Interfor Corporation
Third Quarter Report
For the three and nine months ended September 30, 2022

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 and nine months ended September 30, 2022 ("Q3'22" and "YTD'22", respectively). 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 and nine months ended September 30, 2022, 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 November 3, 2022.

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 Third Quarter, 2022", "Acquisition of Chaleur Forest Products", "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 2021 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; Indigenous reconciliation; the Company's ability to export its products; the softwood lumber trade dispute between Canada and the U.S.; environmental impacts of the Company's operations; labour disruptions; information systems security; the existence of a public health crisis; and the assumptions described under the heading "Critical Accounting Estimates" herein and in Interfor's 2021 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 Third Quarter, 2022

Interfor recorded Net earnings in Q3'22 of $3.5 million, or $0.06 per share, compared to $269.9 million, or $4.92 per share in Q2'22 and $65.6 million, or $1.05 per share in Q3'21. Adjusted net earnings in Q3'22 were $31.5 million compared to $280.2 million in Q2'22 and $46.7 million in Q3'21.

Adjusted EBITDA was $129.5 million on sales of $1.0 billion in Q3'22 versus $428.6 million on sales of $1.4 billion in Q2'22.

Notable items in the quarter:

- Lumber Production Balanced with Demand
  - Lumber production totaled 986 million board feet, representing a decrease of 30 million board feet quarter-over-quarter. The U.S. South and U.S. Northwest regions accounted for 470 million board feet and 159 million board feet, respectively, compared to 467 million board feet and 163 million board feet in Q2'22. The Eastern Canada Operations produced 198 million board feet versus 211 million board feet in Q2'22. Production in the B.C. region decreased to 159 million board feet from 174 million board feet in Q2'22, in part due to the sale of the Acorn sawmill during Q2'22.
  - Lumber shipments were 1.1 billion board feet, or 18 million board feet lower than Q2'22, leading to a reduction of lumber inventories by 36 million board feet during the quarter. Lumber inventories ended the quarter within our target range.
- Moderating Lumber Demand
  - Lumber demand moderated during the quarter due in part to rising interest rates across North America, contributing to significantly lower lumber prices quarter-over-quarter. Interfor's average selling price was $800 per mfbm, down $304 per mfbm versus Q2'22. The SYP Composite, Western SPF Composite, KD H-F Stud 2x4 9' and ESPF Composite price benchmarks decreased quarter-over-quarter by US$127, US$287, US$264 and US$281 per mfbm to US$555, US$550, US$627, and US$657 per mfbm, respectively.
- Financial Flexibility Maintained
  - Net debt ended the quarter at $249.7 million, or 10.5% of invested capital, resulting in ample available liquidity of $601.4 million.
- DeQuincy, LA Sawmill at Full Production
  - The DeQuincy, LA sawmill, with an annual two-shift capacity of 200 million board feet, reached its full production run-rate in Q3 2022.
- Strategic Capital Investments
  - Capital spending was $86.1 million, including $50.8 million on discretionary projects. The majority of this discretionary spending was focused on the multi-year rebuilds of the Eatonton, GA and Thomaston, GA sawmills, a new planer at the Castlegar, B.C. sawmill and upgrades to the Perry, GA sawmill.
  - The comprehensive rebuild of the Eatonton, GA sawmill was successfully completed during the quarter and it is currently ramping up as expected towards the designed production capacity of 230 million board feet per year.
- Substantial Issuer Bid ("SIB")
  - On July 26, 2022, Interfor announced a SIB pursuant to which the Company offered to purchase up to $100.0 million in value of its outstanding common shares for cancellation from holders of common shares for cash. The SIB proceeded by way of a "modified Dutch auction" procedure with a tender price range from $29.00 to $34.00 per common share.
  - On September 12, 2022, the Company purchased for cancellation 3,355,704 common shares for total consideration of $100.0 million at a price of $29.80 per share or 0.72 times book value per share at September 30, 2022.

- Normal Course Issuer Bid ("NCIB") Renewal
    - The Company announced today a renewal of its NCIB commencing on November 11, 2022 and ending on November 10, 2023, for the purchase of up to 5,105,002 common shares, which represents 10% of the Company's public float. The Company continues to believe that, from time to time, the market price of its common shares may be attractive and their purchase would represent a prudent use of its capital to increase shareholder value.
- Softwood Lumber Duties Rate Adjustment
    - In Q3'22, the U.S. Department of Commerce ("DoC") published the final rates for countervailing ("CV") and anti-dumping ("AD") duties based on the results of its third administrative review ("AR3") covering shipments for the year ended December 31, 2020. The final combined rate for 2020 was 8.59%, compared to the cash deposit rate of 20.23% from January to November 2020 and 8.99% for December 2020. To reflect the lower amended final rates for 2020, Interfor recorded a $26.1 million reduction to duties expense in Q3'22 and a corresponding receivable on its balance sheet.
    - Interfor has cumulative duties of US$418.9 million held in trust by U.S. Customs and Border Protection as at September 30, 2022. Except for US$124.2 million recorded as a receivable in respect of overpayments arising from duty rate adjustments and the fair value of rights to duties acquired, Interfor has recorded the duty deposits as an expense.

Acquisition of Chaleur Forest Products

On October 3, 2022, the Company announced it had reached an agreement with an affiliate of the Kilmer Group to acquire 100% of the equity interests in the entities comprising Chaleur Forest Products ("Chaleur") for a purchase price of $325.0 million, which includes $31.0 million of net working capital. In addition, Interfor will assume Chaleur's CV and AD duty deposits at closing, for consideration equal to 55% of the total deposits on an after-tax basis. The acquisition includes two sawmill operations located in Belledune and Bathurst, New Brunswick with a combined annual lumber production capacity of 350 million board feet, and a woodlands management division based in Miramichi, New Brunswick that manages approximately 30% of the total Crown forest in New Brunswick.

The transaction remains subject to customary conditions and regulatory approvals for a transaction of this kind and is currently expected to close in the fourth quarter of 2022.

Outlook

North American lumber markets over the near term are expected to be volatile as the economy continues to adjust to inflationary pressures, higher interest rates, supply chain constraints, labour shortages and geo-political uncertainty.

Interfor expects that over the mid-term, lumber markets will continue to benefit from favourable underlying supply and demand fundamentals. Positive demand factors include the advanced age of the U.S. housing stock, a shortage of available housing and various demographic factors, while growth in lumber supply is expected to be limited by extended capital project completion and ramp-up timelines and constrained overall fibre availability.

Interfor's strategy of maintaining a diversified portfolio of operations in multiple regions allows the Company to both reduce risk and maximize returns on capital over the business cycle. Interfor is well positioned with its strong balance sheet and significant available liquidity to continue pursuing its strategic plans despite ongoing economic and geo-political uncertainty.

Financial and Operating Highlights[1]

	Unit	For the 3 months ended Sept. 30 2022	Sept. 30 2021	Jun. 30 2022	For the 9 months ended Sept. 30 2022	Sept. 30 2021
Financial Highlights[2]						
Total sales	$MM	1,035.6	664.3	1,389.1	3,773.7	2,613.3
Lumber	$MM	837.8	559.6	1,190.8	3,241.1	2,334.9
Logs, residual products and other	$MM	197.8	104.7	198.3	532.6	278.4
Operating earnings	$MM	75.9	54.8	385.9	974.4	978.7
Net earnings	$MM	3.5	65.6	269.9	670.4	749.4
Net earnings per share, basic	$/share	0.06	1.05	4.92	11.95	11.61
Adjusted net earnings[3]	$MM	31.5	46.7	280.2	704.1	750.9
Adjusted net earnings per share, basic[3]	$/share	0.58	0.74	5.11	12.55	11.63
Operating cash flow per share (before working capital changes)[3,5]	$/share	(0.02)	1.09	4.43	10.86	14.42
Adjusted EBITDA[3]	$MM	129.5	93.9	428.6	1,128.2	1,097.3
Adjusted EBITDA margin[3]	%	12.5%	14.1%	30.9%	29.9%	42.0%
Total assets	$MM	3,294.6	2,488.7	3,269.5	3,294.6	2,488.7
Total debt	$MM	396.4	375.3	372.6	396.4	375.3
Net debt[3]	$MM	249.7	(133.8)	102.0	249.7	(133.8)
Net debt to invested capital[3]	%	10.5%	(9.3%)	4.6%	10.5%	(9.3%)
Annualized return on capital employed[3]	%	5.6%	16.0%	52.9%	47.8%	69.2%
Operating Highlights						
Lumber production	million fbm	986	731	1,016	2,918	2,133
Lumber sales	million fbm	1,064	753	1,082	2,989	2,133
Lumber - average selling price[4]	$/thousand fbm	800	744	1,104	1,084	1,095
Average USD/CAD exchange rate[6]	1 USD in CAD	1.3056	1.2600	1.2768	1.2828	1.2513
Closing USD/CAD exchange rate[6]	1 USD in CAD	1.3707	1.2741	1.2886	1.3707	1.2741

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 including duties.
5. Financial information has been adjusted for a reclassification in the presentation of unrealized foreign exchange loss (gain) within cashflow from operations resulting in a $/share change of $(0.06) – Q3 2021; $0.45 - Q2 2022; and $(0.06) – YTD Q3 2021.
6. Based on Bank of Canada foreign exchange rates.

