

FOR IMMEDIATE RELEASE

May 1, 2024

CANFOR PULP REPORTS RESULTS FOR FIRST QUARTER OF 2024

Vancouver, B.C. – Canfor Pulp Products Inc. (“The Company” or “CPPI”) (TSX: CFX) today reported its first quarter of 2024 results:

Overview

- Q1 2024 operating loss of \$16 million; net loss of \$2 million, or \$0.04 per share
- Modest uptick in NBSK pulp unit sales realizations, despite relatively subdued global pulp demand and flat producer inventory levels
- 7% increase in pulp production quarter-over-quarter reflecting solid operational performance and reduced unplanned downtime
- Persistent challenges associated with the availability of economic fibre in British Columbia in the near-term and through the balance of 2024

Financial Results

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

(millions of Canadian dollars, except per share amounts)	Q1 2024	Q4 2023	Q1 2023
Sales	\$ 222.3	\$ 193.9	\$ 243.3
Reported operating income (loss) before amortization	\$ 1.2	\$ 1.1	\$ (0.6)
Reported operating loss	\$ (15.7)	\$ (15.1)	\$ (25.2)
Adjusted operating income (loss) before amortization ¹	\$ 1.2	\$ (9.8)	\$ 3.0
Adjusted operating loss ¹	\$ (15.7)	\$ (26.0)	\$ (21.6)
Net loss	\$ (2.4)	\$ (13.2)	\$ (18.8)
Net loss per share, basic and diluted	\$ (0.04)	\$ (0.20)	\$ (0.29)

¹ Adjusted results referenced throughout this news release are defined as non-IFRS financial measures. For further details, refer to the “Non-IFRS Financial Measures” section of this document.

The Company reported an operating loss of \$15.7 million for the first quarter of 2024, compared to an operating loss of \$15.1 million for the fourth quarter of 2023. After adjusting for certain one-time items, including a \$10.9 million reversal of a previously recognized inventory write-down in the prior period, the Company’s operating results for the first quarter of 2024 reflected a \$10.3 million improvement compared to an adjusted operating loss of \$26.0 million for the fourth quarter of 2023. These results were largely driven by a modest uplift in the Company’s average Northern Bleached Softwood Kraft (“NBSK”) sales unit pulp realizations in the current quarter combined with a 7% increase in pulp production compared to the fourth quarter of 2023.

Commenting on the Company’s first quarter of 2024 results, CPPI’s President and Chief Executive Officer, Kevin Edgson, said, “This was an improved quarter for Canfor Pulp, as we benefited from generally steady global softwood pulp market conditions and solid pulp production at both NBSK mills. While we continue to navigate the external challenges facing our business in relation to the availability of economically viable fibre, both in the short and longer term, we greatly appreciate our employees’ continued focus on enhancing our operational performance and efficiency.”

First Quarter Highlights

Global softwood pulp markets remained flat through most of the current quarter, principally tied to generally subdued demand, particularly from Asia, combined with stable pulp producer inventory levels. Late in the current quarter, however, NBSK pulp prices to China, the world’s largest pulp consumer, showed some upward momentum, largely driven by global pulp supply concerns, tied in part, to Finland’s national transport workers’ strike. As any related price changes will be realized in subsequent quarters, for the current quarter overall, average US-dollar NBSK pulp list prices to China were US\$745 per tonne, broadly in line with the previous quarter.

Pulp production was 158,000 tonnes for the first quarter of 2024, up 10,000 tonnes, or 7%, from the previous quarter, largely reflecting solid productivity and the benefit of reduced downtime in the current period. In the current quarter, however, the operational performance at both the Company's Northwood ("Northwood") and Intercontinental ("Intercon") NBSK pulp mills was challenged by extreme winter weather conditions, particularly in January, as well as other minor operational disruptions throughout the period.

Operating income in the Company's paper segment was \$1.1 million, compared to operating income of \$3.5 million in the previous quarter, resulting from higher slush pulp costs, linked to the uplift in Canadian dollar NBSK pulp unit sales realizations, combined with a decrease in paper production quarter-over-quarter.

Outlook

Looking forward, global softwood kraft pulp market conditions are anticipated to strengthen somewhat through the second quarter of 2024, largely in response to global pulp supply disruptions, stemming from the transportation labour dispute in Finland, as well as pulp producer downtime.

Bleached kraft paper demand is forecast to show signs of strengthening through the second quarter of 2024, before stabilizing through the balance of the year.

In the second quarter of 2024, maintenance outages are scheduled at Intercon and at the Company's paper machine, which are projected to reduce NBSK market pulp production by 5,000 tonnes and reduce paper production by 5,000 tonnes.

Given the ongoing uncertainty with regards to the availability of economically viable fibre in BC, and the continued weakness in North American lumber markets, the Company anticipates a challenging fibre supply environment for its pulp mills (both for sawmill residual chips and whole log chips), in the near-term and through the balance of 2024. The Company will continue to evaluate its operating conditions and will adjust operating rates at its pulp mills to align with economically viable fibre supply, which will impact the Company's production, shipments and cost structure. These factors could also affect the Company's operating plan, liquidity, cash flows and the valuation of long-lived assets.

Additional Information and Conference Call

A conference call to discuss the first quarter's financial and operating results will be held on Thursday, May 2, 2024 at 8:00 AM Pacific time. To participate in the call, please dial Toll-Free 1-888-390-0546. For instant replay access until May 16, 2024, please dial Toll-Free 1-888-390-0541 and enter participant pass code 012200#. The conference call will be webcast live and will be available at www.canfor.com. This news release, the attached financial statements and a presentation used during the conference call can be accessed via the Company's website at www.canfor.com/investor-relations/webcasts.

