News Release

FOR IMMEDIATE RELEASE **July 28, 2022**

CANFOR REPORTS RESULTS FOR SECOND QUARTER OF 2022

Vancouver, BC - Canfor Corporation ("The Company" or "Canfor") (TSX: CFP) today reported its second quarter of 2022 results:

Overview

- Q2 2022 reported operating income of $532 million; quarterly sales of $2.2 billion
- Downward pressure on North American lumber market fundamentals; significant decline in US-dollar lumber benchmark pricing; uptick in European market pricing largely tied to traditional quarterly lag
- Improved lumber & pulp shipments despite ongoing transportation challenges
- Shareholder net income of $374 million, or $3.02 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)	**Q2 2022**	Q1 2022	**YTD 2022**	Q2 2021	YTD 2021
Sales	**$ 2,171.7**	$ 2,213.3	**$ 4,385.0**	$ 2,495.2	$ 4,437.0
Reported operating income before amortization	**$ 630.3**	$ 830.7	**$ 1,461.0**	$ 1,134.6	$ 1,831.3
Reported operating income	**$ 531.6**	$ 741.9	**$ 1,273.5**	$ 1,041.3	$ 1,643.9
Adjusted operating income before amortization[1]	**$ 630.8**	$ 829.6	**$ 1,460.4**	$ 1,134.6	$ 1,829.1
Adjusted operating income[1]	**$ 532.1**	$ 740.8	**$ 1,272.9**	$ 1,041.3	$ 1,641.7
Net income[2]	**$ 373.8**	$ 534.0	**$ 907.8**	$ 726.9	$ 1,154.7
Net income per share, basic and diluted[2]	**$ 3.02**	$ 4.29	**$ 7.32**	$ 5.81	$ 9.22
Adjusted net income[1, 2]	**$ 379.7**	$ 529.0	**$ 908.7**	$ 721.2	$ 1,155.4
Adjusted net income per share, basic and diluted[1, 2]	**$ 3.07**	$ 4.25	**$ 7.33**	$ 5.76	$ 9.23

[1] Adjusted results referenced throughout this news release are defined as non-IFRS financial measures. For further details, refer to the "Non-IFRS Financial Measures" section of this document.
[2] Attributable to equity shareholders of the Company.

For the second quarter of 2022, the Company reported operating income of $531.6 million, down $210.3 million from the operating income of $741.9 million reported for the first quarter of 2022 largely reflecting lower lumber segment earnings following the strong earnings in the previous quarter, offset to a degree by improved pulp and paper segment results.

Commenting on the Company's second quarter results, Canfor's President and Chief Executive Officer, Don Kayne, said, "Despite the pressures on North American lumber market fundamentals this was a strong quarter for our lumber business, as our results continue to far exceed pre-pandemic levels and we continue to capitalize on our global diversification strategy. In our North American operations, ongoing global supply chain constraints resulted in the difficult decision to reduce operating schedules at our Western Canadian sawmills during the second quarter and into the summer months. We greatly appreciate our employees' ongoing resilience in managing through these supply chain challenges. For our pulp business, some relief in transportation constraints late in the period enhanced our ability to realize near-record high pricing and recognize improved results in the quarter."

Results in the lumber segment decreased $230.9 million quarter-over-quarter principally reflecting a significant downward correction in Western Spruce/Pine/Fir ("SPF") and Southern Yellow Pine ("SYP") US-dollar benchmark pricing in the current period, with the average North American Random Lengths Western SPF 2x4 2&Btr price down US$408 per Mfbm, or 32%, and the average SYP East 2x6 #2 down US$546 per Mfbm, or 50%. The decline in North American benchmark lumber pricing in the current quarter was mitigated somewhat by increased North American shipment volumes, reflecting a marginal improvement in a challenging transportation environment, particularly in Western Canada. Current quarter results continued to reflect strong earnings from the Company's European operations as a moderate uplift in European lumber unit sales realizations (largely tied to the quarterly lag in pricing), was offset in part by an increase in European unit manufacturing costs and a 5% stronger Canadian dollar (versus the Swedish Krona ("SEK")).

Following significant strength in the previous quarter, North American market fundamentals experienced downward pressure throughout most of the current quarter, principally driven by the impact of elevated interest rates and rising inflation. These economic headwinds weighed on lumber market demand in the current period, prompting a modest

decline in new home construction activity in the US, particularly for single-family units. Decreased demand combined with relatively steady inventory levels in the supply chain resulted in a significant drop in North American benchmark lumber prices in the current quarter. In the repair and remodeling sector, despite inflationary cost pressures and competing uses for discretionary spending, demand improved as the quarter progressed with consumers taking advantage of lower cost building materials tied to the significant decline in US-dollar benchmark lumber prices.

Offshore lumber demand and prices in Asia showed continued weakness in the second quarter of 2022, especially in China due to the implementation of a 'zero-COVID' strategy which immobilized economic activities in the region as citizens were subject to strict testing and quarantine policies. In Japan, demand also experienced downward pressure as high inventory levels were coupled with supply chain challenges which slowed consumption in the industrial and construction sectors. Lumber demand in Western Europe and Scandinavia remained strong throughout most of the current quarter largely driven by sustained residential construction activity. Late in the period, however, reduced consumer spending, attributed to rising inflation and high energy costs, generated a decline in the European "do-it-yourself" sector.

Results in the pulp and paper segment largely reflected materially higher Northern Bleached Softwood Kraft ("NBSK") pulp unit sales realizations, and to a lesser extent, a 16% uplift in pulp shipments, as transportation disruptions globally and in British Columbia ("BC") eased somewhat in the latter part of the current quarter. These factors more than offset the impact of market-related fibre cost increases and inflation-driven cash conversion cost pressures in the current period.

Pulp production was up 6% from the previous quarter, as NBSK productivity in the current quarter was maximized to available transportation. Concurrently, logistics-related downtime at Canfor Pulp Product Inc.'s ("CPPI") Taylor Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") mill ("Taylor"), which commenced in the first quarter of 2022 and continued throughout the second quarter, reduced production by approximately 60,000 tonnes. In addition, NBSK pulp production in the current period included the completion in mid-April of CPPI's Northwood NBSK pulp mill's ("Northwood") recovery boiler number one ("RB1") capital upgrade (approximately 10,000 tonnes) as well as a scheduled maintenance outage at Northwood which commenced in June and was completed mid-July (approximately 30,000 tonnes in the second quarter and a further 16,000 tonnes in July).

Looking ahead, global lumber market fundamentals are anticipated to be relatively solid through the third quarter of 2022. New home construction activity in North America is projected to weaken in the wake of high mortgage rates and decreasing housing affordability, particularly for first-time homebuyers, while activity in the repair and remodeling sector is estimated to be steady. Offshore lumber demand in Asia is anticipated to face continued downward pressure in the third quarter as high inventory levels in the region continue to exceed consumption.

Results in the third quarter are anticipated to reflect the continuation of reduced operating schedules across the Company's Western Canadian sawmills, including two weeks of rotating downtime in July and August, to help align production capacity with transportation availability, market demand and sustainable timber supply. The Company is forecast to use this downtime to complete maintenance projects and other site activities to help mitigate the impact on employees. These capacity reductions are anticipated to result in an incremental impact to production of at least 275 million board feet. In addition, with the material reduction in North American benchmark lumber prices, rising inflationary cost pressures, ongoing transportation challenges and the significant increase in BC stumpage rates effective July 1, 2022, the Company will continue to assess and adjust operating rates in Western Canada to align capacity with market demand through the balance of 2022.

European lumber pricing is anticipated to experience ongoing pressure through the third quarter of 2022, driven principally by weakness experienced in the North American region in the second quarter, combined with the continued downward pressure in the repair and remodeling segment in Europe. The Company's European lumber business will take its traditional seasonal production downtime in the third quarter of 2022, reducing European lumber production by approximately 100 million board feet.

Global softwood kraft pulp markets are projected to remain solid through the third quarter of 2022, reflecting both global pulp production and supply constraints, as well as steady demand. High yield markets are forecast to see slight improvements through the third quarter of 2022, also tied to limited supply availability.

Notwithstanding the modest improvement in BC's transportation networks seen in the later part of the second quarter, results in the third quarter are anticipated to reflect the continued impact of and uncertainties associated with a constrained rail service network and the related pressures on CPPI's operations and shipments. Furthermore, it is projected that a restart of Taylor will not be contemplated until such time as there is a return to more normal

transportation service levels to all of CPPI's pulp and paper mills. CPPI will continue to closely monitor the supply chain challenges and will adjust future operating plans accordingly, through the balance of 2022.

In addition, pulp and paper segment results in the third quarter of 2022 will reflect the impact of the continuation of Northwood's scheduled maintenance outage into mid-July (approximately 16,000 tonnes), as well as a scheduled maintenance outage at CPPI's Intercontinental NBSK pulp mill in the latter part of the third quarter and into the fourth quarter, with a projected 12,000 tonnes of reduced NBSK pulp production.

Additional Information and Conference Call

A conference call to discuss the second quarter's financial and operating results will be held on Friday, July 29, 2022 at 8:00 AM Pacific time. To participate in the call, in North America please dial Toll-Free 1-888-390-0546. For instant replay access until August 12, 2022, please dial 1-888-390-0541 and enter participant pass code 049770#. 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 Financial Measures

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

(millions of Canadian dollars)	**Q2 2022**	Q1 2022	**YTD 2022**	Q2 2021	YTD 2021
Reported operating income	**$ 531.6**	$ 741.9	**$ 1,273.5**	$ 1,041.3	$ 1,643.9
Inventory write-down (recovery), net	**$ 0.5**	$ (1.1)	**$ (0.6)**	$ -	$ (2.2)
Adjusted operating income	**$ 532.1**	$ 740.8	**$ 1,272.9**	$ 1,041.3	$ 1,641.7
Amortization	**$ 98.7**	$ 88.8	**$ 187.5**	$ 93.3	$ 187.4
Adjusted operating income before amortization	**$ 630.8**	$ 829.6	**$ 1,460.4**	$ 1,134.6	$ 1,829.1

After-tax impact, net of non-controlling interests (millions of Canadian dollars)	**Q2 2022**	Q1 2022	**YTD 2022**	Q2 2021	YTD 2021
Net income	**$ 373.8**	$ 534.0	**$ 907.8**	$ 726.9	$ 1,154.7
Foreign exchange (gain) loss on term debt	**$ 4.9**	$ (3.0)	**$ 1.9**	$ (5.7)	$ (8.3)
(Gain) loss on derivative financial instruments	**$ 1.0**	$ (2.0)	**$ (1.0)**	$ -	$ 9.0
Adjusted net income[3]	**$ 379.7**	$ 529.0	**$ 908.7**	$ 721.2	$ 1,155.4

[3] Attributable to equity shareholders of the Company.

Forward Looking Statements

Certain statements in this press release constitute "forward-looking statements" which involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Words such as "expects", "anticipates", "projects", "intends", "plans", "will", "believes", "seeks", "estimates", "should", "may", "could", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and actual events or results may differ materially. There are many factors that could cause such actual events or results expressed or implied by such forward-looking statements to differ materially from any future results expressed or implied by such statements. Forward-looking statements are based on current expectations and Canfor assumes no obligation to update such information to reflect later events or developments, except as required by law.

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

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Canfor Corporation
Second Quarter 2022
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 June 30, 2022 relative to the quarters ended March 31, 2022 and June 30, 2021, and the financial position of the Company at June 30, 2022. It should be read in conjunction with Canfor's unaudited interim consolidated financial statements and accompanying notes for the quarters ended June 30, 2022 and 2021, as well as the 2021 annual MD&A and the 2021 audited consolidated financial statements and notes thereto, which are included in Canfor's Annual Report for the year ended December 31, 2021 (available at www.canfor.com*). The financial information contained 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 before Amortization and Impairments, Adjusted Operating Income (Loss) and Adjusted Operating Income before Amortization 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 (calculated as Shareholder Net Income (Loss) less specific items affecting comparability with prior periods – for the full calculation refer to the "Selected Quarterly Financial Information" section) and Adjusted Shareholder Net Income per Share (calculated as Adjusted Shareholder Net Income divided by the weighted average number of shares outstanding during the period). Operating Income before Amortization and Impairments, Adjusted Operating Income (Loss), Adjusted Operating Income before Amortization, Adjusted Shareholder Net Income and Adjusted Shareholder Net Income per Share are not generally accepted earnings measures and should not be considered as an alternative to net income or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, Canfor's Operating Income before Amortization and Impairments, Adjusted Operating Income (Loss), Adjusted Operating Income before Amortization, Adjusted Shareholder Net Income and Adjusted Shareholder Net Income per Share may not be directly comparable with similarly titled measures used by other companies. Reconciliations of these measures to those reported in accordance with IFRS are included in the "Non-IFRS Financial Measures" section of this MD&A, with details surrounding Operating Income before Amortization and Impairments included under "Selected Quarterly Financial Information". Throughout this discussion, reference is made to the current quarter, which refers to the results for the second quarter of 2022.

