



Interfor Corporation First Quarter Report For the three months ended March 31, 2021

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a review of financial condition and results of operations as at and for the three months ended March 31, 2021 ("Q1'21"). It should be read in conjunction with the unaudited condensed consolidated interim financial statements of Interfor Corporation and its subsidiaries ("Interfor" or the "Company") for the three months ended March 31, 2021, and the notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A contains certain non-GAAP measures which, within the Non-GAAP Measures section, are discussed, defined and reconciled to figures reported in the Company's unaudited condensed consolidated interim financial statements. This MD&A has been prepared as of May 6, 2021.

All figures are stated in Canadian Dollars, unless otherwise noted, and references to US\$/USD are to the United States Dollar.

Forward-Looking Information

This MD&A contains forward-looking information about the Company's business outlook, objectives, plans, strategic priorities and other information that is not historical fact. A statement contains forward-looking information when the Company uses what it knows and expects today, to make a statement about the future. Forward-looking information is included under the headings "Overview of First Quarter, 2021", "Outlook", "Liquidity", "Capital Resources", "Off-Balance Sheet Arrangements", "Accounting Policy Changes" and "Risks and Uncertainties". Statements containing forward-looking information may include words such as: will, could, should, believe, expect, anticipate, intend, forecast, projection, target, outlook, opportunity, risk or strategy.

Readers are cautioned that actual results may vary from the forward-looking information in this report, and undue reliance should not be placed on such forward-looking information. Risk factors that could cause actual results to differ materially from the forward-looking information in this report are described under the heading "Risks and Uncertainties" herein, and in Interfor's 2020 annual Management's Discussion and Analysis, which is available on www.sedar.com and www.interfor.com. Material factors and assumptions used to develop the forward-looking information in this report include volatility in the selling prices for lumber, logs and wood chips; the Company's ability to compete on a global basis; the availability and cost of log supply; natural or man-made disasters; currency exchange rates; changes in government regulations; the availability of the Company's allowable annual cut ("AAC"); claims by and treaty settlements with Indigenous peoples; the Company's ability to export its products; the softwood lumber trade dispute between Canada and the U.S.; stumpage fees payable to the Province of British Columbia ("B.C."); environmental impacts of the Company's operations; labour disruptions; information systems security; the existence of a public health crisis (such as the current COVID-19 pandemic); and the assumptions described under the heading "Critical Accounting Estimates" herein and in Interfor's 2020 annual Management's Discussion and Analysis.

Unless otherwise indicated, the forward-looking statements in this report are based on the Company's expectations at the date of this report. Interfor undertakes no obligation to update such forward-looking information or statements, except as required by law.

Overview of First Quarter, 2021

Interfor recorded Net earnings in Q1'21 of \$264.5 million, or \$4.01 per share, compared to \$149.1 million, or \$2.24 per share in Q4'20 and \$6.3 million, or \$0.09 per share in Q1'20. Adjusted net earnings in Q1'21 was \$270.6 million compared to \$164.7 million in Q4'20 and \$0.7 million in Q1'20.

Adjusted EBITDA was a record \$392.1 million on sales of \$849.3 million in Q1'21 versus \$248.6 million on sales of \$662.3 million in Q4'20.

Notable items in the quarter:

- Strong Free Cash Flow Generation
 - Interfor generated \$377.7 million of cash flow from operations before changes in working capital, or \$5.73 per share. Working capital investment increased by \$92.6 million, primarily related to higher trade receivables driven by lumber prices and seasonally higher log inventories in B.C.
 - Net debt ended the quarter at \$(236.0) million, or (21.7)% of invested capital, resulting in available liquidity of \$943.6 million.
- Strategic Capital Investments
 - Capital spending was \$29.2 million, including \$18.7 million on high-return discretionary projects. The majority of this discretionary spending was focused on a new kiln at the Adams Lake, BC sawmill and the ongoing multi-year rebuild of the Eatonton, Georgia sawmill.
 - The new kiln installed at our Adams Lake sawmill was fully operational by mid-February and allows for increased site-wide production and a significantly improved grade mix. This project was complementary to Interfor's Q1'20 acquisition of 349,000 cubic metres of annual cutting rights from Canfor Corporation which solidified Adams Lake's long-term log supply and operational platform.
 - The major rebuild of our Eatonton, Georgia sawmill is on-track for completion in Q4 of 2021, with full ramp-up expected to take approximately nine months thereafter. This project will add approximately 110 million board feet of annual production capacity and result in lower cash conversion costs and improved grade mix. Inclusive of this project, US\$108 million has been spent on the Company's Phase II strategic capital plan through March 31, 2021.
 - The Company has received Board approval to proceed with strategic capital investments at its sawmills in Castlegar, BC, and Perry, Georgia of approximately \$35 million and US\$30 million, respectively. These investments will provide a combination of benefits in the form of higher production, improved lumber recovery and grade mix, and lower conversion costs. Completion of both projects is expected in Q3 of 2022.
 - Interfor's total capital expenditures are expected to be approximately \$150 million in 2021 and in the range of \$150 - \$180 million in 2022, as the Company continues to execute on its strategic capital plans with attractive returns at conservative lumber prices.
- Acquisition of Summerville sawmill
 - On March 12, 2021, Interfor concluded the acquisition of sawmill operations in Summerville, South Carolina from WestRock Company for total consideration of US\$58,618,000 (\$73,630,000).
- Normal Course Issuer Bid ("NCIB")
 - During Q1'21, Interfor purchased 774,420 common shares under the Company's NCIB for total consideration of \$20.3 million.
- Record Lumber Market
 - Interfor's average selling price was \$1,143 per mfbm, up \$301 per mfbm versus Q4'20. The key benchmark prices rose significantly quarter-over-quarter with the SYP Composite, Western SPF Composite and KD H-F Stud 2x4 9' benchmarks increasing by US\$312, US\$283 and US\$355 per mfbm to US\$915, US\$935 and US\$1,162 per mfbm, respectively.

