News Release

FOR IMMEDIATE RELEASE

CANFOR ANNOUNCES 2020 AND FOURTH QUARTER 2020 RESULTS

February 24, 2021 - Vancouver, B.C. - Canfor Corporation (TSX: CFP) today reported 2020 and fourth quarter 2020 results:

Overview

- Record-high 2020 reported operating income of $727 million; adjusted operating income of $735 million; shareholder net income of $544 million, or $4.35 per share
- Fourth quarter of 2020 reported operating income of $420 million; adjusted operating income of $321 million; shareholder net income of $336 million, or $2.68 per share
- Net debt of $270 million at December 31, 2020, improvement of $256 million from prior quarter; available liquidity of $1.4 billion; net debt to capitalization of 9.3% at December 31, 2020
- Cumulative cash deposits of $594 million on countervailing and anti-dumping duties at December 31, 2020

Financial Results

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

(millions of Canadian dollars, except per share amounts)	**Q4 2020**	Q3 2020	**YTD 2020**	Q4 2019	YTD 2019
Sales	**$ 1,618.0**	$ 1,550.4	**$ 5,454.4**	$ 1,105.2	$ 4,658.3
Reported operating income before amortization	**$ 520.0**	$ 393.1	**$ 1,108.2**	$ 35.6	$ 67.9
Reported operating income (loss)	**$ 419.6**	$ 299.6	**$ 727.3**	$ (59.6)	$ (294.3)
Adjusted operating income before amortization[1]	**$ 421.5**	$ 440.8	**$ 1,116.3**	$ 62.7	$ 269.9
Adjusted operating income (loss)[1]	**$ 321.1**	$ 347.3	**$ 735.4**	$ (32.5)	$ (92.3)
Net income (loss)[2]	**$ 335.6**	$ 218.1	**$ 544.4**	$ (39.1)	$ (263.0)
Net income (loss) per share, basic and diluted[2]	**$ 2.68**	$ 1.74	**$ 4.35**	$ (0.31)	$ (2.10)
Adjusted net income (loss)[2, 3]	**$ 258.0**	$ 259.4	**$ 574.6**	$ (8.2)	$ (96.6)
Adjusted net income (loss) per share, basic and diluted[2, 3]	**$ 2.06**	$ 2.07	**$ 4.59**	$ (0.06)	$ (0.77)

[1] Adjusted for countervailing and anti-dumping duties (recovery of $95.5 million in Q4 2020, expense of $50.7 million in Q3 2020, expense of $43.7 million in Q4 2019), inventory write-down recoveries ($3.0 million recovery in Q4 2020, $3.0 million recovery in Q3 2020, $19.9 million net recovery in Q4 2019), and restructuring costs related to mill closures and curtailments ($3.3 million in Q4 2019).
[2] Attributable to equity shareholders of the Company.
[3] Adjusted for after-tax impact of certain one-time items, including the aforementioned countervailing and anti-dumping duties expense and restructuring costs, as well as foreign exchange (gain) loss on long-term debt and duty deposits recoverable, and (gain) loss on derivative financial instruments.

2020 was an exceptional yet volatile year for Canfor. The unprecedented challenges stemming from the coronavirus outbreak ("COVID-19") weighed heavily on results in the first half of 2020. However, through the second half of 2020 there were several positive developments, including an unexpected increase in demand and record global pricing. This, coupled with a solid operating performance, resulted in record-high operating income of $727.3 million and net income per share of $4.35 for the year overall. These results compared to an operating loss of $294.3 million and net loss per share of $2.10 in 2019.

For the fourth quarter of 2020, the Company reported operating income of $419.6 million, $120.0 million higher than operating income of $299.6 million in the third quarter of 2020. Reported results for the fourth quarter of 2020 include a net duty recovery of $95.5 million, largely resulting from the finalization of countervailing ("CVD") and anti-dumping duty ("ADD") rates applicable to the first period of review ("POR1"), compared to a net duty expense of $50.7 million reported in the third quarter of 2020.

After adjusting for the aforementioned duty recovery and other one-time items, the Company's operating income was $321.1 million for the fourth quarter of 2020, compared to similarly adjusted operating income of $347.3 million for the third quarter of 2020.

Adjusted lumber segment operating income of $365.5 million for the fourth quarter of 2020 decreased $21.9 million from the third quarter of 2020, as record quarterly results for the Company's European Spruce/Pine/Fir ("SPF") operations were more than offset by lower quarter-over-quarter earnings for the Company's Southern Yellow Pine

("SYP") operations, which notwithstanding continued to generate near record-high results. Operating results for the Company's Western Canadian operations continued to be strong and were in line with the prior quarter.

During the fourth quarter of 2020, global lumber market fundamentals remained strong, with a sustained increase in North American demand over the traditionally slower season, particularly in December, further reducing already low inventory levels. The North American market continued to see strong new home construction activity, particularly single-family homes, which consume approximately three times the volume of lumber compared to multi-family units, and unusually high demand in the repair and remodeling sector in the current quarter. US housing starts, on a seasonally adjusted basis, averaged 1,588,000 units, up 11% from the previous quarter reflecting an 18% increase in single-family starts and a 10% decline in multi-family starts. In Canada, housing starts averaged 239,000 units on a seasonally adjusted basis, unchanged from the prior quarter.

Offshore lumber demand in Asia improved in the current quarter, particularly in Japan, as building activities in the region returned to more normal levels following quarantine delays earlier in the year. European and Scandinavian lumber demand continued to strengthen in the current quarter largely due to sustained growth in the repair and remodeling sector.

The average benchmark North American Random Lengths Western SPF 2x4 #2&Btr price experienced extreme volatility through the fourth quarter of 2020. From an all-time high of US$955 per Mfbm at the end of September, prices in the current quarter initially fell to a low of US$530 per Mfbm at the end of October, before climbing steadily through November and posting significant gains in December, to end the year at US$920 per Mfbm. As a result of the pricing fluctuations through the current period, the Western SPF 2x4 #2&Btr price averaged US$700 per Mfbm for the fourth quarter of 2020, down US$68 per Mfbm, or 9%, from the previous quarter. The Company's Western SPF lumber unit sales realizations, however, increased moderately in the current quarter, as a favourable timing lag in shipments (versus orders) combined with improved offshore unit sales realizations and, to a lesser extent, a reduction in duties, more than offset a 2 cent, or 2%, stronger Canadian dollar.

