Interfor Corporation
Second Quarter Report
For the three and six months ended June 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 six months ended June 30, 2022 ("Q2'22" 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 six months ended June 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 August 4, 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 Second Quarter, 2022", "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 Second Quarter, 2022

Interfor recorded Net earnings in Q2'22 of $269.9 million, or $4.92 per share, compared to $397.0 million, or $6.69 per share in Q1'22 and $419.2 million, or $6.45 per share in Q2'21. Adjusted net earnings in Q2'22 were $280.2 million compared to $392.5 million in Q1'22 and $433.5 million in Q2'21.

Adjusted EBITDA was $428.6 million on record sales of $1.4 billion in Q2'22 versus $570.1 million on sales of $1.3 billion in Q1'22.

Notable items in the quarter:

- Record Lumber Production and Shipments
  - Lumber production totaled a record 1.0 billion board feet, representing an increase of 99 million board feet quarter-over-quarter and the fifth consecutive quarter of record production. This growth was mostly driven by the first full quarter of contribution from the Eastern Canada Operations; these operations produced 211 million board feet versus 96 million board feet in the preceding quarter. The U.S. South and U.S. Northwest regions accounted for 467 million board feet and 163 million board feet, respectively, compared to 452 million board feet and 173 million board feet in Q1'22. Production in the B.C. region decreased to 174 million board feet from 196 million board feet in Q1'22, in part due to the sale of the Acorn sawmill during the quarter.
  - Lumber shipments were a record 1.1 billion board feet, or 239 million higher than Q1'22.
  - Ongoing improvement in the availability of logistics contributed to a reduction of lumber inventories by 46 million board feet during the quarter. Further reductions following quarter-end have now positioned total lumber inventory volume within the Company's targeted range.
- Moderating Lumber Prices
  - Interfor's average selling price was $1,104 per mfbm, down $306 per mfbm versus Q1'22. The SYP Composite, Western SPF Composite, KD H-F Stud 2x4 9' and ESPF Composite price benchmarks decreased quarter-over-quarter by US$437, US$322, US$402 and US$313 per mfbm to US$682, US$837, US$891, and US$938 per mfbm, respectively, with the majority of these decreases occurring in the second half of the quarter.
- Strong Free Cash Flow Generation
  - Interfor generated $218.2 million of cash flow from operations before changes in working capital, or $3.98 per share. A reduction in working capital investment added $175.6 million of cash flow, primarily related to the collection of trade receivables recorded at higher lumber prices and a reduction in log and lumber inventories.
  - Net debt ended the quarter at $102.0 million, or 4.6% of invested capital, resulting in ample available liquidity of $726.5 million.
- Strong results from Eastern Canada Operations
  - The Eastern Canada Operations contributed $115.7 million of Adjusted EBITDA to Interfor's second quarter results, which is net of $17.3 million recorded in production costs related to fair value adjustments recognized at the acquisition date.
  - Since being acquired on February 22, 2022, the Eastern Canada Operations have generated $120.8 million of Adjusted EBITDA, which is net of $85.3 million recorded in production costs related to fair value adjustments recognized at the acquisition date.
- Ramp-up of DeQuincy, LA Sawmill
  - The DeQuincy, LA sawmill, with an annual two-shift capacity of 200 million board feet, has continued to ramp up ahead of schedule following its July 2021 acquisition in an idled state. Its operating schedule increased from one shift to two shifts during the quarter and the mill is expected to reach its full production run-rate in Q3 2022.

- Strategic Capital Investments
  - Capital spending was $65.1 million, including $40.6 million on discretionary projects. The majority of this discretionary spending was focused on the multi-year rebuild of the Eatonton, GA sawmill, a new planer at the Castlegar, B.C. sawmill and upgrades to the Perry, GA sawmill.
- Minority Interest in GreenFirst Forest Products Inc. ("GreenFirst")
  - On May 2, 2022, a wholly-owned subsidiary of Interfor acquired a total of 28,684,433 common shares in the capital of 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 $55.6 million.
- Ongoing Monetization of Coastal B.C. Operations
  - On May 13, 2022, the Company completed the sale of its Acorn specialty sawmill located near Vancouver, British Columbia and related working capital to an affiliate of San Industries Ltd. for cash consideration of $25.2 million, and recorded a gain of $6.2 million. With this sawmill sale completed, Interfor no longer has any lumber manufacturing assets within the Coastal B.C. region.
  - Interfor is currently undertaking a strategic review of its remaining Coastal B.C. operations, which consist solely of timber harvesting and sales related to its 1.67 million cubic meters of annual harvesting rights. Any alternatives, including disposition of harvesting rights, would be subject to consultation with First Nations and consent from the Government of B.C.
- Share Repurchases
  - During Q2'22, Interfor purchased 1,015,396 common shares under the Company's Normal Course Issuer Bid ("NCIB") for total consideration of $32.9 million. This 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 0.98 times book value per share at June 30, 2022.
  - On July 26, 2022, the Company announced its intention to commence a substantial issuer bid ("SIB") pursuant to which the Company will offer 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 will proceed by way of a "modified Dutch auction" procedure with a tender price range from $29.00 to $34.00 per common share.
- Softwood Lumber Duties
  - Interfor expensed $46.3 million of duties in the quarter, representing the full amount of countervailing ("CV") and anti-dumping ("AD") duties incurred on shipments of softwood lumber from its Canadian operations to the U.S. at a combined rate of 17.91%.
  - Interfor has cumulative duties of US$401.0 million held in trust by U.S. Customs and Border Protection as at June 30, 2022. Except for US$105.0 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.

Interfor Appoints New Director

At its meeting today, the Interfor Board appointed Tom Temple of Kingston, Washington as a director of the Company. Mr. Temple, who is 65, is the former VP, Wood Products and Southern Resources of PotlatchDeltic, a diversified forest products company. Mr. Temple's appointment increased the number of directors from ten to eleven, while deepening the Board's operations and sales expertise in the U.S. in line with the Company's Board succession plan.

Sustainability Performance

On April 22, 2022, Interfor released its fifth annual Sustainability Report, which provides detailed information on the Company's commitments and actions, including a number of new targets and enhanced metrics. Sustainability is at the core of Interfor's culture and integrated within its strategy, and the targets set represent an ongoing commitment to take strong action to enhance performance. Interfor's Sustainability Report can be found at www.interfor.com.

