pattison Sign Group for Western Canada. He held this position until January 2004 when he joined the Pattison News Group as President for Canada. In 2005, Mr. Clark was appointed Executive Vice-President of the Jim Pattison Group. In that capacity, he has corporate responsibility for Pattison Sign, Canadian Fishing Company, Jim Pattison Lease, Ripley Entertainment, Guinness World Book and News Group North America. Mr. Clark is currently the President and a Director of the Jim Pattison Group Inc. and a member of the Board of Directors of Sun-Rype Products Ltd.

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.

Mr. Clark is a member of the Company's Environmental, Health and Safety and Pension Committees.

Shareholdings	2010	2009
Common Shares	2,000	1,000
DSUs[1]	5,000	2,500

Ronald L. Cliff, C.M., F.C.A., of West Vancouver, British Columbia, Canada, has served on the Board of the Company since 1983.

Mr. Cliff is Chairman of the Board of Directors of the Company and of the Company's principal subsidiary, Canadian Forest Products Ltd. ("CFP") and a Director of Canfor Pulp Holding Inc. Mr. Cliff is Chairman of Heathcliff Properties Ltd. He is also President of the Heathcliff Foundation.

Mr. Cliff was Chairman and a Director of BC Gas Inc. (now Terasen Inc.) from 1972 to 2002. He also served as a Director of the Royal Bank of Canada and was a Director and Chairman of Southam Inc. Mr. Cliff is a Trustee and Chairman Emeritus of the Vancouver Police Foundation; a Trustee of the Vancouver General Hospital and University of British Columbia Hospital Foundation and the Chairman of the Vancouver Symphony Foundation.

Mr. Cliff received his Commerce Degree from the University of British Columbia and qualified as a Chartered Accountant in 1954 and was elected a Fellow of the Institute of Chartered Accountants of British Columbia in 1994.

Mr. Cliff is a member of the Company's Audit and Corporate Governance Committees.

Shareholdings	2010	2009
Common Shares	74,582	74,582
DSUs[1]	25,914	23,415

Michael J. Korenberg of West Vancouver, British Columbia, Canada, has served on the Board of the Company since 2003.

Mr. Korenberg is the Deputy Chairman and Managing Director of The Jim Pattison Group, a diversified group of companies. He was previously the Managing Director, Corporate Development of The Jim Pattison Group.

Mr. Korenberg is a Director of Jim Pattison Group Inc. (and its affiliates), Sun-Rype Products Ltd., Westshore Terminals Investment Corporation and Westshore Terminals Ltd., an adjunct professor, Faculty of Law, University of British Columbia, a member of the Dean's Advisory Committee for the National Centre for Business Law and a member of the Law Societies of Upper Canada (Ontario) and British Columbia.

Mr. Korenberg chairs the Company's Capital Expenditure Committee and is a member of the Audit and Pension Committees.

Shareholdings	2010	2009
Common Shares	15,000	10,000
DSUs[1]	22,659	20,159

James A. Pattison, O.C., O.B.C., of West Vancouver, British Columbia, Canada, has served on the Board of the Company since 2003.

Mr. Pattison serves as the Managing Director, CEO and Chairman of The Jim Pattison Group, a diversified group of companies.

Mr. Pattison is a Director of Jim Pattison Group Inc. (and its affiliates), Brookfield Asset Management Inc. and Sun-Rype Products Ltd. and a Trustee of the Board of the Ronald Reagan Presidential Foundation.

Mr. Pattison chairs the Company's Management Resources and Compensation Committee and is a member of the Corporate Governance Committee.

Shareholdings	2010	2009
Common Shares	50,861,200[2]	43,807,100
DSUs[1]	22,659	20,159

Conrad A. Pinette of Vancouver, British Columbia, Canada, has served on the Board of the Company since 2008.

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 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 member of the Board of the Cariboo Foundation.

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

Shareholdings	2010	2009
Common Shares	10,000	5,000
DSUs[1]	7,500	5,000

J. McNeill (Mack) Singleton, of Myrtle Beach, South Carolina, USA, has served on the Board of the Company since 2007. Mr. Singleton has 37 years of experience in the wood products industry, all with New South or its predecessor companies, and has been CEO of New South since 1985. 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. He is involved with many civic organizations including serving on the Board of Visitors of Coastal Carolina University's Wall School of Business and is Past President and Chairman of the United Way of Horry County.

Shareholdings	2010	2009
Common Shares	7,000	7,000
DSUs[3]	2,500	N/A

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

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

Ross S. Smith, **F.C.A.** of West Vancouver, British Columbia, Canada, has served on the Board of the Company since 2009.

Shareholdings	2010	2009
Common Shares	5,000	2,400
DSUs[1]	5,000	2,500

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 is a member of the Board of Directors of HSBC Bank Canada, Kal Tire Ltd. and Rotherham Holdings Ltd. He is also a member of the Advisory Board of Marsh Canada Limited and is Chairman of the Board of Directors for K-Bro Linen Inc.

Mr. Smith has served on many charitable and community boards in past years and currently is a member of the Board of Governors of the University of British Columbia.

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.

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

William W. Stinson, of Vancouver, British Columbia, Canada is nominated for appointment to the Board of the Company.

