News Release

FOR IMMEDIATE RELEASE

CANFOR REPORTS RESULTS FOR 2018 AND FOURTH QUARTER OF 2018

February 21, 2019 - Vancouver, B.C. - Canfor Corporation (TSX: CFP) today reported 2018 and fourth quarter of 2018 results:

2018 and Fourth Quarter Highlights

- Reported operating income of $609 million for 2018; adjusted shareholder net income of $488 million, or $3.83 per share and a return on invested capital of 19%
- Fourth quarter adjusted operating loss of $(3) million and sales of $1.03 billion; adjusted shareholder net loss of $(28) million, or $(0.23) per share
- Net debt of $156 million, or 6.2% net debt to total capitalization, at December 31, 2018
- Announced acquisition of 70% of the VIDA Group of Sweden ("VIDA") for 3,990 million Swedish Krona (approximately CAD$580 million), adding 1.1 billion board feet annual capacity of high-quality spruce and pine products
- Announced phased acquisition of Elliott Sawmilling Co., Inc. ("Elliott") over a period of two years, for US$110 million, adding 210 million board feet of high-value Southern Yellow Pine lumber annual capacity

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 2018**	Q3 2018	**YTD 2018**	Q4 2017	YTD 2017
Sales	**$ 1,028.1**	$ 1,323.3	**$ 5,044.4**	$ 1,156.0	$ 4,563.3
Reported operating income (loss) before amortization	**$ (9.1)**	$ 269.9	**$ 879.1**	$ 278.2	$ 807.3
Reported operating income (loss)	**$ (79.1)**	$ 201.8	**$ 608.6**	$ 214.2	$ 557.4
Adjusted operating income before amortization[1]	**$ 67.5**	$ 312.5	**$ 1,084.9**	$ 254.8	$ 848.4
Adjusted operating income (loss)[1]	**$ (2.5)**	$ 244.4	**$ 814.4**	$ 190.8	$ 598.5
Net income (loss)[2]	**$ (52.4)**	$ 125.3	**$ 354.9**	$ 131.8	$ 345.4
Net income (loss) per share, basic and diluted[2]	**$ (0.42)**	$ 0.98	**$ 2.78**	$ 1.02	$ 2.63
Adjusted net income (loss)[2]	**$ (28.0)**	$ 156.9	**$ 488.4**	$ 114.8	$ 363.4
Adjusted net income (loss) per share, basic and diluted[2]	**$ (0.23)**	$ 1.23	**$ 3.83**	$ 0.89	$ 2.77

[1] Adjusted for countervailing and anti-dumping duty deposits expensed for accounting purposes (expense of $39.9 million in the fourth quarter of 2018, expense of $42.6 million in the third quarter of 2018, expense of $169.1 million in 2018, recovery of $23.4 million in the fourth quarter of 2017 and expense of $44.3 million in 2017), an inventory valuation adjustment of $36.7 million in the fourth quarter of 2018 and an operations closure provision recovery of $3.2 million in 2017.

[2] Attributable to equity shareholders of the Company

Canfor Corporation generated strong financial results in 2018 with reported operating income of $608.6 million, the highest operating earnings in over 10 years, and up $51.2 million, or 9%, from 2017. Reported annual results include record-high pulp and paper segment earnings and solid lumber segment operating income. The latter was achieved despite major challenges presented by significant log supply constraints and log cost increases in British Columbia ("BC"), severe transportation issues in the first half of the year, extreme weather across North America and one of the worst forest fire seasons in BC, as well as significant market volatility during the year.

For the fourth quarter of 2018, the Company reported an operating loss of $79.1 million, down $280.9 million from reported operating income of $201.8 million for the third quarter of 2018, with the decline in earnings reflecting lower operating income for both the lumber and pulp and paper segments. Reported results for the fourth quarter of 2018 include a net duty expense of $39.9 million, at a current cumulative effective countervailing duty ("CVD") and anti-dumping duty ("ADD") rate of 16.14%, compared to $42.6 million reported in the third quarter of 2018. Reported results in the fourth quarter of 2018 also include a $36.7 million inventory valuation adjustment, representing the excess of the carrying cost of year-end lumber and log inventory over net realizable value. After adjusting for the aforementioned items, the Company's operating loss was $2.5 million for the fourth quarter of 2018, down $246.9 million from similarly adjusted operating income in the third quarter of 2018.

Adjusted lumber segment results reflected substantially lower Western Spruce/Pine/Fir ("Western SPF") and Southern Yellow Pine ("SYP") benchmark lumber prices, lower production and shipments, particularly in BC, and significantly higher unit log costs in Western Canada. A combination of log supply constraints, log costs and market conditions resulted in Canfor curtailing production at the Company's BC lumber operations by approximately 100 million board feet in the fourth quarter, with a further estimated reduction of approximately 95 million board feet in the first quarter of 2019. Results in the pulp and paper segment reflected repairs to one of the Canfor Pulp Product Inc.'s ("CPPI") Northwood pulp mill ("Northwood") recovery boilers, and operational disruptions resulting from a third-party natural gas explosion in Prince George early in the quarter, combined with their respective effects on production volumes, shipments and manufacturing costs.

North American lumber consumption was down slightly in the fourth quarter of 2018, in part reflecting waning demand as the quarter progressed. US housing starts, on a seasonally adjusted basis, averaged 1,237,000 units (as at November 2018), in line with the previous quarter but down slightly from the fourth quarter of 2017. Single-family starts were down 4%, while multi-family starts were up 8% compared to the third quarter of 2018. Demand in the repair and remodeling sector continued to be very strong through the fourth quarter of 2018. In Canada, housing starts remained near historical highs, averaging 217,000 units on a seasonally adjusted basis, up 10% from the previous quarter and down 5% from the same period in 2017. Offshore lumber consumption remained solid, with shipments to China increasing in the quarter.

