News Release

FOR IMMEDIATE RELEASE **MARCH 5, 2024**

CANFOR ANNOUNCES 2023 AND FOURTH QUARTER OF 2023 RESULTS

Vancouver, B.C. – Canfor Corporation ("The Company" or "Canfor") (TSX: CFP) today reported its 2023 and fourth quarter of 2023 results:

Overview

- 2023 operating loss of $532 million; shareholder net loss of $326 million, or $2.71 per share
- Q4 2023 operating loss of $191 million; shareholder net loss of $117 million or $0.98 per share
- Solid earnings for the Company's European and US South operations in 2023, with persistent challenges in British Columbia
- Successful execution of significant capital growth program in the US South throughout 2023
- Sustained pressure on global lumber market conditions and pricing through most of the fourth quarter, drove quarter-over-quarter decline in results in all lumber operating regions, most notably in Western Canada
- Moderate uplift in global pulp market fundamentals through the fourth quarter driven by a slight increase in demand and purchasing activity in most major regions; 20% improvement in pulp production quarter-over-quarter
- Ongoing challenges with the availability of economically viable fibre impacting lumber and pulp operating rates in British Columbia into 2024

Financial Results

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

(millions of Canadian dollars, except per share amounts)	Q4 2023	Q3 2023	YTD 2023	Q4 2022	YTD 2022
Sales	**$ 1,282.9**	$ 1,312.3	**$ 5,426.6**	$ 1,373.3	$ 7,426.7
Reported operating income (loss) before amortization, asset write-downs and impairments	**$ (89.1)**	$ 42.6	**$ (111.2)**	$ (62.6)	$ 1,609.9
Reported operating income (loss)	**$ (191.3)**	$ (65.1)	**$ (531.6)**	$ (308.0)	$ 1,074.1
Adjusted operating income (loss) before amortization, asset write-downs and impairments[1]	**$ (130.2)**	$ 21.8	**$ (168.4)**	$ (57.0)	$ 1,703.4
Adjusted operating income (loss)[1]	**$ (232.4)**	$ (85.9)	**$ (588.8)**	$ (163.8)	$ 1,306.2
Net income (loss)[2]	**$ (117.1)**	$ (23.1)	**$ (326.1)**	$ (207.9)	$ 787.3
Net income (loss) per share, basic and diluted[2]	**$ (0.98)**	$ (0.19)	**$ (2.71)**	$ (1.70)	$ 6.39
Adjusted net income (loss)[1,2]	**$ (127.2)**	$ (19.4)	**$ (335.8)**	$ (126.8)	$ 880.4
Adjusted net income (loss) per share, basic and diluted[1,2]	**$ (1.06)**	$ (0.16)	**$ (2.79)**	$ (1.04)	$ 7.15

[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.

2023 was a challenging year for Canfor, as the weak global lumber market conditions experienced late in 2022 continued throughout the current year. Ongoing inflationary pressures and high interest rates gave rise to persistent affordability concerns for consumers, reducing global lumber demand and increasing lumber inventory levels in most global regions. Despite the economic uncertainty, demand in the repair and remodel segment remained strong through 2023, especially in North America, exceeding levels observed before the pandemic.

In response to these global market conditions as well as a constrained fibre supply environment, the Company reduced production at its Western Canadian operations by a total of 760 million board feet in 2023. In the US South, the Company successfully started-up its greenfield sawmill in DeRidder, Louisiana, early in 2023, and continues work on two major growth projects at Urbana, Arkansas and Axis, Alabama.

In British Columbia ("BC"), the Company continued to face significant challenges accessing economically viable fibre, both logs and residuals, to support its BC operations, which resulted in closure announcements early in 2023. Canfor Pulp Products Inc. ("CPPI") made the decision to permanently close the pulp line at its Prince George Pulp and Paper Mill

("PG") in April. In connection with this closure, CPPI's Intercontinental ("Intercon") Northern Bleached Softwood Kraft ("NBSK") pulp mill was successfully converted to provide slush pulp to its specialty paper facility, formerly supplied by PG.

In addition, the Company made the difficult decision to further restructure its lumber operations in BC, by permanently closing its Chetwynd sawmill and pellet plant and temporarily closing its Houston sawmill. Late in 2023, the Company also announced a fibre-driven indefinite curtailment at its Polar sawmill starting in January 2024.

For 2023, Canfor reported an operating loss of $531.6 million, compared to operating income of $1,074.1 million in 2022. After taking account of adjusting items, including inventory valuation adjustments and an asset write-down and impairment charge in 2022, the Company's adjusted operating loss was $588.8 million for the current year (adjusted shareholder net loss per share of $2.79), compared to adjusted operating earnings of $1,306.2 million for the prior year (adjusted shareholder net income per share of $7.15).

For the fourth quarter of 2023, the Company reported an operating loss of $191.3 million, compared to an operating loss of $65.1 million for the third quarter of 2023. After taking account of adjusting items, largely comprised of inventory valuation adjustments, the Company's adjusted operating loss for the fourth quarter of 2023 was $232.4 million compared to an adjusted operating loss of $85.9 million for the previous quarter, as an improvement in pulp and paper segment earnings quarter-over-quarter was more than offset by a decline in lumber segment results.

Commenting on the Company's 2023 and fourth quarter of 2023 results, Canfor's President and Chief Executive Officer, Don Kayne, said, "It was an extremely challenging year for the Company as ongoing affordability constraints and high global lumber inventory levels put persistent pressure on lumber market conditions throughout the year, including in the fourth quarter. While our global footprint helped mitigate some of these market-related headwinds, our British Columbia operations continued to face ongoing challenges associated with a lack of economically viable fibre in BC. For our pulp business, despite an improved fourth quarter, this was another tough year as relatively weak global pulp market fundamentals were combined with the ongoing cost and operational impacts driven by sustained fibre shortages in BC. We are continuing to adjust our BC operating rates to manage through this challenging period and while, in the near-term, we anticipate these conditions to persist, we continue to believe that longer term lumber market fundamentals remain positive."

