News Release

Canfor Pulp Products Inc.

FOR IMMEDIATE RELEASE

CANFOR PULP PRODUCTS INC. ANNOUNCES FIRST QUARTER 2017 RESULTS AND QUARTERLY DIVIDEND

April 25, 2017- Vancouver, B.C. - Canfor Pulp Products Inc. ("CPPI") (TSX: CFX) today reported net income of $24.1 million, or $0.36 per share, for the first quarter of 2017, compared to $10.1 million, or $0.15 per share, for the fourth quarter of 2016 and $23.1 million, or $0.34 per share, for the first quarter of 2016.

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

(millions of Canadian dollars, except per share amounts)	**Q1 2017**	Q4 2016	Q1 2016
Sales	**$ 309.2**	$ 257.8	$ 295.3
Operating income before amortization	**$ 54.0**	$ 42.1	$ 57.8
Operating income	**$ 35.2**	$ 22.9	$ 39.1
Net income	**$ 24.1**	$ 10.1	$ 23.1
Net income per share, basic and diluted	**$ 0.36**	$ 0.15	$ 0.34

The Company reported operating income of $35.2 million for the first quarter of 2017, up $12.3 million from $22.9 million reported for the fourth quarter of 2016. The improvement in the Company's operating results was primarily attributable to higher pulp shipments during the current quarter, which reflected the strengthening of the global softwood pulp markets, and stronger-than-anticipated customer demand, particularly from Asia.

Northern Bleached Softwood Kraft ("NBSK") pulp average list prices to China, as published by RISI, moved up by US$50 per tonne as a result of successive price increases implemented through the first quarter, however, the Company's overall NBSK pulp unit sales realizations were relatively unchanged from the previous quarter, reflecting shipments of a higher proportion of orders taken in late 2016 and early in 2017, as well as further pressure on customer discounts and a stronger Canadian dollar. Higher Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") unit sales realizations in the first quarter of 2017 reflected a continued improvement in BCTMP demand and prices in the current quarter. Energy revenues were up in the current quarter reflecting slightly higher energy prices combined with seasonally higher power generation.

Pulp shipment and production volumes were up 22% and 4%, respectively, from the previous quarter, with the increase in the former primarily reflecting increased shipments to China and North America, combined with the impact of the delayed vessel to Asia over the year end, and, to a lesser extent, improved productivity. Pulp unit manufacturing costs saw a modest decrease in the current quarter, largely reflecting improved productivity, offset in part by seasonally higher energy consumption.

Operating income in the Company's paper segment at $7.1 million was down $1.0 million from the fourth quarter of 2016, largely reflecting slightly lower paper unit sales realizations in the current quarter, mostly attributable to the stronger Canadian dollar, combined with modest increases in paper unit manufacturing costs, which, for the most part, reflected the timing of spend on maintenance.

Commenting on the Company's first quarter of 2017 results, CPPI's Chief Executive Officer, Don Kayne said, "Despite several weather related challenges early in the quarter, Canfor Pulp delivered another solid financial performance, as the Company benefited from stronger-than-expected global softwood pulp demand as well as productivity gains."

Looking ahead, global softwood markets are projected to remain relatively strong during the second quarter. Reduced capacity over the traditional spring maintenance period may support further price increases in the second quarter of 2017. With the commissioning of new pulp capacity in the latter part of 2017 and into 2018, there is risk of downward pressure on pricing in the second half of this year. For the month of April 2017, the Company announced increases of US$20 per tonne for NBSK pulp list prices to China and North America.

Results in the second quarter of 2017 will reflect the positive impact of recent price gains, particularly in Asia, and scheduled maintenance outages at the Company's Northwood and Taylor pulp mills, with a projected 33,000 tonnes of reduced NBSK pulp and 4,000 tonnes of reduced BCTMP production, respectively, as well as higher associated maintenance costs and lower projected shipment volumes. For the third quarter of 2017, the Company's Intercontinental pulp mill has a maintenance outage scheduled, with a projected 8,000 tonnes of reduced NBSK pulp production.

On April 25, 2017, the Board of Directors declared a quarterly dividend of $0.0625 per share, payable on May 15, 2017 to the shareholders of record on May 8, 2017.

Additional Information and Conference Call

A conference call to discuss the first quarter's financial and operating results will be held on Thursday, April 27, 2017 at 7:30 AM Pacific time. To participate in the call, please dial Toll-Free 888-390-0546. For instant replay access until May 11, 2017, please dial 888-390-0541 and enter participant pass code 426530#. 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/overview.

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.

CPPI is a leading global supplier of pulp and paper products with operations in the central interior of British Columbia ("BC") employing approximately 1,300 people throughout the organization. Canfor Pulp owns and operates three mills in Prince George, BC with a total capacity of 1.1 million tonnes of Premium Reinforcing Northern Bleached Softwood Kraft Pulp and 140,000 tonnes of kraft paper, as well as one mill in Taylor, BC with an annual production capacity of 220,000 tonnes of Bleached Chemi-Thermo Mechanical Pulp ("BCTMP"). Canfor Pulp is the largest North American, and one of the largest global producers of market NBSK pulp. CPPI shares are traded on the Toronto Stock Exchange under the symbol CFX.

