



# Canfor Corporation.

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2024 Quarter Three – Interim report

For the three months ended September 30, 2024.

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## To our shareholders.

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

### Overview.

- Q3 2024 operating loss of \$560 million, including a \$311 million asset write-down and impairment charge as well as other one-time items<sup>1</sup>; shareholder net loss of \$350 million, or \$2.96 per share.
- After taking into consideration adjusting and one-time items<sup>1</sup>, Q3 2024 operating loss of \$139 million, compared to a similarly adjusted operating loss of \$135 million in Q2 2024.
- Persistent pressure on North American lumber markets and pricing, especially in US South; positive results from Alberta and Europe.
- Ongoing North American lumber market weakness, high duties and persistent challenges accessing economic fibre led to the announcement of sawmill closures in British Columbia and, as a result, an asset write-down and impairment charge of \$100 million in the lumber segment.
- Proceeds of \$314 million received in relation to duty deposits loan agreement.
- Modest improvement in NBSK pulp unit sales realizations driven by steady North American pulp pricing through most of the third quarter and favourable timing lag in shipments, despite weak demand in China; fibre-driven asset write-down and impairment charge of \$211 million in the pulp segment.

### Financial results.

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

(millions of Canadian dollars, except per share amounts)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Sales	\$ 1,202.9	\$ 1,381.5	\$ 3,967.1	\$ 1,312.3	\$ 4,143.7
Reported operating income (loss) before amortization, asset write-downs and impairments	\$ (144.4)	\$ (98.3)	\$ (222.9)	\$ 42.6	\$ (22.1)
Reported operating loss	\$ (559.7)	\$ (250.8)	\$ (896.3)	\$ (65.1)	\$ (340.3)
Net loss <sup>2</sup>	\$ (350.1)	\$ (191.1)	\$ (605.7)	\$ (23.1)	\$ (209.0)
Net loss per share, basic and diluted <sup>2</sup>	\$ (2.96)	\$ (1.61)	\$ (5.11)	\$ (0.19)	\$ (1.74)

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

2. Attributable to equity shareholders of the Company.

For the third quarter of 2024, the Company reported an operating loss of \$559.7 million, compared to an operating loss of \$250.8 million in the second quarter of 2024.

During the current period, the Company's British Columbia ("BC") operations continued to encounter operational challenges, including limited access to economic fibre, weak lumber market conditions, rising operating costs, increased export tariffs to the United States ("US"), as well as various regulatory complexities. After a thorough review of these operational constraints, the Company made the difficult decision to permanently close its Plateau and Fort St. John operations located in northern BC, following an orderly wind down in the fourth quarter of 2024. In connection with these closures, in the third quarter of 2024 the Company recognized an asset write-down and impairment charge of \$100.3 million to reduce the carrying value of its lumber segment assets, as well as \$38.6 million in restructuring costs.

Recognizing the impact of these recent closures, along with the fibre effects of previously announced reductions and curtailments across the industry in the BC Interior, Canfor Pulp Products Inc. ("CPPI") recorded an asset write-down and impairment charge of \$211.0 million in the same period, as a reduction to the carrying value of its pulp segment assets.

### Third quarter adjusting and one-time items.

After taking account of the aforementioned asset write-down and impairment charges as well as other one-time items, combined totaling \$420.8 million, as outlined in the table below, the Company's operating loss for the third quarter of 2024



was \$138.9 million, compared to a similarly adjusted operating loss of \$135.2 million in the prior quarter. These results primarily reflected lower lumber segment results, partly offset by improved pulp and paper segment earnings.

(millions of Canadian dollars)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Reported operating loss	\$ (559.7)	\$ (250.8)	\$ (896.3)	\$ (65.1)	\$ (340.3)
Asset write-down and impairment – lumber segment	\$ 100.3	\$ 31.6	\$ 131.9	\$ -	\$ -
Asset write-down and impairment – pulp segment	\$ 211.0	\$ -	\$ 211.0	\$ -	\$ -
Inventory write-down (recovery), net <sup>4</sup>	\$ (14.8)	\$ 51.4	\$ 6.4	\$ (20.8)	\$ (16.1)
Adjusted operating loss <sup>3</sup>	\$ (263.2)	\$ (167.8)	\$ (547.0)	\$ (85.9)	\$ (356.4)
One-time items – lumber segment <sup>3</sup> :					
Restructuring and closure costs <sup>5</sup>	\$ 36.5	\$ 32.6	\$ 69.1	\$ 1.1	\$ 12.2
Gain on sale of assets, net <sup>6</sup>	\$ (34.9)	\$ -	\$ (34.9)	\$ -	\$ -
Duty expense (recovery) related to finalized rates <sup>7</sup>	\$ 67.2	\$ -	\$ 67.2	\$ (43.3)	\$ (43.3)
Duty expense related to fair value measurement <sup>8</sup>	\$ 53.4	\$ -	\$ 53.4	\$ -	\$ -
One-time items – corporate restructuring costs <sup>3,5</sup>	\$ 2.1	\$ -	\$ 2.1	\$ -	\$ -
Adjusted operating loss before one-time items <sup>3</sup>	\$ (138.9)	\$ (135.2)	\$ (390.1)	\$ (128.1)	\$ (387.5)
Amortization	\$ 104.0	\$ 120.9	\$ 330.5	\$ 107.7	\$ 318.2
Adjusted operating loss before amortization and one-time items <sup>3</sup>	\$ (34.9)	\$ (14.3)	\$ (59.6)	\$ (20.4)	\$ (69.3)

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

4. For the lumber segment, a \$14.8 million net reversal of a previously recognized inventory write-down was recorded in Q3 2024 (Q2 2024 – \$51.4 million net inventory write-down expense, Q3 2023 – \$18.8 million net reversal of a previously recognized inventory write-down). For the pulp and paper segment, no inventory valuation adjustment was recognized in Q3 2024 and Q2 2024 (Q3 2023 – \$2.0 million net reversal of a previously recognized inventory write-down).

5. Restructuring and closure costs of \$38.6 million (\$36.5 million in the lumber segment and \$2.1 million in the unallocated segment), largely comprised of severance, were recognized in Q3 2024 related to the permanent closures of Plateau and Fort St. John (Q2 2024 – restructuring and closure costs of \$32.6 million related to Polar and Houston; Q3 2023 – restructuring and closure costs of \$1.1 million related to Houston).

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

7. A duty expense of \$67.2 million (US\$48.6 million) was recognized in Q3 2024 following the finalization of countervailing (“CVD”) and anti-dumping duty (“ADD”) rates applicable to the fifth period of review (“POR5”) (Q3 2023 – a net duty recovery of \$43.3 million related to final rates for the fourth period of review (“POR4”).

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

### Third quarter lumber segment highlights.

For the lumber segment, the operating loss was \$336.2 million for the third quarter of 2024, compared to the previous quarter’s operating loss of \$230.5 million. After taking account of adjustments and other one-time items totaling \$207.7 million for the lumber segment in the current period, as noted in the table above, the operating loss was \$128.5 million, compared to a similarly adjusted operating loss of \$114.9 million in the prior quarter.

These results reflected the ongoing weakness in North American lumber markets and pricing in the current quarter, particularly in the US South. These conditions were accompanied by lower lumber production and shipment volumes, driven by continued curtailments in BC, a full quarter impact of the April 2024 closure of Polar, as well as market and capital project related downtime in the US South. Although earnings from Europe were positive in the quarter, overall results reflected the Company’s regular summer downtime.

Despite modestly improving fundamentals, North American lumber markets remained under pressure during the third quarter of 2024. Affordability constraints continued to impact both the repair and remodeling and housing sectors, leading to a decline in US residential construction activity in the current quarter. While some supply pressures in the region resulted in pricing improvements towards the end of the third quarter, weakened demand ultimately contributed to an overall decline in certain North American benchmark prices compared to the previous quarter.

Offshore lumber demand and pricing in Asia remained relatively stable during the third quarter of 2024. In China, the real estate market continued to face challenges despite the government’s ongoing efforts to rejuvenate the economy. However,



a slight reduction in inventories in the region contributed to small price increases in the current quarter. In Japan, rising demand in the multi-family rental housing market helped to offset declines in the single-family sector, leading to relatively flat pricing quarter-over-quarter.

In Europe, the ongoing impact of low levels of residential and commercial construction throughout the current quarter was coupled with weakness in the do-it-yourself sector, resulting in continued pricing pressure in the region.

#### **Lumber segment outlook.**

Looking ahead, demand in the North American lumber market is anticipated to remain under pressure for the balance of 2024. Residential housing and do-it-yourself activity are likely to continue to be constrained largely due to ongoing affordability concerns despite some initial relief provided by lower interest rates. On the supply side, however, the gradual effects of industry-wide sawmill curtailments and closures, coupled with the decline in European imports into the North American market, have resulted in some modest pricing improvements early in the fourth quarter. This slow improvement is projected to continue through the balance of the year.

Offshore lumber demand and pricing in China is forecast to remain under pressure in the fourth quarter of 2024 predominately due to persistent challenges in the real estate market. In contrast, Japan's multi-family rental and non-residential markets are anticipated to continue to strengthen and result in some modest upward pricing trends for the rest of the year.

European lumber pricing and demand are projected to remain relatively flat through the fourth quarter of 2024. Increased inventory levels in the United Kingdom are forecast to lead to some pricing declines in the near-term; however, this reduction is anticipated to be offset by overall supply constraints in other European regions.

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

#### **Third quarter pulp and paper segment highlights.**

For the pulp and paper segment, the operating loss was \$209.3 million, including an asset write-down and impairment charge totaling \$211.0 million for the third quarter of 2024. After adjusting for the asset write-down and impairment charge, CPPI's operating income for the third quarter of 2024 was \$1.7 million, a \$7.3 million improvement compared to the second quarter of 2024.

Despite some moderation in US-dollar pulp list prices to China during the current quarter, these results largely reflected modestly higher Northern Bleached Softwood Kraft ("NBSK") pulp unit sales realizations, offset in part by reduced pulp production and shipment volumes in the period following the successful wind down of one production line at Northwood NBSK pulp mill ("Northwood") in August 2024.

Global softwood pulp market fundamentals experienced downward pressure throughout the third quarter of 2024 primarily driven by weak demand from China, as well as the introduction of additional global hardwood capacity. These factors, when combined with the traditional seasonal summer slowdown in global demand, led to a moderation in purchasing activity and prices during the current period. As a result, NBSK US-dollar pulp list prices to China, the world's largest consumer of pulp, declined in the quarter to a low of US\$750 per tonne in August, before stabilizing through the balance of the period, ending September at US\$754 per tonne. For the current quarter overall, US-dollar NBSK pulp list prices to China averaged US\$771 per tonne, down US\$40 per tonne, or 5%, from the prior quarter. Other global regions, including North America, experienced a delayed impact on price moderation, as prices remained steady for most of the third quarter, with slight declines seen towards the end of the period. As a result of these market conditions, particularly in China, global softwood pulp producer inventories experienced a notable increase in the current period to well above the balanced range, ending August at 50 days of supply, an increase of 12 days compared to June 2024.

#### **Pulp and paper segment outlook.**

Looking forward, global softwood pulp market conditions are anticipated to experience a slight improvement through the fourth quarter of 2024, as demand from the Chinese market is forecast to gradually recover and as elevated inventory levels slowly begin to normalize following the end of the seasonally slower summer months.

Results in the fourth quarter of 2024 will reflect the full wind down of one production line at Northwood, including the impact on pulp production (a reduction of approximately 300,000 tonnes of market kraft pulp annually), shipments and



costs. Looking forward, CPPI remains focused on optimizing its operating footprint, enhancing operational reliability and closely managing manufacturing and fibre costs.

In addition, CPPI will continue to evaluate operating conditions and adjust operating rates at its pulp mills to align with economically viable fibre supply. These factors could also affect CPPI's operating plan, liquidity, cash flows and the valuation of long-lived assets.

