Canfor Corporation.

2024 Quarter Four – Interim report

For the three months ended December 31, 2024.

To our shareholders.

Canfor Corporation ("The Company" or "Canfor") reported its fourth quarter of 2024 results:

Overview.

- Q4 2024 operating loss of $46 million; shareholder net loss of $63 million, or $0.53 per share.
- Supply-driven uptick in North American lumber markets and pricing through the fourth quarter led to improved results from the Company's Western Canadian and US South operations; another quarter of solid earnings from Europe.
- Acquisition of an additional 7% of the outstanding shares in Vida for total consideration of $118.3 million (SEK 916.6 million).
- Successful start-up of the greenfield sawmill in Axis, Alabama and of the major modernization and expansion of the Urbana sawmill in Arkansas.
- Improved results for Canfor Pulp; relatively stable global pulp market fundamentals through most of the fourth quarter, with some positive momentum late in the period; persistent challenges associated with the availability of economic fibre in British Columbia.

Financial results.

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

(millions of Canadian dollars, except per share amounts)	Q4 2024	Q3 2024	YTD 2024	Q4 2023	YTD 2023
Sales	**$ 1,285.7**	$ 1,202.9	**$ 5,252.8**	$ 1,282.9	$ 5,426.6
Reported operating income (loss) before amortization, asset write-downs and impairments	**$ 52.7**	$ (144.4)	**$ (170.2)**	$ (89.1)	$ (111.2)
Reported operating loss	**$ (45.9)**	$ (559.7)	**$ (942.2)**	$ (191.3)	$ (531.6)
Net loss[1]	**$ (63.3)**	$ (350.1)	**$ (669.0)**	$ (117.1)	$ (326.1)
Net loss per share, basic and diluted[1]	**$ (0.53)**	$ (2.96)	**$ (5.64)**	$ (0.98)	$ (2.71)

1. Attributable to equity shareholders of the Company.

Fourth quarter adjusting and one-time items.

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

(millions of Canadian dollars)		Q4 2024		Q3 2024		YTD 2024		Q4 2023		YTD 2023
Reported operating loss	**$**	**(45.9)**	$	(559.7)	**$**	**(942.2)**	$	(191.3)	$	(531.6)
Asset write-down and impairment – lumber segment	**$**	**-**	$	100.3	**$**	**131.9**	$	-	$	-
Asset write-down and impairment – pulp segment	**$**	**-**	$	211.0	**$**	**211.0**	$	-	$	-
Inventory write-down (recovery), net[3]	**$**	**(36.1)**	$	(14.8)	**$**	**(29.7)**	$	(41.1)	$	(57.2)
Adjusted operating loss[2]	**$**	**(82.0)**	$	(263.2)	**$**	**(629.0)**	$	(232.4)	$	(588.8)
One-time items – lumber segment[2]:										
Restructuring and closure costs[4]	**$**	**4.9**	$	36.5	**$**	**74.0**	$	-	$	12.2
Gain on sale of assets, net[5]	**$**	**-**	$	(34.9)	**$**	**(34.9)**	$	-	$	-
Duty expense (recovery) related to finalized rates[6]	**$**	**-**	$	67.2	**$**	**67.2**	$	-	$	(43.3)
Duty expense related to fair value measurement[7]	**$**	**-**	$	53.4	**$**	**53.4**	$	-	$	-
One-time items – corporate restructuring costs[2,4]	**$**	**0.6**	$	2.1	**$**	**2.7**	$	-	$	-
Adjusted operating loss before one-time items[2]	**$**	**(76.5)**	$	(138.9)	**$**	**(466.6)**	$	(232.4)	$	(619.9)
Amortization	**$**	**98.6**	$	104.0	**$**	**429.1**	$	102.2	$	420.4
Adjusted operating income (loss) before amortization and one-time items[2]	**$**	**22.1**	$	(34.9)	**$**	**(37.5)**	$	(130.2)	$	(199.5)

2. Adjusted operating income (loss) as well as adjusting and one-time items referenced throughout this news release are defined as non-IFRS financial measures. For further details, refer to the "Non-IFRS financial measures" section of this news release.

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

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

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

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

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

Fourth quarter lumber segment highlights.

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

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

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

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

Lumber segment outlook.