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Canfor Pulp Products Inc.
First Quarter 2017
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, 2017 relative to the quarters ended December 31, 2016 and March 31, 2016, and the financial position of the Company at March 31, 2017. It should be read in conjunction with CPPI's unaudited interim consolidated financial statements and accompanying notes for the quarters ended, March 31, 2017 and 2016, as well as the 2016 annual MD&A and the 2016 audited consolidated financial statements and notes thereto, which are included in CPPI's Annual Report for the year ended December 31, 2016 (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 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) 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, 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 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, 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 to Operating Income (Loss) and Adjusted Net Income (Loss) to Net Income (Loss) reported in accordance with IFRS are included in this MD&A. Throughout this discussion reference is made to the current quarter which refers to the results for the first quarter of 2017.

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 25, 2017.

Forward Looking Statements

Certain statements in this MD&A 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 2017 OVERVIEW

Selected Financial Information and Statistics

(millions of Canadian dollars, except per share amounts)	Q1 2017	Q4 2016	Q1 2016
Operating income (loss) by segment:			
Pulp	$ 31.1	$ 18.1	$ 33.0
Paper	$ 7.1	$ 8.1	$ 8.9
Unallocated	$ (3.0)	$ (3.3)	$ (2.8)
Total operating income	$ 35.2	$ 22.9	$ 39.1
Add: Amortization[1]	$ 18.8	$ 19.2	$ 18.7
Total operating income before amortization	$ 54.0	$ 42.1	$ 57.8
Add (deduct):			
Working capital movements	$ (0.2)	$ 3.8	$ (12.8)
Defined benefit pension plan contributions, net	$ (1.5)	$ (2.1)	$ (1.2)
Income taxes paid, net	$ (0.2)	$ (0.8)	$ (11.6)
Other operating cash flows, net	$ (1.4)	$ 4.1	$ (3.9)
Cash from operating activities	$ 50.7	$ 47.1	$ 28.3
Add (deduct):			
Dividends paid	$ (4.2)	$ (4.2)	$ (4.3)
Finance expenses paid	$ (0.7)	$ (1.1)	$ (0.8)
Capital additions, net	$ (16.8)	$ (18.3)	$ (13.1)
Advances to Licella	$ -	$ (3.5)	$ -
Share purchases	$ (2.8)	$ -	$ (5.0)
Other, net	$ 0.2	$ -	$ 0.2
Change in cash / operating loans	$ 26.4	$ 20.0	$ 5.3
Net income	$ 24.1	$ 10.1	$ 23.1
Net income per share (EPS)	$ 0.36	$ 0.15	$ 0.34
ROIC – Consolidated period-to-date[2]	5.3%	2.7%	4.8%
Average exchange rate (US$ per C$1.00)[3]	$ 0.756	$ 0.750	$ 0.728

[1] Amortization includes amortization of certain capitalized major maintenance costs.
[2] Consolidated Return on Invested Capital ("ROIC") is equal to operating income (loss), plus realized gains/losses on derivatives and other income/expense, divided by the average invested capital during the period. Invested capital is equal to capital assets, plus long-term investments and net non-cash working capital.
[3] Source – Bank of Canada (average noon rate for the period).

The Company reported operating income of $35.2 million for the first quarter of 2017, up $12.3 million from $22.9 million reported for the fourth quarter of 2016. The improvement in the Company's operating results was primarily attributable to higher pulp shipments during the current quarter, reflecting the strengthening of the global softwood pulp markets and stronger-than-anticipated customer demand, particularly from Asia, combined with the impact of the slippage of a 14,000 tonne vessel shipment to Asia from December 2016 into January 2017. NBSK pulp average list prices to China, as published by RISI, moved up by US$50 per tonne as a result of successive price increases implemented through the first quarter, however, the Company's overall NBSK pulp unit sales realizations were relatively unchanged from the previous quarter, reflecting shipments of a higher proportion of orders taken in late 2016 and early in 2017, as well as further pressure on customer discounts and a stronger Canadian dollar. Also contributing to the first quarter results were higher pulp and paper productivity, increased energy revenues and lower fibre costs, partially offset by higher energy consumption by the pulp segment during the current quarter.

Compared to the first quarter of 2016, operating income was down $3.9 million as increased pulp and paper unit manufacturing costs, in part reflecting extreme weather conditions early in the current quarter, more than offset increased pulp shipment volumes and higher energy revenue. Average NBSK pulp unit sales realizations were broadly in line with the same quarter of 2016, reflecting the impact of a 4% stronger Canadian dollar, the timing of shipments (versus orders), and increased customer discounts, all of which offset higher US-dollar list prices to China.

OPERATING RESULTS BY BUSINESS SEGMENT

Pulp

Selected Financial Information and Statistics – Pulp

(millions of Canadian dollars, unless otherwise noted)	Q1 2017	Q4 2016	Q1 2016
Sales	**$ 267.4**	$ 215.9	$ 249.8
Operating income before amortization[4]	**$ 49.0**	$ 36.2	$ 50.7
Operating income	**$ 31.1**	$ 18.1	$ 33.0
Average NBSK pulp price delivered to China –US$[5]	**$ 645**	$ 595	$ 590
Average NBSK pulp price delivered to China – Cdn$[5]	**$ 853**	$ 794	$ 810
Production – pulp (000 mt)	**317.1**	304.0	321.8
Shipments – pulp (000 mt)	**337.1**	275.4	319.1

[4] Amortization includes amortization of certain capitalized major maintenance costs.
[5] Per tonne, NBSK pulp list price delivered to China (as published by Resource Information Systems, Inc.); Average NBSK pulp price delivered to China in Cdn$ calculated as average NBSK pulp price delivered to China – US$ multiplied by the average exchange rate – Cdn$ per US$1.00 according to Bank of Canada average noon rate for the period.

