



NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

OF CANFOR CORPORATION

TO BE HELD ON DECEMBER 18, 2019

and

MANAGEMENT INFORMATION CIRCULAR

with respect to a proposed

PLAN OF ARRANGEMENT

involving

CANFOR CORPORATION,

SHAREHOLDERS OF CANFOR CORPORATION,

GREAT PACIFIC CAPITAL CORP.

and

1227738 B.C. LTD.

**The Board of Directors of Canfor Corporation
recommends that Shareholders
vote FOR the Arrangement Resolution**

November 18, 2019

VOTE YOUR SHARES TODAY

Your vote is important regardless of the number of shares you own. Whether or not you are able to attend, we urge you to vote.

These materials are important and require your immediate attention. They require shareholders of Canfor to make important decisions. If you are in doubt as to how to make such decisions, please contact your financial, legal or other professional advisors.

*If you have any questions or require assistance, please contact Laurel Hill Advisory Group, the proxy solicitation agent for Canfor Corporation at its North American toll-free phone number: **1-877-452-7184** or by email at **assistance@laurelhill.com***

November 18, 2019

Dear Shareholders,

In this package, please find information regarding the special meeting (the "**Meeting**") of holders (the "**Shareholders**") of common shares ("**Common Shares**") to vote on the proposal from Great Pacific Capital Corp. ("**Great Pacific**") to take Canfor Corporation ("**Canfor**") private. **You are urged to read this information carefully and in its entirety and, if you require assistance, to consult your financial, legal or other professional advisor.**

The Special Meeting

The Board of Directors (the "**Canfor Board**") of Canfor cordially invites you to attend the Meeting to be held at 9:00 a.m. (Vancouver time) on December 18, 2019, at the Vancouver Marriott Pinnacle Downtown Hotel, 1128 West Hastings Street, Vancouver, British Columbia.

The Arrangement Resolution

At the Meeting, Shareholders will be asked to consider, pursuant to an interim order of the Supreme Court of British Columbia dated November 18, 2019, as same may be amended, and, if deemed advisable to pass, with or without variation a special resolution (the "**Arrangement Resolution**") approving an arrangement (the "**Arrangement**") under the *Business Corporations Act* (British Columbia) pursuant to which 1227738 B.C. Ltd. (the "**Purchaser**") will acquire all of the outstanding Common Shares not already held by Great Pacific or its affiliates for cash consideration of CDN\$16.00 per Common Share (the "**Consideration**") (less any applicable withholdings). Great Pacific has agreed to guarantee the obligations of the Purchaser. The Canfor Board has fixed the close of business on November 12, 2019 as the record date for the determination of Shareholders entitled to receive notice of, and to vote at, the Meeting.

The accompanying notice of Meeting and management information circular of Canfor (the "**Circular**") provide a full description of the Arrangement and include certain other information to assist you in considering how to vote.

Voting Requirements

The Arrangement Resolution must be approved by: (i) at least 66 2/3% of the votes cast at the Meeting by Shareholders either in person or represented by proxy at the Meeting and entitled to vote thereat; and (ii) a simple majority of the votes cast by the Shareholders present in person or represented by proxy at the Meeting and entitled to vote thereat, excluding the votes cast by such Shareholders that are required to be excluded pursuant to Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") (including Great Pacific and its affiliates). Each Shareholder is entitled to one vote for each Common Share held. The Arrangement is also subject to certain conditions and the final approval of the Supreme Court of British Columbia.

Fairness Opinion and Formal Valuation

Greenhill & Co. Canada Ltd. ("**Greenhill**") was retained by Canfor to provide an independent special committee of non-management directors of Canfor (the "**Special Committee**") with a formal valuation of the Common Shares in accordance with the requirements of MI 61-101 (the "**Greenhill Valuation**") and to deliver an opinion as to the fairness, from a financial point of view, of the Consideration (the "**Greenhill Fairness Opinion**") to the Shareholders (other than Great Pacific and its affiliates). On October 28, 2019, Greenhill delivered the Greenhill Valuation and the Greenhill Fairness Opinion to the Special Committee. The Greenhill Valuation contained Greenhill's opinion that, as at October 28, 2019, subject to the scope of review, assumptions, limitations, restrictions and other qualifications set out therein, the fair market value of the Common Shares was in the range of CDN\$14.24 per Common Share to CDN\$19.38 per Common Share. The Greenhill Fairness Opinion contained Greenhill's opinion that, as at October 28, 2019, and subject to the assumptions and qualifications set out therein, the Consideration is fair, from a financial point of view, to the Shareholders (other than Great Pacific and its affiliates).

Full copies of the Greenhill Fairness Opinion and Greenhill Valuation are included as Appendix E to the management information circular accompanying this letter. Shareholders are urged to read the Greenhill Fairness Opinion and Greenhill Valuation in their entirety.

Board Recommendation

After careful consideration of the terms and conditions of the Arrangement, the advice of Greenhill and its legal advisors, the Greenhill Valuation and the Greenhill Fairness Opinion, the report and recommendation by the Special Committee and a number of other factors, the Canfor Board has determined that the Arrangement is in the best interests of Canfor and fair to Shareholders (other than Great Pacific and its affiliates) and recommends to Shareholders that they vote in favour of the Arrangement Resolution.

Lock-Up Agreements

All of Canfor's directors (with the exception of Barbara Hislop) and senior officers have entered into the Lock-Up Agreements pursuant to which they have agreed to vote in favour of the Arrangement, subject to certain customary exceptions.

Voting

Your vote is important regardless of the number of Common Shares you own. All Shareholders are encouraged to take the time to complete, sign, date and return the enclosed form of proxy or voting instruction form, as applicable, in accordance with the instructions set out therein and in the accompanying Circular so that your Common Shares can be voted at the Meeting in accordance with your instructions. If you are a non-registered Shareholder and hold your Common Shares through a broker, custodian, nominee or other intermediary, please follow their instructions. If you are a registered Shareholder, in order to receive the Consideration (less any applicable withholdings) that you are entitled to upon the completion of the Arrangement, you must complete and sign the enclosed blue letter of transmittal and return it, together with your certificate(s) and any other required documents and instruments, to AST Trust Company (Canada), Attention: Corporate Actions (by mail to: PO Box 1036, Adelaide Street Postal Station, Toronto, Ontario M5C 2K4; or by hand, courier or registered mail to: 1 Toronto Street, Suite 1200, Toronto, Ontario M5C 2V6), in accordance with the procedures set out in the enclosed blue letter of transmittal.

While certain matters, such as the timing of the receipt of final court approval and the satisfaction of certain other conditions, are beyond the control of Canfor, if the requisite approvals are obtained to pass the Arrangement Resolution, it is anticipated that the Arrangement will be completed on or about December 30, 2019.

If you have any questions regarding the submission of your proxy or voting instruction form or if you require additional copies of the attached Circular, please contact Laurel Hill Advisory Group at 1-877-452-7184 toll free in North America, collect outside of North America at 416-304-0211 or by email at assistance@laurelhill.com.

On behalf of Canfor, I would like to thank all Shareholders for your ongoing support as we prepare to take part in this important event in the history of Canfor.

Yours very truly,

"Don Kayne"

DON KAYNE
President and Chief Executive Officer

Vote using the following methods prior to the Meeting.	 Internet	 Telephone or Fax	 Mail
Registered Shareholders <i>Shares held in own name and represented by a physical certificate.</i>	www.astvotemyproxy.com	Telephone: 1-888-489-7352 Fax: 1-866-781-3111	Return the form of proxy in the enclosed postage paid envelope.
Non Registered Shareholders <i>Shares held with a broker, bank or other intermediary.</i>	www.proxyvote.com	Call or fax to the number(s) listed on your voting instruction form.	Return the voting instruction form in the enclosed postage paid envelope.

CANFOR CORPORATION

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the "**Meeting**") of the holders (the "**Shareholders**") of common shares (the "**Common Shares**") of Canfor Corporation ("**Canfor**") will be held at the Vancouver Marriott Pinnacle Downtown Hotel, 1128 West Hastings Street, Vancouver, British Columbia, on December 18, 2019, at 9:00 a.m. (Vancouver time) for the following purposes:

1. to consider, pursuant to an interim order of the Supreme Court of British Columbia (the "**Court**") dated November 18, 2019, as same may be amended (the "**Interim Order**"), and, if deemed advisable to pass, with or without variation, a special resolution (the "**Arrangement Resolution**"), the full text of which is set forth in Appendix A to the accompanying management information circular (the "**Circular**"), to approve a statutory plan of arrangement (the "**Arrangement**") pursuant to section 288 of the *Business Corporations Act* (British Columbia) (the "**BCA**") pursuant to which 1227738 B.C. Ltd. (the "**Purchaser**") will acquire all of the outstanding Common Shares not already held by the Purchaser or its affiliates, all as more particularly described in the Circular; and
2. to transact such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

The enclosed Circular contains a summary of the terms of the arrangement agreement between Canfor, the Purchaser and Great Pacific Capital Corp. dated October 28, 2019 (the "**Arrangement Agreement**") entered into in connection with the Arrangement. The Interim Order and the plan of arrangement to give effect to the Arrangement (the "**Plan of Arrangement**") are attached to the Circular as Appendix C and Appendix D, respectively. A complete copy of the Arrangement Agreement may be found under Canfor's issuer profile on SEDAR at www.sedar.com.

To be effective, the Arrangement Resolution must be approved by: (i) at least 66 2/3% of the votes cast at the Meeting by Shareholders either in person or represented by proxy at the Meeting and entitled to vote thereat; and (ii) a simple majority of the votes cast by the Shareholders present in person or represented by proxy at the Meeting and entitled to vote thereat, excluding the votes cast by such Shareholders that are required to be excluded pursuant to Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* (including Great Pacific and its affiliates). Each Shareholder is entitled to one vote for each Common Share held.

The directors of Canfor have fixed the close of business on November 12, 2019 as the record date (the "**Record Date**") for the determination of the Shareholders entitled to receive notice of, and to vote at, the Meeting.

Shareholders are entitled to vote at the Meeting either in person or by proxy, as described in the Circular under the heading "*General Proxy Information*". Only registered Shareholders, or the persons they appoint as their proxies, are entitled to attend and vote at the Meeting. For information with respect to Shareholders who own their Common Shares beneficially through an intermediary, see "*General Proxy Information – Non-Registered Shareholders*" in the accompanying Circular. It is expected that the solicitation of proxies will be made primarily by mail, but proxies may also be solicited personally, by advertisement or by telephone by directors, officers or employees of Canfor to whom no additional compensation will be paid. In addition, Canfor has retained the services of Laurel Hill Advisory Group to solicit proxies.

Whether or not you are able to attend the Meeting in person, you are encouraged to provide voting instructions on the enclosed form of proxy or on the voting instruction form provided to you by your broker, investment dealer or other intermediary in accordance with the instructions set out in the applicable form of proxy or voting instruction form and in the Circular.

Registered Shareholders have the right to dissent with respect to the Arrangement Resolution and, if the Arrangement Resolution becomes effective, to be paid the fair value of their Common Shares in accordance with the provisions of the BCA, as may be modified by the Plan of Arrangement and the Interim Order, as described in the Circular under the heading "*The Arrangement – Dissent Rights*". **Failure to strictly comply with the requirements with respect to**

the dissent rights set forth in the BCA, as may be modified by the Plan of Arrangement and the Interim Order, may result in the loss of any right to dissent. Persons who are beneficial owners of Common Shares registered in the name of a broker, custodian, nominee or other intermediary and who wish to dissent must make arrangements for the Common Shares beneficially owned by them to be registered in their name prior to the time the written objection to the Arrangement Resolution is required to be received by Canfor or, alternatively, make arrangements for the registered holder of such Common Shares to dissent on their behalf. It is strongly recommended that any Shareholder wishing to dissent with respect to the Arrangement Resolution seek independent legal advice, as the failure to comply strictly with the provisions of the BCA, as modified by the Interim Order and the Plan of Arrangement, may prejudice such Shareholder's right to dissent.

Shareholders who would like additional copies of the attached Circular or have additional questions or require assistance, please contact Laurel Hill Advisory Group, our proxy solicitation agent, **at 1-877-452-7184 toll free in North America, collect outside of North America at 416-304-0211 or by email at assistance@laurelhill.com.**

DATED at Vancouver, British Columbia this 18th day of November, 2019.

By Order of the Board of Directors

(signed) "*David M. Calabrigo*"

**David M. Calabrigo
Corporate Secretary**

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QUESTIONS AND ANSWERS ABOUT THE ARRANGEMENT

The following is a summary of certain information contained in this Circular, together with some of the questions that you, as a Shareholder, may have and answers to those questions. You are urged to read the remainder of this Circular, the form of proxy and the Letter of Transmittal carefully, because the information contained below is of a summary nature, and is qualified in its entirety by the more detailed information contained elsewhere in this Circular, including the appendices hereto, the form of proxy and the Letter of Transmittal, all of which are important and should be reviewed carefully. Capitalized terms in these questions and answers have the meanings set out under the heading "Glossary of Terms".

What are the Shareholders being asked to vote on?

Shareholders are being asked to vote on a special resolution to approve the Plan of Arrangement involving Canfor, the Shareholders, the Purchaser and Great Pacific, which, if implemented, will result in the Purchaser purchasing all the Common Shares of Canfor not already owned by the Purchaser and its Affiliates. See "*The Arrangement - Approval of Arrangement Resolution*".

What is the Arrangement?

The Arrangement involves, among other things, the acquisition by the Purchaser of all of the outstanding Common Shares not already owned by the Purchaser or its Affiliates, pursuant to which each Shareholder will be entitled to receive the Consideration in respect of the Common Shares held by such Shareholder. The Arrangement is being carried out pursuant to the terms of the Arrangement Agreement and will be completed by way of a court-approved Plan of Arrangement pursuant to the BCA. As a result of the Arrangement, Canfor will become a wholly-owned subsidiary of the Purchaser and its Affiliates.

What approvals are required to be given by Shareholders at the Meeting?

To become effective, the Arrangement Resolution must be approved by: (i) at least 66 2/3% of the votes cast at the Meeting by Shareholders either in person or represented by proxy at the Meeting and entitled to vote thereat; and (ii) a simple majority of the votes cast by the Shareholders present in person or represented by proxy at the Meeting and entitled to vote thereat, excluding the votes cast by such Shareholders that are required to be excluded pursuant to MI 61-101 (including Great Pacific and its Affiliates). Each Shareholder is entitled to one vote for each Common Share held. To the knowledge of Canfor, only the votes attached to the Common Shares owned by the Purchaser or its Affiliates and certain other shareholders, representing in the aggregate approximately 51% of the outstanding Common Shares, will be excluded from the "majority of the minority" vote mandated by MI 61-101.

The Supporting Shareholders have entered into Lock-Up Agreements with Great Pacific in respect of Common Shares representing, in the aggregate, less than 1% of the outstanding Common Shares, pursuant to which, and subject to certain exceptions, such Supporting Shareholders have agreed to vote their Subject Securities in favour of the Arrangement Resolution at the Meeting. See "*The Arrangement – Lock-Up Agreements*".

Does the Canfor Board support the Arrangement?

Yes. The Canfor Board has determined: (i) that the Arrangement is in the best interests of Canfor and fair to the Shareholders (other than Great Pacific and its Affiliates); and (ii) to recommend that Shareholders vote FOR the Arrangement Resolution.

Prior to entering into the Arrangement Agreement, the Canfor Board established the Special Committee, comprised of four independent directors (Conrad Pinette (Chair), Hon. John Baird, Barbara Hislop and J. McNeill (Mack) Singleton), to consider the Arrangement, as well as to consider alternatives to the Arrangement, to directly conduct the negotiation and/or supervise the negotiation of the Arrangement Agreement and to, among other things, report and make recommendations to the Canfor Board with respect to the Arrangement.

The Special Committee considered a number of factors, including, among other things the Greenhill Valuation prepared in accordance with MI 61-101 and the Greenhill Fairness Opinion, which determined that, subject to the assumptions, limitations and qualifications set out therein, Greenhill was of the opinion that, as at the date of the Greenhill Valuation, the fair market value of the Common Shares is in the range of CDN\$14.24 to CDN\$19.38 per Common Share and, as at the date of the Greenhill Fairness Opinion, the Consideration is fair from a financial point of view to the Shareholders (other than Great Pacific and its Affiliates). The Special Committee determined that the proposed Arrangement is in the best interests of Canfor and recommended that the Canfor Board approve the proposed Arrangement Agreement and recommend that Shareholders vote FOR the Arrangement Resolution.

A Special Committee member abstained from voting in respect of both the Special Committee and the Canfor Board resolutions in respect of the Arrangement. See "*The Arrangement - Background to the Arrangement*".

Why is the Canfor Board proposing the Arrangement?

The Canfor Board has determined that the Arrangement is in the best interests of Canfor and fair to the Shareholders (other than Great Pacific and its Affiliates). In making its recommendation to Shareholders to vote FOR the Arrangement Resolution, the Canfor Board considered a number of factors as described in this Circular under the heading "*The Arrangement – Reasons for the Recommendations – Information and Factors Considered by the Canfor Board*". See also, "*The Arrangement – Background to the Arrangement*".

How do the directors and officers of Canfor intend to vote?

Each of the directors (other than Barbara Hislop) and senior officers of Canfor has entered into a Lock-Up Agreement with Great Pacific, pursuant to which, among other things, they have agreed to vote their Common Shares in favour of the Arrangement Resolution.

Who is entitled to vote?

Shareholders at the close of business on the Record Date of November 12, 2019 or, in each case, their duly appointed representatives are entitled to vote at the Meeting.

What if I acquire ownership of Common Shares after November 12, 2019?

Only Persons on the list of registered Shareholders prepared by Canfor as of the Record Date of November 12, 2019 are entitled to vote at the Meeting.

What will happen to the DSUs under the DSU Plan in connection with the Arrangement?

Subject to the terms and conditions of the Arrangement Agreement, pursuant to the Arrangement, each DSU outstanding immediately prior to the Effective Time (whether vested or unvested) that is held by a DSU Holder, notwithstanding the terms of the DSU Plan, will be deemed to be unconditionally vested and such DSU will, without any further action on behalf of such DSU Holder, be deemed to have been assigned and transferred by the DSU Holder to Canfor in exchange for a cash payment equal to the Consideration (less any applicable withholdings), and the name of such DSU Holder shall be removed from the central securities register of Canfor as a DSU Holder.

What will I receive for my Common Shares under the Arrangement?

If the Arrangement is completed, in connection with the acquisition of the Common Shares by the Purchaser, each Shareholder will be entitled to receive, for each Common Share held, CDN\$16.00 in cash (less any applicable taxes required to be withheld with respect to such payment).

In order to receive payment for their Common Shares, Registered Shareholders must complete, sign, date and return the enclosed blue Letter of Transmittal in accordance with the instructions set out therein and in this Circular. The Letter of Transmittal is also available from Canfor's transfer agent, AST Trust Company (Canada), by telephone

at: **1-800-387-0825 (North American Toll Free) or 1-416-682-3860 (outside North America)**; or (ii) under Canfor's issuer profile on SEDAR at www.sedar.com.

Non-Registered Shareholders should contact their intermediary to arrange for their intermediary to complete the necessary steps to ensure that they receive payment for their Common Shares as soon as possible following completion of the Arrangement.

Are there risks I should consider in connection with the Arrangement?

Yes. A number of risk factors that you should consider in connection with the Arrangement are described in the section of this Circular titled "*Risk Factors*".

When will the Arrangement become effective?

Canfor and the Purchaser will implement the Arrangement when all of the conditions to the closing of the Arrangement set out in the Arrangement Agreement have been satisfied or waived (where permitted). The Arrangement is subject to a number of conditions, some of which are beyond Canfor's and the Purchaser's control, and the exact timing of implementation of the Arrangement cannot be predicted with certainty. It is currently expected that the closing of the Arrangement will take place as soon as reasonably practicable following the receipt of the Final Order. The Final Order is expected to be sought on or around December 20, 2019, and if granted, the Arrangement is anticipated to be effective on or about December 30, 2019.

How will the Arrangement affect my ownership and voting rights as a Shareholder?

Following the completion of the Arrangement, Shareholders (other than the Purchaser and its Affiliates) will not have any interest in Canfor or its securities, assets, revenues or profits.

What is the cut-off time for depositing a form of proxy?

To ensure that your Common Shares are represented at the Meeting, proxies to be used at the Meeting must be voted online, by email or by facsimile or, if you are mailing the completed form of proxy, it must be received by Canfor's transfer agent, AST Trust Company (Canada), not less than 48 hours (excluding holidays and weekends) before the time fixed for the Meeting (that is, by 9:00 a.m. (Vancouver time) on December 16, 2019).

What do I need to do in order to vote on the Arrangement Resolution?

You should carefully read and consider the information contained in this Circular. Registered Shareholders should then vote by completing, dating and signing the enclosed form of proxy or, alternatively, over the internet, in each case in accordance with the enclosed instructions.

To be used at the Meeting, the completed proxy form must be deposited at the office of AST Trust Company (Canada), by mail at: PO Box 721, Agincourt, ON M1S 0A1, by hand at: Attention: Proxy Department, 1 Toronto Street, Suite 1200, Toronto, Ontario M5C 2V6, by fax at: 1-866-781-3111 (toll free within North America) or 1-416-368-2502 (outside North America), or by email at: proxyvote@astfinancial.com. To be effective, a proxy must be received by AST Trust Company (Canada) not later than 9:00 a.m. (Vancouver time) on December 16, 2019, or in the case of any postponement or adjournment of the Meeting, not less than 48 hours, excluding Saturdays, Sundays and holidays, prior to the time of the postponed or adjourned Meeting. Late proxies may be accepted or rejected by the chairman of the Meeting in his discretion, and the chairman is under no obligation to accept or reject any particular late proxy.

If you hold your Common Shares through an Intermediary, please follow the instructions provided by such Intermediary to ensure that your vote is counted at the Meeting and contact your intermediary for instructions and assistance in delivering the share certificate(s) representing those shares.

See "*General Proxy Information*".

Am I entitled to dissent rights?

Only registered Shareholders as of the Record Date are entitled to exercise Dissent Rights in connection with the actions to be taken at the Meeting. In many cases, Common Shares beneficially owned by a Shareholder are registered either (a) in the name of an Intermediary that the Beneficial Shareholder deals with in respect of such Common Shares or (b) in the name of a depository, such as CDS or DTC, of which the Intermediary is a participant. Accordingly, a Beneficial Shareholder will not be entitled to exercise Dissent Rights directly (unless the Common Shares are reregistered in such Beneficial Shareholder's name). See "*The Arrangement – Dissent Rights*".

The full text of sections 237 to 247 of the BCA is attached to this Circular as Appendix F. The statutory provisions dealing with the right of dissent are technical and complex. Any Dissenting Shareholder should seek independent legal advice, as a failure to comply strictly with the provisions of sections 237 to 247 of the BCA, as modified by Article 3 of the Plan of Arrangement and the Interim Order, may result in the loss of all Dissent Rights. See "*The Arrangement – Dissent Rights*".

What constitutes a quorum at the Meeting?

For the Meeting, quorum in respect of Shareholders shall be two persons present in person, each being a Shareholder entitled to vote thereat, or a duly appointed proxyholder for an absent Shareholder so entitled, who in the aggregate, hold at least 5% of the outstanding Common Shares.

When can I expect to receive the consideration for my Common Shares?

The Depository will deliver to you your Consideration as soon as practicable after the completion of the Arrangement upon the receipt by the Depository from you of a properly completed and duly executed Letter of Transmittal (or a manually executed facsimile thereof) and all other relevant documents required by the instructions set out in the Letter of Transmittal, as applicable. If you hold your Common Shares through a broker, custodian, nominee or other intermediary, your broker, custodian, nominee or other intermediary will surrender your Common Shares in exchange for your Consideration.

What conditions must be satisfied to complete the Arrangement?

In addition to the applicable approval of the Arrangement Resolution by Shareholders at the Meeting, the Arrangement is conditional upon, among other things, the performance by each of Canfor and the Purchaser of their respective obligations under the Arrangement Agreement and the receipt of, among other things, the Final Order from the Court and all other applicable waivers, consents and approvals required under the Arrangement Agreement, all in accordance with the terms of the Arrangement Agreement. See "*The Arrangement Agreement – Conditions to the Arrangement Becoming Effective*".

What will happen if the Arrangement Resolution is not approved or the Arrangement is not completed for any reason?

The Arrangement Agreement may be terminated if the Arrangement Resolution is not approved or the Arrangement is not completed by January 31, 2020. If the Arrangement is not completed, Canfor will not become a wholly-owned subsidiary of the Purchaser and its Affiliates, and Canfor will continue to conduct its business and execute on its strategic plans. See "*Risk Factors – Risk Relating to the Arrangement*". In certain termination circumstances, Canfor will be required to pay to the Purchaser the Fee Amount. See "*The Arrangement Agreement – Termination - Canfor Termination Payment*" and "*The Arrangement Agreement – Termination*". If the Arrangement Agreement is not completed for any reason, the Letters of Transmittal and share certificates that have been submitted by Registered Shareholders will be returned to such Registered Shareholders.

What are the income tax consequences of the Arrangement to Shareholders?

For a summary of the principal Canadian and United States federal income tax considerations applicable to Shareholders in connection with the Arrangement, see "*Certain Canadian Federal Income Tax Considerations*" and

"*Certain United States Federal Income Tax Considerations*". Such summaries are not intended to be legal or tax advice to any particular Shareholder. Shareholders should consult their own tax and investment advisors with respect to their particular circumstances.

Who can help answer my questions?

If you have any questions about this Circular or the matters described in this Circular, please contact Laurel Hill Advisory Group or your professional advisor. Shareholders who would like additional copies, without charge, of this Circular or have additional questions about the procedures for voting Common Shares, should contact their broker or **Laurel Hill Advisory Group at:**

Toll-Free Number: 1-877-452-7184
Outside North America Call Collect: 416-304-0211
By E-mail: assistance@laurelhill.com

CANFOR CORPORATION

MANAGEMENT INFORMATION CIRCULAR

DATED AS OF NOVEMBER 18, 2019
(except as otherwise provided)

Defined Terms

In this Circular, unless otherwise indicated or the context otherwise requires, terms defined under the heading "*Glossary of Terms*" shall have the meaning attributed thereto. Words importing the singular include the plural and vice versa and words importing any gender include all genders.

Information Contained in this Circular

The information contained in this Circular, unless otherwise indicated, is given as of November 18, 2019.

No person is authorized by Canfor to give any information (including any representations) in connection with the matters to be considered at the Meeting other than the information contained in this Circular. This Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or a solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or is unlawful. Information contained in this Circular should not be construed as legal, tax or financial advice, and Shareholders should consult their own professional advisors concerning the consequences of the Arrangement in their own circumstances.

Neither the Arrangement (including its fairness or merits) nor this Circular (including the accuracy or adequacy of the information contained in this Circular) has been approved or disapproved by any securities regulatory authority (including any Canadian provincial or territorial securities regulatory authority, the SEC or any other securities regulatory authority), and any representation to the contrary is unlawful.

All summaries of, and references to, the Arrangement Resolution, the Notice of Hearing of Petition for Final Order, the Interim Order, the Arrangement Agreement, the Plan of Arrangement, the Greenhill Valuation and Fairness Opinion or the Lock-Up Agreements in this Circular are qualified in their entirety by reference to the complete text of these documents, each of which is included as an appendix to this Circular, other than the Arrangement Agreement and the Lock-Up Agreements, which may be found under Canfor's issuer profile on SEDAR at www.sedar.com. **Shareholders are urged to carefully read the full text of these documents.**

Information Contained in this Circular Regarding the Purchaser

Certain information in this Circular pertaining to the Purchaser, including, but not limited to, information pertaining to the Purchaser under "*Information Concerning the Purchaser*" has been furnished by the Purchaser. Although Canfor does not have any knowledge that would indicate that such information is untrue or incomplete, neither Canfor nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for the failure by the Purchaser to disclose events or information that may affect the completeness or accuracy of such information.

Financial Information

Unless otherwise indicated, all financial information referred to in this Circular was prepared in accordance with IFRS.

Currency

Unless otherwise indicated, all references in this Circular to dollar amounts are to lawful money of Canada and references to "CDN\$" are to Canadian dollars.

NOTICE TO SHAREHOLDERS IN THE UNITED STATES

THE ARRANGEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") OR THE SECURITIES REGULATORY AUTHORITIES IN ANY STATE OF THE UNITED STATES, NOR HAVE THE SEC OR THE SECURITIES REGULATORY AUTHORITIES IN ANY STATE OF THE UNITED STATES PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

Shareholders that are residents in, or citizens of, the United States should be aware that the Arrangement described herein may have tax consequences both in the United States and in Canada. Such consequences for Shareholders may not be described fully herein. For a general discussion of the principal Canadian federal income tax considerations to investors who are resident in the United States, see "*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada*". For a general discussion of certain United States federal income tax considerations to investors who are resident in the United States, see "*Certain United States Federal Income Tax Considerations*". Shareholders resident in, or citizens of, the United States are urged to consult their own tax advisors to determine the particular consequences to them of the transactions to be effected in connection with the Arrangement, in light of their particular situation, as well as any tax consequences that may arise under the laws of any other relevant foreign, state, local or other taxing jurisdiction.

Canfor is a corporation existing under the Laws of British Columbia and is not subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "**U.S. Exchange Act**"). Because the Common Shares are not registered under the U.S. Exchange Act, the proxy solicitation rules under the U.S. Exchange Act are not applicable to Canfor or this solicitation, and, accordingly, this solicitation is not being effected in accordance with such rules. Shareholders should be aware that disclosure requirements under Canadian corporate and securities laws may be different from requirements under United States corporate and securities laws, including, but not limited to, those under the U.S. Exchange Act. Information concerning Canfor has also been prepared in accordance with Canadian requirements, which may differ in material respects from the securities laws requirements of the United States.

Shareholders should be aware that Canfor's financial statements are prepared in accordance with IFRS and are subject to Canadian auditing and auditor independence standards, each of which differ in some respects from United States generally accepted accounting principles and thus may not be comparable to financial statements of United States companies. The financial statements of Canfor are available under Canfor's issuer profile on SEDAR at www.sedar.com.

The enforcement by Shareholders of civil liabilities under United States securities laws may be affected adversely by the fact that the Parties to the Arrangement are incorporated or organized under the laws of jurisdictions other than the United States, that some or all of the officers and directors of such Parties are residents of countries other than the United States, that some or all of the experts named in this Circular may be residents of countries other than the United States, and that all or a substantial portion of the assets of the Parties to the Arrangement may be located outside the United States. As a result, it may be difficult or impossible for Shareholders in the United States to effect service of process within the United States upon the Parties to the Arrangement, their respective officers and directors or the experts named herein, or to realize, against them, upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. In addition, Shareholders in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the securities laws of the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the securities laws of the United States.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

All statements, other than statements of historical fact, contained or incorporated by reference in this Circular, including, but not limited to, any information as to the future financial or operating performance of Canfor and its Affiliates, constitute "forward-looking information" or "forward-looking statements" within the meaning of applicable Securities Laws, including the provisions of the Securities Act and under applicable U.S. securities Laws and are based on expectations, estimates and projections as of the date of this Circular. This forward-looking information includes, but is not limited to, statements and information concerning: the state of the lumber industry in British Columbia; the Arrangement; the intentions, plans and future actions of the Purchaser and Canfor; the timing for the implementation of the Arrangement and the potential benefits of the Arrangement; the likelihood of the Arrangement being completed; principal steps of the Arrangement; statements, projections and forecasts made in, and based upon, the Greenhill Valuation and Fairness Opinion; statements relating to the business and future activities of the Purchaser and Canfor after the date of this Circular and prior to the Effective Time and after the Effective Time; Shareholder approval and Court approval of the Arrangement; regulatory approval of the Arrangement; the ability of the Parties to satisfy the other conditions to the completion of the Arrangement; and other statements that are not historical facts. The words "plans", "expects" or "does not expect", "is expected", "budget", "objective", "scheduled", "estimates", "forecasts", "guidance", "targets", "models", "intends", "anticipates", or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "should", "might", or "will be taken", "occur", "be achieved" or "continue" and similar expressions often, but not always, identify forward-looking statements.

Forward-looking statements are necessarily based upon a number of factors and assumptions that, while considered reasonable by Canfor as of the date of such statements, are inherently subject to significant business, political, economic and competitive uncertainties and contingencies. The factors and assumptions of Canfor relied on in making the forward-looking statements contained or incorporated by reference in this Circular, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein, or as otherwise expressly incorporated herein by reference, as well as the satisfaction of the terms and conditions of the Arrangement, including the approval of the Arrangement and its fairness by the Court, and the receipt of the required approvals and consents. The anticipated dates provided may change for a number of reasons, including the inability to secure the necessary Court or Shareholder approvals in the time assumed or the need for additional time to satisfy the other conditions to the completion of the Arrangement.

Known and unknown risk factors could cause actual results to differ materially from those projected in the forward-looking statements. Such risk factors include, but are not limited to: the Arrangement Agreement may be terminated in certain circumstances; general business, economic, competitive, political, regulatory and social uncertainties; risks related to factors beyond the control of the Purchaser or Canfor; risks related to certain directors and senior officers of Canfor possibly having interests in the Arrangement that are different from other Shareholders; risks relating to the possibility that holders of more than 5% of the Common Shares may exercise their Dissent Rights; and risks that other conditions to the consummation of the Arrangement are not satisfied, as well as those risk factors discussed in the section titled "*Risk Factors*" in this Circular. Additional risk factors are discussed in the "Risks and Uncertainties" section of the Canfor MD&A. This list is not exhaustive of the factors that may affect any of the forward-looking information of Canfor. The reader is cautioned not to put undue reliance on forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this Circular are qualified by these cautionary statements and those made in our other filings with the securities regulators of Canada including, but not limited to, the cautionary statements made in the "Risks and Uncertainties" section of the Canfor MD&A. These factors are not intended to represent a complete list of the factors that could affect Canfor. Canfor disclaims any intention or obligation to update or revise any forward-looking statements or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

GLOSSARY OF TERMS

In this Circular, unless otherwise defined, the following words and terms shall have the following meanings:

- "Acquisition Proposal"** means, other than the transactions contemplated by the Arrangement Agreement and other than any transaction involving only Canfor and/or one or more of its wholly-owned Subsidiaries, any offer, proposal or inquiry (written or oral) from any Person or group of Persons other than the Purchaser (or any Affiliate of the Purchaser or any Person acting jointly or in concert with the Purchaser or any Affiliate of the Purchaser) after the date of the Arrangement Agreement relating to any (i) direct or indirect sale or disposition (or any licence, lease, long-term supply agreement or other arrangement having the same economic effect as a sale), in a single transaction or a series of related transactions, of assets (including voting or equity securities of Subsidiaries) representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue of Canfor, (ii) direct or indirect sale of 20% or more of the voting or equity securities of Canfor (or rights or interests in such voting or equity securities), (iii) direct or indirect takeover bid, tender offer, exchange offer, issuance of securities or other transaction that, if consummated, would result in a Person or group of Persons beneficially owning 20% or more of any class of voting or equity securities (including securities convertible into or exercisable or exchangeable for voting or equity securities) of Canfor or any of its Subsidiaries, where such Subsidiaries, individually or in the aggregate, contribute 20% or more of the consolidated revenues or represent 20% or more of the consolidated assets of Canfor, or (iv) plan of arrangement, merger, amalgamation, consolidation, share exchange, debt exchange, business combination, reorganization, recapitalization, liquidation, dissolution or winding up involving Canfor, or any of its Subsidiaries, where such Subsidiaries, individually or in the aggregate, contribute 20% or more of the consolidated revenues or represent 20% or more of the consolidated assets of Canfor.
- "Action"** means, with respect to any Person, any litigation, legal action, lawsuit, claim, audit, contractual dispute resolution process or other proceeding (whether civil, administrative, contractual, quasi-criminal or criminal) before any Governmental Entity against or involving such Person or its business or affecting its assets.
- "Affiliate"** has the meaning specified in National Instrument 45-106 - *Prospectus Exemptions*.
- "allowable capital loss"** has the meaning given to such term under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada*".
- "Arrangement"** means an arrangement under section 288 of the BCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of the Arrangement Agreement, the Plan of Arrangement and the Interim Order, or made at the direction of the Court in the Final Order with the prior written consent of Canfor and the Purchaser, each acting reasonably.
- "Arrangement Agreement"** means the arrangement agreement dated October 28, 2019 among Canfor, the Purchaser and Great Pacific in connection with the Arrangement (as may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof). A complete copy of the Arrangement Agreement is available under Canfor's issuer profile on SEDAR at www.sedar.com.

"Arrangement Resolution"	means the special resolution approving the Plan of Arrangement to be considered at the Meeting, substantially in the form and content set out in Appendix A annexed hereto, and any amendments or variations thereto made in accordance with the provisions of the Arrangement Agreement or made at the direction of the Court in the Interim Order with the prior written consent of Canfor and the Purchaser, each acting reasonably.
"BCA"	means the <i>Business Corporations Act</i> (British Columbia), and the regulations made thereunder, as amended from time to time.
"BCTMP"	has the meaning given to such term under the heading " <i>The Arrangement – Background to the Arrangement</i> ".
"Business Day"	means any day, other than a Saturday, a Sunday or a statutory or civic holiday in Vancouver, British Columbia or Toronto, Ontario.
"Canfor"	means Canfor Corporation, a corporation existing under the laws of British Columbia.
"Canfor Board"	means the board of directors of Canfor, as constituted from time to time.
"Canfor Disclosure Letter"	has the meaning given to such term under the heading " <i>The Arrangement Agreement</i> ".
"Canfor Fee Event"	has the meaning give to such term under the heading " <i>The Arrangement Agreement – Termination – Canfor Termination Payment</i> ".
"Canfor Filings"	has the meaning given to such term under the heading " <i>The Arrangement Agreement</i> ".
"Canfor Fundamental Representations"	has the meaning given to such term under the heading " <i>The Arrangement Agreement – Conditions to the Arrangement Becoming Effective – Conditions in Favour of the Purchaser</i> ".
"Canfor MD&A"	means Canfor's management's discussion and analysis for: (i) the quarter ended September 30, 2019; and (ii) for the year ended December 31, 2018.
"CDS"	means CDS Clearing and Depository Services Inc.
"Change in Recommendation"	has the meaning given to such term under the heading " <i>The Arrangement Agreement – Termination – Termination by the Purchaser</i> ".
"Circular"	means this management information circular of Canfor prepared in connection with the Meeting, together with the appendices hereto.
"Code"	means the U.S. Internal Revenue Code of 1986, as amended.
"Common Shares"	means the common shares in the capital of Canfor.
"Consideration"	means CDN\$16.00 in cash for each Common Share not already owned by Great Pacific and its Affiliates.
"Contract"	means any agreement, commitment, engagement, contract, franchise, licence, lease, joint venture, obligation or undertaking to which Canfor or any of its

	Subsidiaries is a party or by which it or any of its Subsidiaries is bound or affected or to which any of their respective properties or assets is subject.
"Court"	means the Supreme Court of British Columbia.
"CPPI"	means Canfor Pulp Products Inc.
"CRA"	means the Canada Revenue Agency.
"Depositary"	means AST Trust Company (Canada) or any trust company, bank or financial institution agreed to in writing by Canfor and the Purchaser for the purpose of, among other things, receiving Letters of Transmittal as defined in the Plan of Arrangement and distributing the Consideration to Shareholders in accordance with the Plan of Arrangement.
"Dissent Rights"	means the rights of dissent in respect of the Arrangement described in the Plan of Arrangement.
"Dissenting Shareholder"	means a Registered Shareholder who has validly exercised his, her or its Dissent Rights and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of the Common Shares in respect of which Dissent Rights are validly exercised by such Registered Shareholder.
"DLA"	has the meaning given to such term under the heading " <i>The Arrangement – Background to the Arrangement</i> ".
"DSU"	means a Deferred Share Unit issued under the DSU Plan.
"DSU Holder"	means a holder of Deferred Share Units issued under the DSU Plan.
"DSU Plan"	means Canfor's Non-Employee Directors' Deferred Share Unit Plan.
"DTC"	means The Depository Trust Company.
"Effective Date"	means the date upon which the Arrangement becomes effective, as set out in the Plan of Arrangement.
"Effective Time"	has the meaning ascribed thereto in the Plan of Arrangement.
"Excluded Shareholders"	means: (i) Great Pacific and its Affiliates; (ii) any other party that is an "interested party" in respect of the Arrangement; (iii) any party that is a "related party" of such interested party (subject to the exceptions noted in MI 61-101); and (iv) any other party that is a "joint actor" with any person referred to in (i) to (iii) in respect of the Arrangement, each as defined or as determined pursuant to MI 61-101.
"Executive Officer"	has the meaning given to such term in National Instrument 51-102 – <i>Continuous Disclosure Obligations</i> .
"Fee Amount"	has the meaning given to such term under the heading " <i>The Arrangement Agreement – Covenants - Covenants of Canfor Regarding Non-Solicitation - The Purchaser's Right to Match</i> ".
"Final Order"	means the final order of the Court pursuant to section 291 of the BCA approving the Arrangement, as such order may be amended by the Court (with the consent of the Parties, each acting reasonably) at any time prior to the Effective Date or,

	if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is satisfactory to each of the Parties, acting reasonably) on appeal.
"Final Proscription Date"	has the meaning given to such term under the heading " <i>Procedure for Payment of Consideration – Limitation and Proscription</i> ".
"Former Common Shareholder"	means a holder of Common Shares immediately prior to the Effective Time.
"forward-looking information" or "forward-looking statements"	has the meaning given to such term under the heading " <i>Cautionary Statement Regarding Forward-Looking Information</i> ".
"Great Pacific"	means Great Pacific Capital Corp., a corporation amalgamated, and existing under the laws of British Columbia.
"Greenhill"	means Greenhill & Co. Canada Ltd.
"Greenhill Engagement Agreement"	means the letter agreement dated August 26, 2019 entered into between Greenhill and Canfor.
"Greenhill Fairness Opinion"	means the opinion of Greenhill, dated October 28, 2019, provided to the Special Committee as to the fairness, from a financial point of view, of the Consideration to the Shareholders, other than Great Pacific and its Affiliates, a copy of which is attached as Appendix E to this Circular.
"Greenhill Valuation"	means the formal valuation prepared by Greenhill that Canfor is required to obtain pursuant to MI 61-101, a copy of which is attached as Appendix E to this Circular.
"Greenhill Valuation and Fairness Opinion"	means, collectively, the Greenhill Valuation and the Greenhill Fairness Opinion.
"Governmental Entity"	means (i) any international, multinational, supranational, national, federal, provincial, state, regional, municipal, local or other government, governmental, quasi-governmental, administrative body, authority or public department with competent jurisdiction exercising legislative, judicial, regulatory or administrative functions of or pertaining to international, multinational, supranational, national, federal, provincial, state, regional, municipal, local or other government, including any central bank, court, tribunal, arbitral body, commission, board, bureau, commissioner, minister, cabinet, governor-in-council, ministry, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the above, (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing or (iv) any stock exchange.
"Holder"	has the meaning given to such term under the heading " <i>Certain Canadian Federal Income Tax Considerations</i> ".
"IFRS"	means the international financial reporting standards issued by the International Accounting Standards Board that are applicable to public issuers in Canada.
"including"	means including without limitation, and "include" and "includes" each have a corresponding meaning.

