

FORM 51-102F3
MATERIAL CHANGE REPORT

1. Name and Address of Company

Canfor Pulp Products Inc.
230 - 1700 West 75th Avenue
Vancouver, British Columbia
V6P 6G2

2. Date of Material Change

January 1, 2011.

3. News Release

The press release issued by Canfor Pulp Products Inc. ("CPPI") and attached as Schedule "A" to this Material Change Report was disseminated via Marketwire on January 4, 2011.

4 Summary of Material Change

On January 4 2011, CPPI announced that Canfor Pulp Income Fund's (the "Fund") previously announced plan of arrangement (the "Arrangement") providing for the conversion of the Fund into a dividend paying public corporation named "Canfor Pulp Products Inc." has been completed, effective January 1, 2011.

5. Full Description of Material Change

The previously announced Arrangement providing for the conversion of the Fund into a dividend paying public corporation named "Canfor Pulp Products Inc." has been completed, effective January 1, 2011.

A full description of the material change is provided in the press release annexed hereto as Schedule "A".

6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

This report is not being filed on a confidential basis.

7. Omitted Information

Not applicable.

8. Executive Officer

Terry Hodgins, Chief Financial Officer and Secretary
Telephone: (604) 661-5421
Terry.Hodgins@canforpulp.com

9. Date of Report

January 4, 2011.

Schedule "A"

Press Release

Please see attached.

January 4, 2011

Canfor Pulp Income Fund Completes Plan of Arrangement

Vancouver, B.C. – Canfor Pulp Products Inc. (TSX:CFX) announced today that the previously announced plan of arrangement (the "Arrangement") approved by unitholders in April 2010 providing for the conversion of Canfor Pulp Income Fund (the "Fund") into a dividend paying public corporation named "Canfor Pulp Products Inc." ("CPPI") has been completed, effective January 1, 2011. Under the Arrangement, unitholders of the Fund received, for each unit of the Fund held, one common share of CPPI (a "CPPI Share").

As the CPPI Shares are, and the Fund units were, uncertificated and trade in the "book entry" systems, no certificates for the CPPI Shares will be issued. Beneficial holders of Fund units do not need to take any action involving their Fund units in order to receive CPPI Shares to which they are entitled under the Arrangement. Unitholders whose Fund units are held through a broker, dealer, bank, trust company or other nominee may wish to contact their nominee with respect to the exchange of their Fund units for CPPI Shares.

The CPPI Shares are expected to commence trading on the Toronto Stock Exchange under the symbol "CFX" on or about January 6, 2011, at which time the Fund units will be delisted from the Toronto Stock Exchange. The Fund was wound-up on January 1, 2011 following completion of the Arrangement and, accordingly, ceased to be a reporting issuer in all provinces and territories of Canada in which it was a reporting issuer or the equivalent thereof.

Under applicable U.S. securities laws, CPPI cannot distribute CPPI Shares to certain holders of Units who were U.S. residents. In order to determine which unitholders were not qualified to receive CPPI Shares, CPPI sent an inquiry through The Canadian Depositary for Securities Limited ("CDS"), the sole registered unitholder of the Fund, to CDS participants (the brokers, dealers, bank, trust companies or other nominees through which unitholders hold their Fund units) seeking the required certification that their client unitholders either are not U.S. residents or, if they are, are qualified to receive CPPI Shares. Based on the responses received, CPPI Shares otherwise distributable under the Arrangement to non-qualified U.S. unitholders were issued to CIBC Mellon Trust Company as sale trustee and will be sold over the facilities of the Toronto Stock Exchange. Each non-qualified U.S. unitholder will receive a pro rata share of the cash proceeds from the sale of such CPPI Shares (less applicable expenses) in lieu of CPPI Shares.

CPPI has established a SEDAR profile at www.sedar.com and has filed all of the material documents relating to the legal structure of CPPI and its relationship with Canadian Forest Products Ltd. ("CFP") and Canfor Pulp Limited Partnership (the "Partnership") on SEDAR. As described in the information circular of the Fund dated March 16, 2010, the majority of these agreements have been amended to reflect the fact that CPPI now holds directly the 49.8% interest in the Partnership previously held indirectly by the Fund. In addition, the shareholders' agreement (the "Shareholders Agreement") relating to General Partner of the Partnership, Canfor Pulp Holding Inc. (the "General Partner"), has been amended in order to provide Canadian Forest Products Ltd. ("CFP") more flexibility in appointing persons who are not independent of CFP as directors of the General Partner. Reference is made to the full text of these agreements, which are available electronically at www.sedar.com.

Forward Looking Statements

Certain statements in this press 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. In particular, material forward-looking statements in this press release include the date that the CPPI Shares are expected to commence trading on the Toronto Stock Exchange, the time that the Fund units will be delisted from the Toronto Stock Exchange and the expectation that the amendments to certain agreements relating to the Partnership will not affect the business of the Partnership. In some instances, material assumptions are disclosed elsewhere in this press release in respect of forward-looking statements. Other risks and uncertainties are detailed from time to time in reports filed by the Fund and/or CPPI with the securities regulatory authorities in all of the provinces and territories of Canada to which recipients of this press release are referred to for additional information concerning the Fund, CPPI and the Partnership, their prospects and the Arrangement and uncertainties relating to the Fund, CPPI and the Partnership and their prospects and the Arrangement. Although we believe that the expectations reflected by the forward-looking statements presented in this press release are reasonable, these forward-looking statements are based on management's current expectations and beliefs and actual events or results may differ materially. New risk factors may arise from time to time and it is not possible for management to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual events and results, performance and achievements of the Fund, CPPI and the Partnership to be materially different from those contained in forward-looking statements. The forward-looking statements speak only as of the date on which such statement is made, are based on current information and expectations and the Fund, CPPI and the Partnership assume no obligation to update such information to reflect later events or developments, except as required by law.

About Canfor Pulp Income Fund

CPPI was created to acquire and hold an interest in the Canfor Pulp Limited Partnership (the "Partnership") in connection with the conversion of Canfor Pulp Income Fund to a corporation. CPPI holds a 49.8% interest in the Partnership with Canadian Forest Products Ltd. (a subsidiary of Canfor Corporation) holding the remaining 50.2% interest.

For more information about CPPI and the Partnership, please visit www.canforpulp.com.

For further information:

Terry Hodgins
Chief Financial Officer and Secretary
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