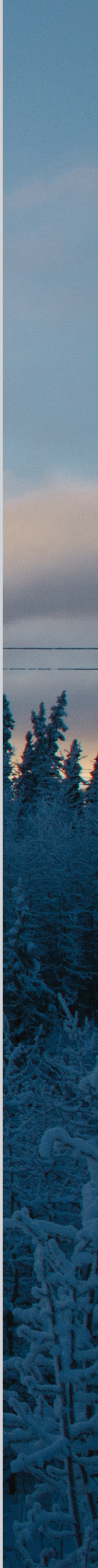
2015

CANFOR PULP PRODUCTS INC.

QUARTER THREE INTERIM REPORT

FOR THE THREE MONTHS ENDED SEPT 30, 2015



CANFOR

To Our Shareholders

Canfor Pulp Products Inc. ("CPPI") reported net income of $31.2 million, or $0.45 per share, for the third quarter of 2015, compared to $17.7 million, or $0.25 per share, for the second quarter of 2015 and $24.3 million, or $0.34 per share, for the third quarter of 2014. For the nine months ended September 30, 2015, the Company's net income was $76.9 million, or $1.09 per share, compared to $68.8 million, or $0.97 per share, for the nine months ended September 30, 2014.

The following table summarizes selected financial information for the Company for the comparative periods:

(millions of Canadian dollars, except per share amounts)	Q3 2015	Q2 2015	YTD 2015	Q3 2014	YTD 2014
Sales	**$ 294.1**	$ 276.0	**$ 843.9**	$ 237.6	$ 716.5
Operating income before amortization	**$ 58.7**	$ 36.4	**$ 152.2**	$ 47.7	$ 144.9
Operating income	**$ 42.3**	$ 20.9	**$ 104.6**	$ 31.4	$ 97.4
Net income	**$ 31.2**	$ 17.7	**$ 76.9**	$ 24.3	$ 68.8
Net income per share, basic and diluted	**$ 0.45**	$ 0.25	**$ 1.09**	$ 0.34	$ 0.97
Adjusted net income	**$ 34.8**	$ 13.0	**$ 82.8**	$ 24.5	$ 69.6
Adjusted net income per share, basic and diluted	**$ 0.50**	$ 0.18	**$ 1.17**	$ 0.34	$ 0.98

After adjusting for items affecting comparability with the prior periods, the Company's adjusted net income for the third quarter of 2015 was $34.8 million, or $0.50 per share, compared to an adjusted net income of $13.0 million, or $0.18 per share, for the second quarter of 2015. CPPI's adjusted net income for the third quarter of 2014 was $24.5 million, or $0.34 per share.

The Company reported operating income of $42.3 million for the third quarter of 2015, an increase of $21.4 million from $20.9 million reported for the second quarter of 2015. Improved pulp and paper segment results reflected fewer maintenance outages, improved productivity and a modest increase in Northern Bleached Softwood Kraft ("NBSK") pulp sales realizations in the third quarter of 2015.

Global softwood pulp markets weakened slightly through the third quarter of 2015, reflecting a seasonal slowdown in shipments and minimal industry downtime through the summer months. The average NBSK pulp list price to North America, as published by RISI, was down US$13 per tonne, or 1%, to US$967 per tonne with a more pronounced decrease in NBSK list prices to China. However, overall NBSK unit sales realizations were modestly higher compared to the previous quarter as the benefit of a 6% weaker Canadian dollar outweighed the lower NBSK US-dollar list prices in the current quarter. Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") markets and prices continued to be challenging in the current quarter, with pulp unit sales realizations remaining under pressure through the period.

Pulp shipments and production levels were both up approximately 5% from the previous quarter reflecting improved operating rates at the Company's NBSK operations and fewer maintenance outages in the current quarter. In the latter part of September, the Northwood NBSK pulp mill entered its scheduled maintenance outage reducing NBSK production by approximately 6,000 tonnes in the current quarter. The Northwood pulp mill completed its maintenance outage on schedule in early October and is now operating at target levels. In the comparative second quarter of 2015, scheduled maintenance outages were completed at the Intercontinental and Prince George NBSK pulp mills and the Taylor BCTMP pulp mill, reducing production by 14,000 tonnes. Pulp unit manufacturing costs saw a modest decrease from the second quarter of 2015 largely reflecting the increased productivity and production, as well as lower energy and chemical costs in the current quarter. The Company continues to see the benefits from its recent investment in energy based projects including the recently completed Intercontinental pulp mill turbine that was commissioned in April 2015.

The Company's paper segment operating income was up $1.4 million from the previous quarter, reflecting marginally higher unit sales realizations in the current quarter resulting from the continued weakening of the Canadian dollar, as well as a scheduled maintenance outage at the Company's paper machine in the second quarter of 2015.

During the third quarter of 2015, the Company declared and paid a special dividend of $1.125 per share and a quarterly dividend of $0.0625 per share for total distributions to shareholders of $83.3 million.

For the month of October 2015, the Company's NBSK pulp list price is US$960 per tonne in North America, unchanged from September 2015. With reported global softwood pulp inventories at the high end of what is considered a balanced market, there is some risk of downward pressure on global softwood pulp prices in the fourth quarter of 2015.

The scheduled maintenance outage at the Northwood pulp mill, which commenced in late September, was completed in early October, and resulted in a reduction of 20,000 tonnes in October 2015.

On October 28, 2015, the Board of Directors declared a quarterly dividend of $0.0625 per share, payable on November 17, 2015 to the shareholders of record on November 10, 2015.

Michael J. Korenberg	**Don B. Kayne**
Chairman	**Chief Executive Officer**

Canfor Pulp Products Inc.
Third Quarter 2015
Management's Discussion and Analysis

This interim Management's Discussion and Analysis ("MD&A") provides a review of Canfor Pulp Products Inc.'s ("CPPI" or "the Company") financial performance for the quarter ended September 30, 2015 relative to the quarters ended June 30, 2015 and September 30, 2014, and the financial position of the Company at September 30, 2015. It should be read in conjunction with CPPI's unaudited interim consolidated financial statements and accompanying notes for the quarters ended September 30, 2015 and 2014, as well as the 2014 annual MD&A and the 2014 audited consolidated financial statements and notes thereto, which are included in CPPI's Annual Report for the year ended December 31, 2014 (available at www.canforpulp.com). The financial information in this interim MD&A has been prepared in accordance with International Financial Reporting 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 which CPPI considers to be a relevant indicator for measuring trends in the Company's performance and its ability to generate funds to meet its debt service and capital expenditure requirements, and to pay dividends. Reference is also made to Adjusted Net Income (Loss) (calculated as Net Income (Loss) less specific items affecting comparability with prior periods – for the full calculation, see reconciliation included in the section "Analysis of Specific Material Items Affecting Comparability of Net Income (Loss)") and Adjusted Net Income (Loss) per Share (calculated as Adjusted Net Income (Loss) divided by weighted average number of shares outstanding during the period). Operating Income (Loss) before Amortization, Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share are not generally accepted earnings measures and should not be considered as an alternative to net income or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, CPPI's Operating Income (Loss) before Amortization, Adjusted Net Income (Loss) and Adjusted 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 to Operating Income (Loss) and Adjusted Net Income (Loss) to Net Income (Loss) reported in accordance with IFRS are included in this MD&A. Throughout this discussion reference is made to the current quarter which refers to the results for the third quarter of 2015.

Factors that could impact future operations are also discussed. These factors may be influenced by both 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 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 CPPI.

All financial references are in millions of Canadian dollars unless otherwise noted. The information in this report is as at October 28, 2015.

Forward Looking Statements

Certain statements in this MD&A 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 the Company assumes no obligation to update such information to reflect later events or developments, except as required by law.

