News Release

CANFOR

FOR IMMEDIATE RELEASE

CANFOR REPORTS RESULTS FOR THIRD QUARTER OF 2019

October 23, 2019 - Vancouver, B.C. - Canfor Corporation (TSX: CFP) today reported its third quarter of 2019 results:

Overview

- Third quarter of 2019 reported operating loss of $124 million
- Third quarter of 2019 adjusted operating loss of $69 million (adjusted for duties, restructuring costs and reversal of inventory write-down provisions)
- Adjusted shareholder net loss of $44 million, or $0.35 per share

Financial Results

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

(millions of Canadian dollars, except per share amounts)	Q3 2019	Q2 2019	YTD 2019	Q3 2018	YTD 2018
Sales	**$ 1,091.4**	$ 1,313.0	**$ 3,553.1**	$ 1,323.3	$ 4,016.3
Reported operating income (loss) before amortization	**$ (27.4)**	$ 43.1	**$ 32.3**	$ 269.9	$ 888.2
Reported operating income (loss)	**$ (124.0)**	$ (49.7)	**$ (243.6)**	$ 201.8	$ 687.7
Adjusted operating income before amortization[1]	**$ 27.2**	$ 88.2	**$ 207.2**	$ 312.5	$ 1,017.4
Adjusted operating income (loss)[1]	**$ (69.4)**	$ (4.6)	**$ (68.7)**	$ 244.4	$ 816.9
Net income (loss)[2]	**$ (90.4)**	$ (48.6)	**$ (228.5)**	$ 125.3	$ 407.3
Net income (loss) per share, basic and diluted[2]	**$ (0.72)**	$ (0.39)	**$ (1.82)**	$ 0.98	$ 3.17
Adjusted net income (loss)[2, 3]	**$ (44.4)**	$ (11.8)	**$ (93.0)**	$ 156.9	$ 516.4
Adjusted net income (loss) per share, basic and diluted[2, 3]	**$ (0.35)**	$ (0.10)	**$ (0.74)**	$ 1.23	$ 4.02

2019 results include the adoption of IFRS 16 *Leases*, from January 1, 2019, on a prospective basis. Comparative periods have not been restated.

[1] Adjusted for countervailing and anti-dumping duties expense ($53.5 million in Q3 2019, $45.2 million in Q2 2019, $42.6 million in Q3 2018), inventory write-down recoveries ($5.3 million net recovery in Q3 2019, $11.6 million net recovery in Q2 2019), and restructuring costs related to mill closures and curtailments ($6.4 million in Q3 2019, $11.5 million in Q2 2019).

[2] Attributable to equity shareholders of the Company.

[3] Adjusted for after-tax impact of certain one-time items, including the aforementioned countervailing and anti-dumping duties expense and restructuring costs, as well as foreign exchange (gain) loss on long-term debt and duties recoverable, and (gain) loss on derivative financial instruments.

Reflecting weak global market conditions and a challenging fibre cost environment in British Columbia ("BC"), for the third quarter of 2019, Canfor reported an operating loss of $124.0 million compared to an operating loss of $49.7 million reported for the second quarter of 2019. The material decline reflected significantly lower operating earnings in both the lumber and pulp and paper segments, and substantial curtailments taken by both businesses during the third quarter.

Reported results for the third quarter of 2019 included a net duty expense of $53.5 million, at a combined countervailing duty ("CVD") and anti-dumping duty ("ADD") accrual rate of 29.24%, compared to $45.2 million reported in the second quarter of 2019 at a combined rate of 26.24%. Results in the third quarter of 2019 also included a net $5.3 million recovery in the lumber and log inventory write-down provisions, as well as restructuring costs of $6.4 million related to the previously announced permanent capacity reductions and indefinite curtailments at the Vavenby, Mackenzie and Isle Pierre sawmills.

Lumber segment losses primarily reflected prolonged weakness in Western Spruce/Pine/Fir ("Western SPF") benchmark lumber prices, continued elevated log costs in BC, and 360 million board feet of production curtailments and capacity reductions in that operating region during the current quarter.

Results in the pulp and paper segment reflected weak global pulp market conditions, significant market-related downtime and fibre supply disruptions from BC Interior sawmill curtailments. Northern Bleached Softwood Kraft ("NBSK") pulp and Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") prices saw significant declines through the quarter, driven by weak global softwood pulp demand in combination with elevated global pulp inventory levels. In response to the deteriorating pulp market conditions and fibre supply disruptions, Canfor Pulp Products Inc. ("CPPI") took phased summer curtailments at its Intercontinental, Northwood and Prince George NBSK pulp mills in Prince George, BC, as well as at its BCTMP mill in Taylor, BC. Combined, the summer curtailments reduced pulp production in the current quarter by 75,000 tonnes of NSBK pulp and 60,000 tonnes of BCTMP.

Lumber market fundamentals remained relatively unchanged through the third quarter of 2019, with supply continuing to exceed demand. North American home construction showed signs of a recovery late in the third quarter of 2019 while repair and remodeling activity was steady during the quarter and throughout 2019 overall. US housing starts, on a seasonally adjusted basis, averaged 1,282,000 units, up 2% from the previous quarter; multi-family starts were down 6%, while single-family starts, which consume a higher proportion of lumber, were up 6%. The slower than anticipated recovery of US housing starts year-to-date has in part reflected record high levels of precipitation and severe flooding across the US South, combined with market uncertainty stemming from ongoing trade disputes between the US and China. In Canada, housing starts averaged 223,000 units on a seasonally adjusted basis, broadly in line with the previous quarter, and reflecting strong demand in Eastern Canadian urban centres. Offshore demand for Western SPF lumber products, particularly in China, weakened in the third quarter. European lumber demand waned during the current quarter, as weaker market conditions spilled over from North America, and this weighed on European benchmark commodity lumber pricing.

The average benchmark North American Random Lengths Western SPF 2x4 #2&Btr price was up US$23 per Mfbm, or 7%, from the previous quarter, to US$356 per Mfbm. A similar increase was seen in the Company's Western SPF lumber unit sales realizations driven by benchmark pricing movements across various grades, combined with a modest improvement in the Company's high-value sales mix.

Southern Yellow Pine ("SYP") lumber unit sales realizations were slightly lower than the prior quarter as a US$17 per Mfbm, or 4%, increase in the SYP East 2x4 #2 price to US$410 per Mfbm, was more than offset by the impact of price declines for wider-width dimension products.

The average European indicative SPF lumber benchmark price (an internally generated benchmark based on delivered price to the largest continental market), at 3,652 Swedish Krona ("SEK") per Mfbm, was down SEK 351 per Mfbm, or 9%, from the previous quarter, primarily a result of tepid global lumber demand. The Company's European SPF lumber unit sales realizations showed a more moderate decrease compared to the previous quarter, as a higher-value sales mix partially offset the aforementioned pricing pressure. Further reducing the unit sales realizations compared to the previous quarter was a 3% strengthening of the Canadian dollar against the SEK.

Total lumber shipments, at 1.23 billion board feet, were 16% lower than the previous quarter principally reflecting the challenging market conditions impacting our Western SPF lumber business and the related market downtime in the current quarter.

Total lumber production, at 1.18 billion board feet, was 15% lower than the previous quarter primarily due to the aforementioned BC production curtailments and mill closures, which reduced Western SPF production capacity by approximately 37%, and, to a lesser extent, seasonal production downtime at the Company's European operations taken for a four-week period in July and August.

Lumber unit manufacturing and product costs declined slightly from the previous quarter, as the impact of reduced market pricing on consumed log costs in both Western Canada and the US South, outweighed the incremental effect of lower production volumes. The timing difference between the delivery and consumption of logs meant that the increase in market-based stumpage in BC, effective July 1, 2019, did not significantly impact log costs in the current quarter; however, this will materially impact BC log costs in upcoming quarters. In Europe, lumber unit manufacturing and product costs were marginally higher than the previous quarter, as the benefit of a market-related decline in log costs offset most of the impact on unit fixed costs from the seasonal production downtime.

Global pulp markets weakened for a third straight quarter with the combination of tepid demand and inventory oversupply, particularly in China and Europe, significantly weighing on global pulp prices. During the current quarter, the US-dollar NBSK pulp list price to China declined to its lowest level in over 10 years, averaging US$585 per tonne, down US$68 per tonne, or 10%, from the previous quarter. Prices to other global regions, including North America and Europe, also experienced similar decreases in the current quarter. As a result of weakening pulp market conditions and pricing, average NBSK pulp and BCTMP unit sales realizations were down significantly compared to the second quarter of 2019.

Energy revenues increased in the current quarter as improved power generation, driven by Northwood's new Turbo Generator Condensing turbine, and higher energy prices, more than offset the decrease in operating days associated with the aforementioned downtime.

Pulp production was 174,000 tonnes, down 126,000 tonnes, or 42%, from the previous quarter, largely reflecting the quarter-over-quarter impact of downtime, which, in the current quarter, principally related to the aforementioned production curtailments at all of CPPI's pulp mills. The completion of a scheduled maintenance outage at CPPI's Prince George pulp mill in the current quarter further reduced pulp production by 4,000 tonnes. In the second quarter of 2019, CPPI completed scheduled maintenance outages at the Intercontinental NBSK pulp and Taylor BCTMP mills which reduced pulp production by 11,000 tonnes and 6,000 tonnes, respectively.

Pulp shipments were 213,000 tonnes, down 75,000 tonnes, or 26%, from the previous quarter reflecting the decrease in pulp production, offset in part by a drawdown of inventory in the current quarter.

Pulp unit manufacturing costs were significantly higher than the previous quarter, principally reflecting reduced production. Fibre costs showed a modest decline, with lower market-based prices for sawmill residual chips (linked to Canadian dollar NBSK pulp sales realizations) offsetting increased seasonal pricing adjustments and a higher proportion of available higher-cost whole log chips.

"The ongoing tough market conditions made for another extremely challenging quarter for our Western SPF business and all of our employees" said Don Kayne, Canfor's President and Chief Executive Officer. "However, despite the global lumber market challenges, our SYP and European businesses continued to deliver positive results in the third quarter and we expect that to continue through the balance of the year. Our pulp business also had a very difficult quarter, as deteriorating pulp market conditions and reduced fibre supply resulted in significant pulp mill curtailments in the third quarter. We expect to see stabilization and a slow recovery in both lumber and pulp prices towards the end of 2019 and into 2020 as demand steadily improves and global inventory levels come back into balance."

On August 10, 2019, Canfor received an unsolicited and non-binding proposal from Great Pacific Capital Corp. ("Great Pacific") to acquire all outstanding common shares of Canfor (excluding those already directly or indirectly owned by Great Pacific) at a price of $16.00 per common share (the "Indicative Offer").

The Board has constituted a Special Committee of independent directors to review the Indicative Offer and, in consultation with its legal and financial advisors, consider Canfor's strategic alternatives, including Canfor's response, if any, to the Indicative Offer. The Special Committee's review remains in progress.

Looking ahead, for the lumber segment, a gradual recovery in demand in the US housing sector is anticipated, in part reflecting an alleviation of affordability concerns, coupled with solid projected demand in the repair and remodeling sector. Despite the anticipated steady uptick in US lumber demand, increased supply into the North American market is projected to temper North American lumber prices for the balance of 2019, reflecting the combined impacts of incremental European lumber imports into the US, lower shipments from North America to China, and capacity coming online in the US South. Lumber prices in Asia, particularly in Japan, are anticipated to improve through the balance of 2019, with prices projected to return to more normalized levels. In Europe, the pricing pressure experienced in the current quarter is estimated to continue through the balance of the year, with stabilization anticipated in early 2020, as global inventory levels return to a more balanced range. It is anticipated that this pricing pressure will be somewhat moderated by lower log costs in Europe.

In the pulp and paper segment, global softwood kraft pulp markets are projected to show signs of a modest recovery in the fourth quarter of 2019 with consumers replenishing inventories following the seasonally slower summer months. It is anticipated that global pulp pricing will slowly improve through the balance of 2019 and into 2020 as global inventories move towards a more balanced range. Given the impacts of recently announced sawmill curtailments and closures in the BC Interior, fibre costs are projected to remain under pressure given the limited supply of incremental pulp logs. Results in the fourth quarter of 2019 will include a one week curtailment at CPPI's Prince George NBSK pulp mill and paper machine at the beginning of October, a continuation from the third quarter. Bleached kraft paper demand is anticipated to remain relatively weak through the balance of the year, with prices projected to remain under pressure in the fourth quarter before stabilizing in 2020.

Additional Information and Conference Call

A conference call to discuss the third quarter's financial and operating results will be held on Thursday, October 24, 2019 at 8:00 AM Pacific time. To participate in the call, please dial Toll-Free 888-390-0546. For instant replay access until November 7, 2019, please dial 888-390-0541 and enter participant pass code 315653#.

The conference call will be webcast live and will be available at www.canfor.com. This news release, the attached financial statements and a presentation used during the conference call can be accessed via the Company's website at http://www.canfor.com/investor-relations/webcasts.

Non-IFRS Measures and Forward Looking Statements

Operating Income (Loss) before Amortization, Adjusted Operating Income (Loss) and Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share are not generally accepted earnings measures and should not be considered as an alternative to net income (loss) or cash flows as determined in accordance with IFRS. Refer to the Company's Annual Management's Discussion and Analysis for a reconciliation of Operating Income (Loss) before Amortization and Adjusted Operating Income (Loss) to Operating Income (Loss) and Adjusted Net Income (Loss) to Net Income (Loss) reported in accordance with IFRS.

Certain statements in this press release constitute "forward-looking statements" which involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Words such as "expects", "anticipates", "projects", "intends", "plans", "will", "believes", "seeks", "estimates", "should", "may", "could", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and actual events or results may differ materially. There are many factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements. Forward-looking statements are based on current expectations and 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, BC with interests in BC, Alberta, North and South Carolina, Alabama, Georgia, Mississippi and Arkansas, as well as in Sweden with its recent majority acquisition of the Vida Group. Canfor produces primarily softwood lumber and also owns a 54.8% interest in Canfor Pulp Products Inc., which is one of the largest global producers of market northern bleached softwood kraft pulp and a leading producer of high performance kraft paper. Canfor shares are traded on The Toronto Stock Exchange under the symbol CFP.