The slowing North American demand coupled with an excess of supply placed significant downward pressure on prices through the fourth quarter; the average benchmark North American Random Lengths Western SPF 2x4 #2&Btr price was down US$155 per Mfbm, or 32%, from the previous quarter, at US$327 per Mfbm, with similar decreases also seen across most Western SPF wider-width dimensions. As a result, Western SPF lumber unit sales realizations were also significantly down quarter-over-quarter, as the sharp declines in benchmark Western SPF lumber prices more than offset the 1 cent, or 1%, weaker Canadian dollar and a higher-value sales mix. SYP lumber unit sales realizations were also materially lower than the prior quarter reflecting increased available supply in the US South region, a 6% decrease in the SYP East 2x4 #2 price, and more pronounced seasonal price declines in wider SYP dimensions.

Total lumber shipments, at 1.11 billion board feet, were 14% lower than the previous quarter, largely due to announced curtailments resulting in lower volumes available for sale, with a higher proportion of volumes sold offshore.

Total lumber production, at 1.13 billion board feet, was down 12% from the previous quarter reflecting the impacts of the aforementioned temporary production curtailments at the Company's Western Canada operations, reduced shifts and, to a lesser extent, additional statutory holidays in the current quarter. In addition, inclement weather in the US South impacted log deliveries and log profile, both of which contributed to lower productivity in the current quarter.

Lumber unit manufacturing costs in the fourth quarter of 2018 were moderately higher than the previous quarter, largely reflecting the effects of timing on market-based stumpage increases, log supply and profile shortages, combined with reduced sawmill productivity and production, and to a lesser extent, seasonally higher energy costs. Log costs in the US South remained in line with the previous quarter.

Reflecting weaker demand from China, global softwood pulp market demand was down in the fourth quarter of 2018, with global softwood pulp producer inventory levels remaining above normal through the quarter. US-dollar Northern Bleached Softwood Kraft ("NBSK") pulp list prices to China averaged US$805 per tonne, down 9% from the prior quarter, with prices ending the year at US$725 per tonne. CPPI's average NBSK unit sales realizations, however, were broadly in line with the prior quarter as the lower US-dollar pricing to China was largely offset by higher US-dollar pricing to North America, proportionately higher shipments to North America and the weaker Canadian dollar. Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") US-dollar pricing came under modest downward pressure during the current quarter; however, CPPI's sales realizations remained steady quarter-over-quarter reflecting the timing of shipments (versus orders) and the weaker Canadian dollar.

Pulp production was down 61,400 tonnes, or 22%, from the previous quarter. This lower production primarily reflected the continuation of the scheduled maintenance outage at Northwood from the previous quarter, the aforementioned recovery boiler extended downtime at Northwood, as well as unscheduled downtime taken as a result of a third-party natural gas pipeline explosion which impacted CPPI's three NBSK pulp mills and, to a lesser extent, several other operational challenges during the current quarter. Combined, these scheduled and unscheduled outages impacted NBSK pulp production by approximately 90,000 tonnes. In addition, in late December, CPPI curtailed production at its Taylor BCTMP mill for seven days in the face of reduced residual fibre availability resulting from various sawmill curtailments in the region, which impacted BCTMP production by approximately 5,000 tonnes. In the third quarter of

2018, a scheduled maintenance outage at Northwood and ramp up at Taylor following the commissioning of the energy reduction project, reduced pulp production by approximately 30,000 tonnes.

Pulp shipments were down 31,700 tonnes, or 12%, from the previous quarter reflecting the impact of the aforementioned downtime partly offset by a drawdown of pulp inventories through the period. The anticipated benefit of a slipped vessel shipment from the previous quarter into the fourth quarter was offset by a delayed vessel shipment over the year end.

NBSK pulp unit manufacturing costs were up significantly from the previous quarter, in large measure due to reduced productivity in the current quarter as well as higher related maintenance, energy and chemical costs, associated with the unscheduled outages. Fibre costs were broadly in line with the third quarter of 2018.

At the end of December, CPPI experienced kiln-related operational disruptions at two of its NBSK pulp mills. While these challenges have now been resolved, the related production loss was approximately 20,000 tonnes early in the first quarter of 2019.

The Company maintained its strong balance sheet position in 2018, as it continued to apply a disciplined approach to cash allocation, while retaining a focus on internal investment and growth. Solid progress continued to be made on its previously announced US$125 million organic growth initiative in the US South and included the completion of various capital projects at the Company's Moultrie, Fulton and Urbana sawmills. Recognizing challenging market conditions and inflationary construction cost pressures the Company has decided to defer its decision on the construction of a greenfield sawmill until at least the end of 2019.

On the acquisition front, the Company entered into agreements to purchase Elliott and VIDA. Following the anticipated completion of these acquisitions in the first half of 2019, Canfor's lumber production capacity will increase to approximately 7.2 billion board feet, which includes the Company's SYP lumber capacity growing to approximately 2.0 billion board feet as a result of the Elliott acquisition and organic growth in the US South.

Canfor's collective agreement with the United Steelworkers ("USW") expired on June 30, 2018. The Company is encouraged that a Memorandum of Agreement ("MOA") for a new five-year term has been reached with the USW. The MOA includes seven of Canfor's certified mills in BC. The USW will be conducting ratification votes on the MOA over the coming weeks.

In addition, Canfor has three mills represented in the negotiation process being led by the Interior Forest Labour Relations Association ("IFLRA"). Canfor remains optimistic that a settlement will be reached between the IFLRA and the USW.

Commenting on the Company's fourth quarter results, Canfor's President and Chief Executive Officer, Don Kayne, said, "In our lumber business, the fourth quarter was challenging in Western Canada in terms of market conditions, log costs, and log supply constraints, which led to the difficult decision to temporarily curtail BC operations. We are encouraged by the recent overall market activity." Kayne added, "Our pulp operations also had a challenging fourth quarter. We are very focused on getting our pulp production performance back on track in the coming months."

Looking further ahead, the US housing market is currently forecast to show a modest recovery through 2019, while the repair and remodeling sector in the US is projected to record solid growth. North American lumber prices are anticipated to improve through the first quarter of 2019 primarily reflecting low inventories in the supply chain as a result of production curtailments and seasonally stronger demand during the traditionally busy spring building season. For the Company's key offshore lumber markets, demand is anticipated to remain solid through the first quarter of 2019. Prices in Europe are projected to be more stable reflecting solid demand in that region. Results through 2019 are anticipated to be impacted by continued log cost pressure in Western Canada as a result of ongoing log supply constraints.