Shareholdings	2010	2009
Common Shares	Nil	Nil
DSUs[1]	N/A	N/A

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 Helicopters Ltd. He is currently the Chairman and CEO of Westshore Terminals Investment Corporation.

Mr. Stinson is a member of the Board of Canfor Pulp Holding Inc.

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

2. The Common Shares beneficially owned by Mr. James A. Pattison, a Director of the Company, are held by companies wholly owned by Mr. Pattison (See "Voting Shares and Principal Holders Thereof" herein).

3. As a management Director until September 30, 2009, Mr. Singleton was previously not eligible to receive DSUs under the Non-Employee Director DSU Plan and started receiving Directors' DSUs in 2010 upon ceasing to be a member of management.

For additional information regarding current Directors of the Company, see the section of the Company's Annual Information Form dated February 11, 2011 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, 6382 Pulp and Paper Limited Partnership (formerly HSLP) ("6382 LP") 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. 6382 LP intends to file a proposal under the BIA in the spring of 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 Company Creditors Agreement 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 COMPENSATION COMMITTEE

The Board of Directors has final authority to approve the recommendations of its Management Resources and Compensation Committee (the "Compensation Committee") regarding the compensation of the executives of the Company. The following independent Directors were members of the Compensation Committee as at December 31, 2010: Messrs. P. J. G. Bentley, J. A. Pattison, C. A. Pinette and R. S. Smith. For further information on the role and responsibility of the Compensation Committee see "Board Committees – Management Resources and Compensation Committee" herein.

COMPENSATION DISCUSSION AND ANALYSIS

Overview of Compensation Policies, Programs and Objectives

The Company's executive compensation policies relating to the main elements of compensation awarded to, earned by or paid to the Named Executive Officers (as defined under the section entitled "Summary Compensation Table" below) 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 includes base salary and short-term and long-term incentives. The incentive programs are designed to provide the potential for top quartile compensation when compared to similar positions in the Canadian forest products sector and to a broader industry comparison, when performance warrants.

The Compensation Committee engages the services of an independent consulting firm, Hay Group ("Hay"), to provide advice and counsel on executive compensation matters, such as base salary, incentive and bonus programs including the long term incentive plan, short term incentive plan and bridge bonus plan, all as described further below. The fees paid to Hay in 2010 were $8,170.

Elements of Compensation

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 has also retained 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 annually 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). 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. The Compensation Committee has sole responsibility for recommending for approval by the Board the compensation of the CEO.

Canfor Salaried Incentive Plan

The Canfor Salary Incentive Plan ("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 CSIP is designed to meet the following objectives:

- to focus on the Company's key strategic financial measure, Return on Capital Employed ("ROCE");
- to reinforce the Company's goal of achieving a minimum ROCE threshold of 3% and target rate of 8%;
- 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 other salaried employees participate in the CSIP at incentive target levels ranging from 10% to 20%. Payments under the incentive program are based on the 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)**
CEO	55%
Executives including Named Executive Officers (other than CEO)	40%
Senior Management	30%

The CSIP is based on two components: ROCE and performance gains, as measured against goals and objectives established at the beginning of each year. ROCE is defined as net income (as used for calculation of annual earnings per share) plus interest, after tax, divided by the average capital employed during the year, and accounts for 50% of the CSIP program. Performance gains account for 50%, and are measured by three factors: safety, team and individual contributions during that year. Threshold, target and maximum levels are also 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 200% under the ROCE component and the safety and team parts of the performance gains component of the CSIP and 150% of the payout under all other parts of the components of the CSIP.

ROCE performance levels (threshold, target and maximum) are established taking into account the Company's cost of capital and actual historical ROCE levels, including the most recently completed fiscal year. The ROCE payout factors are:

Performance Level	**Payout factor of ROCE Target Incentive**	**ROCE Rate**
Threshold	0.5	3%
Target	1.0	8%
Maximum	2.0	14%

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

Performance gains levels (threshold, target and maximum) are established as part of the Company's annual planning process. Safety (10%) will be measured by the medical incident rate (MIR) at each operation. The team factor (50%) will be measured by reaching business plan goals for improvement in earnings before the deduction of interest, tax and amortization expenses (EBITA). Individual performance (40%) will be rated by a rating system that scores individual performance on a rating scale ranging from outstanding performance to performance standards not met.

For 2010 the amount of $6,374,210 was paid pursuant to the CSIP. Reference is made to the Summary Compensation Table below for amounts paid to Named Executive Officers (as defined below) pursuant to CSIP awards.