Also in this interim MD&A, reference is made to net debt (cash), net debt (cash) to total capitalization and return on invested capital ("ROIC") which the Company considers to be relevant performance indicators that are not generally accepted under IFRS. Therefore these indicators, defined herein, may not be directly comparable with similarly titled measures used by other companies. Refer to the "Non-IFRS Financial Measures" section of this interim MD&A for further details. Factors that could impact future operations are also discussed. These factors may be influenced by both known and unknown risks and uncertainties that could cause the actual results to be materially different from those stated in this discussion. Factors that could have a material impact on any future oriented statements made herein include, but are not limited to: general economic, market and business conditions; product selling prices; raw material and operating costs; currency exchange rates; interest rates; changes in law and public policy; the outcome of labour and trade disputes; and opportunities available to or pursued by Canfor.

All financial references are in millions of Canadian dollars unless otherwise noted. Certain comparative amounts have been reclassified to conform to current presentation. The information in this report is as at July 28, 2022.

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.

SECOND QUARTER 2022 OVERVIEW

Selected Financial Information and Statistics

(millions of Canadian dollars, except ratios)	Q2 2022	Q1 2022	YTD 2022	Q2 2021	YTD 2021
Operating income (loss) by segment:					
Lumber	**$ 552.1**	$ 783.0	**$ 1,335.1**	$ 1,000.5	$ 1,607.2
Pulp and Paper	**$ (8.1)**	$ (26.0)	**$ (34.1)**	$ 51.0	$ 55.9
Unallocated and Other	**$ (12.4)**	$ (15.1)	**$ (27.5)**	$ (10.2)	$ (19.2)
Total operating income	**$ 531.6**	$ 741.9	**$ 1,273.5**	$ 1,041.3	$ 1,643.9
Add: Amortization[1]	**$ 98.7**	$ 88.8	**$ 187.5**	$ 93.3	$ 187.4
Total operating income before amortization	**$ 630.3**	$ 830.7	**$ 1,461.0**	$ 1,134.6	$ 1,831.3
Add (deduct):					
Working capital movements	**$ 210.5**	$ (287.7)	**$ (77.2)**	$ 88.5	$ (266.2)
Defined benefit plan contributions, net	**$ (3.0)**	$ (3.8)	**$ (6.8)**	$ (3.9)	$ (8.0)
Income taxes paid, net	**$ (113.0)**	$ (208.0)	**$ (321.0)**	$ (121.7)	$ (181.8)
Duties paid (greater) less than accruals	**$ (45.3)**	$ (50.7)	**$ (96.0)**	$ 2.0	$ 12.4
Other operating cash flows, net[2]	**$ (2.1)**	$ 23.5	**$ 21.4**	$ (11.2)	$ 11.0
Cash from operating activities	**$ 677.4**	$ 304.0	**$ 981.4**	$ 1,088.3	$ 1,398.7
Add (deduct):					
Capital additions, net	**$ (113.1)**	$ (81.3)	**$ (194.4)**	$ (58.6)	$ (124.4)
Finance expenses paid	**$ (6.4)**	$ (3.4)	**$ (9.8)**	$ (7.1)	$ (13.9)
Repayment of term debt, net	**$ (0.1)**	$ (0.1)	**$ (0.2)**	$ (185.5)	$ (414.6)
Share purchases	**$ (40.5)**	$ (5.7)	**$ (46.2)**	$ (8.0)	$ (8.0)
Acquisition of Millar Western	**$ (15.9)**	$ (418.1)	**$ (434.0)**	$ -	$ -
Phased acquisition of Elliott	**$ -**	$ -	**$ -**	$ -	$ (38.2)
Distributions to non-controlling interests	**$ (60.9)**	$ (0.2)	**$ (61.1)**	$ (9.6)	$ (10.3)
Foreign exchange loss on cash and cash equivalents	**$ (8.2)**	$ (24.6)	**$ (32.8)**	$ (0.1)	$ (6.8)
Other, net[3]	**$ (1.2)**	$ (20.9)	**$ (22.1)**	$ (10.5)	$ (23.9)
Change in cash / operating loans	**$ 431.1**	$ (250.3)	**$ 180.8**	$ 808.9	$ 758.6
ROIC – Consolidated period-to-date[3]	**12.6%**	19.8%	**32.4%**	29.8%	47.7%
Average exchange rate (US$ per C$1.00)	**$ 0.783**	$ 0.790	**$ 0.787**	$ 0.814	$ 0.802
Average exchange rate (SEK per C$1.00)[4]	**7.708**	7.367	**7.534**	6.851	6.739

[1] Amortization includes amortization of certain capitalized major maintenance costs.
[2] Further information on cash flows may be found in the Company's unaudited interim consolidated financial statements.
[3] Consolidated ROIC is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section for further details.
[4] Source – Bank of Canada (monthly average rate for the period).

Analysis of Specific Material Items Affecting Comparability of Shareholder Net Income

After-tax impact, net of non-controlling interests (millions of Canadian dollars, except per share amounts)	Q2 2022	Q1 2022	YTD 2022	Q2 2021	YTD 2021
Shareholder net income, as reported	**$ 373.8**	$ 534.0	**$ 907.8**	$ 726.9	$ 1,154.7
Foreign exchange (gain) loss on term debt	**$ 4.9**	$ (3.0)	**$ 1.9**	$ (5.7)	$ (8.3)
(Gain) loss on derivative financial instruments	**$ 1.0**	$ (2.0)	**$ (1.0)**	$ -	$ 9.0
Net impact of above items	**$ 5.9**	$ (5.0)	**$ 0.9**	$ (5.7)	$ 0.7
Adjusted shareholder net income[5]	**$ 379.7**	$ 529.0	**$ 908.7**	$ 721.2	$ 1,155.4
Shareholder net income per share (EPS), as reported	**$ 3.02**	$ 4.29	**$ 7.32**	$ 5.81	$ 9.22
Net impact of above items per share	**$ 0.05**	$ (0.04)	**$ 0.01**	$ (0.05)	$ 0.01
Adjusted shareholder net income per share[5]	**$ 3.07**	$ 4.25	**$ 7.33**	$ 5.76	$ 9.23

[5] Adjusted shareholder net income is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section for further details.

For the second quarter of 2022, the Company reported operating income of $531.6 million, down $210.3 million from the operating income of $741.9 million reported for the first quarter of 2022 largely reflecting lower lumber segment earnings following the strong earnings in the previous quarter, offset to a degree by improved pulp and paper segment results.

Results in the lumber segment decreased $230.9 million quarter-over-quarter principally reflecting a significant downward correction in Western Spruce/Pine/Fir ("SPF") and Southern Yellow Pine ("SYP") US-dollar benchmark pricing in the current period, with the average North American Random Lengths Western SPF 2x4 2&Btr price down US$408 per Mfbm, or 32%, and the average SYP East 2x6 #2 down US$546 per Mfbm, or 50%. The decline in North American benchmark lumber pricing in the current quarter was mitigated somewhat by increased North American shipment volumes, reflecting a marginal improvement in a challenging transportation environment, particularly in Western Canada. Current quarter results continued to reflect strong earnings from the Company's European operations as a moderate uplift in European lumber unit sales realizations (largely tied to the quarterly lag in pricing), was offset in part by an increase in European unit manufacturing costs and a 5% stronger Canadian dollar (versus the Swedish Krona ("SEK")).

Results in the pulp and paper segment largely reflected materially higher Northern Bleached Softwood Kraft ("NBSK") pulp unit sales realizations, and to a lesser extent, a 16% uplift in pulp shipments, as transportation disruptions globally and in British Columbia ("BC") eased somewhat in the latter part of the current quarter. These factors more than offset the impact of market-related fibre cost increases and inflation-driven cash conversion cost pressures in the current period.

Compared to the second quarter of 2021, reported operating income was down $509.7 million from the operating income of $1,041.3 million recognized in the comparative period, consisting of a $448.4 million decrease in lumber segment earnings and a $59.1 million reduction in pulp and paper segment results.

Lower earnings in the lumber segment were principally driven by a material reduction in Western SPF and SYP US-dollar pricing combined with notably higher log and conversion costs and, to a lesser extent, reduced production. These factors were offset in part by a 3 cent, or 4%, weaker Canadian dollar (versus the US-dollar), as well as higher European unit sales realizations quarter-over-quarter.

The decline in pulp and paper segment results reflected a slight increase in average NBSK sales unit pulp realizations combined with a weaker Canadian dollar in the current period, more than offset by reduced pulp shipments, a decline in pulp production as well as higher pulp unit manufacturing costs quarter-over-quarter.

OPERATING RESULTS BY BUSINESS SEGMENT

Lumber

Selected Financial Information and Statistics – Lumber

(millions of Canadian dollars, unless otherwise noted)	Q2 2022	Q1 2022	YTD 2022	Q2 2021	YTD 2021
Sales[6]	**$ 1,884.3**	$ 1,993.7	**$ 3,878.0**	$ 2,161.1	$ 3,840.6
Operating income before amortization[6]	**$ 626.6**	$ 851.3	**$ 1,477.9**	$ 1,071.6	$ 1,751.3
Operating income[6]	**$ 552.1**	$ 783.0	**$ 1,335.1**	$ 1,000.5	$ 1,607.2
Average Western SPF 2x4 #2&Btr lumber price in US$[7]	**$ 866**	$ 1,274	**$ 1,070**	$ 1,342	$ 1,157
Average Western SPF 2x4 #2&Btr lumber price in Cdn$[7,9]	**$ 1,106**	$ 1,613	**$ 1,360**	$ 1,649	$ 1,440
Average SYP 2x4 #2 lumber price in US$[8]	**$ 769**	$ 1,372	**$ 1,070**	$ 1,163	$ 1,162
Average SYP 2x4 #2 lumber price in Cdn$[8,9]	**$ 983**	$ 1,736	**$ 1,360**	$ 1,429	$ 1,449
Average SYP 2x6 #2 lumber price in US$[8]	**$ 556**	$ 1,102	**$ 829**	$ 946	$ 925
Average SYP 2x6 #2 lumber price in Cdn$[8,9]	**$ 710**	$ 1,395	**$ 1,053**	$ 1,162	$ 1,153
US housing starts (thousand units SAAR)[10]	**1,652**	1,720	**1,686**	1,591	1,586
Production – Western SPF lumber (MMfbm)[11]	**658**	652	**1,310**	721	1,434
Production – SYP lumber (MMfbm)[11]	**409**	420	**829**	435	849
Production – European lumber (MMfbm)[11]	**366**	376	**742**	351	698
Shipments – Western SPF lumber (MMfbm)[12]	**681**	585	**1,266**	708	1,372
Shipments – SYP lumber (MMfbm)[12]	**423**	399	**822**	431	821
Shipments – European lumber (MMfbm)[12]	**424**	423	**847**	401	795

[6] Q2 2022 includes sales of $506.6 million, operating income of $173.1 million, and operating income before amortization of $189.7 million from European operations (Q1 2022 – sales of $457.1 million, operating income of $179.2 million, and operating income before amortization of $196.5 million; Q2 2021 – sales of $445.7 million, operating income of $162.3 million, and operating income before amortization of $180.9 million). Operating income from European operations in Q2 2022 includes $9.3 million in incremental amortization driven by the purchase price allocation at acquisition date (Q1 2022 - $9.8 million; Q2 2021 - $10.6 million).
[7] Western Spruce/Pine/Fir, per thousand board feet (Source – Random Lengths Publications, Inc.)
[8] Southern Yellow Pine, Eastside, per thousand board feet (Source – Random Lengths Publications, Inc.).
[9] Average lumber prices in Cdn$ calculated as average price in US$ multiplied by the average exchange rate – Cdn$ per US$1.00 according to Bank of Canada monthly average for the period.
[10] Source – US Census Bureau, seasonally adjusted annual rate ("SAAR").
[11] Excluding production of trim blocks.
[12] Includes Canfor produced lumber, as well as lumber purchased for resale, remanufacture and engineered wood, excluding trim blocks, wholesale shipments and lumber sold on behalf of third parties.