Notwithstanding high inventory levels, global softwood kraft pulp markets are projected to be steady through the first half of 2019, reflecting an anticipated pick-up in demand from China and reduced supply during the traditional spring maintenance period. The BCTMP market is projected to be steady in the first half of 2019.

Bleached kraft paper demand is expected to remain solid through the first quarter of 2019.

Refer to the Company's annual Management's Discussion and Analysis for further discussion on the Company's results for the fourth quarter of 2018 on page 28.

Additional Information and Conference Call

A conference call to discuss the fourth quarter's financial and operating results will be held on Friday, February 22, 2019 at 8:00 AM Pacific time. To participate in the call, please dial Toll-Free 888-390-0546. For instant replay access until March 8, 2019, please dial 888-390-0541 and enter participant pass code 194657#. 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 before Amortization and Adjusted Net Income and Adjusted Net Income 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. Refer to the Company's Annual Management's Discussion and Analysis for a reconciliation of Operating Income before Amortization to Operating Income and Adjusted Net Income to Net Income 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 the Company 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. 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.

Media Contact:
Michelle Ward
Director, Corporate Communications
(604) 661-5225
Michelle.Ward@canfor.com

Investor Contact:
Pat Elliott
Vice President, Corporate Finance & Strategy
(604) 661-5441
Patrick.Elliott@canfor.com

Canfor Corporation
Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)		**As at December 31, 2018**		As at December 31, 2017
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**252.7**	$	288.2
Accounts receivable - Trade		**182.1**		193.0
- Other		**52.4**		42.7
Income taxes receivable		**32.5**		-
Inventories (Note 3)		**762.5**		628.9
Prepaid expenses and other		**67.1**		54.2
Total current assets		**1,349.3**		1,207.0
Property, plant and equipment		**1,607.2**		1,438.1
Timber licenses		**504.1**		518.3
Goodwill and other intangible assets		**268.3**		228.1
Long-term investments and other (Note 5)		**110.4**		83.3
Retirement benefit surplus (Note 7)		**4.9**		7.9
Deferred income taxes, net		**0.9**		5.6
Total assets	**$**	**3,845.1**	$	3,488.3
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**458.9**	$	470.0
Current portion of deferred reforestation obligations		**52.9**		49.5
Current portion of long-term debt (Note 6(b))		**0.4**		0.3
Total current liabilities		**512.2**		519.8
Long-term debt (Note 6(b))		**408.0**		385.4
Retirement benefit obligations (Note 7)		**254.7**		272.0
Deferred reforestation obligations		**63.9**		63.0
Other long-term liabilities		**24.6**		23.7
Deferred income taxes, net		**241.8**		223.4
Total liabilities	**$**	**1,505.2**	$	1,487.3
EQUITY				
Share capital	**$**	**987.9**	$	1,014.9
Contributed surplus		**31.9**		31.9
Retained earnings		**931.1**		629.5
Accumulated other comprehensive income		**105.5**		55.1
Total equity attributable to equity shareholders of the Company		**2,056.4**		1,731.4
Non-controlling interests		**283.5**		269.6
Total equity	**$**	**2,339.9**	$	2,001.0
Total liabilities and equity	**$**	**3,845.1**	$	3,488.3

Subsequent Event (Note 11(d))

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, 2018	3 months ended December 31, 2017	12 months ended December 31, 2018	12 months ended December 31, 2017
Sales	**$ 1,028.1**	$ 1,156.0	**$ 5,044.4**	$ 4,563.3
Costs and expenses				
Manufacturing and product costs	**824.6**	713.2	**3,244.5**	2,959.9
Freight and other distribution costs	**145.1**	159.0	**643.7**	637.6
Countervailing and anti-dumping duty expense (recovery), net (Note 12)	**39.9**	(23.4)	**169.1**	44.3
Amortization	**70.0**	64.0	**270.5**	249.9
Selling and administration costs	**27.6**	29.0	**108.0**	114.2
	$ 1,107.2	$ 941.8	**$ 4,435.8**	$ 4,005.9
Operating income (loss)	**(79.1)**	214.2	**608.6**	557.4
Finance expense, net	**(7.6)**	(6.9)	**(26.0)**	(30.8)
Foreign exchange gain (loss) on long-term debt	**(6.9)**	(0.7)	**(10.9)**	8.8
Foreign exchange gain on duties receivable	**4.6**	-	**6.1**	-
Gain (loss) on derivative financial instruments (Note 11(d))	**18.3**	(6.5)	**1.1**	(5.2)
Other income (expense), net	**5.4**	1.5	**9.9**	(3.8)
Net income (loss) before income taxes	**(65.3)**	201.6	**588.8**	526.4
Income tax recovery (expense) (Note 4)	**19.3**	(49.0)	**(149.8)**	(132.8)
Net income (loss)	**$ (46.0)**	$ 152.6	**$ 439.0**	$ 393.6
Net income (loss) attributable to:				
Equity shareholders of the Company	**$ (52.4)**	$ 131.8	**$ 354.9**	$ 345.4
Non-controlling interests	**6.4**	20.8	**84.1**	48.2
Net income (loss)	**$ (46.0)**	$ 152.6	**$ 439.0**	$ 393.6
Net income (loss) per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 8)	**$ (0.42)**	$ 1.02	**$ 2.78**	$ 2.63

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, **2018**	3 months ended December 31, 2017	12 months ended December 31, **2018**	12 months ended December 31, 2017
Net income (loss)	**$ (46.0)**	$ 152.6	**$ 439.0**	$ 393.6
Other comprehensive income (loss)				
Items that will not be recycled through net income (loss):				
Defined benefit plan actuarial gains (losses) (Note 7)	**(12.4)**	38.4	**6.9**	24.1
Income tax recovery (expense) on defined benefit plan actuarial losses/gains (Note 4)	**3.3**	(8.7)	**(1.9)**	(5.0)
	(9.1)	29.7	**5.0**	19.1
Items that may be recycled through net income (loss):				
Foreign exchange translation of foreign operations, net of tax	**33.6**	2.6	**50.4**	(33.8)
Other comprehensive income (loss), net of tax	**24.5**	32.3	**55.4**	(14.7)
Total comprehensive income (loss)	**$ (21.5)**	$ 184.9	**$ 494.4**	$ 378.9
Total comprehensive income (loss) attributable to:				
Equity shareholders of the Company	**$ (28.4)**	$ 154.0	**$ 408.5**	$ 322.2
Non-controlling interests	**6.9**	30.9	**85.9**	56.7
Total comprehensive income (loss)	**$ (21.5)**	$ 184.9	**$ 494.4**	$ 378.9