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 and labour shortages.

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 globally.

Financial and Operating Highlights[1]

	Unit	For the 3 months ended Jun. 30 2022	Jun. 30 2021	Mar. 31 2022	For the 6 months ended Jun. 30 2022	Jun. 30 2021
Financial Highlights[2]						
Total sales	$MM	1,389.1	1,099.7	1,349.0	2,738.1	1,949.0
Lumber	$MM	1,190.8	1,012.9	1,212.5	2,403.3	1,775.3
Logs, residual products and other	$MM	198.3	86.8	136.5	334.8	173.7
Operating earnings	$MM	385.9	568.3	512.7	898.5	923.9
Net earnings	$MM	269.9	419.2	397.0	666.9	683.7
Net earnings per share, basic	$/share	4.92	6.45	6.69	11.68	10.45
Adjusted net earnings[3]	$MM	280.2	433.5	392.5	672.6	704.2
Adjusted net earnings per share, basic[3]	$/share	5.11	6.67	6.61	11.78	10.76
Operating cash flow per share (before working capital changes)[3]	$/share	3.98	7.46	6.38	10.45	13.17
Adjusted EBITDA[3]	$MM	428.6	611.3	570.1	998.7	1,003.4
Adjusted EBITDA margin[3]	%	30.9%	55.6%	42.3%	36.5%	51.5%
Total assets	$MM	3,269.5	2,409.4	3,081.4	3,269.5	2,409.4
Total debt	$MM	372.6	365.1	403.1	372.6	365.1
Net debt[3]	$MM	102.0	(490.7)	340.2	102.0	(490.7)
Net debt to invested capital[3]	%	4.6%	(46.1%)	15.8%	4.6%	(46.1%)
Annualized return on capital employed[3]	%	52.9%	110.8%	86.6%	69.4%	96.2%
Operating Highlights						
Lumber production	million fbm	1,016	716	917	1,933	1,402
Lumber sales	million fbm	1,082	714	843	1,925	1,380
Lumber - average selling price[4]	$/thousand fbm	1,104	1,419	1,410	1,240	1,286
Average USD/CAD exchange rate[5]	1 USD in CAD	1.2768	1.2282	1.2662	1.2715	1.2470
Closing USD/CAD exchange rate[5]	1 USD in CAD	1.2886	1.2394	1.2496	1.2886	1.2394

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. Based on Bank of Canada foreign exchange rates.

Summary of Second Quarter 2022 Financial Performance

Sales

Interfor recorded $1.4 billion of total sales, up 26.3% from $1.1 billion in the second quarter of 2021, driven by the sale of 1.1 billion board feet of lumber at an average price of $1,104 per mfbm. Lumber sales volume increased 368 million board feet, or 51.5%, while average selling price decreased $315 per mfbm, or 22.2%, as compared to the same quarter of 2021.

Decreases in the average selling price of lumber reflect lower prices for Western SPF, Southern Yellow Pine, and Hem-Fir in Q2'22 as compared to Q2'21. The Western SPF Composite, SYP Composite, and KD H-F Stud 2x4 9' benchmarks decreased by US$482, US$346, and US$718 per mfbm to US$837, US$682, and US$891 per mfbm, respectively.

Sales generated from logs, residual products and other increased by $111.5 million or 128.5% in Q2'22 compared to Q2'21 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 $442.0 million, or 96.6%, compared to Q2'21, explained by a 51.5% 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. and a weaker Canadian Dollar on average.

Lumber production of 1.0 billion board feet in Q2'22 was 300 million board feet higher than Q2'21.

The Eastern Canada Operations acquired in February 2022 contributed production of 211 million board feet in the quarter, while production from the Company's B.C. operations of 174 million board feet represented a reduction of 18 million board feet compared to Q2'21. Production from the Company's U.S. South and U.S. Northwest sawmills increased by 106 million board feet and 26 million board feet to 467 million board feet and 163 million board feet, respectively, versus the comparable quarter of 2021. These increases are primarily related to the acquisition in Q3'21 of the sawmills in Bay Springs, MS, Fayette, AL, DeQuincy, LA and Philomath, OR.

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 $46.3 million for Q2'22, up $27.1 million from Q2'21. 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 Q2'21.

Depreciation of plant and equipment was $41.6 million in Q2'22, up $18.9 million from Q2'21, due primarily to the start-up of completed capital projects in the U.S. South and operations acquired since July 2021. Depletion and amortization of timber, roads and other was $9.2 million, up $2.5 million from Q1'21, primarily due to increased conventional logging on the B.C. Coast.

Corporate and Other

Selling and administration expenses were $16.1 million, up $4.0 million from Q2'21 primarily related to an increase in corporate development activity and accruals for short term incentive compensation.

Long-term incentive compensation recovery was $10.4 million in Q2'22, down $21.5 million from Q2'21, primarily as a result of the impact of a 31.9% decrease in the price of Interfor common shares used to value share-based awards during Q2'22 compared to a 14.9% increase during Q2'21.

Asset write-downs and restructuring costs in Q2'22 and Q2'21 were $1.1 million and $2.2 million, respectively, and primarily related to non-cash impairments on certain plant and equipment that were replaced in conjunction with the Company's strategic capital projects.

Finance costs in Q2'22 were $4.4 million, comparable to Q2'21.

Other foreign exchange loss of $20.3 million in Q2'22 and $4.6 million in Q2'21 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.

Other expense of $1.9 million in Q2'22 primarily relates to the change in the fair value of the minority interest in GreenFirst, partially offset by the gain on the sale of the Acorn specialty sawmill and related working capital. Other expense of $1.0 million in Q2'21 primarily resulted from losses on disposal of surplus equipment.

Income Taxes

The Company recorded income tax expense of $89.5 million in Q2'22 at an effective tax rate of 25%, comprised of $92.8 million current income tax expense and $3.3 million deferred tax recovery. The Company's effective tax rate remained consistent with Q2'21.

Net Earnings

The Company recorded Net earnings of $269.9 million, or $4.92 per share, compared to $419.2 million, or $6.45 per share in Q2'21. Operating margins and Net earnings were impacted by substantially lower lumber prices and higher operating costs, partially offset by higher sales volumes.

