



Canfor Pulp.

2024 Quarter Two – Interim report

For the three months ended June 30, 2024.

2	Message to shareholders
5	Management's discussion and analysis
14	Condensed Consolidated Balance Sheets
15	Condensed Consolidated Statements of Income (Loss)
16	Condensed Consolidated Statements of Other Comprehensive Income (Loss) and Changes in Equity
17	Condensed Consolidated Statements of Cash Flows
18	Notes to the Condensed Consolidated Interim Financial Statements

To our shareholders.

Canfor Pulp Products Inc. ("The Company" or "CPPI") reported its second quarter of 2024 results:

Overview.

- Q2 2024 operating loss of \$5.6 million; net loss of \$6.3 million, or \$0.10 per share.
- Strong global pulp pricing and moderate improvement in NBSK pulp unit sales realizations.
- Intercon NBSK pulp mill scheduled maintenance downtime completed as planned; restart delayed due to unforeseen recovery boiler repairs and start up challenges.
- Announced indefinite curtailment of one production line at Northwood NBSK pulp mill, driven by the decline in availability of economic fibre in the northern British Columbia region.

Financial results.

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

(millions of Canadian dollars, except per share amounts)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Sales	\$ 220.0	\$ 222.3	\$ 442.3	\$ 249.5	\$ 492.8
Reported operating income (loss) before amortization	\$ 11.0	\$ 1.2	\$ 12.2	\$ (15.3)	\$ (15.9)
Reported operating loss	\$ (5.6)	\$ (15.7)	\$ (21.3)	\$ (37.9)	\$ (63.1)
Adjusted operating income (loss) before amortization ¹	\$ 11.0	\$ 1.2	\$ 12.2	\$ (8.4)	\$ (5.4)
Adjusted operating loss ¹	\$ (5.6)	\$ (15.7)	\$ (21.3)	\$ (31.0)	\$ (52.6)
Net loss	\$ (6.3)	\$ (2.4)	\$ (8.7)	\$ (28.4)	\$ (47.2)
Net loss per share, basic and diluted	\$ (0.10)	\$ (0.04)	\$ (0.13)	\$ (0.44)	\$ (0.72)

1. Adjusted results referenced throughout this news release are defined as non-IFRS financial measures. For further details, refer to the "Non-IFRS financial measures" section of this document.

The Company reported an operating loss of \$5.6 million for the second quarter of 2024, compared to an operating loss of \$15.7 million for the first quarter of 2024. These results largely reflected an uplift in global pulp pricing, primarily in response to global pulp supply disruptions, and the correlated improvement in the Company's average Northern Bleached Softwood Kraft ("NBSK") pulp sales unit realizations. These factors were offset in part, however, by a decline in the Company's pulp production and shipments quarter-over-quarter, driven by extended downtime at its Intercontinental NBSK pulp mill ("Intercon") to address unforeseen recovery boiler repairs identified during the scheduled maintenance in May.

In May 2024, the Company announced the decision to indefinitely curtail one production line at its Northwood NBSK pulp mill ("Northwood") as a result of the continual decline in the availability of economic fibre in the northern British Columbia ("BC") region. The Company anticipates winding down this production line in August 2024. In connection with this indefinite curtailment, CPPI recognized restructuring costs of \$5.9 million during the current quarter.

Second quarter highlights.

Although global pulp producer inventories remained relatively balanced throughout the current quarter, the uplift in global softwood kraft pulp markets experienced at the end of the first quarter continued well into the second quarter, as global supply disruptions gave rise to an uptick in global pulp pricing. As a result, NBSK pulp list prices on orders from China, the world's largest consumer of pulp, saw steady increases throughout most of the period, reaching a 15-month high of US\$825 per tonne in May, before declining in June, to end the quarter at US\$810 per tonne. For the current quarter overall, average US-dollar NBSK pulp list prices to China were US\$811 per tonne, an increase of US\$66 per tonne, or 9%, from the previous quarter.

Pulp production was 130,000 tonnes for the second quarter of 2024, down 28,000 tonnes, or 18%, from the first quarter of 2024, primarily due to a reduction in operating days at Intercon. While the scheduled maintenance at Intercon was successfully completed as planned in early May, downtime was extended into early June to address unplanned repairs that



were determined necessary following an inspection of Intercon's recovery boiler. The delayed restart resulted in pulp from Northwood being redirected to supply the Company's specialty paper facility.

Notwithstanding higher slush pulp costs (linked to the uplift in Canadian dollar NBSK pulp unit sales realizations), operating income in the Company's paper segment was \$1.9 million, up \$0.8 million from the previous quarter, largely reflecting moderately higher paper unit sales realizations, driven by an increase in global US-dollar paper pricing.

Outlook.

Looking forward, global softwood kraft pulp market conditions are anticipated to soften through the third quarter of 2024 as global softwood pulp supply stabilizes, following disruptions in the first and second quarters of 2024, and as new hardwood capacity in China and Brazil is projected to come online. On the demand side, purchasing activity during the third quarter of 2024 is projected to dampen as the traditionally slower summer period is forecast to combine with reduced demand for paper products, particularly in China, further weakening pulp demand.

As a result of the aforementioned decision to wind down one production line at its Northwood pulp mill in August 2024, the indefinite curtailment will result in the reduction of approximately 300,000 tonnes of market kraft pulp annually. Consequently, the Company's results in the third quarter of 2024 will reflect the impact of this wind down on production, shipments and cost structure. Looking forward, while the Company is focused on optimizing a sustainable operating footprint, improving operational reliability and closely managing manufacturing and fibre costs, it will continue to evaluate its operating conditions and will 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.

Bleached kraft paper demand is forecast to remain solid through most of the third quarter of 2024, after which a modest slowdown in demand is anticipated as global kraft paper inventories return to more normalized levels.

No major maintenance outages are planned for the third quarter of 2024.



The Honourable John R. Baird
Chairman



Kevin A. Edgson
President and Chief Executive Officer



Non-IFRS financial measures.