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Canfor Corporation
Third Quarter 2019
Management's Discussion and Analysis

This interim Management's Discussion and Analysis ("MD&A") provides a review of Canfor Corporation's ("Canfor" or "the Company") financial performance for the quarter ended September 30, 2019 relative to the quarters ended June 30, 2019 and September 30, 2018, and the financial position of the Company at September 30, 2019. It should be read in conjunction with Canfor's unaudited interim consolidated financial statements and accompanying notes for the quarters ended September 30, 2019 and 2018, as well as the 2018 annual MD&A and the 2018 audited consolidated financial statements and notes thereto, which are included in Canfor's Annual Report for the year ended December 31, 2018 (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 and Adjusted Operating Income (Loss) which Canfor considers to be a relevant indicator for measuring trends in the performance of each of its operating segments and the Company's ability to generate funds to meet its debt repayment and capital expenditure requirements. Reference is also made to Adjusted Shareholder Net Income (Loss) (calculated as Shareholder Net Income (Loss) less specific items affecting comparability with prior periods – for the full calculation, see the reconciliation included in the section "Analysis of Specific Material Items Affecting Comparability of Net Income (Loss)") and Adjusted Shareholder Net Income (Loss) per Share (calculated as Adjusted Shareholder Net Income (Loss) divided by the weighted average number of shares outstanding during the period).

Operating Income (Loss) before Amortization, Adjusted Operating Income (Loss), Adjusted Shareholder Net Income (Loss) and Adjusted Shareholder Net Income (Loss) per Share are not generally accepted earnings measures and should not be considered as an alternative to net income or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, Canfor's Operating Income (Loss) before Amortization, Adjusted Operating Income (Loss), Adjusted Shareholder Net Income (Loss) and Adjusted Shareholder Net Income (Loss) per Share may not be directly comparable with similarly titled measures used by other companies. Reconciliations of Operating Income (Loss) before Amortization to Operating Income (Loss) and Adjusted Shareholder 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 third quarter of 2019.

Factors that could impact future operations are also discussed. These factors may be influenced by both known and unknown risks and uncertainties that could cause the actual results to be materially different from those stated in this discussion. Factors that could have a material impact on any future oriented statements made herein include, but are not limited to: general economic, market and business conditions; product selling prices; raw material and operating costs; currency exchange rates; interest rates; changes in law and public policy; the outcome of labour and trade disputes; and opportunities available to or pursued by Canfor.

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

All financial references are in millions of Canadian dollars unless otherwise noted. The information in this report is as at October 23, 2019.

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.

THIRD QUARTER 2019 OVERVIEW

Selected Financial Information and Statistics

(millions of Canadian dollars, except per share amounts)	Q3 2019	Q2 2019	YTD 2019	Q3 2018	YTD 2018
Operating income (loss) by segment:					
Lumber[1]	**$ (70.2)**	$ (60.6)	**$ (208.8)**	$ 148.9	$ 478.2
Pulp and Paper	**$ (44.0)**	$ 18.4	**$ (7.5)**	$ 60.5	$ 231.0
Unallocated and Other	**$ (9.8)**	$ (7.5)	**$ (27.3)**	$ (7.6)	$ (21.5)
Total operating income (loss)	**$ (124.0)**	$ (49.7)	**$ (243.6)**	$ 201.8	$ 687.7
Add: Amortization[2]	**$ 96.6**	$ 92.8	**$ 275.9**	$ 68.1	$ 200.5
Total operating income (loss) before amortization	**$ (27.4)**	$ 43.1	**$ 32.3**	$ 269.9	$ 888.2
Add (deduct):					
Working capital movements	**$ 54.6**	$ 141.3	**$ 32.9**	$ 61.1	$ (29.1)
Defined benefit plan contributions, net	**$ (5.7)**	$ (6.0)	**$ (16.4)**	$ (6.6)	$ (21.2)
Income taxes received (paid), net	**$ (6.1)**	$ 8.2	**$ (7.5)**	$ (82.9)	$ (154.0)
Adjustment to accrued duties[3]	**$ 19.9**	$ 7.9	**$ 30.9**	$ (12.9)	$ (35.9)
Other operating cash flows, net[4]	**$ (17.3)**	$ 10.5	**$ 1.9**	$ (27.5)	$ (4.8)
Cash from operating activities	**$ 18.0**	$ 205.0	**$ 74.1**	$ 201.1	$ 643.2
Add (deduct):					
Capital additions, net	**$ (76.4)**	$ (82.0)	**$ (233.1)**	$ (117.2)	$ (261.2)
Finance expenses paid	**$ (12.7)**	$ (14.4)	**$ (34.3)**	$ (4.1)	$ (15.1)
Distributions paid to non-controlling interests	**$ (2.1)**	$ (10.5)	**$ (17.6)**	$ (2.1)	$ (5.9)
Repayment of long-term debt	**$ (0.2)**	$ (0.2)	**$ (0.6)**	$ (0.1)	$ (0.3)
Payment of lease obligations[5]	**$ (4.6)**	$ (4.0)	**$ (11.9)**	$ -	$ -
Preliminary consideration paid for acquisition of Vida Group, net of cash acquired	**$ -**	$ -	**$ (562.6)**	$ -	$ -
Operating loan facilities acquired from Vida Group, net of foreign exchange	**$ 0.8**	$ 0.5	**$ (16.5)**	$ -	$ -
Consideration paid for first phase investment in Elliott[6]	**$ -**	$ (52.0)	**$ (52.0)**	$ -	$ -
Elliott term loan facility (advanced) repaid[6]	**$ 0.8**	$ (8.5)	**$ (7.7)**	$ -	$ -
Proceeds from long-term debt	**$ 50.0**	$ -	**$ 281.7**	$ -	$ -
Share purchases	**$ -**	$ -	**$ -**	$ (60.0)	$ (64.2)
Foreign exchange gain (loss) on cash and cash equivalents	**$ (0.2)**	$ (1.2)	**$ 0.4**	$ (1.8)	$ 1.5
Other, net[4]	**$ 0.1**	$ (7.7)	**$ (7.7)**	$ 2.7	$ 5.1
Change in cash / operating loans	**$ (26.5)**	$ 25.0	**$ (587.8)**	$ 18.5	$ 303.1
ROIC – Consolidated period-to-date[7]	**(3.0)%**	(1.7)%	**(7.6)%**	6.7%	22.8%
Average exchange rate (US$ per C$1.00)[8]	**$ 0.757**	$ 0.748	**$ 0.752**	$ 0.765	$ 0.777
Average exchange rate (SEK per C$1.00)[8]	**7.262**	7.059	**7.072**	6.842	6.652

2019 results include the adoption of IFRS 16 *Leases*, from January 1, 2019, on a prospective basis. Comparative periods have not been restated.

[1] YTD 2019 results include seven months of our European SPF lumber operations results.

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

[3] Adjusted to true-up anti-dumping duties expensed for accounting purposes to current accrual rates.

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

[5] On adoption of IFRS 16 *Leases*, payment of lease obligations represents cash payments towards reduction of outstanding lease obligations and related interest, which were previously included with cash from operating activities.

[6] Consideration paid includes the first phase investment in Elliott Sawmilling Co., LLC ("Elliott"), consisting of a cash payment of $52.0 million (US$38.5 million) and $8.5 million (US$6.2 million) advanced under a term loan facility. An additional $21.1 million (US$15.6 million) has been recognized as an "Other Current Liability" on the Company's consolidated balance sheet at the initial investment date. As at September 30, 2019, Elliott has repaid $0.8 million (US$0.6 million) of the term loan.

[7] Consolidated Return on Invested Capital ("ROIC") is equal to operating income (loss) plus realized gains (losses) on derivative financial instruments (i.e. excluding mark-to-market adjustments), plus other income (expense) and excluding non-controlling interest, divided by the average invested capital during the period. Invested capital represents total assets excluding cash and total liabilities excluding long-term debt, retirement benefit obligations, long-term deferred reforestation obligations, and deferred taxes.

[8] Source – Bank of Canada (monthly average rate for the period).

Analysis of Specific Material Items Affecting Comparability of Shareholder Net Income (Loss)

After-tax impact, net of non-controlling interests (millions of Canadian dollars, except per share amounts)	Q3 2019	Q2 2019	YTD 2019	Q3 2018	YTD 2018
Shareholder net income (loss), as reported	**$ (90.4)**	$ (48.6)	**$ (228.5)**	$ 125.3	$ 407.3
Foreign exchange (gain) loss on long-term debt and duties recoverable, net	**$ 2.1**	$ (2.9)	**$ -**	$ (0.7)	$ 2.2
Countervailing and anti-dumping duty deposit expense, net	**$ 39.1**	$ 33.0	**$ 98.6**	$ 31.1	$ 94.3
(Gain) loss on derivative financial instruments	**$ 0.1**	$ (1.7)	**$ 23.8**	$ 1.2	$ 12.6
Restructuring costs	**$ 4.7**	$ 8.4	**$ 13.1**	$ -	$ -
Net impact of above items	**$ 46.0**	$ 36.8	**$ 135.5**	$ 31.6	$ 109.1
Adjusted shareholder net income (loss)	**$ (44.4)**	$ (11.8)	**$ (93.0)**	$ 156.9	$ 516.4
Shareholder net income (loss) per share (EPS), as reported	**$ (0.72)**	$ (0.39)	**$ (1.82)**	$ 0.98	$ 3.17
Net impact of above items per share	**$ 0.37**	$ 0.29	**$ 1.08**	$ 0.25	$ 0.85
Adjusted shareholder net income (loss) per share	**$ (0.35)**	$ (0.10)	**$ (0.74)**	$ 1.23	$ 4.02

Reflecting weak global market conditions and a challenging fibre cost environment in British Columbia ("BC"), for the third quarter of 2019, Canfor reported an operating loss of $124.0 million compared to an operating loss of $49.7 million reported for the second quarter of 2019. The material decline reflected significantly lower operating earnings in both the lumber and pulp and paper segments, and substantial curtailments taken by both businesses during the third quarter.

Reported results for the third quarter of 2019 included a net duty expense of $53.5 million, at a combined countervailing duty ("CVD") and anti-dumping duty ("ADD") accrual rate of 29.24%, compared to $45.2 million reported in the second quarter of 2019 at a combined rate of 26.24%. Results in the third quarter of 2019 also included a net $5.3 million recovery in the lumber and log inventory write-down provisions, compared to a net $11.6 million recovery in the prior quarter. Lastly, reported results in the third quarter of 2019 included restructuring costs of $6.4 million related to the previously announced permanent closure of the Vavenby sawmill, indefinite curtailment of the Mackenzie sawmill, and permanent capacity reductions at the Isle Pierre sawmill. After adjusting for the aforementioned items, the Company's operating loss was $69.4 million for the third quarter of 2019, compared to the similarly adjusted operating loss of $4.6 million in the second quarter of 2019.

Lumber segment losses primarily reflected prolonged weakness in Western Spruce/Pine/Fir ("Western SPF") benchmark lumber prices, continued elevated log costs in BC, and 360 million board feet of production curtailments and capacity reductions in that operating region during the current quarter.

Results in the pulp and paper segment reflected weak global pulp market conditions, significant market-related downtime and fibre supply disruptions from BC Interior sawmill curtailments. Northern Bleached Softwood Kraft ("NBSK") pulp and Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") prices saw significant declines through the quarter, driven by weak global softwood pulp demand in combination with elevated global pulp inventory levels. In response to the deteriorating pulp market conditions and fibre supply disruptions, Canfor Pulp Products Inc. ("CPPI") took phased summer curtailments at its Intercontinental, Northwood and Prince George NBSK pulp mills in Prince George, BC, as well as at its BCTMP mill in Taylor, BC. Combined, the summer curtailments reduced pulp production in the current quarter by 75,000 tonnes of NSBK pulp and 60,000 tonnes of BCTMP.

The current quarter's reported operating results were down $325.8 million from operating income of $201.8 million reported for the third quarter of 2018, reflecting a $219.1 million decrease in lumber segment earnings and a $104.5 million decrease in the pulp and paper segment. Lower lumber segment earnings principally reflected materially lower Western SPF and SYP benchmark lumber prices combined with lower shipment and production volumes due to the aforementioned market-driven curtailments and closures at the Company's BC operations, which more than offset the benefit of incremental earnings from the Company's European operations and a 1 cent, or 1%, weaker Canadian dollar in the current quarter.

Compared to the third quarter of 2018, pulp and paper segment results reflect a substantial decline in global pulp list prices from near record high levels in the comparative period, combined with lower shipment and production volumes due to market and fibre-driven curtailments at all of CPPI's operations, partially offset by lower fibre costs (linked to Canadian dollar NBSK pulp sales realizations) in the current quarter.

OPERATING RESULTS BY BUSINESS SEGMENT

Lumber

Selected Financial Information and Statistics – Lumber

(millions of Canadian dollars, unless otherwise noted)	Q3 2019	Q2 2019	YTD 2019	Q3 2018	YTD 2018
Sales[9]	**$ 874.6**	$ 993.5	**$ 2,712.8**	$ 994.9	$ 2,932.0
Operating income (loss) before amortization[9]	**$ 2.5**	$ 8.7	**$ (2.8)**	$ 196.7	$ 619.5
Operating income (loss)[9]	**$ (70.2)**	$ (60.6)	**$ (208.8)**	$ 148.9	$ 478.2
Countervailing and anti-dumping duties, net[10]	**$ 53.5**	$ 45.2	**$ 135.0**	$ 42.6	$ 129.2
Inventory write-down (recovery)	**$ (5.3)**	$ (25.0)	**$ 8.3**	$ -	$ -
Restructuring costs[11]	**$ 6.4**	$ 11.5	**$ 17.9**	$ -	$ -
Adjusted operating income (loss)	**$ (15.6)**	$ (28.9)	**$ (47.6)**	$ 191.5	$ 607.4
Average Western SPF 2x4 #2&Btr lumber price in US$[12]	**$ 356**	$ 333	**$ 354**	$ 482	$ 531
Average Western SPF 2x4 #2&Btr lumber price in Cdn$	**$ 470**	$ 445	**$ 471**	$ 630	$ 683
Average SYP 2x4 #2 lumber price in US$[13]	**$ 410**	$ 393	**$ 407**	$ 488	$ 548
Average European indicative SPF lumber price in SEK[14]	**3,652**	4,003	**3,949**	-	-
Average European indicative SPF lumber price in Cdn$	**$ 503**	567	**$ 558**	$ -	$ -
U.S. housing starts (thousand units SAAR)[15]	**1,282**	1,256	**1,250**	1,233	1,271
Production – Western SPF lumber (MMfbm)[16]	**594.6**	762.8	**2,153.8**	921.8	2,758.2
Production – SYP lumber (MMfbm)[16]	**365.4**	354.3	**1,084.3**	353.6	1,072.2
Production – European SPF lumber (MMfbm)[16]	**220.2**	266.9	**578.4**	-	-
Shipments – Western SPF lumber (MMfbm)[17]	**643.8**	846.6	**2,233.5**	933.8	2,755.0
Shipments – SYP lumber (MMfbm)[17]	**365.2**	349.9	**1,067.1**	357.5	1,082.6
Shipments – European SPF lumber (MMfbm)[17]	**223.4**	277.9	**596.4**	-	-

2019 results include the adoption of IFRS 16 *Leases*, from January 1, 2019, on a prospective basis. Comparative periods have not been restated.

