



CATHAY FOREST PRODUCTS CORP.

TSX Venture Exchange Symbol: CFZ

NEWS RELEASE

CATHAY FOREST ANNOUNCES THIRD QUARTER FINANCIAL RESULTS

Toronto, Canada – February 7, 2011 – Cathay Forest Products Corp. today reported a net loss of \$0.5 million, or \$0.004 per share on sales of \$15 million for the three months ended September 30, 2010 and a net loss of \$2.2 million or \$0.016 per share, on sales of \$39 million for the first nine months of 2010. Included in revenue for the third quarter is a recognition of unearned revenue into revenue of \$2.2 million. This amount of unearned revenue had been accumulated in the accounts since the third quarter in 2009. As the transaction was never completed the amounts considered as deferred revenue and non-refundable were consequently recognized as revenue in this quarter. There also a significant increase in general expenses of \$0.6 million reflecting additional costs for consulting, legal, and additional salaries incurred during the quarter.

Delays in filing these financial statements were a direct result of management requiring time to work with its professional advisors to complete an investigation and the preparation of restated financial statements as noted below. The financial statements for the current period could not be issued until such time as the necessary restatements were completed.

Restatement

The Company also announces the restatement of the consolidated financial statements for the year ended December 31, 2009 and the interim consolidated financial statements for the three month periods ended September 30, 2009, March 31, 2010 and June 30, 2010. The restatements were required in order to properly reflect the nature of the transactions which had been previously recorded on the sale of poplar and bamboo in the third quarter of 2009. At the time of recording the transaction, a portion of the plantation assets were deemed to have been sold. As a result of non-performance of the sales agreements by the buyers and upon subsequent investigation, it was determined that under PRC law, the ownership of trees cannot be transferred until such time as the trees have been harvested. Management's investigation also determined that the buyers dissolved the companies used to enter into the sales agreements in August and September, 2010, respectively. These findings resulted in the need to restate several prior period

financial statements in order to meet the requirements of the CICA Handbook Section 3400. The effect for the reversal of the sales agreement also resulted in adjustments to asset and liabilities accounts, the details of which are noted in the notes to the financial statements.

(All financial figures in this release are expressed in Canadian dollars unless otherwise stated)

Financial Highlights

- Revenue increased 58% to \$15.2 million versus \$9.6 million
- Gross Profit margin increased to 21.1% versus 4.8%
- Gross Profit increased to \$3.2 million versus \$0.5 million

These results compare with previous periods in the following table:

(\$Cdn millions, except per share amounts)	Three months ended			Nine months ended		
	September-30			September-30		
	2010	2009	Change	2010	2009	Change
	(Restated)		(Restated)			
	(\$)	(\$)	(%)	(\$)	(\$)	(%)
Revenue	15.2	9.6	58%	39.0	30.8	27%
Gross Profit	3.2	0.5	-791%	5.5	0.9	508%
Gross Profit Margin	21.1%	4.8%	-537%	14.2%	3.0%	380%
Net Income (Loss)	(0.5)	(1.7)	71%	(2.2)	(4.9)	-56%
Basic and Diluted EPS	(0.004)	(0.015)	-73%	(0.016)	(0.005)	n/m
Cash Flow from Operating Activities	(0.6)	1.1	-153%	(8.5)	3.0	-384%

Operational Results

Revenue for Q3-2010 increased 59.5% to \$15.2 million from \$9.554 million in Q3-2009 and \$17.0 million in Q2-2010. The increase in revenue is primarily due an increase in the volume of logs imported from Russia into China.

The Company's Russian log sales volumes and prices continued to improve during the third quarter of 2010, particularly through Taicang Port (Shanghai). Average selling prices increased by 8%, on a quarter over quarter basis.

The gross profit margin for Q3-2010 was 21.1% versus 8.4% in Q2-2010 and 14.2% year-to-date.

Outlook

The higher demand for wood products in China continues unabated. According to **China Customs**, Chinese log imports for the first eight months of 2010 totaled 22.7 million cubic metres (m³), representing a year-over-year increase of 23.4%. The demand for lumber products

in China also continues to grow, with softwood lumber imports for the first nine months of 2010 up 128% to 10.4 million m³.

Russian log prices continue to firm, with larch prices up 2.5% in October versus the end of September, while spruce prices are up 2.0% over the same period.

“We consider the recent announcement by the Russian government to phase out export tariffs on raw materials, including timber, in order to join the WTO as a significant event. The final accession date is expected in 2011. Although the initial agreement was struck with the European Union, we expect China, already a WTO member, will push for a bilateral agreement with Russia”, stated John Duncanson, the company’s interim CEO and Chief Operating Officer.

About Cathay Forest Products Corp.

Cathay Forest is a forest products company that manages approximately 1,000,000 hectares of standing timber properties and fast-growth, high-yield poplar plantations in China and Russia. Cathay Forest has built a world-class forest products company through a customer base that includes the domestic Chinese forest product, pulp and paper industry and other wood products customers in Japan.

Forward Looking Statements

All statements, other than statements of historical fact, in this news release are forward-looking statements that involve various risk and uncertainties, including, without limitation, statements regarding the future plans and objectives of Cathay Forest. We caution readers not to place undue reliance on these statements as a number of important factors could cause actual results and future events to differ materially from the plans, objectives, expectations and intentions expressed in such forward-looking statements. Except as required under applicable securities laws, Cathay Forest assumes no obligations to update forward-looking statements should circumstances or management’s estimates or opinions change.

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy of this release.

The complete financial statements and Management’s Discussion and Analysis are posted on the company’s website www.cathayforest.com as well as on SEDAR www.sedar.com

For more information, please contact:

Luc Perron
Chief Financial Officer
Tel: (416) 226-7269
Email: luc.perron@cathayforest.com

John Duncanson
Interim Chief Executive Officer &
Chief Operating Officer
Tel: (416) 531-3680
Email: john.duncanson@cathayforest.com