Non-IFRS Financial Measures

Throughout this news release, reference is made to certain non-IFRS financial measures which are used to evaluate the Company's performance but are not generally accepted under IFRS and may not be directly comparable with similarly titled measures used by other companies. The following table provides a reconciliation of these non-IFRS financial measures to figures reported in the Company's condensed consolidated interim financial statements:

(millions of Canadian dollars)	Q1 2024	Q4 2023	Q1 2023
Reported operating loss	\$ (15.7)	\$ (15.1)	\$ (25.2)
Inventory write-down (recovery), net	\$ -	\$ (10.9)	\$ 3.6
Adjusted operating loss	\$ (15.7)	\$ (26.0)	\$ (21.6)
Amortization	\$ 16.9	\$ 16.2	\$ 24.6
Adjusted operating income (loss) before amortization	\$ 1.2	\$ (9.8)	\$ 3.0

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 Canfor assumes no obligation to update such information to reflect later events or developments, except as required by law.

About Canfor Pulp Products Inc.

Canfor Pulp Products Inc. ("Canfor Pulp" or "CPPI") is a leading global supplier of pulp and paper products with operations in the northern interior of British Columbia ("BC"). Canfor Pulp operates two mills in Prince George, BC with a total capacity of 780,000 tonnes of Premium Reinforcing Northern Bleached Softwood Kraft ("NBSK") pulp and 140,000 tonnes of kraft paper. CPPI shares are traded on the Toronto Stock Exchange under the symbol CFX. For more information visit canfor.com.

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Canfor Pulp Products Inc. First Quarter 2024 Management's Discussion and Analysis

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

Throughout this discussion, reference is made to Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, and Adjusted Operating Income (Loss) which CPPI considers to be a relevant indicator for measuring trends in the Company's performance and its ability to generate funds to meet its debt service and capital expenditure requirements, and to pay dividends. Reference is also made to Adjusted Net Income (Loss) (calculated as Net Income (Loss) less specific items affecting comparability with prior periods) – for the full calculation, see reconciliation included in the section "First Quarter 2024 Overview") and Adjusted Net Income (Loss) per Share (calculated as Adjusted Net Income (Loss) divided by the weighted average number of shares outstanding during the period). Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss) and Adjusted Net Income (Loss) per Share are not generally accepted earnings measures under IFRS 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, CPPI's Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss), Adjusted Net Income (Loss) and Adjusted 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-Down and Impairment to Operating Income (Loss) and Adjusted 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 first quarter of 2024.

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

All financial references are in millions of Canadian dollars unless otherwise noted. The information in this report is as at April 30, 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.

FIRST QUARTER 2024

Overview

(millions of Canadian dollars)	Q1 2024	Q4 2023	Q1 2023
Operating loss	\$ (15.7)	\$ (15.1)	\$ (25.2)
Inventory write-down (recovery), net	\$ -	\$ (10.9)	\$ 3.6
Adjusted operating loss	\$ (15.7)	\$ (26.0)	\$ (21.6)
Add: Amortization	\$ 16.9	\$ 16.2	\$ 24.6
Adjusted operating income (loss) before amortization	\$ 1.2	\$ (9.8)	\$ 3.0

Selected Financial Information and Statistics

(millions of Canadian dollars, except ratios)	Q1 2024	Q4 2023	Q1 2023
Operating income (loss) by segment:			
Pulp	\$ (13.6)	\$ (16.0)	\$ (24.4)
Paper	\$ 1.1	\$ 3.5	\$ 3.3
Unallocated	\$ (3.2)	\$ (2.6)	\$ (4.1)
Total operating loss	\$ (15.7)	\$ (15.1)	\$ (25.2)
Add: Amortization ¹	\$ 16.9	\$ 16.2	\$ 24.6
Total operating income (loss) before amortization	\$ 1.2	\$ 1.1	\$ (0.6)
Add (deduct):			
Working capital movements	\$ (3.1)	\$ 19.5	\$ 0.2
Defined benefit pension plan contributions	\$ (1.1)	\$ (0.8)	\$ (0.9)
Income taxes received (paid), net	\$ (0.1)	\$ 1.0	\$ (0.8)
Insurance proceeds	\$ 15.2	\$ 0.5	\$ 2.4
Other operating cash flows, net	\$ 2.9	\$ (1.2)	\$ 4.0
Cash from operating activities	\$ 15.0	\$ 20.1	\$ 4.3
Add (deduct):			
Capital additions, net	\$ (12.0)	\$ (21.6)	\$ (12.0)
Proceeds from sale of Taylor pulp mill	\$ 1.9	\$ -	\$ -
Finance expenses paid	\$ (3.9)	\$ (3.2)	\$ (2.0)
Other, net	\$ -	\$ (0.1)	\$ -
Change in cash / operating loans	\$ 1.0	\$ (4.8)	\$ (9.7)
ROIC – Consolidated period-to-date ²	(0.1)%	(3.0)%	(4.0)%
Average exchange rate (US\$ per C\$1.00)³	\$ 0.741	\$ 0.734	\$ 0.740

¹ Amortization includes amortization of certain capitalized major maintenance costs.

² Consolidated ROIC is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section for further details.

³ Source – Bank of Canada (monthly average rate for the period).