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

(millions of Canadian dollars, except per share amounts)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Reported operating loss	\$ (5.6)	\$ (15.7)	\$ (21.3)	\$ (37.9)	\$ (63.1)
Inventory write-down	\$ -	\$ -	\$ -	\$ 6.9	\$ 10.5
Adjusted operating loss	\$ (5.6)	\$ (15.7)	\$ (21.3)	\$ (31.0)	\$ (52.6)
Amortization	\$ 16.6	\$ 16.9	\$ 33.5	\$ 22.6	\$ 47.2
Adjusted operating income (loss) before amortization	\$ 11.0	\$ 1.2	\$ 12.2	\$ (8.4)	\$ (5.4)



Canfor Pulp Products Inc.

Second quarter 2024.

Management's discussion and analysis.

This interim Management's Discussion and Analysis ("MD&A") provides a review of Canfor Pulp Products Inc.'s ("CPPI" or "the Company") financial performance for the quarter ended June 30, 2024, relative to the quarters ended March 31, 2024 and June 30, 2023, and the financial position of the Company at June 30, 2024. It should be read in conjunction with CPPI's unaudited interim consolidated financial statements and accompanying notes for the quarters ended, June 30, 2024 and 2023, as well as the 2023 annual MD&A and the 2023 audited consolidated financial statements and notes thereto, which are included in CPPI's Annual Report for the year ended December 31, 2023 (available at www.canfor.com). The financial information in this interim MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises.

Throughout this discussion, reference is made to Operating Income (Loss) before Amortization, 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 "Selected quarterly financial information") 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), Adjusted Net 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. Throughout this discussion, reference is made to the current quarter, which refers to the results for the second quarter of 2024.

Also in this interim MD&A, reference is made to net debt (cash), net debt (cash) to total capitalization and return on invested capital ("ROIC") which the Company considers to be relevant performance indicators that are not generally accepted under IFRS. Therefore, these indicators, defined herein, may not be directly comparable with similarly titled measures used by other companies. Refer to the "Non-IFRS financial measures" section of this interim MD&A for further details.

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

All financial references are in millions of Canadian dollars unless otherwise noted. The information in this report is as at July 25, 2024.

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.



Second quarter 2024.

Overview.

(millions of Canadian dollars)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Operating loss	\$ (5.6)	\$ (15.7)	\$ (21.3)	\$ (37.9)	\$ (63.1)
Inventory write-down	\$ -	\$ -	\$ -	\$ 6.9	\$ 10.5
Adjusted operating loss ¹	\$ (5.6)	\$ (15.7)	\$ (21.3)	\$ (31.0)	\$ (52.6)
Amortization	\$ 16.6	\$ 16.9	\$ 33.5	\$ 22.6	\$ 47.2
Adjusted operating income (loss) before amortization ¹	\$ 11.0	\$ 1.2	\$ 12.2	\$ (8.4)	\$ (5.4)

1. Adjusted results are defined as a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

Selected financial information and statistics.

(millions of Canadian dollars, except ratios)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Operating income (loss) by segment:					
Pulp	\$ (4.7)	\$ (13.6)	\$ (18.3)	\$ (36.0)	\$ (60.4)
Paper	\$ 1.9	\$ 1.1	\$ 3.0	\$ 0.7	\$ 4.0
Unallocated	\$ (2.8)	\$ (3.2)	\$ (6.0)	\$ (2.6)	\$ (6.7)
Total operating loss	\$ (5.6)	\$ (15.7)	\$ (21.3)	\$ (37.9)	\$ (63.1)
Add: Amortization ²	\$ 16.6	\$ 16.9	\$ 33.5	\$ 22.6	\$ 47.2
Total operating income (loss) before amortization	\$ 11.0	\$ 1.2	\$ 12.2	\$ (15.3)	\$ (15.9)
Add (deduct):					
Working capital movements	\$ 1.0	\$ (3.1)	\$ (2.1)	\$ 41.5	\$ 41.7
Defined benefit plan contributions	\$ (1.3)	\$ (1.1)	\$ (2.4)	\$ (3.3)	\$ (4.2)
Income taxes recovered (paid), net	\$ -	\$ (0.1)	\$ (0.1)	\$ 0.1	\$ (0.7)
Insurance proceeds	\$ -	\$ 15.2	\$ 15.2	\$ 3.8	\$ 6.2
Other operating cash flows, net	\$ 7.4	\$ 2.9	\$ 10.3	\$ 0.4	\$ 4.4
Cash from (used in) operating activities	\$ 18.1	\$ 15.0	\$ 33.1	\$ 27.2	\$ 31.5
Add (deduct):					
Capital additions, net	\$ (14.4)	\$ (12.0)	\$ (26.4)	\$ (10.3)	\$ (22.3)
Conversion of term debt	\$ -	\$ -	\$ -	\$ (50.0)	\$ (50.0)
Proceeds from sale of Taylor pulp mill	\$ 5.0	\$ 1.9	\$ 6.9	\$ -	\$ -
Finance expenses paid	\$ (2.9)	\$ (3.9)	\$ (6.8)	\$ (3.4)	\$ (5.4)
Other, net	\$ 0.1	\$ -	\$ 0.1	\$ 0.1	\$ 0.1
Change in cash / operating loans	\$ 5.9	\$ 1.0	\$ 6.9	\$ (36.4)	\$ (46.1)
ROIC – Consolidated period-to-date ³	(1.2)%	(0.1)%	(1.3)%	(6.2)%	(10.1)%
Average exchange rate (US\$ per C\$1.00)⁴	\$ 0.731	\$ 0.741	\$ 0.736	\$ 0.745	\$ 0.742

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

3. Consolidated ROIC is a non-IFRS financial measure. Refer to the "Non-IFRS financial measures" section for further details.

4. Source – Bank of Canada (monthly average rate for the period).

The Company reported an operating loss of \$5.6 million for the second quarter of 2024, compared to an operating loss of \$15.7 million for the first quarter of 2024. These results largely reflected an uplift in global pulp pricing, primarily in response to global pulp supply disruptions early in the current period, and the correlated improvement in the Company's average Northern Bleached Softwood Kraft ("NBSK") pulp sales unit realizations. These factors were offset in part, however, by a decline in the Company's pulp production and shipments quarter-over-quarter, driven by extended downtime at its Intercontinental NBSK pulp mill ("Intercon") to address unforeseen recovery boiler repairs identified during the scheduled maintenance in May.

In May 2024, the Company announced the decision to indefinitely curtail one production line at its Northwood NBSK pulp mill ("Northwood") as a result of the continual decline in the availability of economic fibre in the northern British Columbia ("BC") region. The Company anticipates winding down this production line in August 2024. In connection with this indefinite curtailment, the Company recognized restructuring costs of \$5.9 million during the current quarter.



