Canfor Corporation.

2024 Quarter Two – Interim report

For the three months ended June 30, 2024.

To our shareholders.

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

Overview.

- Q2 2024 operating loss of $251 million, shareholder net loss of $191 million, or $1.61 per share.
- After taking into consideration adjusting items[1] of $83 million as well as restructuring costs of $39 million, Q2 2024 operating loss of $129 million, compared to a similarly adjusted operating loss of $116 million in Q1 2024.
- Sustained weakness in North American lumber markets with continued downward pressure on benchmark pricing, particularly for Southern Yellow Pine ("SYP").
- Solid earnings from Europe; persistently weak SYP pricing negatively impacted results for the US South; Western Canadian results remained challenging.
- Announced permanent closure of Polar and Jackson sawmills and suspension of planned reinvestment in Houston.
- Strong global pulp pricing and moderate improvement in NBSK pulp unit sales realizations.
- Announced indefinite curtailment of one production line at Northwood NBSK pulp mill.
- Ongoing constraints accessing economically viable fibre in BC impacting lumber and pulp operating rates in the near-term and through the balance of the year.

Financial results.

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

(millions of Canadian dollars, except per share amounts)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Sales	**$ 1,381.5**	$ 1,382.7	**$ 2,764.2**	$ 1,446.0	$ 2,831.4
Reported operating income (loss) before amortization, asset write-downs and impairments	**$ (98.3)**	$ 19.8	**$ (78.5)**	$ 41.0	$ (64.7)
Reported operating loss	**$ (250.8)**	$ (85.8)	**$ (336.6)**	$ (66.7)	$ (275.2)
Adjusted operating loss before amortization, asset write-downs and impairments[1]	**$ (46.9)**	$ (10.4)	**$ (57.3)**	$ (16.4)	$ (60.0)
Adjusted operating loss[1]	**$ (167.8)**	$ (116.0)	**$ (283.8)**	$ (124.1)	$ (270.5)
Net loss[2]	**$ (191.1)**	$ (64.5)	**$ (255.6)**	$ (43.9)	$ (185.9)
Net loss per share, basic and diluted[2]	**$ (1.61)**	$ (0.54)	**$ (2.15)**	$ (0.36)	$ (1.54)
Adjusted net loss[1, 2]	**$ (168.7)**	$ (52.1)	**$ (220.8)**	$ (44.3)	$ (189.2)
Adjusted net loss per share, basic and diluted [1, 2]	**$ (1.42)**	$ (0.44)	**$ (1.86)**	$ (0.36)	$ (1.57)

1. Adjusted results 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 document.

2. Attributable to equity shareholders of the Company.

The Company reported an operating loss of $250.8 million for the second quarter of 2024, compared to an operating loss of $85.8 million in the first quarter of 2024. After accounting for adjusting items totaling $83.0 million (consisting of an inventory write-down as well as an asset write-down and impairment charge), the Company's operating loss was $167.8 million for the current quarter. In addition, when taking into consideration $38.5 million in restructuring costs recognized this period, correlated with the permanent and indefinite curtailments in the lumber and pulp businesses, the Company's operating loss for the second quarter of 2024 was $129.3 million, compared to a similarly adjusted operating loss of $116.0 million in the prior quarter. These results were primarily driven by a decline in lumber segment results, offset to a degree by improved pulp and paper segment earnings.

Second quarter lumber segment highlights.

For the lumber segment, the operating loss was $230.5 million for the second quarter of 2024, compared to the previous quarter's operating loss of $57.1 million. In the current quarter, these results include adjusting items consisting of a $51.4 million inventory write-down and an asset write-down and impairment charge of $31.6 million. These results also include $32.6 million in restructuring costs associated with changes in the Company's operating footprint, noted below, in both British Columbia ("BC") and the US South.

After taking into consideration these adjusting items and restructuring costs, the lumber segment operating loss in the second quarter of 2024 was $114.9 million, compared to a similarly adjusted operating loss of $87.3 million in the prior quarter. These results reflected another period of solid earnings from the Company's European operations, largely tied to improved market pricing in that region, which was significantly overshadowed by the persistently challenging results from the Company's North American operations, primarily associated with the ongoing weakness in North American lumber benchmark pricing.

In May 2024, after a thorough analysis of the persistent shortage of economically available timber and challenging operating conditions in BC, the Company announced the permanent closure of its Polar sawmill in Bear Lake, BC and suspension of its planned reinvestment in Houston, BC. Also during the second quarter, in the US South, the Company announced the permanent closure of its Jackson, Alabama facility effective June 2024, concurrent with the expansion of its Fulton, Alabama facility. In connection with these announcements, the Company recorded asset write-down and impairment charges totaling $31.6 million and restructuring costs of $32.6 million in the second quarter of 2024.

Throughout the second quarter of 2024, North American lumber markets faced sustained downward pressure. Despite strong underlying fundamentals, persistent affordability constraints continued to discourage potential homebuyers and lowered US residential construction activity during the quarter. The repair and remodeling sector also saw reduced activity quarter-over-quarter, largely due to lower disposable household income levels. These demand trends, coupled with increased available supply led to a notable drop in North American benchmark pricing compared to the previous quarter.

US housing starts averaged 1,348,000 units on a seasonally adjusted basis for the current quarter, down 4% from the previous quarter, reflecting a 5% decrease in single family homes and a 1% decrease in multi-family starts. In Canada, housing starts averaged 249,000 units on a seasonally adjusted basis in the second quarter of 2024, up 1% from the previous quarter, primarily driven by an 4% increase in the construction of multi-family homes, with a consistent level of activity seen for single-family homes.

Offshore lumber demand and pricing in Asia remained relatively steady during the second quarter of 2024. In China, the real estate market and the broader economy continued to encounter challenging conditions despite ongoing government stimulus measures and gradual balancing of inventory levels in the region. In Japan, however, an improvement in the rental housing market gave rise to a modest uplift in demand and pricing during the current quarter.

In Europe, persistently low levels of residential construction were more than outweighed by relatively solid activity in the do-it-yourself sector and led to improved lumber pricing quarter-over-quarter, particularly in Central Europe.

Lumber segment outlook.

Looking ahead, North American lumber market conditions are forecast to experience continued weakness in the third quarter of 2024 and through the balance of the year. Residential construction activity is anticipated to be challenged by ongoing affordability headwinds in the near-term, especially in the multi-family segment. Demand in the repair and remodeling sector is also projected to trend downwards through the balance of the year.

Offshore lumber demand and pricing in Asia is projected to be relatively flat through the third quarter of 2024, as steady demand in Japan attributed to solid housing sector activity, is offset by continued challenges in China, as the region struggles to realize the benefit of government incentives, coupled with ongoing weakness in the Chinese real estate market.

European lumber pricing is anticipated to come under some modest pressure in the third quarter of 2024 as a seasonal slow-down in the do-it-yourself space and ongoing low levels of residential construction activity are combined with continued log supply constraints associated with reduced log availability and increasing costs in the region.

In the US South, the Company's ongoing capital investments in its new greenfield sawmill in Axis, Alabama, as well as in the upgrade and expansion of its Urbana sawmill in Arkansas, are progressing well and are forecast to commence production later in 2024. In addition, results in the third quarter of 2024 will reflect the acquisition of Resolute Forest Products Inc.'s El Dorado lumber manufacturing facility located in Union County, Arkansas, for US$73 million, including working capital. This transaction is anticipated to close in August 2024, following the completion of customary closing conditions.

In BC, there remains significant ongoing uncertainty with regards to the availability of economically viable fibre. The Company continues to anticipate sustained log cost pressures and persistent constraints accessing economically viable fibre in BC for its sawmills, as well as a challenging fibre environment for Canfor Pulp Products Inc.'s ("CPPI") pulp mills. With these ongoing fibre-related pressures and persistently depressed lumber prices, the Company continues to evaluate its options and will adjust its operating rates in BC to align with demand and economically available timber supply in the near-term and through the balance of 2024.

Second quarter pulp and paper segment highlights.

For the pulp and paper segment, the operating loss was $5.6 million for the second quarter of 2024, compared to an operating loss of $15.7 million for the first quarter of 2024. These results largely reflected an uplift in global pulp pricing, primarily in response to global pulp supply disruptions, and the correlated improvement in CPPI's average Northern Bleached Softwood Kraft ("NBSK") pulp sales unit realizations. These factors were offset in part, however, by a decline in CPPI's pulp production and shipments quarter-over-quarter, driven by extended downtime at its Intercontinental NBSK pulp mill ("Intercon") to address unforeseen recovery boiler repairs identified during the scheduled maintenance in May.

In May 2024, CPPI announced the decision to indefinitely curtail one production line at its Northwood NBSK pulp mill ("Northwood") also as a result of the continual decline in the availability of economic fibre in the northern BC region. CPPI anticipates winding down this production line in August 2024. In connection with this indefinite curtailment, CPPI recognized restructuring costs of $5.9 million during the current quarter.

Although global pulp producer inventories remained relatively balanced throughout the current quarter, the uplift in global softwood kraft pulp markets experienced at the end of the first quarter continued well into the second quarter, as global supply disruptions gave rise to an uptick in global pulp pricing. As a result, NBSK pulp list prices on orders from China, the world's largest consumer of pulp, saw steady increases throughout most of the period, reaching a 15-month high of US$825 per tonne in May, before declining in June, to end the quarter at US$810 per tonne. For the current quarter overall, average US-dollar NBSK pulp list prices to China were US$811 per tonne, an increase of US$66 per tonne, or 9%, from the previous quarter.

Pulp and paper segment outlook.

Looking forward, global softwood kraft pulp market conditions are anticipated to soften through the third quarter of 2024 as global softwood pulp supply stabilizes, following disruptions in the first and second quarters of 2024, and as new hardwood capacity in China and Brazil is projected to come online. On the demand side, purchasing activity during the third quarter of 2024 is projected to dampen as the traditionally slower summer period is forecast to combine with reduced demand for paper products, particularly in China, further weakening pulp demand.

As a result of the aforementioned decision to wind down one production line at CPPI's Northwood pulp mill in August 2024, the indefinite curtailment will result in the reduction of approximately 300,000 tonnes of market kraft pulp annually. Consequently, CPPI's results in the third quarter of 2024 will reflect the impact of this wind down on production, shipments and cost structure. Looking forward, while CPPI is focused on optimizing a sustainable operating footprint, improving operational reliability and closely managing manufacturing and fibre costs, it will continue to evaluate its operating conditions and will 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.

The Honourable John R. Baird

Chairman

Don B. Kayne

President and Chief Executive Officer

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 and may not be directly comparable with similarly titled measures used by other companies. The following table provides a reconciliation of these non-IFRS financial measures to figures reported in the Company's condensed consolidated interim financial statements:

(millions of Canadian dollars, except per share amounts)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Reported operating loss	**$ (250.8)**	$ (85.8)	**$ (336.6)**	$ (66.7)	$ (275.2)
Asset write-downs and impairments	**$ 31.6**	$ -	**$ 31.6**	$ -	$ -
Inventory write-down (recovery), net	**$ 51.4**	$ (30.2)	**$ 21.2**	$ (57.4)	$ 4.7
Adjusted operating loss	**$ (167.8)**	$ (116.0)	**$ (283.8)**	$ (124.1)	$ (270.5)
Amortization	**$ 120.9**	$ 105.6	**$ 226.5**	$ 107.7	$ 210.5
Adjusted operating loss before amortization, asset write-downs and impairments	**$ (46.9)**	$ (10.4)	**$ (57.3)**	$ (16.4)	$ (60.0)

After-tax impact, net of non-controlling interests (millions of Canadian dollars)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Net loss[3]	**$ (191.1)**	$ (64.5)	**$ (255.6)**	$ (43.9)	$ (185.9)
Foreign exchange (gain) loss on term debt	**$ 3.1**	$ 6.6	**$ 9.7**	$ (6.7)	$ (7.1)
(Gain) loss on derivative financial instruments	**$ (3.9)**	$ 5.8	**$ 1.9**	$ 6.3	$ 3.8
Asset write-downs and impairments	**$ 23.2**	$ -	**$ 23.2**	$ -	$ -
Adjusted net loss[3]	**$ (168.7)**	$ (52.1)	**$ (220.8)**	$ (44.3)	$ (189.2)

3. Attributable to equity shareholders of the Company.

Management's discussion and analysis.

