2023

QUARTER ONE

FINANCIAL STATEMENTS

CANFOR CORPORATION

Canfor Corporation
Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)		**As at March 31, 2023**		As at December 31, 2022
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**949.8**	$	1,268.7
Trade receivables		**413.1**		336.0
Other receivables		**112.3**		87.3
Income taxes recoverable		**91.7**		54.2
Inventories (Note 3)		**1,257.6**		1,180.7
Prepaid expenses and other		**179.7**		138.0
Total current assets		**3,004.2**		3,064.9
Property, plant and equipment		**2,203.8**		2,219.1
Right-of-use assets		**104.7**		99.1
Timber licenses		**355.0**		357.8
Goodwill and other intangible assets		**530.9**		532.1
Long-term investments and other (Note 4)		**456.3**		466.2
Total assets	**$**	**6,654.9**	$	6,739.2
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**782.6**	$	678.7
Operating loans (Note 5(a))		**21.9**		27.8
Current portion of deferred reforestation obligations		**60.4**		60.4
Current portion of term debt (Note 5(b))		**45.3**		45.3
Current portion of lease obligations		**26.7**		26.2
Income taxes payable		**0.9**		45.2
Total current liabilities		**937.8**		883.6
Term debt (Note 5(b))		**213.6**		213.6
Retirement benefit obligations (Note 6)		**150.6**		158.3
Lease obligations		**84.7**		79.5
Deferred reforestation obligations		**64.4**		43.8
Other long-term liabilities		**29.8**		32.0
Put liability (Note 7)		**177.7**		172.7
Deferred income taxes, net		**376.7**		392.9
Total liabilities	**$**	**2,035.3**	$	1,976.4
EQUITY				
Share capital	**$**	**951.9**	$	955.1
Contributed surplus and other equity		**(161.9)**		(157.7)
Retained earnings		**3,202.2**		3,341.5
Accumulated other comprehensive income		**86.8**		82.6
Total equity attributable to equity shareholders of the Company		**4,079.0**		4,221.5
Non-controlling interests		**540.6**		541.3
Total equity	**$**	**4,619.6**	$	4,762.8
Total liabilities and equity	**$**	**6,654.9**	$	6,739.2

Subsequent Event (Note 5)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

APPROVED BY THE BOARD

"R.S. Smith" *"The Hon. J.R. Baird"*

Director, R.S. Smith Director, The Hon. J.R. Baird

Canfor Corporation
Condensed Consolidated Statements of Income (Loss)

(millions of Canadian dollars, except per share data, unaudited)		3 months ended March 31, **2023**		2022
Sales	**$**	**1,385.4**	$	2,213.9
Costs and expenses				
Manufacturing and product costs		**1,237.8**		1,113.4
Freight and other distribution costs		**166.0**		190.5
Countervailing and anti-dumping duty expense, net (Note 12)		**29.2**		37.9
Amortization		**102.8**		88.8
Selling and administration costs		**44.4**		41.4
Restructuring costs (Note 13)		**13.7**		-
		1,593.9		1,472.0
Operating income (loss)		**(208.5)**		741.9
Finance income (expense), net		**3.0**		(4.3)
Foreign exchange gain on term debt		**0.5**		3.5
Foreign exchange loss on duties recoverable, net		**-**		(3.0)
Gain on derivative financial instruments (Note 7)		**3.5**		2.8
Other income, net		**4.7**		5.9
Net income (loss) before income taxes		**(196.8)**		746.8
Income tax recovery (expense) (Note 8)		**53.2**		(176.3)
Net income (loss)	**$**	**(143.6)**	$	570.5
Net income (loss) attributable to:				
Equity shareholders of the Company	**$**	**(142.0)**	$	534.0
Non-controlling interests		**(1.6)**		36.5
Net income (loss)	**$**	**(143.6)**	$	570.5
Net income (loss) per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 9)	**$**	**(1.17)**	$	4.29

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Canfor Corporation
Condensed Consolidated Statements of Other Comprehensive Income (Loss)