Markets

Following significant strength in the previous quarter, North American market fundamentals experienced downward pressure throughout most of the current quarter, principally driven by the impact of elevated interest rates and rising inflation. These economic headwinds weighed on lumber market demand in the current period, prompting a modest decline in new home construction activity in the US, particularly for single-family units. Decreased demand combined with relatively steady inventory levels in the supply chain resulted in a significant drop in North American benchmark lumber prices in the current quarter. In the repair and remodeling sector, despite inflationary cost pressures and competing uses for discretionary spending, demand improved as the quarter progressed with consumers taking advantage of lower cost building materials tied to the significant decline in US-dollar benchmark lumber prices.

US housing starts averaged 1,652,000 units on a seasonally adjusted basis for the current quarter, down 4% from the previous quarter, reflecting a 9% decrease in single-family starts and a 9% increase in multi-family starts. While remaining well above the five-year rolling average of 1,434,000 units, current quarter US housing starts fell to a nine-month low in June as a result of higher mortgage rates and inflation which reduced housing affordability, particularly for first-time homebuyers, and hampered construction activity. In Canada, however, new home construction remained strong and increased moderately through April and May driven primarily by increased demand for multi-family units in urban centres.

Offshore lumber demand and prices in Asia showed continued weakness in the second quarter of 2022, especially in China due to the implementation of a 'zero-COVID' strategy which immobilized economic activities in the region as citizens were subject to strict testing and quarantine policies. In Japan, demand also experienced downward pressure as high inventory levels were coupled with supply chain challenges which slowed consumption in the industrial and construction sectors. Lumber demand in Western Europe and Scandinavia remained strong throughout most of the current quarter largely driven by sustained residential construction activity. Late in the period, however, reduced

consumer spending, attributed to rising inflation and high energy costs, generated a decline in the European "do-it-yourself" sector.

Sales

Sales revenues for the lumber segment for the second quarter of 2022 were $1,884.3 million, compared to $1,993.7 million in the previous quarter and $2,161.1 million for the second quarter of 2021. The 5% decrease in sales revenue over the prior quarter principally reflected a steep decline in Western SPF and SYP US-dollar pricing, offset in part by a 12% increase in North American shipment volumes and higher European market pricing. Compared to the second quarter of 2021, sales revenues decreased by 13% primarily tied to a decline in North American benchmark lumber prices in the current period more than offsetting the benefit of improved European market pricing.

Total lumber shipments, at 1.53 billion board feet, were 9% higher than the previous quarter principally reflecting an increase in North American shipment volumes, driven in part by a full quarter of shipments from the Millar Western Forest Products Ltd. ("Millar Western") acquisition. This incremental shipment volume was combined with a release of inventory towards the end of the current quarter, as rail service conditions in both Western Canada and the US South improved slightly, following the heavy constraints earlier in the period. European lumber shipments were broadly comparable quarter-over-quarter.

Total lumber shipments were broadly in line with the second quarter of 2021 as moderately lower North American shipment volumes, largely tied to reduced production in the region in the current period, was offset by higher European shipments reflecting the incremental benefit of V-Timber AB ("V-Timber") following its acquisition on February 1, 2022.

The average benchmark North American Random Lengths Western SPF 2x4 #2&Btr price declined significantly throughout much of the current quarter, falling from a prior quarter high of US$1,400 per Mfbm in March to a low of US$555 per Mbfm in early June, and ending the period at US$630 per Mfbm. For the current quarter overall, the North American Random Lengths Western SPF 2x4 #2&Btr price averaged US$866 per Mfbm, down US$408 per Mfbm, or 32%, from the previous quarter. The Company's Western SPF unit sales realizations primarily reflected the sharp drop in US-dollar benchmark pricing, moderated in part by relatively stable offshore pricing to Japan and a favourable timing lag in shipments (versus orders).

The North American Random Lengths SYP East 2x4 #2 price experienced similar downward pressure as Western SPF in the current quarter, declining from a record high of US$1,515 per Mfbm mid-January to a low of US$665 per Mfbm in June. While pricing recovered modestly in the final two weeks of June, the SYP East 2x4 #2 price averaged US$769 per Mfbm for the current quarter, down US$603 per Mfbm, or 44%, compared to the previous quarter. Despite the considerable decline in the SYP East 2x4 #2 price, and 50% quarter-over-quarter decline in the SYP East 2x6 #2 price, the decrease in the Company's SYP unit sales realizations was moderated somewhat, due to less pronounced declines for certain wider-width dimension products.

The Company's European lumber unit sales realizations were moderately higher than the previous quarter due to a notable uptick in European market pricing (due largely to the traditional quarterly timing lag), offset in part by the decline in US-dollar North American benchmark pricing in the current period and a 5% stronger Canadian dollar (versus the SEK).

Compared to the second quarter of 2021, the Company's North American lumber unit sales realizations were significantly lower, principally reflecting the correction in US-dollar lumber market pricing in the current quarter. The North American Random Lengths Western SPF 2x4 #2&Btr price, at US$866 per Mfbm, decreased 35% from the second quarter of 2021, while the SYP East 2x4 #2 price declined US$394 per Mfbm, or 34%, with less substantial drops seen for certain wider-width dimensions. Over the same comparative period, however, the Company's European lumber unit sales realizations improved significantly, principally reflecting the benefit of higher European market pricing, mitigated in part, by the aforementioned reduction in North American US-dollar benchmark prices and 13% stronger Canadian dollar (versus the SEK).

Other revenues for the Company's lumber segment (which are primarily comprised of residual fibre, pulp log and pellets sales, as well as the Company's European operations' other related revenues) were in line with the previous quarter. Compared to the second quarter of 2021, other revenues experienced a significant increase primarily resulting from higher log and engineered wood sales in Western Canada and the US South, respectively.

Operations

Total lumber production, at 1.43 billion board feet, was broadly in line with the prior quarter as lower production in the US South and Europe was offset in part by slightly higher production in Western Canada. Reduced SYP

production quarter-over-quarter was largely attributable to capital-related downtime and reduced drying capacity across several mills in the region. The decline in European production quarter-over-quarter was primarily due to an increase in statutory holidays in the current period. Slightly higher Western SPF production in the current quarter was principally tied to a full quarter of production from Millar Western (approximately 80 million board feet) following the March 1, 2022 acquisition and less capital-related downtime related to the resizing of Plateau in the previous quarter. These factors more than offset the impact of transportation driven reductions in operating schedules across the Company's BC sawmills which lowered production by approximately 150 million board feet in the current quarter.

Compared to the second quarter of 2021, total lumber production was down 5%. Reduced Western SPF production quarter-over-quarter was primarily driven by the aforementioned reduced operating schedules in the current period, partially offset by the incremental benefit of a full quarter of Millar Western production. Lower SYP production principally reflected capital-related downtime in the current period. In Europe, higher production was largely driven by improved productivity in the current quarter.

Lumber unit manufacturing and product costs were slightly higher than the previous quarter primarily reflecting higher per-unit conversion costs in the US South and Europe, and moderately higher European log costs (market-related). The former was mostly due to the impact of rising inflation on labour, maintenance and energy costs.

Compared to the second quarter of 2021, lumber unit manufacturing costs increased substantially, most notably in North America, due to the combined impact of higher log and conversion costs. Increased Western SPF log costs were primarily driven by the increased consumption of higher-cost purchased wood in the current period, whereas the uplift in log costs in the US South reflected an increase log demand in that region. In Europe, higher log costs in the current quarter reflected market-based increases in the region, principally tied to European lumber prices, albeit on a lagged basis. Higher conversion costs in North America largely reflected the per-unit impact of reduced production and inflationary cost pressures in the current period.

Pulp and Paper

Selected Financial Information and Statistics – Pulp and Paper[13]

(millions of Canadian dollars, unless otherwise noted)	**Q2 2022**	**Q1 2022**	**YTD 2022**	**Q2 2021**	**YTD 2021**
Sales	**$ 287.4**	$ 219.6	**$ 507.0**	$ 334.1	$ 596.4
Operating income (loss) before amortization[14]	**$ 15.7**	$ (5.9)	**$ 9.8**	$ 72.9	$ 98.6
Operating income (loss)	**$ (8.1)**	$ (26.0)	**$ (34.1)**	$ 51.0	$ 55.9
Inventory write-down expense (recovery)	**$ 0.5**	$ (1.1)	**$ (0.6)**	$ -	$ (2.2)
Adjusted operating income (loss)[15]	**$ (7.6)**	$ (27.1)	**$ (34.7)**	$ 51.0	$ 53.7
Average NBSK pulp price delivered to China – US$[16]	**$ 1,008**	$ 899	**$ 954**	$ 962	$ 922
Average NBSK pulp price delivered to China – Cdn$[16]	**$ 1,287**	$ 1,139	**$ 1,213**	$ 1,181	$ 1,149
Production – pulp (000 mt)	**187**	176	**363**	290	582
Production – paper (000 mt)	**33**	34	**67**	34	64
Shipments – pulp (000 mt)	**205**	176	**381**	285	550
Shipments – paper (000 mt)	**34**	31	**65**	30	67

[13] 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.
[14] Amortization includes amortization of certain capitalized major maintenance costs.
[15] Adjusted operating income (loss) is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section for further details.
[16] Per tonne, NBSK pulp list net price delivered to China (as published by Resource Information Systems, Inc. ("RISI")); Average NBSK pulp net price delivered to China in Cdn$ calculated as average NBSK pulp net price delivered to China – US$ multiplied by the average exchange rate – Cdn$ per US$1.00 according to Bank of Canada monthly average rate for the period.

Markets

Following the sharp improvement in global softwood pulp market fundamentals earlier in the year, ongoing global logistics constraints and unplanned global production outages, resulted in strong global pulp market conditions throughout the second quarter. The upward trend in NBSK US-dollar list prices on orders to China experienced in the first quarter, continued into April and held at near-record highs throughout the balance of the period. As a result, the current quarter US-dollar NBSK pulp list price to China averaged US$1,008 per tonne, up US$109 per tonne, or 12%, from the previous quarter and up US$46 per tonne, or 5%, compared to the second quarter of 2021. Prices to North America (before discounts) experienced more notable increases in the current quarter, largely in response to the

uplift in China prices earlier in the year, up US$216 per tonne, or 14%, from the previous quarter, and up US$145 per tonne, or 9%, compared to the same period in the prior year, to average US$1,743 per tonne.

Global softwood pulp producer inventories at the end of May 2022 were slightly above the balanced range at 38 days[17] of supply, an improvement of two days from March 2022. (Market conditions are generally considered balanced when inventories are in the 28-36 days of supply range).

Global kraft paper market demand and pricing remained strong through most of the second quarter of 2022, with some softening experienced in the North American market late in June.

Sales

Pulp shipments for the second quarter of 2022 were 205,000 tonnes, up 29,000 tonnes, or 16% from the previous quarter, principally due to a 6% improvement in pulp production combined with a drawdown of inventory in the current period, as transportation challenges in BC experienced in the prior quarter were alleviated somewhat towards the end of current quarter. Compared to the second quarter of 2021, pulp shipments were down 80,000 tonnes, or 28%, primarily reflecting the 36% reduction in pulp production and, to a lesser extent, the timing of vessels quarter-over-quarter, offset in part by the aforementioned drawdown of inventory in the current period.

Canfor Pulp Product Inc.'s ("CPPI") average NBSK pulp unit sales realizations were significantly higher than the previous quarter, as an uptick in US-dollar NBSK pulp pricing experienced in the first quarter and maintained throughout the second quarter, was combined with a favourable timing lag in shipments (versus orders). Average Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") unit sales realizations moderately improved compared to the previous quarter, as an uptick in BCTMP global demand and pricing from earlier in 2022 was realized in the current period.