This interim Management's Discussion and Analysis ("MD&A") provides a review of Canfor Corporation's ("Canfor" or "the Company") financial performance for the quarter ended June 30, 2024, relative to the quarters ended March 31, 2024 and June 30, 2023, and the financial position of the Company at June 30, 2024. It should be read in conjunction with Canfor's unaudited interim consolidated financial statements and accompanying notes for the quarters ended June 30, 2024 and 2023, as well as the 2023 annual MD&A and the 2023 audited consolidated financial statements and notes thereto, which are included in Canfor's Annual Report for the year ended December 31, 2023 (available at www.canfor.com). The financial information contained in this interim MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises.

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

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

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

All financial references are in millions of Canadian dollars unless otherwise noted. Certain comparative amounts have been reclassified to conform to current presentation. The information in this report is as at July 25, 2024.

Forward-looking statements.

Certain statements in this press release constitute "forward-looking statements" which involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Words such as "expects", "anticipates", "projects", "intends", "plans", "will", "believes", "seeks", "estimates", "should", "may", "could", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on Management's current expectations and beliefs and actual events or results may differ materially. There are many factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements. Forward-looking statements are based on current expectations and the Company assumes no obligation to update such information to reflect later events or developments, except as required by law.

Second quarter 2024.

Overview.

(millions of Canadian dollars)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Operating loss	**$ (250.8)**	$ (85.8)	**$ (336.6)**	$ (66.7)	$ (275.2)
Asset write-downs and impairments	**$ 31.6**	$ -	**$ 31.6**	$ -	$ -
Inventory write-down (recovery), net	**$ 51.4**	$ (30.2)	**$ 21.2**	$ (57.4)	$ 4.7
Adjusted operating loss[1]	**$ (167.8)**	$ (116.0)	**$ (283.8)**	$ (124.1)	$ (270.5)
Amortization	**$ 120.9**	$ 105.6	**$ 226.5**	$ 107.7	$ 210.5
Adjusted operating loss before amortization, asset write-downs and impairments[1]	**$ (46.9)**	$ (10.4)	**$ (57.3)**	$ (16.4)	$ (60.0)

1. Adjusted results are defined as a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

Selected financial information and statistics.

(millions of Canadian dollars, except ratios)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Operating loss by segment:					
Lumber	**$ (230.5)**	$ (57.1)	**$ (287.6)**	$ (15.5)	$ (185.2)
Pulp and paper	**$ (5.6)**	$ (15.7)	**$ (21.3)**	$ (37.9)	$ (63.1)
Unallocated and other	**$ (14.7)**	$ (13.0)	**$ (27.7)**	$ (13.3)	$ (26.9)
Total operating loss	**$ (250.8)**	$ (85.8)	**$ (336.6)**	$ (66.7)	$ (275.2)
Add: Amortization[2]	**$ 120.9**	$ 105.6	**$ 226.5**	$ 107.7	$ 210.5
Add: Asset write-downs and impairments	**$ 31.6**	$ -	**$ 31.6**	$ -	$ -
Total operating income (loss) before amortization, asset write-downs and impairments	**$ (98.3)**	$ 19.8	**$ (78.5)**	$ 41.0	$ (64.7)
Add (deduct):					
Working capital movements	**$ 139.2**	$ (154.7)	**$ (15.5)**	$ 151.7	$ 29.0
Defined benefit plan contributions	**$ (3.5)**	$ (3.3)	**$ (6.8)**	$ (15.4)	$ (18.8)
Income taxes paid, net	**$ (11.6)**	$ (2.9)	**$ (14.5)**	$ (17.9)	$ (75.1)
Adjustment to accrued duties[3]	**$ 40.0**	$ 15.4	**$ 55.4**	$ 22.6	$ 42.0
Other operating cash flows, net[4]	**$ 49.9**	$ 44.7	**$ 94.6**	$ 1.8	$ 45.1
Cash from (used in) operating activities	**$ 115.7**	$ (81.0)	**$ 34.7**	$ 183.8	$ (42.5)
Add (deduct):					
Capital additions, net	**$ (170.4)**	$ (103.4)	**$ (273.8)**	$ (142.4)	$ (222.0)
Finance expenses paid	**$ (8.5)**	$ (8.6)	**$ (17.1)**	$ (10.8)	$ (16.4)
Conversion and changes in term debt, net	**$ -**	$ 0.2	**$ 0.2**	$ (50.1)	$ (50.0)
Share purchases	**$ (4.9)**	$ (3.3)	**$ (8.2)**	$ (11.5)	$ (22.6)
Distributions to non-controlling interests, net	**$ (15.4)**	$ (0.4)	**$ (15.8)**	$ (61.9)	$ (61.9)
Foreign exchange gain (loss) on cash and cash equivalents	**$ 5.9**	$ (11.3)	**$ (5.4)**	$ (40.3)	$ (38.5)
Other, net[4]	**$ (1.9)**	$ (3.9)	**$ (5.7)**	$ 1.5	$ 9.3
Change in cash / operating loans	**$ (79.5)**	$ (211.7)	**$ (291.1)**	$ (131.7)	$ (444.6)
ROIC – Consolidated period-to-date[5]	**(5.9)%**	(1.7)%	**(7.7)%**	(1.5)%	(6.3)%
Average exchange rate (US$ per C$1.00)[6]	**$ 0.731**	$ 0.741	**$ 0.736**	$ 0.745	$ 0.742
Average exchange rate (SEK per C$1.00)[6]	**7.806**	7.706	**7.756**	7.833	7.779

2. Amortization includes amortization of certain capitalized major maintenance costs.
3. Adjusted to true-up preliminary anti-dumping duty ("ADD") deposits to the Company's current accrual rates.
4. Further information on cash flows may be found in the Company's unaudited interim consolidated financial statements.
5. Consolidated ROIC is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.
6. Source – Bank of Canada (monthly average rate for the period).

Analysis of specific material items affecting comparability of shareholder net loss.

After-tax impact, net of non-controlling interests (millions of Canadian dollars, except per share amounts)		Q2 2024		Q1 2024		YTD 2024		Q2 2023		YTD 2023
Shareholder net loss, as reported	**$**	**(191.1)**	$	(64.5)	**$**	**(255.6)**	$	(43.9)	$	(185.9)
Foreign exchange (gain) loss on term debt	**$**	**3.1**	$	6.6	**$**	**9.7**	$	(6.7)	$	(7.1)
(Gain) loss on derivative financial instruments	**$**	**(3.9)**	$	5.8	**$**	**1.9**	$	6.3	$	3.8
Asset write-downs and impairments	**$**	**23.2**	$	-	**$**	**23.2**	$	-	$	-
Net impact of above items	**$**	**22.4**	$	12.4	**$**	**34.8**	$	(0.4)	$	(3.3)
Adjusted shareholder net loss[7]	**$**	**(168.7)**	$	(52.1)	**$**	**(220.8)**	$	(44.3)	$	(189.2)
Shareholder net loss per share (EPS), as reported	**$**	**(1.61)**	$	(0.54)	**$**	**(2.15)**	$	(0.36)	$	(1.54)
Net impact of above items per share	**$**	**0.19**	$	0.10	**$**	**0.29**	$	-	$	(0.03)
Adjusted shareholder net loss per share[7]	**$**	**(1.42)**	$	(0.44)	**$**	**(1.86)**	$	(0.36)	$	(1.57)

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

The Company reported an operating loss of $250.8 million for the second quarter of 2024, compared to an operating loss of $85.8 million in the first quarter of 2024. After accounting for adjusting items totaling $83.0 million (consisting of an inventory write-down as well as an asset write-down and impairment charge), the Company's operating loss was $167.8 million for the current quarter. In addition, when taking into consideration $38.5 million in restructuring costs recognized this period, correlated with the permanent and indefinite curtailments in the lumber and pulp businesses, the Company's operating loss for the second quarter of 2024 was $129.3 million, compared to a similarly adjusted operating loss of $116.0 million in the prior quarter. These results were primarily driven by a decline in lumber segment results, offset to a degree by improved pulp and paper segment earnings.

For the lumber segment, the operating loss was $230.5 million for the second quarter of 2024, compared to the previous quarter's operating loss of $57.1 million. In the current quarter, these results include adjusting items consisting of a $51.4 million inventory write-down and an asset write-down and impairment charge of $31.6 million. These results also include $32.6 million in restructuring costs associated with changes in the Company's operating footprint, noted below, in both British Columbia ("BC") and the US South.

After taking into consideration these adjusting items and restructuring costs, the lumber segment operating loss in the second quarter of 2024 was $114.9 million, compared to a similarly adjusted operating loss of $87.3 million in the prior quarter. These results reflected another period of solid earnings from the Company's European operations, largely tied to improved market pricing in that region, which was significantly overshadowed by the persistently challenging results from the Company's North American operations, primarily associated with the ongoing weakness in North American lumber benchmark pricing.

In April 2024, the Company announced its decision to permanently close its Jackson, Alabama facility effective June 2024, concurrent with the expansion of its Fulton, Alabama, facility. These steps, together with the previously announced construction of a new, state-of-the art greenfield sawmill in Axis, Alabama, are anticipated to grow the Company's regional manufacturing platform by 100 million board feet of annual production capacity and consolidate operations at modern facilities that are well positioned to be competitive for the long-term.

In May 2024, after a thorough analysis of the persistent shortage of economically available timber and challenging operating conditions in BC, the Company announced the permanent closure of its Polar sawmill in Bear Lake, BC and suspension of its planned reinvestment in Houston, BC.

In connection with the aforementioned announcements, severance and other related closure costs of $32.6 million were recognized as 'Restructuring costs' on the Company's consolidated statement of income (loss) during the second quarter of 2024, principally related to Polar and Houston. In addition, asset write-down and impairment charges totaling $31.6 million were recognized on the Company's consolidated statement of income (loss) during the second quarter of 2024, largely attributable to the closure of Polar.

For the pulp and paper segment, the operating loss was $5.6 million for the second quarter of 2024, compared to an operating loss of $15.7 million for the first quarter of 2024. These results largely reflected an uplift in global pulp pricing, primarily in response to global pulp supply disruptions early in the current period, and the correlated improvement in Canfor Pulp Products Inc.'s ("CPPI") average Northern Bleached Softwood Kraft ("NBSK") pulp sales unit realizations. These factors were offset in part, however, by a decline in CPPI's pulp production and shipments quarter-over-quarter, driven by extended downtime at its Intercontinental NBSK pulp mill ("Intercon") to address unforeseen recovery boiler repairs identified during the scheduled maintenance in May.

In May 2024, CPPI announced the decision to indefinitely curtail one production line at its Northwood NBSK pulp mill ("Northwood") also as a result of the continual decline in the availability of economic fibre in the northern BC region. CPPI anticipates winding down this production line in August 2024. In connection with this indefinite curtailment, CPPI recognized restructuring costs of $5.9 million during the current quarter.

Compared to the second quarter of 2023, operating results were down $184.1 million from an operating loss of $66.7 million in the comparative period, primarily consisting of a $215.0 million decline in lumber segment results offset by a $32.3 million improvement in pulp and paper segment earnings.

After taking into consideration the aforementioned adjusting items and restructuring costs in the current quarter, the lumber segment operating loss in the second quarter of 2024 of $114.9 million, compared to a similarly adjusted operating loss of $79.8 million in the second quarter of 2023. Lower lumber segment results in the current period were predominantly driven by the Company's US South operations, and to a lesser extent Europe, mitigated to a degree by improved results in Western Canada quarter-over-quarter. The decline in results in the US South was largely attributable to a US$132 per Mfbm, or 27%, decrease in the average Southern Yellow Pine ("SYP") East 2x4 #2 price, mitigated somewhat by modestly higher SYP production and shipments. Lower European earnings primarily reflected significantly higher unit manufacturing and product costs tied to log supply constraints in the current period, offset in part by an uptick in lumber market pricing in European markets. In contrast, improved results in Western Canada were mainly due to an uplift in Western Spruce/Pine/Fir ("SPF") lumber unit sales realizations quarter-over-quarter, combined with lower unit manufacturing and product costs following the curtailments and closures in the prior year, tempered to a degree by a correlated decline in production and shipments.

For the pulp and paper segment, adjusted operating results improved $25.4 million compared to the second quarter of 2023, principally tied to moderately higher average NBSK pulp unit sales realizations, and, to a lesser extent, slightly lower pulp unit manufacturing costs following the permanent closure of the pulp line at CPPI's Prince George ("PG") Pulp and Paper mill in the prior year.

Operating results by business segment.

Lumber.

Selected financial information and statistics – lumber.