THIRD QUARTER 2015 OVERVIEW

Selected Financial Information and Statistics

(millions of Canadian dollars, except per share amounts)	Q3 2015	Q2 2015	YTD 2015	Q3 2014	YTD 2014
Operating income (loss) by segment:					
Pulp	**$ 38.2**	$ 18.1	**$ 92.6**	$ 27.5	$ 91.3
Paper	**$ 7.1**	$ 5.7	**$ 20.7**	$ 6.5	$ 14.8
Unallocated	**$ (3.0)**	$ (2.9)	**$ (8.7)**	$ (2.6)	$ (8.7)
Total operating income	**$ 42.3**	$ 20.9	**$ 104.6**	$ 31.4	$ 97.4
Add: Amortization	**$ 16.4**	$ 15.5	**$ 47.6**	$ 16.3	$ 47.5
Total operating income before amortization[1]	**$ 58.7**	$ 36.4	**$ 152.2**	$ 47.7	$ 144.9
Add (deduct):					
Working capital movements	**$ (10.5)**	$ (1.1)	**$ (21.1)**	$ (13.2)	$ (22.4)
Defined benefit pension plan contributions	**$ (0.5)**	$ (1.3)	**$ (2.2)**	$ (1.2)	$ (5.0)
Income taxes paid, net	**$ (18.3)**	$ (3.2)	**$ (34.0)**	$ (12.5)	$ (23.4)
Other operating cash flows, net	**$ 2.8**	$ (0.3)	**$ 7.4**	$ 3.9	$ 6.1
Cash from operating activities	**$ 32.2**	$ 30.5	**$ 102.3**	$ 24.7	$ 100.2
Add (deduct):					
Dividends paid	**$ (83.3)**	$ (4.4)	**$ (92.1)**	$ (4.4)	$ (12.4)
Finance expenses paid	**$ (0.9)**	$ (0.6)	**$ (2.0)**	$ (0.6)	$ (2.0)
Capital additions, net	**$ (14.5)**	$ (12.8)	**$ (40.7)**	$ (16.2)	$ (46.4)
Acquisition of Taylor pulp mill	**$ -**	$ -	**$ (12.6)**	$ -	$ -
Share purchases	**$ (6.7)**	$ (7.3)	**$ (15.7)**	$ (2.0)	$ (2.0)
Other, net	**$ 0.1**	$ 0.3	**$ 0.6**	$ 0.1	$ 0.1
Change in cash / operating loans	**$ (73.1)**	$ 5.7	**$ (60.2)**	$ 1.6	$ 37.5
ROIC – Consolidated period-to-date[2]	**6.9%**	3.0%	**17.0%**	5.3%	15.1%
Average exchange rate (US$ per C$1.00)[3]	**$ 0.764**	$ 0.813	**$ 0.794**	$ 0.918	$ 0.914

[1] Amortization includes amortization of certain capitalized major maintenance costs.
[2] Consolidated Return on Invested Capital ("ROIC") is equal to operating income, plus realized gains/losses on derivatives and other income/expense, divided by the average invested capital during the period. Invested capital is equal to capital assets, plus long-term investments and net non-cash working capital. The year-to-date ROIC may not equal the sum of the quarterly amounts due to rounding and the impact of the average invested capital balance during the applicable period.
[3] Source – Bank of Canada (average noon rate for the period).

Analysis of Specific Material Items Affecting Comparability of Net Income

After-tax impact

(millions of Canadian dollars, except per share amounts)	Q3 2015	Q2 2015	YTD 2015	Q3 2014	YTD 2014
Net income, as reported	**$ 31.2**	$ 17.7	**$ 76.9**	$ 24.3	$ 68.8
(Gain) loss on derivative financial instruments	**$ 3.6**	$ (3.4)	**$ 7.2**	$ 0.2	$ 0.8
Mark-to-market gain on Taylor Pulp contingent consideration[4]	**$ -**	$ (1.3)	**$ (1.3)**	$ -	$ -
Net impact of above items	**$ 3.6**	$ (4.7)	**$ 5.9**	$ 0.2	$ 0.8
Adjusted net income	**$ 34.8**	$ 13.0	**$ 82.8**	$ 24.5	$ 69.6
Net income per share (EPS), as reported	**$ 0.45**	$ 0.25	**$ 1.09**	$ 0.34	$ 0.97
Net impact of above items per share[5]	**$ 0.05**	$ (0.07)	**$ 0.08**	$ -	$ 0.01
Adjusted net income per share[5]	**$ 0.50**	$ 0.18	**$ 1.17**	$ 0.34	$ 0.98

[4] As part of the purchase of the Taylor pulp mill on January 30, 2015, CPPI may pay contingent consideration based on the Taylor pulp mill's future earnings over a three year period. On the acquisition date, the contingent consideration was valued at $1.8 million. During the second quarter of 2015, the contingent consideration liability was revalued to nil, resulting in a gain of $1.8 million (before tax) to Other Income (see further discussion in the "Purchase of Taylor Pulp Mill" section).
[5] The year-to-date net impact of the adjusting items per share and adjusted net income per share may not equal the sum of the quarterly per share amounts due to rounding and the weighted average common shares outstanding during the applicable period.

The Company reported operating income of $42.3 million for the third quarter of 2015, an increase of $21.4 million from $20.9 million reported for the second quarter of 2015. Improved pulp and paper segment results reflected fewer maintenance outages, improved productivity and a modest increase in Northern Bleached Softwood Kraft ("NBSK") pulp sales realizations in the third quarter of 2015.

Global softwood pulp markets weakened slightly through the third quarter of 2015, reflecting a seasonal slowdown in shipments and minimal industry downtime through the summer months. The average NBSK pulp list price to North America, as published by RISI, was down US$13 per tonne, or 1%, to US$967 per tonne with a more pronounced decrease in NBSK list prices to China. However, overall NBSK unit sales realizations were modestly higher compared to the previous quarter as the benefit of a 6% weaker Canadian dollar outweighed the lower NBSK US-dollar list prices in the current quarter. Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") markets and prices continued to be challenging in the current quarter, with pulp unit sales realizations remaining under pressure through the period.

Pulp shipments and production levels were both up approximately 5% from the previous quarter reflecting improved operating rates at the Company's NBSK operations and fewer maintenance outages in the current quarter. In the latter part of September, the Northwood NBSK pulp mill entered its scheduled maintenance outage reducing NBSK production by approximately 6,000 tonnes in the current quarter. The Northwood pulp mill completed its maintenance outage on schedule in early October and is now operating at target levels. In the comparative second quarter of 2015, scheduled maintenance outages were completed at the Intercontinental and Prince George NBSK pulp mills and the Taylor BCTMP pulp mill, reducing production by 14,000 tonnes. Pulp unit manufacturing costs saw a modest decrease from the second quarter of 2015 largely reflecting the increased productivity and production, as well as lower energy and chemical costs in the current quarter. The Company continues to see the benefits from its recent investment in energy based projects including the recently completed Intercontinental pulp mill turbine that was commissioned in April 2015.

The Company's paper segment operating income was up $1.4 million from the previous quarter, reflecting marginally higher unit sales realizations in the current quarter resulting from the continued weakening of the Canadian dollar, as well as a scheduled maintenance outage at the Company's paper machine in the second quarter of 2015.

During the third quarter of 2015, the Company declared and paid a special dividend of $1.125 per share and a quarterly dividend of $0.0625 per share for total distributions to shareholders of $83.3 million.

