

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

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

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

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

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

"Ian M. Fillinger"

President and Chief Executive Officer

"Richard Pozzebon"

Executive Vice President and Chief Financial
Officer

February 8, 2024



KPMG LLP
PO Box 10426, 777 Dunsmuir Street
Vancouver, BC V7Y 1K3
Canada
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Interfor Corporation

Opinion

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

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022
- the consolidated statements of earnings for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

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

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the goodwill impairment analysis for the cash-generating units of the United States South group and the Eastern Canada group.

Description of the matter

We draw attention to Notes 3 (i) and 9 to the financial statements. The goodwill balance is \$530.5 million of which \$306.3 million relates to the cash generating units of the United States South group and \$175.9 million relates to the cash generating units of the Eastern Canada group. The Entity performs goodwill impairment testing on an annual basis and whenever events or circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is calculated based on the higher of its fair value less direct costs to sell and its value in use. Significant assumptions used in determining the value in use include future sales volume, commodity prices, production costs and discount rates.

Why the matter is a Key Audit Matter

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

How the matter was addressed in the audit

The following are the primary procedures we performed on the cash-generating units of the United States South group and the Eastern Canada group to address this key audit matter:

- We evaluated the Entity's commodity price assumptions by comparing those assumptions to expected commodity prices in the Entity's and its peer companies' analyst reports.
- We compared the Entity's forecast sales volume and production costs to actual results to assess the Entity's ability to accurately predict sales volume and production cost assumptions.

We involved a valuation professional with specialized skills and knowledge who assisted in evaluating the discount rate assumptions used in the estimated values in use, by comparing them against a discount rate range that was independently developed using publicly available market data for comparable entities.

Other Information

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

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



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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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



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

KPMG LLP

Chartered Professional Accountants

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

Vancouver, Canada

February 8, 2024

Interfor Corporation
Consolidated Statements of Financial Position
(Expressed in millions of Canadian Dollars)
As at December 31, 2023 and 2022

	<i>Note</i>	December 31 2023	December 31 2022
Assets			
Current assets:			
Cash and cash equivalents		\$ 55.0	\$ 77.6
Trade accounts receivable and other	27(d)(i)	184.4	174.1
Income tax receivable	20	68.4	104.1
Inventories	5	339.2	396.9
Prepayments		26.9	25.9
		673.9	778.6
Employee future benefits	23(d)	15.5	18.4
Deposits and other assets	6, 21(c)	274.6	281.6
Right of use assets	7	37.1	34.0
Property, plant and equipment	8	1,612.9	1,701.2
Roads and bridges	9	35.9	38.1
Timber licences	9	170.4	178.4
Goodwill and other intangible assets	9	574.7	588.1
Deferred income taxes	20	5.3	1.4
		\$ 3,400.3	\$ 3,619.8
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade accounts payable and provisions	13, 23(c)	\$ 258.9	\$ 285.6
Current portion of long-term debt	10	44.1	7.3
Reforestation liability	11	15.8	17.9
Lease liabilities	12	17.2	14.8
Income taxes payable	20	0.2	0.3
		336.2	325.9
Reforestation liability	11	28.4	28.7
Lease liabilities	12	23.1	20.4
Long-term debt	10	853.6	790.6
Employee future benefits	23(c), 23(d)	11.3	9.9
Provisions and other liabilities	13	54.6	24.2
Deferred income taxes	20	362.7	393.0
Equity:			
Share capital	14	408.9	408.7
Contributed surplus	14	6.2	5.5
Translation reserve		145.5	175.9
Retained earnings		1,169.8	1,437.0
		1,730.4	2,027.1
		\$ 3,400.3	\$ 3,619.8

Commitments and contingencies (*Note 21*)

Subsequent event (*Note 10*)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

"L. Sauder", Director

"T.V. Milroy", Director

Interfor Corporation
Consolidated Statements of Earnings
(Expressed in millions of Canadian Dollars, except per share amounts)
Years ended December 31, 2023 and 2022