(millions of Canadian dollars, unaudited)		3 months ended March 31, **2023**		2022
Net income (loss)	**$**	**(143.6)**	$	570.5
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to net income (loss):				
Defined benefit plan actuarial gains, net (Note 6)		**13.1**		34.0
Income tax expense on defined benefit plan actuarial gains, net (Note 8)		**(3.5)**		(9.2)
		9.6		24.8
Items that may be reclassified subsequently to net income (loss):				
Foreign exchange translation of foreign operations, net of tax		**4.2**		(65.9)
Other comprehensive income (loss), net of tax		**13.8**		(41.1)
Total comprehensive income (loss)	**$**	**(129.8)**	$	529.4
Total comprehensive income (loss) attributable to:				
Equity shareholders of the Company	**$**	**(129.1)**	$	489.7
Non-controlling interests		**(0.7)**		39.7
Total comprehensive income (loss)	**$**	**(129.8)**	$	529.4

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Canfor Corporation
Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended March 31, **2023**	2022
Share capital		
Balance at beginning of period	**$ 955.1**	$ 982.2
Share purchases (Note 9)	**(3.2)**	(2.1)
Balance at end of period	**$ 951.9**	$ 980.1
Contributed surplus and other equity		
Balance at beginning of period	**$ (157.7)**	$ (130.9)
Put liability (Note 7)	**(4.2)**	3.9
Balance at end of period	**$ (161.9)**	$ (127.0)
Retained earnings		
Balance at beginning of period	**$ 3,341.5**	$ 2,586.8
Net income (loss) attributable to equity shareholders of the Company	**(142.0)**	534.0
Defined benefit plan actuarial gains, net of tax	**8.7**	21.6
Share purchases (Note 9)	**(6.0)**	(5.2)
Balance at end of period	**$ 3,202.2**	$ 3,137.2
Accumulated other comprehensive income (loss)		
Balance at beginning of period	**$ 82.6**	$ 45.9
Foreign exchange translation of foreign operations, net of tax	**4.2**	(65.9)
Balance at end of period	**$ 86.8**	$ (20.0)
Total equity attributable to equity shareholders of the Company	**$ 4,079.0**	$ 3,970.3
Non-controlling interests		
Balance at beginning of period	**$ 541.3**	$ 525.1
Net income (loss) attributable to non-controlling interests	**(1.6)**	36.5
Defined benefit plan actuarial gains attributable to non-controlling interests, net of tax	**0.9**	3.2
Distributions to non-controlling interests	**-**	(0.2)
Balance at end of period	**$ 540.6**	$ 564.6
Total equity	**$ 4,619.6**	$ 4,534.9

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Canfor Corporation
Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended March 31, 2023	2022
Cash generated from (used in):		
Operating activities		
Net income (loss)	**$ (143.6)**	$ 570.5
Items not affecting cash:		
Amortization	**102.8**	88.8
Income tax (recovery) expense	**(53.2)**	176.3
Change in long-term portion of deferred reforestation obligations, net	**20.1**	17.8
Foreign exchange gain on term debt	**(0.5)**	(3.5)
Foreign exchange loss on duty deposits recoverable, net	**-**	3.0
Duties paid (greater) less than accruals (Note 12)	**19.4**	(50.7)
Changes in mark-to-market value of derivative financial instruments	**(2.3)**	(6.1)
Employee future benefits expense	**5.3**	2.0
Restructuring costs (Note 13)	**13.7**	-
Finance (income) expense, net	**(3.0)**	4.3
Other, net	**(1.7)**	1.1
Defined benefit plan contributions, net	**(3.4)**	(3.8)
Income taxes paid, net	**(57.2)**	(208.0)
	(103.6)	591.7
Net change in non-cash working capital (Note 10)	**(122.7)**	(287.7)
	(226.3)	304.0
Financing activities		
Operating loan drawings (repayments), net	**(6.0)**	3.8
Proceeds from (repayments of) term debt, net	**0.1**	(0.1)
Payments of lease obligations	**(7.7)**	(6.9)
Finance expenses paid	**(5.6)**	(3.4)
Share purchases (Note 9)	**(11.1)**	(5.7)
Cash distributions paid to non-controlling interests	**-**	(0.2)
	(30.3)	(12.5)
Investing activities		
Additions to property, plant and equipment and intangible assets, net	**(79.6)**	(95.6)
Acquisition of Millar Western	**-**	(418.1)
Interest income received	**9.3**	0.4
Other, net	**6.2**	(1.0)
	(64.1)	(514.3)
Foreign exchange gain (loss) on cash and cash equivalents	**1.8**	(24.6)
Decrease in cash and cash equivalents*	**(318.9)**	(247.4)
Cash and cash equivalents at beginning of period*	**1,268.7**	1,354.8
Cash and cash equivalents at end of period*	**$ 949.8**	$ 1,107.4