Summary of Third Quarter 2022 Financial Performance

Sales

Interfor recorded $1.0 billion of total sales, up 55.9% from $664.3 million in the third quarter of 2021, driven by the sale of 1.1 billion board feet of lumber at an average price of $800 per mfbm. Lumber sales volume increased 311 million board feet, or 41.4% and average selling price increased $56 per mfbm, or 7.6%, as compared to the same quarter of 2021.

Increases in the average selling price of lumber reflect higher prices for Western SPF, Southern Yellow Pine, and Hem-Fir in Q3'22 as compared to Q3'21. The Western SPF Composite, SYP Composite and KD H-F Stud 2x4 9' benchmarks increased by US$71, US$87 and US$69 per mfbm to US$550, US$555 and US$627 per mfbm, respectively.

Sales generated from logs, residual products and other increased by $93.1 million or 89.0% in Q3'22 compared to Q3'21 due mainly to the Eastern Canada Operations I-Joist plant sales and an increase in volume of chips produced and sold.

Operations

Production costs increased by $352.4 million, or 64.0%, compared to Q3’21, explained by a 41.4% increase in lumber sales volume, inflationary impacts on costs, higher log stumpage rates in B.C. and a weaker Canadian Dollar on average.

Lumber production of 986 million board feet in Q3’22 was 255 million board feet higher than Q3’21.

Production from the Company’s U.S. South and U.S. Northwest sawmills increased by 59 million board feet and 2 million board feet to 470 million board feet and 159 million board feet, respectively, versus the comparable quarter of 2021. The increase in the U.S. South is primarily related to the restart of operations at the sawmill in DeQuincy, LA in Q1’22. The Eastern Canada Operations acquired in February 2022 contributed production of 198 million board feet in the quarter, while production from the Company’s B.C. operations of 159 million board feet represented a reduction of 5 million board feet compared to Q3’21. The production from the B.C. operations decreased mainly due to the sale of the Acorn sawmill during Q2’22.

Interfor recorded a net recovery of $12.4 million of duties in Q3’22 compared to an expense of $6.1 million in Q3’21. The net recovery resulted from the $26.1 million recovery related to the finalization of the CV and AD rates by the U.S. DoC for AR3, partially offset by higher shipments to the U.S. from Canadian sawmills related to the acquired Eastern Canada Operations.

Depreciation of plant and equipment was $40.6 million in Q3’22, up $14.7 million from Q3’21, due primarily to the acquired Eastern Canada Operations and the start-up of completed capital projects in the U.S. South. Depletion and amortization of timber, roads and other was $9.8 million, up $2.4 million from Q3’21, primarily due to the acquired Eastern Canada Operations and increased conventional logging on the B.C. Coast.

Corporate and Other

Selling and administration expenses were $15.6 million, up $1.9 million from Q3’21 primarily related to the acquired Eastern Canada Operations.

Long-term incentive compensation expense was $2.5 million in Q3’22, down $2.3 million from Q3’21, primarily as a result of the impact of a 3.9% decrease in the price of Interfor common shares used to value share-based awards during Q3’22 compared to a 6.6% increase during Q3’21.

Asset write-downs and restructuring costs in Q3’22 were $0.8 million, primarily related to non-cash impairments on certain plant and equipment that were replaced in conjunction with the Company’s strategic capital projects. The asset write-downs and restructuring costs in Q3’21 were $1.0 million, primarily related to non-cash impairments on right-of-use assets related to the sale of property, plant and equipment at the former Hammond sawmill.

Finance costs decreased to $1.5 million in Q3’22 from $4.4 million in Q3’21 primarily as a result of interest income accrued on the long-term receivable for the CV and AD duty rate finalization for AR3.

Other foreign exchange loss of $46.9 million in Q3’22 and gain of $9.1 million in Q3’21 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 foreign exchange loss of $50.7 million recorded on intercompany funding in the quarter remains unrealized, and there was an offsetting gain recorded in Other comprehensive income for a net nil impact on Equity.

Other income of $11.9 million in Q3’22 primarily relates to the sale of a forest license, partially offset by the change in the fair value of the minority interest in GreenFirst Forest Products Inc. Other income of $22.6 million in Q3’21 primarily resulted from the sale of property, plant and equipment at the Company’s former Hammond sawmill.

Income Taxes

The Company recorded income tax expense of $35.8 million in Q3’22 at an effective tax rate of 91%, comprised of $27.5 million current income tax expense and $8.3 million deferred tax expense. The effective tax rate exceeds the statutory tax rate due to the tax effect of the appreciation of the U.S. dollar on U.S. Dollar denominated short-term intercompany funding.

The Company recorded income tax expense of $16.4 million in Q3'21 at an effective tax rate of 20%, comprised of $14.7 million in current income tax recovery and $31.1 million in deferred tax expense.

Net Earnings

The Company recorded Net earnings of $3.5 million, or $0.06 per share, compared to $65.6 million, or $1.05 per share in Q3'21. Operating margins and Net earnings were impacted by the unrealized foreign exchange loss on intercompany funding, partially offset by higher sales volumes.

Summary of Year-to-Date 2022 Financial Performance

Sales

Interfor recorded $3.8 billion of total sales, up 44.4% from $2.6 billion in the first nine months of 2021, driven by the sale of 3.0 billion board feet of lumber at an average price of $1,084 per mfbm. Lumber sales volume increased 856 million board feet, or 40.2%, while average selling price decreased $11 per mfbm, or 1.0%, as compared to the first nine months of 2021.

The decrease in the average selling price of lumber reflects lower prices across all benchmark products in YTD'22 as compared to YTD'21. The Western SPF Composite, SYP Composite, and KD H-F Stud 2x4 9' benchmarks decreased by US$62, US$19, and US$173 per mfbm to US$849, US$785, and US$937 per mfbm, respectively. This was partially offset by realized lumber prices increasing in Canadian Dollar terms by the 2.5% weakening of the Canadian Dollar against the U.S. Dollar in YTD'22 as compared to YTD'21.

Sales generated from logs, residual products and other increased by $254.2 million or 91.3% as compared to the same period of 2021 due mainly to the Eastern Canada Operations I-Joist plant sales and an increase in volume of chips produced and sold.

Operations

Production costs increased by $1.1 billion or 76.1% over the first nine months of 2022, explained by a 40.2% increase in lumber sales volume, inventory purchase accounting adjustments related to the acquisition of the Eastern Canada Operations, inflationary impacts on costs, higher log stumpage rates in B.C., higher log costs in the U.S. Northwest and a weaker Canadian Dollar on average.

Lumber production of 2.9 billion board feet in YTD'22 was 785 million board feet higher than YTD'21.

Production from the Company's U.S. South and U.S. Northwest sawmills totaled 1.4 billion board feet and 495 million board feet, respectively in YTD'22, up 254 million board feet and 61 million board feet, respectively compared to YTD'21. These increases are primarily the result of acquisitions in 2021 of sawmills in Summerville, SC, Bay Springs, MS, Fayette, AL, DeQuincy, LA and Philomath, OR. The Eastern Canada Operations acquired in February 2022 contributed production of 505 million board feet in YTD'22, while production from the Company's B.C. operations of 528 million board feet represented a reduction of 34 million board feet compared to the first nine months of 2021. The production from the B.C. operations decreased mainly due to the sale of the Acorn sawmill during Q2'22.

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 $69.8 million for YTD'22, up $32.1 million from YTD'21. The increase is due to higher shipments to the U.S. from Canadian sawmills primarily related to the acquired Eastern Canada Operations and higher cash deposit rates as compared to YTD'21, partially offset by the $26.1 million recovery related to the finalization of the CV and AD rates by the U.S. DoC for AR3.