- Continued Strong Production
 - Total lumber production in Q1'21 was 687 million board feet, which was consistent with Q4'20 and only 1 million board feet below Interfor's production record for a quarter. The U.S. South and U.S. Northwest regions accounted for 338 million board feet and 141 million board feet, respectively, compared to 361 million board feet and 136 million board feet in Q4'20. Production in the B.C. region increased to 208 million board feet from 190 million board feet in the preceding quarter.
 - Total lumber shipments were 666 million board feet, including agency and wholesale volumes, or 17 million board feet lower than Q4'20.
- Softwood Lumber Duties
 - Interfor expensed \$12.4 million of duties in the quarter, representing the full amount of countervailing and anti-dumping duties incurred on its Canadian shipments of softwood lumber into the U.S. at a combined rate of 8.99%.
 - Cumulative duties of US\$143.1 million have been paid by Interfor since the inception of the current trade dispute and are held in trust by the U.S. Except for US\$32.9 million in respect of overpayments arising from duty rate adjustments, Interfor has recorded the duty deposits as an expense.

Outlook

North American lumber markets over the near term are expected to remain robust and above historical trends, albeit volatile, as relatively low levels of lumber inventories industry-wide combined with growing demand from new housing starts and repair and remodel activity put pressure on available lumber supply from manufacturers.

Interfor expects lumber demand to continue to grow over the mid-term, as repair and renovation activities and U.S. housing starts benefit from favourable underlying economic fundamentals and trends.

Interfor's strategy of maintaining a diversified portfolio of operations allows the Company to both reduce risk and maximize returns on invested capital over the business cycle.

While uncertainty remains as to the duration and extent of the economic impact from the COVID-19 pandemic, Interfor is well positioned with its strong balance sheet and significant available liquidity.

Financial and Operating Highlights¹

	Unit	For the three months ended		
		Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
Financial Highlights²				
Total sales	\$MM	849.3	479.6	662.3
Lumber	\$MM	762.4	379.3	575.0
Logs, residual products and other	\$MM	86.9	100.3	87.3
Operating earnings	\$MM	355.6	14.6	203.2
Net earnings	\$MM	264.5	6.3	149.1
Net earnings per share, basic	\$/share	4.01	0.09	2.24
Adjusted net earnings ³	\$MM	270.6	0.7	164.7
Adjusted net earnings per share, basic ³	\$/share	4.11	0.01	2.47
Operating cash flow per share (before working capital changes) ³	\$/share	5.73	0.57	3.05
Adjusted EBITDA ³	\$MM	392.1	36.6	248.6
Adjusted EBITDA margin ³	%	46.2%	7.6%	37.5%
Total assets	\$MM	2,159.7	1,569.5	1,843.2
Total debt	\$MM	377.3	425.6	382.0
Net debt ³	\$MM	(236.0)	322.0	(75.4)
Net debt to invested capital ³	%	(21.7)%	26.7%	(7.5)%
Annualized return on capital employed ³	%	79.2%	4.0%	48.4%
Operating Highlights				
Lumber production	million fbm	687	627	687
Total lumber sales	million fbm	666	641	683
Lumber sales - Interfor produced	million fbm	662	632	675
Lumber sales - wholesale and commission	million fbm	4	9	8
Lumber - average selling price ⁴	\$/thousand fbm	1,143	592	842
Average USD/CAD exchange rate ⁵	1 USD in CAD	1.2660	1.3449	1.3030
Closing USD/CAD exchange rate ⁵	1 USD in CAD	1.2575	1.4187	1.2732

Notes:

- Figures in this table may not equal or sum to figures presented elsewhere due to rounding.
- Financial information presented for interim periods in this MD&A is prepared in accordance with IFRS and is unaudited.
- Refer to the Non-GAAP Measures section of this MD&A for definitions and reconciliations of these measures to figures reported in the Company's consolidated financial statements.
- Gross sales before duties.
- Based on Bank of Canada foreign exchange rates.

Summary of First Quarter 2021 Financial Performance

Sales

Interfor recorded \$849.3 million of total sales, up 77.1% from \$479.6 million in the first quarter of 2020, driven by the sale of 666 million board feet of lumber at an average price of \$1,143 per mfbm. Average selling price increased \$551 per mfbm, or 93.0%, while lumber sales volume increased 25 million board feet, or 3.9%, as compared to the same quarter of 2020.

Increases in the average selling price of lumber reflect higher prices for Southern Yellow Pine, Western SPF and KD HF Stud 2x4 9' in Q1'21 as compared to Q1'20.

The SYP Composite, Western SPF Composite and KD H-F Stud 2x4 9' benchmarks increased by US\$312, US\$283 and US\$355 per mfbm to US\$915, US\$935 and US\$1,162 per mfbm, respectively.

Sales generated from logs, residual products and other decreased by \$13.4 million or 13.4% in Q1'21 compared to Q1'20 due mainly to reduced availability of surplus logs.

Operations

Production costs increased by \$8.9 million, or 2.1%, compared to Q1'20, explained by a 3.9% increase in lumber sales volume and accruals for short term incentive compensation offset by a stronger dollar on average.

Lumber production of 687 million board feet in Q1'21 was 60 million board feet higher than Q1'20.

Production from the Canadian operations increased by 22 million board feet to 208 million board feet in Q1'21, compared to Q1'20 during which temporary COVID-19 related curtailments were taken.

Production from the Company's U.S. South sawmills totaled 338 million board feet in Q1'21, up 27 million board feet compared to Q1'20, due to increased operating schedules related to market demand and the Summerville sawmill acquisition. Additionally, production from the U.S. South sawmills in Q1'20 was impacted by COVID-19 related curtailments and project-related downtime. Production from the Company's U.S. Northwest operations totaled 141 million board feet in Q1'21, up 12 million board feet compared to Q1'20, due to increased operating schedules and higher productivity from the U.S. Northwest stud mills offset by the sale of the sawmill in Gilchrist, Oregon in Q4'20.

Interfor expensed the full amount of CV and AD duty deposits levied on its Canadian shipments of softwood lumber into the U.S., which totaled \$12.4 million for Q1'21, up \$1.8 million from Q1'20. The increase is due to higher lumber sales prices to the U.S. from Canadian sawmills partially offset by lower cash deposit rates as compared to Q1'20.