Fourth Quarter Lumber Segment Highlights

For the lumber segment, the adjusted operating loss was $192.4 million for the fourth quarter compared to the previous quarter's adjusted operating loss of $20.1 million, principally reflecting a challenging period for the Company's Western Canadian operations, with more modest quarter-over-quarter declines experienced in the US South and Europe. Following the pricing pressure seen in the previous quarter, the current period results were principally driven by a continued deterioration in global lumber market prices, with the average North American Random Lengths Western Spruce/Pine/Fir ("SPF") 2x4 #2&Btr price down US$19 per Mfbm, or 5%, the average Southern Yellow Pine ("SYP") East 2x4 #2 down US$4 per Mfbm, or 1%, and the average SYP East 2x6 #2 down US$71 per Mfbm, or 18%, quarter-over-quarter. This downward pricing was coupled with more pronounced decreases for the wider-width dimensions of both Western SPF and SYP, as well as moderately lower market pricing in Europe. These factors were partially offset by the benefit of higher production and shipments in Europe following the traditional seasonal downtime taken in the previous quarter.

North American lumber market conditions remained fairly subdued throughout most of the fourth quarter as the market softness experienced at the end of the prior quarter continued well into the current period. This, combined with a traditionally slower consumption period, placed further downward pressure on North American benchmark pricing early in the current quarter. However, an unanticipated uptick in housing starts, coupled with the impact of production curtailments, particularly in BC, and steady activity in the repair and remodel sector, gave rise to a slight improvement in North American benchmark pricing towards the end of the current period.

Offshore lumber markets in Asia remained relatively flat during the current quarter, as ongoing economic uncertainty and a depressed real estate market, especially in China, was met with ample lumber supply in that region, and resulted in slight downward pressure on pricing.

In Europe, lumber demand and pricing experienced moderate decreases during the current quarter driven largely by low residential housing starts and a seasonally slower do-it-yourself sector.

Lumber Segment Outlook

Looking ahead, global lumber market conditions are anticipated to remain under pressure through the first quarter of 2024, as near-term challenges of affordability are projected to persist, despite recent declines in mortgage rates in the US. On the supply side, it is forecast that operational disruptions, driven by geopolitical tensions as well as fibre and market-related curtailments, especially in Western Canada, will help reduce inventories to more normalized levels. In the repair and remodel sector, demand is projected to remain relatively steady through the first quarter of 2024, albeit declining slightly from the levels experienced in 2023. Despite the near-term challenges, underlying global lumber market fundamentals in the longer term remain solid, with demographic trends supporting the need for additional new home construction activity against the backdrop of an aging housing stock and low inventories of new homes available.

Offshore lumber demand in China and Japan is forecast to show signs of modest improvement through the first quarter of 2024, as the benefits of various government stimulus measures implemented in that region in 2023 are realized and inventories return to more normalized levels.

In Europe, lumber markets and pricing are anticipated to experience some upward momentum later in the first quarter of 2024, as lumber supply constraints in that region, tied in part to reduced log availability and increasing log costs, are projected to overshadow the ongoing impact of low levels of European residential construction activity.

From an operational perspective, there remains significant uncertainty with regards to the availability of economically viable fibre in BC. While the Company has taken a number of actions in recent years in response to these fibre constraints, including the aforementioned closures and capacity reductions, the near-term fibre outlook in BC remains challenging. The Company continues to anticipate sustained log cost pressures and persistent constraints accessing economically viable fibre in BC for its sawmills, as well as a challenging fibre supply environment for CPPI's pulp mills. With these continued fibre-related pressures and the projected weaker North American lumber market demand and pricing in the near-term, the Company will continue to adjust operating rates in BC to align with demand and economically available timber supply.

Fourth Quarter Pulp and Paper Segment Highlights

For the pulp and paper segment, the adjusted operating loss was $26.0 million for the fourth quarter of 2023, compared to an adjusted operating loss of $51.3 million for the third quarter of 2023. These results principally reflected a moderate improvement in global pulp market conditions, combined with a 20% increase in pulp production quarter-over-quarter.

Following a relatively weak second and third quarter of 2023, global softwood pulp markets moderately improved in the current quarter, largely reflecting a slight uptick in demand and purchasing activity in most major regions as global pulp producer inventories returned to a more balanced range, ending December 2023 at 40 days of supply. The positive pricing momentum in US-dollar NBSK list prices to China experienced towards the end of the prior quarter, continued well into the current period, with prices peaking in November 2023. For the current quarter overall, average US-dollar NBSK pulp list prices to China were US$748 per tonne, up US$68 per tonne, or 10%, from the previous quarter.

Upon the successful completion of a scheduled maintenance outage in September, the restart of CPPI's Northwood NBSK pulp mill ("Northwood") was delayed into the fourth quarter of 2023, resulting in reduced NBSK pulp production early in the current period. For the quarter overall however, the operating performance at Northwood and Intercon continued to improve as the quarter progressed, resulting in a 20% increase in pulp production in the current period.

Pulp and Paper Segment Outlook

Looking forward, global softwood kraft pulp markets are projected to be fairly subdued through the first quarter of 2024. While global pulp producer inventories are estimated to remain within the balanced range, demand uncertainty is anticipated, driven principally by the deceleration in China NBSK pulp list prices in December and leading up to the seasonally slower spring period in China.

While no major maintenance outages are planned at CPPI's operations in the first quarter of 2024, given the ongoing uncertainty with regards to the availability of economically viable fibre in BC, and a projected weak North American lumber market, CPPI anticipates a challenging fibre supply environment for its pulp mills (both for sawmill residual chips and whole-log chips), especially in the near-term. CPPI will continue to monitor operating conditions and will adjust operating rates at its pulp mills to align with economically viable fibre supply.

Refer to the Company's annual Management's Discussion and Analysis for further discussion on the Company's results for the fourth quarter of 2023 on page 25.

Additional Information and Conference Call

A conference call to discuss the fourth quarter's financial and operating results will be held on Wednesday, March 6, 2024 at 8:00 AM Pacific time. To participate in the call, please dial Toll-Free 1-888-390-0546. For instant replay access until March 20, 2024, please dial Toll-Free 1-888-390-0541 and enter participant pass code 242132#.