Overview

Operating income for the pulp segment was $31.1 million for the first quarter of 2017, up $13.0 million from the fourth quarter of 2016 and down $1.9 million from the first quarter of 2016.

The improvement in the pulp segment results from the fourth quarter of 2016, primarily reflected a significant increase in pulp shipments driven by the strengthening China and North American markets combined with the impact of the vessel slippage from December 2016 into January 2017. Also contributing to improved pulp segment results in the first quarter of 2017, were improvements in NBSK pulp productivity, higher energy revenues combined with moderately lower fibre costs. In addition, certain Scientific Research and Experimental Development ("SR&ED") tax credits were recognized in the current quarter. As highlighted above, average NBSK pulp unit sales realizations remained broadly in line with the previous quarter.

Compared to the first quarter of 2016, the decrease in pulp segment results reflected a 4% stronger Canadian dollar, an increase in customer discounts and the impact of the timing of shipments (versus orders) on average NBSK pulp sales realizations in the current quarter, partially offset by moderately higher shipments, primarily to China. Energy revenues were up quarter-over-quarter and pulp production was broadly in line with the first quarter of 2016. Pulp unit manufacturing costs were moderately higher when compared to the first quarter of 2016, primarily due to increases in energy costs, as a result of the aforementioned extreme weather conditions early in the quarter, which more than offset the benefits of lower fibre costs.

Markets

Global softwood pulp markets strengthened through the first quarter of 2017 reflecting higher demand, primarily from China, North America and other Asian countries. Pulp softwood inventories as at the end of February 2017, were in the balanced range at 30 days of supply, a decrease of 2 days from December 2016[6], and in line with inventory levels from March 2016. Market conditions are generally considered balanced when inventories are in the 27-30 days of supply range.

Global shipments of bleached softwood pulp increased by 7.3%, for the first two months of 2017 when compared to the first two months of 2016, driven primarily by increased shipments to China and other Asian countries[7].

[6] 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").
[7] As reported PPPC statistics.

Sales

The Company's pulp shipments for the first quarter of 2017 were 337,100 tonnes, up 61,700 tonnes, or 22%, from the previous quarter and up 18,000 tonnes, or 6%, from the first quarter of 2016. When compared to the previous quarter, higher NBSK pulp shipments reflected increased shipments to China and North America, combined with the impact of the slippage of a 14,000 tonne vessel shipment to Asia from December 2016 into January 2017. Compared to the first quarter of 2016, the moderate increase in NBSK pulp shipments was mostly attributable to the vessel slippage into the current quarter.

The average China US-dollar NBSK pulp list price of US$645 per tonne, as published by RISI, was up US$50 per tonne, or 8%, from the fourth quarter of 2016, as a result of successive price increases throughout the quarter. Average NBSK pulp unit sales realizations were broadly in line with the previous quarter, reflecting the impact of a higher proportion of shipments in the period relating to orders taken late in 2016 and early 2017, which included 14,000 tonnes related to the aforementioned vessel slippage into January. This was combined with further pressure on customer discounts and a 1 cent or 1% stronger Canadian dollar. BCTMP markets continued to improve in the first quarter of 2017 when compared to the fourth quarter of 2016, positively impacting average BCTMP unit sales realizations.

Compared to the first quarter of 2016, the average China US-dollar NBSK pulp list price was up US$55 per tonne, or 9%. As highlighted above, the Company's average NBSK pulp unit sales realizations were broadly in line with the first quarter of 2016, reflecting a 3 cent or 4% strengthening of the Canadian dollar combined with the impact of the timing of shipments (versus orders) and increases in customer discounts, all of which offset the higher market prices to China. BCTMP unit sales realizations significantly increased when compared to the first quarter of 2016 reflecting the growth in BCTMP market demands when compared to the same period of 2016.

Energy revenues were up in the first quarter of 2017 when compared to the previous quarter, reflecting slightly higher energy prices combined with higher power generation. Compared to the first quarter of 2016, energy revenues were also up, principally due to increased power generation in the current quarter.

Operations

Pulp production in the first quarter of 2017 at 317,100 tonnes was up 13,100 tonnes, or 4%, from the fourth quarter of 2016 and broadly in line with the first quarter of 2016. The modest increase in pulp production when compared to the previous quarter, was principally as a result of improved operating rates for NBSK pulp. BCTMP production made up approximately 18% of the Company's total pulp production in the first quarter of 2017, which was consistent with the fourth quarter of 2016.

Pulp unit manufacturing costs saw a modest decrease when compared to the previous quarter, largely reflecting improved productivity and lower fibre costs, which were offset in part, by higher energy costs, driven by increased consumption during the current quarter. Fibre costs were moderately lower compared to the previous quarter, reflecting seasonal pricing adjustments combined with lower delivered freight costs and lower whole log chip costs, despite the increase in the proportion of whole log chips purchased in the current quarter.

Pulp unit manufacturing costs saw a moderate increase when compared with the first quarter of 2016 as lower fibre costs were more than offset by substantially higher energy costs, driven by market-related energy price increases combined with weather-related increased consumption levels during the current quarter, as well as, higher chemical prices and usage (the latter largely weather related), and increased maintenance spend when compared to the first quarter of 2016. Fibre costs were moderately down compared to the first quarter of 2016, reflecting a decline in chip prices resulting from the adverse weather early in the current quarter.