[9] Q3 2019 includes sales of $201.2 million, an operating loss of $6.1 million and operating income before amortization of $13.4 million from European SPF lumber operations (Q2 2019 - sales of $236.5 million, operating income of $10.2 million and operating income before amortization of $25.9 million). If the acquisition of the Vida Group ("Vida") had occurred on January 1, 2019, it is estimated that for the nine months ended September 30, 2019, European SPF lumber sales would have been $683.5 million, with operating income of $21.8 million and operating income before amortization of $81.4 million.

[10] Adjusted for countervailing and anti-dumping duties expensed for accounting purposes.

[11] Adjusted for restructuring costs related to mill closures and curtailments at Vavenby, Mackenzie and Isle Pierre sawmills.

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

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

[14] Preliminary quarterly European indicative lumber price is an internally generated benchmark based on delivered price to the largest continental market.

[15] Source – US Census Bureau, seasonally adjusted annual rate ("SAAR").

[16] Excluding production of trim blocks.

[17] Canfor or Vida produced lumber, including lumber purchased for remanufacture and engineered wood, excluding trim blocks, wholesale shipments and lumber sold on behalf of third parties.

Markets

Lumber market fundamentals remained relatively unchanged through the third quarter of 2019, with supply continuing to exceed demand. North American home construction showed signs of a recovery late in the third quarter of 2019 while repair and remodeling activity was steady during the quarter and throughout 2019 overall. US housing starts, on a seasonally adjusted basis, averaged 1,282,000 units, up 2% from the previous quarter and modestly higher than the third quarter of 2018; multi-family starts were down 6% from the previous quarter, while single-family starts, which consume a higher proportion of lumber, were up 6% compared to the same period. The slower than anticipated recovery of US housing starts year-to-date has in part reflected record high levels of precipitation and severe flooding across the US South, combined with market uncertainty stemming from ongoing trade disputes between the US and China. In Canada, housing starts averaged 223,000 units on a seasonally adjusted basis, broadly in line with the previous quarter and reflecting strong demand in Eastern Canadian urban centres. Offshore demand for Western SPF lumber products, particularly in China, weakened in the third quarter. European lumber demand waned during the current quarter, as weaker market conditions spilled over from North America, and this weighed on European benchmark commodity lumber pricing.

Sales

Sales revenues for the lumber segment for the third quarter of 2019 were $874.6 million, compared to $993.5 million in the previous quarter and $994.9 million for the third quarter of 2018. The 12% decrease in sales revenue compared to the prior quarter reflected materially lower Western SPF and European SPF lumber shipments. Sales revenues decreased by 12% compared to the third quarter of 2018 as significantly lower lumber prices combined with reduced shipments offset the incremental benefit of European SPF lumber sales and the weaker Canadian dollar in the current quarter.

Total lumber shipments, at 1.23 billion board feet, were 16% lower than the previous quarter principally reflecting the challenging market conditions impacting our Western SPF lumber business and the related market downtime in the current quarter. Total lumber shipments were 5% lower than the third quarter of 2018, as the inclusion of European SPF lumber shipment volumes partly offset reduced shipment volumes associated with the curtailments in the current quarter.

The average benchmark North American Random Lengths Western SPF 2x4 #2&Btr price was up US$23 per Mfbm, or 7%, from the previous quarter, to US$356 per Mfbm. A similar increase was seen in the Company's Western SPF lumber unit sales realizations, driven by benchmark pricing movements across various grades and a modest improvement in the Company's high-value sales mix.

SYP lumber unit sales realizations were slightly lower than the prior quarter as a US$17 per Mfbm, or 4%, increase in the SYP East 2x4 #2 price to US$410 per Mfbm, was more than offset by the impact of price declines for wider-width dimension products.

The average European indicative SPF lumber benchmark price (an internally generated benchmark based on delivered price to the largest continental market), at 3,652 Swedish Krona ("SEK") per Mfbm, was down SEK 351 per Mfbm, or 9%, from the previous quarter, primarily a result of tepid global lumber demand. The Company's European SPF lumber unit sales realizations showed a more moderate decrease compared to the previous quarter, as a higher-value sales mix partially offset the aforementioned pricing pressure. Further reducing the unit sales realizations compared to the previous quarter was a 3% strengthening of the Canadian dollar against the SEK.

Lumber unit sales realizations were substantially lower when compared to the third quarter of 2018, reflecting the much weaker US-dollar Western SPF and SYP benchmark prices and materially lower offshore unit sales realizations in the current quarter, more than offsetting the benefits of the weaker Canadian dollar and a high-value sales mix. The average North American Random Lengths Western SPF 2x4 #2&Btr price was down US$126 per Mfbm, or 26%, and the SYP East 2x4 #2 price was down US$78 per Mfbm, or 16%. European SPF lumber unit sales realizations were moderately down compared to the third quarter of 2018, as the business' higher-value product mix partly offset a 632 SEK per Mfbm, or 15%, decline in the average European indicative SPF lumber benchmark price.

Other revenues for the lumber segment (which is primarily comprised of residual fibre, pulp log and pellets sales as well as the Company's European operations' other lumber-related revenues) decreased in the current quarter compared to the previous quarter reflecting the impact of the aforementioned decreased lumber production (including the annual production downtime at the Company's European operations) on residual fibre and other-lumber related revenues, offset in part by the timing of pellet shipments. Compared to the third quarter of 2018, other revenues for the lumber segment increased, principally reflecting the inclusion of the European other lumber-related revenues, which more than offset declines in market-based pricing for residual fibre and the impact from reduced production volumes.

Operations

Total lumber production, at 1.18 billion board feet, was 15% lower than the previous quarter primarily due to the aforementioned BC production curtailments and mill closures, which reduced Western SPF production capacity by approximately 37%, and, to a lesser extent, seasonal production downtime at the Company's European operations taken for a four-week period in July and August.

Total lumber production was moderately lower than the third quarter of 2018 as the benefit of incremental production generated by the European SPF lumber operations was more than offset by the aforementioned curtailments.

Lumber unit manufacturing and product costs declined slightly from the previous quarter, as the impact of reduced market pricing on consumed log costs in both Western Canada and the US South, offset the incremental effect of lower production volumes. The timing difference between the delivery and consumption of logs meant that the increase in market-based stumpage in BC, effective July 1, 2019, did not significantly impact log costs in the current quarter; however, this will materially impact BC log costs in upcoming quarters. In Europe, lumber unit manufacturing and product costs were marginally higher than the previous quarter, as the benefit of a market-related decline in log costs offset most of the impact on unit fixed costs from the annual production downtime taken in July and August.

Compared to the third quarter of 2018, lumber unit manufacturing and product costs were slightly higher primarily reflecting the impact of the reduced production and higher fibre costs in BC, driven for the most part by increased competition for purchased wood.

Pulp and Paper

Selected Financial Information and Statistics – Pulp and Paper[18]

(millions of Canadian dollars, unless otherwise noted)	**Q3 2019**	Q2 2019	**YTD 2019**	Q3 2018	YTD 2018
Sales	**$ 216.9**	$ 319.5	**$ 840.3**	$ 328.4	$ 1,084.3
Operating income (loss) before amortization[19]	**$ (20.3)**	$ 41.7	**$ 61.8**	$ 80.7	$ 290.1
Operating income (loss)	**$ (44.0)**	$ 18.4	**$ (7.5)**	$ 60.5	$ 231.0
Inventory write-downs	**$ -**	$ 13.4	**$ 13.7**	$ -	$ -
Adjusted operating income (loss)	**$ (44.0)**	$ 31.8	**$ 6.2**	$ 60.5	$ 231.0
Average NBSK pulp price delivered to China – US$[20]	**$ 585**	$ 653	**$ 649**	$ 887	$ 902
Average NBSK pulp price delivered to China – Cdn$[20]	**$ 773**	$ 873	**$ 863**	$ 1,160	$ 1,162
Production – pulp (000 mt)	**174.3**	299.9	**748.5**	285.3	893.5
Production – paper (000 mt)	**28.3**	36.0	**99.3**	34.1	99.0
Shipments – pulp (000 mt)	**213.3**	288.1	**760.3**	262.4	901.0
Shipments – paper (000 mt)	**26.8**	33.3	**92.8**	33.6	98.2

2019 results include the adoption of IFRS 16 *Leases*, from January 1, 2019, on a prospective basis. Comparative periods have not been restated.

[18] Includes 100% of Canfor Pulp Products Inc., which is consolidated in Canfor's operating results. Pulp production and shipment volumes presented are for both NBSK pulp and BCTMP.

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

[20] Per tonne, NBSK pulp list price delivered to China (Resource Information Systems, Inc.).

Markets

Global pulp markets weakened for a third straight quarter with the combination of tepid demand and inventory oversupply, particularly in China and Europe, significantly weighing on global pulp prices. During the third quarter of 2019, the US-dollar NBSK pulp list price to China declined to its lowest level in over 10 years, averaging US$585 per tonne, down US$68 per tonne, or 10%, from the previous quarter, and down US$302 per tonne, or 34%, compared to the third quarter of 2018. Prices to other global regions, including North America and Europe, also experienced similar decreases when compared to the prior quarter, with the average US-dollar NBSK pulp list price to North America at US$1,170 per tonne, down US$122 per tonne, or 9%, from the previous quarter, and down US$207 per tonne, or 15% from the third quarter of 2018.

Softwood pulp producer inventories at the end of August 2019, while improved from previous months' levels, remained above the balanced range at 37 days of supply[21]; market conditions are generally considered balanced when inventories are in the 27-33 days of supply range. Global shipments of bleached softwood pulp increased 4.1%[22], for the first eight months of 2019 compared to the first eight months of 2018, driven primarily by a 17.4% increase in shipments to China, offset by a 6.5% decrease in shipments to Western Europe. This modest increase was in contrast to global shipments of bleached hardwood pulp, which declined significantly through the first eight months of 2019, with 62 days of supply in inventories at the end of August 2019.

[21] 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").

[22] As reported PPPC statistics.

Global kraft paper markets continued to weaken throughout the third quarter of 2019 in all key markets, including Asia, North America and Europe.

Sales

Pulp shipments for the third quarter of 2019 were 213,000 tonnes, down 75,000 tonnes, or 26%, from the previous quarter and down 49,000 tonnes, or 19%, from the third quarter of 2018. Pulp shipments in the current quarter reflected a 42% and 39% decrease in pulp production when compared to both comparative periods, respectively, offset in part by a drawdown of inventory in the current quarter during the aforementioned curtailments.

Average NBSK pulp unit sales realizations were down significantly compared to the second quarter of 2019, reflecting the deteriorating global pulp market conditions and the US$68 per tonne, or 10%, decline in US-dollar NBSK pulp list pricing to China and a similar decrease in the US-dollar NBSK pulp list pricing to North America. BCTMP sales unit realizations also saw a material decrease, reflecting a sharp decline in US-dollar BCTMP prices.

Compared to the third quarter of 2018, average NBSK pulp unit sales realizations were down considerably, primarily driven by the US$302 per tonne, or 34%, decline in the average US-dollar NBSK pulp list price to China, in part moderated by lower declines in US-dollar prices to North America, and a 1% weaker Canadian dollar in the current quarter. Average BCTMP unit sales realizations also showed a sharp decline compared to the third quarter of 2018, reflecting lower BCTMP US-dollar pricing in the current quarter, which more than offset the slightly weaker Canadian dollar.

Energy revenues increased in the current quarter relative to both comparative periods, as improved power generation, driven by Northwood's new Turbo Generator Condensing turbine, and higher energy prices in the current quarter, more than offset the decrease in operating days associated with the aforementioned downtime.

Paper shipments in the third quarter of 2019 were 27,000 tonnes, down 25% and 20%, respectively, compared to the previous quarter and third quarter of 2018, largely reflecting a marked slowdown in global kraft paper market demand in the current period.

Paper unit sales realizations for the third quarter of 2019 reflected weaker US-dollar prices as the quarter progressed. Compared to the third quarter of 2018, average paper unit sales realizations showed a modest decrease, reflecting lower US-dollar prices, offset in part by the 1% weaker Canadian dollar in the current quarter.

Operations

Pulp production was 174,000 tonnes for the third quarter of 2019, down 126,000 tonnes, or 42%, from the previous quarter, and down 111,000 tonnes or 39% from the third quarter of 2018, largely reflecting the quarter-over-quarter impact of downtime, which, in the current quarter, principally related to the aforementioned production curtailments at all of CPPI's pulp mills which reduced pulp production by 135,000 tonnes. The completion of a scheduled maintenance outage at CPPI's Prince George pulp mill in the current quarter further reduced pulp production by 4,000 tonnes. In the second quarter of 2019, CPPI completed scheduled maintenance outages at the Intercontinental NBSK pulp and Taylor BCTMP mills which reduced pulp production by 11,000 tonnes and 6,000 tonnes, respectively, and in the third quarter of 2018, CPPI completed its scheduled maintenance outage at Northwood NBSK pulp mill which reduced NBSK pulp production by 28,000 tonnes.

Pulp unit manufacturing costs were significantly higher in the current quarter compared to both comparative periods, principally reflecting reduced production. Fibre costs showed a modest decline, with lower market-based prices for sawmill residual chips (linked to Canadian dollar NBSK pulp sales realizations) offsetting increased seasonal pricing adjustments and a higher proportion of available higher-cost whole log chips.

Paper production for the third quarter of 2019 was 28,000 tonnes, down 8,000 tonnes from the previous quarter and 6,000 tonnes from the third quarter of 2018, principally reflecting the extended mill scheduled maintenance outage completed in the current quarter.

Paper unit manufacturing costs were moderately lower than the second quarter of 2019 and down significantly when compared to the third quarter of 2018. The decrease compared to both comparative periods was principally driven by reduced slush pulp costs associated with the lower Canadian dollar NBSK pulp unit sales realizations in the current quarter, offset in part by the impact of the extended outage, which contributed to higher paper unit manufacturing costs in the current quarter.

Unallocated and Other Items

Selected Financial Information

(millions of Canadian dollars)	Q3 2019	Q2 2019	YTD 2019	Q3 2018	YTD 2018
Operating loss of Panels operations[23]	**$ (0.3)**	$ (0.4)	**$ (1.2)**	$ (0.4)	$ (1.3)
Corporate costs	**$ (9.5)**	$ (7.1)	**$ (26.1)**	$ (7.2)	$ (20.2)
Finance expense, net	**$ (16.1)**	$ (14.6)	**$ (41.2)**	$ (5.5)	$ (18.4)
Foreign exchange gain (loss) on long-term debt and duties recoverable, net	**$ (2.2)**	$ 3.2	**$ (0.2)**	$ 0.9	$ (2.5)
Gain (loss) on derivative financial instruments	**$ (0.1)**	$ 2.6	**$ (25.9)**	$ (1.6)	$ (17.2)
Other income (expense), net	**$ 1.2**	$ (1.0)	**$ 2.0**	$ (4.1)	$ 4.5

2019 results include the adoption of IFRS 16 *Leases*, from January 1, 2019, on a prospective basis. Comparative periods have not been restated.

