INTERFOR CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the integrity and fair presentation of the accompanying consolidated financial statements. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards and, where necessary, are based in part on management's best estimates and judgements.

Management maintains a system of internal controls over financial reporting, policies and procedures which it believes provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements. The internal control process includes communications to employees of Interfor's standards for ethical business conduct.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board exercises this responsibility primarily through its Audit Committee, the members of which are neither officers nor employees of Interfor. The Audit Committee meets periodically with management and the independent Auditors to satisfy itself that each group is properly discharging its responsibilities and to review the consolidated financial statements and the independent Auditors' report thereon. The Company's independent Auditors have full and free access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for issuance to the shareholders. The Committee also makes recommendations to the Board with respect to the appointment and remuneration of the independent Auditors.

The consolidated financial statements have been examined by the independent Auditors, KPMG LLP, whose report follows.

"Ian M. Fillinger"	*"Richard Pozzebon"*
President and Chief Executive Officer	Senior Vice President and Chief Financial Officer

February 4, 2021

KPMG LLP
PO Box 10426, 777 Dunsmuir Street
Vancouver, BC V7Y 1K3
Canada
Telephone (604) 691-3000
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Interfor Corporation

Opinion

We have audited the consolidated financial statements of Interfor Corporation ("the Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019;
- the consolidated statements of earnings (loss) for the years then ended
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

Evaluation of the goodwill impairment analysis of the United States South's group of cash generating units

Description of the matter

We draw attention to Notes 3 and 9 to the financial statements. The goodwill balance is $136.0 million and relates to the United States South's group of cash generating units. The Entity performs goodwill impairment testing on an annual basis and whenever events or circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is calculated based on the higher of its fair value less direct costs to sell and its value in use. Significant assumptions used in determining the value in use include future sales volume, commodity prices, production costs and discount rates.

Why the matter is a Key Audit Matter

We identified the evaluation of the goodwill impairment analysis for the United States South's group of cash generating units to be a key audit matter. The value in use was sensitive to changes in certain significant assumptions. Significant auditor judgment was required in evaluating the results of our audit procedures. Further, specialized skills and knowledge were needed to evaluate the discount rate assumptions.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- We evaluated the Company's commodity price assumptions for the United States South's group of cash generating units, by comparing those assumptions to expected commodity prices in the Company's and its peer companies' analyst reports.
- We compared the Company's historical sales volume and production costs to actual results to assess the Company's ability to accurately predict sales volume and production cost assumptions.
- We involved a valuation professional with specialized skills and knowledge who assisted in evaluating the discount rate assumptions used in the estimated value in use, by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

- The information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair representation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Andrew James.

Vancouver, Canada
February 4, 2021

Interfor Corporation
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian Dollars)
As at December 31, 2020 and 2019

	Note	December 31 2020	December 31 2019
Assets			
Current assets:			
Cash and cash equivalents		$ 457,392	$ 34,900
Trade accounts receivable and other		117,371	86,608
Income tax receivable	*20*	169	1,995
Inventories	*5*	160,188	181,577
Prepayments		17,970	20,449
		753,090	325,529
Employee future benefits	*23(d)*	106	673
Deposits and other assets	*6*	48,957	9,296
Right of use assets	*7*	35,471	32,780
Property, plant and equipment	*8*	729,163	739,515
Roads and bridges	*9*	22,379	24,353
Timber licences	*9*	114,953	60,596
Goodwill and other intangible assets	*9*	138,838	142,214
Deferred income taxes	*20*	230	6,961
		$ 1,843,187	$ 1,341,917
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade accounts payable and provisions	*13, 23(c), 23(d)*	$ 150,509	$ 114,358
Current portion of long term debt	*10*	6,897	-
Reforestation liability	*11*	16,181	13,021
Lease liabilities	*12*	11,745	10,105
Income taxes payable	*20*	4,394	163
		189,726	137,647
Reforestation liability	*11*	29,735	27,401
Lease liabilities	*12*	28,541	27,718
Long term debt	*10*	375,063	259,760
Employee future benefits	*23(c), 23(d)*	11,137	11,843
Provisions and other liabilities	*13*	26,637	18,957
Deferred income taxes	*20*	102,036	27,609
Equity:			
Share capital	*14*	523,605	533,685
Contributed surplus		5,157	4,471
Translation reserve		49,846	56,759
Retained earnings		501,704	236,067
		1,080,312	830,982
		$ 1,843,187	$ 1,341,917

Commitments and contingencies *(Note 21)*.

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

"L. Sauder", Director "T.V. Milroy", Director

Interfor Corporation
Consolidated Statements of Earnings (Loss)
(Expressed in thousands of Canadian Dollars, except earnings per share)
Years ended December 31, 2020 and 2019

	Note	2020	2019
Sales	25	$ 2,183,609	$ 1,875,821
Costs and expenses:			
Production		1,583,033	1,728,394
Selling and administration		40,961	38,748
Long term incentive compensation expense	13, 14(b)	12,513	3,446
U.S. countervailing and anti-dumping duty deposits	6, 21(c)	13,815	45,289
Depreciation of plant and equipment	8, 15	78,459	80,438
Depletion and amortization of timber, roads and other	7, 9, 15	37,071	44,294
		1,765,852	1,940,609
Operating earnings (loss) before write-downs and restructuring costs		417,757	(64,788)
Asset and goodwill write-downs and restructuring costs	19	(15,264)	(63,982)
Operating earnings (loss)		402,493	(128,770)
Finance costs	17	(16,079)	(15,024)
Other foreign exchange loss	27(d)(iii)	(16,881)	(275)
Other income	18	336	5,925
		(32,624)	(9,374)
Earnings (loss) before income taxes		369,869	(138,144)
Income tax expense (recovery):	20		
Current		7,043	26
Deferred		82,530	(34,385)
		89,573	(34,359)
Net earnings (loss)		$ 280,296	$ (103,785)
Net earnings (loss) per share, basic and diluted	22	$ 4.18	$ (1.54)

See accompanying notes to consolidated financial statements.

Interfor Corporation
Consolidated Statements of Comprehensive Income (Loss)
(Expressed in thousands of Canadian Dollars)
Years ended December 31, 2020 and 2019

	Note	2020	2019
Net earnings (loss)		$ 280,296	$ (103,785)
Other comprehensive income (loss):			
Items that will not be recycled to Net earnings (loss):			
Defined benefit plan actuarial gain (loss), net of tax	*20, 23(d)*	(907)	603
Items that are or may be recycled to Net earnings (loss):			
Foreign currency translation differences for foreign operations, net of tax		(6,913)	(27,634)
Total other comprehensive loss, net of tax		(7,820)	(27,031)
Comprehensive income (loss)		$ 272,476	$ (130,816)

See accompanying notes to consolidated financial statements.

Interfor Corporation
Consolidated Statements of Changes in Equity
(Expressed in thousands of Canadian Dollars)
Years ended December 31, 2020 and 2019

	Note	Share Capital	Contributed Surplus	Translation Reserve	Retained Earnings	Total Equity
Balance at December 31, 2018		$ 537,534	$ 3,851	$ 84,393	$ 342,988	$ 968,766
Net loss:		-	-	-	(103,785)	(103,785)
Other comprehensive income (loss):						
Foreign currency translation differences for foreign operations, net of tax		-	-	(27,634)	-	(27,634)
Defined benefit plan actuarial gain, net of tax	*20, 23(d)*	-	-	-	603	603
Contributions and distributions:						
Share issuance, net of expenses	*14(a)*	237	(72)	-	-	165
Share repurchase	*14(a)*	(4,086)	-	-	(3,739)	(7,825)
Stock options	*14(b)*	-	692	-	-	692
Balance at December 31, 2019		533,685	4,471	56,759	236,067	830,982
Net earnings:		-	-	-	280,296	280,296
Other comprehensive loss:						
Foreign currency translation differences for foreign operations, net of tax		-	-	(6,913)	-	(6,913)
Defined benefit plan actuarial loss, net of tax	*20, 23(d)*	-	-	-	(907)	(907)
Contributions and distributions:						
Share issuance, net of expenses	*14(a)*	598	(180)	-	-	418
Share repurchases	*14(a)*	(10,678)	-	-	(13,752)	(24,430)
Stock options	*14(b)*	-	866	-	-	866
Balance at December 31, 2020		$ 523,605	$ 5,157	$ 49,846	$ 501,704	$ 1,080,312

See accompanying notes to consolidated financial statements.

Interfor Corporation
Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian Dollars)
Years ended December 31, 2020 and 2019

	Note	2020	2019
Cash provided by (used in):			
Operating activities:			
Net earnings (loss)		$ 280,296	$ (103,785)
Items not involving cash:			
Depreciation of plant and equipment	*8*	78,459	80,438
Depletion and amortization of timber, roads and other	*7, 9*	37,071	44,294
Income tax expense (recovery)	*20*	89,573	(34,359)
Finance costs	*17*	16,079	15,024
Other assets		(37,040)	1,894
Reforestation liability	*11*	(2,050)	(1,286)
Provisions and other liabilities		5,536	3,620
Stock options	*14(b)*	866	692
Write-down of plant, equipment, goodwill and other	*7, 8, 9, 19*	9,754	45,494
Unrealized foreign exchange loss		17,634	554
Gain on lease modifications	*7, 12, 18, 19*	(308)	(1,140)
Other income	*18*	(28)	(5,866)
		495,842	45,574
Cash generated from (used in) operating working capital:			
Trade accounts receivable and other		(30,206)	1,517
Inventories		22,024	22,632
Prepayments		(1,036)	(4,443)
Trade accounts payable and provisions		40,992	(36,446)
Income taxes paid		(832)	(582)
		526,784	28,252
Investing activities:			
Additions to property, plant and equipment	*8*	(95,714)	(158,645)
Additions to roads and bridges	*9*	(14,669)	(22,447)
Additions to timber licenses and intangible assets	*9*	(160)	(77)
Acquisition of timber licenses, roads and other assets, net of assumed liabilities	*4, 9*	(56,606)	-
Proceeds on disposal of property, plant and equipment and other	*18*	4,992	8,880
Net proceeds from (additions to) marketable securities, deposits and other assets		(462)	48,338
		(162,619)	(123,951)
Financing activities:			
Issuance of share capital, net of expenses	*14(a)*	418	165
Share repurchases	*14(a)*	(24,430)	(7,825)
Interest payments		(17,626)	(12,193)
Lease liability payments		(12,315)	(11,638)
Debt refinancing costs		(133)	(1,223)
Operating line net drawings (repayments)	*10*	(82)	4
Additions to long term debt	*10*	140,770	197,925
Repayments of long term debt	*10*	-	(197,175)
		86,602	(31,960)
Foreign exchange loss on cash and cash equivalents held in a foreign currency		(28,275)	(3,593)
Increase (decrease) in cash		422,492	(131,252)
Cash and cash equivalents, beginning of year		34,900	166,152
Cash and cash equivalents, end of year		$ 457,392	$ 34,900

See accompanying notes to consolidated financial statements.

1. Nature of operations:

Interfor Corporation and its subsidiaries (the "Company" or "Interfor") produce wood products in British Columbia, the U.S. Northwest and the U.S. South for sale to markets around the world.