**Non-IFRS financial measures.**

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



**The Honourable John R. Baird**  
**Chairman**



**Don B. Kayne**  
**President and Chief Executive Officer**



## Canfor Corporation.

### Third quarter 2024.

#### 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 September 30, 2024, relative to the quarters ended June 30, 2024, and September 30, 2023, and the financial position of the Company at September 30, 2024. It should be read in conjunction with Canfor's unaudited interim consolidated financial statements and accompanying notes for the quarters ended September 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](http://www.canfor.com)). The financial information contained in this interim MD&A has been prepared in accordance with IFRS Accounting 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 and One-Time Items, Adjusted Operating Income (Loss) and Adjusted Operating Income (Loss) before One-Time Items, 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 and One-Time Items, Adjusted Operating Income (Loss), Adjusted Operating Income (Loss) before One-Time Items, 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 and One-Time Items, Adjusted Operating Income (Loss), Adjusted Operating Income (Loss) before One-Time Items, 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, Adjusted Operating Income (Loss) before Amortization and One-Time Items, Adjusted Operating Income (Loss), Adjusted Operating Income (Loss) before One-Time Items 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 third quarter of 2024.*

*Also in this interim MD&A, reference is made to cash, net debt 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 October 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.*



## Third quarter 2024.

### Overview, including adjusting and one-time items<sup>1</sup>.

(millions of Canadian dollars)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Reported operating loss	\$ (559.7)	\$ (250.8)	\$ (896.3)	\$ (65.1)	\$ (340.3)
Asset write-down and impairment – lumber segment	\$ 100.3	\$ 31.6	\$ 131.9	\$ -	\$ -
Asset write-down and impairment – pulp segment	\$ 211.0	\$ -	\$ 211.0	\$ -	\$ -
Inventory write-down (recovery), net <sup>2</sup>	\$ (14.8)	\$ 51.4	\$ 6.4	\$ (20.8)	\$ 16.1
Adjusted operating loss <sup>1</sup>	\$ (263.2)	\$ (167.8)	\$ (547.0)	\$ (85.9)	\$ (356.4)
One-time items – lumber segment <sup>1</sup> :					
Restructuring and closure costs <sup>3</sup>	\$ 36.5	\$ 32.6	\$ 69.1	\$ 1.1	\$ 12.2
Gain on sale of assets, net <sup>4</sup>	\$ (34.9)	\$ -	\$ (34.9)	\$ -	\$ -
Duty expense (recovery) related to finalized rates <sup>5</sup>	\$ 67.2	\$ -	\$ 67.2	\$ (43.3)	\$ (43.3)
Duty expense related to fair value measurement <sup>5</sup>	\$ 53.4	\$ -	\$ 53.4	\$ -	\$ -
One-time items – corporate restructuring costs <sup>1,3</sup>	\$ 2.1	\$ -	\$ 2.1	\$ -	\$ -
Adjusted operating loss after one-time items <sup>1</sup>	\$ (138.9)	\$ (135.2)	\$ (390.1)	\$ (128.1)	\$ (387.5)
Amortization	\$ 104.0	\$ 120.9	\$ 330.5	\$ 107.7	\$ 318.2
Adjusted operating loss before amortization and one-time items <sup>1</sup>	\$ (34.9)	\$ (14.3)	\$ (59.6)	\$ (20.4)	\$ (69.3)

1. Adjusted operating loss as well as adjusting and one-time items referenced throughout this interim MD&A are defined as non-IFRS financial measures. For further details, refer to the "Non-IFRS financial measures" section of this document.

2. For the lumber segment, a \$14.8 million net reversal of a previously recognized inventory write-down was recorded in Q3 2024 (Q2 2024 – \$51.4 million net inventory write-down expense, Q3 2023 – \$18.8 million net reversal of a previously recognized inventory write-down). For the pulp and paper segment, no inventory valuation adjustment was recognized in Q3 2024 and Q2 2024 (Q3 2023 – \$2.0 million net reversal of a previously recognized inventory write-down).

3. Restructuring and closure costs of \$38.6 million (\$36.5 million in the lumber segment and \$2.1 million in the unallocated segment), largely comprised of severance, were recognized in Q3 2024 related to the permanent closures of Plateau and Fort St. John. (Q2 2024 – restructuring and closure costs of \$32.6 million related to Polar and Houston; Q3 2023 – restructuring and closure costs of \$1.1 million related to Houston).

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

5. A duty expense of \$67.2 million (US\$48.6 million) was recognized in Q3 2024 following the finalization of countervailing ("CVD") and anti-dumping duty ("ADD") rates applicable to the fifth period of review ("POR5"). (Q3 2023 – a net duty recovery of \$43.3 million related to final rates for the fourth period of review ("POR4")).

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

### 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)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
<b>Shareholder net loss, as reported</b>	\$ (350.1)	\$ (191.1)	\$ (605.7)	\$ (23.1)	\$ (209.0)
Foreign exchange (gain) loss on term debt	\$ (3.5)	\$ 3.1	\$ 6.2	\$ 6.4	\$ (0.7)
(Gain) loss on derivative financial instruments	\$ 0.2	\$ (3.9)	\$ 2.1	\$ (2.7)	\$ 1.1
Asset write-downs and impairments	\$ 158.7	\$ 23.2	\$ 181.9	\$ -	\$ -
Net impact of above items	\$ 155.4	\$ 22.4	\$ 190.2	\$ 3.7	\$ 0.4
<b>Adjusted shareholder net loss<sup>7</sup></b>	\$ (194.7)	\$ (168.7)	\$ (415.5)	\$ (19.4)	\$ (208.6)
<b>Shareholder net loss per share (EPS), as reported</b>	\$ (2.96)	\$ (1.61)	\$ (5.11)	\$ (0.19)	\$ (1.74)
Net impact of above items per share	\$ 1.31	\$ 0.19	\$ 1.60	\$ 0.03	\$ 0.01
<b>Adjusted shareholder net loss per share<sup>7</sup></b>	\$ (1.65)	\$ (1.42)	\$ (3.51)	\$ (0.16)	\$ (1.73)

7. Adjusted shareholder net income (loss) is 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)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Operating loss by segment:					
Lumber	\$ (336.2)	\$ (230.5)	\$ (623.8)	\$ (1.3)	\$ (186.5)
Pulp and paper	\$ (209.3)	\$ (5.6)	\$ (230.6)	\$ (49.3)	\$ (112.4)
Unallocated and other	\$ (14.2)	\$ (14.7)	\$ (41.9)	\$ (14.5)	\$ (41.4)
<b>Total operating loss</b>	<b>\$ (559.7)</b>	<b>\$ (250.8)</b>	<b>\$ (896.3)</b>	<b>\$ (65.1)</b>	<b>\$ (340.3)</b>
Add: Amortization <sup>8</sup>	\$ 104.0	\$ 120.9	\$ 330.5	\$ 107.7	\$ 318.2
Add: Asset write-downs and impairments	\$ 311.3	\$ 31.6	\$ 342.9	\$ -	\$ -
<b>Total operating income (loss) before amortization, asset write-downs and impairments</b>	<b>\$ (144.4)</b>	<b>\$ (98.3)</b>	<b>\$ (222.9)</b>	<b>\$ 42.6</b>	<b>\$ (22.1)</b>
Add (deduct):					
Working capital movements	\$ (2.1)	\$ 145.2	\$ (11.6)	\$ 151.8	\$ 184.1
Defined benefit plan contributions	\$ (2.0)	\$ (3.5)	\$ (8.8)	\$ (2.9)	\$ (21.7)
Income taxes (paid) received, net	\$ 81.1	\$ (11.6)	\$ 66.6	\$ 41.8	\$ (33.3)
Adjustment to accrued duties <sup>9</sup>	\$ 138.5	\$ 40.0	\$ 193.9	\$ (22.8)	\$ 19.2
Other operating cash flows, net <sup>10</sup>	\$ (19.5)	\$ 43.9	\$ 69.1	\$ (4.9)	\$ 36.9
<b>Cash from operating activities</b>	<b>\$ 51.6</b>	<b>\$ 115.7</b>	<b>\$ 86.3</b>	<b>\$ 205.6</b>	<b>\$ 163.1</b>
Add (deduct):					
Capital additions, net	\$ (116.7)	\$ (170.4)	\$ (390.5)	\$ (192.9)	\$ (414.9)
Proceeds from sale of property, plant and equipment	\$ 64.4	\$ 0.6	\$ 65.0	\$ 1.1	\$ 5.7
Proceeds from duty deposits loan	\$ 313.8	\$ -	\$ 313.8	\$ -	\$ -
Conversion and changes in term debt, net	\$ (0.2)	\$ -	\$ -	\$ (0.1)	\$ (50.1)
Acquisition of El Dorado sawmill	\$ (100.6)	\$ -	\$ (100.6)	\$ -	\$ -
Finance expenses paid	\$ (9.5)	\$ (8.5)	\$ (26.6)	\$ (6.7)	\$ (23.1)
Share purchases	\$ (0.2)	\$ (4.9)	\$ (8.4)	\$ (12.2)	\$ (34.8)
Purchase of long-term investments	\$ -	\$ -	\$ -	\$ (48.0)	\$ (48.0)
Distributions received (paid) to non-controlling interests, net	\$ 1.1	\$ (15.4)	\$ (14.7)	\$ (0.4)	\$ (62.3)
Foreign exchange gain (loss) on cash and cash equivalents	\$ 10.4	\$ 5.9	\$ 5.0	\$ 12.4	\$ (26.1)
Other, net <sup>10</sup>	\$ (15.0)	\$ (2.5)	\$ (21.4)	\$ (1.2)	\$ 3.5
<b>Change in cash / operating loans</b>	<b>\$ 199.1</b>	<b>\$ (79.5)</b>	<b>\$ (92.1)</b>	<b>\$ (42.4)</b>	<b>\$ (487.0)</b>
ROIC – Consolidated period-to-date <sup>11</sup>	(10.9)%	(5.9)%	(18.5)%	(1.1)%	(7.4)%
<b>Average exchange rate (US\$ per C\$1.00)<sup>12</sup></b>	<b>\$ 0.733</b>	<b>\$ 0.731</b>	<b>\$ 0.735</b>	<b>\$ 0.746</b>	<b>\$ 0.743</b>
<b>Average exchange rate (SEK per C\$1.00)<sup>12</sup></b>	<b>7.639</b>	<b>7.806</b>	<b>7.717</b>	<b>8.056</b>	<b>7.869</b>

8. Amortization includes amortization of certain capitalized major maintenance costs.

9. Adjusted to true-up preliminary ADD deposits to the Company's current accrual rates.

10. Further information on cash flows may be found in the Company's unaudited interim consolidated financial statements.

11. Consolidated ROIC is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

12. Source – Bank of Canada (monthly average rate for the period).

For the third quarter of 2024, the Company reported an operating loss of \$559.7 million, compared to an operating loss of \$250.8 million in the second quarter of 2024.

During the current period, the Company's British Columbia ("BC") operations continued to encounter operational challenges, including limited access to economic fibre, weak lumber market conditions, rising operating costs, increased export tariffs to the United States ("US"), as well as various regulatory complexities. After a thorough review of these operational constraints, the Company made the difficult decision to permanently close its Plateau and Fort St. John operations located in northern BC, following an orderly wind down in the fourth quarter of 2024. In connection with these closures, in the third quarter of 2024 the Company recognized an asset write-down and impairment charge of \$100.3 million to reduce the carrying value of its lumber segment assets, as well as \$38.6 million in restructuring costs.

Recognizing the impact of these recent closures, along with the fibre effects of previously announced reductions and curtailments across the industry in the BC Interior, Canfor Pulp Products Inc. ("CPPI") recorded an asset write-down and impairment charge of \$211.0 million in the same period, as a reduction to the carrying value of its pulp segment assets.



### Third quarter highlights before adjusting and one-time items.

After taking account of the aforementioned asset write-down and impairment charges as well as other one-time items, combined totaling \$420.8 million, as outlined in the "Overview, including adjusting and one-time items" section above, the Company's operating loss for the third quarter of 2024 was \$138.9 million, compared to a similarly adjusted operating loss of \$135.2 million in the prior quarter. These results primarily reflected lower lumber segment results, partly offset by improved pulp and paper segment earnings.

For the lumber segment, the operating loss was \$336.2 million for the third quarter of 2024, compared to the previous quarter's operating loss of \$230.5 million. After taking account of adjustments and other one-time items totaling \$207.7 million for the lumber segment in the current period, as outlined in the "Overview, including adjusting and one-time items" section above, the operating loss was \$128.5 million, compared to a similarly adjusted operating loss of \$114.9 million in the prior quarter.

These results reflected the ongoing weakness in North American lumber markets and pricing in the current quarter, particularly in the US South. These conditions were accompanied by lower lumber production and shipment volumes, driven by continued curtailments in BC, a full quarter impact of the April 2024 closure of Polar, as well as market and capital project related downtime in the US South. Although earnings from Europe were positive in the quarter, overall results reflected the Company's regular summer downtime.

For the pulp and paper segment, the operating loss was \$209.3 million for the third quarter of 2024, including an asset write-down and impairment charge of \$211.0 million.

In recent years, CPPI, like other pulp producers in central and northern BC, has experienced a significant reduction in the supply of sawmill residual chips driven by extensive temporary and permanent sawmill curtailments and closures in the region. In response to these fibre constraints, CPPI has taken several actions including securing additional fibre supply, prioritizing discretionary capital spending to maximize fibre utilization and recovery, as well as making rationalization decisions with respect to CPPI's operating footprint. Notably, CPPI permanently closed the pulp line at its Prince George pulp and paper mill in early 2023, and more recently, completed the wind down of one production line at CPPI's Northwood Northern Bleached Softwood Kraft ("NBSK") pulp mill ("Northwood") in August. Collectively, these curtailments reduce CPPI's annual market kraft pulp production by approximately 580,000 tonnes.

During the third quarter of 2024, these fibre challenges were further exacerbated by additional sawmill closure announcements in the BC Interior, including those outlined above, which were in response to weak lumber market conditions, upcoming increases in US tariffs on lumber exports and various regulatory complexities. As a result, the reduction in fibre supply as well as the ongoing uncertainty surrounding economic fibre availability continue to impact CPPI and consequently, an asset write-down and impairment charge of \$211.0 million was recognized in the third quarter of 2024, as a reduction to the carrying value of CPPI's pulp segment assets.