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

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

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

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

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

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

Fourth quarter pulp and paper segment highlights.

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

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

Global softwood pulp market fundamentals remained relatively flat through the fourth quarter of 2024, following a moderate decline in the preceding quarter. However, later in the period, global demand and purchasing activity experienced some positive momentum as producers worked to reduce their higher-than-average inventory levels. Global softwood pulp producer inventories ended December 2024 at 42 days of supply, a decline of 7 days compared to September 2024. Consequently, US-dollar NBSK list prices to China, the world's largest pulp consumer, saw a slight increase towards the end of the current quarter, ending December at US$770 per tonne. Despite this late improvement, for the current quarter overall, US-dollar NBSK pulp list prices to China averaged US$767 per tonne, down US$4 per tonne, or 1%, from the prior quarter.

Pulp and paper segment outlook.

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

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

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

Refer to the Company's annual Management's Discussion and Analysis for further discussion on the Company's results for the fourth quarter of 2024 on page 24.

Non-IFRS financial measures.

Throughout this press release, reference is made to certain non-IFRS financial measures which are used to evaluate the Company's performance but are not generally accepted under IFRS Accounting Standards and may not be directly comparable with similarly titled measures used by other companies.

The Honourable John R. Baird
Chairman

Susan L. Yurkovich
President and Chief Executive Officer

Canfor Corporation.

Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)		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 3)		**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		**2,440.9**		2,429.8
Right-of-use assets		**132.2**		123.1
Timber licenses		**323.0**		346.8
Goodwill and other intangible assets		**529.7**		519.3
Long-term investments and other (Note 4)		**327.0**		454.7
Total assets	$	**5,571.9**	$	6,131.4
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	**724.1**	$	664.5
Operating loans (Note 5(a))		**106.8**		110.6
Current portion of deferred reforestation obligations		**57.6**		52.6
Current portion of term debt (Note 5(b))		**48.1**		44.8
Current portion of lease obligations		**34.2**		30.6
Income taxes payable		**6.4**		2.1
Total current liabilities		**977.2**		905.2
Term debt (Note 5(b))		**72.5**		115.1
Duty deposits loan		**335.1**		-
Retirement benefit obligations (Note 6)		**133.4**		132.9
Lease obligations		**106.9**		98.2
Deferred reforestation obligations		**46.9**		47.4
Other long-term liabilities		**36.6**		37.5
Put liability (Note 8)		**110.7**		187.7
Deferred income taxes, net		**168.8**		330.0
Total liabilities	$	**1,988.1**	$	1,854.0
EQUITY				
Share capital	$	**934.1**	$	938.3
Contributed surplus and other equity (Notes 7 and 8)		**(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		**272.0**		459.2
Total equity	$	**3,583.8**	$	4,277.4
Total liabilities and equity	$	**5,571.9**	$	6,131.4

Subsequent Event (Note 12)

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

APPROVED BY THE BOARD

Director, R.S. Smith

Director, The Hon. J.R. Baird

Canfor Corporation.

Condensed Consolidated Statements of Income (Loss)

(millions of Canadian dollars, except per share data, unaudited)	3 months ended December 31, 2024	2023	12 months ended December 31, 2024	2023
Sales	**$ 1,285.7**	$ 1,282.9	**$ 5,252.8**	$ 5,426.6
Costs and expenses				
Manufacturing and product costs	**1,006.5**	1,067.4	**4,306.1**	4,522.6
Freight and other distribution costs	**153.5**	167.4	**647.0**	688.8
Countervailing and anti-dumping duty expense, net (Note 12)	**25.9**	92.3	**260.6**	143.8
Amortization	**98.6**	102.2	**429.1**	420.4
Selling and administration costs	**41.6**	44.9	**167.5**	170.4
Restructuring costs and other items, net (Note 13)	**5.5**	-	**41.8**	12.2
Asset write-downs and impairments	**-**	-	**342.9**	-
	1,331.6	1,474.2	**6,195.0**	5,958.2
Operating loss	**(45.9)**	(191.3)	**(942.2)**	(531.6)
Finance income (expense), net	**(18.8)**	2.7	**(51.7)**	10.4
Foreign exchange gain (loss) on term debt	**2.7**	6.1	**(4.4)**	6.9
Foreign exchange loss on duty deposits loan and duty deposits recoverable, net	**(15.3)**	(6.4)	**(6.2)**	(2.4)
Gain (loss) on derivative financial instruments (Note 8)	**(8.2)**	9.0	**(11.9)**	6.8
Other income, net	**5.9**	4.6	**32.9**	19.9
Net loss before income taxes	**(79.6)**	(175.3)	**(983.5)**	(490.0)
Income tax recovery	**17.4**	53.7	**247.3**	141.5
Net loss	**$ (62.2)**	$ (121.6)	**$ (736.2)**	$ (348.5)
Net loss attributable to:				
Equity shareholders of the Company	**$ (63.3)**	$ (117.1)	**$ (669.0)**	$ (326.1)
Non-controlling interests	**1.1**	(4.5)	**(67.2)**	(22.4)
Net loss	**$ (62.2)**	$ (121.6)	**$ (736.2)**	$ (348.5)
Net loss per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 9)	**$ (0.53)**	$ (0.98)	**$ (5.64)**	$ (2.71)