Interfor Corporation exists under the *Business Corporations Act* (British Columbia) with shares listed on the Toronto Stock Exchange. Its head office, principal address and records office are located at 1600- 4720 Kingsway, Burnaby, British Columbia, Canada, V5H 4N2.

These consolidated financial statements of the Company as at and for the years ended December 31, 2020 and 2019 comprise the accounts of Interfor Corporation and its subsidiaries.

2. Basis of Preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were approved by the Board of Directors on February 4, 2021.

Details of Interfor's accounting policies are included in *Note 3*.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for the following items in the Statements of Financial Position:

(i) Liabilities for cash-settled share-based compensation arrangements are measured at fair value at each reporting date;

(ii) Equity-settled share-based compensation is measured at fair value at the grant date;

(iii) Employee benefit plan assets and liabilities are recognized as the net of the fair value of the plan assets and the present value of the defined benefit obligations on a plan by plan basis; and

(iv) Reforestation obligations, lease liabilities and certain other provisions are measured at the discounted value of expected future cash flows.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian Dollars, which is the parent company's functional currency. Certain of the Company's subsidiaries have a functional currency of the U.S. Dollar and are translated to Canadian Dollars. All financial information presented in Canadian Dollars has been rounded to the nearest thousand except number of shares and per share amounts.

2. Basis of Preparation (continued):

(d) Use of estimates and judgements:

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of certain assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized, on a prospective basis, in the period in which the estimates are revised.

Potential impacts of the COVID-19 outbreak on the Company's critical accounting estimates are being monitored on a regular basis. However, there were no significant changes during the year ended December 31, 2020.

Significant areas requiring the use of management estimates relate to the determination of restructuring, reforestation, road deactivation, environmental and tax obligations, share-based compensation, recoverability of assets, length of lease term including whether extension options will be exercised, rates for depreciation, depletion and amortization, fair values of assets and liabilities acquired in business combinations and impairment analysis of non-financial assets including goodwill.

Information about the use of management estimates and judgements and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 3(e)	Inventories
Note 3(i)	Impairment of non-financial assets
Note 3(j)	Reforestation and other decommissioning provisions
Note 3(l),	Lease liabilities and Right of Use ("ROU") assets
Note 3(m), 23(d)	Employee future benefits and other post-retirement plans
Note 3(n)	Cash-settled share based compensation
Note 3(o), 14(b)	Equity-settled share based compensation
Note 9	Roads and bridges, timber licences, other intangible assets and goodwill
Note 11	Reforestation liability

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries from their respective dates of acquisition or incorporation. All intercompany balances, including unrealized income and expenses arising from intercompany transactions have been eliminated upon consolidation.

3. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

The Company measures goodwill in business acquisitions at the acquisition date as the fair value of the consideration transferred including any non-controlling interest less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in Net earnings (loss). Transaction costs, other than those associated with the issuance of debt or equity securities, are expensed as incurred.

(b) Foreign currency:

(i) Foreign currency transactions:

Transactions in foreign currencies are revalued to the functional currency of the respective entity at transaction date exchange rates. Monetary assets and liabilities denominated in foreign currencies are revalued using the exchange rate at the reporting date.

Foreign exchange differences arising on revaluation are recognized in Net earnings (loss). Revaluations related to cash and cash equivalents are adjusted to Other foreign exchange loss, trade accounts receivable and other are adjusted to Sales and trade accounts payable and provisions are adjusted to Production costs in the Statements of Earnings (Loss).

(ii) Foreign operations:

Certain of the Company's subsidiaries have a functional currency of the U.S. Dollar. Revenues and expenses of such foreign operations are translated to Canadian Dollars at the transaction date exchange rate, or at average rates for the period which approximate the transaction date, as appropriate. Assets and liabilities are translated into Canadian Dollars at exchange rates in effect at the reporting date. Related foreign currency translation differences are recognized in Other comprehensive income and recorded to the Translation reserve in Equity.

Foreign currency translation differences residing in the Translation reserve will be released to Net earnings (loss) upon the reduction of the net investment in foreign operations through the sale or substantial liquidation of an investment position. In the case of a partial disposal not resulting in a loss of control, foreign currency translation differences are reclassified from the Translation reserve to the Non-controlling interest in the foreign subsidiary.

Monetary receivables from a foreign operation, the settlement of which are neither planned nor likely in the foreseeable future are considered to form part of the net investment in the foreign operation. Related foreign exchange translation differences are recognized in Other comprehensive income and presented in the Translation reserve in Equity.

3. Significant accounting policies (continued):

(b) Foreign currency (continued):

(iii) Hedge of net investment in a foreign operation:

Financial liabilities denominated in foreign currencies are from time to time designated as a hedge of the Company's net investments in foreign operations.

Foreign currency differences arising on the revaluation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in Foreign currency translation differences in Other comprehensive income to the extent that the hedge is effective, and presented in the Translation reserve in Equity. To the extent that the hedge is ineffective, such differences are recognized in Other foreign exchange loss in Net earnings (loss).

When the Company terminates the designation of the hedging relationship and discontinues its use of hedge accounting, any accumulated unrealized foreign exchange differences remaining in the Translation reserve and subsequent unrealized foreign exchange differences are recorded in Other foreign exchange loss in Net earnings (loss). When the hedged net investment is disposed of, the relevant amount in the Translation reserve is reclassified to Net earnings (loss).

(c) Financial instruments:

(i) Non-derivative financial instruments:

Non-derivative financial instruments comprise cash and cash equivalents, trade accounts receivable and other, certain deposits and other assets, trade accounts payable and provisions, and loans and borrowings including long term debt.

Cash and cash equivalents and trade accounts receivable and other expected to be held to maturity are categorized as amortized cost and are initially measured at fair value plus any direct transaction costs and thereafter at amortized cost using the effective interest rate method, less any impairment losses.

The Company applies an "expected credit loss" ("ECL") model to calculate the impairment of financial assets.

Trade accounts payable and provisions, lease liabilities, and loans and borrowings including long term debt are categorized as other financial liabilities and are initially measured at fair value plus any direct transaction costs and thereafter at amortized cost using the effective interest rate method.

(ii) Derivative financial instruments:

The Company at times uses derivative financial instruments for economic hedging purposes in the management of foreign exchange and price risks. The Company does not utilize derivative financial instruments for trading or speculative purposes.

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

(ii) Derivative financial instruments (continued):

Foreign currency exchange contracts and lumber futures contracts are designated as fair value through profit or loss ("FVTPL"). Consequently, these derivative financial instruments are carried on the Statements of Financial Position at fair value with changes in fair value being recorded in the Statements of Earnings (Loss) in Other foreign exchange loss for foreign currency exchange contracts and in Sales for lumber futures contracts.

The risk management strategies and relationships are formally documented and assessed on a regular, on-going basis.

(iii) Share capital:

Shares are classified as equity. Incremental costs directly attributable to the issuance of shares and share options are recognized as a deduction from equity, net of any tax effects.

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and short-term interest bearing securities with maturities at their purchase date of three months or less.

(e) Inventories:

Lumber inventories are valued at the lower of cost and net realizable value on a specific product basis. Cost is determined as the weighted average production cost on a three month rolling average, lagged by one month and adjusted for abnormal costs, as in the case of a curtailment. Net realizable value is the estimated selling price in the normal course of business, less estimated costs of completion and selling expenses.

Log inventories are valued at the lower of cost and net realizable value on a specific boom basis where logs are boomed, or in aggregate on a species and sort basis where the logs are not boomed.

Cost for produced log inventories is determined as the weighted average cost of logging on a twelve month rolling average, lagged by one month, for the B.C. Coast and on a three month rolling average, lagged by one month, for the B.C. Interior, and adjusted for abnormal costs, as in the case of a curtailment. Log inventories purchased from external sources are valued at acquisition cost.

Net realizable value of logs is based on either market replacement cost or, for logs designated for lumber processing, on estimated net realizable value less estimated costs of completion and selling expenses.

Other inventories consist primarily of supplies which are recorded at the lower of cost and replacement cost, which approximates net realizable value.

3. Significant accounting policies (continued):

(f) Property, plant and equipment:

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Depreciation on machinery and equipment is provided based on hours operated relative to the asset's lifetime estimated operating hours. Depreciation on all other assets is provided on a straight-line basis (ranging from 2.5% to 33% per year) over the estimated useful lives of the assets.

Depreciation methods, useful lives and residual values are reviewed annually and adjusted, if appropriate.

Maintenance costs are recorded as expenses as incurred. Costs related to upgrading and extending the useful life of property, plant and equipment are capitalized.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, being those requiring a substantial period of time prior to availability for their intended use, are capitalized.

(g) Logging roads and bridges:

Logging roads with an economic life of greater than one year and bridges are recorded at cost less accumulated amortization and impairment losses. Roads and permanent bridges are amortized on the basis of timber cut relative to available timber. Portable bridges are amortized on a straight line basis over the estimated useful life of the asset.

Amortization methods, useful lives and residual values are reviewed annually and adjusted, if appropriate.

Logging roads with an economic life of one year or less are expensed to Production costs.

(h) Intangible assets:

(i) Timber licences:

Timber licences are recorded at cost less accumulated depletion and impairment losses. Timber licence depletion is computed on the basis of timber cut relative to available timber. Tree farm and forest licences are depleted on a straight-line basis over 40 years. Amortization rates are reviewed annually to ensure they are aligned with estimates of remaining economic useful lives of the associated intangible assets.

(ii) Goodwill:

Goodwill is measured at cost less accumulated impairment losses. See *Note 3(a)* for the policy on measurement of goodwill at initial recognition.

(iii) Other intangible assets:

Other intangible assets are recorded at cost less accumulated amortization and impairment losses. Amortization on other intangible assets is provided on a straight-line basis ranging from four to ten years, being the estimated useful lives of the assets. Amortization rates are reviewed annually to ensure they are aligned with estimates of remaining economic useful lives of the associated intangible assets.

3. Significant accounting policies (continued):

(i) Impairment of non-financial assets:

The Company's non-financial assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment tests are carried out annually for goodwill or when an indicator of impairment is identified.

An impairment loss is charged to Net earnings (loss) if an asset's carrying amount exceeds its recoverable amount. The recoverable amount is calculated based on the higher of its fair value less direct costs to sell and its value in use.

Fair value is determined as the amount that would be obtained from the sale, net of direct selling costs, of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and does not consider future capital enhancements.

For purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (a cash generating unit or "CGU"). Goodwill is allocated to a CGU or group of CGU's expected to benefit from it.

Impairment losses recognized for a CGU are first allocated to reduce the carrying amount of goodwill, if any, assigned to the CGU, and then to amounts of the other assets in the CGU on a pro-rata basis, to the extent that the carrying value of an asset exceeds the higher of its fair value and value in use.

Non-financial assets, other than goodwill, for which an impairment was previously recognized, are reviewed for possible reversal of the impairment at each reporting date. When an impairment loss is reversed, the increased carrying amount of the asset cannot exceed the carrying amount that would have been determined, net of amortization, had the impairment never been recognized.

An impairment loss recorded against goodwill is not reversed.

