CANFOR

Annual Report.

2024

Canfor Corporation

In this report.

Message to Shareholders.

From the President & CEO

The past year has been one of transition for Canfor.

On the operational front, we closed multiple facilities in our North American business while also continuing to invest organically and through acquisition—significantly reshaping our global operating platform. 2024 also marked a leadership transition with the retirement of Don Kayne, our President and CEO for the last 14 years, whose vision and unwavering commitment helped shape our company over more than four decades.

Navigating an evolving landscape

Fortunately, the forest sector has long been defined by its ability to navigate through challenge and change and 2024 was no exception. Market volatility, escalating fibre costs, geopolitical shifts and an increasingly unpredictable trade environment placed considerable pressure on our industry.

Across our business, we executed on our strategic priorities, adjusted our sales strategy, leveraged our global operating footprint and focused on operational excellence. In doing so, we have transformed the structure of our business which will help us navigate the waters ahead.

With higher softwood lumber duties coming into effect and continued challenges accessing enough economic fibre in British Columbia, we made difficult but necessary changes to our BC platform in 2024. The closure of three sawmills, one pellet plants, and one pulp line in BC were among the most challenging decisions in our company's history. While heartbreaking for our Company with its deep roots in the province, they were critical to ensuring Canfor's long-term viability.

Focus on optimizing our global operating platform

While the BC landscape remains challenging, we continued to identify opportunities to create additional value. In the Kootenay region, with its unique mix of spruce, pine, fir, and larch, we were able to advance higher-value products that are increasing in demand, particularly in Europe, where the embargo on Russian lumber has reshaped global supply chains.

We also strengthened our presence in Alberta by expanding our Canadian home centre programs, leveraging a more reliable timber supply, and prioritizing high-value products for customers.

In 2024, we completed new investments in our southern United States operations, which continue to provide stability and growth supported by access to a predictable supply of quality, cost-competitive fibre. In August, we completed the acquisition of a sawmill in El Dorado, Arkansas—an operation that complements our product portfolio in Arkansas, increases our southern yellow pine production and creates operational synergies with our neighbouring glulam plant.

In November, we commissioned our new, state-of-the-art sawmill in Axis, Alabama, replacing two aging operations in Jackson and Mobile, while enhancing efficiency and increasing our production capacity by approximately 20%. This year we also completed an extensive rebuild of our Urbana Sawmill in Arkansas—a two-year project completed without a single safety incident.

Finally, we continued to enhance our position in Sweden by acquiring an additional 7% ownership stake in Vida, demonstrating our ongoing commitment to this important business and the unique opportunities it offers.

Expanding beyond dimensional lumber

While dimensional lumber will remain the core of our business, we are continuing to explore new opportunities to further diversify and maximize value from our fibre supply. In addition to pursuing the valorization of residuals, we are strengthening our presence in the wood packaging sector and focusing on vertical integration to further enhance our business.

Investing in our people

Our people are at the core of everything we do, and we are committed to creating opportunities for growth, development, and long-term success. In 2024, we invested $1 million in a customized millwright and electrical training program in the US to build a skilled trades workforce for the future. Our new homegrown Industrial Leaders program saw 80% of our frontline supervisors complete an immersive training program. These efforts have led to a dramatic reduction in voluntary turnover, particularly within the first six months of employment, reflecting an enhanced working environment and progress in our selection, onboarding, and orientation processes.

Positioned for the future

While the changes we made in the last year have not been easy, they have set us up to be more agile and resilient. With our focus on continuous improvement, combined with our strategic investments and operational discipline, we are positioned to navigate the uncertainty of the complex geopolitical environment we are facing while also capitalizing on the opportunities ahead.

As always, our success is built on the dedication of our employees, whose commitment drives our business forward. I want to express my sincere appreciation to them, and to our customers, shareholders, and partners for their continued trust and support. I would also like to thank our Board of Directors, whose leadership and counsel have been invaluable this year.

Susan Yurkovich
President and Chief Executive Officer

2024 Management's Discussion and Analysis.

This Management's Discussion and Analysis ("MD&A") provides a review of Canfor Corporation's ("Canfor" or "the Company") financial performance for the for the year ended December 31, 2024 relative to the year ended December 31, 2023, and the financial position of the Company at December 31, 2024. It should be read in conjunction with Canfor's Annual Information Form and its audited consolidated financial statements and accompanying notes for the years ended December 31, 2024 and 2023 (available at www.canfor.com). The financial information contained in this MD&A has been prepared in accordance with IFRS Accounting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises.

Throughout this discussion, reference is made to Operating Income (Loss) before Amortization, Asset Write-Downs and Impairments, Adjusted Operating Income (Loss) before Amortization and One-Time Items, Adjusted Operating Income (Loss) and Adjusted Operating Income (Loss) before One-Time Items, which Canfor considers to be a relevant indicator for measuring trends in the performance of each of its operating segments and the Company's ability to generate funds to meet its debt repayment and capital expenditure requirements. Reference is also made to Adjusted Shareholder Net Income (Loss) (calculated as Shareholder Net Income (Loss) less specific items affecting comparability with prior periods – for the full calculation, see reconciliation included in the section "Overview of Consolidated Results – 2024 Compared to 2023") and Adjusted Shareholder Net Income (Loss) per Share (calculated as Adjusted Shareholder Net Income (Loss) divided by the weighted average number of shares outstanding during the period). Operating Income (Loss) before Amortization, Asset Write-Downs and Impairments, Adjusted Operating Income (Loss) before Amortization and One-Time Items, Adjusted Operating Income (Loss), Adjusted Operating Income (Loss) before One-Time Items, Adjusted Shareholder Net Income (Loss) and Adjusted Shareholder Net Income (Loss) per Share are not generally accepted earnings measures under IFRS and should not be considered as an alternative to net income (loss) or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, Canfor's Operating Income (Loss) before Amortization, Asset Write-Downs and Impairments, Adjusted Operating Income (Loss) before Amortization and One-Time Items, Adjusted Operating Income (Loss), Adjusted Operating Income (Loss) before One-Time Items, Adjusted Shareholder Net Income (Loss), and Adjusted Shareholder Net Income (Loss) per Share may not be directly comparable with similarly titled measures used by other companies. Reconciliations of Operating Income (Loss) before Amortization, Asset Write-Downs and Impairments, Adjusted Operating Income (Loss) before Amortization and One-Time Items, Adjusted Operating Income (Loss), Adjusted Operating Income (Loss) before One-Time Items to Operating Income (Loss) and Adjusted Shareholder Net Income (Loss) to Net Income (Loss) reported in accordance with IFRS are included in the "Non-IFRS financial measures" section of this MD&A. Throughout this discussion, reference is made to the current quarter, which refers to the results for the fourth quarter of 2024.

Also in this MD&A, reference is made to net debt (cash), net debt (cash) to total capitalization and return on invested capital ("ROIC") which the Company considers to be relevant performance indicators that are not generally accepted under IFRS. Therefore, these indicators, defined herein, may not be directly comparable with similarly titled measures used by other companies. Refer to the "Non-IFRS financial measures" section of this MD&A for further details.

Factors that could impact future operations are also discussed. These factors may be influenced by known and unknown risks and uncertainties that could cause the actual results to be materially different from those stated in this discussion. Factors that could have a material impact on any future oriented statements made herein include, but are not limited to: general economic, market and business conditions; product selling prices; raw material and other operating costs; currency exchange rates; interest rates; changes in law and public policy; the outcome of labour and trade disputes; and opportunities available to or pursued by Canfor.

All financial references are in millions of Canadian dollars unless otherwise noted. Certain comparative amounts have been reclassified to conform to current presentation. The information in this report is as at March 6, 2025.

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", "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 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. Forward-looking statements are based on current expectations and Canfor assumes no obligation to update such information to reflect later events or developments, except as required by law.

2024 Highlights.

2024 was a challenging year for Canfor, as the weak global lumber market conditions experienced at the end of 2023 continued through most of the current year. Despite some periods of interest rate relief, ongoing inflationary pressures and general global economic uncertainty gave rise to persistent consumer affordability concerns and relatively muted global lumber demand. For Canfor, these subdued market conditions were combined with a continually constrained fibre supply environment, particularly in British Columbia ("BC"). As a result, for 2024 overall, Canfor reported an operating loss of $942.2 million, compared to an operating loss of $531.6 million in 2023.

In recent years, industry-wide rationalization in BC has removed approximately 5 billion board feet of annual Western Spruce/Pine/Fir ("Western SPF") production capacity, as a result of reductions in BC's annual allowable cut ("AAC"). The reduced AAC is a product of Mountain Pine Beetle ("MPB") infestation, losses resulting from wildfire events, as well as other pressures on BC's Timber Harvesting Land Base, including BC's old-growth forest deferrals and other BC Government policies and legislative initiatives. All of these factors have resulted in significant uncertainty for the forestry industry in BC.

Over the same period of time, the Company has taken a number of actions in response to these significant fibre constraints, including securing access to high-quality fibre, modifying manufacturing and harvesting operations to optimize the harvest of green, non-pine leading stands, as well as making rationalization decisions with respect to its BC operating footprint. Most notably, the Company permanently closed its Chetwynd sawmill and pellet plant in 2023, and in 2024, suspended its planned investment in its Houston sawmill and permanently closed its Polar and Plateau sawmills as well as its Fort St. John sawmill and pellet plant facility. Canfor Pulp Products Inc. ("CPPI") permanently closed the pulp line at its Prince George pulp and paper mill ("PG") in early 2023, and in 2024, indefinitely curtailed one production line at its Northwood Northern Bleached Softwood Kraft ("NBSK") pulp mill ("Northwood").

Recognizing these permanent closures as well as the ongoing challenges to the businesses posed by the lack of economically available fibre in BC, weak global lumber demand and increased export tariffs to the United States ("US"), the Company recorded asset write-downs and impairment charges in 2024 totaling $342.9 million, consisting of $131.9 million in the lumber segment and $211.0 million in the pulp and paper segment, as well as $76.7 million in restructuring-related costs over the same period.

In the US South, the Company acquired the El Dorado lumber manufacturing facility in Arkansas from Resolute Forest Products Inc., an affiliate of Domtar Corporation ("Resolute"), and completed the construction on two significant projects in Urbana, Arkansas, and Axis, Alabama in 2024. In addition, as part of the Company's strategy to optimize its footprint in Alabama, it also permanently closed its Jackson and Mobile sawmills. Lastly, in response to the weak lumber market conditions in the current year, especially for Southern Yellow Pine ("SYP"), the Company indefinitely curtailed one shift at its Darlington facility in South Carolina, and reduced operating hours at its Estill, South Carolina and Moultrie, Georgia locations.

After taking account of adjusting items, including the aforementioned $342.9 million in asset write-down and impairment charges, $76.7 million in restructuring costs, as well as other one-time items in 2024, as outlined in the 'Selected financial information and statistics, including adjusting and one-time items' table, the Company's adjusted operating loss was $466.6 million for the current year, compared to adjusted operating loss of $619.9 million for the prior year.

2024 Lumber Segment Highlights.

For the lumber segment, the operating loss for 2024 was $660.4 million, compared to the previous year's operating loss of $348.7 million. After taking account of adjustments and other one-time items, totaling $261.9 million, the adjusted operating loss for 2024 was $398.5 million compared to a similarly adjusted operating loss of $434.6 million in 2023.

Improved adjusted lumber segment results in 2024 were predominantly driven by the Company's Western Canadian operations, moderated to a degree, by a decline in results from the US South, and to a much lesser extent, Europe. In Western Canada, the uplift in results in the current year was primarily a result of a US$17 per Mfbm, or 4%, increase in the average North American Random Lengths Western SPF 2x4 #2&Btr price, combined with the benefit of the changes in the Company's operating footprint in BC, resulting from mill closures and curtailments over the last two years. Lower earnings in the US South in 2024 were principally tied to the 16% year-over-year decline in both the average SYP East 2x4 #2 and 2x6 #2 prices, combined with lower production and shipments as a result of mill closures and market-related downtime. While in Europe, results in the current year were largely impacted by the ongoing log supply constraints and rising fibre costs in the region.

North American lumber market conditions were under pressure for most of 2024, while lower interest rates year-over-year provided some relief, affordability concerns persisted, and when combined with broader general economic uncertainty, led to a decline in residential construction activity in the current year. In contrast, the repair and remodeling sector remained relatively stable year-over-year, principally supported by an aging housing stock across North America. Overall, weaker demand put downward pressure on North American benchmark lumber prices throughout most of 2024, especially SYP, which experienced a significant decline compared to 2023. In Western Canada, however, market-driven supply reductions, including temporary curtailments and permanent mill closures, led to periods of improved pricing, resulting in an overall increase in Western SPF prices compared to the previous year. Offshore lumber markets in Asia remained relatively weak throughout 2024, broadly consistent with 2023. While in Europe, lumber markets were relatively subdued in the current year, as affordability concerns continued to weigh on residential construction activity. This weak European demand was met with ongoing log supply constraints in the region, which resulted in periods of sawmill downtime throughout the year and resulted in a slight improvement in European lumber pricing year-over-year.

2024 Pulp and Paper Segment Highlights.

For the pulp and paper segment, 2024 was another challenging year, as relatively weak global pulp market fundamentals were combined with operational challenges driven by persistent shortages in the availability of economic fibre in northern BC. For 2024 overall, Canfor Pulp reported an operating loss of $226.5 million, compared to an operating loss of $127.5 million in 2023.

After taking account of adjusting items, including the aforementioned 2024 asset write-down and impairment charge, CPPI's adjusted operating loss was $15.5 million for the current year, compared to an adjusted operating loss of $129.9 million for the prior year. These results largely reflected moderately higher average NBSK pulp unit sales realizations, primarily driven by a 4% uplift in US-dollar NBSK pulp list prices to China, combined with a 1 cent, or 1%, weaker Canadian dollar. Operationally, current year results were impacted by reduced pulp production and shipments associated with the Northwood operational change that took effect in the latter part of the year. However, a moderate improvement in pulp unit manufacturing costs in the current year, principally associated with lower energy and maintenance spend, as well as a significant decline in fibre costs, largely correlated with a reduction in the volume of high-cost chips purchased and consumed following the closure of PG pulp mill in 2023, helped to mitigate the impact of the Northwood curtailment on CPPI's 2024 results.

While global pulp market conditions were relatively subdued early in 2024, market fundamentals experienced an uptick mid-year, as unplanned global supply disruptions led to positive pricing momentum, particularly from China. With the commencement of additional hardwood capacity, however, global pulp producer inventories climbed to well above the balanced range, and purchasing activity declined. As a result, prices to China, the world's largest consumer of softwood pulp, dropped from a high of US$825 per tonne in May to a low of US$750 per tonne in August. Later in the year, as global producer inventories began to reduce, global pulp pricing saw some modest upward momentum, with China pulp list prices finishing the year at US$770 per tonne. For the 2024 year as a whole, NBSK pulp list prices to China averaged US$774 per tonne, an increase of US$27 per tonne, or 4%, from the average price in 2023.

CPPI will continue to closely monitor the direct and indirect impacts associated with the constraints on economic fibre, especially in the near-term. If the availability of economically viable fibre within BC is further reduced, CPPI's production, shipments and cost structure will be further affected. These factors could impact CPPI's operating plan, liquidity, cash flows and the valuation of long-lived assets.

Company Overview.

Canfor is a global leader in manufacturing high-value, low-carbon forest products, including dimension and specialty lumber, engineered wood products, pulp and paper, wood pellets, and green energy. Headquartered in Vancouver, BC, Canfor produces renewable products from sustainably managed forests, at around 50 facilities across its diversified operating platform in Canada, the US, and Europe. The Company has a 77% interest in Vida AB ("Vida"), one of Sweden's largest sawmilling companies, and also owns a 54.8% interest in CPPI. As of December 31, 2024, Canfor employed 6,634 people, of which 799 were employed by CPPI.

Significant changes to the Company's business in 2024 and early in 2025 include the following:

- On February 7, 2024, CPPI announced the sale of its Taylor Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") mill site for $7.0 million. The transaction closed on March 15, 2024.
- On April 10, 2024, the Company announced that it will optimize its footprint in southern Alabama by permanently closing its Jackson facility (effective June 2024) and expanding production at its Fulton facility with a second shift. These steps, together with the construction of the greenfield sawmill in Axis, Alabama, will grow the Company's regional manufacturing platform by 100 million board feet of production capacity and consolidate operations at modern facilities that are positioned for the long-term.
- On May 1, 2024, the Company announced that it had entered into an agreement with Resolute Forest Products Inc., an affiliate of Domtar Corporation ("Resolute"), to purchase its El Dorado lumber manufacturing facility located in Union County, Arkansas. The facility, named internally as Iron Mountain after a nearby roadway, produces dimensional lumber and specialty wood products and is expected to increase Canfor's annual Southern Yellow Pine ("SYP") lumber capacity by 175 million board feet after an anticipated $67.5 million (US$50 million) of planned upgrades.
- On May 9, 2024, after a thorough analysis of the persistent shortage of economically available timber and challenging operating conditions in BC, the Company announced the permanent closure of its Polar sawmill in Bear Lake, BC, and the suspension of its planned reinvestment in Houston, BC. On the same date, CPPI announced the indefinite curtailment of one production line at its Northwood pulp mill effective August 2024, also due to the decline in availability of economic fibre in the northern BC region. The curtailment resulted in an annual reduction of approximately 300,000 tonnes of market kraft pulp.
- On August 9, 2024, the Company completed the sale of its Chetwynd sawmill lands and equipment to a third party for proceeds of $5.0 million

- On September 4, 2024, the Company announced the indefinite curtailment of one shift at its Darlington facility in South Carolina, and reduced operating hours at its Estill, South Carolina and Moultrie, Georgia locations due to persistent weak lumber markets. These changes reduced lumber production by approximately 215 million board feet on an annualized basis.
- Also, on September 4, 2024, the Company announced the permanent closure of its Plateau sawmill, as well as its Fort St. John sawmill and pellet plant facility located in northern BC, as a result of the persistent challenges accessing economic fibre in the region, ongoing financial losses, weak lumber markets and increased US tariffs. These closures will reduce Western SPF annual production by approximately 670 million board feet.
- On September 9, 2024, the Company completed its previously announced sale of its Mackenzie sawmill assets to Peak Mackenzie, and sale of the forest tenure in the Mackenzie region to the McLeod Lake Indian Band and Tsay Keh Dene Nation for total proceeds of $66.5 million.
- On September 27, 2024, the Company announced that it entered into an approximately $424.9 million (US$315.0 million) loan agreement with an affiliate of Farallon Capital Management, L.L.C. ("Farallon") and received all advances thereunder, totaling approximately $313.8 million (US$232.4 million). The loan is secured by certain accounts receivable related to countervailing ("CVD") and anti-dumping duties ("ADD") paid to the US government. The borrowings under the loan have terms of four and eight years, and each can be extended at the Company's option for two additional ten-year terms. The Company anticipates the repayment of the loan, including all interest and principal payments, will be met by refunds and interest receivable out of duty refunds from the US government.
- On December 10, 2024, the Company announced the acquisition of an additional 7% of the outstanding shares of Vida for total consideration of $118.3 million (SEK 916.6 million). The shares were acquired from certain minority shareholders who utilized their option privileges outlined in the February 2019 agreement, through which Canfor had initially purchased 70% of Vida. As a result of this transaction, Canfor's ownership in Vida increased from 70% to 77%.

Lumber.

As at December 31, 2024, Canfor's lumber operations had an annual production capacity of approximately 6.0 billion board feet. The majority of lumber produced by Canfor from its facilities is construction and high-value specialty grade dimension lumber that ranges in size from one by three inches to two by twelve inches and in lengths from six to twenty-six feet. A significant and increasing proportion of Canfor's lumber production is comprised of specialty products that command premium prices and high-value products, including Square Edge lumber for the North American market, J-grade lumber for the Japanese market, and machine stress rated ("MSR") lumber used in engineered applications such as roof trusses and floor joists. As a result of its acquisitions, Canfor has expanded its product offering to include high-value engineered wood products, higher-grade MSR lumber, premium one-inch boards, as well as an array of custom specialty products, including strength-rated trusses, beams, and tongue-and-groove timber.

Canfor's North American lumber operations also include one finger-joint plant, two glulam plants, a specialty facility, one whole log chipping plant, and a trucking division. Canfor's North American lumber business segment also includes a 60% interest in Houston Pellet Inc., which has an annual capacity of approximately 200,000 tonnes of wood pellets. Canfor's European lumber operation also includes its 77% interest in Vida's ten value-added facilities (including the manufacturing and selling of wood packaging, modular housing, industrial products and energy) as well as a treatment plant.

As at December 31, 2024, Canfor held approximately 8.4 million cubic metres of annual harvesting rights for its solid wood operations under various forest tenures located in the interior region of BC and northern Alberta and harvests logs from those tenures to supply its Western Canadian lumber operations. Any mill requirements shortfalls are made up of wood purchased from other tenure holders in those areas. The wood fibre requirements in the US and Europe are met through open market purchases, substantially from private timberland owners.

Canfor markets lumber products throughout North America and overseas through its sales offices in Canada, the US, Japan, South Korea, Sweden, the UK, Denmark, the Netherlands, and Australia. In addition to its production, Canfor also markets lumber produced externally to complement its product line. While a significant proportion of Canfor's products are sold to markets in the US, shipments into Europe have increased following the acquisition of Vida. In contrast, volumes to other offshore markets remain steady. The Company transports substantially all lumber shipped domestically (in the US, Canada, and Sweden) by truck and rail, while the vast majority of products sold offshore are transported by container ship and breakbulk.

Pulp and Paper.

During 2024, Canfor's pulp and paper segment was comprised of two NBSK pulp mills and one NBSK paper mill located in Prince George, BC, all of which are owned by CPPI. As at December 31, 2024, CPPI produces NBSK pulp and specialty paper. NBSK is primarily a bleached product, although unbleached and semi-bleached grades were also produced by CPPI.

As at December 31, 2024, CPPI had an annual production capacity of approximately 780,000 tonnes of northern softwood market kraft pulp (including 300,000 tonnes of annual production capacity that, effective August 2024, has been indefinitely curtailed), the majority of which is bleached to become NBSK pulp, and approximately 140,000 tonnes of kraft paper.

Canfor supplies CPPI with residual wood chips and hog fuel (principally bark) produced at certain, specified sawmills. Prices paid by CPPI for residual wood chips are based on a pricing formula that results in CPPI paying market prices for wood chips, subject to adjustments to the formula to reflect market conditions and other factors such as wood chip quality. CPPI also has fibre supply agreements with third parties to supplement its supply of wood chips and hog fuel.

Business Strategy.

Canfor's overall business strategy and purpose is to be a global leader in supplying high-value, low-carbon forest products, including dimension and specialty lumber, engineered wood products, pulp and paper, wood pellets, and green energy to high-value customers, accomplished by:

- Attaining world-class safety performance;
- Achieving top-quartile margin performance while producing high-value products and maximizing the value from all available fibre sources;
- Implementing a sustainability strategy aimed at helping to protect our planet, support our people and communities, and producing forest and pulp and paper products that are an important part of a low-carbon economy;
- Growing an enterprise-wide culture of innovation, inclusion, diversity, respect, and engagement by attracting, retaining, and developing our employees;
- Expanding geographical markets, increasing market share of value-added products, and building strong long-term partnerships with valued customers;
- Attaining world-class supply chain performance and providing excellence in customer service; and
- Focusing on an efficient allocation of capital and deployment of resources to sustain top-quartile operational performance, capitalizing on attractive growth opportunities.

Leadership Transition.

Effective January 1, 2025, Susan Yurkovich succeeded Don Kayne as President and Chief Executive Officer of Canfor and joined the Board of Directors for Canfor and CPPI.

Overview of Consolidated Results – 2024 compared to 2023.

Selected financial information and statistics, including adjusting and one-time items.

(millions of Canadian dollars, except for per share amounts)		2024		2023
Sales	**$**	**5,252.8**	$	5,426.6
Reported operating loss before amortization, asset write-down and impairment[7]	**$**	**(170.2)**	$	(111.2)
Reported operating loss	**$**	**(942.2)**	$	(531.6)
Asset write-down and impairment – lumber segment	**$**	**131.9**	$	-
Asset write-down and impairment – pulp and paper segment	**$**	**211.0**	$	-
Inventory write-down (recovery), net[2]	**$**	**(29.7)**	$	(57.2)
Adjusted operating loss[1]	**$**	**(629.0)**	$	(588.8)
One-time items – lumber segment[1]:	**$**		$	
Restructuring and closure costs[3]	**$**	**74.0**	$	12.2
Gain on sale of assets, net[4]	**$**	**(34.9)**	$	-
Duty expense (recovery) related to finalized rates[5]	**$**	**67.2**	$	(43.3)
Duty expense related to refined fair value measurement[6]	**$**	**53.4**	$	-
One-time items – corporate restructuring costs[1,3]	**$**	**2.7**	$	-
Adjusted operating loss before one-time items[1]	**$**	**(466.6)**	$	(619.9)
Amortization[7]	**$**	**429.1**	$	420.4
Adjusted operating loss before amortization and one-time items[1,7]	**$**	**(37.5)**	$	(199.5)
Net loss	**$**	**(736.2)**	$	(348.5)
Net loss attributable to equity shareholders of the Company	**$**	**(669.0)**	$	(326.1)
Net loss per share attributable to equity shareholders of the Company, basic and diluted	**$**	**(5.64)**	$	(2.71)
ROIC – Consolidated[1]		**(20.1)%**		(11.4)%
Average exchange rate (US$ per Cdn$1.00)[8]	**$**	**0.730**	$	0.741
Average exchange rate (SEK per Cdn$1.00)[8]	**$**	**7.715**	$	7.856

1. Adjusted operating loss as well as adjusting and one-time items and consolidated ROIC are non-IFRS financial measures. Refer to the "Non-IFRS financial measures" section for further details.

2. For the lumber segment, a $29.7 million net reversal of a previously recognized inventory write-down was recorded in 2024 (2023 – $54.8 million net reversal of a previously recognized inventory write-down). For the pulp and paper segment, no inventory valuation adjustment was recognized in 2024 (2023 – $2.4 million net reversal of a previously recognized inventory write-down).

3. Restructuring and closure costs of $76.7 million were recognized in 2024 ($74.0 million in the lumber segment and $2.7 million in the unallocated segment). These costs were largely related to the permanent closure in BC of the Polar and Plateau sawmills, as well as the Fort St. John sawmill and pellet plant and the temporary closure of the Houston sawmill. These costs also include the permanent closure of the Jackson and Mobile sawmills in the US South. (2023 – $12.2 million restructuring and closure costs were recognized in the lumber segment related to the permanent closure of Chetwynd sawmill and pellet plants and temporary closure Houston sawmill).

4. On September 9, 2024, the Company completed the sale of its remaining Mackenzie sawmill assets and associated forest tenure to the McLeod Lake Indian Band and Tsay Keh Dene Nation for total proceeds of $66.5 million. As a result of this transaction, as well as other asset sales in the year, a net gain on sale of $34.9 million was recognized in 2024.

5. A duty expense of $67.2 million (US$48.6 million) was recognized in 2024 following the finalization of CVD and ADD rates applicable to the fifth period of review ("POR5") (2023 - $43.3 million net duty recovery related to final rates for the fourth period of review ("POR4")).

6. In 2024, the Company refined its estimate of the fair value measurement of net duty deposits recoverable. In accordance with IFRS Accounting Standards, this change in accounting estimate was applied on a prospective basis.

7. Amortization includes amortization of certain capitalized major maintenance costs.

8. Source – Bank of Canada (monthly average rate for the period).

Selected cash flow information.

(millions of Canadian dollars)		2024		2023
Operating loss by segment:				
Lumber	$	(660.4)	$	(348.7)
Pulp and paper	$	(226.5)	$	(127.5)
Unallocated and other	$	(55.3)	$	(55.4)
Total operating loss	$	(942.2)	$	(531.6)
Add: Amortization[9]	$	429.1	$	420.4
Add: Asset write-downs and impairments	$	342.9	$	-
Total operating loss before amortization, asset write-downs and impairments	$	(170.2)	$	(111.2)
Add (deduct):				
Non-cash working capital movements, net	$	(3.5)	$	166.1
Defined benefit plan contributions, net	$	(11.5)	$	(24.2)
Income taxes received (paid), net	$	75.0	$	(33.8)
Duties paid less than accruals[10]	$	194.7	$	100.7
Other operating cash flows, net[11]	$	89.7	$	57.1
Cash from operating activities	$	174.2	$	154.7
Add (deduct):				
Capital additions, net	$	(527.1)	$	(587.0)
Proceeds from sale of property, plant and equipment and intangible assets	$	72.6	$	9.1
Proceeds from duty deposits loan	$	313.8	$	-
Conversion and changes in term debt, net	$	(45.0)	$	(96.1)
Acquisition of El Dorado sawmill	$	(100.6)	$	-
Partial acquisition of Vida non-controlling interest	$	(118.3)	$	-
Finance expenses paid	$	(34.8)	$	(33.6)
Share purchases	$	(9.0)	$	(44.3)
Purchase of long-term investments, net	$	(16.5)	$	(59.4)
Distributions paid to non-controlling interests, net	$	(65.4)	$	(62.3)
Foreign exchange gain (loss) on cash and cash equivalents	$	5.8	$	(6.7)
Other, net[11]	$	(14.0)	$	1.5
Change in cash / operating loans	$	(364.3)	$	(724.1)

9. Amortization includes amortization of certain capitalized major maintenance costs.
10. Adjusted to true-up ADD deposits to the Company's current accrual rates.
11. Further information on cash flows may be found in the Company's annual consolidated financial statements.

Analysis of specific items affecting comparability of net Income (loss).

After-tax impact, net of non-controlling interests (millions of Canadian dollars, except for per share amounts)		2024		2023
Shareholder net loss, as reported	$	(669.0)	$	(326.1)
Foreign exchange (gain) loss on term debt	$	3.5	$	(6.0)
Foreign exchange loss on duty deposits loan	$	21.3	$	-
Loss (gain) on derivative financial instruments	$	6.9	$	(3.7)
Asset write-downs and impairments	$	181.9	$	-
Net impact of above items	$	213.6	$	(9.7)
Adjusted shareholder net loss[12]	$	(455.4)	$	(335.8)
Shareholder net loss per share (EPS), as reported	$	(5.64)	$	(2.71)
Net impact of above items per share	$	1.80	$	(0.08)
Adjusted shareholder net loss per share[12]	$	(3.84)	$	(2.79)

12. Adjusted shareholder net loss is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

Operating Results By Business Segment – 2024 compared to 2023.

The following discussion of Canfor's operating results relates to the operating segments and the non-segmented items as per the Segment Information note in the Company's consolidated financial statements. Canfor's operations include the Lumber and Pulp and paper segments.

Lumber.

Selected financial information and statistics – Lumber.

(millions of Canadian dollars, unless otherwise noted)		2024		2023
Sales[14]	$	4,454.3	$	4,551.1
Reported operating loss[14]	$	(660.4)	$	(348.7)
Adjusting and one-time items[13]	$	261.9	$	(85.9)
Adjusted operating loss before one-time items[13]	$	(398.5)	$	(434.6)
Amortization	$	367.1	$	332.7
Adjusted operating loss before amortization and one-time items[13,14]	$	(31.4)	$	(101.9)
Capital expenditures (before acquisitions)	$	472.1	$	510.4
Average WSPF 2x4 #2&Btr lumber price in US$[15]	$	408	$	391
Average WSPF 2x4 #2&Btr lumber price in Cdn$[15,17]	$	559	$	528
Average SYP 2x4 #2 lumber price in US$[16]	$	394	$	468
Average SYP 2x4 #2 lumber price in Cdn$[16,17]	$	540	$	632
Average SYP 2x6 #2 lumber price in US$[16]	$	325	$	386
Average SYP 2x6 #2 lumber price in Cdn$[16,17]	$	445	$	521
US housing starts (thousand units SAAR)[18]		1,365		1,421
Production – WSPF lumber (MMfbm)[19]		1,874		2,071
Production – SYP lumber (MMfbm)[19]		1,683		1,727
Production – European lumber (MMfbm)[14,19]		1,391		1,319
Shipments – WSPF lumber (MMfbm)[20]		1,951		2,119
Shipments – SYP lumber (MMfbm)[20]		1,691		1,716
Shipments – European lumber (MMfbm)[20]		1,613		1,532

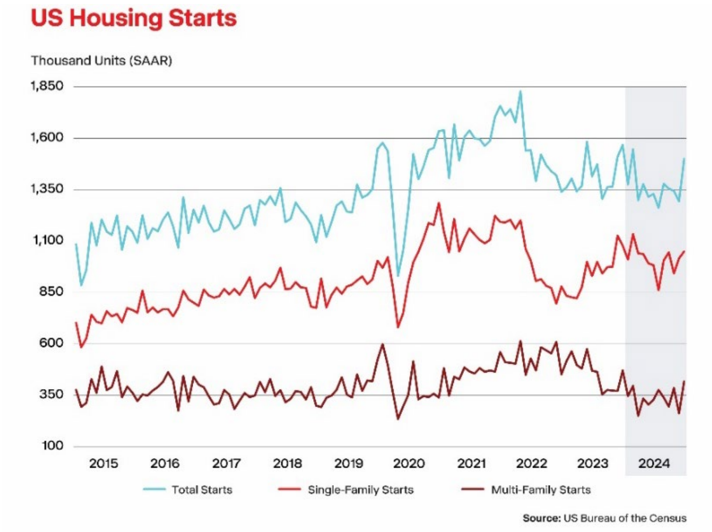
13. Adjusted operating loss as well as adjusting and one-time items referenced throughout this MD&A are defined as non-IFRS financial measures. Refer to the "Selected financial information and statistics, including adjusting and one-time items" and "Non-IFRS financial measures" section for further details.
14. 2024 includes sales of $1,440.5 million, operating income of $51.8 million, and operating income before amortization of $125.8 million from European operations (2023 – sales of $1,333.2 million, operating income of $80.3 million, and operating income before amortization of $149.1 million). Operating income from the European operations in 2024 includes $37.4 million (2023 – $36.7 million) in incremental amortization and other expenses driven by the purchase price allocation at the acquisition date. Sawmill production from European operations was 1,610 MMfbm in 2024 (2023 – 1,478 MMfbm).
15. Western Spruce/Pine/Fir, per thousand board feet (Source – Random Lengths Publications, Inc.).
16. Southern Yellow Pine, Eastside, per thousand board feet (Source – Random Lengths Publications, Inc.).
17. Average lumber prices in Cdn$ calculated as average price in US$ multiplied by the average exchange rate – Cdn$ per US$1.00 according to Bank of Canada monthly average for the period.
18. Source – US Census Bureau, seasonally adjusted annual rate ("SAAR").
19. Planer production, excluding production of trim blocks.
20. Includes Canfor produced lumber, as well as lumber purchased for resale, remanufacture and engineered wood, excluding trim blocks, wholesale shipments and lumber sold on behalf of third parties.

Markets.

As mentioned, the weak global lumber market conditions and pricing experienced at the end of 2023 persisted throughout most of 2024. In North American, while lower interest rates year-over-year provided some relief, affordability concerns persisted, and when combined with broader general economic uncertainty, led to a decline in residential construction activity in the current year. In contrast, the repair and remodeling sector remained relatively stable year-over-year, principally supported by an aging housing stock across North America. Overall, weaker demand put downward pressure on North American benchmark lumber prices throughout most of 2024, especially SYP, which experienced a significant decline compared to 2023. In Western Canada, however, market-driven supply reductions, including temporary curtailments and permanent mill closures, led to periods of improved pricing, resulting in an overall increase in Western SPF prices compared to the previous year.

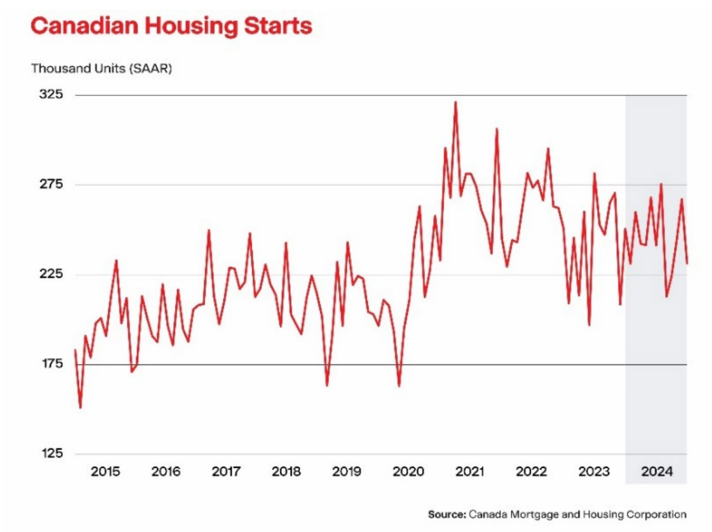
US housing starts, on a seasonally adjusted basis, averaged 1,365,000 units[21] in 2024, a decrease of 4% from 2023 (Chart 1). This decrease was primarily driven by multi-family starts, which averaged 405,000 units[21] in 2024, down 27% from the prior year, due to an accumulated surplus of multi-family homes under construction, particularly in the US South. In contrast, single-family starts, which consume approximately three times as much lumber as multi-family starts, averaged 1,010,000 units[21], up 6% from 2023.