Compared to the second quarter of 2021, CPPI's average NBSK pulp unit sales realizations saw a slight improvement principally reflecting the 3 cent, or 4%, weaker Canadian dollar combined with higher US-dollar pulp list pricing, offset in part, by an unfavourable regional sales mix. Average BCTMP unit sales realizations were significantly lower than the same period in the prior year, as lower US-dollar pricing more than outweighed the weaker Canadian dollar.

Energy revenues were down compared to the first quarter of 2022, largely due to seasonally lower energy prices. Compared to the second quarter of 2021, energy revenue was moderately lower, primarily reflecting a reduction in turbine operating days due to the completion of Northwood NBSK pulp mill's ("Northwood") recovery boiler number one ("RB1") lower furnace replacement in April 2022, as well as Northwood's scheduled maintenance outage in the current period.

Paper shipments in the second quarter of 2022 were 34,000 tonnes, up 3,000 tonnes from the previous quarter, and up 4,000 tonnes from the second quarter of 2021, principally reflecting the timing of shipments around quarter-end compared to both comparative periods.

Paper unit sales realizations in the second quarter of 2022 were moderately higher than the previous quarter, largely attributable to the continued strengthening of global US-dollar paper pricing throughout most of the current period and, to a lesser extent, the weaker Canadian dollar. Compared to the second quarter of 2021, paper unit sales realizations experienced a substantial increase, primarily reflecting a notable improvement in US-dollar prices, especially to North American markets, quarter-over-quarter, combined with a 4% weaker Canadian dollar.

Operations

Pulp production was 187,000 tonnes for the second quarter of 2022, up 11,000 tonnes, or 6%, from the previous quarter, as NBSK productivity in the current period was maximized to available transportation. Concurrently, logistics-related downtime at CPPI's Taylor BCTMP mill ("Taylor"), which commenced in the first quarter of 2022 and continued throughout the second quarter, reduced production by approximately 60,000 tonnes. In addition, NBSK pulp production in the current period included the completion in mid-April of the Northwood RB1 capital upgrade (approximately 10,000 tonnes) as well as a scheduled maintenance outage at Northwood which commenced in June and was completed mid-July (approximately 30,000 tonnes in the second quarter and a further 16,000 tonnes in July).

In the first quarter of 2022, pulp production was primarily impacted by the extended outage on one production line at Northwood to enable the replacement of RB1's lower furnace (approximately 70,000 tonnes), as well as downtime at Taylor driven by significant transportation shortages in BC (approximately 30,000 tonnes), and various smaller operational upsets (approximately 30,000 tonnes).

[17] 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").

Compared to the second quarter of 2021, pulp production was down 103,000 tonnes, or 36%, mainly reflecting decreased operating days in the current period associated with the transportation-related curtailment at Taylor, as well as Northwood's RB1 rebuild and planned maintenance outage, which more than offset the impact of the scheduled maintenance downtime at CPPI's Intercontinental NBSK pulp mill ("Intercon") in the comparative period (approximately 15,000 tonnes).

Pulp unit manufacturing costs experienced a moderate increase compared to the prior quarter, principally reflecting higher fibre costs, and, to a lesser extent, elevated chemical costs and increased maintenance spend in the current period. The higher fibre costs reflected increased market prices for delivered sawmill residual chips (linked to Canadian dollar NBSK pulp sales realizations) combined with a larger proportion of higher-cost whole log chips as a result of sawmill curtailments in the current quarter and, to a lesser extent, an improvement in chip quality.

Compared to the second quarter of 2021, pulp unit manufacturing costs were significantly higher, mostly attributable to lower production combined with market-related increases in fibre costs as well as higher energy and chemical costs in the current quarter.

Paper production for the second quarter of 2022 was 33,000 tonnes, broadly in line with both comparative periods.

Paper unit manufacturing costs were significantly higher than the first quarter of 2022, largely due to notably higher slush pulp costs (tied to increased Canadian dollar NBSK pulp unit sales realizations), combined with an uplift in chemical costs and increased spend on operating supplies in the current period (timing-related). Compared to the second quarter of 2021, paper unit manufacturing costs also saw a substantial increase primarily driven by higher conversion costs quarter-over-quarter, and, to a lesser extent, a slight increase in slush pulp costs.

Unallocated and Other Items

Selected Financial Information

(millions of Canadian dollars)	Q2 2022	Q1 2022	YTD 2022	Q2 2021	YTD 2021
Corporate costs	**$ (12.4)**	$ (15.1)	**$ (27.5)**	$ (10.2)	$ (19.2)
Finance expense, net	**$ (3.3)**	$ (4.3)	**$ (7.6)**	$ (6.4)	$ (13.9)
Foreign exchange gain on term debt and duties recoverable, net	**$ 2.0**	$ 0.5	**$ 2.5**	$ 3.3	$ 3.8
Gain (loss) on derivative financial instruments	**$ (2.6)**	$ 2.8	**$ 0.2**	$ 0.5	$ (12.6)
Other income, net	**$ 14.6**	$ 5.9	**$ 20.5**	$ 1.3	$ 14.5

Corporate costs were $12.4 million for the second quarter of 2022, down $2.7 million from the previous quarter in part reflecting reduced legal and consulting costs, following the acquisition of Millar Western on March 1, 2022. Compared to the second quarter of 2021, corporate costs were up $2.2 million primarily due to an increase in head office and general administrative expenses in the current period.

Net finance expense of $3.3 million for the second quarter of 2022 was down $1.0 million from the previous quarter, largely due to higher interest income associated with the Company's US-dollar short term investments. Compared to the second quarter of 2021, net finance expense was down $3.1 million, principally reflecting reduced interest expense as a result of lower debt levels in the current period, combined with higher interest income on US-dollar short term investments quarter-over-quarter.

In the second quarter of 2022, the Company recognized a foreign exchange gain of $7.6 million on its US-dollar denominated net duty deposits recoverable, offset by a $5.6 million loss on US-dollar term debt held by Canadian entities, due to the weakening of the Canadian dollar at the end of the current quarter compared to the end of March 2022.

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 second quarter of 2022, the Company recorded a net loss of $2.6 million related to its derivative instruments, primarily reflecting mark-to-market losses (both realized an unrealized) on SEK foreign exchange forward contracts, offset in part by realized gains on lumber futures contracts.

Other income, net, of $14.6 million principally reflected favourable foreign exchange movements on US-dollar denominated working capital balances.

Other Comprehensive Loss

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

(millions of Canadian dollars)	Q2 2022	Q1 2022	YTD 2022	Q2 2021	YTD 2021
Defined benefit plan actuarial gains (losses), net of tax	**$ 13.6**	$ 24.8	**$ 38.4**	$ (5.3)	$ 17.9
Foreign exchange losses from translation of foreign operations, net of tax	**$ (22.5)**	$ (65.9)	**$ (88.4)**	$ (14.3)	$ (78.0)
Other comprehensive loss, net of tax	**$ (8.9)**	$ (41.1)	**$ (50.0)**	$ (19.6)	$ (60.1)

In the second quarter of 2022, the Company recorded a gain of $18.6 million (before tax) related to changes in the valuation of the Company's defined benefit plans (comprised of defined benefit pension plans as well as other benefit plans), largely reflecting a 1.2% increase in the discount rate used to value the employee future benefit plans, partially offset by a lower than anticipated return on plan assets, and to a lesser extent, a loss related to the derecognition of a surplus for one of the Company's registered pension plans. This compared to a gain of $34.0 million (before tax) in the first quarter of 2022 attributable to a 0.8% increase in the discount rate, partially offset by a lower than anticipated return on plan assets. In the second quarter of 2021, the Company recorded a loss of $7.2 million (before tax), largely reflecting a 0.2% decrease in the discount rate, partially offset by a higher than anticipated return on plan assets.

In addition, the Company recorded an accounting loss of $22.5 million in the second quarter of 2022 related to foreign exchange differences for foreign operations, largely reflecting the strengthening of the Canadian dollar relative to the SEK, offset in part by the weakening of the Canadian dollar relative to the US dollar at the end of the quarter. This compared to a loss of $65.9 million in the first quarter of 2022 and a loss of $14.3 million in the second quarter of 2021.

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 ratios)	Q2 2022	Q1 2022	YTD 2022	Q2 2021	YTD 2021
Increase (decrease) in cash and cash equivalents[18]	**$ 434.5**	$ (222.8)	**$ 211.7**	$ 799.6	$ 772.1
Operating activities	**$ 677.4**	$ 304.0	**$ 981.4**	$ 1,088.3	$ 1,398.7
Financing activities	**$ (117.0)**	$ (12.5)	**$ (129.5)**	$ (225.8)	$ (451.6)
Investing activities	**$ (125.9)**	$ (514.3)	**$ (640.2)**	$ (62.9)	$ (175.0)
Ratio of current assets to current liabilities		2.8:1	**3.3:1**		2.7:1
Net cash to capitalization[19]		(22.8)%	**(35.8)%**		(32.0)%
Cumulative duty deposits paid		$ 771.1	**$ 849.6**		$ 644.7

[18] Increase (decrease) in cash and cash equivalents shown before foreign exchange translation on cash and cash equivalents.
[19] Net cash to capitalization is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section for further details.

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

Operating Activities

Operating activities generated $677.4 million of cash in the second quarter of 2022, compared to cash generated of $304.0 million in the previous quarter and $1,088.3 million in the second quarter of 2021. The increase in operating cash flows from the previous quarter primarily reflected favourable working capital movements, largely attributable to the traditional seasonal draw-down of log inventories during the spring break-up period in Western Canada, offset in part by lower cash earnings in the current quarter. Compared to the second quarter of 2021, the decrease in operating cash flows primarily reflected lower cash earnings in the current period.

Financing Activities

Cash used for financing activities was $117.0 million in second quarter of 2022 compared to cash used of $12.5 million in the previous quarter and $225.8 million in the second quarter of 2021. Financing activities in the current quarter primarily reflected $60.9 million of cash distributions to non-controlling interests (refer to the "Liquidity and Financial Requirements" section for further details) combined with $40.5 million of share purchases, and to a lesser extent, lease and interest payments. In the previous quarter, cash used for financing activities largely consisted of lease and interest payments as well as share repurchases. In the second quarter of 2021, cash used for financing

activities mainly reflected a $185.0 million (US$150.0 million) repayment of the Company's US-dollar denominated floating rate term debt.

Investing Activities

Cash used for investing activities in the second quarter of 2022 was $125.9 million, compared to cash used of $514.3 million in the previous quarter and $62.9 million for the second quarter of 2021. Investing activities in the current quarter primarily reflected capital additions. Investing activities in the previous quarter were largely comprised of the acquisition of Millar Western and, to a lesser extent, capital additions. Investing activities in the second quarter of 2021 were principally comprised of capital additions.

Capital additions in the second quarter of 2022 were $113.1 million, up $31.8 million from the previous quarter (excluding the acquisition of Millar Western) and up $54.5 million from the second quarter of 2021. In the lumber segment, current quarter capital expenditures primarily reflected the ongoing construction of the Company's greenfield sawmill in DeRidder, Louisiana, and initial costs related to the upgrade and expansion of the Company's Urbana sawmill, combined with smaller-scale discretionary capital projects in Western Canada. In the pulp and paper segment, current quarter expenditures were principally comprised of Northwood's RB1 capital upgrade, as well as maintenance-of-business capital.

Liquidity and Financial Requirements

Operating Loans – Consolidated

At June 30, 2022, on a consolidated basis, including CPPI and the Vida Group ("Vida"), the Company had cash and cash equivalents of $1,533.7 million, with $16.8 million drawn on its operating loans and facilities, and an additional $81.6 million reserved for several standby letters of credit. At the end of the quarter, the Company had available, undrawn operating loan facilities of $1,147.0 million, including an undrawn committed revolving credit facility.

Operating Loans – Canfor, excluding Vida and CPPI

Interest is payable on Canfor's committed operating and revolving loan facilities, 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. Canfor's committed operating loan facility is repayable on October 27, 2026. On June 28, 2023, any amounts drawn on the committed revolving credit facility will be converted to US-dollar denominated floating rate term debt, with a maturity date of June 28, 2031.