Long Term Incentive Plan

In 2008, the Company established a Long Term Incentive Plan ("LTIP"), which is a cash payment plan based on ROCE earned by the Company, with a rolling 5 year average as the measurement period. Eligibility for participation in the LTIP is restricted to executive employees approved by the Board and senior management employees proposed by the CEO and approved by the Compensation Committee. All Named Executive Officers other than the CEO are participants in the LTIP. To be eligible, participants must have completed 5 years of service with the Company before the completion of the calendar year for which payment is made, although employees with shorter service may be eligible with the approval of the Compensation Committee. Target levels for awards under the LTIP vary depending on the participant's position. Awards are expressed as a percentage of salary and vary from 20% to 50% for senior management employees and 100% for senior executives including all of the Named Executive Officers (other than the CEO). Under the LTIP, the performance of the Company is measured based on the 5 year rolling average of the annual ROCE percentage (which is published by the Company in its Annual Report) compared to a minimum threshold (or hurdle) rate and then based on the application of target and maximum payout parameters as detailed below:

a. Threshold (or Hurdle) ROCE Rate is based on 5 year rolling average of the interest rate on 5-year Government of Canada bonds (annual average rate), plus a premium of 75 basis points, calculated on an after-tax basis. The tax rate used for this calculation is the Company's general income tax rate for the year in respect of which the ROCE calculation is being made. No payout is made under the LTIP unless this threshold is met or exceeded. At the Threshold ROCE Rate, the payout is 20% of the target award.

b. Target ROCE Rate, is the rate at which LTIP participants would receive target award payout levels (100% of target award) and is calculated as the Threshold ROCE Rate + 5%.

c. Maximum ROCE Rate, a rate at which LTIP participants would receive the maximum payout available (200% of target award) is calculated as the Threshold ROCE Rate + 11%.

Payouts will be based on actual 5 year rolling average ROCE (to the nearest 0.1%) interpolated on a linear basis between Threshold, Target or Maximum ROCE Rates, as appropriate. For each measurement period (new 5 year average), a new Threshold rate will be calculated which will in turn create new Target and Maximum rates under the LTIP.

For 2010 no, LTIP payments were made as the Threshold ROCE Rate for measurement period was not achieved.

Bridge Bonus Plan

In 2007, the Company terminated its previously existing long term incentive plan. Accordingly, in 2008, in addition to implementing the new LTIP as described above, the Company implemented a bridge bonus plan (the "Bridge Plan") which was intended to be available on a temporary basis and not be a continuing plan. The Bridge Plan participants are all those individuals that are participants in the LTIP and is a retention bonus program which is designed to seek to ensure the longer term retention of the participants by the Company during the current challenges facing the forest industry both in Canada and worldwide. All participants in the Bridge Plan received a bonus payment equal to 85% of their LTIP target of which 50% was paid in 2010 and the balance will be paid in 2011. A participant must remain with the Company until a payment date in order to receive the portion of the payment due on that date. Any participant with less than 5 years of service will have awards pro rated. The total maximum amount allocated by the Company for payments under the Bridge Plan is $5,000,000 and, as noted above, is payable over 2010 and 2011. For 2010, the amount of $2,377,813 was paid in accordance with the Bridge Plan. All the Named Executive Officers other than the CEO are participants in the Bridge Plan. Reference is made to the Summary Compensation Table below for amounts paid to Named Executive Officers pursuant to the Bridge Plan.

Compensation of Chief Executive Officer – CEO DSU Plan

Upon being appointed as CEO and President in 2007, Mr. James Shepard voluntarily reduced his annual base salary as established for his position as CEO by the Compensation Committee by 25% to $495,000 per year as a cost reduction initiative and agreed to be paid in Deferred Share Units ("DSUs") pursuant to the Company's CEO Deferred Share Unit Plan (the "CEO DSU Plan"). Accordingly, for the fiscal year ending December 31, 2010, the compensation of Mr. Shepard, the CEO of the Company, consisted entirely of DSUs under the CEO DSU Plan in lieu of a cash payment. On March 27, 2010, Mr. Shepard's salary was reinstated to $660,000 per year. Effective July 1, 2010, the Compensation Committee approved Mr. Shepard's annual salary compensation be increased to $875,000 and that the $477,000 total roll-back amount (relating to the roll-back of Company base salaries effective May, 2007 and March 31, 2008 for other employees - see "Summary Compensation Table" below) be paid to Mr. Shepard in two equal payments of $238,500 on April 1 and July 2, 2010 each payment consisting of DSUs. The Committee also authorized that a cash bonus be paid to Mr. Shepard in the amount of $300,000 payable on Mr. Shepard's retirement from the Company. Mr. Shepard will be retiring as President, CEO and a Director of the Company on May 5, 2011.

Pursuant to the CEO DSU Plan, Mr. Shepard receives his annual salary in DSUs, which are allocated on a monthly basis, based on the proportion of Mr. Shepard's salary payable that month and the then market price of the Company's Common Shares. As with DSUs issued under the Non-Employee Director DSU Plan (see "Director Compensation - Compensation of Directors/Attendance" herein), a DSU issued under the CEO DSU 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 CEO leaves this position, thereby providing the financial equivalent of an ongoing equity stake in the Company throughout his period of service. Payment in respect of DSUs may be made in cash or Common Shares of the Company purchased on the open market or both. The CEO DSU Plan provides that the CEO is credited with additional units reflecting an equivalent value of dividends paid from time to time in respect of the Company's Common Shares and also allows for the adjustment to the outstanding DSUs held by the CEO which are appropriate to reflect any significant reorganizations or other corporate changes affecting the Company's Common Shares.

