

**CANFOR PULP INCOME FUND
Q2 - 2008 CONFERENCE CALL
800am (PDT) July 25, 2008**

COMPANY REPRESENTATIVES:

Paul Richards - President and Chief Executive Officer
Terry Hodgins - CFO
Joe Nemeth - Vice President Sales and Marketing

Operator

Good morning, ladies and gentlemen. Welcome to the Canfor Pulp Limited Partnership, Second Quarter Results 2008 Conference Call. Please be advised that this call is being recorded, and webcast live at www.canforpulp.com. A recording of the call and a transcript will be available on Canfor Pulp's website. Also the company would like to point out that this call will include forward-looking statements. So, please refer to the press release for the associated risk of such statements.

I would now like to turn the meeting over to Mr. Paul Richards, President and Chief Executive Officer of Canfor Pulp Limited Partnership. Please go ahead, Mr. Richards.

Paul Richards – President and CEO:

Thank you, Operator. Good morning and welcome to Canfor Pulp Income Fund's second quarter 2008 conference call. Thank you for joining us today. Also available to answer questions on the call are Terry Hodgins, our Chief Financial Officer and Joe Nemeth, our Vice President of Sales and Marketing. Our comments today unless otherwise noted relate to the operating entity Canfor Pulp Limited Partnership, of which Canfor Pulp Income Fund owns 49.8%.

Yesterday, we reported for the second quarter sales \$212 million, net income of just over \$18 million, adjusted distributable cash of \$0.19 per unit and EBITDA of \$24 million.

First we will talk about our operations, during the second quarter our production was reduced by approximately 33,000 tonnes from the scheduled maintenance downtime taken at our Northwood and Intercon mills. The shutdown at Intercon was a minor one of 3-1/2 days, with no surprises arising from it. The shutdown at the Northwood mill was almost 19 days and has been extended about 4-1/2 days due to inclement weather conditions. The shutdown had already been scheduled to be longer than normal with the installation of capital projects. The projects included upgrades to the recovery boiler air system and digester wash screens. These projects should result in a slight increase in production at the mill in 2009. The mill is currently operating at a very good rate.

As for the Prince George Pulp and Paper operations, we continue to run with the temporary chip handling facility which reduced production by approximately 6,000 tonnes in the quarter. This shortfall was covered by business interruption insurance. We expect a permanent chip handling system to be in place by the fourth quarter of 2008. Otherwise pulp and paper lines at the mill ran well for the quarter.

No scheduled maintenance downtime is planned for the third quarter with the remaining scheduled maintenance downtime for 2008 to be taken early in the fourth quarter at Prince George for three days and at the Intercon mill for 12-1/2 days. This is expected to reduce production by about 13,000 tonnes. Once again at Intercon this is a little higher than normal as we are planning to install some capital projects which should increase the capacity of the paper and pulp machine and reduce chemical costs.

And now, turning to fibre, delivered fibre costs in the quarter were about 3% higher than in the prior quarter primarily as a result of higher freight costs. The percentage of whole log chips increased slightly to approximately 30% of delivered chip volume in the second quarter versus 28% in the first quarter. Since reaching peak chip inventory levels in the second quarter, we have been reducing inventory levels with a plan to be at normal levels by year-end. We currently have approximately 4-1/2 week supply of chip inventories on hand and we continue to believe we are well positioned to handle possible residual chip supply uncertainties caused by the weak US housing markets.

I will turn in the call over now to Terry and following his financial summary we will return with some additional comments.

