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For Immediate Release

## **CANFOR ANNOUNCES PROPOSED PULP INCOME TRUST**

VANCOUVER, BRITISH COLUMBIA--(CCNMatthews - Feb. 15, 2006) - Canfor Corporation (TSX:CFP) announced today that it intends to separate its pulp business from its wood products business. Canfor proposes to transfer to an indirectly owned limited partnership, its northern softwood kraft pulp and paper business, including its Northwood Pulp Mill, Intercontinental Pulp Mill and Prince George Pulp and Paper Mill, together with associated management and employees (the "Pulp Income Trust"). The Pulp Income Trust is proposed to be completed through a plan of arrangement under which Canfor will distribute a 20% interest in the Pulp Income Trust to its shareholders and retain an 80% interest.

Canfor President and CEO Jim Shepherd said, "This transaction furthers our strategy to focus on the wood products business and provides value to Canfor's shareholders. As an 80% owner of the Pulp Income Trust, Canfor will participate in the improved business fundamentals for these pulp and paper mills, however, Canfor's primary focus will be the profitability and growth of the wood products business. We see significant opportunities to improve, diversify and grow in wood products, both within our existing mills and through new markets."

Commenting on the shareholder value benefits of the Pulp Income Trust, Shepherd said, "There are several anticipated benefits to shareholders in addition to the enhanced strategic focus of Canfor going forward. The distribution of the Pulp Income Trust units to existing Canadian shareholders will be a non-taxable return of capital while US shareholders will be treated under US tax laws as having received a taxable dividend. The units will be publicly listed which will allow shareholders flexibility to manage their ownership position. The income trust structure appeals to income oriented investors. The Pulp Income Trust's assets produce a premium product and enjoy a highly competitive cost position, conducive to generating positive cash flow. The Pulp Income Trust is expected to payout to unitholders the majority of its distributable cash on a regular basis."

The Pulp Income Trust assets earned approximately \$60 million of earnings before interest, taxes, depreciation and amortization (EBITDA) in 2005. The Pulp Income Trust's earnings going forward will be enhanced by lower fibre costs and the recently completed cogeneration project. In July 2005, the Pulp Income Trust's mills revised the contracted price it pays for fibre to reflect a price more consistent with prices available on the open market. The Pulp Income Trust's EBITDA would have been approximately \$135 million had the full benefit of the lower chip prices and the full benefit of the cogeneration project been realized in 2005. Annual maintenance capital expenditure requirements for the Pulp Income Trust is estimated to be approximately \$30 million. The Pulp Income Trust is expected to have total debt of approximately \$125 to \$150 million. The Pulp Income Trust's cash available for distribution in 2005 is estimated to have been approximately \$95 million, including the benefits of the lower chip pricing and the cogeneration project. The Fund intends to distribute approximately 85% to 90% of its cash available for distribution to investors.

In connection with the transfer, the Pulp Income Trust will have a long-term fibre supply agreement under which Canfor will continue to provide the Pulp Income Trust with residual wood chips and hog fuel produced at its sawmills at market price. The Pulp Income Trust's mills are located in the central interior of British Columbia which has an abundant supply of fibre due to the large number of lumber production facilities in the region. In addition, over the short and medium-term, Canfor anticipates that there will be ample fibre available as a result of increased harvesting due to efforts to control a mountain pine beetle infestation.

Following completion of the transaction, Canfor will continue to be the largest producer of softwood lumber in Canada, with an annual production capability of approximately 4.7 billion board feet of lumber and 1.4 billion square feet of plywood and OSB. Canfor will also retain all of its forest tenures, under which it has approximately 11 million cubic metres of allowable annual cut.

Completion of the Pulp Income Trust is subject to a number of approvals, including approval by Canfor's shareholders and lenders and the Supreme Court of British Columbia, as well as receipt of a tax ruling confirming the expected treatment of the distribution of trust units as a return of capital to Canfor's shareholders. A special meeting of shareholders to approve the Pulp Income Trust is expected to occur in June 2006.