The Compensation Committee approves the base salary of the CEO in accordance with the Company's policies described under "Base Salaries" above as well as the number of DSUs to be issued to the CEO based on his salary determination. Under the terms of the CEO DSU Plan, the number of DSUs outstanding under the Plan shall at no time exceed 1,000,000. The Board may terminate this Plan with the consent of the CEO at any time. The accrual in respect of the DSUs outstanding to Mr. Shepard as CEO at December 31, 2010 was $3,458,682. After his termination of service as CEO, Mr. Shepard will have until December 15, 2012 to exercise his outstanding DSUs.

Mr. Shepard has not participated in the Company's CSIP incentive program. Mr. Shepard has also not participated in the Company's LTIP program or the Bridge Plan and has elected not to join the Company pension plan.

Stock Options

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

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

Stock Options Granted Pursuant to PSO Plan

Date Options Granted	No. of Individuals as at December 31, 2010	Aggregate No. of Common Shares as at December 31, 2010	Exercise Price per Share $	Option Expiry Date
January 29, 2001	2	6,750	8.30	January 29, 2011
February 5, 2002	16	79,668	9.80	February 5, 2012
April 29, 2002	3	11,000	10.10	April 29, 2012

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

During the year-ended December 31, 2010, 80,050 Common Shares were issued pursuant to the exercise of options and as at the date of this Information Circular there were a total of 77,668 options outstanding, representing 0.06% of the Company's currently outstanding Common Shares.

No stock options were granted in 2010. The Company does not plan to grant further stock options and has not granted options since 2002. Accordingly, option grants are not currently considered as part of the determination of compensation for Named Executive Officers.

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 pays the cost of brokerage and commissions. In June 2007, CFP discontinued its contributions to the Employee Purchase Plan.

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

Change of Control Agreements

The Company has entered into change of control agreements with certain senior executives, including two of the Named Executive Officers, as described below.

The agreements with certain of the senior executives generally (including one of the Named Executive Officers, Mr. Kayne) 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 Company's CSIP bonus plan but not including the LTIP or Bridge Plan), and in the case of the salary continuation, certain continued benefits.

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

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

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, 2010, the following table represents the amounts that would be payable to each of them.

Name	**Position**	**Base Salary $**	**Bonus[1] $**	**Benefits $**	**Total $**	**Present Value of Additional Pension $**
T. Sitar	Vice-President, Finance and Chief Financial Officer	712,000	284,800	60,000	1,056,800	345,600
D. B. Kayne	Vice-President, Wood Products Marketing and Sales	540,000	216,000	60,000	816,000	417,300

1. Includes the CSIP target payout bonus. Does not include LTIP or Bridge Plan payments.

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, 2010 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, 2010 (such CEO, CFO and executive officers are referred to collectively as the "Named Executive Officers"). The table below reflects a 15% rollback of the base salaries, effective March 31, 2008, for the Named Executive Officers as a part of the cost reduction initiatives of the Company (except for Mr. Shepard, whose base salary was previously rolled back by 25% in May 2007). All salaries, including Mr. Shepard's were reinstated on March 27, 2010 and the rollback amounts repaid in two equal installments on May 21 and July 2, 2010. These repayments are reflected in the Total Compensation column below and in note 7. For the year-ended December 31, 2010, the Company paid aggregate direct remuneration to its Directors and senior officers in the total amount of $5,290,853.

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[3]	Long-term incentive plans[4]			
J. F. Shepard[5] President and Chief Executive Officer	2010 2009 2008	685,000 495,000 495,000	- - -	- - -	- - 283,690	- - -	- - -	39,449 38,907 39,351	1,201,000[7] 533,907 818,041
T. Sitar Vice-President, Finance and Chief Financial Officer	2010 2009 2008	343,677 314,238 332,931	- - -	- - -	98,940 - 111,290	37,000 - -	67,000 68,000 94,000	32,006 32,299 30,698	685,425[7] 414,537 552,965
D. B. Kayne Vice-President, Wood Products Sales and Marketing	2010 2009 2008	260,654 238,327 228,764	- - -	- - -	82,600 - 84,410	165,000 - -	192,000 47,000 47,000	24,749 19,159 16,714	804,663[7] 304,486 376,888
M. A. Feldinger Vice-President, Manufacturing	2010 2009 2008	246,173 225,087 227,048	- - -	- - -	69,260 - 79,720	165,000 - -	223,000 48,000 195,000	5,155 7,778 8,439	785,088[7] 280,865 510,207
D. Warstler[6] President of New South	2010 2009 2008	291,015 242,895 282,157	- - -	- - -	87,737 - 72,558	95,399 - -	7,381 8,463 21,852	13,890 21,638 22,863	577,255[7] 272,996 399,430