(j) Reforestation and other decommissioning provisions:

Forestry legislation in British Columbia requires the Company to incur the cost of reforestation on its forest, timber and tree farm licences and to deactivate logging roads once harvesting is complete and access is no longer required. Accordingly, the Company records the fair value of the costs of reforestation and road deactivation in the period in which the associated timber is cut. The actual costs that will be incurred at the time of treatment may vary based on, among other things, the current cost at the time the activities are carried out.

3. Significant accounting policies (continued):

(j) Reforestation and other decommissioning provisions (continued):

Provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. The measurement under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is based on best estimates and can be based on internal or external costs, depending upon which is most likely. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing regulatory requirements and the expertise of Registered Professional Foresters and Engineers employed or contracted by the Company. Examples of considerations include the specifics of the areas logged and the treatments prescribed for those areas, as well as the timing and success rates of the planned activities in terms of reforestation; and road structure and terrain for road deactivation.

Cash flows reflect the risks specific to the decommissioning provision. As such, the discount rate reflects the current risk-free rate given that risks are incorporated into the future cash flow estimates. Adjustments are made to decommissioning provisions each period for changes in the estimated timing or amount of cash flows, changes in the discount rate and the unwinding of the discount.

In periods subsequent to the initial measurement, changes in the liability resulting from the passage of time are recognized as Finance costs and revisions to fair value calculations are recognized as Production costs in Net earnings (loss) as they occur.

(k) Environmental costs:

Environmental expenditures are expensed or capitalized depending upon their future economic benefit. Expenditures to prevent future environmental contamination are capitalized as plant and equipment. Expenditures that relate to an existing condition caused by past operations are expensed. Liabilities are recorded when rehabilitation efforts are likely to be required and the costs can be reasonably estimated.

Provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows using a current risk-free rate. The unwinding of the discount is recognized as a Finance cost in Net earnings (loss).

(l) Lease liabilities and Right of Use ("ROU") assets:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Interfor recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Any leasehold improvements are added to the related ROU asset.

3. Significant accounting policies (continued):

(l) Leases liabilities and Right of Use ("ROU") assets (continued):

The ROU asset is subsequently amortized using the straight-line method from the commencement date to the lesser of the end of the lease term or the useful life of the underlying asset. The ROU asset is reduced by any impairment losses, if any, and adjusted for remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease if readily determinable, or the Company's incremental borrowing rate. The lease payments include fixed payments, residual value guarantees, and the exercise price under a purchase option that the Company is reasonably certain to exercise.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the expected future lease payments as a result of a revision to the lease term, for example. Remeasurements to the lease liability are reflected in the ROU asset to the extent that the carrying value of the ROU asset exceeds the adjustment, and to Other income in Net earnings (loss) otherwise.

Interfor does not recognize ROU assets and lease liabilities for leases of low-value assets and short-term leases. Lease payments associated with these leases are expensed on a straight line basis over the lease term.

(m) Employee future benefits and other post-retirement plans:

Defined benefit pension and other post-retirement benefit obligation accruals are estimated using actuarial methods and assumptions, including management's best estimates of the discount rate, salary escalation and health care costs, and are calculated using the projected unit credit method.

Plan assets are valued at fair value.

Actuarial gains and losses arising from actual experience being different from the assumptions, or changes in actuarial assumptions used to determine the defined benefit asset or obligation, are recognized in Other comprehensive income (loss) in the year in which they occur.

Pension expenses for defined contribution plans are limited to the Company's contribution to the plans in respect of services rendered by employees, as the Company has no legal or constructive obligation to pay further amounts. Plans administered by the government and the industry-wide unionized employees' pension plan are treated as defined contribution plans.

(n) Cash-settled share based compensation:

The Company has a Share Appreciation Rights ("SAR") Plan, a Deferred Share Unit ("DSU") Plan and a Total Shareholder Return ("TSR") Plan for directors, officers and certain other eligible employees. The Company uses the fair value method of accounting for obligations under the SAR, DSU and TSR Plans.

Compensation expense is recorded for SARs over the vesting period based on the estimated fair value of the SARs at the date of grant. Fair value is measured using a Black-Scholes option pricing model and is adjusted to reflect the number of SARs expected to vest.

3. Significant accounting policies (continued):

(n) Cash settled share based compensation (continued):

Compensation expense is recorded for DSUs either at the time of the grant, in the case of DSUs which vest immediately, or over the performance period, in the case of DSUs with deferred vesting, based on the fair value at the date of the grant.

Compensation expense is recorded for Performance Share Units ("PSU"), granted under the TSR Plan, over a three-year performance period based on the estimated grant date fair value.

The fair values of the SARs, DSUs and PSUs are subsequently re-measured at each reporting date and on settlement with any changes in fair value reflected as Long term incentive compensation in Net earnings (loss). Liabilities are recorded in Trade accounts payable and provisions and Provisions and other liabilities on the Statements of Financial Position.

(o) Equity-settled share based compensation:

The Company has a stock option plan for its key employees and directors. The Company uses the fair value method of accounting at the grant date for obligations under this Plan.

The grant-date fair value of options is recognized as Long term incentive compensation, with a corresponding increase in Contributed surplus, over the vesting period. The fair value of the options is determined using the Black-Scholes option pricing model which takes into account, as of the grant date, the exercise price, the expected option life, the current market price and expected volatility of Interfor common shares, expected dividends, and the risk-free interest rate over the expected option life. Cash consideration received when an option is exercised is credited to Share capital, as is the related compensation expense previously recorded in Contributed surplus.

(p) Sales revenue:

The Company recognizes sales of lumber, logs, chips and by-products or other goods or services typically when the product is loaded onto the mode of transportation or delivered to the transfer point. Sales are measured based on the fair value of the consideration specified in a contract, net of applicable sales taxes, returns, rebates and discounts. Revenue includes amounts charged to customers for freight, wharfage and handling costs.

Actual costs of freight, wharfage and handling and duties are recorded to Production cost and U.S. countervailing and anti-dumping duty deposits, respectively, in Net earnings (loss).

(q) Finance income and costs:

Finance income comprises interest income on the long term receivable for U.S. countervailing and anti-dumping duty deposits and other investments and interest on defined benefit plan assets.

Finance costs comprise interest expense on borrowings, the unwinding of the discount on decommissioning provisions, interest on defined benefit plan liabilities, lease liabilities and other obligations and the amortization of deferred finance costs and other related transaction costs.

3. Significant accounting policies (continued):

(r) Income tax:

Income tax expense comprises current and deferred income taxes. Current and deferred income taxes are recognized in Net earnings (loss) except to the extent that they relate to a business combination, or items recognized directly in Equity or in Other comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but the intention is to settle current tax liabilities and assets on a net basis or tax assets and liabilities will be realized simultaneously.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(s) Earnings per share:

Basic earnings per share is computed by dividing Net earnings (loss) by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is determined by adjusting Net earnings (loss) and the weighted average number of common shares outstanding during the reporting period for the effects of all dilutive potential common shares, including outstanding stock options, if any.

(t) New standards and interpretations not yet adopted:

Several new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2020, and have not been applied in preparing these consolidated financial statements. None are currently considered by the Company to be significant or likely to have a material impact on future financial statements.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

4. Acquisition of B.C. Interior cutting rights:

On March 9, 2020, the Company completed the acquisition of two replaceable timber licences with annual cutting rights of approximately 349,000 cubic metres, an interest in a non-replaceable forest licence and other related forestry assets in the Adams Lake area of the B.C. Interior from Canadian Forest Products Ltd. The Company accounted for this transaction as an asset acquisition and the purchase price was allocated to the assets acquired and liabilities assumed on a relative fair value basis as follows:

Cash purchase price	$	56,606
Net assets acquired:		
Timber licenses	$	57,937
Roads		1,707
Other assets		1,139
Liabilities assumed		(4,177)
	$	56,606

5. Inventories:

		2020		2019
Lumber	$	80,927	$	91,702
Logs		54,810		70,422
Other		24,451		19,453
	$	160,188	$	181,577

Inventory cost includes production costs, depreciation of plant and equipment, and depletion and amortization of timber, roads and other. The inventory write-down to record inventory at the lower of cost and net realizable value at December 31, 2020, was $4,319,000 (2019 - $17,515,000).

6. Deposits and other assets:

	Note		2020		2019
Deposits on machinery and equipment		$	673	$	519
Timber deposits and other			2,242		3,164
Countervailing and anti-dumping duties receivable and related interest	*21(c)*		44,759		4,139
Deferred financing fees, net of accumulated amortization			1,283		1,474
		$	48,957	$	9,296

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

7. Right of use assets:

Cost	Note	Property	Facilities	Mobile and other equipment	Foreshore and other rights	Total
Balance at December 31, 2018		$ 21,555	$ 14,351	$ 25,699	$ 5,613	$ 67,218
New leases		7	324	10,210	731	11,272
Lease disposals and modifications		(5,624)	(85)	(3,757)	(594)	(10,060)
Exchange rate movements		(7)	(199)	(881)	-	(1,087)
Balance at December 31, 2019		15,931	14,391	31,271	5,750	67,343
New leases		6,305	710	9,327	427	16,769
Lease disposals and modifications		-	(784)	(6,850)	(132)	(7,766)
Exchange rate movements		(4)	(78)	(364)	-	(446)
Balance at December 31, 2020		$ 22,232	$ 14,239	$ 33,384	$ 6,045	$ 75,900

Accumulated Amortization	Note	Property	Facilities	Mobile equipment and other	Foreshore and other rights	Total
Balance at December 31, 2018		$ 7,864	$ 5,979	$ 12,745	$ 2,852	$ 29,440
Amortization		1,016	1,583	8,670	520	11,789
Lease disposals and modifications		(2,419)	(72)	(3,041)	(579)	(6,111)
Exchange rate movements		(1)	(84)	(470)	-	(555)
Balance at December 31, 2019		6,460	7,406	17,904	2,793	34,563
Amortization		1,081	1,495	9,200	465	12,241
Lease disposals and modifications		59	(516)	(5,907)	(83)	(6,447)
Impairment	*19*	-	370	-	-	370
Exchange rate movements		(4)	(58)	(236)	-	(298)
Balance at December 31, 2020		$ 7,596	$ 8,697	$ 20,961	$ 3,175	$ 40,429
Net book value at						
December 31, 2019		$ 9,471	$ 6,985	$ 13,367	$ 2,957	$ 32,780
December 31, 2020		14,636	5,542	12,423	2,870	35,471

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

8. Property, plant, and equipment:

Cost	*Note*	Land	Buildings	Machinery and equipment	Mobile equipment	Computer equipment	Site improvements	Other	Projects in process	Total
Balance at December 31, 2018		$ 51,354	$ 138,276	$ 956,418	$ 29,147	$ 54,109	$ 79,347	$ 11,376	$ 75,196	$ 1,395,223
Additions		-	-	-	18	-	-	-	157,304	157,322
Disposals		(27)	(198)	(11,830)	(1,856)	(2,653)	-	-	-	(16,564)
Transfers		-	7,269	62,787	2,950	11,509	6,314	42	(90,871)	-
Transfers to other intangibles	*9*	-	-	-	-	-	-	-	(532)	(532)
Exchange rate movements		(915)	(3,502)	(31,176)	(531)	(1,993)	(2,092)	(188)	(4,980)	(45,377)
Balance at December 31, 2019		50,412	141,845	976,199	29,728	60,972	83,569	11,230	136,117	1,490,072
Additions		-	-	-	-	36	-	-	94,483	94,519
Disposals		(605)	(8,708)	(70,790)	(2,814)	(4,647)	(4,944)	(517)	(30)	(93,055)
Transfers		193	6,650	147,608	599	11,048	5,572	14	(171,684)	-
Transfers to other intangibles	*9*	-	-	-	-	-	-	-	(85)	(85)
Impairment	*19*	-	-	-	-	-	-	-	(105)	(105)
Exchange rate movements		(348)	(1,473)	(16,930)	(127)	(1,180)	(868)	(72)	1,239	(19,759)
Balance at December 31, 2020		$ 49,652	$ 138,314	$ 1,036,087	$ 27,386	$ 66,229	$ 83,329	$ 10,655	$ 59,935	$ 1,471,587