(millions of Canadian dollars, unless otherwise noted)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Sales[8]	**$ 1,161.6**	$ 1,160.4	**$ 2,322.0**	$ 1,196.5	$ 2,338.6
Operating income (loss) before amortization, asset write-downs and impairments[8]	**$ (95.8)**	$ 31.0	**$ (64.8)**	$ 69.0	$ (23.2)
Operating loss[8]	**$ (230.5)**	$ (57.1)	**$ (287.6)**	$ (15.5)	$ (185.2)
Asset write-downs and impairments	**$ 31.6**	$ -	**$ 31.6**	$ -	$ -
Inventory write-down (recovery), net	**$ 51.4**	$ (30.2)	**$ 21.2**	$ (64.3)	$ (5.8)
Adjusted operating loss[9]	**$ (147.5)**	$ (87.3)	**$ (234.8)**	$ (79.8)	$ (191.0)
Average WSPF 2x4 #2&Btr lumber price in US$[10]	**$ 386**	$ 446	**$ 416**	$ 358	$ 372
Average WSPF 2x4 #2&Btr lumber price in Cdn$[10,12]	**$ 528**	$ 602	**$ 565**	$ 481	$ 501
Average SYP 2x4 #2 lumber price in US$[11]	**$ 354**	$ 419	**$ 387**	$ 486	$ 486
Average SYP 2x4 #2 lumber price in Cdn$[11,12]	**$ 484**	$ 565	**$ 526**	$ 652	$ 655
Average SYP 2x6 #2 lumber price in US$[11]	**$ 308**	$ 354	**$ 331**	$ 385	$ 403
Average SYP 2x6 #2 lumber price in Cdn$[11,12]	**$ 421**	$ 478	**$ 450**	$ 517	$ 543
US housing starts (thousand units SAAR)[13]	**1,348**	1,407	**1,378**	1,455	1,412
Production – WSPF lumber (MMfbm)[14]	**507**	506	**1,013**	542	1,073
Production – SYP lumber (MMfbm)[14]	**455**	441	**896**	428	838
Production – European lumber (MMfbm)[14]	**364**	350	**714**	344	717
Shipments – WSPF lumber (MMfbm)[15]	**501**	544	**1,045**	578	1,075
Shipments – SYP lumber (MMfbm)[15]	**456**	431	**887**	435	839
Shipments – European lumber (MMfbm)[15]	**429**	396	**825**	393	832

8. Q2 2024 includes sales of $376.8 million, operating income of $26.2 million, and operating income before amortization of $44.9 million from European operations (Q1 2024 – sales of $370.0 million, operating income of $13.3 million, and operating income before amortization of $31.4 million; Q2 2023 – sales of $357.7 million, operating income of $37.3 million, and operating income before amortization of $54.4 million). Operating income from the European operations in Q2 2024 includes $9.2 million in incremental amortization and other expenses driven by the purchase price allocation at acquisition (Q1 2024 - $9.4 million; Q2 2023 - $9.2 million).
9. Adjusted operating loss is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details. Adjusted operating loss for Q2 2024 of $147.5 million includes $32.6 million in restructuring costs for the lumber segment. Excluding these restructuring costs, the Q2 2024 adjusted operating loss equates to $114.9 million.
10. Western Spruce/Pine/Fir, per thousand board feet (Source – Random Lengths Publications, Inc.).
11. Southern Yellow Pine, Eastside, per thousand board feet (Source – Random Lengths Publications, Inc.).
12. Average lumber prices in Cdn$ calculated as average price in US$ multiplied by the average exchange rate – Cdn$ per US$1.00 according to Bank of Canada monthly average for the period.
13. Source – US Census Bureau, seasonally adjusted annual rate ("SAAR").
14. Excluding production of trim blocks.
15. Includes Canfor produced lumber, as well as lumber purchased for resale, remanufacture and engineered wood, excluding trim blocks, wholesale shipments and lumber sold on behalf of third parties.

Markets.

Throughout the second quarter of 2024, North American lumber markets faced sustained downward pressure. Despite strong underlying fundamentals, persistent affordability constraints continued to discourage potential homebuyers and lowered US residential construction activity during the quarter. The repair and remodeling sector also saw reduced activity quarter-over-quarter, largely due to lower disposable household income levels. These demand trends, coupled with increased available supply led to a notable drop in North American benchmark pricing compared to the previous quarter.

US housing starts averaged 1,348,000 units on a seasonally adjusted basis for the current quarter, down 4% from the previous quarter, reflecting a 5% decrease in single family homes and a 1% decrease in multi-family starts. In Canada, housing starts averaged 249,000 units on a seasonally adjusted basis in the second quarter of 2024, up 1% from the previous quarter, primarily driven by a 4% increase in the construction of multi-family homes, with a consistent level of activity seen for single-family homes.

Offshore lumber demand and pricing in Asia remained relatively steady during the second quarter of 2024. In China, the real estate market and the broader economy continued to encounter challenging conditions despite ongoing government stimulus measures and gradual balancing of inventory levels in the region. In Japan, however, an improvement in the rental housing market gave rise to a modest uplift in demand and pricing during the current quarter.

In Europe, persistently low levels of residential construction were more than outweighed by relatively solid activity in the do-it-yourself sector and led to improved lumber pricing quarter-over-quarter, particularly in Central Europe.

Sales.

Sales revenues for the lumber segment for the second quarter of 2024 were $1,161.6 million, up $1.2 million compared to the previous quarter and down $34.9 million from the second quarter of 2023. The increase in lumber sales revenue over the prior quarter was primarily driven by moderately higher European lumber unit sales realizations and shipments, coupled with an uptick in shipment volumes in the US South. However, these factors were largely offset by lower shipments in Western Canada and a moderate decline in SYP lumber unit sales realizations quarter-over-quarter.

Compared to the second quarter of 2023, sales revenues declined 3%, primarily attributable to significantly lower SYP unit sales realizations and a 13% reduction in Western SPF shipment volumes quarter-over-quarter. These factors more than outweighed the benefits of higher Western SPF lumber unit sales realizations, increased SYP and European shipments, and to a lesser extent, a 2% weaker Canadian dollar (versus the US dollar) in the current quarter.

Total lumber shipments, at 1.39 billion board feet, were 1% higher than the prior quarter. In Europe, an 8% increase in lumber shipments was primarily associated with higher production in the current quarter and timing of shipments around quarter-end compared to the comparative period. A 6% uplift in SYP shipment volumes was principally tied to increased production in the current period. Conversely, Western SPF shipments declined by 8% quarter-over-quarter largely due to a reduction in finished inventory in the prior quarter following the closure of the Polar sawmill in January 2024.

Compared to the second quarter of 2023, total lumber shipments were down 1%, as a 13% decline in Western SPF shipments, overshadowed increases in SYP and European shipments quarter-over-quarter. Lower Western SPF shipment volumes principally reflected reduced production in the current quarter, combined with a draw-down of finished inventory in the comparative period following the closures of the Chetwynd and Houston sawmills in April 2023. The increase in both SYP and European shipments were largely aligned with production movements in the respective regions quarter-over-quarter.

The average North American Random Lengths Western SPF 2x4 #2&Btr price began the period at US$453 per Mfbm and declined through most of the current quarter, ending June at a low of US$338 per Mfbm. For the current quarter overall, the North American Random Lengths Western SPF 2x4 #2&Btr price averaged US$386 per Mfbm, down US$60 per Mfbm, or 13%, from the previous quarter. Despite the decline in the Western SPF 2x4 #2&Btr price, the Company's Western SPF unit sales realizations experienced a slight increase quarter-over-quarter as favourable offshore unit sales realizations (most notably in Japan), combined with improved pricing for certain low-grade and specialty products, and, to a lesser extent, a 1 cent, or 1%, weaker Canadian dollar (versus the US-dollar).

The average North American SYP East 2x4 #2 price opened the quarter at US$380 per Mfbm, fell to a low of US$330 per Mfbm in late April and ended the period at US$345 per Mfbm. Overall, the SYP East 2x4 #2 price averaged US$354 per Mfbm in the second quarter of 2024, down US$65 per Mfbm, or 16%, from the previous quarter. The SYP East 2x6 #2 price experienced similar pricing deterioration as the SYP East 2x4 #2, averaging US$308 per Mfbm for the current quarter, down US$46 per Mfbm, or 13%, from the prior period. The Company's SYP unit sales realizations primarily reflected this downward trend in SYP lumber benchmark pricing, mitigated to a degree by a slight uptick in pricing for certain wider-width dimension products.

The Company's European lumber unit sales realizations were moderately higher than the previous quarter principally related to improved lumber market pricing in Central Europe, tempered in part by a 1% stronger Canadian dollar (versus the Swedish Krona ("SEK")).

Compared to the second quarter of 2023, the average North American Random Lengths Western SPF 2x4 #2&Btr price increased US$28 per Mfbm, or 8%, with the Company's Western SPF lumber unit sales realizations largely reflecting this increase, coupled with favourable offshore unit sales realizations quarter-over-quarter and the 2%, weaker Canadian dollar (versus the US-dollar). In the US South, a substantial decline in SYP lumber unit sales realizations principally reflected a US$132 per Mfbm, or 27%, decrease in the average North American SYP East 2x4 #2 price, combined with a US$77 per Mfbm, or 20%, drop in the average SYP East 2x6 #2 price over the comparative period. Conversely, the Company's European unit sales realizations reflected a significant increase from the same period in the prior year primarily tied to improved lumber market demand and pricing in European markets quarter-over-quarter.

Other revenues for the Company's lumber segment (which are primarily comprised of residual fibre, pulp log and pellets sales, as well as the Company's European operations' other related revenues) were modestly lower than the prior quarter, mainly attributable to lower residual fibre revenues in Europe (timing-related) coupled with a reduction in log sales in Western Canada. Compared to the second quarter of 2023, other revenues experienced a moderate uplift largely reflecting higher log and residual fibre revenues at the Company's Western Canadian and European operations in the current period, offset in part by lower engineered wood sales in the US South.

Operations.

Total lumber production, at 1.33 billion board feet, was up 2% from the prior quarter largely reflecting increases in both the US South and Europe. In the US South, production was 3% higher quarter-over-quarter principally driven by increased operating hours in the current period following some capital-related downtime in the prior quarter. In Europe, the 4% uplift in production was largely attributable to improved operational efficiencies stemming from a slight improvement in log availability in the region. Production in Western Canada remained broadly consistent with the previous quarter, as the impact of an increase in market-driven curtailments and closures in the current period (approximately 160 million board feet in the current quarter, including the curtailment of the Polar sawmill in January 2024 and subsequent permanent closure in April 2024, versus 145 million board feet in the prior quarter) was mitigated by fewer statutory holidays and improved productivity.

Compared to the second quarter of 2023, total lumber production increased by 1%. This uptick was primarily due to a 6% uplift in SYP production, largely tied to the implementation of a second shift at the Company's DeRidder sawmill in late 2023. European production also saw a 6% increase, as the region benefited from some easing of log supply challenges in the current quarter. In contrast, Western SPF production declined 6% quarter-over-quarter, principally due to the temporary and permanent closures of the Houston and Chetwynd sawmills in April 2023, respectively.

Lumber unit manufacturing and product costs saw a slight increase compared to the previous quarter, primarily due to higher log costs in Europe, correlated with ongoing log supply pressures, offset in part by a small reduction in overall per-unit lumber conversion costs, largely driven by a seasonal reduction in energy spend, particularly in Western Canada.

Compared to the second quarter of 2023, lumber unit manufacturing costs were modestly higher, reflecting an increase in per-unit conversion costs, and to a lesser extent, log costs in the current period. The uplift in per-unit cash conversion costs was principally driven by inflationary pressures, particularly in Europe, mitigated in part by reduced spend on labour and energy in Western Canada following BC mill curtailments and closures in the comparative period. Higher log costs in the current period were mainly a result of ongoing market-based pricing pressure in Europe, moderated to a degree by reduced BC stumpage rates and purchased wood costs in Western Canada.

Pulp and paper.

Selected financial information and statistics – pulp and paper.[16]

(millions of Canadian dollars, unless otherwise noted)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Sales	**$ 220.0**	$ 222.3	**$ 442.3**	$ 249.5	$ 492.8
Operating income (loss) before amortization[17]	**$ 11.0**	$ 1.2	**$ 12.2**	$ (15.3)	$ (15.9)
Operating loss	**$ (5.6)**	$ (15.7)	**$ (21.3)**	$ (37.9)	$ (63.1)
Inventory write-down	**$ -**	$ -	**$ -**	$ 6.9	$ 10.5
Adjusted operating loss[18]	**$ (5.6)**	$ (15.7)	**$ (21.3)**	$ (31.0)	$ (52.6)
Average NBSK pulp list price delivered to China – US$[19]	**$ 811**	$ 745	**$ 778**	$ 668	$ 780
Average NBSK pulp list price delivered to China – Cdn$[19]	**$ 1,109**	$ 1,005	**$ 1,057**	$ 897	$ 1,051
Production – pulp (000 mt)	**130**	158	**288**	151	332
Production – paper (000 mt)	**32**	32	**64**	30	64
Shipments – pulp (000 mt)	**145**	159	**304**	179	331
Shipments – paper (000 mt)	**36**	35	**71**	32	67

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

Markets.