Compared to the third quarter of 2014, operating income was up $10.9 million, with higher earnings recorded in both the pulp and paper segments. Improved pulp segment results reflected increased productivity and moderately higher NBSK sales realizations as the benefit of a 17% weaker Canadian dollar outweighed lower NBSK pulp US-dollar list prices to all regions. The current quarter's results included the impact of the aforementioned scheduled maintenance outage at the Northwood NBSK pulp mill while the same quarter in 2014 had no scheduled maintenance outages. Improved paper segment results in the current quarter reflected higher unit sales realizations, which more than offset higher market-driven slush pulp costs. The third quarter of 2015's results included the impact of both lower unit sales realizations and manufacturing costs attributable to the Taylor Pulp BCTMP facility, which was acquired on January 30, 2015.

OPERATING RESULTS BY BUSINESS SEGMENT

Pulp

Selected Financial Information and Statistics – Pulp

(millions of Canadian dollars unless otherwise noted)	Q3 2015	Q2 2015	YTD 2015	Q3 2014	YTD 2014
Sales	**$ 253.5**	$ 234.0	**$ 719.2**	$ 196.5	$ 595.0
Operating income before amortization[7]	**$ 53.7**	$ 32.8	**$ 137.6**	$ 42.9	$ 136.2
Operating income	**$ 38.2**	$ 18.1	**$ 92.6**	$ 27.5	$ 91.3
Average pulp price delivered to US – US$[8]	**$ 967**	$ 980	**$ 981**	$ 1,030	$ 1,026
Average price in Cdn$[8]	**$ 1,266**	$ 1,205	**$ 1,236**	$ 1,122	$ 1,123
Production – pulp (000 mt)[9]	**310.5**	294.6	**892.9**	248.1	744.5
Shipments – pulp (000 mt)[9]	**307.4**	291.9	**871.4**	240.5	709.8
Marketed on behalf of Canfor[9]	**-**	-	**15.2**	50.6	151.6

[7] Amortization includes amortization of certain capitalized major maintenance costs.
[8] Per tonne, NBSK pulp list price delivered to US (as published by RISI); Average price in Cdn$ calculated as average pulp price delivered to US – US$ multiplied by the average exchange rate – C$ per US$1.00 according to Bank of Canada average noon rate for the period.
[9] Pulp production and shipment volumes in 2015 include BCTMP volumes subsequent to CPPI's purchase of the Taylor BCTMP mill on January 30, 2015 (see further discussion in the "Purchase of Taylor Pulp Mill" section). Following the sale, CPPI no longer markets any product on behalf of Canfor.

<u>Overview</u>

Operating income for the pulp segment was $38.2 million for the third quarter of 2015, an increase of $20.1 million from the immediately preceding quarter and up $10.7 million from the third quarter of 2014. Pulp segment financial results and information in 2015 include the Taylor pulp mill, which was acquired on January 30, 2015.

Improved pulp segment results compared to the second quarter of 2015 reflected fewer maintenance outages and improved productivity as well as a modest increase in NBSK pulp sales realizations in the third quarter of 2015. The Northwood NBSK pulp mill entered its scheduled maintenance outage in the latter part of September while in the previous quarter, scheduled maintenance outages were taken at the Intercontinental and Prince George NBSK pulp mills, and the Taylor BCTMP pulp mill. Operating results in the third quarter of 2015 also benefited from a modest decrease in pulp unit manufacturing costs as well as higher energy revenues. The Company continues to see the benefits from its recent investment in energy based projects including the recently completed Intercontinental pulp mill turbine that was commissioned in April 2015.

Compared to the third quarter of 2014, the improvement in the current quarter's pulp segment results reflected increased productivity coupled with modestly higher NBSK sales realizations as the benefits of a 17% weaker Canadian dollar more than offset lower NBSK US-dollar list prices to all regions. Total unit manufacturing costs were broadly in line with the same quarter in 2014, as improved NBSK productivity and lower energy costs offset higher NBSK fibre costs and higher maintenance costs related to the Northwood outage in the current quarter. Higher energy revenues compared to the same quarter in 2014 reflected the incremental contribution from the Intercontinental turbine generator which was completed in the second quarter of 2015.

The current quarter's results included the impact of both lower unit sales realizations and manufacturing costs attributable to the Taylor Pulp BCTMP facility.

<u>Markets</u>

Global softwood pulp markets weakened slightly through the third quarter of 2015, reflecting a seasonal slowdown in shipments through the summer months. Global softwood pulp producer inventory levels increased 1 day from the end of June 2015 to 30 days' supply in September 2015[10], partly reflecting the aforementioned seasonality in shipments and minimal industry maintenance downtime (market conditions are generally considered balanced when inventories are in the 27-30 days of supply range).

Global shipments of bleached softwood kraft pulp decreased slightly compared to the previous quarter and were broadly in line with the same period in 2014[11]. The decrease in softwood pulp shipments compared to the previous quarter primarily reflected lower shipments to China.

[10] 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").
[11] As reported PPPC statistics.

Sales

The Company's pulp shipments in the third quarter of 2015 totalled 307,400 tonnes, an increase of 15,500 tonnes, or 5%, from the previous quarter and included increased NBSK shipments to both Asia and North America, which more than offset lower shipments to Europe. Compared to the third quarter of 2014, pulp shipments were up 66,900 tonnes, or 28%, mostly due to the addition of the Taylor pulp mill. Excluding the Taylor pulp mill, NBSK shipments were up 14,900 tonnes, or 6%, primarily reflecting increased production levels in the current quarter.

The average North American US-dollar NBSK pulp list price, as published by RISI, was down US$13 per tonne, or 1%, compared to the average for the second quarter of 2015 with a similar decrease seen in the average European NBSK price and a US$37 per tonne, or 5%, decrease in the average China NBSK price. Average NBSK pulp unit sales realizations were up in the third quarter as the benefit of a 5 cent, or 6%, weaker Canadian dollar outweighed the slightly lower list prices in the third quarter of 2015. Discount levels from NBSK list prices were consistent with the previous quarter. Marginally lower BCTMP unit sales realizations continued to reflect challenging BCTMP markets; prices trended lower in the current quarter but were mitigated somewhat by the impact of the weaker Canadian dollar.

Compared to the third quarter of 2014, NBSK pulp sales realizations were moderately higher, with the benefit of a 17% weaker Canadian dollar outweighing lower US-dollar NBSK pulp list prices in all regions, increased shipments to lower-margin regions and slightly higher discounts to North America and Europe in the current quarter. The average North American NBSK pulp list price was down US$63 per tonne, or 6%, from the third quarter of 2014 with more pronounced declines seen in US-dollar NBSK list prices to China where the average NBSK price was down US$90 per tonne, or 12%.

Energy revenue was up compared to the second quarter of 2015 reflecting increased turbine operating days and moderately higher energy prices in the current quarter. Compared to the same quarter in 2014, energy revenue was also higher with the incremental contribution from the Intercontinental pulp mill turbine which started selling power under an Electricity Purchase Agreement in April 2015.

Operations

Pulp production in the current quarter was 310,500 tonnes, up 15,900 tonnes, or 5%, from the previous quarter, and up 62,400 tonnes, or 25%, from the third quarter of 2014. Production in the current quarter increased as a result of fewer maintenance outages quarter-over-quarter and improved operating rates in the third quarter of 2015. Pulp production in the current quarter included the scheduled maintenance outage at the Northwood pulp mill which reduced quarterly production by 6,000 tonnes while the second quarter of 2015 included scheduled outages at the Intercontinental and Prince George pulp mills reducing NBSK production by 11,000 tonnes, and a scheduled outage at the Taylor pulp mill reducing BCTMP production by 3,000 tonnes. Excluding the scheduled maintenance outages in both the third and second quarters of 2015, total pulp production was up approximately 8,000 tonnes in the third quarter, mostly as a result of improved NBSK pulp productivity, which included a new monthly production record in August. The significant increase in pulp production compared to the third quarter of 2014 principally reflected the acquisition of the Taylor pulp mill on January 30, 2015. Excluding production volume from the Taylor pulp mill, pulp production was up 11,300 tonnes, or 5%, reflecting improved operating rates at the NBSK pulp mills offset in part by the scheduled maintenance outage at the Northwood pulp mill in the third quarter of 2015.