*Cash and cash equivalents include cash on hand less unpresented cheques.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*, and include the accounts of Canfor Corporation and its subsidiaries, hereinafter referred to as "Canfor" or "the Company." Significant subsidiaries include Canfor Southern Pine, Inc. ("CSP") and entities related to the acquisition of Millar Western Forest Products Ltd. ("Millar Western"), which are wholly owned, as well as Canfor Pulp Products Inc. ("CPPI") and the Vida Group ("Vida"), of which Canfor owned 54.8% and 70.0%, respectively, at March 31, 2023.

These financial statements do not include all of the disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. Additional disclosures relevant to the understanding of these financial statements, including the accounting policies applied, can be found in the Company's Annual Report for the year ended December 31, 2022, available at www.canfor.com or www.sedar.com.

These financial statements were authorized for issue by the Company's Board of Directors on May 2, 2023.

2. Seasonality of Operations

Canfor's financial results are impacted by seasonal factors such as weather and building activity. Adverse weather conditions such as forest fires, hurricanes and flooding, can cause logging curtailments which can affect the supply of raw materials to sawmills and pulp mills. Market demand also varies seasonally to some degree. Building activity and repair and renovation work, which affect demand for solid wood products, are generally stronger in the spring and fall months. Shipment volumes are affected by these factors as well as by global supply and demand conditions.

3. Inventories

(millions of Canadian dollars, unaudited)	**As at March 31, 2023**	As at December 31, 2022
Logs	**$ 380.8**	$ 305.3
Finished products	**699.5**	693.5
Residual fibre	**19.7**	27.0
Materials and supplies	**157.6**	154.9
	$ 1,257.6	$ 1,180.7

The above inventory balances are stated at the lower of cost and net realizable value. For the three months ended March 31, 2023, a $58.5 million inventory write-down expense was recognized for the lumber segment (three months ended March 31, 2022 – no inventory valuation adjustment). At March 31, 2023, an inventory provision of $154.2 million has been recognized for logs and lumber (December 31, 2022 – provision of $95.7 million).

For the three months ended March 31, 2023, a $3.6 million inventory write-down expense was recognized for the pulp and paper segment (three months ended March 31, 2022 – $1.1 million write-down recovery). At March 31, 2023, a provision for finished pulp, wood chips and logs of $6.0 million was recognized (December 31, 2022 – provision of $2.4 million related to logs).

4. Long-Term Investments and Other

(millions of Canadian dollars, unaudited)	**As at March 31, 2023**	As at December 31, 2022
Duty deposits recoverable, net (Note 12)	**$ 357.9**	$ 372.9
Other deposits, loans, advances and long-term assets	**42.8**	49.3
Other investments	**34.3**	33.4
Retirement benefit surplus	**10.9**	9.6
Deferred income taxes, net	**10.4**	1.0
	$ 456.3	$ 466.2

The duty deposits recoverable, net balance represents US-dollar countervailing duties ("CVD") and anti-dumping duties ("ADD") and duty cash deposits paid in excess of the calculated expense accrued at March 31, 2023, including interest receivable of $45.6 million (December 31, 2022 – $40.8 million) (Note 12).