Chart 1



In Canada, the housing market experienced similar trends compared to the prior year, with a seasonally adjusted annual rate of 245,000 units[22], up 1% from 2023 (Chart 2), with multi-family starts making up 74% of overall starts in 2024 (2023 – 75%).

Chart 2

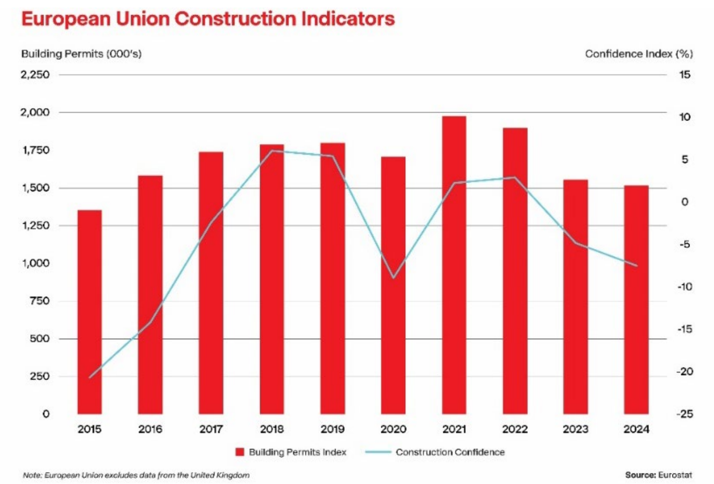


Offshore lumber markets in Asia remained relatively weak throughout 2024, broadly consistent with 2023. In China, demand remained at low levels primarily driven by a depressed real estate sector and limited impact from government stimulus measures implemented in the prior year. Pricing reflected this weak demand but saw some pockets of improvement as inventory levels fluctuated throughout the year. In Japan, demand improved modestly in the multi-family rental housing and non-residential sectors in 2024. These factors, along with an increased share of 2x4 housing construction, helped to mitigate the overall decline in the single-family sector, keeping prices in the region broadly in line with the previous year.

21. US Bureau of the Census
22. Canada Mortgage and Housing Corporation ("CMHC")

Europe's lumber markets were relatively subdued in 2024, with affordability concerns continuing to weigh on residential construction activity[23] (Chart 3). In the first half of the year, steady demand in the repair and remodeling sector led to a slight uptick in pricing, however, through the latter half of 2024, demand in this sector declined. For 2024 overall, weak European demand was met with ongoing log supply constraints in the region, which resulted in periods of sawmill downtime throughout the year. This supply pressure did, however, give rise to slight improvement in European lumber pricing year-over-year.

Chart 3



23. Eurostat

Sales.

Revenues for the lumber segment were $4.5 billion for 2024, down 2% from $4.6 billion in 2023. This decline was primarily driven by a 5% drop in North American shipments, most notably in Western Canada as a result of the permanent closures over the last two years, combined with a significant decline in SYP lumber benchmark pricing (Chart 4) during the current year. These factors were tempered, to a degree, by a moderate improvement in Western SPF lumber unit sales realizations year-over-year, coupled with a modest uptick in European lumber unit sales realizations.

Total lumber shipments were approximately 5.26 billion board feet for the year, down 2% from the 5.37 billion board feet shipped in the previous year, largely associated with a 3% decrease in production volumes over the same period, particularly in Western Canada.

The average North American Random Lengths Western SPF 2x4 #2&Btr price began the year at US$445 per Mfbm, experienced a slight price appreciation towards the end of the first quarter, then declined throughout most of the year before seeing an uptick in the fourth quarter, ending 2024 at US$438 per Mfbm. For the year overall, the Western SPF 2x4 #2&Btr price averaged US$408 per Mfbm, an increase of US$17 per Mfbm, or 4%, from 2023, with more pronounced increases experienced in most wider width Western SPF lumber products, as noted in the table below. As a result, the Company's Western SPF lumber unit sales realizations experienced a moderate increase compared to the prior year, largely reflecting the uplift in North American benchmark lumber pricing year-over-year, amplified, to a degree, by a 1 cent, or 1%, weaker Canadian dollar (versus the US-dollar).

(Average Western SPF US$ price, per thousand board feet)[24]		2024		2023		Change
2x4 #2&Btr	**$**	**408**	$	391	$	17
2x4 #3	**$**	**319**	$	318	$	1
2x6 #2&Btr	**$**	**441**	$	400	$	41
2x10 #2&Btr	**$**	**472**	$	404	$	68

24. Random Lengths Publications, Inc.

In 2024, the North American Random Lengths SYP East 2x4 #2 opened the year at US$470 per Mfbm and saw a gradual decline throughout the first half of the year. Despite a small uplift in pricing late summer to a peak of US$485 per Mfbm in October, the SYP East 2x4 #2 price declined through the latter part of the year, ending December at US$400 per Mfbm. For 2024 overall, the SYP East 2x4 #2 price averaged US$394 per Mfbm, down US$74 per Mfbm, or 16%, from 2023.

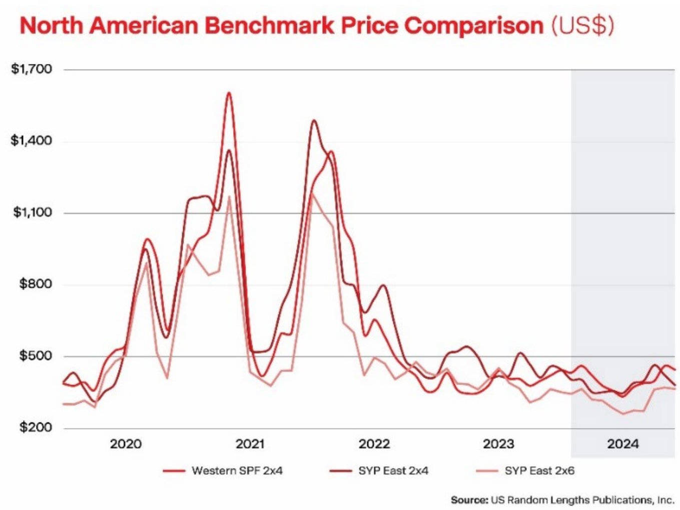
The North American Random Lengths SYP East 2x6 #2 and wider-width SYP lumber products, experienced less pronounced, but similar deteriorating trends throughout the current year as the SYP East 2x4 #2, as highlighted in the table below, with the SYP East 2x6 #2 averaging US$325 per Mfbm for 2024, a decrease of US$61 per Mfbm, or 16%, from 2023.

Consequently, the Company's average SYP lumber unit sales realizations followed the same trend as SYP benchmark lumber prices, experiencing a substantial drop compared to the previous year.

(Average SYP East US$ price, per thousand board feet)[25]		2024		2023		Change
2x4 #2	**$**	**394**	$	468	$	(74)
2x6 #2	**$**	**325**	$	386	$	(61)
2x8 #2	**$**	**323**	$	361	$	(38)
2x10 #2	**$**	**345**	$	399	$	(54)
2x12 #2	**$**	**469**	$	574	$	(105)

25. Random Lengths Publications, Inc.

Chart 4



For 2024, the Company's European lumber unit sales realizations were modestly higher than the previous year, principally related to a slight improvement in lumber market pricing in Central Europe and the UK, combined with a 2% weaker Canadian dollar (versus the Swedish Krona ("SEK")).

Other revenues for the lumber segment (which are primarily comprised of residual fibre, pulp log and pellet sales as well as the Company's European operations' other related revenues) were moderately higher than the prior year, substantially driven by an increase in residual fibre revenues and log sales from the Company's European operations, moderated in part, by lower engineered wood sales in the US South, and to a lesser extent, a decline in pellet sales in Western Canada.

Operations.

Total lumber production for 2024 was 4.95 billion board feet, down 3% from the prior year, as a 5% uplift in European lumber production, largely correlated with improved productivity across the region, as well as an additional shift at one of the regions' mills, was more than offset by lower North American lumber production, especially in BC. The 10% reduction in production in Western Canada was mostly tied to the full year impact of the permanent and temporary closures of the Company's Chetwynd facilities and the Houston sawmill in 2023, combined with the permanent closure of the Company's Polar sawmill in early 2024, as well as the wind down of its Plateau and Fort St. John sawmills in the latter part of the current year. In the US South, the 3% lower production year-over-year was mainly due to the permanent closure of the Company's Jackson and Mobile sawmills, combined with downtime at the Urbana sawmill to complete its planned upgrade and expansion, and to a lesser extent, market-related curtailments. These factors were mitigated, to a degree, by the acquisition of the Iron Mountain sawmill in August and the commissioning of the Company's greenfield sawmill, in Axis, Alabama, during the fourth quarter of 2024.

Lumber unit manufacturing and product costs were slightly higher than the previous year, principally reflecting an uplift in both per-unit cash conversion costs and, to a lesser extent, log costs. In Europe, rising inflationary pressures on labour, maintenance and energy costs more than outweighed the benefit of increased production volumes year-over-year, and gave rise to higher per-unit cash conversion costs in the region. In the US South, an uptick in per-unit cash conversion was correlated with increased labour and maintenance-related spend, combined with the impact of lower production volumes in 2024. These factors were partially offset by the benefit of reduced cash spend in Western Canada in the current year, mainly associated with the permanent sawmill closures in BC, combined with improved productivity in the region, largely tied to reduced market-driven curtailments (approximately 645 million board feet in 2024 versus 760 million board feet in 2023).

The slight uptick in log costs year-over-year was primarily driven by significantly higher log costs in Europe, mostly associated with ongoing log supply pressures in that region, mitigated in part, by reduced market-based stumpage costs in BC. Log costs in the US South in 2024 were broadly comparable with 2023.

Asset write-downs and impairments.

In 2024, because of the permanent closure of the Polar and Plateau sawmills as well as the Fort St. John sawmill and pellet plant facility, combined with the ongoing uncertainty with regards to the availability of economically viable timber supply within BC, an asset write-down and impairment charge of $131.9 million was recorded in 2024 in the Company's lumber segment. No asset write-down or impairment charge was recognized in the prior year. See "Critical accounting estimates – Asset write-downs and impairments" for further details.

Pulp and Paper.

Selected financial information and statistics – Pulp and paper.[26]

Summarized results for the pulp and paper segment for 2024 and 2023 are as follows:

(millions of Canadian dollars, unless otherwise noted)		2024		2023
Sales	$	798.6	$	875.5
Operating income (loss) before amortization, asset write-down and impairment[27]	$	43.3	$	(42.5)
Operating loss	$	(226.5)	$	(127.5)
Asset write-down and impairment	$	211.0	$	-
Inventory write-down (recovery)	$	-	$	(2.4)
Adjusted operating loss[28]	$	(15.5)	$	(129.9)
Capital expenditures	$	50.8	$	60.5
Average NBSK pulp list price delivered to China – US$[29]	$	774	$	747
Average NBSK pulp list price delivered to China – Cdn$[29]	$	1,060	$	1,008
Production – pulp (000 mt)		511		603
Production – paper (000 mt)		128		130
Shipments – pulp (000 mt)		526		609
Shipments – paper (000 mt)		130		129

26. Includes 100% of CPPI, which is consolidated in Canfor's operating results.
27. Amortization includes amortization of certain capitalized major maintenance costs.
28. Adjusted operating loss is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.
29. Per tonne, NBSK pulp list price delivered to China (Resource Information Systems, Inc.); Average NBSK pulp price delivered to China – Cdn$ calculated as average NBSK pulp price delivered to China – US$ multiplied by the average exchange rate – Cdn$ per US$1.00 according to Bank of Canada monthly average rate for the period.

Markets.

As previously highlighted, the relatively weak global pulp market fundamentals experienced in the latter part of 2023 continued into the early part of 2024, principally tied to generally subdued demand, particularly from Asia. Towards the middle of the year, NBSK US-dollar pulp list prices to China, the world's largest pulp consumer, showed some upward momentum, largely driven by global pulp supply concerns, tied in part, to Finland's national transport workers' strike and further compounded by unplanned downtime at some softwood pulp production facilities. In the second half of 2024, global softwood pulp market fundamentals came under pressure, however, as the traditionally slower summer season was combined with the introduction of additional global hardwood capacity, which gave rise to a notable uplift in global pulp producer inventory levels. Towards the end of the year, as global producer inventories returned to more normalized levels and demand from China slowly improved, global pulp pricing experienced some positive momentum.

As a result of the aforementioned factors, US-dollar NBSK pulp list prices to China began the 2024 year at US$730 per tonne, peaked in May at US$825 per tonne and declined to US$750 per tonne in August. As global pulp market fundamentals, and therefore pricing, slowly improved in the latter part of the year, China pulp list prices ended the year at US$770 per tonne. For 2024 overall, US-dollar NBSK pulp list prices to China averaged US$774 per tonne, up US$27 per tonne, or 4%, from the average price in 2023.

North American pulp list prices experienced similar trends to Asia, albeit lagged by several months, with list prices to that region starting the year at US$1,380 per tonne in January, peaking at US$1,790 per tonne in July, before declining through the balance of the year to end December at US$1,675 per tonne (before taking account of customer discounts, which were broadly unchanged year-over-year).

Global softwood pulp producer inventories began 2024 at 40 days of supply[30] and remained relatively steady until August, when pulp producer inventories spiked to 50 days of supply[30], largely driven by the introduction of additional global hardwood capacity. As the balance of the year progressed, however, these elevated pulp producer inventory levels slowly moderated, principally as a result of a modest uptick in purchasing activity from China late in the fourth quarter of 2024. Consequently, global softwood pulp inventories trended down to within the balanced range, ending the year at 42 days of supply[30]. Market conditions are generally considered balanced when inventories are in the 32-43 days of supply range[30].

The following charts show the China NBSK pulp list price movements in 2024, before taking account of customer discounts and rebates (Chart 5) and global pulp shipments by destination (Chart 6).

Chart 5

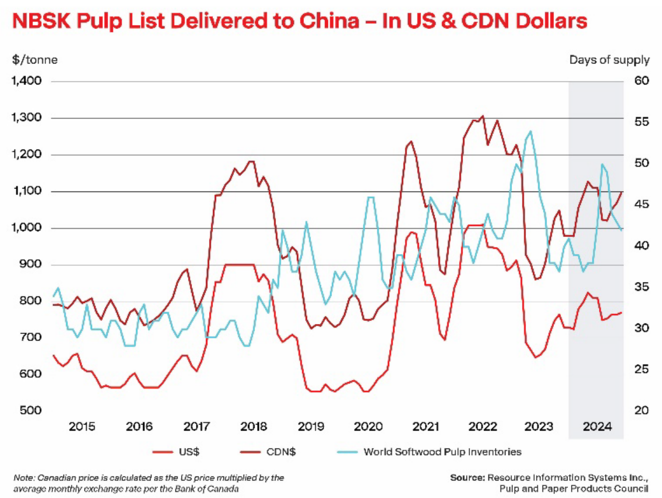
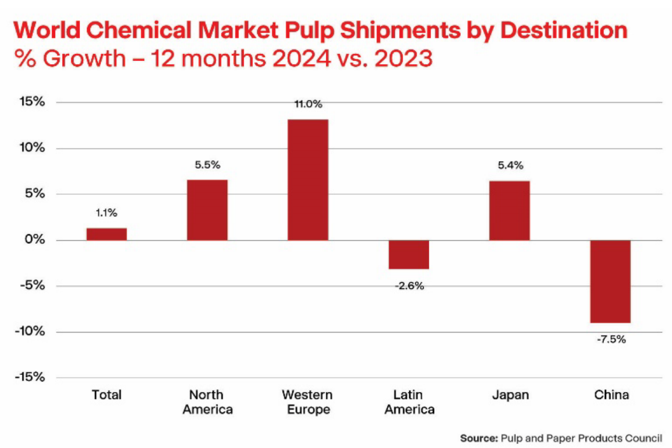


Chart 6



Global bleached kraft paper markets remained solid through 2024, principally led by steady demand and balanced inventories in the North American market.

30. World 20 data is based on twenty producing countries representing 80% of the world chemical market pulp capacity and is based on information compiled and prepared by the Pulp and Paper Products Council ("PPPC"). The upper and lower limits of the balanced range are the average level plus or minus one standard deviation, based on the last 60 data points (i.e. last five years).

Sales.

Pulp shipments in 2024 were 526,000 tonnes, down 83,000 tonnes, or 14%, from 2023, principally driven by a 15% reduction in pulp production year-over-year.

As mentioned, for the 2024 year as a whole, NBSK pulp list prices to China averaged US$774 per tonne, up $27 per tonne, or 4%, compared to the average in 2023. North American NBSK pulp list prices averaged US$1,646 per tonne for the current year, up US$198 per tonne, or 14%, year-over-year (before discounts, which were largely unchanged). As a direct result, CPPI's average NBSK pulp unit sales realizations were moderately higher in 2024 compared to the prior year, amplified, to a degree, by a 1 cent, or 1%, weaker Canadian dollar.

Energy revenues in 2024 were down compared to the prior year primarily due to a reduction in power generation associated with lower pulp production, particularly at Northwood following the indefinite curtailment of one production line, and a correlated decrease in turbine operating days.

Paper shipments were broadly comparable year-over-year, at 130,000 tonnes. Paper unit sales realizations for 2024 were slightly higher than the prior year, primarily due to a favourable product mix, combined with the weaker Canadian dollar.

Operations.

Pulp production was 511,000 tonnes in 2024, down 92,000 tonnes, or 15%, from the prior year, primarily reflecting the indefinite curtailment of one production line at CPPI's Northwood NBSK pulp mill in August 2024, offset in part by reduced unplanned downtime in the current year.

Pulp productivity at Northwood and at CPPI's Intercontinental NBSK pulp mill ("Intercon") were challenged by extreme winter weather conditions at the start of the year. Subsequently, in May 2024, following the successful completion of Intercon's scheduled maintenance, downtime at the mill was extended to address unforeseen recovery boiler repairs. For 2024 overall, despite improved operational efficiency and reliability, sustained fibre shortages continued to weigh on the business, and in August, CPPI wound down and indefinitely curtailed one production line at its Northwood pulp mill. Combined, these factors reduced NBSK pulp production by approximately 245,000 tonnes in 2024, of which the aforementioned curtailment at Northwood represented approximately 125,000 tonnes in the current year.

In 2023, pulp production was most notably impacted by fibre-related curtailments, including a temporary curtailment at Intercon early in the year and the subsequent permanent closure of the pulp line at CPPI's PG pulp and paper mill. When combined with the labour disputes at the Ports of Vancouver and Prince Rupert, as well as the impact of efficiency and reliability challenges, especially following the scheduled maintenance outage at Northwood, pulp production in the prior year was reduced by approximately 420,000 tonnes, of which the 210,000 tonnes was associated with the PG pulp line wind down.

Pulp unit manufacturing costs moderately improved in 2024 compared to the prior year, as lower fibre costs were combined with reduced energy and maintenance spend. The decrease in fibre costs compared to the prior year was largely due to a reduction in the volume of high-cost chips purchased and consumed following the closure of PG pulp mill in 2023.

Paper production in 2024 was largely in line with prior year, at 128,000 tonnes. Paper unit manufacturing costs in 2024 were moderately higher, as an increase in slush pulp costs (linked to higher Canadian dollar NBSK pulp market prices) were combined with higher energy costs in the current year following the closure of CPPI's PG pulp mill in April 2023.

Asset write-down and impairment.

An asset write-down and impairment charge of $211.0 million was recorded in 2024 on the property, plant, and equipment for the pulp and paper segment, driven by the ongoing uncertainty surrounding economic fibre availability that continued to impact CPPI. CPPI did not recognize any asset write-down or impairment charge in the prior year. See "Critical accounting estimates – Asset write-down and impairment" for further details.

Unallocated and Other Items.

Selected financial information.

(millions of Canadian dollars)		2024		2023
Corporate costs	$	(55.3)	$	(55.4)
Finance income (expense), net	$	(51.7)	$	10.4
Foreign exchange gain (loss) on term debt, duty deposits loan and duty deposits recoverable, net	$	(10.6)	$	4.5
Gain (loss) on derivative financial instruments	$	(11.9)	$	6.8
Other income, net	$	32.9	$	19.9

Corporate costs.

Corporate costs were $55.3 million in 2024, broadly in line with the prior year, as the decrease in head office and general administrative expenses was more than offset by higher legal costs associated with the softwood lumber dispute.

Finance income (expense), net.

Net finance expense for 2024 of $51.7 million, compared to net finance income of $10.4 million in 2023, principally due to a decrease in accrued interest income on recoverable duty deposits stemming from the finalization of CVD and ADD rates for the fifth period of review ("POR5"), combined with lower interest income associated with the Company's US-dollar short-term investments and an uplift in interest expenses associated with the Company's duty deposits loan as well as its operating loan and term debt facilities (see the "Liquidity and financial requirements" and "Softwood lumber agreement" sections for further discussion).

Foreign exchange gain (loss) on translation of term debt, duty deposits loan and duty deposits recoverable, net.

In 2024, the Company recognized a net foreign exchange loss of $10.6 million, primarily consisting of a loss of $21.3 million on its US-dollar denominated duty deposits loan and a loss of $4.4 million on its US-dollar term debt held by Canadian entities, moderated, to a degree, by a foreign exchange gain of $15.1 million on its US-dollar denominated net duty deposits recoverable, all due to the weakening of the Canadian dollar at the close of 2024 relative to the exchange rate at the close of 2023 (see further discussion in the "Liquidity and financial requirements" section).

Gain (loss) on derivative financial instruments.

At times, the Company uses a variety of derivative financial instruments as partial economic hedges against unfavourable changes in lumber prices, energy costs, interest, and foreign exchange rates. In 2024, the Company recorded a net loss of $11.9 million (2023 – net gain of $6.8 million) in relation to its derivative financial instruments, primarily due to unrealized and realized mark-to-market losses on SEK foreign exchange forward contracts (see further discussion in the "Liquidity and financial requirements" section).

The following table summarizes the gains (losses) recognized in the consolidated statement of income (loss) for each of the various components during the comparable periods:

(millions of Canadian dollars)		2024		2023
Lumber futures	$	(0.4)	$	(0.4)
Foreign exchange forward contracts	$	(11.5)	$	7.2
Gain (loss) on derivative financial instruments	$	(11.9)	$	6.8

During 2024, a net gain of $74.3 million (2023 – $12.1 million loss) was recognized in 'Other equity' on the Company's consolidated balance sheet following Vida's non-controlling shareholders' exercising a portion of their put options in December 2024 combined with the remeasurement of the remaining put liability. Further discussion is provided in the "Partial acquisition of Vida's non-controlling interest" section of this document.

Additional information on financial instruments in place at year end can be found in the "Liquidity and financial requirements" section, later in this document.

Other income, net.

Other income, net of $32.9 million in 2024, was principally attributable to CPPI's receipt of $16.2 million in insurance proceeds related to operational downtime experienced at the Northwood in recent years, combined with favourable foreign exchange movements on US-dollar denominated working capital balances held by the Canadian operations. Other income, net of $19.9 million for 2023, largely reflected the receipt of insurance proceeds related to Northwood, combined with mark-to-market gains on investments in certain highly liquid funds and favourable foreign exchange movements on US-dollar denominated working capital balances held by the Canadian operations.

Income tax recovery.

The Company recorded an income tax recovery of $247.3 million in 2024, compared to a recovery of $141.5 million in 2023, with an overall effective tax rate of approximately 25%.

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

(millions of Canadian dollars)		2024		2023
Net loss before income taxes	$	(983.5)	$	(490.0)
Income tax recovery at statutory rate of 27%	$	265.5	$	132.3
Add (deduct):				
Non-taxable loss related to non-controlling interests	$	(2.1)	$	(1.1)
Entities with different income tax rates and other tax adjustments	$	(11.4)	$	9.7
Permanent difference from capital gains and losses and other non-deductible items	$	(4.7)	$	0.6
Income tax recovery	$	247.3	$	141.5

The income tax recovery arising from entities with different income tax rates and other tax adjustments is largely comprised of the Company's US and European lumber operations which have lower statutory income tax rates.

In addition to the amounts recorded in net income (loss), a tax expense of $2.9 million was recorded to other comprehensive income (loss) in relation to actuarial gains, net, on the defined benefit plans in 2024.

Other Comprehensive Income (Loss).

(millions of Canadian dollars)		2024		2023
Defined benefit plan actuarial gains, net of tax	$	7.9	$	16.4
Foreign exchange translation of foreign operations, net of tax	$	152.3	$	(37.1)
Other comprehensive income (loss), net of tax	$	160.2	$	(20.7)

Canfor measures its accrued retirement benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. Any actuarial gains or losses which arise are recognized immediately by means of a credit or charge through other comprehensive income (loss).

For 2024, a gain of $10.8 million (before-tax) was recorded to 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) as a 0.1% increase in the discount rate used to value the defined benefit plans, was combined with a gain associated with the distribution of a plan surplus to members following the final settlement of one of the Company's registered pension plans.

For 2023, a gain of $22.4 million (before-tax) was recorded to other comprehensive income (loss) related to changes in the valuation of the Company's defined benefit plans (comprised of defined benefit pension plans as well as other benefit plans), as a 0.2% decrease in the discount rate used to value the defined benefit plans was more than offset by a higher than anticipated return on plan assets and, to a lesser extent, favourable movements in reserves.

For more information, see "Critical accounting estimates – Employee future benefits" later in this document and in Note 14 to Canfor's 2024 consolidated financial statements

The Company recorded an after-tax gain of $152.3 million in other comprehensive income (loss) in 2024 related to foreign exchange differences for foreign operations, mainly reflecting a weaker Canadian dollar relative to the US-dollar through the majority of 2024 compared to prior year. This compared to an after-tax loss of $37.1 million in other comprehensive income (loss) in 2023 related to foreign exchange differences for foreign operations, largely due to a stronger Canadian dollar through the majority of 2023 relative to the US-dollar, offset in part by a weaker Canadian dollar relative to the SEK.

Summary of Financial Position.

The following table summarizes Canfor's financial position as at December 31, 2024 and 2023:

(millions of Canadian dollars, except for ratios)		2024		2023
Cash and cash equivalents	$	259.3	$	627.4
Operating working capital (includes drawings on operating loans and current portion of term debt)	$	582.6	$	725.1
Net working capital	$	841.9	$	1,352.5
Property, plant and equipment	$	2,440.9	$	2,429.8
Right-of-use assets	$	132.2	$	123.1
Timber licenses	$	323.0	$	346.8
Goodwill and other intangible assets	$	529.7	$	519.3
Long-term investments and other (excluding deferred tax asset)	$	284.3	$	445.3
Net working capital and long-term assets	$	4,552.0	$	5,216.8
Term debt (long-term portion)	$	72.5	$	115.1
Duty deposits loan	$	335.1	$	-
Retirement benefit obligations	$	133.4	$	132.9
Lease obligations (long-term portion)	$	106.9	$	98.2
Deferred reforestation obligations (long-term portion)	$	46.9	$	47.4
Other long-term liabilities	$	36.6	$	37.5
Put liability	$	110.7	$	187.7
Deferred income taxes, net (including deferred tax asset)	$	126.1	$	320.6
Non-controlling interests	$	272.0	$	459.2
Equity attributable to shareholders of Company	$	3,311.8	$	3,818.2
	$	4,552.0	$	5,216.8
Ratio of current assets to current liabilities		1.9 : 1		2.5 : 1
Net debt (cash) to total capitalization[31]		7.8%		(9.1)%
Cumulative duty deposits paid	$	996.9	$	931.0

31. Net debt (cash) to total capitalization is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

The ratio of current assets to current liabilities at the end of 2024 was 1.9:1 compared to 2.5:1 at the end of 2023, largely reflecting a decline in the Company's cash balances, mainly tied to the acquisition of the El Dorado manufacturing facility in August 2024 for $100.6 million and the acquisition of an additional 7% of the outstanding shares in Vida for $118.3 million in December 2024.

The Company's net debt to total capitalization was 7.8% at December 31, 2024 (December 31, 2023 – net cash of 9.1%), principally tied to aforementioned acquisitions during 2024 combined with the impact on the net debt to total capitalization ratio of the duty deposits loan completed in the current year.

In 2024, the Company continued to pay cash deposits on Canadian lumber exports destined for the US as a result of the imposition of duties by the US Department of Commerce ("DOC") in the latter half of 2017. As of December 31, 2024, the Company had paid cumulative duty deposits of $996.9 million (December 31, 2023 – $931.0 million) and had accrued interest on duty deposits recoverable of $54.5 million (December 31, 2023 – $60.8 million).

Included in this $54.5 million is $6.5 million in interest receivable from the US government on certain CVD and ADD related accounts receivable balances secured under the terms of the duty deposits loan related to the period from September 27, 2024 to December 31, 2024 and payable to Farallon Capital Management L.L.C. ("Farallon").

Further discussion is provided in the "Softwood Lumber Agreement" section of this document and Notes 13 and 29 to Canfor's 2024 consolidated financial statements.

Changes in Financial Position.

At the end of 2024, Canfor had $259.3 million of cash and cash equivalents.

(millions of Canadian dollars)		2024		2023
Decrease in cash and cash equivalents[32]	$	(373.9)	$	(634.6)
Operating activities	$	174.2	$	154.7
Financing activities	$	124.1	$	(185.6)
Investing activities	$	(672.2)	$	(603.7)

32. Decrease in cash and cash equivalents shown before foreign exchange translation on cash and cash equivalents.

The changes in the components of cash flows during 2024 are discussed in the following sections.

Operating activities.

For the 2024 year, Canfor generated cash from operations of $174.2 million, up $19.5 million from the cash generated of $154.7 million in the previous year. The improvement in operating cash flow was principally due to the uplift in cash earnings in 2024, combined with the receipt of income tax refunds in the current year, offset in part by unfavourable movements in non-cash working capital balances. The latter primarily reflected an increase in the trade receivable balance year-over-year, largely correlated with the uplift in North American benchmark lumber pricing towards the end of 2024, offset in part, by a timing-related increase in accounts payable and accrued liabilities. Cash duty deposits paid in 2024 were $65.9 million compared to $43.1 million in the prior year.

Financing activities.

Financing activities in 2024 generated cash of $124.1 million compared to cash used of $185.6 million in 2023. Financing activities in 2024 were largely comprised of proceeds received from a duty deposits loan of $313.8 million, partially offset by $65.4 million in distributions to non-controlling interests, as well as $45.0 million in long-term debt repayments, and, to a lesser extent, lease and interest payments. Financing activities in 2023 were principally related to distributions to non-controlling interests, share purchases, and, to a lesser extent, lease and interest payments. Finance activities in the prior year also included the conversion of CPPI's $50.0 million term debt into its existing operating loan facility, as well as a further $46.1 million in term debt repayments, offset in part by a net $33.2 million draw down on the Company's operating loan facilities.

Investing activities.

In 2024, the Company used net cash for investing activities of $672.2 million, compared to $603.7 million in 2023. The increase year-over-year was mainly associated with the Company's acquisition of the El Dorado manufacturing facility in August 2024 for $100.6 million (US$72.6 million) combined with the acquisition of an additional 7% of the outstanding shares in Vida for $118.3 million (SEK 916.6 million) in December 2024 (see further details outlined below). These investments were offset in part by the receipt of $72.6 million in net proceeds from the sale of assets in the current year, including proceeds received from the sale of the Mackenzie sawmill and related tenure, as well as the sale of the Chetwynd sawmill and CPPI's Taylor Bleached Chemi-Thermo Mechanical Pulp mill.

Additions to property, plant and equipment (excluding acquisitions) totaled $527.1 million in 2024, down $59.9 million from 2023. In the lumber segment, capital expenditures of $472.1 million principally reflected the construction costs associated with the Company's greenfield sawmill in Axis, Alabama, and the upgrade and expansion of the Company's Urbana sawmill in Arkansas, both of which were completed in the latter part of 2024, as well as ongoing spend associated with the expansion of the Bruza sawmill at the Company's European operations, and maintenance-of-business capital projects across all three lumber operating regions. In the pulp and paper segment, capital spending of $50.8 million in 2024 was largely associated with maintenance-of-business capital spend, including Intercon's scheduled maintenance outage.

Acquisition of El Dorado.

On August 1, 2024, the Company completed the purchase of Resolute's El Dorado lumber manufacturing facility located in Union County, Arkansas, for $100.6 million (US$72.6 million), including a net working capital adjustment of $4.2 million (US$3.1 million). The facility, named internally as Iron Mountain after a nearby roadway, produces dimensional lumber and specialty wood products and is expected to increase the Company's annual SYP lumber production capacity by 175 million board feet after an anticipated further $67.5 million (US$50.0 million) in planned upgrades. Additional details on the acquisition are contained in Note 28 to Canfor's 2024 consolidated financial statements.

Partial acquisition of Vida's non-controlling interest.

On December 10, 2024, the Company announced the acquisition of an additional 7.0% of the outstanding shares in Vida for total consideration of $118.3 million (SEK 916.6 million). The shares were acquired from certain minority shareholders who utilized their option privileges outlined in the February 2019 agreement, through which Canfor had initially purchased 70.0% of Vida. As a result of this transaction, Canfor's ownership in Vida increased from 70.0% to 77.0%. As control was retained, the transaction was accounted for as an equity transaction with owners. Additional details on the partial acquisition are contained in Note 30 to Canfor's 2024 consolidated financial statements.

Liquidity and Financial Requirements.

Operating loans.

Operating loans – Consolidated.

At December 31, 2024, on a consolidated basis, including CPPI and Vida, the Company had cash and cash equivalents of $259.3 million, with $106.8 million drawn on its operating loans and facilities, and an additional $54.2 million reserved for several standby letters of credit. At the end of the year, the Company had available and undrawn operating loan facilities of $1,321.6 million, including an undrawn committed revolving credit facility.

Operating loans – Canfor, excluding Vida and CPPI.

At December 31, 2024, Canfor, excluding Vida and CPPI, had available operating loan facilities totaling $1,221.2 million, with $48.2 million reserved for several standby letters of credit, the majority of which related to unregistered pension plans, leaving $1,173.0 million available and undrawn at the end of the year.

Interest is payable on Canfor's committed operating and revolving loan facilities (excluding Vida and CPPI) 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's net debt to total capitalization ratios.

Canfor's principal committed operating loan facility matures on April 16, 2028. Canfor's committed revolving credit facility matures on June 28, 2025. On June 28, 2025, any amounts drawn on the committed revolving credit facility will be converted to US-dollar denominated floating rate term debt, with a maturity date of June 28, 2030.

Operating loans – Vida.

At December 31, 2024, Vida had $8.8 million drawn on its $101.4 million operating loan facilities, leaving $92.6 million available and undrawn at the end of the year.

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates ranging from 4.4% to 8.3%. Vida also has separate overdraft facilities with fixed interest rates ranging from 4.0% to 7.6%.

Operating loans – CPPI.

At December 31, 2024, CPPI had $98.0 million drawn on its $160.0 million operating loan facility, with $6.0 million reserved for several standby letters of credit, leaving $56.0 million available and undrawn at the end of the year.

In December 2024, CPPI amended certain of the covenants under its operating loan facility. These amendments provide increases to the net debt to total capitalization threshold and in certain cases reduce the interest coverage ratio. Refer to the "Debt covenants" section of this document for further details.

Other terms of the operating loan facility remain unchanged, including the repayment date of May 2, 2027. Interest is payable at floating rates that vary depending on the ratio of net debt to total capitalization and is based on the lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar floating rate, plus a margin.

Term debt.

Canfor's and CPPI's term debt, excluding Vida, is unsecured. Vida's term debt is secured by its property, plant and equipment.

In combination with the amendment of its operating loan facility, CPPI's $80.0 million of non-revolving term debt was cancelled undrawn. This term debt had been restricted for use specifically for upgrades to Northwood's recovery boiler number one ("RB1").

Debt covenants.

As mentioned, Canfor and CPPI, excluding Vida, have certain financial covenants on its debt obligations that stipulate a maximum net debt to total capitalization ratio of 50.0%. The net debt to total capitalization is calculated by dividing total debt by shareholders' equity plus total debt. Debt obligations are held by various entities within the Canfor group and the individual debt agreements specify the entities within the group that are to be included in the covenant calculations.

In circumstances when net debt to total capitalization exceeds a 42.5%, Canfor and CPPI is subject to an interest coverage ratio that requires a minimum amount of two times earnings before interest, taxes, depreciation and amortization ("EBITDA") relative to net interest expense. As at December 31, 2024, neither Canfor nor CPPI are currently subject to this test.

In December 2024, CPPI amended certain of the covenants under its operating loan facility. Key amendments included the establishment of a covenant relief period during which the maximum net debt to total capitalization ratio increases from 50.0% to 60.0% for 2025 and 55.0% for 2026. In addition, if the net debt to total capitalization reaches a certain threshold, this amendment introduces a general security agreement on the property of CPPI and lowers the minimum EBITDA interest coverage ratio to one and a half times.