Depreciation of plant and equipment was $115.3 million, up 64.5% from the first nine months of 2021, due primarily to the acquisition of the Eastern Canada Operations, the acquisition of sawmills in 2021 and the start-up of completed capital projects in the U.S. South. Depletion and amortization of timber, roads and other was $28.1 million, up $7.0 million from YTD'21 primarily due to the acquired Eastern Canada Operations and increased conventional logging on the B.C. Coast.

Corporate and Other

Selling and administration expenses were $49.4 million, up $10.6 million from the first nine months of 2021, primarily related to the acquired Eastern Canada Operations, other corporate activities and accruals for short-term incentive compensation.

Long-term incentive compensation recovery was $4.2 million YTD’22 versus a $23.6 million expense in YTD’21, primarily as a result of the impact of a 37.0% decrease in the price of Interfor common shares used to value share-based awards during YTD’22 compared to a 35.3% increase during YTD’21. The long-term incentive compensation in YTD’21 included adjustments to awards to reflect the special cash dividend.

Asset write-downs and restructuring costs in YTD’22 totalled $5.0 million, primarily related to severance and non-cash impairments on certain plant and equipment that were replaced in conjunction with the Company’s strategic capital projects. The charges totaling $3.4 million in YTD’21 were of a similar nature.

Finance costs decreased to $11.0 million from $13.4 million in the first nine months of 2021, primarily as a result of interest income accrued on the long-term receivable for the CV and AD duty rate finalization for AR3, partially offset by interest expense on higher borrowings to fund the acquisition of the Eastern Canada Operations.

Other foreign exchange loss of $54.4 million in YTD’22 and gain of $2.1 million in YTD’21 result primarily from the period-end revaluation of U.S. Dollar denominated short-term intercompany funding and U.S. Dollar cash held by Canadian operations. The foreign exchange loss of $63.5 million recorded on intercompany funding in YTD’22 remains unrealized, and there was an offsetting gain recorded in Other comprehensive income for a net nil impact on Equity.

Other income of $18.8 million in YTD’22 primarily relates to insurance proceeds the Company has recorded for a business interruption claim related to fire damage at one sawmill, the gain on the sale of the Acorn speciality sawmill and related working capital, and the sale of a forest license, partially offset by the change in the fair value of the minority interest in GreenFirst Forest Products Inc. Other income of $23.5 million in YTD’21 primarily resulted from the sale of property, plant and equipment at the Company’s former Hammond sawmill.

Income Taxes

The Company recorded income tax expense of $257.3 million in YTD’22 at an effective tax rate of 28%, comprised of $242.9 million in current tax expense and $14.4 million in deferred tax expense. The effective tax rate exceeds the statutory tax rate due to the tax effect of the appreciation of the U.S. dollar on U.S. Dollar denominated short-term intercompany funding. The Company recorded income tax expense of $241.6 million in YTD’21 at an effective tax rate of 24%, comprised of $203.6 million in current income tax expense and $38.0 million in deferred tax expense.

Net Earnings

The Company recorded Net earnings of $670.4 million, or $11.95 per share, compared to $749.4 million, or $11.61 per share, in the same period of 2021. Operating margins and Net earnings were impacted by lower lumber prices, higher operating costs and the unrealized foreign exchange loss on intercompany funding, partially offset by higher sales volumes. Net earnings per share was positively impacted by share purchases under the Company’s NCIB and SIB.

Summary of Quarterly Results[1]

		2022			2021				2020
	Unit	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial Performance[2]									
Total sales	$MM	1,035.6	1,389.1	1,349.0	675.9	664.3	1,099.7	849.3	662.3
Lumber	$MM	837.8	1,190.8	1,212.5	591.5	559.6	1,012.9	762.4	575.0
Logs, residual products and other	$MM	197.8	198.3	136.5	84.4	104.7	86.8	86.9	87.3
Operating earnings	$MM	75.9	385.9	512.7	99.2	54.8	568.3	355.6	203.2
Net earnings	$MM	3.5	269.9	397.0	69.7	65.6	419.2	264.5	149.1
Net earnings per share, basic	$/share	0.06	4.92	6.69	1.15	1.05	6.45	4.01	2.24
Adjusted net earnings[3]	$MM	31.5	280.2	392.5	78.2	46.7	433.5	270.6	164.7
Adjusted net earnings per share, basic[3]	$/share	0.58	5.11	6.61	1.29	0.74	6.67	4.11	2.47
Operating cash flow per share (before working capital changes)[3,5]	$/share	(0.02)	4.43	6.18	2.25	1.09	7.46	5.73	3.05
Adjusted EBITDA[3]	$MM	129.5	428.6	570.1	149.5	93.9	611.3	392.1	248.6
Adjusted EBITDA margin[3]	%	12.5%	30.9%	42.3%	22.1%	14.1%	55.6%	46.2%	37.5%
Annualized return on capital employed[3]	%	5.6%	52.9%	86.6%	18.2%	16.0%	110.8%	79.2%	48.4%
Shares outstanding - end of period	million	51.4	54.8	55.8	60.8	60.8	63.6	65.3	66.0
Shares outstanding - weighted average	million	54.1	54.9	59.4	60.8	62.7	65.0	65.9	66.7
Operating Performance									
Lumber production	million fbm	986	1,016	917	758	731	716	687	687
Lumber sales	million fbm	1,064	1,082	843	719	753	714	666	683
Lumber - average selling price[4]	$/thousand fbm	800	1,104	1,410	822	744	1,419	1,143	842
Average USD/CAD exchange rate[6]	1 USD in CAD	1.3056	1.2768	1.2662	1.2603	1.2600	1.2282	1.2660	1.3030
Closing USD/CAD exchange rate[6]	1 USD in CAD	1.3707	1.2886	1.2496	1.2678	1.2741	1.2394	1.2575	1.2732

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 including duties.
5 Financial information has been adjusted for a reclassification in the presentation of unrealized foreign exchange loss (gain) within cashflow from operations resulting in a $/share change of $0.45 - Q2 2022; $(0.20) - Q1 2022; $0.06 - Q4 2021; and $(0.06) – Q3 2021.
6 Based on Bank of Canada foreign exchange rates.

The Company's quarterly financial trends are most impacted by volatility in market prices for lumber, seasonality in lumber demand, disruptions in the availability of freight, variability in log costs driven by stumpage rates, fluctuations in the USD/CAD foreign currency exchange rate and sawmill acquisitions, disposals and/or closures.

Lumber production and sales decreased commencing in Q4'20 with the sale of the sawmill in Gilchrist, OR and in Q2'22 with the sale of the Acorn specialty sawmill. Lumber production and sales increased commencing in Q1'21 with the acquisition of the sawmill in Summerville, SC, in Q3'21 with the acquisition of the sawmills in Bay Springs, MS, Fayette, AL and Philomath, OR and in Q1'22 with the acquisition of the Eastern Canada Operations and the restart of the sawmill in DeQuincy, LA.

The volatility of the Canadian Dollar against the U.S. Dollar has 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. A stronger Canadian Dollar has the opposite impacts.

Liquidity

Balance Sheet

Interfor's Net debt at September 30, 2022 was $249.7 million, or 10.5% of invested capital, representing an increase of $412.6 million from the level of Net debt at December 31, 2021.

As at September 30, 2022 the Company had net working capital of $513.1 million and available liquidity of $601.4 million, based on the available borrowing capacity under its $500 million Revolving Term Line.

The Revolving Term Line and Senior Secured Notes are subject to financial covenants, including a net debt to total capitalization ratio 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.

	For the 3 months ended Sept. 30,		For the 9 months ended Sept. 30,	
Thousands of Dollars	2022	2021	2022	2021
Net debt				
Net debt (cash), period opening	$101,991	$(490,682)	$(162,886)	$(75,432)
Repayments of Senior Secured Notes	-	-	(7,005)	(6,671)
Revolving Term Line net drawings (repayments)	-	1	(3,850)	1
Impact on U.S. Dollar denominated debt from weakening CAD	23,741	10,221	31,541	38
Decrease (increase) in cash and cash equivalents	130,156	365,553	406,460	(48,016)
Impact on U.S. Dollar denominated cash and cash equivalents from weakening CAD	(6,170)	(18,922)	(14,542)	(3,749)
Net debt (cash), period ending	$249,718	$(133,829)	$249,718	$(133,829)

On December 17, 2021, the Company completed an early renewal and expansion of its Revolving Term Line. The commitment under the facility was increased by $150 million to a total of $500 million, and the term was extended from March 2024 to December 2026.

