Canfor Corporation.

2024 – Financial statements

Management's Responsibility.

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

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

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

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

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

March 6, 2025

"Susan L. Yurkovich"

Susan L. Yurkovich
President and Chief Executive Officer

"Patrick A. J. Elliott"

Patrick A. J. Elliott
Chief Financial Officer and Corporate Secretary

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

To the Shareholders of Canfor Corporation

Opinion

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

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

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

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

Basis for Opinion

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

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

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

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

Key Audit Matters

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

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

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

Description of the matter

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

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

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

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

Description of the matter

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

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

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

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

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

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

Vancouver, Canada

March 6, 2025

Canfor Corporation.

Consolidated Balance Sheets

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

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

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

APPROVED BY THE BOARD

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

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

Canfor Corporation.

Consolidated Statements of Income (Loss)

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

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

Canfor Corporation.

Consolidated Statements of Other Comprehensive Income (Loss)

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

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

Canfor Corporation.

Consolidated Statements of Changes in Equity

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

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

Canfor Corporation.

Consolidated Statements of Cash Flows

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

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

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

1. Reporting Entity

Canfor Corporation is a company incorporated and domiciled in Canada and listed on the Toronto Stock Exchange. The address of the Company's registered office is 161 East 4th Avenue, Vancouver, British Columbia, Canada, V5T 1G4. The consolidated financial statements of the Company as at and for the year ended December 31, 2024, comprise the accounts of Canfor Corporation and its subsidiaries, hereinafter referred to as "Canfor" or "the Company." Significant subsidiaries include Canfor Southern Pine, Inc. ("CSP"), and entities related to the acquisition of Millar Western Forest Products Ltd. ("Millar Western"), which are wholly owned, as well as Canfor Pulp Products Inc. ("CPPI") and the Vida Group ("Vida"), of which Canfor owned 54.8% and 77.0%, respectively, at December 31, 2024.

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

2. Basis of Preparation

Statement of compliance.

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

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

Basis of measurement.

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

Use of estimates and judgements.

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

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

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

3. Material Accounting Policies

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

Basis of consolidation.

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

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

Business combinations.

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

Financial instruments.

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

Classification and measurement of financial assets.

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

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

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

Classification and measurement of financial liabilities.

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

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

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

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

Impairment.

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

Inventories.

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

Leases.

Lease definition.

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

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

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

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

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

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

Recognition exemptions.

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

Property, plant and equipment.

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

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

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

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

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

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

Timber licenses.

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

Other intangible assets.

Goodwill.

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

Computer software.

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

Asset impairments.

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

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

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

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

Employee future benefits.

Defined contribution plans.

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

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

Defined benefit plans.

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

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

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

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

Provisions.

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

Asset retirement obligations.

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

Deferred reforestation obligations.

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

Restructuring.

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

Revenue recognition.

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

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

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

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

Income taxes.

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

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

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

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

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

Foreign currency translation.

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

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

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

Segment reporting.

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

4. Inventories

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

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

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

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

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

5. Property, Plant and Equipment

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

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

[2] Net of capital expenditures by CPPI that are financed by government grants.
[3] Solid Wood operations include those sawmills, pellet plants, engineered wood and other lumber-related product plants, that are consolidated on a line-by-line basis.

6. Leases

(a) Right-of-Use Assets

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

(b) Lease Obligations

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

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

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

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

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

7. Timber Licenses

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

8. Goodwill and Other Intangible Assets

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

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

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

9. Long-Term Investments and Other

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

The duty deposits recoverable, net balance represents US-dollar countervailing duties ("CVD") and anti-dumping duties ("ADD") and duty cash deposits paid in excess of the calculated expense accrued at December 31, 2024, including interest receivable of $54.5 million (December 31, 2023 – $60.8 million) (Note 29).

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

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

10. Accounts Payable and Accrued Liabilities

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

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

11. Operating Loans

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

Interest is payable on Canfor's committed operating and revolving loan facilities (excluding Vida and CPPI) at floating rates based on the lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar floating rate, plus a margin that varies with Canfor and CPPI's debt to total capitalization ratios.

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

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

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

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

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

Vida is also subject to certain financial covenants, including minimum equity and interest coverage ratios. As at December 31, 2024, Canfor, Vida and CPPI were fully in compliance with all covenants relating to their operating loan facilities. Substantially all borrowings of Vida and CPPI are non-recourse to other entities within the Company.

12. Term Debt

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

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

Canfor's and CPPI's term debt (excluding Vida) is unsecured. Vida's term debt is secured by its property, plant and equipment. Canfor's and CPPI's borrowings (excluding Vida) are subject to certain financial covenants, including a net maximum debt to total capitalization ratio. Vida's borrowings are subject to certain financial covenants, including minimum equity and interest coverage ratios. As at December 31, 2024, Canfor, Vida and CPPI were fully in compliance with all covenants relating to their term debt.

Fair value of total term debt.

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

13. Duty Deposits Loan

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

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

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

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

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

14. Employee Future Benefits

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

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

Defined benefit plans.

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

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

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

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

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

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

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

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

Annuity contracts.

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

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

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

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

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

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

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

Components of pension cost.

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

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

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

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

Significant assumptions.

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

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

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

Sensitivity analysis.

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

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

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

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

Defined contribution and other plans.

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

15. Deferred Reforestation Obligations

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

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

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

16. Asset Retirement Obligations

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

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

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

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

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

17. Share Capital

Authorized.