Provisions contained in Canfor's long-term borrowing agreements also limit the amount of indebtedness that the Company may incur and the amount of dividends it may pay on its common shares. The amount of dividends the Company is permitted to pay under its long-term borrowing agreements is determined by reference to consolidated net earnings less certain restricted payments.

Vida is also subject to certain financial covenants, including minimum equity and interest coverage ratios.

Management reviews results and forecasts in monitoring the Company's compliance with these covenant requirements. Canfor, Vida and CPPI were fully in compliance with all debt covenants for the year ended December 31, 2024.

Substantially all borrowings of Vida and CPPI are non-recourse to other entities within the Company.

Duty deposits loan.

On September 27, 2024, Canfor entered into a secured loan agreement for approximately $424.9 million (US$315.0 million) with an affiliate of Farallon Capital Management, L.L.C. ("Farallon") and received all advances thereunder, totaling approximately $313.8 million (US$232.4 million). The loan is secured by certain accounts receivable related to CVD and ADD paid to the US government. The borrowings under the loan have terms of four and eight years, with an effective interest rate of 7.5% and 3.9%, respectively.

Principal and interest on the loan is payable at the end of the respective terms with the repayment of the loan, including all interest and principal payments, anticipated to be met by refunds and interest receivable out of duty refunds from the US government. To the extent duty refunds have not been received at the end of each respective term, the terms can be extended, at Canfor's option, for two additional ten-year terms.

Interest received by Canfor on the secured accounts receivable balances from September 27, 2024, to the date of duty refunds from the US government, will also be payable to Farallon at the end of the respective terms of the borrowings under the loan.

Additional details on the duty deposit loan are contained in Note 13 to Canfor's 2024 consolidated financial statements.

Net debt and liquidity.

As at December 31, 2024, on a consolidated basis, including CPPI and Vida, the Company had total net debt of $303.2 million, a $660.1 million change from net cash of $356.9 million at the end of the previous year. Available liquidity of $1,580.9 million, decreased by $197.0 million from the previous year.

Normal course issuer bid.

On March 19, 2024, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 5,942,508 common shares, or approximately 5% of its issued and outstanding common shares as of March 15, 2024. The renewed normal course issuer bid is set to expire on March 20, 2025.

In 2024, 526,700 common shares were purchased under this normal course issuer bid for $8.4 million (an average of $15.95 per common share), before tax of $0.6 million, all of which was paid during the year.

Shares outstanding.

As at December 31, 2024 and March 6, 2025 there were 118,405,079 common shares of the Company outstanding, and Canfor's ownership interest in CPPI and Vida was 54.8% and 77.0%, respectively (December 31, 2023 – 54.8% and 70.0%).

2025 Projected capital spending and debt repayments.

Based on its current outlook, assuming no significant change in market conditions during the year, the Company anticipates it will invest approximately $350 million in 2025, which will include approximately $300 million in the lumber segment and approximately $50 million in the pulp and paper segment (including costs related to scheduled maintenance outages).

For the lumber business, projected spending is anticipated to reflect capital investments aimed at increasing drying and sorting capacity at the Company's European Bruza sawmill, as well as various high-returning discretionary projects, primarily concentrated in the US South and Europe.

For CPPI, it is anticipated that capital projects in 2025 will be primarily focused on projects aimed at improving the reliability of its operations.

Details of the Company's additional commitments and term debt obligations in 2025 are outlined in the "Other commitments" section of this document. Canfor (including CPPI and Vida) has sufficient liquidity in its cash reserves and operating loans to finance its planned investments and support its lumber and pulp operations during 2025.

Derivative financial instruments.

As at December 31, 2024, the Company had the following significant derivative financial instruments outstanding:

	As at December 31, 2024	
Maturity Date	**Notional Amount**	**Average Rate**
Lumber Futures Contracts	(MMfbm)	(US-dollars per Mfbm)
Future sales contracts		
0-6 months	**14.5**	**$601.4**

At a consolidated level, Canfor is exposed to foreign exchange risk related to the US-dollar, as Canfor's products are sold principally in US-dollars. In addition, Canfor holds US-dollar denominated financial assets and liabilities. Although the Company's Vida subsidiary primarily transacts in its functional currency of SEK, some of its products are sold in US dollars, British pounds ("GBP"), Australian dollars ("AUD"), Euros ("EUR"), and Norwegian krone ("NOK"). The Company, including Vida, holds US-dollar, SEK and AUD operating loan and term debt facilities and limits its exposure to foreign exchange risk using forward foreign exchange contracts and foreign exchange options.

		As at December 31, 2024	
Maturity Date	**Notional Amount Currency**	**Notional Amount**	**Exchange Rates**
Forward Foreign Exchange Contracts		(millions)	(rate of SEK to notional currency)
Future sales contracts			
0-6 months	**GBP**	**£40.0**	**13.54**
0-12 months	**USD**	**$66.0**	**10.16**
0-6 months	**EUR**	**€15.0**	**11.43**

At December 31, 2024, the fair value of derivative financial instruments includes an asset of $1.1 million which is included in 'Other receivables' and a liability of $5.2 million which is included in 'Accounts payable and accrued liabilities' on the Company's consolidated balance sheet. The fair value of these financial instruments was determined based on prevailing market rates for instruments with similar characteristics.

Other commitments.

The following table summarizes Canfor's term debt obligations excluding interest at December 31, 2024 for each of the next five years and thereafter:

(millions of Canadian dollars)	2025	2026	2027	2028	2029	Thereafter	Total
Term debt obligations	$ 48.1	$ 0.1	$ 72.2	$ 0.2	$ -	$ -	$ 120.6

Interest payments include interest of 4.4% on the Company's US$33.3 million fixed-rate term loan. Interest is also payable on floating rate debt. Interest payments have been excluded from the above commitments.

Other contractual obligations not included in the table above or highlighted previously are:

- Contractual commitments totaling $242.5 million reflecting commitments for the construction of capital assets, and other working capital items. The majority of these commitments are expected to be settled within five years. In addition, the Company has committed to leases of property, plant and equipment as outlined under Note 6 of Canfor's 2024 consolidated financial statements.

  The Company's total commitments of $242.5 million include contractual commitments with landowners to purchase a fixed volume of logs at a future date for a negotiated, agreed upon price. For certain contracts, the Company pre-pays a portion of the fee to the vendor, recognized in 'Prepaid expenses and other' on the Company's consolidated balance sheet. At December 31, 2024, the Company determined that certain prepaid log purchase contracts had become onerous as defined under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as the cost of the logs, combined with the incremental cost to convert the logs to finished lumber, were anticipated to exceed the future sales price. Therefore, an onerous contract provision of $9.2 million was recognized in 'Accounts payable and accrued liabilities' as at December 31, 2024.

- Deferred reforestation, for which a liability of $104.5 million has been recorded at December 31, 2024. The reforestation liability is a fluctuating obligation, based on the area harvested. The future cash outflows are a function of the actual costs of silviculture programs and of harvesting and are based on, among other things, the location of the harvesting and the activities necessary to adequately stock harvested areas and achieve a "free-to-grow" state.

- Obligations to pay pension and other post-employment benefits, for which the net liability for accounting purposes at December 31, 2024 was $116.9 million. As at December 31, 2024, Canfor estimates that total contribution payments of $8.2 million will be made to its defined benefit pension plans in 2025.

- CPPI has energy purchase agreements with a BC energy company (the "Energy Agreements") for its kraft pulp mills. Two of these agreements are for the sale of incremental electrical energy and the third agreement is for load displacement (completed in 2024). All agreements include performance guarantees to ensure minimum contractual amounts of electricity are generated, with penalty clauses if they are not met. As part of these commitments, CPPI has entered into standby letters of credit for these guarantees. The standby letters of credit have variable expiry dates, depending on the capital invested and the length of the Energy Agreement involved. As at December 31, 2024, CPPI had posted $2.0 million of standby letters of credit under these agreements.

- Purchase and contractual obligations in the normal course of business. Purchase obligations of a more substantial dollar amount generally relate to the supply of fibre for the pulp business and are subject to "force majeure" clauses. In these instances, actual volumes purchased may vary significantly from contracted amounts depending on CPPI's requirements in any given year.

Transactions with Related Parties.

The Company undertakes transactions with various related entities. These transactions are in the normal course of business and are generally on similar terms as those accorded to unrelated third parties, except where otherwise noted.

The Jim Pattison Group is Canfor's largest shareholder with an ownership interest of 53.8% at December 31, 2024. During 2024, subsidiaries owned by the Jim Pattison Group provided lease, insurance, and other services to Canfor totaling $6.5 million.

During 2024, CPPI sold paper to subsidiaries owned by the Jim Pattison Group totaling $3.8 million. CPPI also made purchases from subsidiaries owned by the Jim Pattison group totaling $0.5 million.

Also during 2024, Vida purchased sawlogs from former owners and current key management personnel totalling $2.0 million (SEK 15.1 million).

Additional details on related party transactions are contained in Note 23 to Canfor's 2024 consolidated financial statements.

Environmental, Social and Governance ("ESG") Strategy, Reporting and Related Matters.

The Company's annual Sustainability Report includes sustainability goals and targets and demonstrates progress made to date.

The Company is actively monitoring the changing landscape of ESG reporting regulations and has aligned disclosures with the Global Reporting Initiative ("GRI"), the recommendations from the Task Force on Climate-Related Financial Disclosures ("TCFD") and with the standards of the Sustainability Accounting Standards Board ("SASB"). In addition to regulatory Greenhouse Gas ("GHG") reporting for applicable facilities, on a voluntary basis, the Company calculates its manufacturing and corporate Scope 1 and Scope 2 GHG emissions annually for all of its facilities under operational control in Canada, the US and Sweden in accordance with Greenhouse Gas Protocol developed by the World Business Council for Sustainable Development and World Resource Institute. The Company has also calculated Scope 3 GHG emissions for its 2022 baseline year and they will be disclosed in our 2024 Sustainability Report. In 2024, Canfor has approved near and long-term science-based emissions reduction targets with the Science Based Targets Initiative (SBTi). in line with the Paris Agreement and limiting global warming to 1.5° Celsius above preindustrial levels. Direct emissions reductions will be prioritized, and all residual emissions will be neutralized (if applicable) in line with SBTi criteria before reaching net-zero emissions.

More detailed information on the Company's sustainability strategy and performance is provided in the annual Sustainability Report (to be issued in the first quarter of 2025) and at https://sustainability.canfor.com.

The Company has published several sustainability-related goals and targets as part of its sustainability strategy. There is a risk that these goals and targets may not be met or not be achieved within the expected time periods, that some or all of the expected opportunities may fail to materialize, result in increased capital expenditures or other costs to its operations. This may be due to events and circumstances, such as, but not limited to: general global economic, market and business conditions; pricing, supply, demand for products; governmental and regulatory requirements and actions; ability to access capital; commercial viability and scalability of emission reduction strategies and technology; impacts from natural disturbances and extreme weather conditions. In addition, there may be reputational risks due to the rising prominence of environment, social and governance concerns among the Company's stakeholders and Indigenous partners which could impact public opinions about the Company and its industry and could adversely affect its reputation, business, strategy, and operations. The Company is committed to sustainable forest management practices, which considers climate change and includes consultation engagement with Indigenous partners and stakeholders.

The risks and uncertainties the Company faces associated with climate change and the environment are discussed further under "Climate change", "Environmental issues", and "Species at risk" in the "Risks and uncertainties" section of this document.

Three-year Comparative Review.

(millions of Canadian dollars, except per share amounts)		2024		2023		2022
Sales	**$**	**5,252.8**	$	5,426.6	$	7,426.7
Net income (loss)	**$**	**(736.2)**	$	(348.5)	$	861.1
Shareholder net income (loss)	**$**	**(669.0)**	$	(326.1)	$	787.3
Total assets	**$**	**5,571.9**	$	6,131.4	$	6,739.2
Term debt	**$**	**120.6**	$	159.9	$	258.9
Shareholder net income (loss) per share, basic and diluted	**$**	**(5.64)**	$	(2.71)	$	6.39

Fourth Quarter Results.

Q4 overview, including adjusting and one-time items[33].

(millions of Canadian dollars)	Q4 2024	Q3 2024	YTD 2024	Q4 2023	YTD 2023
Reported operating loss	**$ (45.9)**	$ (559.7)	**$ (942.2)**	$ (191.3)	$ (531.6)
Asset write-down and impairment – lumber segment	**$ -**	$ 100.3	**$ 131.9**	$ -	$ -
Asset write-down and impairment – pulp and paper segment	**$ -**	$ 211.0	**$ 211.0**	$ -	$ -
Inventory write-down (recovery), net[34]	**$ (36.1)**	$ (14.8)	**$ (29.7)**	$ (41.1)	$ (57.2)
Adjusted operating loss[33]	**$ (82.0)**	$ (263.2)	**$ (629.0)**	$ (232.4)	$ (588.8)
One-time items – lumber segment[33]:					
Restructuring and closure costs[35]	**$ 4.9**	$ 36.5	**$ 74.0**	$ -	$ 12.2
Gain on sale of assets, net[36]	**$ -**	$ (34.9)	**$ (34.9)**	$ -	$ -
Duty expense (recovery) related to finalized rates[37]	**$ -**	$ 67.2	**$ 67.2**	$ -	$ (43.3)
Duty expense related to refined fair value measurement[38]	**$ -**	$ 53.4	**$ 53.4**	$ -	$ -
One-time items – corporate restructuring costs[33,35]	**$ 0.6**	$ 2.1	**$ 2.7**	$ -	$ -
Adjusted operating loss before one-time items[33]	**$ (76.5)**	$ (138.9)	**$ (466.6)**	$ (232.4)	$ (619.9)
Amortization	**$ 98.6**	$ 104.0	**$ 429.1**	$ 102.2	$ 420.4
Adjusted operating income (loss) before amortization and one-time items[33]	**$ 22.1**	$ (34.9)	**$ (37.5)**	$ (130.2)	$ (199.5)

33. Adjusted operating income (loss) as well as adjusting and one-time items referenced throughout this MD&A are non-IFRS financial measures. Refer to the "Non-IFRS financial measures" section for further details.

34. For the lumber segment, a $36.1 million net reversal of a previously recognized inventory write-down was recorded in Q4 2024 (Q3 2024 – $14.8 million net reversal of a previously recognized inventory write-down, Q4 2023 – $30.2 million net reversal of a previously recognized inventory write-down). For the pulp and paper segment, no inventory valuation adjustment was recognized in Q4 2024 and Q3 2024 (Q4 2023 – $10.9 million net reversal of a previously recognized inventory write-down).

35. Restructuring and closure costs of $5.5 million ($4.9 million in the lumber segment and $0.6 million in the unallocated segment), were recognized in Q4 2024 largely related to the permanent closure of the Jackson and Mobile sawmills in the US South (Q3 2024 – restructuring and closure costs of $38.6 million, $36.5 million in the lumber segment related to the permanent closures of Plateau and Fort St. John and $2.1 million in the unallocated segment; Q4 2023 – no restructuring and closure costs were recognized).

36. On September 9, 2024, the Company completed the sale of its remaining Mackenzie sawmill assets and associated forest tenure to the McLeod Lake Indian Band and Tsay Keh Dene Nation for total proceeds of $66.5 million. As a result of this transaction, as well as other asset sales in the period, a net gain on sale of $34.9 million was recognized in Q3 2024.

37. A duty expense of $67.2 million (US$48.6 million) was recognized in Q3 2024 following the finalization CVD and ADD rates applicable to POR5.

38. In Q3 2024, the Company refined its estimate of the fair value measurement of net duty deposits recoverable. In accordance with IFRS Accounting Standards, this change in accounting estimate was applied on a prospective basis.

For the fourth quarter of 2024, the Company reported an operating loss of $45.9 million, compared to an operating loss of $559.7 million for the third quarter of 2024. After taking account of adjusting and one-time items, as outlined in the table above, the Company's operating loss for the fourth quarter of 2024 was $76.5 million compared to a similarly adjusted operating loss of $138.9 million for the previous quarter. These results primarily reflect an improvement in earnings for the lumber segment, and to a lesser extent, the pulp and paper segment.

For the lumber segment, the operating loss was $36.6 million for the fourth quarter of 2024, compared to the previous quarter's operating loss of $336.2 million. After taking account of adjusting and other one-time items, the lumber segment operating loss was $67.8 million, compared to a similarly adjusted operating loss of $128.5 million in the prior quarter. These results principally reflected improved results from the Company's North American operations combined with another quarter of solid earnings from its European operations. The former was largely driven by an uptick in most North American lumber benchmark prices towards the end of the current quarter and a 2 cent, or 3%, weaker Canadian dollar (versus the US-dollar). This slight improvement in market conditions was combined with the benefit of higher production and shipments in Europe and Western Canada following seasonal and market-related downtime taken, respectively, in the previous quarter.

For the pulp and paper segment, operating income was $4.1 million for the fourth quarter of 2024, compared to an operating loss of $209.3 million for the third quarter of 2024. After taking account of adjusting items, including an asset write-down and impairment charge in the prior period, CPPI's adjusted operating income improved $2.4 million compared to an adjusted operating income for the third quarter of 2024 of $1.7 million.

Notwithstanding the decline in adjusted results from its pulp operations in the current period, principally due to the full quarter impact of the one line curtailment at Northwood on pulp production, shipments and costs, the improvement in operating income for CPPI as a whole, largely reflected a moderate uplift in paper unit sales realizations, particularly to North American markets, combined with an increase in paper production quarter-over-quarter.

Compared to the fourth quarter of 2023, adjusted operating results were up $155.9 million from an adjusted operating loss of $232.4 million in the comparative period, primarily consisting of a $124.6 million improvement in lumber segment results combined with a $30.1 million increase in pulp and paper segment earnings.

After taking into consideration the adjusting and one-time items, the lumber segment operating loss in the fourth quarter of 2024 was $67.8 million, compared to a similarly adjusted operating loss of $192.4 million in the fourth quarter of 2023. Higher lumber segment results in the current period were predominantly driven by the Company's Western Canadian operations, and to a much lesser extent, Europe, mitigated to a degree, by a slight decline in results from the US South quarter-over-quarter. In Western Canada, the uplift in results in the current quarter was primarily a result of a US$35 per Mfbm, or 9%, increase in the average North American Random Lengths Western SPF 2x4 #2&Btr price, combined with the benefit of the changes in the operating footprint in BC, resulting from mill closures and curtailments over the course of 2024. Improved earnings in Europe in the current quarter were principally tied to improved market pricing in that region, while in the US South, the small decline in results quarter-over-quarter was largely associated with market-related downtime and the correlated increase in lumber unit manufacturing costs in that region.

The adjusted operating results for the pulp and paper segment increased by $30.1 million compared to the fourth quarter of 2023, as significantly higher US-dollar NBSK pulp list prices and a substantial improvement in paper unit sales realizations in the current quarter were combined with a 2 cent, or 3%, weaker Canadian dollar, more than outweighing the impact of reduced pulp production and shipment volumes quarter-over-quarter.

An overview of the results by business segment for the fourth quarter of 2024 compared to the third quarter of 2024 and the fourth quarter of 2023 follows.

Operating results by business segment.

Lumber.

Selected financial information and statistics – Lumber.

(millions of Canadian dollars, unless otherwise noted)	Q4 2024	Q3 2024	Q4 2023
Sales[40]	$ 1,122.6	$ 1,009.7	$ 1,089.0
Reported operating loss[40]	$ (36.6)	$ (336.2)	$ (162.2)
Adjusting and one-time items[39]	$ (31.2)	$ 207.7	$ (30.2)
Adjusted operating loss before one-time items[39]	$ (67.8)	$ (128.5)	$ (192.4)
Amortization	$ 89.8	$ 86.1	$ 85.3
Adjusted operating income (loss) before amortization and one-time items[39,40]	$ 22.0	$ (42.4)	$ (107.1)
Average WSPF 2x4 #2&Btr lumber price in US$[41]	$ 435	$ 366	$ 400
Average WSPF 2x4 #2&Btr lumber price in Cdn$[41,43]	$ 608	$ 499	$ 545
Average SYP 2x4 #2 lumber price in US$[42]	$ 424	$ 380	$ 448
Average SYP 2x4 #2 lumber price in Cdn$[42,43]	$ 593	$ 518	$ 610
Average SYP 2x6 #2 lumber price in US$[42]	$ 367	$ 270	$ 333
Average SYP 2x6 #2 lumber price in Cdn$[42,43]	$ 513	$ 368	$ 454
US housing starts (thousand units SAAR)[44]	1,379	1,332	1,481
Production – WSPF lumber (MMfbm)[45]	449	412	503
Production – SYP lumber (MMfbm)[45]	392	395	438
Production – European lumber (MMfbm)[40,45]	361	316	324
Shipments – WSPF lumber (MMfbm)[46]	464	442	510
Shipments – SYP lumber (MMfbm)[46]	387	417	434
Shipments – European lumber (MMfbm)[46]	419	369	389

39. Adjusted operating income (loss) as well as adjusting and one-time items referenced throughout this MD&A are defined as non-IFRS financial measures. Refer to the "Q4 overview, including adjusting and one-time items" and "Non-IFRS financial measures" sections for further details.
40. Q4 2024 includes sales of $363.8 million, operating income of $6.8 million, and operating income before amortization of $25.6 million from European operations (Q3 2024 – sales of $329.9 million, operating income of $5.5 million, and operating income before amortization of $23.9 million; Q4 2023 – sales of $324.7 million, operating loss of $2.3 million, and operating income before amortization of $15.5 million). Operating income from the European operations in Q4 2024 includes $9.3 million in incremental amortization and other expenses driven by the purchase price allocation at acquisition (Q3 2024 – $9.5 million; Q4 2023 – $9.3 million). Sawmill production from European operations was 407 MMfbm in Q4 2024 (Q3 2024 – 352 MMfbm; Q4 2023 – 370 MMfbm).
41. Western Spruce/Pine/Fir, per thousand board feet (Source – Random Lengths Publications, Inc.).
42. Southern Yellow Pine, Eastside, per thousand board feet (Source – Random Lengths Publications, Inc.).
43. Average lumber prices in Cdn$ calculated as average price in US$ multiplied by the average exchange rate – Cdn$ per US$1.00 according to Bank of Canada monthly average for the period.
44. Source – US Census Bureau, seasonally adjusted annual rate ("SAAR").
45. Planer production, excluding production of trim blocks.
46. Includes Canfor produced lumber, as well as lumber purchased for resale, remanufacture and engineered wood, excluding trim blocks, wholesale shipments and lumber sold on behalf of third parties.

Markets.

North American lumber markets saw a modest improvement in the fourth quarter of 2024. While affordability concerns persisted, a quarter-over-quarter decline in interest rates contributed to a slight uptick in US residential construction activity. The repair and remodeling sector remained steady during the period. This subtle improvement in demand was coupled with reduced supply due to fibre shortages and market-related curtailments in both the US South and Western Canada and led to a rise in North American benchmark lumber prices in the current quarter.

US housing starts averaged 1,379,000 units on a seasonally adjusted basis for the current quarter, up 4% from the previous quarter, reflecting a 3% and 6% increase in single family and multi-family starts, respectively. In Canada, housing starts averaged 248,000 units on a seasonally adjusted basis in the fourth quarter of 2024, up 4% from the previous quarter, largely driven by an increase in the construction of single-family units, and to a lesser extent, multi-family units.

Offshore lumber markets in Asia saw improved pricing during the current quarter, despite continued low demand. In China, reduced imports from Russia and lower volumes from Europe, due largely to the impact of the spruce beetle, led to supply pressure in the region, resulting in some price appreciation. Similarly, Japan experienced fewer imports from Europe, impacted by both the spruce beetle supply constraints and geopolitical logistics challenges, contributing to a quarter-over-quarter improvement in pricing in that region.

In Europe, lower interest rates and easing inflation provided a small improvement in affordability, leading to a slight increase in residential construction activity during the current quarter. However, demand in the repair and remodeling sector weakened during the fourth quarter. As a result, overall European demand, and therefore market pricing, was muted quarter-over-quarter.

Sales.

Sales revenues for the lumber segment for the fourth quarter of 2024 were $1,122.6 million, up $112.9 million compared to the previous quarter. The 11% increase in lumber sales revenue over the prior period was primarily driven by higher North American lumber unit sales realizations, coupled with an uptick in shipments from Western Canada and Europe, and to a lesser extent, a 3% weaker Canadian dollar (versus the US-dollar) in the current quarter. These factors were moderated, to a degree, by lower SYP shipments and fairly flat European lumber unit sales realizations quarter-over-quarter.

Compared to the fourth quarter of 2023, sales revenues increased $33.6 million, or 3%, primarily attributable to an uplift in Western SPF and European lumber unit sales realizations, combined with the benefit of increased European shipment volumes and, to a lesser extent, a 3% weaker Canadian dollar (versus the US-dollar), partly offset by lower North American shipments in the current quarter.

Total lumber shipments at 1,270 billion board feet, were up 3% from the previous quarter, largely tied to a 14% uplift in European lumber shipments, following the seasonal production downtime taken in the prior period. North American lumber shipments were broadly comparable quarter-over-quarter as a production-driven increase in Western SPF shipments, was largely offset by a timing-related decline in SYP shipments in the current period.

Compared to the fourth quarter of 2023, total lumber shipments declined 5%, as an increase in European shipments quarter-over-quarter was more than offset by a 10% drop in North American shipments, primarily correlated with reduced production in the current quarter, largely tied to the impact of temporary and permanent mill closures implemented in 2024.

The North American Random Lengths Western SPF 2x4 #2&Btr price opened the quarter at a low of US$380 per Mfbm and steadily improved as the quarter progressed, ending December at US$438 per Mfbm. For the current quarter overall, the North American Random Lengths Western SPF 2x4 #2&Btr price averaged US$435 per Mfbm, up US$69 per Mfbm, or 19%, from the previous quarter. The Company's Western SPF unit sales realizations significantly improved quarter-over-quarter, primarily reflecting this uplift in Western SPF 2x4 #2&Btr lumber pricing, as well as more pronounced increases in pricing for most wider width products and the 3% weaker Canadian dollar (versus the US-dollar), offset in part by a timing lag in shipments vs orders.

The average North American SYP East 2x4 #2 price began the quarter at US$432 per Mfbm, reached a high of US$485 per Mfbm towards the end of October, then gradually declined and ended December at US$400 per Mfbm. Overall, the SYP East 2x4 #2 price averaged US$424 per Mfbm in the fourth quarter of 2024, up US$44 per Mfbm, or 12%, from the previous quarter. The SYP East 2x6 #2 price experienced greater appreciation than the SYP East 2x4 #2, averaging US$367 per Mfbm for the current quarter, an increase of US$97 per Mfbm, or 36%, quarter-over-quarter. As a direct result, the Company's SYP unit sales realizations experienced a substantial improvement in the current quarter, principally tied to the aforementioned upward trend in SYP lumber benchmark pricing.

The Company's European lumber unit sales realizations were broadly comparable with the previous quarter as fairly flat lumber market pricing in Europe and the UK, was combined with a 1% stronger Canadian dollar (versus the SEK).

Compared to the fourth quarter of 2023, the average North American Random Lengths Western SPF 2x4 #2&Btr price increased by US$35 per Mfbm, or 9%. A significant uplift in the Company's Western SPF lumber unit sales realizations quarter-over-quarter largely reflected this increase, combined with favorable pricing gains for most wider-width products and a 3% weaker Canadian dollar (versus the US-dollar). In the US South, SYP lumber unit sales realizations increased slightly compared to the fourth quarter in the prior year, as a US$24 per Mfbm, or 5%, decrease in the average North American SYP East 2x4 #2 price, was more than offset by the US$34 per Mfbm, or 10%, uptick in the average SYP East 2x6 #2 price over the same comparative period. The Company's European lumber unit sales realizations experienced a moderate increase from the same period in the prior year, primarily tied to improved lumber market pricing in Europe in the current quarter, tempered in part by a 1% stronger Canadian dollar (versus the SEK).

Other revenues for the Company's lumber segment (which are primarily comprised of residual fibre, pulp log and pellets sales, as well as the Company's European operations' other related revenues) increased significantly compared to the previous quarter, primarily due to the impact of the seasonal production downtime taken at the Company's European operations in the prior quarter, combined with seasonally higher log sales in Western Canada in the current period. Other revenues for the fourth quarter of 2024 were broadly comparable with the same period in the prior year.

Operations.

Total lumber production, at 1.20 billion board feet, was 7% higher than the prior quarter, principally due to the benefit of increased operating days at the Company's European operations following the aforementioned seasonal downtime, combined with an uptick in Western SPF production, primarily driven by a reduction in market-related curtailments in the current period (approximately 155 million board feet in the current quarter versus 200 million board feet in the prior quarter). SYP lumber production was broadly in line with the prior quarter as capital related downtime associated with the completion of the Urbana sawmill upgrade in the third quarter of 2024 was largely offset by reduced operating schedules in the fourth quarter of 2024, principally tied to an increase in statutory holidays.

Compared to the fourth quarter of 2023, total lumber production decreased by 5%, primarily reflecting, in Western Canada, the impact of the permanent closure of the Polar sawmill (April 2024) and the wind-down of Plateau and Fort St. John sawmills during the current quarter. These factors were combined with market-related downtime in the US South and the permanent closure of the Jackson (June 2024) and Mobile sawmills (October 2024). The impact of these closures on North American lumber production was offset in part by acquisition of Iron Mountain (August 2024), the ramp up of Urbana, following its upgrade and expansion project completed during the third quarter of 2024, as well as start-up of the greenfield sawmill in Axis, Alabama through the fourth quarter of 2024. In contrast, production from the Company's European operations increased by 11% compared to the same period in the prior year, mostly tied to the benefit of an additional shift at the Borgstena sawmill in early 2024, as well as improved productivity at most of the Company's sawmills in that region.

Lumber unit manufacturing and product costs were slightly lower than the previous quarter, primarily due to a decrease in per-unit conversion costs principally driven by higher production volumes in the current period. Log costs were broadly comparable quarter-over-quarter, as increased European log costs, associated with ongoing log supply pressures, were offset by lower log costs in BC in the current quarter.

Compared to the fourth quarter of 2023, lumber unit manufacturing costs were modestly higher, as a minor increase in per-unit conversion costs, was combined with a slight uplift in log costs. The former was most pronounced in the US South, principally due to lower production in the current period. In Western Canada, the impact of lower production quarter-over-quarter, was largely mitigated by reduced spending. In Europe, per-unit conversion costs experienced a slight reduction, as the benefit of higher production was mostly offset by inflationary-related pressures on spend. Higher log costs in the current period were largely driven by significant market-based log price increases in Europe due to ongoing log supply constraints, offset, in part, by lower market-based stumpage costs in BC. Log costs in the US South were broadly comparable quarter-over-quarter.

Pulp and Paper.

Selected financial information and statistics – Pulp and paper.[47]

(millions of Canadian dollars, unless otherwise noted)		Q4 2024		Q3 2024		Q4 2023
Sales	**$**	**163.1**	$	193.2	$	193.9
Reported operating income (loss)	**$**	**4.1**	$	(209.3)	$	(15.1)
Adjusting and one-time items[48]	**$**	**-**	$	(211.0)	$	(10.9)
Adjusted operating income (loss) before one-time items[48]	**$**	**4.1**	$	1.7	$	(26.0)
Amortization[49]	**$**	**8.2**	$	17.1	$	16.2
Adjusted operating income (loss) before amortization and one-time items[48, 49]	**$**	**12.3**	$	18.8	$	(9.8)
Average NBSK pulp list price delivered to China – US$[50]	**$**	**767**	$	771	$	748
Average NBSK pulp list price delivered to China – Cdn$[50]	**$**	**1,073**	$	1,052	$	1,019
Production – pulp (000 mt)		**98**		125		148
Production – paper (000 mt)		**34**		30		34
Shipments – pulp (000 mt)		**97**		125		136
Shipments – paper (000 mt)		**28**		31		32

47. Includes 100% of Canfor Pulp Products Inc., which is consolidated in Canfor's operating results.
48. Adjusted operating income (loss) as well as adjusting and one-time items referenced throughout this MD&A are defined as non-IFRS financial measures. Refer to the "Q4 overview, including adjusting and one-time items" and "Non-IFRS financial measures" sections for further details.
49. Amortization includes amortization of certain capitalized major maintenance costs.
50. Per tonne, NBSK pulp list net price delivered to China (as published by Resource Information Systems, Inc. ("RISI")); Average NBSK pulp list net price delivered to China in Cdn$ calculated as average NBSK pulp list net price delivered to China – US$ multiplied by the average exchange rate – Cdn$ per US$1.00 according to Bank of Canada monthly average rate for the period.

Markets.

Global softwood pulp market fundamentals remained relatively flat through the fourth quarter of 2024, following a moderate decline in the preceding quarter. However, later in the period, global demand and purchasing activity experienced some positive momentum as producers worked to reduce their higher-than-average inventory levels. Consequently, US-dollar NBSK list prices to China, the world's largest pulp consumer, saw a slight increase towards the end of the current quarter, ending December at US$770 per tonne. Despite this late improvement, for the current quarter overall, US-dollar NBSK pulp list prices to China averaged US$767 per tonne, down US$4 per tonne, or 1%, from the prior quarter. Compared to the same period in the prior year, however, pulp list prices to China were up US$19 per tonne, or 3%.

Notwithstanding the subtle positive trends seen in China late in the current period, other global regions, including North America, continued to experience price moderation through the fourth quarter, with the average US-dollar NBSK pulp list price to North America down US$75 per tonne, or 4%, from the previous quarter, to US$1,687 per tonne (before discounts). Compared to the fourth quarter of 2023, however, pulp list prices to North America were up US$375 per tonne, or 29%.

Global softwood pulp producer inventories steadily improved as the fourth quarter progressed, ending December 2024 at 42 days of supply[51], a decline of 7 days compared to September 2024. Market conditions are generally considered balanced when inventories are in the 32-43 days of supply range[51].

Global kraft paper market demand and pricing remained stable through most of the fourth quarter of 2024, with some weakness experienced in the North American region toward the end of the year.

Sales.

CPPI's pulp shipments for the fourth quarter of 2024 totaled 97,000 tonnes, down 28,000 tonnes, or 22%, from the previous quarter, and down 39,000 tonnes, or 29% from the fourth quarter of 2023, primarily driven by a reduction in pulp production following the wind down of one production line at CPPI's Northwood pulp mill in August 2024. Pulp shipments for the fourth quarter of 2023 were impacted by the delayed restart of Northwood following the completion of its scheduled maintenance outage (approximately 30,000 tonnes).

CPPI's average NBSK pulp unit sales realizations were broadly comparable to the prior quarter, as slightly weaker US-dollar NBSK pulp list prices to China were offset by a 2 cent, or 3%, weaker Canadian dollar.

Compared to the fourth quarter of 2023, CPPI's average NBSK pulp unit sales realizations experienced a substantial increase, primarily attributable to improved market fundamentals quarter-over-quarter, including a 3% increase in US-dollar NBSK pulp list prices to China and a 29% increase in pricing to North America (before discounts), combined with a 2 cent, or 3%, weaker Canadian dollar.

Energy revenues increased in the current quarter compared to the third quarter of 2024, principally driven by seasonally higher power pricing. Compared to the fourth quarter of 2023, energy revenues declined, largely a result of lower production associated with the wind down of one production line at Northwood and the correlated decline in energy generation.

CPPI's paper shipments in the fourth quarter of 2024 were 28,000 tonnes, down 3,000 tonnes from the previous quarter, and down 4,000 from the fourth quarter of 2023, largely due to the timing of shipments quarter-over-quarter and the replenishment of inventory levels in the current period as a result of minor mechanical failures impacting productivity in the prior quarter.

Paper unit sales realizations in the fourth quarter of 2024 were moderately higher than the previous quarter, principally reflecting a favourable product mix (timing-related), combined with the weaker Canadian dollar. Compared to the fourth quarter of 2023, paper unit sales realizations experienced a substantial increase, primarily associated with a notable improvement in US-dollar paper prices quarter-over-quarter, especially to North American markets, combined with the weaker Canadian dollar.

Operations.

Pulp production was 98,000 tonnes for the fourth quarter of 2024, down 27,000 tonnes, or 22%, from the third quarter of 2024, and down 50,000 tonnes, or 34%, compared to the same period in the prior year, principally reflecting the aforementioned indefinite closure of one pulp line at Northwood in August 2024. In the fourth quarter of 2023, NBSK pulp production was reduced by approximately 30,000 tonnes as a result of a delayed restart following Northwood's scheduled maintenance outage.

Pulp unit manufacturing costs experienced a moderate increase compared to the prior quarter primarily driven by lower pulp production, and to a lesser extent, elevated chemical and maintenance costs (timing-related), offset to a degree by reduced energy spend in the current period. Fibre costs were relatively unchanged quarter-over-quarter as the market-based price for sawmill residual chips (linked to Canadian dollar NBSK pulp sales realizations) and the proportion of higher-cost whole log chips compared to sawmill residual chips, were broadly in line with the preceding quarter.

Compared to the fourth quarter of 2023, pulp unit manufacturing costs were slightly higher, as the impact on unit costs of a significant reduction in pulp production was offset in part by reduced energy and maintenance spend in the current period.