After adjusting for the asset write-down and impairment charge, CPPI's operating income for the third quarter of 2024 was \$1.7 million, a \$7.3 million improvement compared to the second quarter of 2024. Despite some moderation in US-dollar pulp list prices to China during the current quarter, CPPI's results largely reflected modestly higher NBSK pulp unit sales realizations, offset in part by reduced pulp production and shipment volumes in the period following the successful wind down of one production line at Northwood in August 2024.

Compared to the third quarter of 2023, operating results were down \$494.6 million from an operating loss of \$65.1 million in the comparative period, primarily consisting of a \$334.9 million decline in lumber segment results and a \$160.0 million decrease in pulp and paper segment earnings.

After taking into consideration the aforementioned adjusting and one-time items, the lumber segment operating loss in the third quarter of 2024 was \$128.5 million, compared to a similarly adjusted operating loss of \$62.3 million in the third quarter of 2023. Lower lumber segment results in the current period were predominantly driven by the Company's US South operations, and to a much lesser extent, Europe, mitigated to a degree by a modest improvement in results in Western Canada quarter-over-quarter. The decline in the US South was largely attributable to a US\$134 per Mfbm, or 33%, drop in the average Southern Yellow Pine ("SYP") East 2x6 #2 price, and a US\$72 per Mfbm, or 16%, decrease in the average SYP East 2x4 #2 price. These pricing declines were combined with lower SYP production and shipments, as well as higher SYP unit manufacturing costs in the current period. In Europe, slightly lower earnings reflected higher unit manufacturing and product costs, tied to inflationary pressures and persistent log supply constraints, in the current period, partially offset by an uplift in production and shipments and lumber market pricing in the region. In contrast, the improved results in Western Canada in the quarter were primarily driven by the benefit of the changes in the operating footprint in BC, resulting from mill closures and curtailments.

For the pulp and paper segment, adjusted operating results improved \$53.0 million, driven by a significant uplift in global pulp pricing quarter-over-quarter and substantially higher average NBSK pulp unit sales realizations, along with moderately lower pulp unit manufacturing costs due to supply chain disruptions and persistent reliability challenges in the comparative period.



## Operating results by business segment.

### Lumber.

#### Selected financial information and statistics – lumber.

(millions of Canadian dollars, unless otherwise noted)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Sales <sup>14</sup>	\$ 1,009.7	\$ 1,161.6	\$ 3,331.7	\$ 1,123.5	\$ 3,462.1
Reported operating loss <sup>14</sup>	\$ (336.2)	\$ (230.5)	\$ (623.8)	\$ (1.3)	\$ (186.5)
Adjusting and one-time items <sup>13</sup>	\$ 207.7	\$ 115.6	\$ 293.1	\$ (61.0)	\$ (55.7)
Adjusted operating loss before one-time items <sup>13</sup>	\$ (128.5)	\$ (114.9)	\$ (330.7)	\$ (62.3)	\$ (242.2)
Amortization	\$ 86.1	\$ 103.1	\$ 277.3	\$ 85.4	\$ 247.4
Adjusted operating income (loss) before amortization and one-time items <sup>13,14</sup>	\$ (42.4)	\$ (11.8)	\$ (53.4)	\$ 23.1	\$ 5.2
Average WSPF 2x4 #2&Btr lumber price in US\$ <sup>15</sup>	\$ 366	\$ 386	\$ 399	\$ 419	\$ 388
Average WSPF 2x4 #2&Btr lumber price in Cdn\$ <sup>15,17</sup>	\$ 499	\$ 528	\$ 543	\$ 562	\$ 522
Average SYP 2x4 #2 lumber price in US\$ <sup>16</sup>	\$ 380	\$ 354	\$ 384	\$ 452	\$ 474
Average SYP 2x4 #2 lumber price in Cdn\$ <sup>16,17</sup>	\$ 518	\$ 484	\$ 522	\$ 606	\$ 638
Average SYP 2x6 #2 lumber price in US\$ <sup>16</sup>	\$ 270	\$ 308	\$ 311	\$ 404	\$ 403
Average SYP 2x6 #2 lumber price in Cdn\$ <sup>16,17</sup>	\$ 368	\$ 421	\$ 423	\$ 542	\$ 542
US housing starts (thousand units SAAR) <sup>18</sup>	1,326	1,340	1,358	1,380	1,402
Production – WSPF lumber (MMfbm) <sup>19</sup>	412	507	1,425	495	1,568
Production – SYP lumber (MMfbm) <sup>19</sup>	395	455	1,291	451	1,289
Production – European lumber (MMfbm) <sup>19</sup>	316	364	1,030	278	995
Shipments – WSPF lumber (MMfbm) <sup>20</sup>	442	501	1,487	534	1,609
Shipments – SYP lumber (MMfbm) <sup>20</sup>	417	456	1,304	443	1,282
Shipments – European lumber (MMfbm) <sup>20</sup>	369	429	1,194	311	1,143

13. Adjusted operating income (loss) as well as adjusting and one-time items referenced throughout this interim MD&A are defined as non-IFRS financial measures. Refer to the "Overview, including adjusting and one-time items" and "Non-IFRS financial measures" sections for further details.

14. Q3 2024 includes sales of \$329.9 million, operating income of \$5.5 million, and operating income before amortization of \$23.9 million from European operations (Q2 2024 – sales of \$376.8 million, operating income of \$26.2 million, and operating income before amortization of \$44.9 million; Q3 2023 – sales of \$286.3 million, operating income of \$14.1 million, and operating income before amortization of \$30.9 million). Operating income from the European operations in Q3 2024 includes \$9.5 million in incremental amortization and other expenses driven by the purchase price allocation at acquisition (Q2 2024 – \$9.2 million; Q3 2023 – \$8.9 million).

15. Western Spruce/Pine/Fir, per thousand board feet (Source – Random Lengths Publications, Inc.).

16. Southern Yellow Pine, Eastside, per thousand board feet (Source – Random Lengths Publications, Inc.).

17. 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.

18. Source – US Census Bureau, seasonally adjusted annual rate ("SAAR").

19. Excluding production of trim blocks.

20. 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.

Despite modestly improving fundamentals, North American lumber markets remained under pressure during the third quarter of 2024. Affordability constraints continued to impact both the repair and remodeling and housing sectors, leading to a decline in US residential construction activity in the current quarter. While some supply pressures in the region resulted in pricing improvements towards the end of the third quarter, weakened demand ultimately contributed to an overall decline in certain North American benchmark prices compared to the previous quarter.

US housing starts averaged 1,326,000 units on a seasonally adjusted basis for the current quarter, down 1% from the previous quarter, reflecting a 4% decline in single family starts partly offset by a 6% increase in multi-family starts. In Canada, housing starts averaged 238,000 units on a seasonally adjusted basis in the third quarter of 2024, down 5% from the previous quarter, driven by a decrease in the construction of multi-family units, particularly in major urban centers, mitigated by an increase in the construction of single-family units.

Offshore lumber demand and pricing in Asia remained relatively stable during the third quarter of 2024. In China, the real estate market continued to face challenges despite the government's ongoing efforts to rejuvenate the economy. However, a slight reduction in



inventories in the region contributed to small price increases in the current quarter. In Japan, rising demand in the multi-family rental housing market helped to offset declines in the single-family sector, leading to relatively flat pricing quarter-over-quarter.

In Europe, the ongoing impact of low levels of residential and commercial construction throughout the current quarter was coupled with weakness in the do-it-yourself sector, resulting in continued pricing pressure in the region.

#### **Sales.**

Sales revenues for the lumber segment for the third quarter of 2024 were \$1,009.7 million, down \$151.9 million compared to the previous quarter. This 13% decline was primarily driven by lower shipments across all three lumber operating regions, and to a lesser extent, modestly lower North American lumber unit sales realizations.

Compared to the third quarter of 2023, sales revenues decreased \$113.8 million, or 10%, primarily attributable to a 12% decline in North American shipment volumes combined with significantly lower SYP unit sales realizations in the current quarter. These factors were mitigated, to a degree, by the benefit of higher European shipment volumes and European lumber unit sales realizations quarter-over-quarter, and, to a lesser extent, a 5% weaker Canadian dollar (versus the Swedish Krona ("SEK")).

Total lumber shipments at 1.23 billion board feet, were down 11% from the previous quarter, principally reflecting reduced production in all three lumber operating regions in the current period.

Compared to the third quarter of 2023, total lumber shipments declined 5%, as an increase in European shipments quarter-over-quarter was more than offset by a 12% drop in North American shipments. The decline in Western Spruce/Pine/Fir ("SPF") shipments was primarily due to lower production quarter-over-quarter. In the US South, the decrease in SYP shipments was correlated with reduced production in the current quarter, and, to a lesser extent, the timing of shipments around quarter-end compared to the comparative period.

Following the declines experienced in the prior quarter, the North American Random Lengths Western SPF 2x4 #2&Btr continued to drop in July, reaching a low of US\$325 per Mfbm. Through the balance of the quarter, however, prices gradually improved, ending September at US\$385 per Mfbm. For the current quarter overall, the North American Random Lengths Western SPF 2x4 #2&Btr price averaged US\$366 per Mfbm, down US\$20 per Mfbm, or 5%, from the previous quarter. The Company's Western SPF unit sales realizations primarily reflected this downward trend in Western SPF 2x4 #2&Btr lumber pricing, mitigated in part by improved pricing for wider-width products quarter-over-quarter.

The average North American SYP East 2x4 #2 price opened the quarter at a low of US\$340 per Mfbm, rising slightly through the balance of the period to end September at US\$410 per Mfbm. Overall, the SYP East 2x4 #2 price averaged US\$380 per Mfbm in the third quarter of 2024, up US\$26 per Mfbm, or 7%, from the previous quarter. In contrast, the SYP East 2x6 #2 price averaged US\$270 per Mfbm for the current quarter, down US\$38 per Mfbm, or 12%, from the prior period. As a result of the decline in the SYP East 2x6 #2 price, coupled with more pronounced pricing declines for most wider-width dimensions, the Company's SYP unit sales realizations experienced a modest decline quarter-over-quarter.

The Company's European lumber unit sales realizations were broadly comparable quarter-over-quarter as lower lumber market pricing in the region was offset by a 2% weaker Canadian dollar (versus the SEK).

Compared to the third quarter of 2023, the average North American Random Lengths Western SPF 2x4 #2&Btr price decreased US\$53 per Mfbm, or 13%. Despite this decline, improved pricing for wider-width products, favourable offshore unit sales realizations, and a 1 cent, or 2%, weaker Canadian dollar (versus the US-dollar) resulted in only a slight reduction in the Company's Western SPF lumber unit sales realizations quarter-over-quarter. In the US South, a significant decline in SYP lumber unit sales realizations compared to the third quarter of 2023 principally reflected a US\$72 per Mfbm, or 16%, decrease in the average North American SYP East 2x4 #2 price and a US\$134 per Mfbm, or 33%, drop in the average SYP East 2x6 #2 price over the same comparative period. In contrast, the Company's European unit sales realizations experienced a moderate increase from the same period in the prior year, primarily tied to improved lumber market demand and pricing in European markets combined with a 5% weaker Canadian dollar (versus the SEK).

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 moderately lower than the prior quarter, as declines for all operating regions were largely driven by a decrease in residual fibre revenues. Compared to the third quarter of 2023, other revenues declined slightly, as favorable log and residual fibre sales in Europe were offset in part by a reduction in log revenues in Western Canada and lower engineered wood sales in the US South.



## Operations.

Total lumber production, at 1.12 billion board feet, was down 15% from the prior quarter, reflecting lower production for all operating regions. The 19% decline in Western SPF production was primarily driven by increased market-related curtailments in the current period (approximately 200 million board feet in the current quarter versus 145 million board feet in the prior quarter), along with the full quarter impact of the permanent closure of the Polar sawmill in April 2024. In the US South, the 13% quarter-over-quarter decrease in production was largely due to the permanent closure of the Company's Jackson sawmill in June 2024, combined with downtime at the Urbana sawmill to complete its planned upgrade and expansion, and to a lesser extent, market-related curtailments. For the Company's European operations, lower production in the current period was attributable to four weeks of regular seasonal downtime in July and August.

Compared to the third quarter of 2023, total lumber production decreased by 8%, primarily reflecting the aforementioned market and capital-related downtime in Western Canada and the US South. These factors were partially offset by increased production in Europe, as the region benefited from an additional shift at one of the region's mills, which began ramping up in early 2024.

Lumber unit manufacturing and product costs were modestly higher compared to the previous quarter, as an uptick in per-unit conversion costs driven by lower production volumes, was offset in part by reduced cash spending on labour, energy costs and supplies in North America. Log costs were broadly comparable quarter-over-quarter.

Compared to the third quarter of 2023, lumber unit manufacturing costs were moderately higher, primarily driven by an increase in per-unit conversion costs and, to a lesser extent, increased log costs during the current period. The former was most pronounced in the US South, principally due to lower production during the current period. In Western Canada, the impact of lower production was largely mitigated by reduced spending. In Europe, moderately higher per-unit conversion costs primarily reflected inflationary related pressures on spend. Higher log costs in the current quarter were mainly due to ongoing log supply pressures and competition in Europe, partially offset by lower BC stumpage and purchased wood costs in Western Canada.