Cash Flow from Operating Activities

The Company generated $608.9 million of cash flow from operations before changes in working capital in YTD'22, for a decrease of $321.6 million over YTD'21. There was a net cash inflow from operations after changes in working capital of $722.1 million in YTD'22, with $113.2 million of cash released from operating working capital.

Higher lumber shipments contributed to the $75.4 million inflow from inventories and the collection of trade receivables recorded at higher lumber prices contributed to the $35.1 million inflow related to trade receivables. Timing of payments contributed to the $8.5 million inflow from trade accounts payable and provisions. Elevated taxable income in 2021 resulted in income tax installment payments of $448.9 million in YTD'22. This includes the taxes paid in relation to the Eastern Canada Operations current income taxes payable assumed on acquisition.

In YTD'21, $966.2 million of cash was generated from operations, with $35.8 million of cash released from operating working capital.

Cash Flow from Investing Activities

Investing activities totaled $765.1 million in YTD'22, with $536.1 million for the acquisition of the Eastern Canada Operations, $194.4 million for property, plant and equipment, $55.6 million for the investment in GreenFirst Forest Products Inc., $7.7 million for development of roads and bridges, $3.2 million for deposits and other assets, partially offset by $32.0 million in proceeds on disposal of property, plant and equipment.

Discretionary mill improvements of $126.3 million in YTD'22 were mainly focused on the multi-year rebuilds of the Eatonton, GA and Thomaston, GA sawmills, a new planer at the Castlegar, B.C. sawmill and upgrades to the Perry, GA sawmill.

Maintenance capital investments excluding roads totaled $68.2 million in YTD’22.

In YTD’21, investing activities were $608.0 million, with $539.9 million for the Summerville sawmill acquisition and four sawmills acquired from Georgia-Pacific, $100.6 million for plant and equipment and $13.1 million for development of roads and bridges, partially offset by $45.7 million in proceeds on disposal of property, plant and equipment.

Discretionary and maintenance mill improvements totalled $69.5 million and $31.1 million, respectively, in YTD’21, of which the majority was spent on a new kiln at the Adams Lake, B.C. sawmill, a new planer at the Castlegar, B.C. sawmill, and the rebuild of the Eatonton, GA sawmill.

Cash Flow from Financing Activities

The net cash outflow of $363.5 million in YTD’22 resulted from $327.6 million used to purchase shares under the Company’s NCIB and SIB, $7.0 million for repayments of Senior Secured Notes, interest payments of $13.1 million, lease liability payments of $12.0 million and $3.9 million Revolving Term Line net repayments.

The net cash outflow of $310.1 million in YTD’21 resulted from the $130.6 million special cash dividend payment, $152.9 million used to purchase shares under the Company’s NCIB, and $6.7 million for repayments of Senior Secured Notes. Interest and lease liability payments were $12.6 million and $10.0 million, respectively.

Capital Resources

The following table summarizes Interfor’s credit facilities and availability as of September 30, 2022:

Thousands of Canadian Dollars	Revolving Term Line	Senior Secured Notes	Total
Available line of credit and maximum borrowing available	$500,000	$396,361	$896,361
Less:			
Drawings	-	396,361	396,361
Outstanding letters of credit included in line utilization	45,293	-	45,293
Unused portion of facility	$454,707	$ -	454,707
Add:			
Cash and cash equivalents			146,643
Available liquidity at September 30, 2022			$601,350

Interfor’s Revolving Term Line matures in December 2026 and its Senior Secured Notes have maturities principally in the years 2024-2030.

As of September 30, 2022, the Company had commitments for capital expenditures totaling $199.6 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 and nine months ended September 30, 2022.

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 September 30, 2022, such instruments aggregated $110.2 million (December 31, 2021 - $61.4 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 Q3’22 or Q3’21.

Outstanding Shares

As of November 3, 2022, Interfor had 51,434,895 common shares issued and outstanding. These common shares are listed on the Toronto Stock Exchange under the symbol IFP.

As of November 3, 2022, there were 505,818 stock options outstanding with exercise prices ranging from $9.77 to $37.68 per common share.

On November 3, 2022, the Company announced a renewal of its NCIB commencing on November 11, 2022 and ending on November 10, 2023, for the purchase of up to 5,105,002 common shares.

On November 4, 2021, the Company announced a renewal of its NCIB commencing on November 11, 2021 and ending on November 10, 2022, for the purchase of up to 6,041,701 common shares.

During the first nine months of 2022, Interfor completed the purchase of all 6,041,701 common shares allowable under the NCIB for total consideration of $227.2 million, representing an average price of $37.60 per share or 0.91 times book value per share at September 30, 2022.

On September 12, 2022, the Company purchased 3,355,704 common shares under its SIB for total consideration of $100.0 million at a price of $29.80 per share or 0.72 times book value per share at September 30, 2022. This completed the purchase of all common shares under the SIB.

During the first nine months of 2021, Interfor purchased 5,345,238 common shares at a cost of $152.9 million. The common shares were purchased under the previous NCIB that expired November 10, 2021.

Controls and Procedures

As of September 30, 2022, the scope of the Company’s design of disclosure controls and procedures (“DC&P”) and internal controls over financial reporting (“ICFR”) has been limited to exclude controls, policies and procedures of the Eastern Canada Operations acquired from an affiliate of Kelso & Company on February 22, 2022, as we have not yet completed evaluating these controls and procedures or designing and implementing any necessary changes.

The Eastern Canada Operations contribution to our unaudited condensed consolidated interim financial statements for nine months ended September 30, 2022 was approximately 20.8% of consolidated sales and approximately 12.4% of consolidated net earnings. Additionally, the Eastern Canada Operations total assets were approximately 29.9% of consolidated total assets. Additional information about the acquisition is provided in Note 5 to Interfor’s unaudited condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2022. Other than the aforementioned, there were no changes in the Company’s DC&P and ICFR during the three and nine months ended September 30, 2022 that materially affected, or would be reasonably likely to materially affect, such controls.

In April 2022, the Company successfully converted to a new Financial Reporting System. In connection with this implementation, the Company replaced multiple internal controls over financial reporting that were previously considered effective with similar internal controls that are also expected to be effective. In management’s judgment, these changes do not have a material effect on internal controls over financial reporting.

Critical Accounting Estimates

There were no significant changes to the Company’s critical accounting estimates during the quarter ended September 30, 2022. Interfor’s critical accounting estimates are described in its MD&A for the year ended December 31, 2021, 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 September 30, 2022, 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:

Thousands of Canadian Dollars except number of shares and per share amounts	For the 3 months ended Sept. 30 2022	For the 3 months ended Sept. 30 2021	For the 3 months ended Jun. 30 2022	For the 9 months ended Sept. 30 2022	For the 9 months ended Sept. 30 2021
Adjusted Net Earnings					
Net earnings	$ 3,501	$65,630	$269,881	$670,414	$749,358
Add:					
Asset write-downs and restructuring costs	763	997	1,088	5,049	3,352
Other foreign exchange loss (gain)	46,918	(9,104)	20,299	54,394	(2,113)
Long-term incentive compensation expense (recovery)	2,503	4,809	(10,403)	(4,229)	23,624
Other expense (income) excluding business interruption insurance	(11,857)	(22,571)	3,085	(9,167)	(23,522)
Post closure wind-down costs (recoveries)	-	(24)	-	-	451
Income tax effect of above adjustments	(10,320)	6,956	(3,787)	(12,313)	(264)
Adjusted net earnings	$31,508	$46,693	$280,163	$704,148	$750,886
Weighted average number of shares - basic ('000)	*54,096*	*62,741*	*54,874*	*56,089*	*64,539*
Adjusted net earnings per share	$0.58	$0.74	$5.11	$12.55	$11.63
Adjusted EBITDA					
Net earnings	$ 3,501	$65,630	$269,881	$670,414	$749,358
Add:					
Depreciation of plant and equipment	40,551	25,899	41,647	115,311	70,090
Depletion and amortization of timber, roads and other	9,780	7,396	9,154	28,059	21,033
Finance costs	1,478	4,444	4,357	11,002	13,405
Income tax expense	35,831	16,439	89,474	257,331	241,617
EBITDA	91,141	119,808	414,513	1,082,117	1,095,503
Add:					
Long-term incentive compensation expense (recovery)	2,503	4,809	(10,403)	(4,229)	23,624
Other foreign exchange loss (gain)	46,918	(9,104)	20,299	54,394	(2,113)
Other expense (income) excluding business interruption insurance	(11,857)	(22,571)	3,085	(9,167)	(23,522)
Asset write-downs and restructuring costs	763	997	1,088	5,049	3,352
Post closure wind-down costs (recoveries)	-	(24)	-	-	451
Adjusted EBITDA	$129,468	$93,915	$428,582	$1,128,164	$1,097,295
Sales	$1,035,597	$664,274	$1,389,050	3,773,684	$2,613,251
Adjusted EBITDA margin	12.5%	14.1%	30.9%	29.9%	42.0%
Net debt to invested capital					
Net debt					
Total debt	$396,361	$375,328	$372,620	$396,361	$375,328
Cash and cash equivalents	(146,643)	(509,157)	(270,629)	(146,643)	(509,157)
Total net debt	$249,718	$(133,829)	$101,991	$249,718	$(133,829)
Invested capital					
Net debt	$249,718	$(133,829)	$101,991	$249,718	$(133,829)
Shareholders' equity	2,123,307	1,567,063	2,106,097	2,123,307	1,567,063
Total invested capital	$2,373,025	$1,433,234	$2,208,088	$2,373,025	$1,433,234
Net debt to invested capital (1)	10.5%	(9.3%)	4.6%	10.5%	(9.3%)
Operating cash flow per share (before working capital changes)(2)					
Cash provided by operating activities	$47,031	$196,375	$393,806	$722,051	$966,178
Cash generated from operating working capital	(47,908)	(127,858)	(150,755)	(113,185)	(35,757)
Operating cash flow (before working capital changes)	$(877)	$68,517	$243,051	$608,866	$930,421
Weighted average number of shares - basic ('000)	*54,096*	*62,741*	*54,874*	*56,089*	*64,539*
Operating cash flow per share (before working capital changes)	$(0.02)	$1.09	$4.43	$10.86	$14.42
Annualized return on capital employed					
Net earnings	$3,501	$65,630	$269,881	$670,414	$749,358
Add:					
Finance costs	1,478	4,444	4,357	11,002	13,405
Income tax expense	35,831	16,439	89,474	257,331	241,617
Earnings before income taxes and finance costs	$40,810	$86,513	$363,712	$938,747	$1,004,380
Capital Employed					
Total assets	$3,294,576	$2,488,693	$3,269,508	$3,294,576	$2,488,693
Current liabilities	(378,779)	(307,349)	(421,383)	(378,779)	(307,349)
Less:					
Current portion of long-term debt	7,425	6,901	6,980	7,425	6,901
Current portion of lease liabilities	15,578	11,921	14,776	15,578	11,921
Capital employed, end of period	$2,938,800	$2,200,166	$2,869,881	$2,938,800	$2,200,166
Capital employed, beginning of period	2,869,881	2,142,778	2,630,448	2,303,177	1,672,103
Average capital employed	$2,904,340	$2,171,472	$2,750,164	$2,620,989	$1,936,135
Earnings before income taxes and finance costs divided by average capital employed	1.4%	4.0%	13.2%	35.8%	51.9%
Annualization factor	4.0	4.0	4.0	1.3	1.3
Annualized return on capital employed	5.6%	16.0%	52.9%	47.8%	69.2%

Notes:

(1) Net debt to invested capital as of the period end.

(2) Financial information has been adjusted for a reclassification in the presentation of unrealized foreign exchange loss (gain) within cashflow from operations resulting in a $/share change of $(0.06) – Q3 2021; $0.45 - Q2 2022; and $(0.06) – YTD Q3 2021.

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; Indigenous reconciliation; softwood lumber trade; 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, 2021, 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.

INTERFOR

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

For the three and nine months ended September 30, 2022 and 2021 (unaudited)

(thousands of Canadian Dollars except earnings per share)	Three Months Sept. 30, 2022	Three Months Sept. 30, 2021	Nine Months Sept. 30, 2022	Nine Months Sept. 30, 2021
Sales (note 15)	$ 1,035,597	$ 664,274	$ 3,773,684	$ 2,613,251
Costs and expenses:				
Production	902,844	550,494	2,535,962	1,439,990
Selling and administration	15,648	13,727	49,378	38,742
Long-term incentive compensation expense (recovery)	2,503	4,809	(4,229)	23,624
U.S. countervailing and anti-dumping duty deposits (note 17)	(12,363)	6,114	69,765	37,675
Depreciation of plant and equipment (note 10)	40,551	25,899	115,311	70,090
Depletion and amortization of timber, roads and other (note 10)	9,780	7,396	28,059	21,033
	958,963	608,439	2,794,246	1,631,154
Operating earnings before asset write-downs and restructuring costs	76,634	55,835	979,438	982,097
Asset write-downs and restructuring costs (note 11)	763	997	5,049	3,352
Operating earnings	75,871	54,838	974,389	978,745
Finance costs (note 12)	(1,478)	(4,444)	(11,002)	(13,405)
Other foreign exchange gain (loss)	(46,918)	9,104	(54,394)	2,113
Other income (note 13)	11,857	22,571	18,752	23,522
	(36,539)	27,231	(46,644)	12,230
Earnings before income taxes	39,332	82,069	927,745	990,975
Income tax expense (recovery)				
Current	27,498	(14,737)	242,906	203,576
Deferred	8,333	31,176	14,425	38,041
	35,831	16,439	257,331	241,617
Net earnings	$ 3,501	$ 65,630	$ 670,414	$ 749,358
Net earnings per share				
Basic (note 14)	$ 0.06	$ 1.05	$ 11.95	$ 11.61
Diluted (note 14)	$ 0.06	$ 1.04	$ 11.91	$ 11.58

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three and nine months ended September 30, 2022 and 2021 (unaudited)

(thousands of Canadian Dollars)	Three Months Sept. 30, 2022	Three Months Sept. 30, 2021	Nine Months Sept. 30, 2022	Nine Months Sept. 30, 2021
Net earnings	$ 3,501	$ 65,630	$ 670,414	$ 749,358
Other comprehensive income:				
Items that will not be recycled to Net earnings:				
Defined benefit plan actuarial gain (loss), net of tax	(1,202)	963	520	6,545
Items that are or may be recycled to Net earnings:				
Foreign currency translation differences for foreign operations, net of tax	114,991	28,841	142,886	11,078
Total other comprehensive income, net of tax	113,789	29,804	143,406	17,623
Comprehensive income	$ 117,290	$ 95,434	$ 813,820	$ 766,981

See accompanying notes to consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and nine months ended September 30, 2022 and 2021 (unaudited)