After taking into consideration a \$6.9 million inventory write-down in the comparative period, adjusted operating results improved \$25.4 million compared to the second quarter of 2023, principally tied to moderately higher average NBSK pulp unit sales realizations, and, to a lesser extent, slightly lower pulp unit manufacturing costs following the permanent closure of the pulp line at the Company's Prince George Pulp and Paper mill in the prior year.

Operating results by business segment.

Pulp.

Selected financial information and statistics – pulp.

(millions of Canadian dollars, unless otherwise noted)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Sales	\$ 164.2	\$ 170.5	\$ 334.7	\$ 197.6	\$ 385.0
Operating income (loss) before amortization ⁵	\$ 10.7	\$ 2.5	\$ 13.2	\$ (14.1)	\$ (14.3)
Operating loss	\$ (4.7)	\$ (13.6)	\$ (18.3)	\$ (36.0)	\$ (60.4)
Inventory write-down	\$ -	\$ -	\$ -	\$ 6.9	\$ 10.5
Adjusted operating loss ⁶	\$ (4.7)	\$ (13.6)	\$ (18.3)	\$ (29.1)	\$ (49.9)
Average NBSK pulp list price delivered to China – US\$ ⁷	\$ 811	\$ 745	\$ 778	\$ 668	\$ 780
Average NBSK pulp list price delivered to China – Cdn\$ ⁷	\$ 1,109	\$ 1,005	\$ 1,057	\$ 897	\$ 1,051
Production – pulp (000 mt)	130	158	288	151	332
Shipments – pulp (000 mt)	145	159	304	179	331

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

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

7. 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.

Although global pulp producer inventories remained relatively balanced throughout the current quarter, the uplift in global softwood kraft pulp markets experienced at the end of the first quarter continued well into the second quarter, as global supply disruptions gave rise to an uptick in global softwood pulp pricing. As a result, NBSK pulp list prices on orders from China, the world's largest consumer of pulp, saw steady increases throughout most of the period, reaching a 15-month high of US\$825 per tonne in May, before declining in June, to end the quarter at US\$810 per tonne. For the current quarter overall, average US-dollar NBSK pulp list prices to China were US\$811 per tonne, an increase of US\$66 per tonne, or 9%, from the previous quarter, and up US\$143 per tonne, or 21%, compared to the second quarter of 2023. A more pronounced increase was experienced in other global regions, especially North America and Europe, with US-dollar NBSK pulp list prices to North America averaging US\$1,697 per tonne (before discounts) for the second quarter of 2024, an improvement of US\$257 per tonne, or 18%, from the previous quarter, and up US\$187 per tonne, or 12% from the same period in the prior year.

As mentioned, global softwood pulp producer inventories were relatively steady throughout the current quarter and within the balanced range, ending May 2024 at 38 days of supply⁸, consistent with March 2024 levels. Market conditions are generally considered balanced when inventories are in the 32-43 days of supply range⁸.

Sales.

The Company's pulp shipments for the second quarter of 2024 totaled 145,000 tonnes, down 14,000 tonnes, or 9%, from the previous quarter, primarily driven by an 18% reduction in pulp production quarter-over-quarter, offset in part by a drawdown of finished inventory in the current period largely correlated with the delayed restart of Intercon into early June.

Compared to the second quarter of 2023, pulp shipments were down 34,000 tonnes, or 19%, principally reflecting a 14% decline in pulp production in the current period, combined with shipments in the comparative period being uplifted by a drawdown of inventory following the closure of the pulp line at the Company's Prince George Pulp and Paper mill in April 2023.

8. 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).



The Company's average NBSK pulp unit sales realizations moderately improved compared to both the first quarter of 2024 and the second quarter of 2023, primarily tied to the aforementioned increases in US-dollar NBSK pulp list prices to China and other global regions quarter-over-quarter, combined with a weaker Canadian dollar in the current period, offset to a degree, by an unfavourable timing lag in shipments (versus orders).

Energy revenues decreased in the current quarter compared to both comparative periods, largely reflecting a decline in power generation quarter-over-quarter driven by reduced pulp production.

Operations.

Pulp production was 130,000 tonnes for the second quarter of 2024, down 28,000 tonnes, or 18%, from the first quarter of 2024, primarily due to a reduction in operating days at Intercon. While the scheduled maintenance at Intercon was successfully completed as planned in early May, with approximately 5,000 tonnes of reduced NBSK pulp production, downtime was extended into early June to address unplanned repairs that were determined necessary following an inspection of Intercon's recovery boiler. The delayed restart resulted in pulp from Northwood being redirected to supply the Company's specialty paper facility. These factors, combined with a slow ramp up of production following the downtime, further reduced NBSK pulp production in the current quarter by approximately 50,000 tonnes. Despite these challenges, productivity at Intercon steadily improved through the balance of June and has returned to more normalized operating rates in July.

In the first quarter of 2024, pulp production was principally impacted by extreme winter weather conditions, particularly in January, as well as other minor operational disruptions (combined, approximately 30,000 tonnes).

Compared to the second quarter of 2023, pulp production was down 21,000 tonnes, or 14%, primarily reflecting the aforementioned extended downtime and ramp up at Intercon, which more than offset the impact of operational challenges at Northwood in the comparative period (approximately 40,000 tonnes).

Pulp unit manufacturing costs experienced a slight increase compared to the first quarter of 2024, principally driven by lower pulp production, offset to a degree, by a seasonal decline in energy usage, and, to a lesser extent, reduced maintenance spend. Fibre costs were modestly higher than the previous quarter, primarily due to the uplift in market-based prices for sawmill residual chips (linked to the higher Canadian dollar NBSK pulp sales realizations), moderated in part, by a decrease in the proportion of higher-cost whole log chips. Notwithstanding the decline in pulp production in the current quarter, pulp unit manufacturing costs were slightly lower than the second quarter of 2023, principally reflecting a moderate decrease in fibre costs combined with reduced energy and maintenance spend quarter-over-quarter.

Paper.

Selected financial information and statistics – paper.