The movement in the North American Random Lengths SYP East 2x4 #2 through the fourth quarter of 2020 was similar to that of Western SPF, dropping from a record-high of US$1,035 per Mfbm in early October 2020 to a low of US$585 per Mfbm in mid-November, before rebounding to US$1,035 per Mfbm at the end of the year and reaching a new all-time high of US$1,180 per Mfbm in early 2021. Notwithstanding the significant pricing volatility in the fourth quarter of 2020, the average SYP East 2x4 #2 was relatively flat quarter-over-quarter at US$777 per Mfbm, with the Company's overall SYP lumber unit sales realizations decreasing in line with pronounced declines for most wider width SYP dimension products compared to the prior quarter, mostly attributable to seasonal factors.

The average European indicative SPF lumber benchmark price at SEK4,115 per Mfbm, was up SEK701 per Mfbm, or 21%, from the previous quarter. The Company's European SPF lumber unit sales realizations for the fourth quarter of 2020 were modestly higher than the previous quarter principally reflecting this increase in European benchmark pricing and, to a lesser extent, a 1% weaker Canadian dollar (versus the SEK) offset in part by the aforementioned volatility in North American US-dollar benchmark pricing on shipments directed to the US.

Total lumber shipments of 1.56 billion board feet were up 14% from the previous quarter as a backlog of orders tied to strong demand in North America in the third quarter of 2020 was alleviated in the current period as Western Canada rail constraints eased. A substantial increase in production at the Company's European operations in the current period combined with the incremental benefit of a full quarter of Bergs shipments in the current quarter, following its acquisition in September 2020, also contributed to the higher shipments.

Total lumber production, at 1.46 billion board feet, was up 3% from the previous quarter largely driven by the Company's European operations where higher production volumes reflected increased operating days following the seasonal downtime taken in the prior period, improved productivity and the benefit of a full quarter of production from the recently acquired Bergs facilities. Production in the US South was in line with the previous quarter, while the Company's Western SPF operations saw a modest decline in production principally reflecting log profile shortages due to unseasonably mild and wet-weather impacts on harvesting and low levels of rough dry inventory.

Lumber unit manufacturing costs in the fourth quarter of 2020 were slightly higher than the previous quarter primarily reflecting the impact of lower production volumes in Western Canada and to a lesser extent, seasonally higher energy costs and increased log costs due to aforementioned wet-weather conditions in BC. These unfavourable drivers were largely offset by lower European lumber unit manufacturing costs, while US South lumber unit manufacturing costs were comparable quarter-over-quarter. Log costs in Europe and the US South remained broadly in line with the previous period.

Looking ahead, the strong North American lumber demand seen at the end of 2020 has continued into early 2021 and is anticipated to continue through the first half of 2021, supported by improved housing affordability, lean housing inventory, and an aging housing stock. The ongoing effects from the COVID-19 pandemic are forecast to continue to influence consumer spending habits while favorable demographics driven by the millennial generation entering prime home buying years will also facilitate this strong lumber demand. US housing starts in the first quarter of 2021 are estimated to outpace established levels of 2020, tracking closer to long-run historical averages. North American lumber demand is projected to be further supported by sustained high levels of repair and remodel activity as increases in existing home sales are estimated to boost spending in this sector, particularly in the first quarter of 2021. Increased supply into the North American market from a higher volume of European imports and growth in SYP production is not projected to be sufficient to offset the demand/supply gap created in 2020.

Offshore lumber market demand in Asia in the first quarter of 2021, particularly Japan, is anticipated to be steady as the region continues to recover from the impacts of COVID-19. In Europe, pricing in the first quarter of 2021 is anticipated to exceed pricing levels seen in the fourth quarter of 2020, reflecting similar trends to the North American market combined with the traditional lag in contract pricing. Demand throughout Europe in early 2021 is projected to be further supported by increased lumber usage in the construction sector as a result of ongoing green initiatives throughout the region.

Results for the fourth quarter of 2020 in the pulp and paper segment reflected continued soft market conditions and weak prices on pulp shipments as well as capital-related downtime at Canfor Pulp Products Inc.'s ("CPPI") Northwood pulp mill ("Northwood"). Compared to the third quarter of 2020, unit sales realizations were relatively unchanged, with the slightly stronger Canadian dollar offsetting a modest uplift in prices towards the end of the period; reduced production from Northwood's recovery boiler number five ("RB5") lower furnace rebuild mostly offset the impact of material production curtailments in the previous quarter. The lower furnace replacement was completed mid-January, as planned, with a total capital cost of approximately $27.0 million and total reduction in Northwood Northern Bleached Softwood Kraft ("NBSK") pulp production of 70,000 tonnes (60,000 tonnes in the current quarter and a further 10,000 tonnes in January 2021).

In early 2021, global softwood kraft pulp market conditions have strengthened significantly in response to improved market fundamentals, particularly from China, where prices on the Shanghai Futures Exchange have surged in recent weeks. Reflecting this positive pricing momentum, CPPI has announced increases to its NBSK pulp list price to China of US$50 per tonne for January 2021 and a further US$120 per tonne for February 2021, to US$840 per tonne. It has also announced two consecutive price increases to North America of US$30 per tonne and US$115 per tonne, for January and February 2021, respectively, to US$1,300 per tonne. Notwithstanding the potential for higher pricing volatility in the coming months, CPPI currently projects the pricing environment to remain favourable for pulp producers through the first half of 2021. Pulp and paper segment results in the first quarter of 2021 will reflect the impact of the RB5 capital-related outage at Northwood into mid-January (approximately 10,000 tonnes). With the RB5 rebuild now completed and with much healthier fibre inventories, a key focus of CPPI's kraft pulp mills in 2021, including Northwood, will be on improving operational reliability and closely managing manufacturing and fibre costs.

Commenting on the Company's 2020 and fourth quarter of 2020 results, Don Kayne, Canfor's President and Chief Executive Officer, said "We want to thank our employees for their resilience, dedication and commitment to safety, despite the COVID-19 challenges we faced in 2020. Despite such a difficult start to the year, which weighed heavily on the results for our pulp business, we were very pleased to see an unprecedented surge in global lumber markets beginning in the second quarter and continuing through the balance of the year. Supported by the strong performance of our operations, we were able to generate new record-high financial results for 2020. As we move into 2021, we expect to see continued strength in global lumber demand and along with improving conditions for global pulp markets, this should ensure another solid financial year for Canfor, despite the ongoing challenges of the global pandemic."