Accumulated Amortization	*Note*	Land	Buildings	Machinery and equipment	Mobile equipment	Computer equipment	Site improvements	Other	Projects in process	Total
Balance at December 31, 2018			$ 64,966	$ 494,275	$ 22,095	$ 37,522	$ 46,545	$ 6,047		$ 671,450
Depreciation			6,944	59,690	2,003	6,530	4,292	979		80,438
Disposals			(168)	(10,527)	(1,631)	(2,578)	-	-		(14,904)
Impairment	*19*		2,980	27,884	50	65	1,431	6		32,416
Exchange rate movements			(1,477)	(14,602)	(394)	(1,268)	(1,015)	(87)		(18,843)
Balance at December 31, 2019			73,245	556,720	22,123	40,271	51,253	6,945		750,557
Depreciation			6,680	56,995	1,789	7,778	4,349	868		78,459
Disposals			(8,198)	(67,855)	(2,668)	(4,638)	(4,304)	(517)		(88,180)
Impairment	*19*		709	7,340	60	30	1,139	-		9,278
Exchange rate movements			(522)	(5,900)	(117)	(617)	(476)	(58)		(7,690)
Balance at December 31, 2020			$ 71,914	$ 547,300	$ 21,187	$ 42,824	$ 51,961	$ 7,238		$ 742,424
Net book value at										
December 31, 2019		$ 50,412	$ 68,600	$ 419,479	$ 7,605	$ 20,701	$ 32,316	$ 4,285	$ 136,117	$ 739,515
December 31, 2020		49,652	66,400	488,787	6,199	23,405	31,368	3,417	59,935	729,163

There were no borrowing costs capitalized in 2020 or 2019. Additions in 2020 include $1,441,000 of accrued contract costs (2019 - $2,640,000).

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

9. Roads and bridges, timber licences, other intangible assets and goodwill:

Cost	*Note*	Roads and bridges	Timber licences	Other intangibles	Goodwill
Balance at December 31, 2018		$ 101,612	$ 118,979	$ 45,686	$ 159,676
Additions		22,447	-	77	-
Transfers	*8*	-	-	532	-
Disposals		(2,174)	(5,638)	(936)	(13,955)
Exchange rate movements		(12)	-	(1,456)	(6,987)
Balance at December 31, 2019		121,873	113,341	43,903	138,734
Additions		16,387	160	391	-
Acquisition	*4*	1,707	57,937	-	
Transfers	*8*	-	-	85	-
Disposals		(1,444)	(187)	(27,294)	-
Exchange rate movements		7	-	(23)	(2,734)
Balance at December 31, 2020		$ 138,530	$ 171,251	$ 17,062	$ 136,000

Accumulated amortization	*Note*	Roads and bridges	Timber licences	Other intangibles	Goodwill
Balance at December 31, 2018		$ 71,783	$ 54,826	$ 40,398	$ 877
Amortization		27,645	2,476	2,384	-
Disposals		(1,901)	(4,557)	(936)	(13,955)
Impairment	*19*	-	-	-	13,078
Exchange rate movements		(7)	-	(1,423)	-
Balance at December 31, 2019		97,520	52,745	40,423	-
Amortization		20,066	3,663	1,101	-
Disposals		(1,444)	(110)	(27,294)	-
Impairment	*19*	1	-	-	-
Exchange rate movements		8	-	(6)	-
Balance at December 31, 2020		$ 116,151	$ 56,298	$ 14,224	$ -
Net book value at					
December 31, 2019		$ 24,353	$ 60,596	$ 3,480	$ 138,734
December 31, 2020		22,379	114,953	2,838	136,000

For the purpose of impairment testing at December 31, 2020, goodwill of $136,000,000 is attributable to the U.S. South cash-generating unit ("S CGU"). For impairment testing at December 31, 2019, goodwill of $138,734,000 was attributable to the S CGU and $13,078,000 to the cash generating unit associated with B.C. Coastal manufacturing ("Coast CGU").

As at December 31, 2019, the recoverable amount of the B.C. Coastal manufacturing cash generating unit, determined on a value-in-use basis, did not exceed the carrying amount and an impairment loss of $13,078,000 was recognized in Capital asset and goodwill write-downs and restructuring costs (*Note 19*). The impairment loss was related to the reconfiguration of the Company's B.C. Coastal business and was fully allocated to goodwill.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

9. Roads and bridges, timber licences, other intangible assets and goodwill (continued):

The recoverable amounts for the goodwill impairment assessments were based on the CGU's value in use determined by discounting the future cash flows generated from the continuing use of the units for a period of 20 years. The cash flows were projected based on past experience, actual operating results and the five year business plan in the assessment for both 2020 and 2019. Due to the cyclical nature of the forest industry, cash flows for a further 15 years were extrapolated based on an average trend year.

The values assigned to key assumptions represent management's assessment of future trends in the forest industry and are based on both external sources and internal historical data. Significant assumptions include future sales volume, commodity prices, production costs and discount rates. Other assumptions include applicable foreign exchange rates, operating rates of the assets, and the future capital required to maintain the assets in their current operating condition.

A post-tax discount rate of 10 percent (2019 – 10 percent) was applied in determining the recoverable amount of each CGU assessed. The discount rate was estimated with the assistance of external experts, past experience, and the industry targeted capital structure. Inflation rates of 0.5 percent (2019 – 1.9 percent) and 1.4 percent (2019 – 1.7 percent) for Canadian and U.S. CGU's, respectively, were applied to the projected cash flows.

The recoverable amount of the S CGU as at December 31, 2020 and 2019 was determined to be higher than the related carrying amount and no impairment has been recognized.

10. Borrowings:

2020	Revolving Term Line	Senior Secured Notes	Total
Available line of credit	$ 350,000	$ 381,960	$ 731,960
Drawings	-	381,960	381,960
Outstanding letters of credit	19,887	-	19,887
Unused portion of Revolving Term Line	$ 330,113	$ -	$ 330,113

2019	Revolving Term Line	Senior Secured Notes	Total
Available line of credit	$ 350,000	$ 259,760	$ 609,760
Drawings	-	259,760	259,760
Outstanding letters of credit	21,752	-	21,752
Unused portion of Revolving Term Line	$ 328,248	$ -	$ 328,248

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

10. Borrowings (continued):

Minimum principal amounts due on long term debt are as follows:

2021	$ 6,897
2022	6,897
2023	6,896
2024	42,440
2025	42,440
Thereafter	276,390
	$ 381,960

Reconciliation of movements in borrowings to cash flows arising from financing activities:

	2020	2019
Drawings at opening	$ 259,760	$ 272,840
Term Line net repayments (drawings)	(82)	4
Additions to long term debt	140,770	197,925
Repayments of long term debt	-	(197,175)
Effects of changes in foreign exchange rates	(18,488)	(13,834)
Drawings at December 31	$ 381,960	$ 259,760

(a) Revolving Term Line:

The Revolving Term Line (the "Term Line") may be drawn in either CAD$ or US$ advances, and bears interest at bank prime plus a margin or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans plus a margin, and in all cases dependent upon a financial ratio of net debt to total capitalization.

The Term Line is secured by a general security agreement and mortgage security on certain of the Company's Canadian assets and is subject to certain financial covenants including a maximum ratio of net debt to total capitalization.

As at December 31, 2020, the Term Line was drawn by letters of credit of $14,811,000 (2019 - $18,890,000) and US$3,987,000 (2019 – US$2,204,000), revalued at the year-end exchange rate to $5,076,000 (2019 - $2,863,000), for total outstanding letters of credit of $19,887,000 (2019 - $21,752,000).

During 2019 certain U.S. Dollar drawings under the Term Line were designated as a hedge against the Company's investment in its U.S. operations and foreign exchange gain of $750,000 was recognized in Foreign currency translation differences in Other comprehensive income (loss).

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

10. Borrowings (continued):

(b) Senior Secured notes:

As at December 31, the Company's Senior Secured Notes consisted of the following:

	2020	2019
Series A (US$4,450,000) bearing interest at 4.33% with payments of US$1,483,000 due on June 26, 2021 and 2022, and the balance due on June 26, 2023	$ 5,666	$ 5,780
Series B (US$11,800,000) bearing interest at 4.02% with payments of US$3,933,000 due on June 26, 2021 and 2022, and the balance due on June 26, 2023	15,024	15,326
Series C (US$100,000,000) bearing interest at 4.17% with payments of US$33,333,000 due on March 26, 2024 and 2025, and the balance due on March 26, 2026	127,320	129,880
Series D (US$45,550,000) bearing interest at 4.95% with payments of US$15,183,000 due on August 14, 2027 and 2028, and the balance due on August 14, 2029	57,994	59,160
Series E (US$38,200,000) bearing interest at 4.82% with payments of US$12,733,000 due on August 14, 2027 and 2028, and the balance due on August 14, 2029	48,636	49,614
Series F (US$50,000,000) bearing interest at 3.34% with payments of US$16,666,666 due on March 26, 2028 and 2029 and the balance due on March 26, 2030	63,660	-
Series G (US$50,000,000) bearing interest at 3.25% with payments of US$16,666,666 due on March 26, 2028 and 2029 and the balance due on March 26, 2030	63,660	-
	$ 381,960	$ 259,760

On March 26, 2020, the Company issued US$50,000,000 of Series F and US$50,000,000 of Series G Senior Secured Notes with interest rates and payment terms described in the table above.

The Senior Secured Notes have a weighted average fixed interest rate of 4.08% and maturities from June 26, 2021 to March 26, 2030.

The Senior Secured Notes have been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange gains of $18,570,000 (2019 – $13,080,000) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income (loss) for the year ended December 31, 2020.

11. Reforestation liability:

The Company has an obligation to reforest areas harvested under various timber rights. The obligation is incurred as logging occurs and the fair value of the liability for reforestation is determined with reference to the present value of estimated future cash flows required to settle the obligation.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

11. Reforestation liability (continued):

Changes in the reforestation liability for the years ended December 31 are as follows:

	2020	2019
Reforestation liability, beginning of year	$ 40,422	$ 42,182
Reforestation expense on current logging and market logging agreements	14,848	11,727
Acquisition (*Note 4*)	4,125	-
Reforestation expenditures	(14,284)	(13,936)
Unwind of discount	259	454
Changes in estimated future reforestation expenditures	546	(5)
	$ 45,916	$ 40,422
Consisting of:		
Current reforestation liability	$ 16,181	$ 13,021
Long term reforestation liability	29,735	27,401
	$ 45,916	$ 40,422

The total undiscounted amount of the estimated future expenditures required to settle the reforestation obligation, adjusted for inflation, at December 31, 2020 is $46,674,000 (2019 - $42,212,000). The reforestation expenditures are expected to occur over the next one to seventeen years and have been discounted at a long term risk-free interest rate of 1 percent (2019 – 2 percent). Reforestation expense resulting from obligations arising from current logging and changes in estimated future expenditures are included in Production costs for the year and expense related to the unwinding of the discount is included in Finance costs.