Summary of Year-to-Date 2022 Financial Performance

Sales

Interfor recorded $2.7 billion of total sales, up 40.5% from $1.9 billion in the first half of 2021, driven by the sale of 1.9 billion board feet of lumber at an average price of $1,240 per mfbm. Lumber sales volume increased 545 million board feet, or 39.5%, while average selling price decreased $46 per mfbm, or 3.6%, as compared to the first six 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$129, US$71, and US$294 per mfbm to US$998, US$901, and US$1,092 per mfbm, respectively. This was partially offset by realized lumber prices increasing in Canadian Dollar terms by the 2.0% 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 $161.1 million or 92.7% 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 $743.6 million or 83.6% over the first half of 2021, explained by a 39.5% 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. and a weaker Canadian Dollar on average.

Lumber production of 1.9 billion board feet in YTD'22 was 531 million board feet higher than YTD'21.

The Eastern Canada Operations acquired in February 2022 contributed production of 307 million board feet in YTD'22, while production from the Company's B.C. operations of 370 million board feet represented a reduction of 29 million board feet compared to the first half of 2021. Production from the Company's U.S. South and U.S. Northwest sawmills totaled 919 million board feet and 337 million board feet, respectively in YTD'22, up 194 million board feet and 58 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.

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 $82.1 million for YTD'22, up $50.6 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.

Depreciation of plant and equipment was $74.8 million, up 69.2% from the first half 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 $18.3 million, up $4.6 million from YTD'21 primarily due to increased conventional logging on the B.C. Coast.

Corporate and Other

Selling and administration expenses were $33.7 million, up $8.7 million from the first half of 2021, primarily related to an increase in corporate development activity and accruals for short term incentive compensation.

Long-term incentive compensation recovery was $6.7 million YTD'22, down $25.5 million from YTD'21, primarily as a result of the impact of a 34.4% decrease in the price of Interfor common shares used to value share-based awards during YTD'22 compared to a 27.0% 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 $4.3 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 $2.4 million in YTD’21 were of a similar nature.

Finance costs increased to $9.5 million from $9.0 million in the first half of 2021 primarily due to higher borrowings to fund the acquisition of the Eastern Canada Operations.

Other foreign exchange loss of $7.5 million in YTD’22 and $7.0 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.

Other income of $6.9 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 and the gain on the sale of the Acorn speciality sawmill and related working capital, partially offset by the change in the fair value of the minority interest in GreenFirst. Other income of $1.0 million in YTD’21 primarily resulted from the sale of surplus land on the B.C. Coast, partially offset by losses on disposal of surplus equipment.

Income Taxes

The Company recorded income tax expense of $221.5 million in YTD’22 at an effective tax rate of 25%, comprised of $215.4 million in current tax expense and $6.1 million in deferred tax expense. The Company’s effective tax rate remained consistent with the first half of 2021.

Net Earnings

The Company recorded Net earnings of $666.9 million, or $11.68 per share, compared to $683.7 million, or $10.45 per share, in the same period of 2021. Operating margins and Net earnings were impacted by lower lumber prices and higher operating costs, partially offset by higher sales volumes. Net earnings per share was positively impacted by share purchases under the Company’s NCIB.

Summary of Quarterly Results[1]

	Unit	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3
Financial Performance[2]									
Total sales	$MM	1,389.1	1,349.0	675.9	664.3	1,099.7	849.3	662.3	644.9
Lumber	$MM	1,190.8	1,212.5	591.5	559.6	1,012.9	762.4	575.0	562.4
Logs, residual products and other	$MM	198.3	136.5	84.4	104.7	86.8	86.9	87.3	82.5
Operating earnings	$MM	385.9	512.7	99.2	54.8	568.3	355.6	203.2	171.4
Net earnings	$MM	269.9	397.0	69.7	65.6	419.2	264.5	149.1	121.6
Net earnings per share, basic	$/share	4.92	6.69	1.15	1.05	6.45	4.01	2.24	1.81
Adjusted net earnings[3]	$MM	280.2	392.5	78.2	46.7	433.5	270.6	164.7	140.0
Adjusted net earnings per share, basic[3]	$/share	5.11	6.61	1.29	0.74	6.67	4.11	2.47	2.08
Operating cash flow per share (before working capital changes)[3]	$/share	3.98	6.38	2.19	1.15	7.46	5.73	3.05	3.20
Adjusted EBITDA[3]	$MM	428.6	570.1	149.5	93.9	611.3	392.1	248.6	221.7
Adjusted EBITDA margin[3]	%	30.9%	42.3%	22.1%	14.1%	55.6%	46.2%	37.5%	34.4%
Annualized return on capital employed[3]	%	52.9%	86.6%	18.2%	16.0%	110.8%	79.2%	48.4%	45.6%
Shares outstanding - end of period	million	54.8	55.8	60.8	60.8	63.6	65.3	66.0	67.3
Shares outstanding - weighted average	million	54.9	59.4	60.8	62.7	65.0	65.9	66.7	67.3
Operating Performance									
Lumber production	million fbm	1,016	917	758	731	716	687	687	642
Lumber sales	million fbm	1,082	843	719	753	714	666	683	618
Lumber - average selling price[4]	$/thousand fbm	1,104	1,410	822	744	1,419	1,143	842	910
Average USD/CAD exchange rate[5]	1 USD in CAD	1.2768	1.2662	1.2603	1.2600	1.2282	1.2660	1.3030	1.3321
Closing USD/CAD exchange rate[5]	1 USD in CAD	1.2886	1.2496	1.2678	1.2741	1.2394	1.2575	1.2732	1.3339

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 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 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 June 30, 2022 was $102.0 million, or 4.6% of invested capital, representing an increase of $264.9 million from the level of Net debt at December 31, 2021.