The Company reported an operating loss of \$15.7 million for the first quarter of 2024, compared to an operating loss of \$15.1 million for the fourth quarter of 2023. After adjusting for certain one-time items, including a \$10.9 million reversal of a previously recognized inventory write-down in the prior period, the Company's operating results for the first quarter of 2024 reflected a \$10.3 million improvement compared to an adjusted operating loss of \$26.0 million for the fourth quarter of 2023. These results were largely driven by a modest uplift in the Company's average Northern Bleached Softwood Kraft ("NBSK") sales unit pulp realizations in the current quarter combined with a 7% increase in pulp production compared to the fourth quarter of 2023.

Notwithstanding significantly lower US-dollar NBSK pulp list prices, adjusted operating results increased \$5.9 million compared to the first quarter of 2023, primarily reflecting a substantial reduction in pulp unit manufacturing costs in the current quarter following the permanent closure of the pulp line at the Company's Prince George Pulp and Paper mill in the prior year.

OPERATING RESULTS BY BUSINESS SEGMENT

Pulp

Selected Financial Information and Statistics – Pulp

(millions of Canadian dollars, unless otherwise noted)	Q1 2024	Q4 2023	Q1 2023
Sales	\$ 170.5	\$ 146.1	\$ 187.4
Operating income (loss) before amortization ⁴	\$ 2.5	\$ (0.6)	\$ (0.2)
Operating loss	\$ (13.6)	\$ (16.0)	\$ (24.4)
Inventory write-down (recovery)	\$ -	\$ (10.9)	\$ 3.6
Adjusted operating loss ⁵	\$ (13.6)	\$ (26.9)	\$ (20.8)
Average NBSK pulp list price delivered to China – US\$ ⁶	\$ 745	\$ 748	\$ 891
Average NBSK pulp list price delivered to China – Cdn\$ ⁶	\$ 1,005	\$ 1,019	\$ 1,204
Production – pulp (000 mt)	158	148	181
Shipments – pulp (000 mt)	159	136	152

⁴ Amortization includes amortization of certain capitalized major maintenance costs.

⁵ Adjusted operating loss is a non-IFRS financial measure. Refer to the “Non-IFRS Financial Measures” section for further details.

⁶ 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 markets remained flat through most of the current quarter, principally tied to generally subdued demand, particularly from Asia, combined with stable pulp producer inventory levels. Late in the current quarter, however, NBSK pulp prices to China, the world’s largest pulp consumer, showed some upward momentum, largely driven by global pulp supply concerns, tied in part, to Finland’s national transport workers’ strike. For the current quarter overall, average US-dollar NBSK pulp list prices to China were US\$745 per tonne, broadly in line with the previous quarter, and down US\$146 per tonne, or 16% compared to the first quarter of 2023. In other global regions, the recent pulp supply concerns and various mill closures, particularly in North America, resulted in some upward pricing momentum in that region, with the average US-dollar NBSK pulp list price to North America up US\$128 per tonne, or 10% from the previous quarter, to US\$1,440 per tonne (before discounts). Compared to the first quarter of 2023, however, pulp list prices to North America were down US\$235 per tonne, or 14%.

Global softwood pulp producer inventories were relatively steady throughout the current quarter and within the balanced range, ending February 2024 at 39 days of supply⁷, a one day decrease from December 2023. Market conditions are generally considered balanced when inventories are in the 32-43 days of supply range⁷.

Sales

The Company’s pulp shipments for the first quarter of 2024 totaled 159,000 tonnes, up 23,000 tonnes, or 17%, from the previous quarter, principally due to a 7% improvement in pulp production, combined with a replenishment of inventory levels in the previous quarter relating to the delayed restart of the Company’s Northwood NBSK pulp mill (“Northwood”) into October following the completion of its scheduled maintenance outage. Compared to the first quarter of 2023, pulp shipments were up 7,000 tonnes, or 5%, primarily reflecting the replenishment of inventory levels in the comparative period as a result of a fibre-related curtailment at the Company’s Intercontinental (“Intercon”) pulp mill late in 2022.

Notwithstanding broadly comparable US-dollar pulp list prices to China in the current quarter and a 1 cent, or 1% stronger Canadian dollar, the Company’s average NBSK pulp unit sales realizations were modestly higher than the prior quarter, largely due to an uptick in US-dollar pulp list pricing to North America, combined with a favourable timing lag in shipments (versus orders). Compared to the first quarter of 2023, however, the Company’s average NBSK pulp unit sales realizations saw a significant decline, for the most part driven by downward pressure on global US-dollar pulp list pricing quarter-over-quarter.

⁷ 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).

Energy revenues declined in the current quarter compared to the fourth quarter of 2023, principally driven by the impact of cold weather on pulp production and, therefore, power generation at the start of the year. Compared to the first quarter of 2023, energy revenues improved, as a return to more normalized pulp productivity was combined with a slight increase in power pricing quarter-over-quarter.

Operations

Pulp production was 158,000 tonnes for the first quarter of 2024, up 10,000 tonnes, or 7%, from the fourth quarter of 2023, largely reflecting solid productivity and the benefit of reduced downtime in the current period.

In the current quarter, the operational performance at both Northwood and Intercon was challenged by extreme winter weather conditions, particularly in January, as well as other minor operational disruptions throughout the period. Combined, these factors reduced NBSK pulp production by approximately 30,000 tonnes in the current quarter. In the fourth quarter of 2023, pulp production was principally impacted by a delayed restart of Northwood into October as well as other minor reliability challenges (combined, approximately 40,000 tonnes).