(millions of Canadian dollars, unless otherwise noted)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Sales	\$ 55.8	\$ 51.8	\$ 107.6	\$ 51.9	\$ 107.8
Operating income before amortization ⁹	\$ 3.1	\$ 1.9	\$ 5.0	\$ 1.4	\$ 5.1
Operating income	\$ 1.9	\$ 1.1	\$ 3.0	\$ 0.7	\$ 4.0
Production – paper (000 mt)	32	32	64	30	64
Shipments – paper (000 mt)	36	35	71	32	67

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

Markets.

Global kraft paper market demand and pricing continued to strengthen through the second quarter of 2024, primarily led by an uptick in purchasing activity in the North American region.

Sales.

The Company's paper shipments in the second quarter of 2024 were 36,000 tonnes, broadly in line with the previous quarter, and up 4,000 tonnes from the second quarter of 2023. The latter was principally tied to the timing of shipments around quarter-end compared to the comparative period.



Paper unit sales realizations in the second quarter of 2024 were moderately higher than the previous quarter, largely reflecting a modest uplift in global US-dollar paper pricing combined with a 1% weaker Canadian dollar quarter-over-quarter. Compared to the second quarter of 2023, paper unit sales realizations declined slightly, as a minor drop in US-dollar paper pricing, was offset in part by a 2% weaker Canadian dollar.

Operations.

Paper production for the second quarter of 2024 was 32,000 tonnes, broadly consistent with the previous quarter and up 2,000 tonnes from the same period in the prior year, principally driven by improved productivity quarter-over-quarter.

Paper unit manufacturing costs were moderately higher compared to both the first quarter of 2024 and the second quarter of 2023, as notably higher slush pulp costs (associated with the increase in Canadian dollar average NBSK pulp unit sales realizations), were offset in part by the benefit of reduced energy and maintenance spend in the current period.

Unallocated items.

Selected financial information.

(millions of Canadian dollars)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Corporate costs	\$ (2.8)	\$ (3.2)	\$ (6.0)	\$ (2.6)	\$ (6.7)
Finance expense, net	\$ (3.7)	\$ (4.2)	\$ (7.9)	\$ (3.8)	\$ (6.3)
Other income, net	\$ 0.7	\$ 16.5	\$ 17.2	\$ 2.9	\$ 5.3

Corporate costs were \$2.8 million for the second quarter of 2024, down \$0.4 million from the previous quarter and broadly in line with the second quarter of 2023. The former largely reflected a decline in head office and general administrative expenses in the current period.

Net finance expense for the second quarter of 2024 was \$3.7 million, down \$0.5 million from the previous quarter and broadly in line with the same period in the prior year, with the former principally driven by lower financing fees associated with letters of credit and, to a lesser extent, a decrease in interest expense for the Company's operating loan facility in the current quarter.

Other income, net, of \$0.7 million in the second quarter of 2024 was largely due 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. Other income, net, of \$16.5 million in the first quarter of 2024 and \$2.9 million in the second quarter of 2023, largely related to the receipt of insurance proceeds related to operational downtime experienced at Northwood in recent years, combined with foreign exchange movements on US-dollar denominated working capital balances.

Other comprehensive income (loss).

In the second quarter of 2024, the Company recorded a loss of \$3.2 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 lower than anticipated return on plan assets, and to a lesser extent, a 0.1% decrease in the discount rate used to value the net defined benefit obligations. This compared to a gain of \$3.5 million (before tax) in the first quarter of 2024, largely reflecting a 0.3% increase in the discount rate used to value the net defined benefit obligations. In the second quarter of 2023, the Company recorded a gain of \$2.8 million (before tax), primarily associated with a 0.1% increase in the discount rate used to value the net defined benefit obligations and a higher than anticipated returns on plan assets.



Summary of financial position.

The following table summarizes CPPI's cash flow and selected ratios and other key financial items for and as at the end of the following periods:

(millions of Canadian dollars, except ratios)	Q2 2024	Q1 2024	YTD 2024	Q2 2023	YTD 2023
Increase (decrease) in cash and cash equivalents	\$ (2.1)	\$ 5.0	\$ 2.9	\$ 8.6	\$ (6.1)
Operating activities	\$ 18.1	\$ 15.0	\$ 33.1	\$ 27.2	\$ 31.5
Financing activities	\$ (11.0)	\$ (0.1)	\$ (11.1)	\$ (8.6)	\$ (15.8)
Investing activities	\$ (9.2)	\$ (9.9)	\$ (19.1)	\$ (10.0)	\$ (21.8)
Ratio of current assets to current liabilities	0.9 : 1	1.0 : 1	0.9 : 1	1.3:1	1.3:1
Net debt to total capitalization ¹⁰	19.4%	20.1%	19.4%	10.8%	10.8%

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

Operating activities.

Cash generated from operating activities in the second quarter of 2024 was \$18.1 million, compared to cash generated of \$15.0 million in the first quarter of 2024 and \$27.2 million in the second quarter of 2023. The \$3.1 million increase in operating cash flows compared to the previous quarter was largely due to favourable movements in non-cash working capital, driven principally by a decrease in finished pulp inventories on hand at the end of the current period. Compared to the second quarter of 2023, the \$9.1 million decrease in operating cash flows was principally related to unfavourable changes in non-cash working capital quarter-over-quarter, offset in part by improved cash earnings in the current quarter.

Financing activities.

Cash used for financing activities in the second quarter of 2024 was \$11.0 million, compared to cash used of \$0.1 million in the first quarter of 2024 and cash used of \$8.6 million in the second quarter of 2023. Financing activities in the current quarter were primarily comprised of an \$8.0 million repayment of the Company's operating loan facility, as well as interest expense and financing fees associated with letters of credit. Financing activities in the first quarter of 2024 primarily included a \$4.0 million draw-down on the Company's operating loan facility, partially offset by interest expense. Cash used for financing activities in the second quarter of 2023 principally reflected the conversion of the Company's \$50.0 million term debt into its existing operating loan facility, and a \$5.0 million net repayment of the operating loan facility.

Investing activities.

Cash used for investing activities of \$9.2 million in the current quarter, as well as both comparative periods, was predominantly associated with maintenance-of-business capital spend, which in the current period, included spend related to Intercon's scheduled maintenance outage. Investing activities in the current quarter also included the receipt of the \$5.0 million final installment with regards to the sale of the Company's Taylor Bleached Chemi-Thermo Mechanical Pulp mill in February 2024.