As at June 30, 2022, Canfor, excluding CPPI and Vida, had available operating loan facilities totaling $1,038.3 million, with no amounts drawn on its committed revolving facility, and $68.7 million reserved for several standby letters of credit, the majority of which related to unregistered pension plans, leaving $969.6 million available and undrawn on its operating loan facilities at the end of the period.

Operating Loans – Vida

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates ranging from 1.2% to 5.0%. Vida also has separate overdraft facilities with fixed interest rates ranging from 1.2% to 3.5%. Vida's operating loan facilities have certain financial covenants including minimum equity and interest coverage ratios.

As at June 30, 2022, Vida had $16.8 million drawn on its $97.1 million operating loan facilities, leaving $80.3 million available and undrawn at the end of the quarter.

Operating Loans – CPPI

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. CPPI's operating loan facility is repayable on December 15, 2025.

As at June 30, 2022, CPPI had a $110.0 million operating loan facility, with $12.9 million reserved for several standby letters of credit under the operating loan facility, leaving $97.1 million available and undrawn on its operating loan facility at the end of the quarter.

Term Debt

Canfor's and CPPI's term debt, excluding Vida, is unsecured. Vida's term debt is secured by its property, plant and equipment assets.

Net Debt (Cash) and Liquidity

As at June 30, 2022, on a consolidated basis, including CPPI and Vida, the Company had total net cash of $1,267.9 million, a $425.5 million improvement from net cash of $842.4 million at the end of the previous quarter. Available liquidity of $2,680.7 million increased by $430.3 million during the current quarter.

The Company's consolidated net cash to total capitalization at the end the second quarter of 2022 was 35.8%. For Canfor, excluding CPPI, net cash to capitalization at the end of the second quarter of 2022 was 39.9%.

Debt Covenants

Canfor, Vida and CPPI remained in compliance with all covenants relating to their respective operating loan facilities and term debt during the current 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 17, 2022, the Company renewed its normal course issuer bid whereby it can purchase for cancellation up to 6,224,680 common shares, or approximately 5% of its issued and outstanding common shares as of March 15, 2022. The renewed normal course issuer bid is set to expire on March 20, 2023.

During the second quarter of 2022, the Company purchased 1,705,000 common shares for $41.3 million (an average price of $24.22 per common share), of which $38.9 million was paid during the current quarter. An additional $1.6 million was paid during the current quarter in relation to shares purchased in the first quarter of 2022.

Non-Controlling Interests

On June 30, 2022, Vida paid a dividend of $201.1 million (SEK 1,600.0 million) to its shareholders, which included distributions to non-controlling interests of $60.3 million.

Shares Outstanding

As at June 30, 2022 and July 28, 2022, there were 122,519,400 common shares of the Company outstanding, and Canfor's ownership interest in CPPI and Vida was at 54.8% and 70.0%, respectively.

Millar Western Acquisition

On March 1, 2022, Canfor completed the acquisition of Millar Western's solid wood operations and associated forest tenure, for cash consideration of $434.0 million, including $97.1 million in net working capital. Millar Western's solid wood operations, located in Alberta, Canada, consist of two sawmills and one high-value specialty facility and have an annual production capacity of 630 million board feet. The transaction was accounted for as a business combination in Canfor's lumber segment.

Further details are provided under Note 12 of Canfor's condensed consolidated interim financial statements.

Major Capital Investment in Urbana Sawmill

On April 21, 2022, the Company announced that it will invest approximately $165 million (US$130 million) to significantly upgrade and expand its sawmill and planer facility located in Urbana in Union County, Arkansas. The investment will capitalize on the abundant supply of high-quality fibre to enhance the manufacturing of high-value products, increase annual production at the facility by 115 million board feet, and result in a meaningful reduction in the facility's cost structure. The investment aligns with Canfor's growth and diversification strategy to keep pace with growing customer demand. The upgrades include major improvements to the planer, sawmill and log yard and will take approximately 18 months to complete.

Net-Zero Carbon Emissions Plan

Building on the Company's sustainability strategy, on April 26, 2022, the Company announced its commitment to achieve net-zero carbon emissions by 2050. To achieve net-zero, the Company has developed near term science-based targets that include reducing the carbon emissions from its lumber and pulp operations, which are defined as Scope 1 and Scope 2, by 42% by 2030 compared to a base year of 2020. The Company intends to invest at least $250 million in carbon reduction initiations over the next eight years to reduce carbon emissions and achieve this target. In addition, by 2024 the Company will measure and assess global supply chain and woodlands emissions, which are defined as Scope 3, and set a science-based reduction target. The Company committed to these company-wide emission reductions in line with the Science Based Targets initiative ("SBTi") and will undergo validation with the SBTi within the next two years.

Sustainability Reporting

On June 28, 2022, the Company published its 2021 Sustainability Report which is the second year of its sustainability strategy. The report is a continuation of the Company's ambition to become an industry leader in sustainability and furthers its commitments to sustainability, including transparent reporting of sustainability practices, goals and metrics. The 2021 Sustainability Report includes performance to date on targets set in the previous year's report as well as additional performance targets for the material topics of Climate Change, Water Management, Waste Management and Air Quality. The 2021 Sustainability Report also includes disclosures aligned with the recommendations from the Task Force on Climate-related Financial Disclosures ("TCFD") and the Sustainability Accounting Standards Board ("SASB") standards.

OUTLOOK

Lumber

Looking ahead, global lumber market fundamentals are anticipated to be relatively solid through the third quarter of 2022. New home construction activity in North America is projected to weaken in the wake of high mortgage rates and decreasing housing affordability, particularly for first-time homebuyers, while activity in the repair and remodeling sector is estimated to be steady. Offshore lumber demand in Asia is anticipated to face continued downward pressure in the third quarter as high inventory levels in the region continue to exceed consumption.

Results in the third quarter are anticipated to reflect the continuation of reduced operating schedules across the Company's Western Canadian sawmills, including two weeks of rotating downtime in July and August, to help align production capacity with transportation availability, market demand and sustainable timber supply. The Company is forecast to use this downtime to complete maintenance projects and other site activities to help mitigate the impact on employees. These capacity reductions are anticipated to result in an incremental impact to production of at least 275 million board feet. In addition, with the material reduction in North American benchmark lumber prices, rising inflationary cost pressures, ongoing transportation challenges and the significant increase in BC stumpage rates effective July 1, 2022, the Company will continue to assess and adjust operating rates in Western Canada to align capacity with market demand through the balance of 2022.

European lumber pricing is anticipated to experience ongoing pressure through the third quarter of 2022, driven principally by weakness experienced in the North American region in the second quarter, combined with the continued downward pressure in the repair and remodeling segment in Europe. The Company's European lumber business will take its traditional seasonal production downtime in the third quarter of 2022, reducing European lumber production by approximately 100 million board feet.

Pulp and Paper

Global softwood kraft pulp markets are projected to remain solid through the third quarter of 2022, reflecting both global pulp production and supply constraints, as well as steady demand. High yield markets are forecast to see slight improvements through the third quarter of 2022, also tied to limited supply availability.

Notwithstanding the modest improvement in BC's transportation networks seen in the later part of the second quarter, results in the third quarter are anticipated to reflect the continued impact of and uncertainties associated with a constrained rail service network and the related pressures on CPPI's operations and shipments. Furthermore, it is projected that a restart of Taylor will not be contemplated until such time as there is a return to more normal transportation service levels to all of CPPI's pulp and paper mills. CPPI will continue to closely monitor the supply chain challenges and will adjust future operating plans accordingly, through the balance of 2022.

In addition, pulp and paper segment results in the third quarter of 2022 will reflect the impact of the continuation of Northwood's scheduled maintenance outage into mid-July (approximately 16,000 tonnes), as well as a scheduled maintenance outage at CPPI's Intercon mill in the latter part of the third quarter and into the fourth quarter, with a projected 12,000 tonnes of reduced NBSK pulp production.

Bleached kraft paper markets are projected to weaken somewhat through the third quarter with a modest slowdown in demand anticipated, especially in offshore markets, as global kraft paper inventories return to more normalized levels.

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 Notes 4 and 13 of the condensed consolidated interim financial statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

With the recent acquisition of Millar Western on March 1, 2022, the scope of the Company's design of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") as at June 30, 2022, has been limited to exclude the controls, policies and procedures of Millar Western. Following the completion of such 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 acquisition is provided under Note 12 of Canfor's condensed consolidated interim financial statements.

Other than the aforementioned Millar Western acquisition earlier in the year, there were no changes in the Company's internal controls over financial reporting during the quarter ended June 30, 2022 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 2021 annual statutory reports which are available on www.canfor.com or www.sedar.com.

There have been no adverse impacts of the coronavirus ("COVID-19") on the Company in the second quarter of 2022. The Company continues to closely monitor the impacts of COVID-19, however, should the duration, spread or intensity of the pandemic change, supply chain, market pricing and customer demand could be affected. These factors could impact the Company's operating plan, liquidity, cash flows, and the valuation of long-lived assets. Please see the Company's annual disclosures referenced above for further information.

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 wildfires, 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 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.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Sales and income (loss) (millions of Canadian dollars)								
Sales	**$ 2,171.7**	$ 2,213.3	$ 1,571.3	$ 1,676.6	$ 2,495.2	$ 1,941.8	$ 1,618.0	$ 1,550.4
Operating income before amortization and impairments[20]	**$ 630.3**	$ 830.7	$ 321.7	$ 425.4	$ 1,134.6	$ 696.7	$ 520.0	$ 393.1
Operating income (loss)	**$ 531.6**	$ 741.9	$ (66.8)	$ 331.0	$ 1,041.3	$ 602.6	$ 419.6	$ 299.6
Net income (loss)	**$ 415.5**	$ 570.5	$ (35.5)	$ 256.8	$ 784.6	$ 452.9	$ 346.7	$ 216.0
Shareholder net income (loss)	**$ 373.8**	$ 534.0	$ (23.1)	$ 210.0	$ 726.9	$ 427.8	$ 335.6	$ 218.1
Per common share (Canadian dollars)								
Shareholder net income (loss) – basic and diluted	**$ 3.02**	$ 4.29	$ (0.19)	$ 1.68	$ 5.81	$ 3.42	$ 2.68	$ 1.74
Book value[21]	**$ 34.77**	$ 31.96	$ 27.99	$ 28.23	$ 26.26	$ 20.64	$ 17.63	$ 15.04
Statistics								
Lumber shipments (MMfbm)[22]	**1,528**	1,407	1,320	1,316	1,540	1,449	1,560	1,371
Pulp shipments (000 mt)	**205**	176	216	241	285	265	258	249
Average exchange rate – US$/Cdn$	**$ 0.783**	$ 0.790	$ 0.794	$ 0.794	$ 0.814	$ 0.790	$ 0.767	$ 0.751
Average exchange rate – SEK/Cdn$	**7.708**	7.367	7.026	6.865	6.851	6.628	6.608	6.650
Average Western SPF 2x4 #2&Btr lumber price (US$)	**$ 866**	$ 1,274	$ 711	$ 494	$ 1,342	$ 972	$ 700	$ 768
Average SYP (East) 2x4 #2 lumber price (US$)	**$ 769**	$ 1,372	$ 862	$ 533	$ 1,163	$ 1,160	$ 777	$ 782
Average SYP (East) 2x6 #2 lumber price (US$)	**$ 556**	$ 1,102	$ 538	$ 407	$ 946	$ 904	$ 537	$ 716
Average NBSK pulp list price delivered to China (US$)	**$ 1,008**	$ 899	$ 723	$ 832	$ 962	$ 883	$ 637	$ 572

[20] Amortization includes amortization of certain capitalized major maintenance costs; includes asset impairment charges of $293.5 million in Q4 2021.
[21] 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.
[22] Includes Canfor produced lumber, as well as lumber purchased for resale, remanufacture and engineered wood, excluding trim blocks, wholesale shipments and lumber sold on behalf of third parties.