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 consolidated financial statements:

(millions of Canadian dollars)	Q4 2023	Q3 2023	YTD 2023	Q4 2022	YTD 2022
Reported operating income (loss)	**$ (191.3)**	$ (65.1)	**$ (531.6)**	$ (308.0)	$ 1,074.1
Asset write-downs and impairments	**$ -**	$ -	**$ -**	$ 138.6	$ 138.6
Inventory write-down (recovery), net	**$ (41.1)**	$ (20.8)	**$ (57.2)**	$ 5.6	$ 93.5
Adjusted operating income (loss)[3]	**$ (232.4)**	$ (85.9)	**$ (588.8)**	$ (163.8)	$ 1,306.2
Amortization	**$ 102.2**	$ 107.7	**$ 420.4**	$ 106.8	$ 397.2
Adjusted operating income (loss) before amortization, asset write-downs and impairments[3]	**$ (130.2)**	$ 21.8	**$ (168.4)**	$ (57.0)	$ 1,703.4

After-tax impact, net of non-controlling interests (millions of Canadian dollars)	Q4 2023	Q3 2023	YTD 2023	Q4 2022	YTD 2022
Net income (loss)[3]	**$ (117.1)**	$ (23.1)	**$ (326.1)**	$ (207.9)	$ 787.3
Foreign exchange (gain) loss on term debt	**$ (5.3)**	$ 6.4	**$ (6.0)**	$ (1.7)	$ 10.8
Gain on derivative financial instruments	**$ (4.8)**	$ (2.7)	**$ (3.7)**	$ (2.0)	$ (2.5)
Asset write-downs and impairments	**$ -**	$ -	**$ -**	$ 84.8	$ 84.8
Adjusted net income (loss)[3]	**$ (127.2)**	$ (19.4)	**$ (335.8)**	$ (126.8)	$ 880.4

[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, and Arkansas, as well as in Sweden with its majority acquisition of the Vida Group. Canfor produces primarily softwood lumber and also owns a 54.8% interest in Canfor Pulp Products Inc., which is one of the largest global producers of market Northern Bleached Softwood Kraft Pulp and a leading producer of high performance kraft paper. Canfor shares are traded on the Toronto Stock Exchange under the symbol CFP. For more information visit canfor.com.

Media Contact:
Rosemary Silva
Manager, Community Relations
(604) 661-5225
communications@canfor.com

Investor Contacts:
Pat Elliott
CFO & SVP, Sustainability
(604) 661-5441
Patrick.Elliott@canfor.com

Dan Barwin
Director, Corporate Finance
(604) 661-5390
Daniel.Barwin@canfor.com

Canfor Corporation
Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)		**As at December 31, 2023**		As at December 31, 2022
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**627.4**	$	1,268.7
Trade receivables		**297.9**		336.0
Other receivables		**105.6**		87.3
Income taxes recoverable		**109.3**		54.2
Inventories (Note 3)		**994.8**		1,180.7
Prepaid expenses and other		**122.7**		138.0
Total current assets		**2,257.7**		3,064.9
Property, plant and equipment		**2,429.8**		2,219.1
Right-of-use assets		**123.1**		99.1
Timber licenses		**346.8**		357.8
Goodwill and other intangible assets		**519.3**		532.1
Long-term investments and other (Note 4)		**454.7**		466.2
Total assets	**$**	**6,131.4**	$	6,739.2
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**664.5**	$	678.7
Operating loans (Note 5(a))		**110.6**		27.8
Current portion of deferred reforestation obligations		**52.6**		60.4
Current portion of term debt (Note 5(b))		**44.8**		45.3
Current portion of lease obligations		**30.6**		26.2
Income taxes payable		**2.1**		45.2
Total current liabilities		**905.2**		883.6
Term debt (Note 5(b))		**115.1**		213.6
Retirement benefit obligations (Note 6)		**132.9**		158.3
Lease obligations		**98.2**		79.5
Deferred reforestation obligations		**47.4**		43.8
Other long-term liabilities		**37.5**		32.0
Put liability (Note 7)		**187.7**		172.7
Deferred income taxes, net		**330.0**		392.9
Total liabilities	**$**	**1,854.0**	$	1,976.4
EQUITY				
Share capital	**$**	**938.3**	$	955.1
Contributed surplus and other equity		**(169.8)**		(157.7)
Retained earnings		**3,004.2**		3,341.5
Accumulated other comprehensive income		**45.5**		82.6
Total equity attributable to equity shareholders of the Company		**3,818.2**		4,221.5
Non-controlling interests		**459.2**		541.3
Total equity	**$**	**4,277.4**	$	4,762.8
Total liabilities and equity	**$**	**6,131.4**	$	6,739.2

Subsequent Events (Notes 6, 12 and 13)

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

APPROVED BY THE BOARD

"R.S. Smith"
Director, R.S. Smith

"The Hon. J.R. Baird"
Director, The Hon. J.R. Baird

Canfor Corporation
Condensed Consolidated Statements of Income (Loss)

(millions of Canadian dollars, except per share data, unaudited)	3 months ended December 31, **2023**	2022	12 months ended December 31, **2023**	2022
Sales	**$ 1,282.9**	$ 1,373.3	**$ 5,426.6**	$ 7,426.7
Costs and expenses				
Manufacturing and product costs	**1,067.4**	1,143.7	**4,519.4**	4,795.0
Freight and other distribution costs	**167.4**	181.2	**688.8**	790.6
Countervailing and anti-dumping duty expense, net (Note 12)	**92.3**	55.0	**143.8**	49.1
Amortization	**102.2**	106.8	**420.4**	397.2
Selling and administration costs	**44.9**	51.2	**170.4**	174.2
Restructuring costs	**-**	4.8	**15.4**	7.9
Asset write-downs and impairments (Note 11)	**-**	138.6	**-**	138.6
	1,474.2	1,681.3	**5,958.2**	6,352.6
Operating income (loss)	**(191.3)**	(308.0)	**(531.6)**	1,074.1
Finance income, net	**2.7**	3.8	**10.4**	1.0
Foreign exchange gain (loss) on term debt	**6.1**	2.1	**6.9**	(12.4)
Foreign exchange gain (loss) on duties recoverable, net	**(6.4)**	(11.5)	**(2.4)**	14.8
Gain on derivative financial instruments (Note 7)	**9.0**	4.7	**6.8**	3.9
Other income (expense), net	**4.6**	(10.2)	**19.9**	27.1
Net income (loss) before income taxes	**(175.3)**	(319.1)	**(490.0)**	1,108.5
Income tax recovery (expense)	**53.7**	87.7	**141.5**	(247.4)
Net income (loss)	**$ (121.6)**	$ (231.4)	**$ (348.5)**	$ 861.1
Net income (loss) attributable to:				
Equity shareholders of the Company	**$ (117.1)**	$ (207.9)	**$ (326.1)**	$ 787.3
Non-controlling interests	**(4.5)**	(23.5)	**(22.4)**	73.8
Net income (loss)	**$ (121.6)**	$ (231.4)	**$ (348.5)**	$ 861.1
Net income (loss) per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 8)	**$ (0.98)**	$ (1.70)	**$ (2.71)**	$ 6.39