"Thanks to the strong returns we have been experiencing since the middle of 2020, we are investing in a long-term community giving program called Good Things Come from Trees that will allow us to give back consistently through the ups and downs that our industry experiences. This program builds on our long history of giving. We greatly value our communities and believe it is important to invest in initiatives and organizations that align with our priority giving areas of education, health, sustainability and community," added Kayne.

Refer to the Company's annual Management's Discussion and Analysis for further discussion on the Company's results for the fourth quarter of 2020 on page 33.

Additional Information and Conference Call

A conference call to discuss the fourth quarter's financial and operating results will be held on Thursday, February 25, 2021 at 8:00 AM Pacific time. To participate in the call, please dial Toll-Free 1-888-390-0546. For instant replay access until March 11, 2021, please dial Toll-Free 1-888-390-0541 and enter participant pass code 854599#.

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 http://www.canfor.com/investor-relations/webcasts.

Non-IFRS Measures and Forward Looking Statements

Operating Income (Loss) before Amortization, Adjusted Operating Income (Loss) and Adjusted Net Income (Loss) and Adjusted 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. Refer to the Company's Annual Management's Discussion and Analysis for a reconciliation of Operating Income (Loss) before Amortization and Adjusted Operating Income (Loss) to Operating Income (Loss) and Adjusted Net Income (Loss) to Net Income (Loss) reported in accordance with IFRS.

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.

Canfor is a leading integrated forest products company based in Vancouver, British Columbia ("BC") with interests in BC, Alberta, North and South Carolina, Alabama, Georgia, Mississippi and Arkansas, as well as in Sweden with its majority acquisition of the Vida Group. Canfor produces primarily softwood lumber and also owns a 54.8% interest in Canfor Pulp Products Inc., which is one of the largest global producers of market Northern Bleached Softwood Kraft Pulp and a leading producer of high performance kraft paper. Canfor shares are traded on the Toronto Stock Exchange under the symbol CFP. For more information visit canfor.com.

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Canfor Corporation
Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)		**As at December 31, 2020**		As at December 31, 2019
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**419.2**	$	60.1
Accounts receivable - Trade		**359.4**		259.7
- Other		**67.3**		41.3
Income taxes receivable		**6.0**		112.5
Inventories (Note 3)		**867.5**		803.9
Prepaid expenses and other		**71.6**		64.0
Assets held for sale (Note 6)		**2.2**		69.0
Total current assets		**1,793.2**		1,410.5
Property, plant and equipment		**1,976.1**		1,974.5
Right-of-use assets		**79.3**		68.5
Timber licenses		**431.3**		445.7
Goodwill and other intangible assets		**543.5**		447.3
Long-term investments and other (Note 4)		**268.4**		173.7
Retirement benefit surplus		**9.5**		5.9
Deferred income taxes, net		**7.5**		0.9
Total assets	**$**	**5,108.8**	$	4,527.0
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**666.9**	$	478.4
Operating loans (Note 5(a))		**12.3**		382.0
Current portion of deferred reforestation obligations		**52.9**		51.0
Current portion of term debt (Note 5(b))		**13.9**		13.0
Other current liability		**38.6**		13.0
Current portion of lease obligations		**24.1**		21.3
Income taxes payable		**38.9**		5.5
Liabilities held for sale (Note 6)		**0.8**		3.3
Total current liabilities		**848.4**		967.5
Term debt (Note 5(b))		**662.9**		681.7
Retirement benefit obligations		**233.4**		237.0
Lease obligations		**60.5**		50.9
Deferred reforestation obligations		**61.8**		56.3
Other long-term liabilities		**35.0**		32.9
Put liability		**170.0**		111.9
Deferred income taxes, net		**403.1**		319.9
Total liabilities	**$**	**2,475.1**	$	2,458.1
EQUITY				
Share capital	**$**	**987.9**	$	987.9
Contributed surplus and other equity		**(127.4)**		(82.8)
Retained earnings		**1,227.3**		674.3
Accumulated other comprehensive income		**119.7**		65.9
Total equity attributable to equity shareholders of the Company		**2,207.5**		1,645.3
Non-controlling interests		**426.2**		423.6
Total equity	**$**	**2,633.7**	$	2,068.9
Total liabilities and equity	**$**	**5,108.8**	$	4,527.0

Commitments and Contingencies (Note 12) and **Subsequent Events** (Notes 12(b) and 13)

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

APPROVED BY THE BOARD

"R.S. Smith" *"C.A. Pinette"*

Director, R.S. Smith Director, C.A. Pinette

Canfor Corporation
Condensed Consolidated Statements of Income (Loss)

(millions of Canadian dollars, except per share data, unaudited)	3 months ended December 31, 2020	3 months ended December 31, 2019	12 months ended December 31, 2020	12 months ended December 31, 2019
Sales	**$ 1,618.0**	$ 1,105.2	**$ 5,454.4**	$ 4,658.3
Costs and expenses				
Manufacturing and product costs	**970.3**	834.2	**3,538.8**	3,618.6
Freight and other distribution costs	**180.7**	157.5	**645.3**	647.0
Countervailing and anti-dumping duty expense (recovery), net (Note 11)	**(95.5)**	43.7	**18.8**	178.7
Amortization	**100.4**	95.2	**380.9**	362.2
Selling and administration costs	**42.5**	30.9	**127.9**	124.9
Restructuring, mill closure and severance costs, net	**-**	3.3	**15.4**	21.2
	$ 1,198.4	$ 1,164.8	**$ 4,727.1**	$ 4,952.6
Operating income (loss)	**419.6**	(59.6)	**727.3**	(294.3)
Finance income (expense), net	**4.1**	(16.3)	**(36.2)**	(57.5)
Foreign exchange gain on term debt	**13.5**	4.7	**4.2**	6.8
Foreign exchange loss on duty deposits recoverable, net	**(8.2)**	(0.8)	**(7.2)**	(3.1)
Gain (loss) on derivative financial instruments (Note 7)	**4.3**	(0.5)	**(4.1)**	(26.4)
Other income, net (Note 12(b))	**18.7**	7.6	**36.1**	9.6
Net income (loss) before income taxes	**452.0**	(64.9)	**720.1**	(364.9)
Income tax recovery (expense)	**(105.3)**	18.8	**(160.2)**	95.2
Net income (loss)	**$ 346.7**	$ (46.1)	**$ 559.9**	$ (269.7)
Net income (loss) attributable to:				
Equity shareholders of the Company	**$ 335.6**	$ (39.1)	**$ 544.4**	$ (263.0)
Non-controlling interests	**11.1**	(7.0)	**15.5**	(6.7)
Net income (loss)	**$ 346.7**	$ (46.1)	**$ 559.9**	$ (269.7)
Net income (loss) per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 8)	**$ 2.68**	$ (0.31)	**$ 4.35**	$ (2.10)