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

Canfor Corporation.

Condensed Consolidated Statements of Other Comprehensive Income (Loss)

(millions of Canadian dollars, unaudited)	3 months ended December 31, 2024	3 months ended December 31, 2023	12 months ended December 31, 2024	12 months ended December 31, 2023
Net loss	**$ (62.2)**	$ (121.6)	**$ (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 6)	**8.1**	7.5	**10.8**	22.4
Income tax expense on defined benefit plan actuarial gains, net	**(2.2)**	(2.0)	**(2.9)**	(6.0)
	5.9	5.5	**7.9**	16.4
Items that may be reclassified subsequently to net income (loss):				
Foreign exchange translation of foreign operations, net of tax	**98.3**	10.8	**152.3**	(37.1)
Other comprehensive income (loss), net of tax	**104.2**	16.3	**160.2**	(20.7)
Total comprehensive income (loss)	**$ 42.0**	$ (105.3)	**$ (576.0)**	$ (369.2)
Total comprehensive income (loss) attributable to:				
Equity shareholders of the Company	**$ 41.1**	$ (101.8)	**$ (509.1)**	$ (349.4)
Non-controlling interests	**0.9**	(3.5)	**(66.9)**	(19.8)
Total comprehensive income (loss)	**$ 42.0**	$ (105.3)	**$ (576.0)**	$ (369.2)

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

Canfor Corporation.

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2024**	3 months ended December 31, 2023	12 months ended December 31, **2024**	12 months ended December 31, 2023
Share capital				
Balance at beginning of period	**$ 934.1**	$ 942.4	**$ 938.3**	$ 955.1
Share purchases (Note 9)	**-**	(4.1)	**(4.2)**	(16.8)
Balance at end of period	**$ 934.1**	$ 938.3	**$ 934.1**	$ 938.3
Contributed surplus and other equity				
Balance at beginning of period	**$ (183.5)**	$ (169.8)	**$ (169.8)**	$ (157.7)
Put liability (Note 8)	**95.9**	-	**82.2**	(12.1)
Balance at end of period	**$ (87.6)**	$ (169.8)	**$ (87.6)**	$ (169.8)
Retained earnings				
Balance at beginning of period	**$ 2,395.8**	$ 3,121.5	**$ 3,004.2**	$ 3,341.5
Net loss attributable to equity shareholders of the Company	**(63.3)**	(117.1)	**(669.0)**	(326.1)
Partial dissolution of non-controlling interests (Note 7)	**(70.5)**	-	**(70.5)**	-
Defined benefit plan actuarial gains, net of tax	**6.1**	4.5	**7.6**	13.8
Share purchases (Note 9)	**(0.6)**	(4.7)	**(4.8)**	(25.0)
Balance at end of period	**$ 2,267.5**	$ 3,004.2	**$ 2,267.5**	$ 3,004.2
Accumulated other comprehensive income (loss)				
Balance at beginning of period	**$ 99.5**	$ 34.7	**$ 45.5**	$ 82.6
Foreign exchange translation of foreign operations, net of tax	**98.3**	10.8	**152.3**	(37.1)
Balance at end of period	**$ 197.8**	$ 45.5	**$ 197.8**	$ 45.5
Total equity attributable to equity shareholders of the Company	**$ 3,311.8**	$ 3,818.2	**$ 3,311.8**	$ 3,818.2
Non-controlling interests				
Balance at beginning of period	**$ 376.7**	$ 462.7	**$ 459.2**	$ 541.3
Net income (loss) attributable to non-controlling interests	**1.1**	(4.5)	**(67.2)**	(22.4)
Defined benefit plan actuarial gains (losses) attributable to non-controlling interests, net of tax	**(0.2)**	1.0	**0.3**	2.6
Distributions to non-controlling interests, net (Note 14)	**(49.7)**	-	**(64.4)**	(62.3)
Partial dissolution of non-controlling interests (Note 7)	**(55.9)**	-	**(55.9)**	-
Balance at end of period	**$ 272.0**	$ 459.2	**$ 272.0**	$ 459.2
Total equity	**$ 3,583.8**	$ 4,277.4	**$ 3,583.8**	$ 4,277.4