As at June 30, 2022 the Company had net working capital of $607.1 million and available liquidity of $726.5 million, based on the full 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 Jun. 30,		For the 6 months ended Jun. 30,	
Thousands of Dollars	**2022**	**2021**	**2022**	**2021**
Net debt				
Net debt, period opening	$340,180	$(235,966)	$(162,886)	$(75,432)
Repayment of Senior Secured Notes	(7,005)	(6,671)	(7,005)	(6,671)
Revolving Term Line net drawings	(35,000)	-	(3,850)	-
Impact on U.S. Dollar denominated debt from weakening (strengthening) CAD	11,513	(5,473)	7,800	(10,183)
(Increase) decrease in cash and cash equivalents	(201,899)	(251,402)	276,304	(413,569)
Impact on U.S. Dollar denominated cash and cash equivalents from strengthening (weakening) CAD	(5,798)	8,830	(8,372)	15,173
Net debt, period ending	$101,991	$(490,682)	$101,991	$(490,682)

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 $597.0 million of cash flow from operations before changes in working capital in YTD’22, for a decrease of $265.2 million over YTD’21. There was a net cash inflow from operations after changes in working capital of $675.0 million in YTD’22, with $78.0 million of cash released from operating working capital.

Higher lumber shipments and seasonally lower log inventories in B.C. contributed to the $36.1 million inflow from inventories and the collection of trade receivables recorded at higher lumber prices contributed to the $18.9 million inflow related to trade receivables. Timing of payments contributed to the $26.5 million inflow from trade accounts payable and provisions. Higher taxable income in 2021 resulted in income tax installment payments of $357.2 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, $862.2 million of cash was generated from operations, with $92.4 million of cash invested in operating working capital.

Cash Flow from Investing Activities

Investing activities totaled $696.2 million in YTD’22, with $536.1 million for the acquisition of the Eastern Canada Operations, $112.0 million for property, plant and equipment, $55.6 million for the investment in GreenFirst, $4.1 million for development of roads and bridges, partially offset by $11.4 million in proceeds on disposal of property, plant and equipment.

Discretionary mill improvements of $75.4 million in YTD’22 were mainly focused on the multi-year rebuild of the Eatonton, GA sawmill, a new planer at the Castlegar, B.C. sawmill and an upgrade of the Perry, GA sawmill.

Maintenance capital investments excluding roads totaled $36.6 million in YTD’22.

In YTD’21, investing activities were $136.6 million, with $73.6 million for the acquisition of sawmill operations in Summerville, SC, $62.6 million for plant and equipment and $7.2 million for development of roads and bridges, partially offset by $6.0 million in proceeds on disposal of property, plant and equipment.

Discretionary and maintenance mill improvements totalled $42.9 million and $19.7 million, respectively, in YTD’21, of which the majority was spent on a new kiln at the Adams Lake, B.C. sawmill and the rebuild of the Eatonton, GA sawmill.

Cash Flow from Financing Activities

The net cash outflow of $255.1 million in YTD’22 resulted from $227.2 million used to purchase shares under the Company’s NCIB, $337.4 million in repayments of long-term debt, interest payments of $9.3 million, lease liability payments of $7.8 million and $2.2 million Revolving Term Line net repayments. This was partially offset by additions to long-term debt of $328.7 million.

The net cash outflow of $219.7 million in YTD’21 resulted from the $130.6 million special cash dividend payment, $69.7 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 $8.4 million and $6.6 million, respectively.

Capital Resources

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

Thousands of Canadian Dollars	Revolving Term Line	Senior Secured Notes	Total
Available line of credit and maximum borrowing available	$500,000	$372,620	$872,620
Less:			
Drawings	-	372,620	372,620
Outstanding letters of credit included in line utilization	44,083	-	44,083
Unused portion of facility	$455,917	$ -	455,917
Add:			
Cash and cash equivalents			270,629
Available liquidity at June 30, 2022			$726,546

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

As of June 30, 2022, the Company had commitments for capital expenditures totaling $196.2 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 six months ended June 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 June 30, 2022, such instruments aggregated $83.5 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 Q2'22 or Q2'21.

Outstanding Shares

As of August 4, 2022, Interfor had 54,787,641 common shares issued and outstanding. These common shares are listed on the Toronto Stock Exchange under the symbol IFP.

As of August 4, 2022, there were 508,776 stock options outstanding with exercise prices ranging from $9.77 to $37.68 per common share.

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 six months of 2022, Interfor purchased 6,041,701 common shares at a cost of $227.2 million and all repurchased common shares were cancelled. This 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 0.98 times book value per share at June 30, 2022.

During the first six months of 2021, Interfor purchased 2,463,190 common shares at a cost of $69.7 million and cancelled 2,180,710 of these common shares, with the remaining 282,480 common shares cancelled in July 2021. The common shares were purchased under the previous NCIB that expired November 10, 2021.

On July 26, 2022, the Company announced its intention to commence a substantial issuer bid pursuant to which the Company will offer to purchase up to $100,000,000 in value of its outstanding common shares for cancellation from holders of common shares.

Controls and Procedures

As of June 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 six months ended June 30, 2022 was approximately 19.1% of consolidated sales and approximately 12.2% of consolidated net earnings. Additionally, the Eastern Canada Operations total assets were approximately 31.1% 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 six months ended June 30, 2022. Other than the aforementioned, there were no changes in the Company's DC&P and ICFR during the three and six months ended June 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. During the quarter, additional procedures were performed to ensure key financial internal controls remained in place during and after the conversion to a new Financial Reporting system. In management's judgment, these changes do not have a material effect on internal controls over financial reporting.

