

**Annual General Meeting of Shareholders  
May 3, 2011**

**JOE NEMETH  
President & Chief Executive Officer's Speech**

Thanks Charles. Before I expand upon Charles' comments regarding the future, I would like to make a few remarks regarding 2010, as it was a record year for Canfor Pulp in a number of areas. Note my comments will pertain to the pulp business as a whole, as operated in the Partnership.

**2010 Year Highlights**

Pulp markets were strong in 2010. NBSK pulp demand growth led the way increasing nearly 11% or 1.1 million tonnes over 2009. Concurrently, supply was tight, as nearly 1 million admt of softwood production was lost as a result of the Chilean Earthquake. This combination resulted in very low inventories and rapidly rising prices.

NBSK prices delivered to North America rose from \$US 850 in January 2010 to a peak of \$US 1020 in the summer. And prices only moderated slightly to \$US 960 by year end. During the first quarter of 2011, NBSK prices have steadily increased and are currently back at the \$US 1020 level.

As mentioned earlier, 2010 was a record year for Canfor Pulp in a number of areas. We posted record sales of over \$Cdn 1 billion, record EBITDA of \$230 million, set production record at all of our major facilities, drove costs to the lowest level in history and had our second best safety year ever. I am pleased to confirm that we continue to perform well, reporting EBITDA of \$66.7 million

on sales of \$252.3 million in the first quarter of 2011. Consistent with these positive results and an expectation of continuing strong pulp markets, we have declared a quarterly dividend of \$0.40 for the first quarter of 2011, payable in May. NOTE – this is an increase from the projected \$0.35 per quarter forecast made late in 2010.

### **Looking to the Future / GTP**

As Charles mentioned earlier, what really matters, is how we are positioned for the future.

Long term business success starts with a strong foundation. In the capital intensive pulp & paper Industry – this means the quality of your asset base. Canfor Pulp has made significant investments in its pulp and paper assets, every year, in the past decade. As Charles mentioned, investment is increasing in the 2010-2012 period as are spending nearly \$160 million, with \$122 million of the funding supplied through the Government of Canada's Green Transformation Program.

I am pleased to report that that we have successfully completed our first two GTP projects (The Biofuel Power generation project between PG and Intercon and the Odour reduction project at the Prince George mill). The final two projects are on time and budget - with the largest being the NW Recovery Upgrade, which will be completed by September of this year. The last project will be completed in 2012.

All of these projects provide major environmental benefits and enhance the viability of our asset base. What is really exciting - is they provide the foundation for the next round of strategic investment: build out of our Green Energy Business.

## **Green Energy**

Directly following the GTP capital expenditures, Canfor Pulp is planning another round of investment – focused primarily on Green Energy. This will diversify and stabilize our revenue base, while further enhancing our environmental performance.

## **Sustainability**

Continually Improving environmental performance has been a long term commitment of Canfor Pulp. Our parent company was the leader in Sustainable Forest management (being the first company in Canada to achieve 100% certification). Canfor Pulp has been a leader in emission reductions (having reduced carbon emissions at all of our facilities by 50% since 1996).

To formalize Canfor Pulp's commitment to the environment, we issued our first Sustainability report this spring. Additional copies are available on the table by the entrance door. If you have not read it, please do – as it provides a summary of the improvements Canfor Pulp has made in the areas of Environment, Social and Economic Responsibility. As well, it is a formal commitment to continue to invest and report on our performance improvements in the future.

## **Recognize team & the board**

In closing, I would like to thank all the employees of Canfor Pulp for their hard work and dedication in making 2010 a record year. And I would especially like to recognize the board and the senior management team – whose counsel and leadership has helped deliver successes to date and create the roadmap for the future; a future that ensures Canfor Pulp will continue to be a global leader in the NBSK pulp business. Thank you.