5. Operating Loans and Term Debt

(a) Available Operating Loans

(millions of Canadian dollars, unaudited)		**As at March 31, 2023**		As at December 31, 2022
Canfor (excluding Vida and CPPI)				
Available operating loans:				
Operating loan facility	**$**	**775.0**	$	775.0
Revolving credit facility (US$150.0 million)		**203.0**		203.2
Facilities for letters of credit		**70.0**		70.0
Total operating loan facilities		**1,048.0**		1,048.2
Letters of credit covered under operating loan facility		**(2.7)**		(2.7)
Letters of credit covered under facilities for letters of credit		**(69.5)**		(66.3)
Total available operating loan facilities - Canfor	**$**	**975.8**	$	979.2
Vida				
Available operating loans:				
Operating loan facilities	**$**	**66.7**	$	66.4
Overdraft facilities		**45.3**		43.8
Total operating loan facilities		**112.0**		110.2
Operating loan facilities drawn		**(11.9)**		(12.8)
Total available operating loan facilities – Vida	**$**	**100.1**	$	97.4
CPPI				
Available operating loans:				
Operating loan facility	**$**	**110.0**	$	110.0
Letters of credit		**(13.0)**		(12.9)
Operating loan facility drawn		**(10.0)**		(15.0)
Total available operating loan facility – CPPI	**$**	**87.0**	$	82.1
Consolidated:				
Total operating loan facilities	**$**	**1,270.0**	$	1,268.4
Total operating loan facilities drawn	**$**	**(21.9)**	$	(27.8)
Total letters of credit	**$**	**(85.2)**	$	(81.9)
Total available operating loan facilities	**$**	**1,162.9**	$	1,158.7

Interest is payable on Canfor and CPPI's committed operating and revolving loan facilities at floating rates based on the lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar floating rate, plus a margin that varies with Canfor and CPPI's debt to total capitalization ratios. Canfor's committed operating loan facility is repayable on October 27, 2026 and CPPI's operating loan facility is repayable on November 1, 2026.

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates ranging from 4.7% to 5.9%. Vida also has separate overdraft facilities with fixed interest rates ranging from 4.5% to 5.9%.

Canfor and CPPI's operating loan facilities have certain financial covenants, including maximum debt to total capitalization ratios. Vida is also subject to certain financial covenants, including minimum equity and interest coverage ratios. As at March 31, 2023, Canfor, Vida and CPPI were fully in compliance with all covenants relating to their operating loan facilities. Substantially all borrowings of Vida and CPPI are non-recourse to other entities within the Company.

Subsequent to quarter-end, on May 2, 2023, CPPI converted its $50.0 million non-revolving term debt (Note 5(b)) into its existing $110.0 million committed operating loan facility, thereby increasing the principal amount of its existing committed operating facility to $160.0 million. In conjunction with this conversion, the maturity date of the committed operating loan facility was extended to May 2, 2027. The terms of the amended committed operating loan facility are consistent with previous terms, such that interest is payable at floating rates that vary depending on the ratio of debt to capitalization and based on lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar floating rate, plus a margin.

(b) Term Debt

(millions of Canadian dollars, unaudited)		**As at March 31, 2023**		As at December 31, 2022
Canfor (excluding Vida and CPPI)				
US$50.0 million, floating interest, repayable on June 28, 2031	**$**	**67.7**	$	67.7
US$100.0 million, fixed interest of 4.4%, repayable in three equal tranches on October 2, 2023, 2024 and 2025		**135.3**		135.4
Other		**5.2**		5.2
Vida				
SEK 1.2 million, floating interest, repayable April 30, 2023		**0.2**		0.1
SEK 0.8 million, floating interest, repayable November 30, 2024		**0.1**		0.1
AUD$0.6 million, floating interest, repayable between April 23, 2024 and May 31, 2028		**0.4**		0.4
CPPI				
CAD $50.0 million, floating interest, repayable November 1, 2025		**50.0**		50.0
Term debt at end of period	**$**	**258.9**	$	258.9
Less: Current portion		**(45.3)**		(45.3)
Long-term portion	**$**	**213.6**	$	213.6

Canfor's and CPPI's term debt (excluding Vida) is unsecured. Vida's term debt is secured by its property, plant and equipment. Canfor's and CPPI's borrowings (excluding Vida) are subject to certain financial covenants, including a maximum debt to total capitalization ratio. Vida's borrowings are subject to certain financial covenants, including minimum equity and interest coverage ratios. As at March 31, 2023, Canfor, Vida and CPPI were fully in compliance with all covenants relating to their term debt.