51. World 20 data is based on twenty producing countries representing 80% of world chemical market pulp capacity and is based on information compiled and prepared by the Pulp and Paper Products Council ("PPPC"). The upper and lower limits of the balanced range are the average level plus or minus one standard deviation, based on the last 60 data points (i.e. last five years).

Paper production for the fourth quarter of 2024 was 34,000 tonnes, up 4,000 tonnes from the third quarter of 2024, and in line with the fourth quarter of 2023. The former was principally driven by improved productivity following minor mechanical failures in the prior period.

Paper unit manufacturing costs were slightly lower than the third quarter of 2024, largely due to improved paper production quarter-over-quarter, and to a lesser extent, reduced slush pulp costs. Compared to the fourth quarter of 2023, paper unit manufacturing costs saw a moderate increase, primarily driven by higher slush pulp costs (tied to increased Canadian dollar NBSK pulp unit sales realizations), offset in part by lower energy costs and maintenance spend (timing-related).

Unallocated Items.

Selected financial information.

(millions of Canadian dollars)		Q4 2024		Q3 2024		Q4 2023
Corporate costs	**$**	**(13.4)**	$	(14.2)	$	(14.0)
Finance income (expense), net	**$**	**(18.8)**	$	(20.3)	$	2.7
Foreign exchange gain (loss) on term debt, duty deposits loan and duty deposits recoverable, net	**$**	**(12.6)**	$	2.6	$	(0.3)
Gain (loss) on derivative financial instruments	**$**	**(8.2)**	$	0.7	$	9.0
Other income, net	**$**	**5.9**	$	4.3	$	4.6

Corporate costs were $13.4 million for the fourth quarter of 2024, down $0.8 million from the previous quarter and down $0.6 million from the same quarter in the prior year, primarily reflecting lower restructuring costs in the current quarter, partially offset by higher head office and general administrative expenses.

Net finance expense of $18.8 million for the fourth quarter of 2024 was down $1.5 million from the previous quarter, principally due to a reduction in interest expense on term debt facilities combined with lower financing fees associated with letters of credit, offset in part by the full quarter impact of interest expense associated with the duty deposits loan during the current quarter. Net finance income of $2.7 million in the fourth quarter of 2023 primarily consisted of interest income related to US-dollar short term investments and, to a lesser extent, accrued interest income associated with recoverable duty deposits, partially offset by interest expenses.

In the fourth quarter of 2024, the Company recognized a net foreign exchange loss of $12.6 million, primarily consisting of a loss of $21.3 million on its US-dollar denominated duty deposits loan, resulting from the weakening of the Canadian dollar at the close of the current quarter compared to the end of September 2024, offset in part, by a gain of $6.0 on its US-dollar denominated duty deposits recoverable and, to a lesser extent, a gain on US-dollar term debt held by its US entities.

At times, the Company uses a variety of derivative financial instruments as partial economic hedges against unfavourable changes in lumber prices, energy costs, interest and foreign exchange rates. In the fourth quarter of 2024, the Company recorded a net loss of $8.2 million, primarily related to unrealized and realized mark-to-market losses on SEK foreign exchange forward contracts.

Other income, net, of $5.9 million in the fourth quarter of 2024 mainly reflected favourable foreign exchange movements on US-dollar denominated working capital balances at the end of the current period compared to the end of the prior quarter, combined with CPPI’s receipt of insurance proceeds related to operational downtime experienced at Northwood in recent years. Other income, net, of $4.3 million in the third quarter of 2024 was largely comprised of proceeds on sale of long-term investments, partly offset by unfavourable foreign exchange movements on US-dollar denominated working capital balances. In the fourth quarter of 2023, other income, net, of $4.6 million, was principally related to mark-to-market gains on investments in certain highly liquid funds, partly offset by unfavourable foreign exchange movements on US-dollar denominated working capital balances.

Other comprehensive income.

The following table summarizes Canfor's other comprehensive income (loss) for the comparable periods:

(millions of Canadian dollars)	Q4 2024	Q3 2024	Q4 2023
Defined benefit plan actuarial gain, net of tax	**$ 5.9**	$ 3.7	$ 5.5
Foreign exchange translation differences for foreign operations, net of tax	**$ 98.3**	$ 7.0	$ 10.8
Other comprehensive income, net of tax	**$ 104.2**	$ 10.7	$ 16.3

In the fourth quarter of 2024, the Company recorded a gain of $8.1 million (before tax) in relation to the Company's net defined benefit obligations (comprised of defined benefit pension plans as well as other benefit plans), primarily reflecting a gain associated with the distribution of a plan surplus to members following the final settlement of one of the Company's registered pension plans.

In the third quarter of 2024, the Company recorded a gain of $5.0 million (before tax) related to changes in the valuation of the Company's defined benefit plans (comprised of defined benefit pension plans as well as other benefit plans), largely driven by a higher than anticipated return on plan assets, offset to a degree, by a 0.1% decrease in the discount rate used to value the net defined benefit obligations.

Similarly, in the fourth quarter of 2023, the Company recorded a gain of $7.5 million (before tax) in relation to the changes in the valuation of the Company's defined benefit plans (comprised of defined benefit pension plans as well as other benefit plans), as a 0.6% decrease in the discount rate used to value the net defined benefit obligations was more than offset by higher than anticipated returns on plan assets.

In addition, the Company recorded an accounting gain of $98.3 million in the fourth quarter of 2024 related to foreign exchange differences for foreign operations principally due to the weakening of the Canadian dollar relative to the US-dollar at the close of the current quarter. This compared to a gain of $7.0 million in the third quarter of 2024 and a gain of $10.8 million in the fourth quarter of 2023.

Changes in Financial Position.

At the end of 2024, Canfor had $259.3 million of cash and cash equivalents.

(millions of Canadian dollars, except ratios)	Q4 2024	Q3 2024	Q4 2023
Increase (decrease) in cash and cash equivalents[52]	**$ (267.3)**	$ 103.8	$ (229.7)
Operating activities	**$ 87.9**	$ 51.6	$ (8.4)
Financing activities	**$ (108.8)**	$ 215.5	$ (48.1)
Investing activities	**$ (246.4)**	$ (163.3)	$ (173.2)
Ratio of current assets to current liabilities	**1.9 : 1**	2.2 : 1	2.5:1
Net debt (cash) to total capitalization[53]	**7.8%**	1.4%	(9.1)%
Cumulative duty deposits paid	**$ 996.9**	$ 971.8	$ 931.0

52. Increase (decrease) in cash and cash equivalents shown before foreign exchange translation on cash and cash equivalents.
53. Net debt (cash) to total capitalization is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

The changes in the components of these cash flows are discussed in the following sections:

Operating activities.

Cash generated from operating activities was $87.9 million in the fourth quarter of 2024, compared to cash generated of $51.6 million in the previous quarter and cash used of $8.4 million in the fourth quarter of 2023. The $36.3 million increase in operating cash flows from the prior period primarily reflected improved cash earnings, offset in part by the impact of the receipt of income tax refunds in the third quarter of 2024. Compared to the fourth quarter of 2023, operating cash flows were up $96.3 million, mainly due to higher cash earnings in the current period combined with favourable movements in non-cash working capital balances, as a decline in log and finished lumber inventories at the end of the current period, primarily associated with the permanent closure of BC sawmills in 2024, was combined with a timing-related increase in accounts payable and accrued liabilities balances.

Financing activities.

Cash used from financing activities in the fourth quarter of 2024 was $108.8 million, compared to cash generated of $215.5 million in the previous quarter and cash used of $48.1 million in the fourth quarter of 2023. Financing activities in the current quarter largely consisted of $50.7 million in net cash distributions to non-controlling interests, the majority of which relates to a Vida dividend payment during the current period, combined with a $45.0 million repayment of long-term debt, and, to a lesser extent, lease and interest payments. In the third quarter of 2024, financing activities primarily included proceeds received from a duty deposits loan of $313.8 million, offset in part by a net $80.7 million repayment of the Company's operating loan facilities, and to a lesser extent, share repurchases, lease and interest payments. In the fourth quarter of 2023, financing activities principally reflected a $46.0 million repayment of long-term debt, offset in part by a net $26.5 million draw-down of the Company's operating loan facilities. (refer to the "Liquidity and Financial Requirements" section for further details).

Investing activities.

Cash used for investing activities was $246.4 million for the current quarter, compared to $163.3 million for the previous quarter and $173.2 million for the same quarter of 2023. Investing activities in the current quarter were comprised of capital additions of $136.6 million and the acquisition of an additional 7% of the outstanding shares in Vida for $118.3 million (SEK 916.6 million).

As mentioned, capital additions in the fourth quarter of 2024 were $136.6 million, up $19.9 million from the previous quarter and down $35.5 million from the fourth quarter of 2023. In the lumber segment, current quarter capital expenditures principally reflected ongoing construction costs related to the Company's completed greenfield sawmill in Axis, Alabama, (which came online towards the end of the current quarter) and, to a lesser extent, the wrap up of spend associated with the upgrade and expansion of the Company's Urbana sawmill as well as the commencement of spend at the recently acquired Iron Mountain sawmill in Arkansas. Capital spend in the current period also included maintenance-of-business capital across all three lumber operating regions. In the pulp and paper segment, capital expenditures were predominantly associated with maintenance-of-business capital spend.

Selected Quarterly Financial Information.

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Sales and income (loss) (millions of Canadian dollars)								
Sales	$ 1,285.7	$ 1,202.9	$ 1,381.5	$ 1,382.7	$ 1,282.9	$ 1,312.3	$ 1,446.0	$ 1,385.4
Operating income (loss) before amortization, asset write-downs and impairments[54]	$ 52.7	$ (144.4)	$ (98.3)	$ 19.8	$ (89.1)	$ 42.6	$ 41.0	$ (105.7)
Operating loss	$ (45.9)	$ (559.7)	$ (250.8)	$ (85.8)	$ (191.3)	$ (65.1)	$ (66.7)	$ (208.5)
Net loss	$ (62.2)	$ (423.3)	$ (186.4)	$ (64.3)	$ (121.6)	$ (34.7)	$ (48.6)	$ (143.6)
Shareholder net loss	$ (63.3)	$ (350.1)	$ (191.1)	$ (64.5)	$ (117.1)	$ (23.1)	$ (43.9)	$ (142.0)
Per common share (Canadian dollars)								
Shareholder net loss – basic and diluted	$ (0.53)	$ (2.96)	$ (1.61)	$ (0.54)	$ (0.98)	$ (0.19)	$ (0.36)	$ (1.17)
Book value[55]	$ 27.97	$ 27.41	$ 30.32	$ 31.69	$ 32.10	$ 32.89	$ 32.63	$ 33.81
Statistics								
Lumber shipments (MMfbm)[56]	1,270	1,228	1,386	1,371	1,333	1,288	1,406	1,340
Pulp shipments (000 mt)	97	125	145	159	136	142	179	152
Average exchange rate – US$/Cdn$	$ 0.715	$ 0.733	$ 0.731	$ 0.741	$ 0.734	$ 0.746	$ 0.745	$ 0.740
Average exchange rate – SEK/Cdn$	7.708	7.639	7.806	7.706	7.819	8.056	7.833	7.726
Average Western SPF 2x4 #2&Btr lumber price (US$)	$ 435	$ 366	$ 386	$ 446	$ 400	$ 419	$ 358	$ 386
Average SYP (East) 2x4 #2 lumber price (US$)	$ 424	$ 380	$ 354	$ 419	$ 448	$ 452	$ 486	$ 485
Average SYP (East) 2x6 #2 lumber price (US$)	$ 367	$ 270	$ 308	$ 354	$ 333	$ 404	$ 385	$ 420
Average NBSK pulp list price delivered to China (US$)	$ 767	$ 771	$ 811	$ 745	$ 748	$ 680	$ 668	$ 891

54. Amortization includes amortization of certain capitalized major maintenance costs; includes asset write-down and impairment charges of $311.3 million in Q3 2024, and $31.6 million in Q2 2024.
55. Book value per common share is equal to shareholders' equity at the end of the period, divided by the number of common shares outstanding at the end of the period.
56. Includes Canfor produced lumber, as well as lumber purchased for resale, remanufacture and engineered wood, excluding trim blocks, wholesale shipments and lumber sold on behalf of third parties.

(millions of Canadian dollars, except ratios)	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Operating income (loss) by segment:								
Lumber	$ (36.6)	$ (336.2)	$ (230.5)	$ (57.1)	$ (162.2)	$ (1.3)	$ (15.5)	$ (169.7)
Pulp and paper	$ 4.1	$ (209.3)	$ (5.6)	$ (15.7)	$ (15.1)	$ (49.3)	$ (37.9)	$ (25.2)
Unallocated and other	$ (13.4)	$ (14.2)	$ (14.7)	$ (13.0)	$ (14.0)	$ (14.5)	$ (13.3)	$ (13.6)
Total operating loss	$ (45.9)	$ (559.7)	$ (250.8)	$ (85.8)	$ (191.3)	$ (65.1)	$ (66.7)	$ (208.5)
Add: Amortization[57]	$ 98.6	$ 104.0	$ 120.9	$ 105.6	$ 102.2	$ 107.7	$ 107.7	$ 102.8
Add: Asset write-downs and impairments	$ -	$ 311.3	$ 31.6	$ -	$ -	$ -	$ -	$ -
Total operating income (loss) before amortization, asset write-downs and impairments	$ 52.7	$ (144.4)	$ (98.3)	$ 19.8	$ (89.1)	$ 42.6	$ 41.0	$ (105.7)
Add (deduct):								
Non-cash working capital movements, net	$ 8.1	$ (2.1)	$ 145.2	$ (154.7)	$ (18.0)	$ 151.8	$ 152.3	$ (120.0)
Defined benefit plan contributions, net	$ (2.7)	$ (2.0)	$ (3.5)	$ (3.3)	$ (2.5)	$ (2.9)	$ (15.4)	$ (3.4)
Income taxes received (paid), net	$ 8.4	$ 81.1	$ (11.6)	$ (2.9)	$ (0.5)	$ 41.8	$ (17.9)	$ (57.2)
Duties paid (greater) less than accruals[58]	$ 0.8	$ 138.5	$ 40.0	$ 15.4	$ 81.5	$ (22.8)	$ 22.6	$ 19.4
Other operating cash flows, net[59]	$ 20.6	$ (19.5)	$ 43.9	$ 44.7	$ 20.2	$ (4.9)	$ 1.2	$ 40.6
Cash from (used in) operating activities	$ 87.9	$ 51.6	$ 115.7	$ (81.0)	$ (8.4)	$ 205.6	$ 183.8	$ (226.3)
Add (deduct):								
Capital additions, net	$ (136.6)	$ (116.7)	$ (170.4)	$ (103.4)	$ (172.1)	$ (192.9)	$ (142.4)	$ (79.6)
Proceeds from sale of property, plant and equipment and intangible assets	$ 0.7	$ 64.4	$ 5.6	$ 1.9	$ 1.7	$ 2.8	$ 1.8	$ 2.8
Proceeds from duty deposits loan	$ -	$ 313.8	$ -	$ -	$ -	$ -	$ -	$ -
Conversion and changes in term debt, net	$ (45.0)	$ (0.2)	$ -	$ 0.2	$ (46.0)	$ (0.1)	$ (50.1)	$ 0.1
Acquisition of El Dorado sawmill	$ -	$ (100.6)	$ -	$ -	$ -	$ -	$ -	$ -
Partial acquisition of Vida non-controlling interest	$ (118.3)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Finance expenses paid	$ (8.2)	$ (9.5)	$ (8.5)	$ (8.6)	$ (10.5)	$ (6.7)	$ (10.8)	$ (5.6)
Share purchases	$ (0.6)	$ (0.2)	$ (4.9)	$ (3.3)	$ (9.5)	$ (12.2)	$ (11.5)	$ (11.1)
Purchase of long-term investments, net	$ 3.0	$ (14.8)	$ (1.4)	$ (3.3)	$ (11.4)	$ (48.0)	$ -	$ -
Distributions paid to non-controlling interests, net	$ (50.7)	$ 1.1	$ (15.4)	$ (0.4)	$ -	$ (0.4)	$ (61.9)	$ -
Foreign exchange gain (loss) on cash and cash equivalents	$ 0.8	$ 10.4	$ 5.9	$ (11.3)	$ 19.4	$ 12.4	$ (40.3)	$ 1.8
Other, net[59]	$ (5.2)	$ (0.2)	$ (6.1)	$ (2.5)	$ (0.2)	$ (2.9)	$ (0.3)	$ 5.0
Change in cash / operating loans	$ (272.2)	$ 199.1	$ (79.5)	$ (211.7)	$ (237.0)	$ (42.4)	$ (131.7)	$ (312.9)

57. Amortization includes amortization of certain capitalized major maintenance costs.
58. Adjusted to true-up ADD deposits to the Company's current accrual rates.
59. Further information on cash flows may be found in the Company's annual consolidated financial statements.

Specific Items Affecting Comparability of Net Loss.

Other factors that impact the comparability of the quarters are noted below:

After-tax impact, net of non-controlling interests (millions of Canadian dollars, except for per share amounts)	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Shareholder net loss, as reported	$ (63.3)	$ (350.1)	$ (191.1)	$ (64.5)	$ (117.1)	$ (23.1)	$ (43.9)	$ (142.0)
Foreign exchange (gain) loss on term debt	$ (2.7)	$ (3.5)	$ 3.1	$ 6.6	$ (5.3)	$ 6.4	$ (6.7)	$ (0.4)
Foreign exchange loss on duty deposits loan	$ 21.3	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(Gain) loss on derivative financial instruments	$ 4.8	$ 0.2	$ (3.9)	$ 5.8	$ (4.8)	$ (2.7)	$ 6.3	$ (2.5)
Asset write-downs and impairments	$ -	$ 158.7	$ 23.2	$ -	$ -	$ -	$ -	$ -
Net impact of above items	$ 23.4	$ 155.4	$ 22.4	$ 12.4	$ (10.1)	$ 3.7	$ (0.4)	$ (2.9)
Adjusted shareholder net loss[60]	$ (39.9)	$ (194.7)	$ (168.7)	$ (52.1)	$ (127.2)	$ (19.4)	$ (44.3)	$ (144.9)
Shareholder net loss per share (EPS), as reported	$ (0.53)	$ (2.96)	$ (1.61)	$ (0.54)	$ (0.98)	$ (0.19)	$ (0.36)	$ (1.17)
Net impact of above items per share	$ 0.20	$ 1.31	$ 0.19	$ 0.10	$ (0.08)	$ 0.03	$ -	$ (0.03)
Adjusted net loss per share[60]	$ (0.33)	$ (1.65)	$ (1.42)	$ (0.44)	$ (1.06)	$ (0.16)	$ (0.36)	$ (1.20)

60. Adjusted shareholder net loss is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

Outlook.

Lumber.

Looking ahead, continued volatility in global lumber market conditions is anticipated through the first half of 2025 despite longer-term underlying fundamentals remaining solid. In North America, affordability constraints combined with broader economic and political uncertainty are projected to weigh on demand for both new home construction and repair and remodeling activity in the short-term. On the supply side, permanent mill closures, particularly in Western Canada, along with fibre and market-related curtailments, are anticipated to give rise to some modest pricing improvement through the first quarter and into the second quarter of 2025.

Subsequent to year-end, in March 2025, the preliminary anti-dumping results for the sixth period of review ("POR6") were announced, which indicated that the Company's ADD rate for 2023 was 34.61%. Upon finalization of this rate (anticipated in the third quarter of 2025), the Company's current combined cash deposit rate of 16.58% will be reset to 40.75% (based on this preliminary ADD rate determination of 34.61% combined with the Company's current CVD cash deposit rate of 6.14%). In addition, the DOC is anticipated to release preliminary countervailing results for POR6 on or before May 2025, which are anticipated to further impact the Company's combined cash deposit rate later in 2025.

In addition, in March 2025, US tariffs of 25% have been imposed on Canadian goods and these tariffs will be in addition to the pre-existing CVD and ADD. There is also the potential that further tariffs may be imposed on Canadian forest product imports into the US going forward. With a diversified operating platform in the US South and Sweden, in addition to Canada, the Company is well positioned to mitigate some of these costs. However, actual and potential tariffs do present challenges for the Company's Canadian operations, and, as result, the Company is continuing its strategy of refocusing those products on domestic markets, particularly in Western Canada, and strengthening its presence in offshore markets.

The subdued offshore lumber market conditions in China experienced in the fourth quarter of 2024 are projected to persist through the first quarter of 2025, with continuing headwinds from a depressed real estate sector as the benefits of new government policies remain slow to materialize. In Japan, modest improvement in the multi-family rental and non-residential sectors, coupled with lower import volumes, are anticipated to tighten supply and support a modest uplift in pricing.

In Europe, lumber pricing is forecast to gain some upward momentum in the first quarter of 2025, largely driven by supply constraints in the region following the impact of the spruce beetle, while demand is projected to remain relatively soft, despite some modest improvements in affordability in the region.

In BC, despite the Company's recent changes with regards to its operating footprint, it is anticipated that this region will continue to face challenging operating conditions especially with respect to the availability of economically viable fibre and high duties on lumber shipments to the US.

Pulp and Paper.

Looking forward, global softwood pulp market conditions are projected to improve through the balance of the first quarter and into the second quarter of 2025, as global supply dynamics adjust to new hardwood capacity and as pulp producer inventories normalize. On the demand side, steady Chinese demand is anticipated to absorb these changes in supply.

CPPI, like Canfor, continues to monitor the trade situation between Canada and the US and mitigation plans are underway to mostly offset the impact of the tariffs on US shipments.

CPPI remains focused on optimizing its operating footprint, enhancing operational reliability as well as closely managing manufacturing and fibre costs. Looking forward, there remains significant uncertainty with regards to the availability of economically viable fibre within BC. As a result, CPPI continues to anticipate that escalating log cost pressures and transportation costs in BC will translate into a higher cost fibre supply for its pulp mills (both for sawmill residual chips and whole log chips). CPPI will continue to evaluate operating conditions and adjust operating rates at its pulp mills to align with economically viable fibre supply. These factors could also affect CPPI's operating plan, liquidity, cash flows and the valuation of long-lived assets.

No major maintenance outages are planned for the first and second quarters of 2025. In the third quarter of 2025 a maintenance outage is scheduled at Northwood with a projected 10,000 tonnes of reduced NBSK market pulp production. In the fourth quarter of 2025, a maintenance outage is scheduled at Intercon, with a projected 5,000 tonnes of reduced NBSK market pulp production.

Demand for bleached kraft paper is projected to remain steady through the remainder of the first quarter of 2025. A maintenance outage is currently planned at the Company's paper machine in the fourth quarter of 2025 with a projected 5,000 tonnes of reduced paper production.

Non-IFRS Financial Measures.

Throughout this MD&A, reference is made to certain non-IFRS financial measures which are used to evaluate the Company's performance but are not generally accepted under IFRS. The following table provides a reconciliation of these non-IFRS financial measures to figures reported in the Company's condensed consolidated interim financial statements:

(millions of Canadian dollars)	Q4 2024	Q3 2024	YTD 2024	Q4 2023	YTD 2023
Reported operating loss	**$ (45.9)**	$ (559.7)	**$ (942.2)**	$ (191.3)	$ (531.6)
Asset write-down and impairment – lumber segment	**$ -**	$ 100.3	**$ 131.9**	$ -	$ -
Asset write-down and impairment – pulp and paper segment	**$ -**	$ 211.0	**$ 211.0**	$ -	$ -
Inventory write-down (recovery), net[61]	**$ (36.1)**	$ (14.8)	**$ (29.7)**	$ (41.1)	$ (57.2)
Adjusted operating loss	**$ (82.0)**	$ (263.2)	**$ (629.0)**	$ (232.4)	$ (588.8)
One-time items – lumber segment:					
Restructuring and closure costs[62]	**$ 4.9**	$ 36.5	**$ 74.0**	$ -	$ 12.2
Gain on sale of assets, net[63]	**$ -**	$ (34.9)	**$ (34.9)**	$ -	$ -
Duty expense (recovery) related to finalized rates[64]	**$ -**	$ 67.2	**$ 67.2**	$ -	$ (43.3)
Duty expense related to refined fair value measurement[65]	**$ -**	$ 53.4	**$ 53.4**	$ -	$ -
One-time items – corporate restructuring costs[62]	**$ 0.6**	$ 2.1	**$ 2.7**	$ -	$ -
Adjusted operating loss before one-time items	**$ (76.5)**	$ (138.9)	**$ (466.6)**	$ (232.4)	$ (619.9)
Amortization	**$ 98.6**	$ 104.0	**$ 429.1**	$ 102.2	$ 420.4
Adjusted operating income (loss) before amortization and one-time items	**$ 22.1**	$ (34.9)	**$ (37.5)**	$ (130.2)	$ (199.5)

61. For the lumber segment, a $36.1 million net reversal of a previously recognized inventory write-down was recorded in Q4 2024 (Q3 2024 – $14.8 million net reversal of a previously recognized inventory write-down, Q4 2023 – $30.2 million net reversal of a previously recognized inventory write-down). For the pulp and paper segment, no inventory valuation adjustment was recognized in Q4 2024 and Q3 2024 (Q4 2023 – $10.9 million net reversal of a previously recognized inventory write-down).

62. Restructuring and closure costs of $5.5 million ($4.9 million in the lumber segment and $0.6 million in the unallocated segment), were recognized in Q4 2024 largely related to the permanent closure of the Jackson and Mobile sawmills in the US South (Q3 2024 – restructuring and closure costs of $38.6 million, $36.5 million in the lumber segment related to the permanent closures of Plateau and Fort St. John and $2.1 million in the unallocated segment; Q4 2023 – no restructuring and closure costs were recognized).

63. On September 9, 2024, the Company completed the sale of its remaining Mackenzie sawmill assets and associated forest tenure to the McLeod Lake Indian Band and Tsay Keh Dene Nation for total proceeds of $66.5 million. As a result of this transaction, as well as other asset sales in the period, a net gain on sale of $34.9 million was recognized in Q3 2024.

64. A duty expense of $67.2 million (US$48.6 million) was recognized in Q3 2024 following the finalization CVD and ADD rates applicable to POR5.

65. In Q3 2024, the Company refined its estimate of the fair value measurement of net duty deposits recoverable. In accordance with IFRS Accounting Standards, this change in accounting estimate was applied on a prospective basis.

(millions of Canadian dollars, except ratios)	2024	2023
Reported operating loss	**$ (942.2)**	$ (531.6)
Realized (gain) loss on derivative financial instruments	**$ 3.4**	$ (4.2)
Other income, net	**$ 32.9**	$ 19.9
Less: non-controlling interests	**$ 68.8**	$ 39.0
Loss	**$ (837.1)**	$ (476.9)
Average invested capital[66]	**$ 4,171.7**	$ 4,166.9
Return on invested capital (ROIC)	**(20.1)%**	(11.4)%

66. Average invested capital represents the average during the period of total assets excluding cash and cash equivalents and total liabilities excluding term debt, retirement benefit obligations, long-term deferred reforestation obligations, and deferred taxes, net of non-controlling interests.

(millions of Canadian dollars, except ratios)	As at December 31, 2024	As at December 31, 2023
Term debt	**$ 120.6**	$ 159.9
Duty deposits loan	**$ 335.1**	$ -
Operating loans	**$ 106.8**	$ 110.6
Less: cash and cash equivalents	**$ 259.3**	$ 627.4
Net debt (cash)	**$ 303.2**	$ (356.9)
Total equity	**$ 3,583.8**	$ 4,277.4
Total capitalization	**$ 3,887.0**	$ 3,920.5
Net debt (cash) to total capitalization	**7.8%**	(9.1)%

Critical Accounting Estimates.

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the amounts recorded in the financial statements. On an ongoing basis, Management reviews its estimates, including those related to useful lives for amortization, impairment of long-lived assets, certain receivables, pension and other employee future benefit plans, asset retirement and deferred reforestation obligations, as well as the determination of the Company's estimated ADD net duty deposits recoverable based upon currently available information. While it is reasonably possible that circumstances may arise which cause actual results to differ from these estimates, Management does not believe it is likely that any such differences will materially affect the Company's financial condition, other than the possibility of material effects to the income statement from the Company's estimated ADD net duty deposits recoverable as discussed in Notes 9 and 29 of the consolidated financial statements.

Employee future benefits.

Canfor has several funded and unfunded defined benefit plans, defined contribution plans and other non-pension post-retirement benefit plans, that provide benefits to most of its salaried employees and certain hourly employees not covered by forest industry union plans. Canfor also provides certain health care benefits and pension bridging benefits to eligible retired employees. The costs and related obligations of the pension and other retirement benefit plans are accrued in accordance with the requirements of IFRS Accounting Standards.

Canfor uses independent actuarial firms to perform actuarial valuations of the fair value of pension and other retirement benefit plan obligations. The application of IFRS requires judgments regarding certain assumptions that affect the accrued benefit provisions and related expenses, including the discount rate used to calculate the present value of the obligations, the rate of compensation increases, mortality assumptions, and the assumed health care cost trend rates. Management evaluates these assumptions quarterly based on experience and the recommendations of its actuarial firms. Changes in these assumptions result in actuarial gains or losses, which are recognized in full in each period with an adjustment through other comprehensive income (loss).

The actuarial assumptions used in measuring Canfor's benefit plan provisions and benefit costs are as follows:

	December 31, 2024		December 31, 2023	
	Defined Benefit Pension Plans	**Other Benefit Plans**	Defined Benefit Pension Plans	Other Benefit Plans
Discount rate	**4.7%**	**4.7%**	4.6%	4.6%
Rate of compensation increases	**2.0%**	**n/a**	2.0%	n/a
Initial medical cost trend rate	**n/a**	**5.0%**	n/a	5.0%
Ultimate medical cost trend rate	**n/a**	**4.5%**	n/a	4.5%
Year ultimate rate is reached	**n/a**	**2031**	n/a	2031

In addition to the significant assumptions listed in the table above, the average life expectancy of a 65-year-old at December 31, 2024 is between 21.4 years and 24.5 years. As at December 31, 2024, the weighted average duration of the defined benefit obligation, which reflects the average age of the plan members, is 13.0 years. The weighted average duration of the other benefit plans is 11.1 years.

Assumed discount rates, medical cost trend rates and mortality assumptions have a significant effect on the accrued benefit obligation and related plan assets. A one percentage point change in these assumptions would have the following effects on the accrued retirement benefit obligation for 2024:

(millions of Canadian dollars)	1% Increase	1% Decrease
Defined benefit pension plan liabilities		
Discount rate	$ (20.0)	$ 24.2
Other benefit plan liabilities		
Discount rate	$ (6.2)	$ 7.4
Initial medical cost trend rate	$ 2.8	$ (2.7)

With respect to this discount rate sensitivity effect on the defined benefit pension plan liabilities, however, it is noted that 39% is partially offset through the plan's investment in debt securities.

Annuity contracts.

In 2024, the Company purchased buy-out annuities for a portion of its defined benefit pension plans. As a result, $159.1 million of the accrued benefit obligation and a similar amount of defined benefit plan assets were derecognized from the Company's consolidated balance sheet.

Deferred reforestation.

Canfor accrues an estimate of its future liability to perform forestry activities, defined to mean those silviculture treatments or activities that are carried out to ensure the establishment of a free-growing stand of young trees, including logging road rehabilitation on its forestry tenures in BC and Alberta. An estimate is recorded in the consolidated financial statements based on the number of hectares of timber harvested in the period and the estimated costs of fulfilling Canfor's obligation. Payments in relation to reforestation are expected to occur over periods of up to 15 years and have been discounted accordingly at risk-free rates ranging from 2.6% to 3.4%. The actual costs that will be incurred in the future may vary based on, among other things, the actual costs at the time of silviculture activities.

Asset retirement obligations.

Canfor records the estimated fair value of a liability for asset retirement obligations, such as landfill closures, in the period when it is incurred. For landfill closure costs, the fair value is determined using estimated closure costs discounted over the estimated useful life. Canfor's asset retirement obligations represent estimated undiscounted future payments of $14.6 million to remediate landfills at the operations at the end of their useful lives. Payments relating to landfill closure costs are expected to occur at periods ranging from 2 to 42 years and have been discounted at risk-free rates ranging from 3.0% to 3.4%. The actual closure costs and periods of payment may differ from the estimates used in determining the year-end liability. On initial recognition, the fair value of the liability is added to the carrying amount of the associated asset and amortized over its useful life. The liability is accreted over time through charges to earnings and reduced by actual costs of settlement.

CPPI's asset retirement obligations represent estimated undiscounted future payments of $9.3 million to remediate landfills at the operations at the end of their useful lives. The payments are expected to occur at periods ranging from 2 to 27 years and have been discounted at risk-free rates ranging from 3.0% to 3.4%.

Canfor and CPPI has certain assets that have indeterminable retirement dates and, therefore, there is an indeterminate settlement date for the related asset retirement obligations. As a result, no asset retirement obligations are recorded for these assets. These assets include wastewater and effluent ponds that will have to be drained once the related operating facility is closed and storage sites for which removal of chemicals, fuels and other related materials will be required once the related operating facility is closed. When the retirement dates of these assets become determinable and an estimate can be made, an asset retirement obligation will be recorded. It is possible that changes in future conditions could require a material change in the recognized amount of the asset retirement obligations.

Environmental remediation costs.

Costs associated with environmental remediation obligations are accrued and expensed when there exists a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are discounted to their present value when the amount and timing of expected cash payments are reliably determinable.

Asset write-downs and impairments.

The Company reviews the carrying values of its long-lived assets, including timber licenses, property, plant and equipment and right-of-use assets, on a regular basis as events or changes in circumstances may warrant. An impairment loss is recognized in net income (loss) at the amount that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In connection with the previously highlighted closure announcements, as well as the ongoing uncertainty with respect to the availability of economic fibre, the Company determined there were indicators of impairment at certain of its Western Canadian lumber operations for the year ended December 31, 2024.

The recoverable amount of the timber licenses and property, plant and equipment within the Western Canadian lumber operations was determined based on the higher of fair value less costs to sell and value in use. A discounted cash flow model was used to estimate value in use. This discounted cash flow model was projected based on past experience as well as Management's assessment of future trends in the forest industry, based on external and internal sources of data. Assumptions include future production volumes, commodity prices, log and production costs, the discount rate, applicable foreign exchange rates, operating rates of the assets, and the future capital required to maintain the assets for their current operating conditions. Estimated future cash flows were discounted at a rate of 11% (15% before tax), based on the Company's weighted average cost of capital in that area for 2024.

In addition, because of ongoing uncertainty surrounding economic fibre availability, heightened by the recent sawmill closure announcements in the BC Interior, CPPI performed an impairment assessment for the year ended December 31, 2024 on the property, plant and equipment of its pulp and paper segment. The recoverable amount of CPPI's property, plant and equipment within its pulp and paper operations was determined based on the higher of fair value less costs to sell and value in use. A discounted cash flow model was used to estimate value in use. This discounted cash flow model was projected based on past experience as well as Management's assessment of future trends in the pulp industry, based on external and internal sources of data. Significant assumptions include future production volumes, commodity prices, fibre and production costs, as well as the discount rate. Other assumptions include applicable foreign exchange rates, operating rates of the assets, and the future capital required to maintain the assets for their current operating conditions. Estimated future cash flows were discounted at a rate of 9% (12% before tax), based on CPPI's weighted average cost of capital for 2024.

As previously indicated, as a result of these announced closures, as well as the aforementioned impairment assessments, an asset write-down and impairment charge totaling $342.9 million was recognized for the year ended December 31, 2024. Of the $342.9 million, $131.9 million was recognized as a reduction of the carrying value of the Company's Western Canadian lumber operations and $211.0 million as a reduction to the carrying value of CPPI's pulp assets within the pulp and paper segment.

CPPI continues to closely monitor the direct and indirect impacts associated with the constraints on economic fibre, especially in the near-term. If the availability of economically viable fibre within BC is further reduced, CPPI's production, shipments and cost structure will be further affected. These factors could impact CPPI's operating plan, liquidity, cash flows and the valuation of long-lived assets.

Impairment of goodwill.

Goodwill, which is the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired, is not amortized, but is assessed annually for impairment, or more frequently if events or circumstances indicate that it may be impaired. Canfor's goodwill relates to its US, European and Canadian subsidiaries and is denominated in US-dollars, SEK and Canadian dollars, respectively.

Goodwill is allocated separately to each of the Company's cash generating units and tested at that level for impairment purposes. The recoverable amount of goodwill is determined based on an assessment of value in use, estimated using discounted cash flow models. Key assumptions used in the cash flow models include forecast prices and foreign exchange rates, which Management determined with reference to both internal and external publications. For the 2024 goodwill impairment assessments, a discount rate of 10% for the US and Europe and 11% for Canada (13% before tax for the US, 12% before tax for Europe, and 15% before tax for Canada) was utilized, based on the Company's current weighted average cost of capital.