Critical Accounting Estimates

Potential impacts of the COVID-19 pandemic 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 June 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 June 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 Jun. 30 2022	Jun. 30 2021	Mar. 31 2022	For the 6 months ended Jun. 30 2022	Jun. 30 2021
Adjusted Net Earnings					
Net earnings	$269,881	$419,241	$397,031	$666,913	$683,728
Add:					
Asset write-downs and restructuring costs	1,088	2,213	3,198	4,286	2,355
Other foreign exchange loss (gain)	20,299	4,645	(12,823)	7,476	6,991
Long-term incentive compensation expense (recovery)	(10,403)	11,145	3,671	(6,732)	18,815
Other expense (income) excluding business interruption insurance	3,085	1,045	(395)	2,690	(951)
Post closure wind-down costs	-	251	-	-	475
Income tax effect of above adjustments	(3,787)	(4,991)	1,794	(1,993)	(7,220)
Adjusted net earnings	$280,163	$433,549	$392,476	$672,640	$704,193
Weighted average number of shares - basic ('000)	*54,874*	*64,984*	*59,357*	*57,103*	*65,453*
Adjusted net earnings per share	$5.11	$6.67	$6.61	$11.78	$10.76
Adjusted EBITDA					
Net earnings	$269,881	$419,241	$397,031	$666,913	$683,728
Add:					
Depreciation of plant and equipment	41,647	22,717	33,113	74,760	44,191
Depletion and amortization of timber, roads and other	9,154	6,669	9,124	18,279	13,637
Finance costs	4,357	4,437	5,169	9,524	8,961
Income tax expense	89,474	138,922	132,026	221,500	225,178
EBITDA	414,513	591,986	576,463	990,976	975,695
Add:					
Long-term incentive compensation expense (recovery)	(10,403)	11,145	3,671	(6,732)	18,815
Other foreign exchange loss (gain)	20,299	4,645	(12,823)	7,476	6,991
Other expense (income) excluding business interruption insurance	3,085	1,045	(395)	2,690	(951)
Asset write-downs and restructuring costs	1,088	2,213	3,198	4,286	2,355
Post closure wind-down costs	-	251	-	-	475
Adjusted EBITDA	$428,582	$611,285	$570,114	$998,696	$1,003,380
Sales	$1,389,050	$1,099,670	$1,349,038	$2,738,087	$1,948,977
Adjusted EBITDA margin	30.9%	55.6%	42.3%	36.5%	51.5%
Net debt to invested capital					
Net debt					
Total debt	$372,620	$365,106	$403,112	$372,620	$365,106
Cash and cash equivalents	(270,629)	(855,788)	(62,932)	(270,629)	(855,788)
Total net debt	$101,991	$(490,682)	$340,180	$101,991	$(490,682)
Invested capital					
Net debt	$101,991	$(490,682)	$340,180	$101,991	$(490,682)
Shareholders' equity	2,106,097	1,554,205	1,817,371	2,106,097	1,554,205
Total invested capital	$2,208,088	$1,063,523	$2,157,551	$2,208,088	$1,063,523
Net debt to invested capital[1]	4.6%	(46.1%)	15.8%	4.6%	(46.1%)
Operating cash flow per share (before working capital changes)					
Cash provided by operating activities	$393,806	$484,723	$281,214	$675,020	$769,803
Cash (generated from) used in operating working capital	(175,586)	(249)	97,567	(78,019)	92,355
Operating cash flow (before working capital changes)	$218,220	$484,474	$378,781	$597,001	$862,158
Weighted average number of shares - basic ('000)	*54,874*	*64,984*	*59,357*	*57,103*	*65,453*
Operating cash flow per share (before working capital changes)	$3.98	$7.46	$6.38	$10.45	$13.17
Annualized return on capital employed					
Net earnings	$269,881	$419,241	$397,031	$666,913	$683,728
Add:					
Finance costs	4,357	4,437	5,169	9,524	8,961
Income tax expense	89,474	138,922	132,026	221,500	225,178
Earnings before income taxes and finance costs	$363,712	$562,600	$534,226	$897,937	$917,867
Capital Employed					
Total assets	$3,269,508	$2,409,388	$3,081,351	$3,269,508	$2,409,388
Current liabilities	(421,383)	(285,081)	(472,686)	(421,383)	(285,081)
Less:					
Current portion of long-term debt	6,980	6,713	6,769	6,980	6,713
Current portion of lease liabilities	14,776	11,758	15,014	14,776	11,758
Capital employed, end of period	$2,869,881	$2,142,778	$2,630,448	$2,869,881	$2,142,778
Capital employed, beginning of period	2,630,448	1,915,146	2,303,177	2,303,177	1,672,103
Average capital employed	$2,750,164	$2,028,962	$2,466,812	$2,586,529	$1,907,441
Earnings before income taxes and finance costs divided by average capital employed	13.2%	27.7%	21.7%	34.7%	48.1%
Annualization factor	4.0	4.0	4.0	2.0	2.0
Annualized return on capital employed	52.9%	110.8%	86.6%	69.4%	96.2%

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

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.

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CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

For the three and six months ended June 30, 2022 and 2021 (unaudited)

(thousands of Canadian Dollars except earnings per share)	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Sales (note 15)	$ 1,389,050	$ 1,099,670	$ 2,738,087	$ 1,948,977
Costs and expenses:				
Production	899,289	457,329	1,633,118	889,496
Selling and administration	16,102	12,136	33,730	25,015
Long-term incentive compensation expense (recovery)	(10,403)	11,145	(6,732)	18,815
U.S. countervailing and anti-dumping duty deposits (note 17)	46,311	19,171	82,128	31,561
Depreciation of plant and equipment (note 10)	41,647	22,717	74,760	44,191
Depletion and amortization of timber, roads and other (note 10)	9,154	6,669	18,279	13,637
	1,002,100	529,167	1,835,283	1,022,715
Operating earnings before asset write-downs and restructuring costs	386,950	570,503	902,804	926,262
Asset write-downs and restructuring costs (note 11)	1,088	2,213	4,286	2,355
Operating earnings	385,862	568,290	898,518	923,907
Finance costs (note 12)	(4,357)	(4,437)	(9,524)	(8,961)
Other foreign exchange loss	(20,299)	(4,645)	(7,476)	(6,991)
Other income (expense) (note 13)	(1,851)	(1,045)	6,895	951
	(26,507)	(10,127)	(10,105)	(15,001)
Earnings before income taxes	359,355	558,163	888,413	908,906
Income tax expense (recovery)				
Current	92,828	135,140	215,408	218,313
Deferred	(3,354)	3,782	6,092	6,865
	89,474	138,922	221,500	225,178
Net earnings	$ 269,881	$ 419,241	$ 666,913	$ 683,728
Net earnings per share				
Basic (note 14)	$ 4.92	$ 6.45	$ 11.68	$ 10.45
Diluted (note 14)	$ 4.90	$ 6.43	$ 11.64	$ 10.42

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three and six months ended June 30, 2022 and 2021 (unaudited)

(thousands of Canadian Dollars)	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Net earnings	$ 269,881	$ 419,241	$ 666,913	$ 683,728
Other comprehensive income (loss):				
Items that will not be recycled to Net earnings:				
Defined benefit plan actuarial gain (loss), net of tax	(1,064)	1,110	1,722	5,582
Items that are or may be recycled to Net earnings:				
Foreign currency translation differences for foreign operations, net of tax	52,624	(8,876)	27,895	(17,763)
Total other comprehensive income (loss), net of tax	51,560	(7,766)	29,617	(12,181)
Comprehensive income	$ 321,441	$ 411,475	$ 696,530	$ 671,547