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

Canfor Corporation
Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2018**	3 months ended December 31, 2017	12 months ended December 31, **2018**	12 months ended December 31, 2017
Share capital				
Balance at beginning of period	**$ 996.6**	$ 1,019.9	**$ 1,014.9**	$ 1,047.7
Share purchases (Note 8)	**(8.7)**	(5.0)	**(27.0)**	(32.8)
Balance at end of period	**$ 987.9**	$ 1,014.9	**$ 987.9**	$ 1,014.9
Contributed surplus and other equity				
Balance at beginning of period	**$ 31.9**	$ 31.9	**$ 31.9**	$ (4.6)
Forward purchase liability related to acquisition (Note 11(a))	**-**	-	**-**	36.5
Balance at end of period	**$ 31.9**	$ 31.9	**$ 31.9**	$ 31.9
Retained earnings				
Balance at beginning of period	**$ 1,005.0**	$ 488.8	**$ 629.5**	$ 351.7
Net income (loss) attributable to equity shareholders of the Company	**(52.4)**	131.8	**354.9**	345.4
Defined benefit plan actuarial gains (losses), net of tax	**(9.6)**	19.6	**3.2**	10.6
Share purchases (Note 8)	**(11.9)**	(10.7)	**(57.8)**	(57.9)
Elimination of non-controlling interests (Note 11(a))	**-**	-	**-**	(16.6)
Acquisition of non-controlling interests	**-**	-	**-**	(3.7)
Non-controlling interests arising from change in partnership interest in pellet plants	**-**	-	**1.3**	-
Balance at end of period	**$ 931.1**	$ 629.5	**$ 931.1**	$ 629.5
Accumulated other comprehensive income				
Balance at beginning of period	**$ 71.9**	$ 52.5	**$ 55.1**	$ 88.9
Foreign exchange translation of foreign operations, net of tax	**33.6**	2.6	**50.4**	(33.8)
Balance at end of period	**$ 105.5**	$ 55.1	**$ 105.5**	$ 55.1
Total equity attributable to equity shareholders of the Company	**$ 2,056.4**	$ 1,731.4	**$ 2,056.4**	$ 1,731.4
Non-controlling interests				
Balance at beginning of period	**$ 345.2**	$ 240.1	**$ 269.6**	$ 254.8
Net income attributable to non-controlling interests	**6.4**	20.8	**84.1**	48.2
Defined benefit plan actuarial gains attributable to non-controlling interests, net of tax	**0.5**	10.1	**1.8**	8.5
Distributions to non-controlling interests	**(68.6)**	(1.8)	**(74.5)**	(8.4)
Acquisition of non-controlling interests	**-**	(0.1)	**-**	(14.1)
Elimination of non-controlling interests (Note 11(a))	**-**	-	**-**	(19.9)
Non-controlling interests arising from investment	**-**	0.5	**-**	0.5
Non-controlling interests arising from change in partnership interest in pellet plants	**-**	-	**2.5**	-
Balance at end of period	**$ 283.5**	$ 269.6	**$ 283.5**	$ 269.6
Total equity	**$ 2,339.9**	$ 2,001.0	**$ 2,339.9**	$ 2,001.0

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, **2018**	3 months ended December 31, 2017	12 months ended December 31, **2018**	12 months ended December 31, 2017
Cash generated from (used in):				
Operating activities				
Net income (loss)	**$ (46.0)**	$ 152.6	**$ 439.0**	$ 393.6
Items not affecting cash:				
Amortization	**70.0**	64.0	**270.5**	249.9
Income tax expense (recovery)	**(19.3)**	49.0	**149.8**	132.8
Long-term portion of deferred reforestation obligations	**7.1**	9.3	**(0.3)**	5.4
Foreign exchange loss (gain) on long-term debt	**6.9**	0.7	**10.9**	(8.8)
Foreign exchange gain on duties receivable	**(4.6)**	-	**(6.1)**	-
Adjustment to accrued duties (Note 12)	**10.1**	(44.9)	**(25.8)**	(44.9)
Changes in mark-to-market value of derivative financial instruments (Note 11(d))	**(18.7)**	(0.9)	**(19.1)**	0.9
Employee future benefits expense	**2.7**	1.3	**11.7**	11.0
Finance expense, net	**7.6**	6.9	**26.0**	30.8
Other, net	**6.2**	(2.9)	**12.9**	(15.8)
Defined benefit plan contributions, net	**(7.0)**	(10.4)	**(28.2)**	(28.8)
Income taxes paid, net	**(68.4)**	(4.2)	**(222.4)**	(43.9)
	(53.4)	220.5	**618.9**	682.2
Net change in non-cash working capital (Note 9)	**(53.7)**	(63.9)	**(82.8)**	(72.1)
	(107.1)	156.6	**536.1**	610.1
Financing activities				
Change in operating bank loans	**-**	-	**-**	(28.0)
Proceeds from long-term debt	**-**	4.3	**-**	6.0
Repayment of long-term debt (Note 6(b))	**(0.1)**	(50.1)	**(0.4)**	(50.3)
Finance expenses paid	**(8.2)**	(6.7)	**(23.3)**	(21.1)
Share purchases (Note 8)	**(24.3)**	(12.0)	**(88.5)**	(87.0)
Acquisition of non-controlling interests	**-**	-	**(0.1)**	(17.7)
Cash distributions paid to non-controlling interests	**(68.6)**	(1.8)	**(74.5)**	(10.0)
Other, net	**-**	0.5	**-**	0.5
	(101.2)	(65.8)	**(186.8)**	(207.6)
Investing activities				
Additions to property, plant and equipment, timber, and intangible assets, net	**(140.2)**	(94.0)	**(401.4)**	(252.1)
Proceeds on disposal of property, plant, and equipment	**1.0**	1.1	**2.6**	11.4
Proceeds on sale of Anthony EACOM Inc., net	**-**	13.1	**-**	21.1
Proceeds on sale of Lakeland Winton	**-**	-	**-**	15.0
Acquisition of Beadles & Balfour and Wynndel (Notes 11(a) and 11(b))	**-**	(3.6)	**-**	(59.8)
Other, net	**1.8**	1.9	**5.4**	(2.0)
	(137.4)	(81.5)	**(393.4)**	(266.4)
Foreign exchange gain (loss) on cash and cash equivalents	**7.1**	0.1	**8.6**	(4.5)
Increase (decrease) in cash and cash equivalents*	**(338.6)**	9.4	**(35.5)**	131.6
Cash and cash equivalents at beginning of period*	**591.3**	278.8	**288.2**	156.6
Cash and cash equivalents at end of period*	**$ 252.7**	$ 288.2	**$ 252.7**	$ 288.2