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 and 10% of the total annual salary for the applicable financial year. The Company's perquisite plan for senior officers consists of an automobile lease, financial counselling and club membership. The maximum annual amount available under the perquisite plan to the CEO is $35,000 and to Vice-Presidents $30,000.*
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 CSIP for 2008 and 2010. No amounts were paid under CSIP for 2009. Mr. Shepard does not participate in CSIP.*
4. *No payments were made in respect of 2008, 2009 and 2010 under the Company's current LTIP (See "Executive Compensation – Compensation Discussion and Analysis - Long Term Incentive Plan" herein for a description of the LTIP). These amounts are payments made in 2010 under the Bridge Plan (see "Executive Compensation – Compensation Discussion and Analysis - Bridge Bonus Plan" herein).*
5. *Mr. Shepard receives his salary in DSUs (see "Executive Compensation - Compensation Discussion and Analysis - Compensation of Chief Executive Officer – CEO DSU Plan" above). Mr. Shepard's base annual salary was increased to $875,000 effective July 1, 2010.*
6. *Mr. Warslter was appointed President of New South on October 1, 2009. The amounts disclosed were converted to Canadian dollars at December 31, 2010 at an exchange rate of $1.004. Expressed in US currency, Mr. Warstler's base salary for 2010 was $289,798.*
7. *The amounts for 2010 include the repayment of salary which was deducted as a part of the rollback of base salaries in 2007 (for Mr. Shepard) and 2008 (for the other Named Executive Officers). For Mr. Shepard this amount was $477,000, Mr. Sitar $106,802, Mr. Kayne $79,660, Mr. Feldinger $76,500 and Mr. Warstler $81,833.*

OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

The following table sets out all share and option based awards of the Company outstanding at December 31, 2010, including awards granted before the financial year ending on that date.

	Option-based Awards				Share-based Awards	
Name[1]	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options ($)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested as at December 31, 2010 ($)**
J. F. Shepard	-	-	-	-	307,986[2]	$3,458,682
T. Sitar	-	-	-	-	-	-
D. B. Kayne	-	-	-	-	-	-
M.A. Feldinger	3,000	9.80	February 5, 2012	3,900	-	-
D. Warstler	-	-	-	-	-	-

1. The Named Executive Officers, other than Mr. Feldinger as noted above, do not hold any stock options in the Company.
2. See "Executive Compensation – Compensation Discussion and Analysis - Compensation of Chief Executive Officer – CEO DSU Plan" herein.

INCENTIVE PLAN AWARDS - VALUE VESTED OR EARNED DURING THE YEAR

Name	**Option-based awards – Value vested during the year ($)**	**Share-based awards – Value vested during the year ($)**	**Non-equity incentive plan compensation – Value earned during the year ($)**
J. F. Shepard	-	$ 685,000[1]	-
T. Sitar	-	-	-
D. B. Kayne	-	-	-
M.A. Feldinger	-	-	-
D. Warstler	-	-	-

1. DSUs granted to the CEO reflect the value of his annual salary at the time of the grant – see "Executive Compensation – Compensation Discussion and Analysis - Compensation of Chief Executive Officer – CEO DSU Plan" herein.

SECURITIES AUTHORIZED FOR ISSUANCE
UNDER EQUITY COMPENSATION PLANS AS AT DECEMBER 31, 2010

Equity Compensation Plan Information

Plan Category	**Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A)**	**Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)**
Equity compensation plans approved by securityholders	97,418[1]	$9.73	3,780,270
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	97,418		3,780,270

1. *All of these securities are issued under the PSO Plan referred to above (see "Executive Compensation – Compensation Discussion and Analysis - Stock Options Granted Pursuant to PSO Plan" herein).*

PENSION PLAN BENEFITS

Defined Benefit Plan

The Company's accrued pension liability is calculated following the method prescribed by the Canadian Institute of Chartered Accountants and is based on management's best estimate of future events that affect pension liabilities, including assumptions about future salary adjustments and bonuses. Changes in accrued pension liabilities for the Named Executive Officers are summarized in the following table. These changes include the fiscal 2010 expense attributed to service and compensation as reported in the "Summary Compensation Table" above as well as the normal changes/increases[1] to pension liabilities.

Other than Messrs. Shepard and Warstler, 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 and 50% of CSIP bonuses (100% for the CEO, if a member) and lump sum performance awards in a highest period of five consecutive years; and (ii) years of service. Mr. Warstler is the President of New South and a member of the New South defined contribution plan which has been frozen. Mr. Shepard has elected not to participate in the Company's pension programs.

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] ($)		Accrued obligation at start of year[1,2,3] ($)	Compensatory Change[1,3,4] ($)	Non-compensatory Change[3] ($)	Accrued obligation at year end[5] ($)
		At year end	At age 65				
J. F. Shepard	-	-	-	-	-	-	-
T. Sitar	4.65	33,800	101,200	262,000	67,000	87,000	416,000
D. B. Kayne	30.50	180,500	252,500	1,541,000	192,000	520,000	2,253,000
M.A. Feldinger	24.00	126,500	199,200	1,037,000	223,000	430,000	1,690,000
D. Warstler[6]	4.00	4,720	4,720	21,088	-	8,034	29,122

1. *The normal changes include interest on the beginning of year liability, employee contributions to the pension plan and changes in interest rate assumptions as the result of changes in long-term bond yields.*
2. *The accrued liability at December 31, 2010 is based on the 2010 salary and 50% of any CSIP attributed to 2010.*
3. *The change in accrued liability for 2010 excludes the impact of investment returns on the Company's pension plan assets.*
4. *The accrued liability at December 31, 2010 is based on the 2010 salary and 50% of CSIP attributed to 2010.*
5. *The calculation of reported amounts uses actuarial assumptions and methods that are consistent with those used for calculating pension liabilities and annual expense as disclosed in the Company's 2009 and 2010 Consolidated Financial Statements. As the assumptions reflect the Company's best estimate of future events, the values shown in the above table may not be directly comparable to similar estimates of pension liabilities that may be disclosed by other corporations.*
6. *The amounts disclosed for 2010 were converted to Canadian dollars at December 31, 2010 at an exchange rate of $1.0044.*