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

Canfor Corporation
Condensed Consolidated Statements of Other Comprehensive Income (Loss)

(millions of Canadian dollars, unaudited)	3 months ended December 31, 2020	3 months ended December 31, 2019	12 months ended December 31, 2020	12 months ended December 31, 2019
Net income (loss)	**$ 346.7**	$ (46.1)	**$ 559.9**	$ (269.7)
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to net income (loss):				
Defined benefit plan actuarial gains, net	**39.1**	5.3	**12.2**	16.2
Income tax expense on defined benefit plan actuarial gains, net	**(10.6)**	(1.4)	**(3.3)**	(4.4)
	28.5	3.9	**8.9**	11.8
Items that may be reclassified subsequently to net income (loss):				
Foreign exchange gains (losses) from translation of foreign operations, net of tax	**(2.3)**	7.6	**53.8**	(39.6)
Other comprehensive income (loss), net of tax	**26.2**	11.5	**62.7**	(27.8)
Total comprehensive income (loss)	**$ 372.9**	$ (34.6)	**$ 622.6**	$ (297.5)
Total comprehensive income (loss) attributable to:				
Equity shareholders of the Company	**$ 359.8**	$ (27.6)	**$ 606.8**	$ (294.8)
Non-controlling interests	**13.1**	(7.0)	**15.8**	(2.7)
Total comprehensive income (loss)	**$ 372.9**	$ (34.6)	**$ 622.6**	$ (297.5)

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

Canfor Corporation
Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2020**	3 months ended December 31, 2019	12 months ended December 31, **2020**	12 months ended December 31, 2019
Share capital				
Balance at beginning and end of period	**$ 987.9**	$ 987.9	**$ 987.9**	$ 987.9
Contributed surplus and other equity				
Balance at beginning of period	**$ (92.1)**	$ (86.7)	**$ (82.8)**	$ 31.9
Put liability related to Vida acquisition	**(35.3)**	3.9	**(44.6)**	(114.7)
Balance at end of period	**$ (127.4)**	$ (82.8)	**$ (127.4)**	$ (82.8)
Retained earnings				
Balance at beginning of period	**$ 865.2**	$ 709.5	**$ 674.3**	$ 931.1
Net income (loss) attributable to equity shareholders of the Company	**335.6**	(39.1)	**544.4**	(263.0)
Defined benefit plan actuarial gains, net of tax	**26.5**	3.9	**8.6**	7.8
Impact of change in lease accounting policy	**-**	-	**-**	(1.6)
Balance at end of period	**$ 1,227.3**	$ 674.3	**$ 1,227.3**	$ 674.3
Accumulated other comprehensive income				
Balance at beginning of period	**$ 122.0**	$ 58.3	**$ 65.9**	$ 105.5
Foreign exchange gains (losses) from translation of foreign operations, net of tax	**(2.3)**	7.6	**53.8**	(39.6)
Balance at end of period	**$ 119.7**	$ 65.9	**$ 119.7**	$ 65.9
Total equity attributable to equity shareholders of the Company	**$ 2,207.5**	$ 1,645.3	**$ 2,207.5**	$ 1,645.3
Non-controlling interests				
Balance at beginning of period	**$ 417.6**	$ 440.8	**$ 423.6**	$ 283.5
Net income (loss) attributable to non-controlling interests	**11.1**	(7.0)	**15.5**	(6.7)
Defined benefit plan actuarial gains attributable to non-controlling interests, net of tax	**2.0**	-	**0.3**	4.0
Distributions to non-controlling interests	**(4.5)**	(10.2)	**(13.2)**	(27.8)
Impact of change in lease accounting policy	**-**	-	**-**	(0.1)
Acquisition of non-controlling interests	**-**	-	**-**	170.7
Balance at end of period	**$ 426.2**	$ 423.6	**$ 426.2**	$ 423.6
Total equity	**$ 2,633.7**	$ 2,068.9	**$ 2,633.7**	$ 2,068.9

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

Canfor Corporation
Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2020**	2019	12 months ended December 31, **2020**	2019
Cash generated from (used in):				
Operating activities				
Net income (loss)	**$ 346.7**	$ (46.1)	**$ 559.9**	$ (269.7)
Items not affecting cash:				
Amortization	**100.4**	95.2	**380.9**	362.2
Income tax expense (recovery)	**105.3**	(18.8)	**160.2**	(95.2)
Change in long-term portion of deferred reforestation obligations, net	**9.2**	6.1	**4.6**	(8.9)
Foreign exchange gain on term debt	**(13.5)**	(4.7)	**(4.2)**	(6.8)
Foreign exchange loss on duty deposits recoverable, net	**8.2**	0.8	**7.2**	3.1
Adjustment to accrued duties (Note 11)	**(142.0)**	10.4	**(153.8)**	41.3
Changes in mark-to-market value of derivative financial instruments	**(1.8)**	0.8	**(0.5)**	16.5
Employee future benefits expense	**3.1**	2.9	**11.1**	10.9
Restructuring, mill closure and severance costs, net	**-**	3.3	**15.4**	21.2
Finance expense (income), net	**(4.1)**	16.3	**36.2**	57.5
Other, net	**(11.3)**	0.4	**(5.0)**	(0.4)
Restructuring, mill closure and severance costs paid	**(2.0)**	(3.5)	**(13.0)**	(12.0)
Defined benefit plan contributions, net	**(2.4)**	(5.5)	**(13.5)**	(21.9)
Income taxes received (paid), net	**(14.5)**	(4.0)	**54.5**	(11.5)
	381.3	53.6	**1,040.0**	86.3
Net change in non-cash working capital (Note 9)	**(21.2)**	73.3	**33.6**	114.4
	360.1	126.9	**1,073.6**	200.7
Financing activities				
Operating loan drawings (repayments) (Note 5(a))	**(2.6)**	(59.1)	**(371.3)**	365.0
Proceeds from (repayments of) term debt, net (Note 5(b))	**(8.3)**	(0.6)	**(8.2)**	280.5
Payments of lease obligations	**(6.3)**	(6.0)	**(24.2)**	(17.9)
Finance expenses paid	**(10.3)**	(15.4)	**(46.1)**	(49.7)
Acquisition of non-controlling interest, net	**-**	-	**-**	(0.2)
Cash distributions paid to non-controlling interests	**(4.5)**	(10.2)	**(13.2)**	(27.8)
	(32.0)	(91.3)	**(463.0)**	549.9
Investing activities				
Additions to property, plant and equipment and intangible assets, net	**(93.9)**	(69.7)	**(201.5)**	(302.8)
Consideration paid for Bergs sawmill assets	**-**	-	**(58.7)**	-
Proceeds on sale of Vavenby forest tenure	**-**	-	**56.5**	-
Consideration paid for acquisition of Vida, net of cash acquired	**-**	-	**-**	(562.3)
Vida consideration holdback	**-**	-	**-**	(9.7)
Phased acquisition of Elliott, net of cash acquired	**-**	(4.1)	**(46.3)**	(56.1)
Term loan to Elliott	**-**	-	**-**	(7.7)
Other, net	**(1.6)**	1.4	**3.1**	(6.0)
	(95.5)	(72.4)	**(246.9)**	(944.6)
Foreign exchange gain (loss) on cash and cash equivalents	**(5.9)**	0.6	**(4.6)**	1.4
Increase (decrease) in cash and cash equivalents*	**226.7**	(36.2)	**359.1**	(192.6)
Cash and cash equivalents at beginning of period*	**192.5**	96.3	**60.1**	252.7
Cash and cash equivalents at end of period*	**$ 419.2**	$ 60.1	**$ 419.2**	$ 60.1