*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 financial statements (the "financial statements") include the accounts of Canfor Corporation and its subsidiary entities, including Canfor Pulp Products Inc. ("CPPI"), hereinafter referred to as "Canfor" or "the Company."

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, 2018, available at www.canfor.com or www.sedar.com.

Effective January 1, 2018, the Company has adopted IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 supersedes IAS 18 *Revenue,* IAS 11 *Construction Contracts* and related interpretations. The standard establishes a framework based on transfer of control for determining how much and when revenue is recognized, and includes expanded disclosure requirements. The adoption of IFRS 15 has had no significant impact on the Company's financial statements.

Effective January 1, 2018, the Company has adopted IFRS 9 *Financial Instruments*. IFRS 9 supersedes IAS 39 *Financial Instruments: Recognition and Measurement.* The standard includes requirements for recognition, measurement, impairment and derecognition of financial assets and liabilities, as well as general hedge accounting. The adoption of IFRS 9 has had no significant impact on the Company's financial statements.

These financial statements were authorized for issue by the Company's Board of Directors on February 21, 2019.

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

Accounting Standards Issued and Not Applied

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. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces straight-line operating lease expense with an amortization expense for right-of-use assets and interest expense on lease liabilities.

IFRS 16 may be applied retrospectively to each prior period presented (full retrospective approach), or with the cumulative effect of adoption recognized at initial application (modified retrospective approach). The Company has elected to apply the modified retrospective approach upon adoption at January 1, 2019, measuring the right-of-use asset at its carrying amount had the standard been applied at commencement of the lease. The short-term and low-value recognition exemptions available under the standard will be utilized, along with certain practical expedients.

Based on lease data as at December 31, 2018, IFRS 16 is estimated to have the following financial statement impact on the Company's consolidated balance sheet at transition on January 1, 2019, with no material impact to 2019 net income:

(millions of Canadian dollars, unaudited)			As at January 1, 2019
Right-of-use asset, net of accumulated amortization	Increase in assets	$	42.2
Lease obligation	Increase in liabilities		44.3
Deferred income tax	Decrease in liabilities		0.5
Retained earnings	Decrease in equity		1.6

The full quantification of the new standard will be disclosed in the condensed consolidated interim financial statements for the first quarter of 2019.

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. For example, 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, 2018**		As at December 31, 2017
Logs	**$**	**199.5**	$	132.1
Finished products		**389.3**		354.6
Residual fibre		**44.8**		20.8
Materials and supplies		**128.9**		121.4
	$	**762.5**	$	628.9

Inventory balances are stated after inventory write-downs from cost to net realizable value. Inventory write-downs at December 31, 2018 totaled $36.7 million (December 31, 2017 – nil).

4. Income Taxes

	3 months ended December 31,				12 months ended December 31,			
(millions of Canadian dollars, unaudited)		**2018**		2017		**2018**		2017
Current	**$**	**26.3**	$	(40.6)	**$**	**(132.9)**	$	(120.7)
Deferred		**(7.0)**		(8.4)		**(16.9)**		(12.1)
Income tax recovery (expense)	**$**	**19.3**	$	(49.0)	**$**	**(149.8)**	$	(132.8)

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

	3 months ended December 31,				12 months ended December 31,			
(millions of Canadian dollars, unaudited)		**2018**		2017		**2018**		2017
Income tax recovery (expense) at statutory rate – 27% (2017 – 26%)	**$**	**17.6**	$	(52.5)	**$**	**(159.0)**	$	(136.9)
Add (deduct):								
Non-taxable income related to non-controlling interests		**-**		0.1		**0.2**		0.4
Entities with different income tax rates and other tax adjustments		**1.0**		(0.5)		**8.3**		(1.9)
Permanent difference from capital gains and losses and other non-deductible items		**0.7**		0.1		**0.7**		1.8
Change in substantively enacted legislation		**-**		3.8		**-**		3.8
Income tax recovery (expense)	**$**	**19.3**	$	(49.0)	**$**	**(149.8)**	$	(132.8)

In the fourth quarter of 2017, the Provincial Government of British Columbia passed legislation increasing the provincial corporate tax rate from 11% to 12% effective January 1, 2018. In addition, the Federal Government of the United States passed tax reform legislation, which included a reduction of the federal corporate income tax rate from 35% to 21% effective January 1, 2018. Accordingly, a $3.8 million net tax recovery was recorded in net income in the fourth quarter of 2017 to record the impact of these rate changes on deferred taxes, with an additional $1.1 million being recorded in other comprehensive income (loss) as an income tax recovery on defined benefit plan actuarial losses.

In addition, a tax recovery of $3.3 million in relation to the actuarial losses on the defined benefit plans (three months ended December 31, 2017 - expense of $9.8 million in relation to actuarial gains, before the tax rate adjustment) was recorded in other comprehensive income (loss) for three months ended December 31, 2018. For the twelve months ended December 31, 2018, tax expense of $1.9 million was recognized in other comprehensive income (loss) on actuarial gains (twelve months ended December 31, 2017 - expense of $6.1 million, before the tax rate adjustment).