Defined Contribution Plan

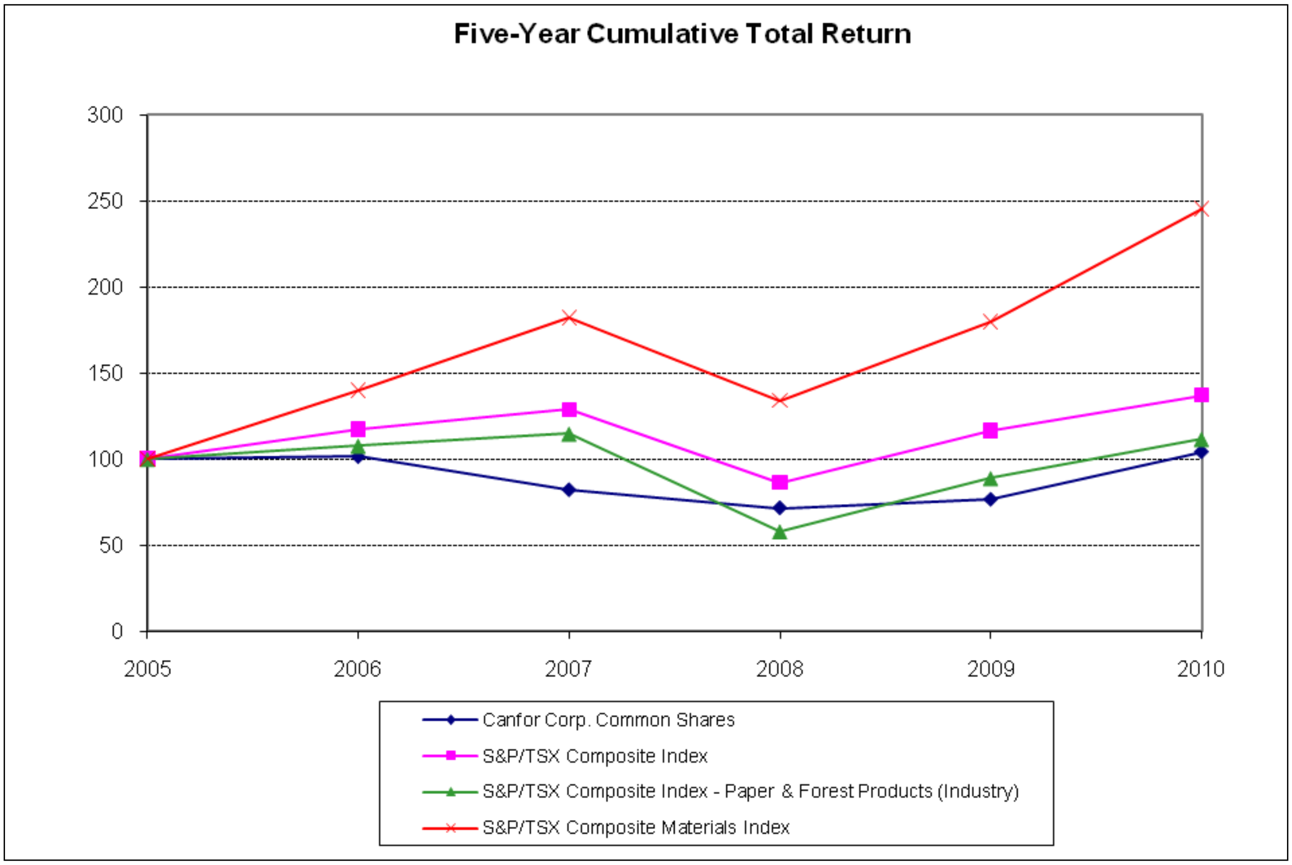
The following table sets forth the benefits attributable to Doug Warstler, the only Named Executive Officer that is a member under the New South defined contribution plan.

Name	Accumulated value at start of year ($)	Compensatory ($)	Non-compensatory ($)	Accumulated value at year end ($)
D. Warstler[1]	179,657	7,381	26,406	213,444

1. *The amounts disclosed for 2010 were converted to Canadian dollars at December 31, 2010 at an exchange rate of $1.004.*

PERFORMANCE GRAPH

The following graph compares the total cumulative shareholder return for $100 invested in Common Shares of the Company on December 31, 2005 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.