In this analysis prepared by Management, the net present value of future expected cash flows was compared to the carrying value of the Company's investment in these assets, including goodwill, at year end, with no impairment of goodwill required at December 31, 2024. If actual results are materially lower than the forecast assumptions, there is a possibility that an impairment of goodwill may be required in future periods.

Valuation of log and finished product inventories.

Log and finished product inventories are recorded at the lower of cost and net realizable value. The cost of inventories of solid wood products is based on the weighted average cost principle, and includes raw materials, direct labour, other direct costs, and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. Canfor estimates the net realizable value of solid wood products by taking into account actual and forecasted sales orders, as well as outlook prices and forecast exchange rates for the period over which the inventories are expected to be sold. Outlook prices are determined using Management's estimates at the end of the period and may differ from the actual prices at which the inventories are sold.

Deferred taxes.

In accordance with IFRS, Canfor recognizes deferred income tax assets when it is probable that the deferred income tax assets will be realized. This assumption is based on Management's best estimate of future circumstances and events. If these estimates and assumptions are changed in the future, the value of the deferred income tax assets could be reduced or increased, resulting in an income tax expense or recovery. Canfor re-evaluates its deferred income tax assets on a regular basis.

Risks and Uncertainties.

Risks and uncertainties fall into the general business areas of markets, international commodity prices, competition, currency exchange rates, environmental issues, forest land base, government legislation and regulations, public policy, and labour disputes, and, for Canadian companies, a history of trade disputes and issues and Indigenous land claims. The future impact of the various uncertainties and potential risks described in the following paragraphs (together with the risks and uncertainties identified under each of the Company's business segments) cannot be quantified or predicted with certainty. However, Canfor does not foresee unmanageable adverse effects on its business operations and believes that it is well positioned to deal with such matters as may arise. The risks and uncertainties are set out in alphabetical order.

Climate change.

The Company's operations are subject to risks and opportunities related to climate change. These risks include, but are not limited to, chronic and acute physical risks such as the increasing frequency and severity of weather conditions, forest fires, hurricanes, and timber diseases and insect infestations. These events could damage or destroy the Company's operating facilities, adversely affect Canfor's timber supply, or result in reduced transportation availability. These events could have a similar effect on the facilities of the Company's suppliers and customers. Any of the damage caused by these events could increase costs and decrease production capacity at the Company's operations, having an adverse effect on the Company's financial results. The Company believes there are reasonable internal processes and insurance arrangements in place to mitigate or cover certain outcomes of such incidents; however, there is no guarantee that these arrangements will fully protect the Company against such losses. As is common practice in the industry, the Company does not insure loss of standing timber for any cause.

There are also transition risks associated with climate change. These include changes in laws, regulations and industry standards associated with greenhouse gas emissions management, non-regulatory pressure to reduce greenhouse gas emissions, and the risk that the Company may not achieve its publicly stated sustainability targets. The Company monitors all regulatory changes including any climate-related regulations, as well as monitoring progress towards targets, to assess their impact on operations. Canfor's operations in Canada will be subject to increasing costs associated with carbon related taxes and will be actively working to mitigate through investment in technology and operational efficiency projects.

The Company has undertaken a qualitative Climate Scenario Analysis to better understand the effects of specific climate-related physical and transition risks on specific asset types. The Company considers adaptation and mitigation strategies to manage and reduce greenhouse gas emissions and has established a decarbonization roadmap. However, there is no guarantee that these efforts will be effective, and these risks may lead to increased capital expenditures or payment of carbon taxes or other events that could adversely affect operations or financial conditions.

Competitive markets.

The Company's products are sold primarily in the US, Canada, Europe and Asia. These global markets are highly competitive, with numerous companies selling into each region. The Company's competitive position is influenced by the price, availability, quality and cost of its raw materials, as well as production and transportation costs. Additionally, the capabilities and productivity of its operating facilities and customer service relative to its competitors play a crucial role. Market dynamics, including global trade agreements and government relations, also impact on the competitive position of companies in these regions. These factors include free trade, global demand, supply chains, production input costs and transportation, especially amid geopolitical tensions and events. Such factors could potentially limit market growth opportunities or limit Canfor's ability to serve its customers. An unfavourable settlement of the Softwood Lumber Agreement could also result in a material increase in duty expenditures. Additional details are provided in the "Softwood lumber agreement" section below. Canfor continues to monitor the trade situation between Canada and the US and mitigation plans are underway to mostly offset the impact of the tariffs on US shipments. With Canfor's geographic diversified operating platform, in Canada, the US South and Sweden, as well as its high quality, specialty product offering and market diversification, the Company is well-positioned to respond to actual and potential tariffs.

Cyclicality of product prices.

The Company's financial performance is dependent upon the selling prices of its products, which have fluctuated significantly in the past. The markets for these products are cyclical and may be characterized by (i) periods of excess product supply due to industry capacity additions, variable production rates or capacity utilization and other factors, some of which affect the Company at the present time; and (ii) periods of insufficient demand due to weak general economic conditions. The economic climate of each region where the Company's products are sold has a significant impact upon the demand, and therefore the prices for lumber as well as pulp and paper.

Environmental issues.

Canfor's North American operations are subject to environmental regulation by Canada and United States federal, provincial, state, and local authorities, including specific environmental regulations relating to air emissions and pollutants, wastewater (effluent) discharges, solid waste, landfill operations, forestry practices, site remediation and the protection of endangered species and critical habitat. The Company's European operations are subject to laws and regulations of the Swedish Government including the *Swedish Environmental Code* and more broadly, the European Union, with its forest operations governed by the *Swedish Forestry Act*, and the *Swedish Environmental Code*.

Canfor has incurred, and will continue to incur, capital, operating, and other expenditures to comply with these applicable environmental laws and regulations. No assurance can be given that changes in these laws and regulations or their application will not have a material adverse effect on Canfor's business, operations, financial condition and operational results. Similarly, no assurance can be given that capital expenditures necessary for future compliance with existing and new environmental laws and regulations could be financed from Canfor's available cash flow. In addition, Canfor may discover currently unknown environmental issues, contamination, or conditions relating to historical or present operations. This may require site or other remediation costs to maintain compliance or remedy issues or result in governmental or private claims for damage to a person, property, or the environment, which could have a material adverse effect on Canfor's business, financial condition, and operational results.

Canfor has systems in place to identify, account for and appropriately address potential environmental liabilities. The Company also has governance in place including an Environmental, Health and Safety Committee of the Board, a Governance and Sustainability Committee, and environmental professionals to manage potential risks, issues, and liabilities.

Canfor has in place internal policies and procedures under which all its forestry and manufacturing operations are regularly audited for compliance with laws and accepted standards and with its environmental management system requirements. CPPI's pulp mills and Canfor's woodlands operations and wood product facilities employ environmental management systems, and CPPI's operations are certified under the ISO 14001 Environmental Management System Standard. Further, all (100%) of Canfor's forest tenures in Canada are third party certified to the Sustainable Forestry Initiative ("SFI"), or the Forest Stewardship Council ("FSC") sustainable forest management standards. All sourced wood in the North American operations are certified to the SFI Fiber Sourcing Standard. The Company's European operations comply with their internal environmental policies and employ environmental management systems, with raw materials certified through the FSC in Sweden and Program for the Endorsement of Forest Certification ("PEFC").

Canfor's operations and its ability to sell its products could be adversely affected if those operations did not, or were perceived by the public as failing to, comply with applicable laws and standards and following responsible environmental and sustainable forest management practices. Further discussion of environmental issues is included in the Company's Annual Information Form, incorporated by reference herein.

Fibre cost and availability.

The Company's fibre costs are affected by several factors which could significantly impact operating results. Lumber market fluctuations, access to economically viable fibre and log market bidding each play a significant role in both fibre supply and costs.

In Western Canada, harvesting operations have transitioned away from Mountain Pine Beetle ("MPB") impacted timber stands (see "Forest health" below for more commentary regarding MPB). The allowable annual cut ("AAC") in BC, in particular, has been reduced in many areas, which has exacerbated the log supply and demand imbalance. As a result of these and other factors influencing fibre availability, the existing manufacturing capacity in many areas of the BC Interior continues to exceed the available timber supply. Until this imbalance is corrected, Canfor expects to see a continuation of higher log costs in BC for the foreseeable future.

Canfor's ability to access timber could also be impacted by unsettled rights and title claims by various Indigenous Nations in BC. The BC *Declaration on the Rights of Indigenous People Act* was enacted in November 2019 based on the United Nations' *Declaration on the Rights of Indigenous Peoples*. Among other things, it outlines the BC Government's commitment to achieve free, prior, and informed consent of Indigenous Nations in connection with government approval of resource-based projects (for additional discussion of this legislation, see the "Indigenous relations" section below).

In 2021, the BC Government announced its intention to defer the harvest of 2.6 million hectares of BC's old-growth forests. Initial industry-wide analysis indicated that these deferrals would result in a decline of the Timber Harvesting Land Base of 1.4 million hectares and a corresponding reduction in AAC of approximately 4.0 million cubic metres, of which 70% of this reduction is in the BC Interior. Also, in 2021, the BC Government introduced legislation affecting not only forestry operations planning activities, which could affect the cost of Canfor's operations, but also its intent to redistribute tenure harvesting rights from forest tenure holders such as Canfor. The implications associated with these and other government policy and legislative amendments on the Company's operations are not yet fully understood but are anticipated to be significant.

In addition, the Company's ability to harvest fibre for use in its operations could be adversely impacted by natural events such as forest fires, severe weather conditions, or insect infestations. In the event that sufficient volumes of economically viable fibre are not available for an operation, it may be necessary to close that operation for a period of time, perhaps permanently. In 2024, the Company announced the permanent closure of its Polar and Plateau sawmills, as well as its Fort St. John sawmill and pellet plant facility, as a result of the persistent challenge to source sufficient volume of economically viable fibre in BC. These disruptions and closures resulted in significant costs to the Company. The Company is not insured for loss of standing timber.

In the Company's US South and European operations, fibre requirements are satisfied primarily through log purchases on open markets, principally from private timber owners. The prices for these fibre purchases are subject to adverse weather and other market forces, including regional demand, which may reduce the available log supply and subsequently put upward pressure on log prices, negatively impacting the Company's results. In addition, decreased demand, primarily from pulp, paper, and pellet mills for residual products produced by the Company's operations, may adversely impact the prices received for those residual products, which could negatively impact results.

Financial risk management and earnings sensitivities.

Canfor is exposed to a number of risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and market risk.

Canfor's internal Risk Management Committee manages risk in accordance with a Board approved Price Risk Management Controls Policy. This policy provides the framework for risk management related to commodity price, foreign exchange, interest rate and counterparty credit risk of Canfor.

(*a*) *Credit Risk:*

Credit risk is the risk of financial loss to Canfor if a counterparty to a financial instrument fails to meet its contractual obligations.

Financial instruments that are subject to credit risk include cash and cash equivalents, trade and other receivables, as well as certain investments and advances. Contract assets are also subject to credit risk. Cash and cash equivalents include cash held through major Canadian and international financial institutions as well as temporary investments that are readily convertible into known amounts of cash within three months or less from the date of acquisition. The cash and cash equivalents balance at December 31, 2024 was $259.3 million.

Canfor utilizes credit insurance to mitigate the risk associated with some of its trade receivables. As at December 31, 2024, approximately 68% of the outstanding trade receivables are covered by credit insurance. Canfor's trade receivable balance at December 31, 2024 was $322.7 million, before a loss allowance of $4.4 million. At December 31, 2024, approximately 94% of the trade receivable balance are within Canfor's established credit terms.

(*b*) *Liquidity risk:*

Liquidity risk is the risk that Canfor will be unable to meet its financial obligations as they come due. Canfor manages liquidity risk through regular cash flow forecasting in conjunction with adequate operating loan and term debt facilities.

At December 31, 2024, Canfor had $106.8 million drawn on its operating loans and facilities and $54.2 million reserved for several standby letters of credit, leaving $1,321.6 million available and undrawn. As a result, including cash and cash equivalents of $259.3 million, at December 31, 2024, Canfor had available liquidity of $1,580.9 million. The Company also had accounts payable and accrued liabilities of $724.1 million, term debt of $120.6 million and a duty deposit loan of $335.1 million as at December 31, 2024. For details of the Company's term debt obligations and maturities refer to the "Other commitments" section of this document.

(*c*) *Market risk:*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, foreign currency, and commodity and energy prices.

(*i*) *Interest rate risk:*

Canfor is exposed to interest rate risk through its current financial assets, operating loan facilities and term debt that bear variable interest rates.

Canfor may use interest rate swaps to reduce its exposure to interest rate risk associated with financial obligations bearing variable interest rates. At December 31, 2024, the Company had no interest rate swaps outstanding.

Canfor is also exposed to interest rate risk in relation to the measurement of the Company's pension liabilities.

(*ii*) *Currency risk:*

At a consolidated level, Canfor is exposed to foreign exchange risk related to the US-dollar, as Canfor's products are sold principally in US-dollars. In addition, Canfor holds US-dollar denominated financial assets and liabilities.

An increase (decrease) in the value of the Canadian dollar by US$0.01 would result in a pre-tax: (i) loss (gain) of approximately $1.8 million in relation to working capital balances denominated in US-dollars at year end (including cash, trade receivables and accounts payable); and a (ii) gain (loss) of approximately $5.4 million in relation to term debt and the duty deposits loan denominated in US-dollars. These amounts do not include foreign exchange gains and losses arising from the translation of foreign operations which are recognized in 'Accumulated other comprehensive income' on the Company's consolidated balance sheet.

A portion of the currency risk associated with US-dollar denominated sales is naturally offset by US-dollar denominated expenses. A portion of the remaining exposure is sometimes reduced by foreign exchange collar contracts that effectively limit the minimum and maximum Canadian dollar recovery related to the sale of those US-dollars. At December 31, 2024, the Company had no foreign exchange collar contracts outstanding.

Although Vida primarily transacts in SEK, the Company also sells certain products in US-dollar, GBP, AUD, EUR, and NOK and holds US, SEK and AUD denominated operating loan and term debt facilities and limits its exposure to foreign exchange risk using forward foreign exchange contracts and foreign exchange options. For details of the Company's forward foreign exchange contracts at December 31, 2024, refer to the "Derivative financial instruments" section of this document.

(*iii*) *Commodity price risk:*

Canfor is exposed to commodity price risk principally related to the sale of lumber and related products, pulp and paper. From time to time, Canfor enters into futures contracts on the Chicago Mercantile Exchange for lumber and forward contracts direct with customers or on commodity exchanges for pulp. Under the Company's Price Risk Management Controls Policy, up to 15% of lumber sales and 1% of pulp sales may be sold in this way. Canfor is also exposed to commodity price risk on the sale of electricity in Canada. Prices are set by third party regulatory bodies. For details of the Company's lumber future contracts at December 31, 2024, refer to the "Derivative financial instruments" section of this document.

(*iv*) *Energy price risk:*

Canfor is exposed to energy price risk relating to purchases of natural gas and diesel oil for use in its operations.

The annual exposure is from time to time hedged up to 100% through the use of floating to fixed swap contracts or option contracts with maturity dates up to a maximum of eighteen months. At December 31, 2024, the Company had no energy fixed swaps or option contracts outstanding.

Earnings sensitivities.

Estimates of the sensitivity of Canfor's pre-tax results to currency fluctuations and prices for its principal products, based on 2025 forecast production, shipments, and year end foreign exchange rates, are set out in the following table:

(millions of Canadian dollars)		Impact on annual pre-tax earnings
Western SPF lumber – US$10 change per Mfbm[67,68]	$	22
SYP lumber – US$10 change per Mfbm[67,68]	$	26
European lumber – SEK100 change per Mfbm[67,68]	$	19
Softwood lumber duties – 5% change[69]	$	18
NBSK Pulp – US$10 change per tonne[70]	$	5
Canadian dollar – 1% change per US-dollar[71]	$	13
Canadian dollar – 1% change per SEK[71]	$	1

67. Based on sales of Canfor-produced products, before softwood lumber duties.
68. Excluding impacts of exchange rate, freight, discounting, potential change in fibre costs and other deductions.
69. Based on a 5% increase in the combined CVD and ADD deposit rate for 2025.
70. Includes 100% of CPPI.
71. A 1% increase in the Canadian dollar per US-dollar or SEK results in a decrease to pre-tax annual earnings. A 1% decrease in the Canadian dollar per US-dollar or SEK results in an increase to pre-tax annual earnings.

Forest health.

The MPB epidemic has run its course in BC and the provincial Chief Forester has subsequently reduced the AAC to account for the decline of sawlog quality timber. The Company anticipates that the majority of MPB-induced AAC reductions have culminated and the provincial AAC will now level out at or near current levels, for the foreseeable future.

Given the enormous extent and severity of the infestation, the mid-term and long-term operational and financial impacts on Canfor may be significant. In response, the Company has taken various steps to mitigate its exposure to these impacts by modifying manufacturing and harvesting operations as follows: repurposing its existing manufacturing facilities to optimize the harvest of green, non-pine leading stands and by permanently closing several manufacturing facilities throughout northern BC. In addition, the Company has taken steps to fully utilize as much of the residual non-sawlog fibre it harvests by redirecting this to its whole log chipping operations located in Prince George and Skookumchuk.

in Alberta, with MPB populations subsiding to historic and endemic levels, detection, survey and control programs have been focused on the southern part of the province where larger, but steadily declining regional populations still exist. General industry and government experts agree that the province has now seen a transition from an epidemic to an endemic population state. Most of the recent infestations can be found in the Bow Valley and Exshaw corridors between and around Banff and Calgary. Recent survey data from 2023 indicated these populations are also on the verge of collapse. For the immediate future, the threat and risk of MPB mortality appears to be low. The province of Alberta continues to monitor populations during peak annual MPB flight periods to establish a population baseline for future monitoring, detection & early control.

Following an accelerated harvest of susceptible pine in most of Canfor's Alberta forest tenure areas since 2009, in conjunction with government control efforts, both of which prevented spread and managed populations throughout the epidemic, there has been no indication of further spread in these areas in recent years. Subsequently, salvage harvest for MPB mortality trees in Canfor's operating areas is near completion with annual harvest levels in affected areas expecting to return to post-epidemic levels by 2026.

Post-MPB, Alberta's forest health focus has since shifted to continued insect & disease detection in provincial forests, assessing causes and impacts of observed aspen dieback, and a renewed interest in tree adaptation and improvement to promote forest resilience.

Once again British Columbia and Alberta each experienced significant wildfire seasons in 2024. In 2024, wildfires burned 705,000 hectares in Alberta and 1.1 million hectares in British Columbia. Although the 2024 wildfire season compared favorably to the 2023 wildfire season, burning 2.2 million hectares in Alberta and 2.8 million hectares in British Columbia, 2024 was the second worst wildfire season on record, with a combined 1.8 million hectares burned. The continuation of significant warming and drying trends combined to create severe drought conditions in much of Western Canada. Canfor is collaborating with government agencies and Indigenous communities to pursue salvage harvesting operations in areas affected by the 2023-24 wildfire seasons. Long-term fibre supply impacts associated with these wildfires will depend on the economic shelf-life of damaged timber and the extent to which salvage harvesting activities can be completed in affected areas. Canfor along with other forest companies and forest sector associations continue to collaborate with the BC and Alberta government on strategies to mitigate wildfire impacts.

Geopolitics, government and other regulations.

The Company sells its products across Asia, North America and other markets, as noted previously. Global events taking place in any of these jurisdictions could affect the ability of the Company to do business with existing or new customers and suppliers.

In addition, Canfor is subject to a wide range of general and industry-specific forestry and forest practices, environmental, health and safety, building and product standards and other laws and regulations imposed by federal, provincial, and local authorities, including those governing the use, storage, handling, generation, treatment, emission, release, discharge and disposal of certain hazardous materials and wastes, the remediation of contaminated soil and ground water, the use and design values of Canfor's products, the health and safety of employees and the export or import of goods to jurisdictions where the Company sells its products. Further, certain agreements and contracts relating to the ownership or transfer of forestry tenures and licenses are subject to review by applicable regulatory bodies. If Canfor is unable to extend or renew a material license or permit required by such laws, any transfer is challenged by a regulatory body, or if there is a delay in renewing any material license or permit, Canfor's business, financial condition, results of operations and cash flows could be materially adversely affected. In addition, future events such as any changes in these laws and regulations or any change in their interpretation or enforcement, or the discovery of currently unknown conditions, may give rise to additional expenditure or liabilities.

Health & safety.

Canfor prioritizes health and safety throughout the organization and strives to ensure that its employees return home safely at the end of each shift. It does this with a comprehensive framework of inspections, training, tests of equipment and regular preventative maintenance. Despite these efforts, the nature of the Company's operations and failure to follow policies and procedures subject employees to a variety of risks, including those related to wood dust, heavy machinery, and chemicals. Apart from the impact on its people, threats to health and safety could cause interruptions to Canfor's business and have an adverse effect on the Company's reputation, operations, and financial results.

Indigenous relations.

Canfor sources the majority of its fibre from areas subject to claims of Indigenous rights or title. In November 2019, the Government of BC passed legislation (*Declaration on the Rights of Indigenous People Act*) regarding the implementation of the United Nations' *Declaration on the Rights of Indigenous Peoples Act* in BC. The legislation provides for processes for the BC Government to create a path forward that respects the human rights of Indigenous peoples while introducing better transparency and predictability to the work the BC Government and Indigenous peoples do together. This work aims to foster increased and lasting certainty on the land base while ensuring that the benefits of sustainable forest harvesting are realized equitably by those engaged in and impacted by the forestry industry.

In December 2020, the Government of Canada tabled Bill C-15, the federal government's response to implementing the United Nations' *Declaration on the Rights of Indigenous People Act*. The Bill proceeded through the legislative process and was enacted into law in June 2021.

In June 2021, the BC Government released its Draft Action Plan relating to the implementation of the *Declaration on the Rights of Indigenous People Act*, which proposes several new measures. However, these initiatives are described only at a high level. Some of the measures include: a new framework for resource revenue sharing and other fiscal mechanisms to support Indigenous peoples; and the negotiation of joint-decision-making agreements and agreements in which consent from Indigenous governing bodies will be required before the BC Government exercises a statutory decision-making power. Nonetheless, no detail is provided on the scope or content of such agreements, and work is continuing to better define this. Thus, the impacts on the Company's timber harvesting operations of any such future agreements remain uncertain at this time.

Canadian judicial decisions have recognized the continued existence of Indigenous rights and title to lands continuously and exclusively used or occupied by Indigenous groups. In June 2014, the Supreme Court of Canada, for the first time, recognized Indigenous title for the Tsilhqot'in Nation over approximately 1,750 square kilometres of land in central BC ("William decision"). It found that BC's *Forest Act* provisions dealing with the disposition or harvest of Crown timber no longer applied to timber located on these lands, but also confirmed provincial law can apply to Indigenous title lands.

While Indigenous title had previously been assumed to exist over specific, intensively occupied areas such as villages, the William decision marks the first time Canada's highest court has recognized Indigenous title over a particular piece of land and, in so doing, affirmed a broader territorial use-based approach to Indigenous title. The decision also further defines what Indigenous title means and the type of land uses consistent with this form of collective ownership.

Presently, Indigenous title has not been established by law in any areas overlapping Canfor's tenure areas; however, Indigenous rights continue to exist over traditional territories, and there is no assurance that Canfor's timber harvesting rights will not be affected in the future. The Government of BC delegates procedural aspects of consultation to tenure holders, including Canfor, and Canfor works to establish productive and mutually beneficial relationships with Indigenous Nations whose traditional territories overlap Canfor's operating areas. The Government of BC has also taken steps to improve certainty and access to timber resources through interim agreements with Indigenous Nations that include timber rights. Canfor holds numerous agreements with individual Indigenous Nations whereby it manages and/or purchases their timber.

On June 29, 2021, the BC Supreme Court released its decision in *Yahey v British Columbia*, in which it ruled that the Crown had unjustifiably infringed the Treaty 8 rights of the Blueberry River First Nation ("BRFN") in permitting the cumulative impacts of industrial development to meaningfully diminish BRFN's ability to exercise its treaty rights in its traditional territory (the "Blueberry River decision"). The Blueberry River decision has potentially significant implications on regulatory and operational requirements for industrial development activities in northeast BC, where Canfor has operations, and could extend to other areas in Canada where similar claims may be made.

On January 18, 2023, BRFN and the Province of BC reached an agreement that will guide them forward in a partnership approach to land, water, and resource stewardship, including forestry. The agreement includes land restoration, new areas protected from industrial development, and constraints on development activities while a long-term cumulative effects management regime is implemented. Timber harvesting in the Fort St. John Timber Supply Area will be reduced by approximately 350,000 cubic metres per year. The full impacts of the agreement on Canfor are still to be determined, however, negative long-term impacts on fibre availability are anticipated.

The impacts of BC's *Declaration on the Rights of Indigenous Peoples Act*, the federal government's Bill C-15, the William decision, the Blueberry River decision, and other proceedings presently before the courts in BC on the timber supply from public lands and Canfor's operations is unknown at this time, especially as they pertain to Canfor's current timber supply and operational activities on the traditional territory of BRFN and other Indigenous Nations. Also, Canfor does not know if, how, and to the extent these rulings or decisions will lead to changes in BC or federal laws or policies that may affect its forestry operations. However, there is the potential for adverse timber supply and operational implications associated with the outcome of these ongoing negotiations and issues. In alignment with Canfor's values and in an effort to minimize risk, as these negotiations and matters relating to Indigenous rights and title develop, Canfor will actively participate in the new regional forest landscape planning process and continue to engage with Indigenous Nations and the BC Government to seek opportunities for mutually beneficial partnerships, collaboration, and improved certainty in order to minimize risks to Canfor's tenures and operational activities.

Inflation.

Canfor relies on logs, wood chips, chemicals, gas, electricity, transportation, and labour in its operations. Continued inflationary pressure on these goods and services will increase Canfor's operating costs and reduce operating margins. There is no guarantee that the effects of these cost pressures would be fully offset through price increases, productivity improvements, or cost-reduction initiatives.

Information technology.

Canfor's information technology systems serve an essential role in the operation of its business. Canfor relies on various technologies to access fibre, operate its production facilities, interact with customers, vendors, and employees, and report on its business. Interruption, failure or unsuccessful implementation and integration of Canfor's information technology systems could result in material and adverse impacts on the Company's financial condition, operations, production, sales, and reputation. It could also result in environmental and physical damage to Company operations or surrounding areas.

Canfor's information technology systems and networks could be interrupted or fail due to a variety of causes, such as natural disasters, fire, power outages, vandalism, or cyber-based attacks. Any such interruption or failure could result in operational disruptions or the misappropriation of sensitive or proprietary data that could subject Canfor to civil and criminal penalties and litigation or have a negative impact on the Company's reputation. There can be no assurance that such disruptions or misappropriations and the resulting repercussions will not negatively impact the Company's cash flows and have a material adverse effect on its business, operations, financial condition, and operational results.

Although to date Canfor has not experienced any material losses relating to cyber risks, there can be no assurance that the Company will not incur such losses in the future. Canfor's risk and exposure cannot be fully mitigated due to the nature of these threats. The Company continues to invest in enhanced technologies to detect and respond to these external threats in addition to developing and enhancing internal controls, policies, and procedures designed to protect systems, servers, computers, software, data, and networks from attack, damage, or unauthorized access remain a priority. Canfor has established a Management Cyber Risk Committee to assess and monitor risk mitigation efforts and to respond to emerging threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to modify or enhance protective measures or investigate and remediate any security vulnerabilities.

Canfor is currently exploring opportunities that will incorporate generative artificial intelligence and machine learning tools ("AI") into its business processes and has established an Artificial Intelligence Usage Policy that sets out the Company's rules and requirements for the responsible, ethical and secure use of AI by all personnel for the protection of the Company, its personnel and business partners and to mitigate the risk of misuse, unethical outcomes, potential biases, inaccuracies, loss of personal information or other confidential information, and cybersecurity breaches. All personnel are prohibited from using AI or AI tools for any Company business unless the requirements set out in this policy are met.

Labour agreements and competition for professional skilled labour.

Any labour disruptions and costs associated with labour disruptions at the Company's mills could have a material adverse effect on the Company's production levels and results of operations. Any inability to negotiate acceptable contracts with its unions as they expire could result in a strike or work stoppage by the affected workers and increased operating costs as a result of higher wages or benefits paid to unionized workers.

A collective agreement with the United Steelworkers ("USW"), which represents the majority of the workers of Canfor's sawmills in BC, except as noted below, expired on June 30, 2023. A new collective agreement with the USW was ratified in September 2024 and will expire on June 30, 2027.

In 2022, Canfor negotiated its labour agreement with Unifor at its Grande Prairie lumber operation; the new agreement was ratified on January 8, 2023 and will expire on October 1, 2028.

For the Company's European lumber operations, 43% of workers are represented by GS, with the current agreements effective from April 1, 2023 to March 31, 2025. Ongoing negotiations with the unions are actively underway, which is anticipated to be ratified by April 1, 2025. The Company's operations in the US South are not unionized.

Labour agreements with the Unifor and the Public and Private Workers of Canada ("PPWC") covering CPPI's operations were ratified in February 2022 and will expire on April 30, 2025. CPPI anticipates bargaining will commence with Unifor and PPWC on or before the current contracts' expiration date.

Maintenance obligations and facility disruptions.

Canfor's manufacturing processes are vulnerable to operational problems that could impair its ability to manufacture its products. Canfor could experience a breakdown in any of its machines or other necessary equipment, and from time to time, planned or unplanned maintenance outages that cannot be performed safely or efficiently during operations must be conducted. Such disruptions could cause a significant loss of production, which could adversely affect Canfor's business, financial condition, and operating results. The Company believes there are reasonable insurance arrangements in place to cover certain outcomes of such incidents; however, there can be no guarantees that these arrangements will fully protect the Company against such losses.

Residual fibre revenues.

Wood chips are a residual product of Canfor's lumber manufacturing process and in northern BC, are primarily sold to CPPI. Residuals and wood waste in southern BC, Alberta, the US South, and Europe are sold primarily to third-party pulp and paper mills and pellet plants. Pricing for residuals is subject to supply and demand in the regions where our sawmill facilities are located. Increased sawmill capacities in these regions could adversely impact market conditions, including residual pricing. Conversely, increased demand from new and existing pellet facilities may help offset downward pressure on pricing.

In northern BC, these chips are the principal raw material utilized by CPPI in its pulp manufacturing operations. If market conditions cause CPPI to cease pulp operations for an extended period, Canfor would have a limited market and/or reduced value for its chip supply, which could affect its ability to run its sawmills economically. Similarly, if lumber market conditions or fibre availability were such that Canfor or other suppliers were unable to provide the current volume of chips to CPPI as a result of AAC reductions, lower sawmill production, or sawmill closures, whether temporary or permanent, CPPI's chip supply, chip cost, and production results could be materially affected.

Bark hog is another residual product of Canfor's lumber manufacturing process. Bark hog has exhibited increasing value to Canfor over the past several years. It is utilized in Canfor's bark-fueled thermal oil energy systems to dry lumber or, in the case of Canfor's cogeneration facilities, to produce heat and electricity. Surplus bark hog is sold predominantly to pulp and bio-energy customers, including CPPI, to be used in the generation of steam to manufacture power and heat.

Softwood lumber agreement.

The Softwood Lumber Agreement between the governments of Canada and the US expired on October 12, 2015, without being renewed or replaced. On November 25, 2016, a petition was filed by the US Lumber Coalition to the US 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, an assertion the Canadian industry and Provincial and Federal Governments strongly deny and have successfully disproven in international courts in the past. Canfor was selected by the DOC as a "mandatory respondent" to the countervailing and anti-dumping investigations and is subject to company-specific countervailing and anti-dumping duties.

On April 24, 2017, the DOC announced its preliminary countervailing duty of 20.26% specific to Canfor, to be posted by cash deposits or bonds on the exports of softwood lumber to the US, effective April 28, 2017, to August 25, 2017. Following this period, CVD duties were not applicable on lumber shipments destined to the US from August 26, 2017 to December 27, 2017. On June 23, 2017, the DOC announced its preliminary anti-dumping duty determination of 7.72% specific to Canfor, to be posted by cash deposits or bonds on the exports of softwood lumber to the US, effective June 30, 2017.

The DOC announced final countervailing and anti-dumping duty determinations on November 2, 2017, while the ITC issued an affirmative determination of injury on December 7, 2017. As a result, Canfor was issued a final ADD rate of 7.28% (after taking account of ministerial errors) effective November 8, 2017, and was subject to countervailing duties on Canadian lumber exports destined to the US at a reduced rate of 13.24%, effective December 28, 2017. Notwithstanding the final rate established in the DOC's investigation, the final liability for assessing CVD and ADD will not be determined until an official administrative review of the respective period is complete.

In early 2020, the DOC announced the preliminary results for the first period of review ("POR1") and finalized the rates on November 24, 2020. The Company's final CVD rate was determined to be 2.94% for 2017 and 2.63% for 2018, while the final ADD rate was 1.99% for the entire first period of review. The DOC's final combined duty and cash deposit rate of 4.62% applied to the Company's Canadian lumber shipments destined to the United States from December 1, 2020, until completion of the administrative review for the second period of review on November 30, 2021.

In May 2021, the DOC announced the preliminary results for the second period of review ("POR2"), which was based on sales and cost data for 2019, and on November 24, 2021, finalized the rates. The Company's final CVD rate was determined to be 2.42%, while the final ADD rate was 17.12%. The DOC's final combined cash deposit rate of 19.54% applied to the Company's Canadian lumber shipments destined to the United States from December 2021 until August 2022 upon completion of the administrative review for the third period of review in August 2022.

In January 2022, the DOC announced the preliminary results for the third period of review ("POR3"), which was based on sales and cost data for 2020, and in August 2022, finalized the rates. The Company's final CVD rate was determined to be 0.95%, while the final ADD rate was 4.92%. The DOC's final combined cash deposit rate of 5.87% applied to the Company's Canadian lumber shipments destined for the United States from August 2022 until the completion of the administrative review for the fourth period of review in July 2023.

In January 2023, the DOC announced the preliminary results for the fourth period of review ("POR4"), which was based on sales and cost data in 2021, and in July 2023, finalized the rates. The Company's final CVD rate was determined to be 1.36%, while the final ADD rate was 5.25%. The DOC's final combined cash deposit rate of 6.61% applied to the Company's Canadian lumber shipments destined to the United States from August 2023 until the completion of the administrative review for the fifth period of review in August 2024.

In February 2024, the DOC announced the preliminary results for POR5, which was based on sales and cost data in 2022, and in August 2024, finalized the rates. The Company's final CVD and ADD rates were determined to be 6.14% and 10.44%, respectively. In August 2024, upon finalization of these POR5 rates, an expense of $67.2 million (US$48.6 million), was recognized in the Company's consolidated financial statements to reflect the difference between the combined accrual rate (11.42% between January and July 2022 and 9.95% for August through to December 2022), and the DOC's final combined rate for POR5 of 16.58%.

In addition, the Company's combined cash deposit rate of 6.61% was reset to the final DOC rates for POR5 of 16.58% and was applied to the Company's Canadian lumber shipments destined to the United States from August 2024 until the completion of the administrative review for the sixth period of review (anticipated mid-2025).

Subsequent to year-end, in March 2025, the DOC announced the preliminary anti-dumping results for the sixth period of review ("POR6"), which indicated that the Company's preliminary anti-dumping duty ("ADD") rate for 2023 was 34.61%. The DOC is anticipated to release preliminary countervailing results for POR6 on or before May 2025.

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 CVD and ADD determinations made by the DOC. Canada has proceeded with legal challenges under the Canada-United States-Mexico Agreement ("CUSMA") and through the World Trade Organization, where Canadian litigation has proven successful in the past. On September 9, 2024, the Canadian Federal Government launched two legal challenges against the US DOC related to the final rates for POR5.

Species at risk.

The Government of Canada, pursuant to its authority under the *Species at Risk Act* ("SARA"), has determined hundreds of wildlife species to be critically imperiled and has listed them as Endangered or Threatened. The Environment and Climate Change Canada ("ECCC") ministry is required under SARA to create and publish a Recovery Strategy for such listed species. In 2012 and 2014, Canada published a Recovery Strategy for the Boreal Caribou (Rangifer Tarandus Caribou – Boreal population) and the Southern Mountain Caribou (Rangifer Tarandus Caribou – Southern Mountain population), each of which is a species native to large tracts of boreal forests in northern BC and Alberta, and of the mountains of BC and the eastern slopes of the Rocky Mountains in Alberta, respectively. The Recovery Strategy identifies critical habitat and prescribes that each Province must develop and implement an action plan to recover the species and protect its critical habitat. If Canada determines that a Province is not providing adequate protection for a species, then Canada reserves the right to levy protection orders prohibiting activities deemed harmful to the species or destructive to its critical habitat.