Also included in other comprehensive income (loss) for the three months ended December 31, 2018 was a tax expense of $2.0 million related to foreign exchange differences on translation of investments in foreign operations (three months ended December 31, 2017 - expense of $0.3 million). For the twelve months ended December 31, 2018, the tax expense was $3.2 million (twelve months ended December 31, 2016 - recovery of $2.3 million).

5. Long-Term Investments and Other

(millions of Canadian dollars, unaudited)		**As at December 31, 2018**		As at December 31, 2017
Investments	**$**	**21.0**	$	22.5
Duties receivable		**76.6**		44.9
Other deposits, loans, advances and long-term assets		**12.8**		15.9
	$	**110.4**	$	83.3

The duties receivable balance represents US dollar anti-dumping and countervailing duty cash deposits paid in excess of the calculated expense accrued, and interest, at December 31, 2018 (Note 12).

6. Operating Loans and Long-Term Debt

(a) Available Operating Loans

(millions of Canadian dollars, unaudited)		**As at December 31, 2018**		As at December 31, 2017
Canfor (excluding CPPI)				
Available Operating Loans:				
Operating loan facilities	**$**	**450.0**	$	350.0
Facilities for letters of credit		**60.0**		50.0
Total operating loan facilities		**510.0**		400.0
Letters of credit		**(57.4)**		(44.0)
Total available operating loan facilities - Canfor	**$**	**452.6**	$	356.0
CPPI				
Available Operating Loans:				
Operating loan facility	**$**	**110.0**	$	110.0
Letters of credit		**(11.1)**		(9.2)
Total available operating loan facility - CPPI	**$**	**98.9**	$	100.8
Consolidated:				
Total operating loan facilities	**$**	**620.0**	$	510.0
Total available operating loan facilities	**$**	**551.5**	$	456.8

Interest is payable on Canfor’s operating loan facility 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.

In 2017, Canfor’s principal operating loan (excluding CPPI) was extended to September 28, 2022. On December 14, 2018, the operating loan was further extended to January 2, 2024, and the principal was increased by $100.0 million. At December 31, 2018, the Company had total available undrawn operating loans of $551.5 million, including undrawn facilities for letters of credit.

Canfor (excluding CPPI) has a separate facility to cover letters of credit. On February 28, 2018, the Company increased its facility by $10.0 million, which can be drawn in either Canadian or US dollars. At December 31, 2018, $54.9 million of letters of credit outstanding are covered under this facility with the balance of $2.5 million covered under Canfor’s general operating loan facility.

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. On April 6, 2018, the maturity date of CPPI’s principal operating loan facility was extended from January 31, 2020 to April 6, 2022.

Both Canfor's and CPPI's operating loan facilities have certain financial covenants, including maximum debt to total capitalization ratios. As at December 31, 2018, the Company and CPPI are in compliance with all covenants relating to their operating loan facilities. Substantially all borrowings of CPPI are non-recourse to other entities within the Company.

(b) Long-Term Debt

Canfor has the following long-term debt, all of which is unsecured:

(millions of Canadian dollars, unaudited)		**As at December 31, 2018**		As at December 31, 2017
Canfor Corporation				
CAD$225.0 million (CAD$125.0 million drawn), floating interest, repayable January 2, 2024	**$**	**125.0**	$	125.0
US$200.0 million (US$100.0 million drawn), floating interest, repayable January 2, 2027		**136.4**		125.5
US$100.0 million, fixed interest of 4.4%, repayable in three equal tranches on October 2, 2023, 2024 and 2025		**136.4**		125.5
Other (US$7.7 million)[1]		**10.6**		9.7
Long-term debt at end of year	**$**	**408.4**	$	385.7
Less: Current portion		**(0.4)**		(0.3)
Long-term portion	**$**	**408.0**	$	385.4

[1] Amount relates to net financing for specific capital projects at Canfor's U.S. sawmills.

On December 14, 2018, the Company increased its Canadian dollar denominated floating interest rate term debt facility to $225.0 million (2017 - $125.0 million) and extended its maturity date from September 28, 2022 to January 2, 2024. The Company also increased its US-dollar denominated floating rate term debt facility to US$200.0 million (2017 – US$100.0 million) and extended its maturity date from September 28, 2025 to January 2, 2027. As at December 31, 2018, the incremental borrowing capacity available under both the Canadian dollar and US-dollar floating rate term debt was undrawn.

On December 29, 2017, the Company's subsidiary CPPI repaid the full principal balance of its term debt of $50.0 million.

All borrowings of the Company feature similar financial covenants, including a maximum debt to total capitalization ratio. As at December 31, 2018, the Company is in compliance with all covenants relating to its long-term debt.

7. Employee Future Benefits

The Company has several funded and unfunded defined benefit pension plans and defined contribution plans that provide benefits to substantially all salaried employees and certain hourly employees. Benefits are also provided to certain salaried and hourly employees through the Company's non-pension post-retirement benefit plans, which are unfunded. The defined benefit pension plans are based on years of service and final average salary. Canfor's other non-pension post-retirement benefit plans are non-contributory and include a range of health care and other benefits. Canfor also provides pension bridge benefits to certain eligible former employees.

Annuity contracts

The Company purchased buy-in annuities through its defined benefit pension plans, increasing total annuities purchased in the year ended December 31, 2018 to $58.9 million, and the cumulative total amount purchased to $481.8 million (December 31, 2017 - $422.9 million). Future cash flows from the annuities will match the amount and timing of benefits payable under the plans, substantially mitigating the exposure to future volatility in the related pension obligations.

In the three and twelve months ended December 31, 2018, transaction costs of $3.6 million (three and twelve months ended December 31, 2017 - $1.3 million and $4.9 million, respectively) related to the purchase were recognized in other comprehensive income (loss), principally reflecting the difference between the annuity rate compared to the discount rate used to value the obligations on a going concern basis.