(thousands of Canadian Dollars)	Three Months Sept. 30, 2022	Three Months Sept. 30, 2021	Nine Months Sept. 30, 2022	Nine Months Sept. 30, 2021
Cash provided by (used in):				
Operating activities:				
Net earnings	$ 3,501	$ 65,630	$ 670,414	$ 749,358
Items not involving cash:				
Depreciation of plant and equipment (note 10)	40,551	25,899	115,311	70,090
Depletion and amortization of timber, roads and other (note 10)	9,780	7,396	28,059	21,033
Deferred income tax expense	8,333	31,176	14,425	38,041
Current income tax expense (recovery)	27,498	(14,737)	242,906	203,576
Finance costs (note 12)	1,478	4,444	11,002	13,405
Other assets	(27,533)	(155)	(30,020)	69
Reforestation liability	(2,920)	(1,033)	(2,849)	(1,724)
Provisions and other liabilities	(1,814)	3,386	(27,522)	10,273
Stock options	237	247	691	610
Write-down of plant and equipment (note 11)	836	1,005	3,176	3,040
Unrealized foreign exchange loss (gain)	42,712	(10,266)	50,924	(2,103)
Other income	(11,857)	(22,571)	(18,752)	(23,522)
Income taxes paid	(91,679)	(21,904)	(448,899)	(151,725)
	(877)	68,517	608,866	930,421
Cash generated from (used in) operating working capital:				
Trade accounts receivable and other	19,376	55,979	35,073	(16,558)
Inventories	42,562	37,221	75,448	4,060
Prepayments	755	1,777	(5,853)	(2,936)
Trade accounts payable and provisions	(14,785)	32,881	8,517	51,191
	47,031	196,375	722,051	966,178
Investing activities:				
Additions to property, plant and equipment	(82,480)	(38,019)	(194,442)	(100,613)
Additions to roads and bridges	(3,587)	(5,932)	(7,646)	(13,129)
Acquisitions (note 5)	-	(466,311)	(536,087)	(539,941)
Proceeds on disposal of property, plant and equipment	20,640	39,773	32,011	45,749
Investment in GreenFirst Forest Products Inc. (note 6)	-	-	(55,648)	-
Net additions to deposits and other assets	(3,406)	(993)	(3,238)	(111)
	(68,833)	(471,482)	(765,050)	(608,045)
Financing activities:				
Issuance of share capital, net of expenses (note 9)	52	308	429	2,654
Share repurchases, net of expenses (note 9)	(100,369)	(83,131)	(327,606)	(152,869)
Dividend paid (note 9)	-	-	-	(130,625)
Interest payments	(3,791)	(4,221)	(13,117)	(12,640)
Lease liability payments	(4,246)	(3,403)	(12,049)	(9,967)
Debt refinancing costs	-	-	(263)	-
Term line net drawings (repayments) (note 8)	-	1	(3,850)	1
Repayments of Senior Secured Notes (note 8)	-	-	(7,005)	(6,671)
	(108,354)	(90,446)	(363,461)	(310,117)
Foreign exchange gain on cash and cash equivalents held in a foreign currency	6,170	18,922	14,542	3,749
Increase (decrease) in cash	(123,986)	(346,631)	(391,918)	51,765
Cash and cash equivalents, beginning of period	270,629	855,788	538,561	457,392
Cash and cash equivalents, end of period	$ 146,643	$ 509,157	$ 146,643	$ 509,157

See accompanying notes to consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and December 31, 2021 (unaudited)

(thousands of Canadian Dollars)	Sept. 30, 2022	Dec. 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 146,643	$ 538,561
Trade accounts receivable and other	253,673	147,764
Income tax receivable	34,575	12,776
Inventories (notes 5 and 7)	426,680	250,481
Prepayments	30,329	16,125
	891,900	965,707
Employee future benefits	18,087	8,338
Deposits and other assets (notes 6 and 17)	234,534	52,221
Right of use assets	33,837	33,547
Property, plant and equipment (note 5)	1,566,145	1,067,754
Roads and bridges (note 5)	34,542	27,101
Timber licences (note 5)	143,105	106,136
Goodwill and other intangible assets	371,936	342,291
Deferred income taxes	490	415
	$ 3,294,576	$ 2,603,510
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	$ -	$ 2,202
Trade accounts payable and provisions (note 5)	324,461	218,825
Current portion of long-term debt (notes 8 and 16)	7,425	6,868
Reforestation liability	19,110	16,670
Lease liabilities	15,578	12,239
Income taxes payable	12,205	64,838
	378,779	321,642
Reforestation liability	26,932	29,250
Lease liabilities	19,952	26,850
Long-term debt (notes 8 and 16)	388,936	366,605
Employee future benefits	9,813	9,069
Provisions and other liabilities	26,935	43,686
Deferred income taxes (note 5)	319,922	170,435
Equity:		
Share capital (note 9)	408,886	484,721
Contributed surplus	5,201	4,694
Translation reserve	201,306	58,420
Retained earnings	1,507,914	1,088,138
	2,123,307	1,635,973
	$ 3,294,576	$ 2,603,510

U.S. countervailing and anti-dumping duty deposits (note 17)
Subsequent events (notes 9 and 18)

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 nine months ended September 30, 2022 and 2021 (unaudited)

(thousands of Canadian Dollars)	Share Capital	Contributed Surplus	Translation Reserve	Retained Earnings	Total
Balance at December 31, 2021	$ 484,721	$ 4,694	$ 58,420	$ 1,088,138	$ 1,635,973
Net earnings:	-	-	-	670,414	670,414
Other comprehensive income:					
Foreign currency translation differences for foreign operations, net of tax	-	-	142,886	-	142,886
Defined benefit plan actuarial gain, net of tax	-	-	-	520	520
Contributions and distributions:					
Share issuance, net of expenses (note 9)	613	(184)	-	-	429
Share repurchases, net of expenses (note 9)	(76,448)	-	-	(251,158)	(327,606)
Stock options (note 9)	-	691	-	-	691
Balance at September 30, 2022	$ 408,886	$ 5,201	$ 201,306	$ 1,507,914	$ 2,123,307
Balance at December 31, 2020	$ 523,605	$ 5,157	$ 49,846	$ 501,704	$ 1,080,312
Net earnings:	-	-	-	749,358	749,358
Other comprehensive income:					
Foreign currency translation differences for foreign operations, net of tax	-	-	11,078	-	11,078
Defined benefit plan actuarial gain, net of tax	-	-	-	6,545	6,545
Contributions and distributions:					
Share issuance, net of expenses (note 9)	3,842	(1,188)	-	-	2,654
Share repurchases (note 9)	(43,188)	-	-	(109,681)	(152,869)
Stock options (note 9)	-	610	-	-	610
Dividend (note 9)	-	-	-	(130,625)	(130,625)
Balance at September 30, 2021	$ 484,259	$ 4,579	$ 60,924	$ 1,017,301	$ 1,567,063

See accompanying notes to consolidated financial statements

1. Nature of operations:

Interfor Corporation and its subsidiaries (the "Company" or "Interfor") produce wood products in Canada and the United States 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 and nine months ended September 30, 2022 and 2021 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, 2021.

These financial statements were approved by Interfor's Board of Directors on November 3, 2022.

(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 benefit obligations on a plan by plan basis;

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

(v) The minority interest in GreenFirst Forest Products Inc. is measured at fair value at each reporting date.

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

(c) Reclassification:

On the condensed consolidated statements of cash flows comparative and year to date information have been adjusted for a reclassification in the presentation of unrealized foreign exchange loss (gain) and operating working capital within cashflow from operations.

(d) Critical accounting estimates:

There were no significant changes to the Company's critical accounting estimates during the quarter ended September 30, 2022. Interfor's critical accounting estimates are described in its financial statements for the year ended December 31, 2021, 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, 2021 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 September 30, 2022, 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, spring break-up, ground conditions and fire season closures. Sawmill operations are dependent on the availability of logs from our logging operations and our suppliers and may also be impacted by extreme weather conditions, including hurricanes and wildfires. In addition, the market demand for lumber and related products is generally lowest in the winter season due to reduced construction and renovation activities.

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

5. Acquisitions:

a) Acquisition of Eastern Canada Operations:

On February 22, 2022, a wholly-owned subsidiary of Interfor acquired 100% of the equity interests of EACOM Timber Corporation ("EACOM") from an affiliate of Kelso & Company. The acquisition includes seven sawmills, an I-Joist plant and a value-added remanufacturing plant. The Company paid consideration totaling US$572,403,000 ($729,299,000) and the purchase price was funded from cash on hand and drawings on the Revolving Term Line (Note 8).

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:

Assets Acquired:	
Cash and cash equivalents	$ 193,212
Current assets including inventories	383,780
Countervailing and anti-dumping duties receivable and related interest (note 17)	90,895
Property, plant and equipment and roads and bridges	372,593
Timber licenses and other assets	59,308
	$ 1,099,788
Liabilities Assumed:	
Current liabilities	(236,662)
Other long-term liabilities	(10,264)
Deferred income taxes	(123,563)
	$ 729,299
Consideration funded by:	
Cash and cash equivalents	582,778
Revolving Term Line	146,521
	$ 729,299

Cash and cash equivalents includes $5,730,000 of restricted cash, which represents deposits held as collateral by the U.S. Department of Commerce in relation to duties on shipments from the Eastern Canada operations to the U.S.

For the nine months ended September 30, 2022, the acquired operations contributed sales of $785,976,000 and net earnings before tax of $115,639,000, which is net of $85,338,000 recorded in Production costs in the Statements of Earnings related to fair value adjustments recognized at the acquisition date. If the acquisition had occurred on January 1, 2022, management estimates that the Company's consolidated sales would have been approximately $3,947,317,000 and net earnings before tax would have been approximately $987,180,000 for the nine months ended September 30, 2022.

b) Acquisitions of U.S. sawmills:

On July 9, 2021, a wholly-owned subsidiary of Interfor concluded the acquisition of four sawmill operations located in Bay Springs, MS, Fayette, AL, DeQuincy, LA and Philomath, OR from Georgia-Pacific Wood Products LLC and GP Wood Products LLC (collectively "Georgia-Pacific"), pursuant to an Asset Purchase Agreement. The Company paid total consideration of US$371,859,000 ($466,311,000), which was funded from cash on hand.