	2005	2006	2007	2008	2009	2010
Company Common Shares	100	101	82	71	76	104
S&P/TSX Composite Index	100	117	129	86	117	137
TSX Paper & Forest Index	100	108	115	58	89	112
S&P/TSX Composite Materials Index	100	140	182	134	180	245

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

In 2010, the Company's Common Shares underperformed the S&P/TSX Composite index, the TSX Paper & Forest index and the S&P/TSX Composite Materials Index. As a part of the Company's cost saving initiatives the CEO implemented a 25% reduction in base salary in 2007 for himself. All other Named Executive Officer's base salary as well as the base salaries for all other senior executives of the Company were reduced by 15% effective March 31, 2008. Other salary rollbacks included 7% for senior managers and 3% for all other salaried staff. In addition, no CSIP incentives were paid in 2009. Salaries were reinstated effective March 27, 2010 with the total roll-back amount paid in two equal payments on May 21 and July 2, 2010. No LTIP awards were paid in 2008, 2009 or 2010.

DIRECTOR COMPENSATION

Compensation of Directors/Attendance

Until May 2007, the Directors who are not officers of the Company were paid a retainer of $20,000 and were also paid an attendance fee of $1,000 for each day of a scheduled meeting and an attendance fee of $2,000 for each day of a non-scheduled meeting of the Board or any Committee of the Board. Those Directors who are not officers of the Company and serve on a Committee of the Board were also paid a retainer of $3,000 and, the Chairman of each Committee of the Board was paid a fee of $3,000. The Chairman of the

Board was paid a quarterly fee of $25,000 for serving as Chairman of the Board. Effective May 2007, the Board approved a temporary one-third reduction in Directors' fees for 2009.

In order to support the Company in its cost reduction initiatives, the Board approved a further temporary reduction to 50% in all Directors' fees effective February 19, 2009 and thereafter, the Board agreed to defer receipt of their discounted fees for the period commencing April 1, 2009 to March 31, 2010. Directors' fees were reinstated effective April 1, 2010. Annual Director compensation for Board and Committee meetings is summarized in the following table (which sets out the fees both before and after the 2007 and 2009 fee reductions).

	Fees After March 31, 2010 Reinstatement	**Fees After February 19, 2009 Reduction**	**Fees After May 4, 2007 Reduction**	**Fees Prior to May 4, 2007 Reduction**
Annual Board Chair Retainer	$100,000	$50,000	$66,666	$100,000
Annual Board Retainer	$20,000	$10,000	$13,333	$20,000
Annual Committee Retainer	$3,000	$1,500	$2,000	$3,000
Annual Committee Chair Retainer	$3,000	$1,500	$2,000	$3,000
Board/Committee Meeting Fees for Scheduled Meeting	$1,000	$500	$666	$1,000
Board/Committee Meeting Fees for Non-Scheduled Meeting	$2,000	$1,000	$1,333	$2,000

Effective January 1, 2002, the Company instituted a non-employee Director deferred share unit plan (the "Non-Employee Director DSU Plan"). Each non-employee Director of the Company receives 2,500 deferred share units ("DSUs") annually in accordance with the Non-Employee Director DSU Plan. A DSU 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, 2010, the accrual in respect of the DSUs currently outstanding to Board members was $1,315,547.

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 2010

The following table summarizes the aggregate amount of total fees paid to Directors for the fiscal year ending December 31, 2010 (as discussed under "Director Compensation - Compensation of Directors/Attendance" above) and the value of DSUs issued to each Director in 2010 as at December 31, 2010.

Name	**Fees earned[1] ($)**	**Share-based awards[2] ($)**	**Option-based awards ($)**	**Non-equity incentive plan compensation ($)**	**Pension value ($)**	**All other compensation ($)**	**Total ($)**
Peter J. G. Bentley	52,166	28,075	-	-	-	-	80,241
Glen D. Clark	34,166	28,075	-	-	-	-	62,241
Ronald L. Cliff	121,000	28,075	-	-	-	-	149,075
Michael J. Korenberg	50,666	28,075	-	-	-	-	78,741
James A. Pattison[3]	-	28,075	-	-	-	-	28,075
Conrad A. Pinette	52,166	28,075	-	-	-	-	80,241
James F. Shepard[4]	-	-	-	-	-	-	-
J. M. (Mack) Singleton	34,166	28,075	-	-	-	-	34,166
Ross S. Smith	55,166	28,075	-	-	-	-	83,241

1. *Before deduction of applicable taxes.*
2. *Share based awards are the value of the Directors' DSUs issued to directors in 2010, as at December 31, 2010.*
3. *Effective May 4, 2007, Mr. Pattison voluntarily declined all future Directors' cash compensation however, his directors' cash compensation has been reinstated effective January 1, 2011.*
4. *As an executive of the Company, Mr. Shepard was not paid board/committee retainers, meeting fees or Director DSUs.*

Summary of Board/Committee Meetings Held
For the 12-month period ended December 31, 2010

Board	6
Audit	7
Corporate Governance	3
Environmental, Health and Safety	4
Capital Expenditure	4
Management Resources and Compensation	6
Pension	5

Summary of Attendance of Directors[1]
For the 12-month period ended December 31, 2010

Director (Age)	Board Meetings Attended[2]	Committee Meetings Attended
Peter J. G. Bentley (80)	6 of 6	17 of 17
Glen D. Clark (53)	6 of 6	8 of 9
Ronald L. Cliff (82)	6 of 6	9 of 9
Michael J. Korenberg (50)	6 of 6	14 of 15
James A. Pattison (82)	6 of 6	9 of 9
Conrad A. Pinette (71)	6 of 6	17 of 17
James F. Shepard (72)	6 of 6	n/a
J. M. (Mack) Singleton (65)	6 of 6	8 of 8
Ross S. Smith (71)	6 of 6	17 of 17

1. *See "Director Compensation - Directors' Compensation Summary for 2010" for a summary of Directors' appointments and resignations.*
2. *In 2010, there were five scheduled Board meetings and one unscheduled Board meeting.*

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

There are no material loans outstanding as at March 14, 2011 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.