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)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Shareholder net income (loss), as reported	**$ 373.8**	$ 534.0	$ (23.1)	$ 210.0	$ 726.9	$ 427.8	$ 335.6	$ 218.1
Foreign exchange (gain) loss on term debt	**$ 4.9**	$ (3.0)	$ 0.2	$ 2.6	$ (5.7)	$ (2.6)	$ (11.7)	$ (1.7)
(Gain) loss on derivative financial instruments	**$ 1.0**	$ (2.0)	$ 3.0	$ (0.8)	$ -	$ 9.0	$ (2.2)	$ 5.3
Asset impairments	**$ -**	$ -	$ 182.9	$ -	$ -	$ -	$ -	$ -
Restructuring, mill closure and severance costs, net	**$ -**	$ -	$ (8.4)	$ (2.8)	$ -	$ -	$ -	$ -
Net impact of above items	**$ 5.9**	$ (5.0)	$ 177.7	$ (1.0)	$ (5.7)	$ 6.4	$ (13.9)	$ 3.6
Adjusted shareholder net income[23]	**$ 379.7**	$ 529.0	$ 154.6	$ 209.0	$ 721.2	$ 434.2	$ 321.7	$ 221.7
Shareholder net income per share (EPS), as reported	**$ 3.02**	$ 4.29	$ (0.19)	$ 1.68	$ 5.81	$ 3.42	$ 2.68	$ 1.74
Net impact of above items per share	**$ 0.05**	$ (0.04)	$ 1.43	$ -	$ (0.05)	$ 0.05	$ (0.11)	$ 0.03
Adjusted shareholder net income per share[24]	**$ 3.07**	$ 4.25	$ 1.24	$ 1.68	$ 5.76	$ 3.47	$ 2.57	$ 1.77

[24] Adjusted shareholder net income is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section for further details.

NON-IFRS FINANCIAL MEASURES

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

(millions of Canadian dollars)	Q2 2022	Q1 2022	YTD 2022	Q2 2021	YTD 2021
Reported operating income	**$ 531.6**	$ 741.9	**$ 1,273.5**	$ 1,041.3	$ 1,643.9
Inventory write-down (recovery), net	**$ 0.5**	$ (1.1)	**$ (0.6)**	$ -	$ (2.2)
Adjusted operating income	**$ 532.1**	$ 740.8	**$ 1,272.9**	$ 1,041.3	$ 1,641.7
Amortization	**$ 98.7**	$ 88.8	**$ 187.5**	$ 93.3	$ 187.4
Adjusted operating income before amortization	**$ 630.8**	$ 829.6	**$ 1,460.4**	$ 1,134.6	$ 1,829.1

(millions of Canadian dollars)	Q2 2022	Q1 2022	YTD 2022	Q2 2021	YTD 2021
Reported operating income	**$ 531.6**	$ 741.9	**$ 1,273.5**	$ 1,041.3	$ 1,643.9
Realized loss on derivative financial instruments	**$ 0.7**	$ 3.2	**$ 3.9**	$ 11.4	$ 13.4
Other income, net	**$ 14.6**	$ 5.9	**$ 20.5**	$ 1.3	$ 14.5
Less: non-controlling interests	**$ (63.3)**	$ (55.4)	**$ (118.7)**	$ (92.7)	$ (132.5)
Return	**$ 483.6**	$ 695.6	**$ 1,179.2**	$ 961.3	$ 1,539.3
Average invested capital[25]	**$ 3,832.1**	$ 3,511.5	**$ 3,645.0**	$ 3,221.8	$ 3,228.2
Return on invested capital (ROIC)	**12.6%**	19.8%	**32.4%**	29.8%	47.7%

[25] Average invested capital represents the average during the period of total assets excluding cash and cash equivalents and total liabilities excluding term debt, retirement benefit obligations, long-term deferred reforestation obligations, and deferred taxes, net of non-controlling interests.

(millions of Canadian dollars, except for ratios)	As at June 30, 2022	As at December 31, 2021
Term debt	**$ 249.0**	$ 246.0
Operating loans	**$ 16.8**	$ 18.7
Less: cash and cash equivalents	**$ 1,533.7**	$ 1,354.8
Net cash	**$ (1,267.9)**	$ (1,090.1)
Total equity	**$ 4,809.5**	$ 4,009.1
Total capitalization	**$ 3,541.6**	$ 2,919.0
Net cash to total capitalization	**35.8%**	37.3%

Canfor Corporation
Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)		**As at June 30, 2022**		As at December 31, 2021
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**1,533.7**	$	1,354.8
Accounts receivable - Trade		**529.8**		430.4
- Other		**88.8**		84.1
Inventories (Note 3)		**1,223.7**		1,173.8
Prepaid expenses and other		**135.6**		120.3
Total current assets		**3,511.6**		3,163.4
Property, plant and equipment		**2,078.0**		1,812.7
Right-of-use assets		**67.2**		65.5
Timber licenses		**390.5**		313.2
Goodwill and other intangible assets		**526.8**		514.8
Long-term investments and other (Note 4)		**389.9**		304.3
Total assets	**$**	**6,964.0**	$	6,173.9
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**781.6**	$	730.2
Operating loans (Note 5(a))		**16.8**		18.7
Current portion of deferred reforestation obligations		**64.5**		58.3
Current portion of term debt (Note 5(b))		**0.3**		0.5
Current portion of lease obligations		**22.6**		21.9
Income taxes payable		**191.6**		252.0
Total current liabilities		**1,077.4**		1,081.6
Term debt (Note 5(b))		**248.7**		245.5
Retirement benefit obligations (Note 6)		**138.7**		205.5
Lease obligations		**50.7**		49.2
Deferred reforestation obligations		**62.7**		54.6
Other long-term liabilities		**22.6**		31.0
Put liability (Note 7)		**166.3**		156.2
Deferred income taxes, net		**387.4**		341.2
Total liabilities	**$**	**2,154.5**	$	2,164.8
EQUITY				
Share capital	**$**	**966.6**	$	982.2
Contributed surplus and other equity		**(156.8)**		(130.9)
Retained earnings		**3,493.1**		2,586.8
Accumulated other comprehensive income (loss)		**(42.5)**		45.9
Total equity attributable to equity shareholders of the Company		**4,260.4**		3,484.0
Non-controlling interests		**549.1**		525.1
Total equity	**$**	**4,809.5**	$	4,009.1
Total liabilities and equity	**$**	**6,964.0**	$	6,173.9

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

APPROVED BY THE BOARD

"R.S. Smith" *"The Hon. J.R. Baird"*

Director, R.S. Smith Director, The Hon. J.R. Baird

Canfor Corporation
Condensed Consolidated Statements of Income

(millions of Canadian dollars, except per share data, unaudited)	3 months ended June 30, **2022**	2021	6 months ended June 30, **2022**	2021
Sales	**$ 2,171.7**	$ 2,495.2	**$ 4,385.0**	$ 4,437.0
Costs and expenses				
Manufacturing and product costs	**1,244.5**	1,101.0	**2,357.3**	2,112.0
Freight and other distribution costs	**223.0**	192.4	**413.5**	362.0
Countervailing and anti-dumping duty expense, net (Note 13)	**33.2**	32.0	**71.1**	63.1
Amortization	**98.7**	93.3	**187.5**	187.4
Selling and administration costs	**40.7**	35.2	**82.1**	68.6
	1,640.1	1,453.9	**3,111.5**	2,793.1
Operating income	**531.6**	1,041.3	**1,273.5**	1,643.9
Finance expense, net	**(3.3)**	(6.4)	**(7.6)**	(13.9)
Foreign exchange gain (loss) on term debt	**(5.6)**	6.6	**(2.1)**	9.6
Foreign exchange gain (loss) on duties recoverable, net	**7.6**	(3.3)	**4.6**	(5.8)
Gain (loss) on derivative financial instruments (Note 7)	**(2.6)**	0.5	**0.2**	(12.6)
Other income, net	**14.6**	1.3	**20.5**	14.5
Net income before income taxes	**542.3**	1,040.0	**1,289.1**	1,635.7
Income tax expense (Note 8)	**(126.8)**	(255.4)	**(303.1)**	(398.2)
Net income	**$ 415.5**	$ 784.6	**$ 986.0**	$ 1,237.5
Net income attributable to:				
Equity shareholders of the Company	**$ 373.8**	$ 726.9	**$ 907.8**	$ 1,154.7
Non-controlling interests	**41.7**	57.7	**78.2**	82.8
Net income	**$ 415.5**	$ 784.6	**$ 986.0**	$ 1,237.5
Net income per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 9)	**$ 3.02**	$ 5.81	**$ 7.32**	$ 9.22

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

Canfor Corporation
Condensed Consolidated Statements of Other Comprehensive Loss

(millions of Canadian dollars, unaudited)	3 months ended June 30, **2022**	2021	6 months ended June 30, **2022**	2021
Net income	**$ 415.5**	$ 784.6	**$ 986.0**	$ 1,237.5
Other comprehensive loss				
Items that will not be reclassified subsequently to net income:				
Defined benefit plan actuarial gains (losses), net (Note 6)	**18.6**	(7.2)	**52.6**	24.6
Income tax recovery (expense) on defined benefit plan actuarial gains (losses), net (Note 8)	**(5.0)**	1.9	**(14.2)**	(6.7)
	13.6	(5.3)	**38.4**	17.9
Items that may be reclassified subsequently to net income:				
Foreign exchange losses from translation of foreign operations, net of tax	**(22.5)**	(14.3)	**(88.4)**	(78.0)
Other comprehensive loss, net of tax	**(8.9)**	(19.6)	**(50.0)**	(60.1)
Total comprehensive income	**$ 406.6**	$ 765.0	**$ 936.0**	$ 1,177.4
Total comprehensive income attributable to:				
Equity shareholders of the Company	**$ 361.2**	$ 708.2	**$ 850.9**	$ 1,093.4
Non-controlling interests	**45.4**	56.8	**85.1**	84.0
Total comprehensive income	**$ 406.6**	$ 765.0	**$ 936.0**	$ 1,177.4

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 June 30, **2022**	2021	6 months ended June 30, **2022**	2021
Share capital				
Balance at beginning of period	**$ 980.1**	$ 987.9	**$ 982.2**	$ 987.9
Share purchases (Note 9)	**(13.5)**	(2.5)	**(15.6)**	(2.5)
Balance at end of period	**$ 966.6**	$ 985.4	**$ 966.6**	$ 985.4
Contributed surplus and other equity				
Balance at beginning of period	**$ (127.0)**	$ (135.7)	**$ (130.9)**	$ (127.4)
Put liability (Note 7)	**(29.8)**	(4.0)	**(25.9)**	(12.3)
Balance at end of period	**$ (156.8)**	$ (139.7)	**$ (156.8)**	$ (139.7)
Retained earnings				
Balance at beginning of period	**$ 3,137.2**	$ 1,676.2	**$ 2,586.8**	$ 1,227.3
Net income attributable to equity shareholders of the Company	**373.8**	726.9	**907.8**	1,154.7
Defined benefit plan actuarial gains (losses), net of tax	**9.9**	(4.4)	**31.5**	16.7
Share purchases (Note 9)	**(27.8)**	(6.0)	**(33.0)**	(6.0)
Balance at end of period	**$ 3,493.1**	$ 2,392.7	**$ 3,493.1**	$ 2,392.7
Accumulated other comprehensive income (loss)				
Balance at beginning of period	**$ (20.0)**	$ 56.0	**$ 45.9**	$ 119.7
Foreign exchange losses from translation of foreign operations, net of tax	**(22.5)**	(14.3)	**(88.4)**	(78.0)
Balance at end of period	**$ (42.5)**	$ 41.7	**$ (42.5)**	$ 41.7
Total equity attributable to equity shareholders of the Company	**$ 4,260.4**	$ 3,280.1	**$ 4,260.4**	$ 3,280.1
Non-controlling interests				
Balance at beginning of period	**$ 564.6**	$ 452.7	**$ 525.1**	$ 426.2
Net income attributable to non-controlling interests	**41.7**	57.7	**78.2**	82.8
Defined benefit plan actuarial gains (losses) attributable to non-controlling interests, net of tax	**3.7**	(0.9)	**6.9**	1.2
Distributions to non-controlling interests (Note 14)	**(60.9)**	(9.6)	**(61.1)**	(10.3)
Balance at end of period	**$ 549.1**	$ 499.9	**$ 549.1**	$ 499.9
Total equity	**$ 4,809.5**	$ 3,780.0	**$ 4,809.5**	$ 3,780.0