[23] The Panels operations include the Company's PolarBoard oriented strand board ("OSB") plant, which is currently indefinitely idled and its Tackama plywood plant, which has been permanently closed.

Corporate costs were $9.5 million for the third quarter of 2019, up $2.4 million from the second quarter of 2019, and up $2.3 million from the third quarter of 2018. The increase compared to both comparative periods reflected legal and consulting costs in connection with the Great Pacific Capital Corp. ("Great Pacific") proposal (for additional details refer to the "Proposed Transaction" section of this document), higher legal fees associated with the ongoing Softwood Lumber dispute, and to a lesser extent, restructuring costs following the previously announced permanent and indefinite capacity reductions at the Company's BC sawmills.

Net finance expense of $16.1 million for the third quarter of 2019 was up $1.5 million from the previous quarter and up $10.6 million from the third quarter of 2018, for the most party reflecting higher interest expense associated with the Company's increased debt levels resulting from the Vida acquisition in the first quarter of 2019 and the first phase of the Elliott acquisition in the second quarter of 2019.

In the third quarter of 2019, the Company recognized a foreign exchange loss on its US-dollar term debt held by Canadian entities, which more than offset the gain on US-denominated net duty deposits recoverable due to the weakening of the Canadian dollar at the end of the quarter (see further discussion on the term debt financing in the "Liquidity and Financial Requirements" section).

At times, the Company uses a variety of derivative financial instruments as partial economic hedges against unfavourable changes in lumber prices, energy costs, interest and foreign exchange rates. In the third quarter of 2019, the Company recorded a net loss of $0.1 million, in comparison to a net gain of $2.6 million in the previous quarter, principally as a result of low lumber prices at the time derivative contracts were settled in the current quarter. The net loss of $0.1 million in the third quarter of 2019 compared to a net loss of $1.6 million in the third quarter of 2018, as fewer outstanding contracts in the current quarter outweighed the impact of significant lumber pricing declines.

Other income, net, of $1.2 million in the third quarter of 2019 principally related to favourable foreign exchange movements on US-dollar denominated working capital balances.

Other Comprehensive Income (Loss)

The following table summarizes Canfor's Other Comprehensive Income (Loss) for the comparable periods:

(millions of Canadian dollars)	Q3 2019	Q2 2019	YTD 2019	Q3 2018	YTD 2018
Defined benefit actuarial gain, net of tax	**$ 4.2**	$ 9.0	**$ 7.9**	$ 3.0	$ 14.1
Foreign exchange translation differences for foreign operations, net of tax	**$ (18.9)**	$ (25.4)	**$ (47.9)**	$ (10.8)	$ 16.8
Other comprehensive income (loss), net of tax	**$ (14.7)**	$ (16.4)	**$ (40.0)**	$ (7.8)	$ 30.9

In the third quarter of 2019, the Company recorded an after-tax gain of $4.2 million related to changes in the valuation of the Company's employee future benefits plans, mostly reflecting a return on plan assets greater than the discount rate, and to a lesser extent, lower service and interest costs driven by the 50% reduction in Medical Service Plan ("MSP") premiums in the second quarter of 2019, following a change in legislation in BC.

This compared to an after-tax gain of $9.0 million recognized in the second quarter of 2019, which primarily reflected the reduction in MSP premiums, and to a lesser extent, a return on assets greater than the discount rate, offset in part by a lower discount rate used to value the employee future benefit plan obligation. The 50% reduction in MSP recognized in the second quarter of 2019, when combined with the initial 50% reduction recognized in the fourth quarter of 2017, resulted in a gain of $95.7 million, or $0.76 per common share, reflected as a reduction in the Company's non-pension post-retirement benefit obligation.

In the third quarter of 2018, the Company recorded an after-tax gain of $3.0 million largely in relation to a higher than anticipated return on plan assets.

In addition, the Company recorded losses of $18.9 million in the third quarter of 2019 ($25.4 million in the second quarter of 2019), related to foreign exchange translation differences for foreign operations resulting primarily from the strengthening of the Canadian dollar relative to the Swedish Krona. This compared to a loss of $10.8 million in the third quarter of 2018 due to the weakening of the Canadian dollar relative to the US dollar.

SUMMARY OF FINANCIAL POSITION

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

(millions of Canadian dollars, except for ratios)	**Q3 2019**	Q2 2019	**YTD 2019**	Q3 2018	YTD 2018
Cash generated from (used in)					
Operating activities	**$ 18.0**	$ 205.0	**$ 74.1**	$ 201.1	$ 643.2
Financing activities	**$ 112.7**	$ (74.9)	**$ 641.2**	$ (66.3)	$ (85.6)
Investing activities	**$ (75.3)**	$ (150.2)	**$ (862.9)**	$ (114.5)	$ (256.0)
Increase (decrease) in cash and cash equivalents[24]	**$ 55.4**	$ (20.1)	**$ (147.6)**	$ 20.3	$ 301.6
Ratio of current assets to current liabilities			**1.4:1**		2.6:1
Net debt (cash) to capitalization[25]			**32.9%**		(8.8)%

2019 results include the adoption of IFRS 16 *Leases*, from January 1, 2019, on a prospective basis. Comparative periods have not been restated.

[24] Increase (decrease) in cash and cash equivalents shown before foreign exchange translation on cash and cash equivalents.

[25] Net debt to capitalization is equal to net debt divided by net capitalization. Net debt is equal to interest-bearing debt less cash and cash equivalents on hand. Net capitalization is equal to net debt plus total equity.

The changes in the components of these cash flows are discussed in the following sections:

Operating Activities

Operating activities generated $18.0 million of cash in the third quarter of 2019, compared to $205.0 million in the previous quarter and $201.1 million in the third quarter of 2018. The decrease in operating cash flows from the previous quarter primarily reflected the negative free cash flow from operations generated in the current quarter. Compared to the third quarter of 2018, the decrease in operating cash flows mostly reflected the cash loss in the current quarter, partially offset by lower tax installment payments.

Financing Activities

Cash generated from financing activities was $112.7 million in the current quarter, compared to cash used of $74.9 million in the previous quarter and $66.3 million in the third quarter of 2018. In the third quarter of 2019, financing activities primarily related to a further drawdown of the Company's operating loan facility to finance working capital requirements, combined with the receipt of CPPI's new $50.0 million term loan on September 30, 2019. Cash used for financing activities in the third quarter of 2018 largely related to share purchases under Canfor's Normal Course Issuer Bid.

Investing Activities

Cash used for investing activities in the third quarter of 2019 was $75.3 million, compared to $150.2 million for the previous quarter and $114.5 million for the same quarter of 2018. Capital additions in the current quarter were $76.4 million, down $5.6 million from the previous quarter and down $40.8 million from the third quarter of 2018. Current quarter lumber segment capital expenditures of $49.7 million primarily included additional capital deployed in the US South, including major upgrades at the Company's Camden and Fulton sawmills, as well as sustaining capital in Western Canada.

In the pulp and paper segment, current quarter capital expenditures of $26.0 million primarily included ongoing work on several high-return discretionary projects as well as maintenance-of-business capital.

In the second quarter of 2019 investing activities also consisted of the first phase of 49% of the acquisition of Elliott, which included an initial cash payment of $52.0 million (US$38.5 million), and an advance of $8.5 million (US$6.2 million) to Elliott under a term loan agreement (see further discussion in the "Phased Purchase of Elliott Sawmilling Co., LLC" section later in this document). Third quarter 2018 activities reflected capital additions mainly related to pulp energy projects and significant upgrades at the Company's US South sawmills.

Liquidity and Financial Requirements

Operating Loans - Consolidated

At September 30, 2019, the Company, on a consolidated basis, had cash of $105.5 million, $440.6 million drawn on its operating loans, and $77.4 million reserved for several standby letters of credit. At quarter end, the Company had total available undrawn operating loans of $401.7 million, including undrawn facilities for letters of credit.

Operating Loans – Canfor, excluding Vida and CPPI

On March 5, 2019, Canfor, excluding Vida and CPPI, entered into a committed revolving credit facility of $100.0 million with a maturity date of February 28, 2020.

On September 30, 2019, Canfor, excluding Vida and CPPI, increased the principal of its committed operating loan facility by $100.0 million to $550.0 million, with a maturity date of January 2, 2024.

Interest is payable on Canfor's committed operating loan and revolving credit facilities 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.

At September 30, 2019, Canfor, excluding Vida and CPPI, had $231.6 million of undrawn operating loan facilities, and $64.4 million reserved for several standby letters of credit, the majority of which related to unregistered pension plans. No amounts were drawn on the revolving credit facility as at September 30, 2019.

Operating Loans – Vida

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates, ranging from 1.0% to 1.3%. Vida also has separate overdraft facilities with fixed interest rates ranging from 1.7% to 4.7%. Vida's operating loan facilities have certain financial covenants including minimum equity and interest coverage ratios.

As at September 30, 2019, Vida had $89.7 million available and undrawn on its operating loan facilities (including overdraft facilities).

Operating Loans – CPPI

At September 30, 2019, CPPI had an undrawn $110.0 million operating loan facility, with $13.0 million reserved for several standby letters of credit. During the third quarter of 2019, the maturity date of CPPI's principal operating loan facility was extended from April 6, 2022 to April 6, 2023.

As at September 30, 2019, CPPI had $97.0 million available and undrawn on its operating loan facility.

Term Debt

During the first quarter of 2019, $100.0 million was drawn on Canfor's Canadian dollar denominated floating interest rate term debt, increasing the long-term debt balance to $225.0 million. Canfor also drew US$100.0 million from its US-dollar denominated floating interest rate term debt facility, increasing the debt balance to US$200.0 million.

On September 30, 2019, CPPI entered into a new $50.0 million non-revolving floating interest rate term loan. The loan is repayable on September 30, 2022, with the calculation of interest and covenants consistent with CPPI's existing operating loan facility.

Debt to Capitalization

The Company's consolidated net debt to total capitalization at the end the third quarter of 2019 was 32.9%. For Canfor, excluding CPPI, net debt to capitalization at the end of the third quarter of 2019 was 37.7%.

Debt Covenants

Canfor, Vida and CPPI remained fully in compliance with all covenants relating to their respective operating loan facilities and long-term debt during the quarter and expect to remain so for the foreseeable future. Substantially all borrowings of Vida and CPPI are non-recourse to other entities within the Company.

Normal Course Issuer Bid

On March 4, 2019, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 6,260,970 common shares or approximately 5% of its issued and outstanding common shares as of March 1, 2019. The renewed normal course issuer bid is set to expire on March 6, 2020. In December 2018, the Company decreased its share purchase activity under its normal course issuer bid following the announcement of the acquisitions of Vida and Elliott and no shares were purchased under Canfor's normal course issuer bid during the three and nine months ended September 30, 2019. Canfor and CPPI may purchase shares through 2019, however, subject to the terms of their normal course issuer bids.

As at September 30, 2019 and October 23, 2019, there were 125,219,400 common shares of the Company outstanding and Canfor's ownership interest in CPPI was 54.8%.

Phased Purchase of Elliott Sawmilling Co., LLC ("Elliott")

On May 31, 2019, the Company completed the first of a two phase purchase of Elliott, with an aggregate purchase price of US$110.5 million, including normalized working capital. In accordance with IAS 28 *Investments in Associates and Joint Ventures*, the first phase purchase of 49% was recognized as an equity investment, accounted for under the equity method, consisting of an initial cash payment of $52.0 million (US$38.5 million), and an additional $21.1 million (US$15.6 million) included as an 'Other Current Liability' on Canfor's consolidated balance sheet at the initial investment date.

As part of the first phase of the transaction, Canfor advanced $8.5 million (US$6.2 million) to Elliott in the form of a term loan facility during the second quarter of 2019. The term loan facility has an interest rate equal to the floating rate on Canfor's principal operating loan facilities, plus 1.0%, and is secured by Elliott's operating assets. The term loan receivable has been offset against the balance of the above mentioned 'Other Current Liability'. During the third quarter of 2019, Elliott repaid $0.8 million (US$0.6 million) of the term loan.

After adjusting for changes in foreign exchange between the initial investment date and September 30, 2019, a net 'Other Current Liability' of $13.2 million (US$10.0 million) was recorded on Canfor's consolidated balance sheet. Equity income and transactions costs of $0.7 million and $0.8 million were recognized during the three and nine months ended September 30, 2019, respectively.

On May 31, 2020, Canfor will increase its ownership interest to 100%, at which time Elliott's results and balances are expected to be consolidated into Canfor's.

Commitments

On June 3, 2019, the Company announced that it had entered into an agreement to sell the forest tenure associated with its Vavenby sawmill located in BC to Interfor Corporation for proceeds of $60.0 million. Also on June 3, 2019, the Company announced its intention to permanently close the Vavenby sawmill following the sale, which is currently anticipated to close in the fourth quarter of 2019, subject to customary closing conditions, including the consent of the Minister of Forests.

As a result of the planned closure and pending sale, the sawmill fixed assets and forest tenure were reclassified to 'Assets Held for Sale', and the reforestation provision associated with the forest tenure was reclassified to 'Liabilities Held for Sale' during the second quarter of 2019. In accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, upon initial classification to Assets Held for Sale during the second quarter of 2019, the carrying value of the Vavenby disposal group was assessed for impairment, with no adjustment required.

On July 18, 2019, the Company announced further capacity reductions at two of its BC sawmills. The Mackenzie sawmill was indefinitely curtailed effective July 18, 2019, and one of two shifts was permanently eliminated from the Isle Pierre sawmill effective September 20, 2019.

Due to the aforementioned permanent and indefinite curtailments, restructuring costs of $6.4 million and $17.9 million have been recognized for the three and nine months ended September 30, 2019, respectively. Of the total restructuring costs, $7.7 million is included in 'Accounts Payable and Accrued Liabilities', with $1.8 million recognized in 'Other Long-Term Liabilities' on the Company's balance sheet as at September 30, 2019.

Proposed Transaction

On August 10, 2019, Canfor received an unsolicited and non-binding proposal from Great Pacific to acquire all outstanding common shares of Canfor (excluding those already directly or indirectly owned by Great Pacific) at a price of $16.00 per common share (the "Indicative Offer").

Canfor cautions its shareholders and potential investors that the Indicative Offer is non-binding on Great Pacific and there can be no certainty that the Indicative Offer or any other strategic transaction with Great Pacific or any other person will be pursued by Canfor, supported by Canfor's board of directors (the "Board") or ultimately completed.

The Board has constituted a special committee of independent directors (the "Special Committee") to review the Indicative Offer and, in consultation with its legal and financial advisors, consider Canfor's strategic alternatives, including Canfor's response, if any, to the Indicative Offer.