Depreciation of plant and equipment was \$21.5 million in Q1'21, up \$1.4 million from Q1'20, due primarily to the completion of Phase I capital projects in the U.S. South. Depletion and amortization of timber, roads and other was \$7.0 million, down \$3.6 million from Q1'20, primarily due to decreased conventional logging on the B.C. Coast.

Corporate and Other

Selling and administration expenses were \$12.9 million, up \$3.7 million from Q1'20 primarily as a result of accruals for short term incentive compensation and costs related to various information technology system implementations.

The \$7.7 million long term incentive compensation expense mostly reflects the impact of a 10.6% increase in the price of Interfor common shares used to value share-based awards during the quarter. The long term incentive compensation recovery of \$8.9 million in Q1'20 mostly reflects the impact of a 60.6% decline in the market price of Interfor common shares used to value share-based awards.

Restructuring costs in Q1'21 and Q1'20 were negligible.

Finance costs increased to \$4.5 million from \$4.1 million in Q1'20 primarily due to the completion of the additional US\$100 million Senior Secured Note financing with Prudential Private Capital on March 26, 2020.

Other foreign exchange loss of \$2.3 million in Q1'21 and \$0.8 million in Q1'20 result primarily from the quarter-end revaluation of U.S. Dollar denominated short-term intercompany funding and U.S. Dollar cash held by Canadian operations. The Company held higher U.S. Dollar cash balances in Q1'21 compared to Q1'20 primarily due to the strong cash flow from operations during the quarter.

Other income of \$2.0 million in Q1'21 primarily resulted from the sale of surplus land on the B.C. Coast. Other expense of \$0.1 million in Q1'20 resulted from the disposal of surplus equipment.

Income Taxes

The Company recorded income tax expense of \$86.3 million in Q1'21 at an effective tax rate of 25%, comprised of \$83.2 million current income tax expense and \$3.1 million deferred tax expense. The Company recorded income tax expense of \$3.2 million in Q1'20 at an effective tax rate of 34%, comprised of \$0.3 million in current income tax expense and \$2.9 million deferred tax expense.

Net Earnings

The Company recorded Net earnings of \$264.5 million, or \$4.01 per share, compared to \$6.3 million, or \$0.09 per share in Q1'20. Operating margins and Net earnings were positively impacted by higher lumber prices. Net earnings per share was positively impacted by share purchases under the Company's NCIB.

Summary of Quarterly Results¹

Unit	2021		2020		2019				
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Financial Performance²									
Total sales	\$MM	849.3	662.3	644.9	396.8	479.6	456.8	486.5	481.3
Lumber	\$MM	762.4	575.0	562.4	322.1	379.3	385.2	403.5	406.9
Logs, residual products and other	\$MM	86.9	87.3	82.5	74.7	100.3	71.6	83.0	74.4
Operating earnings (loss)	\$MM	355.6	203.2	171.4	13.3	14.6	(49.0)	(44.8)	(18.2)
Net earnings (loss)	\$MM	264.5	149.1	121.6	3.2	6.3	(41.7)	(35.6)	(11.2)
Net earnings (loss) per share, basic	\$/share	4.01	2.24	1.81	0.05	0.09	(0.62)	(0.53)	(0.17)
Adjusted net earnings (loss) ³	\$MM	270.6	164.7	140.0	10.6	0.7	(17.4)	(11.8)	(16.2)
Adjusted net earnings (loss) per share, basic ³	\$/share	4.11	2.47	2.08	0.16	0.01	(0.26)	(0.17)	(0.24)
Operating cash flow per share (before working capital changes) ³	\$/share	5.73	3.05	3.20	0.56	0.57	0.25	0.03	0.14
Adjusted EBITDA ³	\$MM	392.1	248.6	221.7	42.8	36.6	17.6	16.8	12.6
Adjusted EBITDA margin ³	%	46.2%	37.5%	34.4%	10.8%	7.6%	3.9%	3.5%	2.6%
Annualized return on capital employed ³	%	79.2%	48.4%	45.6%	2.4%	4.0%	(16.0)%	(13.6)%	(3.6)%
Shares outstanding - end of period	million	65.3	66.0	67.3	67.3	67.3	67.3	67.3	67.3
Shares outstanding - weighted average	million	65.9	66.7	67.3	67.3	67.3	67.3	67.3	67.3
Operating Performance									
Lumber production	million fbm	687	687	642	421	627	668	685	647
Total lumber sales	million fbm	666	683	618	499	641	681	692	674
Lumber sales - Interfor produced	million fbm	662	675	609	488	632	671	681	664
Lumber sales - wholesale and commission	million fbm	4	8	9	11	9	10	11	10
Lumber - average selling price ⁴	\$/thousand fbm	1,143	842	910	646	592	566	583	603
Average USD/CAD exchange rate ⁵	1 USD in CAD	1.2660	1.3030	1.3321	1.3862	1.3449	1.3200	1.3204	1.3377
Closing USD/CAD exchange rate ⁵	1 USD in CAD	1.2575	1.2732	1.3339	1.3628	1.4187	1.2988	1.3243	1.3087

Notes:

- 1 Figures in this table may not equal or sum to figures presented elsewhere due to rounding.
- 2 Financial information presented for interim periods in this MD&A is prepared in accordance with IFRS and is unaudited.
- 3 Refer to the Non-GAAP Measures section of this MD&A for definitions and reconciliations of these measures to figures reported in the Company's unaudited condensed consolidated interim financial statements.
- 4 Gross sales before duties.
- 5 Based on Bank of Canada foreign exchange rates.

The Company's quarterly financial trends are most impacted by typical industry-wide seasonality, levels of lumber production, log costs, market prices for lumber, the USD/CAD foreign currency exchange rate and long term asset impairments and restructuring charges.

Logging operations are seasonal due to several factors including weather, ground conditions and fire season closures. Generally, production from the Company's B.C. Coastal logging operations is relatively low in the second half of the fourth quarter and the first half of the first quarter due to the impact of winter storms. Logging activity in the B.C. Interior is typically reduced during the annual spring break-up. Sawmill operations are dependent on the availability of logs from our logging operations and our suppliers. In addition, the market demand for lumber and related products is generally lowest in the winter season due to reduced construction and renovation activities.