Subsequent to quarter-end, on May 2, 2023, CPPI secured a commitment to receive up to $80.0 million of non-revolving term debt to support CPPI's continued re-capitalization and re-investment in its facilities. This new non-revolving term debt has a maturity date of May 2, 2027, with interest payable at floating interest rates consistent with its operating loan facility. As at May 2, 2023 this non-revolving term debt remains undrawn.

Fair value of total term debt

At March 31, 2023, the fair value of the Company's term debt is $243.5 million (December 31, 2022 – $241.7 million), determined based on prevailing market rates for term debt with similar characteristics and risk profile.

6. Retirement Benefit Obligations

For the three months ended March 31, 2023, actuarial gains of $13.1 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations (comprised of defined benefit pension plans as well as other benefit plans), principally reflecting a higher than anticipated return on plan assets.

For the three months ended March 31, 2022, actuarial gains of $34.0 million (before tax) were recognized in other comprehensive income (loss), reflecting a 0.8% increase in the discount rate used to value the net defined benefit obligations, offset in part by a lower than anticipated return on plan assets.

The discount rate assumptions used to estimate the changes in net retirement benefit obligations were as follows:

	Defined Benefit Pension Plans	**Other Benefit Plans**
March 31, 2023	**4.8%**	**4.8%**
December 31, 2022	4.8%	4.8%
March 31, 2022	3.8%	3.8%
December 31, 2021	3.0%	3.0%

7. Financial Instruments

IFRS 13 *Fair Value Measurement* requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, directly or indirectly;

Level 3 – Inputs that are not based on observable market data.

The following table summarizes Canfor's financial instruments measured at fair value at March 31, 2023 and December 31, 2022, and shows the level within the fair value hierarchy in which the financial instruments have been classified:

(millions of Canadian dollars, unaudited)	Fair Value Hierarchy Level		**As at March 31, 2023**		As at December 31, 2022
Financial assets measured at fair value					
Investments	Level 1	**$**	**32.2**	$	31.7
Derivative financial instruments	Level 1		**4.3**		2.0
Duty deposits recoverable, net (Note 4)	Level 3		**357.9**		372.9
		$	**394.4**	$	406.6
Financial liabilities measured at fair value					
Put liability	Level 3	**$**	**177.7**	$	172.7
		$	**177.7**	$	172.7

The following table summarizes the gains (losses) on derivative financial instruments in the condensed consolidated interim statement of income (loss):

(millions of Canadian dollars, unaudited)		3 months ended March 31, **2023**		2022
Lumber futures	**$**	**3.6**	$	2.3
Foreign exchange forward contracts		**(0.1)**		0.5
Gain on derivative financial instruments	**$**	**3.5**	$	2.8

During the three months ended March 31, 2023, a loss of $4.2 million was recognized in 'Other Equity' on the Company's condensed consolidated interim balance sheet following remeasurement of the put liability (three months ended March 31, 2022 – gain of $3.9 million), primarily reflecting the passage of time. As a result of this remeasurement, combined with a foreign exchange loss of $0.8 million (three months ended March 31, 2022 – gain of $7.3 million), the balance of the put liability was $177.7 million at March 31, 2023 (December 31, 2022 – $172.7 million).

8. Income Taxes

The components of the Company's income tax recovery (expense) are as follows:

(millions of Canadian dollars, unaudited)		3 months ended March 31, **2023**		2022
Current	**$**	**23.7**	$	(176.5)
Deferred		**29.5**		0.2
Income tax recovery (expense)	**$**	**53.2**	$	(176.3)

The reconciliation of income taxes calculated at the statutory rate to the actual income tax provision is as follows:

(millions of Canadian dollars, unaudited)		3 months ended March 31, **2023**		2022
Income tax recovery (expense) at statutory rate of 27.0% (2022 – 27.0%)	**$**	**53.1**	$	(201.6)
Add:				
Non-taxable income related to non-controlling interests		**(0.2)**		-
Entities with different income tax rates and other tax adjustments		**1.3**		24.9
Permanent difference from capital gains and losses and other non-deductible items		**(1.0)**		0.4
Income tax recovery (expense)	**$**	**53.2**	$	(176.3)

In addition to the amounts recorded to net income (loss), a tax expense of $3.5 million was recorded to other comprehensive income (loss) in relation to actuarial gains, net, on the defined benefit plans for the three months ended March 31, 2023 (three months ended March 31, 2022 – $9.2 million).