See accompanying notes to consolidated financial statements

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

(thousands of Canadian Dollars)	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Cash provided by (used in):				
Operating activities:				
Net earnings	$ 269,881	$ 419,241	$ 666,913	$ 683,728
Items not involving cash:				
Depreciation of plant and equipment (note 10)	41,647	22,717	74,760	44,191
Depletion and amortization of timber, roads and other (note 10)	9,154	6,669	18,279	13,637
Deferred income tax expense (recovery)	(3,354)	3,782	6,092	6,865
Current income tax expense	92,828	135,140	215,408	218,313
Finance costs (note 12)	4,357	4,437	9,524	8,961
Other assets	(2,447)	655	(2,487)	224
Reforestation liability	(1,665)	(1,187)	71	(691)
Provisions and other liabilities	(12,798)	6,392	(25,708)	6,887
Stock options	213	167	454	363
Write-down of plant and equipment (note 11)	1,117	2,035	2,340	2,035
Unrealized foreign exchange gain (loss)	(6,338)	5,406	(4,530)	8,417
Other income (expense)	1,851	1,045	(6,895)	(951)
Income taxes paid	(176,226)	(122,025)	(357,220)	(129,821)
	218,220	484,474	597,001	862,158
Cash generated from (used in) operating working capital:				
Trade accounts receivable and other	83,534	(4,741)	18,883	(72,600)
Inventories	60,506	(8,873)	36,072	(33,225)
Prepayments	(3,260)	(1,428)	(3,422)	(4,776)
Trade accounts payable and provisions	34,806	15,291	26,486	18,246
	393,806	484,723	675,020	769,803
Investing activities:				
Additions to property, plant and equipment	(60,939)	(36,263)	(111,962)	(62,594)
Additions to roads and bridges	(4,214)	(4,312)	(4,059)	(7,197)
Acquisitions (note 5)	1,592	-	(536,087)	(73,630)
Proceeds on disposal of property, plant and equipment	10,181	283	11,371	5,976
Investment in GreenFirst Forest Products Inc. (note 6)	(55,648)	-	(55,648)	-
Net proceeds from (additions to) deposits and other assets	(224)	725	168	882
	(109,252)	(39,567)	(696,217)	(136,563)
Financing activities:				
Issuance of share capital, net of expenses (note 9)	-	401	377	2,346
Share repurchases (note 9)	(32,929)	(49,435)	(227,237)	(69,738)
Dividend paid (note 9)	-	(130,625)	-	(130,625)
Interest payments	(4,314)	(4,161)	(9,326)	(8,419)
Lease liability payments	(3,333)	(3,263)	(7,803)	(6,564)
Debt refinancing costs	(74)	-	(263)	-
Term line net repayments (note 8)	-	-	(2,209)	-
Additions to long-term debt (note 8)	-	-	328,720	-
Repayments of long-term debt (note 8)	(42,005)	(6,671)	(337,366)	(6,671)
	(82,655)	(193,754)	(255,107)	(219,671)
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	5,798	(8,830)	8,372	(15,173)
Increase (decrease) in cash	207,697	242,572	(267,932)	398,396
Cash and cash equivalents, beginning of period	62,932	613,216	538,561	457,392
Cash and cash equivalents, end of period	$ 270,629	$ 855,788	$ 270,629	$ 855,788

See accompanying notes to consolidated financial statements

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

(thousands of Canadian Dollars)	June 30, 2022	Dec. 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 270,629	$ 538,561
Trade accounts receivable and other	265,220	147,764
Income tax receivable	19	12,776
Inventories (notes 5 and 7)	461,864	250,481
Prepayments	30,728	16,125
	1,028,460	965,707
Employee future benefits	20,392	8,338
Deposits and other assets (notes 6 and 17)	192,952	52,221
Right of use assets	33,195	33,547
Property, plant and equipment (note 5)	1,472,014	1,067,754
Roads and bridges	34,250	27,101
Timber licences	104,189	106,136
Goodwill and other intangible assets (note 5)	383,367	342,291
Deferred income taxes	689	415
	$ 3,269,508	$ 2,603,510
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	$ -	$ 2,202
Trade accounts payable and provisions	340,049	218,825
Current portion of long-term debt (notes 8 and 16)	6,980	6,868
Reforestation liability	15,920	16,670
Lease liabilities	14,776	12,239
Income taxes payable	43,658	64,838
	421,383	321,642
Reforestation liability	29,612	29,250
Lease liabilities	20,388	26,850
Long-term debt (notes 8 and 16)	365,640	366,605
Employee future benefits	9,579	9,069
Provisions and other liabilities	23,474	43,686
Deferred income taxes	293,335	170,435
Equity:		
Share capital (note 9)	436,352	484,721
Contributed surplus	4,986	4,694
Translation reserve	86,315	58,420
Retained earnings	1,578,444	1,088,138
	2,106,097	1,635,973
	$ 3,269,508	$ 2,603,510

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

See accompanying notes to consolidated financial statements

Approved on behalf of the Board of Directors:

"L. Sauder"
Director

"T.V. Milroy"
Director

INTERFOR

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six months ended June 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:	-	-	-	666,913	666,913
Other comprehensive income:					
Foreign currency translation differences for foreign operations, net of tax	-	-	27,895	-	27,895
Defined benefit plan actuarial gain, net of tax	-	-	-	1,722	1,722
Contributions and distributions:					
Share issuance, net of expenses (note 9)	539	(162)	-	-	377
Share repurchases (note 9)	(48,908)	-	-	(178,329)	(227,237)
Stock options (note 9)	-	454	-	-	454
Balance at June 30, 2022	$ 436,352	$ 4,986	$ 86,315	$ 1,578,444	$ 2,106,097
Balance at December 31, 2020	$ 523,605	$ 5,157	$ 49,846	$ 501,704	$ 1,080,312
Net earnings:	-	-	-	683,728	683,728
Other comprehensive income (loss):					
Foreign currency translation differences for foreign operations, net of tax	-	-	(17,763)	-	(17,763)
Defined benefit plan actuarial gain, net of tax	-	-	-	5,582	5,582
Contributions and distributions:					
Share issuance, net of expenses (note 9)	3,383	(1,037)	-	-	2,346
Share repurchases (note 9)	(19,896)	-	-	(49,842)	(69,738)
Stock options (note 9)	-	363	-	-	363
Dividend (note 9)	-	-	-	(130,625)	(130,625)
Balance at June 30, 2021	$ 507,092	$ 4,483	$ 32,083	$ 1,010,547	$ 1,554,205

See accompanying notes to consolidated financial statements

1. Nature of operations:

Interfor Corporation and its subsidiaries (the "Company" or "Interfor") produce wood products in British Columbia, Quebec, Ontario, 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 and six months ended June 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 August 4, 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) Critical accounting estimates:

Potential impacts of the COVID-19 pandemic on the Company's critical accounting estimates are being monitored on a regular basis. However, there were no significant changes during the quarter ended June 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 June 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, 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, Quebec and Ontario 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.