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. Updates are provided to the Board throughout the year. The Board held one strategic planning session in 2010.

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.

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. The Company has established a Disclosure Committee comprised of senior managers of the Company. The Disclosure Committee reviews and assesses the financial disclosure of the Company. The Disclosure Committee reports its findings to the CEO and CFO. 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 9 Directors, 7 of whom are independent Directors as defined in NI 58-101. One of the present Directors, James Shepard, is a member of senior management and therefore is not considered to be independent for this purpose. Mr. Shepard is the President and CEO of the Company. Mr. Singleton was the former President and CEO of New South and retired on September 30, 2009. Therefore he is also not considered an independent director. Mr. Cliff, 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 5 years other than Mr. Pinette, a Director, who worked as a consultant with the Company in 2007 and received consulting fees. This consulting relationship was terminated and will not be renewed as long as Mr. Pinette is a Director. The Board has provided a means whereby individual Directors may engage outside advisors at the expense of the Company in appropriate circumstances. In 2010, no advisors were engaged on behalf of individual Directors.

Of the 9 individuals proposed as nominees for election as Directors at the Meeting, 8 are considered to be independent as defined in NI 58-101. Mr. Shepard has decided to retire as the President and CEO and as a director, effective at the Meeting.

Other Directorships

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

Board Meetings

The independent Directors, as part of each Board meeting, hold *in camera* sessions without the presence of Messrs. Shepard and if necessary Mr. Singleton (as non-independent Directors) and other members of management to discuss issues relating to management and governance of the Company generally. The Board held six such meetings in 2010. The Chairman of the Corporate Governance Committee meets annually with the CEO and Chairman of the Board to discuss the relationship between management and the Board and reports the results of these discussions to the Board.

Attendance Record

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

Chairman

Mr. Cliff was appointed Chairman of the Board of Directors on April 30, 2009. As discussed under "Independence" above, Mr. Cliff is considered to be an independent Director as defined in NI 58-101. As Chairman, Mr. Cliff 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 Corporate 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 relevance to the Board.

ETHICAL BUSINESS CONDUCT

Code of Conduct

As noted above, the Board has adopted a set of Governance Principles and a Code of Conduct. The Governance Principles deal with issues such as the role of the Board and management, functions of the Board, qualifications of Directors, independence of Directors, ethics and conflicts of interest. The Code of Conduct defines the standards and values which the Company expects all of its employees to follow in their dealings with stakeholders and is consistent with the Company's corporate values of integrity, trust, openness and respect for people. The Board Governance Principles and Code of Conduct have been filed on SEDAR at *www.sedar.com 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 Corporate Governance Committee on his efforts to monitor and promote a culture of integrity consistent with the Code of Conduct which includes meetings and discussions with senior managers and other stakeholders of the Company. A further description of the roles and responsibilities of the Corporate Governance Committee is set out under the section "Board Committees" below.

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

NOMINATION OF DIRECTORS

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

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

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

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

COMPENSATION

The process for the determination of the compensation of the Company's Directors and officers is overseen by the Company's 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 2010.

The Compensation Committee annually reviews Directors' and 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 six Committees of the Board, their mandates and their activities. All Board Committees are composed of a majority of independent Directors.

Audit Committee

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

For further information regarding the Company's Audit Committee, see the Section of the Company's Annual Information Form dated February 11, 2010 entitled "Audit Committee Information", which is incorporated by reference herein and which is available on SEDAR at *www.sedar.com*.

Corporate Governance Committee (the "Governance Committee")

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

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 four independent Directors.

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

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

Pension Committee

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

Capital Expenditure Committee (the "Capex Committee")

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

BOARD/COMMITTEE ASSESSMENTS

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

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

APPOINTMENT OF AUDITOR

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

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

Financial Year Ending	Audit, Tax and Financial Services Fees	Consulting Services	Total Fees
December 31, 2010	$979,000	$27,000	$1,006,000
December 31, 2009	$1,167,787	$23,853	$1,191,640

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

OTHER INFORMATION

These securityholder materials are being sent to both registered and non-registered owners of the 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, 2010 and Management's Discussion and Analysis of Financial Condition and Results of Operations, which contain financial information relating to the Company, accompany this Information Circular. An additional copy of those documents, this Information Circular and any interim financial statements filed subsequent to the annual audited Financial Statements, and additional information regarding the Company may be obtained from the Corporate Secretary of the Company and may be accessed on the Company's website *www.canfor.com*. Additional information relating to the Company is available on SEDAR at *www.sedar.com*.

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

By Order of the Board of Directors

David M. Calabrigo, Q.C.

Corporate Secretary

Vancouver, B.C.
March 14, 2011