Liquidity and financial requirements.

At June 30, 2024, the Company had a \$160.0 million unsecured operating loan facility, with \$103.0 million of the facility drawn, and \$7.1 million reserved for several standby letters of credit, leaving \$49.9 million available and undrawn on its operating loan facility at the end of the current quarter.

The terms of the Company's operating loan facility include interest payable at floating rates that vary depending on the ratio of debt to total capitalization, and is based on the lenders' Canadian prime rate, bankers' acceptances, US-dollar base rate or US-dollar floating rate, plus a margin. The operating loan facility is repayable on May 2, 2027, and has certain financial covenants, including a maximum debt to total capitalization ratio.

In 2023, the Company secured a commitment to receive up to \$80.0 million of non-revolving term debt to support the Company's continued re-investment in its facilities, specifically Northwood's recovery boiler number one ("RB1"). This non-revolving term debt has a maturity date of May 2, 2027, with interest payable at floating interest rates consistent with its operating loan facility. As at June 30, 2024, this non-revolving term debt remains undrawn.

At June 30, 2024, the Company had total net debt of \$79.0 million, a \$5.9 million decrease from net debt of \$84.9 million at the end of the previous quarter. At June 30, 2024, the Company had available liquidity of \$153.9 million, of which \$80.0 million relates to the non-revolving term debt and is restricted for use on the re-investment of Northwood's RB1.



Outlook.

Pulp and paper markets.

Looking forward, global softwood kraft pulp market conditions are anticipated to soften through the third quarter of 2024 as global softwood pulp supply stabilizes, following disruptions in the first and second quarters of 2024, and as new hardwood capacity in China and Brazil is projected to come online. On the demand side, purchasing activity during the third quarter of 2024 is projected to dampen as the traditionally slower summer period is forecast to combine with reduced demand for paper products, particularly in China, further weakening pulp demand.

As a result of the aforementioned decision to wind down one production line at its Northwood pulp mill in August 2024, the indefinite curtailment will result in the reduction of approximately 300,000 tonnes of market kraft pulp annually. Consequently, the Company's results in the third quarter of 2024 will reflect the impact of this wind down on production, shipments and cost structure. Looking forward, while the Company is focused on optimizing a sustainable operating footprint, improving operational reliability and closely managing manufacturing and fibre costs, it will continue to evaluate its operating conditions and will 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.

Bleached kraft paper demand is forecast to remain solid through most of the third quarter of 2024, after which a modest slowdown in demand is anticipated as global kraft paper inventories return to more normalized levels.

No major maintenance outages are planned for the third quarter of 2024.

Outstanding shares.

As at June 30, 2024 and July 25, 2024, there were 65,233,559 common shares of the Company outstanding and Canfor's ownership interest in CPPI was 54.8%.

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. While it is reasonably possible that circumstances may arise which cause actual results to differ from these estimates, Management does not believe it is likely that any such differences will materially affect the Company's financial condition.

Internal controls over financial reporting.

During the quarter ended June 30, 2024, there were no changes in the Company's internal controls over financial reporting that materially affected, or would be reasonably likely to materially affect, such controls.

Risks and uncertainties.

A comprehensive discussion of risks and uncertainties is included in the Company's 2023 annual statutory reports, which are available on canfor.com or sedarplus.com.

Sales are primarily influenced by changes in market pulp prices, sales volumes, global supply chain networks 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 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.



Selected quarterly financial information.

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Sales and income (loss) (millions of Canadian dollars)								
Sales	\$ 220.0	\$ 222.3	\$ 193.9	\$ 188.8	\$ 249.5	\$ 243.3	\$ 268.1	\$ 308.3
Operating income (loss) before amortization, asset write-down and impairment ¹¹	\$ 11.0	\$ 1.2	\$ 1.1	\$ (27.7)	\$ (15.3)	\$ (0.6)	\$ (15.1)	\$ 46.7
Operating income (loss)	\$ (5.6)	\$ (15.7)	\$ (15.1)	\$ (49.3)	\$ (37.9)	\$ (25.2)	\$ (91.1)	\$ 19.2
Net income (loss)	\$ (6.3)	\$ (2.4)	\$ (13.2)	\$ (35.7)	\$ (28.4)	\$ (18.8)	\$ (69.8)	\$ 16.3
Per common share (Canadian dollars)								
Net income (loss) per share – basic and diluted	\$ (0.10)	\$ (0.04)	\$ (0.20)	\$ (0.55)	\$ (0.44)	\$ (0.29)	\$ (1.07)	\$ 0.25
Book value per share ¹²	\$ 5.04	\$ 5.17	\$ 5.17	\$ 5.34	\$ 5.89	\$ 6.29	\$ 6.55	\$ 7.65
Statistics								
Pulp shipments (000 mt)	145	159	136	142	179	152	170	199
Paper shipments (000 mt)	36	35	32	30	32	35	32	32
Average exchange rate – US\$/Cdn\$	\$ 0.731	\$ 0.741	\$ 0.734	\$ 0.746	\$ 0.745	\$ 0.740	\$ 0.736	\$ 0.766
Average NBSK pulp list price delivered to China (US\$)	\$ 811	\$ 745	\$ 748	\$ 680	\$ 668	\$ 891	\$ 920	\$ 969

11. Amortization includes amortization of certain capitalized major maintenance costs; includes an asset write-down and impairment charge totaling \$49.6 million in Q4 2022.

12. 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.

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

After-tax impact (millions of Canadian dollars, except for per share amounts)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Net income (loss), as reported	\$ (6.3)	\$ (2.4)	\$ (13.2)	\$ (35.7)	\$ (28.4)	\$ (18.8)	\$ (69.8)	\$ 16.3
Asset write-down and impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36.2	\$ -
Adjusted net income (loss)¹³	\$ (6.3)	\$ (2.4)	\$ (13.2)	\$ (35.7)	\$ (28.4)	\$ (18.8)	\$ (33.6)	\$ 16.3
Net income (loss) per share (EPS), as reported	\$ (0.10)	\$ (0.04)	\$ (0.20)	\$ (0.55)	\$ (0.44)	\$ (0.29)	\$ (1.07)	\$ 0.25
Net impact of above items per share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.55	\$ -
Adjusted net income (loss) per share¹³	\$ (0.10)	\$ (0.04)	\$ (0.20)	\$ (0.55)	\$ (0.44)	\$ (0.29)	\$ (0.52)	\$ 0.25

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



Non-IFRS financial measures.