*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.

1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") include the accounts of Canfor Corporation and its subsidiary entities, hereinafter referred to as "Canfor" or "the Company." Significant subsidiaries include Canfor Southern Pine, Inc. ("CSP"), which is 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 December 31, 2020.

These financial statements do not include all of the disclosures required by International Financial Reporting Standards ("IFRS") for interim or annual financial statements. Additional disclosures relevant to the understanding of these financial statements, including the accounting policies applied, can be found in the Company's Annual Report for the year ended December 31, 2020, available at www.canfor.com or www.sedar.com.

Certain comparative amounts for the prior period have been reclassified to conform to the current period's presentation.

These financial statements were authorized for issue by the Company's Board of Directors on February 24, 2021.

2. Seasonality of Operations

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

3. Inventories

(millions of Canadian dollars, unaudited)		**As at December 31, 2020**		As at December 31, 2019
Logs	**$**	**224.5**	$	185.5
Finished products		**458.2**		452.6
Residual fibre		**61.2**		38.7
Materials and supplies		**123.6**		127.1
	$	**867.5**	$	803.9

The above inventory balances are stated at the lower of cost and net realizable value. For the three months ended December 31, 2020, no inventory valuation adjustment was recognized for the lumber segment (twelve months ended December 31, 2020 – net write-down recovery of $17.6 million). No provision for logs and lumber remains at December 31, 2020 (December 31, 2019 – provision of $17.6 million, net of a specific provision of $10.5 million).

For the three months ended December 31, 2020, a $3.0 million inventory write-down recovery was recognized for the pulp and paper segment (twelve months ended December 31, 2020 – net write-down recovery of $8.5 million), resulting in an inventory provision for pulp logs, finished products and raw materials of $2.2 million at December 31, 2020 (December 31, 2019 – provision of $10.7 million).

4. Long-Term Investments and Other

(millions of Canadian dollars, unaudited)		**As at December 31, 2020**		As at December 31, 2019
Investment in Elliott	**$**	**-**	$	78.1
Other investments		**18.0**		11.4
Duty deposits recoverable, net (Note 11)		**199.9**		37.4
Other deposits, loans, advances and long-term assets		**50.5**		46.8
	$	**268.4**	$	173.7

The 'Duty deposits recoverable, net' balance represents US-dollar countervailing duties ("CVD") and anti-dumping duties ("ADD") and duty cash deposits paid in excess of the calculated expense accrued at December 31, 2020, including interest receivable of $20.0 million (December 31, 2019 - $5.0 million), as well as a $138.9 million (US$106.6 million) receivable recognized in the fourth quarter of 2020 upon finalization of the CVD and ADD rates applicable to the first period of review (Note 11).

5. Operating Loans and Term Debt

(a) Available Operating Loans

(millions of Canadian dollars, unaudited)		**As at December 31, 2020**		As at December 31, 2019
Canfor (excluding Vida and CPPI)				
Available operating loans:				
Operating loan facility	**$**	**550.0**	$	550.0
Revolving credit facility		**200.0**		100.0
Facilities for letters of credit		**70.0**		70.0
Total operating loan facilities		**820.0**		720.0
Operating loan facility drawn		**-**		(350.0)
Letters of credit		**(67.2)**		(65.2)
Total available operating loan facilities - Canfor	**$**	**752.8**	$	304.8
Vida				
Available operating loans:				
Operating loan facilities	**$**	**78.8**	$	71.0
Overdraft facilities		**22.2**		21.5
Total operating loan facilities		**101.0**		92.5
Operating loan facilities drawn		**(0.3)**		(0.2)
Overdraft facilities drawn		**(12.0)**		(17.8)
Total available operating loan facilities - Vida	**$**	**88.7**	$	74.5
CPPI				
Available operating loans:				
Operating loan facility	**$**	**110.0**	$	110.0
Letters of credit		**(12.9)**		(13.2)
Operating loan facility drawn		**-**		(14.0)
Total available operating loan facility - CPPI	**$**	**97.1**	$	82.8
Consolidated:				
Total operating loan facilities	**$**	**1,031.0**	$	922.5
Total operating loan facilities drawn	**$**	**(12.3)**	$	(382.0)
Total letters of credit	**$**	**(80.1)**	$	(78.4)
Total available operating loan facilities	**$**	**938.6**	$	462.1

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

On June 17, 2020, Canfor (excluding Vida and CPPI) increased the principal of its committed revolving credit facility by $100.0 million to $200.0 million, with a maturity date of June 16, 2021. Terms of the revolving facility are largely consistent with those of Canfor's existing committed operating loan facility.

Canfor (excluding Vida and CPPI) has a separate facility to cover letters of credit. At December 31, 2020, $64.8 million of letters of credit outstanding are covered under this facility with the balance of $2.4 million covered under Canfor's committed operating loan facility.

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates ranging from 1.0% to 1.3%. Vida also has separate overdraft facilities with fixed interest rates ranging from 1.7% to 4.7%.

The terms of CPPI'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 lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar LIBOR rate, plus a margin.