Canada has entered into separate five-year conservation agreements with BC and Alberta per Section 11 of SARA. In BC, the two parties, along with two Treaty 8 First Nations, subsequently executed the Caribou Recovery Partnership Agreement (the "Partnership Agreement") on February 21, 2020. This 30-year Partnership Agreement encompasses several Caribou herds in the south Peace River region of BC. The Partnership Agreement created the legal obligation for BC to preserve certain sections of land from all resource, commercial, and recreational use, which ultimately resulted in the expansion of an existing Class A Park (finalized on June 14, 2024), where commercial, recreational, and industrial activities are now prohibited. In addition, the Partnership Agreement requires that BC bring forward regulatory measures for approval. These measures will take the form of legal land use objectives that will govern how recreational, commercial, and industrial activities will be allowed to occur. It is expected that these and other initiatives to conserve and protect caribou habitat will ultimately result in a further significant impact to available timber supply and ultimately to the reduction of AAC in the region. The Company continues to work with governments at all levels (federal, provincial, municipal), as well as with Indigenous Nations and with its provincial and national forest associations in an effort to minimize the economic impacts that will result from these land use decisions.

Stumpage rates.

Stumpage is the fee businesses or individuals pay the Government for harvested timber from Crown land in BC. Stumpage rates in BC are determined using a transaction evidence-based timber pricing system known as the Market Pricing System ("MPS"). MPS uses market forces, such as lumber market pricing and the results and characteristics of competitively sold BC Timber Sales ("BCTS") auctions of timber, to establish the market value of timber (and ultimately stumpage rates in BC). For cutting authorities harvested under long-term tenure agreements, an adjustment is made for tenure obligation costs imposed on and incurred by licensees (such as forest management administration and silviculture) before determining final stumpage rates.

The BC Government is scheduled to make its next annual update to the MPS on July 1, 2025. Further changes to the BC Interior market-driven stumpage system and resulting stumpage rates could have a material impact on Canfor's business. The Alberta Government will be reviewing their provincial stumpage rates (timber dues); however, the Company is not aware of any planned material changes at this time.

Transportation services.

While Canfor utilizes its own team of supply chain professionals to oversee and respond to disruptions for the transportation of its products, as well as the delivery of raw materials, it is reliant on railroad, trucking, and shipping third parties to carry out a significant proportion of its transportation operations. If any of Canfor's third-party transportation providers were to fail to deliver the raw materials or products or distribute them in a timely manner, Canfor may be unable to find alternative arrangements to sell those products at full value, or at all, or unable to manufacture its products in response to customer demand, which could have a material adverse effect on Canfor's financial condition and operating results. In addition, if any of these third parties were to cease operations, suffer labour-related disruptions, or cease doing business with Canfor, the Company's operations or cost structure may be adversely impacted. Transportation services may also be affected by seasonal factors, which could impact the timely delivery of raw materials and product distribution to customers and adversely impact Canfor's financial condition and operating results.

Outstanding Share Data.

At March 6, 2025, there were 118,405,079 common shares issued and outstanding.

Disclosure Controls and Internal Controls Over Financial Reporting.

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related consolidated financial statements was properly recorded, processed, summarized, and reported to the Board of Directors and the Audit Committee. The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of these disclosure controls and procedures for the year ended December 31, 2024, and have concluded that they are effective.

The CEO and CFO acknowledge responsibility for the design of internal controls over financial reporting ("ICFR") and confirm that there were no changes in the Company's ICFR during the year ended December 31, 2024, that materially affected, or would be reasonably likely to materially affect, such controls.

Based upon their evaluation of these controls for the year ended December 31, 2024, the CEO and CFO have concluded that these controls are operating effectively.

Additional information about the Company, including its 2024 Annual Information Form, is available at sedarplus.com or at canfor.com.

Consolidated Financial Statements.

Management’s Responsibility.

The information and representations in these consolidated financial statements are the responsibility of Management and have been approved by the Board of Directors. The consolidated financial statements were prepared by Management in accordance with IFRS Accounting Standards and, where necessary, reflect Management’s best estimates and judgments at this time. It is reasonably possible that circumstances may arise which cause actual results to differ.

Canfor Corporation maintains systems of internal controls over financial reporting, policies and procedures to provide reasonable assurance as to the reliability of the financial records and the safeguarding of its assets.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out these activities primarily through its Audit Committee.

The Audit Committee is comprised of four Directors who are not employees of the Company. The Audit Committee meets periodically throughout the year with Management, external auditors and internal auditors to review their respective responsibilities, results of the reviews of internal controls over financial reporting, policies and procedures and financial reporting matters. The external and internal auditors meet separately with the Audit Committee.

The consolidated financial statements have been reviewed by the Audit Committee and approved by the Board of Directors. The consolidated financial statements have been audited by KPMG LLP, the external auditors, whose report follows.

March 6, 2025

"Susan L. Yurkovich"	*"Patrick A. J. Elliott"*
Susan L. Yurkovich President and Chief Executive Officer	Patrick A. J. Elliott Chief Financial Officer and Corporate Secretary

KPMG LLP
777 Dunsmuir Street
Vancouver, BC V7Y 1K3
Canada
Tel 604-691-3000
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Canfor Corporation

Opinion

We have audited the consolidated financial statements of Canfor Corporation (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2024 and December 31, 2023
- the consolidated statements of income (loss) for the years then ended
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2024 and December 31, 2023, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the indicators of impairment for property, plant and equipment and timber licenses related to the Western Canadian lumber operations

Description of the matter

We draw attention to Notes 3, 5, 7 and 20 to the financial statements. Property, plant and equipment and timber licenses are assessed at each reporting date to determine whether there are any indicators of impairment, and an impairment test is performed whenever events or circumstances indicate that the carrying amounts may not be recoverable. The Entity identified indicators of impairment for specific sawmills in its Western Canadian lumber operations and performed an impairment test to estimate the recoverable amounts of the specific sawmills. The Entity recorded an impairment charge pertaining to these sawmills of $131.9 million for the year ended December 31, 2024. The recoverable amount was determined on an assessment of fair value less cost of disposal. With the exception of the specific sawmills for which impairment was recorded, the Entity has not identified any indicators of impairment for property, plant and equipment and timber licenses related to the Western Canadian lumber operations.

Why the matter is a key audit matter

We identified the assessment of the indicators of impairment for property, plant and equipment and timber licenses related to the Western Canadian lumber operations as a key audit matter. This matter represented an area of higher risk of material misstatement given the magnitude of property, plant and equipment and timber licenses and high degree of estimation uncertainty in determining whether indicators of impairment exist as of the balance sheet date. Significant auditor judgment was required to assess the Entity's determination of whether various internal and external factors, individually and in aggregate, result in indicators of impairment. Specifically, significant auditor judgement was required to assess the availability of economic fibre, current operating results and cash flows of certain Western Canadian lumber operations and the difference between the Entity market capitalization and the carry value of its net assets.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We evaluated the Entity's assessment of indicators of impairment for Western Canadian lumber operations which included consideration of the availability of economic fibre and current operating results and cashflows of certain operations.

- We assessed whether the information in the Entity's analysis was consistent with information included in the Entity's press releases, management's discussion and analysis, and other public filings.
- We involved valuation professionals with specialized skills and knowledge to assist in assessing the difference between the Entity's market capitalization and the carrying value of its net assets.

Assessment of the recoverable amounts of each of the pulp and paper segment's property, plant and equipment

Description of the matter

We draw attention to Notes 3, 5 and 20 to the financial statements. The Entity identified indicators of impairment for each of its pulp and paper segment's property, plant and equipment and performed impairment tests to estimate their recoverable amounts. The Entity recorded an impairment loss of $211.0 million for the pulp and paper segment for the year ended December 31, 2024. The recoverable amounts for each of the pulp and paper segment's property, plant and equipment are determined based on an assessment of values in use and fair values less costs to sell. Significant assumptions used in determining values in use include future production volumes, commodity prices, fibre and production costs and the discount rate.

Why the matter is a key audit matter

We identified the assessment of the recoverable amounts of each of the pulp and paper segment's property, plant and equipment as a key audit matter. The values in use were sensitive to changes in certain significant assumptions. Significant auditor judgment was required to evaluate the results of our audit procedures. Further, specialized skills and knowledge were required in evaluating the discount rates used in the values in use assessment of the recoverable amounts of each of the pulp and paper segment's property, plant and equipment.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We evaluated the appropriateness of future production volumes and future fibre and production costs of the Entity by comparing to actual historical production volumes and fibre and production costs. We considered changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the assumptions.
- We compared future commodity prices to third party industry pricing publications and to the Entity's historical realized pulp and paper prices over the past five years.
- We involved a valuation professional with specialized skills and knowledge, who assisted in evaluating the discount rates used in the estimated values in use by comparing to a discount range that was independently developed using publicly available market data for comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2024 Canfor Corporation Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2024 Canfor Corporation Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Andrew James.

Vancouver, Canada

March 6, 2025

Canfor Corporation.

Consolidated Balance Sheets

(millions of Canadian dollars)		As at December 31, 2024		As at December 31, 2023
Assets				
Current assets				
Cash and cash equivalents	$	**259.3**	$	627.4
Trade receivables		**318.3**		297.9
Other receivables		**100.4**		105.6
Income taxes recoverable		**86.9**		109.3
Inventories (Note 4)		**929.1**		994.8
Prepaid expenses and other		**125.1**		122.7
Total current assets		**1,819.1**		2,257.7
Property, plant and equipment (Note 5)		**2,440.9**		2,429.8
Right-of-use assets (Note 6(a))		**132.2**		123.1
Timber licenses (Note 7)		**323.0**		346.8
Goodwill and other intangible assets (Note 8)		**529.7**		519.3
Long-term investments and other (Note 9)		**327.0**		454.7
Total assets	$	**5,571.9**	$	6,131.4
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 10)	$	**724.1**	$	664.5
Operating loans (Note 11)		**106.8**		110.6
Current portion of deferred reforestation obligations (Note 15)		**57.6**		52.6
Current portion of term debt (Note 12)		**48.1**		44.8
Current portion of lease obligations (Note 6(b))		**34.2**		30.6
Income taxes payable		**6.4**		2.1
Total current liabilities		**977.2**		905.2
Term debt (Note 12)		**72.5**		115.1
Duty deposits loan (Note 13)		**335.1**		-
Retirement benefit obligations (Note 14)		**133.4**		132.9
Lease obligations (Note 6(b))		**106.9**		98.2
Deferred reforestation obligations (Note 15)		**46.9**		47.4
Other long-term liabilities (Note 16)		**36.6**		37.5
Put liability (Note 27)		**110.7**		187.7
Deferred income taxes, net (Note 21)		**168.8**		330.0
Total liabilities	$	**1,988.1**	$	1,854.0
Equity				
Share capital (Note 17)	$	**934.1**	$	938.3
Contributed surplus and other equity (Notes 27 and 30)		**(87.6)**		(169.8)
Retained earnings		**2,267.5**		3,004.2
Accumulated other comprehensive income		**197.8**		45.5
Total equity attributable to equity shareholders of the Company		**3,311.8**		3,818.2
Non-controlling interests (Note 18)		**272.0**		459.2
Total equity	$	**3,583.8**	$	4,277.4
Total liabilities and equity	$	**5,571.9**	$	6,131.4

Commitments and Contingencies (Note 25) and **Subsequent Event** (Note 29)

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

APPROVED BY THE BOARD

"R.S. Smith"
Director, R.S. Smith

"The Hon. J.R. Baird"
Director, The Hon. J.R. Baird

Canfor Corporation.

Consolidated Statements of Income (Loss)

(millions of Canadian dollars, except per share data)	Years ended December 31, 2024	2023
Sales	**$ 5,252.8**	$ 5,426.6
Costs and expenses		
Manufacturing and product costs	**4,306.1**	4,522.6
Freight and other distribution costs	**647.0**	688.8
Countervailing and anti-dumping duty expense, net (Note 29)	**260.6**	143.8
Amortization	**429.1**	420.4
Selling and administration costs	**167.5**	170.4
Restructuring costs and other items, net (Note 20)	**41.8**	12.2
Asset write-downs and impairments (Note 20)	**342.9**	-
	6,195.0	5,958.2
Operating loss	**(942.2)**	(531.6)
Finance income (expense), net (Note 19)	**(51.7)**	10.4
Foreign exchange gain (loss) on term debt	**(4.4)**	6.9
Foreign exchange loss on duty deposits loan and duty deposits recoverable, net	**(6.2)**	(2.4)
Gain (loss) on derivative financial instruments (Note 27)	**(11.9)**	6.8
Other income, net	**32.9**	19.9
Net loss before income taxes	**(983.5)**	(490.0)
Income tax recovery (Note 21)	**247.3**	141.5
Net loss	**$ (736.2)**	$ (348.5)
Net loss attributable to:		
Equity shareholders of the Company	**$ (669.0)**	$ (326.1)
Non-controlling interests (Note 18)	**(67.2)**	(22.4)
Net loss	**$ (736.2)**	$ (348.5)
Net loss per common share: (in Canadian dollars)		
Attributable to equity shareholders of the Company		
- Basic and diluted (Note 17)	**$ (5.64)**	$ (2.71)

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

Canfor Corporation.

Consolidated Statements of Other Comprehensive Income (Loss)

(millions of Canadian dollars)		Years ended December 31, **2024**		2023
Net loss	**$**	**(736.2)**	$	(348.5)
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to net income (loss):				
Defined benefit plan actuarial gains, net (Note 14)		**10.8**		22.4
Income tax expense on defined benefit plan actuarial gains, net (Note 21)		**(2.9)**		(6.0)
		7.9		16.4
Items that may be reclassified subsequently to net income (loss):				
Foreign exchange translation of foreign operations, net of tax		**152.3**		(37.1)
Other comprehensive income (loss), net of tax		**160.2**		(20.7)
Total comprehensive loss	**$**	**(576.0)**	$	(369.2)
Total comprehensive loss attributable to:				
Equity shareholders of the Company	**$**	**(509.1)**	$	(349.4)
Non-controlling interests (Note 18)		**(66.9)**		(19.8)
Total comprehensive loss	**$**	**(576.0)**	$	(369.2)

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

Canfor Corporation.

Consolidated Statements of Changes in Equity

(millions of Canadian dollars)	Years ended December 31, **2024**	2023
Share capital		
Balance at beginning of year	**$ 938.3**	$ 955.1
Share purchases (Note 17)	**(4.2)**	(16.8)
Balance at end of year	**$ 934.1**	$ 938.3
Contributed surplus and other equity		
Balance at beginning of year	**$ (169.8)**	$ (157.7)
Put liability (Note 27)	**82.2**	(12.1)
Balance at end of year	**$ (87.6)**	$ (169.8)
Retained earnings		
Balance at beginning of year	**$ 3,004.2**	$ 3,341.5
Net loss attributable to equity shareholders of the Company	**(669.0)**	(326.1)
Partial dissolution of non-controlling interests (Note 30)	**(70.5)**	-
Defined benefit plan actuarial gains, net of tax	**7.6**	13.8
Share purchases (Note 17)	**(4.8)**	(25.0)
Balance at end of year	**$ 2,267.5**	$ 3,004.2
Accumulated other comprehensive income (loss)		
Balance at beginning of year	**$ 45.5**	$ 82.6
Foreign exchange translation of foreign operations, net of tax	**152.3**	(37.1)
Balance at end of year	**$ 197.8**	$ 45.5
Total equity attributable to equity shareholders of the Company	**$ 3,311.8**	$ 3,818.2
Non-controlling interests		
Balance at beginning of year	**$ 459.2**	$ 541.3
Net loss attributable to non-controlling interests	**(67.2)**	(22.4)
Defined benefit plan actuarial gains attributable to non-controlling interests, net of tax	**0.3**	2.6
Distributions to non-controlling interests, net (Note 18)	**(64.4)**	(62.3)
Partial dissolution of non-controlling interests (Note 30)	**(55.9)**	-
Balance at end of year (Note 18)	**$ 272.0**	$ 459.2
Total equity	**$ 3,583.8**	$ 4,277.4

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

Canfor Corporation.

Consolidated Statements of Cash Flows

(millions of Canadian dollars)	Years ended December 31, 2024	2023
Cash generated from (used in):		
Operating activities		
Net loss	**$ (736.2)**	$ (348.5)
Items not affecting cash:		
Amortization	**429.1**	420.4
Income tax recovery (Note 21)	**(247.3)**	(141.5)
Change in long-term portion of deferred reforestation obligations, net	**(2.1)**	1.9
Foreign exchange (gain) loss on term debt	**4.4**	(6.9)
Foreign exchange loss on duty deposits loan and duty deposits recoverable, net	**6.2**	2.4
Duties paid less than accruals (Note 29)	**194.7**	100.7
Changes in mark-to-market value of derivative financial instruments	**8.5**	(2.6)
Employee future benefits expense	**11.0**	12.5
Finance (income) expense, net (Note 19)	**51.7**	(10.4)
Restructuring costs and other items, net (Note 20)	**41.8**	12.2
Asset write-downs and impairments (Note 20)	**342.9**	-
Other, net	**9.5**	6.4
Defined benefit plan contributions, net	**(11.5)**	(24.2)
Income taxes received (paid), net	**75.0**	(33.8)
	177.7	(11.4)
Net change in non-cash working capital (Note 22)	**(3.5)**	166.1
	174.2	154.7
Financing activities		
Operating loan drawings (repayments), net (Note 11)	**(0.3)**	83.2
Conversion and changes in term debt, net (Note 12)	**(45.0)**	(96.1)
Duty deposits loan (Note 13)	**313.8**	-
Payments of lease obligations (Note 6(b))	**(35.2)**	(32.5)
Finance expenses paid	**(34.8)**	(33.6)
Share purchases (Note 17)	**(9.0)**	(44.3)
Distributions paid to non-controlling interests, net (Note 18)	**(65.4)**	(62.3)
	124.1	(185.6)
Investing activities		
Additions to property, plant and equipment and intangible assets, net (Notes 5 and 8)	**(527.1)**	(587.0)
Proceeds from the sale of property, plant and equipment and intangible assets (Note 20)	**72.6**	9.1
Partial acquisition of Vida non-controlling interest (Note 30)	**(118.3)**	-
Acquisition of El Dorado sawmill (Note 28)	**(100.6)**	-
Interest income received	**18.3**	35.2
Purchase of long-term investments, net (Notes 9 and 27)	**(16.5)**	(59.4)
Other, net	**(0.6)**	(1.6)
	(672.2)	(603.7)
Foreign exchange gain (loss) on cash and cash equivalents	**5.8**	(6.7)
Decrease in cash and cash equivalents*	**(368.1)**	(641.3)
Cash and cash equivalents at beginning of year*	**627.4**	1,268.7
Cash and cash equivalents at end of year*	**$ 259.3**	$ 627.4

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

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

1. Reporting Entity

Canfor Corporation is a company incorporated and domiciled in Canada and listed on the Toronto Stock Exchange. The address of the Company's registered office is 161 East 4th Avenue, Vancouver, British Columbia, Canada, V5T 1G4. The consolidated financial statements of the Company as at and for the year ended December 31, 2024, comprise 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 77.0%, respectively, at December 31, 2024.

Canfor is an integrated forest products company with facilities in Canada, the United States ("US") and Europe. The Company produces softwood lumber, pulp and paper products, remanufactured lumber products, engineered wood and other lumber-related products, wood pellets, and energy.

2. Basis of Preparation

Statement of compliance.

The consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on March 6, 2025.

Basis of measurement.

The consolidated financial statements have been prepared on a historical cost basis, except for certain items as discussed in the applicable accounting policies under Note 3.

Use of estimates and judgements.

The preparation of the consolidated financial statements in accordance with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Company regularly reviews its estimates and assumptions; however, it is possible that circumstances may arise which may cause actual results to differ from Management's estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about the significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the applicable notes:

- Note 4 – Inventories;
- Note 5 – Property, Plant and Equipment;
- Note 7 – Timber Licenses;
- Note 8 – Goodwill and Other Intangible Assets;
- Note 9 – Long-Term Investments and Other;
- Note 14 – Employee Future Benefits;
- Note 20 – Restructuring, Asset Write-Downs and Impairments, and Other Items;
- Note 21 – Income Taxes;
- Note 28 – Acquisition of El Dorado Sawmill; and
- Note 29 – Countervailing and Anti-Dumping Duties.

3. Material Accounting Policies

The following accounting policies have been applied to the financial information presented.

Basis of consolidation.

Subsidiaries are entities controlled by the Company. Control exists when Canfor is able to govern the financial and operating activities of those other entities to generate returns for the Company. Inter-company transactions, balances and unrealized gains and losses on transactions between different entities within the Company are eliminated.

Associates are those entities in which Canfor exercises significant influence, but not control, over financial and operating policies. Unless circumstances indicate otherwise, significant influence is presumed to exist when Canfor holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include Canfor's share of the post-acquisition income and expenses and equity movement of these equity accounted investees. Joint ventures are accounted for using the equity method of accounting.

Business combinations.

Business combinations are accounted for using the acquisition method as at the acquisition date. Canfor measures goodwill at the acquisition date as the fair value of the consideration transferred, including any non-controlling interest when applicable, less the fair value of the identifiable assets acquired, and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in net income. Transaction costs in connection with business combinations are expensed as incurred.

Financial instruments.

Financial instruments comprise cash and cash equivalents, trade and other accounts receivable, certain investments and advances, net duty deposits recoverable, derivative instruments, accounts payable and accrued liabilities, other liabilities, operating loans, term debt, duty deposits loan, as well as the Company's put liability. Canfor uses derivative financial instruments in the normal course of its operations as a means to manage its foreign exchange, interest rate, lumber price and energy price risks. Canfor's policy is not to utilize derivative financial instruments for trading or speculative purposes. Canfor's derivative financial instruments are not designated as hedges for accounting purposes.

Classification and measurement of financial assets.

Financial assets are classified as either measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through net income ("FVTPL") based on the business model in which a financial asset is managed, its contractual cash flow characteristics and when certain conditions are met:

- Amortized cost – measured at amortized cost using the effective interest rate method. Where applicable, amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairments are recognized in net income.
- FVOCI – measured at FVOCI if not designated as FVTPL. Interest income, foreign exchange gains and losses and impairments are recognized in net income. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in Other Comprehensive Income ("OCI") are reclassified to net income.
- FVTPL – measured at FVTPL if not classified as amortized cost or FVOCI with net gains and losses, including any interest or dividend income, recognized in net income.

Equity investments are required to be classified as measured at fair value. However, on initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investments' fair value in other comprehensive income. This election is made on an investment-by-investment basis. The Company currently records gains and losses on its equity investments in net income.

Classification and measurement of financial liabilities.

Financial liabilities (other than the put liability) are classified as either measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is held-for-trading, a derivative, or if it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value with net gains and losses, including interest and accretion expense, recognized in net income. Other financial liabilities are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method. Any gains or losses on derecognition of financial liabilities (other than the put liability) are also recognized in net income. The Company's put liability is measured initially at fair value with subsequent net gains and losses recognized in other equity ("FVTEQ"). Interest and accretion expense as well as foreign exchange gains and losses of all financial liabilities are recognized in net income.

Canfor's financial instruments are classified and subsequently measured as follows:

Financial assets	
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Advances and other long-term assets	Amortized cost
Duty deposits recoverable, net	FVTPL
Other investments	FVTPL
Derivative contracts	FVTPL
Foreign exchange forward contracts	FVTPL

Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Other liabilities	Amortized cost
Operating loans	Amortized cost
Term debt	Amortized cost
Duty deposits loan	Amortized cost
Put liability	FVTEQ

Impairment.

The Company applies the simplified approach in determining expected credit losses ("ECLs"), which requires a probability-weighted estimate of expected lifetime credit losses to be recognized upon initial recognition of financial assets measured at amortized cost and contract assets. Credit losses are measured as the present value of cash shortfalls from all possible default events, discounted at the effective interest rate of the financial asset. Any loss allowances for financial assets at amortized cost are deducted from the gross carrying amount of the assets.

Inventories.

Inventories include logs, lumber, engineered wood and other lumber-related products, pulp, paper, wood pellets, chips, and materials and supplies. These are measured at the lower of cost and net realizable value and are presented net of applicable write-downs. The cost of inventories is based on the weighted average cost principle, and includes raw materials, direct labour, other direct costs and related production overhead costs (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. The Company estimates the net realizable value of inventories based on actual and forecasted sales orders, as well as outlook prices and forecast exchange rates for the period over which the inventories are expected to be sold. Outlook prices are determined using Management's estimates at the end of the period and may differ from the actual prices at which the inventories are sold.

Leases.

Lease definition.

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An identified asset may be implicitly or explicitly specified in a contract, but must be physically distinct, and must not have the ability for substitution by a lessor. The Company has the right to control an identified asset if it obtains substantially all of its economic benefits and either pre-determines or directs how and for what purpose the asset is used.

Measurement of right-to-use assets and lease obligations.

At lease commencement, the Company recognizes a right-of-use asset ("ROU asset") and a lease obligation. The ROU asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The ROU asset is subsequently amortized on a straight-line basis over the shorter of the term of the lease, or the useful life of the assets determined on the same basis as the Company's property, plant and equipment. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation is initially measured at the present value of lease payments remaining at the lease commencement date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease obligation, when applicable, may comprise fixed payments, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase, extension or termination option that the Company is reasonably certain to exercise.

The lease obligation is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset.

Recognition exemptions.

The Company has elected not to recognize ROU assets and lease obligations for short-term leases that have a lease term of twelve months or less or for leases of low-value assets. Payments associated with these leases are recognized as an operating expense on a straight-line basis over the lease term within net income.

Property, plant and equipment.

Items of property, plant and equipment are measured at cost less accumulated amortization, write-downs and impairment losses.

Cost includes expenditures which are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, borrowing costs (as applicable), and any other costs directly attributable to bringing assets to the location and condition necessary for it to be used in the manner intended by Management.

The cost of replacing a major component of an item of property, plant and equipment is recognized in the carrying amount of the item if the future economic benefits embodied within the component part will flow to Canfor and its cost can be measured reliably. The carrying amount of the replaced component is removed. The costs of the day-to-day servicing of property, plant and equipment are recognized in net income as incurred.

Amortization is recognized in net income on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, as set out in the table below. Land is not amortized.

Amortization methods, useful lives and residual values are reviewed, and adjusted if appropriate, at each reporting date. The following rates have been applied to Canfor's capital assets:

Buildings	5 to 50 years
Pulp and paper machinery and equipment	8 to 20 years
Sawmill machinery and equipment	1 to 15 years
Logging machinery and equipment	4 to 20 years
Logging roads and bridges	5 to 25 years
Mobile and other equipment	2 to 10 years

Timber licenses.

Timber licenses include tree farm licenses, forest licenses and timber licenses with the Provinces of British Columbia ("BC") and Alberta. Timber licenses are carried at cost less accumulated amortization and impairment losses. Renewable licenses are amortized using the straight-line method over 50 years, while non-renewable licenses are amortized over the period of the license.

Other intangible assets.

Goodwill.

Goodwill represents the excess of the cost of a business acquisition over the fair value of Canfor's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses.

Computer software.

Software development costs relate to major software systems purchased or developed by the Company. These costs are amortized on a straight-line basis over periods ranging from four to ten years.

Asset impairments.

Canfor's property, plant and equipment, ROU assets, timber licenses and other intangible assets are assessed at each reporting date to determine whether there are any indications of impairment, and an impairment test is performed whenever events or circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized in net income at the amount the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of cash inflows from other assets or groups of assets (cash-generating unit).

Non-financial assets, other than goodwill, for which impairment was recorded in a prior year, are reviewed for possible reversal of the impairment at each reporting date. When an impairment loss is reversed, the increased carrying amount of the asset cannot exceed the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized in prior years.

For the purpose of impairment testing, goodwill is allocated to the Company's operating regions which represent the lowest level within the Company at which the goodwill is monitored for internal management purposes.

Employee future benefits.

Defined contribution plans.

A defined contribution plan is a post-employment benefit plan under which an entity makes contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee future benefits expense when they are earned.

For hourly employees covered by forest industry union defined contribution or benefit plans, the consolidated statement of income is charged with the Company's contributions required under the collective agreements.

Defined benefit plans.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Canfor has various defined benefit plans that provide both pension and other non-pension post-retirement benefits to certain salaried employees, and certain hourly employees not covered by forest industry union plans. The other non-pension post-retirement benefits include certain health care benefits and pension bridging benefits to eligible retired employees.

The surplus and/or obligation recognized in the consolidated balance sheet in respect of a defined benefit pension plan is the net of the accrued benefit obligation and the fair value of the plan assets. The accrued benefit obligation, the related service cost and, where applicable, the past service cost is determined separately for each defined benefit pension plan based on actuarial determinations. The accrued benefit obligation is calculated as the present value of each member's prospective benefits earned in respect of credited service prior to the valuation date and the related service cost is calculated as the present value of the benefits the member is assumed to earn for credited service in the ensuing year. The actuarial assumptions used in these calculations, such as salary escalation and health care inflation, are based upon best estimates selected by Canfor. The discount rate assumptions are based on the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of Canfor's obligations.

Actuarial gains and losses can arise from differences between actual and expected outcomes or changes in the actuarial assumptions or legislated amounts payable. Actuarial gains and losses, including the return on plan assets, are recognized in other comprehensive income in the period in which they occur.

A gain or loss on settlement is recognized in net income, calculated as the difference between the present value of the defined benefit obligation being settled, as determined on the date of settlement, and the settlement amount.

Provisions.

Canfor recognizes a provision if, as a result of a past event, it has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision recorded is Management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The expense arising from the unwinding of the discount due to the passage of time is recorded as a finance expense. The main classes of provisions recognized by Canfor are as follows:

Asset retirement obligations.

Canfor recognizes liabilities for asset retirement obligations in the period in which they are incurred. The site restoration costs are capitalized as part of the cost of the related item of property, plant and equipment and amortized on a basis consistent with the expected useful life of the related asset. Asset retirement obligations are discounted at the risk-free rate in effect at the balance sheet date.

Deferred reforestation obligations.

Forestry legislation in BC and Alberta requires Canfor to incur the cost of reforestation of its forest, timber and tree farm licenses and forest management agreements. Accordingly, Canfor records an expense and a liability for the costs of reforestation in the period in which the timber is harvested. In periods subsequent to the initial measurement, changes in the liability resulting from the passage of time and revisions to Management's estimates are recognized in net income as they occur. Deferred reforestation obligations are discounted at the risk-free rate in effect at the balance sheet date.

Restructuring.

A provision for restructuring is recognized as an expense and a liability, when Canfor has approved a detailed and formal restructuring plan, which may include the indefinite or permanent closure of one of its operations, and the restructuring has either commenced, or has been announced publicly. Provisions are not recognized for future operating costs.

Revenue recognition.

Canfor's revenues are derived from the sale of lumber, engineered wood and other lumber-related products, pulp, paper, residual fibre, logs, wood pellets and energy. Revenue is measured based on the consideration specified in a contract with a customer, net of applicable sales taxes, returns, rebates and discounts and after eliminating sales within the Company. Revenue is recognized when the Company transfers the control of a product to a customer. Energy revenue is recognized at month-end based on energy produced and transferred to the customer under the terms and conditions of electricity purchase and load displacement agreements.

The timing of transfer of control to customers varies depending on the individual terms of the contract of sale, but is typically as follows for Canfor's principal revenue generating activities:

- *Lumber* – At the time lumber and lumber-related products are loaded onto a truck or rail carrier, upon vessel departure, or when lumber and lumber-related products have been picked up by the buyer at a designated transfer point at the Company's mill or warehouse. The amount of revenue recognized is adjusted for volume rebates and discounts at the point in time control is transferred.
- *Pulp and paper* – At the time pulp and paper is loaded onto a truck or rail carrier, upon vessel departure, upon delivery, as the goods are used by the customer, or when pulp and paper has been picked up by the buyer at a designated transfer point at the Company's mill or warehouse. The amount of revenue recognized is adjusted for commissions, volume rebates and discounts at the point in time control is transferred.

Amounts charged to customers for shipping and handling are recognized as revenue, and shipping and handling costs incurred by Canfor are reported as a component of freight and other distribution costs. Countervailing and anti-dumping duties are recorded as a component of operating income (loss).

Income taxes.

Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in net income except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Canfor recognizes deferred income tax in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at tax rates expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Investment tax credits are credited to manufacturing and product costs in the period in which it becomes reasonably assured that the Company is entitled to them. Unused investment tax credits are recorded as other current or long-term assets in the Company's consolidated balance sheet, depending upon when the benefit is expected to be received.

Foreign currency translation.

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

The majority of Canfor's sales are denominated in foreign currencies, primarily the US-dollar, as well as Swedish Krona ("SEK"). Transactions in foreign currencies are translated to the functional currency at exchange rates on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate on that date. Foreign currency differences arising on translation are recognized in net income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Canadian dollar at exchange rates on the reporting date. The income and expenses of foreign operations are translated to the Canadian dollar at exchange rates on the transaction dates. Foreign exchange differences arising from translation of foreign operations are recognized in other comprehensive income and recorded to the accumulated foreign exchange translation account. Canfor's foreign operations include CSP, Vida, and all entities owned or partly owned by CSP and Vida.

Segment reporting.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Segment results reported to the chief operating decision-maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-bearing liabilities, head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, timber licenses and intangible assets, other than goodwill.

4. Inventories

(millions of Canadian dollars)		**As at December 31, 2024**		As at December 31, 2023
Logs	**$**	**138.5**	$	199.4
Finished products		**595.2**		600.6
Residual fibre		**44.8**		38.2
Materials and supplies[1]		**150.6**		156.6
	$	**929.1**	$	994.8

1. Net of a $24.3 million asset write-down and impairment charge in 2024 (2023 – nil)

The above inventory balances are stated at the lower of cost and net realizable value. For the year ended December 31, 2024, a $29.7 million net reversal of a previously recognized inventory write-down was recognized for the lumber segment (2023 — $54.8 million net reversal of a previous write-down). As a result of this remeasurement, combined with net foreign exchange loss of $0.7 million (2023 – nil), an inventory provision of $11.9 million has been recognized for logs and lumber (December 31, 2023 – $40.9 million inventory provision).

For the year ended December 31, 2024, no inventory valuation adjustment was recognized for the pulp and paper segment (2023 – $2.4 million net reversal of a previous write-down). At December 31, 2024, no inventory provision has been recognized for the pulp and paper segment (December 31, 2023 – no inventory provision).

Inventory expensed in 2024 and 2023 is included in 'Manufacturing and product costs' and 'Amortization' on the consolidated statement of income (loss).

5. Property, Plant and Equipment

(millions of Canadian dollars)		Land		Pulp & paper mills		Solid wood operations[3]		Logging assets & other equipment		Construction in progress		Total
Cost												
Balance at January 1, 2023	$	74.7	$	1,928.5	$	3,259.7	$	269.1	$	435.5	$	5,967.5
Additions[2]		1.0		0.4		2.2		-		584.3		587.9
Disposals		-		(62.0)		(52.6)		(1.5)		-		(116.1)
Transfers		0.6		55.9		464.7		40.4		(561.6)		-
Effect of movements in exchange rates		-		-		(21.2)		(0.3)		(6.4)		(27.9)
Balance at December 31, 2023	$	76.3	$	1,922.8	$	3,652.8	$	307.7	$	451.8	$	6,411.4
Additions[2]		0.8		-		0.6		-		525.7		527.1
Acquisition (Note 28)		0.5		-		95.9		-		-		96.4
Asset write-downs and impairments (Note 20)		(1.1)		-		-		-		(29.6)		(30.7)
Disposals		(3.9)		(51.2)		(249.3)		(30.7)		-		(335.1)
Transfers		-		35.9		706.7		16.4		(759.0)		-
Effect of movements in exchange rates		2.1		-		132.0		1.2		30.5		165.8
Balance at December 31, 2024	$	74.7	$	1,907.5	$	4,338.7	$	294.6	$	219.4	$	6,834.9

(millions of Canadian dollars)		Land		Pulp & paper mills		Solid wood operations[3]		Logging assets & other equipment		Construction in progress		Total
Amortization and Impairments												
Balance at January 1, 2023	$	(1.7)	$	(1,535.6)	$	(2,002.6)	$	(208.5)	$	-	$	(3,748.4)
Amortization for the year		-		(77.8)		(266.9)		(19.5)		-		(364.2)
Disposals and transfers		-		72.1		48.5		2.1		-		122.7
Effect of movements in exchange rates		-		-		8.3		-		-		8.3
Balance at December 31, 2023	$	(1.7)	$	(1,541.3)	$	(2,212.7)	$	(225.9)	$	-	$	(3,981.6)
Amortization for the year		-		(55.0)		(302.2)		(15.9)		-		(373.1)
Disposals and transfers		1.5		43.3		232.3		28.0		-		305.1
Asset write-downs and impairments (Note 20)		-		(176.9)		(104.6)		(6.4)		-		(287.9)
Effect of movement in exchange rates		-		-		(55.9)		(0.6)		-		(56.5)
Balance at December 31, 2024	$	(0.2)	$	(1,729.9)	$	(2,443.1)	$	(220.8)	$	-	$	(4,394.0)
Carrying Amounts												
At January 1, 2023	$	73.0	$	392.9	$	1,257.1	$	60.6	$	435.5	$	2,219.1
At December 31, 2023	$	74.6	$	381.5	$	1,440.1	$	81.8	$	451.8	$	2,429.8
At December 31, 2024	**$**	**74.5**	**$**	**177.6**	**$**	**1,895.6**	**$**	**73.8**	**$**	**219.4**	**$**	**2,440.9**

2. Net of capital expenditures by CPPI that are financed by government grants.

3. Solid Wood operations include those sawmills, pellet plants, engineered wood and other lumber-related product plants, that are consolidated on a line-by-line basis.