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

(millions of Canadian dollars)	Q2 2024	Q1 2024	Q2 2023
Operating loss	\$ (5.6)	\$ (15.7)	\$ (37.9)
Inventory write-down	\$ -	\$ -	\$ 6.9
Adjusted operating loss	\$ (5.6)	\$ (15.7)	\$ (31.0)
Amortization	\$ 16.6	\$ 16.9	\$ 22.6
Adjusted operating income (loss) before amortization	\$ 11.0	\$ 1.2	\$ (8.4)

(millions of Canadian dollars, except ratios)	Q2 2024	Q1 2024	Q2 2023
Operating loss	\$ (5.6)	\$ (15.7)	\$ (37.9)
Other income, net	\$ -	\$ 15.2	\$ 3.7
Return	\$ (5.6)	\$ (0.5)	\$ (34.2)
Average invested capital ¹⁴	\$ 477.8	\$ 485.7	\$ 553.5
Return on invested capital (ROIC)	(1.2%)	(0.1%)	(6.2%)

14. 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 June 30, 2024	As at December 31, 2023	As at June 30, 2023
Operating loans	\$ 103.0	\$ 107.0	\$ 55.0
Less: cash and cash equivalents	\$ 24.0	\$ 21.1	\$ 8.6
Net debt	\$ 79.0	\$ 85.9	\$ 46.4
Total equity	\$ 328.6	\$ 337.1	\$ 384.2
Total capitalization	\$ 407.6	\$ 423.0	\$ 430.6
Net debt to total capitalization	19.4%	20.3%	10.8%



Canfor Pulp Products Inc.

Condensed Consolidated Balance Sheets

(millions of Canadian dollars, unaudited)	As at June 30, 2024	As at December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 24.0	\$ 21.1
Trade receivables	48.0	47.8
Other receivables	7.5	6.3
Income taxes recoverable	-	0.2
Inventories (Note 2)	138.7	165.9
Prepaid expenses and other	6.5	10.2
Total current assets	224.7	251.5
Property, plant and equipment and intangible assets		
Right-of-use assets	1.9	1.7
Other long-term assets	5.8	6.8
Total assets	\$ 642.3	\$ 675.8
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 144.8	\$ 159.7
Operating loan (Note 3(a))	103.0	107.0
Current portion of lease obligations	1.0	0.8
Total current liabilities	248.8	267.5
Retirement benefit obligations (Note 4)	38.0	39.0
Lease obligations	1.5	1.4
Other long-term liabilities	8.4	10.2
Deferred income taxes, net	17.0	20.6
Total liabilities	\$ 313.7	\$ 338.7
EQUITY		
Share capital	\$ 480.8	\$ 480.8
Accumulated deficit	(152.2)	(143.7)
Total equity	\$ 328.6	\$ 337.1
Total liabilities and equity	\$ 642.3	\$ 675.8

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

APPROVED BY THE BOARD



Director, N.J. Mayr



Director, The Hon. J.R. Baird

Canfor Pulp Products Inc.

Condensed Consolidated Statements of Income (Loss)

(millions of Canadian dollars, except per share data, unaudited)	3 months ended June 30,		6 months ended June 30,	
	2024	2023	2024	2023
Sales	\$ 220.0	\$ 249.5	\$ 442.3	\$ 492.8
Costs and expenses				
Manufacturing and product costs	170.7	226.0	357.5	428.2
Freight and other distribution costs	26.0	32.2	53.3	62.7
Amortization	16.6	22.6	33.5	47.2
Selling and administration costs	6.4	6.0	13.4	14.6
Restructuring costs (Note 11)	5.9	0.6	5.9	3.2
	225.6	287.4	463.6	555.9
Operating loss	(5.6)	(37.9)	(21.3)	(63.1)
Finance expense, net	(3.7)	(3.8)	(7.9)	(6.3)
Other income, net	0.7	2.9	17.2	5.3
Net loss before income taxes	(8.6)	(38.8)	(12.0)	(64.1)
Income tax recovery (Note 5)	2.3	10.4	3.3	16.9
Net loss	\$ (6.3)	\$ (28.4)	\$ (8.7)	\$ (47.2)
Net loss per common share: (in Canadian dollars)				
Attributable to equity shareholders of the Company				
- Basic and diluted (Note 6)	\$ (0.10)	\$ (0.44)	\$ (0.13)	\$ (0.72)

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

Canfor Pulp Products Inc.

Condensed Consolidated Statements of Other Comprehensive Income (Loss)

(millions of Canadian dollars, unaudited)	3 months ended June 30,		6 months ended June 30,	
	2024	2023	2024	2023
Net loss	\$ (6.3)	\$ (28.4)	\$ (8.7)	\$ (47.2)
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to net income (loss):				
Defined benefit plan actuarial gains (losses), net (Note 4)	(3.2)	2.8	0.3	5.5
Income tax recovery (expense) on defined benefit plan actuarial gains (losses), net (Note 5)	0.8	(0.8)	(0.1)	(1.5)
Other comprehensive income (loss), net of tax	(2.4)	2.0	0.2	4.0
Total comprehensive loss	\$ (8.7)	\$ (26.4)	\$ (8.5)	\$ (43.2)

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars, unaudited)	3 months ended June 30,		6 months ended June 30,	
	2024	2023	2024	2023
Share capital				
Balance at beginning and end of period	\$ 480.8	\$ 480.8	\$ 480.8	\$ 480.8
Accumulated deficit				
Balance at beginning of period	\$ (143.5)	\$ (70.2)	\$ (143.7)	\$ (53.4)
Net loss	(6.3)	(28.4)	(8.7)	(47.2)
Other comprehensive income (loss), net of tax	(2.4)	2.0	0.2	4.0
Balance at end of period	\$ (152.2)	\$ (96.6)	\$ (152.2)	\$ (96.6)
Total equity	\$ 328.6	\$ 384.2	\$ 328.6	\$ 384.2

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

Canfor Pulp Products Inc.