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

Canfor Corporation.

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended December 31, 2024	3 months ended December 31, 2023	12 months ended December 31, 2024	12 months ended December 31, 2023
Cash generated from (used in):				
Operating activities				
Net loss	**$ (62.2)**	$ (121.6)	**$ (736.2)**	$ (348.5)
Items not affecting cash:				
Amortization	**98.6**	102.2	**429.1**	420.4
Income tax recovery	**(17.4)**	(53.7)	**(247.3)**	(141.5)
Change in long-term portion of deferred reforestation obligations, net	**0.9**	10.5	**(2.1)**	1.9
Foreign exchange (gain) loss on term debt	**(2.7)**	(6.1)	**4.4**	(6.9)
Foreign exchange loss on duty deposit loan and duty deposits recoverable, net	**15.3**	6.4	**6.2**	2.4
Duties paid less than accruals (Note 12)	**0.8**	81.5	**194.7**	100.7
Changes in mark-to-market value of derivative financial instruments	**4.3**	(3.4)	**8.5**	(2.6)
Employee future benefits expense	**11.3**	2.4	**11.0**	12.5
Finance (income) expense, net	**18.8**	(2.7)	**51.7**	(10.4)
Restructuring costs and other items, net (Note 13)	**5.5**	-	**41.8**	12.2
Asset write-downs and impairments	**-**	-	**342.9**	-
Other, net	**0.9**	(2.9)	**9.5**	6.4
Defined benefit plan contributions, net	**(2.7)**	(2.5)	**(11.5)**	(24.2)
Income taxes received (paid), net	**8.4**	(0.5)	**75.0**	(33.8)
	79.8	9.6	**177.7**	(11.4)
Net change in non-cash working capital (Note 10)	**8.1**	(18.0)	**(3.5)**	166.1
	87.9	(8.4)	**174.2**	154.7
Financing activities				
Operating loan drawings (repayments), net (Note 5(a))	**5.1**	26.5	**(0.3)**	83.2
Conversion and changes in term debt, net	**(45.0)**	(46.0)	**(45.0)**	(96.1)
Duty deposits loan	**-**	-	**313.8**	-
Payments of lease obligations	**(9.4)**	(8.6)	**(35.2)**	(32.5)
Finance expenses paid	**(8.2)**	(10.5)	**(34.8)**	(33.6)
Share purchases (Note 9)	**(0.6)**	(9.5)	**(9.0)**	(44.3)
Distributions paid to non-controlling interests, net (Note 14)	**(50.7)**	-	**(65.4)**	(62.3)
	(108.8)	(48.1)	**124.1**	(185.6)
Investing activities				
Additions to property, plant and equipment and intangible assets, net	**(136.6)**	(172.1)	**(527.1)**	(587.0)
Proceeds from the sale of property, plant and equipment and intangible assets	**0.7**	1.7	**72.6**	9.1
Partial acquisition of Vida non-controlling interest (Note 7)	**(118.3)**	-	**(118.3)**	-
Acquisition of El Dorado sawmill	**-**	-	**(100.6)**	-
Interest income received	**3.5**	12.0	**18.3**	35.2
Purchase of long-term investments, net	**3.0**	(11.4)	**(16.5)**	(59.4)
Other, net	**1.3**	(3.4)	**(0.6)**	(1.6)
	(246.4)	(173.2)	**(672.2)**	(603.7)
Foreign exchange gain (loss) on cash and cash equivalents	**0.8**	19.4	**5.8**	(6.7)
Decrease in cash and cash equivalents*	**(266.5)**	(210.3)	**(368.1)**	(641.3)
Cash and cash equivalents at beginning of period*	**525.8**	837.7	**627.4**	1,268.7
Cash and cash equivalents at end of period*	**$ 259.3**	$ 627.4	**$ 259.3**	$ 627.4