(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 completed the transaction to acquire 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	379,957
Countervailing and anti-dumping duties receivable and related interest (note 17)	90,944
Property, plant and equipment	374,096
Goodwill, intangibles and other assets	51,260
	$ 1,089,469
Liabilities Assumed:	
Current liabilities	(237,482)
Other long-term liabilities	(8,770)
Deferred income taxes	(113,918)
	$ 729,299
Consideration funded by:	
Cash and cash equivalents	582,778
Revolving Term Line	146,521
	$ 729,299

The above is a preliminary estimate of the value of the assets acquired and liabilities assumed. The estimate will remain preliminary until the Company is able to (i) complete an external valuation of the property, plant and equipment acquired; (ii) complete a valuation of significant intangible assets acquired; and (iii) evaluate the fair value of other assets acquired and liabilities assumed. The final determination of the value of assets acquired and liabilities assumed, which is expected to be no later than one year from the acquisition date, could differ significantly from the amounts presented above.

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 the duties on shipments from the Eastern Canada operations to the U.S.

Goodwill, intangibles and other assets represents the excess of the purchase consideration compared to the estimated fair values of the identifiable assets acquired and liabilities assumed. The goodwill, if any, arising from the acquisition is expected not to be deductible for tax purposes.

The Company incurred acquisition related transaction costs of approximately $142,000 and $573,000 for the three and six months ended June 30, 2022, respectively, which are included in Selling and administration in the Statements of Earnings.

For the six months ended June 30, 2022, the acquired operations contributed sales of $522,011,000 and net earnings before tax of $107,486,000, 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 $2,911,720,000 and net earnings before tax would have been approximately $947,847,000 for the six months ended June 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 sawmill operations 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.

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

5. Acquisitions (continued):

b) Acquisitions of U.S. sawmills (continued):

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 (expense).

7. Inventories:

	June 30, 2022	Dec. 31, 2021
Lumber and other wood products	$ 253,143	$ 139,208
Logs	145,678	71,795
Other	63,043	39,478
	$ 461,864	$ 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 at June 30, 2022 was $14,979,000 (December 31, 2021 - $6,537,000).

8. Borrowings:

June 30, 2022	Revolving Term Line	Senior Secured Notes	Total
Available line of credit	$ 500,000	$ 372,620	$ 872,620
Drawings	-	372,620	372,620
Outstanding letters of credit	44,083	-	44,083
Unused portion of Revolving Term Line	$ 455,917	$ -	$ 455,917

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	
June 30, 2023	$ 6,980
June 30, 2024	42,953
June 30, 2025	42,953
June 30, 2026	42,954
June 30, 2027	-
Thereafter	236,780
	$ 372,620

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

8. Borrowings (continued):

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

	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Drawings at opening	$ 403,112	$ 377,250	$ 375,675	$ 381,960
Revolving Term Line net repayments	-	-	(2,209)	-
Additions to long-term debt	-	-	328,720	-
Repayments of long-term debt	(42,005)	(6,671)	(337,366)	(6,671)
Effects of changes in foreign exchange rate	11,513	(5,473)	7,800	(10,183)
Drawings at June 30	$ 372,620	$ 365,106	$ 372,620	$ 365,106

(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 June 30, 2022, including letters of credit, the Term Line was drawn by $20,985,000 (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 $23,098,000 (December 31, 2021 - $5,018,000), for total borrowings of $44,083,000 (December 31, 2021 - $25,448,000).

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 six months, 2022 (first six months, 2021 - nil) and nil in the second quarter, 2022 (Quarter 2, 2021 – nil) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income.

(b) Senior Secured Notes:

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

	June 30, 2022	Dec. 31, 2021
Series A (US$1,483,333) bearing interest at 4.33%	$ 1,911	$ 3,762
Series B (US$3,933,333) bearing interest at 4.02%	5,068	9,973
Series C (US$100,000,000) bearing interest at 4.17%	128,860	126,780
Series D (US$45,550,000) bearing interest at 4.95%	58,696	57,748
Series E (US$38,200,000) bearing interest at 4.82%	49,225	48,430
Series F (US$50,000,000) bearing interest at 3.34%	64,430	63,390
Series G (US$50,000,000) bearing interest at 3.25%	64,430	63,390
	$ 372,620	$ 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 $6,153,000 in the first six months, 2022 (first six months, 2021 - $10,183,000 gain) and $11,514,000 in the second quarter, 2022 (Quarter 2, 2021 - $5,473,000 gain) 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	25,165	539	(162)
Repurchase of common shares	(6,041,701)	(48,908)	-
Stock options	-	-	454
Balance, June 30, 2022	54,787,641	$ 436,352	$ 4,986

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

9. Share capital (continued):

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 six 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 repurchased common shares were cancelled.

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 six months of 2022.