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 December 31, 2020, Canfor, Vida and CPPI were fully in compliance with all covenants relating to their operating loan facilities. Substantially all borrowings of Vida and CPPI are non-recourse to other entities within the Company.

(b) Term Debt

(millions of Canadian dollars, unaudited)		**As at December 31, 2020**		As at December 31, 2019
Canfor (excluding Vida and CPPI)				
CAD$225.0 million, floating interest, repayable January 2, 2024	**$**	**225.0**	$	225.0
US$200.0 million floating interest, repayable January 2, 2027		**254.7**		259.7
US$100.0 million, fixed interest of 4.4%, repayable in three equal tranches on October 2, 2023, 2024 and 2025		**127.3**		129.9
Other[1]		**5.0**		9.9
Vida				
SEK 79.5 million, floating interest, repayable in instalments up to December 31, 2021[2]	**$**	**12.4**	$	10.4
SEK 8.0 million, floating interest, repayable April 30, 2022		**1.2**		2.0
SEK 1.9 million, floating interest, repayable August 31, 2024		**0.3**		0.3
SEK 2.3 million, floating interest, repayable April 30, 2022		**0.4**		0.5
AUD 3.5 million, floating interest, with no fixed maturity date		**0.5**		7.0
CPPI				
CAD $50.0 million, floating interest, repayable September 30, 2022		**50.0**		50.0
Term debt at end of year	**$**	**676.8**	$	694.7
Less: Current portion		**(13.9)**		(13.0)
Long-term portion	**$**	**662.9**	$	681.7

[1] Amount relates to net financing for specific capital projects at Canfor's US sawmills.
[2] Renewed annually.

Canfor's and CPPI's term debt (excluding Vida) is unsecured. Vida's term debt is secured by its property, plant and equipment. Canfor's and CPPI's borrowings (excluding Vida) are subject to certain financial covenants, including a maximum debt to total capitalization ratio. Vida's borrowings are subject to certain financial covenants, including minimum equity and interest coverage ratios. As at December 31, 2020, Canfor, Vida and CPPI were fully in compliance with all covenants relating to their term debt.

6. Assets Held for Sale

During the second quarter of 2020, the Company announced its plans to permanently close its Isle Pierre sawmill effective July 2020. As a result of the announced closure, the assets were assessed for impairment in the second quarter of 2020 in accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, resulting in the recognition of a $5.4 million loss (before tax) recognized as a component of 'Restructuring, mill closure and severance costs, net.' During the third quarter of 2020, the related assets and liabilities of $2.2 million and $0.8 million, respectively, were reclassified to held for sale, with no further impairment adjustment required.

During the fourth quarter of 2020, the Company completed the sale of its idled PolarBoard Oriented Strand Board ("OSB") plant and its permanently closed Tackama plywood plant to Peak Renewables ("Peak") for proceeds of $10.0 million (paid in instalments over two years). Also during the fourth quarter of 2020, the Company entered into an agreement to sell its Fort Nelson forest tenure to Peak for $30.0 million (to be paid over multiple years). The sale is currently anticipated to close in the first half of 2021 and is subject to customary closing conditions, including the consent of the Minister of Forests, Lands and Natural Resource Operations and Rural Development ("Minister of Forests").

7. Financial Instruments

Canfor's cash and cash equivalents, trade and other accounts receivables, certain long-term investments and advances, accounts payable and accrued liabilities, other liabilities, operating loans, and term debt are classified as measured at amortized cost in accordance with IFRS 9, *Financial Instruments* ("IFRS 9"). The carrying amounts of these financial instruments, excluding term debt, approximate fair value at December 31, 2020 and December 31, 2019.

Derivative instruments, investments in debt and equity securities (excluding associates accounted for under the equity method) and net duty deposits recoverable are classified as measured at fair value through net income. The Company's put liability is measured initially at fair value with subsequent net gains and losses recognized in 'Other Equity.' IFRS 13, *Fair Value Measurement,* requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

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

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

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

There were no transfers between fair value hierarchy levels in 2020 or 2019.

The following table summarizes Canfor's financial instruments measured at fair value at December 31, 2020 and December 31, 2019, and shows the level within the fair value hierarchy in which they have been classified:

(millions of Canadian dollars, unaudited)	Fair Value Hierarchy Level		**As at December 31, 2020**		As at December 31, 2019
Financial assets measured at fair value					
Investments	Level 1	**$**	**17.3**	$	10.7
Derivative financial instruments	Level 2		**1.1**		0.3
Duty deposits recoverable, net (Notes 4 and 11)	Level 3		**199.9**		37.4
		$	**218.3**	$	48.4
Financial liabilities measured at fair value					
Derivative financial instruments	Level 2	**$**	**0.3**	$	-
Put liability	Level 3		**170.0**		111.9
		$	**170.3**	$	111.9

Canfor invests in equity and debt securities, which are traded in an active market and valued using closing prices on the measurement date with any gains or losses recognized through net income (loss).

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

At December 31, 2020, the fair value of derivative financial instruments includes an asset of $1.1 million and a liability of $0.3 million (December 31, 2019 – asset of $0.3 million and a liability of nil), which is included in 'Accounts receivable – Other' and 'Accounts payable and accrued liabilities,' respectively, on the Company's condensed consolidated balance sheet. The fair value of these financial instruments was determined based on prevailing market rates for instruments with similar characteristics.

The following table summarizes the gains (losses) on derivative financial instruments recognized in the condensed consolidated statement of income (loss) for the years ended December 31, 2020 and December 31, 2019:

(millions of Canadian dollars, unaudited)	3 months ended December 31,				12 months ended December 31,			
		2020		2019		**2020**		2019
Interest rate swaps	**$**	**-**	$	-	**$**	**(0.4)**	$	-
Lumber futures		**(0.8)**		0.4		**(7.0)**		5.7
Foreign exchange forward contracts		**5.1**		(0.9)		**3.3**		(32.1)
Gain (loss) on derivative financial instruments	**$**	**4.3**	$	(0.5)	**$**	**(4.1)**	$	(26.4)

At December 31, 2020, the fair value of duty deposits recoverable is a net asset of $199.9 million. The Company's net duty deposits recoverable balance is recognized on the Company's condensed consolidated balance sheet in 'Long-term investments and other' (Note 4) and is adjusted to fair value through the recognition of interest in 'Finance expense, net' on the condensed consolidated statement of income (loss).