12. Lease liabilities:

Changes in the lease liabilities for the years ended December 31 are as follows:

	Note	2020	2019
Lease liabilities, beginning of year		$ 37,823	$ 44,112
New leases		16,605	11,213
Payment of lease liabilities		(12,315)	(11,638)
Payment of interest		(1,812)	(1,950)
Interest expense	*17*	1,812	1,950
Lease modifications		(1,623)	(5,089)
Exchange rate movements		(204)	(775)
		$ 40,286	$ 37,823
Consisting of:			
Current lease liabilities		$ 11,745	$ 10,105
Long term lease liabilities		28,541	27,718
		$ 40,286	$ 37,823

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

12. Lease liabilities (continued):

Maturity analysis – contractual undiscounted cash flows are as follows:

	2020	2019
Due within one year	$ 12,350	$ 11,639
One to five years	21,054	19,776
More than five years	11,830	11,394
Total undiscounted lease liabilities	$ 45,234	$ 42,809

For the year ended December 31, 2020, the Company recorded expenses of $2,832,000 (2019 – $3,365,000) related to short-term leases and $634,000 (2019 – $551,000) related to low-value leases in Production costs. Cash payments for short-term and low-value leases for the year ended December 31, 2020 totaled $3,466,000 (2019 - $3,916,000).

13. Provisions and other liabilities:

2020	*Note*	Current	Non-current	Total
Restructuring	*13(a), 19*	$ 3,795	$ 260	$ 4,055
Road deactivation	*13(a)*	1,020	3,353	4,373
Environmental	*13(a)*	50	789	839
Cash-settled share based compensation				
SAR Plan	*13(b)*	2,281	-	2,281
TSR Plan	*13(c)*	1,901	6,869	8,770
DSU Plan	*13(d)*	3,819	11,516	15,335
Deferred charges and other		4,043	3,850	7,893
		$ 16,909	$ 26,637	$ 43,546

2019	*Note*	Current	Non-current	Total
Restructuring	*13(a), 19*	$ 5,428	$ 1,992	$ 7,420
Road deactivation	*13(a)*	829	3,413	4,242
Environmental	*13(a)*	50	772	822
Cash-settled share based compensation				
SAR Plan	*13(b)*	1,816	13	1,829
TSR Plan	*13(c)*	1,567	3,097	4,664
DSU Plan	*13(d)*	1,198	8,742	9,940
Deferred charges and other		3,685	928	4,613
		$ 14,573	$ 18,957	$ 33,530

The current portion of provisions and other liabilities is included in Trade accounts payable and provisions in the Statements of Financial Position.

(a) Provisions:

Forestry legislation in British Columbia requires the Company to deactivate logging roads once harvesting is complete and access is no longer required. Accordingly, the Company records the fair value of the costs of road deactivation in the period in which the timber is harvested, with the fair value of the liability determined with reference to the present value of estimated future cash flows.

Environmental provisions are made when rehabilitation efforts are likely required and the costs can be reasonably estimated.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

13. Provisions and other liabilities (continued):

(a) Provisions (continued):

Provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows using a current risk-free discount rate. The unwinding of the discount is recognized as a Finance cost in Net earnings (loss).

	Note	Restructuring	Road deactivation	Environmental
Balance at December 31, 2018		1,243	4,553	905
Provisions made during year	*19*	15,493	495	-
Expenditures made during year		(9,268)	(880)	-
Unwind of discount		-	60	10
Changes in estimated future expenditures		-	14	(93)
Exchange rate movements		(48)	-	-
Balance at December 31, 2019		7,420	4,242	822
Provisions made during year	*19*	2,679	721	-
Expenditures made during year		(6,036)	(688)	-
Unwind of discount		-	31	6
Changes in estimated future expenditures		-	67	11
Exchange rate movements		(8)	-	-
Balance at December 31, 2020		$ 4,055	$ 4,373	$ 839

(b) Share Appreciation Rights Plan:

Awards under the SAR Plan have been granted to directors, officers and certain employees of the Company. The vesting of SARs occurs at a rate of 40% two years after granting and 20% per annum thereafter. SARs expire ten years after the date of grant. The SAR Plan uses notional units that are valued based on the Company's common share price on the Toronto Stock Exchange. The units are exercisable for cash and recorded as liabilities. Under the SAR Plan, awards are expensed over the vesting periods based on the estimated fair value of the SARs at the date of grant. Fair value is measured using a Black-Scholes option pricing model and is adjusted to reflect the number of SARs expected to vest. Fair value of the SARs is subsequently measured at each reporting date with any change in fair value resulting in a change in the measure of the compensation for the award, which is amortized over the remaining vesting periods.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

13. Provisions and other liabilities (continued):

(b) Share Appreciation Rights Plan (continued):

Details of the Company's SAR Plan for the years ended December 31 are as follows:

	2020		2019	
	Units	Weighted average strike price	Units	Weighted average strike price
Outstanding, beginning of year	289,444	$10.20	371,124	$ 9.67
Exercised	(103,674)	7.31	(63,600)	5.18
Expired or cancelled	(6,264)	15.00	(18,080)	16.92
Outstanding, end of year	179,506	$11.71	289,444	$10.20
Units exercisable, end of year	179,506	$11.71	283,180	$10.10

There were no grants under the SAR Plan in 2020 or 2019.

Details of units outstanding under the SAR Plan at December 31, 2020 are as follows:

		Units outstanding		Units exercisable	
Strike price	Number outstanding, December 31, 2020	Weighted average remaining unit life (yrs.)	Weighted average strike price	Number exercisable, December 31, 2020	Weighted average strike price
$4.64	43,750	1.2	4.64	43,750	4.64
$9.18	56,700	2.2	9.18	56,700	9.18
$17.43	79,056	3.2	17.43	79,056	17.43
	179,506		$11.71	179,506	$11.71

For the year ended December 31, 2020, the Company recorded Long term incentive compensation expense in respect of the SAR Plan of $1,393,000 (2019 - $131,000).

(c) Total Shareholder Return Plan:

The number of PSUs outstanding at December 31 are as follows:

	2020	2019
Outstanding, beginning of year	698,335	664,810
Granted	335,392	271,022
Matured	(226,636)	(237,497)
Outstanding, end of year	807,091	698,335

Long term incentive compensation expense is recorded for PSUs granted under the TSR Plan over a three-year performance period based on the estimated grant date fair value of the PSUs. The fair value of PSUs is subsequently re-measured at each reporting date and on settlement with any changes in fair value reflected in Long term incentive compensation in Net earnings (loss).

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

13. Provisions and other liabilities (continued):

(c) Total Shareholder Return Plan (continued):

PSU's granted in 2020 reflect a new long-term incentive plan. The PSUs granted in 2020 vest over three years and the payout for each vested unit is based on the three year average Return on Invested Capital resulting in a payout range between 0 percent to 200 percent of the target award. An additional adjustment factor of 0 percent or plus or minus 20 percent is applied based on total shareholder return of Interfor shares relative to a select peer group of companies. The fair value at the grant date and the reporting date reflects management's best estimate of the expected number of units to vest.

Under the 2019 TSR Plan, the payout was determined based on the absolute total shareholder return over 3 years. The fair value of PSUs was measured based on a combination of call options which are valued using a Black-Scholes option pricing model.

During the year ended December 31, 2020, the Company granted 335,392 PSUs (2019 – 271,022) with a weighted average grant date fair value per unit of $14.81 (2019 - $16.50). For the year ended December 31, 2020, the Company recorded Long term incentive compensation expense under the TSR Plan of $4,095,000 (2019 - $1,852,000).

(d) Deferred Share Unit Plan:

DSUs may be granted directly to directors or officers of the Company at the discretion of the Board of Directors, who are required to take DSU's as payment of at least 60% of their annual retainer. The DSU Plan allows for the issuance of DSUs with immediate or deferred vesting. There were no unvested DSU's outstanding as at December 31, 2020 and 2019.

The number of DSUs outstanding at December 31 are as follows:

	2020		2019	
	Units	Average unit value	Units	Average unit value
Outstanding, beginning of year	663,596	$14.98	657,322	$13.93
Granted[1]	89,966	10.84	60,098	14.56
Exercised	(105,685)	16.46	(53,824)	15.78
Outstanding, end of year	647,877	$23.67	663,596	$14.98

[1]Fair value at the date of the grants.

Changes to the market value of the Company's common shares subsequent to issuance of awards results in adjustments to the compensation accrual and Long term incentive compensation in Net earnings (loss). For the year ended December 31, 2020, the Company recorded an expense of $7,134,000 (2019 - $1,646,000) in respect of the DSU Plan. This expense is comprised of two components, an expense of $6,159,000 (2019 - $771,000), recorded in Long term compensation, for the change in value of outstanding DSUs due to market value fluctuations and an expense of $975,000 (2019 - $875,000), recorded in Selling and administration, for the value of DSUs issued in the year.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

14. Share capital and contributed surplus:

(a) Share transactions:

Authorized capital at December 31, 2020 consists of:

- 150,000,000 common shares ("Shares") without par value; and
- 5,000,000 Preference Shares without par value.

Common share transactions were as follows:

Issued and Fully Paid	*Note*	Number		Share capital		Contributed surplus
Balance, December 31, 2018		67,760,622		537,534		3,851
Exercise of stock options	*14(b)*	14,437		237		(72)
Repurchase of common shares		(515,100)		(4,086)		-
Stock options	*14(b)*	-		-		692
Balance, December 31, 2019		67,259,959	$	533,685	$	4,471
Exercise of stock options	*14(b)*	31,614		598		(180)
Repurchase of common shares		(1,327,420)		(10,678)		-
Stock options	*14(b)*	-		-		866
Balance, December 31, 2020		65,964,153	$	523,605	$	5,157

On November 5, 2020, the Company announced a normal course issuer bid ("NCIB") commencing on November 11, 2020 and ending on November 10, 2021, for the purchase of up to 5,981,751 common shares.

During 2020, Interfor purchased 1,327,420 Shares at an average price of $18.40 per share for a cost of $24,430,000 with $10,678,000 charged against Share capital, based on the average per share amount for Shares in that account as at the transaction date, and the balance of $13,752,000 to Retained earnings. No common shares were purchased in 2020 under the Company's prior NCIB that expired on March 6, 2020.

During 2019, Interfor purchased 515,100 Shares at an average price of $15.19 per share for a cost of $7,825,000 with $4,086,000 charged against Share capital, based on the average per share amount for Shares in that account as at the transaction date, and the balance of $3,739,000 to Retained earnings.

All repurchased Shares were cancelled.