Following the Special Committee's review of the Indicative Offer and the receipt of financial and legal advice, the Special Committee will be in position to respond to the statements made by Great Pacific in its August 11, 2019 press release, should the Special Committee determine it is appropriate to do so.

OUTLOOK

Lumber

Looking ahead, a gradual recovery in demand in the US housing sector is anticipated, in part reflecting an alleviation of affordability concerns, coupled with solid projected demand in the repair and remodeling sector. Despite the anticipated steady uptick in US lumber demand, increased supply into the North American market is projected to temper North American lumber prices for the balance of 2019, reflecting the combined impacts of incremental European lumber imports into the US, lower shipments from North America to China, and capacity coming online in the US South. Lumber prices in Asia, particularly in Japan, are anticipated to improve through the balance of 2019, with prices projected to return to more normalized levels. In Europe, the pricing pressure experienced in the current quarter is estimated to continue through the balance of the year, with stabilization anticipated in early 2020, as global inventory levels return to a more balanced range. It is anticipated that this pricing pressure will be somewhat moderated by lower log costs in Europe.

Pulp and Paper

Global softwood kraft pulp markets are projected to show signs of a modest recovery in the fourth quarter of 2019 with consumers replenishing inventories following the seasonally slower summer months. It is anticipated that global pulp pricing will slowly improve through the balance of 2019 and into 2020 as global inventories move towards a more balanced range. Given the impacts of recently announced sawmill curtailments and closures in the BC Interior, fibre costs are projected to remain under pressure given the limited supply of incremental pulp logs. Results in the fourth quarter of 2019 will include a one week curtailment at CPPI's Prince George NBSK pulp mill and paper machine at the beginning of October, a continuation from the third quarter.

Bleached kraft paper demand is anticipated to remain relatively weak through the balance of the year, with prices projected to remain under pressure in the fourth quarter before stabilizing in 2020.

LABOUR AGREEMENTS

Canfor's collective agreement with the United Steelworkers ("USW") expired on June 30, 2018. All of Canfor's BC Certified sawmills have ratified a Memorandum of Agreement ("MOA") with the USW for a new five-year term.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts recorded in the financial statements. On an ongoing basis, management reviews its estimates, including those related to useful lives for amortization, impairment of long-lived assets, certain accounts receivable, pension and other employee future benefit plans, asset retirement and deferred reforestation obligations, and the determination of ADD expensed and recorded as recoverable based upon currently available information. While it is reasonably possible that circumstances may arise which cause actual results to differ from these estimates, management does not believe it is likely that any such differences will materially affect the Company's financial condition, other than the possibility of material effects to the income statement from the Company's estimated ADD net duty deposits recoverable as discussed in Note 5 of the consolidated interim financial statements.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2019, the Company has adopted IFRS 16 *Leases* ("IFRS 16"), which supersedes IAS 17 *Leases* ("IAS 17") and related interpretations. Under IAS 17, leases were previously classified as either operating or financing for lessees based on an assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. As the Company's leases were previously classified as operating, straight-line operating lease expense was recognized over the lease term in the comparative period.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees, with a right-of-use asset ("ROU asset") representing the Company's right to use the underlying asset, and a lease obligation representing its obligation to make lease payments. Amortization expense for ROU assets and interest expense for lease obligations replaces the straight-line operating lease expense recognized under IAS 17.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Short-term and low-value recognition exemptions were applied, as well as certain practical expedients allowing for the use of hindsight to assess the lease term for contracts with extension options, the exclusion of initial direct costs from measurement of the ROU asset and the exclusion of leases with a term of less than one year remaining at the transition date.

On adoption of IFRS 16, the Company recognized $46.1 million of ROU assets, $48.3 million of lease obligations and deferred tax assets of $0.6 million, with the difference of $1.6 million recognized in retained earnings.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

With the recent acquisitions of 70% of Vida and 49% of Elliott, the scope of the Company's design of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") has excluded the controls, policies and procedures of Vida and Elliott as at September 30, 2019. Following the completion of an evaluation, however, the Company intends to include such controls, policies and procedures within the design of DC&P and ICFR. Additional information about the acquisitions is provided under Note 14 of Canfor's consolidated interim financial statements.

Other than the aforementioned acquisitions, there were no changes in the Company's internal controls over financial reporting during the quarter ended September 30, 2019 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 2018 annual statutory reports which are available on www.canfor.com or www.sedar.com.

In addition to exposure to changes in product prices and foreign exchange, the Company's financial results are impacted by seasonal factors such as weather and building activity. Adverse weather conditions, as well as forest fires, can cause logging curtailments, which can affect the supply of raw materials to sawmills and pulp mills. Market demand also varies seasonally to some degree. For example, building activity and repair and renovation work, which affects demand for lumber products, is generally stronger in the spring and fall months. Shipment volumes are affected by these factors as well as by global supply and demand conditions. Net income (loss) is also impacted by fluctuations in Canadian dollar exchange rates, and the revaluation to the period end rate of US-dollar and SEK denominated working capital balances, US-dollar and SEK denominated debt and revaluation of outstanding derivative financial instruments.

Acquisition of Vida

In addition to the risks and uncertainties outlined above and in the Company's 2018 annual statutory reports, Canfor is subject to risks associated with its European SPF lumber operations, arising from the acquisition of a 70% interest in Vida on February 28, 2019. Vida is subject to laws and regulations of the Swedish Government and more broadly, the European Union, with its forest operations governed by the *Swedish Forestry Act*, *Land Acquisition Act* and the *Swedish Environmental Code.*

As Vida's European SPF lumber operations have an impact on air, water, land and biological processes, Vida has incurred, prior to acquisition, and will continue to incur, capital expenditures and operating costs to comply with environmental laws and regulations. No assurance can be given that changes in these laws and regulations or their application will not have a material adverse effect on the European SPF lumber business, operations, financial condition and operational results. Similarly, no assurance can be given that capital expenditures necessary for future compliance with existing and new environmental laws and regulations could be financed from available cash flow. In addition, the European SPF lumber operations may discover currently unknown environmental issues, contamination, or conditions relating to historical or present operations. This may require site or other remediation costs to maintain compliance or remedy issues or result in governmental or private claims for damage to person, property or the environment, which could have a material adverse effect on the Company's business, operations, financial condition and operational results.

These risks are minimized through Vida's European SPF lumber operations environmental policies and preventative work in the form of environmental management systems, the certification of raw materials through the *Swedish Forest Stewardship Council* ("FSC") and *Program for the Endorsement of Forest Certification* ("PFEC") and remediation projects. In addition, Vida also has governance in place through various committees of the Company's Board of Directors.

As the European SPF lumber operation purchases the majority of its raw materials from privately owned forests in Southern Sweden, it is exposed to pricing fluctuations driven by supply and demand in the region. In addition, the Company's ability to purchase fibre for use in its operations could be adversely impacted by natural events such as forest fires, severe weather conditions or insect infestations. Pricing fluctuations are minimized, however, through strategic purchasing.

Vida's remaining risks and uncertainties are largely consistent with those outlined in the Company's 2018 annual statutory reports.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Sales and income (loss) (millions of Canadian dollars)								
Sales	**$ 1,091.4**	$ 1,313.0	$ 1,148.7	$ 1,028.1	$ 1,323.3	$ 1,459.5	$ 1,233.5	$ 1,156.0
Operating income (loss)	**$ (124.0)**	$ (49.7)	$ (69.9)	$ (79.1)	$ 201.8	$ 282.1	$ 203.8	$ 214.2
Net income (loss)	**$ (106.8)**	$ (40.4)	$ (83.1)	$ (46.0)	$ 144.9	$ 198.6	$ 141.5	$ 152.6
Shareholder net income (loss)	**$ (90.4)**	$ (48.6)	$ (89.5)	$ (52.4)	$ 125.3	$ 169.8	$ 112.2	$ 131.8
Per common share (Canadian dollars)								
Shareholder net income (loss) – basic and diluted	**$ (0.72)**	$ (0.39)	$ (0.71)	$ (0.42)	$ 0.98	$ 1.32	$ 0.87	$ 1.02
Book value[26]	**$ 13.29**	$ 14.13	$ 14.69	$ 16.42	$ 16.66	$ 15.95	$ 14.52	$ 13.46
Common Share Repurchases								
Share volume repurchased (000 shares)	**-**	-	-	1,123	2,283	-	20	633
Shares repurchased (millions of Canadian dollars)	**$ -**	$ -	$ -	$ 20.6	$ 63.7	$ -	$ 0.5	$ 15.7
Statistics								
Lumber shipments (MMfbm) [27]	**1,232**	1,474	1,190	1,114	1,291	1,351	1,196	1,205
Pulp shipments (000 mt)	**213**	288	259	231	262	329	310	300
Average exchange rate – US$/Cdn$	**$ 0.757**	$ 0.748	$ 0.752	$ 0.758	$ 0.765	$ 0.774	$ 0.791	$ 0.786
Average exchange rate – SEK/Cdn$	**7.262**	7.059	6.905	6.842	6.844	6.720	6.413	6.544
Average Western SPF 2x4 #2&Btr lumber price (US$)	**$ 356**	$ 333	$ 372	$ 327	$ 482	$ 598	$ 513	$ 462
Average SYP (East) 2x4 #2 lumber price (US$)	**$ 410**	$ 393	$ 416	$ 457	$ 488	$ 589	$ 566	$ 455
Average European indicative SPF lumber price in SEK[28]	**3,652**	4,003	4,111	4,235	4,284	4,145	3,815	3,614
Average NBSK pulp list price delivered to China (US$)	**$ 585**	$ 653	$ 710	$ 805	$ 887	$ 910	$ 910	$ 863

2019 results include the adoption of IFRS 16 *Leases*, from January 1, 2019, on a prospective basis. Comparative periods have not been restated.

[26] 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.

[27] Canfor or Vida produced lumber, including lumber purchased for remanufacture and engineered wood, excluding trim blocks, wholesale shipments and lumber sold on behalf of third parties.

[28] Preliminary quarterly European indicative lumber price is an internally generated benchmark based on delivered price to the largest continental market.

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

After-tax impact, net of non-controlling interests (millions of Canadian dollars, except for per share amounts)		**Q3 2019**		Q2 2019		Q1 2019		Q4 2018		Q3 2018		Q2 2018		Q1 2018		Q4 2017
Shareholder net income (loss), as reported	**$**	**(90.4)**	$	(48.6)	$	(89.5)	$	(52.4)	$	125.3	$	169.8	$	112.2	$	131.8
Foreign exchange (gain) loss on long-term debt and duties recoverable, net	**$**	**2.1**	$	(2.9)	$	0.8	$	2.1	$	(0.7)	$	1.0	$	1.9	$	0.6
Countervailing and anti-dumping duty deposit expense (recovery), net[29]	**$**	**39.1**	$	33.0	$	26.5	$	28.8	$	31.1	$	37.7	$	25.5	$	(17.3)
(Gain) loss on derivative financial instruments	**$**	**0.1**	$	(1.7)	$	25.4	$	(6.5)	$	1.2	$	5.6	$	5.8	$	4.8
Change in substantively enacted tax rates[30]	**$**	**-**	$	-	$	-	$	-	$	-	$	-	$	-	$	(5.1)
Restructuring costs[31]	**$**	**4.7**	$	8.4	$	-	$	-	$	-	$	-	$	-	$	-
Net impact of above items	**$**	**46.0**	$	36.8	$	52.7	$	24.4	$	31.6	$	44.3	$	33.2	$	(17.0)
Adjusted shareholder net income (loss)	**$**	**(44.4)**	$	(11.8)	$	(36.8)	$	(28.0)	$	156.9	$	214.1	$	145.4	$	114.8
Shareholder net income (loss) per share (EPS), as reported	**$**	**(0.72)**	$	(0.39)	$	(0.71)	$	(0.42)	$	0.98	$	1.32	$	0.87	$	1.02
Net impact of above items per share[32]	**$**	**0.37**	$	0.29	$	0.42	$	0.19	$	0.25	$	0.34	$	0.26	$	(0.13)
Adjusted net income (loss) per share[32]	**$**	**(0.35)**	$	(0.10)	$	(0.29)	$	(0.23)	$	1.23	$	1.60	$	1.13	$	0.89

[29] Adjusted for countervailing and anti-dumping duties expensed for accounting purposes. Results in the third quarter of 2019 reflect an increase in the estimated anti-dumping duty accrual rate applicable to the second period of administrative review (January to December 2019), from 13.0% at June 30, 2019, to 16.0% at September 30, 2019. Third quarter 2019 results also include an additional expense of $3.9 million and $3.7 million reflecting the impact of the increased accrual rate on the second and first quarters of 2019, respectively. Results in the second quarter of 2019 included a $4.3 million true-up related to a reduction of the countervailing and anti-dumping duty rates applicable to the first period of administrative review, from July 2017 to December 2018.

[30] During the fourth quarter of 2017, the Company recorded a $5.1 million decrease, net of minority interest, in deferred tax balances as a result of legislative changes in both Canada and the US.

[31] In the second quarter of 2019, the Company announced the permanent closure of the Vavenby sawmill and recorded restructuring costs of $11.5 million. Additional restructuring costs of $6.4 million were recognized in the third quarter of 2019 related to mill closures and curtailments at the Company's Vavenby, Mackenzie and Isle Pierre sawmills.

[32] The year-to-date net impact of the adjusting items per share and adjusted net income (loss) per share may not equal the sum of the quarterly per share amounts due to rounding.