Pulp unit manufacturing costs saw a modest decrease from the previous quarter, largely reflecting the quarter-over-quarter impacts of the scheduled maintenance outages as well as the improved operating rates, coupled with seasonally lower energy costs and lower chemical costs in the current quarter. Fibre costs for the NBSK pulp mills were slightly lower than the previous quarter as higher prices for sawmill residual chips (linked to Canadian dollar NBSK pulp sales realizations) were more than offset by lower delivered freight costs and lower whole log chip costs. Lower BCTMP fibre costs in the current quarter reflected lower prices for sawmill residual chips (linked to lower Canadian dollar BCTMP pulp sales realizations).

Pulp unit manufacturing costs were broadly in line with the third quarter of 2014, with the inclusion of the lower cost BCTMP Taylor pulp operation in the current quarter, improved NBSK productivity and lower energy costs offsetting modestly higher maintenance costs and higher NBSK fibre costs. Contributing to the higher NBSK pulp fibre costs in the current quarter were higher prices for sawmill residual chips, primarily reflecting increased Canadian dollar NBSK pulp sales realizations compared to the third quarter of 2014 and lower freight costs.

Paper

Selected Financial Information and Statistics – Paper

(millions of Canadian dollars unless otherwise noted)	Q3 2015	Q2 2015	YTD 2015	Q3 2014	YTD 2014
Sales	**$ 40.5**	$ 42.0	**$ 123.1**	$ 41.0	$ 120.3
Operating income before amortization[12]	**$ 8.0**	$ 6.5	**$ 23.3**	$ 7.4	$ 17.4
Operating income	**$ 7.1**	$ 5.7	**$ 20.7**	$ 6.5	$ 14.8
Production – paper (000 mt)	**34.6**	31.0	**101.0**	35.9	108.0
Shipments – paper (000 mt)	**32.1**	33.8	**98.0**	35.7	106.7

[12] Amortization includes amortization of certain capitalized major maintenance costs.

Overview

Operating income for the paper segment was $7.1 million for the third quarter of 2015, up $1.4 million from the second quarter of 2015 and up $0.6 million from the third quarter of 2014.

The increase in operating income compared to the previous quarter largely reflected marginally higher unit sales realizations in the current quarter which benefitted from the continued weakening of the Canadian dollar and the impact of a scheduled maintenance outage at the Company's paper machine in the second quarter of 2015.

Compared to the third quarter of 2014, the increase in operating income was largely attributable to significantly higher unit sales realizations, which more than offset higher unit manufacturing costs largely the result of increased market-driven slush pulp costs.

Markets

Global kraft paper markets weakened through the third quarter of 2015 driven in part by decreased demand in Asia. North American markets were balanced while certain export markets saw increased competition from offshore producers as they looked to take advantage of favourable foreign exchange movements.

Sales

The Company's paper shipments in the third quarter of 2015 were 32,100 tonnes, down 1,700 tonnes, or 5%, reflecting lower shipments to Latin America and, to a lesser extent, Europe in the current quarter as well as a reduction in paper inventory levels in the second quarter of 2015. Compared to the third quarter of 2014, paper shipments were down 3,600 tonnes, or 10%, reflecting lower offshore shipments in the current quarter. Prime bleached paper shipments, which attract higher prices, were down 3% from the second quarter of 2015 and down 6% from the same quarter in 2014.

Unit sales realizations saw a marginal improvement from the second quarter of 2015 as the benefits of a 6% weaker Canadian dollar more than offset lower paper prices and prime bleached shipments during the quarter. Compared to the same quarter in 2014, unit sales realizations were up significantly as lower prices in nearly all regions and lower prime bleached shipments were more than offset by the benefits of a 17% weaker Canadian dollar and increased shipments to higher-margin regions.

Operations

Paper production in the third quarter of 2015 was 34,600 tonnes, up 3,600 tonnes, or 12%, from the second quarter of 2015 and down 1,300 tonnes, or 4%, from the third quarter of 2014. Current quarter paper production returned to more normalized levels following a scheduled nine day maintenance outage in the second quarter of 2015. Compared to the third quarter of 2014, the modest decline in paper production reflected slightly lower productivity rates in the current quarter.

Paper unit manufacturing costs decreased marginally from the second quarter of 2015, largely reflecting the scheduled maintenance outage in the previous quarter offset by increased market-driven slush pulp costs and higher operating supply costs in the current quarter.

Compared to the third quarter of 2014, higher paper unit manufacturing costs reflected the impact of both higher slush pulp costs, principally reflecting higher pulp sales realizations, and higher operating supply costs in the current quarter.

Unallocated Items

Selected Financial Information

(millions of Canadian dollars)	Q3 2015	Q2 2015	YTD 2015	Q3 2014	YTD 2014
Corporate costs	**$ (3.0)**	$ (2.9)	**$ (8.7)**	$ (2.6)	$ (8.7)
Finance expense, net	**$ (1.7)**	$ (1.3)	**$ (4.3)**	$ (1.3)	$ (4.1)
Gain (loss) on derivative financial instruments[13]	**$ (4.9)**	$ 4.6	**$ (9.7)**	$ (0.3)	$ (1.1)
Other income (expense), net[13]	**$ 6.2**	$ (0.6)	**$ 12.6**	$ 3.0	$ 0.2

[13] In the prior periods, certain amounts have been reclassified from Other Income to (Gain) Loss on Derivative Financial Instruments, with no impact to net income.

Corporate costs of $3.0 million for the third quarter of 2015 were broadly in line with the second quarter of 2015 and up $0.4 million from the same quarter in 2014, primarily due to increased consulting, travel and legal costs.

Net finance expense for the third quarter of 2015 was $1.7 million, up $0.4 million from both comparative quarters primarily due to higher finance expense associated with the Company's letters of credit and one-time costs related to the extension of the Company's operating loan facility.

The Company uses a variety of derivative financial instruments as partial economic hedges against unfavourable changes in foreign exchange rates, energy costs, interest rates and pulp prices. For the third quarter of 2015, the Company recorded a net loss of $4.9 million, principally reflecting realized losses on US-dollar foreign exchange collars as a result of the weakening of the Canadian dollar during the quarter and to a lesser extent both realized and unrealized mark-to-market losses on diesel hedges.

Other income, net for the third quarter of 2015 of $6.2 million reflected favourable exchange movements on US-dollar denominated cash, receivables and payables, resulting from the weakening of the Canadian dollar through the quarter.

Other Comprehensive Income (Loss)

In the third quarter of 2015, the Company recorded an after-tax gain of $2.8 million in relation to changes in the valuation of the Company's employee future benefit plans. The gain principally reflected a higher discount rate used to value the net defined benefit obligation in part offset by a lower than expected return on plan assets. After-tax gains of $4.5 million and $1.8 million were recorded in the second quarter of 2015 and the third quarter of 2014, respectively, both reflecting the impact of higher discount rates in the comparative quarters.