(b) Equity-settled share based compensation:

The Company has a stock option plan for its key employees and directors under which options may be granted to purchase up to 1,631,740 Shares, of which 938,709 remain reserved for issuance. The vesting of the options occurs at a rate of 40% two years after granting and 20% per annum thereafter. Options expire ten years after the date of the grant. The exercise price of a stock option is at a price not less than the closing price of a common share on the trading day immediately preceding the grant date.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

14. Share capital and contributed surplus (continued):

(b) Equity-settled share based compensation (continued):

Details of the Company's stock option plan for the years ended December 31 are as follows:

	2020		2019	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	482,118	$ 17.08	413,276	$ 16.75
Granted	270,310	14.63	135,282	17.63
Exercised	(31,614)	13.21	(14,437)	11.43
Expired or cancelled	(81,541)	17.15	(52,003)	17.45
Outstanding, end of year	639,273	$ 16.23	482,118	$ 17.08
Options exercisable, end of year	187,288	$ 16.40	136,744	$ 14.94

Weighted average fair value assumptions for grants made in 2020 and 2019 are as follows:

	2020	2019
Risk-free interest rate	1.38%	1.81%
Expected life	6.7 years	6.6 years
Annualized volatility	41%	40%
Dividend rate	0%	0%
Termination rate	6%	6%
Grant date fair value per unit	$6.29	$7.53

Details of stock options outstanding at December 31, 2020 are as follows:

	Units outstanding			Units exercisable	
Strike price	Number outstanding, December 31, 2020	Weighted average remaining unit life (yrs.)	Weighted average exercise price	Number exercisable, December 31, 2020	Weighted average strike price
$9.78-$13.72	86,629	5.6	$ 10.77	59,108	$ 10.68
$14.62-$18.10	443,564	8.1	15.64	66,138	15.57
$22.22-$23.26	109,080	6.3	22.97	62,042	22.75
	639,273		$ 16.23	187,288	$ 16.40

The Company recognized an expense of $866,000 for the year ended December 31, 2020 (2019 – $692,000) in Long term incentive compensation.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

15. Depreciation, depletion, and amortization:

Depreciation, depletion and amortization by function is as follows:

	2020	2019
Production	$ 113,046	$ 120,834
Selling and administration	2,484	3,898
	$ 115,530	$ 124,732

16. Personnel expenses:

	Note	2020	2019
Wages and salaries		$ 267,368	$ 286,349
Government administered pensions and unemployment insurance		14,213	16,257
Workers' compensation insurance		4,073	7,110
Contributions to defined contribution plans	*23*	9,548	14,651
Expenses related to defined benefit plans	*23*	1,459	1,334
Cash-settled share based payments and other long term compensation	*13, 14(b)*	12,513	3,446
Medical, dental, group insurance and other		38,671	40,017
		$ 347,845	$ 369,164

17. Finance costs:

	Note	2020	2019
Interest expense on:			
Borrowings		$ 17,113	$ 12,962
Lease liabilities	*12*	1,812	1,950
Pension obligations	*23(c), 23(d)*	2,554	2,767
Interest revenue from:			
Duty deposits and other	*21(c)*	(4,221)	(2,351)
Pension assets	*23(d)*	(1,793)	(1,960)
Unwind of discount on provisions	*11, 13(a)*	296	524
Amortization of deferred finance costs		318	1,132
		$ 16,079	$ 15,024

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

18. Other income:

	2020	2019
Gain on disposal of property, plant and equipment, timber and other	$ 28	$ 5,866
Gain on lease modifications	308	59
	$ 336	$ 5,925

On June 28, 2019, the Company received compensation of $7,500,000 from the Government of B.C. for the settlement of two timber Licenses cancelled following the passing into law of the Great Bear Rainforest (Forest Management) Act and recognized a gain of $6,418,000 in Other income.

19. Asset and goodwill write-downs and restructuring costs:

	Note	2020	2019
Write-down of plant, equipment and other	*7, 8, 9*	$ 9,754	$ 32,416
Goodwill impairment	*9*	-	13,078
Severance and other closure costs	*13(a)*	4,385	19,099
Lease modifications	*12*	-	(1,081)
Write-down of parts inventory		1,125	470
		$ 15,264	$ 63,982

On October 29, 2020, the Company sold its specialty sawmill located in Gilchrist, Oregon to Neiman Enterprises Inc. In relation to the sale, the Company has recognized $10,759,000 in impairment losses on the remeasurement of property, plant and equipment and parts inventory to the lower of their carrying amount and the fair value less costs to sell.

In 2019, the Company recorded $14,474,000 in asset impairments for capital asset write-downs on buildings, equipment and other assets related to the permanent closure of Interfor's Hammond sawmill, and $13,078,000 for the impairment of goodwill and $19,099,000 in costs for the settlement of various human resource matters.

In 2019, the Company also recorded an impairment charge of $16,131,000 against assets in the U.S. Northwest based on the same impairment assessment process as described in *Note 9.*

Asset impairments on plant and equipment to be replaced in conjunction with capital projects to rebuild and modernize multiple sawmills in the U.S. South were nil in 2020 and $1,811,000 in 2019.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

20. Income taxes:

	2020	2019
Current tax expense:		
Current year	$ 7,384	$ 762
Adjustments for prior periods	(341)	(736)
	7,043	26
Deferred income tax expense (recovery):		
Origination and reversal of temporary differences	82,530	(34,385)
	$ 89,573	$ (34,359)

Income tax expense (recovery) recognized in Other comprehensive income (loss) is as follows:

	2020	2019
Defined benefit plan actuarial (loss) gain	$ (336)	$ 223
Foreign exchange gain (loss) on financing	1,610	(373)
Foreign currency translation differences for foreign operations	(2,782)	(1,771)
	$ (1,508)	$ (1,921)

The reconciliation of income taxes at the statutory rate to the income tax expense (recovery) is as follows:

	2020	2019
Income tax expense (recovery) at the statutory rate of 27.00% (2019 – 27.00%)	$ 99,865	$ (37,299)
Entities with different tax rates and foreign rate adjustments	(8,348)	1,135
Impairment of goodwill	-	3,531
Adjustment to state tax temporary differences	(1,550)	(902)
Other	(394)	(824)
	$ 89,573	$ (34,359)

There was no change in Canadian statutory tax rate of 27% in 2020 (2019 – 27%). Interfor recorded a deferred income tax expense (recovery) in respect of its U.S. operations in 2019 and 2020 at a combined federal and state income tax rate of 24%.

The Company has the following non-capital loss carryforwards that are available to reduce taxable income:

(a) Canadian non-capital loss carry-forwards which total approximately $27,327,000 (2019 - $92,640,000) and expire between 2031 and 2039.

(b) U.S. federal net operating loss carry-forwards have been fully utilized as of December 31, 2020 (2019 - US$106,181,000).

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

20. Income taxes (continued):

As at December 31, 2020, the Company recognized a deferred tax asset of $230,000 (2019 – 6,961,000) in Canada to the extent its non-capital loss carry-forwards exceed taxable temporary differences because management believes it is probable that future taxable profit will be sufficient to utilize available non-capital losses in Canada within their carry forward periods.

Unrecognized deferred income taxes:

As at December 31, 2020, the Company has no unrecognized deferred income tax assets (2019 - $2,945,000).

Recognized deferred income taxes:

December 31, 2020	Opening balance	Recognized in Income tax expense	Recognized in Other Comprehensive income (loss)	Ending balance
Deferred income tax assets				
Losses	$ 56,089	$ (46,815)	$ -	$ 9,274
Reserves	22,795	2,261	-	25,056
Tax credits	27	(27)	-	-
Defined benefit plan	93	-	336	429
Other	5,803	(623)	-	5,180
Deferred income tax liabilities				
Capital assets	(104,217)	(26,150)	-	(130,367)
Accrued duty refund	-	(11,176)	-	(11,176)
Foreign currency				
Foreign exchange gain on financing	-	-	(1,610)	(1,610)
Translation differences for foreign operations	(1,238)	-	2,646	1,408
Total	$ (20,648)	$ (82,530)	$ 1,372	$ (101,806)

December 31, 2019	Opening balance	Recognized in Income tax recovery	Recognized in Other Comprehensive income (loss)	Ending balance
Deferred income tax assets				
Losses	$ 25,943	$ 30,146	$ -	$ 56,089
Reserves	20,244	2,551	-	22,795
Tax credits	5	22	-	27
Share issue costs	169	(169)	-	-
Defined benefit plan	316	-	(223)	93
Other	5,818	(15)	-	5,803
Deferred income tax liabilities				
Capital assets	(106,067)	1,850	-	(104,217)
Foreign currency				
Foreign exchange gain on financing	(373)	-	373	-
Translation differences for foreign operations	(3,005)	-	1,767	(1,238)
Total	$ (56,950)	$ 34,385	$ 1,917	$ (20,648)

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

20. Income taxes (continued):

Represented by the following:

	2020	2019
Deferred income tax assets	$ 230	$ 6,961
Deferred income tax liabilities	(102,036)	(27,609)
	$ (101,806)	$ (20,648)

21. Commitments and contingencies:

(a) Contractual obligations:

The Company is obligated under various contracts requiring minimum payments in each of the next five years as follows:

2021	$ 12,420
2022	410
2023	240
2024	-
2025	-

Interfor also has contractual obligations for capital projects of $70,122,000 expected to be paid in 2021.

(b) Surety bonds:

The Company has posted $42,920,000 in surety performance, bid and payment bonds, with various expiry dates extending through January 2025.

(c) U.S. countervailing and anti-dumping duty deposits:

In late 2016, a petition was filed by the U.S. Lumber Coalition and other petitioners seeking countervailing ("CV") and anti-dumping ("AD") duties on Canadian softwood lumber imports to the U.S. On January 6, 2017, a preliminary determination was announced by the U.S. International Trade Commission ("ITC") that there was reasonable indication that the U.S. industry is materially injured by imports of softwood lumber products from Canada and the U.S Department of Commerce ("DoC") imposed duties on Canadian shipments of softwood lumber into the U.S.

CV duties were imposed from April 28, 2017 until August 26, 2017 and from December 28, 2017 onwards.. AD duties were imposed from June 30, 2017 through December 26, 2017 and from December 28, 2017 onwards.

The CV duties cash deposit rate was initially imposed at 19.88% and subsequently amended to 14.19%. The AD duties cash deposit rate was initially imposed at 6.87% and subsequently amended to 6.04%.During the fourth quarter 2020, the DoC published the final CV and AD duties rates based on the results of its first administrative review of shipments for the years ended December 31, 2017 and 2018. The following table summarizes the cash deposit rates that were in effect and the final revised rates for those periods:

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

21. Commitments and contingencies (continued):

(c) U.S. countervailing and anti-dumping duty deposits (continued):

Year ended December 31	Cash deposit rates	Final revised rates
2017		
AD	6.04%	1.57%
CV	14.19%	7.26%
Total	20.23%	8.83%
2018		
AD	6.04%	1.57%
CV	14.19%	7.42%
Total	20.23%	8.99%

The final AD and CV duties rates were published November 30, 2020 and December 1, 2020 respectively, and starting on these dates the final 2018 AD and CV duties rates of 1.57% and 7.42% respectively, were applied as the cash deposit rates to new lumber shipments.