The Hammond sawmill closure reduced lumber production and sales commencing in Q4'19, and the sale of the sawmill in Gilchrist, Oregon reduced lumber production and sales commencing in Q4'20. The Summerville sawmill acquisition increased lumber production and sales commencing in Q1'21.

Asset and goodwill impairments and other costs resulting from the B.C. Coastal reorganization and other restructuring activities affected results in Q3'19 and Q4'19. Asset impairments resulting from the sale of the sawmill in Gilchrist, Oregon affected results in Q4'20.

In the latter part of Q1'20 and majority of Q2'20, operations were impacted by the pandemic outbreak of COVID-19.

The volatility of the Canadian Dollar against the U.S. Dollar also impacted results. A weaker Canadian Dollar increases the lumber sales realizations of Canadian operations, all else equal, and increases Net earnings of U.S. operations when translated to Canadian Dollars.

Liquidity

Balance Sheet

Interfor's Net debt at March 31, 2021 was \$(236.0) million, or (21.7)% of invested capital, representing a decrease of \$160.5 million from the level of Net debt at December 31, 2020.

As at March 31, 2021 the Company had net working capital of \$744.5 million and available liquidity of \$943.6 million, based on the full borrowing capacity under its \$350 million Revolving Term Line.

The Revolving Term Line and Senior Secured Notes are subject to financial covenants, including net debt to total capitalization ratios, and an EBITDA interest coverage ratio.

Management believes, based on circumstances known today, that Interfor has sufficient working capital and liquidity to fund operating and capital requirements for the foreseeable future.

Thousands of Dollars	For the three months ended		
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31 2020
Net debt			
Net debt, period opening	\$(75,432)	\$88,705	\$224,860
Issuance of Senior Secured Notes	-	-	140,770
Revolving Term Line net repayments	-	-	(59)
Impact on U.S. Dollar denominated debt from (strengthening) weakening CAD	(4,710)	(18,210)	25,139
Increase in cash and cash equivalents	(162,167)	(165,294)	(68,984)
Impact on U.S. Dollar denominated cash and cash equivalents from strengthening CAD	6,343	19,367	310
Net debt, period ending	\$(235,966)	\$(75,432)	\$322,036

On March 26, 2020, the Company issued US\$50,000,000 of Series F Senior Secured Notes, bearing interest at 3.34%, and US\$50,000,000 of Series G Senior Secured Notes, bearing interest at 3.25%. Each series of these Senior Secured Notes have equal payments of US\$16,667,000 due on each of March 26, 2028, 2029 and on maturity in 2030.

Cash Flow from Operating Activities

The Company generated \$377.7 million of cash flow from operations before changes in working capital in Q1'21, for an increase of \$339.3 million over Q1'20. There was a net cash inflow from operations after changes in working capital of \$285.1 million in Q1'21, with \$92.6 million of cash invested in operating working capital.

Higher lumber prices contributed to the \$67.9 million outflow related to trade receivables and seasonally higher log inventories in B.C. contributed to the \$24.4 million outflow from inventories. Income taxes payable increased by \$74.7 million in Q1'21, with payment of this expected to occur in installments over the remaining quarters of 2021.

In Q1'20, \$38.4 million of cash was generated from operations with \$19.1 million of cash invested in operating working capital.

Cash Flow from Investing Activities

Investing activities totaled \$97.0 million, with \$73.6 million for the acquisition of sawmill operations in Summerville, South Carolina from WestRock Company, \$26.3 million for plant and equipment and \$2.9 million for development of roads and bridges, partially offset by \$5.7 million in proceeds on disposal of property, plant and equipment.

Discretionary mill improvements of \$18.7 million in Q1'21 were mainly focused on a new kiln at the Adams Lake, BC sawmill and the ongoing multi-year rebuild of the Eatonton, Georgia sawmill.

Maintenance capital investments excluding roads totaled \$7.6 million in Q1'21.

In Q1'20, investing activities were \$84.2 million, with \$56.6 million for the acquisition from Canadian Forest Products Ltd. of timber licences and other assets, net of assumed liabilities, \$24.9 million for plant and equipment and \$2.7 million for development of roads and bridges.

Discretionary and maintenance mill improvements totaled \$21.2 million and \$3.7 million, respectively, in Q1'20, of which the majority was spent on U.S. South operations.

Cash Flow from Financing Activities

The net cash outflow of \$25.9 million in Q1'21 resulted from \$20.3 million used to purchase shares under the Company's NCIB, interest payments of \$4.3 million and lease liability payments of \$3.3 million, partially offset by \$1.9 million in proceeds received on the issuance of shares under the Company's stock option plan.

The net cash inflow of \$133.9 million in Q1'20 resulted from the US\$100 million Senior Secured Note financing with Prudential Private Capital, partly offset by interest and lease liability payments of \$3.8 million and \$2.9 million, respectively.

Capital Resources

The following table summarizes Interfor's credit facilities and availability as of March 31, 2021:

Thousands of Canadian Dollars	Revolving Term Line	Senior Secured Notes	Total
Available line of credit and maximum borrowing available	\$350,000	\$377,250	\$727,250
Less:			
Drawings	-	377,250	377,250
Outstanding letters of credit included in line utilization	19,613	-	19,613
Unused portion of facility	\$330,387	\$-	330,387
Add:			
Cash and cash equivalents			613,216
Available liquidity at March 31, 2021			\$943,603

Interfor's Revolving Term Line matures in March 2024 and its Senior Secured Notes have maturities principally in the years 2024-2030.

As of March 31, 2021, the Company had commitments for capital expenditures totaling \$75.7 million for both maintenance and discretionary capital projects.

Transactions between Related Parties

Other than transactions in the normal course of business with key management personnel, the Company had no transactions between related parties in the three months ended March 31, 2021.

Off-Balance Sheet Arrangements

The Company has off-balance sheet arrangements which include letters of credit and surety performance and payment bonds, primarily for timber purchases and AD and CV duty deposits. At March 31, 2021, such instruments aggregated \$61.0 million (December 31, 2020 - \$62.8 million).