Paper

Selected Financial Information and Statistics – Paper

(millions of Canadian dollars, unless otherwise noted)	Q1 2017	Q4 2016	Q1 2016
Sales	**$ 41.6**	$ 41.8	$ 45.2
Operating income before amortization[8]	**$ 8.0**	$ 9.1	$ 9.9
Operating income	**$ 7.1**	$ 8.1	$ 8.9
Production – paper (000 mt)	**34.6**	36.0	35.3
Shipments – paper (000 mt)	**33.7**	33.6	34.9

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

Overview

Operating income for the paper segment at $7.1 million for the first quarter of 2017 was down $1.0 million from the fourth quarter of 2016 and down $1.8 million when compared with the first quarter of 2016.

The decline in operating income compared to the previous quarter principally reflected slightly lower paper unit sales realizations in the current quarter due to the stronger Canadian dollar combined with modest increases in paper unit manufacturing costs, largely due to the timing of spend on maintenance. Similarly, when compared to the first quarter of 2016, the stronger Canadian dollar and higher planned maintenance spend offset lower market-driven slush pulp costs in the current quarter.

Markets

Global kraft paper markets were relatively strong through the first quarter of 2017. North American markets saw some positive momentum as customers restocked their inventory after a slower fourth quarter of 2016, while demand in Asia was in line with the previous quarter.

Sales

The Company's paper shipments in the first quarter of 2017 of 33,700 tonnes, was broadly in line with the fourth quarter of 2016 and the first quarter of 2016. Prime bleached paper shipments, which attract higher prices, were in line with the fourth quarter of 2016 and represented approximately 5% more of total paper shipments when compared to first quarter in 2016.

Paper unit sales realizations in the first quarter of 2017 were down slightly from the previous quarter reflecting a higher value regional mix, which was more than offset by the 1% stronger Canadian dollar. Compared to the same quarter of 2016, paper unit sales realizations were moderately lower, as the change in the sales mix was more than offset by the 4% stronger Canadian dollar.

Operations

Paper production for the first quarter of 2017 at 34,600 tonnes was relatively consistent with both comparative periods.

Paper unit manufacturing costs saw modest increases when compared to the fourth quarter of 2016, primarily driven by the timing of spend on maintenance and higher operating expenses in the current quarter. Compared to the first quarter of 2016, paper unit manufacturing costs were slightly higher, principally reflecting the timing of spend on maintenance in the current quarter.

Unallocated Items

Selected Financial Information

(millions of Canadian dollars)		Q1 2017		Q4 2016		Q1 2016
Corporate costs	**$**	**(3.0)**	$	(3.3)	$	(2.8)
Finance expense, net	**$**	**(1.8)**	$	(1.9)	$	(1.6)
Other expense, net	**$**	**(1.0)**	$	(5.1)	$	(6.6)

Corporate costs at $3.0 million for the first quarter of 2017 were down from the fourth quarter of 2016 and were up when compared with the first quarter of 2016. The decrease from the previous quarter was primarily due to declines in corporate, head office and general and administrative expenses. The increase when compared to the first quarter of 2016 primarily related to the recognition of carbon offset credits in the comparative quarter.

Net finance expense for the first quarter of 2017 at $1.8 million was broadly in line with the previous quarter and was $0.2 million higher than the first quarter of 2016. The increase primarily related to higher interest expense associated with the Company's employee future benefit plans and letter of credit fees.

Other expenses of $1.0 million in the first quarter of 2017 principally related to unfavourable foreign exchange movements on US-dollar denominated working capital balances.

Other Comprehensive Income (Loss)

In the first quarter of 2017, there were no changes in the discount rate or rate of return on assets used to value the Company's employee future benefit plans as compared to an after-tax gain of $2.5 million in the previous quarter and an after-tax loss of $3.5 million in the first quarter of 2016. During the fourth quarter of 2016, the Company purchased $33.7 million of annuities through its defined benefit plans in order to mitigate its exposure to the future volatility fluctuations in the related pension obligations. At purchase of these annuities, transaction costs of $3.6 million were recognized in Other Comprehensive Income principally reflecting the difference in the annuity rate (which is comparable to solvency rates) as compared to the discount rate used to value the pension obligations on a going concern basis. A further $18.0 million of annuities were purchased on April 13, 2017, increasing total annuities purchased by the Company to $57.8 million representing approximately 39% of defined benefit pension plan liabilities.

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 2017		Q4 2016		Q1 2016
Increase (decrease) in cash and cash equivalents	**$**	**26.4**	$	20.0	$	5.3
Operating activities	**$**	**50.7**	$	47.1	$	28.3
Financing activities	**$**	**(7.7)**	$	(5.3)	$	(10.1)
Investing activities	**$**	**(16.6)**	$	(21.8)	$	(12.9)
Ratio of current assets to current liabilities		**2.5 : 1**		2.5 : 1		2.4 : 1
Net debt to capitalization		**(6.0)%**		(0.4)%		5.3%
ROIC – Consolidated period-to-date		**5.3%**		2.7%		4.8%

Changes in Financial Position

Cash generated from operating activities was $50.7 million in the first quarter of 2017, up $3.6 million from the previous quarter and up $22.4 million from the first quarter of 2016. The increase in operating cash flows compared to the immediately preceding quarter reflected higher cash earnings offset in part by unfavourable movements in non-cash working capital balances, as a result of a reduction in accounts receivable balances in late 2016. Compared to the first quarter of 2016, the increase in operating cash flows largely reflected the drawdown of finished pulp inventories in the current quarter as shipments exceeded production, and higher income tax payments in the first quarter of 2016.