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

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

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2023**	3 months ended December 31, 2022	12 months ended December 31, **2023**	12 months ended December 31, 2022
Net income (loss)	**$ (121.6)**	$ (231.4)	**$ (348.5)**	$ 861.1
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to net income (loss):				
Defined benefit plan actuarial gains (losses), net (Note 6)	**7.5**	(5.8)	**22.4**	36.8
Income tax recovery (expense) on defined benefit plan actuarial gains (losses), net	**(2.0)**	1.6	**(6.0)**	(9.9)
	5.5	(4.2)	**16.4**	26.9
Items that may be reclassified subsequently to net income (loss):				
Foreign exchange translation of foreign operations, net of tax	**10.8**	40.6	**(37.1)**	36.7
Other comprehensive income (loss), net of tax	**16.3**	36.4	**(20.7)**	63.6
Total comprehensive income (loss)	**$ (105.3)**	$ (195.0)	**$ (369.2)**	$ 924.7
Total comprehensive income (loss) attributable to:				
Equity shareholders of the Company	**$ (101.8)**	$ (170.7)	**$ (349.4)**	$ 845.7
Non-controlling interests	**(3.5)**	(24.3)	**(19.8)**	79.0
Total comprehensive income (loss)	**$ (105.3)**	$ (195.0)	**$ (369.2)**	$ 924.7

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

Canfor Corporation
Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2023**	3 months ended December 31, 2022	12 months ended December 31, **2023**	12 months ended December 31, 2022
Share capital				
Balance at beginning of period	**$ 942.4**	$ 966.6	**$ 955.1**	$ 982.2
Share purchases (Note 8)	**(4.1)**	(11.5)	**(16.8)**	(27.1)
Balance at end of period	**$ 938.3**	$ 955.1	**$ 938.3**	$ 955.1
Contributed surplus and other equity				
Balance at beginning of period	**$ (169.8)**	$ (154.5)	**$ (157.7)**	$ (130.9)
Put liability (Note 7)	**-**	(3.2)	**(12.1)**	(26.8)
Balance at end of period	**$ (169.8)**	$ (157.7)	**$ (169.8)**	$ (157.7)
Retained earnings				
Balance at beginning of period	**$ 3,121.5**	$ 3,574.1	**$ 3,341.5**	$ 2,586.8
Net income (loss) attributable to equity shareholders of the Company	**(117.1)**	(207.9)	**(326.1)**	787.3
Defined benefit plan actuarial gains (losses), net of tax	**4.5**	(3.4)	**13.8**	21.7
Share purchases (Note 8)	**(4.7)**	(21.3)	**(25.0)**	(54.3)
Balance at end of period	**$ 3,004.2**	$ 3,341.5	**$ 3,004.2**	$ 3,341.5
Accumulated other comprehensive income				
Balance at beginning of period	**$ 34.7**	$ 42.0	**$ 82.6**	$ 45.9
Foreign exchange translation of foreign operations, net of tax	**10.8**	40.6	**(37.1)**	36.7
Balance at end of period	**$ 45.5**	$ 82.6	**$ 45.5**	$ 82.6
Total equity attributable to equity shareholders of the Company	**$ 3,818.2**	$ 4,221.5	**$ 3,818.2**	$ 4,221.5
Non-controlling interests				
Balance at beginning of period	**$ 462.7**	$ 565.6	**$ 541.3**	$ 525.1
Net income (loss) attributable to non-controlling interests	**(4.5)**	(23.5)	**(22.4)**	73.8
Defined benefit plan actuarial gains (losses) attributable to non-controlling interests, net of tax	**1.0**	(0.8)	**2.6**	5.2
Distributions to non-controlling interests	**-**	-	**(62.3)**	(62.8)
Balance at end of period	**$ 459.2**	$ 541.3	**$ 459.2**	$ 541.3
Total equity	**$ 4,277.4**	$ 4,762.8	**$ 4,277.4**	$ 4,762.8

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

Canfor Corporation
Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended December 31, 2023	2022	12 months ended December 31, 2023	2022
Cash generated from (used in):				
Operating activities				
Net income (loss)	**$ (121.6)**	$ (231.4)	**$ (348.5)**	$ 861.1
Items not affecting cash:				
Amortization	**102.2**	106.8	**420.4**	397.2
Income tax (recovery) expense	**(53.7)**	(87.7)	**(141.5)**	247.4
Change in long-term portion of deferred reforestation obligations, net	**10.5**	12.4	**1.9**	(16.6)
Foreign exchange (gain) loss on term debt	**(6.1)**	(2.1)	**(6.9)**	12.4
Foreign exchange (gain) loss on duties recoverable, net	**6.4**	11.5	**2.4**	(14.8)
Duties paid (greater) less than accruals (Note 12)	**81.5**	45.3	**100.7**	(156.3)
Changes in mark-to-market value of derivative financial instruments	**(3.4)**	(5.4)	**(2.6)**	(4.1)
Employee future benefits expense	**2.4**	4.7	**12.5**	11.1
Finance income, net	**(2.7)**	(3.8)	**(10.4)**	(1.0)
Restructuring costs	**-**	4.8	**15.4**	7.9
Asset write-downs and impairments (Note 11)	**-**	138.6	**-**	138.6
Other, net	**(2.9)**	17.2	**6.5**	18.2
Defined benefit plan contributions, net	**(2.5)**	(2.4)	**(24.2)**	(12.2)
Income taxes paid, net	**(0.5)**	(42.7)	**(33.8)**	(462.6)
	9.6	(34.2)	**(8.1)**	1,026.3
Net change in non-cash working capital (Note 9)	**(18.0)**	(18.6)	**162.8**	86.7
	(8.4)	(52.8)	**154.7**	1,113.0
Financing activities				
Operating loan drawings (repayments), net (Note 5(a))	**26.5**	(5.3)	**83.2**	10.7
Repayments and conversion of term debt, net	**(46.0)**	(0.1)	**(96.1)**	(0.4)
Payments of lease obligations	**(8.6)**	(8.1)	**(32.5)**	(26.9)
Finance expenses paid	**(10.5)**	(6.9)	**(33.6)**	(21.1)
Share purchases (Note 8)	**(9.5)**	(30.3)	**(44.3)**	(78.9)
Cash distributions paid to non-controlling interests	**-**	-	**(62.3)**	(62.8)
	(48.1)	(50.7)	**(185.6)**	(179.4)
Investing activities				
Additions to property, plant and equipment and intangible assets, net	**(172.1)**	(277.8)	**(587.0)**	(625.3)
Acquisition of Millar Western	**-**	-	**-**	(434.0)
Interest income received	**12.0**	6.2	**35.2**	11.6
Purchase of long-term investments (Notes 4 and 7)	**(11.4)**	-	**(59.4)**	-
Other, net	**(1.7)**	16.6	**7.5**	1.1
	(173.2)	(255.0)	**(603.7)**	(1,046.6)
Foreign exchange gain (loss) on cash and cash equivalents	**19.4**	25.7	**(6.7)**	26.9
Decrease in cash and cash equivalents*	**(210.3)**	(332.8)	**(641.3)**	(86.1)
Cash and cash equivalents at beginning of period*	**837.7**	1,601.5	**1,268.7**	1,354.8
Cash and cash equivalents at end of period*	**$ 627.4**	$ 1,268.7	**$ 627.4**	$ 1,268.7

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

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

1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") include the accounts of Canfor Corporation and its 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 December 31, 2023 and March 5, 2024.

These financial statements do not include all of the disclosures required by IFRS Accounting Standards ("IFRS") for interim or annual financial statements. Additional disclosures relevant to the understanding of these financial statements, including the accounting policies applied, can be found in the Company's Annual Report for the year ended December 31, 2023, available at www.canfor.com or www.sedarplus.com.

These financial statements were authorized for issue by the Company's Board of Directors on March 5, 2024.

2. Seasonality of Operations

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

3. Inventories

(millions of Canadian dollars, unaudited)	**As at December 31, 2023**	As at December 31, 2022
Logs	**$ 199.4**	$ 305.3
Finished products	**600.6**	693.5
Residual fibre	**38.2**	27.0
Materials and supplies	**156.6**	154.9
	$ 994.8	$ 1,180.7

The above inventory balances are stated at the lower of cost and net realizable value. For the three months ended December 31, 2023, a $30.2 million net reversal of a previously recognized inventory write-down was recognized for the lumber segment (twelve months ended December 31, 2023 – $54.8 net recovery of a previous write-down). For the three months ended December 31, 2022, a $6.1 million inventory write-down expense was recognized (twelve months ended December 31, 2022 – $95.7 million write-down expense). At December 31, 2023, an inventory provision of $40.9 million has been recognized for logs and lumber (December 31, 2022 – provision of $95.7 million).

For the three months ended December 31, 2023, a $10.9 million reversal of a previously recognized inventory write-down was recorded for the pulp and paper segment (twelve months ended December 31, 2023 – $2.4 million net recovery of a previous write-down). For the three months ended December 31, 2022, a $0.5 million reversal of a previously recognized inventory write-down was recorded (twelve months ended December 31, 2022 – $2.2 million net recovery of a previous write-down). At December 31, 2023, no inventory provision has been recognized for the pulp and paper segment (December 31, 2022 – provision of $2.4 million related to logs).

4. Long-Term Investments and Other

(millions of Canadian dollars, unaudited)		**As at December 31, 2023**		As at December 31, 2022
Duty deposits recoverable, net (Note 12)	**$**	**289.5**	$	372.9
Other deposits, loans, advances and long-term assets		**54.2**		49.3
Other investments (Note 7)		**90.8**		33.4
Retirement benefit surplus		**10.8**		9.6
Deferred income taxes, net		**9.4**		1.0
	$	**454.7**	$	466.2

The duty deposits recoverable, net balance represents US-dollar countervailing duties ("CVD") and anti-dumping duties ("ADD") and duty cash deposits paid in excess of the calculated expense accrued at December 31, 2023, including interest receivable of $60.8 million (December 31, 2022 – $40.8 million), as well as a $43.3 million (US$34.7 million) receivable recognized in the third quarter of 2023 upon finalization of the CVD and ADD rates applicable to the fourth period of review (Note 12).

During the three and twelve months ended December 31, 2023, the Company purchased investments in certain funds at a cost of $11.4 million and $59.4 million, respectively (three and twelve months ended December 31, 2022 – nil). These highly liquid investments with maturities exceeding one year, were subsequently measured at fair value through net income (loss) and classified as level 1 (Note 7).

5. Operating Loans and Term Debt

(a) Available Operating Loans

(millions of Canadian dollars, unaudited)		**As at December 31, 2023**		As at December 31, 2022
Canfor (excluding Vida and CPPI)				
Available operating loans:				
Operating loan facility	**$**	**775.0**	$	775.0
Revolving credit facility (US$150.0 million)		**198.4**		203.2
Facilities for letters of credit		**70.0**		70.0
Total operating loan facilities		**1,043.4**		1,048.2
Letters of credit covered under operating loan facility		**(2.7)**		(2.7)
Letters of credit covered under facilities for letters of credit		**(53.9)**		(66.3)
Total available operating loan facilities - Canfor	**$**	**986.8**	$	979.2
Vida				
Available operating loans:				
Operating loan facilities	**$**	**67.2**	$	66.4
Overdraft facilities		**44.0**		43.8
Total operating loan facilities		**111.2**		110.2
Operating loan facilities drawn		**(3.6)**		(12.8)
Total available operating loan facilities - Vida	**$**	**107.6**	$	97.4
CPPI				
Available operating loans:				
Operating loan facility	**$**	**160.0**	$	110.0
Letters of credit		**(6.9)**		(12.9)
Operating loan facility drawn		**(107.0)**		(15.0)
Total available operating loan facility - CPPI	**$**	**46.1**	$	82.1
Consolidated:				
Total operating loan facilities	**$**	**1,314.6**	$	1,268.4
Total operating loan facilities drawn	**$**	**(110.6)**	$	(27.8)
Total letters of credit	**$**	**(63.5)**	$	(81.9)
Total available operating loan facilities	**$**	**1,140.5**	$	1,158.7

Canfor's committed operating loan facility is repayable on October 31, 2027 and CPPI's operating loan facility is repayable on May 2, 2027. On June 28, 2024, any amounts drawn on Canfor's committed revolving credit facility will be converted to US-dollar denominated floating rate term debt, with a maturity date of June 28, 2029.

Interest is payable on Canfor and CPPI's committed operating and revolving loan facilities at floating rates based on the lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar floating rate, plus a margin that varies with Canfor and CPPI's debt to total capitalization ratios.

Vida's operating loan facilities are denominated in various currencies, with interest payable at fixed rates ranging from 2.8% to 6.8%. Vida also has separate overdraft facilities with fixed interest rates ranging from 5.5% to 6.8%.

Canfor and CPPI's operating loan facilities have certain financial covenants, including maximum debt to total capitalization ratios. Vida is also subject to certain financial covenants, including minimum equity and interest coverage ratios. As at December 31, 2023, Canfor, Vida and CPPI were fully in compliance with all covenants relating to their operating loan facilities. Substantially all borrowings of Vida and CPPI are non-recourse to other entities within the Company.

(b) Term Debt

(millions of Canadian dollars, unaudited)		**As at December 31, 2023**		As at December 31, 2022
Canfor (excluding Vida and CPPI)				
US$50.0 million, floating interest, repayable on June 28, 2031	**$**	**66.1**	$	67.7
US$66.7 million, fixed interest of 4.4%, repayable in two equal tranches on October 2, 2024 and 2025 (US$33.3 million repaid on October 3, 2023)		**88.2**		135.4
Other		**5.1**		5.2
Vida				
SEK 1.2 million, floating interest, repaid on April 30, 2023		**-**		0.1
SEK 1.1 million, floating interest, repaid on November 30, 2023		**-**		0.1
AUD$3.7 million, floating interest, repayable between April 23, 2024 and May 31, 2028		**0.5**		0.4
CPPI				
CAD$50.0 million, floating interest, converted to an operating loan facility on May 2, 2023		**-**		50.0
Up to CAD$80.0 million, floating interest, repayable on May 2, 2027		**-**		-
Term debt at end of period	**$**	**159.9**	$	258.9
Less: Current portion		**(44.8)**		(45.3)
Long-term portion	**$**	**115.1**	$	213.6

CPPI's $80.0 million non-revolving term debt is restricted for use on the continued re-investment in CPPI's facilities, specifically Northwood Northern Bleached Softwood Kraft pulp mill's ("Northwood") recovery boiler number one ("RB1").

Canfor's and CPPI's term debt (excluding Vida) is unsecured. Vida's term debt is secured by its property, plant and equipment. Canfor's and CPPI's borrowings (excluding Vida) are subject to certain financial covenants, including a maximum debt to total capitalization ratio. Vida's borrowings are subject to certain financial covenants, including minimum equity and interest coverage ratios. As at December 31, 2023, Canfor, Vida and CPPI were fully in compliance with all covenants relating to their term debt.

Fair value of total term debt

At December 31, 2023, the fair value of the Company's term debt is $153.7 million (December 31, 2022 - $241.7 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 December 31, 2023, actuarial gains of $7.5 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations (comprised of defined benefit plans as well as other benefit plans), as a 0.6% decrease in the discount rate used to value the net defined benefit obligations was more than offset by higher than anticipated returns on plan assets and a favourable movement in reserves. For the twelve months ended December 31, 2023, actuarial gains of $22.4 million (before tax) were recognized in other comprehensive income (loss).

For the three months ended December 31, 2022, actuarial losses of $5.8 million (before tax) were recognized in other comprehensive income (loss). For the twelve months ended December 31, 2022, actuarial gains of $36.8 million (before tax) were recognized in other comprehensive income (loss). The actuarial assumptions used in measuring Canfor's benefit plan provisions and benefit costs are as follows:

	December 31, 2023		December 31, 2022	
	Defined Benefit Pension Plans	**Other Benefit Plans**	Defined Benefit Pension Plans	Other Benefit Plans
Discount rate	**4.6%**	**4.6%**	4.8%	4.8%
Rate of compensation increases	**2.0%**	**n/a**	3.0%	n/a
Initial medical cost trend rate	**n/a**	**5.0%**	n/a	5.0%
Ultimate medical cost trend rate	**n/a**	**4.5%**	n/a	4.5%
Year ultimate rate is reached	**n/a**	**2031**	n/a	2025

Subsequent to quarter-end, on February 20, 2024, the Company purchased a buy-out annuity for a portion of its defined benefit pension plans. As a result, during the three months ended March 31, 2024, $101.8 million of the Company's accrued benefit obligation and a similar amount of defined benefit plan assets were derecognized from the Company's condensed consolidated balance sheet.

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 at December 31, 2023 and December 31, 2022, and shows the level within the fair value hierarchy in which they have been classified:

(millions of Canadian dollars, unaudited)	Fair Value Hierarchy Level	**As at December 31, 2023**	As at December 31, 2022
Financial assets measured at fair value			
Investments	Level 1	**$ 89.1**	$ 31.7
Derivative financial instruments	Level 2	**4.4**	2.0
Duty deposits recoverable, net (Note 4)	Level 3	**289.5**	372.9
		$ 383.0	$ 406.6
Financial liabilities measured at fair value			
Put liability	Level 3	**187.7**	172.7
		$ 187.7	$ 172.7

During the three months ended December 31, 2023, the Company purchased investments in certain funds at a cost of $11.4 million. These highly liquid investments, with maturities exceeding one year, were subsequently measured at fair value through net income (loss) and classified as level 1. For the twelve months ended December 31, 2023, $59.4 million of these highly liquid investments were purchased. These investments are included within 'Long-Term Investments and Other' on the Company's consolidated balance sheet (Note 4).

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

	3 months ended December 31,		12 months ended December 31,	
(millions of Canadian dollars, unaudited)	**2023**	2022	**2023**	2022
Lumber futures	**$ (1.1)**	$ (2.7)	**$ (0.4)**	$ 2.0
Foreign exchange forward contracts	**10.1**	7.4	**7.2**	1.9
Gain on derivative financial instruments	**$ 9.0**	$ 4.7	**$ 6.8**	$ 3.9

During the three months ended December 31, 2023, no gain or loss was recognized in 'Other equity' on the Company's condensed consolidated interim balance sheet following remeasurement of the put liability. During the twelve months ended December 31, 2023, a loss of $12.1 million was recognized upon remeasurement of the put liability (three and twelve months ended December 31, 2022 – losses of $3.2 million and $26.8 million, respectively). As a result of this remeasurement, combined with foreign exchange losses of $11.0 million and $2.9 million for the three and twelve months ended December 31, 2023, respectively (three and twelve months ended December 31, 2022 – loss of $10.2 million and gain of $10.3 million, respectively), the balance of the put liability was $187.7 million at December 31, 2023 (December 31, 2022 – $172.7 million).

8. Earnings (Loss) Per Common Share and Normal Course Issuer Bid

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

	3 months ended December 31,		12 months ended December 31,	
	2023	2022	**2023**	2022
Weighted average number of common shares	**119,236,130**	122,089,355	**120,153,152**	123,198,290

During the three months ended December 31, 2023, the Company purchased 527,500 common shares for $8.8 million (an average of $16.68 per common share). An additional $0.7 million was paid during the three months ended December 31, 2023 in relation to shares purchased in the prior quarter. During the twelve months ended December 31, 2023, the Company purchased 2,127,800 common shares for $41.8 million (an average of $19.64 per common share), with an additional $2.5 million paid in relation to shares purchased in the prior year.

As at December 31, 2023 and March 5, 2024, based on the trade date, there were 118,931,779 common shares of the Company outstanding and Canfor's ownership interest in CPPI and Vida was 54.8% and 70.0%, respectively.

9. Net Change in Non-Cash Working Capital

	3 months ended December 31,		12 months ended December 31,	
(millions of Canadian dollars, unaudited)	**2023**	2022	**2023**	2022
Accounts receivable	**$ 67.6**	$ 102.4	**$ 23.1**	$ 100.9
Inventories	**(71.1)**	(18.3)	**175.2**	88.2
Prepaid expenses and other	**37.8**	3.7	**9.9**	(11.0)
Accounts payable and accrued liabilities, and current portion of deferred reforestation obligations	**(52.3)**	(106.4)	**(45.4)**	(91.4)
Net change in non-cash working capital	**$ (18.0)**	$ (18.6)	**$ 162.8**	$ 86.7

10. Segment Information

Canfor has two reportable segments (lumber segment and pulp and paper segment), which offer different products and are managed separately because they require different production processes and marketing strategies.

Sales between segments are accounted for at prices that approximate fair value. These include sales of residual fibre from the lumber segment to the pulp and paper segment for use in the pulp production process.

(millions of Canadian dollars, unaudited)	Lumber	Pulp & Paper	Unallocated & Other	Elimination Adjustment	Consolidated
3 months ended December 31, 2023					
Sales from contracts with customers	**$ 1,089.0**	**193.9**	**-**	**-**	**$ 1,282.9**
Sales to other segments	**36.5**	**-**	**-**	**(36.5)**	**-**
Operating loss	**(162.2)**	**(15.1)**	**(14.0)**	**-**	**(191.3)**
Amortization	**85.3**	**16.2**	**0.7**	**-**	**102.2**
Capital expenditures[1]	**147.4**	**21.6**	**3.1**	**-**	**172.1**
3 months ended December 31, 2022					
Sales from contracts with customers	$ 1,105.2	268.1	-	-	$ 1,373.3
Sales to other segments	31.9	-	-	(31.9)	-
Operating loss	(199.5)	(91.1)	(17.4)	-	(308.0)
Amortization	79.9	26.4	0.5	-	106.8
Capital expenditures[1]	247.6	28.0	2.2	-	277.8

(millions of Canadian dollars, unaudited)		Lumber	Pulp & Paper	Unallocated & Other	Elimination Adjustment		Consolidated
12 months ended December 31, 2023							
Sales from contracts with customers	**$**	**4,551.1**	**875.5**	**-**	**-**	**$**	**5,426.6**
Sales to other segments		**153.1**	**-**	**-**	**(153.1)**		**-**
Operating loss		**(348.7)**	**(127.5)**	**(55.4)**	**-**		**(531.6)**
Amortization		**332.7**	**85.0**	**2.7**	**-**		**420.4**
Capital expenditures[1]		**510.4**	**60.5**	**16.1**	**-**		**587.0**
Total assets		**4,270.9**	**654.0**	**1,206.5**	**-**		**6,131.4**
12 months ended December 31, 2022							
Sales from contracts with customers	$	6,341.3	1,085.4	-	-	$	7,426.7
Sales to other segments		140.1	0.2	-	(140.3)		-
Operating income (loss)		1,237.2	(106.0)	(57.1)	-		1,074.1
Amortization		297.7	97.8	1.7	-		397.2
Capital expenditures[1]		507.7	112.6	5.0	-		625.3
Total assets		4,226.9	738.5	1,773.8	-		6,739.2

[1] Capital expenditures represent cash paid for capital assets during the periods, excluding assets purchased as part of acquisitions. 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.

(millions of Canadian dollars, unaudited)	3 months ended December 31, **2023**			2022			12 months ended December 31, **2023**			2022		
Sales by location of customer												
Canada	**13%**	**$**	**168.2**	13%	$	180.0	**12%**	**$**	**637.4**	11%	$	823.2
United States	**51%**		**647.9**	50%		690.8	**52%**		**2,799.0**	55%		4,062.4
Europe	**19%**		**248.2**	18%		244.6	**19%**		**1,051.1**	17%		1,264.5
Asia	**15%**		**187.4**	17%		227.6	**15%**		**806.8**	15%		1,122.5
Other	**2%**		**31.2**	2%		30.3	**2%**		**132.3**	2%		154.1
	100%	**$**	**1,282.9**	100%	$	1,373.3	**100%**	**$**	**5,426.6**	100%	$	7,426.7

11. Asset Write-Downs and Impairments

In January 2023, the Company announced the decision to permanently close the Chetwynd sawmill and pellet plant and temporarily close its Houston sawmill. Also in January 2023, CPPI announced the decision to permanently close the pulp line at its Prince George Pulp and Paper mill. In connection with these closures, the Company recognized restructuring costs of $15.4 million for the twelve months ended December 31, 2023 (three and twelve months ended December 31, 2022 – $4.8 million and $7.9 million, respectively, related to the curtailment of CPPI's Taylor Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") mill).

For the lumber segment, no indications of impairment were identified in 2023. As a result, an impairment test was not performed as of December 31, 2023 (three and twelve months ended December 31, 2022 – asset write-down and impairment charge of $89.0 million for the lumber segment).

For the pulp and paper segment, as a result of continued uncertainty surrounding fibre availability for CPPI's pulp mills, CPPI performed an impairment test as of December 31, 2023, on the property, plant and equipment of the pulp operations.

The recoverable amount of the property, plant and equipment within the pulp operations was determined based on an assessment of value in use, estimated using a discounted cash flow model. This discounted cash flow model was projected based on past experience and actual operating results as well as Management's assessment of future trends in the pulp industry, based on both external and internal sources of data. Significant assumptions included future production volume, commodity prices, fibre and production costs, as well as the discount rate. Other assumptions included applicable foreign exchange rates, operating rates of the assets, and the future capital required to maintain the current operating condition of assets. Estimated future cash flows were discounted at a rate of 9% (12% before tax), based on CPPI's weighted average cost of capital for 2023 (unchanged from 2022).

As the recoverable amount of CPPI's property, plant and equipment of the pulp operations exceeded net book value at December 31, 2023, no impairment charge was recognized for the three and twelve months ended December 31, 2023 (three and twelve months ended December 31, 2022 – asset write-down and impairment charge of $49.6 million for the pulp and paper segment).

CPPI continues to closely monitor the direct and indirect impacts associated with the constraints on economic fibre, especially in the near-term. If the availability of economically viable fibre within BC is further reduced CPPI's production, shipments and cost structure will be further affected. These factors could impact CPPI's operating plan, liquidity, cash flows and the valuation of long-lived assets.

12. 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. As at December 31, 2023, Canfor has paid cumulative cash deposits of $931.0 million.

On January 1, 2023, the Company moved into the sixth period of review ("POR6"), which is based on sales and cost data in 2023. Consistent with prior periods of review, the Company continues to be 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 0.95% from January to July 2023 and 1.36% thereafter, while ADD was expensed at an estimated accrual rate of 35.00%, up 15.00% from the prior quarter. Despite cash deposits being made in 2023 at rates determined by the DOC, the final liability associated with duties is not determined until the completion of administrative reviews performed by the DOC.

For accounting purposes, a net duty recoverable of $289.5 million is included on the Company's condensed consolidated balance sheet (Note 4) as at December 31, 2023 (December 31, 2022 – $372.9 million) reflecting differences between the cash deposit rates and the Company's combined accrual rates for each period of review, including interest of $60.8 million (December 31, 2022 – $40.8 million).

For the three and twelve months ended December 31, 2023, the Company recorded a net duty expense of $92.3 million and $143.8 million, respectively (three and twelve months ended December 31, 2022 – net duty expense of $55.0 million and $49.1 million, respectively), comprised of the following:

(millions of Canadian dollars, unaudited)	3 months ended December 31, 2023	12 months ended December 31, 2023
Cash deposits paid	$ **10.8**	$ **43.1**
Duty expense attributable to POR6 – combined CVD and ADD[2]	**81.5**	**144.0**
Duty recovery attributable to POR4 – combined CVD and ADD[3]	**-**	**(43.3)**
Duty expense, net	$ **92.3**	$ **143.8**

[2] Reflects Canfor's combined accrual rate (35.95% until July 2023 and 36.36% thereafter) compared to the DOC's deposit rate (5.87% until July 2023 and 6.61% thereafter) for POR6.

[3] Reflects Canfor's combined accrual rate (9.63% from January to November 2021 and 9.42% for December 2021) compared to the DOC's final combined rate (6.61% for the entirety of 2021) for the fourth period of review ("POR4").

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

Subsequent to year end, in February 2024, the DOC announced the preliminary rates for the fifth period of review ("POR5"), which indicated the Company's preliminary CVD rate at 6.14% and ADD rate at 9.65%, resulting in a preliminary combined rate of 15.79%. Upon finalization of these rates (anticipated in the third quarter of 2024), an expense, estimated at $58.8 million (US$42.2 million), will be recognized in the Company's condensed consolidated financial statements to reflect the difference between the combined accrual rate of 11.42% between January and July 2022 and 9.95% for August to December 2022, and the DOC rates for POR5. In addition, once final, the Company's current combined cash deposit rate of 6.61% will be reset to the DOC rates for POR5 (currently estimated to be 15.79% based on the preliminary determination).

13. Subsequent Events

In February 2024, CPPI entered into an asset purchase agreement to sell its Taylor BCTMP mill site for total proceeds of $7.0 million. The transaction is anticipated to close during the three months ended March 31, 2024.

On March 1, 2024, CPPI received insurance proceeds of $15.0 million related to operational downtime experienced at Northwood in recent years that will be recognized in 'Other income (expense), net' on the Company's condensed consolidated statement of income (loss) during the three months ended March 31, 2024.