During the three and twelve months ended December 31, 2020, losses of $35.3 million and $44.6 million, respectively, were recognized in 'Other Equity' on the Company's condensed consolidated balance sheet following remeasurement of the put liability, largely reflecting a material increase in Vida's operating results in 2020 (three and twelve months ended December 31, 2019 – gain of $3.9 million).

8. Earnings (Loss) Per Common Share

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

	3 months ended December 31,		12 months ended December 31,	
	2020	2019	**2020**	2019
Weighted average number of common shares	**125,219,400**	125,219,400	**125,219,400**	125,219,400

As at December 31, 2020 and February 24, 2021 there were 125,219,400 common shares of the Company outstanding and Canfor's ownership interest in CPPI and Vida was 54.8% and 70.0%, respectively.

9. Net Change in Non-Cash Working Capital

	3 months ended December 31,		12 months ended December 31,	
(millions of Canadian dollars, unaudited)	**2020**	2019	**2020**	2019
Accounts receivable	**$ (16.7)**	$ 58.0	**$ (93.6)**	$ 65.3
Inventories	**(118.2)**	9.8	**(23.2)**	144.3
Prepaid expenses and other	**4.3**	14.5	**(5.1)**	1.3
Accounts payable and accrued liabilities, current portion of deferred reforestation obligations and other current liability	**109.4**	(9.0)	**155.5**	(96.5)
Net change in non-cash working capital	**$ (21.2)**	$ 73.3	**$ 33.6**	$ 114.4

10. 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.

The Company's panels business does not meet the criteria to be reported fully as a separate segment and is included in 'Unallocated & Other' below.

(millions of Canadian dollars, unaudited)	Lumber	Pulp & Paper	Unallocated & Other	Elimination Adjustment	Consolidated
3 months ended December 31, 2020					
Sales from contracts with customers	**$ 1,380.2**	**$ 237.8**	**$ -**	**$ -**	**$ 1,618.0**
Sales to other segments	**38.4**	**-**	**-**	**(38.4)**	**-**
Operating income (loss)	**461.0**	**(28.3)**	**(13.1)**	**-**	**419.6**
Amortization	**78.0**	**22.1**	**0.3**	**-**	**100.4**
Capital expenditures[3]	**58.1**	**34.2**	**1.6**	**-**	**93.9**
3 months ended December 31, 2019					
Sales from contracts with customers	$ 857.8	$ 247.4	$ -	$ -	$ 1,105.2
Sales to other segments	55.1	0.1	-	(55.2)	-
Operating loss	(27.5)	(23.5)	(8.6)	-	(59.6)
Amortization	71.2	23.6	0.4	-	95.2
Capital expenditures[3]	43.2	27.1	(0.6)	-	69.7

(millions of Canadian dollars, unaudited)	Lumber	Pulp & Paper	Unallocated & Other	Elimination Adjustment	Consolidated
12 months ended December 31, 2020					
Sales from contracts with customers	**$ 4,464.1**	**$ 990.3**	**$ -**	**$ -**	**$ 5,454.4**
Sales to other segments	**193.9**	**0.2**	**-**	**(194.1)**	**-**
Operating income (loss)	**816.0**	**(56.1)**	**(32.6)**	**-**	**727.3**
Amortization	**297.5**	**82.2**	**1.2**	**-**	**380.9**
Capital expenditures[3]	**125.4**	**73.3**	**2.8**	**-**	**201.5**
Identifiable assets	**3,542.4**	**887.5**	**678.9**	**-**	**5,108.8**
12 months ended December 31, 2019					
Sales from contracts with customers	$ 3,570.6	$ 1,087.7	$ -	$ -	$ 4,658.3
Sales to other segments	228.3	0.2	-	(228.5)	-
Operating loss	(227.4)	(31.0)	(35.9)	-	(294.3)
Amortization	268.3	92.9	1.0	-	362.2
Capital expenditures[3]	198.2	103.0	1.6	-	302.8
Identifiable assets	3,373.3	884.7	269.0	-	4,527.0

[3] Capital expenditures represent cash paid for capital assets during the periods, excluding assets purchased as part of the acquisition of Bergs Timber Production AB ("Bergs") sawmill assets and second phase acquisition of Elliott Sawmilling Co., LLC ("Elliott") in 2020, as well as the acquisition of Vida in 2019. Pulp & Paper includes capital expenditures by CPPI that were partially financed by government grants.

Geographic information

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

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2020**		2019		12 months ended December 31, **2020**		2019	
Sales by location of customer								
Canada	**10%**	**$ 157.4**	10%	$ 116.5	**10%**	**$ 525.2**	10%	$ 478.2
United States	**58%**	**935.8**	50%	548.5	**56%**	**3,055.6**	49%	2,294.5
Europe	**14%**	**225.9**	16%	176.4	**14%**	**780.5**	14%	665.8
Asia	**17%**	**283.0**	22%	241.7	**18%**	**979.2**	24%	1,097.9
Other	**1%**	**15.9**	2%	22.1	**2%**	**113.9**	3%	121.9
	100%	**$ 1,618.0**	100%	$ 1,105.2	**100%**	**$ 5,454.4**	100%	$ 4,658.3

11. 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, with cash deposits posted at an ADD rate of 7.28% and CVD rate of 13.24%, resulting in a combined cash deposit rate of 20.52% from 2017 to November 2020, and at a combined cash deposit rate of 4.62% for the balance of 2020.

Canfor and other Canadian forest product companies, the Federal Government and Canadian Provincial Governments continue to categorically deny the US allegations and strongly disagree with the current countervailing and anti-dumping determinations made by the DOC. Canada has proceeded with legal challenges under the United States-Mexico-Canada Agreement and through the World Trade Organization, where Canadian litigation has proven successful in the past.

First Period of Review ("POR1")

Despite cash deposits being made at rates determined by the DOC in 2017 (20.52%), the final liability associated with duties is not determined until the completion of administrative reviews performed by the DOC. For the CVD rate, the first period of review was based on sales and cost data through 2017 and 2018, while the ADD rate was based off data from July 2017 to December 2018. For the first period of review, the Company accrued the ADD expense at an estimated rate of 2.6% and recorded the CVD expense at the DOC's cash deposit rate of 13.24% (combined rate of 15.84%).

In early 2020, the DOC announced the preliminary results for the first period of review and on November 24, 2020, finalized the rates. The Company's final CVD rate was determined to be 2.94% for 2017 and 2.63% for 2018 (versus a cash deposit rate of 13.24%), while the final ADD rate was 1.99% for the entire first period of review (versus a cash deposit rate of 7.28% and estimated accrual rate of 2.6%). The DOC's final combined duty and cash deposit rate of 4.62% will apply to the Company's Canadian lumber shipments destined to the United States from December 1, 2020 until completion of the administrative review for the second period of review (anticipated in 2021).