## Pulp and paper.

### Selected financial information and statistics – pulp and paper.<sup>21</sup>

(millions of Canadian dollars, unless otherwise noted)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Sales	\$ 193.2	\$ 220.0	\$ 635.5	\$ 188.8	\$ 681.6
Reported operating loss	\$ (209.3)	\$ (5.6)	\$ (230.6)	\$ (49.3)	\$ (112.4)
Adjusting and one-time items <sup>22</sup>	\$ 211.0	\$ -	\$ 211.0	\$ (2.0)	\$ 8.5
Adjusted operating income (loss) before one-time items <sup>22</sup>	\$ 1.7	\$ (5.6)	\$ (19.6)	\$ (51.3)	\$ (103.9)
Amortization <sup>23</sup>	\$ 17.1	\$ 16.6	\$ 50.6	\$ 21.6	\$ 68.8
Adjusted operating income (loss) before amortization and one-time items <sup>22, 23</sup>	\$ 18.8	\$ 11.0	\$ 31.0	\$ (29.7)	\$ (35.1)
Average NBSK pulp list price delivered to China – US\$ <sup>24</sup>	\$ 771	\$ 811	\$ 776	\$ 680	\$ 746
Average NBSK pulp list price delivered to China – Cdn\$ <sup>24</sup>	\$ 1,052	\$ 1,109	\$ 1,056	\$ 912	\$ 1,004
Production – pulp (000 mt)	125	130	413	123	455
Production – paper (000 mt)	30	32	94	32	96
Shipments – pulp (000 mt)	125	145	429	142	473
Shipments – paper (000 mt)	31	36	102	30	97

21. Includes 100% of Canfor Pulp Products Inc., which is consolidated in Canfor's operating results.

22. Adjusted operating income (loss) as well as adjusting and one-time items referenced throughout this interim MD&A are defined as non-IFRS financial measures. Refer to the "Overview, including adjusting and one-time items" and "Non-IFRS financial measures" sections for further details.

23. Amortization includes amortization of certain capitalized major maintenance costs.

24. 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.

Global softwood pulp market fundamentals experienced downward pressure throughout the third quarter of 2024 primarily driven by weak demand from China, as well as the introduction of additional global hardwood capacity. These factors, when combined with the traditional seasonal summer slowdown in global demand, led to a moderation in purchasing activity and prices during the current period. As a result, NBSK US-dollar pulp list prices to China, the world's largest consumer of pulp, declined in the quarter to a low of US\$750 per tonne in August, before stabilizing through the balance of the period, ending September at US\$754 per tonne. For the current quarter



overall, US-dollar NBSK pulp list prices to China averaged US\$771 per tonne, down US\$40 per tonne, or 5%, from the prior quarter. Compared to the same period in the prior year, however, pulp list prices to China were up US\$91 per tonne, or 13%.

Other global regions, including North America, experienced a delayed impact on price moderation, as prices remained steady for most of the third quarter, with slight declines seen towards the end of the period. Consequently, US-dollar NBSK pulp list prices to North America averaged US\$1,762 per tonne (before discounts) for the third quarter of 2024, up US\$65 per tonne, or 4%, compared to the second quarter of 2024, and increased US\$469 per tonne, or 36%, compared to the same period in the prior year.

As a result of these market conditions, particularly in China, global softwood pulp producer inventories experienced a notable increase through the third quarter to well above the balanced range, ending August at 50 days of supply<sup>25</sup>, an increase of 12 days compared to June 2024. Market conditions are generally considered balanced when inventories are in the 32-43 days of supply range<sup>25</sup>.

Global kraft paper market demand and pricing remained stable through the third quarter of 2024, largely attributable to relatively balanced supply and demand conditions, despite a traditionally slower summer period.

### **Sales.**

Pulp shipments for the third quarter of 2024 totaled 125,000 tonnes, down 20,000 tonnes, or 14%, from the previous quarter, primarily driven by a 4% reduction in pulp production, combined with a drawdown of inventory levels in the comparative period as a result of a delayed restart of the Intercontinental NBSK pulp mill ("Intercon") following its scheduled maintenance in May.

Compared to the third quarter of 2023, pulp shipments were down 17,000 tonnes, or 12%, largely due to shipments in the comparative period being uplifted, to a degree, by a drawdown of inventory following the closure of the pulp line at CPPI's Prince George pulp and paper mill in April 2023.

Notwithstanding weaker US-dollar NBSK pulp list prices to China in the current period, CPPI's average NBSK pulp unit sales realizations experienced a modest increase compared to the previous quarter, principally driven by the aforementioned improvement in pricing to other global regions early in the period, primarily North America, coupled with a favourable timing lag in shipments versus orders.

Compared to the third quarter of 2023, CPPI's average NBSK pulp unit sales realizations experienced a substantial increase, primarily attributable to improved market fundamentals quarter-over-quarter, including a 13% increase in US-dollar NBSK pulp list prices to China and a 36% increase in pricing to North America (before discounts), combined with a 1 cent, or 2%, weaker Canadian dollar.

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

Paper shipments in the third quarter of 2024 were 31,000 tonnes, down 5,000 tonnes from the previous quarter, and broadly in line with the third quarter of 2023. The former was principally tied to reduced production in the current quarter combined with the timing of shipments around quarter-end compared to the comparative period.

Paper unit sales realizations in the third quarter of 2024 were modestly higher than both comparative periods, largely associated with a favourable timing lag in shipments versus orders.

### **Operations.**

Pulp production was 125,000 tonnes for the third quarter of 2024, down 5,000 tonnes, or 4%, from the second quarter of 2024, principally reflecting the wind down of one pulp line at CPPI's Northwood pulp mill, which was completed safely and efficiently in August 2024 (approximately 50,000 tonnes).

In the second quarter of 2024, CPPI's pulp production primarily reflected extended downtime at Intercon to address unforeseen recovery boiler repairs identified during its scheduled maintenance outage, as well as pulp from Northwood being redirected to supply CPPI's specialty paper facility (combined, approximately 55,000 tonnes).

25. 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).



Compared to the third quarter of 2023, pulp production was up 2,000 tonnes, or 2%, as the aforementioned indefinite closure in the current period, was offset by planned and unplanned downtime in the comparative period. In the third quarter of 2023, pulp production was impacted by a scheduled maintenance outage and persistent reliability challenges at Northwood, as well as supply chain disruptions exacerbated by a labour dispute at the Ports of Vancouver and Prince Rupert (combined, approximately 65,000 tonnes).

Notwithstanding reduced pulp production in the current quarter, pulp unit manufacturing costs were slightly lower compared to the second quarter of 2024, principally reflecting seasonally lower energy pricing and usage combined with reduced chemical spend, offset to a degree by higher fibre costs. While the proportion of higher cost whole log chips was relatively unchanged quarter-over-quarter, fibre costs were modestly higher than the previous quarter largely due to an increase in market-based prices for sawmill residual chips (linked to an uplift in Canadian dollar NBSK pulp sales realizations).

Compared to the third quarter of 2023, pulp unit manufacturing costs were moderately lower, as a modest decrease in fibre costs was combined with reduced energy and maintenance spend in the current period.

Paper production for the third quarter of 2024 was 30,000 tonnes, down 2,000 tonnes from both the second quarter of 2024 and the third quarter of 2023, principally due to minor mechanical failures which resulted in additional repair time and reduced productivity in the current quarter.

Despite reduced paper production in the current quarter, paper unit manufacturing costs were slightly lower than the second quarter of 2024, primarily reflecting reduced chemical and energy spend. Compared to the third quarter of 2023, paper unit manufacturing costs saw a substantial increase, largely driven by higher slush pulp costs (correlated with the increase in Canadian dollar NBSK pulp unit sales realizations), offset in part by lower conversion costs quarter-over-quarter.

## Unallocated items.

### Selected financial information.

(millions of Canadian dollars)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Corporate costs	\$ (14.2)	\$ (14.7)	\$ (41.9)	\$ (14.5)	\$ (41.4)
Finance income (expense), net	\$ (20.3)	\$ (10.0)	\$ (32.9)	\$ 5.6	\$ 7.7
Foreign exchange gain (loss) on term debt and duty deposits recoverable, net	\$ 2.6	\$ (0.7)	\$ 2.0	\$ 3.8	\$ 4.8
Gain (loss) on derivative financial instruments	\$ 0.7	\$ 5.9	\$ (3.7)	\$ 4.9	\$ (2.2)
Other income, net	\$ 4.3	\$ 3.5	\$ 27.0	\$ 3.9	\$ 15.3

Corporate costs were \$14.2 million for the third quarter of 2024, down \$0.5 million from the previous quarter, as an increase in restructuring costs in the current period were more than offset by lower legal costs, associated with the softwood lumber dispute. Corporate costs were broadly in line with the third quarter of 2023.

Net finance expense of \$20.3 million for the third quarter of 2024 was up \$10.3 million from the previous quarter. This increase was principally due to a decrease in accrued interest income on recoverable duty deposits stemming from the finalization of CVD and ADD rates for POR5, and in part, higher interest expense on existing term debt facilities. Net finance income of \$5.6 million in the third quarter of 2023 largely consisted of accrued interest income on recoverable duty deposits related to the finalization of CVD and ADD rates for POR4, and in part, interest income on US-dollar short term investments.

In the third quarter of 2024, the Company recognized a foreign exchange gain of \$4.1 million on its US-dollar term debt held by Canadian entities due to the strengthening of the Canadian dollar at the close of the current quarter compared to the end of June 2024 (see further discussion related to term debt in the "Liquidity and financial requirements" section), offset in part, by a loss of \$1.5 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 third quarter of 2024, the Company recorded a net gain of \$0.7 million related to its derivative instruments, primarily reflecting unrealized mark-to-market gains on SEK foreign exchange forward contracts, mostly offset by unrealized losses on lumber futures contracts.

Other income, net, of \$4.3 million in the third quarter of 2024 mainly reflected proceeds on sale of long-term investments, partly offset by unfavourable 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 \$3.5 million in the second quarter of 2024 was largely comprised of favourable foreign exchange movements on US-dollar denominated working capital balances. In the third quarter of 2023, other income,



net, of \$3.9 million also reflected favourable foreign exchange movements on US-dollar denominated working capital balances, combined with CPPI's receipt of incremental insurance proceeds related to operational downtime experienced at Northwood.

### Other comprehensive income (loss).

The following table summarizes Canfor's other comprehensive income (loss) for the comparable periods:

(millions of Canadian dollars)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Defined benefit plan actuarial gain (loss), net of tax	\$ 3.7	\$ (8.0)	\$ 2.0	\$ (2.5)	\$ 10.9
Foreign exchange translation differences for foreign operations, net of tax	\$ 7.0	\$ 35.8	\$ 54.0	\$ 50.5	\$ (47.9)
Other comprehensive income (loss), net of tax	\$ 10.7	\$ 27.8	\$ 56.0	\$ 48.0	\$ (37.0)

In the third quarter of 2024, the Company recorded a gain of \$5.0 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 higher than anticipated return on plan assets, offset to a degree, by a 0.1% decrease in the discount rate used to value the net defined benefit obligations.

This compared to a loss of \$10.9 million (before tax) recognized in the second quarter of 2024 related to changes in the valuation of the Company's defined benefit plans, largely driven by 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. In the third quarter of 2023, the Company recorded a loss of \$3.3 million (before tax), as a 0.3% increase in the discount rate used to value the net defined benefit obligations was more than offset by lower than anticipated returns on plan assets.

In addition, the Company recorded an accounting gain of \$7.0 million in the third quarter of 2024 related to foreign exchange differences for foreign operations due to the weakening of the Canadian dollar relative to the SEK at the close of the current quarter, offset slightly by a stronger Canadian dollar relative to the US-dollar at the end of the period. This compared to a gain of \$35.8 million in the second quarter of 2024 and \$50.5 million in the third 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)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Increase (decrease) in cash and cash equivalents <sup>26</sup>	\$ 103.8	\$ (15.6)	\$ (106.6)	\$ (35.4)	\$ (404.9)
Operating activities	\$ 51.6	\$ 115.7	\$ 86.3	\$ 205.6	\$ (163.1)
Financing activities	\$ 215.5	\$ 32.7	\$ 232.9	\$ (8.5)	\$ (137.5)
Investing activities	\$ (163.3)	\$ (164.0)	\$ (425.8)	\$ (232.5)	\$ (430.5)
Ratio of current assets to current liabilities	2.2 : 1	2.0:1	2.2 : 1	2.6:1	2.6:1
Net debt (cash) to total capitalization <sup>27</sup>	1.4%	(1.5)%	1.4%	(14.2)%	(14.2)%
Cumulative duty deposits paid	\$ 971.8	\$ 956.0	\$ 971.8	\$ 920.2	\$ 920.2

26. Decrease in cash and cash equivalents shown before foreign exchange translation on cash and cash equivalents.

27. Net debt (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 \$51.6 million in the third quarter of 2024, compared to cash generated of \$115.7 million in the previous quarter and cash generated of \$205.6 million in the third quarter of 2023. The \$64.1 million decrease in operating cash flows from the previous quarter primarily reflected unfavourable movements in non-cash working capital balances, and, to a lesser extent, lower cash earnings in the current period, offset in part by the receipt of income tax refunds during the current quarter. The former was principally driven by a timing-related decrease in accounts payable and accrued liabilities at the end of the current period. Compared to the third quarter of 2023, operating cash flows were down \$154.0 million, mainly due to unfavourable movements in non-cash working capital balances, largely tied to a timing-related increase in certain accounts receivable balances at the end of the current period, combined with lower cash earnings in the current quarter.