Cash used for financing activities was $7.7 million in the first quarter of 2017, up $2.4 million from the previous quarter and down $2.4 million from the first quarter of 2016. Cash used for financing activities in the current quarter included the Company's quarterly dividend resulting in a payment of $4.2 million ($0.0625 per share) as well $2.8 million for shares purchased under the Company's normal course issuer bid. This compared to $5.0 million paid for shares purchased in the first quarter of 2016. No shares were repurchased in the fourth quarter of 2016 (see further discussion of the shares purchased under the normal course issuer bid in the following "Liquidity and Financial Requirements" section). Interest paid in the quarter of $0.7 million was $0.4 million lower than the previous quarter and consistent with the first quarter of 2016.

Cash used for investing activities of $16.6 million in the current quarter primarily related to capital expenditures associated with various energy, maintenance of business and capital improvement projects.

Liquidity and Financial Requirements

At March 31, 2017, the Company had a $110.0 million unsecured operating loan facility which was unused, except for $9.0 million reserved for several standby letters of credit, leaving $101.0 million available and undrawn on the operating facility.

CPPI has $50.0 million of floating interest rate term debt.

The Company remained in compliance with the covenants relating to its operating loans and long-term debt during the quarter, and expects to remain so for the foreseeable future.

On March 7, 2017, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 3,332,038 common shares or approximately 5% of its issued and outstanding common shares as of March 1, 2017. The renewed normal course issuer bid is set to expire on March 6, 2018. During the first quarter of 2017, CPPI purchased 264,203 common shares for $3.0 million (an average of $11.35 per common share), of which $2.8 million was paid in the period, with the balance paid in early April. As at April 25, 2017, Canfor's ownership interest in CPPI was 53.9%. The Company may purchase more shares through the balance of 2017 subject to the terms of the normal course issuer bid.

Dividends

On April 25, 2017, the Board of Directors declared a quarterly dividend of $0.0625 per share, payable on May 15, 2017 to the shareholders of record on May 8, 2017.

Licella Pulp Joint Venture

In March 2017, the Canadian Federal Government through its Sustainable Development Technology Canada program announced the funding over several years of approximately $13.2 million, contingent on future spending, to allow the Licella Pulp Joint Venture to further develop and demonstrate a technology that will economically convert biomass into biofuels and biochemicals.

OUTLOOK

Pulp Markets

Global softwood markets are projected to remain relatively strong during the second quarter. Reduced capacity over the traditional spring maintenance period may support further price increases in the second quarter of 2017. With the commissioning of new pulp capacity in the latter part of 2017 and into 2018, there is risk of downward pressure on pricing in the second half of this year. For the month of April 2017, the Company announced increases of US$20 per tonne for NBSK pulp list prices to China and North America.

Results in the second quarter of 2017 will reflect the positive impact of recent price gains, particularly in Asia, and scheduled maintenance outages at the Northwood and Taylor pulp mills, with a projected 33,000 tonnes of reduced NBSK pulp and 4,000 tonnes of reduced BCTMP production, respectively, as well as higher associated maintenance costs and lower projected shipment volumes. For the third quarter of 2017, the Intercontinental pulp mill has a maintenance outage scheduled, with a projected 8,000 tonnes of reduced NBSK pulp production.

Paper Markets

The bleached kraft paper market is expected to show continued strength in the second quarter of 2017.

OUTSTANDING SHARES

At April 25, 2017, there were 66,434,365 common shares of the Company outstanding.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with International Financial Reporting Standards 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.

ACCOUNTING STANDARDS ISSUED AND NOT APPLIED

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, *Revenue from Contracts with Customers*, which will supersede IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company has performed a preliminary assessment of the impact of the new standard, and currently anticipates no significant impact on its financial statements, with the assessment to be finalized in the second half of 2017.

In July 2014, the IASB issued IFRS 9, *Financial Instruments*. The required adoption date for IFRS 9 is January 1, 2018 and the Company does not anticipate the new standard to have a significant impact on its financial statements.

In January 2016, the IASB issued IFRS 16, *Leases*, which will supersede IAS 17, *Leases* and related interpretations. The required adoption date for IFRS 16 is January 1, 2019 and the Company is in the process of assessing the impact, if any, on the financial statements of this new standard.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the quarter ended March 31, 2017, 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 2016 annual statutory reports which are available on www.canfor.com or www.sedar.com.