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

Canfor Corporation
Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended June 30, **2022**	2021	6 months ended June 30, **2022**	2021
Cash generated from (used in):				
Operating activities				
Net income	**$ 415.5**	$ 784.6	**$ 986.0**	$ 1,237.5
Items not affecting cash:				
Amortization	**98.7**	93.3	**187.5**	187.4
Income tax expense	**126.8**	255.4	**303.1**	398.2
Change in long-term portion of deferred reforestation obligations, net	**(15.3)**	(2.0)	**2.5**	12.0
Foreign exchange (gain) loss on term debt	**5.6**	(6.6)	**2.1**	(9.6)
Foreign exchange (gain) loss on duties recoverable, net	**(7.6)**	3.3	**(4.6)**	5.8
Duties paid (greater) less than accruals (Note 13)	**(45.3)**	2.0	**(96.0)**	12.4
Changes in mark-to-market value of derivative financial instruments (Note 7)	**1.9**	(12.0)	**(4.2)**	(0.8)
Employee future benefits expense	**2.3**	3.4	**4.3**	5.9
Finance expense, net	**3.3**	6.4	**7.6**	13.9
Other, net	**(3.0)**	(2.4)	**(1.9)**	(8.0)
Defined benefit plan contributions, net	**(3.0)**	(3.9)	**(6.8)**	(8.0)
Income taxes paid, net	**(113.0)**	(121.7)	**(321.0)**	(181.8)
	466.9	999.8	**1,058.6**	1,664.9
Net change in non-cash working capital (Note 10)	**210.5**	88.5	**(77.2)**	(266.2)
	677.4	1,088.3	**981.4**	1,398.7
Financing activities				
Operating loan drawings (repayments), net (Note 5(a))	**(3.6)**	(9.2)	**0.2**	7.9
Repayments of term debt, net (Note 5(b))	**(0.1)**	(185.5)	**(0.2)**	(414.6)
Payment of lease obligations	**(5.5)**	(6.4)	**(12.4)**	(12.7)
Finance expenses paid	**(6.4)**	(7.1)	**(9.8)**	(13.9)
Share purchases (Note 9)	**(40.5)**	(8.0)	**(46.2)**	(8.0)
Cash distributions paid to non-controlling interests (Note 14)	**(60.9)**	(9.6)	**(61.1)**	(10.3)
	(117.0)	(225.8)	**(129.5)**	(451.6)
Investing activities				
Additions to property, plant and equipment and intangible assets, net	**(113.1)**	(58.6)	**(194.4)**	(124.4)
Acquisition of Millar Western (Note 12)	**(15.9)**	-	**(434.0)**	-
Phased acquisition of Elliott	**-**	-	**-**	(38.2)
Other, net	**3.1**	(4.3)	**(11.8)**	(12.4)
	(125.9)	(62.9)	**(640.2)**	(175.0)
Foreign exchange loss on cash and cash equivalents	**(8.2)**	(0.1)	**(32.8)**	(6.8)
Increase in cash and cash equivalents*	**426.3**	799.5	**178.9**	765.3
Cash and cash equivalents at beginning of period*	**1,107.4**	385.0	**1,354.8**	419.2
Cash and cash equivalents at end of period*	**$ 1,533.7**	$ 1,184.5	**$ 1,533.7**	$ 1,184.5

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

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

1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*, and include the accounts of Canfor Corporation and its subsidiaries, hereinafter referred to as "Canfor" or "the Company." Significant subsidiaries include Canfor Southern Pine, Inc. ("CSP") and entities related to the acquisition of Millar Western Forest Products Ltd. ("Millar Western"), which are wholly owned, as well as Canfor Pulp Products Inc. ("CPPI") and the Vida Group ("Vida"), of which Canfor owned 54.8% and 70.0%, respectively, at June 30, 2022.

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, 2021, available at www.canfor.com or www.sedar.com.

These financial statements were authorized for issue by the Company's Board of Directors on July 28, 2022.

2. Seasonality of Operations

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

3. Inventories

(millions of Canadian dollars, unaudited)		**As at June 30, 2022**		As at December 31, 2021
Logs	**$**	**281.8**	$	343.4
Finished products		**730.4**		639.2
Residual fibre		**60.4**		56.5
Materials and supplies		**151.1**		134.7
	$	**1,223.7**	$	1,173.8

The above inventory balances are stated at the lower of cost and net realizable value. For the three and six months ended June 30, 2022 and 2021, no inventory valuation adjustment was recognized for the lumber segment.

For the three months ended June 30, 2022, a $0.5 million net inventory write-down expense was recognized for the pulp and paper segment (six months ended June 30, 2022 – $0.6 million write-down recovery, net). For the three months ended June 30, 2021, no inventory valuation adjustment was recognized (six months ended June 30, 2021 – $2.2 million write-down recovery). At June 30, 2022, an inventory provision of $4.0 million has been recognized for wood chips and logs (December 31, 2021 – $4.6 million).

4. Long-Term Investments and Other

(millions of Canadian dollars, unaudited)		**As at June 30, 2022**		As at December 31, 2021
Duty deposits recoverable, net (Note 13)	**$**	**292.0**	$	188.4
Other deposits, loans, advances and long-term assets		**50.8**		49.0
Other investments		**32.1**		37.5
Retirement benefit surplus		**9.8**		24.0
Deferred income taxes, net		**5.2**		5.4
	$	**389.9**	$	304.3

The duty deposits recoverable, net balance represents US-dollar countervailing duties ("CVD") and anti-dumping duties ("ADD") and duty cash deposits paid in excess of the calculated expense accrued at June 30, 2022, including interest receivable of $28.4 million (December 31, 2021 – $24.8 million) (Note 13).

5. Operating Loans and Term Debt

(a) Available Operating Loans

(millions of Canadian dollars, unaudited)		**As at June 30, 2022**		As at December 31, 2021
Canfor (excluding Vida and CPPI)				
Available operating loans:				
Operating loan facility	**$**	**775.0**	$	775.0
Revolving credit facility (US$150.0 million)		**193.3**		190.2
Facilities for letters of credit		**70.0**		70.0
Total operating loan facilities		**1,038.3**		1,035.2
Letters of credit		**(68.7)**		(67.8)
Total available operating loan facilities - Canfor	**$**	**969.6**	$	967.4
Vida				
Available operating loans:				
Operating loan facilities	**$**	**64.1**	$	71.3
Overdraft facilities		**33.0**		30.2
Total operating loan facilities		**97.1**		101.5
Operating loan facilities drawn		**(16.8)**		(18.7)
Total available operating loan facilities - Vida	**$**	**80.3**	$	82.8
CPPI				
Available operating loans:				
Operating loan facility	**$**	**110.0**	$	110.0
Letters of credit		**(12.9)**		(12.9)
Total available operating loan facility - CPPI	**$**	**97.1**	$	97.1
Consolidated:				
Total operating loan facilities	**$**	**1,245.4**	$	1,246.7
Total operating loan facilities drawn	**$**	**(16.8)**	$	(18.7)
Total letters of credit	**$**	**(81.6)**	$	(80.7)
Total available operating loan facilities	**$**	**1,147.0**	$	1,147.3

Interest is payable on Canfor's committed operating and revolving loan facilities (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. Canfor's committed operating loan facility is repayable on October 27, 2026. On June 28, 2023, any amounts drawn on the committed revolving credit facility will be converted to US-dollar denominated floating rate term debt, with a maturity date of June 28, 2031.

Canfor (excluding Vida and CPPI) has a separate facility to cover letters of credit. At June 30, 2022, $66.3 million of letters of credit outstanding are covered under this facility with the balance of $2.4 million covered under Canfor's general committed operating loan facility.

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates ranging from 1.2% to 5.0%. Vida also has separate overdraft facilities with fixed interest rates ranging from 1.2% to 3.5%.

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. CPPI's operating loan facility is repayable on December 15, 2025.

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 June 30, 2022, Canfor, Vida and CPPI were fully in compliance with all covenants relating to their operating loan facilities. Substantially all borrowings of Vida and CPPI are non-recourse to other entities within the Company.

(b) Term Debt

(millions of Canadian dollars, unaudited)	**As at June 30, 2022**	As at December 31, 2021
Canfor (excluding Vida and CPPI)		
US$50.0 million, floating interest, repayable on June 28, 2031	**$ 64.4**	$ 63.4
US$100.0 million, fixed interest of 4.4%, repayable in three equal tranches on October 2, 2023, 2024 and 2025	**128.9**	126.8
Other	**4.9**	4.6
Vida		
SEK 0.8 million, floating interest, repayable April 30, 2023	**0.1**	0.2
SEK 1.2 million, floating interest, repayable August 31, 2024	**0.2**	0.5
AUD 0.6 million, floating interest, repayable between July 1, 2022 and July 22, 2030	**0.5**	0.5
CPPI		
CAD$50.0 million, floating interest, repayable December 15, 2024	**50.0**	50.0
Term debt at end of period	**$ 249.0**	$ 246.0
Less: Current portion	**(0.3)**	(0.5)
Long-term portion	**$ 248.7**	$ 245.5

Canfor's and CPPI's term debt (excluding Vida) is unsecured. Vida's term debt is secured by its property, plant and equipment. Canfor's and CPPI's borrowings (excluding Vida) are subject to certain financial covenants, including a maximum debt to total capitalization ratio. Vida's borrowings are subject to certain financial covenants, including minimum equity and interest coverage ratios. As at June 30, 2022, Canfor, Vida and CPPI were fully in compliance with all covenants relating to their term debt.

Fair value of total term debt

At June 30, 2022, the fair value of the Company's term debt is $237.2 million (December 31, 2021 – $247.8 million), determined based on prevailing market rates for term debt with similar characteristics and risk profile.

6. Employee Future Benefits

For the three months ended June 30, 2022, actuarial gains of $18.6 million (before tax) were recognized in other comprehensive loss, reflecting a higher discount rate used to value the net defined benefit obligations (comprised of defined benefit plans as well as other benefit plans), offset in part by a lower than anticipated return on plan assets, and to a lesser extent, a loss related to the derecognition of a surplus for one of the Company's registered defined benefit plans. For the six months ended June 30, 2022, actuarial gains of $52.6 million (before tax) were recognized in other comprehensive loss.

For the three months ended June 30, 2021, actuarial losses of $7.2 million (before tax) were recognized in other comprehensive loss, reflecting a lower discount rate used to value the net defined benefit obligations, offset in part by a higher than anticipated return on plan assets. For the six months ended June 30, 2021, actuarial gains of $24.6 million (before tax) were recognized in other comprehensive loss.

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

	Defined Benefit Pension Plans	**Other Benefit Plans**
June 30, 2022	**5.0%**	**5.0%**
March 31, 2022	3.8%	3.8%
December 31, 2021	3.0%	3.0%
June 30, 2021	3.0%	3.0%
March 31, 2021	3.2%	3.2%
December 31, 2020	2.7%	2.7%

7. Financial Instruments

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 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 June 30, 2022**		As at December 31, 2021
Financial assets measured at fair value					
Investments	Level 1	**$**	**30.6**	$	36.1
Derivative financial instruments	Level 2		**3.1**		-
Duty deposits recoverable, net (Note 4)	Level 3		**292.0**		188.4
		$	**325.7**	$	224.5
Financial liabilities measured at fair value					
Derivative financial instruments	Level 2	**$**	**1.0**	$	2.1
Put liability	Level 3		**166.3**		156.2
		$	**167.3**	$	158.3

The following table summarizes the gains (losses) on derivative financial instruments in the condensed consolidated statement of income:

	3 months ended June 30,				6 months ended June 30,		
(millions of Canadian dollars, unaudited)		**2022**		2021		**2022**		2021
Lumber futures	**$**	**2.3**	$	(1.6)	**$**	**4.6**	$	(11.3)
Foreign exchange forward contracts		**(4.9)**		2.1		**(4.4)**		(1.3)
Gain (loss) on derivative financial instruments	**$**	**(2.6)**	$	0.5	**$**	**0.2**	$	(12.6)

During the three and six months ended June 30, 2022, losses of $29.8 million and $25.9 million, respectively, were recognized in 'Other Equity' on the Company's condensed consolidated balance sheet following remeasurement of the put liability, reflecting an increase in operating results as well as the passage of time (three and six months ended June 30, 2021 – losses of $4.0 million and $12.3 million, respectively). As a result of this remeasurement, combined with a foreign exchange gain of $8.5 million for the three months ended June 30, 2022, and a foreign exchange gain of $15.8 million for the six months ended June 30, 2022 (three and six months ended June 30, 2021 – loss of $0.2 million and gain of $12.2 million, respectively), the balance of the put liability was $166.3 million at June 30, 2022 (December 31, 2021 – $156.2 million).