Off-balance sheet arrangements have not had, and are not reasonably likely to have, any material impact on the Company's current or future financial condition, results of operations or cash flows.

Financial Instruments and Other Instruments

The Company did not enter into any foreign exchange contracts, interest rate derivatives contracts or lumber futures contracts in Q1'21 or Q1'20.

Outstanding Shares

As of May 6, 2021, Interfor had 65,306,539 common shares issued and outstanding. These common shares are listed on the Toronto Stock Exchange under the symbol IFP.

As of May 6, 2021, there were 557,722 stock options outstanding with exercise prices ranging from \$9.78 to \$25.52 per common share.

On November 5, 2020, the Company announced a NCIB whereby it can purchase for cancellation up to 5,981,751 common shares. During the first three months of 2021, Interfor purchased 774,420 common shares at a cost of \$20.3 million and cancelled 390,850 of these common shares, with the remaining 383,570 common shares cancelled in April 2021. No common shares were purchased in 2020 under the Company's prior NCIB that expired on March 6, 2020.

Controls and Procedures

During the quarter ended March 31, 2021, the Company included the design of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") for its Summerville operations within its ICFR framework. Based on procedures performed, there were no matters arising that materially affected, or would be reasonably likely to materially affect, the design and/or operating effectiveness of such controls for the Company, when taken as a whole.

Other than the aforementioned, there were no changes in the Company's DC&P and ICFR during the quarter ended March 31, 2021 that materially affected, or would be reasonably likely to materially affect, such controls.

Critical Accounting Estimates

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 identified changes during the quarter ended March 31, 2021. Interfor's critical accounting estimates are described in its MD&A for the year ended December 31, 2020, filed under the Company's profile on www.sedar.com.

Accounting Policy Changes

Several new standards, and amendments to existing standards and interpretations, were not yet effective for the quarter ended March 31, 2021, and have not been applied in preparing the Company's unaudited condensed consolidated interim financial statements. None of these are expected to have a significant effect on future financial statements.

Non-GAAP Measures

This MD&A makes reference to the following non-GAAP measures: Adjusted net earnings, Adjusted net earnings per share, EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Net debt to invested capital, Operating cash flow per share (before working capital changes), and Annualized return on capital employed which are used by the Company and certain investors to evaluate operating performance and financial position. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

The following table provides a reconciliation of these non-GAAP measures to figures as reported in the Company's audited consolidated financial statements (unaudited for interim periods) prepared in accordance with IFRS:

	For the three months ended		
	Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
Thousands of Canadian Dollars except number of shares and per share amounts			
Adjusted Net Earnings			
Net earnings	\$264,487	\$6,309	\$149,148
Add:			
Asset write-downs and restructuring costs	142	371	1,793
Other foreign exchange loss	2,346	849	8,162
Long term incentive compensation expense (recovery)	7,670	(8,946)	10,254
Other (income) expense	(1,996)	115	92
Post closure wind-down costs	224	-	949
Income tax effect of above adjustments	(2,229)	2,043	(5,652)
Adjusted net earnings	\$270,644	\$741	\$164,746
Weighted average number of shares - basic ('000)	65,927	67,260	66,687
Adjusted net earnings per share	\$4.11	\$0.01	\$2.47
Adjusted EBITDA			
Net earnings	\$264,487	\$6,309	\$149,148
Add:			
Depreciation of plant and equipment	21,474	20,061	21,947
Depletion and amortization of timber, roads and other	6,968	10,530	10,511
Finance costs	4,524	4,096	1,891
Income tax expense	86,256	3,205	43,889
EBITDA	383,709	44,201	227,386
Add:			
Long term incentive compensation expense (recovery)	7,670	(8,946)	10,254
Other foreign exchange loss	2,346	849	8,162
Other (income) expense	(1,996)	115	92
Asset write-downs and restructuring costs	142	371	1,793
Post closure wind-down costs	224	-	947
Adjusted EBITDA	\$392,095	\$36,590	\$248,634
Sales	\$849,307	\$479,646	\$662,301
Adjusted EBITDA margin	46.2%	7.6%	37.5%
Net debt to invested capital			
Net debt			
Total debt	\$377,250	\$425,610	\$381,960
Cash and cash equivalents	(613,216)	(103,574)	(457,392)
Total net debt	\$(235,966)	\$322,036	\$(75,432)
Invested capital			
Net debt	\$(235,966)	\$322,036	\$(75,432)
Shareholders' equity	1,322,222	882,917	1,080,312
Total invested capital	\$1,086,256	\$1,204,953	\$1,004,880
Net debt to invested capital ¹	(21.7)%	26.7%	(7.5)%
Operating cash flow per share (before working capital changes)			
Cash provided by operating activities	\$285,080	\$19,319	\$229,947
Cash used in (generated from) operating working capital	92,604	19,109	(26,514)
Operating cash flow (before working capital changes)	\$377,684	\$38,428	\$203,433
Weighted average number of shares - basic ('000)	65,927	67,260	66,687
Operating cash flow per share (before working capital changes)	\$5.73	\$0.57	\$3.05

Note: 1 Net debt to invested capital as of the period end.

For the three months ended

Mar. 31, Mar. 31, Dec. 31,
2021 2020 2020

Thousands of Canadian Dollars except number of shares and per share amounts

	Mar. 31,	Mar. 31,	Dec. 31,
	2021	2020	2020
Annualized return on capital employed			
Net earnings	\$264,487	\$6,309	\$149,148
Add:			
Finance costs	4,524	4,096	1,891
Income tax expense	86,256	3,205	43,889
Earnings before income taxes and finance costs	\$355,267	\$13,610	\$194,928
Capital employed			
Total assets	\$2,159,692	\$1,569,508	\$1,843,187
Current liabilities	(263,526)	(149,748)	(189,726)
Less:			
Current portion of long term debt	6,811	-	6,897
Current portion of lease liabilities	12,169	11,819	11,745
Capital employed, end of period	\$1,915,146	\$1,431,579	\$1,672,103
Capital employed, beginning of period	1,672,103	1,214,375	1,555,212
Average capital employed	\$1,793,624	\$1,322,977	\$1,613,657
Earnings before income taxes and finance costs divided by average capital employed	19.8%	1.0%	12.1%
Annualization factor	4.0	4.0	4.0
Annualized return on capital employed	79.2%	4.0%	48.4%

Risks and Uncertainties

The Company is exposed to many risks and uncertainties in conducting its business including, but not limited to: a public health crisis; price volatility; competition; availability and cost of log supply; natural or man-made disasters; currency exchange sensitivity; government regulation; allowable annual cut; indigenous peoples; barriers to lumber trade between Canada and the U.S.; stumpage fees; environmental matters; labour disruptions; and information systems security. These risks and uncertainties are described in the Company's MD&A for the year ended December 31, 2020, filed under the Company's profile on www.sedar.com.