6. Leases

(a) Right-of-Use Assets

(millions of Canadian dollars)		Land		Pulp & paper mills		Solid wood operations		Logging assets & other equipment		Facilities & other		Total
Cost												
Balance at January 1, 2023	$	3.8	$	9.2	$	114.6	$	9.4	$	52.6	$	189.6
Additions		-		0.8		49.2		3.3		6.7		60.0
Disposals and transfers		-		(0.7)		(15.1)		(2.3)		(0.5)		(18.6)
Effect of movements in exchange rates		(0.1)		-		(2.5)		(0.1)		(0.1)		(2.8)
Balance at December 31, 2023	$	3.7	$	9.3	$	146.2	$	10.3	$	58.7	$	228.2
Additions		0.3		0.6		38.6		3.8		0.8		44.1
Disposals and transfers		(0.4)		(0.4)		(19.4)		(4.1)		(13.7)		(38.0)
Effect of movements in exchange rates		0.2		-		12.7		0.3		0.6		13.8
Balance at December 31, 2024	$	3.8	$	9.5	$	178.1	$	10.3	$	46.4	$	248.1
Amortization												
Balance at January 1, 2023	$	(1.2)	$	(7.4)	$	(58.3)	$	(5.5)	$	(18.1)	$	(90.5)
Amortization for the year		(0.2)		(0.9)		(24.7)		(2.2)		(4.2)		(32.2)
Disposals and transfers		-		0.7		13.5		1.8		0.2		16.2
Effect of movements in exchange rates		-		-		1.3		-		0.1		1.4
Balance at December 31, 2023	$	(1.4)	$	(7.6)	$	(68.2)	$	(5.9)	$	(22.0)	$	(105.1)
Amortization for the year				(0.7)		(30.4)		(2.8)		(4.4)		(38.3)
Disposals and transfers		0.2		-		18.1		2.4		13.6		34.3
Effect of movement in exchange rates		-		-		(6.2)		(0.2)		(0.4)		(6.8)
Balance at December 31, 2024	$	(1.2)	$	(8.3)	$	(86.7)	$	(6.5)	$	(13.2)	$	(115.9)
Carrying Amounts												
At January 1, 2023	$	2.6	$	1.8	$	56.3	$	3.9	$	34.5	$	99.1
At December 31, 2023	$	2.3	$	1.7	$	78.0	$	4.4	$	36.7	$	123.1
At December 31, 2024	**$**	**2.6**	**$**	**1.2**	**$**	**91.4**	**$**	**3.8**	**$**	**33.2**	**$**	**132.2**

(b) Lease Obligations

Contractual, undiscounted cash flows associated with the Company's lease obligations are as follows:

(millions of Canadian dollars)		As at December 31, 2024		As at December 31, 2023
Within one year	**$**	**38.4**	$	35.9
Between one and five years		**78.4**		71.7
Beyond five years		**44.6**		48.0
Total undiscounted lease obligations	**$**	**161.4**	$	155.6

Interest expense on lease obligations for 2024 was $7.1 million (2023 – $5.3 million) and is included in 'Finance income net' on the consolidated statement of income (loss) (Note 19).

Operating lease expenses relating to short-term and low-value leases not included in the measurement of lease obligations for 2024 were $12.0 million (2023 – $11.6 million). The variable lease expense not included in the measurement of lease obligations for 2024 was $0.1 million (2023 – nominal).

Total cash outflows for leases in 2024 were $47.3 million, including $12.1 million for short-term and low-value leases, as well as variable lease expenses (2023 – $44.1 million and $11.6 million, respectively)

7. Timber Licenses

(millions of Canadian dollars)		
Cost		
Balance at January 1, 2023 and December 31, 2023	$	765.9
Disposals (Note 20)		(33.8)
Balance at December 31, 2024	$	732.1
Amortization and impairment		
Balance at January 1, 2023	$	(408.1)
Amortization for the year		(11.0)
Balance as at December 31, 2023	$	(419.1)
Amortization for the year		(10.8)
Disposals (Note 20)		20.8
Balance at December 31, 2024	$	(409.1)
Carrying Amounts		
At January 1, 2023	$	357.8
At December 31, 2023	$	346.8
At December 31, 2024	**$**	**323.0**

8. Goodwill and Other Intangible Assets

(millions of Canadian dollars)		Goodwill		Other intangible assets		Total
Cost						
Balance at January 1, 2023	$	498.5	$	122.7	$	621.2
Additions		-		4.9		4.9
Disposals		-		(0.8)		(0.8)
Effect of movement in exchange rates		(4.6)		(0.5)		(5.1)
Balance at December 31, 2023	$	493.9	$	126.3	$	620.2
Additions		-		0.5		0.5
Derecognition of goodwill		(7.7)		-		(7.7)
Disposals		-		(1.2)		(1.2)
Effect of movement in exchange rates		24.4		2.2		26.6
Balance at December 31, 2024	$	510.6	$	127.8	$	638.4
Amortization						
Balance at January 1, 2023	$	-	$	(89.1)	$	(89.1)
Amortization for the year		-		(13.0)		(13.0)
Disposals		-		0.8		0.8
Effect of movement in exchange rates		-		0.4		0.4
Balance at December 31, 2023	$	-	$	(100.9)	$	(100.9)
Amortization for the year		-		(6.9)		(6.9)
Disposals		-		1.1		1.1
Effect of movement in exchange rates		-		(2.0)		(2.0)
Balance at December 31, 2024	$	-	$	(108.7)	$	(108.7)
Carrying Amounts						
At January 1, 2023	$	498.5	$	33.6	$	532.1
At December 31, 2023	$	493.9	$	25.4	$	519.3
At December 31, 2024	**$**	**510.6**	**$**	**19.1**	**$**	**529.7**

Canfor's goodwill at December 31, 2024 relates to its US ($303.0 million), European ($181.1 million) and Canadian ($26.5 million) subsidiaries and is denominated in US-dollars, SEK and Canadian dollars, respectively. Goodwill is allocated separately to each of the Company's cash generating units and tested at that level for impairment purposes. The recoverable amount of goodwill is determined based on assessments of value in use, estimated using discounted cash flow models.

Key assumptions used in the cash flow models include forecast prices and foreign exchange rates, which Management determined with reference to both internal and external publications, as well as future production volumes, log and production costs. For the 2024 goodwill impairment assessments, a discount rate of 10% for the US and Europe and 11% for Canada (13% before tax for the US, 12% before tax for Europe, and 15% before tax for Canada) (unchanged from 2023) was utilized, based on the Company's current weighted average cost of capital. In this analysis prepared by Management, the net present value of future expected cash flows was compared to the carrying value of the Company's investment in these assets, including goodwill, as at December 31, 2024, with no impairment of goodwill required for 2024.

9. Long-Term Investments and Other

(millions of Canadian dollars)		**As at December 31, 2024**		As at December 31, 2023
Duty deposits recoverable, net (Note 29)	**$**	**98.2**	$	289.5
Other deposits, loans, advances and long-term assets		**52.7**		54.2
Other investments (Note 27)		**116.9**		90.8
Retirement benefit surplus (Note 14)		**16.5**		10.8
Deferred income taxes, net (Note 21)		**42.7**		9.4
	$	**327.0**	$	454.7

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 December 31, 2024, including interest receivable of $54.5 million (December 31, 2023 – $60.8 million) (Note 29).

Included in this $54.5 million is $6.5 million in interest receivable from the US government on certain CVD and ADD related accounts receivable balances secured under the terms of the duty deposits loan related to the period from September 27, 2024 to December 31, 2024 and payable to Farallon Capital Management L.L.C. ("Farallon") (Note 13). A similar amount has been recognized as interest payable within 'Accounts payable and accrued liabilities' at December 31, 2024 (Note 10).

During the year ended December 31, 2024, the Company had net purchases of investments in certain funds at a cost of $16.5 million (2023 — $59.4 million). These highly liquid investments with maturities exceeding one year, were subsequently measured at fair value through net income (loss) and classified as level 1 (Note 27).

10. Accounts Payable and Accrued Liabilities

(millions of Canadian dollars)		**As at December 31, 2024**		As at December 31, 2023
Trade payables and accrued liabilities	**$**	**608.5**	$	540.5
Accrued payroll and related liabilities		**115.6**		124.0
	$	**724.1**	$	664.5

Trade payables and accrued liabilities includes a total of $10.1 million in interest payable to Farallon under the terms of the Company's duty deposit loan (Note 13). This $10.1 million includes $6.5 million in interest payable to Farallon upon receipt from the US government on certain CVD and ADD related accounts receivable balances secured under the terms of the duty deposits loan related to the period from September 27, 2024 to December 31, 2024. A similar amount has been recognized as interest receivable within 'Long-term investments and other' at December 31, 2024 (Note 9).

11. Operating Loans

(millions of Canadian dollars)		**As at December 31, 2024**		As at December 31, 2023
Canfor (excluding Vida and CPPI)				
Available operating loans:				
Operating loan facility	**$**	**925.0**	$	775.0
Revolving credit facility (US$150.0 million)		**216.2**		198.4
Facilities for letters of credit		**80.0**		80.0
Total operating loan facilities		**1,221.2**		1,053.4
Letters of credit covered under operating loan facility		**(1.4)**		(2.7)
Letters of credit covered under facilities for letters of credit		**(46.8)**		(53.9)
Total available operating loan facilities - Canfor	**$**	**1,173.0**	$	996.8
Vida				
Available operating loans:				
Operating loan facilities	**$**	**67.1**	$	67.2
Overdraft facilities		**34.3**		44.0
Total operating loan facilities		**101.4**		111.2
Operating loan facilities drawn		**(8.8)**		(3.6)
Total available operating loan facilities – Vida	**$**	**92.6**	$	107.6
CPPI				
Available operating loans:				
Operating loan facility	**$**	**160.0**	$	160.0
Letters of credit		**(6.0)**		(6.9)
Operating loan facility drawn		**(98.0)**		(107.0)
Total available operating loan facility – CPPI	**$**	**56.0**	$	46.1
Consolidated:				
Total operating loan facilities	**$**	**1,482.6**	$	1,324.6
Total operating loan facilities drawn	**$**	**(106.8)**	$	(110.6)
Total letters of credit	**$**	**(54.2)**	$	(63.5)
Total available operating loan facilities	**$**	**1,321.6**	$	1,150.5

Interest is payable on Canfor's committed operating and revolving loan facilities (excluding Vida and CPPI) 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 principal committed operating loan facility matures on April 16, 2028. Canfor's committed revolving credit facility matures on June 28, 2025. On June 28, 2025, any amounts drawn on the committed revolving credit facility will be converted to US-dollar denominated floating rate term debt, with a maturity date of June 28, 2030.

CPPI's operating loan facility is repayable on May 2, 2027, with interest payable at floating rates that vary depending on the ratio of net debt to total capitalization and based on the lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar floating rate, plus a margin.

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates ranging from 4.4% to 8.3%. Vida also has separate overdraft facilities with fixed interest rates ranging from 4.0 % to 7.6 %.

Canfor and CPPI's operating loan facilities have certain financial covenants, including a maximum net debt to total capitalization ratio of 50.0% and a minimum earnings before interest, taxes, depreciation and amortization ("EBITDA") interest coverage ratio test of two times, which becomes effective if the net debt to total capitalization ratio exceeds 42.5%.

In December 2024, CPPI amended certain of the covenants under its operating loan facility. Key amendments included the establishment of a covenant relief period during which the maximum net debt to total capitalization ratio increases from 50.0% to 60.0% for 2025 and 55.0% for 2026. In addition, if the net debt to total capitalization reaches a certain threshold, this amendment introduces a general security agreement on the property of CPPI and lowers the minimum EBITDA interest coverage ratio to one and a half times. Other terms of the operating loan facility remain unchanged, including the repayment date of May 2, 2027.

Vida is also subject to certain financial covenants, including minimum equity and interest coverage ratios. As at December 31, 2024, 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.

12. Term Debt

(millions of Canadian dollars)		**As at December 31, 2024**		As at December 31, 2023
Canfor (excluding Vida and CPPI)				
US$50.0 million, floating interest, repayable on June 28, 2031	**$**	**72.1**	$	66.1
US$33.3 million, fixed interest of 4.4%, repayable on October 2, 2025 (US$33.3 million repaid on October 3, 2024)		**48.1**		88.2
Other		**-**		5.1
Vida				
AUD$0.5 million, floating interest, repayable between January 23, 2025 and February 12, 2027		**0.4**		0.5
Term debt at end of year	**$**	**120.6**	$	159.9
Less: Current portion		**(48.1)**		(44.8)
Long-term portion	**$**	**72.5**	$	115.1

In combination with the amendment of its operating loan facility, CPPI's $80.0 million of non-revolving term debt was cancelled undrawn. This term debt had been restricted for use, specifically for upgrades to Northwood Northern Bleached Softwood Kraft pulp mill's ("Northwood") recovery boiler number one ("RB1").

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 net maximum debt to total capitalization ratio. Vida's borrowings are subject to certain financial covenants, including minimum equity and interest coverage ratios. As at December 31, 2024, Canfor, Vida and CPPI were fully in compliance with all covenants relating to their term debt.

Fair value of total term debt.

At December 31, 2024, the fair value of the Company's term debt is $119.9 million (December 31, 2023 – $153.7 million), determined based on prevailing market rates for term debt with similar characteristics and risk profile.

13. Duty Deposits Loan

On September 27, 2024, Canfor entered into a secured loan agreement for approximately $424.9 million (US$315.0 million) with an affiliate of Farallon and received all advances thereunder, totaling approximately $313.8 million (US$232.4 million) at that time. The loan is secured by certain accounts receivable related to CVD and ADD paid to the US government (Notes 9 and 29). The borrowings under the loan have terms of four and eight years, with an effective interest rate of 7.5% and 3.9%, respectively.

Under the terms of the agreement, interest accrues annually, and to the extent it is not paid in cash annually, is to be added to the outstanding balance of the principal at each anniversary date. As a result, the Company recognized $3.6 million in interest expense for the year ended December 31, 2024 (Note 19), with the same amount recorded within 'Accounts payable and accrued liabilities' as at December 31, 2024.

Principal and interest on the loan is payable at the end of the respective terms with the repayment of the loan, including all interest and principal payments, anticipated to be met by refunds and interest receivable out of duty refunds from the US government. The loan is repayable to Farallon at the time certain accounts receivable balances are received from the US government. To the extent duty refunds have not been received at the end of each respective term, the terms can be extended, at Canfor's option, for two additional ten-year terms.

In addition, interest received by Canfor on the secured accounts receivable balances from September 27, 2024, to the date of duty refunds from the US government, will also be payable to Farallon at the end of the respective terms of the borrowings under the loan. Under this term of the agreement, as at December 31, 2024, $6.5 million has been recognized as interest receivable within 'Long-term investments and other' (Note 9) and as interest payable within 'Accounts payable and accrued liabilities' (Note 10). This interest component also accrues annually, and to the extent it is not paid in cash annually, will also be added to the outstanding balance of the principal at each anniversary date.

As this duty deposit loan is denominated in US-dollars, it is translated into the Company's functional currency at each reporting date with foreign exchange differences arising on translation recognized in net income (loss). As at December 31, 2024, the duty deposit loan was translated to $335.1 million, with a foreign exchange loss of $21.3 million recognized in net income (loss) for the year ended December 31, 2024.

14. Employee Future Benefits

The Company has several funded and unfunded defined benefit pension plans and defined contribution plans that provide benefits to substantially all salaried employees and certain hourly employees. Benefits are also provided to certain salaried and hourly employees through the Company's non-pension post-retirement benefit plans, which are unfunded. Defined benefit pension plans are based on years of service and final average salary (for salaried employees), and flat rate benefit and years of service (for hourly employees). Canfor's other non-pension post-retirement benefit plans are non-contributory and include a range of health care and other benefits. Canfor also provides pension bridge benefits to certain eligible former employees.

Total cash payments for employee future benefits for 2024 were $41.7 million (December 31, 2023 – $59.4 million), consisting of cash contributed by Canfor to its funded pension plans, cash payments directly to beneficiaries for its unfunded other non-pension post-retirement benefit plans, and cash contributed to its defined contribution and other plans.

Defined benefit plans.

Canfor measures its accrued retirement benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year.

As at December 31, 2024, Canfor has three registered defined benefit pension plans, as one of the Company's registered defined benefit plans was wound up effective March 31, 2023 (with final settlement and distribution of remaining benefits completed in 2024). For the registered plans, actuarial funding valuations are performed at least once every three years. Actuarial valuations for funding purposes, as at December 31, 2023 were completed in 2024 for the three plans. The next required actuarial valuation for funding purposes is currently scheduled for December 31, 2026, to be completed in 2027. The majority of non-registered pension plans underwent actuarial valuations as at December 31, 2023, which were completed in 2024. One of the non-registered plans underwent an actuarial valuation as at December 31, 2024, which was completed in 2025.

In addition, Canfor has other non-contributory benefit plans that provide certain non-pension post-retirement benefits to its members. The actuarial valuations for the non-pension post-retirement benefit plans were conducted as at December 31, 2023. Information about Canfor's defined benefit plans, in aggregate, is as follows:

Fair market value of plan assets.	**2024**		2023	
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Benefit Plans**	Defined Benefit Pension Plans	Other Benefit Plans
Beginning of year	**$ 308.1**	**$ -**	$ 282.2	$ -
Interest income on plan assets	**8.3**	**-**	13.1	-
Return on plan assets greater than discount rate	**0.9**	**-**	10.5	-
Employer contributions	**7.8**	**3.7**	20.9	3.3
Employee contributions	**0.3**	**-**	0.3	-
Benefit payments	**(17.0)**	**(3.7)**	(17.2)	(3.3)
Surplus distributions to employees	**(9.1)**	**-**	-	-
Settlement of buy-out annuity contracts	**(154.5)**	**-**	-	-
Administration costs	**(1.1)**	**-**	(1.1)	-
Other	**(0.1)**	**-**	(0.6)	-
End of year	**$ 143.6**	**$ -**	$ 308.1	$ -

Plan assets consist of the following:	**As at December 31, 2024**	As at December 31, 2023
Asset category	Percentage of Plan Assets	
Equity securities	**59%**	44%
Debt securities	**39%**	55%
Other	**2%**	1%
	100%	100%

Accrued benefit obligations.	**2024**		2023	
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Benefit Plans**	Defined Benefit Pension Plans	Other Benefit Plans
Beginning of year	**$ 361.8**	**$ 61.6**	$ 356.7	$ 68.4
Current service cost	**3.8**	**0.6**	4.2	0.8
Interest cost	**10.6**	**2.6**	16.0	3.0
Benefit payments	**(17.0)**	**(3.7)**	(17.2)	(3.3)
Employee contributions	**0.3**	**-**	0.3	-
Settlement of buy-out annuity contracts	**(159.1)**	**-**	3.5	-
Actuarial loss (gain)	**(1.8)**	**(0.2)**	2.8	(7.3)
Change in plan surplus	**(8.2)**	**-**	(8.0)	-
Settlement loss and other	**-**	**1.0**	3.5	-
End of year	**$ 190.4**	**$ 61.9**	$ 361.8	$ 61.6

Of the defined benefit pension plan obligation of $190.4 million (December 31, 2023 – $361.8 million), $126.6 million (December 31, 2023 – $297.3 million) relates to the registered plans that are partially funded and $63.8 million (December 31, 2023 – $64.5 million) relates to the supplemental plans that are unfunded, with letters of credit securing $36.8 million (December 31, 2023 – $43.0 million) of the unfunded liability.

The total obligation for the non-pension post-retirement benefit plans of $61.9 million (December 31, 2023 – $61.6 million) is unfunded.

Annuity contracts.

In 2024, the Company purchased buy-out annuities for a portion of its defined benefit pension plans. As a result, $159.1 million of the Company's accrued benefit obligation and a similar amount of plan assets were derecognized from the Company's consolidated balance sheet.

Reconciliation of funded status of defined benefit plans to amounts recorded in the consolidated financial statements.

(millions of Canadian dollars)	**December 31, 2024** Defined Benefit Pension Plans	**December 31, 2024** Other Benefit Plans	December 31, 2023 Defined Benefit Pension Plans	December 31, 2023 Other Benefit Plans
Fair market value of plan assets	**$ 143.6**	**$ -**	$ 308.1	$ -
Accrued benefit obligations	**(190.4)**	**(61.9)**	(361.8)	(61.6)
Funded status of plans – deficit	**(46.8)**	**(61.9)**	(53.7)	(61.6)
Other pension plans	**(8.2)**	**-**	(6.8)	-
Total accrued benefit liability, net	**$ (55.0)**	**$ (61.9)**	$ (60.5)	$ (61.6)

The net accrued benefit liability is included in Canfor's consolidated balance sheet as follows:

(millions of Canadian dollars)	**December 31, 2024** Defined Benefit Pension Plans	**December 31, 2024** Other Benefit Plans	December 31, 2023 Defined Benefit Pension Plans	December 31, 2023 Other Benefit Plans
Retirement benefit surplus	**$ 16.5**	**$ -**	$ 10.8	$ -
Retirement benefit obligations	**(71.5)**	**(61.9)**	(71.3)	(61.6)
Total accrued benefit liability, net	**$ (55.0)**	**$ (61.9)**	$ (60.5)	$ (61.6)

Of the net defined benefit pension plan obligation of $55.0 million, $36.8 million (December 31, 2023 – $43.0 million) is secured by letters of credit.

At December 31, 2024 and December 31, 2023, certain defined benefit pension plans are in a surplus position reflecting the return on plan assets, actuarial gains and employer contributions to the pension plans during 2024 and 2023. The plans with a net retirement surplus have been classified as non-current assets and included in 'Long-term investments and other' on the balance sheet (Note 9).

Components of pension cost.

The following table shows the before tax impact on net income (loss) and other comprehensive income (loss) of the Company's defined benefit pension and other non-pension post-retirement benefit plans:

(millions of Canadian dollars)	**2024** Defined Benefit Pension Plans	**2024** Other Benefit Plans	2023 Defined Benefit Pension Plans	2023 Other Benefit Plans
Recognized in net income (loss)				
Current service cost	**$ 3.8**	**$ 0.6**	$ 4.2	$ 0.8
Administration cost	**1.1**	**-**	1.1	-
Interest cost, net (Note 19)	**2.3**	**2.6**	3.5	3.0
Settlement loss (gain)	**(4.6)**	**-**	3.5	-
Surplus distribution to employees	**9.1**	**-**	-	-
Other	**-**	**1.0**	2.9	-
Total expense included in net income (loss)	**$ 11.7**	**$ 4.2**	$ 15.2	$ 3.8

(millions of Canadian dollars)	**2024** Defined Benefit Pension Plans	**2024** Other Benefit Plans	2023 Defined Benefit Pension Plans	2023 Other Benefit Plans
Recognized in other comprehensive income (loss)				
Actuarial loss (gain) – experience	**$ 0.1**	**$ 0.4**	$ (0.1)	$ (1.1)
Actuarial loss (gain) – financial assumptions	**(1.9)**	**(0.6)**	2.9	(6.2)
Return on plan assets greater than discount rate	**(0.9)**	**-**	(10.5)	-
Change in plan surplus	**(8.2)**	**-**	(8.0)	-
Administrative costs greater than expected and other	**0.3**	**-**	0.6	-
Total gain in other comprehensive income (loss)	**$ (10.6)**	**$ (0.2)**	$ (15.1)	$ (7.3)

During 2024, the Company settled one of its registered pension plans that was wound up in 2023. The defined benefit obligation was determined based on actuarial assumptions at the date of wind-up, and the fair value of plan assets at the same date. The settlement process involved discharging all obligations and distributing the remaining plan assets to plan members. As a result, on settlement, the Company recognized a $9.1 million expense in the consolidated statement of net income (loss). In addition, the Company recognized a corresponding gain of a similar amount in the consolidated statement of other comprehensive income (loss), as the asset ceiling provision associated with this registered pension plan was reversed.

Significant assumptions.

The actuarial assumptions used in measuring Canfor's benefit plan provisions and benefit costs are as follows:

	December 31, 2024		December 31, 2023	
	Defined Benefit Pension Plans	**Other Benefit Plans**	Defined Benefit Pension Plans	Other Benefit Plans
Discount rate	**4.7%**	**4.7%**	4.6%	4.6%
Rate of compensation increases	**2.0%**	**n/a**	2.0%	n/a
Initial medical cost trend rate	**n/a**	**5.0%**	n/a	5.0%
Ultimate medical cost trend rate	**n/a**	**4.5%**	n/a	4.5%
Year ultimate rate is reached	**n/a**	**2031**	n/a	2031

In addition to the significant assumptions listed in the table above, the average life expectancy of a 65-year-old at December 31, 2024 is between 21.4 years and 24.5 years (December 31, 2023 – 21.4 years and 24.4 years). As at December 31, 2024, the weighted average duration of the defined benefit plan obligation, which reflects the average age of the plan members, is 13.0 years (December 31, 2023 – 12.4 years). The weighted average duration of the other benefit plans is 11.1 years (December 31, 2023 – 11.2 years).

Sensitivity analysis.

Assumed discount rates and medical cost trend rates have a significant effect on the accrued retirement benefit obligation and related plan assets. A one percentage point change in these assumptions would have the following effects on the accrued retirement benefit obligation for 2024:

(millions of Canadian dollars)	**1% Increase**	**1% Decrease**
Defined benefit pension plan liabilities		
Discount rate	$ (20.0)	$ 24.2
Other benefit plan liabilities		
Discount rate	$ (6.2)	$ 7.4
Initial medical cost trend rate	$ 2.8	$ (2.7)

With respect to the discount rate sensitivity effect on the defined benefit pension plan liabilities, it is noted that 39% (December 31, 2023 – 41%) is partially offset through the plan's investment in debt securities.

As at December 31, 2024, estimated contribution payments of $8.2 million will be made to the Company's defined benefit pension plans in 2025 based on the last actuarial valuation for funding purposes.

Defined contribution and other plans.

The total expense recognized in 2024 for Canfor's defined contribution plans was $14.9 million (December 31, 2023 – $17.6 million). Canfor contributes to various forest industry union benefit plans providing both pension and other retirement benefits. These plans are accounted for as defined contribution plans. Contributions to these plans, not included in the expense for defined contribution plans above, amounted to $15.3 million in 2023 (December 31, 2023 – $17.6 million).

15. Deferred Reforestation Obligations

The following table provides a reconciliation of the deferred reforestation obligations as at December 31, 2024 and December 31, 2023:

(millions of Canadian dollars)		2024		2023
Reforestation obligations at beginning of year	$	**100.0**	$	104.2
Expense for year		**49.0**		47.2
Accretion expense		**1.7**		1.6
Changes in estimates		**(0.3)**		2.6
Paid during the year, net		**(45.9)**		(55.6)
Reforestation obligations at end of year		**104.5**		100.0
Less: Current portion		**(57.6)**		(52.6)
Long-term portion	$	**46.9**	$	47.4

The total undiscounted amount of the estimated cash flows required to settle the obligations at December 31, 2024 is $111.0 million (December 31, 2023 – $106.6 million), with payments expected to occur over 15 years. Due to the general long-term nature of the liability, the most significant area of uncertainty in estimating the provision is the future costs that will be incurred. The estimated cash flows have been adjusted for inflation and discounted using risk-free rates ranging from 2.6% to 3.4% at December 31, 2024 (December 31, 2023 – 3.1% to 4.7%).

16. Asset Retirement Obligations

The following table provides a reconciliation of the asset retirement obligations included in 'Other long-term liabilities' on the consolidated balance sheet as at December 31, 2024 and December 31, 2023:

(millions of Canadian dollars)		2024		2023
Asset retirement obligations at beginning of year	$	**13.1**	$	12.2
Accretion expense		**0.4**		0.4
Changes in estimates		**(1.2)**		0.5
Asset retirement obligations at end of year	$	**12.3**	$	13.1

Canfor's asset retirement obligations (excluding CPPI) represent estimated undiscounted future payments of $14.6 million (December 31, 2023 – $15.7 million) to remediate landfills at the operations at the end of their useful lives. The payments are expected to occur over periods ranging from 2 to 42 years and have been discounted at risk-free rates ranging from 3.0% to 3.4% (December 31, 2023 – 3.0% to 3.7%).

CPPI's asset retirement obligations include $9.3 million (December 31, 2023 – $9.3 million) of estimated undiscounted future payments to remediate landfills at the operations at the end of their useful lives. The payments are expected to occur over periods ranging from 2 to 27 years and have been discounted at risk-free rates ranging from 3.0% to 3.4% (December 31, 2023 – 3.0% to 3.9%).

Canfor and CPPI have certain assets that have indeterminable retirement dates and, therefore, there is an indeterminate settlement date for the related asset retirement obligations. As a result, no asset retirement obligations are recorded for these assets. These assets include wastewater and effluent ponds that will have to be drained once the related operating facility is closed and storage sites for which removal of chemicals, fuels and other related materials will be required once the related operating facility is closed. When the retirement dates of these assets become determinable and an estimate can be made, an asset retirement obligation will be recorded. It is possible that changes in future conditions could require a material change in the recognized amount of the asset retirement obligations.

17. Share Capital

Authorized.

10,000,000 preferred shares, with a par value of $25 each.
1,000,000,000 common shares without par value.

Issued and fully paid.

	2024			2023		
(millions of Canadian dollars, except number of shares)	**Number of Shares**		**Amount**	Number of Shares		Amount
Common shares at beginning of year	**118,931,779**	**$**	**938.3**	121,059,579	$	955.1
Common shares purchased	**(526,700)**		**(4.2)**	(2,127,800)		(16.8)
Common shares at end of year[4]	**118,405,079**	**$**	**934.1**	118,931,779	$	938.3

[4] Based on trade date.

The holders of common shares are entitled to vote at all meetings of shareholders of the Company, except meetings at which only holders of preferred shares would be entitled to vote. The common shareholders are entitled to receive dividends as and when declared on the common shares.

Basic net income (loss) per common share is calculated by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. The weighted average number of common shares outstanding for 2024 is 118,586,844 (December 31, 2023 – 120,153,152).

Normal course issuer bid.

On March 19, 2024, the Company announced that it has received regulatory approval for a renewal of its normal course issuer bid whereby it can purchase for cancellation up to 5,942,508 common shares, or approximately 5% of its issued and outstanding common shares as at March 15, 2024. The renewed normal course issuer bid is set to expire on March 20, 2025.

During the year ended December 31, 2024, the Company purchased 526,700 common shares for $8.4 million (an average of $15.95 per common share), before tax of $0.6 million, all of which was paid during the year. During the year ended December 31, 2023, the Company purchased 2,127,800 common shares for $41.8 million (an average of $19.64 per common share), all of which was paid during the year.

As at December 31, 2024 and March 6, 2025, based on the trade date, there were 118,405,079 common shares of the Company outstanding and Canfor's ownership interest in CPPI and Vida was 54.8% and 77.0%, respectively (December 31, 2023 – 54.8% and 70.0%).

18. Non-Controlling Interests

The following table summarizes the non-controlling financial information for the Company's lumber operations and CPPI before inter-company eliminations:

Summarized Balance Sheets:

	As at December 31, 2024						As at December 31, 2023					
Amounts presented below represent non-controlling % (millions of Canadian dollars)		Lumber[5,6]		CPPI		**Total**		Lumber[5,6]		CPPI		Total
Current assets	$	186.1	$	97.6	**$**	**283.7**	$	279.8	$	113.6	$	393.4
Non-current assets		87.7		106.9		**194.6**		118.7		191.6		310.3
Total assets	$	273.8	$	204.5	**$**	**478.3**	$	398.5	$	305.2	$	703.7
Current liabilities	$	76.8	$	103.0	**$**	**179.8**	$	80.8	$	120.7	$	201.5
Non-current liabilities		27.8		22.0		**49.8**		39.7		32.2		71.9
Total liabilities	$	104.6	$	125.0	**$**	**229.6**	$	120.5	$	152.9	$	273.4
Total equity	$	169.2	$	79.5	**$**	**248.7**	$	278.0	$	152.3	$	430.3
Total liabilities and equity	$	273.8	$	204.5	**$**	**478.3**	$	398.5	$	305.2	$	703.7

Summarized Statements of Income (Loss) and Other Comprehensive Income:

Amounts presented below represent non-controlling % (millions of Canadian dollars)	**Year ended December 31, 2024**			Year ended December 31, 2023		
	Lumber[5]	CPPI	**Total**	Lumber[5]	CPPI	Total
Sales	$ 463.4	$ 360.6	**$ 824.0**	$ 431.2	$ 395.4	$ 826.6
Net income (loss)	$ 5.9	$ (73.1)	**$ (67.2)**	$ 21.0	$ (43.4)	$ (22.4)
Other comprehensive income	-	0.3	**0.3**	-	2.6	2.6
Total comprehensive income (loss)	$ 5.9	$ (72.8)	**$ (66.9)**	$ 21.0	$ (40.8)	$ (19.8)
Distributions paid to non-controlling interests, net	$ 65.4	$ -	**$ 65.4**	$ 62.3	$ -	$ 62.3

During the year ended December 31, 2024, Vida paid dividends of $223.1 million (SEK 1,722 million) to its shareholders, which included distributions to non-controlling interests of $66.9 million (December 2023 – dividend of $199.5 million, which included distributions to non-controlling interests of $59.9 million).

Summarized Statements of Cash Flows:

Amounts presented below represent non-controlling % (millions of Canadian dollars)	**Year ended December 31, 2024**			Year ended December 31, 2023		
	Lumber[5]	CPPI	**Total**	Lumber[5]	CPPI	Total
Cash flows from operating activities	$ 12.4	$ 26.4	**$ 38.8**	$ 38.6	$ 16.4	$ 55.0
Cash flows from (used in) in financing activities	$ (56.0)	$ (10.1)	**$ (66.1)**	$ (65.0)	$ 13.5	$ (51.5)
Cash flows used in investing activities	$ (19.6)	$ (18.9)	**$ (38.5)**	$ (11.5)	$ (27.0)	$ (38.5)

5. Lumber non-controlling interest includes non-controlling interest related to Houston Pellet Limited Partnership (HPLP) (40%), and CSP Moultrie Investment, L.L.C. (5%) for the year ended December 31, 2024. Includes cash distributed to HPLP for capital calls ($3.2 million). Lumber non-controlling interest also included Vida, at 30% for the period between January 1, 2024 and December 10, 2024 and at 23% from December 10, 2024 to December 31, 2024.
6. Lumber total equity includes a $23.3 million foreign exchange loss arising from the translation of foreign operations, recognized in 'Accumulated other comprehensive income' on the consolidated balance sheet (December 31, 2023 – $28.9 million foreign exchange loss).

19. Finance Income (Expense), Net

(millions of Canadian dollars)	**2024**	2023
Interest expense on borrowings	**$ (32.7)**	$ (27.3)
Interest expense on lease obligations (Note 6(b))	**(7.1)**	(5.3)
Interest expense on retirement benefit obligations, net (Note 14)	**(4.9)**	(6.5)
Interest expense on duty deposits loan (Note 13)	**(3.6)**	-
Interest income (expense) from duty deposits recoverable, net (Note 29)	**(18.3)**	19.7
Interest income	**17.7**	32.4
Other finance expenses	**(2.8)**	(2.6)
Finance income (expense), net	**$ (51.7)**	$ 10.4

20. Restructuring, Asset Write-Downs and Impairments, and Other Items

Restructuring.

In April 2024 the Company announced its decision to permanently close its Jackson, Alabama facility. In May 2024, the Company announced its decision to permanently close its Polar facility, suspend its planned reinvestment in Houston, BC and indefinitely curtail one production line at CPPI's Northwood pulp mill. In August 2024, the Company announced its decision to permanently close its Plateau sawmill as well as its Fort St John sawmill and pellet plant facilities. Additionally, during the fourth quarter of 2024 the Mobile, Alabama sawmill was permanently closed in conjunction with the commissioning of the new facility in Axis, Alabama.

As a result, the Company recognized restructuring costs of $76.7 million for the year ended December 31, 2024 (2023 — $12.2 million related to the closure of the Chetwynd sawmill and pellet plant and the temporary closure of Houston sawmill).

Asset Write-Downs and Impairments.

In connection with the closure announcements, as well as the ongoing uncertainty with respect to the availability of economic fibre, the Company determined there were indicators of impairment at certain of its Western Canadian lumber operations for the year ended December 31, 2024, in accordance with IAS 36, *Impairment of Assets*.

The recoverable amount of the timber licenses and property, plant and equipment within the Western Canadian lumber operations was determined based on the higher of fair value less costs to sell and value in use. A discounted cash flow model was used to estimate value in use. This discounted cash flow model was projected based on past experience as well as Management's assessment of future trends in the forest industry, based on external and internal sources of data. Assumptions include future production volumes, commodity prices, log and production costs, the discount rate, applicable foreign exchange rates, operating rates of the assets, and the future capital required to maintain the assets for their current operating conditions. Estimated future cash flows were discounted at a rate of 11% (15% before tax), based on the Company's weighted average cost of capital in that area for 2024 (unchanged from 2023).