Although global pulp producer inventories remained relatively balanced throughout the current quarter, the uplift in global softwood kraft pulp markets experienced at the end of the first quarter continued well into the second quarter, as global supply disruptions gave rise to an uptick in global softwood pulp pricing. As a result, NBSK pulp list prices on orders from China, the world's largest consumer of pulp, saw steady increases throughout most of the period, reaching a 15-month high of US$825 per tonne in May, before declining in June, to end the quarter at US$810 per tonne. For the current quarter overall, average US-dollar NBSK pulp list prices to China were US$811 per tonne, an increase of US$66 per tonne, or 9%, from the previous quarter, and up US$143 per tonne, or 21%, compared to the second quarter of 2023. A more pronounced increase was experienced in other global regions, especially North America and Europe, with US-dollar NBSK pulp list prices to North America averaging US$1,697 per tonne (before discounts) for the second quarter of 2024, an improvement of US$257 per tonne, or 18%, from the previous quarter, and up US$187 per tonne, or 12% from the same period in the prior year.

As mentioned, global softwood pulp producer inventories were relatively steady throughout the current quarter and within the balanced range, ending May 2024 at 38 days of supply[20], consistent with March 2024 levels. Market conditions are generally considered balanced when inventories are in the 32-43 days of supply range[20].

Global kraft paper market demand and pricing continued to strengthen through the second quarter of 2024, primarily led by an uptick in purchasing activity in the North American region.

Sales.

Pulp shipments for the second quarter of 2024 totaled 145,000 tonnes, down 14,000 tonnes, or 9%, from the previous quarter, primarily driven by an 18% reduction in pulp production quarter-over-quarter, offset in part by a drawdown of finished inventory in the current period largely correlated with the delayed restart of Intercon into early June.

Compared to the second quarter of 2023, pulp shipments were down 34,000 tonnes, or 19%, principally reflecting a 14% decline in pulp production in the current period, combined with shipments in the comparative period being uplifted by a drawdown of inventory following the closure of the pulp line at CPPI's PG Pulp and Paper mill in April 2023.

CPPI's average NBSK pulp unit sales realizations moderately improved compared to both the first quarter of 2024 and the second quarter of 2023, primarily tied to the aforementioned increases in US-dollar NBSK pulp list prices to China and other global regions quarter-over-quarter, combined with a weaker Canadian dollar in the current period, offset to a degree, by an unfavourable timing lag in shipments (versus orders).

Energy revenues decreased in the current quarter compared to both comparative periods, largely reflecting a decline in power generation quarter-over-quarter driven by reduced pulp production.

Paper shipments in the second quarter of 2024 were 36,000 tonnes, broadly in line with the previous quarter, and up 4,000 tonnes from the second quarter of 2023. The latter was principally tied to the timing of shipments around quarter-end compared to the comparative period.

Paper unit sales realizations in the second quarter of 2024 were moderately higher than the previous quarter, largely reflecting a modest uplift in global US-dollar paper pricing combined with the 1% weaker Canadian dollar quarter-over-quarter. Compared to the second quarter of 2023, paper unit sales realizations declined slightly, as a minor drop in US-dollar paper pricing, was offset in part by a 2% weaker Canadian dollar.

Operations.

Pulp production was 130,000 tonnes for the second quarter of 2024, down 28,000 tonnes, or 18%, from the first quarter of 2024, primarily due to a reduction in operating days at Intercon. While the scheduled maintenance at Intercon was successfully completed as planned in early May, with approximately 5,000 tonnes of reduced NBSK pulp production, downtime was extended into early June to address unplanned repairs that were determined necessary following an inspection of Intercon's recovery boiler. The delayed restart resulted in pulp from Northwood being redirected to supply CPPI's specialty paper facility. These factors, combined with a slow ramp up of production following the downtime, further reduced NBSK pulp production in the current quarter by approximately 50,000 tonnes. Despite these challenges, productivity at Intercon steadily improved through the balance of June and has returned to more normalized operating rates in July.

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

In the first quarter of 2024, pulp production was principally impacted by extreme winter weather conditions, particularly in January, as well as other minor operational disruptions (combined, approximately 30,000 tonnes).

Compared to the second quarter of 2023, pulp production was down 21,000 tonnes, or 14%, primarily reflecting the aforementioned extended downtime and ramp up at Intercon, which more than offset the impact of operational challenges at Northwood in the comparative period (approximately 40,000 tonnes).

Pulp unit manufacturing costs experienced a slight increase compared to the first quarter of 2024, principally driven by lower pulp production, offset to a degree, by a seasonal decline in energy usage, and, to a lesser extent, reduced maintenance spend. Fibre costs were modestly higher than the previous quarter, primarily due to the uplift in market-based prices for sawmill residual chips (linked to the higher Canadian dollar NBSK pulp sales realizations), moderated in part, by a decrease in the proportion of higher-cost whole log chips. Notwithstanding the decline in pulp production in the current quarter, pulp unit manufacturing costs were slightly lower than the second quarter of 2023, principally reflecting a moderate decrease in fibre costs combined with reduced energy and maintenance spend quarter-over-quarter.

Paper production for the second quarter of 2024 was 32,000 tonnes, broadly consistent with the previous quarter and up 2,000 tonnes from the same period in the prior year, principally driven by improved productivity quarter-over-quarter.

Paper unit manufacturing costs were moderately higher compared to both the first quarter of 2024 and the second quarter of 2023, as notably higher slush pulp costs (associated with the increase in Canadian dollar average NBSK pulp unit sales realizations), were offset in part by the benefit of reduced energy and maintenance spend in the current period.

Unallocated items.

Selected financial information.

(millions of Canadian dollars)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Corporate costs	**$ (14.7)**	$ (13.0)	**$ (27.7)**	$ (13.3)	$ (26.9)
Finance income (expense), net	**$ (10.0)**	$ (2.6)	**$ (12.6)**	$ (0.9)	$ 2.1
Foreign exchange gain (loss) on term debt and duty deposits recoverable, net	**$ (0.7)**	$ 0.1	**$ (0.6)**	$ 0.5	$ 1.0
Gain (loss) on derivative financial instruments	**$ 5.9**	$ (10.3)	**$ (4.4)**	$ (10.6)	$ (7.1)
Other income, net	**$ 3.5**	$ 19.2	**$ 22.7**	$ 6.7	$ 11.4

Corporate costs were $14.7 million for the second quarter of 2024, up $1.7 million from the previous quarter and up $1.4 million from the same quarter in the prior year primarily reflecting higher legal costs associated with the softwood lumber dispute as well as an increase in head office and general administrative expenses in the current period.

Net finance expense of $10.0 million for the second quarter of 2024 was up $7.4 million from the previous quarter, principally due to a decrease in accrued interest income on recoverable duty deposits, and to a lesser extent, lower interest income on US-dollar short term investments quarter-over-quarter. Net finance expense of $0.9 million in the second quarter of 2023 principally consisted of a facility fee related to the renegotiation of CPPI's operating loan and term debt facilities combined with interest expense on existing operating loan and term debt facilities, largely offset by interest income on US-dollar short term investments and recoverable duty deposits.

In the second quarter of 2024, the Company recognized a foreign exchange loss of $3.5 million on its US-dollar term debt held by Canadian entities due to the weakening of the Canadian dollar at the close of the current quarter compared to the end of March 2024 (see further discussion on the term debt financing in the "Liquidity and Financial Requirements" section), offset by a gain of $2.8 million on its US-dollar denominated net duty deposits recoverable.

At times, the Company uses a variety of derivative financial instruments as partial economic hedges against unfavourable changes in lumber prices, energy costs, interest and foreign exchange rates. In the second quarter of 2024, the Company recorded a net gain of $5.9 million related to its derivative instruments, primarily reflecting mark-to-market gains (both realized and unrealized) on lumber futures contracts, and to a lesser extent, unrealized gains on SEK foreign exchange forward contracts.

Other income, net, of $3.5 million in the second quarter of 2024 was largely comprised of favourable foreign exchange movements on US-dollar denominated working capital balances at the end of the current period compared to the end of the prior quarter. Other income, net, of $19.2 million in the first quarter of 2024 was principally attributable to CPPI's receipt of $15.2 million in insurance proceeds related to operational downtime experienced at Northwood in recent years. In the second quarter of 2023, other income, net, of $6.7

million also reflected CPPI's receipt of insurance proceeds related to Northwood, combined with favourable foreign exchange movements on US-dollar denominated working capital balances.

Other comprehensive income (loss).

The following table summarizes Canfor's Other Comprehensive Income (Loss) for the comparable periods:

(millions of Canadian dollars)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Defined benefit plan actuarial gain (loss), net of tax	**$ (8.0)**	$ 6.3	**$ (1.7)**	$ 3.8	$ 13.4
Foreign exchange translation differences for foreign operations, net of tax	**$ 35.8**	$ 11.2	**$ 47.0**	$ (102.6)	$ (98.4)
Other comprehensive income (loss), net of tax	**$ 27.8**	$ 17.5	**$ 45.3**	$ (98.8)	$ (85.0)

In the second quarter of 2024, the Company recorded a loss of $10.9 million (before tax) related to changes in the valuation of the Company's defined benefit plans (comprised of defined benefit pension plans as well as other benefit plans), principally reflecting a lower than anticipated return on plan assets, a 0.1% decrease in the discount rate used to value the net defined benefit obligations as well as unfavourable movement in reserves.

This compared to a gain of $8.6 million (before tax) recognized in the first quarter of 2024 primarily due to a 0.3% increase in the discount rate used to value the net defined benefit obligations. In the second quarter of 2023, the Company recorded a gain of $5.1 million (before tax) related to changes in the valuation of the Company's defined benefit plans, largely driven by a 0.1% increase in the discount rate and a higher than anticipated return on plan assets.

In April 2024, the Company purchased a buy-out annuity for a portion of its defined benefit pension plans. As a result, during the second quarter of 2024, $58.4 million of the Company's accrued benefit obligation and a similar amount of defined benefit plan assets were derecognized from the Company's condensed consolidated balance sheet.

In addition, the Company recorded an accounting gain of $35.8 million in the second quarter of 2024 related to foreign exchange differences for foreign operations due to the weakening of the Canadian dollar relative to the US-dollar and the SEK at the close of the current quarter. This compared to a gain of $11.2 million in the first quarter of 2024 and a loss of $102.6 million in the second quarter of 2023.

Summary of financial position.

The following table summarizes Canfor's cash flow and selected ratios and other key financial items for and as at the end of the following periods:

(millions of Canadian dollars, except ratios)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Decrease in cash and cash equivalents[21]	**$ (15.6)**	$ (194.8)	**$ (210.4)**	$ (48.8)	$ (369.5)
Operating activities	**$ 115.7**	$ (81.0)	**$ 34.7**	$ 183.8	$ (42.5)
Financing activities	**$ 32.7**	$ (15.3)	**$ 17.4**	$ (98.7)	$ (129.0)
Investing activities	**$ (164.0)**	$ (98.5)	**$ (262.5)**	$ (133.9)	$ (198.0)
Ratio of current assets to current liabilities	**2.0 : 1**	2.3:1	**2.0 : 1**	3.0:1	3.0:1
Net cash to total capitalization[22]	**(1.5)%**	(3.5)%	**(1.5)%**	(15.6)%	(15.6)%
Cumulative duty deposits paid	**$ 956.0**	$ 944.0	**$ 956.0**	$ 908.7	$ 908.7

21. Decrease in cash and cash equivalents shown before foreign exchange translation on cash and cash equivalents.
22. Net cash to total capitalization is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

Operating activities.

Cash generated from operating activities was $115.7 million in the second quarter of 2024, compared to cash used of $81.0 million in the previous quarter and cash generated of $183.8 million in the second quarter of 2023. The $196.7 million increase in operating cash flows from the previous quarter primarily reflected favourable movements in non-cash working capital balances, offset in part by lower cash earnings in the current period. The former was principally driven by a seasonal drawdown of log inventories in the current period, and, to a lesser extent, a timing-related increase in accounts payable and accrued liabilities. Compared to the second quarter of 2023, operating cash flows were down $68.1 million, mainly due to lower cash earnings in the current quarter.