SUMMARY OF FINANCIAL POSITION

The following table summarizes CPPI's cash flow and selected ratios for and as at the end of the following periods:

(millions of Canadian dollars, except for ratios)	Q3 2015	Q2 2015	YTD 2015	Q3 2014	YTD 2014
Increase (decrease) in cash and cash equivalents	**$ (73.1)**	$ 5.7	**$ (60.2)**	$ 1.6	$ 26.3
Operating activities	**$ 32.2**	$ 30.5	**$ 102.3**	$ 24.7	$ 100.2
Financing activities	**$ (90.9)**	$ (12.3)	**$ (109.8)**	$ (7.0)	$ (27.6)
Investing activities	**$ (14.4)**	$ (12.5)	**$ (52.7)**	$ (16.1)	$ (46.3)
Ratio of current assets to current liabilities			**2.2 : 1**		2.6 : 1
Net debt to capitalization			**6.7%**		2.1%
ROIC – Consolidated period-to-date	**6.9%**	3.0%	**17.0%**	5.3%	15.1%

Changes in Financial Position

Cash generated from operating activities was $32.2 million in the third quarter of 2015, up $1.7 million from the previous quarter, with higher cash earnings mostly offset by an increase in non-cash working capital and the timing of tax installment payments in the current quarter. The increase in non-cash working capital in the current quarter reflected a seasonal increase in inventories and the timing of property tax and insurance payments, partly offset by a reduction of trade accounts receivable. Compared to the third quarter of 2014, cash generated from operating activities increased by $7.5 million, largely reflecting higher cash earnings and a smaller build in non-cash working capital partly offset increased income tax payments due to higher earnings between taxation years.

Cash used for financing activities was $90.9 million in the third quarter of 2015, up $78.6 million from the previous quarter and $83.9 million from the third quarter of 2014. Cash flows in the current period included payment of a special dividend for $79.0 million ($1.1250 per share) and a quarterly dividend for $4.3 million ($0.0625 per share). In the third quarter of 2015, CPPI purchased 557,401 common shares under its Normal Course Issuer Bid for $6.9 million, of which $6.7 million was paid in cash during the quarter. This compares to 137,855 common shares purchased in the second quarter of 2015 for $2.0 million and 177,518 common shares purchased in the third quarter of 2014 for $2.0 million (see further discussion of the shares purchased under the Normal Course Issuer Bid in the following "Liquidity and Financial Requirements" section). No amounts were drawn against the Company's operating loan facility at the end of the third quarter of 2015.

Cash used for investing activities of $14.4 million in the current quarter primarily related to payments made for maintenance-of-business capital completed in the previous quarter and, to a lesser extent, payments related to the scheduled maintenance outage at the Northwood NBSK pulp mill in September.

Liquidity and Financial Requirements

At September 30, 2015, CPPI had cash of $16.6 million and operating loan facilities of $130.0 million which were unused, except for $12.8 million reserved for several standby letters of credit related to energy sales agreements. During the third quarter of 2015, the maturity date of the $110.0 million operating loan facility was extended to January 31, 2019 and the minimum net worth financial covenant which is based on shareholders' equity was removed. During the second quarter of 2015, the Company extended the maturity date on its $20.0 million operating loan facility, which covers energy-related letters of credit, to June 30, 2016.

CPPI has $50.0 million of floating interest rate term debt, repayable in November 2018.

The Company remained in compliance with the covenants relating to its operating loans and long-term debt during the quarter, and expects to remain so for the foreseeable future.

On March 5, 2015, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 3,541,491 common shares or approximately 5% of its issued and outstanding common shares as of February 28, 2015. The renewed normal course issuer bid is set to expire on March 4, 2016. During the third quarter of 2015, CPPI purchased 557,401 common shares for $6.9 million (an average of $12.38 per common share). Cash paid for purchases in the third quarter of 2015 was $6.7 million, with the balance paid in October 2015. As a result of the share purchases during the quarter, Canfor's interest in CPPI increased to 51.4% by quarter end. The Company may purchase more shares through the balance of 2015 subject to the terms of the normal course issuer bid and certain Board approved criteria.

Dividends

On October 28, 2015, the Board of Directors declared a quarterly dividend of $0.0625 per share, payable on November 17, 2015, to the shareholders of record on November 10, 2015.

Purchase of Taylor Pulp Mill

On January 30, 2015, CPPI completed the purchase of the Taylor pulp mill from Canfor for cash consideration of $12.6 million including final working capital. The acquisition also includes a long-term fibre supply agreement under which Canfor will supply the Taylor pulp mill with fibre at prices that approximate fair market value. In addition to the cash consideration paid on the acquisition date, CPPI may also pay contingent consideration to Canfor, based on the Taylor pulp mill's annual adjusted operating income before amortization over a three year period, starting January 31, 2015. On the acquisition date, the fair value of the contingent consideration was $1.8 million and was recorded as a long-term provision. CPPI recognized long-term assets acquired net of liabilities assumed at a fair value of $2.8 million and net working capital of $11.6 million. The acquisition has been accounted for in accordance with IFRS 3 *Business Combinations.*

If the acquisition had occurred on January 1, 2015, CPPI's consolidated sales for the nine months ended September 30, 2015 would have increased by approximately $8.9 million and consolidated net income for the nine months ended September 30, 2015 would have increased by approximately $0.2 million. The Taylor pulp mill's results are recorded in the pulp segment.

During the second quarter of 2015, CPPI reversed the $1.8 million contingent consideration provision, resulting in a gain recorded to Other Income to reflect lower forecast BCTMP prices over the contingent consideration period.

OUTLOOK

Pulp

For the month of October 2015, the Company's NBSK pulp list price is US$960 per tonne in North America, unchanged from September 2015. With reported global softwood pulp inventories at the high end of what is considered a balanced market, there is some risk of downward pressure on global softwood pulp prices in the fourth quarter of 2015.

The scheduled maintenance outage at the Northwood pulp mill, which commenced in September 2015, was completed in early October and reduced NBSK pulp production by 20,000 tonnes in October 2015. No further maintenance outages are scheduled over the balance of 2015.

Paper

Paper markets are projected to remain under some moderate price pressure in the fourth quarter of 2015, as a result of increased competition in export markets and reduced demand in Asia.

OUTSTANDING SHARES

At October 28, 2015, there were 69,666,548 common shares of the Company outstanding.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with International Financial Reporting Standards 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, pension and other employee future benefit plans and asset retirement obligations 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.

ACCOUNTING STANDARDS ISSUED AND NOT APPLIED

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which will supersede IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact, if any, on the financial statements of this new standard.

In July 2014, the International Accounting Standards Board ("IASB") issued IFRS 9, *Financial Instruments*. The required adoption date for IFRS 9 is January 1, 2018 and the Company is in the process of assessing the impact, if any, on the financial statements of this new standard.

Further details of the new accounting Standards and potential impact on CPPI can be found in the Company's Annual Report for the year ended December 31, 2014.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended September 30, 2015, there were no changes in the Company's internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

RISKS AND UNCERTAINTIES

A comprehensive discussion of risks and uncertainties is included in the Company's 2014 annual statutory reports which are available on www.canforpulp.com or www.sedar.com.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Sales and income (millions of Canadian dollars)								
Sales	**$ 294.1**	$ 276.0	$ 273.8	$ 264.0	$ 237.6	$ 252.5	$ 226.4	$ 245.6
Operating income	**$ 42.3**	$ 20.9	$ 41.4	$ 28.0	$ 31.4	$ 29.6	$ 36.4	$ 24.0
Net income	**$ 31.2**	$ 17.7	$ 28.0	$ 20.7	$ 24.3	$ 18.8	$ 25.7	$ 14.2
Per common share (Canadian dollars)								
Net income – basic and diluted	**$ 0.45**	$ 0.25	$ 0.40	$ 0.29	$ 0.34	$ 0.27	$ 0.36	$ 0.20
Book value[14]	**$ 6.65**	$ 7.40	$ 7.17	$ 6.92	$ 6.86	$ 6.56	$ 6.39	$ 6.17
Dividends declared[15]	**$ 0.0625**	$ 1.1875	$ 0.0625	$ 0.0625	$ 0.0625	$ 0.0625	$ 0.0625	$ 0.0500
Statistics								
Pulp shipments (000 mt)	**307.4**	291.9	272.1	258.6	240.5	246.9	222.4	273.3
Paper shipments (000 mt)	**32.1**	33.8	32.1	35.8	35.7	39.7	31.3	31.1
Average exchange rate – US$/Cdn$	**$ 0.764**	$ 0.813	$ 0.806	$ 0.881	$ 0.918	$ 0.917	$ 0.906	$ 0.953
Average NBSK pulp list price delivered to US (US$)	**$ 967**	$ 980	$ 995	$ 1,025	$ 1,030	$ 1,030	$ 1,017	$ 983

[14] 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.
[15] Dividends declared in Q2 2015 included a quarterly dividend of $0.0625 per share and a special dividend of $1.1250 per share.