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

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

1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") include the accounts of Canfor Corporation and its subsidiaries, hereinafter referred to as "Canfor" or "the Company." Significant subsidiaries include Canfor Southern Pine, Inc. ("CSP") and entities related to the acquisition of Millar Western Forest Products Ltd. ("Millar Western"), which are wholly owned, as well as Canfor Pulp Products Inc. ("CPPI") and the Vida Group ("Vida"), of which Canfor owned 54.8% and 77.0%, respectively, at December 31, 2024 and March 6, 2025.

These financial statements do not include all of the disclosures required by IFRS Accounting Standards ("IFRS") for interim or annual financial statements. Additional disclosures relevant to the understanding of these financial statements, including the accounting policies applied, can be found in the Company's Annual Report for the year ended December 31, 2024, available at www.canfor.com or www.sedarplus.com.

These financial statements were authorized for issue by the Company's Board of Directors on March 6, 2025.

2. Seasonality of Operations

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

3. Inventories

(millions of Canadian dollars, unaudited)		**As at 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 three months ended December 31, 2024, a $36.1 million net reversal of a previously recognized inventory write-down was recognized for the lumber segment (twelve months ended December 31, 2024 – $29.7 million net reversal of a previous recognized write-down). For the three months ended December 31, 2023, an $30.2 million net reversal of a previously recognized inventory write-down was recorded for the lumber segment (twelve months ended December 31, 2023 – $54.8 million net reversal of a previously recognized write-down). As a result of this remeasurement, combined with net foreign exchange losses of $1.1 million and $0.7 million for the three and twelve months ended December 31, 2024, respectively (three and twelve months ended December 31, 2023 – nil), an inventory provision of $11.9 million has been recognized for logs and lumber (December 31, 2023 – provision of $40.9 million).

For the three and twelve months ended December 31, 2024, no inventory valuation adjustment was recognized for the pulp and paper segment. For the three months ended December 31, 2023, a $10.9 million net reversal of a previously recognized inventory write-down was recognized for the pulp and paper segment (twelve months ended December 31, 2023 – $2.4 million net reversal of a previously recognized write-down). At December 31, 2024, no inventory provision has been recognized for the pulp and paper segment (December 31, 2023 – no inventory provision).

4. Long-Term Investments and Other

(millions of Canadian dollars, unaudited)	As at December 31, 2024	As at December 31, 2023
Duty deposits recoverable, net (Note 12)	**$ 98.2**	$ 289.5
Other deposits, loans, advances and long-term assets	**52.7**	54.2
Other investments	**116.9**	90.8
Retirement benefit surplus	**16.5**	10.8
Deferred income taxes, net	**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 12).

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"). A similar amount has been recognized as interest payable within 'Accounts payable and accrued liabilities' at December 31, 2024.

The Company had a net sale of investments of $3.0 million and a net purchase of $16.5 million for the three and twelve months ended December 31, 2024, respectively (three and twelve months ended December 31, 2023 – net purchases of $11.4 million and $59.4 million, respectively). 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 8).

5. Operating Loans and Term Debt

(*a*) *Available Operating Loans*

(millions of Canadian dollars, unaudited)	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

(millions of Canadian dollars, unaudited)		**As at December 31, 2024**		As at December 31, 2023
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 and CPPI's committed operating and revolving loan facilities at floating rates based on the lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar floating rate, plus a margin that varies with Canfor and CPPI's debt to total capitalization ratios.

Canfor's 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 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.

(*b*) *Term Debt*

(millions of Canadian dollars, unaudited)		**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$0.5 million, floating interest, repayable between January 23, 2025 and February 12, 2027		**0.4**		0.5
Term debt at end of period	**$**	**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 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).