"Indicative Offer"	has the meaning given to such term under the heading " <i>The Arrangement – Background to the Arrangement</i> ".
"Interim Order"	means the interim order of the Court, in a form acceptable to Canfor and the Purchaser, each acting reasonably, providing for, among other things, the calling and holding of the Meeting, as the same may be amended, supplemented or varied by the Court (with the consent of Canfor and the Purchaser, each acting reasonably).
"Intermediary"	has the meaning given to such term under the heading " <i>General Proxy Information – Non-Registered Shareholders</i> ".
"IRS"	has the meaning given to such term under the heading " <i>Certain United States Federal Income Tax Considerations</i> ".
"Law" or "Laws"	means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, notice, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended.
"Letter of Transmittal"	means the form of letter of transmittal printed on blue paper to be delivered by Canfor to the Registered Shareholders in respect of the Common Shares.
"Lock-Up Agreements"	means the lock-up agreements dated October 28, 2019 among certain of the directors and officers of Canfor and Great Pacific.
"Mark-to-Market Election"	has the meaning given to such term under the heading " <i>Certain United States Federal Income Tax Considerations – QEF Election and Mark-to-Market Election</i> ".
"Matching Period"	has the meaning given to such term under the heading " <i>The Arrangement Agreement – Covenants - Covenants of Canfor Regarding Non-Solicitation – The Purchaser's Right to Match</i> ".
"Material Adverse Effect"	<p>means any change, development, effect, event, circumstance, fact or occurrence that, individually or in the aggregate with other such changes, developments, effects, events, circumstances, facts or occurrences, is or would reasonably be expected to be, material and adverse to the business, condition (financial or otherwise), properties, assets (tangible or intangible), liabilities (including any contingent liabilities), operations or results of operations of Canfor and its Subsidiaries, taken as a whole, except, any change, development, effect, event, circumstance, fact or occurrence resulting from or relating to:</p> <ul style="list-style-type: none"> (i) the negotiation, execution, announcement, performance or pendency of the Arrangement Agreement or the transactions contemplated thereby including any loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of Canfor or its Subsidiaries with Canfor's or the Subsidiaries' employees, customers, suppliers, partners and other Persons with which Canfor or its Subsidiaries has business relations;

- (ii) global, national or regional political conditions or general economic business or regulatory conditions;
- (iii) the commencement or continuation of any war, armed hostilities or acts of terrorism;
- (iv) the state of national or global financial, credit, currency exchange, securities or commodity markets (other than those in item (v) below) or interest rates;
- (v) the state of national or global lumber and pulp markets;
- (vi) any adoption, proposed implementation or change in IFRS or the interpretation thereof;
- (vii) any natural disaster or pandemic;
- (viii) any change generally affecting the industries in which Canfor and its Subsidiaries conduct their businesses;
- (ix) any action or inaction taken by Canfor or any of its Subsidiaries that is required or permitted pursuant to the Arrangement Agreement (excluding any obligation to act in the ordinary course) or that is taken with the prior written consent of the Purchaser;
- (x) any change in the trading price or in the trading volume of the equity securities of Canfor (it being understood that the causes underlying such change in trading price or trading volume (other than those in items (i) to (ix) above) may be taken into account in determining whether a Material Adverse Effect has occurred), or any suspension in trading in securities generally on any securities exchange on which any securities of Canfor trade;
- (xi) the failure of Canfor to achieve any internal or public projections, forecast or estimates of revenue, earnings or other financial or production metrics before, on or after the date of the Arrangement Agreement (it being understood that the causes underlying such failure (other than those in items (i) to (ix) above) may be taken into account in determining whether a Material Adverse Effect has occurred); or
- (xii) any matter disclosed in Section 1.01 of the Canfor Disclosure Letter.

provided, however, that with respect to clauses (ii), (iv) and (v), such change, development, effect, event, circumstance, fact or occurrence does not have a materially disproportionate effect on Canfor and its Subsidiaries, taken as a whole, relative to other companies operating in the industry in which Canfor and/or its Subsidiaries operate.

"McCarthy"

has the meaning given to such term under the heading "*The Arrangement – Background to the Arrangement*".

"Meeting"

means the special meeting of Shareholders, including any adjournment or postponement of such special meeting in accordance with the terms of the Arrangement Agreement, to be called and held in accordance with the Interim

	Order and the constating documents of Canfor to consider the Arrangement Resolution.
"Meeting Materials"	has the meaning given to such term under the heading " <i>General Proxy Information – Non-Registered Shareholders</i> ".
"MI 61-101"	means Multilateral Instrument 61-101 - <i>Protection of Minority Security Holders in Special Transactions</i> .
"Minority Shareholders"	means Shareholders whose votes may be included in the determination of "minority approval" of the Arrangement Resolution for the purposes of MI 61-101, being all Shareholders other than the Excluded Shareholders.
"NBSK"	has the meaning given to such term under the heading " <i>The Arrangement – Background to the Arrangement</i> ".
"NCIB"	has the meaning given to such term under the heading " <i>Information Concerning Canfor - Previous Purchases and Sales of Securities</i> ".
"NI 54-101"	means National Instrument 54-101 – <i>Communication with Beneficial Owners of Securities of a Reporting Issuer</i> .
"Non-Registered Shareholder"	has the meaning given to such term under the heading " <i>General Proxy Information – Non-Registered Shareholders</i> ".
"Non-Resident Holder"	has the meaning given to such term under the heading " <i>Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada</i> ".
"Non-U.S. Holder"	has the meaning given to such term under the heading " <i>Certain United States Federal Income Tax Considerations</i> ".
"Notice of Meeting"	means the notice of special meeting of Shareholders accompanying this Circular.
"Osler"	has the meaning given to such term under the heading " <i>The Arrangement – Background to the Arrangement</i> ".
"Outside Date"	means January 31, 2020 or such later date as may be agreed to in writing by the Parties.
"Parties"	means Canfor, the Purchaser and, where the context requires, Great Pacific, and " Party " means any one of them.
"Person"	includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including a Governmental Entity), syndicate or other entity, whether or not having legal status.
"PFIC"	has the meaning given to such term under the heading " <i>Certain United States Federal Income Tax Considerations – General Tax Consequences of the Arrangement</i> ".
"PFIC Shares"	has the meaning given to such term under the heading " <i>Certain United States Federal Income Tax Considerations – Tax Consequences of the Arrangement Under the Passive Foreign Investment Company Rules</i> ".

"Plan of Arrangement"	means the plan of arrangement substantially in the form of Appendix D, subject to any amendments or variations to such plan made in accordance with Section 9.01 of the Arrangement Agreement or the Plan of Arrangement or made at the direction of the Court in the Interim Order or the Final Order with the prior written consent of Canfor and the Purchaser, each acting reasonably.
"Pre-Acquisition Reorganization"	has the meaning given to such term under the heading " <i>The Arrangement Agreement – Covenants - Pre-Acquisition Reorganization Covenant</i> ".
"Prior PFIC Years"	has the meaning given to such term under the heading " <i>Certain United States Federal Income Tax Considerations – Tax Consequences of the Arrangement Under the Passive Foreign Investment Company Rules</i> ".
"Proposed Amendments"	has the meaning given to such term under the heading " <i>Certain Canadian Federal Income Tax Considerations</i> ".
"Purchaser"	means 1227738 B.C. Ltd.
"Purchaser Guaranteed Obligations"	has the meaning given to such term under the heading " <i>The Arrangement Agreement – Great Pacific Guarantee</i> ".
"QEF Election"	has the meaning given to such term under the heading " <i>Certain United States Federal Income Tax Considerations - QEF Election and Mark-to-Market Election</i> ".
"Record Date"	has the meaning given to such term under the heading " <i>Voting Securities and Principal Holders Thereof – Record Date</i> ".
"Registered Shareholder"	has the meaning given to such term under the heading " <i>General Proxy Information – Appointment of Proxies</i> ".
"Representatives"	has the meaning given to such term under the heading " <i>The Arrangement Agreement – Covenants - Covenants of Canfor Regarding Non-Solicitation</i> ".
"Required Approval"	<p>means the required level of approval for the Arrangement Resolution, which is:</p> <ul style="list-style-type: none"> (i) at least 66 2/3% of the votes cast at the Meeting by Shareholders either in person or represented by proxy at the Meeting and entitled to vote thereat; and (ii) a simple majority of the votes cast by the Shareholders present in person or represented by proxy at the Meeting and entitled to vote thereat, excluding the votes cast by such Shareholders that are required to be excluded pursuant to MI 61-101 (including Great Pacific and its Affiliates); and <p>whereby each Shareholder is entitled to one vote for each Common Share held.</p>
"Resident Dissenting Holder"	has the meaning given to such term under the heading " <i>Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada</i> ".
"Resident Holder"	has the meaning given to such term under the heading " <i>Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada</i> ".

"SEC"	has the meaning given to such term under the heading " <i>Notice to Shareholders in the United States</i> ".
"Securities Act"	means the <i>Securities Act</i> (British Columbia) and all rules, regulations, published notices and instruments thereunder
"Securities Authorities"	means the British Columbia Securities Commission and the applicable securities commissions or securities regulatory authorities of the other provinces of Canada.
"Securities Laws"	means (a) the Securities Act and any other applicable provincial securities Laws and (b) the rules and regulations of the TSX.
"SEDAR"	means the System for Electronic Document Analysis and Retrieval as outlined in National Instrument 13-101 – <i>System for Electronic Document Analysis and Retrieval</i> , which can be accessed online at www.sedar.com .
"Shareholders"	means the registered or beneficial holders of the Common Shares, as the context requires.
"Special Committee"	means the independent committee of the Canfor Board (within the meaning of MI 61-101).
"Subject Securities"	means with respect to each Supporting Shareholder, all Common Shares held by the Supporting Shareholder (including all Common Shares owned including at October 28, 2019, whether held directly, or indirectly, or beneficially, and including all Common Shares acquired by the Supporting Shareholder, directly or indirectly, or beneficially, at any time prior to the Meeting and including all other Common Shares over which the Supporting Shareholder has control or direction).
"Subsidiary"	means a subsidiary of Canfor within the meaning of National Instrument 45-106 – <i>Prospectus Exemptions</i> as in effect on the date of the Arrangement Agreement, provided that CPPI and its subsidiaries will be deemed to be excluded from such definition for the purposes of the Arrangement Agreement and the Arrangement.
"Superior Proposal"	means any bona fide written Acquisition Proposal from a Person who is an arm's length third party to acquire not less than all of the outstanding Common Shares or all or substantially all of the assets of Canfor on a consolidated basis that: (a) is reasonably capable of being completed without undue delay, taking into account, all financial, legal, regulatory and other aspects of such Acquisition Proposal and the Person making such Acquisition Proposal; (b) that is not subject to a financing condition and in respect of which it has been demonstrated to the satisfaction of the Canfor Board, acting in good faith (after receipt of advice from its financial advisors and its outside counsel) that adequate arrangements have been made in respect of any financing required to complete such Acquisition Proposal; (c) is not subject to any due diligence and/or access conditions; and (d) in respect of which the Canfor Board determines, in its good faith judgment, after receiving the advice of its outside legal counsel and financial advisors and after taking into account all the terms and conditions of the Acquisition Proposal, including all legal, financial, regulatory and other aspects of such Acquisition Proposal and the Person making such Acquisition Proposal, that (1) the failure to recommend such Acquisition Proposal to the Shareholders would be inconsistent with its fiduciary duties under Law; and (2) such Acquisition Proposal would, if consummated in accordance with its terms, but without assuming away the risk of non-completion, result in a transaction which is more favourable, from a financial point of view, to the

	Shareholders (other than the Purchaser and its Affiliates) than the Arrangement (including any amendments to the terms and conditions of the Arrangement proposed by the Purchaser pursuant to Section 5.04(2) of the Arrangement Agreement).
"Superior Proposal Notice"	has the meaning given to such term under the heading " <i>The Arrangement Agreement – Covenants - Covenants of Canfor Regarding Non-Solicitation - The Purchaser's Right to Match</i> ".
"Supporting Shareholders"	has the meaning given to such term under the heading " <i>The Arrangement – Lock-Up Agreements</i> ".
"SYP"	has the meaning given to such term under the heading " <i>The Arrangement – Background to the Arrangement</i> ".
"taxable capital gain"	has the meaning given to such term under the heading " <i>Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada</i> ".
"Tax Act"	means the <i>Income Tax Act</i> (Canada).
"TSX"	means the Toronto Stock Exchange.
"U.S." or "United States"	means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia.
"U.S. Exchange Act"	has the meaning given to such term under the heading " <i>Notice to Shareholders in the United States</i> ".
"U.S. Holder"	has the meaning given to such term under the heading " <i>Certain United States Federal Income Tax Considerations</i> ".
"U.S. Treaty"	has the meaning given to such term under the heading " <i>Certain United States Federal Income Tax Considerations</i> ".
"VIDA"	has the meaning given to such term under the heading " <i>The Arrangement – Background to the Arrangement</i> ".
"Western SPF"	has the meaning given to such term under the heading " <i>The Arrangement – Background to the Arrangement</i> ".

SUMMARY

The following is a summary of the principal features of the Arrangement and certain other matters and should be read together with the more detailed information contained elsewhere in the Circular, including the appendices hereto. Capitalized terms have the meanings ascribed to such terms in the Glossary of Terms immediately preceding this summary. This summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere herein.

The Meeting and Record Date

The Meeting will be held at the Vancouver Marriott Pinnacle Downtown Hotel, 1128 West Hastings Street, Vancouver, British Columbia at 9:00 a.m. (Vancouver time) on December 18, 2019, unless the Meeting is adjourned or postponed in accordance with the terms of the Arrangement Agreement.

The Canfor Board has fixed November 12, 2019 as the record date for the determination of the Shareholders entitled to receive notice of, and vote at, the Meeting. Only Shareholders of record at the close of business on November 12, 2019 will be entitled to vote at the Meeting and at any adjournment or postponement thereof.

The purpose of the Meeting is for Shareholders to consider and vote upon the Arrangement Resolution. To be effective, the Arrangement Resolution must be approved by: (i) at least 66 2/3% of the votes cast at the Meeting by Shareholders either in person or represented by proxy at the Meeting and entitled to vote thereat; and (ii) a simple majority of the votes cast by the Shareholders present in person or represented by proxy at the Meeting and entitled to vote thereat, excluding the votes cast by such Shareholders that are required to be excluded pursuant to MI 61-101 (including Great Pacific and its Affiliates). Each Shareholder is entitled to one vote for each Common Share held.

See "*General Proxy Information*", "*Voting Securities and Principal Holders Thereof – Record Date*", "*The Arrangement*" and "*The Arrangement – Securities Law Matters – Minority Approval Requirements*".

Background to the Arrangement

The provisions of the Arrangement Agreement are the result of arm's length negotiations among the Special Committee (on behalf of Canfor), Great Pacific and the Purchaser and their respective advisors (including the independent legal and financial advisors to the Special Committee).

A summary of the material events, meetings, negotiations and discussions between Canfor and Great Pacific that preceded the execution and public announcement of the Arrangement Agreement on October 28, 2019 is included in this Circular under the heading "*The Arrangement – Background to the Arrangement*".

Recommendation of the Special Committee

The Special Committee was established on August 11, 2019 with responsibility for, among other things:

- reviewing, considering and evaluating the Indicative Offer and any alternatives (including maintaining the status quo);
- supervising the preparation of any valuations or other opinions as to the fairness of the Indicative Offer or any alternatives;
- if desirable, to conduct directly the negotiation and/or supervise the negotiation of the Indicative Offer or any alternatives; and
- reporting and making recommendations to the Canfor Board with respect to the Indicative Offer or any alternatives.

The members of the Special Committee are Conrad Pinette, Hon. John Baird, Barbara Hislop and J. McNeill Singleton, each of whom is independent for the purposes of MI 61-101.

The Special Committee determined that the Arrangement is in the best interests of Canfor and fair to Shareholders (other than Great Pacific and its Affiliates) and recommended that the Canfor Board approve the Arrangement Agreement and recommend to Shareholders that they vote in favour of the Arrangement Resolution.

Barbara Hislop abstained from such determination and recommendation for the reasons described under the heading "*The Arrangement – Background to the Arrangement*".

See "*The Arrangement – Recommendation of the Special Committee*".

Recommendation of the Canfor Board

The Canfor Board determined that the Arrangement is in the best interests of Canfor and fair to Shareholders (other than Great Pacific and its Affiliates). Accordingly, the Canfor Board approved the Arrangement and the entering into by Canfor of the Arrangement Agreement and **recommends that Shareholders vote FOR the Arrangement Resolution.**

Glen Clark and Ryan Barrington-Foote abstained from such determination, approval and recommendation because each is an executive with The Jim Pattison Group, which includes Great Pacific. Barbara Hislop abstained from such determination, approval and recommendation for the reasons described under the heading "*The Arrangement – Background to the Arrangement*".

See "*The Arrangement – Recommendation of the Canfor Board*".

Reasons for the Recommendations

The following includes forward-looking information and readers are cautioned that actual results may vary. See "*Cautionary Statement Regarding Forward-Looking Information*" and "*Risk Factors*".

Information and Factors Considered by the Special Committee

In determining that the Arrangement is in the best interests of Canfor and fair to Shareholders (other than Great Pacific and its Affiliates) and recommending that the Canfor Board approve the Arrangement Agreement and recommend to Shareholders that they vote in favour of the Arrangement Resolution, the Special Committee undertook a thorough review of, and carefully considered, the terms of the Arrangement and the Arrangement Agreement, received the advice of Osler and Greenhill, and considered a number of factors, including those listed below:

- *Significant Premium to Unaffected Market Price.* The Consideration offered to Shareholders under the Arrangement represents a premium of approximately 81.8% to the closing price of the Common Shares of \$8.80 on the TSX on August 9, 2019, being the last trading day prior to the announcement by Great Pacific of the Indicative Offer, and a premium of approximately 55.9% to the volume weighted average price of the Common Shares for the 30 trading days ending August 9, 2019. **The Special Committee was of the view that the opportunity for Shareholders to realize this premium outweighed Canfor maintaining the status quo.**
- *Compelling Value Proposition for Minority Shareholders.* Ongoing industry headwinds in the forestry sector, including high log costs due to supply constraints and significant declines in benchmark prices for both lumber and pulp, have had negative impacts on Canfor's recent financial results. It is unknown how long the challenging industry conditions may persist and uncertain when financial results may improve as a result of capacity rationalization in British Columbia. These challenging conditions have also led to volatility in the trading price of the Common Shares. The Arrangement provides holders of the Common Shares, other than Great Pacific and its Affiliates, with immediate and certain value upon completion of the Arrangement.

- *Independent Valuation and Fairness Opinion.* Greenhill, an independent financial advisor and valuator, provided an opinion that, as of October 28, 2019, and based upon and subject to the assumptions, limitations and qualifications set forth therein, the fair market value of the Common Shares is in the range of CDN\$14.24 to CDN\$19.38 per Common Share. Greenhill also provided an opinion that, as of October 28, 2019, and based upon and subject to assumptions, limitations and qualifications set forth therein, the Consideration to be received by Shareholders under the Arrangement is fair, from a financial point of view, to the Shareholders, other than Great Pacific and its Affiliates. See "*The Arrangement – Greenhill Valuation and Fairness Opinion*".
- *Limited Strategic Alternatives.* Great Pacific and its Affiliates own approximately 51% of the Common Shares as of October 28, 2019. As Great Pacific has indicated that it and its Affiliates do not intend to sell any of the Common Shares, there are limited strategic alternatives available to Canfor.
- *Transaction Certainty.* The likelihood, after consultation with their legal and other advisors, that the Special Committee placed on the limited conditions to the Arrangement being satisfied, including that the parties do not anticipate any regulatory approvals will be required to be obtained under applicable Laws to consummate the Arrangement.
- *No Financing or Due Diligence Condition.* The Consideration to be paid pursuant to the Arrangement will be entirely in cash and is not subject to financing or due diligence conditions.
- *Arrangement Agreement Terms.* The terms and conditions of the Arrangement are, in the judgement of the Committee following consultation with its advisors, reasonable and were the result of negotiations between Great Pacific and the Special Committee on behalf of Canfor and their respective advisors.
- *Credibility of Great Pacific.* Great Pacific's commitment, creditworthiness and anticipated ability to complete the Arrangement.
- *Guarantee by Great Pacific.* The Purchaser's obligations under the Arrangement Agreement are unconditionally guaranteed by Great Pacific.
- *Shareholder Approval Required.* The Arrangement must be approved by (i) at least 66 2/3% of the votes cast at the Meeting by the Shareholders present in person or represented by proxy at the Meeting and entitled to vote thereat, and (ii) a simple majority of the votes cast by the Shareholders present in person or represented by proxy at the Meeting and entitled to vote thereat, excluding the votes cast by such Shareholders that are required to be excluded pursuant to MI 61-101 (including Great Pacific and its Affiliates). See "*The Arrangement – Securities Law Matters – Minority Approval Requirements*".
- *Determination of Fairness by the Court.* The Arrangement will only become effective if, after hearing from all Persons who choose to appear before it, the Court determines that the Arrangement is fair.
- *Dissent Rights.* Registered Shareholders will be granted the right to dissent with respect to the Arrangement and be paid fair value for their Common Shares.
- *Ability to Accept a Superior Proposal.* Under the Arrangement Agreement, the Canfor Board retains the ability to consider and respond to Superior Proposals prior to the Meeting on the specific terms and conditions set forth in the Arrangement Agreement, including the payment of the Fee Amount by Canfor to the Purchaser if such a proposal is accepted. The Lock-Up Agreements terminate in the event the Arrangement Agreement is terminated by Canfor, permitting the Shareholders party thereto to support a transaction involving a Superior Proposal. The Fee Amount of CDN\$1.5 million payable by Canfor to the Purchaser if the Arrangement Agreement is not completed under certain circumstances would not, in the view of the Special Committee, preclude a third party from potentially making a Superior Proposal.

The Special Committee also considered a variety of risks and other potentially negative aspects in its deliberations concerning the Arrangement, including:

- *Risks to Canfor of Non-Completion.* There are risks to Canfor if the Arrangement is not completed, including costs incurred in proceeding towards completion of the Arrangement and the diversion of management's attention away from the conduct of Canfor's business in the ordinary course and the potential impact on Canfor's current business relationships.
- *No Continuing Interest of Shareholders.* The fact that, following the Arrangement, Canfor will no longer exist as an independent public company, the Common Shares will be de-listed from the TSX and Shareholders will forego any future increases in value that may result from Canfor's business in the ordinary course.
- *Risks of Non-Completion.* The conditions to the obligations of Great Pacific and the Purchaser to complete the Arrangement and the right of Great Pacific and the Purchaser to terminate the Arrangement Agreement under limited circumstances. See "*The Arrangement Agreement – Conditions to the Arrangement Becoming Effective*".
- *Non-Solicitation and Termination Fee.* The limitations contained in the Arrangement Agreement on Canfor's ability to solicit additional interest from third parties, as well as the fact that, if the Arrangement Agreement is terminated in certain circumstances, Canfor must pay the Fee Amount.

The above summary of the information and factors considered by the Special Committee is not intended to be exhaustive, but includes a summary of the material information and factors considered by the Special Committee in its consideration of the Arrangement.

In view of the variety of factors and the amount of information considered in connection with the Special Committee's evaluation of the Transaction, the Special Committee did not find it practicable to, and did not, quantify or otherwise attempt to assign any relative weight to each of the specific factors considered in reaching its determination and recommendation. The Special Committee's determination and recommendation is based upon the totality of the information presented and considered by it. The determination and recommendation of the Special Committee were made after consideration of the factors noted above, other factors and in light of the Special Committee's knowledge of the business, financial condition and prospects of Canfor and taking into account the advice of the Special Committee's financial, legal and other advisors. Individual members of the Special Committee may have assigned different weights to different factors.

See "*The Arrangement – Reasons for the Recommendations – Information and Factors Considered by the Special Committee*".

Information and Factors Considered by the Canfor Board

In determining that the Arrangement is in the best interests of Canfor and fair to Shareholders (other than Great Pacific and its Affiliates), approving the Arrangement and the entering into by Canfor of the Arrangement Agreement, and recommending that Shareholders vote for the Arrangement Resolution, the Board carefully considered the terms of the Arrangement and the Arrangement Agreement, received the advice of DLA, Osler and Greenhill, and considered a number of factors, including the factors listed above by the Special Committee (which are expressly endorsed by the Canfor Board), and the recommendation of the Special Committee. In view of the variety of factors, the Canfor Board did not find it practicable to, and did not, quantify or otherwise attempt to assign any relative weight to each of the specific factors considered in reaching its determination, approval and recommendation. The Canfor Board's determination, approval and recommendation are based upon the totality of the information presented and considered by it. The determination, approval and recommendation of the Canfor Board were made after consideration of the factors noted above, other factors and in light of the Canfor Board's knowledge of the business, financial condition and prospects of Canfor and taking into account the advice of Canfor's financial, legal and other advisors. Individual members of the Canfor Board may have assigned different weights to different factors.

See "*The Arrangement – Reasons for the Recommendations – Information and Factors Considered by the Canfor Board*".

Greenhill Valuation and Fairness Opinion

For a summary of the Greenhill Valuation and Fairness Opinion, see "*The Arrangement – Greenhill Valuation and Fairness Opinion*". A full copy of the Greenhill Valuation and Fairness Opinion is attached as Appendix E to this Circular.

Lock-Up Agreements

All of the directors, other than Barbara Hislop, and senior officers of Canfor entered into the Lock-Up Agreements with Great Pacific, pursuant to which they each agreed to, among other things, vote the Common Shares held by them in favour of the Arrangement Resolution. As at November 18, 2019, approximately 51% of the outstanding Common Shares were subject to the Lock-Up Agreements or are otherwise held by Great Pacific and its Affiliates.

See "*The Arrangement – Lock-Up Agreements*".

Court Approval of the Arrangement

An arrangement under the BCA requires approval by the Court. On November 18, 2019, Canfor obtained the Interim Order providing for the calling and holding of the Meeting, the Dissent Rights and certain other procedural matters. The full text of the Interim Order is set out in Appendix C to this Circular. Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by Shareholders at the Meeting in the manner required by the Interim Order, Canfor will re-attend before the Court for the issuance of the Final Order.

The application for the Final Order approving the Arrangement is currently scheduled for December 20, 2019 at 9:45 a.m. (Vancouver time), or as soon thereafter as counsel may be heard, at the Courthouse, 800 Smithe Street, Vancouver, British Columbia, or at any other date and time as the Court may direct.

See "*The Arrangement – Court Approval of the Arrangement*".

Completion of the Arrangement

Subject to the provisions of the Arrangement Agreement, the Arrangement will become effective at 12:01 a.m. (Vancouver time) on the Effective Date. Completion of the Arrangement is anticipated to occur on or about December 30, 2019; however, it is possible that completion may be delayed beyond this date if the conditions to completion of the Arrangement are not yet satisfied, but in no event shall completion occur later than January 31, 2020, unless extended by mutual agreement between Canfor and the Purchaser in accordance with the terms of the Arrangement Agreement.

See "*The Arrangement – Completion of the Arrangement*".

Securities Law Matters

The Common Shares are currently listed on the TSX under the symbol "CFP". If permitted by applicable Law, Canfor expects to be de-listed from the TSX following the Effective Date. Following the Effective Date, Canfor will also seek to be deemed to have ceased to be a reporting issuer (or to be exempt from the requirements applicable to reporting issuers) under the securities legislation of each of the provinces in Canada under which it is currently a reporting issuer. As a result, Canfor will no longer be subject to the ongoing disclosure and other obligations currently imposed upon it under such legislation.

See "*The Arrangement – Securities Law Matters – Status of Canfor under Securities Laws*".

Multilateral Instrument 61-101

The Arrangement is subject to the requirements of MI 61-101.

The Arrangement constitutes a "business combination" pursuant to MI 61-101, as both Great Pacific and the Purchaser are considered to be "related parties" of Canfor (as defined under MI 61-101). Both Great Pacific and the Purchaser are also considered to be "interested parties" for the purposes of the Arrangement pursuant to MI 61-101.

MI 61-101 requires that, in addition to any other required securityholder approval, a business combination must be approved by a simple majority of the votes cast by "minority" securityholders of each class of affected securities (which in the case of Canfor consists only of Common Shares), voting separately as a class. In relation to the Arrangement and for purposes of the required approval for the Arrangement, the "minority" securityholders of Canfor are all Shareholders other than: (i) any interested party to the Arrangement within the meaning of MI 61-101; (ii) any related party to such interested party within the meaning of MI 61-101 (subject to the exceptions set out therein); and (iii) any person that is a joint actor with any of the foregoing for the purposes of MI 61-101. As a result, approximately 51% of the outstanding Common Shares which are held by Great Pacific and its Affiliates, Glen Clark and Ryan Barrington-Foote will be excluded for the purpose of determining if the Arrangement Resolution has been approved by the Minority Shareholders.

The Special Committee determined that Greenhill was a qualified independent valuator, selected Greenhill, supervised the preparation of the Greenhill Valuation, and obtained a formal valuation from Greenhill in accordance with MI 61-101. The Greenhill Valuation and Fairness Opinion is attached to this Circular as Appendix E.

See "*The Arrangement – Securities Law Matters – Multilateral Instrument 61-101*", "*The Arrangement – Securities Law Matters – Minority Approval Requirements*" and "*The Arrangement – Greenhill Valuation and Fairness Opinion*".

Dissent Rights

The BCA provides registered shareholders of a corporation with the right to dissent from certain resolutions that effect extraordinary corporate transactions or fundamental corporate changes. The Interim Order expressly provides Registered Shareholders with the right to dissent from the Arrangement Resolution pursuant to the BCA, with modifications or supplements to the provisions of the BCA as provided in the Plan of Arrangement and the Interim Order. Any Registered Shareholder who dissents from the Arrangement Resolution in compliance with the BCA, as modified or supplemented by the Plan of Arrangement and the Interim Order, will be entitled, if ultimately successful and in the event the Arrangement becomes effective, to be paid the fair value of Common Shares held by such Dissenting Shareholder determined immediately before the passing by the Shareholders of the Arrangement Resolution.

A brief summary of the Dissent Rights available to Registered Shareholders is set forth under the heading "*The Arrangement – Dissent Rights*" in this Circular. However, such summary is qualified in its entirety by the provisions of the BCA, The BCA requires strict adherence to the procedures regarding the exercise of rights established therein. The failure to adhere to such procedures may result in the loss of all rights of dissent. **The full text of sections 237 to 247 of the BCA is attached to this Circular as Appendix F. The statutory provisions dealing with the right of dissent are technical and complex. Any Dissenting Shareholder should seek independent legal advice, as a failure to comply strictly with the provisions of sections 237 to 247 of the BCA, as modified by Article 3 of the Plan of Arrangement and the Interim Order, may result in the loss of all Dissent Rights. See "*The Arrangement – Dissent Rights*".**

Anyone who is a beneficial owner of Common Shares registered in the name of an Intermediary and who wishes to dissent should be aware that only Registered Shareholders are entitled to exercise Dissent Rights.

See "*The Arrangement – Dissent Rights*".

Procedure for Payment of Consideration

Registered Shareholders

If the Arrangement Resolution is passed and the Arrangement is completed, in order to receive the payment for their Common Shares, Registered Shareholders must complete, sign and date the blue Letter of Transmittal and deliver it,

together with certificates representing their Common Shares, if any, and the other relevant documents required by the instructions set out therein, to the Depositary in accordance with the instructions contained in the Letter of Transmittal. The Letter of Transmittal contains procedural information relating to the Arrangement and should be reviewed carefully. Only Registered Shareholders can submit a Letter of Transmittal.

See "*Procedure for Payment of Consideration – Exchange Procedure – Registered Shareholders*".

Non-Registered Shareholders

The exchange of Common Shares for payment in respect of Non-Registered Shareholders is expected to be made with the Non-Registered Shareholder's Intermediary through the procedures in place for such purposes between CDS and such Intermediaries. Non-Registered Shareholders should contact their Intermediary if they have any questions regarding this process and to arrange for their Intermediary to complete the necessary steps to ensure that they receive payment for their Common Shares as soon as possible following completion of the Arrangement.

See "*Procedure for Payment of Consideration – Exchange Procedure – Non-Registered Shareholders*".

The Arrangement Agreement

The following is a summary of certain terms of the Arrangement Agreement and is qualified in its entirety by reference to the full text of the Arrangement Agreement, which is available under Canfor's issuer profile on SEDAR at www.sedar.com. **Shareholders are urged to read the Arrangement Agreement carefully and in its entirety, as the rights and obligations of Canfor and the Purchaser are governed by the express terms of the Arrangement Agreement and not by this summary or any other information contained in this Circular.**

- ***Covenants, Representations and Warranties.*** The Arrangement Agreement contains customary covenants, representations and warranties for a transaction of this type.
- ***Conditions to the Arrangement Becoming Effective.*** The implementation of the Arrangement is subject to certain mutual conditions precedent being satisfied or waived by one or both of Canfor and the Purchaser at or before the Effective Time and/or Effective Date, including, but not limited to, the approval and adoption by the Shareholders of the Arrangement Resolution at the Meeting. The obligations of each of Canfor and the Purchaser to consummate the Arrangement are also subject to the satisfaction or waiver by each party of certain additional conditions precedent in its respective favour, including customary conditions.
- ***Non-Solicitation and Termination Payment.*** The Arrangement Agreement includes standard non-solicitation and superior proposal provisions, and Canfor has provided the Purchaser with certain other customary rights, including a right to match competing offers. In addition, Canfor has agreed to pay CDN\$1.5 million to the Purchaser in the event that the Arrangement is terminated under certain circumstances.
- ***Termination.*** The Arrangement Agreement may be terminated by either Canfor, the Purchaser or both upon the occurrence of certain specified events.

See "*The Arrangement Agreement*".

Risk Factors

In assessing the Arrangement, Shareholders should carefully consider the risks described in the Canfor MD&A, which is filed on Canfor's issuer profile on SEDAR at www.sedar.com. Additional risks and uncertainties, including those currently unknown to or considered to be not material by Canfor, may also adversely affect the business of Canfor.

The Arrangement is subject to certain risks which include those set out under the heading "*Risks Factors – Risks Relating to the Arrangement*".

See "*Risk Factors*" and "*Cautionary Statement Regarding Forward-Looking Information*".

Income Tax Considerations

Shareholders should consult their own tax advisors about the applicable Canadian and United States federal, provincial, state and local tax consequences of the Arrangement.

A summary of the principal Canadian federal income tax consequences of the Arrangement is included under "*Certain Canadian Federal Income Tax Considerations*" in this Circular.

Completion of the Arrangement may also have tax consequences under the laws of the United States. See "*Notice to Shareholders in the United States*" and "*Certain United States Federal Income Tax Considerations*".

GENERAL PROXY INFORMATION

Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by the management and the directors of Canfor for use at the Meeting of Shareholders to be held at the Vancouver Marriott Pinnacle Downtown Hotel, 1128 West Hastings Street, Vancouver, British Columbia at 9:00 a.m. (Vancouver time) on December 18, 2019 and at any adjournment or postponement thereof for the purposes set forth in the accompanying Notice of Meeting. The solicitation of proxies will be made primarily by mail and may be supplemented by telephone or other personal contact by the directors, officers and employees of Canfor. Directors, officers and employees of Canfor will not receive any extra compensation for such activities. Canfor has retained Laurel Hill Advisory Group to provide the following services in connection with the Meeting: review and analysis of the Circular, recommending corporate governance best practices and liaising with proxy advisory firms as applicable, and assisting Canfor in connection with its communication with Shareholders. In connection with these services, Canfor will pay fees of up to CDN\$100,000 in addition to certain out-of-pocket expenses. Canfor may pay brokers or other persons holding Common Shares in their own names, or in the names of nominees, for their reasonable expenses for sending forms of proxy and this Circular to beneficial owners of Common Shares and obtaining proxies therefrom. The cost of any such solicitation will be equally borne by Canfor and Great Pacific.

Appointment of Proxies

A Shareholder whose name has been entered in the register of Shareholders as of the close of business on the Record Date (a "**Registered Shareholder**") may vote in person at the Meeting or may appoint another person to represent such Shareholder as proxy and to vote the Common Shares of such Shareholder at the Meeting. In order to appoint another person as proxy, Shareholders must complete, execute and deliver the form of proxy accompanying this Circular, or another form of proxy, in the enclosed return envelope. All instruments appointing proxies to be used at the Meeting or at any adjournment or postponement thereof must be deposited with Canfor's transfer agent, AST Trust Company (Canada), not later than 48 hours (excluding Saturdays, Sundays and holidays) preceding the time fixed for the Meeting (that is, by 9:00 a.m. (Vancouver time) on December 16, 2019) or any adjournment or postponement thereof.

The persons named in the form of proxy accompanying this Circular have been designated by the management of Canfor. **A Shareholder has the right to appoint a person (who need not be a Shareholder), other than the persons whose names appear in such form of proxy, to attend and act for and on behalf of such Shareholder at the Meeting and at any adjournment or postponement thereof.** Such right may be exercised by inserting the name of the person to be appointed in the blank space provided in the form of proxy, or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Depository in time for use at the Meeting in the manner specified above.

Revocation of Proxies

A Registered Shareholder who has given a proxy may revoke it: (i) by completing a proxy bearing a later date and sending the proxy to Canfor's transfer agent, AST Trust Company (Canada), so that it is received not less than 48 hours, excluding Saturdays, Sundays and holidays, prior to the time fixed for the Meeting (that is, by 9:00 a.m. (Vancouver time) on December 16, 2019); (ii) by completing a written notice of revocation, which must be executed by the Registered Shareholder or by his or her attorney authorized in writing, and sending the notice to Canfor's transfer agent, AST Trust Company (Canada), any time up to and including the last Business Day preceding the day of the Meeting, or delivering the notice to the chairman of the Meeting on the day of the Meeting; or (iii) in any other manner permitted by law.

Exercise of Discretion by Proxies

The Common Shares represented by an appropriate form of proxy will be voted on any ballot that may be conducted at the Meeting, or at any adjournment or postponement thereof, in accordance with the instructions contained on the

form of proxy. **In the absence of instructions, such Common Shares will be voted FOR the matters referred to in the Notice of Meeting.**

The enclosed form of proxy, when properly completed and signed, confers discretionary authority upon the persons named therein to vote on any amendments to or variations of the matters identified in the Notice of Meeting and on other matters, if any, which may properly be brought before the Meeting or any adjournment or postponement thereof. At the date hereof, management of Canfor knows of no such amendments or variations or other matters to be brought before the Meeting. However, if any other matters which are not now known to management of Canfor should properly be brought before the Meeting, or any adjournment or postponement thereof, the Common Shares represented by such proxy will be voted on such matters in accordance with the judgment of the person named as proxy thereon.

Signing of Proxy

The form of proxy must be signed by the Shareholder or the duly appointed attorney thereof authorized in writing or, if the Shareholder is a corporation, by an authorized officer of such corporation. A form of proxy signed by the person acting as attorney of the Shareholder or in some other representative capacity, including an officer of a corporation which is a Shareholder, should indicate the capacity in which such person is signing and should be accompanied by the appropriate instrument evidencing the qualification and authority of such person to act, unless such instrument has previously been filed with Canfor. A Shareholder or his or her attorney may sign the form of proxy or a power of attorney authorizing the creation of a proxy by electronic signature provided that the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of such Shareholder or by or on behalf of his or her attorney, as the case may be.

Non-Registered Shareholders

Only Registered Shareholders, or the persons they appoint as their proxies, are entitled to attend and vote at the Meeting. The Common Shares beneficially owned by a non-Registered Shareholder (a "Non-Registered Shareholder") will generally be registered in the name of either:

- (a) an intermediary (an "**Intermediary**") with whom the Non-Registered Shareholder deals in respect of the Common Shares (including, among others, banks, trust companies, securities dealers or brokers, trustees or administrators of a self-administered registered retirement savings plan, registered retirement income fund, registered education savings plan and similar plans); or
- (b) a clearing agency (such as CDS in Canada and DTC in the United States) of which the Intermediary is a participant.

In accordance with the requirements of NI 54-101, Canfor has distributed copies of the Notice of Meeting, this Circular and the accompanying form of proxy (collectively the "**Meeting Materials**") to the Intermediaries for onward distribution to Non-Registered Shareholders. Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders, unless the Non-Registered Shareholders have waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will be given either:

- (a) a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Shareholder and returned to the Intermediary or its service company, will constitute voting instructions ("**VIF**") which the Intermediary must follow. Typically, the VIF will consist of a one page pre-printed form. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada and in the United States. Broadridge typically prepares a machine-readable VIF, mails those forms to Non-Registered Shareholders and asks Non-Registered Shareholders to return the forms to Broadridge or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Additionally, Canfor may utilize Broadridge's Quickvote service to assist eligible Shareholders with voting their Common Shares directly over the phone. Broadridge then tabulates the results of all instructions received and

provides appropriate instructions respecting the voting of the Common Shares to be represented at the Meeting. Sometimes, instead of the one page pre-printed form, the VIF will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for the form of proxy to validly constitute a VIF, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or

- (b) a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and deposit it with the Depository, AST Trust Company (Canada).

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Shareholder who receives either a VIF or a form of proxy wish to attend the Meeting and vote in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the names of the persons named in the form of proxy and insert the Non-Registered Shareholder's (or such other person's) name in the blank space provided or, in the case of a VIF, follow the directions indicated on the form. Non-Registered Shareholders should carefully follow the instructions of their Intermediaries and their service companies, including those instructions regarding when and where the VIF or the form of proxy is to be delivered.

A Non-Registered Shareholder who has submitted a proxy may revoke it by contacting the Intermediary through which the Common Shares of such Non-Registered Shareholder are held and following the instructions of the Intermediary respecting the revocation of proxies.

The Meeting Materials are being sent to both Registered Shareholders and Non-Registered Shareholders. If you are a Non-Registered Shareholder, and Canfor or its agent has sent these materials directly to you, your name and address and information about your holdings of Common Shares, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

Canfor is not using "notice-and-access" to send its proxy-related materials to its shareholders, and paper copies of such materials will be sent to all Shareholders. Canfor will not send proxy-related materials directly to non-objecting Non-Registered Shareholders and such materials will be delivered to non-objecting Non-Registered Shareholders through their Intermediary. Canfor intends to pay for an Intermediary to deliver to objecting Non-Registered Shareholders the proxy-related materials and Form 54-101F7 "Request for Voting Instructions Made by Intermediary" of NI 54-101.

Quorum

A quorum for the transaction of business at the Meeting shall be two persons present in person, each being a Shareholder entitled to vote thereat, or a duly appointed proxyholder for an absent Shareholder so entitled, who in the aggregate, hold at least 5% of the outstanding Common Shares.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Record Date

The Canfor Board has fixed November 12, 2019 as the record date for the determination of the Shareholders entitled to receive notice of, and vote at, the Meeting (the "**Record Date**"). Shareholders of Canfor of record at the close of business on November 12, 2019 will be entitled to vote at the Meeting and at all adjournments or postponements thereof.