	<i>Note</i>	2023	2022
Sales	25	\$ 3,315.7	\$ 4,584.0
Cost and expenses:			
Production		3,158.9	3,382.1
Selling and administration		65.8	67.2
Long-term incentive compensation expense (recovery)	13, 14(b)	8.7	(8.4)
U.S. countervailing and anti-dumping duty deposits	6, 21(c)	46.6	84.9
Depreciation of plant and equipment	8, 15	187.4	154.9
Depletion and amortization of timber, roads and other	7, 9, 15	41.1	39.7
		3,508.5	3,720.4
Operating earnings (loss) before asset write-downs and restructuring costs		(192.8)	863.6
Asset write-downs and restructuring costs	19	(59.6)	(4.0)
Operating earnings (loss)		(252.4)	859.6
Finance costs	17	(45.0)	(15.6)
Other foreign exchange gain (loss)	27(d)(iii)	14.7	(43.1)
Other income (expense)	18	(75.2)	14.0
		(105.5)	(44.7)
Earnings (loss) before income taxes		(357.9)	814.9
Income tax expense (recovery)	20		
Current		(63.5)	184.6
Deferred		(27.6)	32.1
		(91.1)	216.7
Net earnings (loss)		\$ (266.8)	\$ 598.2
Net earnings (loss) per share			
Basic	22	\$ (5.19)	\$ 10.89
Diluted	22	\$ (5.19)	\$ 10.86

See accompanying notes to consolidated financial statements.

Interfor Corporation
Consolidated Statements of Comprehensive Income
(Expressed in millions of Canadian Dollars)
Years ended December 31, 2023 and 2022

	<i>Note</i>	2023	2022
Net earnings (loss)		\$ (266.8)	\$ 598.2
Other comprehensive income (loss):			
Items that will not be recycled to Net earnings (loss):			
Defined benefit plan actuarial gain (loss), net of tax	<i>20, 23(d)</i>	(0.4)	1.9
Items that may be recycled to Net earnings (loss):			
Foreign currency translation differences for foreign operations, net of tax	<i>20</i>	(30.4)	117.5
Total other comprehensive income (loss), net of tax		(30.8)	119.4
Comprehensive income (loss)		\$ (297.6)	\$ 717.6

See accompanying notes to consolidated financial statements.

Interfor Corporation
Consolidated Statements of Changes in Equity

(Expressed in millions of Canadian Dollars)

Years ended December 31, 2023 and 2022

	<i>Note</i>	Share Capital	Contributed Surplus	Translation Reserve	Retained Earnings	Total Equity
Balance at December 31, 2021		\$ 484.7	\$ 4.7	\$ 58.4	\$ 1,088.1	\$ 1,635.9
Net earnings		-	-	-	598.2	598.2
Other comprehensive income:						
Foreign currency translation differences for foreign operations, net of tax		-	-	117.5	-	117.5
Defined benefit plan actuarial gain, net of tax	<i>20, 23(d)</i>	-	-	-	1.9	1.9
Contributions and distributions:						
Share issuance, net of expenses	<i>14(a)</i>	0.6	(0.2)	-	-	0.4
Share repurchases, net of expenses	<i>14(a)</i>	(76.6)	-	-	(251.2)	(327.8)
Stock option vesting	<i>14(b)</i>	-	1.0	-	-	1.0
Balance at December 31, 2022		408.7	5.5	175.9	1,437.0	2,027.1
Net loss		-	-	-	(266.8)	(266.8)
Other comprehensive loss:						
Foreign currency translation differences for foreign operations, net of tax		-	-	(30.4)	-	(30.4)
Defined benefit plan actuarial loss, net of tax	<i>20, 23(d)</i>	-	-	-	(0.4)	(0.4)
Contributions and distributions:						
Share issuance, net of expenses	<i>14(a)</i>	0.2	(0.1)	-	-	0.1
Stock option vesting	<i>14(b)</i>	-	0.8	-	-	0.8
Balance at December 31, 2023		\$ 408.9	\$ 6.2	\$ 145.5	\$ 1,169.8	\$ 1,730.4

See accompanying notes to consolidated financial statements.