9. Earnings (Loss) Per Common Share and Normal Course Issuer Bid

Basic net income (loss) per common share is calculated by dividing the net income (loss) attributable to common equity shareholders by the weighted average number of common shares outstanding during the period.

	3 months ended March 31, 2023	2022
Weighted average number of common shares	**120,986,093**	124,476,151

On March 17, 2023, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 6,052,978 common shares, or approximately 5% of its issued and outstanding common shares as at March 14, 2023. The renewed normal course issuer bid is set to expire on March 20, 2024.

During the three months ended March 31, 2023, the Company purchased 407,800 common shares for $9.2 million (an average of $22.56 per common share), of which $8.6 million was paid during the quarter. An additional $2.5 million was paid during the three months ended March 31, 2023, in relation to shares purchased in the prior quarter.

As at March 31, 2023 and May 2, 2023, based on the trade date, there were 120,651,779 common shares of the Company outstanding and Canfor's ownership interest in CPPI and Vida was 54.8% and 70.0%, respectively.

10. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended March 31, 2023	2022
Trade and other receivables	**$ (99.2)**	$ (170.5)
Inventories	**(75.9)**	(199.6)
Prepaid expenses and other	**(38.9)**	(1.9)
Accounts payable and accrued liabilities and current portion of deferred reforestation obligations	**91.3**	84.3
Net change in non-cash working capital	**$ (122.7)**	$ (287.7)

11. Segment Information

Canfor has two reportable segments (lumber segment and pulp and paper segment), which offer different products and are managed separately because they require different production processes and marketing strategies.

Sales between segments are accounted for at prices that approximate fair value. These include sales of residual fibre from the lumber segment to the pulp and paper segment for use in the pulp production process.

(millions of Canadian dollars, unaudited)	Lumber	Pulp & Paper	Unallocated & Other	Elimination Adjustment	Consolidated
3 months ended March 31, 2023					
Sales from contracts with customers	**$ 1,142.1**	**$ 243.3**	**$ -**	**$ -**	**$ 1,385.4**
Sales to other segments	**44.4**	**-**	**-**	**(44.4)**	**-**
Operating loss	**(169.7)**	**(25.2)**	**(13.6)**	**-**	**(208.5)**
Amortization	**77.5**	**24.6**	**0.7**	**-**	**102.8**
Capital expenditures[1,2]	**63.9**	**12.0**	**3.7**	**-**	**79.6**
Total assets	**4,404.8**	**736.1**	**1,514.0**	**-**	**6,654.9**
3 months ended March 31, 2022					
Sales from contracts with customers	$ 1,993.7	$ 220.2	$ -	$ -	$ 2,213.9
Sales to other segments	37.4	0.1	-	(37.5)	-
Operating income (loss)	783.0	(26.0)	(15.1)	-	741.9
Amortization	68.3	20.1	0.4	-	88.8
Capital expenditures[1]	76.1	18.4	1.1	-	95.6
Total assets	4,537.5	814.4	1,463.0	-	6,814.9

[1]Capital expenditures represent cash paid for capital assets during the periods, excluding assets purchased as part of acquisitions.
[2]Pulp & Paper includes capital expenditures by CPPI that were partially financed by government grants.

Geographic information

Canfor operates manufacturing facilities in Canada, the US and Europe. Canfor's products are marketed worldwide, with sales made to customers in a number of different countries. In presenting information on the basis of geographical location, sales are based on the geographical location of customers.