Sales are primarily influenced by changes in market pulp prices, sales volumes and fluctuations in Canadian dollar exchange rates. Operating income, net income and operating income before amortization 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 is also impacted by fluctuations in Canadian dollar exchange rates, the revaluation to the period end rate of US dollar denominated working capital balances and revaluation of outstanding derivative financial instruments.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Sales and income (millions of Canadian dollars)								
Sales	**$ 309.2**	$ 257.8	$ 291.6	$ 257.2	$ 295.3	$ 330.8	$ 294.1	$ 276.0
Operating income before amortization[9]	**$ 54.0**	$ 42.1	$ 50.0	$ 22.1	$ 57.8	$ 56.2	$ 58.7	$ 36.4
Operating income	**$ 35.2**	$ 22.9	$ 31.0	$ 5.2	$ 39.1	$ 38.6	$ 42.3	$ 20.9
Net income	**$ 24.1**	$ 10.1	$ 22.4	$ 2.2	$ 23.1	$ 29.7	$ 31.2	$ 17.7
Per common share (Canadian dollars)								
Net income – basic and diluted	**$ 0.36**	$ 0.15	$ 0.34	$ 0.03	$ 0.34	$ 0.43	$ 0.45	$ 0.25
Book value[10]	**$ 7.55**	$ 7.27	$ 7.14	$ 6.88	$ 7.15	$ 6.96	$ 6.65	$ 7.40
Dividends declared[11]	**$ 0.0625**	$ 0.0625	$ 0.0625	$ 0.0625	$ 0.0625	$ 0.0625	$ 0.0625	$ 1.1875
Common Share Repurchases								
Share volume repurchased (000 shares)	**264**	-	-	1,840	413	693	557	138
Shares repurchased (millions of Canadian dollars)	**$ 3.0**	$ -	$ -	$ 19.5	$ 4.9	$ 9.7	$ 6.9	$ 2.0
Statistics								
Pulp shipments (000 mt)	**337.1**	275.4	319.8	287.2	319.1	356.2	307.4	291.9
Paper shipments (000 mt)	**33.7**	33.6	35.5	38.5	34.9	35.4	32.1	33.8
Average exchange rate – US$/Cdn$	**$ 0.756**	$ 0.750	$ 0.766	$ 0.776	$ 0.728	$ 0.749	$ 0.764	$ 0.813
Average NBSK pulp list price delivered to China (US$)	**$ 645**	$ 595	$ 595	$ 617	$ 590	$ 600	$ 638	$ 675

[9] Amortization includes amortization of certain capitalized major maintenance costs.
[10] 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.
[11] Dividends declared in Q2 2015 included a quarterly dividend of $0.0625 per share and a special dividend of $1.1250 per share.

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 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Net income, as reported	**$ 24.1**	$ 10.1	$ 22.4	$ 2.2	$ 23.1	$ 29.7	$ 31.2	$ 17.7
(Gain) loss on derivative financial instruments	**$ -**	$ -	$ -	$ -	$ -	$ (0.7)	$ 3.6	$ (3.4)
Mark-to market gain on Taylor Pulp contingent consideration[12]	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ (1.3)
Net impact of above items	**$ -**	$ -	$ -	$ -	$ -	$ (0.7)	$ 3.6	$ (4.7)
Adjusted net income	**$ 24.1**	$ 10.1	$ 22.4	$ 2.2	$ 23.1	$ 29.0	$ 34.8	$ 13.0
Net income per share (EPS), as reported[16]	**$ 0.36**	$ 0.15	$ 0.34	$ 0.03	$ 0.34	$ 0.43	$ 0.45	$ 0.25
Net impact of above items per share[13]	**$ -**	$ -	$ -	$ -	$ -	$ (0.01)	$ 0.05	$ (0.07)
Adjusted net income per share[13]	**$ 0.36**	$ 0.15	$ 0.34	$ 0.03	$ 0.34	$ 0.42	$ 0.50	$ 0.18

[12] As part of the purchase of the Taylor Pulp Mill on January 30, 2015, CPPI may pay contingent consideration based on the Taylor pulp mill's future earnings over a three year period. On the acquisition date, the contingent consideration was valued at $1.8 million. During 2015, the contingent consideration liability was revalued to nil, resulting in a gain of $1.8 million (before tax) recorded to Other Income.
[13] The year-to-date net impact of net income per share, the adjusting items per share and adjusted net income per share may not equal the sum of the quarterly per share amounts due to rounding.

Canfor Pulp Products Inc.
Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)		As at March 31, 2017		As at December 31, 2016
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**78.3**	$	51.9
Accounts receivable - Trade		**103.5**		75.9
- Other		**16.5**		16.8
Inventories (Note 2)		**153.3**		166.5
Prepaid expenses		**2.7**		5.1
Total current assets		**354.3**		316.2
Property, plant and equipment		**509.6**		518.7
Other long-term assets		**2.7**		2.2
Total assets	**$**	**866.6**	$	837.1
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**140.2**	$	125.4
Total current liabilities		**140.2**		125.4
Long-term debt		**50.0**		50.0
Retirement benefit obligations (Note 4)		**109.9**		109.1
Other long-term provisions		**5.9**		6.2
Deferred income taxes, net		**59.0**		61.7
Total liabilities	**$**	**365.0**	$	352.4
EQUITY				
Share capital	**$**	**489.7**	$	491.6
Retained earnings (deficit)		**11.9**		(6.9)
Total equity	**$**	**501.6**	$	484.7
Total liabilities and equity	**$**	**866.6**	$	837.1

Subsequent Events (Note 4, Note 11)

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

APPROVED BY THE BOARD

"S.E. Bracken-Horrocks" *"M.J. Korenberg"*

Director, S.E. Bracken-Horrocks Director, M.J. Korenberg

Canfor Pulp Products Inc.
Condensed Consolidated Statements of Income

(millions of Canadian dollars, except per share data, unaudited)	3 months ended March 31, **2017**	2016
Sales	**$ 309.2**	$ 295.3
Costs and expenses		
Manufacturing and product costs	**206.1**	187.8
Freight and other distribution costs	**42.0**	42.5
Amortization	**18.8**	18.7
Selling and administration costs	**7.1**	7.2
	274.0	256.2
Operating income	**35.2**	39.1
Finance expense, net	**(1.8)**	(1.6)
Other expense, net	**(1.0)**	(6.6)
Net income before income taxes	**32.4**	30.9
Income tax expense (Note 6)	**(8.3)**	(7.8)
Net income	**$ 24.1**	$ 23.1
Net income per common share: (in Canadian dollars)		
Attributable to equity shareholders of the Company		
- Basic and diluted (Note 7)	**$ 0.36**	$ 0.34