Additional Information

Additional information relating to the Company and its operations, including the Company's Annual Information Form, can be found on its website at www.interfor.com and on SEDAR at www.sedar.com.



CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the three months ended March 31, 2021 and 2020 (unaudited)

(thousands of Canadian Dollars except earnings per share)

	Three Months Mar. 31, 2021	Three Months Mar. 31, 2020
Sales (note 12)	\$ 849,307	\$ 479,646
Costs and expenses:		
Production	432,167	423,228
Selling and administration	12,879	9,228
Long term incentive compensation expense (recovery)	7,670	(8,946)
U.S. countervailing and anti-dumping duty deposits (note 14)	12,390	10,600
Depreciation of plant and equipment (note 9)	21,474	20,061
Depletion and amortization of timber, roads and other (note 9)	6,968	10,530
	493,548	464,701
Operating earnings before restructuring costs	355,759	14,945
Restructuring costs	142	371
Operating earnings	355,617	14,574
Finance costs (note 10)	(4,524)	(4,096)
Other foreign exchange loss	(2,346)	(849)
Other income (expense)	1,996	(115)
	(4,874)	(5,060)
Earnings before income taxes	350,743	9,514
Income tax expense		
Current	83,173	329
Deferred	3,083	2,876
	86,256	3,205
Net earnings	\$ 264,487	\$ 6,309
Net earnings per share		
Basic (note 11)	\$ 4.01	\$ 0.09
Diluted (note 11)	\$ 4.00	\$ 0.09

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three months ended March 31, 2021 and 2020 (unaudited)

	Three Months Mar. 31, 2021	Three Months Mar. 31, 2020
Net earnings	\$ 264,487	\$ 6,309
Other comprehensive income (loss):		
Items that will not be recycled to Net earnings:		
Defined benefit plan actuarial gain (loss), net of tax	4,472	(713)
Items that are or may be recycled to Net earnings:		
Foreign currency translation differences for foreign operations, net of tax	(8,887)	46,083
Total other comprehensive (loss) income, net of tax	(4,415)	45,370
Comprehensive income	\$ 260,072	\$ 51,679

See accompanying notes to consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2021 and 2020 (unaudited)

(thousands of Canadian Dollars)

	Three Months Mar. 31, 2021	Three Months Mar. 31, 2020
Cash provided by (used in):		
Operating activities:		
Net earnings	\$ 264,487	\$ 6,309
Items not involving cash:		
Depreciation of plant and equipment (note 9)	21,474	20,061
Depletion and amortization of timber, roads and other (note 9)	6,968	10,530
Deferred income tax expense	3,083	2,876
Current income tax expense	83,173	329
Finance costs (note 10)	4,524	4,096
Other assets	(431)	936
Reforestation liability	496	2,766
Provisions and other liabilities	495	(10,293)
Stock options	196	256
Unrealized foreign exchange loss	3,011	441
Other (income) expense	(1,996)	115
Income taxes (paid) refunded	(7,796)	6
	377,684	38,428
Cash generated from (used in) operating working capital:		
Trade accounts receivable and other	(67,859)	(23,413)
Inventories	(24,352)	1,355
Prepayments	(3,348)	(2,113)
Trade accounts payable and provisions	2,955	5,062
	285,080	19,319
Investing activities:		
Additions to property, plant and equipment	(26,331)	(24,872)
Additions to roads and bridges	(2,885)	(2,704)
Acquisitions (note 5)	(73,630)	(56,606)
Proceeds on disposal of property, plant and equipment	5,693	162
Net proceeds from (additions to) deposits and other assets	157	(198)
	(96,996)	(84,218)
Financing activities:		
Issuance of share capital, net of expenses (note 8)	1,945	-
Share repurchases (note 8)	(20,303)	-
Interest payments	(4,258)	(3,758)
Lease liability payments	(3,301)	(2,934)
Debt refinancing costs	-	(136)
Operating line net repayments	-	(59)
Additions to long term debt (note 7)	-	140,770
	(25,917)	133,883
Foreign exchange loss on cash and cash equivalents held in a foreign currency	(6,343)	(310)
Increase in cash	155,824	68,674
Cash and cash equivalents, beginning of period	457,392	34,900
Cash and cash equivalents, end of period	\$ 613,216	\$ 103,574

See accompanying notes to consolidated financial statements.



CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2021 and December 31, 2020 (unaudited)

(thousands of Canadian Dollars)

	Mar. 31, 2021	Dec. 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 613,216	\$ 457,392
Trade accounts receivable and other	182,436	117,371
Income tax receivable	179	169
Inventories (note 5 and 6)	191,169	160,188
Prepayments	21,027	17,970
	1,008,027	753,090
Employee future benefits	4,880	106
Deposits and other assets	48,770	48,957
Right of use assets	36,673	35,471
Property, plant and equipment (note 5)	778,831	729,163
Roads and bridges (note 5)	22,640	22,379
Timber licences (note 5)	114,059	114,953
Goodwill and other intangible assets (note 5)	145,128	138,838
Deferred income taxes	684	230
	\$ 2,159,692	\$ 1,843,187
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable and provisions	\$ 148,880	\$ 150,509
Current portion of long term debt (notes 7 and 13)	6,811	6,897
Reforestation liability	16,551	16,181
Lease liabilities	12,169	11,745
Income taxes payable	79,115	4,394
	263,526	189,726
Reforestation liability	30,281	29,735
Lease liabilities	29,129	28,541
Long term debt (notes 7 and 13)	370,439	375,063
Employee future benefits	9,734	11,137
Provisions and other liabilities	27,320	26,637
Deferred income taxes	107,041	102,036
Equity:		
Share capital (note 8)	520,151	523,605
Contributed surplus	4,500	5,157
Translation reserve	40,959	49,846
Retained earnings	756,612	501,704
	1,322,222	1,080,312
	\$ 2,159,692	\$ 1,843,187

U.S. countervailing and anti-dumping duty deposits (note 14).

