Canfor Pulp Income Fund

2009 Annual General Meeting of Unitholders
April 28, 2009

PAUL RICHARDS
President & Chief Executive Officer's Speech

Good morning ladies and gentlemen and welcome to our 3rd annual general meeting.

As you know, CPLP was formed with Canfor's spinout of the pulp and paper business in Prince George into an Income Trust in July of 2006. We operate two pulp mills and one pulp and paper mill in Prince George, with annual production capacity of over one million tonnes of pulp and 140,000 tonnes of kraft paper.

The Income Fund owns 49.8% of CPLP, with Canfor Corp. holding 50.2%. My comments refer to the operations of CPLP.

First, let me give you some numbers which reflect how we performed in 2008.

- Total Sales were $825.5.
- Net Income was $46.8.
- Cash distributions were $1.36 / unit for the partnership and the fund.

These numbers remain NBSK industry leading, and reflect a year which mirrors the economy as a whole – a strong first half and falling sales prices and demand beginning Q3.

We began 2008 with an operating plan which would see lower total production volumes due to scheduled maintenance and capital work being slightly higher than in the past. These improvements to our Northwood and Intercon mills would set the stage for improved production efficiencies and lower costs in the coming years.

A fire in the chip handling system at the Prince George mill in January, however, took that mill down for 5 weeks completely, and resulted in a slowdown in production levels while running a temporary system until a permanent handling system was completed and fully operational in the fourth quarter.

In addition, pulp markets faltered significantly in the fourth quarter, inventories rose, and the partnership took a market related shutdown of all of its facilities in late December, continuing into the first quarter of 2009.

The net impact of scheduled maintenance and capital outages, the fire, and the market curtailment resulted in a total production volume in 2008 of 1,066,000 tonnes of pulp and paper, down from the previous year's record level of 1,175,000 tonnes.

As we enter 2009, we did begin the year with about a week of market curtailment, but the fire and its impact are fully behind us, and with the improvements of 2008, our operation efficiencies should return to normal and improved levels.

2008 began in a strong fashion with prices firm. In fact, there were 2 price increases in the first half of the year.

However, as the economy started to flag and, in particular, as China reduced demand following the Bejing Olympics, global inventories grew and the pulp price dropped.

Depending on the paper grades, demand fell up to 20% and depending on the region, pulp prices fell up to $200/tonne.

The weakening Cdn $ has helped offset some of the impact of reduced pulp prices, but not enough to keep many pulp producers in both North America and Europe from announcing indefinite and permanent closures. In addition, we have begun to see companies enter bankruptcy.

Currently, we are seeing some signs of a bottom to the market, with pulp price increase announcements, however, this is from a very low base.

Fibre supply and costs continue to be an issue for pulp producers as housing starts in the US remain at all time lows.

CPLP utilized 35% whole log chipping to supplement its fibre supply in 2008. In 2009, the percentage of whole log chips will remain high as sawmill curtailments continue.

However, fibre costs are somewhat below the 2008 level as sawmill residual chip prices are tied to pulp mill nets which have fallen, and whole log chipping costs are down.

Some other highlights in 2008 include the conclusion of labour agreements in the first half of the year with all of our union locals. The terms are for 4 years and allow for modest wage increases, with some offset savings for the Company.

In addition, our paper operation performed well, setting an annual performance record for daily productivity (379t/d)

2009 has begun with a very difficult global economy, as we all hear daily.

Our own first quarter results for the Partnership were released yesterday and let me review the numbers:

- Sales were $186.3 million
- There was a net loss of $21.6 million
- EBIDTA positive $2.2 million

These are disappointing results primarily reflecting the state of the overall economy.

Worldwide demand for many of our customers' paper products – as for most commodities – has fallen resulting in pressure on both sales volumes and prices of all pulp grades.

At the beginning of the quarter, we had a market related shutdown at all our facilities for about a week.

Our sales volume in Q1 rose from the previous quarter, primarily due to incremental non-contract spot sales into China. This, combined with our production curtailments, allowed inventories to be reduced.

Our view and hope is that Q1, 2009 reflects the bottom of the market, as we are starting to see some signs of regional (Asia) improvement in both sales volume and pricing. North America remains weak from a pricing perspective, however, due, in part, to an unusual "alternative fuel tax" opportunity that U.S. pulp producers have taken advantage of, allowing them to have substantial cost savings – driving production levels above normal market dynamics.

As for our operations, the market related curtailment and a maintenance outage at Northwood combined to remove 21,000 tonnes of pulp production in Q1. In Q2, we expect planned maintenance outages at the Intercon and Prince George mills to remove 7,000 tonnes of pulp production and 3,000 tonnes of paper production. We have not scheduled outages in Q3, and have a scheduled major maintenance outage in Q4 at the Northwood mill which will result in 21,000 tonnes of reduced production.

For 2009, we are seeing cost reductions on a number of fronts. With oil prices coming down, we are seeing lower energy prices, chemical prices are falling, and as stated earlier, fibre costs have also dropped. In addition, we have undertaken a significant cost reduction program which will improve costs in the $ millions as we proceed through the year.

So, as we proceed through 2009, we expect to see improving financial results, in spite of difficult pulp pricing, driven by reduced downtime at our facilities and lower operating costs. It has to be said, however, that the Cdn $ is always a wild card, and continued subsidization of the U.S. pulp industry through the alternative fuel tax rebate will keep Canadian producers at a significant disadvantage.

Finally, I would like to welcome a new member to our executive team. In October 2008, Brett Robinson was promoted from General Manager of our Intercon and Prince George Pulp & Paper facilities to Vice President of Operations.

Brett brings 20 years of experience to the position and is a welcome addition.

I would like to thank all of our employees for their efforts in 2008, and request their continued support as we pass through this difficult period.

I would also like to thank the Board of Directors for their continued valued advice, in particular, the Chairman, Dr. Jago. I would also like to thank our customers and investors for their interest and support.

Thank you all for attending.