The finalization of the rates in the fourth quarter of 2020 indicated an overpayment of duty deposits in 2017 and 2018 of US$32,931,000 of which US$3,187,000 was recorded in a prior year and US$29,744,000 in 2020. The impact to the Statement of Earnings (Loss) in 2020 was a reduction to the U.S. countervailing and anti-dumping duty deposits of $38,434,000.

As at December 31, 2020, Interfor has a long term receivable of US$32,931,000 (December 31, 2019 - US$3,187,000) in Deposits and other assets on the Statements of Financial Position, revalued at the year-end exchange rate to $41,927,000 (December 31, 2019 - $4,139,000). Interfor has recorded interest income on the long term receivable of US$2,224,000 (December 31, 2019 - $nil) in Deposits and other assets on the Statements of Financial Position, revalued at the year-end exchange rate to $2,832,000 (December 31, 2019 - $nil).

Interfor paid duties of US$18,424,000 in 2017, US$42,016,000 in 2018, US$33,765,000 in 2019 and US$39,761,000 in 2020, all of which remain held in trust by U.S. Customs and Border Protection. With the exception of US$32,931,000 (2019 – US$3,265,000) recorded as a long term receivable, Interfor has recorded the duty deposits as an expense.

Interfor is of the view that the DoC's positions are without merit and politically driven. As such, Interfor intends to defend its position through various appeals processes, in conjunction with the B.C. and Canadian Governments. The final amount and effective date of countervailing and anti-dumping duties that may be assessed on Canadian softwood lumber exports to the U.S. cannot be determined at this time and will depend on decisions yet to be made by any reviewing courts, USMCA or WTO panels to which the DoC and ITC determinations may be appealed.

(d) Other contingencies:

The Company is subject to a number of claims arising in the normal course of business, for which either an adequate provision has been made or no material liability is expected.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

22. Net earnings (loss) per share:

Net earnings (loss) per share is based on the earnings attributable to shareholders and a weighted average number of shares, as defined in *Note 14*, outstanding for the year.

The reconciliation of the numerator and denominator is determined as follows:

	2020			2019		
	Net earnings	Weighted average number of shares	Per share	Net loss	Weighted average number of shares	Per share
Issued shares at December 31		67,259,959			67,760,622	
Effect of shares issued		7,221			7,096	
Effect of shares repurchased		(148,660)			(490,515)	
Basic earnings (loss) per share	$ 280,296	67,118,520	$ 4.18	$(103,785)	67,277,203	$(1.54)
Effect of dilutive securities:						
Stock options	-	13,666		-	23,811	
Diluted earnings (loss) per share	$ 280,296	67,132,186	$ 4.18	$(103,785)	67,277,203*	$(1.54)

* As the addition of stock options to the total shares outstanding has an anti-dilutive impact on the diluted earnings (loss) per share calculation, those stock options have not been included in the total shares outstanding for purposes of calculating diluted earnings (loss) per share.

23. Employee future benefits and other post-retirement plans:

The Company maintains several savings and retirement plans that are available to employees who meet certain eligibility requirements.

(a) Defined contribution plans:

In Canada, salaried employees of the Company are provided with the opportunity to make voluntary contributions to a Registered Retirement Savings Plan ("RRSP") based on a percentage of an employee's earnings. The Company matches employees' RRSP contributions with contributions to a Deferred Profit Sharing Plan ("DPSP") with the employee's future retirement benefits based on these contributions along with investment earnings on the contributions.

For the DPSP, the Company's funding obligations are satisfied upon making cash contributions to an employee's account. For 2020, the pension expense for this plan is equal to the Company's contribution of $1,936,000 (2019 - $2,393,000).

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

23. Employee future benefits and other post-retirement plans (continued):

(a) Defined contribution plans (continued):

For certain eligible employees of the Canadian Merchant Services Guild ("CMSG"), the Company makes required contributions based on a percentage of earnings into a defined contribution plan. For 2020, the pension expense is equal to the Company's contribution of $57,000 (2019 - $42,000).

Employees of the Company's U.S. operating subsidiaries contribute a percentage of their earnings to a 401(k) plan which the Company matches and which vest immediately. The Company's funding obligations are satisfied upon making cash contributions to an employee's account. For 2020, the pension expense for this plan is equal to the Company's contribution of $4,358,000 (2019 - $4,954,000).

(b) Unionized employees' pension plan:

The Company contributes to an industry-wide benefit plan for unionized employees based on a predetermined amount per hour worked by an employee. For 2020, the pension expense for this plan is equal to the Company's contribution of $2,171,000 (2019 - $3,183,000). As there is insufficient information available to enable the Company to account for this plan as a defined benefit plan, the plan has been accounted for as a defined contribution plan. The Company's liability is limited to its contributions.

(c) Supplementary pension plans:

The Company provides supplementary pension benefits to certain members of its senior management in the form of a notional extension to the DPSP in Canada and the 401(k) plan in the U.S. These commitments are not funded but are fully accrued by the Company, with a portion of the commitments being secured by irrevocable letters of credit.

During 2020, the Company recorded an expense of $1,025,000 (2019 - $4,079,000) in respect of these plans of which $678,000 (2019 - $717,000) has been recorded in Finance costs.

The accrued obligation for this plan is included in the Company's Statements of Financial Position as follows:

	2020	2019
Trade accounts payable and provisions	$ 1,847	$ 612
Employee future benefits obligation	8,658	9,885
	$ 10,505	$ 10,497

(d) Defined benefit plans:

The Company and the non-union hourly employees at the Adams Lake operations make contributions to a defined benefit pension plan that provides pension benefits upon retirement. The plan entitles a retired employee to receive monthly payments based on a schedule of defined benefit accruals for different periods of service.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

23. Employee future benefits and other post-retirement plans (continued):

(d) Defined benefit plans (continued):

The Company makes contributions to a defined benefit pension plan that provides pension benefits to certain eligible employees of the CMSG upon retirement. The plan provides a retired employee a monthly payment based on a percentage of their average earnings at retirement, and their years of service. In addition, the Company provides post-retirement medical and life insurance benefits to certain eligible CMSG retirees.

On December 12, 2020, the Company completed a partial settlement of the CMSG pension plan with the purchase of an annuity. The settlement resulted in a gain of $281,000 due to the net effect of discharging $9,896,000 of defined benefit obligation and $9,615,000 of plan assets.

The Company maintains a non-contributory defined benefit pension plan for a former senior executive.

The Company provides post retirement life insurance benefits to eligible retirees of a wholly-owned subsidiary, Seaboard Shipping Company Limited ("SSCL").

The Company measures its defined benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year.

The most recent and the next scheduled actuarial valuations for funding purposes for the significant pension plans are:

	Most Recent Valuation	Next Scheduled Valuation
Adams Lake Pension Plan	December 31, 2019	December 31, 2022
Executive Plan - Funded	December 31, 2020	December 31, 2021
Executive Plan - Unfunded	December 31, 2020	December 31, 2021
CMSG Pension Plan	December 31, 2019	December 31, 2022
CMSG Post-Retirement Benefits	December 31, 2018	December 31, 2021

The significant pension plans are subject to the statutory requirements (including minimum funding requirements) of their respective jurisdictions and the Income Tax Act. Each plan's pace of funding is determined by the Company, subject to the statutory minimums and maximums.

In 2020, the Company paid contributions of $1,630,000 (2019 - $900,000). New funding rules were released for actuarial valuations completed on or after December 31, 2019, which eliminated the requirement to post letters of credit for solvency funding levels from less than 100% to less than 85%. As a result of these changes no letters of credit were posted as funding ratios were greater than 85% (2019 – posted letters of credit totaled $5,155,000). In 2021, the Company expects to pay contributions of $686,000 to its defined benefit plans (2019 - $735,000)

The Company has determined that, in accordance with statutory requirements of the plans (such as minimum funding requirements), the present value of refunds or reductions in future contributions for all plans is not lower than the balance of the total fair value of the plan assets less the total present value of obligations.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

23. Employee future benefits and other post-retirement plans (continued):

(d) Defined benefit plans (continued):

	Pension Benefits 2020	Pension Benefits 2019	Other Post-retirement Benefits 2020	Other Post-retirement Benefits 2019
Defined benefit obligation:				
Beginning of year	$ 61,302	$ 53,972	$ 943	$ 896
Service cost	1,300	1,030	9	8
Employee contributions	356	394	-	-
Interest cost	1,846	2,027	29	23
Benefit payments	(2,876)	(2,692)	(33)	(47)
Settlements	(9,896)	-	-	-
Actuarial loss due to:				
Financial assumptions	4,547	5,752	46	63
Experience adjustment	2,268	819	-	-
End of year	$ 58,847	$ 61,302	$ 994	$ 943
Plan assets:				
Beginning of year	$ 60,842	$ 53,073	$ -	$ -
Interest on plan assets	1,793	1,960	-	-
Employer contributions	1,597	853	33	47
Employee contributions	356	394	-	-
Benefit payments	(2,876)	(2,692)	(33)	(47)
Administration costs	(349)	(206)	-	-
Settlements	(9,615)	-	-	-
Actuarial gain	5,618	7,460	-	-
End of year	$ 57,366	$ 60,842	$ -	$ -
Net employee future benefits liability	$ (1,481)	$ (460)	$ (994)	$ (943)

The following summarizes the balances recognized in the Statements of Financial Position:

	Pension Benefits 2020	Pension Benefits 2019	Other Post-retirement Benefits 2020	Other Post-retirement Benefits 2019
Employee future benefits asset	$ 106	$ 673	$ -	$ -
Trade accounts payable and provisions	(67)	(68)	(35)	(50)
Employee future benefits obligation	(1,520)	(1,065)	(959)	(893)
Net employee future benefits liability	$ (1,481)	$ (460)	$ (994)	$ (943)

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

23. Employee future benefits and other post-retirement plans (continued):

(d) Defined benefit plans (continued):

The following table shows the Company's net expense recognized in the Statements of Earnings (Loss) and the actuarial (gains) losses recognized in Other comprehensive income (loss):

	Pension Benefits		Other Post-retirement Benefits	
	2020	2019	2020	2019
Statements of Earnings (Loss)				
Production expense	$ 1,368	$ 1,236	$ 9	$ 8
Finance costs	53	67	29	23
	$ 1,421	$ 1,303	$ 38	$ 31
Other comprehensive income (loss)				
Actuarial gain (loss)	$ (1,197)	$ $889	$ (46)	$ (63)

Plan assets consist of:

Asset category	2020	2019
Investment Funds		
Fixed Income	$ 17,519	$ 21,528
Global	19,923	19,696
Canadian Equity	17,984	18,078
Money Market	1,156	1,178
Balanced	337	356
Cash	447	6
Total	$ 57,366	$ 60,842

The plan assets held in investment funds are managed by third party investment managers and the fair values of these investments have been determined based on the unit price of the underlying funds. As such, all investment funds are categorized as Level 2 in the fair value hierarchy.