Ownership of Securities of Canfor

As at November 18, 2019, there were 125,219,400 Common Shares outstanding. Each Common Share will entitle the holder of record thereof to one vote at the Meeting. To the knowledge of Canfor, after reasonable enquiry, no person beneficially owns, or exercises control or direction over, directly or indirectly, 10% or more of such Common Shares, except the following:

Name of Shareholder	Number of Common Shares Beneficially Owned	Percentage of Outstanding Common Shares
James Pattison ⁽¹⁾	63,728,722	51%

Note:

- (1) The Common Shares beneficially owned by James Pattison are held by companies wholly-owned by Mr. Pattison, of which Great Pacific is one.

To the knowledge of Canfor, after reasonable enquiry, the following table indicates, as at November 18, 2019, the number of securities of Canfor beneficially owned, directly or indirectly, or over which control or direction is exercised, by each director and senior officer of Canfor and their respective associates and Affiliates.

Name of Shareholder	Relationship with Canfor	Number of Common Shares Held ⁽¹⁾	Number of DSUs Held (% Outstanding)
Conrad Pinette	Chair of the Board, Director	20,000	10,000 (16%)
Glen Clark	Director	2,000	7,500 (12%)
Ross Smith	Director	5,000	7,500 (12%)
Donald Kayne	President and CEO, Director	21,132	--
William Stinson	Director	20,000	2,500 (4%)
Barbara Hislop	Director	2,579,405	--
J. McNeill (Mack) Singleton	Director	10,000	5,000 (8%)
The Honourable John R. Baird	Director	10,985	--
Ryan Barrington-Foote	Director	--	--
M. Dallas Ross	Director	--	--
Dianne Watts	Director	--	--
Alan Nicholl	CFO and Executive Vice President, Finance and Canfor Pulp Operations	--	--
Kevin Pankratz	Senior Vice President, Sales and Marketing	25	--

Name of Shareholder	Relationship with Canfor	Number of Common Shares Held ⁽¹⁾	Number of DSUs Held (% Outstanding)
Fred Stimpson	President, Canfor Southern Pine Inc.	--	--
Stephen Mackie	Senior Vice President, Canadian Operations	2,419	--
David Calabrigo	Senior Vice President, Corporate Development, Legal Affairs and Corporate Secretary	--	--
Mark Feldinger	Senior Vice President, Global Supply Chain	4,589	--

Note:

- (1) The Common Shares held by directors and senior officers of Canfor represent in the aggregate approximately 2% of the outstanding Common Shares.

THE ARRANGEMENT

At the Meeting, Shareholders will be asked to consider and, if thought advisable, to pass with or without variation, the Arrangement Resolution to approve the Arrangement. The Arrangement, the Plan of Arrangement and the terms of the Arrangement Agreement are summarized below. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement, which is available under Canfor's issuer profile on SEDAR at www.sedar.com, and the Plan of Arrangement which is attached to this Circular as Appendix D. The purpose of the Arrangement is to facilitate the Purchaser's acquisition of all of the Common Shares not already owned by Great Pacific and its Affiliates.

To be effective, the Arrangement Resolution must be approved by: (i) at least 66 2/3% of the votes cast at the Meeting by Shareholders either in person or represented by proxy at the Meeting and entitled to vote thereat; and (ii) a simple majority of the votes cast by the Shareholders present in person or represented by proxy at the Meeting and entitled to vote thereat, excluding the votes cast by such Shareholders that are required to be excluded pursuant to MI 6-101 (including Great Pacific and its Affiliates). Each Shareholder is entitled to one vote for each Common Share held. See "*The Arrangement – Securities Law Matters – Multilateral Instrument 61-101*". A copy of the Arrangement Resolution is set out in Appendix A to this Circular.

Unless otherwise directed in properly completed forms of proxy, it is the intention of the individuals named in the enclosed form of proxy to vote **FOR** the Arrangement Resolution. If you do not specify how you want your Common Shares to be voted at the Meeting, the persons named as proxyholders in the enclosed form of proxy will cast the votes represented by your proxy at the Meeting **FOR** the Arrangement Resolution.

If the Arrangement Resolution is approved at the Meeting, the Final Order approving the Arrangement is issued by the Court and the applicable conditions to the completion of the Arrangement are satisfied or waived, the Arrangement will take effect at the Effective Time (which will be at 12:01 a.m. (Vancouver time) on the Effective Date (which is currently anticipated to be on or about December 30, 2019)).

Principal Steps of the Arrangement

Under the Plan of Arrangement, commencing at the Effective Time, the following principal steps shall occur and shall be deemed to occur in the following order without any further act or formality:

- **DSUs.** Each DSU outstanding immediately prior to the Effective Time (whether vested or unvested) that is held by a DSU Holder, notwithstanding the terms of the DSU Plan, will be deemed to be unconditionally vested and such DSU will, without any further action on behalf of such DSU Holder, be deemed to have been assigned and transferred by the DSU Holder to Canfor in exchange for a cash

payment equal to the Consideration (less any applicable withholdings), and the name of such DSU Holder shall be removed from the central securities register of Canfor as a DSU Holder;

- ***Common Shares Held by Dissenting Shareholders.*** Each Common Share held by a Dissenting Shareholder shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all liens, claims and encumbrances, to the Purchaser and the Purchaser shall thereupon be obliged to pay the amount therefor determined and payable in accordance with Article 3 of the Plan of Arrangement, and the name of such holder shall be removed from the central securities register as a holder of Common Shares and the Purchaser shall be recorded as the registered holder of the Common Shares so transferred and shall be deemed to be the legal owner of such Common Shares; and
- ***All Other Common Shares.*** Each Common Share held by a Former Common Shareholder (other than a Dissenting Shareholder and other than Common Shares held by the Purchaser and its Affiliates) shall be transferred to the Purchaser in exchange for the Consideration, in accordance with Article 4 of the Plan of Arrangement. The holders of such Common Shares will cease to be the holders of the Common Shares so transferred and to have any rights as holders of such Common Shares and the name of such Shareholders will be removed from the central securities register as holders of Common Shares and the Purchaser shall be recorded as the registered holder of the Common Shares so transferred and shall be deemed to be the legal owner of such Common Shares.

Adjustments to Consideration

If at any time after execution of the Arrangement Agreement, but prior to the Effective Date, Canfor declares, sets aside or pays any dividend or other distribution payable in cash, securities, property or otherwise to the Shareholders prior to the Effective Date, or sets a record date therefor that is prior to the Effective Date, then the Consideration shall be adjusted to reflect such dividend or other distribution by way of a reduction in the Consideration to reflect an amount equal to the value of such dividend or other distribution.

Background to the Arrangement

The provisions of the Arrangement Agreement are the result of arm's length negotiations among the Special Committee (on behalf of Canfor), Great Pacific and the Purchaser and their respective advisors (including the independent legal and financial advisors to the Special Committee). The following is a summary of the material events, meetings, negotiations and discussions between Canfor and Great Pacific that preceded the execution and public announcement of the Arrangement Agreement on October 28, 2019.

Prior to August 8, 2019, Canfor had experienced deteriorating financial results. On July 25, 2019, Canfor announced its consolidated financial results for the second quarter of 2019, reporting an operating loss of \$49.7 million for the quarter, an improvement of \$20.2 million from the operating loss of \$69.9 million reported for the first quarter of 2019. The improvement reflected higher lumber segment earnings, that included a full quarter of Canfor's recently acquired Vida Group's ("**VIDA**") earnings, which partly offset the continued declines in Western Spruce/Pine/Fir ("**Western SPF**") and Southern Yellow Pine ("**SYP**") benchmark lumber prices through much of the second quarter, driven by tepid demand and market oversupply. As a result of the lumber market weakness, as well as log supply constraints and growing cost pressure in British Columbia, Canfor took production curtailments of 150 million board feet in the second quarter of 2019 (in addition to the 95 million board feet in the first quarter of 2019), and also announced the permanent closure of its Vavenby sawmill and sale of the associated forest tenure. Canfor's pulp and paper segment results for the second quarter of 2019, when compared to the first quarter of 2019, reflected a solid operating performance at all of its pulp and paper mills, which more than offset the effects of pricing declines due to continued elevated global pulp inventory levels and weaker demand, particularly in China and Europe. Canfor's second quarter of 2019 operating results were down \$331.8 million from the operating income of \$282.1 million reported for the corresponding period in 2018. When compared to the second quarter of 2018, Canfor's lower lumber segment earnings principally reflected significant declines in Western SPF and SYP benchmark lumber prices from historically high levels in the comparative period, lower shipment and production volumes due to market-driven curtailments at Canfor's British Columbia operations, and increased log costs in Western Canada, all of which more than offset the benefits of earnings from Canfor's recently acquired VIDA operations and a weaker Canadian dollar in the second

quarter of 2019. Canfor's pulp and paper segment results reflected significantly lower average Northern Bleached Softwood Kraft ("NBSK") pulp and Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") prices and, to a lesser extent, lower shipments and higher fibre costs (in part relating to whole log chips) in the second quarter of 2019, partially offset by the aforementioned weaker Canadian Dollar. These challenging industry conditions also resulted in market-driven curtailments at the British Columbia operations of several other forestry companies, with minimal resultant improvement in Western SPF and SYP prices.

On August 8, 2019, Jim Pattison of The Jim Pattison Group, which includes Great Pacific, met with Don Kayne, President and Chief Executive Officer of Canfor, and David Calabrigo, Senior Vice President, Legal Affairs, Corporate Development and Corporate Secretary of Canfor. At the meeting, Mr. Pattison conveyed that Great Pacific intended to make a public announcement on Sunday, August 11, 2019, of an indicative offer to acquire all of the outstanding Common Shares not already owned by Great Pacific and its Affiliates. Great Pacific was a long-term and significant Shareholder of Canfor; at August 8, 2019, Great Pacific and its Affiliates held approximately 51% of the outstanding Common Shares. Great Pacific had advised Canfor that it and its Affiliates did not intend to sell any of their Common Shares and, accordingly, there are limited strategic alternatives available to Canfor.

On Saturday, August 10, 2019, Mr. Pattison, on behalf of Great Pacific, met with Conrad Pinette, the Chair of the Canfor Board, and conveyed to Mr. Pinette the same message he had relayed to Messrs. Kayne and Calabrigo. At this meeting, Mr. Pattison also provided Mr. Pinette with a written indicative offer to acquire all of the outstanding Common Shares of Canfor not already owned by Great Pacific and its Affiliates for cash consideration of \$16 per share (the "**Indicative Offer**"). The closing price of the Canfor Shares on the last trading day prior to the Indicative Offer was \$8.80 per share.

In the afternoon on Sunday, August 11, 2019, the Canfor Board convened to discuss the Indicative Offer from Great Pacific. At the meeting, the Canfor Board also established the Special Committee and authorized its Terms of Reference. Under the Terms of Reference, the Special Committee was responsible for, among other things, reviewing, considering and evaluating the Indicative Offer and any alternatives (including maintaining the status quo), supervising the preparation of any valuations or other opinions as to the fairness of the Indicative Offer or any alternatives, directly conducting the negotiation and/or supervising the negotiation of the Indicative Offer or any alternatives, and reporting and making recommendations to the Canfor Board with respect to the Indicative Offer or any alternatives. The Special Committee was also authorized to engage its own independent advisors. The Special Committee was comprised of four independent directors: Conrad Pinette (Chair), Hon. John Baird, Barbara Hislop and J. McNeill (Mack) Singleton. Dallas Ross, a Canfor director, provided mergers & acquisitions advice to the Special Committee, but did not participate in the in-camera deliberations of the Special Committee.

Later in the day on August 11, 2019, Great Pacific issued a press release announcing the Indicative Offer. Canfor then issued a press release on August 11, 2019, confirming receipt of the Indicative Offer from Great Pacific and announcing the formation of the Special Committee.

On August 15, 2019, the Special Committee convened to consider proposed legal counsel and financial advisors to be retained by the Special Committee. Following discussions, and having regard for its independence and qualifications, the Special Committee engaged Osler, Hoskin & Harcourt LLP ("**Osler**") as its legal counsel.

On August 20, 2019, the Special Committee convened to receive the advice of Osler regarding, among other things, the duties and responsibilities of the Special Committee including carrying out its Terms of Reference, the Indicative Offer and the valuation that would be required under MI 61-101 in the event the Canfor Board determined to proceed with the Indicative Offer.

On August 20 and 21, 2019, the Special Committee conducted interviews of three prospective financial advisors to the Special Committee. After conducting these interviews, the Special Committee convened on August 21, 2019 to consider which prospective financial advisor to retain. In light of its independence, mergers & acquisitions experience and industry expertise, the Special Committee determined that it would retain Greenhill as financial advisor to the Special Committee, subject to the negotiation of satisfactory fee arrangements.

On August 21, 2019, Mr. Pinette negotiated satisfactory fee arrangements with Greenhill and confirmed Greenhill's engagement as financial advisor to the Special Committee, subject to entering into a formal engagement agreement.

On August 26, 2019, the Special Committee, Canfor management and external advisors held a conference call to discuss requests from certain Shareholders to meet with Canfor or the Special Committee regarding the Indicative Offer. The Special Committee determined that it would coordinate meetings with those Shareholders in which members of the Special Committee and Greenhill would participate. Meetings with Shareholders who requested them were held in September and October, 2019.

On August 26, 2019, the Special Committee, Canfor and Greenhill executed a formal engagement letter. Greenhill's engagement included assisting the Special Committee in evaluating potential financial and strategic alternatives with respect to a potential transaction, assisting the Special Committee in negotiating the financial terms of a potential transaction, the preparation of a formal valuation in accordance with MI 61-101 in connection with a potential transaction, and the preparation of an opinion to the Special Committee as to the fairness, from a financial point of view, of the consideration to be received by Shareholders (other than Great Pacific and its Affiliates) in connection with a proposed transaction. Greenhill's compensation under the engagement letter does not depend in whole or in part on any conclusion reached by Greenhill or on the completion of any transaction. Later that day, the Special Committee issued a press release announcing the appointment of Greenhill as financial advisor, and Osler as legal counsel, to the Special Committee.

Between August 26, 2019 and October 27, 2019, in connection with the preparation of the Greenhill Valuation and the Greenhill Fairness Opinion, Greenhill reviewed Canfor's and CPPI's business plans, financial projections and corporate strategy. In connection with this review, Greenhill conducted an assessment of both the short-term (rolling five fiscal quarter forecast last prepared by Canfor's management on September 24, 2019) and the long-term financial projections (last prepared by Canfor's management in November 2018) for Canfor and CPPI prepared by Canfor's and CPPI's management, including key drivers and assumptions. Greenhill held in person meetings with Canfor's and CPPI's management on August 27, 2019 and September 9, 2019, participated in numerous telephone conversations and email exchanges with Canfor's and CPPI's management, and conducted tours of certain of Canfor's and CPPI's facilities.

Later on October 7, 2019, the Special Committee convened to receive and consider a preliminary valuation report of Greenhill. The Special Committee then considered the preliminary valuation report of Greenhill in the context of the Indicative Offer and determined it would be appropriate to engage with Great Pacific regarding the Indicative Offer.

On October 10, 2019, Mr. Pinette, Greenhill and Great Pacific met to discuss Great Pacific's Indicative Offer. Mr. Pinette and Greenhill presented various reasons why Great Pacific should increase the Indicative Offer. Mr. Pinette and Greenhill also communicated the feedback they had received from the Shareholders they had spoken to in connection with the Indicative Offer. Greenhill then sought for Great Pacific to increase the consideration payable pursuant to the Indicative Offer to between \$17 per Common Share and \$18 per Common Share. Great Pacific advised that the Indicative Offer was Great Pacific's best offer and that it would not increase the Indicative Offer. Great Pacific also advised that it believed market conditions for Canfor had deteriorated since Great Pacific made its Indicative Offer, which had an adverse impact on Canfor's financial results and debt levels, and that Great Pacific and its Affiliates were prepared to continue to hold their current shareholdings if the Indicative Offer was not acceptable to the Special Committee.

On October 11, 2019, the Special Committee convened to receive an update from Mr. Pinette on discussions with Great Pacific regarding the Indicative Offer. Later on October 11, 2019, the Special Committee reconvened and, together with Greenhill and Canfor's management, reviewed the forecast scenarios used in Greenhill's preliminary valuation report. Canfor's management highlighted several specific assumptions which they believed should be revisited to better reflect management's current view of the long-term forecast period. The Special Committee directed Canfor's management to conduct a further review of the forecast scenarios used by Greenhill and to determine if any updates were required to the forecast scenarios used in Greenhill's preliminary valuation report.

On October 15, 2019, the Special Committee convened to receive an update from Canfor's management on their review of the forecast scenarios utilized in Greenhill's preliminary valuation report. Canfor's management had reviewed with Greenhill the forecast scenarios used in the preliminary valuation report, following which Canfor's management made certain adjustments to the forecast scenarios to account for (i) NBSK pulp prices in 2024 and 2025, (ii) assumptions relating to the potential recoverability of softwood lumber duties, and (iii) improved EBITDA for Canfor's Canadian wood products business for 2021 and 2022 to reflect potential mitigating actions in response to the

contemplated market conditions. Canfor's management noted that the long-term commodity price projections used in the forecast were based upon certain industry research publications, which management viewed as reasonable given that these publications forecast market pricing for all or most of Greenhill's forecast period.

On October 17, 2019, the Special Committee convened to receive and consider an updated preliminary valuation report of Greenhill based on the items noted in the preceding paragraph and the most current pricing outlook available from external market forecasters. The updated preliminary valuation report focused on a new "base case" forecast that was modelled on a previously provided forecast, but updated to reflect a number of important operating assumptions and projections confirmed by Canfor management as reasonable. Greenhill confirmed that they had reviewed and performed due diligence on the base case forecast and believed that the forecast was appropriate for use in their preliminary valuation report. Greenhill provided a preliminary fair market value range of \$13.72 to \$18.87 per Common Share, with a mid-point of \$16.29 per Common Share. Greenhill noted that its preliminary valuation report would, until finalized, be impacted by changes in interest rates, fluctuations in valuation multiples for comparable companies and other factors. The Committee considered alternative responses to Great Pacific's Indicative Offer as a result of Greenhill's updated preliminary valuation report. The Committee unanimously determined that Mr. Pinette would, on behalf of the Special Committee, engage with Great Pacific and seek that Great Pacific increase its Indicative Offer to \$16.29, being the mid-point of Greenhill's preliminary valuation range.

On the morning of October 18, 2019, Mr. Pinette and Mr. Pattison met to discuss Great Pacific's Indicative Offer. Mr. Pinette advised Mr. Pattison that the preliminary valuation range provided by Greenhill was \$13.72 per Common Share to \$18.87 per Common Share, with a mid-point of \$16.29 per Common Share. Mr. Pinette then sought for Great Pacific to increase its indicative offer to the mid-point of the preliminary valuation range. In the early afternoon of October 18, 2019, Mr. Pattison called Mr. Pinette to advise that, after consideration, Great Pacific would not increase its Indicative Offer and that Shareholders (other than Great Pacific and its Affiliates) should be given the ability to consider the Indicative Offer.

In the morning on October 19, 2019, the Special Committee convened to receive an update from Mr. Pinette on his discussions with Great Pacific, including that Great Pacific would not increase its Indicative Offer. The Special Committee then discussed whether Great Pacific's Indicative Offer was in the best interest of Canfor and its stakeholders. After a lengthy discussion, the Special Committee determined it would be appropriate to terminate the meeting to allow the members of the Special Committee additional time to consider the Indicative Offer.

In the evening on October 20, 2019, the Special Committee convened to continue its discussion whether the Indicative Offer was in the best interests of the Company and its stakeholders. During this meeting, Ms. Hislop raised questions regarding the valuation multiple ascribed to Canfor in Greenhill's preliminary valuation report, including her views on why the trend valuation multiple ascribed to Canfor for the terminal value in Greenhill's discounted cash flow analysis should be higher based on her review of selected valuation points, including Canfor's current 2020 valuation multiple and the valuation multiples implied for Canfor's acquisitions of VIDA and Elliott Sawmills. The Special Committee received advice from Greenhill regarding the various factors and rationale supporting the selected valuation multiple in its preliminary valuation report, including that (i) the ascribed trend multiple range was based on Canfor's historical average trend multiple as opposed to the current one-year forward multiple, (ii) the prospects of VIDA and Elliott Sawmills were better than other assets of the Company, primarily those in British Columbia, and accordingly higher valuation multiples were appropriate for those acquisitions, and (iii) the valuation multiple ascribed to Canfor as a whole is negatively impacted by the significant proportion of production capacity located in the poorly performing British Columbia market versus more favourable markets. In addition, Greenhill noted that the valuation multiple ascribed to Canfor for the terminal value in Greenhill's discounted cash flow analysis represented only one of the factors considered by Greenhill in preparing the preliminary valuation report and that it was important to review the valuation report in its entirety. The Special Committee determined it had no further questions for Greenhill beyond the valuation questions raised by Ms. Hislop.

The meeting on October 20, 2019, continued with the Special Committee considering whether the Indicative Offer was in the best interests of the Company and its stakeholders, and whether the consideration that would be paid to Shareholders was fair. A number of factors for and against the Indicative Offer were discussed (see "*The Arrangement – Reasons for the Recommendations*"), following which the majority of the Special Committee indicated they were of the view the Indicative Offer was in the best interests of Canfor and its stakeholders, that the consideration that would be paid to Shareholders would be fair, and that the Special Committee should proceed with attempting to

negotiate an agreement with Great Pacific to implement the Indicative Offer. Ms. Hislop indicated that she intended to abstain from any vote of the Special Committee in respect of Great Pacific's Indicative Offer, though she would vote in favour if Great Pacific's Indicative Offer was increased to the current mid-point of Greenhill's preliminary valuation of \$16.29 per Common Share, which she noted would just be within the valuation range implied by the use of the higher multiples that she believed were more appropriate. The Special Committee unanimously determined that Mr. Pinette would advise Great Pacific that (i) the majority of Special Committee members are in favour of proceeding to attempt to negotiate an agreement, (ii) there is one Special Committee member who intends to abstain, and (iii) the abstaining Special Committee member would no longer abstain and would be in favour of Great Pacific's Indicative Offer if Great Pacific increased the Indicative Offer to \$16.29 per Common Share, being the current mid-point of Greenhill's preliminary valuation. In the evening on October 20, 2019, Mr. Pinette called Mr. Pattison and so advised him.

On October 22, 2019, Mr. Pinette called Mr. Pattison and Mr. Pattison confirmed that Great Pacific was not prepared to increase its Indicative Offer of \$16.00 per Common Share, and that Great Pacific was prepared to proceed to negotiate a transaction with Canfor based upon the Indicative Offer.

During the period from October 22, 2019 to October 28, 2019, Osler and DLA Piper (Canada) LLP ("**DLA**"), counsel to Canfor, negotiated the terms of the proposed Arrangement Agreement with McCarthy Tétrault LLP ("**McCarthy**"), legal counsel to Great Pacific, as well as terms for customary lock-up agreements with each of the Supporting Shareholders. During the same period, Mr. Pinette, on behalf the Special Committee, also negotiated certain terms of the proposed Arrangement Agreement with representatives of Great Pacific.

On October 23, 2019, the Special Committee convened to receive an update from Mr. Pinette and Osler on the status of the negotiation of Great Pacific's Indicative Offer. The Special Committee also received from Osler an overview of the proposed Arrangement Agreement with Great Pacific and the Lock-Up Agreements. Osler identified for the Special Committee certain provisions of the proposed Arrangement Agreement that they anticipated Great Pacific would likely negotiate. The Special Committee provided guidance to Osler on negotiating those provisions.

Later on October 23, 2019, Canfor announced its consolidated financial results for the third quarter of 2019, reporting an operating loss of \$124.0 million for the quarter and \$243.6 million for the year to date, compared to an operating income of \$201.8 million and \$687.7 million for the same periods in 2018. Canfor reported that lumber segment losses primarily reflected prolonged weakness in Western SPF benchmark lumber prices, continued elevated log costs in British Columbia, and 360 million board feet of production curtailments and capacity reductions in that operating region during the third quarter. Canfor also reported that results in the pulp and paper segment reflected weak global pulp market conditions, significant market-related downtime and fibre supply disruptions from British Columbia interior sawmill curtailments. NBSK and BCTMP prices saw significant declines through the quarter, driven by weak global softwood pulp demand in combination with elevated global pulp inventory levels. In response to the deteriorating pulp market conditions and fibre supply disruptions, CPPI took phased summer curtailments at its Intercontinental, Northwood and Prince George NBSK pulp mills in Prince George, British Columbia, as well as at its BCTMP mill in Taylor, British Columbia. Combined, the summer curtailments reduced pulp production in the third quarter by 75,000 tonnes of NSBK pulp and 60,000 tonnes of BCTMP.

In the morning on October 27, 2019, the members of the Special Committee held a call to discuss the probable abstention by Ms. Hislop, including the basis for that abstention. The Special Committee members determined that they would convene a Special Committee meeting and seek advice from Osler regarding the abstention.

Later on October 27, 2019, the Special Committee convened to receive legal advice from Osler on the required disclosure in connection with a Special Committee member abstaining from voting in respect of the Indicative Offer. The Special Committee also clarified the basis upon which Ms. Hislop intended to abstain from any Special Committee or Canfor Board resolution in respect of the Indicative Offer. Ms. Hislop indicated that, as a long-term investor, her views regarding valuation may differ from short-term investors. Ms. Hislop confirmed that she is supportive of the process followed by the Special Committee and the Canfor Board and believes that Shareholders should have an opportunity to consider and vote on the Arrangement Resolution. However, Ms. Hislop indicated that she was not prepared to commit to vote her Common Shares in favour of the Indicative Offer at this time. Accordingly, Ms. Hislop advised the other Special Committee members that she intended to abstain from any Special Committee or Canfor

Board resolution in respect of the Indicative Offer, but not vote against any such resolution as she was supportive of the process that had been followed.

The Special Committee meeting on October 27, 2019 continued with the Special Committee determining that it would be appropriate to call a meeting of the Special Committee and the Canfor Board for the following day to consider the proposed Arrangement, as the Special Committee and Great Pacific had substantially negotiated the terms for the proposed Arrangement Agreement.

In the afternoon on October 28, 2019, the Special Committee convened. The Special Committee received the oral Greenhill Valuation, which provided that, subject to the assumptions, limitations and qualifications set forth therein, the fair market value of the Common Shares was in the range of \$14.24 to \$19.38 per Common Share, with a mid-point of \$16.81 per Common Share. Greenhill indicated that their valuation had changed from the preliminary valuation report of October 17, 2019 due to, among other things, the release of Canfor's third quarter financial results that included changes in balance sheet metrics and working capital, recent increases in the market prices and valuation multiples for comparable lumber companies, and changes in the weighted average cost of capital for Canfor and CPPI due to an increase in Government of Canada bond yields, as well as other market factors. The Special Committee then received the oral Greenhill Fairness Opinion. Both the Greenhill Valuation and Greenhill Fairness Opinion were subsequently confirmed in writing. The Special Committee then reviewed the final terms of the proposed Arrangement Agreement, Lock-Up Agreements and related documentation. After careful consideration of the terms and conditions of the Arrangement, the advice of the Special Committee's financial and legal advisors, a significant amount of information, including the Greenhill Valuation and Greenhill Fairness Opinion, and a number of other factors, the Special Committee determined that the Arrangement is in the best interests of Canfor and fair to Shareholders (other than Great Pacific and its Affiliates) and recommended that the Canfor Board (i) approve Canfor's execution of the Arrangement Agreement and (ii) make a recommendation to the Shareholders that the Shareholders vote for the Arrangement. Barbara Hislop abstained from voting in respect of the resolution for the reasons previously described.

Immediately following the Special Committee meeting, the Canfor Board convened. The Canfor Board received the oral Greenhill Valuation and Greenhill Fairness Opinion, which were subsequently confirmed in writing, and reviewed the final terms of the proposed Arrangement Agreement, Lock-Up Agreements and related documentation. The Canfor Board also received legal advice from its legal counsel on the duties and responsibilities of the directors in the context of the proposed Arrangement. After the Canfor Board had considered, among other things, the terms and conditions of the Arrangement, the advice of Greenhill, Osler and Canfor's legal counsel, the oral Greenhill Valuation and Greenhill Fairness Opinion, the report and recommendation by the Special Committee, and a number of other factors, the Canfor Board determined that the Arrangement was in the best interests of Canfor and fair to Shareholders (other than Great Pacific and its Affiliates). Accordingly, the Canfor Board approved the Arrangement and the entering into by Canfor of the Arrangement Agreement and recommending that Shareholders vote for the Arrangement Resolution. Glen Clark and Ryan Barrington-Foote abstained from voting in respect of the resolution because each is an executive with The Jim Pattison Group, which includes Great Pacific. Ms. Hislop abstained from voting in respect of the resolution for the reasons previously described.

In the evening on October 28, 2019, the Arrangement Agreement was executed and delivered by Great Pacific, the Purchaser and Canfor, following which Canfor issued a news release announcing the entering into of the Arrangement Agreement and the proposed Arrangement.

Recommendation of the Special Committee

The Special Committee was established on August 11, 2019 with responsibility for, among other things:

- reviewing, considering and evaluating the Indicative Offer and any alternatives (including maintaining the status quo);
- supervising the preparation of any valuations or other opinions as to the fairness of the Indicative Offer or any alternatives;

- if desirable, to conduct directly the negotiation and/or supervise the negotiation of the Indicative Offer or any alternatives; and
- reporting and making recommendations to the Canfor Board with respect to the Indicative Offer or any alternatives.

The members of the Special Committee are Conrad Pinette, Hon. John Baird, Barbara Hislop and J. McNeill Singleton, each of whom is independent for the purposes of MI 61-101.

The Special Committee determined that the Arrangement is in the best interests of Canfor and fair to Shareholders (other than Great Pacific and its Affiliates) and recommended that the Canfor Board approve the Arrangement Agreement and recommend to Shareholders that they vote in favour of the Arrangement Resolution.

Barbara Hislop abstained from such determination and recommendation for the reasons previously described.

Recommendation of the Canfor Board

The Canfor Board determined that the Arrangement is in the best interests of Canfor and fair to Shareholders (other than Great Pacific and its Affiliates). Accordingly, the Canfor Board approved the Arrangement and the entering into by Canfor of the Arrangement Agreement and **recommends that Shareholders vote FOR the Arrangement Resolution.**

Glen Clark and Ryan Barrington-Foote abstained from such determination, approval and recommendation because each is an executive with The Jim Pattison Group, which includes Great Pacific. Barbara Hislop abstained from such determination, approval and recommendation for the reasons previously described.

Reasons for the Recommendations

The following includes forward-looking information and readers are cautioned that actual results may vary. See "*Cautionary Statement Regarding Forward-Looking Information*" and "*Risk Factors*".

Information and Factors Considered by the Special Committee

In determining that the Arrangement is in the best interests of Canfor and fair to Shareholders (other than Great Pacific and its Affiliates) and recommending that the Canfor Board approve the Arrangement Agreement and recommend to Shareholders that they vote in favour of the Arrangement Resolution, the Special Committee undertook a thorough review of, and carefully considered, the terms of the Arrangement and the Arrangement Agreement, received the advice of Osler and Greenhill, and considered a number of factors, including those listed below:

- *Significant Premium to Unaffected Market Price.* The Consideration offered to Shareholders under the Arrangement represents a premium of approximately 81.8% to the closing price of the Common Shares of \$8.80 on the TSX on August 9, 2019, being the last trading day prior to the announcement by Great Pacific of the Indicative Offer, and a premium of approximately 55.9% to the volume weighted average price of the Common Shares for the 30 trading days ending August 9, 2019. **The Special Committee was of the view that the opportunity for Shareholders to realize this premium outweighed Canfor maintaining the status quo.**
- *Compelling Value Proposition for Minority Shareholders.* Ongoing industry headwinds in the forestry sector, including high log costs due to supply constraints and significant declines in benchmark prices for both lumber and pulp, have had negative impacts on Canfor's recent financial results. It is unknown how long the challenging industry conditions may persist and uncertain when financial results may improve as a result of capacity rationalization in British Columbia. These challenging conditions have also led to volatility in the trading price of the Common Shares. The Arrangement provides holders of the Common Shares, other than Great Pacific and its Affiliates, with immediate and certain value upon completion of the Arrangement.

- *Independent Valuation and Fairness Opinion.* Greenhill, an independent financial advisor and valuator, provided an opinion that, as of October 28, 2019, and based upon and subject to the assumptions, limitations and qualifications set forth therein, the fair market value of the Common Shares is in the range of \$14.24 to \$19.38 per Common Share. Greenhill also provided an opinion that, as of October 28, 2019, and based upon and subject to assumptions, limitations and qualifications set forth therein, the Consideration to be received by Shareholders under the Arrangement is fair, from a financial point of view, to the Shareholders, other than Great Pacific and its Affiliates. See "*The Arrangement – Greenhill Valuation and Fairness Opinion*".
- *Limited Strategic Alternatives.* Great Pacific and its Affiliates own approximately 51% of the Common Shares as of October 28, 2019. As Great Pacific has indicated that it and its Affiliates do not intend to sell any of the Common Shares, there are limited strategic alternatives available to Canfor.
- *Transaction Certainty.* The likelihood, after consultation with their legal and other advisors, that the Special Committee placed on the limited conditions to the Arrangement being satisfied, including that the parties do not anticipate any regulatory approvals will be required to be obtained under applicable Laws to consummate the Arrangement.
- *No Financing or Due Diligence Condition.* The Consideration to be paid pursuant to the Arrangement will be entirely in cash and is not subject to financing or due diligence conditions.
- *Arrangement Agreement Terms.* The terms and conditions of the Arrangement are, in the judgement of the Committee following consultation with its advisors, reasonable and were the result of negotiations between Great Pacific and the Special Committee on behalf of Canfor and their respective advisors.
- *Credibility of Great Pacific.* Great Pacific's commitment, creditworthiness and anticipated ability to complete the Arrangement.
- *Guarantee by Great Pacific.* The Purchaser's obligations under the Arrangement Agreement are unconditionally guaranteed by Great Pacific.
- *Shareholder Approval Required.* The Arrangement must be approved by (i) at least 66²/₃% of the votes cast at the Meeting by the Shareholders present in person or represented by proxy at the Meeting and entitled to vote thereat, and (ii) a simple majority of the votes cast by the Shareholders present in person or represented by proxy at the Meeting and entitled to vote thereat, excluding the votes cast by such Shareholders that are required to be excluded pursuant to MI 61-101 (including Great Pacific and its Affiliates). See "*The Arrangement – Securities Law Matters – Minority Approval Requirements*".
- *Determination of Fairness by the Court.* The Arrangement will only become effective if, after hearing from all Persons who choose to appear before it, the Court determines that the Arrangement is fair.
- *Dissent Rights.* Registered Shareholders will be granted the right to dissent with respect to the Arrangement and be paid fair value for their Common Shares.
- *Ability to Accept a Superior Proposal.* Under the Arrangement Agreement, the Canfor Board retains the ability to consider and respond to Superior Proposals prior to the Meeting on the specific terms and conditions set forth in the Arrangement Agreement, including the payment of the Fee Amount by Canfor to the Purchaser if such a proposal is accepted. The Lock-Up Agreements terminate in the event the Arrangement Agreement is terminated by Canfor, permitting the Shareholders party thereto to support a transaction involving a Superior Proposal. The Fee Amount of CDN\$1.5 million payable by Canfor to the Purchaser if the Arrangement Agreement is not completed under certain circumstances would not, in the view of the Special Committee, preclude a third party from potentially making a Superior Proposal.

The Special Committee also considered a variety of risks and other potentially negative aspects in its deliberations concerning the Arrangement, including:

- *Risks to Canfor of Non-Completion.* There are risks to Canfor if the Arrangement is not completed, including costs incurred in proceeding towards completion of the Arrangement and the diversion of management's attention away from the conduct of Canfor's business in the ordinary course and the potential impact on Canfor's current business relationships.
- *No Continuing Interest of Shareholders.* The fact that, following the Arrangement, Canfor will no longer exist as an independent public company, the Common Shares will be de-listed from the TSX and Shareholders will forego any future increases in value that may result from Canfor's business in the ordinary course.
- *Risks of Non-Completion.* The conditions to the obligations of Great Pacific and the Purchaser to complete the Arrangement and the right of Great Pacific and the Purchaser to terminate the Arrangement Agreement under limited circumstances. See "*The Arrangement Agreement – Conditions to the Arrangement Becoming Effective*".
- *Non-Solicitation and Termination Fee.* The limitations contained in the Arrangement Agreement on Canfor's ability to solicit additional interest from third parties, as well as the fact that, if the Arrangement Agreement is terminated in certain circumstances, Canfor must pay the Fee Amount.

The above summary of the information and factors considered by the Special Committee is not intended to be exhaustive, but includes a summary of the material information and factors considered by the Special Committee in its consideration of the Arrangement.

In view of the variety of factors and the amount of information considered in connection with the Special Committee's evaluation of the Transaction, the Special Committee did not find it practicable to, and did not, quantify or otherwise attempt to assign any relative weight to each of the specific factors considered in reaching its determination and recommendation. The Special Committee's determination and recommendation is based upon the totality of the information presented and considered by it. The determination and recommendation of the Special Committee were made after consideration of the factors noted above, other factors and in light of the Special Committee's knowledge of the business, financial condition and prospects of Canfor, and taking into account the advice of the Special Committee's financial, legal and other advisors. Individual members of the Special Committee may have assigned different weights to different factors.

Information and Factors Considered by the Canfor Board

In determining that the Arrangement is in the best interests of Canfor and fair to Shareholders (other than Great Pacific and its Affiliates), approving the Arrangement and the entering into by Canfor of the Arrangement Agreement, and recommending that Shareholders vote for the Arrangement Resolution, the Board carefully considered the terms of the Arrangement and the Arrangement Agreement, received the advice of DLA, Osler and Greenhill, and considered a number of factors, including the factors listed above by the Special Committee (which are expressly endorsed by the Canfor Board), and the recommendation of the Special Committee. In view of the variety of factors, the Canfor Board did not find it practicable to, and did not, quantify or otherwise attempt to assign any relative weight to each of the specific factors considered in reaching its determination, approval and recommendation. The Canfor Board's determination, approval and recommendation are based upon the totality of the information presented and considered by it. The determination, approval and recommendation of the Canfor Board were made after consideration of the factors noted above, other factors and in light of the Canfor Board's knowledge of the business, financial condition and prospects of Canfor and taking into account the advice of Canfor's financial, legal and other advisors. Individual members of the Canfor Board may have assigned different weights to different factors.

Normal Course Issuer Bid Purchases

Since the public announcement of the Arrangement Agreement, certain Shareholders, equity research analysts and other market participants have noted that Canfor had repurchased Common Shares under Canfor's normal course issuer bid at prices in excess of the \$16.00 per share price of the Arrangement. For example, during the third quarter of 2018, Canfor repurchased approximately 2.3 million Common Shares, representing approximately 1.8% of the

Common Shares then outstanding, at an average price of \$27.91 per Common Share. Canfor repurchased an additional 1.1 million Common Shares at an average price of \$18.33 in the fourth quarter of 2018. See "*Information Concerning Canfor – Previous Purchases and Sales of Securities*".

At the time of the repurchases in the third quarter of 2018, Canfor's management and the Canfor Board were of the view that the repurchases were advisable based on prevailing market conditions and management's outlook for Canfor's business. The decision to repurchase Common Shares in the third quarter of 2018 was based on a comprehensive review process undertaken by Canfor's management based on Canfor's long term strategic plan, which forecasted an average Western SPF price of US\$495/mfbm, an average SYP price of US\$460/mfbm, and an average lumber EBITDA for Canfor of \$725 million over the following five years. Based on the foregoing, the Canfor Board supported repurchasing Common Shares as an appropriate means of returning capital to Shareholders.

The Common Share repurchases during the third quarter of 2018 also represented a continuation of Canfor's ordinary course return of capital to Shareholders. Canfor had regularly repurchased Common Shares since 2013, purchasing approximately \$400 million of Common Shares over this period. Though, in the context of Canfor's broader capital allocation strategy, Canfor has historically emphasized capital expenditures and acquisitions over Common Share repurchases. In the period from 2013 to the third quarter of 2019, Canfor incurred approximately \$1.8 billion on capital expenditures, \$1.0 billion on acquisitions and \$400 million on Common Share repurchases. The approximately \$400 million incurred for Common Share repurchases represents approximately 13% of the total capital incurred on capital expenditures, acquisitions and share repurchases over the aforementioned period.

Lumber and pulp market conditions have changed materially since the third quarter of 2018, including a moderation of North American housing growth and economic growth expectations, a significant reduction in benchmark commodity prices (average Western SPF and SYP prices were US\$356/mfbm and US\$410/mfbm, respectively, in the third quarter of 2019) and sector profitability. In addition, high log costs due to supply constraints has led to a structural imbalance in the forest industry in British Columbia, where a significant portion of Canfor's assets are located. Capacity rationalization is occurring in British Columbia with mill closures and curtailments. The Canfor Board is of the view that the rationalization occurring in British Columbia is structural in nature and differs from traditional industry cycles.

There continues to be limited visibility on a near term recovery of Western SPF and SYP prices. Also, it is unknown how long the challenging industry conditions will persist in British Columbia and uncertain when the structural imbalance will be resolved as a result of capacity rationalization. Canfor's projected average lumber EBITDA over the five year period from 2019 to 2023, as projected in the base case forecast contained in the Greenhill Valuation and Fairness Opinion, is \$304 million, which is a 58% decrease from the average lumber EBITDA of \$725 million over the same five year period estimated by Canfor's management in the third quarter of 2018. Consequently, the price paid by Canfor for Common Share repurchases in the third quarter of 2018 is not indicative of the current value of the Common Shares.

Greenhill Valuation and Fairness Opinion

The following is a summary of the Greenhill Valuation and Fairness Opinion with respect to the Arrangement. This summary is qualified in its entirety by, and should be read in conjunction with, the full text of the Greenhill Valuation and Fairness Opinion which is attached as Appendix E and incorporated by reference into this Circular.

The full text of the Greenhill Valuation and Fairness Opinion describes, among other things, the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken by Greenhill. Shareholders are encouraged to carefully read the Greenhill Valuation and Fairness Opinion in its entirety.

The Greenhill Valuation and Fairness Opinion was provided for the sole use of the Special Committee and may not be used by any other person or relied upon by any other person other than the Special Committee, or used for any other purpose, without the express prior written consent of Greenhill. **The Greenhill Valuation and Fairness Opinion is not intended to be, and does not constitute, a recommendation to any Shareholder as to whether or how such holder should vote in respect of the Arrangement Resolution or whether to take any other action with respect to the Arrangement or the Common Shares.** The Greenhill Valuation and Fairness Opinion addressed only

the valuation of the Common Shares, and the fairness, from a financial point of view, of the Consideration to be received by the Shareholders, other than Great Pacific and its Affiliates, under the Arrangement as of the date of the Greenhill Valuation and Fairness Opinion and did not address any other aspects of the Arrangement. The Greenhill Valuation and Fairness Opinion does not address the relative merits of the Arrangement as compared to other transactions or business strategies that might be available to Canfor or the underlying business decision of Canfor to effect the Arrangement or any related transactions.