Compared to the first quarter of 2023, pulp production was down 23,000 tonnes, or 13%, primarily reflecting the permanent closure of the pulp line at the Company's Prince George Pulp and Paper mill, which took effect in April 2023, offset by an increase in operating days and improved NBSK productivity at both Northwood and Intercon quarter-over-quarter. In the comparative 2023 period, pulp production was impacted by a fibre-related curtailment at the Company's Intercon pulp mill as well as persistent reliability challenges (combined, approximately 65,000 tonnes).

Pulp unit manufacturing costs were modestly lower in the current quarter compared to the fourth quarter of 2023, as the benefit of increased production and lower maintenance spend in the current quarter more than offset higher energy costs, tied, for the most part, to the severe cold weather experienced early in January. Fibre costs were moderately lower than the previous quarter, primarily due to reduced market-based prices for sawmill residual chips (linked in part to lower Canadian dollar NBSK pulp sales realizations in the prior quarter as a result of a lag in chip consumption), moderated, to a degree, by an increase in the proportion of higher-cost whole log chips. Compared to the first quarter of 2023, pulp unit manufacturing costs were substantially lower, as market-related decreases in fibre costs, were combined with reduced energy and maintenance spend in the current period.

Paper

Selected Financial Information and Statistics – Paper

(millions of Canadian dollars, unless otherwise noted)	Q1 2024	Q4 2023	Q1 2023
Sales	\$ 51.8	\$ 47.8	\$ 55.9
Operating income before amortization ⁸	\$ 1.9	\$ 4.3	\$ 3.7
Operating income	\$ 1.1	\$ 3.5	\$ 3.3
Production – paper (000 mt)	32	34	34
Shipments – paper (000 mt)	35	32	35

⁸ Amortization includes amortization of certain capitalized major maintenance costs.

Markets

Global kraft paper markets remained stable through the first quarter of 2024, particularly in North America, while demand in other regions continued to strengthen in the current period following an uptick in demand experienced late in 2023.

Sales

The Company's paper shipments in the first quarter of 2024 were 35,000 tonnes, up 3,000 tonnes from the previous quarter, and in line with the first quarter of 2023, principally reflecting the timing of shipments around quarter-end.

Paper unit sales realizations in the first quarter of 2024 were slightly lower than the previous quarter, largely reflecting the 1% stronger Canadian dollar. Compared to the first quarter of 2023, paper unit sales realizations experienced a moderate decrease, primarily associated with weaker US-dollar paper pricing quarter-over-quarter.

Operations

Paper production for the first quarter of 2024 was 32,000 tonnes, down 2,000 tonnes compared to both comparative periods, primarily due to reduced productivity as a result of minor operational challenges at the Company's specialty paper facility in the current quarter.

Paper unit manufacturing costs were moderately higher than the fourth quarter of 2023, primarily reflecting reasonably higher slush pulp costs (associated with the uplift in Canadian dollar NBSK pulp unit sales realizations) as well as increased chemical and energy costs in the current period. Paper unit manufacturing costs were broadly in line with the first quarter of 2023, as higher energy and per-unit conversion costs were offset by reduced slush pulp costs quarter-over-quarter (tied to the decline in Canadian dollar NBSK pulp unit sales realizations).

Unallocated Items

Selected Financial Information

(millions of Canadian dollars)	Q1 2024	Q4 2023	Q1 2023
Corporate costs	\$ (3.2)	\$ (2.6)	\$ (4.1)
Finance expense, net	\$ (4.2)	\$ (3.6)	\$ (2.5)
Other income (expense), net	\$ 16.5	\$ (0.3)	\$ 2.4

Corporate costs were \$3.2 million for the first quarter of 2024, up \$0.6 million from the previous quarter and down \$0.9 million from the first quarter of 2023, the former largely reflecting increased head office and general administrative expenses in the current period.

Net finance expense for the first quarter of 2024 was \$4.2 million, up \$0.6 million compared to the prior quarter and up \$1.7 million compared to the first quarter of 2023. These increases were principally driven by higher financing fees associated with letters of credit and an uplift in interest expense associated with the Company's operating loan facility in the current quarter.

Other income, net, of \$16.5 million in the first quarter of 2024 primarily reflected the receipt of insurance proceeds related to operational downtime experienced at Northwood in recent years, combined with favourable foreign exchange movements on US-dollar denominated working capital balances at the end of the current period compared to the end of the prior quarter. Other expense, net, of \$0.3 million in the fourth quarter of 2023 was largely related to unfavourable foreign exchange movements on US-dollar denominated working capital balances, while other income, net, of \$2.4 million in the first quarter of 2023 principally reflected the receipt of insurance proceeds related to operational downtime at Northwood.

Other Comprehensive Income

In the first quarter of 2024, the Company recorded a gain of \$3.5 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 0.3% increase in the discount rate used to value the net defined benefit obligations. This compared to a gain of \$3.1 million (before tax) in the fourth quarter of 2023 and a gain of \$2.7 million (before tax), primarily associated with higher than anticipated returns on plan assets in both comparative periods.

On February 20, 2024, the Company purchased a buy-out annuity for a portion of its defined benefit pension plan. As a result, during the first quarter of 2024, \$37.1 million of the Company's accrued benefit obligation and a similar amount of defined benefit plan assets were derecognized from the Company's condensed consolidated balance sheet. A settlement loss of \$0.1 million was recognized in net income (loss) as a result of this transaction during the first quarter of 2024.