Financing activities.

Cash generated from financing activities in the second quarter of 2024 was $32.7 million, compared to cash used of $15.3 million in the previous quarter and $98.7 million in the second quarter of 2023. Financing activities in the current quarter largely consisted of a net $69.6 million drawdown of the Company's operating loan facilities, offset in part by share repurchases, lease and interest payments, and $15.4 million in net cash distributions to non-controlling interests, the majority of which relates to a Vida dividend payment during the current period (refer to the "Liquidity and Financial Requirements" section for further details). In the first quarter of 2024, financing activities primarily included lease and interest payments as well as share purchases. In the second quarter of 2023, financing activities principally reflected $61.9 million of net cash distributions to non-controlling interests, $11.5 million of share purchases, and to a lesser extent, lease and interest payments. In addition, financing activities in the comparative period included the conversion of CPPI's $50.0 million term debt into its existing operating loan facility, and a $5.0 million net repayment of its operating loan facility.

Investing activities.

Cash used for investing activities was $164.0 million for the current quarter, compared to $98.5 million for the previous quarter and $133.9 million for the same quarter of 2023. Investing activities in the current quarter, as well as both comparable periods, were largely comprised of capital additions.

Capital additions in the second quarter of 2024 were $170.4 million, up $67.0 million from the previous quarter and up $28.0 million from the second quarter of 2023. In the lumber segment, current quarter capital expenditures principally reflected ongoing construction costs related to the Company's greenfield sawmill in Axis, Alabama, and, to a lesser extent, spend associated with the upgrade and expansion of the Company's Urbana sawmill in Arkansas, as well as the expansion of the Bruza sawmill at the Company's European operations. Capital spend in the current period also included maintenance-of-business capital across all lumber operating regions.

In the pulp and paper segment, capital expenditures were predominantly associated with maintenance-of-business capital spend, which in the current period, included spend related to Intercon's scheduled maintenance outage. Investing activities in the current quarter also included the receipt of the $5.0 million final installment with regards to the sale of CPPI's Taylor Bleached Chemi-Thermo Mechanical Pulp mill in February 2024.

Acquisition of El-Dorado.

In May 2024, the Company announced that it had entered into an agreement with Resolute Forest Products Inc., an affiliate of Domtar Corporation, to purchase its El Dorado lumber manufacturing facility located in Union County, Arkansas, for US$73 million, including working capital. The facility, which is close to key end-markets, produces dimensional lumber and specialty wood products and is expected to increase Canfor's annual SYP lumber capacity by 175 million board feet after an anticipated further US$50 million of planned upgrades. The transaction is anticipated to close later in the third quarter of 2024 following the completion of customary closing conditions.

Liquidity and financial requirements.

Operating loans – Consolidated.

At June 30, 2024, on a consolidated basis, including CPPI and the Vida Group ("Vida"), the Company had cash and cash equivalents of $411.6 million, with $185.9 million drawn on its operating loans and facilities, and an additional $60.3 million reserved for several standby letters of credit. At the end of the quarter, the Company had available, undrawn operating loan facilities of $1,286.7 million, including an undrawn committed revolving credit facility.

Operating loans – Canfor, excluding Vida and CPPI.

On April 16, 2024, Canfor, excluding Vida and CPPI, increased the principal amount of its existing committed operating loan facility by $150.0 million to $925.0 million, and extended the maturity date from October 31, 2027 to April 16, 2028. In addition, Canfor, excluding Vida and CPPI, extended the maturity date of its US$150.0 million committed revolving credit facility from June 28, 2024 to April 16, 2025. On April 16, 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 April 16, 2030.

At June 30, 2024, Canfor, excluding Vida and CPPI, had available operating and revolving loan facilities totaling $1,268.7 million, with $82.1 million drawn on its principal committed operating loan facility and $53.2 million reserved for several standby letters of credit, the majority of which related to unregistered pension plans, leaving $1,133.4 million available and undrawn at the end of the period.

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 the Company's debt to total capitalization ratios.

Operating loans – Vida.

At June 30, 2024, Vida had $0.8 million drawn on its $104.2 million operating loan facilities, leaving $103.4 million available and undrawn at the end of the quarter.

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates ranging from 2.8% to 8.3%. Vida also has separate overdraft facilities with fixed interest rates ranging from 5.3% to 8.3%.

Operating loans – CPPI.

At June 30, 2024, CPPI had $103.0 million drawn on its $160.0 million operating loan facility, with $7.1 million reserved for several standby letters of credit under the operating loan facility, leaving $49.9 million available and undrawn at the end of the period.

The terms of CPPI's operating loan facility include interest payable at floating rates based on lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar floating rate, plus a margin that varies with CPPI's debt to total capitalization ratio. CPPI's operating loan facility is repayable on May 2, 2027 and has certain financial covenants, including a maximum debt to total capitalization ratio.

Term debt.

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

CPPI's $80.0 million non-revolving term debt, which is restricted for use on the continued re-investment in CPPI's facilities, specifically Northwood's recovery boiler number one ("RB1"), has a maturity date of May 2, 2027, with interest payable at floating interest rates consistent with its operating loan facility. As at June 30, 2024, this non-revolving term debt remains undrawn.

Debt covenants.

Canfor, Vida and CPPI remained in compliance with all covenants relating to their respective operating loan facilities and term debt during the quarter and expect to remain so for the foreseeable future. Substantially all borrowings of Vida and CPPI are non-recourse to other entities within the Company.

Net cash and liquidity.

At June 30, 2024, on a consolidated basis, including CPPI and Vida, the Company had total net cash of $60.1 million, down $81.2 million from the end of the previous quarter. Available liquidity of $1,778.3 million (of which $80.0 million relates to CPPI's non-revolving term debt which is restricted for use on the continued re-investment in its facilities, specifically Northwood's RB1), up $139.8 million from the previous quarter.

The Company's consolidated net cash to total capitalization at the end of the second quarter of 2024 was 1.5%. For Canfor, excluding CPPI, net cash to capitalization at the end of the second quarter of 2024 was 3.7%.

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 of March 15, 2024. The renewed normal course issuer bid is set to expire on March 20, 2025.

During the second quarter of 2024, the Company purchased 301,500 common shares for $4.6 million (an average price of $15.26 per common share), of which $4.4 million was paid during the current quarter. An additional $0.5 million was paid in relation to shares purchased in the prior quarter.

Non-controlling interests.

During the second quarter of 2024, Vida paid a dividend of $54.1 million (SEK 413.0 million) to its shareholders, which included distributions to non-controlling interests of $16.2 million.

Shares outstanding.

As at June 30, 2024, and July 25, 2024, there were 118,405,079 common shares of the Company outstanding, and Canfor's ownership interest in CPPI and Vida was at 54.8% and 70.0%, respectively.

Countervailing and anti-dumping duties.

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 countervailing duty ("CVD") rate separate from the Department of Commerce's ("DOC") cash deposit rate. As a result, CVD was expensed at a rate of 1.36% for 2024 to date, while anti-dumping duty ("ADD") rate was expensed at an estimated accrual rate of 25.00%. This resulted in a combined accounting rate of 26.36% for the current quarter (versus the DOC's combined cash deposit rate of 6.61%), up 10.00% from the previous quarter's accrual rate of 16.36% primarily as a result of lumber pricing declines in the current quarter.

For the second quarter of 2024, the Company recorded a duty expense of $52.0 million, comprised of cash duty deposits of $12.0 million, a duty expense of $26.6 million related to the current period, and an additional duty expense of $13.4 million related to the first quarter of 2024 (after adjusting the estimated ADD accrual rate to 25.00% in the second quarter of 2024).

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 the course of each administrative review may also result in material adjustments to the consolidated statement of income (loss).

Canfor and other Canadian forest product companies, the Federal Government and Canadian Provincial Governments continue to categorically deny the US allegations and strongly disagree with the current CVD and ADD determinations made by the DOC. Canada has proceeded with legal challenges under the Canada-United States-Mexico Agreement ("CUSMA") and through the World Trade Organization, where Canadian litigation has proven successful in the past. Most recently, 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 has directed the DOC to revisit key elements of its duty calculations, which could potentially result in adjustments to Canfor's prescribed duties and therefore its condensed consolidated statement of income (loss).

Outlook.

Lumber.

Looking ahead, North American lumber market conditions are forecast to experience continued weakness in the third quarter of 2024 and through the balance of the year. Residential construction activity is anticipated to be challenged by ongoing affordability headwinds in the near-term, especially in the multi-family segment. Demand in the repair and remodeling sector is also projected to trend downwards through the balance of the year.

Offshore lumber demand and pricing in Asia is projected to be relatively flat through the third quarter of 2024, as steady demand in Japan attributed to solid housing sector activity, is offset by continued challenges in China, as the region struggles to realize the benefit of government incentives, coupled with ongoing weakness in the Chinese real estate market.

European lumber pricing is anticipated to come under some modest pressure in the third quarter of 2024 as a seasonal slow-down in the do-it-yourself space and ongoing low levels of residential construction activity are combined with continued log supply constraints associated with reduced log availability and increasing costs in the region.

In the US South, the Company's ongoing capital investments in its new greenfield sawmill in Axis, Alabama, as well as in the upgrade and expansion of its Urbana sawmill in Arkansas, are progressing well and are forecast to commence production later in 2024. In addition, results in the third quarter of 2024 will reflect the acquisition of Resolute Forest Products Inc.'s El Dorado lumber manufacturing facility located in Union County, Arkansas, for US$73 million, including working capital. This transaction is anticipated to close in August 2024, following the completion of customary closing conditions.

In BC, there remains significant ongoing uncertainty with regards to the availability of economically viable fibre. The Company continues to anticipate sustained log cost pressures and persistent constraints accessing economically viable fibre in BC for its sawmills, as well as a challenging fibre environment for CPPI's pulp mills. With these ongoing fibre-related pressures and persistently depressed lumber prices, the Company continues to evaluate its options and will adjust its operating rates in BC to align with demand and economically available timber supply in the near-term and through the balance of 2024.

Pulp and paper.

Looking forward, global softwood kraft pulp market conditions are anticipated to soften through the third quarter of 2024 as global softwood pulp supply stabilizes, following disruptions in the first and second quarters of 2024, and as new hardwood capacity in China and Brazil is projected to come online. On the demand side, purchasing activity during the third quarter of 2024 is projected to dampen as the traditionally slower summer period is forecast to combine with reduced demand for paper products, particularly in China, further weakening pulp demand.

As a result of the aforementioned decision to wind down one production line at its Northwood pulp mill in August 2024, the indefinite curtailment will result in the reduction of approximately 300,000 tonnes of market kraft pulp annually. Consequently, CPPI's results in the third quarter of 2024 will reflect the impact of this wind down on production, shipments and cost structure. Looking forward, while CPPI is focused on optimizing a sustainable operating footprint, improving operational reliability and closely managing manufacturing and fibre costs, it will continue to evaluate its operating conditions and will 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.

Bleached kraft paper demand is forecast to remain solid through most of the third quarter of 2024, after which a modest slowdown in demand is anticipated as global kraft paper inventories return to more normalized levels.

No major maintenance outages are planned for the third quarter of 2024.

Critical accounting estimates.

The preparation of financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the amounts recorded in the financial statements. On an ongoing basis, Management reviews its estimates, including those related to useful lives for amortization, impairment of long-lived assets, certain receivables, pension and other employee future benefit plans, asset retirement and deferred reforestation obligations, and the determination of ADD expensed and recorded as recoverable based upon currently available information. While it is reasonably possible that circumstances may arise which cause actual results to differ from these estimates, Management does not believe it is likely that any such differences will materially affect the Company's financial condition, other than the possibility of material effects to the income statement from the Company's estimated ADD net duty deposits recoverable as discussed in Notes 4 and 11 of the condensed consolidated interim financial statements.

Internal controls over financial reporting.

During the quarter ended June 30, 2024, there were no changes in the Company's internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

Risks and uncertainties.

A comprehensive discussion of risks and uncertainties is included in the Company's 2023 annual statutory reports which are available on canfor.com or sedarplus.com.

In addition to exposure to changes in product prices and foreign exchange, the Company's financial results are impacted by seasonal factors such as weather and building activity. Adverse weather conditions, as well as forest fires, 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. For example, building activity and repair and renovation work, which affects demand for lumber products, is generally stronger in the spring and fall months. Shipment volumes are affected by these factors as well as by global supply chain networks and demand conditions. Net income (loss) is also impacted by fluctuations in Canadian dollar exchange rates, and the revaluation to the period end rate of US-dollar and SEK denominated working capital balances, US-dollar and SEK denominated debt and revaluation of outstanding derivative financial instruments.