6. Employee Future Benefits

For the three months ended December 31, 2024, actuarial gains of $8.1 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations (comprised of defined benefit pension plans as well as other benefit plans) primarily as a result of a gain associated with the distribution of a plan surplus to members following the final settlement of one of the Company's registered pension plans. For the twelve months ended December 31, 2024, actuarial gains of $10.8 million (before tax) were recognized in other comprehensive income (loss).

For the three months ended December 31, 2023, actuarial gains of $7.5 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations (comprised of defined benefit plans as well as other benefit plans), as a 0.6% decrease in the discount rate used to value the net defined benefit obligations was more than offset by higher than anticipated returns on plan assets and a favourable movement in reserves. For the twelve months ended December 31, 2023, actuarial gains of $22.4 million (before tax) were recognized in other comprehensive income (loss).

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

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

7. 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 8). 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, unaudited)		
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)**

8. Financial Instruments

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

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

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

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

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

(millions of Canadian dollars, unaudited)	Fair Value Hierarchy Level		**As at 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 (Note 4)	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

The Company had a net sale of investments of $3.0 million and a net purchase of $16.5 million for the three and twelve months ended December 31, 2024, respectively. 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 4).

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

(millions of Canadian dollars, unaudited)	3 months ended December 31,				12 months ended December 31,			
		2024		2023		**2024**		2023
Lumber futures	**$**	**(0.3)**	$	(1.1)	**$**	**(0.5)**	$	(0.4)
Foreign exchange forward contracts		**(7.9)**		10.1		**(11.4)**		7.2
Gain (loss) on derivative financial instruments	**$**	**(8.2)**	$	9.0	**$**	**(11.9)**	$	6.8

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'. 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 7). 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 three and twelve months ended December 31, 2024, gains of $88.0 million and $74.3 million, respectively, were recognized in 'Other Equity' on the Company's condensed consolidated interim balance sheet consisting of the aforementioned gain on exercise of options, combined with remeasurement of the put liability for the passage of time (three months ended December 31, 2023, no gain or loss was recognized, twelve months ended December 31, 2023, a loss of $12.1 million was recognized).

As a result of the option exercise and put remeasurement, combined with net foreign exchange gains of $6.0 million and $2.7 million for the three and twelve months ended December 31, 2024, respectively (three and twelve months ended December 31, 2023 – foreign exchange losses of $11.0 million and $2.9 million, respectively), the balance of the put liability was $110.7 million at December 31, 2024 (December 31, 2023 – $187.7 million).

9. Earnings (Loss) Per Common Share

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

	3 months ended December 31,		12 months ended December 31,	
	2024	2023	**2024**	2023
Weighted average number of common shares	**118,405,079**	119,236,130	**118,586,844**	120,153,152

During the three months ended December 31, 2024, no common shares were purchased by the Company. During the twelve months 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.

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.

10. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended December 31, 2024	3 months ended December 31, 2023	12 months ended December 31, 2024	12 months ended December 31, 2023
Trade and other receivables	**$ 37.7**	$ 67.6	**$ (12.2)**	$ 23.1
Inventories	**(16.0)**	(71.1)	**59.3**	175.2
Prepaid expenses and other	**10.2**	37.8	**(1.4)**	9.9
Accounts payable and accrued liabilities and current portion of deferred reforestation obligations	**(23.8)**	(52.3)	**(49.2)**	(42.1)
Net change in non-cash working capital	**$ 8.1**	$ (18.0)	**$ (3.5)**	$ 166.1

11. Segment Information

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

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

(millions of Canadian dollars, unaudited)	Lumber	Pulp & Paper	Unallocated & Other	Elimination Adjustment	Consolidated
3 months ended December 31, 2024					
Sales from contracts with customers	**$ 1,122.6**	**$ 163.1**	**$ -**	**$ -**	**$ 1,285.7**
Sales to other segments	**25.5**	**-**	**-**	**(25.5)**	**-**
Operating income (loss)	**(36.6)**	**4.1**	**(13.4)**	**-**	**(45.9)**
Amortization	**89.8**	**8.2**	**0.6**	**-**	**98.6**
Capital expenditures[2]	**130.0**	**6.1**	**0.5**	**-**	**136.6**
3 months ended December 31, 2023					
Sales from contracts with customers	$ 1,089.0	$ 193.9	$ -	$ -	$ 1,282.9
Sales to other segments	36.5	-	-	(36.5)	-
Operating loss	(162.2)	(15.1)	(14.0)	-	(191.3)
Amortization	85.3	16.2	0.7	-	102.2
Capital expenditures[2]	147.4	21.6	3.1	-	172.1
12 months 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[2]	**472.1**	**50.8**	**4.2**	**-**	**527.1**
Total assets	**4,496.2**	**397.4**	**678.3**	**-**	**5,571.9**
12 months 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[2,3]	510.4	60.5	16.1	-	587.0
Total assets	4,270.9	654.0	1,206.5	-	6,131.4