### **Financing activities.**

Cash generated from financing activities in the third quarter of 2024 was \$215.5 million, compared to cash generated of \$32.7 million in the previous quarter and cash used of \$8.5 million in the third quarter of 2023. Financing activities in the current quarter primarily included proceeds received from a duty deposits loan of \$313.8 million, offset in part by a net \$80.7 million repayment of the Company's operating loan facilities, and to a lesser extent, share repurchases, lease and interest payments (refer to the "Liquidity and Financial Requirements" section for further details). In the second quarter of 2024, financing activities 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 related to a Vida Group ("Vida") dividend payment. In the third quarter of 2023, financing activities principally reflected \$12.2 million of share purchases, combined with lease and interest payments, offset in part by a net \$19.3 million draw-down of the Company's operating loan facilities.

### **Investing activities.**

Cash used for investing activities was \$163.3 million for the current quarter, compared to \$164.0 million for the previous quarter and \$232.5 million for the same quarter of 2023. Investing activities in the current quarter were comprised of capital additions of \$116.7 million and the purchase of the El Dorado manufacturing facility for \$100.6 million (US\$72.6 million), offset in part by the receipt of \$64.4 million in net proceeds from the sale of assets in the current period, including proceeds received from the sale of the Mackenzie sawmill assets and related tenure in the current period.

As mentioned, capital additions in the third quarter of 2024 were \$116.7 million, down \$53.7 million from the previous quarter and down \$76.2 million from the third 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. Capital spend in the current period also included maintenance-of-business capital across all three lumber operating regions. In the pulp and paper segment, capital expenditures were predominantly associated with maintenance-of-business capital spend.

### **Acquisition of El Dorado.**

On August 1, 2024, Canfor completed the purchase of Resolute Forest Products Inc.'s El Dorado lumber manufacturing facility located in Union County, Arkansas, for \$100.6 million (US\$72.6 million), including a net working capital adjustment of \$4.2 million (US\$3.1 million). The facility, named internally as Iron Mountain after a nearby roadway, produces dimensional lumber and specialty wood products and is expected to increase the Company's annual SYP lumber production capacity by 175 million board feet after an anticipated further \$67.5 million (US\$50.0 million) in planned upgrades.

### **Sale of Mackenzie assets.**

On September 9, 2024, the Company completed its previously announced sale of the Mackenzie sawmill assets to Peak Mackenzie, and sale of the forest tenure in the Mackenzie region to the McLeod Lake Indian Band and Tsay Keh Dene Nation for total proceeds of \$66.5 million. As a result of this transaction, as well as other asset sales in the current period, a net gain on sale of \$34.9 million was recognized in consolidated statement of income (loss) for the third quarter of 2024.

### **Liquidity and financial requirements.**

#### *Operating loans – Consolidated.*

At September 30, 2024, on a consolidated basis, including CPPI and Vida, the Company had cash and cash equivalents of \$525.8 million, with \$101.0 million drawn on its operating loans and facilities, and an additional \$54.5 million reserved for several standby letters of credit. At the end of the quarter, the Company had available and undrawn operating loan facilities of \$1,310.0 million, including an undrawn committed revolving credit facility.

#### *Operating loans – Canfor, excluding Vida and CPPI.*

At September 30, 2024, Canfor, excluding Vida and CPPI, had available operating and revolving loan facilities totaling \$1,197.5 million, with \$48.0 million reserved for several standby letters of credit, the majority of which related to unregistered pension plans, leaving \$1,149.5 million available and undrawn at the end of the current 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 capitalization ratios. Canfor's committed operating and revolving credit facilities have certain financial covenants, including a maximum debt to total capitalization ratio of 50.0% and a minimum EBITDA interest coverage ratio of two times, which



becomes effective if the net debt to total capitalization ratio exceeds 42.5%. As at September 30, 2024, Canfor was fully in compliance with all covenants relating to its operating and revolving credit facilities.

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

#### *Operating loans – Vida.*

At September 30, 2024, Vida had \$3.0 million drawn on its \$108.0 million operating loan facilities, leaving \$105.0 million available and undrawn at the end of the current 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 4.8% to 8.3%.

#### *Operating loans – CPPI.*

At September 30, 2024, CPPI had \$98.0 million drawn on its \$160.0 million operating loan facility, with \$6.5 million reserved for several standby letters of credit under the operating loan facility, leaving \$55.5 million available and undrawn at the end of the current 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 of 50.0% and a minimum EBITDA interest coverage ratio of two times, which becomes effective if the net debt to total capitalization ratio exceeds 42.5%. As at September 30, 2024, CPPI was fully in compliance with all covenants relating to its operating loan facility.

#### *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 September 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 and revolving credit facilities as well as 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.

#### *Duty deposits loan.*

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

Principal and interest on the loan is payable at the end of the respective terms with the repayment of the loan, including all interest and principal payments, anticipated to be met by refunds and interest receivable out of duty refunds from the US government. To the extent duty refunds have not been received at the end of each respective term, the terms can be extended, at Canfor's option, for two additional ten-year terms. Interest received by Canfor on the secured accounts receivable balances from September 27, 2024, to the date of duty refunds from the US government, will also be payable to Farallon at the end of the respective terms of the borrowings under the loan.

#### *Net debt and liquidity.*

At September 30, 2024, on a consolidated basis, including CPPI and Vida, the Company had total net debt of \$52.3 million, down \$112.4 million from the end of the previous quarter. Available liquidity of \$1,915.8 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), was up \$137.5 million from the previous quarter.

The Company's consolidated net debt to total capitalization at the end of the third quarter of 2024 was 1.4%. For Canfor, excluding CPPI, net cash to capitalization at the end of the third quarter of 2024 was 0.5%.



### *Shares outstanding.*

As at September 30, 2024, and October 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 CVD rate separate from the cash deposit rate prescribed by the US Department of Commerce ("DOC"). As a result, CVD was expensed at a rate of 1.36% for January to July, and 6.14% thereafter, while ADD was expensed at an estimated accrual rate of 25.00%. This resulted in a combined accounting rate of 26.36% for January to July and 31.14% for August and September (versus the DOC's combined cash deposit rate of 6.61% for January to July and 16.58% for August and September). 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.

On August 12, 2024, the DOC completed the final administrative reviews and finalized the rates for POR5. Canfor's final combined rate was determined to be 16.58% (CVD of 6.14% and ADD of 10.44%), 0.79% above the preliminary rate. As a result of the rate finalization, an expense of \$67.2 million (US\$48.6 million), was recognized in the Company's consolidated financial statements to reflect the difference between the combined accrual rate (11.42% between January and July 2022 and 9.95% for August through to December 2022), and the DOC's final combined rate for POR5 of 16.58%. In addition, the Company's combined cash deposit rate of 6.61% was reset to the final DOC rates for POR5.

During the third quarter of 2024, the Company refined its estimate of the fair value measurement of net duty deposits recoverable based on evidence of fair value through the Farallon loan transaction (refer to the "Liquidity and Financial Requirements" section for further details). In accordance with IFRS guidance, this change in accounting estimate was applied prospectively, with \$53.4 million (US\$39.6 million) recorded as a reduction to net duty deposits recoverable at September 30, 2024 and as an incremental duty expense in the consolidated statement of income (loss) for the three and nine months ended September 30, 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, on September 9, 2024, the Canadian Federal Government launched two legal challenges against the US DOC related to the final rates for POR5.

### **Outlook.**

#### **Lumber.**

Looking ahead, demand in the North American lumber market is anticipated to remain under pressure for the balance of 2024. Residential housing and do-it-yourself activity are likely to continue to be constrained largely due to ongoing affordability concerns despite some initial relief provided by lower interest rates. On the supply side, however, the gradual effects of industry-wide sawmill curtailments and closures, coupled with the decline in European imports into the North American market, have resulted in some modest pricing improvements early in the fourth quarter. This slow improvement is projected to continue through the balance of the year.

Offshore lumber demand and pricing in China is forecast to remain under pressure in the fourth quarter of 2024 predominately due to persistent challenges in the real estate market. In contrast, Japan's multi-family rental and non-residential markets are anticipated to continue to strengthen and result in some modest upward pricing trends for the rest of the year.

European lumber pricing and demand are projected to remain relatively flat through the fourth quarter of 2024. Increased inventory levels in the United Kingdom are forecast to lead to some pricing declines in the near-term; however, this reduction is anticipated to be offset by overall supply constraints in other European regions.

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



## **Pulp and paper.**

Looking forward, global softwood pulp market conditions are anticipated to experience a slight improvement through the fourth quarter of 2024, as demand from the Chinese market is forecast to gradually recover and as elevated inventory levels slowly begin to normalize following the end of the seasonally slower summer months.

Results in the fourth quarter of 2024 will reflect the full wind down of one production line at CPPI's Northwood pulp mill, including the impact on pulp production (a reduction of approximately 300,000 tonnes of market kraft pulp annually), shipments and costs. Looking forward, CPPI remains focused on optimizing its operating footprint, enhancing operational reliability as well as closely managing manufacturing and fibre costs.

In addition, CPPI will continue to evaluate operating conditions and adjust operating rates at its pulp mills to align with economically viable fibre supply. These factors could also affect CPPI's operating plan, liquidity, cash flows and the valuation of long-lived assets.

Demand for bleached kraft paper is projected to weaken somewhat through the fourth quarter of 2024 with a modest slowdown in kraft paper demand anticipated.

No major maintenance outages are planned for the fourth 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 13 of the condensed consolidated interim financial statements.

## **Internal controls over financial reporting.**

During the quarter ended September 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](http://canfor.com) or [sedarplus.com](http://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.

	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
<b>Sales and income (loss)</b> (millions of Canadian dollars)								
Sales	\$ 1,202.9	\$ 1,381.5	\$ 1,382.7	\$ 1,282.9	\$ 1,312.3	\$ 1,446.0	\$ 1,385.4	\$ 1,373.3
Operating income (loss) before amortization, asset write-downs and impairments <sup>28</sup>	\$ (144.4)	\$ (98.3)	\$ 19.8	\$ (89.1)	\$ 42.6	\$ 41.0	\$ (105.7)	\$ (62.6)
Operating loss	\$ (559.7)	\$ (250.8)	\$ (85.8)	\$ (191.3)	\$ (65.1)	\$ (66.7)	\$ (208.5)	\$ (308.0)
Net loss	\$ (423.3)	\$ (186.4)	\$ (64.3)	\$ (121.6)	\$ (34.7)	\$ (48.6)	\$ (143.6)	\$ (231.4)
Shareholder net loss	\$ (350.1)	\$ (191.1)	\$ (64.5)	\$ (117.1)	\$ (23.1)	\$ (43.9)	\$ (142.0)	\$ (207.9)
<b>Per common share</b> (Canadian dollars)								
Shareholder net loss – basic and diluted	\$ (2.96)	\$ (1.61)	\$ (0.54)	\$ (0.98)	\$ (0.19)	\$ (0.36)	\$ (1.17)	\$ (1.70)
Book value <sup>29</sup>	\$ 27.41	\$ 30.32	\$ 31.69	\$ 32.10	\$ 32.89	\$ 32.63	\$ 33.81	\$ 34.87
<b>Statistics</b>								
Lumber shipments (MMfbm) <sup>30</sup>	1,228	1,386	1,371	1,333	1,288	1,406	1,340	1,239
Pulp shipments (000 mt)	125	145	159	136	142	179	152	170
Average exchange rate – US\$/Cdn\$	\$ 0.733	\$ 0.731	\$ 0.741	\$ 0.734	\$ 0.746	\$ 0.745	\$ 0.740	\$ 0.736
Average exchange rate – SEK/Cdn\$	7.639	7.806	7.706	7.819	8.056	7.833	7.726	7.891
Average Western SPF 2x4 #2&Btr lumber price (US\$)	\$ 366	\$ 386	\$ 446	\$ 400	\$ 419	\$ 358	\$ 386	\$ 410
Average SYP (East) 2x4 #2 lumber price (US\$)	\$ 380	\$ 354	\$ 419	\$ 448	\$ 452	\$ 486	\$ 485	\$ 451
Average SYP (East) 2x6 #2 lumber price (US\$)	\$ 270	\$ 308	\$ 354	\$ 333	\$ 404	\$ 385	\$ 420	\$ 449
Average NBSK pulp list price delivered to China (US\$)	\$ 771	\$ 811	\$ 745	\$ 748	\$ 680	\$ 668	\$ 891	\$ 920

28. Amortization includes amortization of certain capitalized major maintenance costs; includes asset write-down and impairment charges of \$311.3 million in Q3 2024, \$31.6 million in Q2 2024, and \$138.6 million in Q4 2022.

29. 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.