Selected quarterly financial information.

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Sales and income (loss) (millions of Canadian dollars)								
Sales	**$ 1,381.5**	$ 1,382.7	$ 1,282.9	$ 1,312.3	$ 1,446.0	$ 1,385.4	$ 1,373.3	$ 1,666.4
Operating income (loss) before amortization, asset write-downs and impairments[23]	**$ (98.3)**	$ 19.8	$ (89.1)	$ 42.6	$ 41.0	$ (105.7)	$ (62.6)	$ 211.5
Operating income (loss)	**$ (250.8)**	$ (85.8)	$ (191.3)	$ (65.1)	$ (66.7)	$ (208.5)	$ (308.0)	$ 108.6
Net income (loss)	**$ (186.4)**	$ (64.3)	$ (121.6)	$ (34.7)	$ (48.6)	$ (143.6)	$ (231.4)	$ 106.5
Shareholder net income (loss)	**$ (191.1)**	$ (64.5)	$ (117.1)	$ (23.1)	$ (43.9)	$ (142.0)	$ (207.9)	$ 87.4
Per common share (Canadian dollars)								
Shareholder net income (loss) – basic and diluted	**$ (1.61)**	$ (0.54)	$ (0.98)	$ (0.19)	$ (0.36)	$ (1.17)	$ (1.70)	$ 0.71
Book value[24]	**$ 30.32**	$ 31.69	$ 32.10	$ 32.89	$ 32.63	$ 33.81	$ 34.87	$ 36.14
Statistics								
Lumber shipments (MMfbm)[25]	**1,386**	1,371	1,333	1,288	1,406	1,340	1,239	1,311
Pulp shipments (000 mt)	**145**	159	136	142	179	152	170	199
Average exchange rate – US$/Cdn$	**$ 0.731**	$ 0.741	$ 0.734	$ 0.746	$ 0.745	$ 0.740	$ 0.736	$ 0.766
Average exchange rate – SEK/Cdn$	**7.806**	7.706	7.819	8.056	7.833	7.726	7.891	8.082
Average Western SPF 2x4 #2&Btr lumber price (US$)	**$ 386**	$ 446	$ 400	$ 419	$ 358	$ 386	$ 410	$ 580
Average SYP (East) 2x4 #2 lumber price (US$)	**$ 354**	$ 419	$ 448	$ 452	$ 486	$ 485	$ 451	$ 722
Average SYP (East) 2x6 #2 lumber price (US$)	**$ 308**	$ 354	$ 333	$ 404	$ 385	$ 420	$ 449	$ 459
Average NBSK pulp list price delivered to China (US$)	**$ 811**	$ 745	$ 748	$ 680	$ 668	$ 891	$ 920	$ 969

23. Amortization includes amortization of certain capitalized major maintenance costs; includes asset write-down and impairment charges of $31.6 million in Q2 2024 and $138.6 million in Q4 2022.
24. Book value per common share is equal to shareholders' equity at the end of the period, divided by the number of common shares outstanding at the end of the period.
25. Includes Canfor produced lumber, as well as lumber purchased for resale, remanufacture and engineered wood, excluding trim blocks, wholesale shipments and lumber sold on behalf of third parties.

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

After-tax impact, net of non-controlling interests (millions of Canadian dollars, except for per share amounts)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Shareholder net income (loss), as reported	**$ (191.1)**	$ (64.5)	$ (117.1)	$ (23.1)	$ (43.9)	$ (142.0)	$ (207.9)	$ 87.4
Foreign exchange (gain) loss on term debt	**$ 3.1**	$ 6.6	$ (5.3)	$ 6.4	$ (6.7)	$ (0.4)	$ (1.7)	$ 10.6
(Gain) loss on derivative financial instruments	**$ (3.9)**	$ 5.8	$ (4.8)	$ (2.7)	$ 6.3	$ (2.5)	$ (2.0)	$ 0.5
Asset write-downs and impairments	**$ 23.2**	$ -	$ -	$ -	$ -	$ -	$ 84.8	$ -
Net impact of above items	**$ 22.4**	$ 12.4	$ (10.1)	$ 3.7	$ (0.4)	$ (2.9)	$ 81.1	$ 11.1
Adjusted shareholder net income (loss)[26]	**$ (168.7)**	$ (52.1)	$ (127.2)	$ (19.4)	$ (44.3)	$ (144.9)	$ (126.8)	$ 98.5
Shareholder net income (loss) per share (EPS), as reported	**$ (1.61)**	$ (0.54)	$ (0.98)	$ (0.19)	$ (0.36)	$ (1.17)	$ (1.70)	$ 0.71
Net impact of above items per share	**$ 0.19**	$ 0.10	$ (0.08)	$ 0.03	$ -	$ (0.03)	$ 0.66	$ 0.09
Adjusted net income (loss) per share[26]	**$ (1.42)**	$ (0.44)	$ (1.06)	$ (0.16)	$ (0.36)	$ (1.20)	$ (1.04)	$ 0.80

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

Non-IFRS financial measures.

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

(millions of Canadian dollars)	**Q2 2024**	Q1 2024	**YTD 2024**	Q2 2023	YTD 2023
Operating loss	**$ (250.8)**	$ (85.8)	**$ (336.6)**	$ (66.7)	$ (275.2)
Asset write-downs and impairment	**$ 31.6**	$ -	**$ 31.6**	$ -	$ -
Inventory write-down (recovery), net	**$ 51.4**	$ (30.2)	**$ 21.2**	$ (57.4)	$ 4.7
Adjusted operating loss	**$ (167.8)**	$ (116.0)	**$ (283.8)**	$ (124.1)	$ (270.5)
Amortization	**$ 120.9**	$ 105.6	**$ 226.5**	$ 107.7	$ 210.5
Adjusted operating loss before amortization	**$ (46.9)**	$ (10.4)	**$ (57.3)**	$ (16.4)	$ (60.0)

(millions of Canadian dollars, except ratios)	**Q2 2024**	Q1 2024	**YTD 2024**	Q2 2023	YTD 2023
Operating loss	**$ (250.8)**	$ (85.8)	**$ (336.6)**	$ (66.7)	$ (275.2)
Realized (gain) loss on derivative financial instruments	**$ (0.5)**	$ 0.4	**$ (0.1)**	$ 3.2	$ 2.0
Other income, net	**$ 3.5**	$ 19.2	**$ 22.7**	$ 6.7	$ 11.4
Less: non-controlling interests	**$ 6.7**	$ 7.1	**$ 13.8**	$ (3.6)	$ (7.9)
Loss	**$ (254.5)**	$ (73.3)	**$ (327.8)**	$ (60.4)	$ (253.9)
Average invested capital[27]	**$ 4,309.0**	$ 4,267.9	**$ 4,278.8**	$ 4,160.9	$ 4,149.5
Return on invested capital (ROIC)	**(5.9)%**	(1.7)%	**(7.7)%**	(1.5)%	(6.3)%

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

(millions of Canadian dollars, except ratios)	**As at June 30, 2024**	As at December 31, 2023	As at June 30, 2023
Term debt	**$ 165.6**	$ 159.9	$ 204.3
Operating loans	**$ 185.9**	$ 110.6	$ 64.4
Less: cash and cash equivalents	**$ 411.6**	$ 627.4	$ 860.7
Net cash	**$ (60.1)**	$ (356.9)	$ (592.0)
Total equity	**$ 4,039.0**	$ 4,277.4	$ 4,394.1
Total capitalization	**$ 3,978.9**	$ 3,920.5	$ 3,802.1
Net cash to total capitalization	**(1.5)%**	(9.1)%	(15.6)%

Canfor Corporation.

Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)		As at June 30, 2024		As at December 31, 2023
ASSETS				
Current assets				
Cash and cash equivalents	$	**411.6**	$	627.4
Trade receivables		**392.6**		297.9
Other receivables		**111.1**		105.6
Income taxes recoverable		**151.1**		109.3
Inventories (Note 3)		**928.3**		994.8
Prepaid expenses and other		**132.9**		122.7
Total current assets		**2,127.6**		2,257.7
Property, plant and equipment		**2,506.3**		2,429.8
Right-of-use assets		**124.1**		123.1
Timber licenses		**341.3**		346.8
Goodwill and other intangible assets		**513.4**		519.3
Long-term investments and other (Note 4)		**414.9**		454.7
Total assets	$	**6,027.6**	$	6,131.4
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	**748.0**	$	664.5
Operating loans (Note 5(a))		**185.9**		110.6
Current portion of deferred reforestation obligations		**52.6**		52.6
Current portion of term debt (Note 5(b))		**46.5**		44.8
Current portion of lease obligations		**31.4**		30.6
Income taxes payable		**2.6**		2.1
Total current liabilities		**1,067.0**		905.2
Term debt (Note 5(b))		**119.1**		115.1
Retirement benefit obligations (Note 6)		**129.7**		132.9
Lease obligations		**100.4**		98.2
Deferred reforestation obligations		**76.6**		47.4
Other long-term liabilities		**36.0**		37.5
Put liability (Note 7)		**192.9**		187.7
Deferred income taxes, net		**266.9**		330.0
Total liabilities	$	**1,988.6**	$	1,854.0
EQUITY				
Share capital	$	**934.1**	$	938.3
Contributed surplus and other equity		**(178.6)**		(169.8)
Retained earnings		**2,742.6**		3,004.2
Accumulated other comprehensive income		**92.5**		45.5
Total equity attributable to equity shareholders of the Company		**3,590.6**		3,818.2
Non-controlling interests		**448.4**		459.2
Total equity	$	**4,039.0**	$	4,277.4
Total liabilities and equity	$	**6,027.6**	$	6,131.4

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 June 30, **2024**	3 months ended June 30, 2023	6 months ended June 30, **2024**	6 months ended June 30, 2023
Sales	**$ 1,381.5**	$ 1,446.0	**$ 2,764.2**	$ 2,831.4
Costs and expenses				
Manufacturing and product costs	**1,174.9**	1,138.5	**2,292.1**	2,376.3
Freight and other distribution costs	**171.2**	192.2	**346.4**	358.2
Countervailing and anti-dumping duty expense, net (Note 12)	**52.0**	33.6	**80.4**	62.8
Amortization	**120.9**	107.7	**226.5**	210.5
Selling and administration costs	**43.2**	40.1	**85.3**	84.5
Restructuring costs (Note 13)	**38.5**	0.6	**38.5**	14.3
Asset write-downs and impairments (Note 13)	**31.6**	-	**31.6**	-
	1,632.3	1,512.7	**3,100.8**	3,106.6
Operating loss	**(250.8)**	(66.7)	**(336.6)**	(275.2)
Finance income (expense), net	**(10.0)**	(0.9)	**(12.6)**	2.1
Foreign exchange gain (loss) on term debt	**(3.5)**	7.7	**(11.2)**	8.2
Foreign exchange gain (loss) on duty deposits recoverable, net	**2.8**	(7.2)	**10.6**	(7.2)
Gain (loss) on derivative financial instruments (Note 7)	**5.9**	(10.6)	**(4.4)**	(7.1)
Other income, net	**3.5**	6.7	**22.7**	11.4
Net loss before income taxes	**(252.1)**	(71.0)	**(331.5)**	(267.8)
Income tax recovery (Note 8)	**65.7**	22.4	**80.8**	75.6
Net loss	**$ (186.4)**	$ (48.6)	**$ (250.7)**	$ (192.2)
Net income (loss) attributable to:				
Equity shareholders of the Company	**$ (191.1)**	$ (43.9)	**$ (255.6)**	$ (185.9)
Non-controlling interests	**4.7**	(4.7)	**4.9**	(6.3)
Net loss	**$ (186.4)**	$ (48.6)	**$ (250.7)**	$ (192.2)
Net loss per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 9)	**$ (1.61)**	$ (0.36)	**$ (2.15)**	$ (1.54)

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 June 30, **2024**	3 months ended June 30, 2023	6 months ended June 30, **2024**	6 months ended June 30, 2023
Net loss	**$ (186.4)**	$ (48.6)	**$ (250.7)**	$ (192.2)
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to net income (loss):				
Defined benefit plan actuarial gains (losses), net (Note 6)	**(10.9)**	5.1	**(2.3)**	18.2
Income tax recovery (expense) on defined benefit plan actuarial gains (losses), net (Note 8)	**2.9**	(1.3)	**0.6**	(4.8)
	(8.0)	3.8	**(1.7)**	13.4
Items that may be reclassified subsequently to net income (loss):				
Foreign exchange translation of foreign operations, net of tax	**35.8**	(102.6)	**47.0**	(98.4)
Other comprehensive income (loss), net of tax	**27.8**	(98.8)	**45.3**	(85.0)
Total comprehensive loss	**$ (158.6)**	$ (147.4)	**$ (205.4)**	$ (277.2)
Total comprehensive loss attributable to:				
Equity shareholders of the Company	**$ (162.2)**	$ (143.6)	**$ (210.4)**	$ (272.7)
Non-controlling interests	**3.6**	(3.8)	**5.0**	(4.5)
Total comprehensive loss	**$ (158.6)**	$ (147.4)	**$ (205.4)**	$ (277.2)