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, 2017	2016
Net income	**$ 24.1**	$ 23.1
Other comprehensive loss		
Items that will not be recycled through net income:		
Defined benefit plan actuarial losses (Note 4)	**-**	(4.7)
Income tax recovery on defined benefit plan actuarial losses (Note 6)	**-**	1.2
Other comprehensive loss, net of tax	**-**	(3.5)
Total comprehensive income	**$ 24.1**	$ 19.6

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended March 31, 2017	2016
Share capital		
Balance at beginning of period	**$ 491.6**	$ 508.2
Share purchases (Note 7)	**(1.9)**	(3.0)
Balance at end of period	**$ 489.7**	$ 505.2
Retained earnings (deficit)		
Balance at beginning of period	**$ (6.9)**	$ (28.5)
Net income	**24.1**	23.1
Defined benefit plan actuarial losses, net of tax	**-**	(3.5)
Dividends declared	**(4.2)**	(4.3)
Share purchases (Note 7)	**(1.1)**	(1.9)
Balance at end of period	**$ 11.9**	$ (15.1)
Total equity	**$ 501.6**	$ 490.1

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, 2017	2016
Cash generated from (used in):		
Operating activities		
Net income	**$ 24.1**	$ 23.1
Items not affecting cash:		
Amortization	**18.8**	18.7
Income tax expense	**8.3**	7.8
Employee future benefits	**1.3**	1.3
Finance expense, net	**1.8**	1.6
Other, net	**(1.7)**	1.4
Defined benefit plan contributions, net	**(1.5)**	(1.2)
Income taxes paid, net	**(0.2)**	(11.6)
	50.9	41.1
Net change in non-cash working capital (Note 8)	**(0.2)**	(12.8)
	50.7	28.3
Financing activities		
Finance expenses paid	**(0.7)**	(0.8)
Dividends paid	**(4.2)**	(4.3)
Share purchases (Note 7)	**(2.8)**	(5.0)
	(7.7)	(10.1)
Investing activities		
Additions to property, plant and equipment, net	**(16.8)**	(13.1)
Other, net	**0.2**	0.2
	(16.6)	(12.9)
Increase in cash and cash equivalents*	**26.4**	5.3
Cash and cash equivalents at beginning of period*	**51.9**	17.5
Cash and cash equivalents at end of period*	**$ 78.3**	$ 22.8

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

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

1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, and include the accounts of Canfor Pulp Products Inc. ("CPPI") and its subsidiary entities, hereinafter referred to as "CPPI" or "the Company." At April 25, 2017, Canfor Corporation ("Canfor") held a 53.9% interest in CPPI.

These financial statements do not include all of the disclosures required by International Financial Reporting 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, 2016, available at www.canfor.com or www.sedar.com.

Effective January 1, 2017, the Company has adopted the amendments to IAS 7 *Statement of Cash Flows*, which clarified disclosures requirements associated with cash and non-cash changes in liabilities from financing activities. The adoption of this amendment has had no impact on the Company's disclosures in the financial statements.

These financial statements were authorized for issue by the Company's Board of Directors on April 25, 2017.

Accounting Standards Issued and Not Applied

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, *Revenue from Contracts with Customers*, which will supersede IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company has performed a preliminary assessment of the impact of the new standard, and currently anticipates no significant impact on its financial statements, with the assessment to be finalized in the second half of 2017.

In July 2014, the IASB issued IFRS 9, *Financial Instruments*. The required adoption date for IFRS 9 is January 1, 2018 and the Company does not anticipate the new standard to have a significant impact on its financial statements.

In January 2016, the IASB issued IFRS 16, *Leases*, which will supersede IAS 17, *Leases* and related interpretations. The required adoption date for IFRS 16 is January 1, 2019 and the Company is in the process of assessing the impact on the financial statements of this new standard.

2. Inventories

(millions of Canadian dollars, unaudited)	**As at March 31, 2017**	As at December 31, 2016
Pulp	**$ 69.2**	$ 84.2
Paper	**15.8**	15.7
Wood chips and logs	**15.4**	15.4
Materials and supplies	**52.9**	51.2
	$ 153.3	$ 166.5

Inventory balances are stated after inventory write-downs from cost to net realizable value. There were no inventory write-downs at March 31, 2017 or December 31, 2016.

3. Operating Loans

(millions of Canadian dollars, unaudited)		**As at March 31, 2017**		As at December 31, 2016
Operating loan facility	**$**	**110.0**	$	110.0
Letters of credit		**(9.0)**		(9.3)
Total available operating loan facility	**$**	**101.0**	$	100.7

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 LIBOR rate, plus a margin. The facility has certain financial covenants including a covenant based on maximum debt to total capitalization of the Company. No amounts were drawn on the operating loan facility as at March 31, 2017 (December 31, 2016 - nil).

At March 31, 2017, $9.0 million of letters of credit outstanding are covered under the general operating loan facility, and the Company was in compliance with all covenants relating to its operating loans.

4. Employee Future Benefits

For the three months ended March 31, 2017, no defined benefit pension plan actuarial gains or losses were recognized in other comprehensive income as the discount rate used to value the net defined benefit obligations was unchanged and the rate of return on plan assets was consistent with expectations. For the three months ended March 31, 2016, the Company recognized before tax actuarial losses in other comprehensive income of $4.7 million. The losses recorded in the first quarter of 2016 principally reflect a lower return on plan assets and a lower discount rate used to value the net defined benefit obligations.