Significant assumptions

The actuarial assumptions used in measuring Canfor's benefit plan provisions and benefit costs are as follows:

	December 31, 2018		December 31, 2017	
	Defined Benefit Pension Plans	**Other Benefit Plans**	Defined Benefit Pension Plans	Other Benefit Plans
Discount rate	**3.6 %**	**3.6%**	3.4 %	3.4%
Rate of compensation increases	**3.0 %**	**n/a**	3.0 %	n/a
Initial medical cost trend rate	**n/a**	**5.5%**	n/a	6.5%
Ultimate medical cost trend rate	**n/a**	**4.5%**	n/a	4.5%
Year ultimate rate is reached	**n/a**	**2022**	n/a	2022

8. Earnings (loss) per Share and Normal Course Issuer Bid

Basic net income (loss) per 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,	
	2018	2017	**2018**	2017
Weighted average number of common shares	**125,960,938**	129,189,217	**127,742,297**	131,449,999

On March 5, 2018, the Company renewed its normal course issuer bid whereby up to 6,439,764 common shares or approximately 5% of its issued and outstanding common shares as of March 1, 2018 could be purchased for cancellation. The renewed normal course issuer bid is set to expire on March 6, 2019.

During the fourth quarter of 2018, the Company purchased 1,123,490 shares for $20.6 million (an average of $18.33 per common share), of which $20.6 million was paid during the period and an additional $3.7 million was paid in relation to shares purchased in the prior quarter. For the twelve months ended December 31, 2018, the Company purchased 3,425,580 shares for $84.8 million (an average of $24.76 per common share), of which $84.8 million was paid during the period and an additional $3.7 million was paid in relation to shares purchased in the prior year. As at December 31, 2018 and February 21, 2019, there were 125,219,400 common shares of the Company outstanding.

Under a separate normal course issuer bid, CPPI did not purchase any common shares in the fourth quarter of 2018. For the twelve months ended December 31, 2018, CPPI purchased 500 common shares at an average of $13.01 per common share from non-controlling shareholders, and paid an additional $0.1 million in relation to shares purchased in the prior year. As at December 31, 2018, and February 21, 2019, Canfor's ownership interest in CPPI was 54.8%.

9. Net Change in Non-Cash Working Capital

	3 months ended December 31,		12 months ended December 31,	
(millions of Canadian dollars, unaudited)	**2018**	2017	**2018**	2017
Accounts receivable	**$ 66.4**	$ 15.7	**$ 25.5**	$ (28.3)
Inventories	**(85.2)**	(75.8)	**(126.5)**	(85.7)
Prepaid expenses and other	**9.6**	5.8	**(11.0)**	0.2
Accounts payable, accrued liabilities and current portion of deferred reforestation obligations	**(44.5)**	(9.6)	**29.2**	41.7
Net increase in non-cash working capital	**$ (53.7)**	$ (63.9)	**$ (82.8)**	$ (72.1)

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, 2018					
Sales from contracts with customers	**$ 738.4**	**$ 289.7**	**$ -**	**$ -**	**$ 1,028.1**
Sales to other segments	**64.1**	**-**	**-**	**(64.1)**	**-**
Operating income (loss)	**(87.7)**	**15.6**	**(7.0)**	**-**	**(79.1)**
Amortization	**49.5**	**20.5**	**-**	**-**	**70.0**
Capital expenditures[1]	**98.8**	**42.5**	**(1.1)**	**-**	**140.2**
3 months ended December 31, 2017					
Sales from contracts with customers	$ 833.1	$ 322.9	$ -	$ -	$ 1,156.0
Sales to other segments	44.0	-	-	(44.0)	-
Operating income (loss)	154.9	66.8	(7.5)	-	214.2
Amortization	45.2	18.8	-	-	64.0
Capital expenditures[1]	64.5	28.1	1.4	-	94.0
12 months ended December 31, 2018					
Sales from contracts with customers	**$ 3,670.4**	**$ 1,374.0**	**$ -**	**$ -**	**$ 5,044.4**
Sales to other segments	**249.5**	**0.3**	**-**	**(249.8)**	**-**
Operating income (loss)	**390.5**	**246.6**	**(28.5)**	**-**	**608.6**
Amortization	**190.8**	**79.6**	**0.1**	**-**	**270.5**
Capital expenditures[1]	**272.3**	**120.5**	**8.6**	**-**	**401.4**
Identifiable assets	**2,499.4**	**919.3**	**426.4**	**-**	**3,845.1**
12 months ended December 31, 2017					
Sales from contracts with customers	$ 3,365.6	$ 1,197.7	$ -	$ -	$ 4,563.3
Sales to other segments	173.1	0.2	-	(173.3)	-
Operating income (loss)	441.9	154.6	(39.1)	-	557.4
Amortization	175.5	74.4	-	-	249.9
Capital expenditures[1]	163.6	83.1	5.4	-	252.1
Identifiable assets	2,285.1	815.6	387.6	-	3,488.3

[1]Capital expenditures represent cash paid for capital assets during the periods. Pulp & Paper includes capital expenditures by CPPI that were partially financed by government grants.

11. Acquisitions

(a) US South

On January 2, 2015, the Company completed the first phase of the acquisition of Beadles Lumber Company & Balfour Lumber Company Inc. ("Beadles & Balfour") for total consideration of $51.6 million (US$44.0 million), representing an initial 55% interest.

On January 2, 2017, the Company completed the final phase of the acquisition of Beadles & Balfour for $41.8 million (US$31.1 million) bringing Canfor's interest in Beadles & Balfour to 100%. Upon completion of the final phase of the acquisition, the forward purchase liability of $41.8 million and non-controlling interest of $19.9 million were derecognized, and $36.5 million was recorded in other equity. In addition, $16.6 million was charged to retained earnings reflecting Canfor's election to account for the non-controlling interest related to Beadles & Balfour as the non-controlling share of the fair value of the net identifiable assets at the acquisition date.

The acquisition was accounted for in accordance with IFRS 3, *Business Combinations*.

(b) Wynndel Box and Lumber Ltd.

On April 15, 2016, the Company completed the acquisition of the assets of Wynndel Box and Lumber Ltd. ("Wynndel") for total consideration of $40.3 million. The acquisition was accounted for in accordance with IFRS 3, *Business Combinations*.

