

LETTER OF INSTRUCTION

November 21, 2006

Dear registered Canfor Corporation shareholder:

This letter is sent to you in connection with the taxable dividend in kind (the "**Dividend in Kind**") by which Canfor Corporation ("**Canfor**") will distribute 1.49 Units of Canfor Pulp Income Fund for every 10 Canfor shares held. The Dividend in Kind will be paid on November 30, 2006 to registered Canfor shareholders as of November 15, 2006.

U.S. Shareholders

Due to applicable U.S. securities laws, shareholders of Canfor who are residents of the United States or otherwise considered "U.S. Persons" under such laws will not receive Fund Units pursuant to the Dividend in Kind except for those shareholders who are "Qualified Purchasers" as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, and who have certified to Canfor that they qualify as such. Instead, the Fund Units that each such U.S. Canfor shareholder would otherwise have received will be pooled and sold in the Canadian market on behalf of all such U.S. Canfor shareholders as soon as practicable following November 30, 2006, and each such U.S. Canfor shareholder will receive a cash payment (net of any applicable withholding taxes) representing such shareholder's pro rata interest in the net proceeds from the sale of such pooled Fund Units. Canfor will pay the fees and costs associated with such pooling and sale.

Fractional Fund Units

No fractional Fund Units will be distributed to Canfor shareholders pursuant to the Dividend in Kind. Any Canfor shareholder otherwise entitled to a fraction of a Fund Unit will instead receive a cash payment based on the average trading price of the Fund Units.

Registered Canfor Shareholders

Registration of interests in and transfers of Fund Units will be made only through participants (each a "**CDS participant**") in the Canadian Depository for Securities Limited, such as registered brokers and investment dealers. **If you are a registered Canfor shareholder, in order to receive Fund Units pursuant to the Dividend in Kind, you must designate a CDS participant through which you will hold your Fund Units and your designated CDS participant must contact CIBC Mellon to request the delivery of the Fund Units to which you are entitled.**

If you are a registered Canfor shareholder, in order to receive the Dividend in Kind, you must properly complete this Letter of Instruction, providing all of the information required in the three parts below, and deliver the completed Letter of Instruction by mail to CIBC Mellon at P.O. Box 1036, Adelaide Street Postal Station, Toronto, Ontario, M5C 2K4, by facsimile to CIBC Mellon at 416-643-3148, or by courier to CIBC Mellon at one of the following addresses:

in Toronto:
199 Bay Street, Commerce Court West
Securities Level
Toronto, Ontario
M5L 1G9

in Vancouver:
Suite 1600
1066 West Hastings Street
Vancouver, British Columbia
V6E 3X1

In addition to the information required below, if you have not yet submitted your old Canfor share certificate(s) with the Letter of Transmittal mailed to Canfor shareholders on May 9, 2006 in connection with the arrangement between Canfor and the Canfor Pulp Income Fund completed on July 1, 2006, you must do so in order to be eligible to receive the Dividend in Kind. Enclosed with this letter is a Letter of Transmittal for this purpose, should you require it. If you are in this situation, we recommend that you review Canfor's Management Information Circular dated April 28, 2006, which is available at www.sedar.com.

Thank you for your attention to this matter. If you have any questions, please contact CIBC Mellon at 1-800-387-0825, or by e-mail at inquiries@cibcmellon.com.

PLEASE COMPLETE THE FOLLOWING THREE PARTS:

PART I: NAME OF SHAREHOLDER

(Name) (Please Print)

(Street Address)

(City) (Province or State) (Postal or Zip Code)

(Telephone - Business Hours)

(Social Insurance or Social Security Number)

PART II: CDS PARTICIPANT FOR FUND UNITS (Broker or Investment Dealer)

The Fund Units will be held through the CDS Participant indicated below:

(Name of CDS Participant) (Please Print)

(Contact Name) (Please Print)

(Street Address)

(City) (Province or State) (Postal or Zip Code)

(Telephone - Business Hours)

(CUID of CDS participant)

PART III: INFORMATION REGARDING RESIDENCE OF CANFOR SHAREHOLDERS

The undersigned represents that he, she or it:

is not a Non-Resident of Canada for tax purposes

OR

is a Non-Resident of Canada for tax purposes

For shareholders that are Non-Residents of Canada, indicate country of residence:

DATED _____, 2006

Signature of Holder or Authorized Representative

(Signature of any Joint Holder)

Name of Shareholder (Please Print)

(Name of Authorized Representative)(Please print)