SUMMARY OF FINANCIAL POSITION

The following table summarizes CPPI's cash flow and selected ratios for and as at the end of the following periods:

(millions of Canadian dollars, except for ratios)	Q1 2024	Q4 2023	Q1 2023
Increase (decrease) in cash and cash equivalents	\$ 5.0	\$ 21.1	\$ (14.7)
Operating activities	\$ 15.0	\$ 20.1	\$ 4.3
Financing activities	\$ (0.1)	\$ 22.5	\$ (7.2)
Investing activities	\$ (9.9)	\$ (21.5)	\$ (11.8)
Ratio of current assets to current liabilities	1.0 : 1	0.9 : 1	1.8 : 1
Net debt to capitalization ⁹	20.1%	20.3%	12.7%

⁹ Net debt 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 in the first quarter of 2024 was \$15.0 million, compared to cash generated of \$20.1 million in the fourth quarter of 2023 and \$4.3 million in the first quarter of 2023. The \$5.1 million decrease in operating cash flows compared to the previous quarter was largely due to unfavourable movements in non-cash working capital, offset in part by the receipt of insurance proceeds in the current quarter related to operational downtime experienced at Northwood in recent years. The movement in non-cash working capital was primarily driven by a timing-related decrease in accounts payable and accrued liabilities quarter-over-quarter, partially offset by a drawdown of chip inventory during the current period. Compared to the first quarter of 2023, the \$10.7 million improvement in operating cash flows principally reflected improved cash earnings in the current period, moderated, to a degree, by unfavourable changes in non-cash working capital.

Financing Activities

Cash used for financing activities in the first quarter of 2024 was \$0.1 million, compared to cash generated of \$22.5 million in the fourth quarter of 2023 and cash used of \$7.2 million in the first quarter of 2023. Financing activities in the current and prior quarter primarily reflected draw-downs on the Company's operating loan facility (\$4.0 million in the first quarter of 2024 and \$25.9 million in the fourth quarter of 2023), partially offset by interest expense. Cash used for financing activities in the first quarter of 2023 was largely comprised of a \$5.0 million repayment of the Company's principal operating loan facility, as well as interest expense.

Investing Activities

Cash used for investing activities of \$9.9 million in the current quarter, as well as both comparative periods, was predominantly associated with maintenance-of-business capital spend.

Liquidity and Financial Requirements

At March 31, 2024, the Company had a \$160.0 million unsecured operating loan facility, with \$111.0 million of the facility drawn, and \$6.9 million reserved for several standby letters of credit, leaving \$42.1 million available and undrawn on its operating loan facility at the end of the current quarter.

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

In 2023, the Company secured a commitment to receive up to \$80.0 million of non-revolving term debt to support the Company's continued re-investment in its facilities, specifically Northwood's 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. As at March 31, 2024, this non-revolving term debt remains undrawn.

At March 31, 2024, the Company had total net debt of \$84.9 million, a \$1.0 million decrease from net debt of \$85.9 million at the end of the previous year. At March 31, 2024, the Company had available liquidity of \$148.2 million, of which \$80.0 million relates to the non-revolving term debt and is restricted for use on the re-investment of Northwood's RB1.

OUTLOOK

Pulp and Paper Markets

Looking forward, global softwood kraft pulp market conditions are anticipated to strengthen somewhat through the second quarter of 2024, largely in response to global pulp supply disruptions, stemming from the transportation labour dispute in Finland, as well as pulp producer downtime.

Bleached kraft paper demand is forecast to show signs of strengthening through the second quarter of 2024, before stabilizing through the balance of the year.

In the second quarter of 2024, maintenance outages are scheduled at Intercon and at the Company's paper machine, which are projected to reduce NBSK market pulp production by 5,000 tonnes and reduce paper production by 5,000 tonnes.

Given the ongoing uncertainty with regards to the availability of economically viable fibre in BC, and the continued weakness in North American lumber markets, the Company anticipates a challenging fibre supply environment for its pulp mills (both for sawmill residual chips and whole log chips), through the balance of 2024. The Company will continue to evaluate its operating conditions and will adjust operating rates at its pulp mills to align with economically viable fibre supply, which will impact the Company's production, shipments and cost structure. These factors could also affect the Company's operating plan, liquidity, cash flows and the valuation of long-lived assets.

OUTSTANDING SHARES

As at March 31, 2024 and April 30, 2024, there were 65,233,559 common shares of the Company outstanding and Canfor's ownership interest in CPPI was 54.8%.

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, pension and other employee future benefit plans and asset retirement obligations 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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended March 31, 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 www.canfor.com or www.sedarplus.com.

Sales are primarily influenced by changes in market pulp prices, sales volumes, global supply chain networks and fluctuations in Canadian dollar exchange rates. Operating income (loss), net income (loss) and operating income (loss) before amortization, asset write-down and impairment are primarily impacted by: sales revenue; freight costs; fluctuations of fibre, chemical and energy prices; level of spending and timing of maintenance downtime; and production curtailments. Net income (loss) is also impacted by fluctuations in Canadian dollar exchange rates, and the revaluation to the period end rate of US-dollar denominated working capital balances.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Sales and income (loss) (millions of Canadian dollars)								
Sales	\$ 222.3	\$ 193.9	\$ 188.8	\$ 249.5	\$ 243.3	\$ 268.1	\$ 308.3	\$ 288.9
Operating income (loss) before amortization, asset write-down and impairment ¹⁰	\$ 1.2	\$ 1.1	\$ (27.7)	\$ (15.3)	\$ (0.6)	\$ (15.1)	\$ 46.7	\$ 15.7
Operating income (loss)	\$ (15.7)	\$ (15.1)	\$ (49.3)	\$ (37.9)	\$ (25.2)	\$ (91.1)	\$ 19.2	\$ (8.1)
Net income (loss)	\$ (2.4)	\$ (13.2)	\$ (35.7)	\$ (28.4)	\$ (18.8)	\$ (69.8)	\$ 16.3	\$ (5.7)
Per common share (Canadian dollars)								
Net income (loss) per share – basic and diluted	\$ (0.04)	\$ (0.20)	\$ (0.55)	\$ (0.44)	\$ (0.29)	\$ (1.07)	\$ 0.25	\$ (0.09)
Book value per share ¹¹	\$ 5.17	\$ 5.17	\$ 5.34	\$ 5.89	\$ 6.29	\$ 6.55	\$ 7.65	\$ 7.43
Statistics								
Pulp shipments (000 mt)	159	136	142	179	152	170	199	205
Paper shipments (000 mt)	35	32	30	32	35	32	32	34
Average exchange rate – US\$/Cdn\$	\$ 0.741	\$ 0.734	\$ 0.746	\$ 0.745	\$ 0.740	\$ 0.736	\$ 0.766	\$ 0.783
Average NBSK pulp list price delivered to China (US\$)	\$ 745	\$ 748	\$ 680	\$ 668	\$ 891	\$ 920	\$ 969	\$ 1,008