(millions of Canadian dollars, unaudited)			3 months ended March 31, **2023**			3 months ended March 31, 2022
Sales by location of customer						
Canada	**12%**	**$**	**170.6**	10%	$	220.3
United States	**49%**		**681.5**	60%		1,341.0
Europe	**21%**		**288.9**	16%		353.1
Asia	**15%**		**208.6**	12%		257.0
Other	**3%**		**35.8**	2%		42.5
	100%	**$**	**1,385.4**	100%	$	2,213.9

12. Countervailing and Anti-Dumping Duties

In 2016, a petition was filed by the US Lumber Coalition to the US Department of Commerce ("DOC") and the US International Trade Commission ("ITC") alleging certain subsidies and administered fees below the fair market value of timber that favour Canadian lumber producers. Canfor was selected by the DOC as a "mandatory respondent" to the countervailing and anti-dumping investigations and is subject to company specific CVD and ADD rates. As a result of the DOC's investigation, CVD and ADD were imposed on the Company's Canadian lumber exports to the United States beginning in 2017. As at March 31, 2023, Canfor has paid cumulative cash deposits of $897.7 million.

Canfor and other Canadian forest product companies, the Federal Government and Canadian Provincial Governments continue to categorically deny the US allegations and strongly disagree with the current countervailing and anti-dumping determinations made by the DOC. Canada has proceeded with legal challenges under the United States-Mexico-Canada Agreement and through the World Trade Organization, where Canadian litigation has proven successful in the past.

On January 1, 2023, the Company moved into the sixth period of review ("POR6"), which is based on sales and cost data in 2023. Consistent with prior periods of review, the Company was unable to estimate an applicable CVD rate separate from the DOC's cash deposit rate. As a result, CVD was expensed at a rate of 0.95% for the three months ended March 31, 2023, while ADD was expensed at an estimated rate of 20.00%. Despite cash deposits being made in 2023 at rates determined by the DOC, the final liability associated with duties is not determined until the completion of administrative reviews performed by the DOC.

Also in January 2023, the DOC announced the preliminary results for the fourth period of review ("POR4"), which is based on sales and cost data in 2021. The Company's preliminary CVD and ADD rate for 2021 was determined to be 2.04% and 5.25%, respectively. Upon finalization of these rates (anticipated in the third quarter of 2023), a recovery, estimated at $10.9 million (US$8.8 million), will be recognized in the Company's condensed consolidated interim financial statements to reflect the difference between the combined accrual rate of 9.63% between January and November 2021 and 9.42% for December 2021, and the DOC rate for POR4 (currently estimated to be 7.29% based on the preliminary determination).

In addition, upon finalization of these rates, the Company's current combined cash deposit rate of 5.87% will be reset to the final rates as determined in POR4 (7.29% based on the preliminary determination). This new cash deposit rate will apply to the Company's Canadian lumber shipments, destined to the United States until completion of the administrative review for the fifth period of review ("POR5") (anticipated in 2024). Despite the reduced preliminary rates for POR4, no cash duties will be refunded to the Company until such time as the litigation regarding the imposition of CVD and ADD has been settled.

Summary

For accounting purposes, a net duty recoverable of $357.9 million is included on the Company's condensed consolidated interim balance sheet (Note 4) reflecting differences between the cash deposit rates and the Company's combined accrual rates for each period of review, including interest. For the three months ended March 31, 2023, the Company recorded a net duty expense of $29.2 million, comprised of the following:

(millions of Canadian dollars, unaudited)		3 months ended March 31, **2023**
Cash deposits paid	**$**	**9.8**
Duty expense attributable to POR6 – combined CVD and ADD[3]		**19.4**
Duty expense, net	**$**	**29.2**

[3]Reflects Canfor's combined accrual rate of 20.95% compared to the DOC's deposit rate of 5.87% for POR6.

Canfor will continue to reassess the ADD accrual estimate at each quarter-end, applying the DOC's methodology to updated sales and cost data as this becomes available. Quarterly revisions to the ADD rate may result in a material adjustment to the condensed consolidated interim statement of income (loss) while the Administrative Reviews are taking place. Changes to the DOC's existing CVD and ADD rates during the course of each administrative review may also result in material adjustments to the condensed consolidated interim statement of income (loss).

13. Restructuring Costs

In January 2023, the Company announced the decision to permanently close the Chetwynd sawmill and pellet plant and temporarily closed its Houston sawmill for an extended period to facilitate a potential major redevelopment on the site. Also in January 2023, CPPI announced the decision to permanently close the pulp line at its Prince George Pulp and Paper mill. In connection with these closures, the Company has recognized restructuring costs of $13.7 million during the three months ended March 31, 2023.