Terry Hodgins – CFO:

Thank you, Paul. Details and commentary on the second quarter results are included in yesterday's press release. I would like to highlight some specific events during the quarter and their impact on the financial results. As reported, the Partnership generated adjusted distributable cash of \$0.19 per unit for the quarter and \$0.78 per unit for the first six months of the year. This is in line with our internal expectations as we had established and declared our cash distributions at \$0.12 per month for a total of \$0.72 for the first six months. The two factors that determined the adjusted distributable cash are earnings as measured by EBITDA and the level of capital expenditures. First dealing with EBITDA, during the second quarter, EBITDA generated was \$24 million compared to \$42 million in the first quarter. The \$18 million reduction in EBITDA on a quarter-over-quarter basis is attributed primarily to two elements: 1) the scheduled and previously announced major maintenance shut at the Northwood and the mini maintenance shut at the Intercon mill. These outages reduced production volume and EBITDA by approximately \$12 million. There were no maintenance shuts scheduled for the first quarter 2008 and none scheduled for the third quarter 2008. 2) The balance of the EBITDA variance, the \$6 million remainder, was split fairly evenly between reduced realized pulp prices in Canadian dollars resulting from a change in sales mix and geographic mix - specifically, we shipped a higher volume of lower value unbleached sales to Asia in the second quarter and also we had increased fuel

surcharges on the delivery of all our pulp and paper products to customers – with the balance of the EBITDA variance is primarily due to the increased cost of wood chips consumed - from a combination of increased delivery costs due to a higher fuel cost and a slightly higher percentage of whole log chipping. The second component of distributable cash is the level of capital expenditures which was \$9.6 million in the quarter and \$12.8 million for the first six months. We still expect to spend within the range of \$28 to 30 million for the full year which amount includes our \$3.25 million portion of the new Prince George chip infeed screen system. The financial impacts of the reduced production rate at the PG mill from the operation of the temporary chip system are substantially offset by accrued business interruption in insurance recoveries in the quarter. Paul, I will turn this back to you.

Paul Richards – President and CEO:

Thanks Terry. I now will make some comments on the pulp market. US\$20 per tonne price increase has been announced for the North American markets effective July 1st which would take the price to \$900 a tonne. The European market price is currently at \$900 a tonne. Current inventory levels for northern bleached softwood kraft is 29 days down from the 32 days earlier in the year, thereby indicating we are running in a relatively balanced market. As is normal during this summer period, pulp consumption has slowed and as such, there is presently an adequate supply of pulp to meet current demand. The seasonal slowdown in demand is being offset by softwood pulp mill closures in Canada and Europe. Considering all this, we expect prices to trade within a narrow range for the remainder of the year.

Lastly, the collective agreement we had with our unions expired on April 30th. Negotiations have concluded in which we have reached an agreement with both unions, the PPWC and the CEP. The term of the new collective agreement is four years with wage increases of 2, 2.5, and 3% respectively. There were some offsetting savings agreed to as well at the table. All in all, it is a balanced agreement that we believe will serve the Company and our employees well.

Operator, that wraps up our comments and we are ready to take questions.

Operator:

Thank you. We will now take questions from the telephone lines. We will first take questions from the financial analyst followed by the media (Operator Instructions). Thanks for your patience. Our first question is from Herve Carreau of CIBC World Markets. Please go ahead.

Herve Carreau – CIBC World Markets:

Thank you. I have two questions. First on chemical costs, I'm just wondering if you are seeing some upward pressure on costs on that front and second on fiber costs, I'm just wondering if the cost differential between whole log chips and purchased chips is currently narrowing given the fact that you are getting more volume from the whole log chips, so maybe some economies of scale on that front? Thanks.

Paul Richards – President and CEO:

On the chemical side, we are seeing price increases pretty much across the board and I don't think the fact that there are very few chemicals that aren't trying to put through price increases. We're trying to offset those with improvements through capital spending and we're being successful in some of those areas. So the net increase in chemical cost is going up slightly within our mills but not at the same rate as the prices are going up.

Herve Carreau – CIBC World Markets:

What would you say the percentage of cost represented by chemicals at this point at Canfor Pulp?

Paul Richards - President and CEO:

What's the total percentage?

Herve Carreau – CIBC World Markets:

Yes.