8. Income Taxes

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

	3 months ended June 30,				6 months ended June 30,		
(millions of Canadian dollars, unaudited)		**2022**		2021		**2022**		2021
Current	**$**	**(85.7)**	$	(259.9)	**$**	**(262.2)**	$	(418.3)
Deferred		**(41.1)**		4.5		**(40.9)**		20.1
Income tax expense	**$**	**(126.8)**	$	(255.4)	**$**	**(303.1)**	$	(398.2)

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 June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2022	6 months ended June 30, 2021
Income tax expense at statutory rate of 27.0% (2021 – 27.0%)	**$ (146.4)**	$ (280.8)	**$ (348.1)**	$ (441.6)
Add (deduct):				
Non-taxable income related to non-controlling interests	**0.5**	0.4	**0.5**	0.2
Entities with different income tax rates and other tax adjustments	**20.0**	24.0	**44.9**	41.8
Permanent difference from capital gains and losses and other non-deductible items	**(0.9)**	1.0	**(0.4)**	1.4
Income tax expense	**$ (126.8)**	$ (255.4)	**$ (303.1)**	$ (398.2)

In addition to the amounts recorded to net income, a tax expense of $5.0 million was recorded to other comprehensive loss in relation to actuarial gains, net, on the defined benefit plans for the three months ended June 30, 2022 (three months ended June 30, 2021 – recovery of $1.9 million). For the six months ended June 30, 2022, a tax expense of $14.2 million was recorded to other comprehensive loss in relation to actuarial gains, net, on the defined benefit plans (six months ended June 30, 2021 – expense of $6.7 million).

9. Earnings Per Common Share and Normal Course Issuer Bid

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

	3 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2022	6 months ended June 30, 2021
Weighted average number of common shares	**123,708,253**	125,184,329	**124,092,202**	125,201,864

On March 17, 2022, the Company announced that it has received regulatory approval for an early renewal of its normal course issuer bid whereby it can purchase for cancellation up to 6,224,680 common shares, or approximately 5% of its issued and outstanding common shares as at March 15, 2022. The renewed normal course issuer bid is set to expire on March 20, 2023.

During the three months ended June 30, 2022, the Company purchased 1,705,000 common shares for $41.3 million (an average of $24.22 per common share), of which $38.9 million was paid during the quarter. An additional $1.6 million was paid during the three months ended June 30, 2022, in relation to shares purchased in the prior quarter. During the six months ended June 30, 2022, the Company purchased 1,974,200 common shares for $48.6 million (an average of $24.62 per common share), of which $46.2 million was paid during the period.

As at June 30, 2022 and July 28, 2022, based on the trade date, there were 122,519,400 common shares of the Company outstanding and Canfor's ownership interest in CPPI and Vida was 54.8% and 70.0%, respectively.

10. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2022	6 months ended June 30, 2021
Accounts receivable	**$ 69.9**	$ (53.4)	**$ (100.6)**	$ (210.7)
Inventories	**228.2**	184.7	**28.6**	(72.1)
Prepaid expenses and other	**(10.9)**	(22.1)	**(12.8)**	(37.8)
Accounts payable and accrued liabilities and current portion of deferred reforestation obligations	**(76.7)**	(20.7)	**7.6**	54.4
Net change in non-cash working capital	**$ 210.5**	$ 88.5	**$ (77.2)**	$ (266.2)

11. 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.

(millions of Canadian dollars, unaudited)	Lumber	Pulp & Paper	Unallocated & Other	Elimination Adjustment	Consolidated
3 months ended June 30, 2022					
Sales from contracts with customers	**$ 1,884.3**	**$ 287.4**	**$ -**	**$ -**	**$ 2,171.7**
Sales to other segments	**35.1**	**0.1**	**-**	**(35.2)**	**-**
Operating income (loss)	**552.1**	**(8.1)**	**(12.4)**	**-**	**531.6**
Amortization	**74.5**	**23.8**	**0.4**	**-**	**98.7**
Capital expenditures[1]	**74.6**	**37.7**	**0.8**	**-**	**113.1**
3 months ended June 30, 2021					
Sales from contracts with customers	$ 2,161.1	$ 334.1	$ -	$ -	$ 2,495.2
Sales to other segments	53.7	0.2	-	(53.9)	-
Operating income (loss)	1,000.5	51.0	(10.2)	-	1,041.3
Amortization	71.1	21.9	0.3	-	93.3
Capital expenditures[2]	42.1	15.4	1.1	-	58.6
6 months ended June 30, 2022					
Sales from contracts with customers	**$ 3,878.0**	**$ 507.0**	**$ -**	**$ -**	**$ 4,385.0**
Sales to other segments	**72.5**	**0.2**	**-**	**(72.7)**	**-**
Operating income (loss)	**1,335.1**	**(34.1)**	**(27.5)**	**-**	**1,273.5**
Amortization	**142.8**	**43.9**	**0.8**	**-**	**187.5**
Capital expenditures[1]	**136.4**	**56.1**	**1.9**	**-**	**194.4**
Identifiable assets	**4,211.4**	**830.0**	**1,922.6**	**-**	**6,964.0**
6 months ended June 30, 2021					
Sales from contracts with customers	$ 3,840.6	$ 596.4	$ -	$ -	$ 4,437.0
Sales to other segments	103.6	0.3	-	(103.9)	-
Operating income (loss)	1,607.2	55.9	(19.2)	-	1,643.9
Amortization	144.1	42.7	0.6	-	187.4
Capital expenditures[2]	74.3	48.4	1.7	-	124.4
Identifiable assets	3,611.6	921.0	1,481.4	-	6,014.0

[1]Capital expenditures represent cash paid for capital assets during the periods, excluding assets purchased as part of acquisitions.
[2]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 June 30,				6 months ended June 30,			
(millions of Canadian dollars, unaudited)	**2022**			2021	**2022**			2021
Sales by location of customer								
Canada	**11%**	**$ 229.0**	10%	$ 238.9	**10%**	**$ 448.7**	10%	$ 463.3
United States	**54%**	**1,165.7**	59%	1,480.0	**57%**	**2,506.7**	58%	2,570.0
Europe	**18%**	**395.8**	13%	327.4	**17%**	**748.9**	14%	629.6
Asia	**15%**	**333.6**	16%	404.4	**14%**	**590.6**	16%	692.1
Other	**2%**	**47.6**	2%	44.5	**2%**	**90.1**	2%	82.0
	100%	**$ 2,171.7**	100%	$ 2,495.2	**100%**	**$ 4,385.0**	100%	$ 4,437.0

12. Acquisitions

On March 1, 2022, Canfor completed the acquisition of Millar Western's solid wood operations and associated forest tenure for total consideration of $434.0 million, including $97.1 million in net working capital. Millar Western's solid wood operations, located in Alberta, Canada, consist of two sawmills and one high-value specialty facility and have an annual production capacity of 630 million board feet. The transaction was accounted for as a business combination under IFRS 3 *Business Combinations* ("IFRS 3") and is included in Canfor's lumber segment.

The following table summarizes the preliminary recognized amounts of net identifiable assets acquired by Canfor at the acquisition date:

(millions of Canadian dollars, unaudited)		
Property, plant and equipment	**$**	**235.5**
Timber licenses		**83.7**
Non-cash working capital, net (including inventory)		**97.1**
Goodwill		**29.5**
Deferred reforestation obligations		**(11.8)**
Total preliminary net identifiable assets	**$**	**434.0**

Following the completion of final review procedures related to the valuation of timber licenses, property, plant and equipment, preliminary amounts above may be revised.

The Company incurred acquisition-related costs of $3.9 million, primarily related to external legal fees and due diligence costs, which have been included in 'Selling and administration costs' in the condensed consolidated statement of income when incurred.

13. Countervailing and Anti-Dumping Duties

In 2016, a petition was filed by the US Lumber Coalition to the US Department of Commerce ("DOC") and the US International Trade Commission ("ITC") alleging certain subsidies and administered fees below the fair market value of timber that favour Canadian lumber producers. Canfor was selected by the DOC as a "mandatory respondent" to the countervailing and anti-dumping investigations and is subject to company specific CVD and ADD rates. As a result of the DOC's investigation, CVD and ADD were imposed on the Company's Canadian lumber exports to the United States beginning in 2017, with cash deposits posted at an ADD rate of 7.28% and CVD rate of 13.24% (combined cash deposit rate of 20.52%) from 2017 to November 2020, at a combined cash deposit rate of 4.62% from December 1, 2020 until November 30, 2021, and at a combined cash deposit rate of 19.54% thereafter. As at June 30, 2022, Canfor has paid cumulative cash deposits of $849.6 million.

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

On January 1, 2022, the Company moved into the fifth period of review ("POR5"), which is based on sales and cost data in 2022. Consistent with prior periods of review, the Company was unable to estimate an applicable CVD rate separate from the DOC's cash deposit rate. As a result, CVD was expensed at a rate of 2.42% for the three and six months ended June 30, 2022, while ADD was expensed at an estimated rate of 5.00%, resulting in a combined CVD and ADD accrual rate of 7.42% (versus the combined cash deposit rate of 19.54%, comprised of a CVD rate of 2.42% and ADD rate of 17.12%) for the three and six months ended June 30, 2022. Despite cash deposits being made in 2022 at rates determined by the DOC (19.54%), the final liability associated with duties is not determined until the completion of administrative reviews performed by the DOC.

Also in January 2022, the DOC announced the preliminary results for the third period of review ("POR3"), which is based on sales and cost data in 2020. The Company's preliminary CVD and ADD rate for 2020 was determined to be 1.83% and 4.92%, respectively. Upon finalization of these rates (currently anticipated in the third quarter of 2022), a recovery, estimated at $88.8 million (US$66.5 million), will be recognized in the Company's condensed consolidated interim financial statements to reflect the difference between the combined accrual rates and the DOC rates for POR3.

In addition, upon finalization of these rates, the Company's current combined cash deposit rate of 19.54% will be reset to the final rates as determined in POR3 (6.75% based on the preliminary determination). This new cash deposit rate will apply to the Company's Canadian lumber shipments destined to the United States until completion of the administrative review for the fourth period of review ("POR4") (anticipated in 2023). Despite the reduced preliminary rates for POR3, no cash duties will be refunded to the Company until such time as the litigation regarding the imposition of CVD and ADD has been settled.

Summary

For accounting purposes, a net duty recoverable of $292.0 million is included on the Company's condensed consolidated balance sheet (Note 4) reflecting differences between the cash deposit rates and the Company's combined accrual rates for each period of review, including interest.

For the three and six months ended June 30, 2022, the Company recorded a net duty expense of $33.2 million and $71.1 million, respectively (three and six months ended June 30, 2021 – net duty expense of $32.0 million and $63.1 million, respectively), comprised of cash deposits paid of $78.5 million and $167.1 million, respectively (three and six months ended June 30, 2021 – cash deposits paid of $30.0 million and $50.7 million, respectively), and an additional recovery of $45.3 million and $96.0 million, respectively (three and six months ended June 30, 2021 – expenses of $2.0 million and $12.4 million, respectively), reflecting a lower combined accrual rate (7.42%) compared to the DOC's cash deposit rate (19.54%) for POR5 to date.

Canfor will continue to reassess the ADD accrual estimate at each quarter-end, applying the DOC's methodology to updated sales and cost data as this becomes available. Quarterly revisions to the ADD rate may result in a material adjustment to the condensed consolidated statement of income while the Administrative Reviews are taking place. Changes to the DOC's existing CVD and ADD rates during the course of each administrative review may also result in material adjustments to the condensed consolidated statement of income.

14. Non-Controlling Interests

On June 30, 2022, Vida paid a dividend of $201.1 million (SEK 1,600.0 million) to its shareholders, which included distributions to non-controlling interests of $60.3 million.