¹⁰ Amortization includes amortization of certain capitalized major maintenance costs; includes an asset write-down and impairment charge totaling \$49.6 million in Q4 2022.

¹¹ 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.

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

After-tax impact (millions of Canadian dollars, except for per share amounts)	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Net income (loss), as reported	\$ (2.4)	\$ (13.2)	\$ (35.7)	\$ (28.4)	\$ (18.8)	\$ (69.8)	\$ 16.3	\$ (5.7)
Asset write-down and impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36.2	\$ -	\$ -
Adjusted net income (loss)¹²	\$ (2.4)	\$ (13.2)	\$ (35.7)	\$ (28.4)	\$ (18.8)	\$ (33.6)	\$ 16.3	\$ (5.7)
Net income (loss) per share (EPS), as reported	\$ (0.04)	\$ (0.20)	\$ (0.55)	\$ (0.44)	\$ (0.29)	\$ (1.07)	\$ 0.25	\$ (0.09)
Net impact of above items per share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.55	\$ -	\$ -
Adjusted net income (loss) per share¹²	\$ (0.04)	\$ (0.20)	\$ (0.55)	\$ (0.44)	\$ (0.29)	\$ (0.52)	\$ 0.25	\$ (0.09)

¹² Adjusted net income (loss) is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section for further details.

NON-IFRS FINANCIAL MEASURES

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

(millions of Canadian dollars)	Q1 2024	Q4 2023	Q1 2023
Operating loss	\$ (15.7)	\$ (15.1)	\$ (25.2)
Inventory write-down (recovery), net	\$ -	\$ (10.9)	\$ 3.6
Adjusted operating loss	\$ (15.7)	\$ (26.0)	\$ (21.6)
Amortization	\$ 16.9	\$ 16.2	\$ 24.6
Adjusted operating income (loss) before amortization	\$ 1.2	\$ (9.8)	\$ 3.0

(millions of Canadian dollars, except ratios)	Q1 2024	Q4 2023	Q1 2023
Operating loss	\$ (15.7)	\$ (15.1)	\$ (25.2)
Other income, net	\$ 15.2	\$ 0.6	\$ 2.5
Return	\$ (0.5)	\$ (14.5)	\$ (22.7)

Average invested capital ¹³	\$ 485.7	\$ 491.1	\$ 573.3
Return on invested capital (ROIC)	(0.1%)	(3.0)%	(4.0%)

¹³ 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 and deferred taxes.

(millions of Canadian dollars, except ratios)	As at March 31, 2024	As at December 31, 2023	As at March 31, 2023
Term-debt	\$ -	\$ -	\$ 50.0
Operating loan	\$ 111.0	\$ 107.0	\$ 10.0
Less: Cash and cash equivalents	\$ 26.1	\$ 21.1	\$ -
Net debt	\$ 84.9	\$ 85.9	\$ 60.0
Total equity	\$ 337.3	\$ 337.1	\$ 410.6
Total capitalization	\$ 422.2	\$ 423.0	\$ 470.6
Net debt to total capitalization	20.1%	20.3%	12.7%

Canfor Pulp Products Inc. Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)	As at March 31, 2024	As at December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 26.1	\$ 21.1
Trade receivables	46.6	47.8
Other receivables	14.1	6.3
Income taxes recoverable	0.1	0.2
Inventories (Note 2)	154.7	165.9
Prepaid expenses and other	8.0	10.2
Total current assets	249.6	251.5
Property, plant and equipment and intangible assets		
Right-of-use assets	1.9	1.7
Other long-term assets	8.7	6.8
Total assets	\$ 661.4	\$ 675.8
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 144.0	\$ 159.7
Operating loan (Note 3(a))	111.0	107.0
Current portion of lease obligations	1.0	0.8
Total current liabilities	256.0	267.5
Retirement benefit obligations (Note 4)	37.7	39.0
Lease obligations	1.5	1.4
Other long-term provisions	8.5	10.2
Deferred income taxes, net	20.4	20.6
Total liabilities	\$ 324.1	\$ 338.7
EQUITY		
Share capital	\$ 480.8	\$ 480.8
Accumulated deficit	(143.5)	(143.7)
Total equity	\$ 337.3	\$ 337.1
Total liabilities and equity	\$ 661.4	\$ 675.8

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

APPROVED BY THE BOARD

"N.J. Mayr"

Director, N.J. Mayr

"The Hon. J.R. Baird"

Director, The Hon. J.R. Baird

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Income (Loss)