On March 12, 2021, a wholly-owned subsidiary of Interfor concluded the acquisition of a sawmill operation in Summerville, SC 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 from cash on hand.

The acquisitions have been accounted for as business combinations and the value of the consideration transferred is allocated as follows:

	Summerville	Georgia-Pacific	Total
Cash purchase price	$ 73,630	$ 466,311	$ 539,941
Assets acquired:			
Inventory	$ 10,174	$ 27,290	$ 37,464
Property, plant and equipment	55,414	245,711	301,125
Goodwill	8,137	194,089	202,226
	73,725	467,090	540,815
Current liabilities assumed	(95)	(779)	(874)
	$ 73,630	$ 466,311	$ 539,941

6. Minority interest in GreenFirst Forest Products Inc.:

On May 2, 2022, a wholly-owned subsidiary of Interfor acquired a total of 28,684,433 common shares in the capital of GreenFirst Forest Products Inc. ("GreenFirst") from Rayonier A.M. Canada G.P., which represents approximately 16.2% of GreenFirst's issued and outstanding common shares. The Company paid total cash consideration of $55,648,000. The minority interest in GreenFirst is recorded at fair value on the Statements of Financial Position in Deposits and other assets and changes in the fair value are recorded in the Statements of Earnings in Other income.

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

7. Inventories:

	Sept. 30,2022	Dec. 31, 2021
Lumber and other wood products	$ 216,434	$ 139,208
Logs	148,676	71,795
Other	61,570	39,478
	$ 426,680	$ 250,481

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 on September 30, 2022 was $35,628,000 (December 31, 2021 - $6,537,000).

8. Borrowings:

September 30, 2022	Revolving Term Line	Senior Secured Notes	Total
Available line of credit	$ 500,000	$ 396,361	$ 896,361
Drawings	-	396,361	396,361
Outstanding letters of credit	45,293	-	45,293
Unused portion of Revolving Term Line	$ 454,707	$ -	$ 454,707

December 31, 2021	Revolving Term Line	Senior Secured Notes	Total
Available line of credit	$ 500,000	$ 373,473	$ 873,473
Drawings	2,202	373,473	375,675
Outstanding letters of credit	23,246	-	23,246
Unused portion of Revolving Term Line	$ 474,552	$ -	$ 474,552

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

Twelve months ending	
September 30, 2023	$ 7,425
September 30, 2024	45,690
September 30, 2025	45,690
September 30, 2026	45,691
September 30, 2027	38,264
Thereafter	213,601
	$ 396,361

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

	Three Months Sept. 30, 2022	Three Months Sept. 30, 2021	Nine Months Sept. 30, 2022	Nine Months Sept. 30, 2021
Drawings at opening	$ 372,620	$ 365,106	$ 375,675	$ 381,960
Revolving Term Line net drawings (repayments)	-	1	(3,850)	1
Repayments of Senior Secured Notes	-	-	(7,005)	(6,671)
Effects of changes in foreign exchange rate	23,741	10,221	31,541	38
Drawings at September 30	$ 396,361	$ 375,328	$ 396,361	$ 375,328

(a) Revolving Term Line:

On December 17, 2021, the Company completed an early renewal and expansion of its Revolving Term Line (the “Term Line”). The commitment under the Term Line was increased by $150,000,000 to a total of $500,000,000 and the term was extended from March 28, 2024 to December 17, 2026.

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 SOFR 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 September 30, 2022, including letters of credit, the Term Line was drawn by $20,723,000 (December 31, 2021 - $20,430,000) and US$17,925,000 (December 31, 2021 - US$3,959,000), revalued at the quarter-end exchange rate to $24,570,000 (December 31, 2021 - $5,018,000), for total borrowings of $45,293,000 (December 31, 2021 - $25,448,000).

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

8. Borrowings (continued):

(a) Revolving Term Line (continued):

The US dollar drawings under the Term Line have been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange losses of $1,641,000 in the first nine months, 2022 (first nine months, 2021 – nil) and nil in the third quarter, 2022 (Quarter 3, 2021 – nil) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income.

(b) Senior Secured Notes:

As at September 30, 2022, the Company's Senior Secured Notes consisted of the following:

	Sept. 30, 2022	Dec. 31, 2021
Series A (US$1,483,333) bearing interest at 4.33%	$ 2,033	$ 3,762
Series B (US$3,933,333) bearing interest at 4.02%	5,392	9,973
Series C (US$100,000,000) bearing interest at 4.17%	137,070	126,780
Series D (US$45,550,000) bearing interest at 4.95%	62,435	57,748
Series E (US$38,200,000) bearing interest at 4.82%	52,361	48,430
Series F (US$50,000,000) bearing interest at 3.34%	68,535	63,390
Series G (US$50,000,000) bearing interest at 3.25%	68,535	63,390
	$ 396,361	$ 373,473

The Senior Secured Notes have a weighted average fixed interest rate of 4.07% and maturities from June 26, 2023 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 losses of $29,893,000 in the first nine months, 2022 (first nine months, 2021 - $40,000) and $23,740,000 in the third quarter, 2022 (Quarter 3, 2021 - $10,222,000) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income.

9. Share capital:

The transactions in share capital are described below:

	Number	Amount	Contributed Surplus
Balance, December 31, 2020	65,964,153	$ 523,605	$ 5,157
Exercise of stock options	185,262	4,304	(1,327)
Repurchase of common shares	(5,345,238)	(43,188)	-
Stock options	-	-	864
Balance, December 31, 2021	60,804,177	$ 484,721	$ 4,694
Exercise of stock options	28,123	613	(184)
Repurchase of common shares	(9,397,405)	(76,448)	-
Stock options	-	-	691
Balance, September 30, 2022	51,434,895	$ 408,886	$ 5,201

On July 26, 2022, Interfor announced a substantial issuer bid ("SIB") pursuant to which the Company offered to purchase up to $100,000,000 in value of its outstanding common shares for cancellation from holders of common shares for cash. The SIB proceeded by way of a "modified Dutch auction" procedure with a tender price range from $29.00 to $34.00 per common share.

On September 12, 2022, Interfor purchased for cancellation 3,355,704 common shares at a price of $29.80 per share for a cost of $100,000,000 with $27,172,000 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 $72,828,000 to Retained earnings. This completed the purchase of all common shares under the SIB and all purchased common shares were cancelled.

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. On September 16, 2021, the Company announced an amendment to its NCIB increasing the maximum number of common shares that may be purchased to 6,672,658 common shares. As at December 31, 2021, the Company had purchased all of the common shares permitted under the NCIB.

During 2021, Interfor purchased 5,345,238 common shares at an average price of $28.59 per share for a cost of $152,869,000 with $43,188,000 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 $109,681,000 to Retained earnings.

On November 4, 2021, the Company announced a renewal of its NCIB commencing on November 11, 2021 and ending on November 10, 2022, for the purchase of up to 6,041,701 common shares. No common shares under this NCIB were purchased in 2021.

During the first nine months of 2022, Interfor purchased 6,041,701 common shares at an average price of $37.60 per share for a cost of $227,237,000 with $48,908,000 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 $178,329,000 to Retained earnings. This completed the purchase of all 6,041,701 common shares allowable and all purchased common shares were cancelled.

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

9. Share capital (continued):

On November 3, 2022, the Company announced a renewal of its NCIB commencing on November 11, 2022 and ending on November 10, 2023, for the purchase of up to 5,105,002 common shares.

On May 12, 2021, Interfor's Board of Directors declared a one-time special cash dividend of $2.00 per share, which was paid on June 28, 2021 to shareholders of record on May 28, 2021. The special dividend resulted in an aggregate distribution of $130,625,000. The dividend was funded from cash on hand. No dividends were declared for the first nine months of 2022.