Actuarial assumptions used in accounting for the Company maintained benefit plans (expressed as weighted averages) are:

	Pension Benefits		Other Post-retirement Benefits	
	2020	2019	2020	2019
Defined benefit obligation as of December 31				
Discount rate	2.50%	3.00%	2.50%	3.00%
Compensation increases[1]	3.50%	3.50%	-	-
Pension expense				
Discount rate	3.00%	3.75%	3.00%	3.75%
Compensation increases[1]	3.50%	3.50%	-	-

[1]Compensation increases only relate to the CMSG plan.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

23. Employee future benefits and other post-retirement plans (continued):

(d) Defined benefit plans (continued):

For measurement purposes at December 31, 2020, the Company has assumed a 6.50% health care cost trend in 2021 grading down to 5.00% in 2024 (2019 – 7.00% health care cost trend in 2020 grading down to 5.00% in 2024).

	Pension Benefits	Other Post-retirement Benefits
Effect of 1% decrease in discount rate on defined benefit obligation	$ 9,860	$ 103

The sensitivity to the discount rate has been determined assuming all other assumptions remain unchanged. An increase in the discount rate would have an opposite effect of similar magnitude.

The weighted average durations of the defined benefit pension plans and other post-retirement benefit plans is 17 years.

Through its defined benefit pension plans and other post-retirement benefits, the Company is exposed to several risks, the most significant of which are detailed below:

Asset liability mismatch – The defined benefit plan obligations are calculated using a discount rate set with reference to corporate bond yields. While the Adams Lake and CMSG pension plans hold some fixed income investments, both plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term. However, in the short term, there will be volatility in the funded status of the plans.

Life expectancy – The majority of obligations are to provide benefits for the life of the member, so increases in life expectancy would result in increased obligations.

24. Related party transactions:

Key management personnel are comprised of the Company's directors and executive officers. The remuneration of key management personnel was as follows:

	2020	2019
Salary and short-term employee benefits	$ 8,034	$ 4,540
Post-employment benefits	383	3,566
Share-based compensation expense	9,001	4,008
	$ 17,418	$ 12,114

Obligations in relation to key management personnel, including directors, are as follows:

	2020	2019
Trade accounts payable and provisions	$ 5,289	$ 1,277
Employee future benefits obligation	1,632	4,502
Provisions and other liabilities	15,021	11,261
	$ 21,942	$ 17,040

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

25. Segmented information:

The Company manages its business as a single operating segment, being solid wood. The Company harvests and purchases logs which are sorted by species, size and quality and then either manufactured into lumber products at the Company's sawmills or sold. Substantially all operations are located in British Columbia, Canada and the Northwest and South regions of the U.S.

The Company sells to both foreign and domestic markets as follows:

	2020	2019
United States	$ 1,709,385	$ 1,349,096
Canada	313,445	273,745
Japan	75,227	109,769
China/Taiwan	46,331	55,261
Other export	39,221	87,950
	$ 2,183,609	$ 1,875,821

Sales by product line are as follows:

	2020	2019
Lumber	$ 1,838,737	$ 1,576,123
Logs	170,916	116,175
Wood chips and other by products	154,571	174,107
Freight and other	19,385	9,416
	$ 2,183,609	$ 1,875,821

Non-current assets by geographic location are as follows:

	2020	2019
United States	$ 690,628	$ 711,739
Canada	399,469	304,649
	$ 1,090,097	$ 1,016,388

26. Capital management:

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company seeks to maintain a balance between the higher returns that might be possible with the leverage afforded by higher borrowing levels and the security afforded by a sound capital position. The Company's target is to create value for its shareholders over the long term through increases in share value.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts) 49

26. Capital management (continued):

Under its debt financing agreements, the Company cannot exceed a net debt to total capitalization ratio of 50 percent, with net debt under banking arrangements defined as the total of indebtedness, including letters of credit and long term debt, net of cash and cash equivalents and government securities maturing within 365 days, up to a limit; and total capitalization defined as total debt plus shareholders' equity and subordinated debt, excluding non-controlling interests, deferred income taxes, and a maximum of $20 million cumulative (from January 1, 2012) non-cash asset revaluations. The financial covenants under the debt financing agreements also carry a minimum EBITDA coverage ratio dependent upon the net debt to total capitalization ratio.

The Company is in compliance with all debt covenants.

The Company monitors capital using a ratio of "net debt" to "invested capital" and manages to a target range. Net debt is calculated as the total of long term debt, less cash and cash equivalents. Invested capital is the total of net debt and equity. Interfor's net debt to invested capital ratio as at December 31, 2020 was as follows:

	2020	2019
Long term debt	$ 381,960	$ 259,760
Less:		
Cash and cash equivalents	(457,392)	(34,900)
Net debt	(75,432)	224,860
Add: Equity	1,080,312	830,982
Invested capital	$1,004,880	$1,055,842
Net debt to invested capital ratio	(7.5)%	21.3%

From time to time, the Company purchases its own shares in the open market, with the timing dependent upon market prices and under a defined NCIB. All repurchased Shares are cancelled.

27. Financial instruments:

(a) Fair value of financial instruments:

At December 31, 2020, the fair value of the Company's Long term debt exceeded its carrying value by $27,915,000 (2019 – $19,958,000).

The fair values of other financial instruments approximate their carrying values.

Derivative financial instruments in an asset position are classified as Trade accounts receivable and other in the Statements of Financial Position, while derivative financial instruments in a liability position are classified as Trade accounts payable and provisions. Financial instrument assets and liabilities are not netted for purposes of presentation in the financial statements.

27. Financial instruments (continued):

(b) Derivative financial instruments:

The Company did not trade any foreign exchange contracts or lumber futures in 2020 and 2019.

(c) Hedge of investment in foreign operations:

Certain U.S. Dollar drawings under the Revolving Term Line and all drawings under the Senior Secured Notes were designated as hedges against the Company's investment in its U.S. operations and repayments were de-designated as a hedge. Interfor recorded an unrealized foreign exchange gain of $18,570,000 (2019 - $13,830,000) arising on revaluation of hedged U.S. Dollar debt in Other comprehensive income (loss) for the year ended December 31, 2020.

(d) Financial risk management:

The use of financial instruments exposes the Company to credit, liquidity and market risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Through its standards and procedures, management has developed a control environment in which employees are clear on roles and obligations and management regularly monitors compliance with its risk management policies and procedures.

(i) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Company's receivables from customers, and investments in marketable securities.

Accounts receivable

The Company's exposure to credit risk is dependent upon individual characteristics of each customer. Each new customer is assessed for creditworthiness before payment and delivery terms and conditions are offered, with such review encompassing any external ratings, and bank and other references. Purchase limits are established for each customer and are regularly reviewed. In some cases, where customers fail to meet the Company's benchmark creditworthiness, the Company may choose to transact with the customer based on terms which are secured by a guarantee or cash deposit or alternatively by insuring the accounts receivable.

The Company regularly reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectible accounts. A $96,000 reserve in respect of doubtful accounts was recorded as at December 31, 2020 (2019 - $87,000).

The carrying amount of financial assets represents the maximum credit exposure for receivables in North America. As log and lumber sales outside of the North American markets are typically insured by the Export Development Corporation to 90% or secured by irrevocable letters of credit, or both, credit exposure for these sales is limited.

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

27. Financial instruments (continued):

(d) Financial risk management (continued):

(i) Credit risk (continued):

Accounts receivable carrying values at the reporting date by geographic region were as follows:

	2020	2019
United States	$ 54,721	$ 39,728
Canada	55,797	35,635
Japan	1,508	1,962
China/Taiwan	4,464	8,142
Other	881	1,141
	$ 117,371	$ 86,608

Guarantees

The Company did not provide any guarantees in 2020 and 2019.

(ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures, as far as possible, that it will always have sufficient liquidity to meet obligations when due and monitors cash flow requirements daily and projections weekly. Weekly debt reports are reviewed by senior management to monitor cash balances and available liquidity.

The Company maintains a $350 million Revolving Term Line credit facility with a syndicate of highly rated Canadian and international banks which can be drawn in either Canadian or US funds and matures in the year 2024. Except for outstanding letters of credit, this line remains undrawn at December 31, 2020.

The following table summarizes Interfor's available liquidity as of December 31, 2020:

Unused portion of Revolving Term Line, see *Note 10*	$ 330,113
Add: Cash and cash equivalents	457,392
Available liquidity at December 31, 2020	$ 787,505

(Tabular amounts expressed in thousands of Canadian Dollars, except number of shares and per share amounts)

27. Financial instruments (continued):

(d) Financial risk management (continued):

(ii) Liquidity risk (continued):

The estimated cash payments due in respect of contractual and legal obligations including debt and interest payments and capital commitments are summarized as follows:

		Payments due by period			
	Total	Up to 1 year	2-3 years	4-5 years	After 5 years
Trade accounts payable and provisions	$ 131,370	$ 131,370	$ -	$ -	$ -
Income taxes payable	4,394	4,394	-	-	-
Reforestation liability	46,674	16,182	13,387	8,105	9,000
Lease liabilities	45,234	12,350	13,683	7,371	11,830
Long term debt	480,895	22,394	43,798	109,894	304,809
Provisions and other liabilities	48,022	15,348	13,159	3,617	15,898
Capital commitments and other	83,190	82,540	650	-	-
Total obligations	$ 839,779	$ 284,578	$ 84,677	$ 128,987	$ 341,537

(iii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return relative to risk.

Currency risk

The Company is exposed to currency risk on cash and cash equivalents, marketable securities, accounts receivable, duty deposits, accounts payable and provisions, long term debt, lease liabilities and intercompany loans that are denominated in a currency other than the respective functional currencies of the Company's domestic and foreign operations.

The Company routinely assesses its foreign exchange exposure and may use foreign currency exchange forward, collar and option contracts to manage its currency risk from time to time.

At December 31, 2020, the Company has U.S. Dollar drawings under its Senior Secured Notes of US$300,000,000 (2019 - US$200,000,000). These U.S. Dollar drawings have been designated as a hedge against the Company's net investment in its U.S. operations.

27. Financial instruments (continued):

(d) Financial risk management (continued):

(iii) Market risk (continued):

Currency risk (continued)

As at December 31, 2020, the domestic operations of the Company held cash and cash equivalents of US$124,639,000 (2019 – US$13,587,000). Cash and cash equivalents held by foreign subsidiaries totaled US$229,075,000 (2019 - US$6,133,000).

As at December 31, the Company's accounts receivable were denominated in the following currencies (in thousands):

2020	CAD	USD	Japanese ¥
Accounts receivable	54,187	9,084	3,915
Accounts receivable held by foreign subsidiaries with USD functional currency	-	40,504	-
	54,187	49,588	3,915

2019	CAD	USD	Japanese ¥
Accounts receivable	35,595	13,999	3,979
Accounts receivable held by foreign subsidiaries with USD functional currency	-	25,241	-
	35,595	39,240	3,979

Based on the Company's net exposure to foreign currencies as at December 31, 2020, the sensitivity of Company's annual Net earnings (loss) and Other comprehensive loss are as follows:

U.S. Dollar	$0.01 increase vs CAD	$3,470,000 increase in Net earnings
U.S. Dollar	$0.01 increase vs CAD	$4,305,000 increase in OCI

Interest rate risk

Borrowings under the Term Line were minimal in 2020, resulting in little exposure to floating interest rate changes under its credit facilities. As a result, the sensitivity of a 100 basis point increase in interest rates would result in a negligible decrease in Net earnings.

Other market risk:

The Company does not enter into significant commodity contracts other than to meet the Company's expected usage and sale requirements.