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 June 30, **2024**	3 months ended June 30, 2023	6 months ended June 30, **2024**	6 months ended June 30, 2023
Share capital				
Balance at beginning of period	**$ 936.5**	$ 951.9	**$ 938.3**	$ 955.1
Share purchases (Note 9)	**(2.4)**	(4.3)	**(4.2)**	(7.5)
Balance at end of period	**$ 934.1**	$ 947.6	**$ 934.1**	$ 947.6
Contributed surplus and other equity				
Balance at beginning of period	**$ (174.1)**	$ (161.9)	**$ (169.8)**	$ (157.7)
Put liability (Note 7)	**(4.5)**	(4.9)	**(8.8)**	(9.1)
Balance at end of period	**$ (178.6)**	$ (166.8)	**$ (178.6)**	$ (166.8)
Retained earnings				
Balance at beginning of period	**$ 2,942.8**	$ 3,202.2	**$ 3,004.2**	$ 3,341.5
Net loss attributable to equity shareholders of the Company	**(191.1)**	(43.9)	**(255.6)**	(185.9)
Defined benefit plan actuarial gains (losses), net of tax	**(6.9)**	2.9	**(1.8)**	11.6
Share purchases (Note 9)	**(2.2)**	(7.0)	**(4.2)**	(13.0)
Balance at end of period	**$ 2,742.6**	$ 3,154.2	**$ 2,742.6**	$ 3,154.2
Accumulated other comprehensive income (loss)				
Balance at beginning of period	**$ 56.7**	$ 86.8	**$ 45.5**	$ 82.6
Foreign exchange translation of foreign operations, net of tax	**35.8**	(102.6)	**47.0**	(98.4)
Balance at end of period	**$ 92.5**	$ (15.8)	**$ 92.5**	$ (15.8)
Total equity attributable to equity shareholders of the Company	**$ 3,590.6**	$ 3,919.2	**$ 3,590.6**	$ 3,919.2
Non-controlling interests				
Balance at beginning of period	**$ 460.2**	$ 540.6	**$ 459.2**	$ 541.3
Net income (loss) attributable to non-controlling interests	**4.7**	(4.7)	**4.9**	(6.3)
Defined benefit plan actuarial gains (losses) attributable to non-controlling interests, net of tax	**(1.1)**	0.9	**0.1**	1.8
Distributions to non-controlling interests, net (Note 14)	**(15.4)**	(61.9)	**(15.8)**	(61.9)
Balance at end of period	**$ 448.4**	$ 474.9	**$ 448.4**	$ 474.9
Total equity	**$ 4,039.0**	$ 4,394.1	**$ 4,039.0**	$ 4,394.1

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 June 30, 2024	3 months ended June 30, 2023	6 months ended June 30, 2024	6 months ended June 30, 2023
Cash generated from (used in):				
Operating activities				
Net loss	**$ (186.4)**	$ (48.6)	**$ (250.7)**	$ (192.2)
Items not affecting cash:				
Amortization	**120.9**	107.7	**226.5**	210.5
Income tax recovery (Note 8)	**(65.7)**	(22.4)	**(80.8)**	(75.6)
Change in long-term portion of deferred reforestation obligations, net	**4.8**	(12.7)	**28.3**	7.4
Foreign exchange (gain) loss on term debt	**3.5**	(7.7)	**11.2**	(8.2)
Foreign exchange (gain) loss on duty deposits recoverable, net	**(2.8)**	7.2	**(10.6)**	7.2
Duties paid less than accruals (Note 12)	**40.0**	22.6	**55.4**	42.0
Changes in mark-to-market value of derivative financial instruments	**(5.4)**	7.4	**4.4**	5.1
Employee future benefits (recovery) expense	**(4.2)**	3.6	**(1.7)**	8.9
Finance (income) expense, net	**10.0**	0.9	**12.6**	(2.1)
Restructuring costs (Note 13)	**38.5**	0.6	**38.5**	14.3
Asset write-downs and impairments (Note 13)	**31.6**	-	**31.6**	-
Other, net	**6.8**	6.8	**6.8**	5.1
Defined benefit plan contributions	**(3.5)**	(15.4)	**(6.8)**	(18.8)
Income taxes paid, net	**(11.6)**	(17.9)	**(14.5)**	(75.1)
	(23.5)	32.1	**50.2**	(71.5)
Net change in non-cash working capital (Note 10)	**139.2**	151.7	**(15.5)**	29.0
	115.7	183.8	**34.7**	(42.5)
Financing activities				
Operating loan drawings, net (Note 5(a))	**69.6**	43.4	**75.3**	37.4
Conversion and changes in term debt, net (Note 5(b))	**-**	(50.1)	**0.2**	(50.0)
Payments of lease obligations	**(8.1)**	(7.8)	**(17.0)**	(15.5)
Finance expenses paid	**(8.5)**	(10.8)	**(17.1)**	(16.4)
Share purchases (Note 9)	**(4.9)**	(11.5)	**(8.2)**	(22.6)
Cash distributions paid to non-controlling interests, net (Note 14)	**(15.4)**	(61.9)	**(15.8)**	(61.9)
	32.7	(98.7)	**17.4**	(129.0)
Investing activities				
Additions to property, plant and equipment and intangible assets, net	**(170.4)**	(142.4)	**(273.8)**	(222.0)
Interest income received	**3.9**	6.7	**9.9**	16.0
Other, net	**2.5**	1.8	**1.4**	8.0
	(164.0)	(133.9)	**(262.5)**	(198.0)
Foreign exchange gain (loss) on cash and cash equivalents	**5.9**	(40.3)	**(5.4)**	(38.5)
Decrease in cash and cash equivalents*	**(9.7)**	(89.1)	**(215.8)**	(408.0)
Cash and cash equivalents at beginning of period*	**421.3**	949.8	**627.4**	1,268.7
Cash and cash equivalents at end of period*	**$ 411.6**	$ 860.7	**$ 411.6**	$ 860.7

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

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

1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*, and 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 70.0%, respectively, at June 30, 2024.

These financial statements do not include all of the disclosures required by IFRS Accounting Standards ("IFRS") for annual financial statements. Additional disclosures relevant to the understanding of these financial statements, including the accounting policies applied, can be found in the Company's Annual Report for the year ended December 31, 2023, available at www.canfor.com or www.sedarplus.com.

These financial statements were authorized for issue by the Company's Board of Directors on July 25, 2024.

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 June 30, 2024**		As at December 31, 2023
Logs	**$**	**171.2**	$	199.4
Finished products		**561.1**		600.6
Residual fibre		**33.9**		38.2
Materials and supplies		**162.1**		156.6
	$	**928.3**	$	994.8

The above inventory balances are stated at the lower of cost and net realizable value. For the three months ended June 30, 2024, a $51.4 million inventory write-down expense was recorded for the lumber segment (six months ended June 30, 2024 – $21.2 million net inventory write-down expense). For the three months ended June 30, 2023, a $64.3 million net reversal of a previously recognized inventory write-down was recorded for the lumber segment (six months ended June, 2023 - $5.8 million net reversal of a previously recognized write-down). At June 30, 2024, an inventory provision of $62.0 million has been recognized for logs and lumber (December 31, 2023 – provision of $40.9 million).

For the three and six months ended June 30, 2024, no inventory valuation adjustment was recognized for the pulp and paper segment. For the three months ended June 30, 2023, a $6.9 million net inventory write-down expense was recognized for the pulp and paper segment (six months ended June 30, 2023 – $10.5 million write-down expense). At June 30, 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 June 30, 2024**		As at December 31, 2023
Duty deposits recoverable, net (Note 12)	**$**	**246.7**	$	289.5
Other deposits, loans, advances and long-term assets		**56.4**		54.2
Other investments		**98.9**		90.8
Retirement benefit surplus		**11.2**		10.8
Deferred income taxes, net		**1.7**		9.4
	$	**414.9**	$	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 June 30, 2024, including interest receivable of $65.4 million (December 31, 2023 – $60.8 million) (Note 12).

5. Operating Loans and Term Debt

(*a*) *Available Operating Loans*

(millions of Canadian dollars, unaudited)		**As at June 30, 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$150.0 million)		**273.7**		198.4
Facilities for letters of credit		**70.0**		70.0
Total operating loan facilities		**1,268.7**		1,043.4
Operating loan facility drawn		**(82.1)**		-
Letters of credit covered under operating loan facility		**(1.4)**		(2.7)
Letters of credit covered under facilities for letters of credit		**(51.8)**		(53.9)
Total available operating loan facilities - Canfor	**$**	**1,133.4**	$	986.8
Vida				
Available operating loans:				
Operating loan facilities	**$**	**66.0**	$	67.2
Overdraft facilities		**38.2**		44.0
Total operating loan facilities		**104.2**		111.2
Operating loan facilities drawn		**(0.8)**		(3.6)
Total available operating loan facilities – Vida	**$**	**103.4**	$	107.6
CPPI				
Available operating loans:				
Operating loan facility	**$**	**160.0**	$	160.0
Letters of credit		**(7.1)**		(6.9)
Operating loan facility drawn		**(103.0)**		(107.0)
Total available operating loan facility – CPPI	**$**	**49.9**	$	46.1
Consolidated:				
Total operating loan facilities	**$**	**1,532.9**	$	1,314.6
Total operating loan facilities drawn	**$**	**(185.9)**	$	(110.6)
Total letters of credit	**$**	**(60.3)**	$	(63.5)
Total available operating loan facilities	**$**	**1,286.7**	$	1,140.5

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.

On April 16, 2024, Canfor (excluding Vida and CPPI), increased the principal amount of its existing committed operating loan facility by $150.0 million to $925.0 million, and extended the maturity date from October 31, 2027 to April 16, 2028. In addition, Canfor (excluding Vida and CPPI), extended the maturity date of its US$150.0 million committed revolving credit facility from June 28, 2024 to April 16, 2025. On April 16, 2025, any amounts drawn on

Canfor's committed revolving credit facility will be converted to US-dollar denominated floating rate term debt, with a maturity date of April 16, 2030.

CPPI's operating loan facility is repayable on May 2, 2027.

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates ranging from 2.8% to 8.3%. Vida also has separate overdraft facilities with fixed interest rates ranging from 5.3% to 8.3%.

Canfor and CPPI's operating loan facilities have certain financial covenants, including maximum debt to total capitalization ratios. Vida is also subject to certain financial covenants, including minimum equity and interest coverage ratios. As at June 30, 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 June 30, 2024**		As at December 31, 2023
Canfor (excluding Vida and CPPI)				
US$50.0 million, floating interest, repayable on June 28, 2031	**$**	**68.4**	$	66.1
US$66.7 million, fixed interest of 4.4%, repayable in two equal tranches on October 2, 2024 and 2025		**91.2**		88.2
Other		**5.3**		5.1
Vida				
AUD$0.7 million, floating interest, repayable between April 23, 2024 and May 31, 2028		**0.7**		0.5
CPPI				
Up to CAD$80.0 million, floating interest, repayable on May 2, 2027		**-**		-
Term debt at end of period	**$**	**165.6**	$	159.9
Less: Current portion		**(46.5)**		(44.8)
Long-term portion	**$**	**119.1**	$	115.1

CPPI's $80.0 million non-revolving term debt is restricted for use on the continued re-investment in its facilities, specifically Northwood Northern Bleached Softwood Kraft ("NBSK") pulp mill's ("Northwood") recovery boiler number one ("RB1"). This non-revolving term debt has a maturity date of May 2, 2027, with interest payable at floating interest rates consistent with its operating loan facility.

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 June 30, 2024, Canfor, Vida and CPPI were fully in compliance with all covenants relating to their term debt.

Fair value of total term debt

At June 30, 2024, the fair value of the Company's term debt is $161.3 million (December 31, 2023 – $153.7 million), determined based on prevailing market rates for term debt with similar characteristics and risk profile.