30. 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)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
<b>Shareholder net loss, as reported</b>	\$ (350.1)	\$ (191.1)	\$ (64.5)	\$ (117.1)	\$ (23.1)	\$ (43.9)	\$ (142.0)	\$ (207.9)
Foreign exchange (gain) loss on term debt	\$ (3.5)	\$ 3.1	\$ 6.6	\$ (5.3)	\$ 6.4	\$ (6.7)	\$ (0.4)	\$ (1.7)
(Gain) loss on derivative financial instruments	\$ 0.2	\$ (3.9)	\$ 5.8	\$ (4.8)	\$ (2.7)	\$ 6.3	\$ (2.5)	\$ (2.0)
Asset write-downs and impairments	\$ 158.7	\$ 23.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84.8
Net impact of above items	\$ 155.4	\$ 22.4	\$ 12.4	\$ (10.1)	\$ 3.7	\$ (0.4)	\$ (2.9)	\$ 81.1
<b>Adjusted shareholder net loss<sup>31</sup></b>	\$ (194.7)	\$ (168.7)	\$ (52.1)	\$ (127.2)	\$ (19.4)	\$ (44.3)	\$ (144.9)	\$ (126.8)
<b>Shareholder net loss per share (EPS), as reported</b>	\$ (2.96)	\$ (1.61)	\$ (0.54)	\$ (0.98)	\$ (0.19)	\$ (0.36)	\$ (1.17)	\$ (1.70)
Net impact of above items per share	\$ 1.31	\$ 0.19	\$ 0.10	\$ (0.08)	\$ 0.03	\$ -	\$ (0.03)	\$ 0.66
<b>Adjusted net loss per share<sup>31</sup></b>	\$ (1.65)	\$ (1.42)	\$ (0.44)	\$ (1.06)	\$ (0.16)	\$ (0.36)	\$ (1.20)	\$ (1.04)

31. Adjusted shareholder net 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)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Reported operating loss	\$ (559.7)	\$ (250.8)	\$ (896.3)	\$ (65.1)	\$ (340.3)
Asset write-down and impairment – lumber segment	\$ 100.3	\$ 31.6	\$ 131.9	\$ -	\$ -
Asset write-down and impairment – pulp segment	\$ 211.0	\$ -	\$ 211.0	\$ -	\$ -
Inventory write-down (recovery), net <sup>32</sup>	\$ (14.8)	\$ 51.4	\$ 6.4	\$ (20.8)	\$ 16.1
Adjusted operating loss	\$ (263.2)	\$ (167.8)	\$ (547.0)	\$ (85.9)	\$ (356.4)
One-time items – lumber segment:					
Restructuring and closure costs <sup>33</sup>	\$ 36.5	\$ 32.6	\$ 69.1	\$ 1.1	\$ 12.2
Gain on sale of assets, net <sup>34</sup>	\$ (34.9)	\$ -	\$ (34.9)	\$ -	\$ -
Duty expense (recovery) related to finalized rates <sup>35</sup>	\$ 67.2	\$ -	\$ 67.2	\$ (43.3)	\$ (43.3)
Duty expense related to fair value measurement <sup>36</sup>	\$ 53.4	\$ -	\$ 53.4	\$ -	\$ -
One-time items – corporate restructuring costs <sup>33</sup>	\$ 2.1	\$ -	\$ 2.1	\$ -	\$ -
Adjusted operating loss after one-time items	\$ (138.9)	\$ (135.2)	\$ (390.1)	\$ (128.1)	\$ (387.5)
Amortization	\$ 104.0	\$ 120.9	\$ 330.5	\$ 107.7	\$ 318.2
Adjusted operating loss before amortization and one-time items	\$ (34.9)	\$ (14.3)	\$ (59.6)	\$ (20.4)	\$ (69.3)

32. For the lumber segment, a \$14.8 million net reversal of a previously recognized inventory write-down was recorded in Q3 2024 (Q2 2024 – \$51.4 million net inventory write-down expense, Q3 2023 – \$18.8 million net reversal of a previously recognized inventory write-down). For the pulp and paper segment, no inventory valuation adjustment was recognized in Q3 2024 and Q2 2024 (Q3 2023 – \$2.0 million net reversal of a previously recognized inventory write-down).

33. Restructuring and closure costs of \$38.6 million (\$36.5 million in the lumber segment and \$2.1 million in the unallocated segment), largely comprised of severance, were recognized in Q3 2024 related to the permanent closures of Plateau and Fort St. John. (Q2 2024 – restructuring and closure costs of \$32.6 million related to Polar and Houston; Q3 2023 – restructuring and closure costs of \$1.1 million related to Houston).

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

35. A duty expense of \$67.2 million (US\$48.6 million) was recognized in Q3 2024 following the finalization CVD and ADD rates applicable to POR5 (Q3 2023 – a net duty recovery of \$43.3 million related to final rates for POR4).

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

(millions of Canadian dollars, except ratios)	Q3 2024	Q2 2024	YTD 2024	Q3 2023	YTD 2023
Reported operating loss	\$ (559.7)	\$ (250.8)	\$ (896.3)	\$ (65.1)	\$ (340.3)
Realized (gain) loss on derivative financial instruments	\$ (0.5)	\$ (0.5)	\$ (0.5)	\$ (0.6)	\$ 1.4
Other income, net	\$ 4.3	\$ 3.5	\$ 27.0	\$ 3.9	\$ 15.3
Less: non-controlling interests	\$ (99.6)	\$ 6.7	\$ (85.8)	\$ 16.2	\$ (16.9)
Loss	\$ (456.3)	\$ (254.5)	\$ (784.0)	\$ (45.6)	\$ (306.7)
Average invested capital <sup>37</sup>	\$ 4,180.7	\$ 4,309.0	\$ 4,245.5	\$ 4,144.6	\$ 4,153.6
Return on invested capital (ROIC)	(10.9)%	(5.9)%	(18.5)%	(1.1)%	(7.4)%

37. 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 September 30, 2024	As at December 31, 2023	As at September 30, 2023
Term debt	\$ 163.3	\$ 159.9	\$ 208.5
Duty deposits loan	\$ 313.8	\$ -	\$ -
Operating loans	\$ 101.0	\$ 110.6	\$ 83.8
Less: cash and cash equivalents	\$ 525.8	\$ 627.4	\$ 837.7
Net debt (cash)	\$ 52.3	\$ (356.9)	\$ (545.4)
Total equity	\$ 3,622.6	\$ 4,277.4	\$ 4,391.5
Total capitalization	\$ 3,674.9	\$ 3,920.5	\$ 3,846.1
Net debt (cash) to total capitalization	1.4%	(9.1)%	(14.2)%



# Canfor Corporation.

## Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)	As at September 30, 2024	As at December 31, 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 525.8	\$ 627.4
Trade receivables	349.6	297.9
Other receivables	106.9	105.6
Income taxes recoverable	90.6	109.3
Inventories (Note 3)	923.8	994.8
Prepaid expenses and other	135.4	122.7
<b>Total current assets</b>	<b>2,132.1</b>	<b>2,257.7</b>
<b>Property, plant and equipment</b>	<b>2,310.5</b>	<b>2,429.8</b>
<b>Right-of-use assets</b>	<b>125.5</b>	<b>123.1</b>
<b>Timber licenses</b>	<b>325.6</b>	<b>346.8</b>
<b>Goodwill and other intangible assets</b>	<b>514.8</b>	<b>519.3</b>
<b>Long-term investments and other (Note 4)</b>	<b>319.7</b>	<b>454.7</b>
<b>Total assets</b>	<b>\$ 5,728.2</b>	<b>\$ 6,131.4</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 738.4	\$ 664.5
Operating loans (Note 5(a))	101.0	110.6
Current portion of deferred reforestation obligations	52.6	52.6
Current portion of term debt (Note 5(b))	45.8	44.8
Current portion of lease obligations	32.7	30.6
Income taxes payable	2.4	2.1
<b>Total current liabilities</b>	<b>972.9</b>	<b>905.2</b>
<b>Term debt (Note 5(b))</b>	<b>117.5</b>	<b>115.1</b>
<b>Duty deposits loan (Note 6)</b>	<b>313.8</b>	<b>-</b>
<b>Retirement benefit obligations (Note 7)</b>	<b>131.3</b>	<b>132.9</b>
<b>Lease obligations</b>	<b>101.4</b>	<b>98.2</b>
<b>Deferred reforestation obligations</b>	<b>45.6</b>	<b>47.4</b>
<b>Other long-term liabilities</b>	<b>35.9</b>	<b>37.5</b>
<b>Put liability (Note 8)</b>	<b>204.7</b>	<b>187.7</b>
<b>Deferred income taxes, net</b>	<b>182.5</b>	<b>330.0</b>
<b>Total liabilities</b>	<b>\$ 2,105.6</b>	<b>\$ 1,854.0</b>
<b>EQUITY</b>		
Share capital	\$ 934.1	\$ 938.3
Contributed surplus and other equity	(183.5)	(169.8)
Retained earnings	2,395.8	3,004.2
Accumulated other comprehensive income	99.5	45.5
<b>Total equity attributable to equity shareholders of the Company</b>	<b>3,245.9</b>	<b>3,818.2</b>
<b>Non-controlling interests</b>	<b>376.7</b>	<b>459.2</b>
<b>Total equity</b>	<b>\$ 3,622.6</b>	<b>\$ 4,277.4</b>
<b>Total liabilities and equity</b>	<b>\$ 5,728.2</b>	<b>\$ 6,131.4</b>

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 September 30,		9 months ended September 30,	
	<b>2024</b>	2023	<b>2024</b>	2023
<b>Sales</b>	<b>\$ 1,202.9</b>	\$ 1,312.3	<b>\$ 3,967.1</b>	\$ 4,143.7
<b>Costs and expenses</b>				
Manufacturing and product costs	1,002.7	1,075.7	3,299.6	3,455.2
Freight and other distribution costs	147.1	163.2	493.5	521.4
Countervailing and anti-dumping duty expense (recovery), net (Note 13)	154.3	(11.3)	234.7	51.5
Amortization	104.0	107.7	330.5	318.2
Selling and administration costs	39.5	41.0	125.9	125.5
Restructuring costs and other items, net (Note 14)	3.7	1.1	36.3	12.2
Asset write-downs and impairments (Note 15)	311.3	-	342.9	-
	<b>1,762.6</b>	1,377.4	<b>4,863.4</b>	4,484.0
<b>Operating loss</b>	<b>(559.7)</b>	(65.1)	<b>(896.3)</b>	(340.3)
Finance income (expense), net	(20.3)	5.6	(32.9)	7.7
Foreign exchange gain (loss) on term debt	4.1	(7.4)	(7.1)	0.8
Foreign exchange gain (loss) on duty deposits recoverable, net	(1.5)	11.2	9.1	4.0
Gain (loss) on derivative financial instruments (Note 8)	0.7	4.9	(3.7)	(2.2)
Other income, net	4.3	3.9	27.0	15.3
Net loss before income taxes	(572.4)	(46.9)	(903.9)	(314.7)
Income tax recovery (Note 9)	149.1	12.2	229.9	87.8
<b>Net loss</b>	<b>\$ (423.3)</b>	\$ (34.7)	<b>\$ (674.0)</b>	\$ (226.9)
<b>Net loss attributable to:</b>				
Equity shareholders of the Company	\$ (350.1)	\$ (23.1)	\$ (605.7)	\$ (209.0)
Non-controlling interests	(73.2)	(11.6)	(68.3)	(17.9)
<b>Net loss</b>	<b>\$ (423.3)</b>	\$ (34.7)	<b>\$ (674.0)</b>	\$ (226.9)
<b>Net loss per common share:</b> (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 10)	<b>\$ (2.96)</b>	\$ (0.19)	<b>\$ (5.11)</b>	\$ (1.74)

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 September 30,		9 months ended September 30,	
	2024	2023	2024	2023
<b>Net loss</b>	\$ (423.3)	\$ (34.7)	\$ (674.0)	\$ (226.9)
<b>Other comprehensive income (loss)</b>				
Items that will not be reclassified subsequently to net income (loss):				
Defined benefit plan actuarial gains (losses), net (Note 7)	5.0	(3.3)	2.7	14.9
Income tax recovery (expense) on defined benefit plan actuarial gains (losses), net (Note 9)	(1.3)	0.8	(0.7)	(4.0)
	3.7	(2.5)	2.0	10.9
Items that may be reclassified subsequently to net income (loss):				
Foreign exchange translation of foreign operations, net of tax	7.0	50.5	54.0	(47.9)
Other comprehensive income (loss), net of tax	10.7	48.0	56.0	(37.0)
<b>Total comprehensive income (loss)</b>	\$ (412.6)	\$ 13.3	\$ (618.0)	\$ (263.9)
<b>Total comprehensive income (loss) attributable to:</b>				
Equity shareholders of the Company	\$ (339.8)	\$ 25.1	\$ (550.2)	\$ (247.6)
Non-controlling interests	(72.8)	(11.8)	(67.8)	(16.3)
<b>Total comprehensive income (loss)</b>	\$ (412.6)	\$ 13.3	\$ (618.0)	\$ (263.9)