Engagement of Greenhill

On August 15, 2019, Greenhill was invited to meet with the Special Committee and, on August 20, 2019, Greenhill presented its proposal with respect to providing a formal valuation of the Common Shares. Greenhill was formally engaged by the Special Committee through the Greenhill Engagement Agreement on August 26, 2019. The terms of the Greenhill Engagement Agreement provide for payment to Greenhill of a fixed fee of CDN\$750,000 upon delivery of a preliminary valuation analysis and a fixed fee of CDN\$900,000 upon delivery of the Greenhill Valuation and Fairness Opinion. No fees payable to Greenhill under the Greenhill Engagement Agreement are contingent upon the conclusions reached by Greenhill in the Greenhill Valuation and Fairness Opinion or in any subsequent financial opinion, or the completion of the Arrangement. Greenhill is also to be reimbursed for its reasonable out-of-pocket expenses, including fees paid to its legal counsel in respect of advice rendered to Greenhill in carrying out its obligations under the Engagement Agreement, and is to be indemnified by Canfor in certain circumstances.

Credentials of Greenhill

Greenhill, along with its affiliated entities, is a leading independent investment bank focused on providing financial advice on significant mergers, acquisitions, restructurings, financings and capital raising to corporations, partnerships, institutions and governments globally. It acts for clients located throughout the world from its offices in New York, Chicago, Dallas, Frankfurt, Hong Kong, Houston, London, Madrid, Melbourne, San Francisco, São Paulo, Singapore, Stockholm, Sydney, Tokyo and Toronto.

The Greenhill Valuation and Fairness Opinion is the opinion of Greenhill and its form and content has been approved by a committee of senior investment banking professionals of Greenhill, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

Independence of Greenhill

Neither Greenhill, nor any of its Affiliates is an insider, associate or Affiliate (as those terms are defined in the Securities Act) of Canfor, the Purchaser or any of their respective associates or Affiliates. Greenhill has not been engaged to provide any financial advisory services nor has it participated in any financing involving Canfor, the Purchaser or any of their respective associates or Affiliates, within the past two years, other than the services provided under the Greenhill Engagement Agreement. There are no understandings, agreements or commitments between Greenhill and either Canfor or the Purchaser or any of their respective associates or Affiliates with respect to any future business dealings. Greenhill may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for Canfor, the Purchaser or any of their respective associates or Affiliates. The compensation of Greenhill under the Greenhill Engagement Agreement does not depend in whole or in part on the conclusions reached in the Greenhill Valuation or the Greenhill Fairness Opinion or the successful outcome of the Arrangement.

Scope of Review and Assumptions and Limitations

The scope of review, matters considered, reviews undertaken and assumptions, limitations, restrictions and other qualifications of the Greenhill Valuation and Fairness Opinion are set forth in the full text of the Greenhill Valuation and Fairness Opinion attached as Appendix E. In particular, Greenhill has assumed the accuracy and completeness of the information and data publicly available, supplied or otherwise made available to, or reviewed by or discussed with, Greenhill, by or on behalf of Canfor, CPPI or otherwise used or reviewed by Greenhill, including projected financial and operational information for Canfor and CPPI for the fiscal quarter ended December 31, 2019 through the fiscal year ended December 31, 2025, originally received by Greenhill on August 27, 2019, prepared by officers of Canfor, as well as updates to this projected information made through diligence sessions held in-person and by telephone with

management of Canfor on various dates during August, September and October 2019. These projections further incorporate independent third party commodity price projections as further described in the full text of the Greenhill Valuation and Fairness Opinion attached as Appendix E. Greenhill has assumed that such information was reasonably prepared on a basis reflecting the best currently available public information and estimates, as well as good faith judgments of management of Canfor, and Greenhill has relied upon such information in arriving at its opinion.

Valuation Conclusion

The Greenhill Valuation contained Greenhill's opinion that, as at October 28, 2019, subject to the scope of review, assumptions, limitations, restrictions and other qualifications set out therein, the fair market value of the Common Shares was in the range of CDN\$14.24 per Common Share to CDN\$19.38 per Common Share.

Fairness Opinion

In connection with Greenhill's engagement as independent valuator, the Special Committee requested that Greenhill evaluate the fairness from a financial point of view of the Consideration to the Shareholders (other than Great Pacific and its Affiliates).

The Greenhill Fairness Opinion contained Greenhill's opinion that, as at October 28, 2019, and subject to the assumptions and qualifications set out therein, the Consideration is fair, from a financial point of view, to the Shareholders (other than Great Pacific and its Affiliates).

The Greenhill Valuation and the Greenhill Fairness Opinion were two of many factors considered by the Special Committee and the Canfor Board in their evaluation of the Arrangement and should not be viewed as determinative of the views of the Special Committee, the Canfor Board or Canfor's management with respect to the Arrangement or price provided for in the Arrangement.

Prior Valuations

To the knowledge of Canfor or any of the directors or senior officers of Canfor, after reasonable inquiry, there has been no "prior valuation" (as defined in MI 61-101) of Canfor, its Common Shares or its material assets in the 24 months prior to the date of this Circular.

Prior Offers

There has been no bona fide prior offer that relates to the subject matter of or is otherwise relevant to the Arrangement that was received by Canfor in the 24 months prior to October 28, 2019, the date of the Arrangement Agreement.

Approval of Arrangement Resolution

At the Meeting, Shareholders will be asked to approve the Arrangement Resolution, the full text of which is set out in Appendix A to this Circular. In order for the Arrangement to become effective, as provided in the Interim Order and by the BCA and MI 61-101, the Arrangement Resolution must receive the Required Approval. Should Shareholders fail to approve the Arrangement Resolution by the requisite majorities, the Arrangement will not be completed.

The Canfor Board has approved the Arrangement Agreement and the Plan of Arrangement and recommends that Shareholders vote FOR the Arrangement Resolution. See "*The Arrangement – Reasons for the Recommendations*" above.

Lock-Up Agreements

The following description of certain provisions of the Lock-Up Agreements is a summary only. The summary of certain provisions of the Lock-Up Agreements below and elsewhere in the Circular is not comprehensive and is

qualified in its entirety by reference to the full text of the Lock-Up Agreements, which are available under Canfor's issuer profile on SEDAR at www.sedar.com.

On October 28, 2019, concurrently with entering into the Arrangement Agreement, Great Pacific entered into the Lock-Up Agreements with all of the directors, other than Barbara Hislop, and senior officers of Canfor (together, the "**Supporting Shareholders**"). The Lock-Up Agreements set forth, among other things, the agreement of the Supporting Shareholders to vote the Subject Securities, or cause the same to be voted, in favour of the Arrangement Resolution or an Alternative Transaction, as defined in the Lock-Up Agreements. As at November 18, 2019, approximately 51% of the outstanding Common Shares were subject to the Lock-Up Agreements or are otherwise held by Great Pacific and its Affiliates.

Pursuant to the Lock-Up Agreements, each of the Supporting Shareholders agreed not to: (i) directly or indirectly exercise any securityholder rights or remedies available to the Shareholder, whether arising under statute, at common law or otherwise, to impede, frustrate, nullify, hinder, prevent, delay, upset or challenge the Arrangement, including the exercise of any Dissent Rights or other rights of dissent provided under any applicable Laws or otherwise in connection with the Arrangement or any other corporate transaction considered at the Meeting; (ii) solicit, assist, initiate, encourage or otherwise facilitate (including by way of furnishing information or entering into any form of written or oral agreement, arrangement or understanding) an Acquisition Proposal or the initiation of any inquiries or proposals that constitute, or may reasonably be expected to constitute or lead to, an Acquisition Proposal; (iii) enter into or otherwise engage or participate in, directly or indirectly, any discussions or negotiations with any Person (other than the Purchaser and its affiliates) regarding any inquiry, proposal or offer that constitutes, or may reasonably be expected to constitute or lead to, an Acquisition Proposal.

The Lock-Up Agreements also provide that the Supporting Shareholders further covenant and agree in favour of Great Pacific to vote or cause to be voted the Subject Securities against any Acquisition Proposal and any proposed action by Canfor, its securityholders or any other Person or group of Persons, which action could reasonably be expected to prevent or materially delay the successful completion of the Arrangement or result in a Material Adverse Effect at any meeting of the securityholders of Canfor called for the purpose of considering the same.

In addition, each of the Supporting Shareholders agreed not to, directly or indirectly: (i) transfer or assign or agree to sell, transfer or assign or grant to any Person any right or option to buy any of the Subject Securities or the voting rights attached thereto without the prior written consent of Great Pacific; (ii) except as provided for in the Lock-Up Agreement, grant or agree to grant any proxy, power of attorney or other right to vote the Subject Securities, or enter into any voting agreement, voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of shareholders or give consents or approval of any kind with respect to any of the Subject Securities; (iii) exercise the voting rights attaching to the Subject Securities to oppose any proposed action by Canfor, its shareholders or any other Person or group of Persons, which action could reasonably be expected to prevent or delay the successful completion of the Arrangement or result in a Material Adverse Effect; (iv) requisition or join in any requisition of any meeting of holders of any securities of Canfor that may be voted at the Meeting; (v) tender or otherwise deposit the Subject Securities to any tender offer or take-over bid made by any Person other than Great Pacific or the Purchaser; (vi) take any other action of any kind, directly or indirectly, which might reasonably be regarded as likely to reduce the success of, or materially delay or interfere with the completion of, the Arrangement; and (vii) do indirectly that which the Supporting Shareholder may not do directly by the terms of the Lock-Up Agreement, including through any Person directly or indirectly owned, controlled or directed by the Supporting Shareholder.

Notwithstanding the foregoing, if the Supporting Shareholder or its affiliate is a director or officer of Canfor, nothing contained in the Lock-Up Agreement will prevent the Supporting Shareholder or such affiliate from acting in his capacity as a director or officer of Canfor in accordance with the exercise of his or her fiduciary duties or other legal obligation to act in the best interests of Canfor or otherwise as permitted by the Arrangement Agreement.

The Lock-Up Agreements will terminate automatically upon the earliest of: (i) the Effective Time; (ii) termination of the Arrangement Agreement in accordance with its terms; and (iii) the Outside Date.

Court Approval of the Arrangement

An arrangement under the BCA involving Canfor requires approval by the Court.

Interim Order

On November 18, 2019, prior to the mailing of this Circular, Canfor obtained the Interim Order providing for the calling and holding of the Meeting, the Dissent Rights and certain other procedural matters. The full text of the Interim Order is set out in Appendix C to this Circular.

Final Order

Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by Shareholders at the Meeting in the manner required by the Interim Order, Canfor will re-attend before the Court for the issuance of the Final Order.

The application for the Final Order approving the Arrangement is currently scheduled for December 20, 2019 at 9:45 a.m. (Vancouver time), or as soon thereafter as counsel may be heard, at the Courthouse, 800 Smithe Street, Vancouver, British Columbia, or at any other date and time as the Court may direct.

The Court has broad discretion under the BCA when making orders with respect to the Arrangement and will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, on the terms presented or substantially on those terms. Depending upon the nature of any required amendments, Canfor and/or the Purchaser may determine not to proceed with the Arrangement.

For further information regarding the Court hearing and the rights of Shareholders in connection with the Court hearing, see the Interim Order attached at Appendix C to this Circular and the issued Notice of Hearing of Petition for Final Order attached at Appendix B to this Circular. The Notice of Hearing of Petition for Final Order constitutes notice of the Court hearing of the application for the Final Order and is the only such notice of that proceeding.

Completion of the Arrangement

To be effective, the Arrangement Resolution must receive the Required Approval. The following procedural steps must be taken in order for the Arrangement to become effective following approval of the Shareholders: (a) the Court must grant the Final Order approving the Arrangement; and (b) all conditions precedent to the Arrangement further described in the Arrangement Agreement must be satisfied or waived by the appropriate party.

Subject to the provisions of the Arrangement Agreement, the Arrangement will become effective at 12:01 a.m. (Vancouver time) on the Effective Date. Completion of the Arrangement is anticipated to occur on or about December 30, 2019; however, it is possible that completion may be delayed beyond this date if the conditions to completion of the Arrangement cannot be met on a timely basis, but in no event shall completion occur later than January 31, 2020, unless extended by mutual agreement between Canfor and the Purchaser in accordance with the terms of the Arrangement Agreement.

Interests of Certain Persons in the Arrangement

The Arrangement constitutes a "business combination" under MI 61-101. Great Pacific, together with Great Pacific Capital Investments Inc. and 4123221 Canada Inc., all of which are owned directly or indirectly by James Pattison, currently own 63,728,722 Common Shares, representing approximately 51% of the outstanding Common Shares. See "*The Arrangement – Securities Law Matters – Multilateral Instrument 61-101*".

For a description of the shareholdings of the directors and senior officers of Canfor and their respective associates and Affiliates, see "*Voting Securities and Principal Holders Thereof*".

Securities Law Matters

Status of Canfor Under Securities Laws

The Common Shares are currently listed on the TSX under the symbol "CFP". If permitted by applicable Law, Canfor expects to be de-listed from the TSX following the Effective Date. Following the Effective Date, Canfor will also seek to be deemed to have ceased to be a reporting issuer (or to be exempt from the requirements applicable to reporting issuers) under the securities legislation of each of the provinces in Canada under which it is currently a reporting issuer. As a result, Canfor will no longer be subject to the ongoing disclosure and other obligations currently imposed upon it under such legislation.

Multilateral Instrument 61-101

Canfor is a reporting issuer (or its equivalent) in Ontario (among other provinces) and accordingly, the Arrangement is subject to the requirements of MI 61-101.

MI 61-101 is intended to regulate certain transactions to ensure equality of treatment among securityholders, generally requiring enhanced disclosure, approval by a majority of securityholders excluding interested or related parties, independent valuations and, in certain instances, approval and oversight of the transaction by a special committee of independent directors. The protections of MI 61-101 apply to a reporting issuer proposing to carry out a "business combination" (as defined in MI 61-101).

A transaction such as the Arrangement constitutes a "business combination" for purposes of MI 61-101 if, among other things, at the time the Arrangement is agreed to, a "related party" of Canfor, such as a director or senior officer or a 10% shareholder would, as a consequence of the Arrangement, directly or indirectly, acquire Canfor or the business of Canfor.

Since Great Pacific and its Affiliates currently hold 63,728,722 Common Shares, representing approximately 51% of the outstanding Common Shares, and the Purchaser is making an offer to acquire all of the outstanding Common Shares, the Arrangement constitutes a "business combination" for the purposes of MI 61-101 and both Great Pacific and the Purchaser constitute "related parties" and "interested parties" for purposes of MI 61-101.

There are no change of control payments, severance payments and/or other benefits that Canfor may become obligated to make to its senior officers or directors in connection with the completion of the Arrangement.

Minority Approval Requirements

MI 61-101 requires that, in addition to any other required securityholder approval, a business combination must be approved by a simple majority of the votes cast by "minority" securityholders of each class of affected securities (which in the case of Canfor consists only of Common Shares), voting separately as a class. In relation to the Arrangement and for purposes of the Required Approval for the Arrangement, the "minority" securityholders of Canfor are all Shareholders other than the Excluded Shareholders.

Accordingly, the votes cast in respect of Common Shares that are beneficially owned by the Excluded Shareholders, being: (i) Great Pacific and its Affiliates (63,728,722 Common Shares); (ii) Glen Clark (2,000 Common Shares); and (iii) Ryan Barrington-Foote (0 Common Shares) (collectively representing, in aggregate, approximately 51% of the outstanding Common Shares) will be excluded for the purpose of determining if the Arrangement Resolution has been approved by the Minority Shareholders. The requirement to obtain the approval of the Minority Shareholders is in addition to the requirement that the Arrangement Resolution must be approved by 66 ²/₃% of the votes cast at the Meeting by the Shareholders present in person or represented by proxy at the Meeting and entitled to vote thereat.

Formal Valuation Requirements

MI 61-101 also provides that, unless an exemption is available, a reporting issuer proposing to carry out a business combination is required to obtain a formal valuation of the affected securities from a qualified independent valuator and to provide the holders of the "affected securities" (as defined in MI 61-101) with a summary of such valuation. For the purposes of the Arrangement, the Common Shares are considered "affected securities" within the meaning of MI 61-101.

The Special Committee determined that Greenhill was a qualified independent valuator, selected Greenhill, supervised the preparation of the Greenhill Valuation, and obtained a formal valuation from Greenhill in accordance with MI 61-101. The Greenhill Valuation and Fairness Opinion is attached to this Circular as Appendix E. See "***The Arrangement – Greenhill Valuation and Fairness Opinion***".

Dissent Rights

Shareholders may exercise Dissent Rights from the Arrangement Resolution pursuant to and in the manner set forth under the BCA, as modified by the Plan of Arrangement and the Interim Order, provided that the written objection to the Arrangement Resolution must be sent to Canfor by holders who wish to dissent and received by Canfor not later than 5:00 p.m. (Vancouver time) on the date that is two Business Days immediately prior to the Meeting or any date to which the Meeting may be postponed or adjourned.

Dissent Rights to the Arrangement Resolution for Shareholders

The following is a summary of the provisions of the BCA relating to a Shareholder's Dissent Rights in respect of the Arrangement Resolution. This summary is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of its Common Shares and is qualified in its entirety by reference to the full text of Division 2 of Part 8 of the BCA, which is attached to this Circular as Appendix F.

The Interim Order expressly provides Registered Shareholders with Dissent Rights with respect to the Arrangement Resolution. Each Dissenting Shareholder is entitled to be paid the fair value (determined as of the close of business on the day before the Arrangement Resolution is voted on at the Meeting) of all, but not less than all, of such Shareholder's Common Shares, provided that such Shareholder duly dissents to the Arrangement Resolution and the Arrangement becomes effective. Anyone who is a Non-Registered Shareholder and who wishes to dissent should be aware that only Registered Shareholders are entitled to exercise Dissent Rights. A Registered Shareholder who holds Common Shares as an Intermediary for one or more Non-Registered Shareholder(s), one or more of whom wish to exercise Dissent Rights, must exercise such Dissent Rights on behalf of such Non-Registered Shareholder(s). In such case, the notice should specify the number of Common Shares held by the Intermediary for such Non-Registered Shareholder(s). A Dissenting Shareholder may dissent only with respect to all the Common Shares held on behalf of any one Non-Registered Shareholder and registered in the name of the Dissenting Shareholder.

Dissenting Shareholders who: (a) are ultimately entitled to be paid fair value for their Common Shares, which fair value shall be the fair value of such shares immediately before the passing by the Shareholders of the Arrangement Resolution, shall be paid an amount equal to such fair value by the Purchaser and shall be deemed to have transferred their Common Shares to the Purchaser in accordance with the Plan of Arrangement; or (b) are ultimately not entitled, for any reason, to be paid fair value for their Common Shares shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting Shareholder and shall be entitled to receive only the Consideration that such Shareholder would have received pursuant to the Arrangement if such holder had not exercised Dissent Rights, but in no case shall the Purchaser, Canfor or any other person be required to recognize Dissenting Shareholders as Shareholders after the time that is immediately prior to the Effective Time, and the names of such Dissenting Shareholders shall be deleted from the central securities register as Shareholders at the Effective Time and the Purchaser shall be recorded as the registered holder of the Common Shares so transferred and such shares will be cancelled. There can be no assurance that a Dissenting Shareholder will receive consideration for its Common Shares of equal or greater value to the Consideration that such Dissenting Shareholder would have received under the Arrangement.

A Dissenting Shareholder's written objection to the Arrangement Resolution must be received by Canfor not later than 5:00 p.m. (Vancouver time) two Business Days immediately preceding the date of the Meeting or any adjournment or

postponement thereof. Such written objection should be delivered c/o DLA Piper (Canada) LLP, 2800 Park Place, 666 Burrard Street, Vancouver, British Columbia V6C 2Z7, Attention: Brian Hiebert.

The discussion above is only a summary of the Dissent Rights, which are technical and complex. A Shareholder who intends to exercise Dissent Rights must strictly adhere to the procedures established in Division 2 of Part 8 of the BCA, as modified by Article 3 of the Plan of Arrangement and the Interim Order, and failure to do so may result in the loss of all Dissent Rights. The full text of sections 237 to 247 of the BCA is attached to this Circular as Appendix F. Persons who are beneficial shareholders of Common Shares registered in the name of an Intermediary, or in some other name, who wish to exercise Dissent Rights should be aware that only the registered owner of such Common Shares is entitled to dissent.

Any Dissenting Shareholder should seek independent legal advice, as a failure to comply strictly with the provisions of sections 237 to 247 of the BCA, as modified by Article 3 of the Plan of Arrangement and the Interim Order, may result in the loss of all Dissent Rights.

Source of Funds for the Arrangement

Under the terms of the Arrangement, CDN\$16.00 per Common Share is expected to be paid by the Purchaser to acquire all the Common Shares not owned by the Purchaser and its Affiliates (assuming no Registered Shareholders exercise their Dissent Rights). Shareholders will receive the Consideration (less any applicable withholdings) in exchange for their Common Shares.

The Purchaser has represented and warranted to Canfor in the Arrangement Agreement that the Purchaser has sufficient funds or has made adequate arrangements to have financing in place in order to provide sufficient funds to pay the aggregate Consideration in accordance with the terms of the Arrangement, and such financing is not subject to any other conditions other than the conditions set out in Article 6 of the Arrangement Agreement.

Effects on Canfor if the Arrangement is Not Completed

If the Arrangement Resolution is not approved by the Shareholders or if the Arrangement is not completed for any other reason, Shareholders will not receive any payment for any of their Common Shares in connection with the Arrangement and Canfor will remain a reporting issuer and the Common Shares will continue to be listed on the TSX. See "*Risk Factors – Risks Relating to the Arrangement*".

PROCEDURE FOR PAYMENT OF CONSIDERATION

Letter of Transmittal

A Letter of Transmittal printed on blue paper is being mailed, together with this Circular, to each person who was a Registered Shareholder on the Record Date. Each such Registered Shareholder must forward a properly completed and signed Letter of Transmittal, with accompanying Common Share certificate(s), if applicable, in order to receive the Consideration which such Shareholder is entitled to receive under the Arrangement. It is recommended that Registered Shareholders complete, sign and return the Letter of Transmittal, with accompanying Common Share certificate(s), if applicable, to the Depositary as soon as possible.

Shareholders whose Common Shares are registered in the name of a broker, investment dealer, bank, trust company, trustee or other intermediary or nominee should contact that intermediary or nominee for assistance in depositing their Common Shares and should follow the instructions of such intermediary or nominee in order to deposit their Common Shares.

Exchange Procedure

Registered Shareholders

In order to receive the Consideration which a Registered Shareholder is entitled to receive if the Arrangement Resolution is passed and the Arrangement is completed, a Registered Shareholder must complete, sign, date and return

the enclosed blue Letter of Transmittal in accordance with the instructions set out therein and in this Circular. The Letter of Transmittal is also available from the Depository, AST Trust Company (Canada), by telephone at: (i) 1-800-387-0825 (North American Toll Free) or 1-416-682-3860 (outside North America); or (ii) under Canfor's issuer profile on SEDAR at www.sedar.com.

Prior to the Effective Date, the Purchaser will deposit with the Depository to be held in escrow the aggregate amount of the Consideration payable pursuant to the Arrangement. The Depository will act as the agent of Registered Shareholders who have deposited Common Shares pursuant to the Arrangement for the purpose of receiving the Consideration and transmitting a cheque representing the Consideration payable to such persons.

Upon surrender to the Depository of the certificate(s) that immediately prior to the Effective Time represented Common Shares, and a duly completed Letter of Transmittal and such other documents as the Depository may require, a Former Common Shareholder (other than a Dissenting Shareholder) will be entitled to receive the Consideration such Former Common Shareholder is entitled to receive under the Arrangement in exchange therefor. As soon as practicable after the Effective Time, the Depository will deliver to such Former Common Shareholder a cheque in such amount.

In the event of a transfer of ownership of Common Shares which is not registered in the securities register of Canfor, the Consideration for such Common Shares may be delivered to the transferee if a certificate representing such Common Shares is presented to the Depository as provided above, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable share transfer taxes have been paid.

At any time after the Effective Time, any certificate(s) that, immediately prior to the Effective Time, represented Common Shares will be deemed to, subject to certain exceptions, represent only the right to receive upon surrender the Consideration to which the holder of such certificate(s) is entitled.

The Letter of Transmittal contains complete instructions on how to exchange the certificate(s) representing Common Shares and how Shareholders will receive the Consideration payable to them under the Arrangement. Shareholders should return properly completed documents, including the Letter of Transmittal, to the Depository. Shareholders with questions regarding the deposit of Common Shares should contact the Depository by telephone at: 1-800-387-0825 (North American Toll Free) or 1-416-682-3860 (outside North America). Further information with respect to the Depository is set forth in the Letter of Transmittal. In order to receive the Consideration payable to them under the Arrangement as soon as possible after the closing of the Arrangement, Registered Shareholders should submit certificate(s) representing their Common Shares and the Letter of Transmittal to the Depository.

Registered Shareholders will not actually receive their Consideration until the Arrangement has been completed and they have returned their properly completed documents, including the Letter of Transmittal and certificate(s) representing their Common Shares, to the Depository.

In the event any certificate, which, immediately before the Effective Time, represented one or more outstanding Common Shares in respect of which the holder was entitled to receive the Consideration pursuant to the Arrangement, is lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder claiming such certificate to be lost, stolen or destroyed and the provision of any other documentation as the Depository may reasonably require, the Depository will deliver in exchange for such lost, stolen or destroyed certificate, the Consideration to which such Registered Shareholder is entitled pursuant to the Arrangement. When authorizing such delivery of the Consideration which such holder is entitled to receive in exchange for such lost, stolen or destroyed certificate, the holder to whom such cash is to be delivered shall give a bond satisfactory to the Purchaser and the Depository in such sum as the Purchaser and the Depository may direct or otherwise indemnify the Purchaser and the Depository in a manner satisfactory to each of them against any claim that may be made against the Purchaser or the Depository with respect to the certificate alleged to have been lost, stolen or destroyed, and shall otherwise take such actions as may be required by the Purchaser and the Depository.

Where a certificate representing Common Shares has been destroyed, lost or stolen, the Registered Shareholder of that certificate should immediately contact the Depository, AST Trust Company (Canada), by telephone at: 1-800-387-0825 (North American Toll Free) or 1-416-682-3860 (outside North America).

Non-Registered Shareholders

The exchange of Common Shares for the Consideration in respect of Non-Registered Shareholders is expected to be made with the Non-Registered Shareholder's broker, securities dealer, trust, corporation or other intermediary account through the procedures in place for such purposes between CDS and such Intermediaries. Non-Registered Shareholders should contact their Intermediary if they have any questions regarding this process and to arrange for their Intermediary to complete the necessary steps to ensure that they receive payment for their Common Shares as soon as possible following completion of the Arrangement.

See "*The Arrangement – Principal Steps of the Arrangement*".

Limitation and Proscription

To the extent that a Former Common Shareholder has not complied with the provisions of the Arrangement described under the heading "*Procedure for Payment of Consideration – Exchange Procedure*" on or before the date that is six (6) years after the Effective Date (the "**Final Proscription Date**"), then such Former Common Shareholder's interest in the Consideration which such Former Common Shareholder was entitled to receive shall be forfeited to the Purchaser as of such Final Proscription Date and the Former Common Shareholder will thereafter have no right to receive the Consideration.

The foregoing information is a summary only. For further details of procedures, see the Plan of Arrangement attached as Appendix D to this Circular.

Withholding Rights

Canfor, the Depository, or the Purchaser, as the case may be, shall be entitled to deduct and withhold from any amount otherwise payable pursuant to the Plan of Arrangement to any holder of Common Shares, such amounts as are required to be deducted and withheld with respect to the making of such payment under the Tax Act, the Code, or any provision of local, state, provincial or foreign tax Law, in each case, as amended, or the administrative practice of the relevant Governmental Entity administering such Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of the Arrangement Agreement and the Plan of Arrangement as having been paid to the former holder of the Common Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority within the time required and in accordance with applicable Laws.

THE ARRANGEMENT AGREEMENT

The Arrangement will be carried out pursuant to the Arrangement Agreement and the Plan of Arrangement. The summary of certain provisions of the Arrangement Agreement below and elsewhere in the Circular is not comprehensive and is qualified in its entirety by reference to the full text of the Arrangement Agreement, which is available under Canfor's issuer profile on SEDAR at www.sedar.com, and the full text of the Plan of Arrangement, which is attached to this Circular as Appendix D and available under Canfor's issuer profile on SEDAR at www.sedar.com. This summary may not contain all of the information about the Arrangement Agreement and the Plan of Arrangement that is important to Shareholders. Shareholders are encouraged to carefully read the Arrangement Agreement and the Plan of Arrangement in their entirety.

The following summary is not intended to provide factual information about Canfor, the Purchaser or Great Pacific or any of their respective Subsidiaries or Affiliates. The Arrangement Agreement contains representations and warranties by the Parties which were made only for purposes of that agreement and as of specific dates. The assertions embodied in those representations and warranties are qualified by information in all documents publicly filed under the profile of Canfor on SEDAR since December 31, 2017 which were publicly available as of October 28, 2019 (the "Canfor Filings"), and by information in the disclosure letter executed by Canfor and delivered to the Purchaser on October 28, 2019 in connection with the execution of the Arrangement Agreement (the "Canfor Disclosure Letter"). Accordingly, Shareholders should not rely on the representations and warranties as characterizations of the actual state of facts, since they are modified in important parts by the Canfor Filings and the Canfor Disclosure Letter. The Canfor Disclosure Letter contains

information that has been included in Canfor's general prior public disclosures, as well as potential additional non-public information. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Arrangement Agreement, which subsequent information may or may not be fully reflected in the public record.

On October 28, 2019, Canfor, the Purchaser and Great Pacific entered into the Arrangement Agreement pursuant to which Great Pacific will, through the Purchaser, acquire all of the outstanding Common Shares not already held by Great Pacific or its Affiliates, for CDN\$16.00 in cash per Common Share pursuant to the Arrangement, subject to the terms and conditions in the Arrangement Agreement.

Effective Date of the Arrangement

The Arrangement will become effective on the date upon which the Purchaser and Canfor agree in writing as the Effective Date or, in the absence of such agreement, four Business Days following the satisfaction or waiver of all conditions to completion of the Arrangement set out in the Arrangement Agreement (excluding conditions that, by their terms, cannot be satisfied until the Effective Date, but subject to the satisfaction or, where not prohibited, waiver, of those conditions as of the Effective Date by the applicable Party for whose benefit such conditions exist).

The Effective Date could be earlier than anticipated or could be delayed, subject to the Outside Date, for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order.

Representations and Warranties

The Arrangement Agreement contains a number of representations and warranties of Canfor customary for a transaction of this type relating to: (a) the Greenhill Valuation and Fairness Opinion, and directors' approvals; (b) organization and qualification; (c) authority; (d) no violation; (e) governmental approvals; (f) capitalization; (g) ownership of Subsidiaries; (h) reporting status and Securities Laws matters; (i) public filings; (j) financial statements; (k) books and records; (l) minute books; (m) no undisclosed liabilities; (n) no material change; (o) litigation; (p) taxes; (q) tenures; (r) property; (s) material contracts; (t) permits; (u) environmental matters; (v) compliance with laws; (w) employment and labour matters; (x) First Nations claims; (y) intellectual property; (z) related party transactions; (aa) brokers; (bb) minority approval; and (cc) insurance.

In addition, the Arrangement Agreement contains certain representations and warranties of Great Pacific and the Purchaser customary for a transaction of this type relating to: (a) organization and qualification; (b) authority; (c) no violation; (d) governmental approvals; (e) litigation; (f) sufficient funds; (g) ownership of securities; and (h) brokers.

The representations and warranties of Canfor, the Purchaser and Great Pacific contained in the Arrangement Agreement will terminate at the earlier of the Effective Time and the date on which the Arrangement Agreement is terminated in accordance with its terms.

Covenants

Covenant of Canfor Relating to the Conduct of Business

Canfor has agreed to a covenant requiring that, during the period between October 28, 2019 and the earlier of the Effective Time and the termination of the Arrangement Agreement, Canfor will, except with the express prior written consent of the Purchaser, conduct its business, and cause each of its Subsidiaries to conduct its business, in the ordinary course.

Mutual Covenants Relating to the Arrangement

Each of Canfor and the Purchaser has agreed to usual and customary covenants relating to the Arrangement for an agreement of this nature, including to use its commercially reasonable efforts to take or cause to be taken all actions and to do or cause to be done all things necessary, proper or advisable under Law to consummate the Arrangement, including:

- (a) to use its commercially reasonable efforts to satisfy, or cause the satisfaction of, all conditions precedent in the Arrangement Agreement (to the extent such conditions precedent are within the control of the applicable Party);
- (b) to carry out the terms of the Interim Order and Final Order applicable to it;
- (c) to comply promptly with all requirements imposed by Law on it (or its Subsidiaries in the case of Canfor) with respect to the Arrangement Agreement and the Arrangement;
- (d) to, in the case of Canfor, use its commercially reasonable efforts to obtain and maintain (A) all consents, waivers or approvals that are required to be obtained from a party to any material contract or any tenure in connection with the Arrangement or are required in order to maintain all material contracts and all tenures in full force and effect following completion of the Arrangement, and (B) all authorizations that are required to be obtained by Canfor under Law relating to the Arrangement, in each case on terms reasonably satisfactory to Great Pacific, and without paying, and without committing itself or the Purchaser to pay, any non *de minimis* consideration or incur any non *de minimis* liability or obligation without the prior written consent of the Purchaser;
- (e) to, in the case of the Purchaser, use its commercially reasonable efforts to obtain and maintain all authorizations that are required to be obtained by the Purchaser under Law relating to the Arrangement and use its commercially reasonable efforts to assist and cooperate with Canfor and its Subsidiaries in obtaining and maintaining the consents, waivers, approvals and authorizations which Canfor is required to obtain and maintain;
- (f) to use its commercially reasonable efforts to effect all necessary registrations, filings and submissions of information required by Governmental Entities from it (and its Subsidiaries in the case of Canfor) relating to the Arrangement;
- (g) to use its commercially reasonable efforts to oppose, lift or rescind any injunction, restraining or other order, decree or ruling relating to it seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement and defend, or cause to be defended, any proceedings to which it is a party or brought against it challenging the Arrangement or the Arrangement Agreement; and
- (h) to not take any action, or refrain from taking any commercially reasonable action, or permitting any action to be taken or not taken, which is inconsistent with the Arrangement Agreement or which would reasonably be expected to prevent, materially delay or otherwise materially impede the consummation of the Arrangement or the transactions contemplated by the Arrangement Agreement.

Pre-Acquisition Reorganization Covenant

In the Arrangement Agreement, Canfor has agreed to, upon request by the Purchaser, use its commercially reasonable efforts to effect such reorganizations of Canfor's corporate structure, capital structure, business, operations and assets or such other transactions of Canfor as the Purchaser may request, acting reasonably (each, a "**Pre-Acquisition Reorganization**") and cooperate with the Purchaser and its advisors to determine the nature of the Pre-Acquisition Reorganizations that might be undertaken and the manner in which they most effectively could be undertaken. Canfor will not be obligated to participate in any Pre-Acquisition Reorganization unless, in the opinion of Canfor, acting reasonably and in good faith, such Pre-Acquisition Reorganization:

- (a) can be unwound in the event the Arrangement is not consummated without adversely affecting Canfor in any material manner;
- (b) is not prejudicial to Canfor, its Subsidiaries or the Shareholders in any material respect;

- (c) does not impair the ability of Canfor to consummate, and will not materially delay the consummation of, the Arrangement;
- (d) does not require Canfor to obtain the prior approval of the Shareholders or any third party;
- (e) occurs as close as reasonably practicable prior to the Effective Time (and to the extent reasonably practicable, immediately prior to the Effective Date); and
- (f) does not result in any material breach by Canfor or any of its Subsidiaries of any Contract (assuming consent is not obtained) or any breach by Canfor or any of its Subsidiaries of their respective organizational documents or Law.

The Purchaser has agreed that it will be responsible for all costs and expenses associated with effecting any Pre-Acquisition Reorganization and will indemnify and save harmless Canfor and Canfor's Subsidiaries from and against any and all liabilities, losses, damages, claims, costs, expenses, interest awards, judgements and penalties Canfor and Canfor's Subsidiaries incur in connection with or as a result of any such Pre-Acquisition Reorganization (including in respect of any reversal, modification or termination of a Pre-Acquisition Reorganization).

Covenants of Canfor Regarding Non-Solicitation

Canfor has agreed to certain customary non-solicitation covenants in favour of the Purchaser in the Arrangement Agreement. Canfor has agreed that it and its Subsidiaries will not, directly or indirectly through any officer, director, employee, representative (including any financial or other adviser) or agent of Canfor or any of its Subsidiaries (collectively, the "**Representatives**") or of any of Canfor's Subsidiaries, and will not permit any such Person to:

- (a) solicit, assist, initiate, knowingly encourage or otherwise knowingly facilitate, (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of Canfor or any of its Subsidiaries or entering into any form of agreement, arrangement or understanding) any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal;
- (b) enter into or otherwise engage or participate in any discussions or negotiations with any Person (other than the Purchaser and its Affiliates or their representatives) regarding any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, it being acknowledged and agreed that, Canfor may (A) advise a Person of the restrictions of the Arrangement Agreement and (B) advise a Person that has made an Acquisition Proposal that such Acquisition Proposal does not constitute a Superior Proposal;
- (c) make a Change in Recommendation; or
- (d) accept or enter into or publicly propose to accept or enter into any Contract in respect of an Acquisition Proposal (other than a confidentiality agreement permitted by and in accordance with the Arrangement Agreement).

Notification of Acquisition Proposals

Canfor has agreed that if it, any of its Subsidiaries or any of their respective Representatives receives or otherwise becomes aware of any bona fide inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, or any request for copies of, access to, or disclosure of, confidential information, properties, facilities, books or records of Canfor or any of its Subsidiaries, Canfor will notify the Purchaser. Such notice of an Acquisition Proposal, inquiry, proposal or request will be first orally promptly and in any event within 24 hours, and then in writing promptly and in any event by the next Business Day, and will include a description of its material terms and conditions, the identity of all Persons making the Acquisition Proposal, inquiry, proposal, offer or request, and copies of all material or substantive documents, correspondence or other material received in respect of, from or on behalf of any such Person in connection therewith and if not in writing or electronic form, a

description of the material terms of such correspondence sent or communicated to Canfor by or on behalf of any Person making any such Acquisition Proposal, inquiry, proposal, offer or request.

Canfor has also agreed to, promptly and fully, keep the Purchaser informed of the status of developments and negotiations with respect to such Acquisition Proposal, inquiry, proposal, offer or request, including any material or substantive changes, modifications or other amendments to any such Acquisition Proposal, inquiry, proposal, offer or request.

Canfor's Ability to Respond to Acquisition Proposals

Notwithstanding Section 5.01 of the Arrangement Agreement (which is described under the heading "*The Arrangement Agreement – Covenants - Covenants of Canfor Regarding Non-Solicitation*") or any other provision of the Arrangement Agreement, if at any time, prior to the approval by the Shareholders of the Arrangement Resolution, Canfor receives a written Acquisition Proposal, Canfor may:

- (a) contact the Person making such Acquisition Proposal and its representatives for the purpose of clarifying such Acquisition Proposal so as to determine whether such Acquisition Proposal constitutes, or could reasonably be expected to constitute or lead to, a Superior Proposal; and
- (b) engage in or participate in discussions or negotiations with, such Person regarding such Acquisition Proposal, and may provide copies of, access to, or disclosure of confidential information, properties, facilities, books or records of Canfor or its Subsidiaries, if and only if:
 - (i) the Canfor Board first determines in good faith, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal constitutes or could reasonably be expected to constitute or lead to a Superior Proposal;
 - (ii) Canfor has been, and continues to be, in compliance in all material respects with its obligations under Article 5 of the Arrangement Agreement (which is described under the heading and subheadings of "*The Arrangement Agreement – Covenants - Covenants of Canfor Regarding Non-Solicitation*");
 - (iii) prior to providing any such copies, access, or disclosure, Canfor enters into a customary confidentiality agreement (which for certainty, does not restrict Canfor from complying with Article 5 of the Arrangement Agreement) with such Person and any such copies, access or disclosure provided to such Person will have already been (or simultaneously be) provided to the Purchaser; and
 - (iv) Canfor promptly provides the Purchaser with (A) prior written notice stating Canfor's intention to participate in such discussions or negotiations and to provide such copies, access or disclosure; and (B) prior to providing any such copies, access or disclosure, a true, complete and final executed copy of the confidentiality agreement referred to in item (b)(iii) above.

The Purchaser's Right to Match

If Canfor receives an Acquisition Proposal that constitutes a Superior Proposal prior to the approval of the Arrangement Resolution by the Shareholders, the Canfor Board may, subject to compliance with Section 9.02 of the Arrangement Agreement (which is described under the heading "*The Arrangement Agreement – Termination – Canfor Termination Payment*"), enter into a definitive agreement with respect to such Acquisition Proposal, if and only if:

- (a) Canfor has been and continues to be in compliance in all material respects with its obligations under Article 5 of the Arrangement Agreement;
- (b) the Canfor Board has determined in good faith, after consultation with Canfor's outside legal counsel and financial advisers, that the Acquisition Proposal constitutes a Superior Proposal;

- (c) Canfor has delivered to the Purchaser a written notice of the determination of the Canfor Board that such Acquisition Proposal constitutes a Superior Proposal and of the intention of the Canfor Board to enter into such definitive agreement with respect to such Superior Proposal (the "**Superior Proposal Notice**");
- (d) Canfor has provided the Purchaser a copy of the proposed definitive agreement for the Superior Proposal including the identity of the Person making the Superior Proposal;
- (e) at least five Business Days (the "**Matching Period**") have elapsed from the date that is the later of the date on which the Purchaser received the Superior Proposal Notice and the date on which the Purchaser received a copy of the proposed definitive agreement for the Superior Proposal, including the identity of the Person making the Superior Proposal;
- (f) during any Matching Period, the Purchaser has had the opportunity (but not the obligation), to offer to amend in writing the Arrangement Agreement and the Arrangement in order for such Acquisition Proposal to cease to be a Superior Proposal;
- (g) if the Purchaser has offered to amend the Arrangement Agreement and the Arrangement, and the Canfor Board has determined in good faith, after consultation with Canfor's outside legal counsel and financial advisers, that such Acquisition Proposal continues to constitute a Superior Proposal compared to the terms of the Arrangement as proposed to be amended by the Purchaser; and
- (h) prior to or simultaneously with entering into such definitive agreement Canfor terminates the Arrangement Agreement and pays CDN\$1,500,000 (the "**Fee Amount**") in accordance with the Arrangement Agreement's terms.