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

"L. Sauder"
 Director

"T.V. Milroy"
 Director



CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three months ended March 31, 2021 and 2020 (unaudited)

(thousands of Canadian Dollars)

	Share Capital	Contributed Surplus	Translation Reserve	Retained Earnings	Total
Balance at December 31, 2020	\$ 523,605	\$ 5,157	\$ 49,846	\$ 501,704	\$ 1,080,312
Net earnings:	-	-	-	264,487	264,487
Other comprehensive income (loss):					
Foreign currency translation differences for foreign operations, net of tax	-	-	(8,887)	-	(8,887)
Defined benefit plan actuarial gain, net of tax	-	-	-	4,472	4,472
Contributions and distributions:					
Share issuance, net of expenses (note 8)	2,798	(853)	-	-	1,945
Share repurchases (note 8)	(6,252)	-	-	(14,051)	(20,303)
Stock options (note 8)	-	196	-	-	196
Balance at March 31, 2021	\$ 520,151	\$ 4,500	\$ 40,959	\$ 756,612	\$ 1,322,222
Balance at December 31, 2019	\$ 533,685	\$ 4,471	\$ 56,759	\$ 236,067	\$ 830,982
Net earnings:	-	-	-	6,309	6,309
Other comprehensive income (loss):					
Foreign currency translation differences for foreign operations, net of tax	-	-	46,083	-	46,083
Defined benefit plan actuarial loss, net of tax	-	-	-	(713)	(713)
Contributions:					
Stock options (note 8)	-	256	-	-	256
Balance at March 31, 2020	\$ 533,685	\$ 4,727	\$ 102,842	\$ 241,663	\$ 882,917

See accompanying notes to consolidated financial statements.

INTERFOR CORPORATION

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(Tabular amounts expressed in thousands except number of shares and per share amounts)
Three months ended March 31, 2021 and 2020 (unaudited)

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 unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2021 and 2020 comprise the accounts of Interfor Corporation and its subsidiaries.

2. Basis of Preparation:

(a) Statement of compliance:

These financial statements, including comparatives, have been prepared in accordance with IAS 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2020.

These financial statements were approved by Interfor's Board of Directors on May 6, 2021.

(b) Basis of measurement:

These financial statements are 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.

The functional and presentation currency of the parent company is the Canadian Dollar.

(c) Critical accounting estimates:

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 quarter ended March 31, 2021. Interfor's critical accounting estimates are described in its financial statements for the year ended December 31, 2020, filed under the Company's profile on www.sedar.com.

3. Significant accounting policies:

These financial statements have been prepared using the significant accounting policies and methods of computation consistent with those applied in the Company's audited December 31, 2020 annual consolidated financial statements, which are available on www.sedar.com.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended March 31, 2021, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on future financial statements.

4. Seasonality of operating results:

Quarterly operating results of the Company reflect the seasonality of its operations and markets. Logging operations are seasonal due to several factors including weather, ground conditions and fire season closures. Generally, production from the Company's B.C. Coastal logging operations is relatively low in the second half of the fourth quarter and the first half of the first quarter due to the impact of winter storms. Logging activity in the B.C. Interior is typically reduced during the annual spring break-up. Sawmill operations are dependent on the availability of logs from our logging operations and our suppliers. In addition, the market demand for lumber and related products is generally lowest in the winter season due to reduced construction and renovation activities.

INTERFOR CORPORATION

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(Tabular amounts expressed in thousands except number of shares and per share amounts)
Three months ended March 31, 2021 and 2020 (unaudited)

5. Acquisitions:

a) Summerville sawmill acquisition:

On March 12, 2021, a wholly-owned subsidiary of Interfor concluded the acquisition of sawmill operations in Summerville, South Carolina from WestRock Company, pursuant to an Asset Purchase Agreement for total consideration of US\$58,618,000 (\$73,630,000). The cash purchase price was funded by cash on hand.

The acquisition has been accounted for as a business combination and the estimated value of the consideration transferred is allocated on a preliminary basis as follows:

Cash purchase price	\$	73,630
Net assets acquired:		
Inventory	\$	10,174
Property, plant and equipment		55,414
Goodwill		8,137
Liabilities assumed		(95)
	\$	73,630

b) 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

6. Inventories:

	Mar. 31, 2021	Dec. 31, 2020
Lumber	\$ 102,671	\$ 80,927
Logs	63,071	54,810
Other	25,427	24,451
	\$ 191,169	\$ 160,188

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 March 31, 2021 was \$3,765,000 (December 31, 2020 - \$4,319,000).

7. Borrowings:

	Revolving Term Line	Senior Secured Notes	Total
March 31, 2021			
Available line of credit	\$ 350,000	\$ 377,250	\$ 727,250
Drawings	-	377,250	377,250
Outstanding letters of credit	19,613	-	19,613
Unused portion of Revolving Term Line	\$ 330,387	\$ -	\$ 330,387
December 31, 2020			
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

INTERFOR CORPORATION

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(Tabular amounts expressed in thousands except number of shares and per share amounts)
Three months ended March 31, 2021 and 2020 (unaudited)

7. Borrowings (continued):

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

Twelve months ending		
March 31, 2022	\$	6,811
March 31, 2023		6,811
March 31, 2024		48,729
March 31, 2025		41,916
March 31, 2026		41,917
Thereafter		231,066
	\$	377,250

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

	Three Months Mar. 31, 2021	Three Months Mar. 31, 2020
Drawings at opening	\$ 381,960	\$ 259,760
Term Line net repayments	-	(59)
Additions to long term debt	-	140,770
Effects of changes in foreign exchange rates	(4,710)	25,139
Drawings at March 31	\$ 377,250	\$ 425,610

(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 March 31, 2021, the Term Line was drawn by letters of credit of \$14,635,000 (December 31, 2020 - \$14,811,000) and US\$3,959,000 (December 31, 2020 - US\$3,987,000), revalued at the quarter-end exchange rate to \$4,978,000 (December 31, 2020 - \$5,076,000), for total outstanding letters of credit of \$19,613,000 (December 31, 2020 - \$19,887,000).