6. Employee Future Benefits

For the three months ended June 30, 2024, actuarial losses of $10.9 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), principally reflecting a lower than anticipated return on plan assets, a 0.1% decrease in the discount rate used to value the net defined benefit obligations as well as an unfavourable movement in reserves. For the six months ended June 30, 2024, actuarial losses of $2.3 million (before tax) were recognized in other comprehensive income (loss).

For the three months ended June 30, 2023, actuarial gains of $5.1 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations, principally reflecting a 0.1% increase in the discount rate used to value the net defined benefit obligations and a higher than anticipated return on plan assets. For the six months ended June 30, 2023, actuarial gains of $18.2 million (before tax) were recognized in other comprehensive income (loss).

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

	Defined Benefit Pension Plans	Other Benefit Plans
June 30, 2024	**4.8%**	**4.8%**
March 31, 2024	4.9%	4.9%
December 31, 2023	4.6%	4.6%
June 30, 2023	4.9%	4.9%
March 31, 2023	4.8%	4.8%
December 31, 2022	4.8%	4.8%

In April 2024, the Company purchased an additional buy-out annuity for a portion of its defined benefit pension plans. As a result, at June 30, 2024, $58.4 million of the Company's accrued benefit obligation and a similar amount of plan assets were derecognized from the Company's condensed consolidated interim balance sheet.

7. 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 June 30, 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 June 30, 2024**		As at December 31, 2023
Financial assets measured at fair value					
Investments	Level 1	**$**	**97.0**	$	89.1
Derivative financial instruments	Level 2		**2.9**		4.4
Duty deposits recoverable, net (Note 4)	Level 3		**246.7**		289.5
		$	**346.6**	$	383.0
Financial liabilities measured at fair value					
Derivative financial instruments	Level 2	**$**	**2.9**	$	-
Put liability	Level 3		**192.9**		187.7
		$	**195.8**	$	187.7

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

	3 months ended June 30,				6 months ended June 30,			
(millions of Canadian dollars, unaudited)		**2024**		2023		**2024**		2023
Lumber futures	**$**	**3.6**	$	(2.9)	**$**	**3.1**	$	0.7
Foreign exchange forward contracts		**2.3**		(7.7)		**(7.5)**		(7.8)
Gain (loss) on derivative financial instruments	**$**	**5.9**	$	(10.6)	**$**	**(4.4)**	$	(7.1)

During the three and six months ended June 30, 2024, losses of $4.5 million and $8.8 million, respectively, were recognized in 'Other Equity' on the Company's condensed consolidated balance sheet following remeasurement of the put liability, primarily reflecting the passage of time (three and six months ended June 30, 2023 – losses of $4.9 million and $9.1 million, respectively). As a result of this remeasurement, combined with net foreign exchange losses of $3.4 million and gains of $3.6 million for the three and six months ended June 30, 2024, respectively (three and six months ended June 30, 2023 – gains of $10.7 million and $9.9 million, respectively), the balance of the put liability was $192.9 million at June 30, 2024 (December 31, 2023 – $187.7 million).

8. Income Taxes

The components of the Company's income tax recovery are as follows:

(millions of Canadian dollars, unaudited)	3 months ended June 30, **2024**	2023	6 months ended June 30, **2024**	2023
Current	**$ 25.8**	$ 13.7	**$ 25.8**	$ 37.4
Deferred	**39.9**	8.7	**55.0**	38.2
Income tax recovery	**$ 65.7**	$ 22.4	**$ 80.8**	$ 75.6

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

(millions of Canadian dollars, unaudited)	3 months ended June 30, **2024**	2023	6 months ended June 30, **2024**	2023
Income tax recovery at statutory rate of 27.0% (2023 – 27.0%)	**$ 68.1**	$ 19.2	**$ 89.5**	$ 72.3
Add (deduct):				
Non-taxable loss related to non-controlling interests	**(0.2)**	(0.1)	**(0.4)**	(0.3)
Entities with different income tax rates and other tax adjustments	**(0.6)**	1.8	**(5.6)**	3.1
Permanent difference from capital gains and losses and other non-deductible items	**(1.6)**	1.5	**(2.7)**	0.5
Income tax recovery	**$ 65.7**	$ 22.4	**$ 80.8**	$ 75.6

In addition to the amounts recorded to net income (loss), a tax recovery of $2.9 million was recorded to other comprehensive income (loss) in relation to actuarial losses, net, on the defined benefit plans for the three months ended June 30, 2024 (three months ended June 30, 2023 – $1.3 million tax expense). For the six months ended June 30, 2024, a tax recovery of $0.6 million was recorded to other comprehensive income (loss) in relation to actuarial losses, net, on the defined benefit plans (six months ended June 30, 2023 – $4.8 million tax expense).

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 June 30, **2024**	2023	6 months ended June 30, **2024**	2023
Weighted average number of common shares	118,631,999	120,485,587	118,768,608	120,735,840

During the three months ended June 30, 2024, the Company purchased 301,500 common shares for $4.6 million (an average of $15.26 per common share), of which $4.4 million was paid during the quarter. An additional $0.5 million was paid during the three months ended June 30, 2024, in relation to shares purchased in the prior quarter. During the six months ended June 30, 2024, the Company purchased 526,700 common shares for $8.4 million (an average of $15.95 per common share), of which $8.2 million was paid during the period.

As at June 30, 2024, and July 25, 2024, 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 70.0%, respectively.

10. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended June 30, **2024**	2023	6 months ended June 30, **2024**	2023
Trade and other receivables	**$ (10.5)**	$ 17.6	**$ (102.3)**	$ (81.6)
Inventories	**196.8**	240.7	**63.6**	164.8
Prepaid expenses and other	**(4.7)**	(25.4)	**(11.4)**	(64.3)
Accounts payable and accrued liabilities and current portion of deferred reforestation obligations	**(42.4)**	(81.2)	**34.6**	10.1
Net change in non-cash working capital	**$ 139.2**	$ 151.7	**$ (15.5)**	$ 29.0

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 June 30, 2024					
Sales from contracts with customers	**$ 1,161.6**	**$ 219.9**	**$ -**	**$ -**	**$ 1,381.5**
Sales to other segments	**29.3**	**0.1**	**-**	**(29.4)**	**-**
Operating loss	**(230.5)**	**(5.6)**	**(14.7)**	**-**	**(250.8)**
Amortization	**103.1**	**16.6**	**1.2**	**-**	**120.9**
Capital expenditures[1]	**154.8**	**14.4**	**1.2**	**-**	**170.4**
3 months ended June 30, 2023					
Sales from contracts with customers	$ 1,196.5	$ 249.5	$ -	$ -	$ 1,446.0
Sales to other segments	38.7	-	-	(38.7)	-
Operating loss	(15.5)	(37.9)	(13.3)	-	(66.7)
Amortization	84.5	22.6	0.6	-	107.7
Capital expenditures[1]	127.8	10.3	4.3	-	142.4
6 months ended June 30, 2024					
Sales from contracts with customers	**$ 2,322.0**	**$ 442.2**	**$ -**	**$ -**	**$ 2,764.2**
Sales to other segments	**68.7**	**0.1**	**-**	**(68.8)**	**-**
Operating loss	**(287.6)**	**(21.3)**	**(27.7)**	**-**	**(336.6)**
Amortization	**191.2**	**33.5**	**1.8**	**-**	**226.5**
Capital expenditures[1]	**245.5**	**26.4**	**1.9**	**-**	**273.8**
Total assets	**4,419.9**	**617.8**	**989.9**	**-**	**6,027.6**
6 months ended June 30, 2023					
Sales from contracts with customers	$ 2,338.6	$ 492.8	$ -	$ -	$ 2,831.4
Sales to other segments	83.1	-	-	(83.1)	-
Operating loss	(185.2)	(63.1)	(26.9)	-	(275.2)
Amortization	162.0	47.2	1.3	-	210.5
Capital expenditures[1, 2]	191.7	22.3	8.0	-	222.0
Total assets	4,192.1	660.7	1,434.2	-	6,287.0

[1] Capital expenditures represent cash paid for capital assets during the periods, excluding assets purchased as part of acquisitions.
[2] 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 June 30, 2024		3 months ended June 30, 2023		6 months ended June 30, 2024		6 months ended June 30, 2023	
Sales by location of customer								
Canada	**8%**	**$ 117.0**	9%	$ 125.3	**9%**	**$ 257.5**	10%	$ 295.9
United States	**51%**	**701.2**	52%	756.7	**50%**	**1,381.0**	51%	1,438.2
Europe	**24%**	**329.4**	20%	286.4	**24%**	**649.5**	20%	575.3
Asia	**15%**	**201.0**	17%	241.0	**15%**	**410.9**	16%	449.6
Other	**2%**	**32.9**	2%	36.6	**2%**	**65.3**	3%	72.4
	100%	**$ 1,381.5**	100%	$ 1,446.0	**100%**	**$ 2,764.2**	100%	$ 2,831.4

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 June 30, 2024, Canfor has paid cumulative cash deposits of $956.0 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 United States-Mexico-Canada Agreement and through the World Trade Organization, where Canadian litigation has proven successful in the past.

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 the three and six months ended June 30, 2024, while ADD was expensed at an estimated accrual rate of 25.00%. This resulted in a combined accounting rate of 26.36% for the current quarter (versus the DOC's combined cash deposit rate of 6.61%), up 10.00% from the previous quarter's accrual rate of 16.36%, primarily as a result of lumber pricing declines in the current quarter. Despite cash deposits being made in 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.

In February 2024, the DOC announced the preliminary rates for the fifth period of review ("POR5"), which indicated the Company's preliminary CVD rate at 6.14% and ADD rate at 9.65%, resulting in a preliminary combined rate of 15.79%. Upon finalization of these rates, an expense, estimated at $58.8 million (US$42.2 million), will be recognized in the Company's condensed consolidated interim financial statements (anticipated in the third quarter of 2024) to reflect the difference between the combined accrual rate of 11.42% between January and July 2022 and 9.95% for August to December 2022, and the DOC rates for POR5. In addition, once final, the Company's current combined cash deposit rate of 6.61% will be reset to the DOC rates for POR5 (currently estimated to be 15.79% based on the preliminary determination).

Summary

For accounting purposes, a net duty recoverable of $246.7 million is included on the Company's condensed consolidated interim balance sheet (Note 4) reflecting differences between the cash deposit rates and the Company's combined accrual rates for each period of review, including interest. For the three months and six months ended June 30, 2024, the Company recorded a duty expense of $52.0 million and $80.4 million, respectively (three and six months ended June 30, 2023 – net duty expense of $33.6 million and $62.8 million, respectively), comprised of the following:

(millions of Canadian dollars, unaudited)	3 months ended June 30, 2024	6 months ended June 30, 2024
Cash deposits paid	$ **12.0**	$ **25.0**
Duty expense attributable to the current period – POR7[3]	**26.6**	**55.4**
Duty expense attributable to prior periods – POR7[4]	**13.4**	**-**
Duty expense	$ **52.0**	$ **80.4**

[3] Reflects Canfor's combined CVD and ADD accrual rate of 26.36% compared to the DOC's deposit rate of 6.61% for POR7.

[4] Duty expense for the three months ended June 30, 2024 reflects a 10.00% increase in the estimated ADD accrual rate applicable to the three months ended March 31, 2024 of POR7.

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

13. Restructuring, Asset Write-Downs and Impairments

In April 2024 the Company announced its decision to permanently close its Jackson, Alabama facility. In May 2024, after a thorough analysis of the persistent shortage of economically available timber and challenging operating conditions in northern British Columbia ("BC"), the Company announced its decision to permanently close its Polar facility and suspend its planned reinvestment in Houston, BC. Also in May 2024, the Company announced an indefinite curtailment of one production line at CPPI's Northwood pulp mill. In connection with these announcements, the Company recognized restructuring costs of $38.5 million for the three and six months ended June 30, 2024 (three and six months ended June 30, 2023 - $0.6 million and $14.3 million, respectively, related to the closure of one line at CPPI's Prince George pulp and paper mill, the closure of the Chetwynd sawmill and pellet plant and the temporary closure of Houston sawmill).

In addition, as a result of the Polar and Jackson closures, asset write-down and impairment charges totaling $31.6 million were recognized in the Company's condensed consolidated statement of income (loss) for the three and six months ended June 30, 2024 and as a reduction to the carrying value of the Company's property, plant and equipment for the lumber segment as at June 30, 2024.

14. Non-Controlling Interests

During the three and six months ended June 30, 2024, Vida paid a dividend of $54.1 million (SEK 413 million) to its shareholders, which included distributions to non-controlling interests of $16.2 million (three and six months ended June 30, 2023 – dividend of $199.5 million, which included distributions to non-controlling interests of $59.9 million).