(millions of Canadian dollars, except per share data, unaudited)	3 months ended March 31,	
	2024	2023
Sales	\$ 222.3	\$ 243.3
Costs and expenses		
Manufacturing and product costs	186.8	202.2
Freight and other distribution costs	27.3	30.5
Amortization	16.9	24.6
Selling and administration costs	7.0	8.6
Restructuring costs	-	2.6
	238.0	268.5
Operating loss	(15.7)	(25.2)
Finance expense, net	(4.2)	(2.5)
Other income, net (Note 11)	16.5	2.4
Net loss before income taxes	(3.4)	(25.3)
Income tax recovery (Note 5)	1.0	6.5
Net loss	\$ (2.4)	\$ (18.8)
Net loss per common share: (in Canadian dollars)		
Attributable to equity shareholders of the Company		
- Basic and diluted (Note 6)	\$ (0.04)	\$ (0.29)

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

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Other Comprehensive Income (Loss)

(millions of Canadian dollars, unaudited)	3 months ended March 31,	
	2024	2023
Net loss	\$ (2.4)	\$ (18.8)
Other comprehensive income (loss)		
Items that will not be reclassified subsequently to net loss:		
Defined benefit plan actuarial gains, net (Note 4)	3.5	2.7
Income tax expense on defined benefit plan actuarial gains, net (Note 5)	(0.9)	(0.7)
Other comprehensive income, net of tax	2.6	2.0
Total comprehensive income (loss)	\$ 0.2	\$ (16.8)

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended March 31,	
	2024	2023
Share capital		
Balance at beginning and end of period	\$ 480.8	\$ 480.8
Accumulated deficit		
Balance at beginning of period	\$ (143.7)	\$ (53.4)
Net loss	(2.4)	(18.8)
Other comprehensive income, net of tax	2.6	2.0
Balance at end of period	\$ (143.5)	\$ (70.2)
Total equity	\$ 337.3	\$ 410.6

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

Canfor Pulp Products Inc. Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended March 31,	
	2024	2023
Cash generated from (used in):		
Operating activities		
Net loss	\$ (2.4)	\$ (18.8)
Items not affecting cash:		
Amortization	16.9	24.6
Income tax recovery (Note 5)	(1.0)	(6.5)
Employee future benefits expense	0.5	0.6
Finance expense, net	4.2	2.5
Restructuring costs	-	2.6
Other, net	1.1	0.8
Defined benefit plan contributions	(1.1)	(0.9)
Income taxes paid, net	(0.1)	(0.8)
	18.1	4.1
Net change in non-cash working capital (Note 7)	(3.1)	0.2
	15.0	4.3
Financing activities		
Operating loan drawings (repayments), net (Note 3(a))	4.0	(5.0)
Repayment of lease obligations	(0.2)	(0.2)
Finance expenses paid	(3.9)	(2.0)
	(0.1)	(7.2)
Investing activities		
Additions to property, plant and equipment and intangible assets, net	(12.0)	(12.0)
Proceeds from sale of Taylor pulp mill (Note 10)	1.9	-
Other, net	0.2	0.2
	(9.9)	(11.8)
Increase (decrease) in cash and cash equivalents*	5.0	(14.7)
Cash and cash equivalents at beginning of period*	21.1	14.7
Cash and cash equivalents at end of period*	\$ 26.1	\$ -

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

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

Canfor Pulp Products Inc. Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 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 Pulp Products Inc. and its subsidiary entities, hereinafter referred to as "CPPI" or "the Company." At March 31, 2024 and April 30, 2024, Canfor Corporation ("Canfor") held a 54.8% interest in CPPI.

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

These financial statements were authorized for issue by the Company's Board of Directors on April 30, 2024.

2. Inventories

(millions of Canadian dollars, unaudited)	As at March 31, 2024	As at December 31, 2023
Pulp	\$ 52.5	\$ 54.4
Paper	27.2	31.2
Wood chips and logs	22.4	30.6
Materials and supplies	52.6	49.7
	\$ 154.7	\$ 165.9

The above inventory balances are stated at the lower of cost and net realizable value. For the three months ended March 31, 2024, no inventory valuation adjustment was recognized (three months ended March 31, 2023 – \$3.6 million write-down expense). At March 31, 2024, no inventory provision has been recognized (December 31, 2023 – no inventory provision).

3. Operating Loan and Term Debt

(a) Available Operating Loan

(millions of Canadian dollars, unaudited)	As at March 31, 2024	As at December 31, 2023
Operating loan facility	\$ 160.0	\$ 160.0
Letters of credit	(6.9)	(6.9)
Operating loan facility drawn	(111.0)	(107.0)
Total available operating loan facility	\$ 42.1	\$ 46.1

The terms of the Company's operating loan facility include interest payable at floating rates that vary depending on the ratio of debt to total capitalization, and is based on the lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar floating rate, plus a margin.

The operating loan facility is repayable on May 2, 2027 and has certain financial covenants, including a maximum debt to total capitalization ratio. At March 31, 2024, the Company was fully in compliance with all covenants relating to its operating loan facility.

(b) Term Debt

The Company's \$80.0 million of non-revolving term debt is restricted for use on the continued re-investment in its facilities, specifically Northwood Northern Bleached Softwood Kraft 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. At March 31, 2024, the Company was fully in compliance with all covenants relating to its non-revolving term debt which remains undrawn.

4. Employee Future Benefits

For the three months ended March 31, 2024, actuarial gains of \$3.5 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations (comprised of defined benefit pension plans as well as other benefit plans), principally reflecting a 0.3% increase in the discount rate used to value the net defined benefit obligations.