(b) Senior Secured Notes:

As at March 31, 2021, the Company's Senior Secured Notes consisted of the following:

	Mar. 31, 2021	Dec. 31, 2020
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	\$ 5,596	\$ 5,666
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	14,839	15,024
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	125,750	127,320
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	57,279	57,994
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	48,036	48,636
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	62,875	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	62,875	63,660
	\$ 377,250	\$ 381,960

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 \$4,710,000 in the first quarter, 2021 (Quarter 1, 2020 - \$25,080,000 losses) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income.

INTERFOR CORPORATION

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

Three months ended March 31, 2021 and 2020 (unaudited)

8. Share capital:

The transactions in share capital are described below:

	Number	Amount	Contributed Surplus
Balance, December 31, 2019	67,259,959	\$ 533,685	\$ 4,471
Exercise of stock options	31,614	598	(180)
Repurchase of common shares	(1,327,420)	(10,678)	-
Stock options	-	-	866
Balance, December 31, 2020	65,964,153	\$ 523,605	\$ 5,157
Exercise of stock options	116,806	2,798	(853)
Repurchase of common shares	(774,420)	(6,252)	-
Stock options	-	-	196
Balance, March 31, 2021	65,306,539	\$ 520,151	\$ 4,500

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 the first three months of 2021, Interfor purchased 774,420 common shares at an average price of \$26.22 per share for a cost of \$20,303,000 with \$6,252,000 charged against Share capital, based on the average per share amount for common shares in that account as at the transaction date, and the balance of \$14,051,000 to Retained earnings. (Quarter 1, 2020 – No common shares repurchased). 390,850 of these common shares were cancelled as at March 31, 2021, with the remaining 383,570 cancelled in April 2021.

No common shares were purchased in 2020 under the Company's prior NCIB that expired on March 6, 2020.

9. Depreciation, depletion and amortization:

Depreciation, depletion and amortization by function is as follows:

	Three Months Mar. 31, 2021	Three Months Mar. 31, 2020
Production	\$ 27,968	\$ 29,968
Selling and administration	474	623
	\$ 28,442	\$ 30,591

10. Finance costs:

	Three Months Mar. 31, 2021	Three Months Mar. 31, 2020
Interest expense on:		
Borrowings	\$ 4,158	\$ 3,677
Lease liabilities	411	500
Pension obligations	566	601
Interest revenue from:		
Duty deposits and other	(391)	(316)
Pension assets	(355)	(578)
Unwind of discount on provisions	56	134
Amortization of deferred finance costs	79	78
	\$ 4,524	\$ 4,096

INTERFOR CORPORATION

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(Tabular amounts expressed in thousands except number of shares and per share amounts)
Three months ended March 31, 2021 and 2020 (unaudited)

11. Net earnings per share:

Net earnings per share is calculated utilizing the treasury stock method for determining the dilutive effect of options issued. The reconciliation of the numerator and denominator is determined as follows:

	Three Months Mar. 31, 2021			Three Months Mar. 31, 2020		
	Net earnings	Weighted Average Number of Shares	Per share	Net earnings	Weighted Average Number of Shares	Per share
Issued shares at December 31		65,964,153			67,259,959	
Effect of shares issued in quarter		45,559			-	
Effect of shares repurchased		(82,267)			-	
Basic earnings per share	\$ 264,487	65,927,445	\$ 4.01	\$ 6,309	67,259,959	\$ 0.09
Effect of dilutive securities:						
Stock options		154,287			324	
Diluted earnings per share	\$ 264,487	66,081,732	\$ 4.00	\$ 6,309	67,260,283	\$ 0.09

12. 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.

Sales by market are as follows:

	Three Months Mar. 31, 2021	Three Months Mar. 31, 2020
United States	\$ 719,417	\$ 339,864
Canada	98,439	94,681
Japan	10,825	21,216
China/Taiwan	8,994	11,876
Other export	11,632	12,009
	\$ 849,307	\$ 479,646

Sales by product line are as follows:

	Three Months Mar.31, 2021	Three Months Mar.31, 2020
Lumber	\$ 762,362	\$ 379,289
Logs	33,138	55,456
Wood chips and other by products	40,226	42,719
Freight and other	13,581	2,182
	\$ 849,307	\$ 479,646

13. Financial instruments:

At March 31, 2021, the fair value of the Company's Long term debt exceeded its carrying value by \$26,741,000 (December 31, 2020 - \$27,915,000) measured based on the level 2 of the fair value hierarchy.

The fair values of other financial instruments approximate their carrying values due to their short-term nature.

As at March 31, 2021, the Company had no outstanding obligations under derivative financial instruments.

14. 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:

INTERFOR CORPORATION

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(Tabular amounts expressed in thousands except number of shares and per share amounts)
Three months ended March 31, 2021 and 2020 (unaudited)

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

Year ended December 31	Cash deposit rates in effect	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.

As at March 31, 2021, Interfor has a long term receivable of US\$32,931,000 (December 31, 2020 - US\$32,931,000) in Deposits and other assets on the Statements of Financial Position, revalued at the quarter-end exchange rate to \$41,410,000 (December 31, 2020 - \$41,927,000). Interfor has recorded interest on the long term receivable of US\$2,276,000 (December 31, 2020 - US\$2,224,000) in Deposits and other assets on the Statements of Financial Position, revalued at the quarter-end exchange rate to \$2,862,000 (December 31, 2020 - \$2,832,000).

Interfor paid duties of US\$18,424,000 in 2017, US\$42,016,000 in 2018, US\$33,765,000 in 2019, US\$39,761,000 in 2020 and US\$9,100,000 in the first three months of 2021, all of which remain held in trust by U.S. Customs and Border Protection. With the exception of US\$32,931,000 (December 31, 2020 - US\$32,931,000) 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.



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