During the Matching Period, or such longer period as Canfor may approve in writing: (i) the Canfor Board will review any offer made by the Purchaser to amend the terms of the Arrangement Agreement and the Arrangement in order to determine whether such offer would, upon acceptance, result in the Acquisition Proposal previously constituting a Superior Proposal ceasing to be a Superior Proposal; and (ii) Canfor will negotiate in good faith with the Purchaser to make such amendments to the terms of the Arrangement Agreement and the Arrangement as would enable the Purchaser to proceed with the transactions contemplated by the Arrangement Agreement on such amended terms. If the Canfor Board determines that such Acquisition Proposal would cease to be a Superior Proposal, Canfor will promptly advise the Purchaser and Canfor and the Purchaser will amend the Arrangement Agreement to reflect the written offer made by the Purchaser, and will take and cause to be taken all such actions as are necessary to give effect to the foregoing.

Each successive amendment or modification to any Acquisition Proposal will constitute a new Acquisition Proposal, and the Purchaser will be afforded a new five Business Day Matching Period from the later of the date on which the Purchaser received the Superior Proposal Notice and the date on which the Purchaser received all of the material with respect to such new Superior Proposal from Canfor.

The Canfor Board will promptly reaffirm the board recommendation by press release after any Acquisition Proposal which is not determined to be a Superior Proposal is publicly announced or the Canfor Board determines that a proposed amendment to the terms of the Arrangement Agreement would result in an Acquisition Proposal no longer being a Superior Proposal. Canfor will provide the Purchaser and its outside legal counsel with a reasonable opportunity to review the form and content of any such press release and will make all reasonable amendments to such press release as requested by the Purchaser and its outside legal counsel. If Canfor provides a Superior Proposal Notice to the Purchaser after a date that is less than ten Business Days before the Meeting, Canfor will either proceed with or will postpone or adjourn the Meeting, as directed by the Purchaser, acting reasonably, to a date that is not more than ten Business Days after the scheduled date of the Meeting, provided, however, that the Meeting will not be postponed to a date that is later than the seventh Business Day prior to the Outside Date.

Conditions to the Arrangement Becoming Effective

Mutual Conditions Precedent

The Parties are not required to complete the Arrangement unless each of the following conditions is satisfied on or prior to the Effective Time, which conditions may only be waived, in whole or in part, by the mutual consent in writing of each of the Parties:

- (a) the Interim Order and the Final Order shall have each been obtained on terms consistent with the Arrangement Agreement, and have not been set aside or modified in a manner unacceptable to either Canfor or the Purchaser, each acting reasonably, on appeal or otherwise;
- (b) the Arrangement Resolution shall have been approved and adopted by Shareholders at the Meeting held in accordance with the Interim Order; and
- (c) there shall not be in force any Law that makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins Canfor or the Purchaser and/or its Affiliates from consummating the Arrangement.

Conditions in Favour of Canfor

The obligation of Canfor to complete the Arrangement is subject to the fulfillment of each of the following conditions precedent, on or before the Effective Time:

- (a) the representations and warranties made by the Purchaser and Great Pacific, as applicable, in the Arrangement Agreement will be true and correct in all respects, without regard to any materiality qualifications contained in them, as of the Effective Time as though made at and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which will be determined as of that specified date), except where the failure or failures of all such representations and warranties to be so true and correct in all respects would not prevent, enjoin or materially hinder or delay the consummation of the Arrangement;
- (b) each of Great Pacific and the Purchaser will have fulfilled or complied in all material respects with all of the covenants of Great Pacific and the Purchaser, as applicable, contained in the Arrangement Agreement to be fulfilled or complied with by it on or prior to the Effective Time; and
- (c) the Purchaser will have irrevocably deposited or caused to be deposited with the Depositary sufficient funds to effect payment in full of the aggregate Consideration payable pursuant to the Arrangement, and Canfor will have received written confirmation of receipt of such funds by the Depositary and the Purchaser will have irrevocably directed the Depositary to pay the Consideration payable to the Shareholders (other than the Purchaser and its Affiliates) pursuant to and in accordance with the Arrangement.

The foregoing conditions are for the exclusive benefit of Canfor and may be waived, in whole or in part, by Canfor at any time.

Conditions in Favour of the Purchaser

The obligation of the Purchaser to complete the Arrangement is subject to the fulfillment of each of the following conditions precedent, on or before the Effective Time, or such other time as specified below:

- (a) the representations and warranties made by Canfor relating to organization and qualification, authority relative to the Arrangement Agreement, no violation and capitalization, all as set forth in paragraphs (b), (c), (d) and (f) of Schedule C to the Arrangement Agreement (the "**Canfor Fundamental Representations**") will be true and correct in all respects as of the Effective Time, as though made at and as of the Effective Time (except for representations and warranties made as

of a specified date, the accuracy of which will be determined as of that specified date), other than, in the case of the Canfor Fundamental Representation relating to capitalization (as set forth in paragraph (f) of Schedule C), such failures to be true and correct that would have no more than a *de minimis* impact on the aggregate of the Consideration payable pursuant to the Arrangement, and the other representations and warranties of Canfor set forth in the Arrangement Agreement will be true and correct in all respects, as of the Effective Time, as though made at and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which will be determined as of that specified date), except where the failure or failures of all such representations and warranties to be so true and correct in all respects would not reasonably be expected to have a Material Adverse Effect (and, for this purpose, any reference to "material", "Material Adverse Effect" or any other concept of materiality in such representations and warranties shall be ignored);

- (b) Canfor will have fulfilled or complied in all material respects with all of the covenants of Canfor contained in the Arrangement Agreement to be fulfilled or complied with by it on or prior to the Effective Time;
- (c) Dissent Rights have not been exercised with respect to more than 5% of the outstanding Common Shares (other than any Dissent Rights exercised by the Purchaser or its Affiliates);
- (d) there is no Action pending by any Governmental Entity in any jurisdiction that is reasonably likely to:
 - (i) cease trade, enjoin, prohibit, or impose any limitations, damages or conditions on, the Purchaser's or any of its Affiliate's ability to acquire, hold, or exercise full rights of ownership over, any Common Shares, including the right to vote the Common Shares;
 - (ii) prohibit or materially restrict the Arrangement, or the ownership or operation by the Purchaser of any material portion of the business or assets of Canfor and its Subsidiaries, taken as a whole; or
 - (iii) prevent the consummation of the Arrangement, or if the Arrangement is consummated, have a Material Adverse Effect; and
- (e) there will not have been or occurred a Material Adverse Effect.

The foregoing conditions are for the exclusive benefit of the Purchaser and may be waived, in whole or in part, by the Purchaser at any time.

Termination

Termination by Either Canfor or the Purchaser

The Arrangement Agreement may be terminated prior to the Effective Time by the mutual written agreement of the Parties without further action on the part of the Shareholders, or by either Canfor or the Purchaser if:

- (a) (i) the Required Approval is not obtained at the Meeting in accordance with the Interim Order or (ii) receipt by Canfor of a final, non-appealable, determination from a court which denies the granting of the Final Order;
- (b) after the date of the Arrangement Agreement, any Law is enacted, made, enforced or amended, as applicable that makes the consummation of the Arrangement illegal or otherwise permanently prohibits or enjoins the Purchaser or Canfor from consummating the Arrangement, and such Law has, if applicable, become final and non-appealable; or

- (c) the Effective Time does not occur on or prior to the Outside Date, provided that Canfor or the Purchaser, as applicable, may not terminate the Arrangement Agreement pursuant to its terms if the failure of the Effective Time to so occur has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under the Arrangement Agreement.

Termination by Canfor

The Arrangement Agreement may be terminated prior to the Effective Time by Canfor if:

- (a) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Purchaser under the Arrangement Agreement occurs that would cause any condition relating to the Purchaser's and Great Pacific's representations, warranties or covenants not to be satisfied, and such breach or failure is incapable of being cured or is not cured on or prior to the Outside Date in accordance with the Arrangement Agreement; provided that Canfor is not then in breach of the Arrangement Agreement so as to cause any conditions in favour of the Purchaser not to be satisfied;
- (b) prior to obtaining the Required Approval, the Canfor Board authorizes Canfor to enter into a definitive written agreement (other than a confidentiality agreement permitted by and in accordance with the Arrangement Agreement) with respect to a Superior Proposal, provided Canfor is then in compliance in all material respects with its covenants regarding non-solicitation and that prior to or concurrent with such termination Canfor pays the Fee Amount in accordance with the Arrangement Agreement; or
- (c) the Purchaser does not provide the Depository with, or cause the Depository to be provided with, sufficient funds to satisfy the aggregate Consideration payable to the Shareholders as provided in the Plan of Arrangement as required by the Arrangement Agreement on or before the Outside Date.

Termination by the Purchaser

The Arrangement Agreement may be terminated prior to the Effective Time by the Purchaser if:

- (a) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Canfor under the Arrangement Agreement occurs that would cause any condition relating to Canfor's representations, warranties or covenants not to be satisfied, and such breach or failure is incapable of being cured on or prior to the Outside Date or is not cured in accordance with the terms of the Arrangement Agreement; provided that the Purchaser is not then in breach of the Arrangement Agreement so as to cause any conditions in favour of Canfor not to be satisfied;
- (b) (i) the Canfor Board or any committee of the Canfor Board fails to recommend or withdraws, amends, modifies or qualifies in a manner adverse to the Purchaser, or publicly proposes or states an intention to withdraw, amend, modify or qualify in a manner adverse to the Purchaser, the board recommendation; (ii) the Canfor Board or any committee of the Canfor Board fails to publicly reaffirm (without qualification) the board recommendation or recommendation of the Arrangement, as applicable, as required under the Arrangement Agreement within five Business Days after having been requested in writing by the Purchaser to do so; (iii) the Canfor Board or any committee of the Canfor Board accepts, approves, endorses or recommends, or publicly proposes to accept, approve, endorse or recommend an Acquisition Proposal or takes no position or remains neutral with respect to an Acquisition Proposal for more than five Business Days after the public announcement of an Acquisition Proposal (each of (i), (ii) and (iii) each a "**Change in Recommendation**"); or (iv) Canfor breaches the covenants regarding non-solicitation under the Arrangement Agreement in any material respect and such breach is a consequence of an act

undertaken by the breaching party with the actual knowledge that the taking of such act would, or would be reasonably expected to, cause a breach of the Arrangement Agreement; or

- (c) there has occurred a Material Adverse Effect.

Canfor Termination Payment

Despite any other provision in the Arrangement Agreement relating to the payment of fees and expenses, including the payment of brokerage fees, if a Canfor Fee Event occurs, Canfor will pay the Fee Amount in accordance with the Arrangement Agreement.

"**Canfor Fee Event**" means the termination of the Arrangement Agreement:

- (a) by the Purchaser, pursuant to the provision of the Arrangement Agreement regarding termination of the Arrangement Agreement by the Purchaser in the case of a Change in Recommendation or material breach of Canfor's covenants regarding non-solicitation; or
- (b) by Canfor, pursuant to the provision of the Arrangement Agreement regarding termination of the Arrangement Agreement by Canfor in the case of a Superior Proposal.

Canfor will pay the Fee Amount to, or to the order of, the Purchaser as follows, by wire transfer of immediately available funds, if a Canfor Fee Event occurs due to:

- (a) a termination of the Arrangement Agreement by the Purchaser, within two Business Days of the occurrence of such Canfor Fee Event; and
- (b) a termination of the Arrangement Agreement by Canfor, prior to or simultaneously with the occurrence of such Canfor Fee Event.

Expenses

Except as relating to the use of a proxy solicitation agent by Canfor or any Pre-Acquisition Reorganizations, and subject to the occurrence of a Canfor Fee Event, all out-of-pocket third party transaction expenses incurred in connection with the Arrangement Agreement and the Plan of Arrangement, including all costs, expenses and fees incurred prior to or after the Effective Date in connection with, or incidental to, the Plan of Arrangement, will be paid by the Party incurring such expenses, whether or not the Arrangement is consummated.

Despite any other provision of the Arrangement Agreement relating to the payment of fees and expenses, the Purchaser has agreed to pay for 50% of the actual out-of-pocket expenses incurred by Canfor from the date of the Arrangement Agreement to the date the Arrangement Agreement is terminated in accordance with its terms, in connection with the Arrangement Agreement, provided such fees and expenses are reasonable, including legal fees, proxy solicitor fees (where the engagement of the proxy solicitor was made in consultation with the Purchaser), printing costs and mailing costs, but excluding any fees and expenses of Greenhill.

Great Pacific Guarantee

Great Pacific has agreed to guarantee the due and punctual performance, as specified in the Arrangement Agreement, of all the obligations of the Purchaser under the Arrangement Agreement (the "**Purchaser Guaranteed Obligations**"). In determining when or if Purchaser Guaranteed Obligations are due, and the amount thereof, to the extent applicable, Great Pacific may assert any defences or limitations to such performance, obligation or liabilities, and any rights, remedies, counterclaims, reductions and offsets and setoffs the Purchaser may have under the Arrangement Agreement, including asserting any defence to any claim that would be available to the Purchaser if the claim were asserted directly against the Purchaser.

Amendment and Waivers

The Arrangement Agreement and Plan of Arrangement may, at any time and from time to time before or after the holding of the Meeting but not later than the Effective Time, be amended by mutual written agreement of the Parties, without further notice to or authorization on the part of the Shareholders, and any such amendment may, subject to the Interim Order and Final Order and Laws, without limitation:

- (a) change the time for performance of any of the obligations or acts of either of the Parties;
- (b) modify any representation or warranty contained in the Arrangement Agreement or in any document delivered pursuant to the Arrangement Agreement;
- (c) modify any of the covenants contained in the Arrangement Agreement and waive or modify performance of any of the obligations of the Parties; and/or
- (d) modify any mutual conditions contained in the Arrangement Agreement;

provided, however, that no such amendment may adversely change the quantum or form of consideration, including the Consideration, to be received by the Shareholders without their approval at the Meeting or following the Meeting, without their approval given in the manner as required by applicable Laws for the approval of the Arrangement as may be required by the Court.

RISK FACTORS

In assessing the Arrangement, Shareholders should carefully consider the risks described in the Canfor MD&A which is filed on Canfor's issuer profile on SEDAR at www.sedar.com. Additional risks and uncertainties, including those currently unknown to or considered to be not material by Canfor, may also adversely affect the business of Canfor. The Arrangement is subject to certain risks including the following:

Risks Relating to the Arrangement

Level of Shareholder Approval Required.

Since the Arrangement constitutes a "business combination" under MI 61-101, to be effective, the Arrangement Resolution must be approved by a majority of the votes cast by Minority Shareholders in person or represented by proxy at the Meeting and entitled to vote thereat. This approval is in addition to the requirement that the Arrangement Resolution be approved by not less than 66 ²/₃% of the votes cast at the Meeting by Shareholders present in person or represented by proxy at the Meeting and entitled to vote thereat. There can be no certainty, nor can Canfor provide any assurance, that the requisite Shareholder approval of the Arrangement Resolution will be obtained. If such approval is not obtained and the Arrangement is not completed, the market price of the Common Shares may decline to the extent that the current market price reflects a market assumption that the Arrangement will be completed. If the Arrangement is not completed and the Canfor Board decides to seek another merger or arrangement, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the Consideration to be paid pursuant to the Arrangement.

There can be no certainty that all conditions precedent to the Arrangement will be satisfied.

The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of Canfor, including, among other things, receipt of the Final Order and Dissent Rights not being exercised with respect to more than 5% of the outstanding Common Shares. There can be no certainty, nor can Canfor provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. A substantial delay in obtaining satisfactory approvals and/or the imposition of unfavourable terms or conditions in the approvals to be obtained could have an adverse effect on the business, financial condition or results of operations of Canfor or could result in the termination of the Arrangement Agreement.

If the Arrangement is not completed, the market price of the Common Shares may decline to the extent that the current market price reflects a market assumption that the Arrangement will be completed. Additionally, Canfor could be subject to various adverse consequences, including that Canfor would remain liable for significant costs relating to the Arrangement, including, among others, legal, accounting, financial advisory, proxy solicitation and printing expenses. If the Arrangement is not completed and the Canfor Board decides to seek another merger or arrangement, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the Consideration to be paid pursuant to the Arrangement.

The Arrangement Agreement may be terminated in certain circumstances, including in the event of a change having a Material Adverse Effect on Canfor.

Each of Canfor and the Purchaser has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is no certainty, nor can Canfor provide any assurance, that the Arrangement Agreement will not be terminated by either Canfor or the Purchaser before the completion of the Arrangement. For example, the Purchaser has the right, in certain circumstances, to terminate the Arrangement Agreement if changes occur that have a Material Adverse Effect on Canfor. Although a Material Adverse Effect excludes certain events that are beyond the control of Canfor (such as but not limited to changes in general economic, securities, financial, banking or currency exchange markets), there is no assurance that a change having a Material Adverse Effect on Canfor will not occur before the Effective Date, in which case the Purchaser could elect to terminate the Arrangement Agreement and the Arrangement would not proceed.

Canfor will incur costs and may have to pay a termination payment.

Certain costs related to the Arrangement, such as legal, accounting and certain financial advisory fees, must be paid by Canfor even if the Arrangement is not completed. Canfor and the Purchaser are each liable for their own costs incurred in connection with the Arrangement. If the Arrangement is not completed, Canfor may be required in certain circumstances to pay the Purchaser a termination payment. See "*The Arrangement Agreement – Termination*" and "*The Arrangement Agreement – Termination - Canfor Termination Payment*".

Failure to Complete the Arrangement Could Negatively Impact the Common Share Price.

If the Arrangement is not completed, the market price of the Common Shares may decline to the extent that the market price reflects a market assumption that the Arrangement will be completed.

Canfor's directors and officers may have interests in the Arrangement that are different from those of the Shareholders.

In considering the recommendation of the Special Committee and the Canfor Board to vote in favour of the Arrangement Resolution, Shareholders should be aware that certain directors and officers of Canfor may have agreements or arrangements that provide them with interests in the Arrangement that differ from, or are in addition to, those of Shareholders, generally. See "*The Arrangement – Interests of Certain Persons in the Arrangement*" and "*The Arrangement – Securities Law Matters – Multilateral Instrument 61-101*".

While the Arrangement is pending, Canfor is restricted from taking certain actions.

The Arrangement Agreement restricts Canfor from taking certain specified actions until the Arrangement is completed without the consent of the Purchaser. These restrictions may prevent Canfor from pursuing attractive business opportunities that may arise prior to the completion of the Arrangement.

The Arrangement May Divert the Attention of Canfor's Management.

The pendency of the Arrangement could cause the attention of Canfor's management to be diverted from the day-to-day operations of Canfor. These disruptions could be exacerbated by a delay in the completion of the Arrangement and could have an adverse effect on the business, operating results or prospects of Canfor, which could have a material and adverse effect on the business, financial condition, results of operations or prospects of Canfor.

Rights of Shareholders after the Arrangement.

Following the completion of the Arrangement, Shareholders (other than the Purchaser and its Affiliates) will no longer have an interest in Canfor, its assets, revenues or profits. In the event that the value of Canfor's assets or business, prior, at or after the Effective Date, exceeds the implied value of Canfor under the Arrangement, the Shareholders will not be entitled to additional consideration for their Common Shares.

The Arrangement will result in tax payable by most Shareholders.

The Arrangement will be a taxable transaction for most Shareholders and, as a result, taxes will generally be required to be paid by such Shareholders on any income and gains that result from receipt of the Consideration under the Arrangement. Shareholders are advised to consult with their own tax advisors to determine the tax consequences of the Arrangement to them.

INFORMATION CONCERNING CANFOR

General

Canfor is a leading Canadian integrated forest products company based in Vancouver, British Columbia, involved primarily in the lumber business, with production facilities as of December 31, 2018 in Canada in British Columbia and Alberta and in the southern United States in North and South Carolina, Alabama, Georgia, Mississippi and Arkansas.

Canfor's softwood lumber production facilities located in Western Canada and the southern United States have a total annual production capacity at December 31, 2018 of approximately 5.9 billion board feet of lumber, adjusted for additional shifting at certain mills and near-term capital investment. Canfor's products also include remanufactured and finger-jointed lumber, engineered wood products, wood chips, wood pellets and logs. Canfor also holds approximately 15.2 million cubic metres of annual harvesting rights under its forest tenures and pulpwood agreements.

Canfor's products are exported primarily to the United States and Asia as well as shipped domestically in Canada. Canfor maintains wood products sales offices in: Vancouver, Canada; Myrtle Beach, Mobile, and El Dorado, United States; Tokyo, Japan; and Shanghai, China. On February 28, 2019, Canfor announced completion of the purchase of 70% of VIDA for a purchase price of 3,990 million Swedish Krona (approximately CDN\$580 million).

The registered office of Canfor is located at 100 - 1700 West 75th Avenue, Vancouver, British Columbia, Canada, V6P 6G2.

Further information regarding the business of Canfor, its assets and its operations can be found in the Canfor MD&A, the Canfor Annual Information Form dated February 21, 2019, and other documents referenced herein and filed under Canfor's issuer profile on SEDAR at www.sedar.com.

Description of Share Capital

The authorized share capital of Canfor consists of 1,010,000,000 shares divided into 1,000,000,000 Common Shares without par value and 10,000,000 preferred shares with a par value of CDN\$25 each. At November 18, 2019, there were 125,219,400 Common Shares outstanding and no preferred shares outstanding.

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

Holders of preferred shares are not generally entitled as such to receive notice of, or to attend or vote at, general meetings of shareholders of Canfor. Preferred shareholders are entitled to preference over the common shares with respect to the payment of dividends and upon any distribution of assets in the event of liquidation, dissolution and winding-up of Canfor.

DSUs

Subject to the terms and conditions of the Arrangement Agreement, pursuant to the Arrangement, each DSU outstanding immediately prior to the Effective Time (whether vested or unvested) that is held by a DSU Holder, notwithstanding the terms of the DSU Plan, will be deemed to be unconditionally vested and such DSU will, without any further action on behalf of such DSU Holder, be deemed to have been assigned and transferred by the DSU Holder to Canfor in exchange for a cash payment equal to the Consideration (less any applicable withholdings), and the name of such DSU Holder shall be removed from the central securities register of Canfor as a DSU Holder.

Trading in Canfor Securities

Common Shares

The Common Shares have been listed and posted for trading on the TSX under the symbol "CFP". The following table sets forth the reported high and low prices (including intra-day prices) and the total volume of trading on the TSX of the Common Shares from January 1, 2019 to the last day of trading before the date of this Circular:

	<u>High</u>	<u>Low</u>	<u>Total</u>
	(CDN\$)	(CDN\$)	(shares)
Common Shares (TSX: CFP)			
January 2019.....	18.92	15.56	7,776,617
February 2019.....	18.59	14.00	6,788,294
March 2019.....	15.75	12.91	10,375,639
April 2019.....	14.67	12.68	7,770,092
May 2019.....	14.15	8.80	11,636,946
June 2019.....	11.55	8.55	11,438,850
July 2019.....	11.29	9.33	9,615,900
August 2019.....	15.48	8.76	17,872,382
September 2019.....	15.56	15.04	4,714,137
October 2019.....	15.94	15.35	9,220,260
November 1-15, 2019.....	15.99	15.85	3,908,746

On October 28, 2019, the last trading day on which the Common Shares traded prior to Canfor's announcement that it had entered into the Arrangement Agreement, the closing price of the Common Shares on the TSX was CDN\$15.60.

The table above provides trading details regarding trades in Common Shares made through the facilities of the TSX and is not indicative of any trades of Common Shares made through any platform or exchange other than the TSX.

Commitments to Acquire Securities of Canfor

To the knowledge of the directors and officers of Canfor and except as publicly disclosed or otherwise described in this Circular, there are no agreements, commitments or understandings between Canfor and any of its directors, officers or insiders, to acquire securities of Canfor.

Material Changes in the Affairs of Canfor

To the knowledge of the directors and officers of Canfor and except as publicly disclosed or otherwise described in this Circular, there are no plans or proposals for material changes in the affairs of Canfor.

Previous Purchases and Sales of Securities

The table below sets out information regarding Canfor securities purchased by Canfor during the 12 months prior to the date of this Circular. There have been no issuances of Canfor securities during the 12 months prior to the date of this Circular.

Type of Security	Number of Securities	Price⁽¹⁾	Date	Purpose
Common Shares	744,874	CDN\$18.78	November 19-30, 2018	NCIB ⁽²⁾
Common Shares	378,616	CDN\$17.42	December 3-7, 2018	NCIB

Note:

- (1) Prices are the volume weighted average price on the TSX for the dates indicated.
- (2) Purchases were made pursuant to Canfor's normal course issuer bid ("NCIB").

Previous Distribution of Common Shares

During the five years preceding the date of the Arrangement Agreement, Canfor has not made any distributions of Common Shares.

Dividend Policy

No dividends on the Common Shares have been paid since 2008. Canfor does not anticipate paying dividends on the Common Shares in the foreseeable future. Payment of any future dividends will be at the discretion of the Canfor Board after taking into account many factors, including Canfor's financial condition and anticipated cash needs.

Expenses

The estimated fees, costs and expenses of Canfor in connection with the Arrangement are between CDN\$3.0 million and CDN\$4.0 million, which include, without limitation, fees, costs and expenses with respect to financial advisors, valuations, legal services, proxy solicitation services and printing and mailing matters. Pursuant to the Arrangement Agreement, Great Pacific has agreed to pay for 50% of certain of these fees, costs and expenses. The fees in connection with the preparation of the Greenhill Valuation and Fairness Opinion will be paid directly by Canfor.

INFORMATION CONCERNING THE PURCHASER

The Purchaser is a wholly-owned subsidiary of Great Pacific, which is a member of the Jim Pattison Group. The Jim Pattison Group is headquartered in Vancouver, BC, Canada and is comprised of hundreds of locations worldwide, focusing on a number of strong and diverse operating divisions, which span the forestry products, port services, automotive, advertising, media, agricultural equipment, food and beverage, entertainment, exporting, financial, real estate, and periodical distribution industries. With sales of over CDN\$10.6 billion in 2018 and more than 46,000 employees, the Jim Pattison Group is the second largest private company in Canada.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

Certain Canadian Federal Income Tax Considerations

The following is, as of the date of this Circular, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a beneficial owner of Common Shares who disposes of Common Shares pursuant to the Arrangement. This summary is applicable to Shareholders (other than partnerships) who, at all relevant times, for purposes of the Tax Act: (a) deal at arm's length with Canfor and the Purchaser; (b) are not affiliated with Canfor or the Purchaser; and (c) hold the Common Shares as capital property (each such person a "**Holder**"). Generally, Common Shares will be considered to be capital property to the holder thereof provided that they are not held in the course of carrying on a business of buying and selling securities and have not been acquired in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Shareholders who are, or are deemed to be, resident in Canada and who might not otherwise be considered to hold their Common Shares as capital property may, in certain circumstances, be entitled to have their Common Shares, and any other "Canadian security" (as defined in the Tax Act), owned by such holders in the taxation year in which the election is made, and in all subsequent taxation years, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Shareholders should consult their own tax advisors regarding the potential application and consequences of this election in their particular circumstances.

This summary does not address all issues relevant to Holders who acquired their Common Shares on the exercise of a stock option. Such Holders should consult their own tax advisors.

This summary is based on the provisions of the Tax Act in force on the date of this Circular and the current published administrative policies and assessing practices of the Canada Revenue Agency ("CRA") publicly available prior to the date of this Circular. This summary takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Circular (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in their current form. However, no assurances can be given that the Proposed Amendments will be enacted in their current form, or at all. Except for the Proposed Amendments, this summary does not otherwise take into account or anticipate any changes in law or administrative policies or assessing practices, whether by legislative, governmental, regulatory, administrative or judicial action or decision, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed in this Circular.

This summary is of a general nature only and is not, and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. This summary is not exhaustive of all Canadian federal income tax considerations applicable to a Holder in respect of the transactions described herein. Accordingly, Holders should consult their own tax advisors having regard to their own particular circumstances.

Holders Resident in Canada

This portion of the summary is generally applicable to Holders who, at all relevant times, for purposes of the Tax Act and any applicable tax treaty, are, or are deemed to be, resident in Canada (each such person a "**Resident Holder**").

This portion of the summary is not applicable to: (i) a Resident Holder that is a "financial institution" (as defined in the Tax Act for purposes of the mark to market rules); (ii) a Resident Holder an interest in which is a "tax shelter investment" (as defined in the Tax Act); (iii) a Resident Holder that is a "specified financial institution" (as defined in the Tax Act); (iv) a Resident Holder that has made the "functional currency" election under section 261 of the Tax Act; or (v) a Resident Holder that has entered into, or enters into, a "derivative forward agreement" (as defined in the Tax Act) in respect of the Common Shares. Such Resident Holders should consult their own tax advisors.

Generally, a Resident Holder who disposes of Common Shares pursuant to the Arrangement will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Holder of the Common Shares immediately before the disposition.

Generally, a Resident Holder is required to include in computing its income for a taxation year one half of the amount of any capital gain (a "**taxable capital gain**") realized by the Resident Holder in that year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year may generally be carried back and deducted in any of the three preceding taxation years or carried forward indefinitely and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of any dividends received (or deemed to be received) by it on such Common Share to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a Common Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable for an additional refundable tax on certain investment income, including taxable capital gains realized, in respect of the Common Shares.

A capital gain realized by a Resident Holder who is an individual (other than certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. A Resident Holder who is an individual should contact his or her own tax advisors in this regard.

A Resident Holder that is a Dissenting Shareholder (a "**Resident Dissenting Holder**") will be entitled, if the Arrangement becomes effective, to be paid the fair value of the Common Shares held by such Resident Dissenting Holder. A Resident Dissenting Holder who receives a cash payment in respect of the fair value of the Resident Dissenting Holder's Common Shares will be deemed to have disposed of the Common Shares for proceeds of disposition equal to the amount received by the Resident Dissenting Holder (excluding the amount of any interest awarded by a court). As a result, such Resident Dissenting Holder will generally realize a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Dissenting Holder of such Common Shares immediately before the disposition. See the discussion above for a description of the tax treatment of capital gains and losses.

Interest, if any, awarded to a Resident Dissenting Holder by a court will be included in the Resident Dissenting Holder's income for the purposes of the Tax Act.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty, is not, and is not deemed to be, resident in Canada and does not use or hold and is not deemed to use or hold the Common Shares in a business carried on in Canada (a "**Non-Resident Holder**"). This portion of the summary is not applicable to Non-Resident Holders that are insurers carrying on an insurance business in Canada and elsewhere.

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition of Common Shares pursuant to the Arrangement unless the Common Shares are "taxable Canadian property" to the Non-Resident Holder for purposes of the Tax Act and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty between Canada and the country in which the Non-Resident Holder is resident.

Generally, the Common Shares will not constitute taxable Canadian property to a Non-Resident Holder at the time of disposition provided that the Common Shares are listed on a designated stock exchange (which includes the TSX) at that time unless at any time during the 60-month period that ends at that time (a) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, partnerships in which the Non-Resident Holder or any person who did not deal at arm's length with the Non-Resident Holder held a membership interest (either directly or indirectly through one or more partnerships), or any combination of such persons and partnerships, owned 25% or more of the issued shares of any class or series of the capital stock of Canfor; and (b) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, "Canadian resource property" (as defined in the Tax Act), "timber resource property" (as defined in the Tax Act), and options in respect of, interests in, or civil law rights in, any such properties whether or not such properties exist. Notwithstanding the foregoing, in certain other circumstances set out in the Tax Act, Common Shares could be deemed to be taxable Canadian property.

A Non-Resident Holder who is a Dissenting Shareholder and who holds Common Shares that are not "taxable Canadian property" to such holder will not be subject to tax under the Tax Act in respect of any capital gain or loss arising on the disposition of the Common Shares. An amount paid in respect of interest to a Non-Resident Holder who exercises Dissent Rights will generally not be subject to Canadian withholding tax.

Non-Resident Holders who hold Common Shares that are "taxable Canadian property" to such holders should consult their own tax advisors for advice having regard to their particular circumstances.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes certain United States federal income tax consequences generally applicable to U.S. Holders (as defined below) with respect to the Arrangement. The U.S. federal income tax discussion set forth below is a summary and is included for general information only. Except as set forth below, this summary does not

discuss tax filing and tax reporting obligations. The discussion is based on current U.S. federal income tax law, which is subject to change. Any such change, which may or may not be retroactive, could alter the U.S. federal income tax consequences to the U.S. Holders of Common Shares as a result of the Arrangement.

No legal opinion from U.S. legal counsel or ruling from the U.S. Internal Revenue Service (the "**IRS**") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the Arrangement. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the U.S. federal income tax consequences described in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the descriptions of U.S. federal income tax consequences in this summary.

Each U.S. Holder's individual tax consequences will depend on that U.S. Holder's own facts and circumstances. This discussion does not address all U.S. federal income tax considerations that may be relevant to particular U.S. Holders in light of their specific circumstances, such as shareholders who are dealers in securities, banks, insurance companies, tax-exempt organizations, retirement plans or other tax-deferred accounts, partnerships, S corporations or other pass-through entities (or an investor in a partnership, S corporation or other pass-through entity) or U.S. Holders who received Common Shares through exercise of an employee stock option, tax-qualified retirement plan or otherwise as compensation, U.S. Holders who are subject to the alternative minimum tax provisions of the tax law, U.S. Holders who do not hold their Common Shares as capital assets, U.S. Holders who hold their stock as a hedge or as part of a hedging, straddle, conversion or other risk reduction transaction, or U.S. Holders who have a functional currency other than the U.S. dollar. This discussion also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are U.S. expatriates or former long-term residents of the United States or persons that have been, are, or will be a resident or deemed to be resident in Canada for purposes of the Tax Act or the Convention Between The United States Of America And Canada With Respect To Taxes On Income And On Capital (the "**U.S. Treaty**"). Furthermore, no non-U.S. federal, or any state or local tax considerations are addressed herein. This discussion does not address the tax treatment of employees who receive payments of consideration in the Arrangement in a capacity other than that of a U.S. Holder. If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Common Shares, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partner and the partnership. Such U.S. Holders should consult their own tax advisors regarding the tax consequences of exchanging Common Shares pursuant to the Arrangement. The discussion does not address compliance obligations imposed on U.S. and non-U.S. Holders under the Foreign Account Tax Compliance Act of 2010. **U.S. Holders should consult their own tax advisors with respect to the specific tax consequences of the Arrangement.**

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Common Shares that, for U.S. federal income tax purposes, is:

- (a) an individual who is a citizen or resident (as defined under U.S. federal income tax law) of the United States for U.S. federal income tax purposes;
- (b) a corporation, or any other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the United States, any state in the United States, or the District of Columbia;
- (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income; or
- (d) a trust if: (i) such trust was in existence on August 20, 1996, and has validly elected to be treated as a United States person for U.S. federal income tax purposes; or (ii) a United States court is able to exercise primary supervision over its administration and one or more United States Persons have the authority to control all substantial decisions of such trust.

For purposes of this summary, a "**Non-U.S. Holder**" is a beneficial owner of Common Shares that is not a U.S. Holder. This summary does not address the U.S. federal income tax considerations applicable to Non-U.S. Holders arising from the Arrangement. Accordingly, a Non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, non-U.S. and other tax consequences of the Arrangement.

General Tax Consequences of the Arrangement

The disposition of Common Shares for Consideration in the Arrangement will be a taxable transaction to the U.S. Holders. Accordingly, each U.S. Holder generally will recognize gain or loss equal to the difference, if any, between such U.S. Holder's adjusted tax basis in the Common Shares disposed of in the Arrangement and the Consideration the U.S. Holder receives for those Common Shares. Gain or loss will be determined separately for each block of Common Shares (generally, Common Shares acquired at the same cost in a single transaction). Subject to the passive foreign investment company ("**PFIC**") rules discussed below, assuming the Common Shares were held as capital assets, such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder's holding period with respect to such shares is more than one year as of the Effective Time. Long-term capital gain recognized by a non-corporate U.S. Holder is generally eligible for reduced rates of taxation. There are limitations on the deductibility of capital losses.

Tax Consequences of the Arrangement Under the Passive Foreign Investment Company Rules

The tax considerations of the Arrangement to a particular U.S. Holder will depend on whether Canfor was a PFIC during any year in which such U.S. Holder owned Common Shares. A non-U.S. corporation such as Canfor generally will be a PFIC under Section 1297 of the Code if, for a tax year, (a) 75% or more of the gross income of the corporation for such tax year consists of certain types of passive income (as described below) or (b) 50% or more of the value of the corporation's assets either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets. "Gross income" generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all of a foreign corporation's commodities are stock in trade or inventory, depreciable property used in a trade or business or supplies regularly used or consumed in a trade or business and certain other requirements are satisfied. In determining whether a corporation is a PFIC, the corporation is required to take into account a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least 25% by value.

Canfor is not expected to be, nor has it been in any year, a PFIC. The determination of PFIC status is inherently factual and generally cannot be determined until the close of the taxable year in question. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Accordingly, no assurance can be given regarding Canfor's PFIC status. U.S. Holders are urged to consult their own U.S. tax advisors regarding the application of the PFIC rules to the Arrangement.

If a U.S. Holder disposes of Common Shares in the Arrangement that were held by the U.S. Holder directly or indirectly during any time that Canfor was a PFIC (shares in a PFIC are sometimes referred to herein as "**PFIC Shares**") and the U.S. Holder has not made either a QEF Election or a Mark-to-Market Election (each as defined below), the gain the U.S. Holder recognizes on the Arrangement with respect to such PFIC Shares will be taxed under the "excess distribution" regime. Under that regime, any gain recognized on the Arrangement will be allocated ratably on a daily basis to each day of the U.S. Holder's holding period with respect to such shares. Gain allocated to any period preceding the first year in the holding period when Canfor was a PFIC and gain allocated to the year of disposition will be treated as gain arising in the year of disposition and taxed at ordinary U.S. federal income tax rates for the year of disposition. Gain allocated to each of the other years (the "**Prior PFIC Years**") will be taxed at the highest ordinary U.S. federal income tax rate in effect for each of those years. Interest will be added to the tax determined for each of the Prior PFIC Years at the rate generally applicable to underpayments of tax for such taxable year. The sum of the taxes and interest calculated for all years will be an addition to the tax for the year in which the sale of the PFIC Shares occurs. A U.S. Holder that is not a corporation must treat the interest as non-deductible personal interest.

Each U.S. Holder should consult the U.S. Holder's own tax advisor concerning U.S. federal income tax filing requirements if Canfor was classified as a PFIC during any period in which such U.S. Holder held Common Shares.

QEF Election and Mark-to-Market Election

A U.S. Holder who has made an effective election to treat Canfor as a "qualified electing fund" under the Code (a "**QEF Election**") and a U.S. Holder who has made a deemed sale election under the Code generally would not be subject to the "excess distribution" regime discussed above. In the case of any U.S. Holder that has timely made an effective election to mark the PFIC Shares to market (a "**Mark-to-Market Election**"), any gain realized by such holder from the sale of PFIC Shares generally would be taxed as ordinary income.

U.S. Holders should seek advice from their own tax advisors regarding the particular tax consequences of the Arrangement applicable to them, including all aspects of the PFIC rules.

Tax Consequences to Dissenting Shareholders

A U.S. Holder who validly exercises Dissent Rights and who, pursuant to the Plan of Arrangement, is deemed to transfer such shareholder's Common Shares to the Purchaser, will have the same U.S. federal income tax consequences as described above for U.S. Holders.

Additional Tax on Investment Income

Certain individuals, estates and trusts whose income exceeds certain thresholds are subject to a Medicare contribution tax. U.S. Holders should consult their own tax advisors as to the application of the Medicare contribution tax to the disposition of the Common Shares pursuant to the Arrangement.

Receipt of Foreign Currency

The U.S. dollar value of any cash payment in Canadian dollars to a U.S. Holder will be translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of receipt of such payment regardless of whether the Canadian dollars are converted into U.S. dollars at that time. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders which use the accrual method of accounting. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

Foreign Tax Credit

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Arrangement may be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for the Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar for dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year by year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that the U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. Generally, gains recognized on the sale of stock or other securities of a foreign corporation by a U.S. Holder should be treated as U.S. source, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

Information Reporting and Backup Withholding

Payments of cash made to U.S. Holders participating in the Arrangement generally will be subject to U.S. federal information reporting. Proceeds from the disposition of Common Shares pursuant to the Arrangement may be subject to backup withholding, currently at a 24% rate. Backup withholding generally will apply only if the U.S. Holder fails to furnish a correct taxpayer identification number or otherwise fails to comply with applicable backup withholding rules and certification requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowable as a refund or credit against a U.S. Holder's United States federal income tax liability provided the required information is furnished to the IRS in a timely manner.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed in this Circular, Canfor is not aware of any informed person, or any associate or Affiliate of an informed person, having any material interest, direct or indirect, in any transaction or proposed transaction since January 1, 2013 which has materially affected or would materially affect Canfor or any of its Subsidiaries. See "*The Arrangement – Securities Law Matters – Multilateral Instrument 61-101*" for more information.

AUDITORS

KPMG LLP are the auditors of Canfor and are independent of Canfor within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia. KPMG LLP have been the auditors of Canfor since April 29, 2015.

LEGAL MATTERS

Certain Canadian legal matters in connection with the Arrangement are to be passed upon by DLA on behalf of Canfor, by Osler on behalf of the Special Committee, and by McCarthy on behalf of the Purchaser and its Affiliates.

OTHER MATTERS

Management of Canfor is not aware of any matters to come before the Meeting other than as set forth in the Notice of Meeting that accompanies this Circular. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matter.

ADDITIONAL INFORMATION

Additional information relating to Canfor is available under Canfor's issuer profile on SEDAR at www.sedar.com and on Canfor's website at www.canfor.com. Information on Canfor's website is not incorporated by reference in this Circular. Financial information is contained in Canfor's comparative consolidated financial statements and management's discussion and analysis for the year ended December 31, 2018.

In addition, copies of the Canfor MD&A, financial statements (including the most recently available interim financial statements) and annual information form as well as this Circular, all as filed under Canfor's issuer profile on SEDAR at www.sedar.com, may be obtained without charge upon request to Canfor's secretary at (604) 661-5241. Canfor may require the payment of a reasonable charge if the request is made by a person who is not a Shareholder.

APPROVAL OF DIRECTORS

The contents and sending of this Circular, including the Notice of Meeting, have been approved and authorized by the Canfor Board.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "*David M. Calabrigo*"

David M. Calabrigo
Corporate Secretary

CONSENT OF GREENHILL & CO. CANADA LTD.

To: The Special Committee of the Board of Directors and the Board of Directors of Canfor Corporation

We refer to the valuation and fairness opinion of our firm dated October 28, 2019 (the "**Greenhill Valuation and Fairness Opinion**"), which we prepared for the Special Committee of the Board of Directors of Canfor Corporation (the "**Corporation**") in connection with an arrangement under the *Business Corporations Act* (British Columbia) involving the Corporation and 1227738 B.C. Ltd. (the "**Arrangement**"). We refer also to the notice of special meeting of shareholders and management information circular of the Corporation dated November 18, 2019 (the "**Circular**") relating to the special meeting of shareholders to approve, among other things, the Arrangement.

We hereby consent to the filing of the Greenhill Valuation and Fairness Opinion with the applicable securities regulatory authorities, the reference to the Greenhill Valuation and Fairness Opinion in the Circular, the inclusion of a summary of the Greenhill Valuation and Fairness Opinion in the Circular and the inclusion of the full text of the Greenhill Valuation and Fairness Opinion in the Circular. In providing such consent, it is understood that no person other than the Special Committee of the Board of Directors of the Corporation shall be entitled to rely upon the Greenhill Valuation and Fairness Opinion. The Greenhill Valuation and Fairness Opinion was delivered as at October 28, 2019 and remains based upon and subject to the scope of review, and subject to the analyses, assumptions, limitations, qualifications and other matters described therein.