10. Depreciation, depletion and amortization:

Depreciation, depletion and amortization by function is as follows:

	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Production	$ 50,309	$ 28,929	$ 92,057	$ 56,897
Selling and administration	492	457	982	931
	$ 50,801	$ 29,386	$ 93,039	$ 57,828

11. Asset write-downs and restructuring costs:

	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Write-down of plant and equipment	$ 1,117	$ 2,035	$ 2,340	$ 2,035
Severance and other closure costs	(29)	178	1,946	320
	$ 1,088	$ 2,213	$ 4,286	$ 2,355

12. Finance costs:

	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Interest expense on:				
Borrowings	$ 4,576	$ 4,130	$ 9,362	$ 8,288
Lease liabilities	293	378	651	789
Pension obligations	631	590	1,037	1,156
Duty deposits	3	-	23	-
Interest revenue from:				
Duty deposits and other	(691)	(521)	(985)	(912)
Pension assets	(819)	(353)	(1,189)	(708)
Unwind of discount on provisions	212	135	331	191
Amortization of deferred finance costs	152	78	294	157
	$ 4,357	$ 4,437	$ 9,524	$ 8,961

13. Other income (expense):

	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Business interruption insurance	$ 1,234	$ -	$ 9,585	$ -
Change in fair value of minority interest in GreenFirst (note 6)	(8,892)	-	(8,892)	-
Gain (loss) on disposal of property, plant and equipment and other	3,530	(1,056)	3,669	933
Gain on lease modifications	2,277	11	2,533	18
	$ (1,851)	$ (1,045)	$ 6,895	$ 951

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

13. Other income (expense) (continued):

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.

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 June 30, 2022			Three Months June 30, 2021		
	Net earnings	Weighted average number of shares	Per share	Net earnings	Weighted average number of shares	Per share
Issued shares at March 31		55,803,037			65,306,539	
Effect of shares issued		-			7,029	
Effect of shares repurchased		(929,518)			(329,191)	
Basic earnings per share	$ 269,881	54,873,519	$ 4.92	$ 419,241	64,984,377	$ 6.45
Effect of dilutive securities:						
Stock options		182,404			203,520	
Diluted earnings per share	$ 269,881	55,055,923	$ 4.90	$ 419,241	65,187,897	$ 6.43

	Six Months June 30, 2022			Six Months June 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		17,852			84,913	
Effect of shares repurchased		(3,719,394)			(595,760)	
Basic earnings per share	$ 666,913	57,102,635	$ 11.68	$ 683,728	65,453,306	$ 10.45
Effect of dilutive securities:						
Stock options		212,068			183,582	
Diluted earnings per share	$ 666,913	57,314,703	$ 11.64	$ 683,728	65,636,888	$ 10.42

15. 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, Quebec and Ontario in Canada and the Northwest and South regions of the U.S.

Sales by market are as follows:

	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
United States	$ 1,113,283	$ 957,073	$ 2,294,200	$ 1,676,490
Canada	241,091	103,485	368,763	201,924
Japan	10,218	16,112	24,307	26,937
China/Taiwan	5,908	9,259	11,418	18,253
Other export	18,550	13,741	39,399	25,373
	$ 1,389,050	$ 1,099,670	$ 2,738,087	$ 1,948,977

Sales by product line are as follows:

	Three Months June 30, 2022	Three Months June 30, 2021	Six Months June 30, 2022	Six Months June 30, 2021
Lumber and other wood products	$ 1,262,144	$ 1,012,946	$ 2,502,291	$ 1,775,308
Logs	49,056	34,628	89,417	67,766
Wood chips and other by-products	72,982	42,416	134,235	82,642
Other	4,868	9,680	12,144	23,261
	$ 1,389,050	$ 1,099,670	$ 2,738,087	$ 1,948,977

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

16. Financial instruments:

At June 30, 2022, the fair value of the Company's long-term debt was less than its carrying value by $22,407,000 (December 31, 2021 – exceeded $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 June 30, 2022, the Company had no outstanding obligations under derivative financial instruments.

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 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. During the fourth quarter 2021, the DoC published the final CV and AD duties rates based on the results of its second administrative review of shipments for the year ended December 31, 2019.

The following table summarizes the cash deposit rates that were in effect and the preliminary and final revised rates for those periods:

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	Preliminary rates
2020			
AD	6.04%	1.57%	4.76%
CV	14.19%	7.42%	6.88%
Total	20.23%	8.99%	11.64%

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

The final AD and CV duties rates for the second administrative review were published on December 2, 2021 and starting on this date the final second administrative review AD and CV duty rates of 11.59% and 6.31% respectively, were applied as the cash deposit rates to new lumber shipments. On January 10, 2022, the final CV duty rate was amended to 6.32% by the DoC.

The finalization of the first administrative review rates in 2020 indicated an overpayment of duty deposits in 2017 and 2018 of US$32,931,000 which was recorded in prior years. The impact to the Statements of Earnings in 2020 was a reduction to the U.S. countervailing and anti-dumping duty deposits of $38,434,000.

The finalization of the second administrative review rates in the fourth quarter of 2021 and amended in the first quarter 2022 indicated an overpayment of duty deposits in 2019 of US$3,226,000. The impact to the Statements of Earnings in 2021 was a reduction to the U.S. countervailing and anti-dumping duty deposits of $4,281,000.

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

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

On January 31, 2022, the DoC issued its preliminary revised CV and AD duty rates based on completion of its third administrative review of shipments for the year ended December 31, 2020. The table above summarizes the cash deposit rates that were in effect for the year ended December 31, 2020 and the issued preliminary revised rates.

The DoC may further amend the preliminary revised duty rates at any time, with final rate determinations expected to be published in August 2022. At such time, the final rates determined and published for 2020 will be applied to new lumber shipments.

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	69,366
Assumed rights to EACOM duty deposits (note 5)	161,169
	$ 400,979

Interfor has recorded the duty deposits as an expense, with the exception of US$104,955,000 recorded as a long-term receivable as at June 30, 2022 (December 31, 2021- US$36,157,000) in Deposits and other assets on the Statements of Financial Position. The long-term receivable was revalued at the quarter-end exchange rate to $135,245,000 (December 31, 2021 - $45,839,000). Interfor has recorded interest income on the long-term receivable of US$5,835,000 (December 31, 2021 - US$2,629,000) in Deposits and other assets on the Statements of Financial Position, revalued at the quarter-end exchange rate to $7,520,000 (December 31, 2021 - $3,333,000). The long-term receivable includes $87,467,000 of CV and AD duties receivable and related interest receivable of $3,477,000 associated with the acquisition of the Eastern Canada operations described in Note 5.

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 July 26, 2022, Interfor announced its intention to commence a substantial issuer bid ("SIB") pursuant to which the Company will offer 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 will proceed by way of a "modified Dutch auction" procedure with a tender price range from $29.00 to $34.00 per common share.

INTERFOR

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