For the three months ended March 31, 2023, actuarial gains of \$2.7 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations, principally reflecting a higher than anticipated return on plan assets.

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

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

On February 20, 2024, the Company purchased a buy-out annuity for a portion of its defined benefit pension plan. As a result, during the three months ended March 31, 2024, \$37.1 million of the Company's accrued benefit obligation and a similar amount of defined benefit plan assets were derecognized from the Company's condensed consolidated balance sheet. A settlement loss of \$0.1 million was recognized in net income (loss) as a result of this transaction during the three months ended March 31, 2024.

5. Income Taxes

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

(millions of Canadian dollars, unaudited)	3 months ended March 31,	
	2024	2023
Current	\$ (0.2)	\$ (0.1)
Deferred	1.2	6.6
Income tax recovery	\$ 1.0	\$ 6.5

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 March 31,	
	2024	2023
Income tax recovery at statutory rate of 27.0% (2023 – 27.0%)	\$ 0.9	\$ 6.8
Add (deduct):		
Entities with different income tax rates and other tax adjustments	0.1	0.2
Permanent difference from capital gains and losses and other non-deductible items	-	(0.5)
Income tax recovery	\$ 1.0	\$ 6.5

In addition to the amounts recorded to net loss, a tax expense of \$0.9 million was recorded to other comprehensive income (loss) in relation to actuarial gains, net, on the Company's defined benefit plans for the three months ended March 31, 2024 (three months ended March 31, 2023 – \$0.7 million).

6. Earnings (Loss) Per Common Share

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

	3 months ended March 31,	
	2024	2023
Weighted average number of common shares	65,233,559	65,233,559

At March 31, 2024 and April 30, 2024, there were 65,233,559 common shares of the Company outstanding and Canfor's ownership interest in CPPI was 54.8%.

7. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended March 31,	
	2024	2023
Accounts receivable	\$ (1.5)	\$ (0.9)
Inventories	11.2	(19.2)
Prepaid expenses and other	2.2	4.8
Accounts payable and accrued liabilities	(15.0)	15.5
Net change in non-cash working capital	\$ (3.1)	\$ 0.2

8. Segment Information

The Company has two reportable segments (pulp and paper), which operate as separate business units and represent separate product lines. Sales between the pulp and paper segments are accounted for at prices that approximate fair value. These include sales of slush pulp from the pulp segment to the paper segment.

(millions of Canadian dollars, unaudited)	Pulp	Paper	Unallocated	Elimination Adjustment	Consolidated
3 months ended March 31, 2024					
Sales from contracts with customers	\$ 170.5	\$ 51.8	\$ -	\$ -	\$ 222.3
Sales to other segments	24.2	-	-	(24.2)	-
Operating income (loss)	(13.6)	1.1	(3.2)	-	(15.7)
Amortization	16.1	0.8	-	-	16.9
Capital expenditures	11.3	0.7	-	-	12.0
Total assets	540.7	77.0	43.7	-	661.4
3 months ended March 31, 2023					
Sales from contracts with customers	\$ 187.4	\$ 55.9	\$ -	\$ -	\$ 243.3
Sales to other segments	33.4	-	-	(33.4)	-
Operating income (loss)	(24.4)	3.3	(4.1)	-	(25.2)
Amortization	24.2	0.4	-	-	24.6
Capital expenditures ¹	11.7	0.1	0.2	-	12.0
Total assets	655.9	68.7	14.9	-	739.5

¹Capital expenditures represent cash paid for capital assets during the periods and include capital expenditures that were partially financed by government grants.

Geographic information

CPPI'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 March 31,		3 months ended March 31,	
		2024		2023
Sales by location of customer				
Canada	6%	\$ 14.2	8%	\$ 18.9
Asia	63%	139.8	55%	135.1
United States	22%	49.4	27%	66.1
Europe	5%	11.1	6%	13.5
Other	4%	7.8	4%	9.7
	100%	\$ 222.3	100%	\$ 243.3

9. Related Party Transactions

For the three months ended March 31, 2024, the Company depended on Canfor to provide approximately 70% (three months ended March 31, 2023 – 59%) of its fibre supply as well as certain key business and administrative services. As a result of these relationships, the Company considers its operations to be dependent on its ongoing relationship with Canfor. The transactions with Canfor are consistent with the transactions described in the December 31, 2023 audited annual consolidated financial statements of CPPI and are based on agreed-upon amounts between the parties.

Transactions and payables to Canfor include purchases of wood chips, logs, hog fuel and administrative services. These are summarized below:

(millions of Canadian dollars, unaudited)	3 months ended March 31,	
	2024	2023
Transactions		
Purchase of wood chips and other	\$ 46.7	\$ 47.7
<hr/>		
(millions of Canadian dollars, unaudited)	As at March 31, 2024	As at December 31, 2023
Balance Sheet		
Included in accounts payable and accrued liabilities	\$ 29.8	\$ 24.3

10. Sale of Taylor Pulp Mill

On February 6, 2024, the Company entered into an asset purchase agreement to sell its Taylor Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") mill for total proceeds of \$7.0 million. The transaction closed on March 15, 2024, with \$2.0 million in proceeds received during the three months ended March 31, 2024, less working capital adjustments, with the remaining balance of \$5.0 million due later in 2024.

11. Other Income, Net

During the three months ended March 31, 2024, the Company received insurance proceeds of \$15.2 million (three months ended March 31, 2023 – \$2.4 million) related to operational downtime experienced at the Northwood pulp mill in recent years.