(signed) "**GREENHILL & CO. CANADA LTD.**"

Greenhill & Co. Canada Ltd.
Toronto, Canada
November 18, 2019

APPENDIX A
ARRANGEMENT RESOLUTION

BE IT RESOLVED THAT:

1. The arrangement (the "**Arrangement**") under Section 288 of the Business Corporations Act (British Columbia) involving Canfor Corporation (the "**Corporation**"), all as more particularly described and set forth in the plan of arrangement (as may be modified or amended, the "**Plan of Arrangement**") attached to the management information circular of the Corporation in connection therewith (the "**Information Circular**"), is hereby authorized, approved and adopted.
2. The arrangement agreement dated October 28, 2019, between Great Pacific Capital Corp., 1227738 B.C. Ltd. and the Corporation, as may be amended from time to time (the "**Arrangement Agreement**"), the actions of the directors of the Corporation in approving the Arrangement and the Arrangement Agreement and the actions of the directors and officers of the Corporation in executing and delivering the Arrangement Agreement and causing the performance by the Corporation of its obligations thereunder be, and they are hereby confirmed, ratified, authorized and approved.
3. Notwithstanding that this resolution has been passed (and the Arrangement approved and agreed to) by the shareholders of the Corporation or that the Arrangement has been approved by the Supreme Court of British Columbia, the directors of the Corporation be, and they are hereby, authorized and empowered without further notice to, or approval of, the shareholders of the Corporation (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement, and (ii) not to proceed with the Arrangement at any time prior to the Effective Time (as defined in the Arrangement Agreement).
4. Any one director or officer of the Corporation be, and is hereby, authorized, empowered and instructed, acting for, in the name and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such other documents and to do or to cause to be done all such other acts and things as in such person's opinion may be necessary or desirable in order to carry out the intent of the foregoing paragraphs of these resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing.

APPENDIX B
NOTICE OF HEARING OF PETITION FOR FINAL ORDER

(See attached)



No. S-1912901
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTIONS 288-291 OF THE BRITISH COLUMBIA *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
CANFOR CORPORATION AND ITS SHAREHOLDERS, GREAT PACIFIC CAPITAL CORP. AND
1227738 B.C. LTD.

CANFOR CORPORATION

PETITIONER

NOTICE OF HEARING OF PETITION FOR FINAL ORDER

TO: The Shareholders, Directors and Auditor of Canfor Corporation ("Canfor")

TAKE NOTICE that the petition of the petitioner dated November 14, 2019 will be heard at the courthouse at 800 Smithe Street, Vancouver, BC V6Z 2E1 on **December 20, 2019 at 9:45 a.m.**

1 Date of hearing

- The parties have agreed as to the date of the hearing of the petition.
- The parties have been unable to agree as to the date of the hearing but notice of the hearing will be given to the petition respondents in accordance with Rule 16-1(8)(b) of the Supreme Court Civil Rules.
- The petition is unopposed, by consent or without notice.

2 Duration of hearing

- It has been agreed by the parties that the hearing will take 20 minutes.
- The parties have been unable to agree as to how long the hearing will take and
 - (a) the time estimate of the petitioners is __ minutes, and
 - (b) the time estimate of the petition respondents is __ minutes.
 - the petition respondents have not given a time estimate.

3 Jurisdiction

- This matter is within the jurisdiction of a master.
- This matter is not within the jurisdiction of a master.

NOTICE IS HEREBY GIVEN that a Petition has been filed by the Petitioner, Canfor, in the Supreme Court of British Columbia the (the "**Court**") for approval of a plan of arrangement (the "**Plan of Arrangement**"), pursuant to the *Business Corporations Act*, S.B.C., 2002, c.57, as amended, (the "**BCBCA**");

AND NOTICE IS FURTHER GIVEN that by an Interim Order of the Court, pronounced November 18, 2019, the Court has given directions as to the calling of a meeting of the shareholders of Canfor (the "**Canfor Shareholders**"), for the purpose of, *inter alia*, considering, voting upon a resolution approving the Plan of Arrangement;

AND NOTICE IS FURTHER GIVEN that an application for a Final Order approving the Plan of Arrangement shall be made before the presiding Judge in Chambers at the Courthouse, 800 Smithe Street, Vancouver, British Columbia on **December 20, 2019 at 9:45 a.m.** (Vancouver time), or so soon thereafter as counsel may be heard (the "**Final Application**").

IF YOU WISH TO BE HEARD, any person affected by the Final Order sought may appear (either in person or by counsel) and make submissions at the hearing of the Final Application if such person has filed with the Court at the Court Registry, 800 Smithe Street, Vancouver, British Columbia, a Response to Petition ("**Response**") pursuant to Rule 16-1 of, and in the form prescribed by, the Supreme Court Civil Rules and delivered a copy of the filed Response, together with all material on which such person intends to rely at the hearing of the Final Application, including an outline of such person's proposed submissions, to the Petitioner at its address for delivery set out below by or before 4:00 p.m. (Vancouver time) on Friday, December 13, 2019.

The Petitioner's address for delivery is:

DLA Piper (Canada) LLP
Suite 2800, Park Place
666 Burrard Street,
Vancouver, B.C. V7C 2Z7

Attention: J. Brent MacLean

Fax number: (604) 687-1612

Email address: brent.macleam@dlapiper.com

With a copy to:

McCarthy Tetrault LLP
745 Thurlow Street
Suite 2400
Vancouver, B.C. V6E 0C5

Attention: Miranda Lam

Fax number: (604) 622-5764

Email address: mlam@mccarthy.ca

IF YOU WISH TO BE NOTIFIED OF ANY ADJOURNMENT OF THE FINAL APPLICATION, YOU MUST GIVE NOTICE OF YOUR INTENTION by filing and delivering the form of "Response" as aforesaid. You may obtain a form of Response at the Court Registry, 800 Smithe Street, Vancouver, British Columbia, V6Z 2E1.


AT THE HEARING OF THE FINAL APPLICATION the Court may approve the Plan of Arrangement as presented, or may approve it subject to such terms and conditions as the Court deems fit.

IF YOU DO NOT FILE A RESPONSE and attend either in person or by counsel at the time of such hearing, the Court may approve the Plan of Arrangement, as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, all without any further notice to you. If the Plan of Arrangement is approved, it will significantly affect the rights of the Canfor Shareholders.

A copy of the Petition and other documents in the proceeding will be furnished to any Shareholder or other interested party upon request in writing addressed to the solicitors of the Petitioners at its address for delivery set out above.

November 18, 2019

Dated



Signature of lawyer for Petitioner
DLA Piper (Canada) LLP (J. Brent MacLean)

No. S-1912901
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTIONS 288-291 OF THE BRITISH
COLUMBIA *BUSINESS CORPORATIONS ACT*, S.B.C. 2002,
CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT
INVOLVING

CANFOR CORPORATION AND ITS SHAREHOLDERS,
GREAT PACIFIC CAPITAL CORP. AND 1227738 B.C. LTD

CANFOR CORPORATION

PETITIONER

NOTICE OF HEARING OF PETITION FOR FINAL ORDER

DLA Piper (Canada) LLP
Barristers & Solicitors
2800 Park Place
666 Burrard Street
Vancouver, BC V6C 2Z7

Tel. No. 604.687.9444
Fax No. 604.687.1612

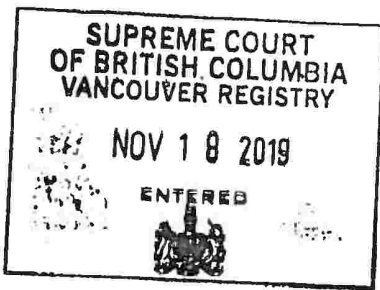
Client Matter No.: 063595-00420

SJB/npp

CAN: 31687585.1

APPENDIX C
INTERIM ORDER

(See attached)



No. S-1912907
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTIONS 288-291 OF THE BRITISH COLUMBIA *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

**IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING
CANFOR CORPORATION AND ITS SHAREHOLDERS, GREAT PACIFIC CAPITAL CORP.
AND 1227738 B.C. LTD.**

CANFOR CORPORATION

PETITIONER

**ORDER MADE AFTER APPLICATION
(Interim Order)**

BEFORE) MASTER *TAYLOR*) November 18, 2019
))

ON THE APPLICATION of the Petitioner, Canfor Corporation ("**Canfor**"), without notice coming on for hearing at 800 Smithe Street, Vancouver, British Columbia, on the 18th day of November, 2019, and on hearing J. Brent MacLean, counsel for the Petitioner, AND UPON READING the Petition herein, Affidavit #1 of David M. Calabrigo, Q.C., sworn November 14, 2019, and Affidavit # 2 of David M. Calabrigo, Q.C., sworn November 15, 2019 and filed herein;

THIS COURT ORDERS that:

DEFINITIONS

1. As used in this Order, unless otherwise defined, terms beginning with capital letters have the respective meanings set out in the Notice of Special Meeting of Shareholders of Canfor (the "**Notice of Meeting**") and Management Information Circular (together, the "**Circular**") attached as Exhibit "A" to Affidavit #1 of David M. Calabrigo, Q.C., sworn on November 14, 2019 ("**Calabrigo Affidavit #1**") and filed herein.

MEETING

2. Pursuant to Sections 288 through 291 of the *Business Corporations Act*, S.B.C. 2002, c. 57, as amended (the "BCBCA"), Canfor is permitted to call, hold and conduct a special meeting (the "**Meeting**") of the holders of common shares in the capital of Canfor (the "**Canfor Shareholders**") to be held at 9:00 a.m. (Vancouver time) on December 18, 2019 at the Vancouver Marriot Pinnacle Downtown Hotel, 1128 West Hastings Street, Vancouver, British Columbia, Canada:
 - (a) consider and, if deemed appropriate, to pass a special resolution adopting and approving, with or without variation, the proposed arrangement (the "**Arrangement Resolution**") substantially in the form set out at Exhibit "F" to Calabrigo Affidavit #1; and
 - (b) transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.
3. The Meeting shall be called, held and conducted in accordance with the BCBCA, the Articles of Canfor subject to the terms of this Interim Order, the Circular and any further Order of this Court, and the rulings and directions of the chair of the Meeting, such rulings and directions not to be inconsistent with this Interim Order.

ADJOURNMENT

4. Canfor, if it deems advisable, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the Canfor Shareholders respecting the adjournment or postponement and without the need for approval of the Court. Notice of any such adjournments or postponements shall be given by press release, news release, newspaper advertisement, or by notice sent to Canfor Shareholders by one of the methods specified in paragraph 9 of this Interim Order, as determined by the Board of Directors of Canfor.

AMENDMENTS

5. Prior to the Meeting, Canfor is authorized to make such amendments, revisions or supplements to the Arrangement, Plan of Arrangement, Arrangement Agreement, or Circular in accordance with the Arrangement Agreement without any additional notice to

or authorization of any Canfor Shareholders or further orders of this Court and the Arrangement, Plan of Arrangement, Arrangement Agreement, or Circular as so amended, revised and supplemented shall be the Arrangement, Plan of Arrangement, Arrangement Agreement, or Circular submitted to the Meeting, and the subject of the Arrangement Resolution.

RECORD DATE

6. The record date for determining the Canfor Shareholders entitled to receive the Notice of Meeting, Circular, form of proxy or voting instruction form, and letter of transmittal, all as applicable, for use by the Canfor Shareholders (collectively, the **"Meeting Materials"**) shall be the close of business on November 12, 2019 (the **"Record Date"**).
7. The Record date will not change in respect of any adjournments or postponements of the Meeting.

NOTICE OF MEETING

8. The Circular is hereby deemed to represent sufficient and adequate disclosure, including for the purpose of Section 290(1)(a) of the BCBCA, and Canfor shall not be required to send to the Canfor Shareholders any other or additional statement pursuant to Section 290(1)(a) of the BCBCA.
9. The Meeting Materials, in substantially the same form as contained in Exhibits **"A"**, **"C"** and **"H"** to Calabrigo Affidavit #1, with such deletions, amendments or additions thereto as counsel for Canfor may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of this Interim Order, and subject to the extent that section 7(3) of the BCBCA is applicable, shall be sent:
 - (a) to registered Canfor Shareholders (those whose names appear in the central securities register of Canfor) determined as at the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing, delivery or transmittal and the date of the Meeting, by one or more of the following methods:

- (i) by prepaid ordinary, first class or air mail addressed to the Canfor Shareholder at his, her or its address as it appears in the applicable records of Canfor as at the Record Date;
 - (ii) by delivery in person or by delivery to the addresses specified in paragraph 9(a)(1) above; or
 - (iii) by e-mail or facsimile transmission to any Canfor Shareholder who identifies himself, herself, or itself to the satisfaction of Canfor, acting through its representatives, who requests such e-mail or facsimile transmission;
- (b) to beneficial Canfor Shareholders (those whose names do not appear in the securities register of Canfor), by providing the requisite number of copies of the Meeting Materials to intermediaries and registered nominees for sending to non-registered Canfor Shareholders in accordance with National Instrument 54-101 - *Communications with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators; and
- (c) to the directors and auditors of Canfor by personal delivery, email or by mailing the Meeting Materials by prepaid ordinary mail to such persons at least twenty-one (21) days prior to the date of the Meeting, excluding the date of mailing or transmittal and the date of the Meeting;

and substantial compliance with this paragraph shall constitute good and sufficient notice of the Meeting.

10. Accidental failure of or omission by Canfor to give notice to any one or more of the Canfor Shareholders, or the non-receipt of such notice by one or more Canfor Shareholders, or any failure or omission to give such notice as a result of events beyond the reasonable control of Canfor (including, without limitation, any inability to use postal services), shall not constitute a breach of this Interim Order or, in relation to notice to Canfor Shareholders, a defect in the calling of the Meeting, and shall not invalidate any resolution passed or proceeding taken at the Meeting, but if any such failure or omission is brought to the attention of Canfor, then Canfor shall use reasonable best efforts to rectify such failure or omission by the method and in the time most reasonably practicable in the circumstances.

DEEMED RECEIPT OF NOTICE

11. The Meeting Materials and any amendments, modifications, updates or supplements thereto and any notice of adjournment or postponement of the Meeting, shall be deemed, for the purposes of this Order, to have been received:
 - (a) in the case of mailing, the day, Saturdays, Sundays and holidays excepted, following the date of mailing;
 - (b) in the case of delivery in person, the day of personal delivery or the day following delivery to the person's address in paragraph 9 above;
 - (c) in the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch;
 - (d) in the case of advertisement, at the time of the publication of the advertisement; and
 - (e) in the case of electronic filing on www.sedar.com, upon the transmission thereof.

UPDATING MEETING MATERIALS

12. Canfor is authorized to make any amendments, revisions or supplements to the Meeting Materials as Canfor may determine in accordance with the terms of the Arrangement Agreement, and notice of any amendments, revisions or supplements to any of the information provided in the Meeting Materials may be communicated to the Canfor Shareholders by press release, news release, newspaper advertisement or other means, as determined to be the most appropriate method of communication by the Board of Directors of Canfor.

QUORUM AND VOTING

13. The quorum required at the Meeting shall be two (2) persons who are, or who represent by proxy, Canfor Shareholders, who, in the aggregate, hold at least five percent (5%) of the issued Canfor Shares entitled to be voted at the Meeting.
14. The votes taken at the Meeting shall be taken on the basis of one vote per each Canfor Share and the vote required to pass the Arrangement Resolution shall be:

- (a) the affirmative vote of at least 66⅔% of the votes cast by Canfor Shareholders, either present in person or represented by proxy and entitled to vote at the Meeting, voting together as one class; and
 - (b) the affirmative vote of a simple majority of the votes cast by Canfor Shareholders, either present in person or represented by proxy and entitled to vote at the Meeting, excluding the votes cast by such Canfor Shareholders that are required to be excluded pursuant to Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*, voting together as one class.
15. For the purposes of the Meeting, any spoiled votes, illegible votes, defective votes and abstentions shall be deemed not to be votes cast.
16. In all other respects, the terms, restrictions and conditions of the Articles of Canfor will apply in respect of the Meeting.

PERMITTED ATTENDEES

17. The only persons entitled to attend the Meeting shall be (i) the Canfor Shareholders or their respective proxyholders as of the Record Date, (ii) Canfor's directors, officers, auditors, advisors and representatives of Great Pacific, and (iii) any other person admitted on the invitation of the chair of the Meeting, and the only persons entitled to be represented and to vote at the Meeting shall be the Canfor Shareholders as at the close of business on the Record Date, or their respective proxyholders.

SCRUTINEERS

18. A representative of AST Trust Company (Canada), or such other person as may be appointed by the chair of the Meeting, is authorized to act as the scrutineer for the Meeting.

SOLICITATION OF PROXIES

19. Canfor is authorized to use the form of proxy in connection with the Meeting, in substantially the same form as attached as Exhibit "C" to Calabrigo Affidavit #1, subject to Canfor's right to insert dates and other relevant information in the final form thereof and to make other non-substantive and changes legal counsel may advise are necessary or appropriate, as well as a voting instruction form for Canfor Shareholders, as applicable,

and Canfor may in its discretion waive generally the time limits for deposit of proxies by the Canfor Shareholders if Canfor deems it reasonable to do so. Canfor is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for the purpose, and by mail or such other forms of personal or electronic communication as it may determine.

20. The procedure for the use of proxies at the Meeting shall be as set out in the Meeting Materials.

DISSENT RIGHTS

21. Each registered Canfor Shareholder shall have the right to dissent in respect of the Arrangement Resolution in accordance with the provisions of sections 237-247 of the BCBCA, as modified by the terms of this Interim Order and the Plan of Arrangement. A beneficial holder of Canfor Shares registered in the name of a broker, custodian, nominee or other intermediary who wishes to dissent must make arrangements for the registered Canfor Shareholder to dissent on behalf of the beneficial holder of Canfor Shares.

22. In order for a Canfor Shareholder to exercise such right of dissent under sections 237-247 of the BCBCA:

- (a) a dissenting Canfor Shareholder shall deliver a written notice of dissent to Canfor:

c/o DLA Piper (Canada) LLP,
2800 Park Place, 666 Burrard
Street, Vancouver, BC V6C 2Z7
Attention: Brian Hiebert

Fax: 604.687.1612

E-Mail: brian.hiebert@dlapiper.com

by **5:00 p.m.** (Vancouver time) on **Monday, December 16, 2019** or, in the event the Meeting is adjourned or postponed, by 5:00 p.m. (Vancouver time) on the last business day that is two full business days preceding the date that the Meeting is reconvened or held;

- (b) delivery of a notice of dissent does not deprive such dissenting Canfor Shareholder of its right to vote at the Meeting, however, a vote in favour of the Arrangement Resolution will result in a loss of the dissent right;

- (c) a vote against the Arrangement Resolution or an abstention shall not constitute the written notice of dissent required under subparagraph (a); and
 - (d) the exercise of such right of dissent must otherwise comply with the requirements of sections 237-247 of the BCBCA, as modified by this Interim Order.
23. The Supreme Court of British Columbia on hearing the application for the Final Order has the discretion to alter the dissent rights described in the Circular based on the evidence presented at such application.
24. Subject to further order of this Court, the rights available to the Canfor Shareholders under the BCBCA and the Arrangement to dissent from the Arrangement shall constitute full and sufficient rights of dissent for the Canfor Shareholders with respect to the Arrangement.
25. Notice to the Canfor Shareholders of their right of dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the BCBCA and the Arrangement, the fair value of their Canfor Shares shall be given by including information with respect to this right in the Circular to be sent to Canfor Shareholders in accordance with this Interim Order.

APPLICATION FOR FINAL ORDER

26. Upon the approval, with or without variation, by the Canfor Shareholders of the Arrangement, in the manner set forth in this Interim Order, Canfor may apply to this Court for, *inter alia*, an Order:
- (a) pursuant to BCBCA Section 291(4)(a) approving the Arrangement; and
 - (b) pursuant to BCBCA Section 291(4)(c) declaring that the Arrangement is procedurally and substantively fair and reasonable to the parties affected.

(collectively, the "**Final Order**")

and that the hearing of the Final Order will be held on **Friday December 20, 2019 at 9:45 a.m.** (Vancouver time) at the Courthouse at 800 Smithe Street, Vancouver, British Columbia or as soon thereafter as the hearing of the Final Order can be heard or at such other date and time as this Court may direct.

27. The form of Notice of Hearing of Petition for Final Order attached as Exhibit "G" to Calabrigo Affidavit #1 is hereby authorized for use for all purposes as the Notice of Hearing required by Rule 16-1 (8).
28. Any Canfor Shareholder or other affected party has the right to appear (either in person or by counsel) and make submissions at the hearing of the application for the Final Order.
29. Any Canfor Shareholder seeking to appear at the hearing of the application for the Final Order shall:

- (a) file and deliver a Response to Petition pursuant to Rule 16-1 (5) of, and in the form prescribed by, the Supreme Court Civil Rules, and a copy of all materials upon which they intend to rely, to the Petitioners' solicitors and Great Pacific Capital Corp's solicitors, respectively, at:

DLA Piper (Canada) LLP
Barristers & Solicitors
Suite 2800 - 666 Burrard Street
Vancouver, B.C. V6C 2Z7

Attention: J. Brent MacLean

Fax number: (604) 687-1612

Email: brent.macleam@dlapiper.com

McCarthy Tetrault LLP
745 Thurlow Street
Suite 2400
Vancouver, B.C. V6E 0C5

Attention: Miranda Lam

Fax Number: (604) 622-5764

Email: mlam@mccarthy.ca

by or before **4:00 p.m.** (Vancouver time) on **Friday December 13, 2019**, or as the Court may otherwise direct.

30. Sending the Notice of Hearing of Petition for Final Order and this Interim Order in accordance with paragraph 9 of this Interim Order shall constitute good and sufficient

service of this proceeding and no other form of service need be made and no other material need be served on persons in respect of these proceedings. In particular, service of the Petition herein and Calabrigo Affidavit #1 and additional Affidavits as may be filed, is dispensed with. Upon the written request by, or on behalf of, any Canfor shareholder Canfor shall deliver the Petition and other materials filed herein.


31. In the event the hearing for the Final Order is adjourned, only those persons who have filed and delivered a Response in accordance with this Interim Order need be provided with written notice of the adjourned hearing date and any filed materials.
32. Canfor is at liberty to serve the Notice of Hearing of Petition for Final Order on persons outside the jurisdiction of this Honourable Court in the manner specified in this Interim Order.

VARIANCE

33. Canfor, or any other interested party, shall be entitled, at any time, to apply to vary this Interim Order or for such further order or orders as may be appropriate.
34. To the extent of any inconsistency or discrepancy between this Interim Order and the Meeting Materials, the BCBCA, applicable securities Laws or the Articles of Canfor, this Interim Order will govern.

35. Rules 8-1 and 16-1(8)-(12) of the *Supreme Court Civil Rules* will not apply to any further applications in respect of this proceeding, including the application for the Final Order and any application to vary this Interim Order.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of lawyer for the Petitioner
DLA Piper (Canada) LLP (J. Brent MacLean)

BY THE COURT



REGISTRAR 



No. S-1912907
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTIONS 288-291 OF THE
BRITISH COLUMBIA *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, CHAPTER 57, AS AMENDED

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT
INVOLVING

CANFOR CORPORATION AND ITS SHAREHOLDERS,
GREAT PACIFIC CAPITAL CORP. AND 1227738 B.C.
LTD

CANFOR CORPORATION

PETITIONER

**ORDER MADE AFTER APPLICATION
(Interim Order)**

DLA Piper (Canada) LLP
Barristers & Solicitors
2800 Park Place
666 Burrard Street
Vancouver, BC V6C 2Z7

Tel. No. 604.687.9444
Fax No. 604.687.1612

Client Matter No.: 063595-00420

SJB/npp

CAN: 31687465.2

APPENDIX D
PLAN OF ARRANGEMENT

(See attached)

**PLAN OF ARRANGEMENT
UNDER SECTION 288 OF THE
BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)**

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.1 Definitions

Unless indicated otherwise, where used in this Plan of Arrangement, capitalized terms used but not defined will have the meanings specified in the Arrangement Agreement (as defined below) and the following terms will have the following meanings (and grammatical variations of such terms will have corresponding meanings):

“**affiliate**” has the meaning specified in National Instrument 45-106 – *Prospectus Exemptions*.

“**Arrangement**” means an arrangement under section 288 of the BCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations to this Plan of Arrangement made in accordance with the terms of the Arrangement Agreement, this Plan of Arrangement and the Interim Order, or made at the direction of the Court in the Final Order with the prior written consent of the Corporation and the Purchaser, each acting reasonably.

“**Arrangement Agreement**” means the arrangement agreement made as of October 28, 2019 among the Parties, as it may have been, or may from time to time be, amended, restated, replaced, supplemented or novated in accordance with its terms and including all schedules to it.

“**Arrangement Resolution**” means the special resolution approving this Plan of Arrangement to be considered at the Canfor Meeting, substantially in the form and content set out in Schedule B annexed to the Arrangement Agreement, and any amendments or variations thereto made in accordance with the provisions of the Arrangement Agreement or made at the direction of the Court in the Interim Order with the prior written consent of the Corporation and the Purchaser, each acting reasonably.

“**BCA**” means the *Business Corporations Act* (British Columbia).

“**Business Day**” means any day, other than a Saturday, a Sunday or a statutory or civic holiday in Vancouver, British Columbia or Toronto, Ontario.

“**Canfor Circular**” means the notice of the Canfor Meeting and accompanying management information circular, including all schedules, appendices and exhibits to, and information incorporated by reference in, such management information circular, to be sent to the Shareholders in connection with the Canfor Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Arrangement Agreement.

“**Canfor Meeting**” means the special meeting of Shareholders, including any adjournment or postponement of such special meeting in accordance with the terms of the Arrangement Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution and for any other purpose as may be set out in the Canfor Circular and agreed to in writing by the Purchaser.

“**Common Shares**” means the common shares in the capital of the Corporation.

“Consideration” means the consideration to be received by Shareholders and DSU Holders in consideration for their DSUs or Common Shares not already owned by the Purchaser or its affiliates, consisting of \$16.00 in cash for each DSU or Common Share, as the case may be.

“Corporation” means Canfor Corporation, a corporation incorporated under the Laws of British Columbia.

“Court” means the Supreme Court of British Columbia.

“Depositary” means AST Trust Company or any trust company, bank or financial institution agreed to in writing by the Corporation and the Purchaser for the purpose of, among other things, receiving Letters of Transmittal and distributing the Consideration to Shareholders in accordance with this Plan of Arrangement.

“Dissent Rights” has the meaning specified in Section 3.1(1).

“Dissenting Shareholder” means a registered holder of Common Shares who has validly exercised Dissent Rights and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of the Common Shares in respect of which Dissent Rights are validly exercised by such holder in strict compliance with the terms of the Dissent Rights.

“DSU” means a Deferred Share Unit issued under the DSU Plan.

“DSU Holders” means the holders of DSUs.

“DSU Loan Amount” means the aggregate amount payable for all DSUs to be cancelled pursuant to Section 2.3(2)(a).

“DSU Plan” means the Corporation’s Non-Employee Directors’ Deferred Share Unit Plan.

“Effective Date” means the date upon which the Parties agree in writing as the date upon which the Arrangement becomes effective or, in the absence of such agreement, four (4) Business Days following the satisfaction or waiver of all conditions to completion of the Arrangement set out in Sections 6.01, 6.02 and 6.03 of the Arrangement Agreement (excluding conditions that, by their terms, cannot be satisfied until the Effective Date, but subject to the satisfaction or, where not prohibited, waiver of those conditions as of the Effective Date by the applicable Party for whose benefit such conditions exist).

“Effective Time” means 12:01 a.m. (Vancouver time) on the Effective Date, or such other time as the Parties agree to in writing before the Effective Date.

“Final Order” means the final order of the Court pursuant to section 291 of the BCA approving the Arrangement, as such order may be amended by the Court (with the consent of the Parties, acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is satisfactory to each of the Parties, acting reasonably) on appeal.

“Governmental Entity” means (i) any international, multinational, supranational, national, federal, provincial, state, regional, municipal, local or other government, governmental, quasi-governmental, administrative body, authority or public department with competent

jurisdiction exercising legislative, judicial, regulatory or administrative functions of or pertaining to international, multinational, supranational, national, federal, provincial, state, regional, municipal, local or other government, including any central bank, court, tribunal, arbitral body, commission, board, bureau, commissioner, minister, cabinet, governor-in-council, ministry, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the above, (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing or (iv) any stock exchange.

“Interim Order” means the interim order of the Court, in a form acceptable to the Corporation and the Purchaser, each acting reasonably, providing for, among other things, the calling and holding of the Canfor Meeting, as the same may be amended, supplemented or varied by the Court (with the consent of the Corporation and the Purchaser, each acting reasonably).

“Law” means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, notice, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended.

“Letter of Transmittal” means the letter of transmittal sent to the Shareholders for use in connection with the Arrangement, in a form acceptable to the Purchaser, acting reasonably.

“Lien” means any mortgage, charge, pledge, hypothec, security interest, prior claim, encroachments, option, right of first refusal or first offer, occupancy right, covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute.

“Parties” means the Corporation, the Purchaser and the Purchaser Parent, and **“Party”** means any one of them.

“Person” includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including a Governmental Entity), syndicate or other entity, whether or not having legal status.

“Plan of Arrangement” means this plan of arrangement proposed under section 288 of the BCA, and any amendments or variations hereto made in accordance with the Arrangement Agreement or Section 5.1 or made at the direction of the Court in the Interim Order or the Final Order with the prior written consent of the Corporation and the Purchaser, each acting reasonably.

“Purchaser” means 1227738 B.C. Ltd., a corporation incorporated under the Laws of British Columbia.

“Purchaser Parent” means Great Pacific Capital Corp., a corporation incorporated under the Laws of British Columbia.

“Shareholders” means the registered and/or beneficial holders of the Common Shares, as the context requires.

“**Tax Act**” means the *Income Tax Act* (Canada), as now in effect and as it may be amended from time to time prior to the Effective Date.

1.2 Interpretation Not Affected by Headings

In this Plan of Arrangement, unless otherwise specified:

- (1) **Headings, etc.** The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the construction or interpretation of this Plan of Arrangement.
- (2) **Currency.** All references to dollars or to \$ are references to Canadian dollars.
- (3) **Gender and Number.** Any reference to gender includes all genders. Words importing the singular number only include the plural and vice versa.
- (4) **Certain Phrases and References, etc.** The words including, includes and include mean including (or includes or include) without limitation, and the aggregate of, the total of, the sum of, or a phrase of similar meaning means the aggregate (or total or sum), without duplication, of. Unless stated otherwise, Article, Section, and Schedule followed by a number or letter mean and refer to the specified Article or Section of or Schedule to this Plan of Arrangement.
- (5) **Statutes.** Any reference to a statute refers to such statute and all rules and regulations made under it, as it or they may have been or may from time to time be amended or re-enacted, unless stated otherwise.
- (6) **Computation of Time.** A period of time is to be computed as beginning on the day following the event that began the period and ending at 4:30 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 4:30 p.m. on the next Business Day if the last day of the period is not a Business Day. If the date on which any action is required or permitted to be taken under this Plan of Arrangement by a Person is not a Business Day, such action will be required or permitted to be taken on the next succeeding day which is a Business Day.
- (7) **Time References.** References to time are to local time, Vancouver, British Columbia.
- (8) **Time.** Time is of the essence in this Plan of Arrangement.

ARTICLE 2 THE ARRANGEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to, and is subject to the provisions of, the Arrangement Agreement.

2.2 Effectiveness

This Plan of Arrangement and the Arrangement will become effective at, and will be binding at and after, the Effective Time, without any further act or formality required on the part of any Person, on: (i) the Corporation; (ii) the Purchaser; (iii) the Purchaser Parent; (iv) all Shareholders (including, for greater certainty, Dissenting Shareholders); (v) all DSU Holders; (vi) the registrar and transfer agent in respect of the Common Shares; and (vii) the Depositary.

2.3 The Arrangement

Commencing at the Effective Time, the following steps set out in this Section 2.3 will occur and will be deemed to occur consecutively two minutes apart and in the following order without any further authorization, act or formality:

- (1) the Purchaser shall lend an amount equal to the DSU Loan Amount to the Corporation and to evidence such loan, the Corporation shall deliver to the Purchaser a duly-issued and executed non-interest bearing demand promissory note with an aggregate principal amount equal to the DSU Loan Amount;
- (2) each DSU outstanding immediately prior to the Effective Time (whether vested or unvested) that is held by a DSU Holder, notwithstanding the terms of the DSU Plan, will be deemed to be unconditionally vested and:
 - (a) such DSU will, without any further action by or on behalf of such DSU Holder, be deemed to have been, assigned and transferred, without any further act of formality, by the holder thereof to the Corporation (free and clear of all Liens) in exchange for a cash payment equal to the Consideration less any amounts withheld in accordance with Section 5.4, and such DSU will immediately be cancelled;
 - (b) the name of such DSU Holder will be removed from the applicable register of the Corporation as a holder of DSUs; and
 - (c) neither the Corporation nor the Purchaser will be obligated to pay the holder of such DSU any other amount in respect of such DSU;
- (3) the DSU Plan, and all certificates, agreements or other documents relating to or representing any DSUs, will be terminated and of no further force and effect;
- (4) each Common Share held by a Dissenting Shareholder will be, and will be deemed to have been, assigned and transferred, without any further act or formality, by the holder thereof to the Purchaser (free and clear of all Liens) in consideration for a debt claim against the Purchaser for the amount determined in accordance with Section 3.1, and:
 - (a) such Dissenting Shareholders will cease to be the holders of such Common Shares so transferred and to have any rights as holders of such Common Shares other than the right to be paid by the Purchaser the amount determined in accordance with Section 3.1;

- (b) the name of each such Dissenting Shareholder will be removed from the register of holders of Common Shares maintained by or on behalf of the Corporation as it relates to each Common Share so transferred; and
 - (c) the Purchaser will be, and be deemed to be, the transferee of each such Common Share (free and clear of all Liens) and will become the sole legal and beneficial holder of each Common Share so transferred and will be added to the register of holders of Common Shares; and
- (5) each Common Share (other than the Common Shares held by (i) a Dissenting Shareholder; or (ii) the Purchaser or any of its affiliates, including the Purchaser Parent (which Common Share will not be acquired under the Arrangement and will remain outstanding as a Common Share held by the Purchaser or the applicable affiliate of the Purchaser)) will be, and be deemed to have been, assigned and transferred, without any further act of formality, by the holder thereof to the Purchaser (free and clear of all Liens) in exchange for a cash payment equal to the Consideration less any amounts withheld in accordance with Section 5.4, and:
- (a) the holders of such Common Shares will cease to be the holders thereof so transferred and to have any rights as holders of such Common Shares other than the right to be paid the Consideration per Common Share in accordance with this Plan of Arrangement;
 - (b) the name of each such holder will be removed from the register of holders of Common Shares maintained by or on behalf of the Corporation as it relates to the Common Share so transferred; and
 - (c) the Purchaser will be, and deemed to be, the transferee of such Common Shares (free and clear of all Liens) and will become the sole legal and beneficial holder of the Common Shares so transferred and will be added to the register of holders of Common Shares.

2.4 Transfers Free and Clear

Any transfer of securities pursuant to this Plan of Arrangement will be free and clear of all Liens.

ARTICLE 3 RIGHTS OF DISSENT

3.1 Dissent Rights

- (1) Registered holders of the Common Shares may exercise, pursuant to and in the manner set forth in sections 237 to 247 of the BCA, the right of dissent in connection with the Arrangement Resolution, as same may be modified by the Interim Order, the Final Order and this Section 3.1 (“**Dissent Rights**”); provided that, notwithstanding (a) subsection 242(1)(a) of the BCA, the written objection to the Arrangement Resolution referred to in subsection 242(1)(a) of the BCA must be received by the Corporation not later than 4:00 p.m. (Vancouver time) two (2) Business Days immediately preceding the date of the Canfor Meeting (as it may be adjourned or postponed from time to time) and (b) subsection 245(1) of the

BCA, the Purchaser and not the Corporation will be required to pay the fair value of such Common Shares held by a Dissenting Shareholder and to offer and pay the amount to which such holder is entitled.

- (2) Dissenting Shareholders who are ultimately determined to be entitled to be paid fair value for their Common Shares pursuant to the Dissent Rights (a) will be deemed to have transferred the Common Shares held by them and in respect of which Dissent Rights have been validly exercised to the Purchaser, without any further act or formality, free and clear of all Liens at the time specified in Section 2.3(1), in consideration of a debt claim against the Purchaser to be paid the fair value of such Common Shares, and (b) will be entitled to be paid by the Purchaser, in full satisfaction of such debt claim, an amount equal to the fair value of such Common Shares and will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such registered holders not exercised their Dissent Rights in respect of such Common Shares.
- (3) Dissenting Shareholders who withdraw their Dissent Rights or who are ultimately determined not to be entitled, for any reason, to be paid fair value for their Common Shares will be deemed to have participated in the Arrangement pursuant to Section 2.3(5) on the same basis as a non-dissenting Shareholder.
- (4) In no circumstances will the Purchaser, the Corporation or any of their respective successors or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is the registered holder of those Common Shares in respect of which such rights are sought to be exercised. In no case will the Corporation, the Purchaser, the Depositary, the registrar and transfer agent in respect of the Common Shares or any other Person be required to recognize a Dissenting Shareholder as a Shareholder after the Effective Time and the name of each Dissenting Shareholder will be deleted from the register of holders of Common Shares as at the time specified in Section 2.3(4) as provided in Article 2.
- (5) In addition to any other restrictions in the Interim Order, Shareholders who vote in favour of the Arrangement Resolution, or have instructed a proxyholder to vote such Common Shares in favour of the Arrangement Resolution will not be entitled to exercise Dissent Rights and will be deemed to have not exercised Dissent Rights in respect of such Common Shares.

ARTICLE 4 PAYMENT OF CONSIDERATION

4.1 Exchange of Certificates for Cash

- (1) Prior to the Effective Date, in accordance with the terms of the Arrangement Agreement, the Purchaser will deposit or cause to be deposited cash with the Depositary in the aggregate amount equal to the payments required by this Plan of Arrangement to be made to Shareholders (with the amount per Common Share in respect of which Dissent Rights have been exercised being deemed to be the Consideration for this purpose only), net of applicable withholdings. The cash deposited with the Depositary will be held in an interest-bearing account and any interest earned on such funds will be for the account of the Purchaser.

- (2) Upon surrender to the Depositary for cancellation of a certificate which immediately prior to the Effective Time represented outstanding Common Shares that were transferred pursuant to Section 2.3(5) (other than Common Shares in respect of which Dissent Rights have been exercised and not withdrawn), together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, the Shareholder of such surrendered certificate will be entitled to receive in exchange therefor from the Depositary, and the Depositary will deliver to such Shareholder as soon as practicable after the Effective Time, a cheque, wire or other form of immediately available funds representing the Consideration which such Shareholder has the right to receive under the Arrangement for such Common Shares, less any amounts withheld pursuant to Section 5.4, and any certificate so surrendered will forthwith be cancelled.
- (3) Until surrendered as contemplated by Section 4.1(2), each certificate which immediately prior to the Effective Time represented any Common Shares (other than Common Shares in respect of which Dissent Rights have been exercised and not withdrawn) will be deemed immediately after the completion of the transactions contemplated by Section 2.3(5) to represent only the right to receive upon such surrender a cash payment in lieu of such certificate as contemplated in Section 4.1(2) less any amounts withheld pursuant to Section 5.4. Any such certificate formerly representing Common Shares not duly surrendered on or before the sixth anniversary of the Effective Date will cease to represent a claim by or interest of any former Shareholder of any kind or nature against or in the Corporation or the Purchaser. On such anniversary date, all certificates representing Common Shares will be deemed to have been surrendered to the Purchaser and all cash to which such former holder was entitled, together with any entitlements to dividends, distributions and interest thereon, will be deemed to have been surrendered to the Purchaser or any successor thereof for no consideration.
- (4) On the Effective Date, the Corporation will pay the amounts, less any amounts withheld pursuant to Section 5.4, to be paid to DSU Holders either (i) pursuant to normal payroll practices and procedures of the Corporation, or (ii) by cheque, wire or other form of immediately available funds, representing the Consideration which such DSU Holders have the right to receive under the Arrangement for such DSUs.
- (5) Any payment made by way of cheque by the Depositary pursuant to this Plan of Arrangement that has not been deposited or has been returned to the Depositary, or that otherwise remains unclaimed, in each case on or before the sixth anniversary of the Effective Date, and any right or claim to payment hereunder that remains outstanding on the sixth anniversary of the Effective Date, will cease to represent a right or claim of any kind or nature and the right of the Shareholder to receive the Consideration for Common Shares pursuant to this Plan of Arrangement will terminate and be deemed to be surrendered and forfeited to the Purchaser or any successor thereof for no consideration.
- (6) No holder of Common Shares or DSUs will be entitled to receive any consideration with respect to such securities other than any cash payment to which such holder is entitled to receive in accordance with Article 2 and this Section 4.1 and, for greater certainty, no such holder will be entitled to receive any interest, dividends, premium or other payment or distribution in connection therewith.

ARTICLE 5 GENERAL

5.1 Amendment

- (1) The Parties may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that any such amendment, modification and/or supplement must be (i) set out in writing; (ii) approved by each of the Purchaser, the Purchaser Parent and the Corporation; and; (iii) if made following the Canfor Meeting, approved by the Court and communicated to Shareholders and others as may be required by the Interim Order in the manner required by the Court (if so required).
- (2) Any amendment, modification and/or supplement to this Plan of Arrangement which is directed by the Court following the Canfor Meeting will be effective only if (i) it is consented to in writing by the Purchaser, the Purchaser Parent and the Corporation, in each case, acting reasonably, and (ii) if required by the Court, it is consented to by the Shareholders in the manner directed by the Court.
- (3) Any amendment, modification and/or supplement to this Plan of Arrangement may be proposed by the Corporation or the Purchaser at any time prior to the Canfor Meeting, provided that the Corporation, the Purchaser and the Purchaser Parent will each have consented thereto in writing, with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Canfor Meeting (other than as may be required under with the Interim Order), will become part of this Plan of Arrangement for all purposes.
- (4) This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.
- (5) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by the Purchaser, provided that it concerns a matter which, in the reasonable opinion of the Purchaser, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any former Shareholder or former DSU Holder.

5.2 Further Assurances

Notwithstanding that the transactions and events set out in this Plan of Arrangement will occur and be deemed to have occurred in the order set out herein, without any further authorization, act or formality, each of the Parties will make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to implement this Plan of Arrangement and to further document or evidence any of the transactions or events set out herein.