Interfor Corporation
Consolidated Statements of Cash Flows
(Expressed in millions of Canadian Dollars)
Years ended December 31, 2023 and 2022

	<i>Note</i>	2023	2022
Cash provided by (used in):			
Operating activities:			
Net earnings (loss)	\$	(266.8)	\$ 598.2
Items not involving cash:			
Depreciation of plant and equipment	8	187.4	154.9
Depletion and amortization of timber, roads and other	7, 9	41.1	39.7
Income tax expense (recovery)	20	(91.1)	216.7
Finance costs	17	45.0	15.6
Other assets		(6.0)	(30.2)
Reforestation liability	11	-	(1.3)
Provisions and other liabilities		(2.0)	(30.3)
Stock option vesting	14(b)	0.8	1.0
Write-down of plant and equipment, intangibles and other	7, 8, 9, 19	57.3	3.2
Unrealized foreign exchange loss (gain)		(9.3)	37.4
Other expense (income)	18	75.2	(14.0)
Income taxes refunded (paid)		99.1	(472.0)
		130.7	518.9
Cash generated from (used in) operating working capital:			
Trade accounts receivable and other		(7.5)	135.4
Inventories		55.1	141.0
Prepayments		(0.6)	0.7
Trade accounts payable and provisions		(57.9)	(63.6)
		119.8	732.4
Investing activities:			
Additions to property, plant and equipment	8	(186.1)	(288.6)
Additions to roads and bridges	9	(13.3)	(16.9)
Acquisitions, net of cash acquired	4, 9	0.5	(911.4)
Proceeds on disposal of property, plant and equipment and other	18	5.8	32.0
Investment in GreenFirst Forest Products Inc.	6	-	(55.6)
Net proceeds from (additions to) deposits and other assets		3.3	(3.2)
		(189.8)	(1,243.7)
Financing activities:			
Issuance of share capital, net of expenses	14(a)	0.1	0.4
Share repurchases, net of expenses	14(a)	-	(327.8)
Interest payments		(52.9)	(17.1)
Lease liability payments	12	(18.4)	(16.5)
Debt refinancing costs		(0.2)	(0.8)
Term line net drawings	10	128.2	129.6
Additions to Senior Secured Notes	10	-	270.2
Repayments of Senior Secured Notes	10	(7.1)	(7.0)
		49.7	31.0
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency		(2.3)	19.3
Decrease in cash		(22.6)	(461.0)
Cash and cash equivalents, beginning of year		77.6	538.6
Cash and cash equivalents, end of year	\$	\$ 55.0	\$ 77.6

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

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 consolidated financial statements of the Company as at and for the years ended December 31, 2023 and 2022 comprise the accounts of Interfor Corporation and its subsidiaries.

2. Basis of Preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") and were approved by the Board of Directors on February 8, 2024.

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

(b) Basis of measurement:

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

- (i) Liabilities for cash-settled share-based compensation arrangements are measured at fair value at each reporting date;
- (ii) Equity-settled share-based compensation expense 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. ("GreenFirst") is measured at fair value at each reporting date.

(c) Functional and presentation currency:

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

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

2. Basis of Preparation (continued):

(d) Use of estimates and judgements:

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

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

Significant areas requiring the use of management estimates relate to the determination of restructuring, reforestation, road deactivation, environmental and tax obligations, share-based and short-term incentive compensation, valuation of inventories, recoverability of assets, length of lease term including whether extension options will be exercised, rates for depreciation, depletion and amortization, fair values of assets acquired and liabilities assumed in business combinations, including replacement cost new estimates, physical depreciation assumptions and acquisition date market price assumptions for lumber inventory, and impairment analysis of non-financial assets including goodwill.

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

<i>Note 3(b)</i>	Business Combinations
<i>Note 3(e)</i>	Inventories
<i>Note 3(i)</i>	Impairment of non-financial assets
<i>Note 3(l), 13</i>	Cash-settled share based compensation
<i>Note 3(o), 20</i>	Income tax
<i>Note 4</i>	Acquisitions
<i>Note 9</i>	Roads and bridges, timber licences, other intangible assets and goodwill

3. Material accounting policies:

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

(a) Basis of consolidation:

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

(b) Business combinations:

Business combinations are accounted for using the acquisition method. The identifiable net assets acquired are measured at their fair value at the date of acquisition. Transaction costs, other than those associated with the issuance of debt or equity securities, are expensed as incurred.