**A conference call to discuss the proposed Pulp Income Trust will be held in conjunction with the conference call to discuss Canfor's fourth quarter financial and operating results. This call will take place February 16, 2006 at 7:00am Pacific (10:00am Eastern). To participate in the call, please dial 604-678-9375 (Vancouver) or 1-866-898-9626 (Toll free North America). The call will be web cast live and will be available at [www.canfor.com](http://www.canfor.com).**

*Canfor is a leading integrated forest products company based in Vancouver, British Columbia. The company is the largest producer of softwood lumber and one of the largest producers of northern softwood kraft pulp in Canada. Canfor also produces kraft paper, plywood, remanufactured lumber products, oriented strand board (OSB), hardboard paneling and a range of specialized wood products, including baled fibre and fibre mat at facilities located in BC, Alberta and Quebec.*

*The Pulp Income Trust units have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirement of such Act.*

*Certain statements in this news release constitute "forward-looking statements which involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Words such as "expects," "anticipates," "intends," "plans," "will," "believes," "seeks," "estimates," "should," "may," "could" and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and actual events or results may differ materially. There are many factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements, including, but not limited to, prevailing conditions in the capital markets, the reaction of customers, suppliers or other third parties and the risk that the businesses of the two companies suffer due to uncertainty, our potential inability to successfully execute strategies or to achieve planned distribution of units, and the diversion of management's time on acquisition-related issues. Forward-looking statements are based on current expectations and the company assumes no obligation to update such information to reflect later events or developments, except as required by law.*

*This news release contains references to EBITDA (operating income before amortization), which Canfor considers to be an important indicator for identifying trends in the performance of each operating segment and of the Company's ability to generate funds to meet its debt repayment and capital expenditure requirements. EBITDA is not a generally accepted earnings measure and should not be considered as an alternative to net income or cash flows as determined in accordance with Canadian generally accepted accounting principles. As there is no standardized method of calculating EBITDA, Canfor's use of the term may not be directly comparable with similarly titled measures used by other companies.*

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The mills being placed in the Pulp Income Trust produce approximately one million air-dried metric tonnes (ADMT) of northern softwood kraft pulp and 135,000 tonnes of kraft paper annually. Pulp is produced at three mills: Northwood Pulp Mill ("Northwood"), Intercontinental Pulp Mill ("Intercontinental") and Prince George Pulp and Paper Mill ("PGP&P") and kraft paper is produced at PGP&P. The Mills are all located in Prince George, in the central interior of British Columbia.

The bleached pulp produced at the mills is used to make a variety of products including printing and writing paper, tissue and specialty papers and is delivered to customers in North America, Europe and Asia.

The pulp and paper produced is primarily from lodgepole pine and white spruce.

The mills are all ISO certified to 9001 and 14001 standards.

- **Northwood**, started in 1966, is a two-line pulp mill with annual production capacity of 570,500 ADMT of northern bleached softwood pulp ("NBSK"), making it one of the largest kraft pulp mills in North America. The mill has approximately 480 employees, of which, substantially all hourly employees are members of the Canadian Energy & Papermakers union ("CEP").
- **Intercontinental**, built in 1968, is a single line pulp mill with annual production capacity of 309,000 ADMT of NBSK pulp. The mill has approximately 270 employees, of which, substantially all hourly employees are members of the Pulp, Paper and Woodworkers of Canada union ("PPWC").
- **PGP&P**, built in 1966, is an integrated two-line pulp and paper mill with an annual production capacity of 153,000 ADMT of bleached, semi-bleached and non-bleached kraft pulp and 135,000 tonnes of kraft paper. PGP&P supplies pulp markets in North America, Europe and Asia as well as its internal paper making facilities. The paper mill is the largest producer of bleached kraft paper in North America and produces a wide range of both bleached and unbleached kraft paper, primarily for the North American and European markets for high performance packaging paper and specialty paper applications. The mill has approximately 380 employees, of which, substantially all hourly employees are members of the PPWC and CEP.