



January 18, 2006

For Immediate Release

Canfor Acquires New South Companies Inc.

Vancouver, BC – Canfor Corporation (TSX:CFP) announced today that it has signed an agreement to acquire all the outstanding shares of New South Companies Inc. (“New South”) in a transaction valued at \$205 million (USD), which includes working capital of approximately \$55 million (USD). New South is headquartered in Myrtle Beach, South Carolina and operates three sawmills, two treating plants, a finger joint plant and a European lumber import business. All operations are located in North and South Carolina. The annual capacity of New South is 425 million board feet and its main product lines are southern yellow pine.

“Canfor is committed to a strategy of growing with its customers and increasing the volume of high margin products available to them,” said Canfor President and CEO, Jim Shepherd. “New South brings to the Canfor family top quartile sawmills producing high value lumber for our strategic customers throughout the south eastern United States. This transaction also provides access to high value European SPF lumber to be marketed throughout the US,” he said. “This is yet another step Canfor has taken to ensure that it remains the preferred partner to our customers.”

Commenting on the pending acquisition, New South CEO, Mack Singleton said “We are excited and looking forward to becoming part of the Canfor team. Canfor and New South have a mutual desire to continue to expand and further improve our current operations as well as look for opportunistic and synergistic expansion in the Southeast. We are confident the expertise and financial strength of Canfor will greatly benefit us in those strategies.”

New South generated total revenues and EBITDA of approximately \$500 million (US) and \$35 million (US) respectively in 2005. Its products are primarily sold throughout the southeastern United States. Canfor expects to capture annual synergies of approximately \$10 million (US).

The acquisition will be effected by a plan of merger requiring the approval of the holders of two-thirds of New South’s outstanding shares. The acquisition agreement provides for the payment of certain amounts to Canfor in the event that the transaction is not completed by New South for certain reasons. Shareholders of New South representing approximately 80% of the outstanding voting shares of New South have agreed to support the transaction. Other customary closing conditions will apply. The transaction is expected to close late in the first quarter.

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.

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. These statements include statements relating to the synergistic impact of the proposed acquisition and estimates as to the accretive impact of the acquisition. 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 our integration strategies or to achieve planned synergies 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.

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Note: Canfor President and CEO, Jim Shepherd, will be holding a conference call Thursday, January 19th at 8:00 AM PST to discuss the details of the transaction.

Dial in Number:

(800) 374-1207

New South Company Fact Sheet Attached

New South Companies Inc. Fact Sheet

www.newsouthinc.com

Primary Business:

- Producing and distributing SYP lumber, pressure treated lumber and specialty wood products
- Importer and distributor of European SPF

History:

- Founded in 1946
- Private company

Facilities/Businesses:

- 4 mills
 - Capacity : Lumber = 440 mmfbm; Treating = 120 mmfbm
 - Employees : 492
- Camden, SC
 - Capacity : Lumber = 165 mmfbm; Treating = 65 mmfbm
 - Employees : 181
 - Started in 1983, expansion in 1987 and treating plant added in 1988
 - Ranked #2 in Beck's survey
 - Operates on 2-shifts
- Conway, SC
 - Capacity : Lumber = 155 mmfbm; Treating = 55 mmfbm
 - Employees : 188
 - Started in 1957
 - Operates on 2-shifts
- Graham, NC
 - Capacity : Lumber = 105 mmfbm
 - Employees : 84
 - Acquired in 1999 (rebuilt in 1997)
 - Ranked: #1 in Beck's survey
- Marion, SC
 - Capacity : Finger-joint and specialty products = 16 mmfbm
 - Employees : 39
 - Acquired in 1993
- Treating facilities in Conway and Camden
 - 45% of supply from New South mills
- New South Express
 - Operate a fleet of 50 trucks that distributes lumber and treated wood
- International business
 - Imports European SPF, European OSB and European Glulam
 - Exports SYP lumber and treated lumber to Japan and China
 - 3 sale offices

Sales by Product (based on 2005):

- Importing business 46%; Lumber 36%, Wood treating 15% and Other 3%

Products:

- SYP lumber – dimension, boards, primes, finger-joint and DSS
- Treated lumber
- European SPF – studs, dimension, boards and finger-joint