Sales are primarily influenced by changes in market pulp prices, sales volumes and fluctuations in Canadian dollar exchange rates. Operating income, net income and operating income before amortization are primarily impacted by: sales revenue; freight costs; fluctuations of fibre, chemical and energy prices; level of spending and timing of maintenance downtime; and production curtailments. Net income is also impacted by fluctuations in Canadian dollar exchange rates, the revaluation to the period end rate of US dollar denominated working capital balances and long-term debt, and revaluation of outstanding natural gas swaps and US dollar forward contracts.

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

After-tax impact (millions of Canadian dollars, except for per share amounts)	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net income, as reported	**$ 31.2**	$ 17.7	$ 28.0	$ 20.7	$ 24.3	$ 18.8	$ 25.7	$ 14.2
(Gain) loss on derivative financial instruments	**$ 3.6**	$ (3.4)	$ 7.0	$ 0.6	$ 0.2	$ (0.4)	$ 1.0	$ 0.1
Mark-to market gain on Taylor Pulp contingent consideration	**$ -**	$ (1.3)	$ -	$ -	$ -	$ -	$ -	$ -
Foreign exchange loss on long-term debt	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ 3.0
Net impact of above items	**$ 3.6**	$ (4.7)	$ 7.0	$ 0.6	$ 0.2	$ (0.4)	$ 1.0	$ 3.1
Adjusted net income	**$ 34.8**	$ 13.0	$ 35.0	$ 21.3	$ 24.5	$ 18.4	$ 26.7	$ 17.3
Net income per share (EPS), as reported	**$ 0.45**	$ 0.25	$ 0.40	$ 0.29	$ 0.34	$ 0.27	$ 0.36	$ 0.20
Net impact of above items per share	**$ 0.05**	$ (0.07)	$ 0.10	$ 0.01	$ -	$ (0.01)	$ 0.01	$ 0.04
Adjusted net income per share	**$ 0.50**	$ 0.18	$ 0.50	$ 0.30	$ 0.34	$ 0.26	$ 0.37	$ 0.24

Canfor Pulp Products Inc.
Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)		**As at September 30, 2015**		As at December 31, 2014
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**16.6**	$	76.8
Accounts receivable - Trade		**64.0**		60.7
- Other		**16.2**		10.0
Inventories (Note 2)		**177.7**		143.7
Prepaid expenses and other assets		**11.0**		11.2
Total current assets		**285.5**		302.4
Property, plant and equipment		**521.7**		524.1
Other long-term assets		**0.9**		0.9
Total assets	**$**	**808.1**	$	827.4
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**130.6**	$	123.2
Total current liabilities		**130.6**		123.2
Long-term debt		**50.0**		50.0
Retirement benefit obligations (Note 4)		**93.0**		94.9
Other long-term provisions		**5.4**		4.2
Deferred income taxes, net		**65.5**		65.5
Total liabilities	**$**	**344.5**	$	337.8
EQUITY				
Share capital	**$**	**513.4**	$	522.1
Retained earnings (deficit)		**(49.8)**		(32.5)
Total equity	**$**	**463.6**	$	489.6
Total liabilities and equity	**$**	**808.1**	$	827.4

Subsequent Event (Note 12)

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

APPROVED BY THE BOARD

S.E. Bracken-Horrocks

Director, S.E. Bracken-Horrocks

Director, M.J. Korenberg

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Income

(millions of Canadian dollars, except per share data, unaudited)	3 months ended September 30, 2015	3 months ended September 30, 2014	9 months ended September 30, 2015	9 months ended September 30, 2014
Sales	**$ 294.1**	$ 237.6	**$ 843.9**	$ 716.5
Costs and expenses				
Manufacturing and product costs	**186.2**	151.3	**548.8**	456.2
Freight and other distribution costs	**42.4**	32.0	**122.0**	94.8
Amortization	**16.4**	16.3	**47.6**	47.5
Selling and administration costs	**6.8**	6.6	**20.9**	20.6
	251.8	206.2	**739.3**	619.1
Operating income	**42.3**	31.4	**104.6**	97.4
Finance expense, net	**(1.7)**	(1.3)	**(4.3)**	(4.1)
Loss on derivative financial instruments (Note 5)	**(4.9)**	(0.3)	**(9.7)**	(1.1)
Other income, net	**6.2**	3.0	**12.6**	0.2
Net income before income taxes	**41.9**	32.8	**103.2**	92.4
Income tax expense (Note 6)	**(10.7)**	(8.5)	**(26.3)**	(23.6)
Net income	**$ 31.2**	$ 24.3	**$ 76.9**	$ 68.8
Net income per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 7)	**$ 0.45**	$ 0.34	**$ 1.09**	$ 0.97

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

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Other Comprehensive Income (Loss)

(millions of Canadian dollars, unaudited)	3 months ended September 30, **2015**	3 months ended September 30, 2014	9 months ended September 30, **2015**	9 months ended September 30, 2014
Net income	**$ 31.2**	$ 24.3	**$ 76.9**	$ 68.8
Other comprehensive income (loss)				
Items that will not be recycled through net income:				
Defined benefit plan actuarial gains (losses) (Note 4)	**3.8**	2.4	**6.9**	(9.2)
Income tax recovery (expense) on defined benefit plan actuarial gains (losses) (Note 6)	**(1.0)**	(0.6)	**(1.8)**	2.4
Other comprehensive income (loss), net of tax	**2.8**	1.8	**5.1**	(6.8)
Total comprehensive income	**$ 34.0**	$ 26.1	**$ 82.0**	$ 62.0

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended September 30, **2015**	3 months ended September 30, 2014	9 months ended September 30, **2015**	9 months ended September 30, 2014
Share capital				
Balance at beginning of period	**$ 517.5**	$ 523.4	**$ 522.1**	$ 523.4
Share purchases (Note 7)	**(4.1)**	(1.3)	**(8.7)**	(1.3)
Balance at end of period	**$ 513.4**	$ 522.1	**$ 513.4**	$ 522.1
Retained earnings (deficit)				
Balance at beginning of period	**$ 2.3**	$ (57.5)	**$ (32.5)**	$ (85.4)
Net income	**31.2**	24.3	**76.9**	68.8
Defined benefit plan actuarial gains (losses), net of tax	**2.8**	1.8	**5.1**	(6.8)
Dividends declared	**(83.3)**	(4.4)	**(92.1)**	(12.4)
Share purchases (Note 7)	**(2.8)**	(0.7)	**(7.2)**	(0.7)
Balance at end of period	**$ (49.8)**	$ (36.5)	**$ (49.8)**	$ (36.5)
Total equity	**$ 463.6**	$ 485.6	**$ 463.6**	$ 485.6