In addition, because of ongoing uncertainty surrounding economic fibre availability, heightened by the recent sawmill closure announcements in the BC Interior, an impairment assessment was also performed on the Company's property, plant and equipment of its pulp and paper segment for the year ended December 31, 2024.

The recoverable amount of CPPI's property, plant and equipment within its pulp and paper operations was determined based on the higher of fair value less costs to sell and value in use. A discounted cash flow model was used to estimate value in use. This discounted cash flow model was projected based on past experience as well as Management's assessment of future trends in the pulp industry, based on external and internal sources of data. Significant assumptions include future production volumes, commodity prices, fibre and production costs, as well as the discount rate. Other assumptions include applicable foreign exchange rates, operating rates of the assets, and the future capital required to maintain the assets for their current operating conditions. Estimated future cash flows were discounted at a rate of 9% (12% before tax), based on CPPI's weighted average cost of capital for 2024 (unchanged from 2023).

As a result of these assessments, an asset write-down and impairment charge of $131.9 million (which includes write-downs for property, plant and equipment of $112.1 million and materials and supplies inventory of $19.8 million) was recognized in the Company's lumber segment as a reduction of the carrying value of the Company's Western Canadian lumber operations for the year ended December 31, 2024. An additional $211.0 million (which includes write-downs for property, plant and equipment of $206.5 million, and materials and supplies inventory of $4.5 million) was recognized as a reduction to the carrying value of CPPI's pulp assets within the pulp and paper segment for the year ended December 31, 2024.

Other Items.

In August 2024, the Company completed the sale of its Chetwynd sawmill lands and equipment to a third party for proceeds of $5.0 million, which were received in 2024.

Also in August 2024, the Company completed its previously announced sale of the Mackenzie sawmill assets to Peak Mackenzie, and sale of the forest tenure in the Mackenzie region to the McLeod Lake Indian Band and Tsay Key Dene Nation for combined proceeds of $66.5 million, of which $56.5 million was received in 2024.

As a result of these transactions, the Company recognized a gain of $34.9 million in the consolidated statement of income (loss) for the year ended December 31, 2024.

21. Income Taxes

The components of income tax recovery (expense) are as follows:

(millions of Canadian dollars)		**2024**		2023
Current	$	47.5	$	64.5
Deferred		199.8		77.0
Income tax recovery	$	247.3	$	141.5

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

(millions of Canadian dollars)		**2024**		2023
Income tax recovery (expense) at statutory rate of 27.0% (2023 – 27.0%)	$	265.5	$	132.3
Add (deduct):				
Non-taxable loss related to non-controlling interests		(2.1)		(1.1)
Entities with different income tax rates and other tax adjustments		(11.4)		9.7
Permanent difference from capital gains and losses and other non-deductible items		(4.7)		0.6
Income tax recovery	$	247.3	$	141.5

In addition to the amounts recorded to net income, a tax expense of $2.9 million was recorded to other comprehensive income (loss) in relation to actuarial gains, net, on the defined benefit plans for the year ended December 31, 2024 (December 31, 2023 – $6.0 million).

The tax effects of the significant components of temporary differences that give rise to deferred income tax assets and liabilities are as follows:

(millions of Canadian dollars)		**As at December 31, 2024**		As at December 31, 2023
Deferred income tax assets				
Accruals not currently deductible	**$**	**54.3**	$	46.4
Loss carryforwards		**116.4**		87.0
Retirement benefit obligations		**31.1**		32.5
Lease obligations		**34.6**		31.6
Other		**13.2**		10.5
	$	**249.6**	$	208.0
Deferred income tax liabilities				
Depreciable capital assets	**$**	**(222.6)**	$	(330.7)
Goodwill and other intangible assets, net		**(11.2)**		(7.1)
Untaxed reserves		**(78.4)**		(77.3)
Duty deposits recoverable, net		**(26.0)**		(76.7)
Right-of-use assets		**(32.4)**		(30.2)
Other		**(5.1)**		(6.6)
	$	**(375.7)**	$	(528.6)
Total deferred income tax liabilities, net	**$**	**(126.1)**	$	(320.6)
Less: entities in a deferred income tax asset position (Note 9)		**42.7**		9.4
Net deferred income tax liabilities	**$**	**(168.8)**	$	(330.0)

CPPI has non-capital loss carry-forwards of approximately $172.7 million (2023 - $186.3 million) in Canada which expire between 2042 and 2043.

In accordance with IAS 12, *Income Taxes*, the Company reviewed future taxable profits of Canfor and its subsidiaries on a legal entity basis and recognized a deferred income tax asset as at December 31, 2024 to the extent that it is probable that the related tax benefit will be received. This assumption is based on Management's best estimate of future circumstances and events. If these estimates and assumptions are changed in the future, the value of the deferred income tax assets could be reduced or increased, resulting in an income tax expense or recovery.

22. Net Change in Non-Cash Working Capital

(millions of Canadian dollars)		**2024**		2023
Trade and other receivables	**$**	**(12.2)**	$	23.1
Inventories		**59.3**		175.2
Prepaid expenses and other		**(1.4)**		9.9
Accounts payable and accrued liabilities, and current portion of deferred reforestation obligations		**(49.2)**		(42.1)
Net change in non-cash working capital	**$**	**(3.5)**	$	166.1

23. Related Party Transactions

Canfor undertakes transactions with various related entities. These transactions are in the normal course of business and are generally on similar terms as those accorded to unrelated third parties, except where noted otherwise. The Jim Pattison Group is Canfor's largest shareholder with an ownership interest of 53.8% at December 31, 2024 (December 31, 2023 – 53.6%). During 2024, subsidiaries owned by The Jim Pattison Group provided lease, insurance, and other services to Canfor totaling $6.5 million (December 31, 2023 – $6.6 million).

During 2024, CPPI sold paper to subsidiaries owned by The Jim Pattison Group totaling $3.8 million (December 31, 2023 – $4.5 million). CPPI also made purchases from subsidiaries owned by The Jim Pattison Group totaling $0.5 million (December 31, 2023 – $0.7 million).

Also during 2024, Vida purchased sawlogs from former owners and current key management personnel totalling $2.0 million (SEK 15.1 million).

At December 31, 2024, an outstanding balance of $0.2 million was owed to subsidiaries owned by The Jim Pattison Group (December 31, 2023 – $0.2 million).

Key management personnel.

Key management includes members of the Board of Directors and the senior executive management team. The compensation expense for key management for services is as follows:

(millions of Canadian dollars)	**2024**	2023
Short-term benefits	**$ 10.8**	$ 12.7
Post-employment benefits	**0.8**	1.4
	$ 11.6	$ 14.1

Short-term benefits for members of the Board of Directors include an annual retainer.

24. Segment Information

Canfor has two reportable segments, as described below, which offer different products and are managed separately because they require different production processes and marketing strategies. The following summary describes the operations of each of the Company's reportable segments:

- *Lumber* – Includes logging operations and manufacturing and sale of various grades, widths and lengths of lumber, engineered wood and other lumber-related products, wood chips and wood pellets; and
- *Pulp and paper* – Includes purchase of residual fibre, and production and sale of pulp and paper products, including NBSK, as well as energy revenues. This segment includes 100% of CPPI.

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. Information regarding the operations of each reportable segment is included in the table below. The accounting policies of the reportable segments are described in Note 3. The Company's interest-bearing liabilities are not considered to be segment liabilities but rather are managed centrally by the treasury function. Other liabilities are not split by segment for the purposes of allocating resources and assessing performance.

(millions of Canadian dollars)	Lumber	Pulp and Paper	Unallocated and other	Elimination adjustment	Consolidated
Year ended December 31, 2024					
Sales from contracts with customers	**$ 4,454.3**	**$ 798.5**	**$ -**	**$ -**	**$ 5,252.8**
Sales to other segments	**123.8**	**0.1**	**-**	**(123.9)**	**-**
Operating loss	**(660.4)**	**(226.5)**	**(55.3)**	**-**	**(942.2)**
Amortization	**367.1**	**58.8**	**3.2**	**-**	**429.1**
Capital expenditures[7]	**472.1**	**50.8**	**4.2**	**-**	**527.1**
Total assets	**4,496.2**	**397.4**	**678.3**	**-**	**5,571.9**
Year ended December 31, 2023					
Sales from contracts with customers	$ 4,551.1	$ 875.5	$ -	$ -	$ 5,426.6
Sales to other segments	153.1	-	-	(153.1)	-
Operating loss	(348.7)	(127.5)	(55.4)	-	(531.6)
Amortization	332.7	85.0	2.7	-	420.4
Capital expenditures[7]	510.4	60.5	16.1	-	587.0
Total assets	4,270.9	654.0	1,206.5	-	6,131.4

[7.] Capital expenditures represent cash paid for capital assets during the periods, excluding assets purchased as part of acquisitions (Note 28). 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 and assets are based on the geographical location of the assets.

(millions of Canadian dollars)			2024			2023
Sales by location of customer						
Canada	**10%**	**$**	**548.9**	12%	$	637.4
United States	**50%**		**2,605.9**	52%		2,799.0
Europe	**24%**		**1,250.7**	19%		1,051.1
Asia	**14%**		**723.7**	15%		806.8
Other	**2%**		**123.6**	2%		132.3
	100%	**$**	**5,252.8**	100%	$	5,426.6

(millions of Canadian dollars)			**As at December 31, 2024**			As at December 31, 2023
Property, plant and equipment, ROU assets, timber licenses, goodwill and other intangible assets by location						
Canada	**29%**	**$**	**991.0**	41%	$	1,417.5
United States	**55%**		**1,877.2**	43%		1,447.5
Europe	**16%**		**557.2**	16%		553.9
Asia and Other	**0%**		**0.4**	0%		0.1
	100%	**$**	**3,425.8**	100%	$	3,419.0

25. Commitments and Contingencies

In the ordinary course of its business activities, the Company may be subject to, or enter into, legal actions and claims with customers, unions, suppliers or others.

In circumstances where the Company is not able to determine the outcome of a legal action and claim, no amount is recognized in the consolidated financial statements, with an amount accrued only when a reliable estimate of the obligation can be made. Although there can be no assurance as to the disposition of a legal action and claim, it is the opinion of Management, based upon the information available at this time, that the expected outcome of a legal action and claim, individually or in aggregate, is unlikely to have a material adverse effect on the operating results and financial condition of the Company as a whole.

Commitments.

At December 31, 2024, Canfor had contractual obligations of $242.5 million (December 31, 2023 – $363.0 million) reflecting commitments for the construction of capital assets, and other working capital items. The majority of these commitments are expected to be settled within five years. In addition, the Company has committed to leases of property, plant and equipment as outlined under Note 6.

The Company's total commitments of $242.5 million include contractual commitments with landowners to purchase a fixed volume of logs at a future date for a negotiated, agreed upon price. For certain contracts, the Company pre-pays a portion of the fee to the vendor, recognized in 'Prepaid expenses and other' on the Company's consolidated balance sheet. At December 31, 2024, the Company determined that certain prepaid log purchase contracts had become onerous, as the cost of the logs combined with the incremental cost to convert the logs to finished lumber, are anticipated to exceed the future sales price. Therefore, an onerous contract provision of $9.2 million was recognized in 'Accounts payable and accrued liabilities' as at December 31, 2024 (December 31, 2023 – $6.5 million).

26. Risks and Uncertainties

Financial risk management.

Canfor is exposed to a number of risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and market risk.

Canfor's internal Risk Management Committee manages risk in accordance with a Board approved Price Risk Management Controls Policy. This policy provides the framework for risk management related to commodity price, foreign exchange, interest rate and counterparty credit risk of Canfor.

Credit risk:

Credit risk is the risk of financial loss to Canfor if a counterparty to a financial instrument fails to meet its contractual obligations.

Financial instruments that are subject to credit risk include cash and cash equivalents, trade and other receivables, as well as certain investments and advances. Contract assets are also subject to credit risk. Cash and cash equivalents include cash held through major Canadian and international financial institutions as well as temporary investments that are readily convertible into known amounts of cash within three months or less from the date of acquisition. The cash and cash equivalents balance at December 31, 2024 was $259.3 million (December 31, 2023 – $627.4 million).

Canfor utilizes credit insurance to mitigate the risk associated with some of its trade receivables. As at December 31, 2024, approximately 68% (December 31, 2023 – 64%) of the outstanding trade receivables are covered by credit insurance. Canfor's trade receivable balance at December 31, 2024 was $322.7 million, before a loss allowance of $4.4 million (December 31, 2023 – $302.2 million, before a loss allowance of $4.3 million).

At December 31, 2024, approximately 94% (December 31, 2023 – 94%) of the trade receivable balance was within Canfor's established credit terms.

Liquidity risk:

Liquidity risk is the risk that Canfor will be unable to meet its financial obligations as they come due. Canfor manages liquidity risk through regular cash flow forecasting in conjunction with adequate operating loan and term debt facilities.

At December 31, 2024, Canfor had $106.8 million drawn on its operating loans and facilities (December 31, 2023 – $110.6 million) and $54.2 million reserved for several standby letters of credit (December 31, 2023 – $63.5 million), leaving $1,321.6 million available and undrawn (December 31, 2023 – $1,150.5 million). As a result, including cash and cash equivalents of $259.3 million (December 31, 2023 – $627.4 million), Canfor had available liquidity of $1,580.9 million (December 31, 2023 – $1,777.9 million, excluding CPPI's $80.0 million non-revolving term debt, which was restricted for use on the re-investment of Northwood's RB1, and cancelled in 2024). The Company also had accounts payable and accrued liabilities of $724.1 million (December 31, 2023 – $664.5 million), term debt of $120.6 million (December 31, 2023 – $159.9 million) and a duty deposit loan of $335.1 million (December 31, 2023 – nil) as at December 31, 2024.

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, foreign currency, commodity and energy prices.

(*i*) *Interest rate risk:*

Canfor is exposed to interest rate risk through its current financial assets, operating loan facilities and term debt that bear variable interest rates.

Canfor may use interest rate swaps to reduce its exposure to interest rate risk associated with financial obligations bearing variable interest rates. At December 31, 2024 and December 31, 2023, the Company had no interest rate swaps outstanding.

Canfor is also exposed to interest rate risk in relation to the measurement of the Company's pension liabilities.

(*ii*) *Currency risk:*

At a consolidated level, Canfor is exposed to foreign exchange risk related to the US-dollar, as Canfor's products are sold principally in US-dollars. In addition, Canfor holds US-dollar denominated financial assets and liabilities.

An increase (decrease) in the value of the Canadian dollar by US$0.01 would result in a pre-tax: (i) loss (gain) of approximately $1.8 million in relation to working capital balances denominated in US-dollars at year end (including cash, trade receivables and accounts payable); and a (ii) gain (loss) of approximately $5.4 million in relation to term debt and the duty deposits loan denominated in US-dollars at year end. These amounts do not include foreign exchange gains and losses arising from the translation of foreign operations which are recognized in 'Accumulated other comprehensive income' on the Company's consolidated balance sheet.

A portion of the currency risk associated with US-dollar denominated sales is naturally offset by US-dollar denominated expenses. A portion of the remaining exposure is sometimes reduced by foreign exchange collar contracts that effectively limit the minimum and maximum Canadian dollar recovery related to the sale of those US-dollars. At December 31, 2024 and December 31, 2023, the Company had no foreign exchange collar contracts outstanding.

Although Vida primarily transacts in SEK, the Company also sells certain products in US-dollars, British Pounds ("GBP"), Australian Dollars ("AUD"), Euros ("EUR"), and Norwegian krone ("NOK") and holds US, GBP, AUD and EUR denominated operating loan and term debt facilities (Notes 11 and 12) and limits its exposure to foreign exchange risk using forward foreign exchange contracts and foreign exchange options. At December 31, 2024 and December 31, 2023, the following forward foreign exchange contracts were outstanding.

	As at December 31, 2024		
Maturity Date	**Notional Amount Currency**	**Notional Amount**	**Exchange Rates**
Forward Foreign Exchange Contracts		(millions)	(rate of SEK to notional currency)
0-6 months	GBP	**£ 40.0**	**13.54**
0-12 months	USD	**$ 66.0**	**10.16**
0-6 months	EUR	**€ 15.0**	**11.43**

	As at December 31, 2023		
Maturity Date	**Notional Amount Currency**	**Notional Amount**	**Exchange Rates**
Forward Foreign Exchange Contracts		(millions)	(rate of SEK to notional currency)
0-6 months	GBP	£40.0	13.35
0-18 months	USD	$99.0	10.31
0-6 months	EUR	€15.0	11.62

(*iii*) *Commodity price risk:*

Canfor is exposed to commodity price risk principally related to the sale of lumber and related products, pulp and paper. From time to time, Canfor enters into futures contracts on the Chicago Mercantile Exchange for lumber and forward contracts direct with customers or on commodity exchanges for pulp. Under the Company's Price Risk Management Controls Policy, up to 15% of lumber sales and 1% of pulp sales may be sold in this way. Canfor is also exposed to commodity price risk on the sale of electricity in Canada. Prices are set by third party regulatory bodies.

Canfor had the following lumber futures contracts at December 31, 2024 and December 31, 2023:

	As at December 31, 2024		As at December 31, 2023	
Maturity Date	**Notional Amount**	**Average Rate**	Notional Amount	Average Rate
Lumber Future Contracts	(MMfbm)	(US-dollars per Mfbm)	(MMfbm)	(US-dollars per Mfbm)
Future sales contracts				
0-6 months	**14.5**	**$ 601.4**	19.3	$565.2

(*iv*) *Energy price risk*

Canfor is exposed to energy price risk relating to purchases of natural gas and diesel oil for use in its operations.

The annual exposure is, from time to time, hedged up to 100% through the use of floating to fixed swap contracts or option contracts with maturity dates up to a maximum of eighteen months. At December 31, 2024 and December 31, 2023, the Company had no energy fixed swaps or option contracts outstanding.

Capital management.

Canfor's objectives when managing capital are to maintain a strong balance sheet and a globally competitive cost structure that ensures adequate liquidity to maintain and develop the business throughout the commodity price cycle.

Canfor's capital is comprised of net cash and total equity:

(millions of Canadian dollars)	As at December 31, 2024	As at December 31, 2023
Total debt (including operating loans)	**$ 227.4**	$ 270.5
Duty deposits loan	**335.1**	-
Less: cash and cash equivalents	**(259.3)**	(627.4)
Net debt (cash)	**303.2**	(356.9)
Total equity	**3,583.8**	4,277.4
Total capitalization	**$ 3,887.0**	$ 3,920.5

The Company has certain financial covenants on its debt obligations, including a maximum net debt to total capitalization ratio that is calculated by dividing total debt by total shareholders' equity plus total debt. Debt obligations are held by various entities within the Canfor group and the individual debt agreements specify the entities within the group that are to be included in the covenant calculations. Canfor's strategy is to ensure it remains in compliance with all of its existing debt covenants, so as to ensure continuous access to capital. Canfor was fully in compliance with all its debt covenants for the years ended December 31, 2024 and December 31, 2023.

The Company manages its capital structure through rigorous planning, budgeting and forecasting processes, and ongoing management of operations, investments and capital expenditures. In 2024, the Company's management of capital primarily comprised of strategic capital investments, maintenance of business capital, and working capital initiatives. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27. Financial Instruments

Canfor's cash and cash equivalents, trade and other receivables, certain long-term investments and advances, accounts payable and accrued liabilities, other liabilities, operating loans, term debt and duty deposits loan are classified as measured at amortized cost in accordance with IFRS 9 *Financial Instruments*. The carrying amounts of these instruments, excluding term debt and duty deposits loan, approximate fair value at December 31, 2024 and December 31, 2023.

Derivative instruments, investments in debt and equity securities (excluding associates accounted for under the equity method) and net duty deposits recoverable are classified as measured at FVTPL. The put liability is measured initially at fair value and subsequently at FVTEQ. 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.

There were no transfers between fair value hierarchy levels in 2024 or 2023.

The following table summarizes Canfor's financial instruments measured at fair value at December 31, 2024 and December 31, 2023, and shows the level within the fair value hierarchy in which they have been classified:

(millions of Canadian dollars)	Fair Value Hierarchy Level	As at December 31, 2024	As at December 31, 2023
Financial assets measured at fair value			
Investments	Level 1	**$ 114.5**	$ 89.1
Derivative financial instruments	Level 2	**1.1**	4.4
Duty deposits recoverable, net (Notes 9 and 29)	Level 3	**98.2**	289.5
		$ 213.8	$ 383.0
Financial liabilities measured at fair value			
Derivative financial instruments	Level 3	**$ 5.2**	-
Put liability	Level 3	**110.7**	187.7
		$ 115.9	$ 187.7

During the year ended December 31, 2024, the Company had net purchases of investments in certain funds at a cost of $16.5 million (2023 — $59.4 million). These highly liquid investments, with maturities exceeding one year, were subsequently measured at fair value through net income (loss) and classified as level 1. These investments are included within 'Long-Term Investments and Other' on the Company's consolidated balance sheet (Note 9).

The Company uses a variety of derivative financial instruments from time to time to reduce its exposure to risks associated with fluctuations in foreign exchange rates, lumber prices, energy prices, and floating interest rates on term debt.

At December 31, 2024, the fair value of derivative financial instruments includes an asset of $1.1 million which is included in 'Other receivables' and a liability of $5.2 million which is included in 'Accounts payable and accrued liabilities' on the Company's consolidated balance sheet (December 31, 2023 — $4.4 million). The fair value of these financial instruments was determined based on prevailing market rates for instruments with similar characteristics.

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

(millions of Canadian dollars)		**2024**		2023
Lumber futures	**$**	**(0.4)**	$	(0.4)
Foreign exchange forward contracts		**(11.5)**		7.2
Gain (loss) on derivative financial instruments	**$**	**(11.9)**	$	6.8

At December 31, 2024, the fair value of duty deposits recoverable is a net asset of $98.2 million, recognized on the Company's consolidated balance sheet in 'Long-term investments and other' (Note 9) and adjusted to fair value through the recognition of interest in 'Finance income, net' on the consolidated statement of income (loss) (Note 19).

At the acquisition date of Vida in 2019, Canfor recorded an initial put liability of $118.6 million (SEK 830.1 million) relating to Vida's non-controlling shareholders' option to sell their remaining 30.0% ownership interest to the Company in 3 to 10 years' time. Subsequent changes to the measurement of the put liability have been recognized in 'Other Equity' over time. In December 2024, Vida's non-controlling shareholders exercised a portion of their put option and Canfor purchased an additional 7.0% of the outstanding shares in Vida (Note 30). At the date of these options being exercised the put liability was reduced by $82.7 million, with an offsetting gain recognized in 'Other Equity'.

For the year ended December 31, 2024, a total gain of $74.3 million was recognized in 'Other Equity' on the Company's consolidated balance sheet consisting of the aforementioned gain on exercise of options, combined with remeasurement of the put liability for the passage of time (December 31, 2023, loss of $12.1 million).

As a result of the option exercise and put remeasurement, combined with net foreign exchange gains of $2.7 million for the year ended December 31, 2024, (December 31, 2023 – foreign exchange losses of $2.9), the balance of the put liability was $110.7 million at December 31, 2024 (December 31, 2023 – $187.7 million).

28. Acquisition of El Dorado Sawmill

In August 2024, the Company completed the purchase of Resolute Forest Products Inc.'s El Dorado lumber manufacturing facility located in Union County, Arkansas, for $100.6 million (US$72.6 million), including a net working capital adjustment of $4.2 million (US$3.1 million). The facility, named internally as Iron Mountain after a nearby roadway, produces dimensional lumber and specialty wood products and is expected to increase the Company's annual SYP lumber production capacity by 175 million board feet after an anticipated further $67.5 million (US$50 million) in planned upgrades. This transaction was accounted for as a business combination under IFRS 3 *Business Combinations* and is include in Canfor's lumber segment.

Of the purchase price, $96.4 million (US$69.5 million) was applied to the property, plant and equipment, which included a fair value adjustment of $11.8 million (US$8.5 million). Final fair value of acquired property, plant and equipment was determined using replacement cost estimates and physical depreciation assumptions. The fair value of inventory was determined by Canfor applying a market comparison technique, determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories. No goodwill was recognized as part of the purchase.

The table below summarizes the final recognized amounts of net assets acquired by Canfor at the acquisition date. There were no changes from the preliminary fair value determinations.

(millions of Canadian dollars)		CAD		US
Property, plant and equipment	$	96.4	$	69.5
Non-cash working capital, net		4.2		3.1
Total net identifiable assets		100.6		72.6
Total consideration	**$**	**100.6**	**$**	**72.6**

The Company incurred acquisition related costs of $1.6 million (US$1.2 million), largely for external legal fees and due diligence costs, which have been expensed as incurred and included in 'Selling and administration costs' on the consolidated statement of income (loss) for the year ended December 31, 2024.

29. 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 December 31, 2024, Canfor has paid cumulative cash deposits of $996.9 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 Canada-United States-Mexico ("CUSMA") Agreement and through the World Trade Organization, where Canadian litigation has proven successful in the past. In October 2023, a CUSMA dispute panel ruled that certain elements of the DOC's calculation of softwood lumber duties were inconsistent with US law. The panel directed the DOC to revisit key elements of its duty calculations. In January 2024, Canada filed a notice of intent to challenge the US ITC's decision to maintain duties on Canadian softwood lumber products under Chapter 10 of the CUSMA Agreement. Most recently, on September 9, 2024, the Canadian Federal Government launched two legal challenges against the US DOC related to the final rates for POR5. The results of this dispute could potentially result in adjustments to Canfor's prescribed duties and therefore its consolidated statement of income (loss).

Fifth Period of Review ("POR5")

On January 1, 2022, the Company moved into POR5, which was based on sales and cost data for 2022. 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 2.42% until July 2022 and 0.95% thereafter, while ADD was expensed at an estimated rate of 9.00%.

In August 2024, the DOC completed the final administrative review and finalized the rates for POR5. Canfor's final combined rate was determined to be 16.58% (CVD of 6.14% and ADD of 10.44%). As a result of the rate finalization, an expense of $67.2 million (US$48.6 million), was recognized in the Company's consolidated financial statements to reflect the difference between the combined accrual rate (11.42% between January and July 2022 and 9.95% for August through to December 2022), and the DOC's final combined rate for POR5 of 16.58%.

Also in August 2024, the Company's combined cash deposit rate of 6.61% was reset to the final DOC rates for POR5 of 16.58%. 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 sixth period of review (anticipated in the third quarter of 2025). Despite the finalized rates for POR5, 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.

Sixth Period of Review ("POR6")

On January 1, 2023, the Company moved into POR6, which is based on sales and cost data in 2023. Consistent with prior periods of review, the Company continues to be 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% from January to July 2023 and 1.36% thereafter, while ADD was expensed at an estimated accrual rate of 35.00%.

Subsequent to year-end, in March 2025, the DOC announced the preliminary anti-dumping results POR6, which indicated that the Company's preliminary ADD rate for 2023 was 34.61%. Upon finalization of this rate (anticipated in the third quarter of 2025), a recovery, estimated at $2.8 million (US $1.9 million) will be recognized in the Company's consolidated financial statements to reflect the difference between the ADD accrual rate of 35.00% and the preliminary ADD rate for POR6. In addition, once final, the Company's current combined cash deposit rate of 16.58% will be reset to incorporate the DOC ADD rate for POR6 (currently estimated to be 40.75%, based on this preliminary ADD rate determination of 34.61% combined with the Company's current CVD cash deposit rate of 6.14%). The DOC is anticipated to release preliminary countervailing results for POR6 on or before May 2025.

Seventh Period of Review ("POR7")

On January 1, 2024, the Company moved into the seventh period of review ("POR7"), which is based on sales and cost data in 2024. 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 1.36% for January to July, and 6.14% thereafter, while ADD was expensed at an estimated accrual rate of 22.00%. This resulted in a combined accounting rate of 23.36% for January to July and 28.14% for August to December (versus the DOC's combined cash deposit rate of 6.61% for January to July and 16.58% for August to December).

Despite cash deposits being made in 2023 and 2024 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 for these periods.

Summary

A summary of the various combined rates is as follows:

Time Period	Deposit Rate	Accrued Rate	DOC Rate	Description
April 2017 – December 2018	20.52%	15.84%	4.62%	First Period of Review ("POR1")
January 2019 – December 2019	20.52%	29.24%	19.54%	Second Period of Review ("POR2")
January 2020 – November 2020	20.52%	18.24%	5.87%	Third Period of Review ("POR3")
December 2020	4.62%	7.63%	5.87%	POR3
January 2021 – November 2021	4.62%	9.63%	6.61%	Fourth Period of Review ("POR4")
December 2021	19.54%	9.42%	6.61%	POR4
January 2022 – July 2022	19.54%	11.42%	16.58%[8]	POR5
August 2022 – December 2022	5.87%	9.95%	16.58%[8]	POR5
January 2023 – July 2023	5.87%	35.95%	40.75%[9]	POR6
August 2023 – December 2023	6.61%	36.36%	40.75%[9]	POR6
January 2024 – July 2024	6.61%	23.36%	Anticipated in 2026	POR7
August 2024 – December 2024	16.58%	28.14%	Anticipated in 2026	POR7

8. Reflects the DOC's final combined rate for POR5
9. Reflects the DOC's preliminary ADD rate for POR6; subject to change following the release of the preliminary CVD rate for POR6.

During 2024, the Company refined its estimate of the fair value measurement of net duty deposits recoverable based on evidence of fair value through the Farallon loan transaction (Note 13). In accordance with IFRS guidance, this change in accounting estimate was applied prospectively, with $53.4 million (US$39.6 million) recorded as a reduction to net duty deposits recoverable as at December 31, 2024 (Note 9) and as an incremental duty expense for the year ended December 31, 2024.

After taking the above into consideration, for accounting purposes, a net duty deposits recoverable of $98.2 million is included on the Company's consolidated balance sheet (Note 9) as at December 31, 2024 (December 31, 2023 – $289.5 million) reflecting differences between the cash deposit rates and the Company's combined accrual rates for each period of review, including interest of $54.5 million (December 31, 2023 - $60.8 million).

Included in this $54.5 million is $6.5 million in interest receivable from the US government on certain CVD and ADD related accounts receivable balances secured under the terms of the duty deposits loan related to the period from September 27, 2024 to December 31, 2024 and payable to Farallon (Note 13). A similar amount has been recognized as interest payable within 'Accounts payable and accrued liabilities' at December 31, 2024 (Note 10).

For the year ended December 31, 2024, the Company recorded a net duty expense of $260.6 million (2023 – net duty expense of $143.8 million), comprised of the following:

(millions of Canadian dollars)		**2024**
Cash deposits paid	**$**	**65.9**
Duty expense attributable to POR7 - combined CVD and ADD[10]		**74.1**
Duty expense attributable to POR5 – combined CVD and ADD[11]		**67.2**
Refined fair value measurement		**53.4**
Duty expense, net	**$**	**260.6**

10. Reflects Canfor's combined accrual rate (23.36% from January to July 2024, 28.14% thereafter) compared to the DOC's deposit rate for POR7 of 6.61% from January to July 2024, 16.58% thereafter.
11. Reflects Canfor's combined accrual rate (11.42% from January to July 2022 and 9.95% from August to December 2022) compared to the DOC's final combined rate (16.58% for the entirety of 2022) in POR5.

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 consolidated statement of income (loss) while the Administrative Reviews are taking place. Changes to the DOC's existing CVD and ADD rates during each administrative review may also result in material adjustments to the consolidated statement of income (loss).

30. Partial Acquisition of Vida

On December 10, 2024, the Company announced the acquisition of an additional 7.0% interest in Vida, increasing its ownership from 70.0% to 77.0% for total consideration of $118.3 million (SEK 916.6 million). The shares were acquired from certain minority shareholders who utilized their option privileges outlined in the February 2019 agreement, through which Canfor had initially purchased 70.0% of Vida (Note 27). As control was retained, the transaction was accounted for as an equity transaction with owners. The carrying amount of Vida's net assets in the Company's consolidated financial statements on the date of the partial acquisition was $799.8 million.

(millions of Canadian dollars)		
Carrying amount of non-controlling interest acquired ($799.8 million x 7.0%)	**$**	**55.9**
Consideration paid to non-controlling interest		**118.3**
Foreign exchange gain		**8.1**
A decrease in equity attributable to the shareholders of the Company	**$**	**(70.5)**

Additional Information.

Directors and Officers.

Directors

The name and municipality, province/state and country of residence of the Directors of the Company and their principal occupations as at March 6, 2025 are as below. For more information visit canfor.com.

John Baird
Chairman
Canfor Corporation
Toronto, ON, Canada

Ryan Barrington-Foote, FCPA, FCA[1, 2]
President
The Jim Pattison Group
Vancouver, BC, Canada

Santhe Dahl[5]
Chairman, Vida
Växjö, Sweden

Dieter Jentsch[1, 5]
Senior Advisor
Corporate Director
King City, ON, Canada

Conrad Pinette[5]
President
Condor Holdings
Vancouver, BC, Canada

Dallas Ross[1, 2, 5]
Founder and General Partner
Kinetic Capital Partners
Vancouver, BC, Canada

Ross Smith, FCPA, FCA[1, 2]
Member of the Board of Directors of
Rotherham Holdings Ltd.
West Vancouver, BC, Canada

Frederick Stimpson III[2, 4]
Senior Advisor
Mobile, AL, United States

William Stinson[2, 3, 5]
Chairman and Chief Executive Officer
Westshore Terminals Investment Corporation
Vancouver, BC, Canada

Sandra Stuart[3, 4]
Senior Advisor
Vancouver, BC, Canada

Dianne Watts[3, 4]
Senior Advisor
Corporate Director
Surrey, BC, Canada

Susan Yurkovich[7]
President and Chief Executive Officer
Canfor Corporation
Vancouver, BC, Canada

Officers

The name and municipality, province/state and country of residence of the executive officers of the Company and the offices held by them as at March 6, 2025 are as below. For more information visit canfor.com.

John Baird
Chairman, Canfor Corporation
Toronto, ON, Canada

Susan Yurkovich
President and Chief Executive Officer
Vancouver, BC, Canada

Patrick Elliott
Chief Financial Officer and Corporate Secretary
Vancouver, BC, Canada

Stephen Mackie
Chief Operating Officer, and
President and Chief Executive Officer, Canfor Pulp
Kelowna, BC, Canada

Kevin Pankratz
Senior Vice President, Sales and Marketing
North Vancouver, BC, Canada

Katy Player
Senior Vice President, People
North Vancouver, BC, Canada

David Trent
Senior Vice President, Business Development
West Vancouver, BC, Canada

Måns Johansson
President, Canfor Europe
Växjö, Kronobergs län, Sweden

Lee Goodloe
President, Canfor Southern Pine
Mobile, AL, United States

Ross Lennox
Vice President, Sustainability and Partnerships
Prince George, BC, Canada

Andreas Kammenos
Vice President, Business Optimization
Abbotsford, BC, Canada

Katrina Wilson
Vice President, Controller
Surrey, BC, Canada

Mathew Parras
Vice President, Canadian Operations
Prince George, BC, Canada

Mina Laudan
Vice President, Corporate Affairs
Vancouver, BC, Canada

Lilac Bosma
Vice President, Legal and General Counsel
Richmond, BC, Canada

Nick Ott
Vice President, Technology and Digital
Mobile, AL, United States

1. Member of the Audit Committee.
2. Member of the Joint Management Resources and Compensation Committee.
3. Member of the Joint Governance and Sustainability Committee (formerly the Joint Governance Committee).
4. Member of the Joint Environmental, Health and Safety Committee.
5. Member of the Joint Capital Expenditure Committee.
6. All committees of the Company, other than the Audit Committee, have as members one or more directors of CPPI and are joint committees with CPPI. For more information on the power, responsibilities and composition of the joint committees, see the Company's Information Circular dated March 20, 2025, which can be found on SEDAR+ at sedarplus.com.
7. Ms. Yurkovich became a Director on January 1, 2025 following the resignation of Mr. Don Kayne as a Director and officer of the Company as at December 31, 2024. For more information regarding the principal occupation and background of Mr. Kayne, see the Company's Information Circular dated March 13, 2024, which can be found on SEDAR+ at sedarplus.com

The term of office of each Director expires on the date of the next Annual General Meeting of the Company.

Corporate and Shareholder Information.

Annual General Meeting

The Annual General Meeting of Canfor Corporation will be held via webcast on May 8, 2025.

Auditors

KPMG LLP
Vancouver, BC

Transfer Agent and Registrar

AST Trust Company (Canada)
1600 - 1066 W. Hastings St.
Vancouver, BC, V6E 3X1

Stock Listing

Toronto Stock Exchange
Symbol: CFP

Canfor also produces an Annual Information Form. To obtain this publication or more information about the Company, please contact Canfor Corporation. or visit our website at canfor.com/investors.

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