A summary of the various combined rates is as follows:

Time Period	Deposit Rate	Accrued Rate	Final DOC Rate	Description
April 2017 – December 2018	20.52%	15.84%	4.62%	POR1
January 2019 – December 2019	20.52%	29.24%	Anticipated in 2021	POR2
January 2020 – November 30, 2020	20.52%	5.0%[4]	Anticipated in 2022	POR3
December 2020	4.62%		Anticipated in 2022	New POR1 deposit rate applicable to POR3

[4] Includes Canfor's estimated ADD accrual rate determined by applying DOC methodology to current sales and cost data.

For the Company, the difference between the combined cash deposit rate of 20.52% and the DOC's final combined rate of 4.62% for POR1 is $214.2 million (US$165.0 million). After deducting the recovery booked for accounting purposes for POR1 (accrual rate of 15.84%, comprised of the CVD cash deposit rate of 13.24% and estimated ADD accrual rate of 2.6%), an additional recovery of $140.5 million (US$106.6 million) was recognized in the Company's condensed consolidated statement of income (loss) for the three and twelve months ended December 31, 2020 and a corresponding net receivable, included in 'Long-term investments and other' (Note 4) on the Company's condensed consolidated balance sheet as at December 31, 2020.

Despite the finalization of the rates for POR1, no cash duties will be refunded to the Company until the litigation regarding the imposition of CVD and ADD has been settled.

Second and Third Periods of Review ("POR2" and "POR3")

The second period of review is based on sales and cost data in 2019. While the Company was unable to estimate an applicable CVD rate separate from the cash deposit rate for 2019, ADD was expensed at an estimated rate of 16.0%, resulting in a combined rate of 29.24% (versus the cash deposit rate of 20.52%). In the second quarter of 2020, Canfor was selected as a "mandatory respondent" to the CVD and ADD investigations for the second period of review and will therefore be subject to company specific duties for this period. The administrative review for the second period of review is currently anticipated to be completed in 2021.

On January 1, 2020, the Company moved into the third period of review, which is based on sales and cost data in 2020. Consistent with POR2, while the Company was unable to estimate an applicable CVD rate separate from the cash deposit rate, ADD was expensed at an estimated rate of 5.0% for POR3, resulting in a combined CVD and ADD rate of 18.24% (versus the cash deposit rate of 20.52% from January 1 to November 30, 2020 and 4.62% for December 2020). The estimated ADD accrual rate for POR3 as at December 31, 2020 was unchanged from September 30, 2020, and resulted in an ADD recovery of $1.5 million recognized in the three months ended December 31, 2020.

Summary

As at December 31, 2020, Canfor has paid cumulative cash deposits of $594.0 million. For accounting purposes, a net duty recoverable of $199.9 million is included on the Company's condensed consolidated balance sheet (Note 4) reflecting differences between the cash deposit rates and the Company's combined accrual rates for each period of review (POR1: 4.62% (after adjusting for the final rate issued by the DOC in November 2020), POR2: 29.24%, and POR3: 18.24%), including interest.

For the twelve months ended December 31, 2020, the Company recorded a net duty expense of $18.8 million (three months ended December 31, 2020 – net duty recovery of $95.5 million), comprised of cash deposits paid of $172.6 million (three months ended December 31, 2020 - $46.5 million), the aforementioned recovery related to the finalization of rates for POR1, and net additional recovery of $13.3 million (three months ended December 31, 2020 – $1.5 million):

Effective duties (millions of Canadian dollars, unaudited)		**2020**
Cash deposits paid in 2020 (Jan 1 - Nov 30: 20.52%, Dec: 4.62%)	**$**	**172.6**
Duty recovery attributable to POR3 – ADD (5.0% versus cash deposit rate[5])[6]		**(13.3)**
Duty recovery attributable to POR1 (2017) – CVD (2.94% versus 13.24%)[7] and ADD (1.99% versus 2.6%)[8]		**(31.0)**
Duty recovery attributable to POR1 (2018) – CVD (2.63% versus 13.24%)[7] and ADD (1.99% versus 2.6%)[8]		**(109.5)**
Duty expense, net	**$**	**18.8**

[5] ADD cash deposit rate of 7.28% applicable from January - November 30, 2020 and of 1.99% for December 2020.

[6] Reflects Canfor's estimated ADD accrual rate for POR3 determined by applying DOC methodology to sales and cost data in 2020.

[7] Reflects the DOC's initial CVD cash deposit rate of 13.24% (versus the DOC's final CVD rate of 2.94% for 2017 and 2.63% for 2018) determined by applying the DOC methodology to sales and cost data for 2017 and 2018.

[8] Reflects Canfor's estimated ADD accrual rate of 2.6% for POR1 (versus the DOC's final ADD cash deposit rate of 1.99%) determined by applying DOC methodology to sales and cost data from July 2017 to December 2018.

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 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 statement of income (loss).

12. Commitments and Contingencies

(a) Coronavirus Outbreak

On March 11, 2020, the World Health Organization declared the coronavirus ("COVID-19") outbreak a pandemic. As an essential service, the Company has continued to operate, albeit with some minor disruptions, increased safety protocols and additional cleaning and sanitizing activities. The Company continues to closely monitor the impacts of COVID-19, however, and should the duration, spread or intensity of the pandemic further develop, the supply chain, market pricing and customer demand could be further affected, impacting the Company's operating plan, liquidity, cash flows, and the valuation of its long-lived assets.

(b) Insurance Proceeds

During the three months ended December 31, 2020, CPPI received insurance proceeds of $17.7 million related to Northwood pulp mill's number five recovery boiler ("RB5") outage in 2018, included as a component of 'Other income (expense), net' on the condensed consolidated statement of income (loss) (twelve months ended December 31, 2020 – $32.8 million).

Subsequent to December 31, 2020, CPPI received additional insurance proceeds of $8.3 million related to the RB5 outage in 2018. These proceeds will be recognized in the condensed consolidated statement of income (loss) for the three months ending March 31, 2021.

13. Subsequent Event

Subsequent to year-end, on February 19, 2021, the Company paid $38.2 million (US$30.3 million, the third and final instalment), plus interest of $0.2 million (US$0.1 million), to settle the remaining consideration payable in connection with the purchase of Elliott.