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

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended September 30, **2015**	3 months ended September 30, 2014	9 months ended September 30, **2015**	9 months ended September 30, 2014
Cash generated from (used in):				
Operating activities				
Net income	**$ 31.2**	$ 24.3	**$ 76.9**	$ 68.8
Items not affecting cash:				
Amortization	**16.4**	16.3	**47.6**	47.5
Income tax expense	**10.7**	8.5	**26.3**	23.6
Changes in mark-to-market value of derivative financial instruments	**0.4**	(0.1)	**1.3**	0.2
Employee future benefits	**1.4**	1.2	**4.2**	3.6
Finance expense, net	**1.7**	1.3	**4.3**	4.1
Other, net	**(0.3)**	0.1	**(1.0)**	3.2
Defined benefit pension plan contributions, net	**(0.5)**	(1.2)	**(2.2)**	(5.0)
Income taxes paid, net	**(18.3)**	(12.5)	**(34.0)**	(23.4)
	42.7	37.9	**123.4**	122.6
Net change in non-cash working capital (Note 8)	**(10.5)**	(13.2)	**(21.1)**	(22.4)
	32.2	24.7	**102.3**	100.2
Financing activities				
Change in operating bank loans	**-**	-	**-**	(11.2)
Finance expenses paid	**(0.9)**	(0.6)	**(2.0)**	(2.0)
Dividends paid	**(83.3)**	(4.4)	**(92.1)**	(12.4)
Share purchases (Note 7)	**(6.7)**	(2.0)	**(15.7)**	(2.0)
	(90.9)	(7.0)	**(109.8)**	(27.6)
Investing activities				
Additions to property, plant and equipment, net	**(14.5)**	(16.2)	**(40.7)**	(46.4)
Acquisition of Taylor pulp mill (Note 11)	**-**	-	**(12.6)**	-
Other, net	**0.1**	0.1	**0.6**	0.1
	(14.4)	(16.1)	**(52.7)**	(46.3)
Increase (decrease) in cash and cash equivalents*	**(73.1)**	1.6	**(60.2)**	26.3
Cash and cash equivalents at beginning of period*	**89.7**	38.2	**76.8**	13.5
Cash and cash equivalents at end of period*	**$ 16.6**	$ 39.8	**$ 16.6**	$ 39.8

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

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

1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, and include the accounts of Canfor Pulp Products Inc. ("CPPI") and its subsidiary entities, hereinafter referred to as "CPPI" or "the Company". At September 30, 2015, Canfor Corporation ("Canfor") held a 51.4% interest in CPPI.

These financial statements do not include all of the disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. Additional disclosures relevant to the understanding of these financial statements, including the accounting policies applied, can be found in the Company's Annual Report for the year ended December 31, 2014, available at www.canforpulp.com or www.sedar.com.

These financial statements were authorized for issue by the Company's Board of Directors on October 28, 2015.

Accounting Standards Issued and Not Applied

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which will supersede IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact, if any, on the financial statements of this new standard.

In July 2014, the International Accounting Standards Board ("IASB") issued IFRS 9, *Financial Instruments*. The required adoption date for IFRS 9 is January 1, 2018 and the Company is in the process of assessing the impact, if any, on the financial statements of this new standard.

Further details of the new accounting standards and potential impact on CPPI can be found in the Company's Annual Report for the year ended December 31, 2014.

2. Inventories

(millions of Canadian dollars, unaudited)	**As at September 30, 2015**	As at December 31, 2014
Pulp	**$ 93.2**	$ 68.8
Paper	**20.4**	17.4
Wood chips and logs	**13.4**	12.1
Materials and supplies	**50.7**	45.4
	$ 177.7	$ 143.7

The above inventory balances are stated after inventory write-downs from cost to net realizable value. Write-downs at September 30, 2015 totaled $1.5 million (December 31, 2014 - nil).

3. Operating Loans

Available Operating Loans

(millions of Canadian dollars, unaudited)	**As at September 30, 2015**	As at December 31, 2014
Operating loan facility	**$ 110.0**	$ 110.0
Facility for letters of credit related to energy agreements	**20.0**	20.0
Total operating loan and credit facility	**130.0**	130.0
Operating loan drawn	**-**	-
Energy letters of credit	**(12.8)**	(12.2)
Total available operating loan and letters of credit facility	**$ 117.2**	$ 117.8

The terms of the Company's operating loan facility include interest 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 LIBOR rate, plus a margin. The facility has certain financial covenants including a covenant based on maximum net debt to total capitalization of the Company. During the third quarter of 2015, the maturity date of this facility was extended to January 31, 2019 and the minimum net worth financial covenant which is based on shareholders' equity was removed.

The Company has a separate facility to cover energy-related letters of credit. During the second quarter of 2015, the Company extended the maturity on this facility to June 30, 2016. At September 30, 2015, $9.4 million of energy-related letters of credit were covered under this facility with the balance of $3.4 million covered under the Company's general operating loan facility.

As at September 30, 2015, the Company was in compliance with all covenants relating to its operating loans.

4. Employee Future Benefits

For the three months ended September 30, 2015, defined benefit actuarial gains of $3.8 million (before tax) were recognized in other comprehensive income. The gains recorded in the third quarter of 2015 principally reflect a higher discount rate used to value the net defined benefit obligations offset by lower than expected return on plan assets. For the nine months ended September 30, 2015, gains of $6.9 million (before tax) were recognized in other comprehensive income. For the three months ended September 30, 2014, an amount of $2.4 million (before tax) was credited to other comprehensive income, and for the nine months ended September 30, 2014, the losses were $9.2 million (before tax).

For the Company's employee future benefit plans, a one percentage point increase in the discount rate used in calculating the actuarial estimate of future liabilities would decrease the accrued benefit obligation by an estimated $26.4 million.

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

	Pension Benefit Plans	**Other Benefit Plans**
September 30, 2015	**4.10%**	**4.10%**
June 30, 2015	3.90%	3.90%
December 31, 2014	3.90%	3.90%
September 30, 2014	4.40%	4.40%
June 30, 2014	4.30%	4.40%
December 31, 2013	4.80%	4.90%

5. Financial Instruments

CPPI's cash and cash equivalents, accounts receivable, loans and advances, operating loans, accounts payable and accrued liabilities, and long-term debt are measured at amortized cost subsequent to initial recognition. At September 30, 2015, the fair value of the Company's long-term debt approximates its amortized cost of $50.0 million (December 31, 2014 - $50.0 million).

Derivative instruments are measured at fair value. 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, either directly or indirectly;

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

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

At September 30, 2015, the fair value of derivative financial instruments was a net liability of $2.3 million (December 31, 2014 - net liability of $1.0 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 level 2 derivative financial instruments for the three and nine month periods ended September 30, 2015 and 2014:

	3 months ended September 30,		9 months ended September 30,	
(millions of Canadian dollars, unaudited)	**2015**	2014	**2015**	2014
Foreign exchange collars	**$ (4.2)**	$ (0.2)	**$ (9.1)**	$ (0.2)
Crude oil collars	**(0.7)**	-	**(0.5)**	-
Interest rate swaps	**-**	-	**(0.1)**	(0.1)
Pulp futures	**-**	(0.1)	**-**	(0.8)
Loss on derivative financial instruments	**$ (4.9)**	$ (0.3)	**$ (9.7)**	$ (1.1)

6. Income Taxes

	3 months ended September 30,		9 months ended September 30,	
(millions of Canadian dollars, unaudited)	**2015**	2014	**2015**	2014
Current	**$ (11.9)**	$ (10.1)	**$ (28.1)**	$ (21.0)
Deferred	**1.2**	1.6	**1.8**	(2.6)
Income tax expense	**$ (10.7)**	$ (8.5)	**$ (26.3)**	$ (23.6)

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

	3 months ended September 30,		9 months ended September 30,	
(millions of Canadian dollars, unaudited)	**2015**	2014	**2015**	2014
Income tax expense at statutory rate 2015 - 26.0% (2014 - 26.0%)	**$ (10.9)**	$ (8.5)	**$ (26.8)**	$ (24.0)
Add (deduct):				
Entities with different income tax rates and other tax adjustments	**0.2**	-	**0.5**	0.5
Permanent difference from capital gains and other non-deductible items	**-**	-	**-**	(0.1)
Income tax expense	**$ (10.7)**	$ (8.5)	**$ (26.3)**	$ (23.6)

In addition to the amounts recorded to net income, a tax expense of $1.0 million was recorded in other comprehensive income for the three month period ended September 30, 2015 (three months ended September 30, 2014 - expense of $0.6 million) in relation to the actuarial gains on defined benefit employee compensation plans. For the nine month period ended September 30, 2015, a tax expense of $1.8 million was recorded to other comprehensive income (nine months ended September 30, 2014 - recovery of $2.4 million).