10. Depreciation, depletion and amortization:

Depreciation, depletion and amortization by function is as follows:

	Three Months Sept. 30, 2022	Three Months Sept. 30, 2021	Nine Months Sept. 30, 2022	Nine Months Sept. 30, 2021
Production	$ 49,809	$ 32,834	$ 141,866	$ 89,731
Selling and administration	522	461	1,504	1,392
	$ 50,331	$ 33,295	$ 143,370	$ 91,123

11. Asset write-downs and restructuring costs:

	Three Months Sept. 30, 2022	Three Months Sept. 30, 2021	Nine Months Sept. 30, 2022	Nine Months Sept. 30, 2021
Write-down of plant and equipment	$ 836	$ 1,005	$ 3,176	$ 3,040
Severance and other closure costs (recoveries)	(73)	(8)	1,873	312
	$ 763	$ 997	$ 5,049	$ 3,352

12. Finance costs:

	Three Months Sept. 30, 2022	Three Months Sept. 30, 2021	Nine Months Sept. 30, 2022	Nine Months Sept. 30, 2021
Interest expense on:				
Borrowings	$ 4,492	$ 4,201	$ 13,854	$ 12,489
Lease liabilities	257	361	908	1,150
Pension obligations	409	434	1,446	1,590
Duty deposits	-	-	23	-
Interest revenue from:				
Duty deposits and other	(3,745)	(462)	(4,730)	(1,374)
Pension assets	(355)	(284)	(1,544)	(992)
Unwind of discount on provisions	267	116	598	307
Amortization of deferred finance costs	153	78	447	235
	$ 1,478	$ 4,444	$ 11,002	$ 13,405

13. Other income:

	Three Months Sept. 30, 2022	Three Months Sept. 30, 2021	Nine Months Sept. 30, 2022	Nine Months Sept. 30, 2021
Business interruption insurance	$ -	$ -	$ 9,585	$ -
Change in fair value of minority interest in GreenFirst (note 6)	(861)	-	(9,753)	-
Gain on disposal of property, plant and equipment and and other	12,766	22,550	16,435	23,484
Gain (loss) on lease modifications	(48)	21	2,485	38
	$ 11,857	$ 22,571	$ 18,752	$ 23,522

The Company has recorded $9,585,000 for insurance proceeds from a business interruption claim related to fire damage at one of its operations in Eastern Canada which occurred prior to its acquisition.

On May 13, 2022, the Company sold its Acorn specialty sawmill located near Vancouver, British Columbia to an affiliate of San Industries Ltd. for cash consideration of $25,194,000 and recorded a gain on the sale of $6,203,000.

On August 17, 2022, the Company sold a forest license for cash proceeds of $13,500,000 and recorded a gain of $12,553,000.

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

14. 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 Sept. 30, 2022			Three Months Sept. 30, 2021		
	Net earnings	Weighted average number of shares	Per share	Net earnings	Weighted average number of shares	Per share
Issued shares at June 30		54,787,641			63,639,673	
Effect of shares issued		1,436			2,023	
Effect of shares repurchased		(693,026)			(900,529)	
Basic earnings per share	$ 3,501	54,096,051	$ 0.06	$ 65,630	62,741,167	$ 1.05
Effect of dilutive securities:						
Stock options		166,667			159,566	
Diluted earnings per share	$ 3,501	54,262,718	$ 0.06	$ 65,630	62,900,733	$ 1.04

	Nine Months Sept. 30, 2022			Nine Months Sept. 30, 2021		
	Net earnings	Weighted average number of shares	Per share	Net earnings	Weighted average number of shares	Per share
Issued shares at December 31		60,804,177			65,964,153	
Effect of shares issued		20,801			103,724	
Effect of shares repurchased		(4,735,550)			(1,528,552)	
Basic earnings per share	$ 670,414	56,089,428	$ 11.95	$ 749,358	64,539,325	$ 11.61
Effect of dilutive securities:						
Stock options		203,928			171,490	
Diluted earnings per share	$ 670,414	56,293,356	$ 11.91	$ 749,358	64,710,815	$ 11.58

15. Segmented information:

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

Sales by market are as follows:

	Three Months Sept. 30, 2022	Three Months Sept. 30, 2021	Nine Months Sept. 30, 2022	Nine Months Sept. 30, 2021
United States	$ 743,747	$ 505,159	$ 3,037,947	$ 2,181,649
Canada	271,897	93,873	640,660	295,797
Japan	6,570	20,319	30,878	47,256
China/Taiwan	3,923	17,335	15,341	35,588
Other export	9,460	27,588	48,858	52,961
	$ 1,035,597	$ 664,274	$ 3,773,684	$ 2,613,251

Sales by product line are as follows:

	Three Months Sept. 30, 2022	Three Months Sept. 30, 2021	Nine Months Sept. 30, 2022	Nine Months Sept. 30, 2021
Lumber and other wood products	$ 895,280	$ 559,592	$ 3,397,571	$ 2,334,900
Logs	48,778	45,002	138,195	112,768
Wood chips and other by-products	79,174	45,131	213,409	127,773
Other	12,365	14,549	24,509	37,810
	$ 1,035,597	$ 664,274	$ 3,773,684	$ 2,613,251

16. Financial instruments:

At September 30, 2022, the fair value of the Company's long-term debt was less than its carrying value by $40,677,000 (December 31, 2021 – exceeded by $26,710,000) 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 September 30, 2022, the Company had no outstanding obligations under derivative financial instruments.

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

17. 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 following table summarizes the cash deposit rates that were in effect and the final revised rates by period:

Year ended December 31				
First administrative review			Cash deposit rates in effect	Final 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%
Second administrative review			Cash deposit rates in effect	Final rates
2019				
AD			6.04%	11.59%
CV			14.19%	6.32%
Total			20.23%	17.91%
Third administrative review		Cash deposit rates in effect Jan to Nov	Cash deposit rates in effect Dec	Final rates
2020				
AD		6.04%	1.57%	4.76%
CV		14.19%	7.42%	3.83%
Total		20.23%	8.99%	8.59%
Fourth administrative review		Cash deposit rates in effect Jan to Nov	Cash deposit rates in effect Dec	Final rates
2021				
AD		1.57%	11.59%	Pending review
CV		7.42%	6.31%	Pending review
Total		8.99%	17.90%	Pending review
Fifth administrative review	Cash deposit rates in effect Jan 1 to Jan 9	Cash deposit rates in effect Jan 10 to Aug 8	Cash deposit rates in effect Aug 9 onwards	Final rates
2022				
AD	11.59%	11.59%	4.76%	Pending review
CV	6.31%	6.32%	3.83%	Pending review
Total	17.90%	17.91%	8.59%	Pending review

Duties paid by period and held in trust by U.S. Customs and Border Protection are as follows:

Amounts in US dollars	
2017	$ 18,424
2018	42,016
2019	33,765
2020	39,761
2021	36,478
2022	87,333
Assumed rights to EACOM duty deposits	161,169
	$ 418,946

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

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

Interfor has recorded the duty deposits as an expense, with the exception of the following amounts recorded as a long-term receivable in Deposits and other assets on the Statements of Financial Position:

		Sept. 30, 2022		Dec. 31, 2021
	US$	CAD$	US$	CAD$
Overpayment of duties per DoC administrative reviews reflected in the Statement of Earnings:				
First administrative review	$ 33,042	$ 42,724	$ 32,931	$ 42,584
Second administrative review	3,226	4,281	3,226	4,281
Third administrative review	19,545	26,101	-	-
Purchase price for acquired EACOM duties	68,397	87,097	-	-
Revaluation to the quarter-end exchange rate	-	10,051	-	(1,026)
Duties recognized as duty deposits receivable	$ 124,210	$ 170,254	$ 36,157	$ 45,839
Interest recognized on duty deposits receivable	8,008	10,977	2,629	3,333
	$ 132,218	$ 181,231	$ 38,786	$ 49,172

On acquisition of the Eastern Canada operations the Company acquired CV and AD duties valued at US$68,397,000 ($87,097,000) and related interest receivable of US$2,983,000 ($3,798,000).

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 Canadian provincial and federal 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.

18. Subsequent event:

On October 3, 2022, the Company announced it had reached an agreement with an affiliate of the Kilmer Group to acquire 100% of the equity interests in the entities comprising Chaleur Forest Products ("Chaleur") for a purchase price of $325,000,000, which includes $31,000,000 of net working capital. In addition, Interfor will assume Chaleur's CV and AD duty deposits at closing, for consideration equal to 55% of the total deposits on an after-tax basis. The acquisition includes two sawmill operations located in Belledune and Bathurst, New Brunswick and a woodlands management division based in Miramichi, New Brunswick. The completion of the acquisition is subject to regulatory approvals and customary conditions for a transaction of this kind and is expected to close in the fourth quarter of 2022.

INTERFOR

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