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 September 30,		9 months ended September 30,	
	<b>2024</b>	2023	<b>2024</b>	2023
<b>Share capital</b>				
Balance at beginning of period	\$ 934.1	\$ 947.6	\$ 938.3	\$ 955.1
Share purchases (Note 10)	-	(5.2)	(4.2)	(12.7)
Balance at end of period	\$ 934.1	\$ 942.4	\$ 934.1	\$ 942.4
<b>Contributed surplus and other equity</b>				
Balance at beginning of period	\$ (178.6)	\$ (166.8)	\$ (169.8)	\$ (157.7)
Put liability (Note 8)	(4.9)	(3.0)	(13.7)	(12.1)
Balance at end of period	\$ (183.5)	\$ (169.8)	\$ (183.5)	\$ (169.8)
<b>Retained earnings</b>				
Balance at beginning of period	\$ 2,742.6	\$ 3,154.2	\$ 3,004.2	\$ 3,341.5
Net loss attributable to equity shareholders of the Company	(350.1)	(23.1)	(605.7)	(209.0)
Defined benefit plan actuarial gains (losses), net of tax	3.3	(2.3)	1.5	9.3
Share purchases (Note 10)	-	(7.3)	(4.2)	(20.3)
Balance at end of period	\$ 2,395.8	\$ 3,121.5	\$ 2,395.8	\$ 3,121.5
<b>Accumulated other comprehensive income (loss)</b>				
Balance at beginning of period	\$ 92.5	\$ (15.8)	\$ 45.5	\$ 82.6
Foreign exchange translation of foreign operations, net of tax	7.0	50.5	54.0	(47.9)
Balance at end of period	\$ 99.5	\$ 34.7	\$ 99.5	\$ 34.7
<b>Total equity attributable to equity shareholders of the Company</b>	<b>\$ 3,245.9</b>	<b>\$ 3,928.8</b>	<b>\$ 3,245.9</b>	<b>\$ 3,928.8</b>
<b>Non-controlling interests</b>				
Balance at beginning of period	\$ 448.4	\$ 474.9	\$ 459.2	\$ 541.3
Net loss attributable to non-controlling interests	(73.2)	(11.6)	(68.3)	(17.9)
Defined benefit plan actuarial gains (losses) attributable to non-controlling interests, net of tax	0.4	(0.2)	0.5	1.6
Distributions received (paid) to non-controlling interests, net	1.1	(0.4)	(14.7)	(62.3)
Balance at end of period	\$ 376.7	\$ 462.7	\$ 376.7	\$ 462.7
<b>Total equity</b>	<b>\$ 3,622.6</b>	<b>\$ 4,391.5</b>	<b>\$ 3,622.6</b>	<b>\$ 4,391.5</b>

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 September 30,		9 months ended September 30,	
	<b>2024</b>	2023	<b>2024</b>	2023
<b>Cash generated from (used in):</b>				
<b>Operating activities</b>				
Net loss	\$ (423.3)	\$ (34.7)	\$ (674.0)	\$ (226.9)
Items not affecting cash:				
Amortization	104.0	107.7	330.5	318.2
Income tax recovery (Note 9)	(149.1)	(12.2)	(229.9)	(87.8)
Change in long-term portion of deferred reforestation obligations, net	(31.3)	(16.0)	(3.0)	(8.6)
Foreign exchange (gain) loss on term debt	(4.1)	7.4	7.1	(0.8)
Foreign exchange (gain) loss on duties recoverable, net	1.5	(11.2)	(9.1)	(4.0)
Duties paid (greater) less than accruals (Note 13)	138.5	(22.8)	193.9	19.2
Changes in mark-to-market value of derivative financial instruments	(0.2)	(4.3)	4.2	0.8
Employee future benefits (recovery) expense	1.4	1.2	(0.3)	10.1
Finance (income) expense, net	20.3	(5.6)	32.9	(7.7)
Restructuring costs and other items, net (Note 14)	3.7	1.1	36.3	12.2
Asset write-downs and impairments (Note 15)	311.3	-	342.9	-
Other, net	1.9	4.3	8.6	9.3
Defined benefit plan contributions, net	(2.0)	(2.9)	(8.8)	(21.7)
Income taxes received (paid), net	81.1	41.8	66.6	(33.3)
	<b>53.7</b>	53.8	<b>97.9</b>	(21.0)
Net change in non-cash working capital (Note 11)	<b>(2.1)</b>	151.8	<b>(11.6)</b>	184.1
	<b>51.6</b>	205.6	<b>86.3</b>	163.1
<b>Financing activities</b>				
Operating loan drawings (repayments), net (Note 5(a))	(80.7)	19.3	(5.4)	56.7
Conversion and changes in term debt, net (Note 5(b))	(0.2)	(0.1)	-	(50.1)
Duty deposits loan (Note 6)	313.8	-	313.8	-
Payments of lease obligations	(8.8)	(8.4)	(25.8)	(23.9)
Finance expenses paid	(9.5)	(6.7)	(26.6)	(23.1)
Share purchases (Note 10)	(0.2)	(12.2)	(8.4)	(34.8)
Distributions received (paid) to non-controlling interests, net	1.1	(0.4)	(14.7)	(62.3)
	<b>215.5</b>	(8.5)	<b>232.9</b>	(137.5)
<b>Investing activities</b>				
Additions to property, plant and equipment and intangible assets, net	(116.7)	(192.9)	(390.5)	(414.9)
Proceeds from the sale of property, plant and equipment and intangible assets (Note 14)	64.4	2.8	71.9	7.4
Acquisition of El Dorado sawmill (Note 16)	(100.6)	-	(100.6)	-
Interest income received	4.9	7.2	14.8	23.2
Purchase of long-term investments	-	(48.0)	-	(48.0)
Other, net	(15.3)	(1.6)	(21.4)	1.8
	<b>(163.3)</b>	(232.5)	<b>(425.8)</b>	(430.5)
Foreign exchange gain (loss) on cash and cash equivalents	10.4	12.4	5.0	(26.1)
<b>Increase (decrease) in cash and cash equivalents*</b>	<b>114.2</b>	(23.0)	<b>(101.6)</b>	(431.0)
Cash and cash equivalents at beginning of period*	411.6	860.7	627.4	1,268.7
<b>Cash and cash equivalents at end of period*</b>	<b>\$ 525.8</b>	\$ 837.7	<b>\$ 525.8</b>	\$ 837.7

\*Cash and cash equivalents include cash on hand less unrepresented cheques.

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

# Canfor Corporation.

## Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2024 and 2023

### 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 September 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](http://www.canfor.com) or [www.sedarplus.com](http://www.sedarplus.com).

These financial statements were authorized for issue by the Company's Board of Directors on October 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 September 30, 2024	As at December 31, 2023
Logs	\$ 152.4	\$ 199.4
Finished products	574.0	600.6
Residual fibre	40.1	38.2
Materials and supplies	157.3	156.6
	<b>\$ 923.8</b>	<b>\$ 994.8</b>

The above inventory balances are stated at the lower of cost and net realizable value. For the three months ended September 30, 2024, a \$14.8 million net reversal of a previously recognized inventory write-down was recognized for the lumber segment (nine months ended September 30, 2024 – \$6.4 million net inventory write-down expense). For the three months ended September 30, 2023, an \$18.8 million net reversal of a previously recognized inventory write-down was recorded for the lumber segment (nine months ended September 30, 2023 – \$24.6 million net inventory reversal of a previously recognized write-down). As a result of this remeasurement, combined with net foreign exchange gains of \$0.3 million and \$0.4 million for the three and nine months ended September 30, 2024, respectively, (three and nine months ended September 30, 2023 – nil), an inventory provision of \$46.9 million has been recognized for logs and lumber (December 31, 2023 – provision of \$40.9 million).

For the three and nine months ended September 30, 2024, no inventory valuation adjustment was recognized for the pulp and paper segment. For the three months ended September 30, 2023, a \$2.0 million net reversal of a previously recognized inventory write-down was recognized for the pulp and paper segment (nine months ended September 30, 2023 – \$8.5 million net write-down expense). At September 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 September 30, 2024	As at December 31, 2023
Duty deposits recoverable, net (Note 13)	\$ 95.7	\$ 289.5
Other deposits, loans, advances and long-term assets	53.6	54.2
Other investments	112.4	90.8
Retirement benefit surplus	16.7	10.8
Deferred income taxes, net	41.3	9.4
	<b>\$ 319.7</b>	<b>\$ 454.7</b>

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 September 30, 2024, including interest receivable of \$53.6 million (December 31, 2023 – \$60.8 million) (Note 13).

#### 5. Operating Loans and Term Debt

##### (a) Available Operating Loans

(millions of Canadian dollars, unaudited)	As at September 30, 2024	As at December 31, 2023
<b>Canfor (excluding Vida and CPPI)</b>		
Available operating loans:		
Operating loan facility	\$ 925.0	\$ 775.0
Revolving credit facility (US\$150.0 million)	202.5	198.4
Facilities for letters of credit	70.0	70.0
Total operating loan facilities	1,197.5	1,043.4
Operating loan facility drawn	-	-
Letters of credit covered under operating loan facility	(1.4)	(2.7)
Letters of credit covered under facilities for letters of credit	(46.6)	(53.9)
Total available operating loan facilities - Canfor	\$ 1,149.5	\$ 986.8
<b>Vida</b>		
Available operating loans:		
Operating loan facilities	\$ 68.4	\$ 67.2
Overdraft facilities	39.6	44.0
Total operating loan facilities	108.0	111.2
Operating loan facilities drawn	(3.0)	(3.6)
Total available operating loan facilities - Vida	\$ 105.0	\$ 107.6
<b>CPPI</b>		
Available operating loans:		
Operating loan facility	\$ 160.0	\$ 160.0
Letters of credit	(6.5)	(6.9)
Operating loan facility drawn	(98.0)	(107.0)
Total available operating loan facility - CPPI	\$ 55.5	\$ 46.1
<b>Consolidated:</b>		
Total operating loan facilities	\$ 1,465.5	\$ 1,314.6
Total operating loan facilities drawn	\$ (101.0)	\$ (110.6)
Total letters of credit	\$ (54.5)	\$ (63.5)
<b>Total available operating loan facilities</b>	<b>\$ 1,310.0</b>	<b>\$ 1,140.5</b>

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

Canfor's principal committed operating loan facility matures on April 16, 2028. Canfor's committed revolving credit facility matures on 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.

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 4.8% 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 September 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 September 30, 2024	As at December 31, 2023
<b>Canfor (excluding Vida and CPPI)</b>		
US\$50.0 million, floating interest, repayable on June 28, 2031	\$ 67.5	\$ 66.1
US\$66.7 million, fixed interest of 4.4%, repayable in two equal tranches on October 2, 2024 and 2025	90.0	88.2
Other	5.2	5.1
<b>Vida</b>		
AUD\$0.7 million, floating interest, repayable between April 23, 2024 and May 31, 2028	0.6	0.5
<b>CPPI</b>		
Up to CAD\$80.0 million, floating interest, repayable on May 2, 2027	-	-
Term debt at end of period	\$ 163.3	\$ 159.9
Less: Current portion	(45.8)	(44.8)
Long-term portion	\$ 117.5	\$ 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 September 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 September 30, 2024, the fair value of the Company's term debt is \$160.4 million (December 31, 2023 – \$153.7 million), determined based on prevailing market rates for term debt with similar characteristics and risk profile.

**6. Duty Deposits Loan**

On September 27, 2024, Canfor entered into a secured loan agreement for approximately \$424.9 million (US\$315.0 million) with an affiliate of Farallon Capital Management, LLC. ("Farallon") and received all advances thereunder, totaling approximately \$313.8 million (US\$232.4 million). The loan is secured by certain accounts receivable related to CVD and ADD paid to the US government (Notes 4 and 13). The borrowings under the loan have terms of four and eight years, with an effective interest rate of 7.5% and 3.9%, respectively.

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

Interest received by Canfor on the secured accounts receivable balances from September 27, 2024, to the date of duty refunds from the US government, will also be payable to Farallon at the end of the respective terms of the borrowings under the loan.

## 7. Employee Future Benefits

For the three months ended September 30, 2024, actuarial gains of \$5.0 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 higher than anticipated return on plan assets, offset to a degree, by a 0.1% decrease in the discount rate used to value the net defined benefit obligations. For the nine months ended September 30, 2024, actuarial gains of \$2.7 million (before tax) were recognized in other comprehensive income (loss).

For the three months ended September 30, 2023, actuarial losses of \$3.3 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations, as a 0.3% increase in the discount rate used to value the net defined benefit obligations was more than offset by lower than anticipated returns on plan assets. For the nine months ended September 30, 2023, actuarial gains of \$14.9 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
September 30, 2024	4.7%	4.7%
June 30, 2024	4.8%	4.8%
December 31, 2023	4.6%	4.6%
September 30, 2023	5.2%	5.2%
June 30, 2023	4.9%	4.9%
December 31, 2022	4.8%	4.8%

## 8. Financial Instruments

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

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

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

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

The following table summarizes Canfor's financial instruments measured at fair value at September 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 September 30, 2024	As at December 31, 2023
<b>Financial assets measured at fair value</b>			
Investments	Level 1	\$ 110.3	\$ 89.1
Derivative financial instruments	Level 2	0.2	4.4
Duty deposits recoverable, net (Note 4)	Level 3	95.7	289.5
		\$ 206.2	\$ 383.0
<b>Financial liabilities measured at fair value</b>			
Put liability	Level 3	204.7	187.7
		\$ 204.7	\$ 187.7

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

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	2024	2023	2024	2023
Lumber futures	\$ (3.2)	\$ -	\$ (0.1)	\$ 0.7
Foreign exchange forward contracts	3.9	4.9	(3.6)	(2.9)
Gain (loss) on derivative financial instruments	\$ 0.7	\$ 4.9	\$ (3.7)	\$ (2.2)

During the three and nine months ended September 30, 2024, losses of \$4.9 million and \$13.7 million, respectively, were recognized in 'Other Equity' on the Company's condensed consolidated interim balance sheet following remeasurement of the put liability, primarily reflecting the passage of time (three and nine months ended September 30, 2023 – losses of \$3.0 million and \$12.1 million, respectively). As a result of this remeasurement, combined with net foreign exchange losses of \$6.9 million and \$3.3 million for the three and nine months ended September 30, 2024, respectively (three and nine months ended September 30, 2023 – losses of \$1.8 million and gains of \$8.1 million, respectively), the balance of the put liability was \$204.7 million at September 30, 2024 (December 31, 2023 – \$187.7 million).

