Canfor Pulp Income Fund

# Annual General Meeting and Special Meeting of Unitholders
## April 27, 2010

## PAUL RICHARDS
## President & Chief Executive Officer's Speech

The year 2009 for CPLP and the pulp markets as a whole mirrored the broader economy. We entered the year with demand for pulp very low, and growing producer inventories. By Q2 pulp prices had fallen to $635 / tonne and in Q1 more than 45% of Canadian softwood production was shut down for lengthy periods - some still down.

As we know, markets recovered, demand growth outpaced supply restarts, driving down pulp inventory to historically low levels and driving up prices to $850 / tonne by year end.

The Canadian dollar rose from $0.81 at the beginning of the year to $0.955 by year end. This strengthening dollar is, in part, responsible for the continued Canadian producer curtailments at year end.

The credit crunch was particularly difficult during the first half of the year. In spite of this, CPLP refinanced its maturing debt in September, for a 2-year term, at rates, consistent with the market.

Operational performance for 2009 was somewhat improved over the previous year, with a production volume of 1.14 million tonnes during the year compared with 1.07 million tonnes the previous year. And costs were down in both fibre and total costs as a major effort on cost reduction resulted in a $30 million annual improvement.

During the year, the Federal Government introduced a "Green Transformation Program" aimed at providing funds to Pulp producers for capital improvements in Energy and Environmental performance. This program was introduced to help offset the impacts of funding that was being offered to US Pulp producers who burned "black liquor" in their process. Of the $1 billion total program funding, CPLP was apportioned $122 million, which must be spent by Mar 31, 2012. CPLP has identified projects and is proceeding with the approval process in order to access these funds.

Our business is located in a region that has experienced a significant reduction in fibre usage due to closures of other pulp and paper facilities during the past 2 years.

As a result, residual chip supply availability grew – reducing the requirement for expensive whole log chips.

And, as we sit here today, we know that the pulp market is very strong. This is driven by a number of factors incuding:

- continued improving demand growth;
- continued shutdowns of high cost mills;
- the Chilean earthquake removing hundreds of thousands of pulp production; and
- numerous other regional smaller production closures.

Pulp prices in April are at virtually all time highs, with further increase announcements for May.

On July 1 2006, CPLP was formed with Canfor's spin out of its Pulp business. I would like to offer a few comments, from my perspective, on the initial 4 years of CPLP's existence. Since spinout, the Pulp business followed its normal trend and went through significant pricing cycles. As is common, closures of high cost mills occurs in the downturn portion of the cycle, and this 4-year period proved no exception.

Since 2006, approximately 20% of Canada's capacity was shut down through bankruptcies and closures, with several mills still down - some permanently.

However, in that same time frame, CPLP has weathered the cyclical storms relatively well. At spin-out, the shares were valued at $10 per unit. Today, they are at over $15. Since the spin-out, CPLP has also distributed $4.92/unit and with the current announced $0.20 distribution rate will have distributed about $5.46 in 4 years, for a total nominal increase of over 90%, again, in just 4 years.

CPLP has utilized a regional fibre advantage and economy of scale along with a focus on continued improvement in operating performance and cost control to achieve financial results unparalled in the Canadian pulp industry. This is an especially significant accomplishment when put in light of the overall industry financial performance and mill closures. And with the talent and capital infrastructure in place, I feel very comfortable that as I leave the Company, it is in a position to continue its pre-eminent role, and in fact, improve upon it.

The outlook for CPLP is very encouraging.

I think that the pulp business will continue to be cyclical in nature, but that the cycles will be less volatile.  This is due to an improved supply / demand balance caused by the permanent closure of many high cost pulp mills in the past few years.

I feel that fibre costs will continue to moderate for CPLP as regional supply will grow as US housing starts rise off their the recent bottom, and alternate residual fibre demand has waned.

I think that the capital improvements from the Green Transformation funds will improve the operating performance and cost structure, and also afford continued opportunity for revenue growth in energy.

All in all, the outlook is positive indeed.

As you know, I will be retiring after this annual meeting and Joe Nemeth will be taking over as President and CEO.  I would also like to acknowledge the appointment of Sean Curran to the position of Vice President, Sales and Marketing.

As I leave the Company, I would like to thank the Board for their tremendous support and guidance which has been invaluable these past 4 years.  And in particular, I would like to thank the Chairman, Charles Jago, who I have worked very closely with.  I would also like to thank my fellow Management team without whom none of the successes would have been possible.

I am very appreciative of having had the opportunity to be involved with CPLP at its inception, and over the past 4 years, but am equally pleased to be able to leave with the industry in such a positive business cycle and the company in such capable hands.

Good luck, Joe.