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars, unaudited)	3 months ended June 30,		6 months ended June 30,	
	2024	2023	2024	2023
Cash generated from (used in):				
Operating activities				
Net loss	\$ (6.3)	\$ (28.4)	\$ (8.7)	\$ (47.2)
Items not affecting cash:				
Amortization	16.6	22.6	33.5	47.2
Income tax recovery (Note 5)	(2.3)	(10.4)	(3.3)	(16.9)
Employee future benefits expense	0.4	0.4	0.9	1.0
Finance expense, net	3.7	3.8	7.9	6.3
Restructuring costs (Note 11)	5.9	0.6	5.9	3.2
Other, net	0.4	0.3	1.5	1.1
Defined benefit plan contributions	(1.3)	(3.3)	(2.4)	(4.2)
Income taxes recovered (paid), net	-	0.1	(0.1)	(0.7)
	17.1	(14.3)	35.2	(10.2)
Net change in non-cash working capital (Note 7)	1.0	41.5	(2.1)	41.7
	18.1	27.2	33.1	31.5
Financing activities				
Operating loan drawings (repayments), net (Note 3(a))	(8.0)	45.0	(4.0)	40.0
Conversion of term debt	-	(50.0)	-	(50.0)
Payments of lease obligations	(0.1)	(0.2)	(0.3)	(0.4)
Finance expenses paid	(2.9)	(3.4)	(6.8)	(5.4)
	(11.0)	(8.6)	(11.1)	(15.8)
Investing activities				
Additions to property, plant and equipment and intangible assets, net	(14.4)	(10.3)	(26.4)	(22.3)
Proceeds from sale of Taylor pulp mill (Note 10)	5.0	-	6.9	-
Other, net	0.2	0.3	0.4	0.5
	(9.2)	(10.0)	(19.1)	(21.8)
Increase (decrease) in cash and cash equivalents*	(2.1)	8.6	2.9	(6.1)
Cash and cash equivalents at beginning of period*	26.1	-	21.1	14.7
Cash and cash equivalents at end of period*	\$ 24.0	\$ 8.6	\$ 24.0	\$ 8.6

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

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

Canfor Pulp Products Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three and six months ended June 30, 2024 and 2023

1. Basis of Preparation

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting*, and include the accounts of Canfor Pulp Products Inc. and its subsidiary entities, hereinafter referred to as "CPPI" or "the Company." At June 30, 2024 and July 25, 2024, Canfor Corporation ("Canfor") held a 54.8% interest in CPPI.

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

These financial statements were authorized for issue by the Company's Board of Directors on July 25, 2024.

2. Inventories

(millions of Canadian dollars, unaudited)	As at June 30, 2024	As at December 31, 2023
Pulp	\$ 38.8	\$ 54.4
Paper	23.8	31.2
Wood chips and logs	23.1	30.6
Materials and supplies	53.0	49.7
	\$ 138.7	\$ 165.9

The above inventory balances are stated at the lower of cost and net realizable value. For the three and six months ended June 30, 2024, no inventory valuation adjustment was recognized. For the three months ended June 30, 2023, a \$6.9 million inventory write-down expense was recognized (six months ended June 30, 2023 - \$10.5 million write-down expense). At June 30, 2024, no inventory provision has been recognized (December 31, 2023 - no inventory provision).

3. Operating Loan and Term Debt

(a) Available Operating Loan

(millions of Canadian dollars, unaudited)	As at June 30, 2024	As at December 31, 2023
Operating loan facility	\$ 160.0	\$ 160.0
Letters of credit	(7.1)	(6.9)
Operating loan facility drawn	(103.0)	(107.0)
Total available operating loan facility	\$ 49.9	\$ 46.1

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

The operating loan facility is repayable on May 2, 2027 and has certain financial covenants, including a maximum debt to total capitalization ratio. At June 30, 2024, the Company was fully in compliance with all covenants relating to its operating loan facility.

(b) Term Debt

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

This non-revolving term debt has a maturity date of May 2, 2027, with interest payable at floating interest rates consistent with its operating loan facility. At June 30, 2024, the Company was fully in compliance with all covenants relating to its non-revolving term debt which remains undrawn.

4. Employee Future Benefits

For the three months ended June 30, 2024, actuarial losses of \$3.2 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations (comprised of defined benefit plans as well as other benefit plans), principally reflecting a lower than anticipated return on plan assets, and to a lesser extent, a 0.1% decrease in the discount rate used to value the net defined benefit obligations. For the six months ended June 30, 2024, actuarial gains of \$0.3 million (before tax) were recognized in other comprehensive income (loss).

For the three months ended June 30, 2023, actuarial gains of \$2.8 million (before tax) were recognized in other comprehensive income (loss) in relation to the Company's net defined benefit obligations principally reflecting a 0.1% increase in the discount rate used to value the net defined benefit obligations and a higher than anticipated return on plan assets. For the six months ended June 30, 2023, actuarial gains of \$5.5 million (before tax) were recognized in other comprehensive income (loss).

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

	Defined Benefit Pension Plans	Other Benefit Plans
June 30, 2024	4.8%	4.8%
March 31, 2024	4.9%	4.9%
December 31, 2023	4.6%	4.6%
June 30, 2023	4.9%	4.9%
March 31, 2023	4.8%	4.8%
December 31, 2022	4.8%	4.8%

5. Income Taxes

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

(millions of Canadian dollars, unaudited)	3 months ended June 30,		6 months ended June 30,	
	2024	2023	2024	2023
Current	\$ (0.2)	\$ (0.5)	\$ (0.4)	\$ (0.6)
Deferred	2.5	10.9	3.7	17.5
Income tax recovery	\$ 2.3	\$ 10.4	\$ 3.3	\$ 16.9

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

(millions of Canadian dollars, unaudited)	3 months ended June 30,		6 months ended June 30,	
	2024	2023	2024	2023
Income tax recovery at statutory rate of 27.0% (2023 – 27.0%)	\$ 2.3	\$ 10.5	\$ 3.2	\$ 17.3
Add (deduct):				
Entities with different income tax rates and other tax adjustments	-	(0.1)	0.1	0.1
Permanent difference from capital gains and losses and other non-deductible items	-	-	-	(0.5)
Income tax recovery	\$ 2.3	\$ 10.4	\$ 3.3	\$ 16.9

In addition to the amounts recorded to net income (loss), a tax recovery of \$0.8 million was recorded to other comprehensive income (loss) in relation to actuarial losses on the Company's defined benefit plans for the three months ended June 30, 2024. A tax expense of \$0.1 million was recorded to other comprehensive income (loss) in relation to actuarial gains on the Company's defined benefit plans for the six months ended June 30, 2024 (three and six months ended June 30, 2023 – a tax expense of \$0.8 million and \$1.5 million, respectively).