Canfor Corporation
Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)		**As at September 30, 2019**		As at December 31, 2018
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**105.5**	$	252.7
Accounts receivable - Trade		**321.7**		182.1
- Other		**34.4**		52.4
Income taxes receivable		**97.2**		32.5
Inventories (Note 3)		**811.7**		762.5
Prepaid expenses and other		**81.6**		67.1
Assets held for sale (Note 8)		**57.9**		-
Total current assets		**1,510.0**		1,349.3
Property, plant and equipment		**1,993.2**		1,607.2
Right-of-use assets (Note 4(a))		**67.2**		-
Timber licenses		**449.2**		504.1
Goodwill and other intangible assets (Note 14(b))		**470.7**		268.3
Long-term investments and other (Note 5)		**164.9**		110.4
Retirement benefit surplus (Note 7)		**2.1**		4.9
Deferred income taxes, net		**0.9**		0.9
Total assets	**$**	**4,658.2**	$	3,845.1
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 8)	**$**	**507.6**	$	458.9
Operating loans (Note 6(a))		**440.6**		-
Current portion of deferred reforestation obligations		**50.3**		52.9
Current portion of long-term debt (Note 6(b))		**16.2**		0.4
Other current liability (Note 14(a))		**13.2**		-
Current portion of lease obligations (Note 4(b))		**20.8**		-
Income taxes payable		**4.9**		-
Liabilities held for sale (Note 8)		**2.8**		-
Total current liabilities		**1,056.4**		512.2
Long-term debt (Note 6(b))		**686.5**		408.0
Retirement benefit obligations (Note 7)		**239.1**		254.7
Lease obligations (Note 4(b))		**49.7**		-
Deferred reforestation obligations		**49.7**		63.9
Other long-term liabilities (Note 8)		**24.1**		24.6
Put liability (Note 14(b))		**112.2**		-
Deferred income taxes, net		**319.6**		241.8
Total liabilities	**$**	**2,537.3**	$	1,505.2
EQUITY				
Share capital	**$**	**987.9**	$	987.9
Contributed surplus and other equity (Note 14(b))		**(86.7)**		31.9
Retained earnings		**704.9**		931.1
Accumulated other comprehensive income		**57.6**		105.5
Total equity attributable to equity shareholders of the Company		**1,663.7**		2,056.4
Non-controlling interests		**457.2**		283.5
Total equity	**$**	**2,120.9**	$	2,339.9
Total liabilities and equity	**$**	**4,658.2**	$	3,845.1

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 September 30, 2019	3 months ended September 30, 2018	9 months ended September 30, 2019	9 months ended September 30, 2018
Sales	**$ 1,091.4**	$ 1,323.3	**$ 3,553.1**	$ 4,016.3
Costs and expenses				
Manufacturing and product costs	**881.1**	813.9	**2,788.7**	2,419.9
Freight and other distribution costs	**147.7**	169.7	**485.2**	498.6
Countervailing and anti-dumping duty expense, net (Note 15)	**53.5**	42.6	**135.0**	129.2
Amortization	**96.6**	68.1	**275.9**	200.5
Selling and administration costs	**30.1**	27.2	**94.0**	80.4
Restructuring costs (Note 8)	**6.4**	-	**17.9**	-
	1,215.4	1,121.5	**3,796.7**	3,328.6
Operating income (loss)	**(124.0)**	201.8	**(243.6)**	687.7
Finance expense, net	**(16.1)**	(5.5)	**(41.2)**	(18.4)
Foreign exchange gain (loss) on long-term debt	**(3.0)**	2.2	**2.1**	(4.0)
Foreign exchange gain (loss) on duties recoverable, net (Note 5)	**0.8**	(1.3)	**(2.3)**	1.5
Loss on derivative financial instruments (Note 9)	**(0.1)**	(1.6)	**(25.9)**	(17.2)
Other income (expense), net	**1.2**	(4.1)	**2.0**	4.5
Net income (loss) before income taxes	**(141.2)**	191.5	**(308.9)**	654.1
Income tax recovery (expense) (Note 10)	**34.4**	(46.6)	**78.6**	(169.1)
Net income (loss)	**$ (106.8)**	$ 144.9	**$ (230.3)**	$ 485.0
Net income (loss) attributable to:				
Equity shareholders of the Company	**$ (90.4)**	$ 125.3	**$ (228.5)**	$ 407.3
Non-controlling interests	**(16.4)**	19.6	**(1.8)**	77.7
Net income (loss)	**$ (106.8)**	$ 144.9	**$ (230.3)**	$ 485.0
Net income (loss) per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 11)	**$ (0.72)**	$ 0.98	**$ (1.82)**	$ 3.17

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

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

(millions of Canadian dollars, unaudited)	3 months ended September 30, **2019**	2018	9 months ended September 30, **2019**	2018
Net income (loss)	**$ (106.8)**	$ 144.9	**$ (230.3)**	$ 485.0
Other comprehensive income (loss)				
Items that will not be recycled through net income (loss):				
Defined benefit plan actuarial gains (Note 7)	**5.8**	4.1	**10.9**	19.3
Income tax expense on defined benefit plan actuarial gains (Note 10)	**(1.6)**	(1.1)	**(3.0)**	(5.2)
	4.2	3.0	**7.9**	14.1
Items that may be recycled through net income (loss):				
Foreign exchange translation of foreign operations, net of tax	**(18.9)**	(10.8)	**(47.9)**	16.8
Other comprehensive income (loss), net of tax	**(14.7)**	(7.8)	**(40.0)**	30.9
Total comprehensive income (loss)	**$ (121.5)**	$ 137.1	**$ (270.3)**	$ 515.9
Total comprehensive income (loss) attributable to:				
Equity shareholders of the Company	**$ (105.4)**	$ 117.3	**$ (272.5)**	$ 436.9
Non-controlling interests	**(16.1)**	19.8	**2.2**	79.0
Total comprehensive income (loss)	**$ (121.5)**	$ 137.1	**$ (270.3)**	$ 515.9

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

Canfor Corporation
Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended September 30, **2019**	3 months ended September 30, 2018	9 months ended September 30, **2019**	9 months ended September 30, 2018
Share capital				
Balance at beginning of period	**$ 987.9**	$ 1,014.7	**$ 987.9**	$ 1,014.9
Share purchases (Note 11)	**-**	(18.1)	**-**	(18.3)
Balance at end of period	**$ 987.9**	$ 996.6	**$ 987.9**	$ 996.6
Contributed surplus and other equity				
Balance at beginning of period	**$ (86.7)**	$ 31.9	**$ 31.9**	$ 31.9
Put liability related to Vida acquisition (Note 14(b))	**-**	-	**(118.6)**	-
Balance at end of period	**$ (86.7)**	$ 31.9	**$ (86.7)**	$ 31.9
Retained earnings				
Balance at beginning of period	**$ 791.4**	$ 922.5	**$ 931.1**	$ 629.5
Net income (loss) attributable to equity shareholders of the Company	**(90.4)**	125.3	**(228.5)**	407.3
Defined benefit plan actuarial gains, net of tax	**3.9**	2.8	**3.9**	12.8
Impact of change in accounting policy (Notes 1 and 4)	**-**	-	**(1.6)**	-
Share purchases (Note 11)	**-**	(45.6)	**-**	(45.9)
Non-controlling interests arising from change in partnership interest in pellet plants	**-**	-	**-**	1.3
Balance at end of period	**$ 704.9**	$ 1,005.0	**$ 704.9**	$ 1,005.0
Accumulated other comprehensive income (loss)				
Balance at beginning of period	**$ 76.5**	$ 82.7	**$ 105.5**	$ 55.1
Foreign exchange translation of foreign operations, net of tax	**(18.9)**	(10.8)	**(47.9)**	16.8
Balance at end of period	**$ 57.6**	$ 71.9	**$ 57.6**	$ 71.9
Total equity attributable to equity shareholders of the Company	**$ 1,663.7**	$ 2,105.4	**$ 1,663.7**	$ 2,105.4
Non-controlling interests				
Balance at beginning of period	**$ 475.6**	$ 327.5	**$ 283.5**	$ 269.6
Net income (loss) attributable to non-controlling interests	**(16.4)**	19.6	**(1.8)**	77.7
Defined benefit plan actuarial gains attributable to non-controlling interests, net of tax	**0.3**	0.2	**4.0**	1.3
Distributions to non-controlling interests	**(2.1)**	(2.1)	**(17.6)**	(5.9)
Impact of change in accounting policy (Notes 1 and 4)	**-**	-	**(0.1)**	-
Acquisition of non-controlling interests (Note 14(b))	**(0.2)**	-	**189.2**	-
Non-controlling interests arising from change in partnership interest in pellet plants	**-**	-	**-**	2.5
Balance at end of period	**$ 457.2**	$ 345.2	**$ 457.2**	$ 345.2
Total equity	**$ 2,120.9**	$ 2,450.6	**$ 2,120.9**	$ 2,450.6

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

Canfor Corporation
Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended September 30, **2019**	2018	9 months ended September 30, **2019**	2018
Cash generated from (used in):				
Operating activities				
Net income (loss)	**$ (106.8)**	$ 144.9	**$ (230.3)**	$ 485.0
Items not affecting cash:				
Amortization	**96.6**	68.1	**275.9**	200.5
Income tax expense (recovery)	**(34.4)**	46.6	**(78.6)**	169.1
Long-term portion of deferred reforestation obligations	**(27.5)**	(21.2)	**(15.0)**	(7.4)
Foreign exchange (gain) loss on long-term debt	**3.0**	(2.2)	**(2.1)**	4.0
Foreign exchange (gain) loss on duty deposits recoverable, net	**(0.8)**	1.3	**2.3**	(1.5)
Adjustment to accrued duties (Note 15)	**19.9**	(12.9)	**30.9**	(35.9)
Changes in mark-to-market value of derivative financial instruments	**0.1**	(5.3)	**15.7**	(0.4)
Employee future benefits expense	**2.6**	2.9	**8.0**	9.0
Restructuring costs (Note 8)	**6.4**	-	**17.9**	-
Finance expense, net	**16.1**	5.5	**41.2**	18.4
Other, net	**-**	1.8	**(0.8)**	6.7
Defined benefit plan contributions, net	**(5.7)**	(6.6)	**(16.4)**	(21.2)
Income taxes paid, net	**(6.1)**	(82.9)	**(7.5)**	(154.0)
	(36.6)	140.0	**41.2**	672.3
Net change in non-cash working capital (Note 12)	**54.6**	61.1	**32.9**	(29.1)
	18.0	201.1	**74.1**	643.2
Financing activities				
Change in operating bank loans (Note 6(a))	**82.5**	-	**424.1**	-
Proceeds from long-term debt (Note 6(b))	**50.0**	-	**281.7**	-
Repayment of long-term debt	**(0.2)**	(0.1)	**(0.6)**	(0.3)
Payment of lease obligations (Note 4(b))	**(4.6)**	-	**(11.9)**	-
Finance expenses paid	**(12.7)**	(4.1)	**(34.3)**	(15.1)
Share purchases (Note 11)	**-**	(60.0)	**-**	(64.2)
Acquisition of non-controlling interests	**(0.2)**	-	**(0.2)**	(0.1)
Cash distributions paid to non-controlling interests	**(2.1)**	(2.1)	**(17.6)**	(5.9)
	112.7	(66.3)	**641.2**	(85.6)
Investing activities				
Additions to property, plant and equipment, timber, and intangible assets, net	**(76.4)**	(117.2)	**(233.1)**	(261.2)
Proceeds on disposal of property, plant, and equipment	**0.6**	0.5	**2.2**	1.6
Preliminary consideration paid for acquisition of Vida, net of cash acquired (Note 14(b))	**-**	-	**(562.6)**	-
First phase investment in Elliott (Note 14(a))	**-**	-	**(52.0)**	-
Term loan to Elliott (Note 14(a))	**0.8**	-	**(7.7)**	-
Other, net	**(0.3)**	2.2	**(9.7)**	3.6
	(75.3)	(114.5)	**(862.9)**	(256.0)
Foreign exchange gain (loss) on cash and cash equivalents	**(0.2)**	(1.8)	**0.4**	1.5
Increase (decrease) in cash and cash equivalents*	**55.2**	18.5	**(147.2)**	303.1
Cash and cash equivalents at beginning of period*	**50.3**	572.8	**252.7**	288.2
Cash and cash equivalents at end of period*	**$ 105.5**	$ 591.3	**$ 105.5**	$ 591.3

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

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 Corporation and its subsidiary entities, including Canfor Pulp Products Inc. ("CPPI"), as well as the Vida Group of Sweden ("Vida") from the February 28, 2019 acquisition date, 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 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.

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

These financial statements were authorized for issue by the Company's Board of Directors on October 23, 2019.

Change in Accounting Policy

Effective January 1, 2019, the Company has adopted IFRS 16 *Leases* ("IFRS 16"), which supersedes IAS 17 *Leases* ("IAS 17") and related interpretations. Under IAS 17, leases were previously classified as either operating or financing for lessees based on an assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. As the Company's leases were previously classified as operating, straight-line operating lease expense was recognized over the lease term in the comparative periods.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees, with a right-of-use asset ("ROU asset") representing the Company's right to use the underlying asset, and a lease obligation representing its obligation to make lease payments. Amortization expense for ROU assets and interest expense for lease obligations replaces the straight-line operating lease expense recognized under IAS 17.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Short-term and low-value recognition exemptions were applied, as well as certain practical expedients allowing for the use of hindsight to assess the lease term for contracts with extension options, the exclusion of initial direct costs from measurement of the ROU asset and the exclusion of leases with a term of less than one year remaining at the transition date.

The impact of transition is outlined under Note 4, with changes in accounting policies outlined below.

Policy applicable from January 1, 2019

Lease Definition

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An identified asset may be implicitly or explicitly specified in a contract, but must be physically distinct, and must not have the ability for substitution by a lessor. The Company has the right to control an identified asset if it obtains substantially all of its economic benefits and either pre-determines, or directs how and for what purpose the asset is used.

Measurement of Right-of-Use Assets and Lease Obligations

At lease commencement, the Company recognizes a ROU asset and a lease obligation. The ROU asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The ROU asset is subsequently amortized on a straight-line basis over the shorter of the term of the lease, or the useful life of the asset determined on the same basis as the Company's property, plant and equipment. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation is initially measured at the present value of lease payments remaining at the lease commencement date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease obligation, when applicable, may comprise fixed payments, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase, extension or termination option that the Company is reasonably certain to exercise.

The lease obligation is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset.

Recognition Exemptions

The Company has elected not to recognize ROU assets and lease obligations for short-term leases that have a lease term of twelve months or less, or for leases of low-value assets. Payments associated with these leases are recognized as an operating expense on a straight-line basis over the lease term within costs and expenses on the consolidated statement of income (loss).

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 September 30, 2019**	As at December 31, 2018
Logs	**$ 202.0**	$ 199.5
Finished products	**444.8**	389.3
Residual fibre	**39.6**	44.8
Materials and supplies	**125.3**	128.9
	$ 811.7	$ 762.5

The above inventory balances are stated at the lower of cost and net realizable value. For the three months ended September 30, 2019, a $5.3 million recovery was recognized in the lumber and log inventory write-down provision (nine months ended September 30, 2019 – write-down of $8.3 million). A write-down of $13.7 million was recognized in relation to pulp raw materials and finished products for the nine months ended September 30, 2019 (three months ended September 30, 2019 – nil).

4. Leases

The Company's leased assets include land, buildings, vehicles, machinery and equipment. Effective January 1, 2019, the Company adopted IFRS 16 as outlined in Note 1, recognizing $46.1 million of ROU assets, $48.3 million of lease obligations and deferred tax assets of $0.6 million, with the difference of $1.6 million recognized in retained earnings.

The following table reconciles the Company's lease commitments disclosed in the consolidated financial statements as at and for the year ended December 31, 2018, to the lease obligations recognized on initial application of IFRS 16:

(millions of Canadian dollars, unaudited)	
Operating lease commitments at December 31, 2018	$ 52.1
Recognition exemptions for short-term and low-value leases	(0.9)
Discounted using the incremental borrowing rate at January 1, 2019	(6.5)
Lease remeasurements and other transitional adjustments	3.6
Lease obligations recognized at January 1, 2019	$ 48.3

Lease obligations were measured at the present value of remaining lease payments at the transition date, discounted at the Company's incremental borrowing rate. The weighted average rate applied at January 1, 2019 was 4.3% for leases originating in Canada, and 5.1% for those originating in the US.