Paul Richards - President and CEO:

About 20 to 25%, 12% – I'll have the number for you in a minute. On the fibre side, what we have is the price of whole log chip differential with the residual chip really hasn't changed very much, but what we're doing right now is starting to back off on some of the higher cost whole log chips. So we're probably going to see on a relative basis the two come closer together because of eliminating the higher cost of whole log chips. Having said that, there has been the increasing pressure on the fuel cost on the delivery so that's offsetting some of the savings we're making in the actual chip prices.

Herve Carreau – CIBC World Markets:

And what will be the high cost logs source?

Paul Richards - President and CEO:

The lower cost log sources are greater than PG Sawmill, so that really represents the bulk of our chips. The higher cost are in locations a little further remote from where we are and they tend to be in the \$20 per tonne range higher than our lower costs whole log chips.

Terry Hodgins – CFO:

This is Terry Hodgins. Just to clarify those – the percentage of bleaching or chemical cost, they're 20 to 24% roughly of our cash conversion costs or 10 to 12% of our total production costs.

Herve Carreau – CIBC World Markets:

Okay, great. Thank you.

Operator:

Thank you. The next question is from Alexandra Symnek of Raymond James. Please go ahead.

Alexandra Symnek – Raymond James:

Hi guys, good morning. I just have one question I guess following up on the fibre cost inflation. Now you mentioned earlier that the 3% increase was primarily due to fuel costs associated with transportation and we were just wondering in terms of going forward what the cost inflation would look like I guess excluding that transportation fuel component.

Paul Richards – President and CEO:

We're seeing at this point no inflation at all on the base chip prices, remain relatively flat and at this point, we don't expect to see a major change. We're actually in the region starting to see a little bit more residual chip availability because of shutdowns offset again by continuing shutdowns of sawmills – more available because of pulp mill shutdowns offset by continued shutdowns of sawmills, but actually the chip balance is a little bit better today than it was maybe three months ago.

Alexandra Symnek – Raymond James:

Perfect. Thank you very much. That's all.

Operator:

Thank you. Our next question is from Claire Huxtable of RBC Capital Markets. Please go ahead.

Claire Huxtable – RBC Capital Markets:

Hi there. I just have a quick question on transport. Can you comment on what you're seeing on the ease of shipping out of the Port of Vancouver? Thanks.

Paul Richards - President and CEO:

Yes, that's probably one of the highest single cost factors we're seeing today. We're seeing price increases particularly container rates. Now, we're not large relative to some competitors on the West Coast. We're not a large user of containers, but that's the rates that are going up the fastest. What we're finding is the break bulk side of the business has been being reduced in the West Coast, so more reliance on container has been growing. And we are seeing fewer containers because of the slowdown in the US economy, so fewer containers coming in and

more demand for containers leaving. So the container rates have been going up. So growth in container rates has been in the 10 to 20% rate cost. That's pretty high. Other rates are also going up but not at the same rate.

Claire Huxtable - RBC Capital Markets:

Okay, great. Thank you.

Operator:

Thank you. (Operator Instructions) Our next question is from Lillian (inaudible) of Dundee Securities. Please go ahead.

Lillian – Dundee Securities:

Hello, good morning. I just have one question. It is regarding your bio-fuel initiative. I was just wondering if you can update us on this.

Paul Richards – President and CEO:

Sure. We have made some submissions to the British Columbia Hydro call for power. We were among the many that were included in the call. What we do know is that they are now reviewing those proposals and we expect to hear whether or not they would accept the projects and the pricing requirements for the power needed to get adequate returns. So, that process is ongoing.

Lillian – Dundee Securities:

Okay. Thank you very much. That's all.

Operator:

Thank you. There are no further questions registered at this time. I would like to return the meeting back over to Mr. Richards.

Paul Richards – President and CEO:

Well, thank you operator. Again I would like to thank those on the call for their questions. We would appreciate your interest in the Company and we hope to hear from you again in the next quarter. Thank you very much.

Operator:

Thank you. The conference has now ended. Please disconnect your lines at this time and we thank you for your participation.