At the acquisition date, the Company paid $19.7 million, and a working capital true-up payment of $2.6 million was paid in early July 2016. On April 5, 2017, the Company paid an instalment of $14.4 million, and the final instalment of $3.6 million was paid on October 13, 2017.

(c) Elliott Sawmilling Co., Inc.

On November 9, 2018, the Company announced that it had entered into an agreement to purchase Elliott Sawmilling Co., Inc., ("Elliott") located in Estill, South Carolina for total consideration of $150.0 million (US$110.0 million). The transaction will be completed in two phases, with 49% acquired upon closing, and 51% being acquired one year later. Elliott has an annual production capacity in excess of 210 million board feet.

The transaction is anticipated to close during Q2 2019, following the completion of due diligence, completion of certain transaction documents and other customary closing conditions.

(d) VIDA Group of Sweden

On November 15, 2018, the Company announced that it had entered into an agreement to purchase 70% of the VIDA Group ("VIDA") for total consideration of $580.0 million (3,990 million Swedish Krona). VIDA is Sweden's largest privately-owned sawmill company, operating nine sawmills in southern Sweden and producing up to 1.1 billion board feet of high-quality spruce and pine products annually. In addition, VIDA operates nine value added facilities that include premium packaging, modular housing, industrial products and energy.

The transaction is anticipated to close during Q1 2019 following the completion of due diligence, completion of certain transaction documents and other customary closing conditions.

In order to reduce its exposure to fluctuations in the Swedish Krona versus the Canadian and US dollar, Canfor entered into the following forward foreign exchange contracts during the fourth quarter of 2018 (three and twelve months ended December 31, 2017 – nil):

	Notional Amount Currency	**Notional Amount**	**Exchange Rates**
Swedish Krona Forward Contracts		(millions of dollars)	(rate of SEK to notional dollar)
January 15 - February 28, 2019	USD	**$100.0**	**9.07**
January 15 - February 28, 2019	CAD	**$292.6**	**6.84**

These derivative instruments, classified as level 2 under the fair value hierarchy, are measured at fair value, resulting in financial assets of $18.8 million on the balance sheet at December 31, 2018. For the three and twelve months ended December 31, 2018, a fair value gain of $18.8 million was recognized in net income (loss).

Subsequent to year end, the Company continued to reduce its exposure to fluctuations in the Swedish Krona by entering into additional US and Canadian dollar forward foreign exchange contracts. Canadian dollar contracts were entered into with a total notional amount of $125.0 million, exchange rates ranging from 6.86 to 6.90 and settlement dates of February 28, 2019. US dollar contracts were also entered into with a total notional amount of US$25.0 million, an exchange rate of 9.06 and a settlement date of February 28, 2019.

12. Countervailing and Anti-Dumping Duties

On November 25, 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, an assertion the Canadian industry and Provincial and Federal Governments strongly deny and have successfully disproven in international courts in the past. Canfor was selected by the DOC as a "mandatory respondent" to the countervailing and anti-dumping investigations and is subject to company specific countervailing and anti-dumping duties.

On April 24, 2017, the DOC announced its preliminary countervailing duty ("CVD") of 20.26% specific to Canfor, to be posted by cash deposits or bonds on the exports of softwood lumber to the US effective April 28, 2017 to August 25, 2017. Following this period, CVD duties were not applicable on lumber shipments destined to the US from August 26, ("ADD") of 7.72% specific to Canfor, to be posted by cash deposits or bonds on the exports of softwood lumber to the US effective June 30, 2017.

Final countervailing and anti-dumping duty determinations were announced by the DOC on November 2, 2017, while the ITC issued an affirmative determination of injury on December 7, 2017. As a result, Canfor was issued a final ADD rate of 7.28% effective November 8, 2017, and was subject to countervailing duties on Canadian lumber exports destined to the US at a reduced rate of 13.24%, effective December 28, 2017. Notwithstanding the final rates established in the DOC's investigation, the final liability for the assessment of CVD and ADD will not be determined until an official administrative review of the respective period is complete. For the CVD rate, the first Administrative Review is anticipated to be based on sales and cost data through 2017 and 2018, with the ADD rate expected to be based off data from July 2017 to December 2018. These two CVD and ADD Administrative Reviews are currently anticipated to be completed in 2020.

In 2017, the Company reduced its countervailing expense accrual by $14.0 million reflecting the difference in the DOC's preliminary and final countervailing duty rates. In the case of the ADD, cash deposits were posted at the final published ADD rate of 7.28% as determined by the DOC, however for accounting purposes, the expense was accrued at 1.1% reflecting Canfor's best estimate of the rate applicable to its product shipment profile, as determined by applying the DOC's methodology to current sales and cost data. As Canfor is unable to determine a current CVD accrual rate for accounting purposes, an expense was recorded at the CVD deposit rate. Accordingly, the Company reduced its anti-dumping duty accrual by $30.9 million reflecting the difference in the DOC's preliminary rate of 7.72%, and the Company's estimated accrual rate of 1.1% for the applicable period in 2017.

In 2018, cash deposits were posted reflecting the final published ADD rate of 7.28% and CVD rate of 13.24%, with ADD expense accrued at 2.9% for the applicable 2017 and 2018 combined period. Cumulative cash duties paid to December 31, 2018 were $284.0 million. The estimated ADD rate at December 31, 2018, increased by 1.2% from the estimated rate of 1.7% at September 30, 2018, as a result of applying the DOC's methodology to current period sales and cost data included in the first period of review. In 2019, Canfor will move into a new period of review, with the estimated ADD rate based on 2019 sales and cost data. 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 Income Statement 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 Income Statement. At December 31, 2018, Canfor has recorded a receivable of $76.6 million reflecting the difference over the eighteen-month period of review between the current combined cash deposit rate of 20.52% and the current combined accrual rate for accounting purposes of 16.14%.

Canfor and other Canadian forest product companies, the Federal Government and Canadian Provincial Governments 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 NAFTA and through the World Trade Organization, where Canadian litigation has proven successful in the past.