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

Geographic information

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

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2024**					2023	12 months ended December 31, **2024**					2023
Sales by location of customer												
Canada	**13%**	**$**	**166.4**	13%	$	168.2	**10%**	**$**	**548.9**	12%	$	637.4
United States	**49%**		**631.6**	51%		647.9	**50%**		**2,605.9**	52%		2,799.0
Europe	**25%**		**315.6**	19%		248.2	**24%**		**1,250.7**	19%		1,051.1
Asia	**11%**		**141.6**	15%		187.4	**14%**		**723.7**	15%		806.8
Other	**2%**		**30.5**	2%		31.2	**2%**		**123.6**	2%		132.3
	100%	**$**	**1,285.7**	100%	$	1,282.9	**100%**	**$**	**5,252.8**	100%	$	5,426.6

12. Countervailing and Anti-Dumping Duties

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

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

For accounting purposes, a net duty deposits recoverable of $98.2 million is included on the Company's consolidated balance sheet (Note 4) 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. A similar amount has been recognized as interest payable within 'Accounts payable and accrued liabilities' at December 31, 2024.

For the three and twelve months ended December 31, 2024, the Company recorded a duty expense of $25.9 million and $260.6 million, respectively (three and twelve months ended December 31, 2023 – a net duty expense of $92.3 million and $143.8 million, respectively), comprised of the following:

(millions of Canadian dollars, unaudited)	3 months ended December 31, 2024	12 months ended December 31, 2024
Cash deposits paid	$ 25.1	$ 65.9
Duty expense attributable to the current period - POR7[4]	15.8	74.1
Duty recovery attributable to prior periods - POR7[5]	(15.0)	-
Duty expense attributable to POR5 – combined CVD and ADD[6]	-	67.2
Refined fair value measurement	-	53.4
Duty expense, net	$ 25.9	$ 260.6

4. Reflects Canfor's combined CVD and ADD accrual rate (23.36% until July 2024, 28.14% thereafter) compared to the DOC's deposit rate for POR7 of 6.61% until July 2024, and 16.58% thereafter.

5. Duty recovery amount for the three months ended December 31, 2024 reflects a 3.00% decrease in the estimated ADD accrual rate applicable to the nine months ended September 30, 2024.

6. 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).

Subsequent to year-end, in March 2025, the DOC announced the preliminary anti-dumping results for the sixth period of review ("POR6"), which indicated that the Company's preliminary 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.

13. Restructuring and Other Items, Net

In August of 2024 the Company announced its decision to permanently close its Plateau sawmill and 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 of these closures, the Company recognized net restructuring costs of $5.5 million in the consolidated interim statement of income (loss) for the three months ended December 31,2024.

For the twelve months ended December 31, 2024 restructuring costs of $76.7 million were recognized in the consolidated interim statement of income (loss) related to these aforementioned closures as well as the previously announced closures of the Polar and Jackson sawmills and the suspension of the Houston sawmill reinvestment. These costs were somewhat offset by a gain of $34.9 million recognized for the sale of the Mackenzie sawmill and associated forest tenure, as well as the Chetwynd sawmill.

14. Non-Controlling Interests

During the three months ended December 31, 2024, Vida paid a dividend of $169.0 million (SEK 1,309 million) to its shareholders, which included distributions to non-controlling interests of $50.7 million. During the twelve months ended December 31, 2024, Vida paid dividends of $223.1 million (SEK 1,722 million), which included distributions to non-controlling interests of $66.9 million (three and twelve months ended December, 2023 – dividend of $199.5 million, which included distributions to non-controlling interests of $59.9 million).