5.3 Lost Certificates

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Common Shares will have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Shareholder claiming such certificate to be lost, stolen or

destroyed, the Depositary will deliver in exchange for such lost, stolen or destroyed certificate, a cheque, wire or other form of immediately available funds for the Consideration that such Shareholder has the right to receive in accordance with Section 2.3 and such Shareholder's duly completed Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Shareholder to whom payment is to be made will, as a condition precedent to the delivery thereof, give a bond satisfactory to the Purchaser and the Depositary (each acting reasonably) in such sum as the Purchaser may direct (acting reasonably) or otherwise indemnify the Purchaser, the Corporation and the Depositary in a manner satisfactory to the Purchaser (acting reasonably) against any claim that may be made against the Purchaser, the Corporation or the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed.

5.4 Withholding Rights

The Corporation, the Depositary and the Purchaser, as the case may be, will be entitled to deduct or withhold from any amounts contemplated to be payable to any Shareholder or DSU Holder under this Plan of Arrangement such amounts as are required to be deducted or withheld with respect to such payment under the Tax Act or any other provision of federal, provincial, territorial, state, local or foreign tax Law, in each case, as amended or succeeded, or the administrative practice of the relevant Governmental Entity administering such Law, and subject to the provisions of any applicable income tax treaty, and will remit or cause to be remitted the amount so deducted or withheld to the appropriate Governmental Entity. To the extent that amounts are so deducted or withheld, such deducted or withheld amounts will be treated for all purposes as having been paid to the recipient of the payment in respect of which such deduction or withholding was made, provided that such deducted or withheld amounts are actually remitted in accordance with applicable Law to the appropriate taxing authority.

5.5 Letter of Transmittal

At the time of mailing the Canfor Circular or as soon as practicable thereafter, the Corporation will forward to each registered Shareholder at the address of such Person as it appears on the register maintained by or on behalf of the Corporation in respect of the holders of Common Shares, a Letter of Transmittal.

5.6 Paramountcy

From and after the Effective Time (a) this Plan of Arrangement will take precedence and priority over any and all rights related to the Common Shares and DSUs issued prior to the Effective Time, (b) the rights and obligations of the Shareholders and DSU Holders and any trustee and transfer agent therefor, will be solely as provided for in this Plan of Arrangement, and (c) except in respect to Dissent Rights, all actions, causes of actions, claims or proceedings (actual or contingent, and whether or not previously asserted) based on or in any way relating to Common Shares or DSUs will be deemed to have been settled, compromised, released and determined without liability except as set forth herein.

5.7 Dividends and Distributions

No dividend or other distribution declared or made after the Effective Time with respect to the Common Shares with a record date after the Effective Time will be delivered to the holder of any unsurrendered certificate which, immediately prior to the Effective Time, represented outstanding Common Shares.

APPENDIX E
GREENHILL VALUATION AND FAIRNESS OPINION

(See attached)

Greenhill & Co. Canada Ltd.
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Suite 3403, P.O. Box 333
Toronto, ON M5K 1K7
(416) 601-2560

Greenhill

October 28, 2019

The Special Committee of the Board of Directors of
Canfor Corporation
1700 West 75th Avenue, Suite 100
Vancouver, BC
V6P 6G2

To the Special Committee:

Greenhill & Co. Canada Ltd. (“Greenhill”, “we”, “us” or “our”) understand that Canfor Corporation (“Canfor”) proposes to enter into an agreement (the “Arrangement Agreement”) with Great Pacific Capital Corp. (“Great Pacific Capital”) and a wholly owned subsidiary of Great Pacific Capital, which are both affiliates of The Jim Pattison Group (collectively, “Pattison”), providing for the acquisition by Pattison of all of the issued and outstanding common shares (the “Shares”) of Canfor not already owned by Pattison or its affiliates pursuant to a plan of arrangement under the British Columbia *Business Corporations Act* (the “Transaction”) for consideration per Share of \$16.00 in cash (the “Consideration”). We understand that Pattison owns an approximate 51% equity interest in Canfor and that the Transaction would constitute a “business combination” for the purposes of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”). The above description is summary in nature. The terms and conditions of the Transaction are more fully set forth in the Arrangement Agreement and will be described in a management information circular of Canfor (the “Circular”) to be distributed to the holders of Shares in connection with a special meeting (the “Special Meeting”) of holders of Shares to be called to consider approval of the Transaction.

We further understand that the board of directors of Canfor (the “Board”) has established a committee (the “Special Committee”) comprised of members of the Board who are independent for purposes of MI 61-101, to consider the Transaction and to make recommendations to the Board with respect to the Transaction. The Special Committee has retained Greenhill to provide financial advice and assistance to the Special Committee in evaluating the Transaction, including the preparation and delivery to the Special Committee, and under the supervision of the Special Committee, of a formal valuation of the Shares in accordance with the requirements of MI 61-101 (the “Valuation”) and our opinion as to whether the Consideration to be received pursuant to the Transaction by the holders of Shares other than Pattison is fair from a financial point of view to such holders (the “Opinion”, and together with the Valuation, the “Valuation and Opinion”).

The Valuation and Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada (the “Organization”) but the Organization has not been involved in the preparation or review of the Valuation and Opinion.

All dollar amounts herein are expressed in Canadian dollars, unless stated otherwise.

ENGAGEMENT OF GREENHILL

On August 11, 2019, Canfor announced that it had received an unsolicited and non-binding proposal from Great Pacific Capital pursuant to which Great Pacific Capital suggested that it would be willing to acquire all of the outstanding Shares (excluding those already directly or indirectly owned by it) at a price of \$16.00 per Share. On August 15, 2019, Greenhill was invited to meet with the Special Committee and, on August 20, 2019, Greenhill presented its proposal with respect to providing a formal valuation of the Shares. The Special Committee formally engaged Greenhill pursuant to a letter agreement dated August 26, 2019 (the “Engagement Agreement”), as announced in a press release on August 26, 2019. On October 7, 2019, at the request of the Special Committee, Greenhill delivered a preliminary valuation analysis of the Shares to the Special Committee. On October 17, 2019, at the request of the Special Committee, Greenhill delivered an updated preliminary valuation analysis of the Shares to the Special Committee. On October 28, 2019, at the request of the Special Committee, Greenhill orally delivered the substance of the Valuation and Opinion. The Valuation and Opinion provides the same opinion, in writing, as of October 28, 2019.

The Engagement Agreement provides for payment to Greenhill of a fixed fee of \$750,000 upon delivery of our preliminary valuation analysis, which was delivered on October 7, 2019, and a fixed fee of \$900,000 upon delivery of this Valuation and Opinion. None of the fees payable to us under the Engagement Agreement are contingent upon the conclusions reached by us in the Valuation and Opinion or in any subsequent financial opinion, or the completion of the Transaction. In addition, Greenhill is to be reimbursed for its reasonable out-of-pocket expenses, including fees paid to its legal counsel in respect of advice rendered to Greenhill in carrying out its obligations under the Engagement Agreement, and is to be indemnified by Canfor in respect of certain liabilities that might arise out of our engagement.

Subject to the terms of the Engagement Agreement, Greenhill consents to the inclusion of the Valuation and Opinion in the Circular, with a summary thereof, in a form acceptable to Greenhill, and to the filing thereof with the applicable Canadian securities regulatory authorities.

CREDENTIALS OF GREENHILL

Greenhill, along with its affiliated entities, is a leading independent investment bank focused on providing financial advice on significant mergers, acquisitions, restructurings, financings and capital raising to corporations, partnerships, institutions and governments globally. It acts for clients located throughout the world from its offices in New York, Chicago, Dallas, Frankfurt, Hong Kong, Houston, London, Madrid, Melbourne, San Francisco, São Paulo, Singapore, Stockholm, Sydney, Tokyo and Toronto.

The Valuation and Opinion is the opinion of Greenhill and its form and content has been approved by a committee of senior investment banking professionals of Greenhill, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

INDEPENDENCE OF GREENHILL

Greenhill hereby confirms that it is independent of Canfor, Pattison, and their respective affiliated entities including Canfor Pulp Products Inc. (“Canfor Pulp”) as required pursuant to MI 61-101. Greenhill further confirms that (i) it and its affiliated entities are not an issuer insider, associated entity nor an affiliated entity of any interested party (as each such term is used in MI 61-101) in respect of the Transaction; (ii) it and its affiliated entities are not acting as an advisor to any interested party in respect of the Transaction (other than Greenhill in its capacity as financial advisor to the Special Committee pursuant to the Engagement Agreement); (iii) its compensation under the Engagement Agreement does not depend in whole or in part on the conclusions reached in the Valuation and Opinion or the outcome of the Transaction; (iv) it and its affiliated entities will not act as manager or co-manager of any soliciting dealer group formed by any interested party in connection with the Transaction nor will it act as a member of any such group; (v) it is not the external auditor of Canfor, Pattison, their respective affiliated entities or an interested party; and (vi) it and its affiliated entities do not have any material financial interest in the completion of the Transaction.

As Canfor has been advised, during the two years preceding the date Greenhill was first contacted for the purpose of the Valuation and Opinion, we have not been engaged by, performed any services for or received any compensation from Canfor, Pattison or their respective affiliates (other than any amounts that were paid or are payable to us under the Engagement Agreement). The fees payable to Greenhill pursuant to the Engagement Agreement are not, in the aggregate, financially material to Greenhill and its affiliated entities. There are no understandings or agreements between Greenhill and its affiliated entities, Canfor and its associated or affiliated entities or Pattison and its associated or affiliated entities with respect to future financial advisory or investment banking business. Greenhill and its affiliated entities may in the future, in the ordinary course of business, perform financial advisory services for such entities.

SCOPE OF REVIEW

In connection with rendering the Valuation and Opinion, Greenhill reviewed, considered and relied upon (subject to the exercise of its professional judgement, without attempting to verify independently the completeness, accuracy or fair presentation thereof) or carried out, among other things, the following:

1. reviewed the most recent draft, dated as of October 28, 2019, of the Arrangement Agreement;
2. reviewed annual reports, audited annual financial statements, management’s discussion and analysis, annual information forms and management information circulars of Canfor and Canfor Pulp for the fiscal years ended December 31, 2016, 2017 and 2018;
3. reviewed quarterly reports and unaudited financial statements of Canfor and Canfor Pulp for the applicable reporting periods since December 31, 2016;

4. reviewed earnings call transcripts for each of Canfor and Canfor Pulp for the 2018 fourth quarter and 2018 full year results and quarterly earnings call transcripts for the three months ended March 31, 2019, the three and six months ended June 30, 2019 and the three and nine months ended September 30, 2019;
5. reviewed press releases, material change reports and other regulatory filings made by Canfor and Canfor Pulp during the past three years;
6. reviewed due diligence files prepared by Canfor and Canfor Pulp, including such items as board planning documents, operational and facility information, commodity price projections and sensitivity analyses, public company costs, estimated cost of capital, real estate appraisals, material agreements, production forecasts and capital expenditure plans;
7. reviewed various internal financial and operating reports prepared by management of Canfor and Canfor Pulp;
8. reviewed certain other publicly available business and financial information relating to Canfor and Canfor Pulp;
9. reviewed certain information, including projected financial and operational information for Canfor and Canfor Pulp for the fiscal quarter ended December 31, 2019 through the fiscal year ended December 31, 2025 (the “Forecast Period”), originally received by Greenhill on August 27, 2019, prepared by officers of Canfor (“Canfor Management”) as well as updates to this projected information made through diligence sessions held in-person and by telephone with Canfor Management on various dates during August, September and October 2019, which projections further incorporate independent third party commodity price projections as described below under the heading “Base Case Forecast”;
10. held discussions with Canfor Management with respect to the information referred to above and other issues considered relevant, including the past and present operations, strategy and financial condition and the prospects of Canfor and Canfor Pulp;
11. reviewed representations contained in a certificate addressed to Greenhill, dated as of the date hereof, from certain members of Canfor Management, to their knowledge after reasonable inquiry, as to the completeness and accuracy of the Canfor Information (as defined below) and the reasonableness of assumptions supporting the Base Case Forecast (as defined below) provided to Greenhill by Canfor Management;
12. participated on in-person tours of key lumber and pulp assets of Canfor and Canfor Pulp;
13. held meetings and discussions with the Special Committee and its legal counsel with respect to the Transaction and certain information referred to above;
14. reviewed various research publications prepared by equity research analysts regarding Canfor, Canfor Pulp and other selected public companies, as Greenhill deemed relevant;
15. reviewed various industry research publications, benchmark commodity price projections and other information on the lumber, pulp and forest products industries, including

estimates from Forest Economic Advisors, LLC (“FEA”), Hawkins Wright Ltd. (“Hawkins Wright”) and Brian McClay & Associates (“Brian McClay”);

16. reviewed public information in connection with the business, operations, financial performance, historical market prices, trading activity and valuation multiples of Canfor, Canfor Pulp and other selected public companies, as Greenhill deemed relevant;
17. reviewed public information with respect to certain other transactions of a comparable nature, as Greenhill deemed relevant;
18. participated in discussions and negotiations among members of the Special Committee and representatives of Pattison; and
19. performed such other analyses and considered such other factors as we deemed appropriate.

Greenhill has not, to the best of its knowledge, been denied access by Canfor to any information requested by Greenhill.

PRIOR VALUATIONS

Canfor has represented to Greenhill that there are no prior valuations (as defined in MI 61-101) of Canfor or of its securities or material assets, which have been prepared as of a date within two years preceding the date hereof.

ASSUMPTIONS AND LIMITATIONS

The Valuation and Opinion is subject to the assumptions and limitations set out below.

With the Special Committee’s acknowledgement and agreement as provided for in the Engagement Agreement, we have assumed and relied upon, without independent verification, the accuracy and completeness of the information and data publicly available, supplied or otherwise made available to, or reviewed by or discussed with, us by or on behalf of Canfor, Canfor Pulp or otherwise reviewed by Greenhill, including the certificate identified below (collectively, the “Information”). The Valuation and Opinion is conditional upon such accuracy and completeness. With respect to the Base Case Forecast, we have assumed that it was reasonably prepared on a basis reflecting the best currently available estimates and good faith judgments of Canfor Management (other than in respect of commodity price outlooks, which are based upon external projections and which Canfor Management believes are reasonable to use in the circumstances), and we have accordingly relied upon the Base Case Forecast in arriving at our opinion. Subject to the exercise of our professional judgment and except as expressly described herein, Greenhill has not attempted to independently verify the accuracy or completeness of any of the Information and has not made any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Canfor. We have assumed the accuracy and fair presentation of, and relied upon Canfor’s audited financial statements and the reports of the auditors thereon and Canfor’s interim unaudited financial statements. Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the Information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion, and we do not have any obligation to update, revise, or reaffirm this opinion.

Senior officers of Canfor, in their capacities as officers of Canfor on behalf of Canfor and not in their individual capacities, have represented to Greenhill in a certificate dated the date hereof that:

- (a) to the best of their knowledge after reasonable inquiry, Canfor has no information or knowledge of any facts not specifically provided to Greenhill in or referred to in the Information (as defined in paragraph (b) below) relating to Canfor, its subsidiaries (as such term is defined in the *Securities Act* (British Columbia) (the “BCSA”) and including, for certainty, Canfor Pulp), or its or their assets, liabilities, affairs, business, operations, prospects or condition (financial or otherwise) which would reasonably be expected to affect the Valuation and Opinion in any material respect;
- (b) to the best of their knowledge after reasonable inquiry, subject to paragraph (d) below regarding budgets, forecasts, projections and estimates, the information and data, provided orally by, or in the presence of, an officer of Canfor or any of its subsidiaries, or provided in writing by Canfor or by any of its subsidiaries, to Greenhill or its representatives for the purpose of preparing the Valuation and Opinion is, or in the case of historical information (such information and data, collectively, together with the certificate, the “Canfor Information”), was at the date of preparation, complete, true and accurate in all material respects, and does not and did not contain any untrue statement of a material fact (as such term is defined in the BCSA) in respect of Canfor, its subsidiaries or the Acquisition and does not and did not omit to state a material fact in respect of Canfor, its subsidiaries or the Acquisition necessary to make the Canfor Information or any statement therein not misleading in light of the circumstances under which the Canfor Information was provided or any such statement was made;
- (c) since the date on which the Canfor Information was provided to Greenhill, except as disclosed in writing to Greenhill, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Canfor and its subsidiaries, taken as a whole, and no material change has occurred in the Canfor Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Valuation or the Opinion and there is no plan or proposal by Canfor for any material change in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Canfor or any of its subsidiaries which has not been disclosed to Greenhill;
- (d) with respect to any portion of the Canfor Information that constitute budgets, forecasts, projections, and/or estimates, such budgets, forecasts, projections and/or estimates, except as disclosed to and discussed with Greenhill: (i) were prepared using the assumptions identified therein (to the extent identified therein) or otherwise using assumptions, which in the reasonable belief of Canfor Management are (or were at the time of preparation and continue to be) reasonable in the circumstances; (ii) were prepared on a basis reflecting reasonable currently available estimates and reasonable judgements of Canfor Management as to matters covered thereby at the time thereof; (iii) presents a reasonable view of the financial prospects and forecasted performance of Canfor and its subsidiaries and are consistent, in all material respects, with the historical operating experience of

Canfor and its subsidiaries; and (iv) are not, in the reasonable belief of Canfor Management, misleading in any material respect in light of the assumptions used or in light of any developments since the time of their preparation and with reference to the circumstances in which such budgets, forecasts, projections and/or estimates were provided to Greenhill. Without limiting the generality of the foregoing, the Canfor Management 2025 strategic plan assumptions, as modified using a commodity price outlook based on external projections from FEA (September 2019), Hawkins Wright (August 2019), and Brian McClay (August 2019) (in this paragraph (f), the “Base Case Forecast”), reasonably reflects the fibre cost profile in response to the projected commodity prices in that scenario and is, to their knowledge after reasonable inquiry, a reasonable forecast to use in the circumstances, provided; however, that Greenhill acknowledges that the Base Case Forecast and its supporting assumptions have only been discussed with the Special Committee and Canfor Management and have not been discussed with or approved by the Board;

- (e) to the best of their knowledge after reasonable inquiry, the contents of Canfor’s public disclosure documents, as of their respective dates, were true and correct in all material respects and did not contain any misrepresentation (as such term is defined in the BCSA), and such disclosure documents complied in all material respects with all requirements under applicable laws as of their respective dates;
- (f) to the best of their knowledge after reasonable inquiry, there are no prior valuations (as defined in MI 61-101) of Canfor, or of its securities or material assets, which have been prepared as of a date within two years preceding the date of the certificate;
- (g) there have been no written or, to the best of their knowledge, verbal offers for or proposed transactions involving all or a material part of the assets owned by, or the securities of, Canfor or of any of its subsidiaries and no negotiations have occurred relating to any such offers or transactions within two years preceding the date on which the proposed acquisition of the Shares was first publicly announced by Great Pacific Capital which have not been disclosed to Greenhill, provided; however, that for the purposes of this paragraph (g), non-binding verbal expressions of interest that did not contain material terms of an offer shall not be considered to constitute an “offer” or “proposed transaction”;
- (h) other than as disclosed in the Canfor Information, neither Canfor nor any of its subsidiaries has any material liabilities, contingent or otherwise, and there are no actions, suits, claims, proceedings, investigations, or inquiries pending or, to the best of their knowledge after reasonable inquiry, threatened against or affecting the Transaction, Canfor or any of its subsidiaries at law or in equity or before or by any federal, national, provincial, state, municipal or other governmental department, commission, bureau, board, agency or instrumentality which would reasonably be expected to, in any way, materially adversely affect the Transaction or Canfor and its subsidiaries, taken as a whole; and

- (i) to the best of their knowledge after reasonable inquiry, there are no agreements, undertakings, commitments or understandings (whether written or oral, formal or informal) relating to the Transaction, except as have been disclosed to Greenhill.

In preparing the Valuation and Opinion, Greenhill has made several assumptions, including that the final executed version of the Arrangement Agreement will be identical to the most recent draft thereof reviewed by us, and the Transaction will be consummated in accordance with the terms set forth in the Arrangement Agreement without any waiver, amendment or delay of any terms or conditions. In addition, Greenhill has assumed that the conditions precedent to the completion of the Transaction can be satisfied in due course, all consents, permissions, exemptions or orders of relevant third parties or regulatory authorities will be obtained, without adverse condition or qualification, and the procedures being followed to implement the Transaction are valid and effective. In its analysis in connection with the preparation of the Valuation and Opinion, Greenhill made numerous assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of Greenhill, Canfor or Pattison.

The Valuation and Opinion is conditional upon all of Greenhill's assumptions being correct and there being no "misrepresentation" (as defined in the BCSA) in any Information.

Greenhill is not a legal, regulatory, tax or accounting expert, and Greenhill expresses no opinion concerning any legal, tax or accounting matters concerning the Transaction or the sufficiency of this Valuation and Opinion for the purposes of the Special Committee or the Board. We have relied upon, without independent verification, the assessment of the Special Committee and its legal, tax or regulatory advisors with respect to legal, tax or regulatory matters.

The Valuation and Opinion has been provided for the exclusive use of the Special Committee. The Valuation and Opinion is not intended to be, and does not constitute, a recommendation to the members of the Special Committee or the Board as to whether they should approve the Transaction or to any holder of Shares as to whether or how such holder should vote in respect of the resolution of holders of Shares to be considered at the Special Meeting or whether to take any other action with respect to the Transaction or the Shares. The Valuation and Opinion does not address the relative merits of the Transaction as compared to other transactions or business strategies that might be available to Canfor or the underlying business decision of Canfor to effect the Arrangement or any related transaction. Greenhill expresses no opinion with respect to the future trading prices of securities of Canfor or Canfor Pulp.

The Valuation and Opinion is rendered as of October 28, 2019 on the basis of securities markets, economic and general business and financial conditions prevailing on that date and the condition and prospects, financial and otherwise, of Canfor and its subsidiaries and affiliates as they were reflected in the Information provided to Greenhill. Any changes therein may affect the Valuation and Opinion and, although Greenhill reserves the right to change or withdraw the Valuation and Opinion in such event, it disclaims any undertaking or obligation to advise any person of any such change that may come to its attention, or update the Valuation and Opinion after such date. In preparing the Valuation and Opinion, Greenhill was not authorized to solicit, and did not solicit, interest from any other party with respect to the acquisition of Shares or other securities of Canfor, or any business combination or other extraordinary transaction involving Canfor, nor did Greenhill negotiate with any party in connection with any such transaction involving Canfor.

The preparation of a valuation and fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. Greenhill believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create an incomplete view of the process underlying the Valuation and Opinion. Accordingly, the Valuation and Opinion should be read in its entirety.

OVERVIEW OF CANFOR

Canfor is a leading integrated forest products company based in Vancouver, British Columbia involved primarily in the lumber business with production facilities across British Columbia, Alberta, North and South Carolina, Alabama, Georgia, Mississippi and Arkansas, as well as in Sweden with its majority acquisition of VIDA Group (“VIDA”). Canfor is the second largest producer of softwood lumber in North America with annual capacity of approximately 5.1 billion board feet (“Bfbm”) in North America and approximately 1.1 Bfbm in Sweden.

Canfor currently operates 11 lumber sawmills in the interior region of British Columbia (“Interior BC”), one sawmill in Alberta, 12 in the U.S. South and nine in Sweden. The majority of lumber produced by Canfor is construction and specialty grade dimension lumber. However, a significant and increasing proportion of Canfor’s lumber production is comprised of specialty and high-value products. Canfor’s other operations include a whole-log chipping plant in British Columbia, an 85% interest in two pellet plants in British Columbia, a 60% interest in one pellet plant in British Columbia, as well as one finger-jointing facility and two glulam plants in the U.S. South.

On February 28, 2019, Canfor completed the acquisition of a 70% interest in VIDA (the “VIDA Acquisition”). The former shareholders of VIDA retain a 30% interest and continue to manage the day-to-day business.

Canfor also owns a 54.8% interest in Canfor Pulp, which is one of the largest global producers of market northern bleached softwood kraft (“NBSK”) pulp and a leading producer of high performance kraft paper. Canfor Pulp operates three kraft pulp mills, one kraft paper mill and one bleached chemi-thermo mechanical pulp (“BCTMP”) mill in Interior BC.

Canfor and Canfor Pulp shares are traded on The Toronto Stock Exchange under the symbols “CFP” and “CFX”, respectively.

Historical Financial Information

The following table summarizes Canfor’s consolidated operating results for the fiscal years ended December 31, 2016, 2017, and 2018, and for the last nine months ended September 30, 2018, and 2019:

(C\$ millions)	Year Ended Dec. 31,			9 Months Ended Sept. 30,	
	2016	2017	2018	2018	2019
	Revenue.....	\$4,234.9	\$4,563.3	\$5,044.4	\$4,016.3
Adj. EBITDA ⁽¹⁾	\$530.9	\$848.4	\$1,084.9	\$1,017.4	\$207.2
Net Earnings.....	\$203.9	\$393.6	\$439.0	\$407.3	(\$228.5)

(1) Adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”) as presented in Canfor’s fiscal year 2018 and third quarter 2019 management discussion and analysis.

The following table summarizes Canfor's consolidated balance sheet as at December 31, 2018 and September 30, 2019:

(C\$ millions)	<u>Dec. 31, 2018</u>	<u>Sept. 30, 2019</u>
Cash and Cash Equivalents	\$252.7	\$105.5
Other Current Assets	\$1,096.6	\$1,404.5
Property, Plant and Equipment	\$1,607.2	\$1,993.2
Other Non-Current Assets	\$888.6	\$1,155.0
Total Assets	\$3,845.1	\$4,658.2
Current Liabilities	\$512.2	\$1,056.4 ⁽¹⁾
Long-Term Debt	\$408.0	\$686.5
Other Non-Current Liabilities	\$585.0	\$794.4
Total Equity	\$2,339.4	\$2,120.9
Total Liabilities and Equity	\$3,845.1	\$4,658.2

(1) Includes short-term debt (operating loans) of \$440.6 million.

As at September 30, 2019 and October 23, 2019, Canfor had 125,219,400 Shares outstanding and Canfor Pulp had 65,233,559 shares outstanding, and Canfor's ownership interest in Canfor Pulp was 54.8%.

Historical Trading Information

The following table sets forth for the periods indicated, the intraday high and low trading prices quoted and the total volume traded of the Shares on the TSX:

C\$ per share except as indicated	<u>Intraday Prices (C\$)</u>		<u>Volume</u>
	<u>Low</u>	<u>High</u>	<u>(MM shares)</u>
2019			
January	\$15.56	\$18.92	7.78
February	14.00	18.59	6.79
March	12.91	15.75	10.38
April	12.68	14.67	7.77
May	8.80	14.15	11.64
June	8.55	11.55	11.44
July	9.33	11.29	9.62
August	8.76	15.48	17.87
September	15.04	15.56	4.71
October 1 to October 25 ⁽¹⁾	15.35	15.77	4.12

(1) Up to and including October 25, 2019, the last trading day prior to which Greenhill orally delivered the Valuation and Opinion.

The closing price of the Shares on the TSX on August 9, 2019, the last trading day prior to Pattison's announcement of its proposal to acquire all of the Shares not already owned by it, was \$8.80. The closing price of the Shares on the TSX on October 25, 2019, the last trading day prior to which Greenhill orally delivered the Valuation and Opinion was \$15.44. The closing price of the Shares on the TSX on October 28, 2019, the day Greenhill orally delivered the Valuation and Opinion was \$15.60.

DEFINITION OF FAIR MARKET VALUE

MI 61-101 defines “fair market value” as the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay a prudent and informed seller, each acting at arm’s length with the other and under no compulsion to act. In accordance with MI 61-101, Greenhill has made no downward adjustment to the fair market value of the Shares to reflect the liquidity of the Shares, the effect of the Transaction on the Shares, or the fact that the Shares held by minority shareholders do not form part of a controlling interest. Consequently, the Valuation provides a conclusion on a per Share basis with respect to Canfor’s “en bloc” value, being the price at which all of the Shares could be sold to one or more buyers at the same time.

APPROACH TO VALUE

The Valuation is based upon techniques and assumptions that Greenhill considers appropriate in the circumstances for the purposes of arriving at an opinion as to the range of fair market values of the Shares. The fair market value of the Shares was analyzed on a going concern basis and was expressed as an amount per Share. Greenhill approached the Valuation in accordance with MI 61-101 which, in the case of a business combination such as the Transaction, requires the valuator to make a determination as to the “fair market value” of the affected securities (i.e., the Shares).

Valuation Methodologies

In determining the fair market value of the Shares, Greenhill considered two primary valuation methodologies. Given the specific circumstances affecting Canfor as further described herein, the two primary valuation methodologies Greenhill used in the Valuation were:

1. Discounted cash flow (“DCF”) analysis; and
2. Comparable trading analysis.

In addition, Greenhill reviewed and considered the following valuation reference points, as further described herein: the 52-week trading range and volume weighted average prices of the Shares, equity research analysts’ price targets for the Shares, precedent transactions and precedent minority squeeze-out transactions. However, Greenhill did not rely on these valuation reference points in order to arrive at its conclusion regarding the fair market value of the Shares as these valuation references points were determined to be less relevant to its determination of fairness for the reasons described under the heading “Valuation Reference Points” below.

Discounted Cash Flow Analysis

Greenhill applied a DCF methodology to Canfor in order to arrive at its conclusion regarding the fair market value of the Shares. In this approach, Greenhill discounted to a present value the projected unlevered free cash flows expected to be generated by Canfor during the Forecast Period, utilizing an appropriate weighted average cost of capital (“WACC”) as the discount rate. The present value of a terminal value, representing the value of unlevered free cash flow beyond the end of the Forecast Period is added to arrive at a total aggregate value. Outstanding debt and non-controlling interests are subtracted and outstanding cash is added to arrive at an equity value. The equity value is then divided by the fully diluted share count in order to arrive at an implied price

per Share. The DCF analysis requires that certain assumptions be made regarding, among other things, future unlevered free cash flows, discount rates and terminal values.

Greenhill's DCF analysis is comprised of an analysis of three key components of the Canfor business:

1. Lumber assets;
2. Pulp & paper assets; and
3. VIDA non-controlling interest.

Lumber Assets

Lumber assets primarily include Canfor's sawmilling and remanufacturing operations located in Western Canada, the U.S. South and Sweden (collectively "Canfor Lumber").

Pulp & Paper Assets

Pulp & paper assets primarily include Canfor Pulp's kraft pulp, kraft paper, and BCTMP businesses, in which Canfor has a 54.8% interest.

VIDA Non-Controlling Interest

For the purposes of the DCF analysis, the VIDA non-controlling interest represents the present value of VIDA attributable to the 30% non-controlling shareholders of VIDA. The VIDA non-controlling shareholders have the right to sell their remaining shares to Canfor on prescribed dates at a prescribed valuation formula based on a 6.0x enterprise value to EBITDA multiple multiplied by the average annual VIDA EBITDA since the completion of the VIDA Acquisition (the "VIDA Put Option"). In addition, Canfor also has a right to purchase the remaining VIDA shares held by the VIDA non-controlling shareholders at the prescribed formula described above on prescribed dates. The DCF analysis assumes the VIDA Put Option is exercised in 2025, the 7th year following the VIDA Acquisition and the final year of the Forecast Period.

Comparable Trading Analysis

Greenhill reviewed selected public companies in the lumber, pulp and forest products industries and applied the relevant trading multiple ranges of the comparable companies to Canfor's metrics to arrive at a fair market value range for the Shares. Ideally the comparable companies would be comparable in terms of operating characteristics, product mix, geographic mix, growth prospects, risk profile and size.

Greenhill considered enterprise value to estimated trend EBITDA ("EV/Trend EBITDA") to be the primary valuation multiple when applying the comparable trading analysis to Canfor. Trend EBITDA is defined as the estimated average or mid-cycle EBITDA of a company over the course of the commodity price cycle based on mid-cycle commodity prices, volumes and fibre cost assumptions. Greenhill's comparable trading analysis involved applying the selected ranges of EV/Trend EBITDA multiples to the estimated Trend EBITDA for Canfor Lumber and Canfor Pulp to arrive at a total aggregate value. As a secondary valuation methodology, Greenhill also considered enterprise value to estimated 2020 EBITDA multiples ("EV/2020E EBITDA").

Benefits to a Purchaser of Acquiring 100% of the Shares

Greenhill considered whether any distinctive material benefits would accrue to Pattison and its affiliates as a consequence of the completion of the Transaction. Greenhill determined that by completing the Transaction, Pattison would benefit from a simplified Canfor corporate structure which would give Pattison greater control of Canfor's assets and increase its strategic and financial flexibility. In addition, Canfor Management provided Greenhill with estimates that by completing the Transaction, Pattison may be able to eliminate general and administrative expenses of approximately \$3.0 million per year. These general and administrative expense savings were included in Greenhill's DCF analysis and comparable trading analysis.

APPLICATION OF VALUATION METHODOLOGIES TO THE SHARES

Discounted Cash Flow Analysis

Greenhill considered the fair market value range of the Shares under the DCF analysis using the Base Case Forecast and discounting to October 28, 2019 (the day Greenhill orally delivered the Valuation and Opinion), both the value of Canfor's estimated unlevered free cash flows during the Forecast Period and the terminal value determined at the end of the Forecast Period based on an EV/Trend EBITDA methodology.

Base Case Forecast

Background to the Base Case Forecast

Between August 2019 and October 2019, Greenhill conducted an assessment of both the short-term and the long-term financial projections for Canfor prepared by Canfor Management, including key drivers and assumptions. Short-term rolling forecasts for the next five fiscal quarters are updated at the end of each quarter for Board review. Greenhill's Valuation incorporates the most recent short-term forecast for the fiscal quarter ended December 31, 2019 through the fiscal quarter ended December 31, 2020 (the "F4 Forecast"). The F4 Forecast was prepared by Canfor Management and provided to Greenhill on September 24, 2019.

The long-term financial projections for the fiscal 2021 year through fiscal 2025 year period were last prepared by Canfor Management and approved by the Board in November 2018 (the "2018 Management Plan"), and reflected Canfor Management estimates for forecast production, commodity prices and fibre costs at that time. Greenhill reviewed and evaluated the relevant underlying assumptions behind the 2018 Management Plan including, but not limited to, benchmark lumber prices, benchmark pulp & paper prices, foreign exchange rates, production levels by segment, and operating expenses by segment. Based on such review, Greenhill observed that the assumptions underlying the 2018 Management Plan had become outdated and that an update was required to reflect current market conditions and key developments that had occurred since the 2018 Management Plan was prepared in November 2018. An updated financial forecast (the "Adjusted 2018 Management Plan") was developed which reflected the 2018 Management Plan with key adjustments including the incorporation of Interior BC capacity curtailments, updated capital expenditure estimates and other cash flow items. The Adjusted 2018 Management Plan was reviewed with and supported by Canfor Management but was not reviewed with or approved by the Board. However, the Adjusted 2018 Management Plan was necessary to better reflect the current operations of the business.

Greenhill and Canfor Management compared the most recent third-party commodity price forecasts available (as of September 2019) to the long-term commodity price assumptions for the 2021 to 2025 period included in the 2018 Management Plan and the Adjusted 2018 Management Plan. As indicated above, Canfor Management and Greenhill agreed that the long term commodity price assumptions included in the 2018 Management Plan and the Adjusted 2018 Management Plan did not reflect the current market outlook and that the commodity price and fibre cost assumptions required updating. As a result, a second financial forecast was developed, which reflected updated commodity price projections from third-party market research as well as guidance on revised fibre cost assumptions provided by Canfor Management (the “Market Case”). Canfor Management viewed the long-term commodity price projections used in the Market Case forecast, which were based on FEA projections for lumber and Brian McClay and Hawkins Wright for pulp, as reasonable when taking into account the duration of the Forecast Period.

In its review of the Market Case forecast, Canfor Management recommended certain adjustments to the Market Case forecast including (i) NBSK pulp prices in 2024 and 2025 (external third-party NBSK pulp price forecasts were not available for 2024 and 2025), (ii) assumptions relating to the potential recoverability of softwood lumber duties, and (iii) improved EBITDA for Canfor’s Canadian wood products business for 2021 and 2022 to reflect potential mitigating actions in response to the contemplated market conditions. Canfor Management confirmed that the revised forecast (the “Base Case Forecast”) is a reasonable forecast to use in the circumstances.

Overview of Base Case Forecast

As the basis for its Valuation including the projected unlevered free cash flows for the DCF analysis, Greenhill utilized the Base Case Forecast, which consists of unaudited projected operational and financial information for Canfor. The Base Case Forecast is based on a number of important operating assumptions and projections confirmed by Canfor Management as reasonable, a summary of which is provided below.

Greenhill reviewed and evaluated the relevant underlying assumptions including, but not limited to, benchmark lumber prices (which reflect W. SPF and E. SYP (each as defined below) benchmark prices forecasted by FEA in the Base Case Forecast), benchmark NBSK prices (which reflected NBSK benchmark prices forecasted by Hawkins Wright and Brian McClay in the Base Case Forecast), foreign exchange rates, production levels by segment, mill nets, duties, operating expenses by segment, corporate overhead costs, capital expenditures and working capital projections. These projections and assumptions were reviewed in comparison to the historical performance of the assets, industry research publications, forecasts by equity research analysts as well as other sources considered relevant including detailed discussions with Canfor Management. Based on such review, Greenhill observed that the assumptions underlying the Base Case Forecast appear to represent a realistic and plausible operating scenario for the assets of Canfor for the Forecast Period and as such Greenhill has utilized the Base Case Forecast for the purposes of its Valuation.

In addition to the Forecast Period, the Base Case Forecast also includes assumptions for the Trend year (“Trend”) discussed with Canfor Management. Trend EBITDA is an important component for the DCF analysis given the volatility of commodity prices and fibre costs. The Trend EBITDA figure for each Canfor segment is calculated from Trend commodity prices and fibre costs based on an average of the 2017 to 2025 period. The 2017 to 2025 period was utilized based on Canfor Management’s perspective that the operating environment prior to 2017 is not indicative of current

and future industry dynamics. The selected Trend commodity prices and fibre costs are then applied to Canfor's 2025 operational projections to imply a Trend EBITDA for each segment. Based on the information reviewed by Greenhill, including discussions with Canfor Management and the current Canfor Trend EBITDA estimates published by equity research analysts (observed research analyst Trend EBITDA range of \$450 million to \$840 million with an average of \$636 million), Greenhill observed that the Trend EBITDA projections underlying the Base Case Forecast appear to represent a realistic and plausible scenario for the Trend year.

Canfor Lumber Projections

(C\$ millions unless indicated)
(Figures on a 100% basis)

	Fiscal Year Ending December 31,							Trend
	Q4 2019	2020	2021	2022	2023	2024	2025	
Shipments (MMfbm) ⁽¹⁾	1,319.5	5,674.6	6,166.3	6,206.1	6,246.6	6,246.6	6,246.6	6,246.6
Sales	\$674.8	\$3,021.4	\$2,938.6	\$3,003.3	\$3,500.6	\$3,806.3	\$3,627.2	\$3,433.0
EBITDA	\$41.4	\$365.3	\$255.5	\$289.4	\$602.7	\$764.4	\$692.7	\$612.2
EBITDA Margin %	6.1%	12.1%	8.7%	9.6%	17.2%	20.1%	19.1%	17.8%
Capital Expenditures	\$38.9	\$117.1	\$127.8	\$128.7	\$129.5	\$129.5	\$129.5	\$129.5
Elliott Installments ⁽²⁾	-	\$48.1	\$43.8	-	-	-	-	-
Total Capital Expenditures ..	\$38.9	\$165.2	\$171.6	\$128.7	\$129.5	\$129.5	\$129.5	\$129.5

(1) Represents total lumber shipments from Canfor's lumber operations in Western Canada, the U.S. South and Sweden.

(2) Represents the US\$72 million (C\$92 million) in outstanding Phase 2 and Phase 3 installment payments related to Canfor's acquisition of Elliott Sawmilling Co., LLC.

Canfor Pulp Projections

(C\$ millions unless indicated)
(Figures on a 100% basis)

	Fiscal Year Ending December 31,							Trend
	Q4 2019	2020	2021	2022	2023	2024	2025	
NBSK Volume (000 mt)	252.5	1,053.5	1,078.8	1,089.2	1,078.8	1,078.8	1,089.2	1,089.2
BCTMP Volume (000 mt)	33.5	226.9	218.9	218.9	218.9	218.9	218.9	218.9
Paper Volume (000 mt)	28.0	141.7	136.9	136.9	136.9	136.9	136.9	136.9
Sales	\$227.3	\$1,048.2	\$1,169.5	\$1,236.1	\$1,099.8	\$1,127.8	\$1,195.6	\$1,166.7
EBITDA	\$14.6	\$101.4	\$167.9	\$203.3	\$110.4	\$119.9	\$164.6	\$157.8
EBITDA Margin %	6.4%	9.7%	14.4%	16.5%	10.0%	10.6%	13.8%	13.5%
Capital Expenditures	\$4.1	\$60.0	\$60.0	\$60.0	\$60.0	\$60.0	\$60.0	\$60.0

Canfor Consolidated Projections

(C\$ millions unless indicated)
(Figures on a 100% basis)

	Fiscal Year Ending December 31,							Trend
	Q4 2019	2020	2021	2022	2023	2024	2025	
Sales	\$902.2	\$4,069.6	\$4,108.1	\$4,239.3	\$4,600.4	\$4,934.1	\$4,822.8	\$4,599.7
EBITDA	\$56.1	\$466.7	\$423.4	\$492.7	\$713.1	\$884.4	\$857.3	\$770.0
EBITDA Margin %	6.2%	11.5%	10.3%	11.6%	15.5%	17.9%	17.8%	16.7%
Capital Expenditures	\$42.9	\$225.2	\$231.6	\$188.7	\$189.5	\$189.5	\$189.5	\$189.5

Sales

In considering sales, Greenhill reviewed a number of factors and assumptions.

The lumber and pulp industries are cyclical in nature and subject to significant volatility. Pricing for Canfor's primary lumber commodity benchmarks including Western Spruce Pine Fir ("W. SPF") and Eastern Southern Yellow Pine ("E. SYP") are heavily influenced by changes in the North American housing markets, the availability of fibre supply, and other macroeconomic and geopolitical factors. Pricing for Canfor's primary pulp benchmark, NBSK pulp, is heavily influenced by changes in global market conditions, availability of wood chips, and other macroeconomic and geopolitical factors. Based on the dynamics affecting the lumber and pulp industries, there is significant uncertainty and potential volatility in the near term and long term outlook for both lumber and pulp prices in North America. Given that a significant percentage of Canfor's assets and production capacity is located in North America, the value of Canfor is highly sensitive to North American lumber and pulp prices.

The projected benchmark lumber prices (W. SPF and E. SYP) in the Base Case Forecast represent Canfor Management projections for the quarter ended December 31, 2019 through the 2020 year and FEA projections for 2021 through 2025. The projected NBSK (China List) pulp prices in the Base Case Forecast represent Canfor Management projections for the quarter ended December 31, 2019 through the 2020 year, an average of the Hawkins Wright and Brian McClay projections for 2021 through 2023 and Canfor Management projections in 2024 and 2025. Based on the information reviewed by Greenhill, including discussions with Canfor Management, the commodity price assumptions underlying the Base Case Forecast appear to represent a realistic and plausible scenario for applicable commodity prices during the Forecast Period and Trend year.