6. Earnings (Loss) Per Common Share

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

	3 months ended June 30,		6 months ended June 30,	
	2024	2023	2024	2023
Weighted average number of common shares	65,233,559	65,233,559	65,233,559	65,233,559

As at June 30, 2024 and July 25, 2024, there were 65,233,559 common shares of the Company outstanding and Canfor's ownership interest in CPPI was 54.8%.

7. Net Change in Non-Cash Working Capital

(millions of Canadian dollars, unaudited)	3 months ended June 30,		6 months ended June 30,	
	2024	2023	2024	2023
Accounts receivable	\$ 0.3	\$ 26.3	\$ (1.2)	\$ 25.4
Inventories	16.0	37.8	27.2	18.6
Prepaid expenses and other	1.5	(0.5)	3.7	4.3
Accounts payable and accrued liabilities	(16.8)	(22.1)	(31.8)	(6.6)
Net change in non-cash working capital	\$ 1.0	\$ 41.5	\$ (2.1)	\$ 41.7

8. Segment Information

The Company has two reportable segments (pulp and paper), which operate as separate business units and represent separate product lines. Sales between the pulp and paper segments are accounted for at prices that approximate fair value. These include sales of slush pulp from the pulp segment to the paper segment.

(millions of Canadian dollars, unaudited)	Pulp	Paper	Unallocated	Elimination Adjustment	Consolidated
3 months ended June 30, 2024					
Sales from contracts with customers	\$ 164.2	\$ 55.8	\$ -	\$ -	\$ 220.0
Sales to other segments	18.7	-	-	(18.7)	-
Operating income (loss)	(4.7)	1.9	(2.8)	-	(5.6)
Amortization	15.4	1.2	-	-	16.6
Capital expenditures ¹	12.5	1.9	-	-	14.4
3 months ended June 30, 2023					
Sales from contracts with customers	\$ 197.6	\$ 51.9	\$ -	\$ -	\$ 249.5
Sales to other segments	25.4	-	-	(25.4)	-
Operating income (loss)	(36.0)	0.7	(2.6)	-	(37.9)
Amortization	21.9	0.7	-	-	22.6
Capital expenditures ¹	9.9	0.1	0.3	-	10.3
6 months ended June 30, 2024					
Sales from contracts with customers	\$ 334.7	\$ 107.6	\$ -	\$ -	\$ 442.3
Sales to other segments	42.9	-	-	(42.9)	-
Operating income (loss)	(18.3)	3.0	(6.0)	-	(21.3)
Amortization	31.5	2.0	-	-	33.5
Capital expenditures ¹	23.8	2.6	-	-	26.4
Total assets	526.5	78.2	37.6	-	642.3
6 months ended June 30, 2023					
Sales from contracts with customers	\$ 385.0	\$ 107.8	\$ -	\$ -	\$ 492.8
Sales to other segments	58.8	-	-	(58.8)	-
Operating income (loss)	(60.4)	4.0	(6.7)	-	(63.1)
Amortization	46.1	1.1	-	-	47.2
Capital expenditures ¹	21.6	0.2	0.5	-	22.3
Total assets	585.0	71.7	15.6	-	672.3

¹Capital expenditures represent cash paid for capital assets during the periods and include capital expenditures that were partially financed by government grants.

Geographic Information

CPPI's products are marketed worldwide, with sales made to customers in a number of different countries. In presenting information on the basis of geographical location, sales are based on the geographical location of customers.

(millions of Canadian dollars, unaudited)	3 months ended June 30,				6 months ended June 30,			
	2024		2023		2024		2023	
Sales by location of customer								
Canada	6%	\$ 13.3	9%	\$ 21.8	6%	\$ 27.5	8%	\$ 40.7
Asia	55%	120.4	62%	154.5	59%	260.3	59%	289.6
United States	28%	62.4	19%	48.7	25%	111.8	23%	114.8
Europe	7%	14.9	6%	14.5	6%	26.0	6%	28.0
Other	4%	9.0	4%	10.0	4%	16.7	4%	19.7
	100%	\$ 220.0	100%	\$ 249.5	100%	\$ 442.3	100%	\$ 492.8

9. Related Party Transactions

For the six months ended June 30, 2024, the Company depended on Canfor to provide approximately 66% (six months ended June 30, 2023 – 63%) of its fibre supply as well as logs, hog fuel and administrative services. As a result of these relationships, the Company considers its operations to be dependent on its ongoing relationship with Canfor. The transactions with Canfor are consistent with the transactions described in the December 31, 2023 audited annual consolidated financial statements of CPPI and are based on agreed-upon amounts between the parties.

Transactions and payables to Canfor are summarized below:

(millions of Canadian dollars, unaudited)	3 months ended June 30,		6 months ended June 30,	
	2024	2023	2024	2023
Transactions				
Purchase of wood chips, logs, hog fuel and administrative services	\$ 35.1	\$ 44.2	\$ 81.8	\$ 91.9

(millions of Canadian dollars, unaudited)	As at	As at
	June 30, 2024	December 31, 2023
Balance Sheet		
Included in accounts payable and accrued liabilities	\$ 15.0	\$ 40.5

10. Sale of Taylor Pulp Mill

On February 6, 2024, the Company entered into an asset purchase agreement to sell its Taylor Bleached Chemi-Thermo Mechanical Pulp ("BCTMP") mill for total proceeds of \$7.0 million, less working capital adjustments. The transaction closed on March 15, 2024, with \$2.0 million in proceeds, less \$0.1 million in working capital adjustments, received during the three months ended March 31, 2024, and the remaining balance of \$5.0 million received during the three months ended June 30, 2024.

11. Restructuring Costs

On May 9, 2024, the Company announced the decision to indefinitely curtail one production line at its Northwood Northern Bleached Softwood Kraft ("NBSK") pulp mill. As a result, the Company recognized restructuring costs of \$5.9 million during the three and six months ended June 30, 2024 (three and six months ended June 30, 2023 - \$0.6 million and \$3.2 million, respectively, related to the closure of the pulp line at the Prince George Pulp and Paper mill).