## 9. Income Taxes

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

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	2024	2023	2024	2023
Current	\$ 20.5	\$ 2.9	\$ 46.3	\$ 40.3
Deferred	128.6	9.3	183.6	47.5
Income tax recovery	\$ 149.1	\$ 12.2	\$ 229.9	\$ 87.8

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

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	2024	2023	2024	2023
Income tax recovery (expense) at statutory rate of 27.0% (2023 – 27.0%)	\$ 154.6	\$ 12.7	\$ 244.1	\$ 85.0
Add (deduct):				
Non-taxable loss related to non-controlling interests	(1.5)	(0.2)	(1.9)	(0.5)
Entities with different income tax rates and other tax adjustments	(5.3)	1.0	(10.9)	4.1
Permanent difference from capital gains and losses and other non-deductible items	1.3	(1.3)	(1.4)	(0.8)
Income tax recovery	\$ 149.1	\$ 12.2	\$ 229.9	\$ 87.8

In addition to the amounts recorded to net income (loss), a tax expense of \$1.3 million was recorded to other comprehensive income (loss) in relation to actuarial gains, net, on the defined benefit plans for the three months ended September 30, 2024 (three months ended September 30, 2023 – \$0.8 million tax recovery). For the nine months ended September 30, 2024, a tax expense of \$0.7 million was recorded to other comprehensive income (loss) in relation to actuarial gains, net, on the defined benefit plans (nine months ended September 30, 2023 – \$4.0 million tax expense).

## 10. 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 September 30,		9 months ended September 30,	
	2024	2023	2024	2023
Weighted average number of common shares	118,405,079	119,904,798	118,647,432	120,458,826

During the three months ended September 30, 2024, no common shares were purchased by the company, while \$0.2 million was paid during the three months ended September 20, 2024, in relation to shares purchased in the prior quarter. During the nine months ended September 30, 2024, the Company purchased 526,700 common shares for \$8.4 million (an average of \$15.95 per common share), all of which was paid during the period.

As at September 30, 2024, and October 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.

## 11. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
	2024	2023	2024	2023
Trade and other receivables	\$ 52.4	\$ 37.1	\$ (49.9)	\$ (44.5)
Inventories	11.7	81.5	75.3	246.3
Prepaid expenses and other	(0.2)	36.4	(11.6)	(27.9)
Accounts payable and accrued liabilities and current portion of deferred reforestation obligations	(66.0)	(3.2)	(25.4)	10.2
<b>Net change in non-cash working capital</b>	<b>\$ (2.1)</b>	<b>\$ 151.8</b>	<b>\$ (11.6)</b>	<b>\$ 184.1</b>

## 12. 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
<b>3 months ended September 30, 2024</b>					
<b>Sales from contracts with customers</b>	\$ 1,009.7	\$ 193.2	\$ -	\$ -	\$ 1,202.9
<b>Sales to other segments</b>	29.6	-	-	(29.6)	-
<b>Operating loss</b>	(336.2)	(209.3)	(14.2)	-	(559.7)
<b>Amortization</b>	86.1	17.1	0.8	-	104.0
<b>Capital expenditures<sup>1</sup></b>	96.6	18.3	1.8	-	116.7
3 months ended September 30, 2023					
Sales from contracts with customers	\$ 1,123.5	\$ 188.8	\$ -	\$ -	\$ 1,312.3
Sales to other segments	33.5	-	-	(33.5)	-
Operating loss	(1.3)	(49.3)	(14.5)	-	(65.1)
Amortization	85.4	21.6	0.7	-	107.7
Capital expenditures <sup>1</sup>	171.3	16.6	5.0	-	192.9
<b>9 months ended September 30, 2024</b>					
<b>Sales from contracts with customers</b>	\$ 3,331.7	\$ 635.4	\$ -	\$ -	\$ 3,967.1
<b>Sales to other segments</b>	98.3	0.1	-	(98.4)	-
<b>Operating loss</b>	(623.8)	(230.6)	(41.9)	-	(896.3)
<b>Amortization</b>	277.3	50.6	2.6	-	330.5
<b>Capital expenditures<sup>1</sup></b>	342.1	44.7	3.7	-	390.5
<b>Total assets</b>	<b>4,375.8</b>	<b>399.9</b>	<b>952.5</b>	<b>-</b>	<b>5,728.2</b>
9 months ended September 30, 2023					
Sales from contracts with customers	\$ 3,462.1	\$ 681.6	\$ -	\$ -	\$ 4,143.7
Sales to other segments	116.6	-	-	(116.6)	-
Operating loss	(186.5)	(112.4)	(41.4)	-	(340.3)
Amortization	247.4	68.8	2.0	-	318.2
Capital expenditures <sup>1,2</sup>	363.0	38.9	13.0	-	414.9
<b>Total assets</b>	<b>4,217.4</b>	<b>648.3</b>	<b>1,462.3</b>	<b>-</b>	<b>6,328.0</b>

<sup>1</sup> Capital expenditures represent cash paid for capital assets during the periods, excluding assets purchased as part of acquisitions.

<sup>2</sup> 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 September 30,				9 months ended September 30,			
	2024		2023		2024		2023	
Sales by location of customer								
Canada	10%	\$ 125.0	13%	\$ 173.3	10%	\$ 382.5	11%	\$ 469.2
United States	50%	593.3	55%	712.9	49%	1,974.3	53%	2,151.1
Europe	24%	285.6	17%	227.6	24%	935.1	19%	802.9
Asia	14%	171.2	13%	169.8	15%	582.1	15%	619.4
Other	2%	27.8	2%	28.7	2%	93.1	2%	101.1
	100%	\$ 1,202.9	100%	\$ 1,312.3	100%	\$ 3,967.1	100%	\$ 4,143.7

### 13. 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 September 30, 2024, Canfor has paid cumulative cash deposits of \$971.8 million.

Canfor and other Canadian forest product companies, the Federal Government and Canadian Provincial Governments continue to categorically deny the US allegations and strongly disagree with the current countervailing and anti-dumping determinations made by the DOC. Canada has proceeded with legal challenges under the Canada-United States-Mexico 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 January to July, and 6.14% thereafter, while ADD was expensed at an estimated accrual rate of 25.00%. This resulted in a combined accounting rate of 26.36% for January to July and 31.14% for August and September (versus the DOC's combined cash deposit rate of 6.61% for January to July and 16.58% for August and September). 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.

On August 12, 2024, the DOC completed the final administrative reviews and finalized the rates for POR5. Canfor's final combined rate was determined to be 16.58% (CVD of 6.14% and ADD of 10.44%), 0.79% above the preliminary rate. As a result of the rate finalization, an expense of \$67.2 million (US\$48.6 million), was recognized in the Company's consolidated financial statements to reflect the difference between the combined accrual rate (11.42% between January and July 2022 and 9.95% for August through to December 2022), and the DOC's final combined rate for POR5 of 16.58%. In addition, the Company's combined cash deposit rate of 6.61% was reset to the final DOC rates for POR5.

## Summary

During the third quarter of 2024, the Company refined its estimate of the fair value measurement of net duty deposits recoverable based on evidence of fair value through the Farallon loan transaction (Note 6). In accordance with IFRS guidance, this change in accounting estimate was applied prospectively, with \$53.4 million (US\$39.6 million) recorded as a reduction to net duty deposits recoverable as at September 30, 2024 (Note 4) and as an incremental duty expense in the three and nine months ended September 30, 2024.

After taking the above into consideration, for accounting purposes, a net duty deposits recoverable of \$95.7 million is included on the Company's condensed consolidated interim balance sheet as at September 30, 2024 (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 and nine months ended September 30, 2024, the Company recorded a duty expense of \$154.3 million and \$234.7 million, respectively (three and nine months ended September 30, 2023 – a net duty recovery of \$11.3 million and expense of \$51.5 million, respectively), comprised of the following:

(millions of Canadian dollars, unaudited)	3 months ended September 30,		9 months ended September 30,	
		<b>2024</b>		<b>2024</b>
Cash deposits paid	\$	15.8	\$	40.8
Duty expense attributable to rate in the current period POR <sup>7</sup>		17.9		73.3
Finalization of POR5 rates <sup>4</sup>		67.2		67.2
Refined fair value measurement		53.4		53.4
Duty expense	\$	<b>154.3</b>	\$	<b>234.7</b>

<sup>3</sup> Reflects Canfor's combined accrual rate (26.36% until July 2024, 31.14% thereafter) compared to the DOC's deposit rate for POR7 of 6.61% until July 2024, 16.58% thereafter).

<sup>4</sup> Reflects Canfor's combined accrual rate (11.42% from January to July 2022 and 9.95% from August to December 2022) compared to the DOC's final combined rate (16.58% for the entirety of 2022) in POR5.

Canfor will continue to reassess the ADD accrual estimate at each quarter-end, applying the DOC's methodology to updated sales and cost data as this becomes available. Quarterly revisions to the ADD rate may result in a material adjustment to the 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).

## 14. Restructuring and Other Items, Net

### Restructuring

In August 2024, due to continued challenges accessing economic fibre in Northern British Columbia ("BC"), ongoing financial losses and increasing US tariffs, the Company announced its decision to permanently close its Plateau sawmill as well as its Fort St John sawmill and pellet plant facilities. In connection with these announcements the Company recognized restructuring costs of \$38.6 million in the consolidated interim statement of income (loss) for the three months ended September 30, 2024. For the nine months ended September 30, 2024, restructuring costs totaled \$71.2 million related to these August 2024 announcements as well as the announcements earlier in the year related to the permanent closure of the Jackson and Polar facilities as well as the suspension of the Houston reinvestment (three and nine months ended September 30, 2023 - \$1.1 million and \$12.2 million respectively, related to the closure of the Houston sawmill and the Chetwynd sawmill and pellet plant).

### Other Items

On August 9, 2024, the Company completed the sale of its Chetwynd sawmill lands and equipment to a third party for proceeds of \$5.0 million, received in the third quarter of 2024.

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

As a result of these transactions, the Company recognized a gain of \$34.9 million in the consolidated interim statement of income (loss) in the three and nine months ended September 30, 2024.

## 15. Asset Write-Downs and Impairments

In connection with the closure announcements disclosed in Note 14, the Company performed an impairment assessment on its Western Canadian lumber operations as at September 30, 2024, in accordance with IAS 36, *Impairment of Assets*.

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

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

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

As a result of these assessments, an asset write-down and impairment charge of \$100.3 million was recognized in the Company's lumber segment as a reduction of the carrying value of the Company's Western Canadian lumber operations during the three months ended September 30, 2024 (nine months ended September 30, 2024 - \$131.9 million). An additional \$211.0 million was recognized as a reduction to the carrying value of CPPI's pulp assets within the pulp and paper segment during the three and nine months ended September 30, 2024.

## 16. Acquisition of El Dorado Sawmill

On August 1, 2024, the Company completed the purchase of Resolute Forest Products Inc.'s El Dorado lumber manufacturing facility located in Union County, Arkansas, for \$100.6 million (US\$72.6 million), including a net working capital adjustment of \$4.2 million (US\$3.1 million). The facility, named internally as Iron Mountain after a nearby roadway, produces dimensional lumber and specialty wood products and is expected to increase the Company's annual SYP lumber production capacity by 175 million board feet after an anticipated further \$67.5 million (US\$50 million) in planned upgrades.

Of the purchase price, \$96.4 million (US\$69.5 million) was applied to the property, plant and equipment, which included a preliminary fair value adjustment of \$11.8 million (US\$8.5 million). Preliminary fair value was determined using the market comparison and cost technique, considering market prices for similar items when they are available, and depreciated replacement cost when appropriate. No goodwill was recognized as part of the purchase.

(millions of Canadian dollars, unaudited)	CAD		US	
Property, plant and equipment	\$	96.4	\$	69.5
Non-cash working capital, net		4.2		3.1
<b>Total preliminary net identifiable assets</b>	<b>\$</b>	<b>100.6</b>	<b>\$</b>	<b>72.6</b>
<b>Total preliminary consideration</b>	<b>\$</b>	<b>100.6</b>	<b>\$</b>	<b>72.6</b>

The Company incurred acquisition related costs of \$1.6 million (US\$1.2 million), largely for external legal fees and due diligence costs, which have been expensed as incurred and included in 'Selling and administration costs' on the consolidated interim statement of income (loss) in the three and nine months ended September 30, 2024.