7. Earnings per Share and Normal Course Issuer Bid

Basic net income per share is calculated by dividing the net income available to common shareholders by the weighted average number of common shares outstanding during the period.

	3 months ended September 30,		9 months ended September 30,	
	2015	2014	**2015**	2014
Weighted average number of common shares	**69,948,740**	70,955,480	**70,335,187**	70,989,864

On March 5, 2015, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 3,541,491 common shares or approximately 5% of its issued and outstanding common shares as of February 28, 2015. The renewed normal course issuer bid is set to expire on March 4, 2016. During the third quarter of 2015, CPPI purchased 557,401 common shares for $6.9 million (an average of $12.38 per common share), of which $6.7 million was paid in the period, with the balance paid in early October. As a result of the share purchases during the quarter, Canfor's interest in CPPI increased to 51.4% by quarter end. As at October 28, 2015, there were 69,666,548 common shares of the Company outstanding.

8. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended September 30, **2015**	3 months ended September 30, 2014	9 months ended September 30, **2015**	9 months ended September 30, 2014
Accounts receivable	**$ 6.1**	$ 14.3	**$ (9.5)**	$ 6.3
Inventories	**(8.5)**	(3.3)	**(18.8)**	(21.3)
Prepaid expenses and other assets	**(5.2)**	(9.0)	**0.9**	(5.9)
Accounts payable and accrued liabilities	**(2.9)**	(15.2)	**6.3**	(1.5)
Net increase in non-cash working capital	**$ (10.5)**	$ (13.2)	**$ (21.1)**	$ (22.4)

9. Segment Information

The Company has two reportable segments which operate as separate business units and represent separate product lines.

Sales between the pulp and paper segments are accounted for at prices that approximate fair value. These include sales of slush pulp from the pulp segment to the paper segment.

(millions of Canadian dollars, unaudited)	Pulp	Paper	Unallocated	Elimination Adjustment	Consolidated
3 months ended September 30, 2015					
Sales to external customers	**$ 253.5**	**40.5**	**0.1**	**-**	**$ 294.1**
Sales to other segments	**$ 23.9**	**-**	**-**	**(23.9)**	**$ -**
Operating income (loss)	**$ 38.2**	**7.1**	**(3.0)**	**-**	**$ 42.3**
Amortization	**$ 15.5**	**0.9**	**-**	**-**	**$ 16.4**
Capital expenditures	**$ 12.9**	**1.6**	**-**	**-**	**$ 14.5**
3 months ended September 30, 2014					
Sales to external customers	$ 196.5	41.0	0.1	-	$ 237.6
Sales to other segments	$ 22.5	-	-	(22.5)	$ -
Operating income (loss)	$ 27.5	6.5	(2.6)	-	$ 31.4
Amortization	$ 15.4	0.9	-	-	$ 16.3
Capital expenditures[1]	$ 15.8	0.4	-	-	$ 16.2
9 months ended September 30, 2015					
Sales to external customers	**$ 719.2**	**123.1**	**1.6**	**-**	**$ 843.9**
Sales to other segments	**$ 69.8**	**-**	**-**	**(69.8)**	**$ -**
Operating income (loss)	**$ 92.6**	**20.7**	**(8.7)**	**-**	**$ 104.6**
Amortization	**$ 45.0**	**2.6**	**-**	**-**	**$ 47.6**
Capital expenditures[1]	**$ 35.3**	**5.4**	**-**	**-**	**$ 40.7**
Identifiable assets	**$ 715.1**	**61.8**	**31.2**	**-**	**$ 808.1**
9 months ended September 30, 2014					
Sales to external customers	$ 595.0	120.3	1.2	-	$ 716.5
Sales to other segments	$ 70.0	-	-	(70.0)	$ -
Operating income (loss)	$ 91.3	14.8	(8.7)	-	$ 97.4
Amortization	$ 44.9	2.6	-	-	$ 47.5
Capital expenditures[1]	$ 45.6	0.8	-	-	$ 46.4
Identifiable assets	$ 673.4	62.8	67.2	-	$ 803.4

[1]Capital expenditures represent cash paid for capital assets during the periods and include capital expenditures that were partially financed by government grants. Capital expenditures for the nine months ended September 30, 2015 exclude the assets purchased as part of the acquisition of the Taylor pulp mill (Note 11).

10. Related Party Transactions

The Company depends on Canfor to provide approximately 61.0% (2014 - 58.0%) of its fibre supply as well as certain key business and administrative services. As a result of these relationships the Company considers its operations to be dependent on its ongoing relationship with Canfor. The transactions with Canfor are consistent with the transactions described in the December 31, 2014 audited consolidated financial statements of CPPI and are based on agreed upon amounts between the parties.

Transactions and payables to Canfor include purchases of wood chips, logs, pulp and administrative services. These are summarized below:

(millions of Canadian dollars, unaudited)	3 months ended September 30, **2015**	3 months ended September 30, 2014	9 months ended September 30, **2015**	9 months ended September 30, 2014
Transactions				
Purchase of wood chips and other	**$ 48.7**	$ 42.5	**$ 125.0**	$ 109.5

(millions of Canadian dollars, unaudited)	**As at September 30, 2015**	As at December 31, 2014
Balance Sheet		
Included in accounts payable and accrued liabilities:	**$ 17.5**	$ 18.0
Included in trade and other accounts receivable:	**$ -**	$ 1.7

11. Purchase of Taylor Pulp Mill

On January 30, 2015, CPPI completed the purchase of the Taylor pulp mill from Canfor for cash consideration of $12.6 million including final working capital. The acquisition also includes a long-term fibre supply agreement under which Canfor will supply the Taylor pulp mill with fibre at prices that approximate fair market value. In addition to the cash consideration paid on the acquisition date, CPPI may also pay contingent consideration to Canfor, based on the Taylor pulp mill's annual adjusted operating income before amortization over a three year period, starting January 31, 2015. On the acquisition date, the fair value of the contingent consideration was $1.8 million and was recorded as a long-term provision. CPPI recognized long-term assets acquired net of liabilities assumed at a fair value of $2.8 million and net working capital of $11.6 million. The acquisition has been accounted for in accordance with IFRS 3 *Business Combinations.*

If the acquisition had occurred on January 1, 2015, CPPI's consolidated sales for the nine months ended September 30, 2015 would have increased by approximately $8.9 million and consolidated net income for the nine months ended September 30, 2015 would have increased by approximately $0.2 million. The Taylor pulp mill's results are recorded in the pulp segment.

During the second quarter of 2015, CPPI reversed the $1.8 million contingent consideration provision resulting in a gain recorded to Other Income to reflect lower forecast Bleached Chemi-Thermo Mechanical Pulp prices over the contingent consideration period. The fair value of the contingent consideration provision was nil at September 30, 2015.

12. Subsequent Event

On October 28, 2015, the Board of Directors declared a quarterly dividend of $0.0625 per share, payable on November 10, 2015, to the shareholders of record on November 17, 2015.