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

Issued and fully paid.

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

[4] Based on trade date.

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

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

Normal course issuer bid.

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

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

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

18. Non-Controlling Interests

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

Summarized Balance Sheets:

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

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

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

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

Summarized Statements of Cash Flows:

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

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

19. Finance Income (Expense), Net

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

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

Restructuring.

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

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

Asset Write-Downs and Impairments.

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

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

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

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

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

Other Items.

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

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

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

21. Income Taxes

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

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

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

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

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

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

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

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

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

22. Net Change in Non-Cash Working Capital

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

23. Related Party Transactions

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

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

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

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

Key management personnel.

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

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

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

24. Segment Information

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

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

Sales between segments are accounted for at prices that approximate fair value. These include sales of residual fibre from the lumber segment to the pulp and paper segment for use in the pulp production process. Information regarding the operations of each reportable segment is included in the table below. The accounting policies of the reportable segments are described in Note 3. The Company's interest-bearing liabilities are not considered to be segment liabilities but rather are managed centrally by the treasury function. Other liabilities are not split by segment for the purposes of allocating resources and assessing performance.

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

7. Capital expenditures represent cash paid for capital assets during the periods, excluding assets purchased as part of acquisitions (Note 28). Pulp & Paper includes capital expenditures by CPPI that were partially financed by government grants.

Geographic information.

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

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

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

25. Commitments and Contingencies

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

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

Commitments.

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

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

26. Risks and Uncertainties

Financial risk management.

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

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

Credit risk:

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

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

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

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

Liquidity risk:

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

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

Market risk:

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

(*i*) *Interest rate risk:*

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

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

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

(*ii*) *Currency risk:*

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

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

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

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

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

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

(*iii*) *Commodity price risk:*

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

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

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

(*iv*) *Energy price risk*

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

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

Capital management.

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

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

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

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

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

27. Financial Instruments

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

Derivative instruments, investments in debt and equity securities (excluding associates accounted for under the equity method) and net duty deposits recoverable are classified as measured at FVTPL. The put liability is measured initially at fair value and subsequently at FVTEQ. IFRS 13 *Fair Value Measurement* requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28. Acquisition of El Dorado Sawmill

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

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

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

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

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

29. Countervailing and Anti-Dumping Duties

In 2016, a petition was filed by the US Lumber Coalition to the US Department of Commerce ("DOC") and the US International Trade Commission ("ITC") alleging certain subsidies and administered fees below the fair market value of timber that favour Canadian lumber producers. Canfor was selected by the DOC as a "mandatory respondent" to the countervailing and anti-dumping investigations and is subject to company specific CVD and ADD rates. As a result of the DOC's investigation, CVD and ADD were imposed on the Company's Canadian lumber exports to the United States beginning in 2017. As at December 31, 2024, Canfor has paid cumulative cash deposits of $996.9 million.

Canfor and other Canadian forest product companies, the Federal Government and Canadian Provincial Governments continue to categorically deny the US allegations and strongly disagree with the current countervailing and anti-dumping determinations made by the DOC. Canada has proceeded with legal challenges under the Canada-United States-Mexico ("CUSMA") Agreement and through the World Trade Organization, where Canadian litigation has proven successful in the past. In October 2023, a CUSMA dispute panel ruled that certain elements of the DOC's calculation of softwood lumber duties were inconsistent with US law. The panel directed the DOC to revisit key elements of its duty calculations. In January 2024, Canada filed a notice of intent to challenge the US ITC's decision to maintain duties on Canadian softwood lumber products under Chapter 10 of the CUSMA Agreement. Most recently, on September 9, 2024, the Canadian Federal Government launched two legal challenges against the US DOC related to the final rates for POR5. The results of this dispute could potentially result in adjustments to Canfor's prescribed duties and therefore its consolidated statement of income (loss).

Fifth Period of Review ("POR5")

On January 1, 2022, the Company moved into POR5, which was based on sales and cost data for 2022. Consistent with prior periods of review, the Company was unable to estimate an applicable CVD rate separate from the DOC's cash deposit rate. As a result, CVD was expensed at a rate of 2.42% until July 2022 and 0.95% thereafter, while ADD was expensed at an estimated rate of 9.00%.

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

Also in August 2024, the Company's combined cash deposit rate of 6.61% was reset to the final DOC rates for POR5 of 16.58%. This new cash deposit rate will apply to the Company's Canadian lumber shipments destined to the United States until completion of the administrative review for the sixth period of review (anticipated in the third quarter of 2025). Despite the finalized rates for POR5, no cash duties will be refunded to the Company until such time as the litigation regarding the imposition of CVD and ADD has been settled.

Sixth Period of Review ("POR6")

On January 1, 2023, the Company moved into POR6, which is based on sales and cost data in 2023. Consistent with prior periods of review, the Company continues to be unable to estimate an applicable CVD rate separate from the DOC's cash deposit rate. As a result, CVD was expensed at a rate of 0.95% from January to July 2023 and 1.36% thereafter, while ADD was expensed at an estimated accrual rate of 35.00%.

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

Seventh Period of Review ("POR7")

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

Despite cash deposits being made in 2023 and 2024 at rates determined by the DOC, the final liability associated with duties is not determined until the completion of administrative reviews performed by the DOC for these periods.

Summary

A summary of the various combined rates is as follows:

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

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

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

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

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

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

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

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

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

30. Partial Acquisition of Vida

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

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