

Form 51-102F3
Material Change Report

Item 1 Name and Address of Company

Canfor Corporation (“**Canfor**”)
100 - 1700 West 75th Avenue
Vancouver, BC V6P 6G2

Item 2 Date of Material Change

December 16, 2019

Item 3 News Release

A news release was issued by Canfor on December 16, 2019 via Cision (CNW Group).

Item 4 Summary of Material Change

On December 16, 2019, Canfor agreed with Great Pacific Capital Corp. (“**Great Pacific**”) and 1227738 B.C. Ltd. (the “**Purchaser**”), a wholly-owned subsidiary of Great Pacific, to terminate the previously announced arrangement agreement dated October 28, 2019 (the “**Arrangement Agreement**”) with respect to the proposed plan of arrangement (the “**Arrangement**”) of Canfor.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

On December 16, 2019, Canfor agreed with Great Pacific and the Purchaser to terminate the previously announced Arrangement Agreement.

Based on the Canfor shareholder votes cast by proxy prior to the December 16, 2019 proxy cutoff, the “majority of the minority” vote required to approve the Arrangement pursuant to Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*, would not be achieved. Approximately 45% of the votes cast by proxy by minority shareholders as at the proxy cutoff were in favour of the Arrangement.

The special meeting of Canfor shareholders, scheduled for Wednesday, December 18, 2019 at 9:00 a.m. (Vancouver time), was cancelled.

Pursuant to the Arrangement Agreement, the Purchaser will pay 50% of the actual reasonable out-of-pocket expenses incurred by Canfor in connection with the Arrangement from the date of the Arrangement Agreement to the date of termination. AST Trust Company (Canada), as depositary for the Arrangement, will be returning any physical share certificates that have been submitted by shareholders of Canfor in connection with the Arrangement forthwith in accordance with the instructions contained in the letters of transmittal.

Canfor plans to continue to diversify its business and pursue growth strategies in positioning itself for long-term success and sustainability.

5.2 Disclosure for Restructuring Transactions

Not Applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not Applicable.

Item 7 Omitted Information

Not Applicable.

Item 8 Executive Officer

David Calabrigo, QC, Senior Vice President, Corporate Development, Legal Affairs and Corporate Secretary
(604) 661-5241

Item 9 Date of Report

December 18, 2019.

Forward Looking Statements

Certain statements in this material change report 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 forward-looking statements include, among others, statements relating to: the cancellation of the special meeting of Canfor shareholders; the Purchaser’s repayment of 50% of Canfor’s reasonable out-of-pocket expenses incurred in connection with the Arrangement; and Canfor’s ongoing business strategies and objectives. Words such as “expects”, “anticipates”, “projects”, “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 current expectations and beliefs and actual events or results may differ materially.

Although Canfor believes that the forward-looking statements in this material change report are based on information and assumptions that are current, reasonable and complete, these statements are by their nature subject to a number of factors that could cause actual results to differ materially from management’s expectations and plans as set forth in such forward-looking statements, including, without limitation, the following factors, many of which are beyond Canfor’s control and the effects of which can be difficult to predict: the possibility of adverse reactions or changes in business relationships resulting from the announcement of termination of the Arrangement Agreement; risks relating to Canfor’s ability to retain and attract key personnel; changes in economic conditions, interest rates or commodity prices; risks and uncertainties relating to information management, technology, supply chain, product safety, changes in law, competition, seasonality, commodity price and business; and other risks inherent to Canfor’s business and/or factors beyond its control which could have a material adverse effect on Canfor.

Canfor cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. For more information on the risks, uncertainties and assumptions that could cause Canfor's actual results to differ from current expectations, please refer to the "Risks and Uncertainties" section of Canfor's Management's Discussion & Analysis for the year ended December 31, 2018, as well as Canfor's other public filings, available at www.sedar.com and at www.canfor.com.

The forward-looking statements contained in this material change report describe Canfor's expectations at the date of this report and, accordingly, are subject to change after such date. Except as may be required by applicable Canadian securities laws, Canfor does not undertake any obligation to update or revise any forward-looking statements contained in this material change report, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements.