Canfor Pulp.

2024 – Management's discussion & analysis

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This Management's Discussion and Analysis ("MD&A") provides a review of Canfor Pulp Products Inc.'s ("Canfor Pulp", "CPPI" or "the Company") financial performance for the year ended December 31, 2024 relative to the year ended December 31, 2023, and the financial position of the Company at December 31, 2024. It should be read in conjunction with CPPI's Annual Information Form and its audited consolidated financial statements and accompanying notes for the years ended December 31, 2024 and 2023 (available at www.canfor.com). The financial information contained in this MD&A has been prepared in accordance with IFRS Accounting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises.

Throughout this discussion, reference is made to Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, and Adjusted Operating Income (Loss) which CPPI considers to be a relevant indicator for measuring trends in the Company's performance and its ability to generate funds to meet its debt repayment and capital expenditure requirements, and to pay dividends. Reference is also made to Adjusted Net Income (Loss) (calculated as Net Income (Loss) less specific items affecting comparability with prior periods – for the full calculation, see reconciliation included in the section "Overview of consolidated results – 2024 compared to 2023") and Adjusted Net Income (Loss) per Share (calculated as Adjusted Net Income (Loss) divided by the weighted average number of shares outstanding during the period). Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss) and Adjusted Net Income (Loss) per Share are not generally accepted earnings measures under IFRS and should not be considered as an alternative to net income (loss) or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, CPPI's Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss) before Amortization, Asset Write-Down and Impairment, Adjusted Operating Income (Loss), Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per Share may not be directly comparable with similarly titled measures used by other companies. Reconciliations of Operating Income (Loss) before Amortization, Asset Write-Down and Impairment to Operating Income (Loss) and Adjusted Net Income (Loss) to Net Income (Loss) reported in accordance with IFRS are included in the "Non-IFRS financial measures" section of this MD&A.

Also in this 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 MD&A for further details.

Factors that could impact future operations are also discussed. These factors may be influenced by 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 other operating costs; currency exchange rates; interest rates; changes in law and public policy; the outcome of labour and trade disputes; and opportunities available to or pursued by CPPI.

All financial references are in millions of Canadian dollars unless otherwise noted. The information in this report is as at March 6, 2025.

Forward-looking statements.

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

Company overview.

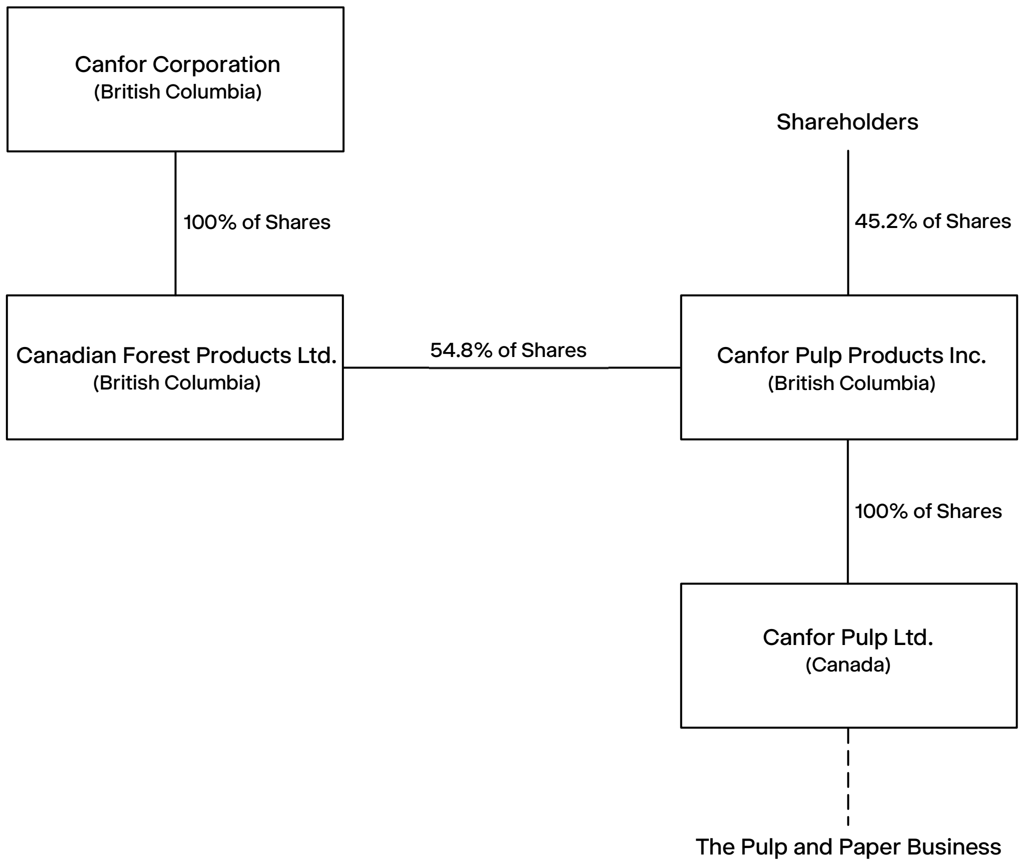
CPPI is a company incorporated and domiciled in Canada and listed on the Toronto Stock Exchange ("TSX"). The consolidated financial statements of the Company as at and for the year ended December 31, 2024 comprise the Company and its subsidiary entities. Throughout 2024, the Company's operations consisted of two Northern Bleached Softwood Kraft ("NBSK") pulp mills and one paper mill located in Prince George, British Columbia ("BC"), and a marketing group based in Vancouver, BC.

At December 31, 2024, Canfor Corporation ("Canfor") held a 54.8% interest in CPPI, unchanged from December 31, 2023.

CPPI employed 799 people throughout the organization, in its wholly owned subsidiaries as at December 31, 2024.

The following chart illustrates, on a simplified basis, the ownership structure of CPPI (collectively "the Company") as at December 31, 2024.

Simplified Ownership Structure



Pulp.

The Company owns and operates two NBSK pulp mills with an annual production capacity of approximately 780,000 tonnes of northern softwood market kraft pulp (including 300,000 tonnes of annual production capacity that, effective August 2024, has been indefinitely curtailed), the majority of which is bleached to become NBSK pulp, and approximately 140,000 tonnes of kraft paper.

The Northwood NBSK pulp mill ("Northwood") was a two-line pulp mill with an annual production capacity of 600,000 tonnes of NBSK market pulp, until it indefinitely curtailed one production line in August 2024, with a remaining annual production capacity of approximately 300,000 tonnes of NBSK market pulp. Northwood's pulp is used to make a variety of products including specialty products, premium tissue, as well as printing and writing papers, and is primarily delivered to customers in North America and Asia.

The Intercontinental NBSK pulp mill ("Intercon") is a single-line pulp mill with an annual gross production capacity of approximately 320,000 tonnes of NBSK pulp. In April 2023, Intercon was converted to provide slush pulp to the Company's specialty paper facility in Prince George. Following the conversion, Intercon has the capacity to produce approximately 180,000 tonnes of NBSK market pulp, which is used to make substantially the same products as that of Northwood, to supply pulp markets in North America, Asia and Europe.

The Company's pulp line at the Prince George ("PG") pulp and paper mill was permanently closed in April 2023.

Paper.

The Company's paper machine, located at the Prince George pulp and paper mill, has an annual production capacity of approximately 140,000 tonnes of specialty kraft paper, including a wide range of high performance bleached and unbleached kraft and specialty papers. The paper mill supplies primarily North American, Asian and European markets.

Business strategy.

CPPI's overall business strategy is to be a sustainable pulp and paper industry leader with strong financial performance, accomplished through:

- Attaining world-class safety performance;
- Demonstrating efficient and reliable operational performance, while optimizing the value from its high-quality premium reinforced pulp and paper products, particularly in specialty end use applications;
- Implementing a sustainability strategy that is helping to protect our planet, support our people and communities, and produce pulp and paper products that are an important part of a low-carbon economy;
- Growing an enterprise-wide culture of innovation, achievement, inclusion, diversity, respect and engagement through empowerment, collaborative performance and leadership;
- Attaining world-class supply chain performance and providing excellence in customer service; and
- Focusing on an efficient allocation of capital and deployment of resources to achieve top-quartile operational performance, and capitalizing on attractive growth opportunities.

2024 Highlights.

2024 was another challenging year for Canfor Pulp, as relatively weak global pulp market fundamentals were combined with operational challenges driven by persistent shortages in the availability of economic fibre in northern British Columbia ("BC"). For 2024 overall, Canfor Pulp reported an operating loss of $226.5 million, compared to an operating loss of $127.5 million in 2023.

In recent years, with continuing fibre cost pressures and a deteriorating outlook for economic residual fibre in BC, the Company, like other pulp producers, has taken several mitigating actions in response to these fibre pressures, including securing additional fibre supply, prioritizing discretionary capital spending to maximize fibre utilization and recovery, as well as making rationalization decisions with respect to its operating footprint. Notably, the Company permanently closed the pulp line at its Prince George pulp and paper mill in early 2023, and in 2024, indefinitely curtailed one production line at its Northwood NBSK pulp mill. Collectively, these curtailments reduced the Company's annual market kraft pulp production by approximately 580,000 tonnes.

Despite these actions, the fibre challenges being faced by the Company were further exacerbated in the latter half of 2024 by additional sawmill closure announcements in the BC Interior, which were in response to weak lumber market conditions, upcoming increases in US tariffs on lumber exports and various regulatory complexities. As a result, the reduced fibre supply as well as the ongoing uncertainty surrounding economic fibre availability, continue to impact the Company and consequently, a further asset write-down and impairment charge of $211.0 million was recognized in 2024, as a reduction to the carrying value of the Company's pulp segment assets.

After taking account of adjusting items, including the aforementioned 2024 asset write-down and impairment charge, the Company's adjusted operating loss was $15.5 million for the current year, compared to an adjusted operating loss of $129.9 million for the prior year.

While global pulp market conditions were relatively subdued early in 2024, market fundamentals experienced an uptick mid-year, as unplanned global supply disruptions led to positive pricing momentum, particularly from China. With the commencement of additional hardwood capacity, however, global pulp producer inventories climbed to well above the balanced range, and purchasing activity declined. As a result, prices to China, the world's largest consumer of softwood pulp, dropped from a high of US$825 per tonne in May to a low of US$750 per tonne in August. Later in the year, as global producer inventories began to reduce, global pulp pricing saw some modest upward momentum, with China pulp list prices finishing the year at US$770 per tonne. For the 2024 year as a whole, NBSK pulp list prices to China averaged US$774 per tonne, an increase of US$27 per tonne, or 4%, from the average price in 2023.

Operating losses for the pulp segment were $221.1 million in 2024. After taking account of adjusting items, the pulp segment losses for the current year were $10.1 million, compared to an adjusted operating loss of $129.6 million in the previous year. These results largely reflected moderately higher average NBSK pulp unit sales realizations, primarily driven by the 4% uplift in US-dollar NBSK pulp list prices to China, combined with a 1 cent, or 1%, weaker Canadian dollar. Operationally, current year results were impacted by reduced pulp production and shipments associated with the Northwood operational change that took effect in the latter part of the year. However, a moderate improvement in pulp unit manufacturing costs in the current year, principally associated with lower energy and maintenance spend, as well as a significant decline in fibre costs, largely correlated with a reduction in the volume of high-cost chips purchased and consumed following the closure of PG pulp mill in 2023, helped to mitigate the impact of the Northwood curtailment on the Company's 2024 results.

The Company's paper business continued to deliver a solid operational performance in 2024. Operating earnings, however, declined year-over-year, as the benefit of steady paper demand in North America and the weaker Canadian dollar, were more than offset by an uplift in slush pulp costs (correlated with an increase in average NBSK pulp unit sales realizations) and higher energy costs in the current year, following the closure of the PG pulp mill in the prior year.

As mentioned, looking forward, there remains significant uncertainty with regards to the availability of economically viable fibre within BC. As a result, the Company continues to anticipate that escalating log cost pressures and transportation costs in BC will translate into a higher cost fibre supply for its pulp mills (both for sawmill residual chips and whole log chips). The Company will continue 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, the Company's production, shipments and cost structure will be further affected. These factors could impact the Company's operating plan, liquidity, cash flows and the valuation of long-lived assets.

Overview of consolidated results – 2024 compared to 2023.

Selected financial information and statistics.

(millions of Canadian dollars, except for per share amounts)		2024		2023
Sales	$	798.6	$	875.5
Operating income (loss) before amortization, asset write-down and impairment[1]	$	43.3	$	(42.5)
Operating loss	$	(226.5)	$	(127.5)
Adjusted operating income (loss) before amortization, asset write-down and impairment[1,2,3]	$	43.3	$	(44.9)
Adjusted operating loss[3]	$	(15.5)	$	(129.9)
Net loss	$	(161.9)	$	(96.1)
Net loss per share, basic and diluted	$	(2.49)	$	(1.47)
Adjusted net loss[3]	$	(7.9)	$	(96.1)
Adjusted net loss per share, basic and diluted[3]	$	(0.13)	$	(1.47)
ROIC - Consolidated[3]		(51.3)%		(22.3)%
Average exchange rate (US$ per Cdn$1.00)[4]	$	0.730	$	0.741

1. Amortization includes amortization of certain capitalized major maintenance costs.
2. Adjusted for an asset write-down and impairment charge totaling $211.0 million in 2024.
3. Adjusted results and consolidated ROIC are defined as non-IFRS financial measures. Refer to the "Non-IFRS financial measures" section for further details.
4. Source – Bank of Canada (monthly average rate for the period).

Selected cash flow information.

(millions of Canadian dollars)		2024		2023
Operating income (loss) by segment:				
Pulp	$	(221.1)	$	(127.2)
Paper	$	7.3	$	11.9
Unallocated	$	(12.7)	$	(12.2)
Total operating loss	$	(226.5)	$	(127.5)
Add: Amortization[5]	$	58.8	$	85.0
Add: Asset write-down and impairment	$	211.0	$	-
Total operating income (loss) before amortization, asset write-down and impairment	$	43.3	$	(42.5)
Add (deduct):				
Non-cash working capital movements, net	$	(4.7)	$	67.3
Defined benefit plan contributions	$	(3.8)	$	(5.8)
Income taxes recovered (paid), net	$	(0.3)	$	1.6
Insurance proceeds	$	16.2	$	9.3
Other operating cash flows, net	$	7.7	$	6.4
Cash from operating activities	$	58.4	$	36.3
Add (deduct):				
Capital additions, net	$	(50.8)	$	(60.5)
Conversion of term debt	$	-	$	(50.0)
Proceeds from sale of Taylor pulp mill	$	6.9	$	-
Finance expenses paid	$	(12.7)	$	(11.4)
Other, net	$	1.4	$	-
Change in cash / operating loans	$	3.2	$	(85.6)

5. Amortization includes amortization of certain capitalized major maintenance costs.

Analysis of specific items affecting comparability of net income (loss).

After-tax impact (millions of Canadian dollars, except for per share amounts)		2024		2023
Net loss, as reported	**$**	**(161.9)**	$	(96.1)
Asset write-down and impairment	**$**	**154.0**	$	-
Adjusted net loss[6]	**$**	**(7.9)**	$	(96.1)
Net loss per share (EPS), as reported	**$**	**(2.49)**	$	(1.47)
Net impact of above items per share	**$**	**2.36**	$	-
Adjusted net loss per share[6]	**$**	**(0.13)**	$	(1.47)

6. Adjusted net loss is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

Operating results by business segment – 2024 compared to 2023.

The following discussion of CPPI's operating results relates to the operating segments and the non-segmented items as per the segment information note in the Company's 2024 consolidated financial statements.

CPPI's operations include the pulp and paper segments.

Pulp.

Selected financial information and statistics – pulp.

Summarized results for the pulp segment for 2024 and 2023 are as follows:

(millions of Canadian dollars, unless otherwise noted)		2024		2023
Sales	**$**	**592.5**	$	673.4
Operating income (loss) before amortization, asset write-down and impairment[7]	**$**	**43.9**	$	(44.8)
Operating loss	**$**	**(221.1)**	$	(127.2)
Asset write-down and impairment	**$**	**211.0**	$	-
Inventory write-down (recovery)	**$**	**-**	$	(2.4)
Adjusted operating loss[8]	**$**	**(10.1)**	$	(129.6)
Capital expenditures	**$**	**46.2**	$	57.8
Average NBSK pulp list price delivered to China – US$[9]	**$**	**774**	$	747
Average NBSK pulp list price delivered to China – Cdn$[9]	**$**	**1,060**	$	1,008
Production – pulp (000 mt)		**511**		603
Shipments – pulp (000 mt)		**526**		609

7. Amortization includes amortization of certain capitalized major maintenance costs.
8. Adjusted results are defined as a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.
9. Per tonne, NBSK pulp list net price delivered to China (as published by Resource Information Systems, Inc. ("RISI")); Average NBSK pulp list net price delivered to China in Cdn$ calculated as average NBSK pulp list 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.

As previously highlighted, the relatively weak global pulp market fundamentals experienced in the latter part of 2023 continued into the early part of 2024, principally tied to generally subdued demand, particularly from Asia. Towards the middle of the year, NBSK US-dollar pulp list prices to China, the world's largest pulp consumer, showed some upward momentum, largely driven by global pulp supply concerns, tied in part, to Finland's national transport workers' strike and further compounded by unplanned downtime at some softwood pulp production facilities. In the second half of 2024, global softwood pulp market fundamentals came under pressure, however, as the traditionally slower summer season was combined with the introduction of additional global hardwood capacity, which gave rise to a notable uplift in global pulp producer inventory levels. Towards the end of the year, as global producer inventories returned to more normalized levels and demand from China slowly improved, global pulp pricing experienced some positive momentum.

As a result of the aforementioned factors, US-dollar NBSK pulp list prices to China began the 2024 year at US$730 per tonne, peaked in May at US$825 per tonne and declined to US$750 per tonne in August. As global pulp market fundamentals, and therefore pricing, slowly improved in the latter part of the year, China pulp list prices ended the year at US$770 per tonne. For 2024 overall, US-dollar NBSK pulp list prices to China averaged US$774 per tonne, up US$27 per tonne, or 4%, from the average price in 2023.

North American pulp list prices experienced similar trends to Asia, albeit lagged by several months, with list prices to that region starting the year at US$1,380 per tonne in January, peaking at US$1,790 per tonne in July, before declining through the balance of the year to end December at US$1,675 per tonne (before taking account of customer discounts, which were broadly unchanged year-over-year).

Global softwood pulp producer inventories began 2024 at 40 days of supply[10] and remained relatively steady until August, when pulp producer inventories spiked to 50 days of supply[10], largely driven by the introduction of additional global hardwood capacity. As the balance of the year progressed, however, these elevated pulp producer inventory levels slowly moderated, principally as a result of a modest uptick in purchasing activity from China late in the fourth quarter of 2024. Consequently, global softwood pulp inventories trended down to within the balanced range, ending the year at 42 days of supply[10]. Market conditions are generally considered balanced when inventories are in the 32-43 days of supply range[10].

The following charts show the China NBSK pulp list price movements in 2024, before taking account of customer discounts and rebates (Chart 1) and global pulp shipments by destination (Chart 2).

Chart 1

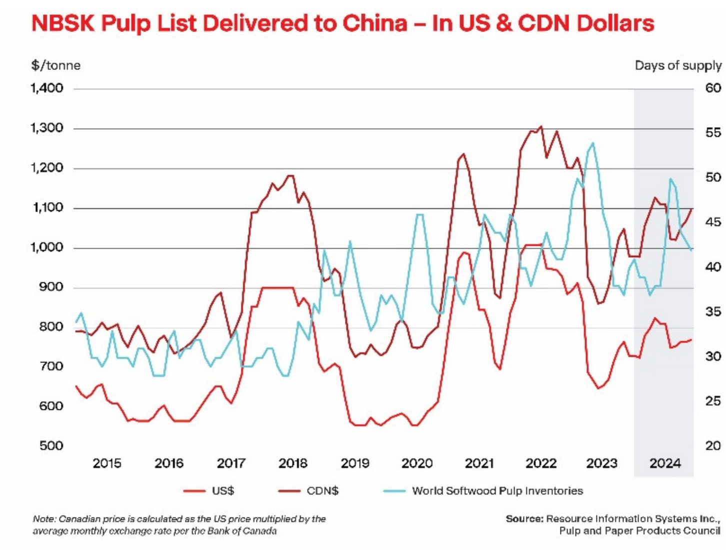
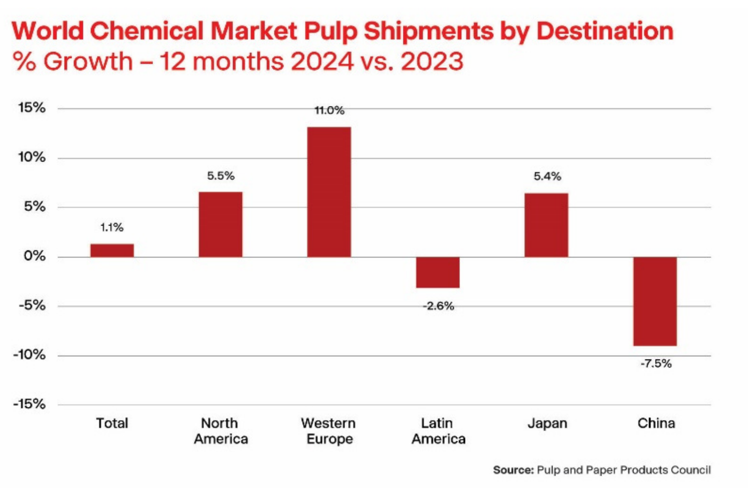


Chart 2



10. World 20 data is based on twenty producing countries representing 80% of the world chemical market pulp capacity and is based on information compiled and prepared by the Pulp and Paper Products Council ("PPPC"). The upper and lower limits of the balanced range are the average level plus or minus one standard deviation, based on the last 60 data points (i.e. last five years).

Sales.

The Company's pulp shipments in 2024 were 526,000 tonnes, down 83,000 tonnes, or 14%, from 2023, principally driven by a 15% reduction in pulp production year-over-year.

As mentioned, for the 2024 year as a whole, NBSK pulp list prices to China averaged US$774 per tonne, up $27 per tonne, or 4%, compared to the average in 2023. North American NBSK pulp list prices averaged US$1,646 per tonne for the current year, up US$198 per tonne, or 14%, year-over-year (before discounts, which were largely unchanged). As a direct result, the Company's average NBSK pulp unit sales realizations were moderately higher in 2024 compared to the prior year, amplified, to a degree, by a 1 cent, or 1%, weaker Canadian dollar.

Energy revenues in 2024 were down compared to the prior year primarily due to a reduction in power generation associated with lower pulp production, particularly at Northwood following the indefinite curtailment of one production line, and a correlated decrease in turbine operating days.

Operations.

Pulp production was 511,000 tonnes in 2024, down 92,000 tonnes, or 15%, from the prior year, primarily reflecting the indefinite curtailment of one production line at the Company's Northwood NBSK pulp mill in August 2024, offset in part by reduced unplanned downtime in the current year.

Pulp productivity at both Northwood and Intercon were challenged by extreme winter weather conditions at the start of the year. Subsequently, in May 2024, following the successful completion of Intercon's scheduled maintenance, downtime at the mill was extended to address unforeseen recovery boiler repairs. For 2024 overall, despite improved operational efficiency and reliability, sustained fibre shortages continued to weigh on the business, and in August, the Company wound down and indefinitely curtailed one production line at its Northwood pulp mill. Combined, these factors reduced NBSK pulp production by approximately 245,000 tonnes in 2024, of which the aforementioned curtailment at Northwood represented approximately 125,000 tonnes in the current year.

In 2023, pulp production was most notably impacted by fibre-related curtailments, including a temporary curtailment at Intercon early in the year and the subsequent permanent closure of the pulp line at the Company's PG pulp and paper mill. When combined with the labour disputes at the Ports of Vancouver and Prince Rupert, as well as the impact of efficiency and reliability challenges, especially following the scheduled maintenance outage at Northwood, pulp production in the prior year was reduced by approximately 420,000 tonnes, of which the 210,000 tonnes was associated with the PG pulp line wind down.

Pulp unit manufacturing costs moderately improved in 2024 compared to the prior year, as lower fibre costs were combined with reduced energy and maintenance spend. The decrease in fibre costs compared to the prior year was largely due to a reduction in the volume of high-cost chips purchased and consumed following the closure of PG pulp mill in 2023.

Asset write-down and impairment.

An asset write-down and impairment charge of $211.0 million was recorded in 2024 on the property, plant, and equipment of the pulp segment, driven by the ongoing uncertainty surrounding economic fibre availability that continued to impact the Company. The Company did not recognize any asset write-down or impairment charge in the prior year. See "Critical accounting estimates – asset write-down and impairment" for further details.

Paper.

Selected financial information and statistics – paper.

Summarized results for the paper segment for 2024 and 2023 are as follows:

(millions of Canadian dollars, unless otherwise noted)		2024		2023
Sales	$	206.1	$	202.1
Operating income before amortization[11]	$	12.0	$	14.4
Operating income	$	7.3	$	11.9
Capital expenditures	$	4.2	$	1.8
Production – paper (000 mt)		128		130
Shipments – paper (000 mt)		130		129

11. Amortization includes amortization of certain capitalized major maintenance costs.

Markets.

Global bleached kraft paper markets remained solid through 2024, principally led by steady demand and balanced inventories in the North American market.

Sales.

The Company's paper shipments were broadly comparable year-over-year, at 130,000 tonnes. Paper unit sales realizations for 2024 were slightly higher than the prior year, primarily due to a favourable product mix, combined with the weaker Canadian dollar.

Operations.

Paper production in 2024 was largely in line with prior year, at 128,000 tonnes. Paper unit manufacturing costs in 2024 were moderately higher, as an increase in slush pulp costs (linked to higher Canadian dollar NBSK pulp market prices) were combined with higher energy costs in the current year following the closure of the Company's PG pulp mill in April 2023.

Unallocated and other items.

Selected financial information.

(millions of Canadian dollars)		2024		2023
Corporate costs	$	(12.7)	$	(12.2)
Finance expense, net	$	(14.3)	$	(13.2)
Other income, net	$	19.0	$	8.2

Corporate costs.

Corporate costs, which comprise corporate, head office and general administrative expenses, were $12.7 million in 2024, up $0.5 million from 2023, largely reflecting inflationary pressures year-over-year.

Finance expense, net.

Net finance expense for 2024 was $14.3 million, up $1.1 million from 2023. The increase was principally driven by an uplift in interest expense associated with the Company's operating loan facility, and to a lesser extent, higher financing fees associated with letters of credit.

Other income, net.

Other income, net, of $19.0 million for 2024 primarily consisted of the receipt of $16.2 million in insurance proceeds related to operational downtime experienced at Northwood in recent years, combined with favorable foreign exchange movements on US-dollar denominated working capital balances. Other income, net, of $8.2 million for 2023 largely reflected the receipt of insurance proceeds related to Northwood, slightly offset by unfavorable foreign exchange movements on US-dollar denominated working capital balances.

Income tax recovery.

The Company recorded an income tax recovery of $59.9 million in 2024 with an overall effective tax rate of 27%.

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

(millions of Canadian dollars)		2024		2023
Net loss before income taxes	$	(221.8)	$	(132.5)
Income tax recovery at statutory rate of 27% (2023 – 27%)	$	59.9	$	35.8
Add (deduct):				
Entities with different income tax rates and other tax adjustments	$	-	$	0.7
Permanent difference from capital gains and losses and other non-deductible items	$	-	$	(0.1)
Income tax recovery	$	59.9	$	36.4

In addition, a tax expense of $0.3 million related to actuarial gains, net, on the Company's defined benefit plans was recorded in other comprehensive income for the year ended December 31, 2024.

Other comprehensive income.

CPPI measures its accrued retirement benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. Any actuarial gains or losses which arise are recognized immediately by means of a credit or charge through other comprehensive income.

For 2024, a gain of $1.1 million (before tax) was recorded in other comprehensive income, 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), primarily associated with a 0.1% increase in the discount rate used to value the defined benefit plans and higher than anticipated return on plan assets.

For 2023, a gain of $8.0 million (before tax) was recorded in other comprehensive income, 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), as a 0.2% decrease in the discount rate used to value the defined benefit plans was more than offset by a higher than anticipated return on plan assets.

For more information, see "Critical accounting estimates – employee future benefits" later in this document and in Note 10 to CPPI's 2024 consolidated financial statements.

Summary of financial position.

The following table summarizes CPPI's financial position as at December 31, 2024 and 2023:

(millions of Canadian dollars, except for ratios)		2024		2023
Cash and cash equivalents	**$**	**15.3**	$	21.1
Operating working capital (includes drawings on operating loan)		**(27.4)**		(37.1)
Net working capital		**(12.1)**		(16.0)
Property, plant and equipment and intangible assets		**189.7**		415.8
Deferred income taxes, net		**40.2**		0.4
Other long-term assets		**6.9**		8.1
Net working capital and long-term assets	**$**	**224.7**	$	408.3
Long-term lease obligations		**1.2**		1.4
Retirement benefit obligations		**39.8**		39.0
Other long-term liabilities		**7.7**		10.2
Deferred income taxes, net		**-**		20.6
Total equity		**176.0**		337.1
	$	**224.7**	$	408.3
Ratio of current assets to current liabilities		**0.9 : 1**		0.9 : 1
Net debt to total capitalization[12]		**32.0%**		20.3%

12. Net debt to total capitalization is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

Reflecting 2024's market conditions, operating rates, as well as the Company's management of working capital, the ratio of current assets to current liabilities was consistent year-over-year at 0.9:1. See further discussion in the "Changes in financial position" section of this document.

The Company's net debt to capitalization was 32.0% at December 31, 2024 (December 31, 2023 – 20.3%) primarily tied to a notable decline in operating results in the current year, largely reflecting the $211.0 million asset write-down and impairment in 2024.

Changes in financial position.

At the end of 2024, CPPI had $15.3 million of cash and cash equivalents.

(millions of Canadian dollars)		2024		2023
Increase (decrease) in cash and cash equivalents	**$**	**(5.8)**	$	6.4
Operating activities	**$**	**58.4**	$	36.3
Financing activities	**$**	**(22.3)**	$	29.9
Investing activities	**$**	**(41.9)**	$	(59.8)

The changes in the components of these cash flows during 2024 are discussed in the following sections.

Operating activities.

For the 2024 year, CPPI generated cash from operating activities of $58.4 million, up $22.1 million from cash generated of $36.3 million in the previous year. The increase in operating cash flows was principally due to higher cash earnings in the current year, offset in part by unfavourable movements in non-cash working capital. The latter was primarily driven by a timing-related decrease in accounts payable and accrued liabilities at the end of the current year.

Financing activities.

In 2024, CPPI used cash for financing activities of $22.3 million, compared to cash generated of $29.9 million in the prior year. Cash used for financing activities in 2024 primarily consisted of a $9.0 million repayment of the Company's operating loan facility as well as interest expense on its operating loan facility and financing fees associated with letters of credit. Financing activities in 2023 reflected the conversion of the Company's $50.0 million term debt into its existing operating loan facility as well as a net $42.0 million draw-down of the Company's operating loan facility, partially offset by interest paid on the Company's letters of credit, operating loan facility and non-revolving term debt.

Investing activities.

Cash used for investing activities in 2024 was $41.9 million, compared to $59.8 million used in 2023. Capital expenditures of $50.8 million in 2024 were largely associated with maintenance-of-business capital spend, including Intercon's scheduled maintenance outage. Investing activities in the current year also included the receipt of $6.9 million relating to the sale of the Company's Taylor Bleached Chemi-Thermo Mechanical Pulp mill in February 2024. In 2023, capital expenditures were largely associated with maintenance-of-business capital spend, including Northwood's scheduled maintenance outage and inspection of recovery boiler number one ("RB1").

Liquidity and financial requirements.

Operating loan facility and term debt.

At December 31, 2024, the Company had a $160.0 million unsecured operating loan facility, with $98.0 million of the facility drawn, and $6.0 million reserved for several standby letters of credit, leaving $56.0 million available and undrawn on its operating loan facility at the end of the year.

In December 2024, the Company amended certain of the covenants under its operating loan facility. These amendments provide increases to the net debt to total capitalization threshold and in certain cases reduce the interest coverage ratio. Refer to the "Debt covenants" section of this document for further details.

Other terms of the operating loan facility remain unchanged, including the repayment date of May 2, 2027. Interest is payable at floating rates that vary depending on the ratio of net debt to total capitalization and is based on the lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar floating rate, plus a margin.

In combination with the amendment of its operating loan facility, the Company's $80.0 million non-revolving term debt was cancelled undrawn. This term debt had been restricted for use, specifically for upgrades to Northwood's RB1.

At December 31, 2024, the Company had total net debt of $82.7 million, a $3.2 million decrease from net debt of $85.9 million at the end of the previous year. At December 31, 2024, the Company had available liquidity of $71.3 million.

Debt covenants.

CPPI has certain financial covenants on its debt obligations that stipulate a maximum net debt to total capitalization ratio of 50.0%. The net debt to total capitalization is calculated by dividing total net debt by shareholders' equity plus total debt. In circumstances when the net debt to total capitalization exceeds 42.5%, CPPI is subject to an interest coverage ratio that requires a minimum amount of two times earnings before interest, taxes, depreciation and amortization ("EBITDA") relative to net interest expense. As at December 31, 2024, CPPI was not subject to this test.

In December 2024, the Company amended certain of the covenants under its operating loan facility. Key amendments included the establishment of a covenant relief period during which the maximum net debt to total capitalization ratio increases from 50.0% to 60.0% for 2025 and 55.0% for 2026. In addition, if the net debt to total capitalization reaches a certain threshold, this amendment introduces a general security agreement on the property of the Company and lowers the minimum EBITDA interest coverage ratio to one and a half times.

Provisions contained in CPPI's long-term borrowing agreements also limit the amount of indebtedness that the Company may incur and the amount of dividends it may pay on its common shares. The amount of dividends the Company is permitted to pay under its long-term borrowing agreements is determined by reference to consolidated net earnings less certain restricted payments.

Management reviews results and forecasts to monitor the Company's compliance with these covenant requirements. CPPI was fully in compliance with all of its debt covenants for the year ended December 31, 2024.

Shares outstanding.

As at December 31, 2024 and March 6, 2025, there were 65,233,559 common shares of the Company outstanding, and Canfor's ownership interest in CPPI was 54.8% (December 31, 2023 – 54.8%).

2025 Projected capital spending.

Based on its current outlook, the Company anticipates that it will invest approximately $50 million in capital projects in 2025 (including costs related to scheduled maintenance outages), with a primary focus on projects aimed at improving the reliability of its operations. The Company currently plans to utilize its cash flow from operations and its available cash and operating loan facility to finance its capital expenditures during 2025.

Commitments.

Contractual obligations the Company is committed to include:

- At December 31, 2024, CPPI has contractual commitments for $2.2 million, reflecting commitments for the construction of capital assets and other working capital items which will be settled in 2025. In addition, CPPI has committed to leases of property, plant and equipment as outlined under Note 6 of CPPI's 2024 consolidated financial statements.

- The Company has energy purchase agreements with a BC energy company (the "Energy Agreements") for its kraft pulp mills. Two of these agreements are for the sale of incremental electrical energy and the third agreement is for load displacement (completed in 2024). All agreements include performance guarantees to ensure minimum contractual amounts of electricity are generated, with penalty clauses if they are not met. As part of these commitments, the Company has entered into standby letters of credit for these guarantees. The standby letters of credit have variable expiry dates, depending on the capital invested and the length of the Energy Agreement involved. As at December 31, 2024, the Company had posted $2.0 million of standby letters of credit under these agreements.

- The Company's asset retirement obligations represent estimated undiscounted future payments of $9.3 million to remediate landfills at the operations at the end of their useful lives. The payments are expected to occur at periods ranging from 2 to 27 years and have been discounted at risk-free rates ranging from 3.0% to 3.4%. CPPI has certain assets that have indeterminable retirement dates and, therefore, there is an indeterminate settlement date for the related asset retirement obligations. As a result, no asset retirement obligations are recorded for these assets. These assets include wastewater and effluent ponds that will have to be drained once the related operating facility is closed and storage sites for which removal of chemicals, fuels and other related materials will be required once the related operating facility is closed. When the retirement dates of these assets become determinable and an estimate can be made, an asset retirement obligation will be recorded. It is possible that changes in future conditions could require a material change in the recognized amount of the asset retirement obligations. The asset retirement obligation balance is included in 'Other long-term liabilities' on CPPI's 2024 consolidated balance sheet.

- The Company has obligations to pay defined benefit pension plans and other post-employment benefits, for which a net liability for accounting purposes at December 31, 2024, was $38.0 million. As at December 31, 2024, CPPI estimated that it would make contribution payments of $1.8 million to its defined benefit pension plans in 2025 based on the last actuarial valuation for funding purposes.

- CPPI may have other purchase and contractual obligations in the normal course of business. Purchase obligations of a more substantial dollar amount generally relate to the supply of fibre for the pulp business and are subject to "force majeure" clauses. In these instances, actual volumes purchased may vary significantly from contracted amounts depending on the Company's requirements in any given year.

Transactions with related parties.

The Company undertakes transactions with various related entities. These transactions are in the normal course of business and are generally on similar terms as those accorded to unrelated third parties, except where noted otherwise.

In 2024, the Company depended on Canfor to provide approximately 60% of its fibre supply as well as certain key business and administrative services. As a result of these relationships, the Company considers its operations to be dependent on its ongoing relationship with Canfor. In 2023, the Company and Canfor agreed to an amended Fibre Supply Agreement effective December 1, 2023 for a three-year term. Under the terms of this amended Fibre Supply Agreement, the base price formula was adjusted to better reflect the broader competitive fibre landscape.

The Company purchased wood chips, logs and hog fuel from Canfor sawmills in the amount of $135.0 million in 2024.

Canfor provides certain business and administrative services to the Company under a services agreement. The total amount charged for the services provided by Canfor in 2024 was $15.9 million. This amount is included in 'Manufacturing and product costs', 'Selling and administration costs', and 'Finance expense, net' within CPPI's 2024 consolidated financial statements.

CPPI provides certain business and administrative services to Canfor under an incidental services agreement. The total amount charged for the services provided to Canfor in 2024 was $3.3 million. This amount is included as a cost recovery in 'Manufacturing and product costs' and 'Selling and administration costs'.

At December 31, 2024, an outstanding balance of $8.6 million was owed to Canfor.

The Jim Pattison Group is Canfor's largest shareholder with an ownership interest of 53.8% at December 31, 2024. During 2024, CPPI sold paper to subsidiaries owned by the Jim Pattison Group totaling $3.8 million. CPPI also made purchases from subsidiaries owned by the Jim Pattison Group totaling $0.5 million. At December 31, 2024, an outstanding balance of $0.1 million was owed from subsidiaries owned by the Jim Pattison Group to CPPI.

Additional details on related party transactions are contained in Note 19 to CPPI's 2024 consolidated financial statements.

Environmental, Social and Governance ("ESG") strategy, reporting and related matters.

The Company's annual Sustainability Report includes sustainability goals and targets and demonstrates progress made to date.

The Company is actively monitoring the changing landscape of ESG reporting regulations and has signed disclosures with the Global Reporting Initiative ("GRI"), the recommendations from the Task Force on Climate-Related Financial Disclosures ("TCFD") and with the standards of the Sustainability Accounting Standards Board ("SASB"). In addition to regulatory Greenhouse Gas ("GHG") reporting for applicable facilities, on a voluntary basis, the Company calculates, together with Canfor, its manufacturing and corporate Scope 1 and Scope 2 GHG emissions annually for all of its facilities under operational control in accordance with Greenhouse Gas Protocol developed by the World Business Council for Sustainable Development and World Resource Institute. The Company has also calculated Scope 3 GHG emissions for its 2022 baseline year.

More detailed information on the Company's sustainability strategy and performance is provided in the annual Sustainability Report (to be issued in the first quarter of 2025) and at https://sustainability.canfor.com.

The Company has published several sustainability-related goals and targets as part of its sustainability strategy. There is a risk that these goals and targets may not be met or not be achieved within expected time periods, that some or all of the expected opportunities may fail to materialize, result in increased capital expenditures or other costs to its operations. This may be due to events and circumstances, such as, but not limited to: general global economic, market and business conditions; pricing, supply and demand for products; governmental and regulatory requirements and actions; ability to access capital; commercial viability and scalability of emission reduction strategies and technology; and impacts from natural disturbances and extreme weather conditions. In addition, there may be reputational risks due to the rising prominence of environment, social and governance concerns among the Company's stakeholders which could impact public opinions about the Company and its industry and could adversely affect its reputation, business, strategy, and operations. The Company is committed to ensuring that the suppliers of fibre to the Company practice sustainable forest management practices which consider climate change and engagement with stakeholders.

The risks and uncertainties the Company faces associated with climate change and the environment are discussed further under "Climate change" and "Environmental issues" in the "Risks and uncertainties" section of this document.

Three-year comparative review.

(millions of Canadian dollars, except per share amounts)		**2024**		2023		2022
Sales	**$**	**798.6**	$	875.5	$	1,085.6
Net loss	**$**	**(161.9)**	$	(96.1)	$	(79.1)
Total assets	**$**	**452.9**	$	675.8	$	756.0
Term debt	**$**	**-**	$	-	$	50.0
Net loss per share, basic and diluted	**$**	**(2.49)**	$	(1.47)	$	(1.21)

Fourth quarter results.

Overview.

The Company reported operating income of $4.1 million for the fourth quarter of 2024, compared to an operating loss of $209.3 million for the third quarter of 2024. After taking account of adjusting items, including an asset write-down and impairment charge in the prior period, the Company's adjusted operating income improved $2.4 million compared to an adjusted operating income for the third quarter of 2024 of $1.7 million.

As mentioned, in May 2024, the Company announced the decision to indefinitely curtail one production line at its Northwood pulp mill as a result of the continued decline in the availability of economic fibre in northern BC. In August 2024, the Company completed the wind down, and as a result, during the fourth quarter of 2024, the Company's pulp segment results reflect a full quarter impact of this curtailment on pulp production (a reduction of approximately 300,000 tonnes of market kraft pulp production annually), combined with an associated impact on shipments and costs.

Notwithstanding the decline in adjusted pulp segment results in the current period, the improvement in operating income for the Company as a whole, largely reflected a moderate uplift in paper unit sales realizations, particularly to North American markets, combined with an increase in paper production quarter-over-quarter.

Compared to the fourth quarter of 2023, adjusted operating results increased $30.1 million, as significantly higher US-dollar NBSK pulp list prices and a substantial improvement in paper unit sales realizations in the current quarter were combined with a 2 cent, or 3%, weaker Canadian dollar, more than outweighing the impact of reduced pulp production and shipment volumes quarter-over-quarter.

An overview of the results by business segment for the fourth quarter of 2024 compared to the third quarter of 2024 and the fourth quarter of 2023 follows.

Pulp.

Selected financial information and statistics – pulp.

(millions of Canadian dollars, unless otherwise noted)		Q4 2024		Q3 2024		Q4 2023
Sales	$	114.9	$	142.9	$	146.1
Operating income (loss) before amortization, asset write-down and impairment [13]	$	8.0	$	21.6	$	(0.6)
Operating income (loss)	$	1.2	$	(205.1)	$	(16.0)
Asset write-down and impairment	$	-	$	211.0	$	-
Inventory write-down (recovery)	$	-	$	-	$	(10.9)
Adjusted operating income (loss)[14]	$	1.2	$	5.9	$	(26.9)
Average NBSK pulp list price delivered to China – US$[15]	$	767	$	771	$	748
Average NBSK pulp list price delivered to China – Cdn$[15]	$	1,073	$	1,052	$	1,019
Production – pulp (000 mt)		98		125		148
Shipments – pulp (000 mt)		97		125		136

13. Amortization includes amortization of certain capitalized major maintenance costs.
14. Adjusted results are defined as a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.
15. Per tonne, NBSK pulp list net price delivered to China (as published by Resource Information Systems, Inc. ("RISI")); Average NBSK pulp list net price delivered to China in Cdn$ calculated as average NBSK pulp list 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.

Global softwood pulp market fundamentals remained relatively flat through the fourth quarter of 2024, following a moderate decline in the preceding quarter. However, later in the period, global demand and purchasing activity experienced some positive momentum as producers worked to reduce their higher-than-average inventory levels. Consequently, US-dollar NBSK list prices to China, the world's largest pulp consumer, saw a slight increase towards the end of the current quarter, ending December at US$770 per tonne. Despite this late improvement, for the current quarter overall, US-dollar NBSK pulp list prices to China averaged US$767 per tonne, down US$4 per tonne, or 1%, from the prior quarter. Compared to the same period in the prior year, however, pulp list prices to China were up US$19 per tonne, or 3%.

Notwithstanding the subtle positive trends seen in China late in the current period, other global regions, including North America, continued to experience price moderation through the fourth quarter, with the average US-dollar NBSK pulp list price to North America down US$75 per tonne, or 4%, from the previous quarter, to US$1,687 per tonne (before discounts). Compared to the fourth quarter of 2023, however, pulp list prices to North America were up US$375 per tonne, or 29%.

Global softwood pulp producer inventories steadily improved as the fourth quarter progressed, ending December 2024 at 42 days of supply[16], a decline of 7 days compared to September 2024. Market conditions are generally considered balanced when inventories are in the 32-43 days of supply range[16].

Sales.

The Company's pulp shipments for the fourth quarter of 2024 totaled 97,000 tonnes, down 28,000 tonnes, or 22%, from the previous quarter, and down 39,000 tonnes, or 29% from the fourth quarter of 2023, primarily driven by a reduction in pulp production following the wind down of one production line at the Company's Northwood pulp mill in August 2024. Pulp shipments for the fourth quarter of 2023 were impacted by the delayed restart of Northwood following the completion of its scheduled maintenance outage (approximately 30,000 tonnes).

The Company's average NBSK pulp unit sales realizations were broadly comparable to the prior quarter, as slightly weaker US-dollar NBSK pulp list prices to China were offset by a 2 cent, or 3%, weaker Canadian dollar.

Compared to the fourth quarter of 2023, the Company's average NBSK pulp unit sales realizations experienced a substantial increase, primarily attributable to improved market fundamentals quarter-over-quarter, including a 3% increase in US-dollar NBSK pulp list prices to China and a 29% increase in pricing to North America (before discounts), combined with a 2 cent, or 3%, weaker Canadian dollar.

Energy revenues increased in the current quarter compared to the third quarter of 2024, principally driven by seasonally higher power pricing. Compared to the fourth quarter of 2023, energy revenues declined, largely a result of lower production associated with the wind down of one production line at Northwood and the correlated decline in energy generation.

Operations.

Pulp production was 98,000 tonnes for the fourth quarter of 2024, down 27,000 tonnes, or 22%, from the third quarter of 2024, and down 50,000 tonnes, or 34%, compared to the same period in the prior year, principally reflecting the aforementioned indefinite closure of one pulp line at Northwood in August 2024. In the fourth quarter of 2023, NBSK pulp production was reduced by approximately 30,000 tonnes as a result of a delayed restart following Northwood's scheduled maintenance outage.

Pulp unit manufacturing costs experienced a moderate increase compared to the prior quarter primarily driven by lower pulp production, and to a lesser extent, elevated chemical and maintenance costs (timing-related), offset to a degree by reduced energy spend in the current period. Fibre costs were relatively unchanged quarter-over-quarter as the market-based price for sawmill residual chips (linked to Canadian dollar NBSK pulp sales realizations) and the proportion of higher-cost whole log chips compared to sawmill residual chips, were broadly in line with the preceding quarter.

Compared to the fourth quarter of 2023, pulp unit manufacturing costs were slightly higher, as the impact on unit costs of a significant reduction in pulp production was offset in part by reduced energy spend in the current period.

16. 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"). The upper and lower limits of the balanced range are the average level plus or minus one standard deviation, based on the last 60 data points (i.e. last five years).

Paper.

Selected financial information and statistics – paper.

(millions of Canadian dollars, unless otherwise noted)		Q4 2024		Q3 2024		Q4 2023
Sales	$	48.2	$	50.3	$	47.8
Operating income before amortization[17]	$	6.5	$	0.5	$	4.3
Operating income (loss)	$	5.1	$	(0.8)	$	3.5
Production – paper (000 mt)		34		30		34
Shipments – paper (000 mt)		28		31		32

17. Amortization includes amortization of certain capitalized major maintenance costs.

Markets.

Global kraft paper market demand and pricing remained stable through most of the fourth quarter of 2024, with some weakness experienced in the North American region toward the end of the year.

Sales.

The Company's paper shipments in the fourth quarter of 2024 were 28,000 tonnes, down 3,000 tonnes from the previous quarter, and down 4,000 from the fourth quarter of 2023, largely due to the timing of shipments quarter-over-quarter and the replenishment of inventory levels in the current period as a result of minor mechanical failures impacting productivity in the prior quarter.

Paper unit sales realizations in the fourth quarter of 2024 were moderately higher than the previous quarter, principally reflecting a favourable product mix (timing-related), combined with the weaker Canadian dollar. Compared to the fourth quarter of 2023, paper unit sales realizations experienced a substantial increase, primarily associated with a notable improvement in US-dollar paper prices quarter-over-quarter, especially to North American markets, combined with the weaker Canadian dollar.

Operations.

Paper production for the fourth quarter of 2024 was 34,000 tonnes, up 4,000 tonnes from the third quarter of 2024, and in line with the fourth quarter of 2023. The former was principally driven by improved productivity following minor mechanical failures in the prior period.

Paper unit manufacturing costs were slightly lower than the third quarter of 2024, largely due to improved paper production quarter-over-quarter, and to a lesser extent, reduced slush pulp costs. Compared to the fourth quarter of 2023, paper unit manufacturing costs saw a moderate increase, primarily driven by higher slush pulp costs (tied to increased Canadian dollar NBSK pulp unit sales realizations), offset in part by lower energy costs and maintenance spend (timing-related).

Unallocated items.

Selected financial information.

(millions of Canadian dollars)		Q4 2024		Q3 2024		Q4 2023
Corporate costs	$	(2.2)	$	(3.4)	$	(2.6)
Finance expense, net	$	(2.8)	$	(3.6)	$	(3.6)
Other income (expense), net	$	2.5	$	(0.7)	$	(0.3)

Corporate costs were $2.2 million for the fourth quarter of 2024, down $1.2 million from the previous quarter and down $0.4 million from the fourth quarter of 2023, largely reflecting a reduction in head office and general administrative expenses in the current period.

Net finance expense for the fourth quarter of 2024 was $2.8 million, down $0.8 million from both the third quarter of 2024 and fourth quarter of 2023. The decrease compared to the prior quarter was principally a result of lower financing fees associated with letters of credit. Compared to the same quarter in the prior year, the decline was driven by a reduction in interest expense in the current period associated with the Company's operating loan facility combined with a decrease in financing fees for letters of credit.

Other income, net, of $2.5 million in the fourth quarter of 2024 was principally related to favourable foreign exchange movements on US-dollar denominated working capital balances at the end of the current period compared to the end of the prior quarter, combined with the receipt of insurance proceeds related to operational downtime experienced at Northwood in recent years. Other expense, net, of $0.7 million in the third quarter of 2024 and other expense, net of $0.3 million in the fourth quarter of 2023 were both primarily related to unfavourable foreign exchange movements on US-dollar denominated working capital balances.

Other comprehensive income (loss).

In the fourth quarter of 2024, the Company recorded a loss of $0.4 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), principally reflecting a loss on changes in annual financial assumptions, offset to a degree, by higher than anticipated return on plan assets.

This compared to a gain of $1.2 million (before tax) in the third quarter of 2024, largely driven by a greater than anticipated return on plan assets, offset to a degree, by a 0.1% decrease in the discount rate used to value the net defined benefit obligations. In the fourth quarter of 2023, the Company recorded a gain of $3.1 million (before tax), 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.

Changes in financial position.

The following table summarizes CPPI's cash flow for the following periods:

(millions of Canadian dollars, except ratios)		Q4 2024		Q3 2024		Q4 2023
Increase (decrease) in cash and cash equivalents	$	(14.5)	$	5.8	$	21.1
Operating activities	$	(6.2)	$	31.5	$	20.1
Financing activities	$	(2.7)	$	(8.5)	$	22.5
Investing activities	$	(5.6)	$	(17.2)	$	(21.5)

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

Operating activities.

Cash used for operating activities in the fourth quarter of 2024 was $6.2 million, compared to cash generated of $31.5 million in the third quarter of 2024 and $20.1 million in the fourth quarter of 2023. The $37.7 million decrease in operating cash flows compared to the previous quarter was largely due to unfavourable movements in non-cash working capital, and to a lesser extent, lower cash earnings in the current quarter. The former was primarily driven by a timing-related decrease in accounts payable and accrued liabilities combined with a build of finished paper and chip inventories at the end of the current period. Compared to the fourth quarter of 2023, the $26.3 million decline in operating cash flows largely reflected unfavourable movements in non-cash working capital quarter-over-quarter, offset in part by improved cash earnings in the current period.

Financing activities.

Cash used for financing activities in the fourth quarter of 2024 was $2.7 million, compared to cash used of $8.5 million in the third quarter of 2024 and cash generated of $22.5 million in the fourth quarter of 2023. Financing activities in the current quarter primarily included interest expense as well as financing fees associated with letters of credit. Cash used for financing activities in the third quarter of 2024 principally reflected a $5.0 million repayment of the Company's operating loan facility as well as interest expense. Cash generated from financing activities in the fourth quarter of 2023 was largely comprised of a $25.9 million draw-down on the Company's operating loan facility, partially offset by interest expense.

Investing activities.

Cash used for investing activities of $5.6 million in the current quarter, as well as both comparative periods, was predominantly associated with maintenance-of-business capital spend.

Selected quarterly financial information.

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Sales and income (loss) (millions of Canadian dollars)								
Sales	$ 163.1	$ 193.2	$ 220.0	$ 222.3	$ 193.9	$ 188.8	$ 249.5	$ 243.3
Operating income (loss) before amortization, asset write-down and impairment[18]	$ 12.3	$ 18.8	$ 11.0	$ 1.2	$ 1.1	$ (27.7)	$ (15.3)	$ (0.6)
Operating income (loss)	$ 4.1	$ (209.3)	$ (5.6)	$ (15.7)	$ (15.1)	$ (49.3)	$ (37.9)	$ (25.2)
Net income (loss)	$ 2.9	$ (156.1)	$ (6.3)	$ (2.4)	$ (13.2)	$ (35.7)	$ (28.4)	$ (18.8)
Per common share (Canadian dollars)								
Net income (loss) per share – basic and diluted	$ 0.04	$ (2.39)	$ (0.10)	$ (0.04)	$ (0.20)	$ (0.55)	$ (0.44)	$ (0.29)
Book value per share[19]	$ 2.70	$ 2.66	$ 5.04	$ 5.17	$ 5.17	$ 5.34	$ 5.89	$ 6.29
Statistics								
Pulp shipments (000 mt)	97	125	145	159	136	142	179	152
Paper shipments (000 mt)	28	31	36	35	32	30	32	35
Average exchange rate – US$/Cdn$	$ 0.715	$ 0.733	$ 0.731	$ 0.741	$ 0.734	$ 0.746	$ 0.745	$ 0.740
Average NBSK pulp list price delivered to China (US$)	$ 767	$ 771	$ 811	$ 745	$ 748	$ 680	$ 668	$ 891

18. Amortization includes amortization of certain capitalized major maintenance costs; includes an asset write-down and impairment charge totaling $211.0 million in Q3 2024.
19. 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.

Sales are primarily influenced by changes in market pulp prices, sales volumes and fluctuations in Canadian dollar exchange rates. Operating income (loss), net income (loss) and operating income (loss) before amortization, asset write-down and impairment are primarily impacted by: sales revenue; freight costs; fluctuations of fibre, chemical and energy prices; level of spending and timing of maintenance downtime; and production operating rates and curtailments. Net income (loss) is also impacted by fluctuations in Canadian dollar exchange rates and the revaluation to the period-end rate of US-dollar denominated working capital balances.

(millions of Canadian dollars)	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Operating income (loss) by segment:								
Pulp	$ 1.2	$ (205.1)	$ (3.6)	$ (13.6)	$ (16.0)	$ (50.8)	$ (36.0)	$ (24.4)
Paper	$ 5.1	$ (0.8)	$ 1.9	$ 1.1	$ 3.5	$ 4.4	$ 0.7	$ 3.3
Unallocated	$ (2.2)	$ (3.4)	$ (3.9)	$ (3.2)	$ (2.6)	$ (2.9)	$ (2.6)	$ (4.1)
Total operating income (loss)	$ 4.1	$ (209.3)	$ (5.6)	$ (15.7)	$ (15.1)	$ (49.3)	$ (37.9)	$ (25.2)
Add: Amortization[20]	$ 8.2	$ 17.1	$ 16.6	$ 16.9	$ 16.2	$ 21.6	$ 22.6	$ 24.6
Add: Asset write-down and impairment	$ -	$ 211.0	$ -	$ -	$ -	$ -	$ -	$ -
Total operating income (loss) before amortization, asset write-down and impairment	$ 12.3	$ 18.8	$ 11.0	$ 1.2	$ 1.1	$ (27.7)	$ (15.3)	$ (0.6)
Add (deduct):								
Working capital movements	$ (20.6)	$ 12.0	$ 7.0	$ (3.1)	$ 19.5	$ 2.8	$ 42.1	$ 2.9
Defined benefit plan contributions	$ (0.9)	$ (0.5)	$ (1.3)	$ (1.1)	$ (0.8)	$ (0.8)	$ (3.3)	$ (0.9)
Income taxes received (paid), net	$ -	$ (0.2)	$ -	$ (0.1)	$ 1.0	$ 1.3	$ 0.1	$ (0.8)
Insurance proceeds	$ 1.0	$ -	$ -	$ 15.2	$ 0.5	$ 2.6	$ 3.8	$ 2.4
Other operating cash flows, net	$ 2.0	$ 1.4	$ 1.4	$ 2.9	$ (1.2)	$ 6.5	$ (0.2)	$ 1.3
Cash from (used in) operating activities	$ (6.2)	$ 31.5	$ 18.1	$ 15.0	$ 20.1	$ (15.3)	$ 27.2	$ 4.3
Add (deduct):								
Capital additions, net	$ (6.1)	$ (18.3)	$ (14.4)	$ (12.0)	$ (21.6)	$ (16.6)	$ (10.3)	$ (12.0)
Conversion of term debt	$ -	$ -	$ -	$ -	$ -	$ -	$ (50.0)	$ -
Proceeds from sale of Taylor pulp mill	$ -	$ -	$ 5.0	$ 1.9	$ -	$ -	$ -	$ -
Finance expenses paid	$ (2.5)	$ (3.4)	$ (2.9)	$ (3.9)	$ (3.2)	$ (2.8)	$ (3.4)	$ (2.0)
Other, net	$ 0.3	$ 1.0	$ 0.1	$ -	$ (0.1)	$ -	$ 0.1	$ -
Change in cash / operating loans	$ (14.5)	$ 10.8	$ 5.9	$ 1.0	$ (4.8)	$ (34.7)	$ (36.4)	$ (9.7)

20. Amortization includes amortization of certain capitalized major maintenance costs.

Specific items affecting comparability of net income (loss).

After-tax impact (millions of Canadian dollars, except for per share amounts)	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Net income (loss), as reported	**$ 2.9**	**$ (156.1)**	**$ (6.3)**	**$ (2.4)**	$ (13.2)	$ (35.7)	$ (28.4)	$ (18.8)
Asset write-down and impairment, net of tax	**$ -**	**$ 154.0**	**$ -**	**$ -**	$ -	$ -	$ -	$ -
Adjusted income (loss)[21]	**$ 2.9**	**$ (2.1)**	**$ (6.3)**	**$ (2.4)**	$ (13.2)	$ (35.7)	$ (28.4)	$ (18.8)
Net income (loss) per share (EPS), as reported	**$ 0.04**	**$ (2.39)**	**$ (0.10)**	**$ (0.04)**	$ (0.20)	$ (0.55)	$ (0.44)	$ (0.29)
Net impact of above items per share	**$ -**	**$ 2.36**	**$ -**	**$ -**	$ -	$ -	$ -	$ -
Adjusted net income (loss) per share[21]	**$ 0.04**	**$ (0.03)**	**$ (0.10)**	**$ (0.04)**	$ (0.20)	$ (0.55)	$ (0.44)	$ (0.29)

21. Adjusted net income (loss) is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

Outlook.

Pulp markets.

Looking forward, global softwood pulp market conditions are projected to improve through the balance of the first quarter and into the second quarter of 2025, as global supply dynamics adjust to new hardwood capacity and as pulp producer inventories normalize. On the demand side, steady Chinese demand is anticipated to absorb these changes in supply.

The Company continues to monitor the trade situation between Canada and the US and is prepared and mitigation plans are underway to mostly offset the impact of the tariffs on US shipments. With its high quality, specialty product offering and market diversification the Company is well-positioned to respond to actual and potential tariffs.

The Company remains focused on optimizing its operating footprint, enhancing operational reliability as well as closely managing manufacturing and fibre costs. Looking forward, there remains significant uncertainty with regards to the availability of economically viable fibre within BC. As a result, the Company continues to anticipate that escalating log cost pressures and transportation costs in BC will translate into a higher cost fibre supply for its pulp mills (both for sawmill residual chips and whole log chips). The Company will continue to evaluate operating conditions and adjust operating rates at its pulp mills to align with economically viable fibre supply. These factors could also affect the Company's operating plan, liquidity, cash flows and the valuation of long-lived assets.

No major maintenance outages are planned for the first and second quarters of 2025. In the third quarter of 2025, a maintenance outage is scheduled at Northwood with a projected 10,000 tonnes of reduced NBSK market pulp production. In the fourth quarter of 2025, a maintenance outage is scheduled at Intercon, with a projected 5,000 tonnes of reduced NBSK market pulp production.

Paper markets.

Demand for bleached kraft paper is projected to remain steady through the remainder of the first quarter of 2025. A maintenance outage is currently planned at the Company's paper machine in the fourth quarter of 2025 with a projected 5,000 tonnes of reduced paper production.

Non-IFRS financial measures.

Throughout this 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 Accounting Standards. 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)	Q4 2024	Q3 2024	YTD 2024	Q4 2023	YTD 2023
Reported operating income (loss)	**$ 4.1**	$ (209.3)	**$ (226.5)**	$ (15.1)	$ (127.5)
Asset write-down and impairment	**$ -**	$ 211.0	**$ 211.0**	$ -	$ -
Inventory write-down (recovery), net	**$ -**	$ -	**$ -**	$ (10.9)	$ (2.4)
Adjusted operating income (loss)	**$ 4.1**	$ 1.7	**$ (15.5)**	$ (26.0)	$ (129.9)
Amortization	**$ 8.2**	$ 17.1	**$ 58.8**	$ 16.2	$ 85.0
Adjusted operating income (loss) before amortization, asset write-down and impairment	**$ 12.3**	$ 18.8	**$ 43.3**	$ (9.8)	$ (44.9)

(millions of Canadian dollars, except ratios)	2024	2023
Reported operating loss	$ (226.5)	$ (127.5)
Other income, net	$ 16.2	$ 9.3
Return	$ (210.3)	$ (118.2)
Average invested capital[22]	$ 409.7	$ 528.9
Return on invested capital (ROIC)	(51.3)%	(22.3)%

22. 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 and deferred taxes.

(millions of Canadian dollars, except ratios)	As at December 31, 2024	As at December 31, 2023
Operating loans	$ 98.0	$ 107.0
Less: cash and cash equivalents	$ 15.3	$ 21.1
Net debt	$ 82.7	$ 85.9
Total equity	$ 176.0	$ 337.1
Total capitalization	$ 258.7	$ 423.0
Net debt to total capitalization	32.0%	20.3%

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, pension and other employee future benefit plans and asset retirement obligations based upon currently available information. It is reasonably possible that circumstances may arise which cause actual results to differ from these estimates. Any such differences could materially affect the Company's operating plan, liquidity, cash flows and financial condition.

Employee future benefits.

The Company, in participation with Canfor, has several funded and unfunded defined benefit plans, defined contribution plans, and other non-pension post-retirement benefit plans, that provide benefits to substantially all salaried employees and certain hourly employees. CPPI also provides certain health care benefits and pension bridging benefits to eligible retired employees. The costs and related obligations of the pension and other non-pension post-retirement benefit plans are accrued in accordance with the requirements of IFRS Accounting Standards.

CPPI uses independent actuarial firms to perform actuarial valuations of the fair value of pension and other non-pension post-retirement benefit plan obligations. The application of IFRS requires judgments regarding certain assumptions that affect the accrued benefit provisions and related expenses, including the discount rate used to calculate the present value of the obligations, the rate of compensation increases, mortality assumptions and the assumed health care cost trend rates. Management evaluates these assumptions quarterly based on experience and the recommendations of its actuarial firms. Changes in these assumptions result in actuarial gains or losses, which are recognized in full in each period with an adjustment through other comprehensive income (loss).

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

	December 31, 2024		December 31, 2023	
	Defined Benefit Pension Plans	Other Benefit Plans	Defined Benefit Pension Plans	Other Benefit Plans
Discount rate	4.7%	4.7%	4.6%	4.6%
Rate of compensation increases	2.0%	n/a	2.0%	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	2031

Assumed discount rates, medical cost trend rates and mortality assumptions have a significant effect on the accrued retirement benefit obligation and related plan assets. In addition to the significant assumptions listed in the table above, the average life expectancy of a 65-year-old at December 31, 2024 is between 21.4 years and 24.5 years. As at December 31, 2024, the weighted average duration of the defined benefit plan obligation, which reflects the average age of the plan members, is 13.5 years. The weighted average duration of the other benefit plans is 11.1 years.

For CPPI's pension benefit plans, a one percentage point increase in the discount rate used in calculating the actuarial estimate of future liabilities would reduce the accrued benefit obligation by an estimated $4.6 million and a one percentage point decrease in the discount rate would increase the accrued benefit obligation by an estimated $5.7 million. With respect to this discount rate sensitivity effect on the defined benefit pension plan liabilities, however, it is noted that 39% is partially offset through the plan's investment in debt securities. These changes would only impact the Company's funding requirements in years where a new actuarial funding valuation was performed and regulatory approval for a change in funding contributions was obtained.

Annuity contracts.

On February 20, 2024, the Company purchased a buy-out annuity for a portion of its defined benefit pension plan. As a result, $37.1 million of the Company's accrued benefit obligation and a similar amount of defined benefit plan assets were derecognized from the Company's consolidated balance sheet.

Asset retirement obligations.

CPPI's asset retirement obligations represent estimated undiscounted future payments of $9.3 million to remediate landfills at the operations at the end of their useful lives. The payments are expected to occur at periods ranging from 2 to 27 years and have been discounted at risk-free rates ranging from 3.0% to 3.4%.

CPPI has certain assets that have indeterminable retirement dates and, therefore, there is an indeterminate settlement date for the related asset retirement obligations. As a result, no asset retirement obligations are recorded for these assets. These assets include wastewater and effluent ponds that will have to be drained once the related operating facility is closed and storage sites for which removal of chemicals, fuels and other related materials will be required once the related operating facility is closed. When the retirement dates of these assets become determinable and an estimate can be made, an asset retirement obligation will be recorded. It is possible that changes in future conditions could require a material change in the recognized amount of the asset retirement obligations.

Asset write-down and impairment.

CPPI reviews the carrying values of its long-lived assets, including property, plant and equipment and right-of-use assets, on a regular basis as events or changes in circumstances may warrant. An impairment loss is recognized in net income (loss) at the amount that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the current year, as a result of the ongoing uncertainty surrounding fibre availability for CPPI's pulp mills, heightened by the recent sawmill closure announcements in the BC Interior, the Company performed an impairment assessment for the year ended December 31, 2024, on the Company's property, plant and equipment of its pulp segment.

The recoverable amount of the Company's property, plant and equipment within the pulp operations was determined based on the higher of fair value less costs to sell and value in use. A discounted cash flow model was used to estimate value in use. This discounted cash flow model was projected based on past experience as well as Management's assessment of future trends in the pulp industry, based on external and internal sources of data. Significant assumptions include future production volumes, commodity prices, fibre and production costs, as well as the discount rate. Other assumptions include applicable foreign exchange rates, operating rates of the assets, and the future capital required to maintain the assets for their current operating conditions. Estimated future cash flows were discounted at a rate of 9% (12% before tax), based on CPPI's weighted average cost of capital for 2024.

In connection with the recoverable amount assessment, an asset write-down and impairment charge of $211.0 million was recognized for the year ended December 31, 2024, as a reduction to the carrying value of the Company's pulp segment assets.

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.

Valuation of finished product inventories.

Finished product inventories are recorded at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost principle, and includes raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. CPPI estimates the net realizable value of finished goods inventories based on actual and forecasted sales orders, as well as outlook prices and forecast exchange rates for the period over which the inventories are expected to be sold. Outlook prices are determined using Management's estimates at the end of the period and may differ from the actual prices at which the inventories are sold.

Deferred income tax assets.

In accordance with IFRS, CPPI recognizes deferred income tax assets when it is probable that the deferred income tax assets will be realized. This assumption is based on Management's best estimate of future circumstances and events. If these estimates and assumptions are changed in the future, the value of the deferred income tax assets could be reduced or increased, resulting in an income tax expense or recovery. CPPI re-evaluates its deferred income tax assets on a regular basis.

Risks and uncertainties.

Risks and uncertainties fall into the general business areas of markets, international commodity prices, competition, currency exchange rates, environmental issues, raw materials, capital requirements, dependence on certain relationships, government regulations, public policy and labour disputes, and Native land claims. The future impact of the various uncertainties and potential risks described in the following paragraphs (together with the risks and uncertainties identified under each of the Company's business segments) cannot be quantified or predicted with certainty. However, CPPI does not foresee unmanageable adverse effects on its business operations and believes that it is well positioned to deal with such matters as may arise. The risks and uncertainties are set out in alphabetical order.

Climate change.

The Company's operations are subject to risks and opportunities related to climate change. These risks include, but are not limited to, chronic and acute physical risks such as the increasing frequency and severity of weather conditions, forest fires, hurricanes, timber diseases and insect infestations. These events could damage or destroy the Company's operating facilities, adversely affect timber supply or result in reduced transportation availability. These events could have a similar effect on the facilities of the Company's suppliers and customers. Any of the damage caused by these events could increase costs and decrease production capacity at the Company's operations, having an adverse effect on the Company's financial results. The Company believes there are reasonable internal processes and insurance arrangements in place to mitigate or cover certain outcomes of such incidents; however, there is no guarantee that these arrangements will fully protect the Company against such losses.

There are also transition risks associated with climate change. These include changes in laws, regulations and industry standards associated with greenhouse gas emissions management, non-regulatory pressures to reduce greenhouse gas emissions, and the risk that the Company may not achieve its publicly stated sustainability targets. The Company monitors all regulatory changes including any climate-related regulations, as well as monitoring progress towards targets, to assess their impact on operations. CPPI's operations in Canada will be subject to increasing costs associated with carbon related taxes and will be actively working to mitigate through investment in technology and operational efficiency projects.

The Company has undertaken a qualitative Climate Scenario Analysis to better understand the effects of specific climate-related physical and transition risks on specific asset types. The Company considers adaptation and mitigation strategies to manage and reduce greenhouse gas emissions and has established a decarbonization roadmap. However, there is no guarantee that these efforts will be effective, and these risks may lead to increased capital expenditure or payment of carbon taxes or could adversely affect our operations or financial condition.

Competitive markets.

The Company's products are sold primarily in Asia and North America, with smaller volumes to other markets. The markets for the Company's products are highly competitive on a global basis, with a number of major companies competing in each market with no company holding a dominant position. Competitive factors include price, quality of product, volume, availability and reliability of supply, financial viability, and customer service. The Company's competitive position is influenced by: the availability, quality, and cost of raw materials; chemical, energy and labour costs; free access to markets; currency exchange rates; plant efficiencies; and productivity in relation to its competitors. Access to markets could be influenced by global trade agreements, global Government relations and their impact on free trade, including the direct and indirect impacts to global demand, supply chains, the costs of production inputs and transportation due to geopolitical tensions and events such as US-China relations. These factors could potentially limit market growth opportunities or limit the Company's ability to service its customers.

CPPI continues to monitor the trade situation between Canada and the US and is prepared with mitigation plans. With CPPI's high quality, specialty product offering and market diversification, the Company is well-positioned to respond to any actual and potential tariffs.

Cyclicality of product prices.

The Company's financial performance is dependent upon the selling prices of its pulp and paper products, which have fluctuated significantly in the past. The markets for these products are cyclical and may be characterized by (i) periods of excess product supply due to industry capacity additions, increased global production and other factors, some of which affect the Company at the present time; and (ii) periods of insufficient demand due to weak general economic conditions. The economic climate of each region where the Company's products are sold has a significant impact upon the demand, and therefore the prices for pulp and paper. Prices of pulp, in particular, have historically, to some degree, been unpredictable.

Dependence on Canfor.

In 2024, approximately 60% of the fibre used by the Company was derived from the Fibre Supply Agreements with Canfor. In 2023, the Company and Canfor agreed to an amended Fibre Supply Agreement for a three-year period. The Company's financial results could be materially adversely affected if Canfor is unable to provide the current volume of wood chips as a result of mill closures, whether temporary or permanent. Refer to the "Raw material costs and availability" section of this MD&A for further details.

Dependence on key customers.

In 2024, the Company's top five customers accounted for approximately 44% of its sales and one customer in the pulp segment accounted for 14% of the Company's total sales. In the event that the Company cannot maintain these customer relationships or the demand from these customers is diminished for any reason in the future, there is a risk that the Company would be forced to find alternative markets in which to sell its pulp, which in turn, could result in lower prices or increased distribution costs thereby adversely affecting its sales margins.

Environmental issues.

The Company is subject to a wide range of general and industry-specific laws and regulations relating to the protection of the environment, including those governing air emissions, wastewater discharges, the storage, management and disposal of hazardous substances and wastes, the cleanup of contaminated sites, landfill operation and closure obligations, and health and safety matters. These laws and regulations require the Company to comply with specific requirements as described in regulations. Regulations may also require the Company to obtain authorizations and comply with the authorization requirements of the appropriate governmental authorities which have considerable discretion over the terms and timing of said authorizations and permits.

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

The Company, in conjunction with Canfor, has systems in place to identify, account for and appropriately address potential environmental liabilities. The Company also has governance in place including an Environmental, Health and Safety Committee of the Board, a Governance and Sustainability Committee including Officers of the Company, and environmental professionals to manage potential risks, issues and liabilities.

The Company, in conjunction with Canfor, has in place internal policies and procedures under which all operations are regularly audited for compliance with laws and accepted standards and with its environmental management system requirements. The Company's pulp mills employ environmental management systems and are certified under the ISO 14001 Environmental Management System Standard.

The Company's operations and its ability to sell products could be adversely affected if those operations did not, or were perceived by the public as failing to, comply with applicable laws and standards or follow responsible environmental practices. Further discussion of environmental issues is included in the Company's Annual Information Form, incorporated by reference herein.

Financial risk management and earnings sensitivities.

CPPI is exposed to a number of risks as a result of holding financial instruments. These risks include credit risk, liquidity risk and market risk.

CPPI's internal Risk Management Committee manages risk in accordance with a Board approved Price Risk Management Controls Policy. This policy provides the framework for risk management related to commodity price, foreign exchange, interest rate and counterparty credit risk of the Company.

(*a*) *Credit risk:*

Credit risk is the risk of financial loss to CPPI if a counterparty to a financial instrument fails to meet its contractual obligations.

Financial instruments that are subject to credit risk include cash and cash equivalents, trade and other receivables. Contract assets are also subject to credit risk. Cash and cash equivalents include cash held through major Canadian and international financial institutions as well as temporary investments that are readily convertible into known amounts of cash within three months or less from the date of acquisition. The cash and cash equivalents balance at December 31, 2024 was $15.3 million.

CPPI utilizes credit insurance to mitigate the risk associated with some of its trade receivables. As at December 31, 2024, approximately 75% of the outstanding trade receivables are covered by credit insurance. In addition, CPPI requires letters of credit on certain export trade receivables and regularly discounts these letters of credit without recourse. CPPI recognizes the sale of the letters of credit on the settlement date and accordingly reduces the related trade receivable balance. CPPI's trade receivable balance at December 31, 2024 was $31.1 million, before a loss allowance of $1.0 million. At December 31, 2024, approximately 100% of the trade receivable balance was within CPPI's established credit terms.

(*b*) *Liquidity risk:*

Liquidity risk is the risk that CPPI will be unable to meet its financial obligations as they come due. The Company manages liquidity risk through regular cash flow forecasting in conjunction with an adequate operating loan facility.

At December 31, 2024, CPPI had $98.0 million drawn on its operating loan facility and $6.0 million reserved for several standby letters of credit, leaving $56.0 million available and undrawn. As a result, including cash and cash equivalents of $15.3 million, at December 31, 2024, the Company had available liquidity of $71.3 million. In addition, CPPI also had accounts payable and accrued liabilities of $129.5 million.

(*c*) *Market risk:*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, foreign currency, commodity and energy prices.

(*i*) *Interest rate risk:*

CPPI is exposed to interest rate risk through its current financial assets and operating loan facility which bear variable interest rates. CPPI may use interest rate swaps to reduce its exposure to financial obligations bearing variable interest rates.

(*ii*) *Currency risk:*

CPPI is exposed to foreign exchange risk primarily related to the US-dollar, as CPPI products are sold globally with prices primarily denominated in US-dollars or linked to prices quoted in US-dollars with certain expenditures transacted in US-dollars. In addition, the Company holds financial assets and liabilities in US-dollars. These primarily include US-dollar bank accounts and trade receivables.

An increase (decrease) in the value of the Canadian dollar by US$0.01 would result in a pre-tax loss (gain) of approximately $0.1 million in relation to working capital balances denominated in US-dollars at year end (including cash, trade receivables and accounts payable). A portion of the currency risk associated with US-dollar denominated sales is naturally offset by US-dollar denominated expenses. A portion of the remaining exposure is sometimes reduced by foreign exchange collar contracts that effectively limit the minimum and maximum Canadian dollar recovery related to the sale of those US-dollars.

(*iii*) *Commodity price risk:*

CPPI's financial performance is dependent on the selling price of its products and the purchase price of raw material inputs. Consequently, CPPI is exposed to changes in commodity prices for pulp and paper, as well as changes in fibre, freight, chemical and energy prices. The markets for pulp and paper are cyclical and are influenced by a variety of factors. These factors include periods of excess supply due to industry capacity additions, periods of decreased demand due to weak global economic activity, inventory destocking by customers and fluctuations in currency exchange rates. During periods of low prices, CPPI is subject to reduced revenues and margins, which adversely impact profitability.

From time to time, CPPI enters into futures contracts on commodity exchanges for pulp. Under the Company's Price Risk Management Controls Policy, up to 1% of pulp sales may be sold in this way.

CPPI is also exposed to commodity price risk on the sale of electricity in Canada. Prices are set by third party regulatory bodies.

(*iv*) *Energy price risk:*

CPPI is exposed to energy price risk relating to purchases of natural gas and diesel oil for use in its operations. The annual exposure is, from time to time, hedged up to 100% through the use of floating to fixed swap contracts or option contracts with maturity dates up to a maximum of eighteen months.

At December 31, 2024 the Company had no fixed interest rate swaps, foreign exchange contracts, pulp futures, energy fixed swaps or option contracts outstanding.

Earnings sensitivities.

Estimates of the sensitivity of CPPI's pre-tax results to currency fluctuations and prices for its principal products, based on 2025 forecast production and year end foreign exchange rates, are set out in the following table:

(millions of Canadian dollars)	Impact on annual pre-tax earnings
NBSK Pulp – US$10 change per tonne[23]	$ 5
Natural gas cost – $1 change per gigajoule	$ 4
Chip cost – $1 change per tonne	$ 1
Canadian dollar – US$0.01 change per Canadian dollar[24]	$ 5

23. Excluding impacts of the exchange rate, freight, discounting, potential change in fibre costs and other deductions.
24. Represents the impact on sales and freight costs and excludes the impact on manufacturing and product costs denominated in US$. Decrease of US$0.01 per Canadian dollar results in an increase to pre-tax annual earnings and an increase of US$0.01 per Canadian dollar results in a decrease to pre-tax annual earnings.

Geopolitics, and Government and other regulations.

The Company sells its products across Asia, North America and other markets, as noted previously. Global events taking place in any of these jurisdictions could affect the ability of the Company to do business with existing or new customers and suppliers.

In addition, the Company is subject to a wide range of general and industry-specific environmental, health and safety and other laws and regulations imposed by federal, provincial and local authorities, including those governing the use, storage, handling, generation, treatment, emission, release, discharge and disposal of certain hazardous materials and wastes, the remediation of contaminated soil and ground water, the health and safety of employees and the export or import of goods to jurisdictions where the Company sells its products. If the Company is unable to extend or renew a material license or permit required by such laws, or if there is a delay in renewing any material license or permit, the Company's business, financial condition, results of operations and cash flows could be materially adversely affected. In addition, future events such as any changes in these laws and regulations or any change in their interpretation or enforcement, or the discovery of currently unknown conditions, may give rise to unexpected expenditures or liabilities.

Increased industry production capacity.

The Company currently faces major competition in the global pulp industry and may face increased industry competition in the years to come if new manufacturing facilities are built or if existing mills are improved. If increases in pulp production capacity exceed increases in pulp demand, selling prices for pulp could decline and adversely affect the Company's business, financial condition, results of operations and cash flows, and the Company may not be able to compete with competitors who have greater financial resources and who are better able to weather a prolonged decline in prices.

Health & safety.

CPPI prioritizes health and safety throughout the organization and strives to ensure that its employees return home safely at the end of each shift. It does this with a comprehensive framework of inspections, training, tests of equipment and regular preventative maintenance. Despite these efforts, the nature of the Company's operations and failure to follow policies and procedures subject employees to a variety of risks, including those related to wood dust, heavy machinery, and chemicals. Apart from the impact on its people, threats to health and safety could cause interruptions to CPPI's business and have an adverse effect on CPPI's reputation, operations, and financial results.

Indigenous relations.

CPPI sources the majority of its fibre from areas subject to claims of Indigenous rights or title. In November 2019, the Government of BC passed legislation (*Declaration on the Rights of Indigenous People Act*) regarding the implementation in BC of the United Nations'

Declaration on the Rights of Indigenous Peoples Act. The legislation provides processes for the BC Government to create a path forward that respects the human rights of Indigenous Peoples while introducing better transparency and predictability to the work the BC Government and Indigenous Peoples do together. This work aims to foster increased and lasting certainty on the land base while ensuring that the benefits of sustainable forest harvesting are realized equitably by those engaged in and impacted by the forestry industry.

In December 2020, the Government of Canada tabled Bill C-15, which is the federal government's response to implementing the United Nations' *Declaration on the Rights of Indigenous People Act*. The Bill proceeded through the legislative process and was enacted into law in June 2021.

Canadian judicial decisions have recognized the continued existence of Indigenous rights and title to lands continuously and exclusively used or occupied by Indigenous groups. In June 2014, the Supreme Court of Canada, for the first time, recognized Indigenous title for the Tsilhqot'in Nation over approximately 1,750 square kilometres of land in central BC ("William decision"). It found that provisions of BC's *Forest Act*, dealing with the disposition or harvest of Crown timber, no longer applied to timber located on these lands, but also confirmed provincial law can apply on Indigenous title lands.

While Indigenous title had previously been assumed over specific, intensively occupied areas such as villages, the William decision marks the first time Canada's highest court has recognized Indigenous title over a specific piece of land and, in so doing, affirmed a broader territorial use-based approach to Indigenous title. The decision also defines what Indigenous title means and the types of land uses consistent with this form of collective ownership.

On June 29, 2021, the BC Supreme Court released its decision in *Yahey v British Columbia*, in which it ruled that the Crown had unjustifiably infringed the Treaty 8 rights of the Blueberry River First Nation ("BRFN") "in permitting the cumulative impacts of industrial development to meaningfully diminish BRFN's ability to exercise its treaty rights in its traditional territory" (the "Blueberry River decision"). The Blueberry River decision has potentially significant implications on regulatory and operational requirements for industrial development activities in northeast BC, where CPPI sources fibre and has operations, and could extend to other areas in Canada where similar claims may be made.

On January 18, 2023, BRFN and the Province of BC reached an agreement that will guide them forward in a partnership approach to land, water and resource stewardship, including forestry. The agreement includes land restoration, new areas protected from industrial development and constraints on development activities while a long-term cumulative effects management regime is implemented. Timber harvesting in the Fort St. John Timber Supply Area will be reduced by approximately 350,000 cubic metres per year. The full impacts of the agreement are still to be determined, however negative long-term impacts on fibre availability are anticipated.

The impacts of BC's *Declaration on the Rights of Indigenous Peoples Act*, the federal government's Bill C-15, the William decision, the Blueberry River decision and other proceedings presently before the courts in BC on the timber supply from Crown lands is unknown at this time. However, there is the potential for adverse timber supply and operational implications associated with the outcome of these ongoing negotiations and issues.

CPPI supports the work of tenure holders to engage, cooperate and exchange information and views with Indigenous Nations and the BC Government to foster good relationships and minimize risks to the Company's operational plans.

Inflation.

CPPI relies on fibre supply, chemicals, gas, electricity, transportation, and labour in its operations. Continued inflationary pressures on these goods and services will increase CPPI's operating costs and reduce operating margins. There is no guarantee that the effects of these cost pressures would be fully offset through price increases, productivity improvements or cost-reduction initiatives.

Information technology.

CPPI's information technology systems serve an essential role in the operation of its business. CPPI relies on various technologies to access fibre, operate its production facilities, interact with customers, vendors and employees and to report on its business. Interruption, failure or unsuccessful implementation and integration of CPPI's information technology systems could result in material and adverse impacts on the Company's financial condition, operations, production, sales, and reputation and could also result in environmental and physical damage to Company operations or surrounding areas.

CPPI's information technology systems and networks could be interrupted or fail due to a variety of causes, such as natural disaster, fire, power outages, vandalism, or cyber-based attacks. Any such interruption or failure could result in operational disruptions or the misappropriation of sensitive or proprietary data that could subject CPPI to civil penalties, litigation or have a negative impact on the Company's reputation. There can be no assurance that such disruptions or misappropriations and the resulting repercussions will not negatively impact the Company's cash flows and have a material adverse effect on its business, operations, financial condition and operational results.

Although to date CPPI has not experienced any material losses relating to cyber risks, there can be no assurance that the Company will not incur such losses in the future. CPPI's risk and exposure cannot be fully mitigated due to the nature of these threats. The Company continues to invest in enhanced technologies to detect and respond to these external threats in addition to developing and enhancing internal controls, policies, and procedures designed to protect systems, servers, computers, software, data, and networks from attack, damage, or unauthorized access remain a priority. CPPI, in conjunction with Canfor, has established a Management Cyber Risk Committee to assess and monitor risk mitigation efforts and to respond to emerging threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

CPPI, in conjunction with Canfor, is currently exploring opportunities that will incorporate generative artificial intelligence and machine learning tools ("AI") into its business processes and has established an Artificial Intelligence Usage Policy that sets out the Company's rules and requirements for the responsible, ethical and secure use of AI by all personnel for the protection of the Company, its personnel, and business partners and to mitigate the risk of misuse, unethical outcomes, potential biases, inaccuracies, loss of personal information or other confidential information, and cybersecurity breaches. All personnel are prohibited from using AI or AI tools for any Company business unless the requirements set out in this policy are met.

Labour agreements and competition for professional skilled labour.

Any labour disruptions and any costs associated with labour disruptions at the Company's mills could have a material adverse effect on the Company's production levels and results of operations. Any inability to negotiate acceptable contracts with the Unifor and the Public and Private Workers of Canada ("PPWC") unions as they expire could result in a strike or work stoppage by the affected workers and increased operating costs as a result of higher wages or benefits paid to unionized workers.

The labour agreements with the Unifor and the PPWC covering the Company's pulp and paper operations at Prince George were ratified in February 2022 and will expire on April 30, 2025. The Company anticipates bargaining will commence with Unifor and PPWC on or before the current contracts' expiration date.

Maintenance obligations and facility disruptions.

The Company's manufacturing processes are vulnerable to operational problems that can impair its ability to manufacture its products. The Company could experience a breakdown in any of its machines, or other important equipment, and from time to time, the Company schedules planned and incurs unplanned outages to conduct maintenance that cannot be performed safely or efficiently during operations. Such disruptions could cause significant loss of production, which could have a material adverse effect on the Company's business, financial condition, and operating results. The Company believes there are reasonable insurance arrangements in place to cover certain outcomes of such incidents; however, there can be no guarantees that these arrangements will fully protect the Company against such losses.

Raw material costs and availability.

The principal raw material utilized by the Company in its manufacturing operations is wood chips. The Company's evergreen Fibre Supply Agreements with Canfor contain pricing formulas that result in the Company paying market price for wood chips and contains provisions to adjust pricing to reflect market conditions. The current pricing under these agreements was renewed in 2023 and may be amended as necessary to ensure it is reflective of market conditions.

Prices for wood chips are not within the Company's control and are driven by market demand, product availability, environmental restrictions, logging regulations, the imposition of fees or other restrictions on exports of lumber into the US and other matters. The impact of the Mountain Pine Beetle infestation in the region continues to impact overall fibre supply for the BC interior sawmills. The Prince George Timber Supply Area allowable annual cut ("AAC") has recently been reduced and is scheduled for another reduction in the next few years. This has the potential to significantly reduce the availability of residual chips that the Company currently consumes from regional sawmills, and an increased reliance on higher-cost whole log chips will be required. A lower AAC in the region may also reduce the availability of pulpwood for whole log chips.

Residual chip pricing also depends on existing sawmills running at current levels. If the residual chip supply is reduced as a result of AAC reductions, lower sawmill production or sawmill closures, whether temporary or permanent, it is expected that the market price for wood chips will increase. The Company is not always able to increase the selling price of its products in response to increases in raw material costs, which could have a material adverse effect on CPPI's financial condition and operating results.

The Company 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, the Company's production, shipments and cost structure will be further affected. These factors could impact the Company's operating plan, liquidity, cash flows and the valuation of long-lived assets.

Transportation services.

While the Company utilizes its own team of supply chain professionals to oversee and respond to disruptions for transportation of its products, as well as delivery of raw materials, it is reliant on railroad, trucking, and shipping third parties to carry out its transportation operations. If any significant third-party transportation providers were to fail to deliver the raw materials or products or distribute them in a timely manner, the Company may be unable find alternative arrangements to sell those products at full value, or at all, or be unable to manufacture its products in response to customer demand, which may have a material adverse effect on its financial condition and operating results. In addition, if any of these significant third parties were to cease operations, suffer labour-related disruptions, or cease doing business with the Company, the Company may be unable to replace them at a reasonable cost. Transportation services may also be impacted by seasonal factors and severe weather, which could impact the timely delivery of raw materials and distribution of products to customers and have a resulting material adverse impact on CPPI's financial condition and operating results.

Outstanding share data.

At March 6, 2025 there were 65,233,559 common shares issued and outstanding.

Disclosure controls and internal controls over financial reporting.

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related consolidated financial statements was properly recorded, processed, summarized, and reported to the Board of Directors and the Audit Committee. The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of these disclosure controls and procedures for the year ended December 31, 2024, and have concluded that they are effective.

The CEO and CFO acknowledge responsibility for the design of internal controls over financial reporting ("ICFR") and confirm that there were no changes in the Company's ICFR during the year ended December 31, 2024, that materially affected, or would be reasonably likely to materially affect, such controls.

Based upon their evaluation of these controls for the year ended December 31, 2024, the CEO and CFO have concluded that these controls are operating effectively.

Additional information about the Company, including its 2024 Annual Information Form, is available at sedarplus.com or at canfor.com.