For the Company's employee future benefit plans, a one percentage point increase in the discount rate used in calculating the actuarial estimate of future liabilities and related plan assets would decrease the accrued benefit obligation by an estimated $28.6 million, and decrease defined benefit pension plan annuity assets by an estimated $3.6 million, before taking into account the impact of hedging.

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, 2017	**3.9%**	**3.9%**
December 31, 2016	3.9%	3.9%
March 31, 2016	4.0%	4.0%
December 31, 2015	4.1%	4.1%

Subsequent to quarter end, on April 13, 2017, the Company purchased $18.0 million of buy-in annuities through its defined benefit pension plans, increasing total annuities purchased to $57.8 million.

5. Financial Instruments

CPPI's cash and cash equivalents, accounts receivable, loans and advances, operating loans, accounts payable and accrued liabilities, and long-term debt are measured at amortized cost subsequent to initial recognition. At March 31, 2017, the fair value of the Company's long-term debt approximates its amortized cost of $50.0 million (December 31, 2016 - $50.0 million).

Derivative instruments are measured at fair value. 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, either directly or indirectly;

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

At times, the Company uses a variety of derivative financial instruments to reduce its exposure to risks associated with fluctuations in foreign exchange rates, pulp prices, energy costs and floating interest rates on long-term debt. As at March 31, 2017 and December 31, 2016, the Company had no derivative financial instruments outstanding.

6. Income Taxes

(millions of Canadian dollars, unaudited)	3 months ended March 31, 2017	2016
Current	**$ (11.0)**	$ (10.0)
Deferred	**2.7**	2.2
Income tax expense	**$ (8.3)**	$ (7.8)

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

(millions of Canadian dollars, unaudited)	3 months ended March 31, 2017	2016
Income tax expense at statutory rate - 26.0%	**$ (8.4)**	$ (8.0)
Add:		
Entities with different income tax rates and other tax adjustments	**0.1**	0.2
Income tax expense	**$ (8.3)**	$ (7.8)

No tax expense or recovery was recorded in other comprehensive income for the three months ended March 31, 2017 in relation to actuarial gains or losses on the defined benefit plans (three months ended March 31, 2016 – tax recovery of $1.2 million).

7. Earnings per Share and Normal Course Issuer Bid

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

	3 months ended March 31, 2017	2016
Weighted average number of common shares	**66,588,605**	68,865,554

On March 7, 2017, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 3,332,038 common shares or approximately 5% of its issued and outstanding common shares as of March 1, 2017. The renewed normal course issuer bid is set to expire on March 6, 2018. During the first quarter of 2017, CPPI purchased 264,203 common shares for $3.0 million (an average of $11.35 per common share), of which $2.8 million was paid in the period, with the balance paid in early April. As a result of the share purchases during the quarter, Canfor's interest in CPPI increased to 53.9% by quarter end. As at April 25, 2017, there were 66,434,365 common shares of the Company outstanding and Canfor's ownership interest in CPPI was 53.9%.

8. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended March 31, 2017	2016
Accounts receivable	**$ (27.2)**	$ 2.5
Inventories	**13.0**	(9.9)
Prepaid expenses	**2.4**	(1.1)
Accounts payable and accrued liabilities	**11.6**	(4.3)
Net increase in non-cash working capital	**$ (0.2)**	$ (12.8)

9. Segment Information

The Company has two reportable segments, 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.

Information regarding the operations of each reportable segment is included in the following table.

(millions of Canadian dollars, unaudited)	Pulp	Paper	Unallocated	Elimination Adjustment	Consolidated
3 months ended March 31, 2017					
Sales to external customers	**$ 267.4**	**$ 41.6**	**$ 0.2**	**$ -**	**$ 309.2**
Sales to other segments	**22.1**	**-**	**-**	**(22.1)**	**-**
Operating income (loss)	**31.1**	**7.1**	**(3.0)**	**-**	**35.2**
Amortization	**17.9**	**0.9**	**-**	**-**	**18.8**
Capital expenditures[1]	**16.2**	**0.2**	**0.4**	**-**	**16.8**
Identifiable assets	**724.7**	**52.4**	**89.5**	**-**	**866.6**
3 months ended March 31, 2016					
Sales to external customers	$ 249.8	$ 45.2	$ 0.3	$ -	$ 295.3
Sales to other segments	22.8	-	-	(22.8)	-
Operating income (loss)	33.0	8.9	(2.8)	-	39.1
Amortization	17.7	1.0	-	-	18.7
Capital expenditures[1]	12.9	0.2	-	-	13.1
Identifiable assets	742.8	62.9	37.4	-	843.1

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

10. Related Party Transactions

For the three months ended March 31, 2017, the Company depended on Canfor to provide approximately 64% (three months ended March 31, 2016 - 64%) 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, 2016 audited 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, pulp and administrative services. These are summarized below:

	3 months ended March 31,	
(millions of Canadian dollars, unaudited)	**2017**	2016
Transactions		
Purchase of wood chips and other	**$ 41.8**	$ 46.0

(millions of Canadian dollars, unaudited)	**As at March 31, 2017**	As at December 31, 2016
Balance Sheet		
Included in accounts payable and accrued liabilities	**$ 16.5**	$ 10.3

11. Subsequent Event

On April 25, 2017, the Board of Directors declared a quarterly dividend of $0.0625 per share, payable on May 15, 2017, to shareholders of record on May 8, 2017.