(a) Right-of-Use Assets

(millions of Canadian dollars, unaudited)		Land		Pulp and kraft paper mills		Solid wood operations		Logging assets and other equipment		Facilities and other		Total
Cost												
Balance at January 1, 2019	$	1.5	$	7.0	$	42.4	$	6.6	$	17.8	$	75.3
Additions and acquisitions		-		0.5		27.1		1.3		5.8		34.7
Disposal and transfers		-		-		(1.9)		(0.1)		(0.1)		(2.1)
Effect of movements in exchange rates		-		-		0.1		-		(0.2)		(0.1)
Balance at September 30, 2019	$	1.5	$	7.5	$	67.7	$	7.8	$	23.3	$	107.8
Amortization												
Balance at January 1, 2019	$	(0.9)	$	(3.7)	$	(14.0)	$	(1.7)	$	(8.9)	$	(29.2)
Amortization		(0.1)		(1.0)		(8.1)		(1.4)		(2.0)		(12.6)
Disposal and transfers		-		-		1.2		0.1		-		1.3
Effect of movements in exchange rates		-		-		(0.1)		-		-		(0.1)
Balance at September 30, 2019	$	(1.0)	$	(4.7)	$	(21.0)	$	(3.0)	$	(10.9)	$	(40.6)
Carrying Amounts												
At January 1, 2019	$	0.6	$	3.3	$	28.4	$	4.9	$	8.9	$	46.1
At September 30, 2019	**$**	**0.5**	**$**	**2.8**	**$**	**46.7**	**$**	**4.8**	**$**	**12.4**	**$**	**67.2**

Amortization expense on right-of-use assets for the three and nine months ended September 30, 2019, was $4.9 million and $12.6 million, respectively.

(b) Lease Obligations

Contractual, undiscounted cash flows associated with the Company's lease obligations are as follows:

(millions of Canadian dollars, unaudited)		**As at September 30, 2019**
Within one year	**$**	**21.1**
Between one and five years		**54.0**
Beyond five years		**5.1**
Total undiscounted lease obligations	**$**	**80.2**

Discounted lease obligations recognized on the Company's consolidated balance sheet are as follows:

(millions of Canadian dollars, unaudited)		
Current	**$**	**20.8**
Non-Current		**49.7**
Total discounted lease obligations	**$**	**70.5**

Interest expense on lease obligations for the three and nine months ended September 30, 2019 was $0.9 million and $2.2 million, respectively. Interest expense on lease obligations is included in finance expense.

Operating lease expenses relating to short-term and low-value leases not included in the measurement of lease obligations for the three and nine months ended September 30, 2019, was $1.1 million and $4.4 million, respectively.

For the three months ended September 30, 2019, total cash outflows for leases was $5.7 million, including $1.1 million for short-term and low-value leases. For the nine months ended September 30, 2019, total cash outflows for leases was $16.3 million, including $4.4 million for short-term and low-value leases.

5. Long-Term Investments and Other

(millions of Canadian dollars, unaudited)		**As at September 30, 2019**		As at December 31, 2018
Investments (Note 14(a))	**$**	**84.5**	$	21.0
Duty deposits recoverable, net (Note 15)		**43.6**		76.6
Other deposits, loans and advances and long-term assets		**36.8**		12.8
	$	**164.9**	$	110.4

The duty deposits recoverable, net balance represents US-dollar anti-dumping and countervailing duty cash deposits paid in excess of the calculated expense accrued at September 30, 2019 (Note 15).

On April 4, 2019, Canfor entered into an agreement with a third party to provide Canfor with an annual fibre supply of approximately 125,000m^3 over a period of twenty-five years for $19.5 million. In contemplation of completing the fibre supply agreement, Canfor advanced a total of $19.5 million to the counterparty on April 5, 2019, which is included in 'Other Deposits, Loans and Advances and Long-Term Assets' above.

6. Operating Loans and Long-Term Debt

(a) Available Operating Loans

(millions of Canadian dollars, unaudited)		**As at September 30, 2019**		As at December 31, 2018
Canfor (excluding CPPI and Vida)				
Available operating loans:				
Operating loan facility	**$**	**550.0**	$	450.0
Revolving credit facility		**100.0**		-
Facilities for letters of credit		**70.0**		60.0
Total operating loan facility		**720.0**		510.0
Operating loan facility drawn		**(424.0)**		-
Letters of credit		**(64.4)**		(57.4)
Total available operating loan facility - Canfor	**$**	**231.6**	$	452.6
Vida				
Available operating loans:				
Operating loan facilities	**$**	**68.9**	$	-
Overdraft facilities		**20.8**		-
Total operating loan facility		**89.7**		-
Operating loan facilities drawn		**(0.2)**		-
Overdraft facilities drawn		**(16.4)**		-
Total available operating loan facility - Vida	**$**	**73.1**	$	-
CPPI				
Available operating loans:				
Operating loan facility	**$**	**110.0**	$	110.0
Letters of credit		**(13.0)**		(11.1)
Total available operating loan facility - CPPI	**$**	**97.0**	$	98.9
Consolidated:				
Total operating loan facilities	**$**	**919.7**	$	620.0
Total available operating loan facilities	**$**	**401.7**	$	551.5

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

On March 5, 2019, Canfor (excluding Vida and CPPI) entered into a committed revolving credit facility of $100.0 million with a maturity date of February 28, 2020. Terms of the revolving facility are largely consistent with those of Canfor's existing committed operating loan facility.

On September 30, 2019, Canfor (excluding Vida and CPPI) increased the principal of its committed operating loan facility by $100.0 million to $550.0 million, with a maturity date of January 2, 2024.

Canfor (excluding Vida and CPPI) has a separate facility to cover letters of credit.

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

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

During the third quarter of 2019, the maturity date of CPPI's operating loan facility was extended from April 6, 2022 to April 6, 2023.

At September 30, 2019, the Company had total available undrawn operating loans of $401.7 million, including undrawn revolving credit facilities and facilities for letters of credit.

Canfor and CPPI's operating loan facilities have certain financial covenants, including maximum debt to total capitalization ratios. Vida is also subject to certain financial covenants, including minimum equity and interest coverage ratios. As at September 30, 2019, Canfor, Vida and CPPI are fully in compliance with all covenants relating to their operating loan facilities. Substantially all borrowings of Vida and CPPI are non-recourse to other entities within the Company.

(b) Long-Term Debt

(millions of Canadian dollars, unaudited)		**As at September 30, 2019**		As at December 31, 2018
Canfor (excluding Vida and CPPI)				
CAD$225.0 million, floating interest, repayable January 2, 2024	**$**	**225.0**	$	125.0
US$200.0 million, floating interest, repayable January 2, 2027		**265.0**		136.4
US$100.0 million, fixed interest of 4.40%, repayable in three equal tranches on October 2, 2023, 2024 and 2025		**132.5**		136.4
Other (US$7.7 million)[1]		**10.2**		10.6
Vida				
SEK 74.5 million, floating interest, repayable October 31, 2019		**10.1**		-
SEK 19.0 million, floating interest, repayable November 30, 2019		**2.1**		-
SEK 2.8 million, floating interest, repayable November 30, 2024		**0.3**		-
SEK 4.2 million, floating interest, repayable April 30, 2022		**0.5**		-
AUD 7.6 million, floating interest, with no fixed maturity date		**7.0**		-
CPPI				
CAD $50.0 million, floating interest, repayable September 30, 2022		**50.0**		-
Long-term debt at end of period	**$**	**702.7**	$	408.4
Less: Current portion		**(16.2)**		(0.4)
Long-term portion	**$**	**686.5**	$	408.0

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

Canfor's long-term debt (excluding Vida) is unsecured. Vida's long-term debt is secured by its property, plant and equipment assets.

On December 14, 2018, Canfor (excluding Vida and CPPI) increased its Canadian dollar denominated floating interest rate term debt facility to $225.0 million and extended its maturity date from September 28, 2022 to January 2, 2024. Canfor (excluding Vida and CPPI) also increased its US-dollar denominated floating rate term debt facility to US$200.0 million (December 31, 2018 – US$100.0 million) on December 14, 2018 and extended its maturity date from September 28, 2025 to January 2, 2027.

During the first quarter of 2019, the Company drew the remaining $100.0 million from its Canadian dollar floating interest rate term debt facility, and the remaining US$100.0 million from its US-dollar floating interest rate term debt facility to finance the Vida acquisition and to service working capital requirements.

On September 30, 2019, CPPI received a $50.0 million non-revolving floating interest rate term loan. The loan is repayable on September 30, 2022, with the calculation of interest and covenants consistent with CPPI's existing operating loan facility.

Canfor's borrowings (excluding Vida) feature similar financial covenants, including a maximum debt to total capitalization ratio. Vida's borrowings are subject to certain financial covenants including minimum equity and interest coverage ratios. As at September 30, 2019, Canfor, Vida and CPPI are fully in compliance with all covenants relating to their long-term debt.

Fair value of total long-term debt

At September 30, 2019, the fair value of the Company's long-term debt is $708.4 million (December 31, 2018 - $402.9 million). The fair value was determined based on prevailing market rates for the long-term debt with similar characteristics and risk profile.

7. Employee Future Benefits

Medical Services Plan Changes

On May 15, 2019, *Bill 20 – Medicare Protection Amendment Act, 2019* ("Bill 20"), received Royal Assent. Bill 20 eliminates Medical Services Plan ("MSP") premiums, effective January 1, 2020. This change was recognized in actuarial financial assumptions in the second quarter of 2019 and resulted in a $32.0 million pre-tax reduction of the non-pension post-retirement benefit obligation, with a corresponding gain recognized in other comprehensive income (loss). The 50% reduction in MSP in the second quarter of 2019, when combined with the initial 50% reduction recognized in the fourth quarter of 2017, resulted in a gain of $95.7 million reflected as a reduction in the Company's non-pension post-retirement benefit obligation.

Significant assumptions

For the three months ended September 30, 2019, defined benefit plan actuarial gains of $5.8 million (before tax) were recognized in other comprehensive income (loss) mostly reflecting a return on plan assets greater than the discount rate, and to a lesser extent, lower service and interest costs associated with the 50% reduction in MSP premiums in the second quarter of 2019.

For the nine months ended September 30, 2019, defined benefit plan actuarial gains of $10.9 million (before tax) were recognized in other comprehensive income (loss) primarily reflecting the aforementioned elimination of MSP premiums, and to a lesser extent, a higher than anticipated return on plan assets, offset in part by lower discount rates used to value the net defined benefit obligation in the first and second quarters of 2019.

For the three and nine months ended September 30, 2018, the Company recognized actuarial gains in other comprehensive income of $4.1 million and $19.3 million (before tax), respectively.

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

	Defined Benefit Pension Plans	**Other Benefit Plans**
September 30, 2019	**3.0%**	**3.0%**
June 30, 2019	3.0%	3.0%
December 31, 2018	3.6%	3.6%
September 30, 2018	3.6%	3.6%
June 30, 2018	3.6%	3.6%
December 31, 2017	3.4%	3.4%

8. Restructuring Provision and Assets Held for Sale

On June 3, 2019, the Company announced that it had entered into an agreement to sell its forest tenure associated with its Vavenby sawmill located in British Columbia ("BC") to Interfor Corporation for proceeds of $60.0 million. Also on June 3, 2019, the Company announced its intention to permanently close the Vavenby sawmill following the sale, which is currently anticipated to close in the fourth quarter of 2019, subject to customary closing conditions, including the consent of the Minister of Forests.

As a result of the planned closure and pending sale, the sawmill fixed assets and forest tenure were reclassified to 'Assets Held for Sale', and the reforestation provision associated with the forest tenure was reclassified to 'Liabilities Held for Sale' during the second quarter of 2019. In accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, upon initial classification to Assets Held for Sale during the second quarter of 2019, the carrying value of the Vavenby disposal group was assessed for impairment, with no adjustment required.

On July 18, 2019, the Company announced further capacity reductions at two of its BC sawmills. The Mackenzie sawmill was indefinitely curtailed effective July 18, 2019, and one of two shifts was permanently eliminated from the Isle Pierre sawmill effective September 20, 2019.

Due to the aforementioned permanent and indefinite curtailments, restructuring costs of $6.4 million and $17.9 million have been recognized for the three and nine months ended September 30, 2019, respectively. Of the total restructuring costs, $7.7 million is included in 'Accounts Payable and Accrued Liabilities' with $1.8 million recognized in 'Other Long-Term Liabilities' on the Company's balance sheet as at September 30, 2019.

9. Financial Instruments

Canfor's cash and cash equivalents, trade and other accounts receivables, certain long-term investments, accounts payable and accrued liabilities, other liabilities, operating loans, and long-term debt are classified as measured at amortized cost. The carrying amounts of these instruments, excluding long-term debt, approximate fair value at September 30, 2019 and December 31, 2018. Derivative instruments and investments in debt and equity securities (excluding associates accounted for under the equity method) are classified as measured at fair value through profit or loss. IFRS 13 *Fair Value Measurement*, requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

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

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

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

The following table summarizes Canfor's financial instruments measured at fair value at September 30, 2019, and December 31, 2018, and shows the level within the fair value hierarchy in which the financial instruments have been classified:

(millions of Canadian dollars, unaudited)	Fair Value Hierarchy Level	**As at September 30, 2019**	As at December 31, 2018
Financial assets measured at fair value			
Investments	Level 1	**$ 10.1**	$ 20.1
Derivative financial instruments	Level 2	**1.1**	18.8
		$ 11.2	$ 38.9
Financial liabilities measured at fair value			
Derivative financial instruments	Level 2	**$ -**	$ 0.6
		$ -	$ 0.6

The following table summarizes the gains (losses) on derivative financial instruments for the three and nine-month periods ended September 30, 2019 and 2018:

(millions of Canadian dollars, unaudited)	3 months ended September 30, **2019**	3 months ended September 30, 2018	9 months ended September 30, **2019**	9 months ended September 30, 2018
Energy derivatives	**$ -**	$ 0.4	**$ -**	$ 0.2
Lumber futures	**(0.1)**	(2.0)	**5.3**	(17.4)
Forward foreign exchange contracts	**-**	-	**(31.2)**	-
Loss on derivative financial instruments	**$ (0.1)**	$ (1.6)	**$ (25.9)**	$ (17.2)

10. Income Taxes

(millions of Canadian dollars, unaudited)	3 months ended September 30, **2019**	3 months ended September 30, 2018	9 months ended September 30, **2019**	9 months ended September 30, 2018
Current	**$ 31.9**	$ (41.2)	**$ 69.0**	$ (159.2)
Deferred	**2.5**	(5.4)	**9.6**	(9.9)
Income tax recovery (expense)	**$ 34.4**	$ (46.6)	**$ 78.6**	$ (169.1)

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

(millions of Canadian dollars, unaudited)	3 months ended September 30, **2019**	3 months ended September 30, 2018	9 months ended September 30, **2019**	9 months ended September 30, 2018
Income tax recovery (expense) at statutory rate – 27% (2018 – 27%)	**$ 38.1**	$ (51.7)	**$ 83.4**	$ (176.6)
Add (deduct):				
Non-taxable income (loss) related to non-controlling interests	**(0.1)**	-	**0.1**	0.2
Entities with different income tax rates and other tax adjustments	**(2.1)**	4.1	**3.0**	7.3
Permanent difference from capital gains and losses and other non-deductible items	**(1.5)**	1.0	**(7.9)**	-
Income tax recovery (expense)	**$ 34.4**	$ (46.6)	**$ 78.6**	$ (169.1)

In addition to the amounts recorded to net income (loss), a tax expense of $1.6 million was recorded to other comprehensive income (loss) for the three months ended September 30, 2019 in relation to the actuarial gains on defined benefit plans (three months ended September 30, 2018 – expense of $1.1 million). For the nine months ended September 30, 2019, the tax expense was $3.0 million (nine months ended September 30, 2018 – expense of $5.2 million).