(Figures in US\$)	Fiscal Year Ending December 31,							Trend
	Q4 2019	2020	2021	2022	2023	2024	2025	
W. SPF (US\$/mfbm)	\$393	\$403	\$359	\$356	\$444	\$502	\$457	\$419
E. SYP (US\$/mfbm).....	\$427	\$424	\$378	\$389	\$477	\$547	\$513	\$458
NBSK (China) (US\$/admt) .	\$583	\$650	\$739	\$788	\$677	\$700	\$750	\$725

For the VIDA mills located in Sweden, Canfor Management indicated that certain VIDA products are not linked to North American regional benchmarks and therefore have a higher degree of price stability.

With respect to production levels in the Base Case Forecast, Greenhill reviewed Canfor Management assumptions for lumber, pulp and other products over the Forecast Period and Trend year. In particular, Greenhill held several discussions with Canfor Management regarding a normalized production level for Canfor's lumber mills located in Interior BC in regards to the announced mill shutdowns and capacity curtailments by Canfor and other lumber producers in the region. Other factors and assumptions reviewed as part of determining sales in the Base Case Forecast include, but are not limited to, mill nets, duties and residual revenue projections. Based on such review, Greenhill observed that the assumptions underlying the Base Case Forecast appear to represent a realistic and plausible operating scenario for the assets of Canfor during the Forecast Period and the Trend year.

Fibre Costs

Canfor's variable costs consist primarily of fibre costs, which represent log costs for Canfor Lumber and wood chips for Canfor Pulp. The projected fibre costs utilized in the Base Case Forecast, developed based on the projected benchmark commodity prices in the Base Case Forecast, are as follows:

(Figures in US\$)	Fiscal Year Ending December 31,							Trend
	Q4 2019	2020	2021	2022	2023	2024	2025	
W. SPF Log Costs (US\$/mfbm)	\$271	\$268	\$253	\$253	\$271	\$305	\$273	\$265
E. SYP Log Costs (US\$/mfbm)	\$206	\$204	\$208	\$211	\$244	\$249	\$254	\$220
NBSK Chip Costs (US\$/admt)	\$249	\$251	\$280	\$291	\$264	\$273	\$280	\$265

Based on the information reviewed by Greenhill, including discussions with Canfor Management, Greenhill observed that the fibre cost assumptions underlying the Base Case Forecast appear to represent a realistic and plausible operating scenario for the assets of Canfor for the Forecast Period and Trend year.

Foreign Exchange Rates

Canfor has significant exposure to the Canadian dollar per U.S. dollar foreign exchange rate (the "USD/CAD FX Rate") as a result of its sales being primarily quoted in U.S. dollars and its operating costs and corporate expenses being primarily quoted in Canadian dollars. Greenhill utilized a 1.25 USD/CAD FX Rate assumption through the Forecast Period and Trend year for the Base Case Forecast, which was consistent with Canfor Management projections and other sources deemed relevant and reviewed by Greenhill including forecasts prepared by equity research analysts, financial institutions and market research organizations.

With respect to Canfor's VIDA assets located in Sweden, Canfor has exposure to the Canadian dollar per Swedish Krona (the "SEK/CAD FX Rate") as a result of the consolidation of VIDA's results into Canfor's consolidated financial statements. Greenhill utilized a 6.85 SEK/CAD FX Rate assumption through the Forecast Period and Trend year for the Base Case Forecast, which was consistent with Canfor Management projections.

Maintenance Capital Expenditures

Estimated maintenance capital expenditures were provided by Canfor Management and are based on Canfor's historical capital requirements and Canfor Management's assessment of the capital needs required to achieve the operational and financial levels projected in the Base Case Forecast.

Elliott Installments

For the purposes of the DCF analysis, the Forecast Period projections include the US\$72 million in outstanding Phase 2 and Phase 3 installment payments related to Canfor's acquisition of Elliott Sawmilling Co., LLC ("Elliott"). The Elliott Phase 2 installment amount is US\$37 million payable on May 31, 2020 and the Elliott Phase 3 installment amount is US\$35 million payable on May 31,

2021. On May 31, 2020, Canfor will increase its ownership interest in Elliott to 100%, at which time Elliott's results and balances will be consolidated into Canfor's.

Non-Cash Working Capital

Estimated net working capital was based on Canfor Management assumptions and the historical relationships of Canfor's accounts receivable, accounts payable and inventory balances to Canfor's historical sales, purchases and fibre costs.

Income Taxes

Cash income taxes were estimated in the Base Case Forecast based on calculations of taxable income and the tax rates applicable to Canfor's operations. Canfor Management provided tax rates based on each tax jurisdiction within which operations are conducted (Canada, the United States and Sweden). The estimated cash taxes are based on current and estimated statutory tax rates in the relevant jurisdictions and reflect tax attributes including, but not limited to, projected tax refunds at Canfor Lumber and Canfor Pulp as estimated by Canfor Management. Canfor Lumber is projected to receive a tax refund of \$55 million in 2020 and Canfor Pulp is projected to receive a tax refund of \$15 million in 2020. Greenhill determined the present value of the tax refunds separately from the operating cash flows in the DCF analysis. The value of the tax refunds was calculated based on the present value of the forecasted tax savings discounted at the cost of capital of Canfor and Canfor Pulp.

Recovery of Cumulative Cash Duties Paid

Canfor's cumulative cash duties balance is projected to be \$420 million on December 31, 2019 as per Canfor Management's F4 Forecast. The potential recovery of these duties, specifically the quantum and timing of a potential recovery, is a complex topic and subject to significant uncertainty. In determining the recovery assumptions for the purposes of the DCF analysis, Greenhill reviewed the 81% duties refund received by Canfor in the 2006 Softwood Lumber Agreement, the June 2019 sale of Conifex's cumulative export duties for 42.5% of value, industry research publications, forecasts by equity research analysts, as well as other sources considered relevant including discussions with Canfor Management. Based on this review, the DCF analysis includes a 75% recovery in 2022 of projected duties paid as at December 31, 2019. For the years 2020 and 2021 additional projected duties were included within EBITDA.

Unlevered Free Cash Flows

The following is a summary of the unlevered free cash flows derived for Canfor Lumber from the Base Case Forecast used in the DCF analysis:

(C\$ millions)	Fiscal Year Ending December 31,							Trend
	Q4 2019	2020	2021	2022	2023	2024	2025	
EBITDA	\$41.4	\$365.3	\$255.5	\$289.4	\$602.7	\$764.4	\$692.7	\$612.2
Cash (Taxes) / Refund.....	(\$3.2)	\$23.9	(\$34.9)	(\$43.2)	(\$107.5)	(\$149.0)	(\$130.6)	
Capital Expenditures	(\$38.8)	(\$165.2)	(\$171.6)	(\$128.7)	(\$129.5)	(\$129.5)	(\$129.5)	
Change in Non-Cash Working Capital	\$39.9	(\$51.0)	\$50.2	(\$8.7)	(\$75.0)	(\$62.2)	\$44.4	
Other Items ⁽¹⁾	(\$7.0)	(\$28.0)	(\$28.0)	\$202.0	(\$28.0)	(\$28.0)	(\$217.3)	
After-tax Public Company Cost Savings	-	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	
Unlevered Free Cash Flow	\$32.3	\$147.1	\$73.3	\$313.0	\$264.9	\$397.9	\$261.9	

(1) Includes lease payments of \$12 million per year, pension contributions of \$16 million per year, estimated after-tax recovery of duties of \$230 million in 2022 and the exercise of the VIDA Put Option in 2025 for \$189 million.

The following is a summary of the unlevered after-tax free cash flows derived for Canfor Pulp from the Base Case Forecast:

(C\$ millions)	Fiscal Year Ending December 31,							Trend
	Q4 2019	2020	2021	2022	2023	2024	2025	
EBITDA	\$14.6	\$101.4	\$167.9	\$203.3	\$110.4	\$119.9	\$164.6	\$157.8
Cash (Taxes) / Refund.....	-	\$9.6	(\$22.2)	(\$31.3)	(\$5.7)	(\$7.8)	(\$19.4)	
Capital Expenditures	(\$4.1)	(\$60.0)	(\$60.0)	(\$60.0)	(\$60.0)	(\$60.0)	(\$60.0)	
Change in Non-Cash Working Capital	(\$5.8)	(\$28.0)	(\$5.9)	(\$6.5)	\$13.4	(\$3.4)	(\$6.3)	
Other Items ⁽¹⁾	(\$1.3)	(\$14.0)	(\$0.3)	(\$0.1)	-	-	-	
Unlevered Free Cash Flow	\$3.4	\$9.1	\$79.6	\$105.5	\$58.1	\$48.7	\$78.9	

(1) Includes lease payments and planned research and development expenditures relating to Canfor's Licella Pulp Joint Venture.

Discount Rate

Projected unlevered after-tax free cash flows derived from the Base Case Forecast were discounted based on an estimated WACC for Canfor and Canfor Pulp. The WACC was calculated using a cost of equity and an after-tax cost of debt, weighted on the basis of an assumed target capital structure. The assumed capital structure was based on a review of the current capital structures of selected companies in the lumber, pulp and forest products industries and the relative risks inherent in the assets. For Canfor Lumber, the comparables reviewed include West Fraser Timber and Interfor and for Canfor Pulp the comparables reviewed including Mercer International. The cost of debt was calculated based on the risk-free rate of return and an appropriate borrowing spread (based on the spread of current Canfor debt), to reflect the credit risk at the assumed capital structure. Greenhill used the capital asset pricing model ("CAPM") approach to determine the appropriate cost of equity. The CAPM approach calculates the cost of equity with reference to the risk-free rate of return, the risk of equity relative to the market ("beta") and a market equity risk premium. To select the appropriate unlevered beta, Canfor reviewed a range of unlevered betas for Canfor and Canfor Pulp and considered a select group of comparable companies that have similar

risks. The selected unlevered beta was re-levered using the assumed target capital structure and was applied in the CAPM approach to calculate the cost of equity.

Canfor Lumber

The assumptions used by Greenhill in estimating the WACC for Canfor Lumber are as follows:

Cost of Debt

Risk-Free Rate ⁽¹⁾	1.54%
Pre-Tax Cost of Debt ⁽²⁾	3.64%
Tax Rate	25%
After-Tax Cost of Debt.....	2.73%

Cost of Equity

Risk-Free Rate ⁽¹⁾	1.54%
Unlevered Beta ⁽³⁾	1.260
Market Risk Premium ⁽⁴⁾	6.94%
Levered Beta	1.496
Size Premium ⁽⁵⁾	1.72%
After-Tax Cost of Equity.....	13.64%

WACC

Target Capital Structure (Debt to Capitalization) ⁽⁶⁾	20.0%
WACC.....	11.46%

- (1) Based on the yield of the Government of Canada 10-year bond as of 25-Oct-2019.
- (2) Estimated cost of debt based on Canfor Management estimates and Canfor's most recent debt financing.
- (3) Based on the average unlevered betas of West Fraser Timber and Interfor as per Barra predicted betas (as at September 2019).
- (4) Long-term expected equity risk premium as per Duff & Phelps estimates.
- (5) Estimated size premium as per Duff & Phelps estimates.
- (6) Target debt/capitalization based on Canfor Management estimates and a review of selected comparables.

Greenhill calculated the WACC for Canfor Lumber to be approximately 11.46%. For the purposes of the DCF analysis, Greenhill selected a WACC range of 10.46% to 12.46% for Canfor Lumber.

Canfor Pulp

The assumptions used by Greenhill in estimating the WACC for Canfor Pulp are as follows:

Cost of Debt

Risk-Free Rate ⁽¹⁾	1.54%
Pre-Tax Cost of Debt ⁽²⁾	3.64%
Tax Rate.....	27%
After-Tax Cost of Debt.....	2.65%

Cost of Equity

Risk-Free Rate ⁽¹⁾	1.54%
Unlevered Beta ⁽³⁾	1.106
Market Risk Premium ⁽⁴⁾	6.94%
Levered Beta.....	1.308
Size Premium ⁽⁵⁾	2.68%
After-Tax Cost of Equity.....	13.30%

WACC

Target Capital Structure (Debt to Capitalization) ⁽⁶⁾	20.0%
WACC.....	11.17%

- (1) Based on the yield of the Government of Canada 10-year bond as of 25-Oct-2019.
- (2) Estimated cost of debt based on Canfor Management estimates and Canfor's most recent debt financing.
- (3) Based on the average unlevered betas of Canfor Pulp and Mercer International as per Barra predicted betas (as at Sept. 2019).
- (4) Long-term expected equity risk premium as per Duff & Phelps estimates.
- (5) Estimated size premium as per Duff & Phelps estimates.
- (6) Target debt/capitalization based on Canfor Management estimates and a review of selected comparables.

Greenhill calculated the WACC for Canfor Pulp to be approximately 11.17%. For the purposes of the DCF analysis, Greenhill selected a WACC range of 10.17% to 12.17% for Canfor Pulp.

Terminal Value

Greenhill calculated terminal enterprise values at the end of the Forecast Period based on a range of EV/Trend EBITDA multiples. The terminal multiple range was developed based on a review of the historical average through-the-cycle EV/Trend EBITDA trading multiples of Canfor, Canfor Pulp and selected lumber and pulp comparables over the last five years (based on historical equity research analyst estimates for Trend EBITDA), Greenhill's assessment of the growth prospects and risks for Canfor's operations and the long-term outlook for the lumber and pulp industry beyond the Forecast Period.

	Avg. EV/Trend EBITDA (Last 5 Years)⁽¹⁾
Canfor.....	5.1x
Canfor Pulp.....	5.0x
West Fraser Timber.....	5.8x
Interfor.....	5.3x
Mercer International.....	3.8x

- (1) Based on the average equity research analyst Trend EBITDA estimate for each company over last five years. Multiples represent the average over the last five years as at October 25, 2019.

Based on the foregoing, Greenhill selected an EV/Trend EBITDA multiple range of 4.5x to 5.5x for Canfor Lumber (based on Canfor's historical 5-year average EV/Trend EBITDA multiple of

5.1x), and 3.5x to 4.5x for Canfor Pulp (based on Mercer International’s historical 5-year average EV/Trend EBITDA multiple of 3.8x) to determine the terminal value in the DCF analysis.

For the purposes of determining a terminal EV/Trend EBITDA multiple range for the DCF analysis, Greenhill also reviewed precedent transactions involving North American lumber and pulp companies announced since 2003 with available EV/Trend EBITDA information. Given the specific circumstances as further described herein under the heading “Precedent Transactions Analysis”, Greenhill noted transaction multiples for lumber and pulp assets vary significantly based on the point in the cycle at which they occur. Significant market differences during the time period reviewed, including meaningful changes in benchmark commodity prices, make the application of precedent transactions less relevant. In addition, Greenhill did not identify any recent transactions involving lumber companies or assets located in Western Canada, which represents the majority of Canfor’s production capacity. While Greenhill identified applicable precedent transaction multiples for Canfor’s U.S. South and VIDA operations including the acquisition of Elliott by Canfor (implied EV/Trend EBITDA multiple of 5.5x), the acquisition of Gilman Companies by West Fraser Timber (implied EV/Trend EBITDA multiple of 6.5x), and the VIDA Acquisition (implied EV/Trend EBITDA multiple of 6.4x), the prospects of those companies were better than other assets of Canfor, primarily those in British Columbia, where high log costs due to supply constraints have led to a structural imbalance in the lumber industry and which represent the majority of Canfor’s production capacity. Based on the foregoing, Greenhill concluded that there are limited applicable precedent transactions for the precedent transactions analysis to be relied upon for determining a terminal EV/Trend EBITDA multiple range for the DCF analysis.

VIDA Non-Controlling Interest

For the purposes of the DCF analysis, the VIDA non-controlling interest represents the present value of VIDA attributable to the 30% non-controlling shareholders of VIDA including the assumed exercise of the VIDA Put Option in 2025, the final year of the Forecast Period. Based on the information reviewed, including the projected VIDA EBITDA in the Base Case Forecast, the exercise of the VIDA Put Option would represent a cash outlay of \$189.3 million in 2025.

(C\$ millions)	<u>Metric</u>
Attributable Average EBITDA (30%) (2019 – 2025) ⁽¹⁾	\$31.6
VIDA Put Option EV/EBITDA Multiple.....	6.0x
Implied VIDA Put Option Value (30%) in 2025.....	\$189.3

(1) Based on the average 30% attributable VIDA EBITDA from 2019 to 2025 as per the Base Case Forecast. Includes VIDA synergies attributable to the non-controlling VIDA shareholders of \$0.6MM as per Canfor Management.

Expected Mill Upgrade Investments

For the purposes of the DCF analysis, the Base Case Forecast reflects capital expenditures in the latter part of the Forecast Period related to certain mill upgrade investments, as well as the operating or financial benefits expected to be realized therefrom. A potential capital expenditure range of \$300 to \$400 million related to these expected mill upgrades, with annual EBITDA benefits of \$25 million, have been estimated by Canfor Management. However, the amount and timing of the capital expenditures underlying the expected mill upgrade investments have not been approved by the Board.

The net present value of the expected mill upgrade investments was deducted from the implied enterprise value in determining the fair market value of the Shares.

Summary of DCF Analysis

The following is a summary of the fair market value range of the Shares derived from the DCF analysis:

Canfor

	Value Range	
	Low	High
(C\$ millions, except per share data; Figures on a 100% basis unless indicated)		
WACC.....	12.46%	10.46%
Terminal EV/Trend EBITDA Multiple	4.5x	5.5x
Net Present Value		
Unlevered Free Cash Flows (Forecast Period)	\$992.6	\$1,053.7
Terminal Value.....	\$1,337.5	\$1,826.5
Enterprise Value.....	\$2,330.1	\$2,880.2
Less: Adjusted Canfor Lumber Net Debt ⁽¹⁾	(\$932.2)	(\$932.2)
Plus: Attributable Canfor Pulp Equity Value (54.8% Interest) ⁽²⁾	\$225.8	\$299.7
Less: VIDA Non-Controlling Interest (30.0% Interest) ⁽³⁾	(\$72.4)	(\$76.7)
Equity Value.....	\$1,551.3	\$2,171.0
Fully Diluted Shares Outstanding (MM Shares) ⁽⁴⁾	125.3	125.3
Implied Value per Share.....	\$12.39	\$17.33

(1) Based on reported consolidated net debt as at September 30, 2019 of \$1,038 million less \$75 million of proceeds from the sale of the Vavenby tenure and other asset sales less Canfor Pulp net debt as at September 30, 2019 of \$31 million.

(2) Based on a Canfor Pulp terminal multiple range of 3.5 – 4.5x and a Canfor Pulp WACC of 12.17 – 10.17%.

(3) Based on the discounted cash flows of VIDA for the FQ4 2019 to FY2025 period assuming a WACC range of 10.46 – 12.46%.

(4) Includes 32,500 Canfor deferred share units.

Canfor Pulp

	Value Range	
	Low	High
(C\$ millions, except per share data; Figures on a 100% basis unless indicated)		
WACC.....	12.17%	10.17%
Terminal EV/Trend EBITDA Multiple	3.5x	4.5x
Net Present Value		
Unlevered Free Cash Flows (Forecast Period)	\$262.5	\$278.0
Terminal Value.....	\$271.6	\$390.2
Enterprise Value.....	\$534.1	\$668.3
Less: Canfor Pulp Net Debt ⁽¹⁾	(\$30.6)	(\$30.6)
Less: Present Value of Expected Mill Upgrade Investments ⁽²⁾	(\$92.2)	(\$91.7)
Canfor Pulp Equity Value (100% Basis).....	\$411.3	\$545.9
Canfor Pulp Equity Value Attributable to Canfor (54.8% Interest)	\$225.8	\$299.7

(1) Based on Canfor Pulp reported net debt as at September 30, 2019.

(2) Based on Canfor Management cash flow estimates and assuming a WACC range of 12.17 – 10.17%.

Sensitivity Analysis

Canfor performed sensitivity analyses representing step changes to certain key assumptions and the resulting impact on the value per Share, as summarized below:

(C\$ millions, unless indicated)	Base Metric	Sensitivity	Impact on Value per Share ⁽¹⁾	
			\$	%
Western Canada Lumber				
W. SPF Trend Price.....	US\$419/mfbm	+ / - \$10.0	\$0.66	4.5%
W.SPF Log Costs (2021E – 2025E).....	\$339/mfbm	+ / - \$10.0	(\$0.80)	(5.4%)
W. SPF Trend EBITDA	\$177	+ / - \$10.0	\$0.20	1.4%
U.S. South Lumber				
E. SYP Trend Price	US\$458/mfbm	+ / - \$10.0	\$0.50	3.4%
E. SYP Log Costs (2021E – 2025E).....	\$233/mfbm	+ / - \$10.0	(\$0.82)	(5.6%)
E. SYP Trend EBITDA	\$335	+ / - \$10.0	\$0.20	1.4%
Canfor Lumber Terminal Multiple	5.0x	+ / - 0.5x	\$1.25	8.5%
Pulp and Paper				
NBSK (China List) Trend Price	US\$725/admt	+ / - \$10.0	\$0.11	0.7%
NBSK Fibre Costs (2021E – 2025E).....	\$278/admt	+ / - \$10.0	(\$0.36)	(2.4%)
Canfor Pulp Terminal Multiple	4.0x	+ / - 0.5x	\$0.19	1.3%
Canfor Pulp Trend EBITDA	\$158	+ / - \$10.0	\$0.09	0.6%
Lumber Duties Recovery				
Cumulative Duties Balance (Dec. 31, 2019)	\$420	+ / - \$100.0	\$0.33	2.2%
Recovery Rate	75%	+ / - 10.0%	\$0.18	1.2%
Year Recovered	2022	+ / - 1 Year	(\$0.15)	(1.0%)
Other				
USD / CAD FX Rate	1.25	+ / - 0.01	\$0.54	3.7%
Cost Savings (Public Company Costs).....	\$3.0	Excluded	(\$0.14)	(0.9%)

(1) Impact is calculated relative to values calculated at the midpoint WACC, midpoint attributable Canfor Pulp equity value and midpoint Trend EBITDA multiple.

Comparable Trading Analysis

Using publicly available information, including consensus equity research analyst estimates, Greenhill reviewed and analyzed certain trading multiples of the following selected public company comparables (the “Comparables”):

Canfor Lumber

- West Fraser Timber Co. Ltd. (“West Fraser”)
- Interfor Corporation (“Interfor”)

Canfor Pulp

- Mercer International Inc. (“Mercer”)

While Greenhill did not consider any of the companies reviewed to be directly comparable to Canfor, Greenhill believed the Comparables shared certain business, financial, and/or operational characteristics to those of Canfor and Canfor Pulp, and used its professional judgment in selecting the most appropriate trading multiples. Greenhill considered EV/Trend EBITDA to be the most appropriate trading metric. Greenhill also considered EV/2020E EBITDA as a secondary methodology.

Current Trading Multiples⁽¹⁾	EV/2020E EBITDA	EV/Trend EBITDA
West Fraser	7.63x	5.71x
Interfor	6.52x	4.80x
Mercer	5.01x	4.37x

(1) Based on the consensus equity research EBITDA estimate for each company. Multiples calculated as at October 25, 2019.

Based on the foregoing, Greenhill selected an EV/Trend EBITDA multiple range of 4.75x to 5.75x for Canfor Lumber (based on the current EV/Trend EBITDA multiples of Interfor and West Fraser) and 3.5x to 4.5x for Canfor Pulp (based on Mercer’s current EV/Trend multiple) and an EV/2020E EBITDA multiple range of 6.5x to 7.5x for Canfor Lumber (based on the current EV/2020E EBITDA multiples of Interfor and West Fraser) and 4.0x to 5.0x for Canfor Pulp (based on Mercer’s current EV/2020E EBITDA multiple).

Greenhill’s comparable trading analysis involved applying the selected ranges of EV/Trend EBITDA multiples and EV/2020E EBITDA multiples for the Comparables to the Base Case Forecast, to arrive at a total aggregate value. Outstanding debt and non-controlling interest is subtracted and outstanding cash is added to arrive at an equity value. The equity value is then divided by the fully diluted share count, in order to arrive at an implied value per Share.

Greenhill also considered a number of adjacent forest products companies as reference comparables (the “Reference Comparables”), including Louisiana-Pacific, Norbord, Western Forest Products, Suzano, Domtar, Altri, ENCE, Resolute Forest Products, and Rayonier Advanced Materials. Greenhill did not rely on the Reference Comparables in order to arrive at its conclusion regarding the fair market value of the Shares under the comparable trading analysis, due to lower relative comparability to Canfor and Canfor Pulp based on operating characteristics, product mix, geographic mix, growth prospects, risk profile and size.

Summary of Comparable Trading Analysis

The following is a summary of the fair market value range of the Shares derived from the comparable trading analysis:

EV/Trend EBITDA

(Figures in C\$ millions, unless indicated)	Selected EV / Trend EBITDA			Implied Value	
	Low	High	EBITDA	Low	High
Lumber (100% Basis)	4.75x	5.75x	\$615.2 ⁽¹⁾	\$2,922.0	\$3,537.2
Pulp & Paper (100% Basis)	3.50x	4.50x	\$157.8	552.4	710.3
Implied Enterprise Value				\$3,474.4	\$4,247.4
Implied Canfor Equity Value				\$2,015.3	\$2,683.8
Implied Value per Share				\$16.09	\$21.43

(1) Includes \$3.0 million of pre-tax public company cost savings

EV/2020E EBITDA

(Figures in C\$ millions, unless indicated)	Selected EV / 2020E EBITDA			Implied Value	
	Low	High	EBITDA	Low	High
Lumber (100% Basis)	6.50x	7.50x	\$368.3 ⁽¹⁾	\$2,394.0	\$2,762.3
Pulp & Paper (100% Basis)	4.00x	5.00x	\$101.4	405.7	507.1
Implied Enterprise Value				\$2,799.6	\$3,269.4
Implied Canfor Equity Value				\$1,356.1	\$1,748.9
Implied Value per Share				\$10.83	\$13.96

(1) Includes \$3.0 million of pre-tax public company cost savings

Valuation Reference Points

Greenhill also reviewed and took into consideration other valuation reference points in determining the fair market value of the Shares. However, Greenhill did not rely on these valuation reference points in order to arrive at its conclusion regarding the fair market value of the Shares as these valuation references points were determined to be less relevant to its determination of fairness.

Historical Trading Analysis

Greenhill reviewed historical trading prices and volumes for the Shares on the TSX for the last 90 days and twelve months ended August 9, 2019, the last trading day immediately prior to Pattison's announcement of its proposal to acquire all of the Shares not already owned by it. Greenhill examined the volume weighted average price ("VWAP") and intraday trading prices over these time period. Over the last twelve months ended August 9, 2019, the VWAP on the TSX was \$15.91 with a trading range of \$8.65 to \$31.67, and over the last 90-trading days ended August 9, 2019, the VWAP was \$10.33 with a trading range of \$8.65 to \$11.67. As of August 9, 2019, the trading price of the Shares was \$8.80 on the TSX. As of October 25, 2019, the trading price of the Shares was \$15.44. As of October 28, 2019, the trading price of the Shares was \$15.60.

Research Analysts Price Targets

Greenhill reviewed public market trading price targets for the Shares. Equity research analyst price targets reflect each analyst's estimate of the future public market trading price of the Shares at the time the price target is published.

Greenhill specifically reviewed the six available research analyst price targets estimates immediately prior to and following Pattison's announcement on August 11, 2019 of its proposal to acquire all of the Shares not already owned by it. For the date immediately prior to Pattison's announcement of its proposal to acquire all of the Shares not already owned by it, Greenhill used August 9, 2019, and for the date following Pattison's announcement of its proposal to acquire all of the Shares not already owned by it, Greenhill used October 25, 2019.

<i>(C\$ per share)</i>	Before Proposal (09-Aug-2019)	After Proposal (25-Oct-2019)
Average Price Target.....	\$15.92	\$16.67
Median Price Target.....	\$16.50	\$16.00

Precedent Transactions Analysis

As a reference point, Greenhill reviewed the purchase price paid in selected precedent transactions involving lumber and pulp companies and assets announced since 2003. Greenhill did not rely on the precedent transaction analysis as a primary valuation methodology due to a limited number of comparable transactions for Canfor's lumber assets located in Interior BC, which comprise the majority of Canfor's lumber production capacity, as well as Canfor Pulp's NBSK assets located in Interior BC.

Lumber

Based on publicly available information, Greenhill identified 30 publicly announced transactions since 2003 involving the acquisition or merger of lumber companies or assets with available production capacity or Trend EBITDA information. For the purposes of its precedent transaction analysis, Greenhill focused on precedent transactions involving assets or companies with similar geographic or product characteristics as Canfor Lumber. However, Greenhill identified only eight lumber transactions announced since 2003 involving companies or assets primarily located in Western Canada, only three announced over the last five years and none announced since 2017. Transaction multiples for lumber assets vary significantly based on the point in the cycle at which they occur. Significant market differences during the period reviewed, including meaningful changes in the benchmark W. SPF price and structural changes to the British Columbia lumber market, make the application of precedent transactions less relevant for Canfor given its relatively significant exposure to Western Canada.

In addition, while Greenhill identified several precedent transaction multiples for Canfor's U.S. South and VIDA operations including the acquisition of Elliott by Canfor (implied EV/Trend EBITDA multiple of 5.5x), the acquisition of Gilman Companies by West Fraser Timber (implied EV/Trend EBITDA multiple of 6.5x), and the VIDA Acquisition (implied EV/Trend EBITDA multiple of 6.4x), the prospects of those companies were better than other assets of Canfor, primarily those in British Columbia, where high log costs due to supply constraints have led to a

structural imbalance in the lumber industry and which represent the majority of Canfor's production capacity. Based on the foregoing, Greenhill concluded that there are insufficient applicable Canadian lumber transactions for the precedent transactions analysis to be relied upon as a primary valuation methodology.

For the purposes of determining EV/Capacity multiples, Greenhill focused on lumber transactions announced over the last five years. Greenhill reviewed the implied EV/Capacity multiples for each of the precedent transactions announced since 2014 based on the production capacity of the company or mill at the time of the transaction. The overall observed median for the transactions reviewed was US\$448 per thousand board feet (mfbm). Based on the foregoing, Greenhill selected an EV/Capacity multiple range of US\$398/mfbm to US\$498/mfbm for Canfor Lumber.

Greenhill also reviewed the implied EV/Trend EBITDA multiples for each precedent transaction, based on available consensus equity research analyst estimates at the time of the transaction announcement. Greenhill observed 13 such transactions announced since 2003 with an overall observed median EV/Trend EBITDA of 5.5x. Based on the foregoing, Greenhill selected an EV/Trend EBITDA multiple range of 5.0x to 6.0x for Canfor Lumber.

Pulp

Based on publicly available information, Greenhill identified 22 publicly announced transactions since 2005 involving the acquisition or merger of pulp companies or assets with available capacity information. For the purposes of its precedent transaction analysis, Greenhill focused on precedent transactions involving assets or companies with similar geographic or product characteristics as Canfor Pulp. Based on this review, Greenhill identified only three precedent transactions involving NBSK pulp assets or companies located in Western Canada with available financial or capacity information (the "NBSK Precedent Transactions"). Greenhill concluded that there are insufficient precedent pulp transactions to be relied upon as a primary valuation methodology.

Greenhill reviewed the implied EV/Capacity multiples for the NBSK Precedent Transactions based on the production capacity of the company or mill at the time of the transaction. The overall observed median for the NBSK Precedent Transactions was US\$444 per tonne, while the overall observed median for the full list of pulp transactions reviewed was US\$453 per tonne. Based on the foregoing, Greenhill selected an EV/Capacity Range of US\$394 per tonne to US\$494 per tonne for Canfor Pulp.

Publicly available Trend EBITDA estimates were not available for the NBSK Precedent Transactions reviewed. As a result, Greenhill reviewed the implied enterprise value to last 12 months ("LTM") EBITDA ("EV/LTM EBITDA") multiples for the NBSK Precedent Transactions, based on available LTM EBITDA figures at the time of the transaction announcement. The overall observed median EV/LTM EBITDA for the NBSK Precedent Transactions was 3.2x, while the overall observed median EV/LTM EBITDA for the full range of pulp transactions reviewed was 6.3x. Based on the foregoing and considering the level of LTM EBITDA for Canfor Pulp relative to the current point in the pulp cycle, Greenhill considers an appropriate range of EV/LTM EBITDA multiples to be 3.5x to 5.0x for Canfor Pulp.

Implied Valuation – Precedent Transactions Analysis (EV/Capacity)

(Figures in C\$ millions, unless indicated)	Selected Range (US\$)		Capacity	Implied Value	
	Low	High		Low	High
Lumber (100% Basis) ⁽¹⁾	\$398/mfbm	\$498/mfbm	6.2 Bfbm	\$3,164.9	\$3,956.6
Pulp & Paper (100% Basis) ⁽²⁾	\$394/mt	\$494/mt	1.06 MMt	653.7	786.7
Implied Enterprise Value				\$3,818.5	\$4,743.3
Net Debt ⁽³⁾				(1,055.0)	(1,055.0)
VIDA Non-Controlling Interest ⁽⁴⁾				(158.0)	(199.2)
Canfor Pulp Non-Controlling Interest ⁽⁴⁾				(308.6)	(362.4)
Other Non-Controlling Interests				(11.4)	(11.4)
Implied Canfor Equity Value				\$2,285.5	\$3,115.3
Implied Value per Share				\$18.25	\$24.87

(1) Value of glulam, pellets and other businesses included on an EV/Trend EBITDA basis (total trend EBITDA of ~\$17MM valued at 5.0 – 6.0x); value of \$80 – 96MM.

(2) Value of BCTMP and Paper businesses included on an EV/Trend EBITDA basis of 5.0x based on selected comparables due to a lack of comparable precedent transactions. Estimated Trend EBITDA of C\$26MM as per Canfor Management projections represents a value of \$130MM.

(3) Q3/19 net debt pro forma for Vavenby and other sale proceeds (\$75MM) and remaining Elliott payments of US\$72MM (~C\$92MM).

(4) VIDA and Canfor Pulp Non-Controlling Interest valued at the indicative value range.

Implied Valuation – Precedent Transactions Analysis (EV/EBITDA)

(Figures in C\$ millions, unless indicated)	Selected Range		EBITDA	Implied Value	
	Low	High		Low	High
Lumber (100% Basis) – Trend	5.0x	6.0x	\$612.5	\$3,062.5	\$3,675.0
Pulp & Paper (100% Basis) – LTM	3.5x	5.0x	\$85.3	298.5	426.5
Implied Enterprise Value				\$3,361.0	\$4,101.5
Net Debt ⁽¹⁾				(1,055.0)	(1,055.0)
VIDA Non-Controlling Interest ⁽²⁾				(193.4)	(160.1)
Canfor Pulp Non-Controlling Interest ⁽²⁾				(121.1)	(178.9)
Implied Canfor Equity Value				\$1,991.6	\$2,707.4
Implied Value per Share				\$16.06	\$21.77

(1) Q3/19 net debt pro forma for Vavenby and other sale proceeds (\$75MM) and remaining Elliott payments of US\$72MM (~C\$92MM).

(2) VIDA and Canfor Pulp Non-Controlling Interest valued at the indicative value range.

Based on Greenhill’s professional judgment, no company or transaction utilized in the precedent transaction analysis may be considered directly comparable to Canfor or the Transaction and, accordingly, Greenhill did not rely on this methodology in order to arrive at its conclusion regarding the fair market value of the Shares.

Precedent Minority Squeeze Outs

As a reference point, Greenhill reviewed the purchase prices paid in select precedent minority squeeze out transactions in Canada and the United States. Based on publicly available information, Greenhill identified and reviewed 55 publicly announced transactions since 2000 with a minority transaction value greater than \$500 million. Greenhill reviewed the initial and final premiums paid to the target companies’ unaffected stock prices (defined as the share price 30 days prior to the earliest date of the deal announcement, announcement of a competing bid or market rumours in certain transactions, as appropriate) for the selected squeeze out transactions. The overall observed median final unaffected stock price premium paid in such selected transactions was 26.9% across

all reviewed transactions and 31.3% for transactions involving a Canadian target company. Greenhill considers an appropriate range of 30-day unaffected premiums paid for Canfor to be 21.9% to 36.3%. This analysis yielded an implied equity value of \$12.59 per Share to \$14.08 per Share.

Based on Greenhill’s professional judgment, no company or transaction utilized in the precedent minority squeeze out analysis may be considered directly comparable to Canfor or the Transaction and, accordingly, Greenhill did not rely on this methodology in order to arrive at its conclusion regarding the fair market value of the Shares.

Valuation Summary

The following is a summary of the range of values of the Shares resulting from the DCF analysis and the comparable trading analysis:

(Figures in C\$)	Implied Share Price	
	Low	High
DCF Analysis.....	\$12.39	\$17.33
Comparable Trading Analysis (EV/Trend EBITDA)	\$16.09	\$21.43
Implied Valuation Range per Share	\$14.24	\$19.38

In arriving at its opinion as to the fair market value of the Shares, Greenhill gave equal consideration to the DCF analysis and the comparable trading analysis (based on EV/Trend EBITDA) valuation methodologies. This determination was based on Greenhill’s professional judgement that both valuation methodologies provide a reasonable estimate of fair market value of the Shares, supported by a number of factors including: (i) the DCF analysis considers the near and long-term expectations of financial performance, growth and risks inherent in Canfor’s business by estimating both the amount and timing of projected cash flow items, (ii) the DCF analysis includes the present value of projected cash flow items not considered by the comparable trading analysis due to the future-oriented nature of cash flows including the VIDA Put Option, the expected mill upgrade investments and the potential recovery of lumber export duties, (iii) the comparable trading analysis is based on Trend EBITDA and EV/Trend EBITDA multiples which are indicative of a long term, through-the-cycle valuation that is less sensitive to current market conditions, and (iv) the comparable trading analysis based on Trend EBITDA is an alternative reference relative to potential cash flow accuracy risks resulting from significant volatility in Canfor’s benchmark commodity prices and fibre costs.

Fair Market Value of the Shares

Based upon and subject to the foregoing, Greenhill is of the opinion that, as of October 28, 2019, the fair market value of the Shares is in the range of \$14.24 per Share to \$19.38 per Share.

FAIRNESS OPINION

Approach to Fairness

In considering the fairness of the Consideration to be received pursuant to the Transaction by the holders of Shares other than Pattison and its affiliates, Greenhill relied upon a comparison of the Consideration and the fair market value range of the Shares as determined in the Valuation.

In addition to the foregoing, Greenhill also reviewed selected Valuation Reference Points, including the historical prices of the Shares, analyst price targets for the Shares, the multiples paid in selected precedent transactions and the premiums paid in selected precedent minority squeeze-out transactions. However, for the reasons set out in the Valuation, Greenhill concluded the foregoing information was less relevant to its determination of fairness than the fair market value ranges of the Shares as determined in the Valuation and accordingly did not rely on such information.

Greenhill did not, in considering the fairness, from a financial point of view, of the Consideration to be received by holders of the Shares other than Pattison and its affiliates pursuant to the Transaction, assess any income tax consequences that any particular Shareholder may face in connection with the Transaction.

Fairness Opinion Conclusion

Based upon and subject to the foregoing, we are of the opinion as of the date hereof that the Consideration to be received pursuant to the Transaction by the holders of Shares other than Pattison and its affiliates is fair, from a financial point of view, to such holders.

Yours very truly,

(signed) "Greenhill & Co. Canada Ltd."

GREENHILL & CO. CANADA LTD.

APPENDIX F
DISSENT PROVISIONS

SECTIONS 237 - 247 OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, C. 57

Part 8; Division 2 – Dissent Proceedings

Definitions and application

237 (1) In this Division:

"**dissenter**" means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

"**notice shares**" means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

"**payout value**" means,

(a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,

(b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291 (2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement,

(c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, or

(d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

(a) the court orders otherwise, or

(b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1) (g), the court orders otherwise or the resolution provides otherwise.

Right to dissent

238 (1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent as follows:

(a) under section 260, in respect of a resolution to alter the articles

(i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on, or

(ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company's community purposes within the meaning of section 51.91;

(b) under section 272, in respect of a resolution to adopt an amalgamation agreement;

- (c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;
- (d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;
- (e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;
- (f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;
- (g) in respect of any other resolution, if dissent is authorized by the resolution;
- (h) in respect of any court order that permits dissent.

(2) A shareholder wishing to dissent must

- (a) prepare a separate notice of dissent under section 242 for
 - (i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and
 - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,
- (b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and
- (c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.

(3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must

- (a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and
- (b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

Waiver of right to dissent

239 (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

(2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must

- (a) provide to the company a separate waiver for
 - (i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and
 - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and
- (b) identify in each waiver the person on whose behalf the waiver is made.

(3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

(a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and

(b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

Notice of resolution

240 (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.

(2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

(a) a copy of the resolution,

(b) a statement advising of the right to send a notice of dissent, and

(c) if the resolution has passed, notification of that fact and the date on which it was passed.

(4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

Notice of court orders

241 If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

(a) a copy of the entered order, and

(b) a statement advising of the right to send a notice of dissent.

Notice of dissent

242 (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,

(a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,

(b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or

(c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of

(i) the date on which the shareholder learns that the resolution was passed, and

(ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company

(a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or

(b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company

(a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or

(b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.

(4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:

(a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;

(b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;

(c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and

- (i) the name and address of the beneficial owner, and
- (ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.

(5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

Notice of intention to proceed

243 (1) A company that receives a notice of dissent under section 242 from a dissenter must,

(a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of

- (i) the date on which the company forms the intention to proceed, and
- (ii) the date on which the notice of dissent was received, or

(b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.

(2) A notice sent under subsection (1) (a) or (b) of this section must

- (a) be dated not earlier than the date on which the notice is sent,
- (b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and
- (c) advise the dissenter of the manner in which dissent is to be completed under section 244.

Completion of dissent

244 (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,

- (a) a written statement that the dissenter requires the company to purchase all of the notice shares,
- (b) the certificates, if any, representing the notice shares, and
- (c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.

(2) The written statement referred to in subsection (1) (c) must

- (a) be signed by the beneficial owner on whose behalf dissent is being exercised, and
- (b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out
 - (i) the names of the registered owners of those other shares,
 - (ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and
 - (iii) that dissent is being exercised in respect of all of those other shares.

(3) After the dissenter has complied with subsection (1),

(a) the dissenter is deemed to have sold to the company the notice shares, and

(b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.

(4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.

(5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.

(6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

Payment for notice shares

245 (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

(a) promptly pay that amount to the dissenter, or

(b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may

(a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,

(b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and

(c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must

(a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or

(b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),

(a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or

(b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.

(5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that

(a) the company is insolvent, or

(b) the payment would render the company insolvent.

Loss of right to dissent

246 The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

(a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;

(b) the resolution in respect of which the notice of dissent was sent does not pass;

(c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;

(d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;

(e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;

(f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;

(g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;

(h) the notice of dissent is withdrawn with the written consent of the company;

(i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

Shareholders entitled to return of shares and rights

247 If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

(a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,

(b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and

(c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

QUESTIONS MAY BE DIRECTED TO THE PROXY SOLICITATION AGENT



**North American Toll-Free
1-877-452-7184**

**Collect Calls Outside North America:
416-304-0211**

Email: assistance@laurelhill.com