Also included in other comprehensive income (loss) for the three months ended September 30, 2019 was a tax expense of $0.5 million related to foreign exchange differences on translation of investments in foreign operations (three months ended September 30, 2018 - recovery of $0.6 million). For the nine months ended September 30, 2019, a tax recovery of $1.1 million was recognized (nine months ended September 30, 2018 - expense of $1.2 million).

11. 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 September 30, **2019**	3 months ended September 30, 2018	9 months ended September 30, **2019**	9 months ended September 30, 2018
Weighted average number of common shares	**125,219,400**	127,756,861	**125,219,400**	128,336,083

On March 4, 2019, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 6,260,970 common shares or approximately 5% of its issued and outstanding common shares as of March 1, 2019. The renewed normal course issuer bid is set to expire on March 6, 2020.

During the three and nine months ended September 30, 2019, the Company did not purchase any common shares.

During the three months ended September 30, 2018, the Company purchased 2,282,590 common shares for $63.7 million (an average of $27.91 per common share), of which $60.0 million was paid during the quarter. During the nine months ended September 30, 2018, the Company purchased 2,302,090 shares for $64.2 million (an average of $27.89 per common share), of which $60.5 million was paid during the period and an addition $3.7 million was paid in relation to shares purchased in 2017.

As at September 30, 2019 and October 23, 2019 there were 125,219,400 common shares of the Company outstanding, and Canfor's ownership interest in CPPI was 54.8%.

12. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended September 30, **2019**	3 months ended September 30, 2018	9 months ended September 30, **2019**	9 months ended September 30, 2018
Accounts receivable	**$ 42.0**	$ 61.7	**$ 7.6**	$ (40.9)
Inventories	**86.7**	(36.4)	**134.5**	(41.3)
Prepaid expenses and other	**8.1**	4.9	**(13.2)**	(20.6)
Accounts payable and accrued liabilities, current portion of deferred reforestation obligations and other current liability	**(82.2)**	30.9	**(96.0)**	73.7
Net change in non-cash working capital	**$ 54.6**	$ 61.1	**$ 32.9**	$ (29.1)

13. 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.

The primary business activities of Vida acquired on February 28, 2019 (Note 14(b)) include the manufacturing and sale of various grades, widths and lengths of lumber, wood chips and wood pellets, which is consistent with Canfor's lumber segment. The results of these businesses are therefore reported in the Company's lumber segment.

(millions of Canadian dollars, unaudited)	Lumber	Pulp & Paper	Unallocated & Other	Elimination Adjustment	Consolidated
3 months ended September 30, 2019					
Sales from contracts with customers	**$ 874.6**	**$ 216.8**	**$ -**	**$ -**	**$ 1,091.4**
Sales to other segments	**46.3**	**0.1**	**-**	**(46.4)**	**-**
Operating income (loss)	**(70.2)**	**(44.0)**	**(9.8)**	**-**	**(124.0)**
Amortization	**72.7**	**23.7**	**0.2**	**-**	**96.6**
Capital expenditures[2]	**49.7**	**26.0**	**0.7**	**-**	**76.4**
3 months ended September 30, 2018					
Sales from contracts with customers	$ 994.9	$ 328.4	$ -	$ -	$ 1,323.3
Sales to other segments	73.2	0.1	-	(73.3)	-
Operating income (loss)	148.9	60.5	(7.6)	-	201.8
Amortization	47.8	20.2	0.1	-	68.1
Capital expenditures[2]	78.6	33.4	5.2	-	117.2
9 months ended September 30, 2019					
Sales from contracts with customers	**$ 2,712.8**	**$ 840.3**	**$ -**	**$ -**	**$ 3,553.1**
Sales to other segments	**170.7**	**0.1**	**-**	**(170.8)**	**-**
Operating income (loss)	**(208.8)**	**(7.5)**	**(27.3)**	**-**	**(243.6)**
Amortization	**206.0**	**69.3**	**0.6**	**-**	**275.9**
Capital expenditures[2]	**155.0**	**75.9**	**2.2**	**-**	**233.1**
Identifiable assets	**3,468.4**	**893.1**	**296.7**	**-**	**4,658.2**
9 months ended September 30, 2018					
Sales from contracts with customers	$ 2,932.0	$ 1,084.3	$ -	$ -	$ 4,016.3
Sales to other segments	185.4	0.3	-	(185.7)	-
Operating income (loss)	478.2	231.0	(21.5)	-	687.7
Amortization	141.3	59.1	0.1	-	200.5
Capital expenditures[2]	173.5	78.0	9.7	-	261.2
Identifiable assets	2,416.9	892.8	725.3	-	4,035.0

[2]Capital expenditures represent cash paid for capital assets during the periods, excluding assets purchased as part of the acquisition of the Vida Group (Note 14(b)). Pulp & Paper includes capital expenditures by CPPI that were partially financed by government grants.

Geographic information

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

	3 months ended September 30,		9 months ended September 30,	
(millions of Canadian dollars, unaudited)	**2019**	2018	**2019**	2018
Sales by location of customer				
Canada	**$ 109.4**	$ 151.3	**$ 361.7**	$ 454.5
Asia	**215.9**	357.5	**856.2**	1,197.6
United States	**558.3**	765.8	**1,746.0**	2,208.3
Europe	**178.5**	26.8	**489.4**	74.2
Other	**29.3**	21.9	**99.8**	81.7
	$ 1,091.4	$ 1,323.3	**$ 3,553.1**	$ 4,016.3

14. Acquisitions

(a) Elliott Sawmilling Co., LLC

On May 31, 2019, the Company completed the first of a two phase purchase of Elliott Sawmilling Co., LLC ("Elliott"), with an aggregate purchase price of US$110.5 million, including normalized working capital. In accordance with IAS 28 *Investments in Associates and Joint Ventures*, the first phase purchase of 49% was recognized as an equity investment, accounted for under the equity method, consisting of an initial cash payment of $52.0 million (US$38.5 million), and an additional $21.1 million (US$15.6 million) included as an 'Other Current Liability' on Canfor's consolidated balance sheet at the initial investment date.

As part of the first phase of the transaction, Canfor advanced $8.5 million (US$6.2 million) to Elliott in the form of a term loan facility during the second quarter of 2019. The term loan facility has an interest rate equal to the floating rate on Canfor's principal operating loan facilities, plus 1.0%, and is secured by Elliott's operating assets. The term loan receivable has been offset against the balance of the above mentioned 'Other Current Liability'. During the third quarter of 2019, Elliott repaid $0.8 million (US$0.6 million) of the term loan.

After adjusting for changes in foreign exchange between the initial investment date and September 30, 2019, a net other current liability of $13.2 million (US$10.0 million) was recorded on Canfor's consolidated balance sheet. Equity income and transactions costs of $0.6 million and $0.7 million were recognized during the three and nine months ended September 30, 2019, respectively.

On May 31, 2020, Canfor will increase its ownership interest to 100%, at which time Elliott's results and balances are expected to be consolidated into Canfor's.

(b) Vida Group of Sweden

On February 28, 2019, the Company completed the acquisition of 70% of Vida, Sweden's largest privately-owned sawmill company, for $590.2 million (4,136 million SEK), plus transaction and closing costs, and including estimated net working capital. The acquisition method of accounting was applied in accordance with IFRS 3 *Business Combinations*, when Canfor acquired control of Vida on February 28, 2019. The acquisition included nine sawmills in southern Sweden, producing up to 1.1 billion board feet of spruce and pine products annually, and nine value added facilities that produce packaging, modular housing, industrial products and energy.

On a consolidated basis, for the three months ended September 30, 2019, Vida has contributed $201.2 million of sales, $6.1 million of operating losses and $13.4 million of operating income before amortization to Canfor's consolidated results. If the acquisition had occurred on January 1, 2019, it is estimated that for the nine months ended September 30, 2019, Vida's sales would have been $683.5 million, operating income would have been $21.8 million and operating income before amortization would have been $81.4 million. In determining these amounts, it was assumed that the fair value adjustments applied at the February 28, 2019, acquisition date would have been the same if the acquisition had occurred on January 1, 2019.

The following table summarizes the preliminary consideration paid for 70% of Vida, less cash acquired at acquisition:

(millions of Canadian dollars, unaudited)		
Total preliminary consideration	$	590.2
Less: consideration holdback		(9.7)
Total cash preliminary consideration paid	$	580.5
Less: cash acquired		(17.9)
Total cash preliminary consideration paid, net of cash acquired	$	562.6

The table below outlines the preliminary recognized amounts of identifiable assets acquired and liabilities assumed at 100%, less the 30% non-controlling interest retained by Vida shareholders at the acquisition date:

(millions of Canadian dollars, unaudited)		
Cash	$	17.9
Operating loan facilities (including overdraft facilities)		(17.6)
Long-term debt		(21.6)
Non-cash working capital, net (including inventory)		210.8
Property, plant and equipment[3]		462.7
Right-of-use assets		9.9
Other non-current assets[3]		0.5
Lease obligations		(9.9)
Other non-current liabilities (including deferred tax)[3]		(26.0)
Total preliminary net identifiable assets[3]	$	626.7
Non-controlling interest[3]		(189.7)
Preliminary goodwill[3]		219.2
Deferred tax liability on fair value adjustments, net[3]		(66.0)
Total preliminary consideration	$	590.2

[3]Balances reflect updates to preliminary fair values presented as at March 31, 2019, but are consistent with those presented as at June 30, 2019.

Following integration of Vida and completion of final review procedures related to the independent valuation of property, plant and equipment, preliminary amounts above may be revised further.

The Company incurred acquisition-related costs of $4.2 million, principally relating to external legal fees and due diligence costs, which have been included in 'Selling and Administrative Costs'. These amounts were recorded in the Company's consolidated statement of income (loss) when incurred.

Balances that have required significant preliminary fair value adjustments to date for purchase price accounting included inventory, property, plant and equipment, goodwill and deferred income taxes. Preliminary goodwill of $219.2 million has been recognized as part of the purchase, calculated as the excess of the aggregate consideration transferred and the amount of non-controlling interests over the fair value of the estimated identifiable assets acquired and liabilities assumed. Canfor elected to calculate the non-controlling interest related to Vida as 30% of the fair value of the preliminary net identifiable assets acquired, adjusted for Vida's existing non-controlling interests at the acquisition date.

The preliminary goodwill arising from the acquisition is attributable to management strength, expected future income and cash-flow projections, access to new international markets and the ability to further diversify Canfor's current product offering. As part of the consolidation of Vida, a net preliminary deferred tax liability of $66.0 million was recognized for differences between tax and accounting values of property, plant and equipment and inventory.

At the acquisition date, Canfor recorded a put liability of SEK 830.1 million, or $118.6 million, relating to Vida's non-controlling shareholders' option to sell their remaining 30% ownership interest to the Company in 3 to 10 years' time. Key assumptions used in the valuation model to estimate this put liability include historical and forecast pricing, costs and exchange rates, which the Company's management determined with reference to internal and external publications, where applicable. A discount rate of 10%, reflecting an estimated market rate of return, was used for the purpose of estimating this liability.

This put liability is translated to the Canadian dollar at each reporting period, with foreign currency differences arising on translation recognized in other comprehensive income and recorded to the accumulated foreign exchange translation account. Subsequent changes to the measurement of the put liability, if applicable, will be recognized in other equity.

As at September 30, 2019, the put liability continued to be measured at SEK 830.1 million. As a result of foreign exchange translation differences subsequent to acquisition, the put liability has been recognized as $112.2 million at September 30, 2019.

15. 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 as part of the DOC's preliminary duty determinations and as a result, has been subject to company specific countervailing duties ("CVD") and anti-dumping duties ("ADD"). Canfor has been selected as a mandatory respondent for the first period of review for both CVD and ADD and is currently under review by the DOC for this first period.

On April 24, 2017, the DOC announced its preliminary CVD rate 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, 2017 to December 27, 2017. On June 23, 2017, the DOC announced its preliminary ADD rate 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 period of review will be based on sales and cost data through 2017 and 2018, with the ADD rate based off data from July 2017 to December 2018. The administrative review related to the first period is currently anticipated to be completed in 2020.

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. Subsequent to December 31, 2018, by applying DOC's methodology to updated sales and cost data available with respect to the first administrative period of review, the estimate of the Company's ADD accrual rate for the first administrative period of review decreased by 0.3% to 2.6%, with an ADD recovery of $4.3 million recognized in the three months ended March 31, 2019.

In 2019, Canfor moved into a new period of administrative review. The estimated ADD accrual rate at September 30, 2019, increased by 3.0% from the estimated rate at June 30, 2019, as a result of applying the DOC's methodology to current period sales and cost data. This equates to a combined accrual rate of 29.24% and duty expense of $53.5 million and $135.0 million being recognized for the three and nine months ended September 30, 2019, respectively. 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.

Since 2017, cumulative cash duties paid to September 30, 2019 were $388.1 million.

As at September 30, 2019, Canfor has recorded a net duty deposits recoverable of $43.6 million, consisting of a $78.7 million recoverable reflecting the difference over the eighteen month first administrative review period between the combined cash deposit rate of 20.52% and the combined accrual rate for accounting purposes for that period of 16.44%, offset by a payable of $35.1 million reflecting the difference over the current second period of review between the combined cash deposit rate of 20.52% and the combined accrual rate for accounting purposes of 29.24%. The net balance related to the first and second administrative review periods are recognized in 'Long-Term Investments and Other' (Note 5).

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.