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

3. Material accounting policies (continued):

(b) Business combinations (continued):

The determination of fair value is estimated based on information available at the date of acquisition and requires management to make assumptions and estimates about future events. Changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets and liabilities in the acquisition equation.

The Company measures goodwill in business acquisitions at the acquisition date as the fair value of the consideration transferred including any non-controlling interest less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in Net earnings (loss).

(c) Foreign currency:

(i) Foreign currency transactions:

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

Foreign exchange differences arising on revaluations related to Cash and cash equivalents and U.S. Dollar denominated intercompany funding are recorded to Other foreign exchange gain (loss), Trade accounts receivable and other are recorded to Sales, Countervailing and anti-dumping duties receivable and related interest are recorded to U.S. countervailing and anti-dumping duty deposits and Trade accounts payable and provisions are recorded to Production cost in the Statements of Earnings.

(ii) Foreign operations:

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

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

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

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

3. Material accounting policies (continued):

(c) Foreign currency (continued):

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

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

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

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

(d) Financial instruments:

(i) Derivative financial instruments:

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

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

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

(ii) Share capital:

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

(e) Inventories:

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

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

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

3. Material accounting policies (continued):

(e) Inventories (continued):

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

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

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

(f) Property, plant and equipment:

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

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

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

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

(g) Logging roads and bridges:

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

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

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

(h) Intangible assets:

(i) Timber licences:

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

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

3. Material accounting policies (continued):

(h) Intangible assets (continued):

(ii) Goodwill:

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

(iii) Other intangible assets:

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

(i) Impairment of non-financial assets:

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

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

Fair value is determined as the amount that would be obtained from the sale, net of direct selling costs, of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset.

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

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

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

An impairment loss recorded against goodwill is not reversed.

(j) Reforestation and other decommissioning provisions:

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

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

3. Material accounting policies (continued):

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

Forestry legislation in Ontario requires the Company to incur the cost of reforestation on its Sustainable Forest Licenses. Accordingly, the Company records the reforestation costs as a Production cost in the Statements of Earnings when incurred and claims a reimbursement from the Forest Renewal Trust Fund on a monthly basis.

In Quebec, the government is responsible for the cost of reforestation, therefore the Company does not record a reforestation provision for its Quebec operations.

In New Brunswick, the Company, as a Crown Timber Licensee, has been assigned the responsibility of implementing reforestation activities at levels specified in each License Forest Management Plan. Reforestation costs are recorded as a Production cost in the Statements of Earnings at the time the costs are incurred and claimed for reimbursement from the Department of Natural Resources and Energy Development at specific annual reimbursement rates.

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

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

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

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

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

Plan assets are valued at fair value.

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

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

3. Material accounting policies (continued):

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

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

(l) Cash-settled share based compensation:

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

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

Compensation expense is recorded for DSUs at the time of the grant for DSUs which vest immediately.

Compensation expense is recorded for RSUs over the vesting period based on the estimated grant date fair value and is adjusted to reflect the number of RSUs expected to vest.

Compensation expense is recorded for PSUs over a three-year performance period based on the estimated grant date fair value.

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

(m) Sales revenue:

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

Actual costs of freight, wharfage and handling and duties are recorded to Production cost and U.S. countervailing and anti-dumping duty deposits, respectively, in the Statements of Earnings.

(n) Finance income and costs:

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

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

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

3. Material accounting policies (continued):

(o) Income tax:

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

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

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

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

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

(p) Earnings (loss) per share:

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

(q) New standards and interpretations not yet adopted:

Several new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2023, and have not been applied in preparing these consolidated financial statements. None are currently considered by the Company to be significant or likely to have a material impact on future financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

4. Acquisitions:

a) Acquisition of Atlantic Canada Operations:

On November 30, 2022, a wholly-owned subsidiary of Interfor acquired 100% of the equity interests in the entities comprising Chaleur Forest Products ("Chaleur") from an affiliate of the Kilmer Group. The acquisition included two sawmill operations and a woodlands management division. The Company paid consideration totaling \$383.1 million and the purchase price was funded from drawings on the Revolving Term Line (the "Term Line") (Note 10).

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

Assets Acquired:	
Cash and cash equivalents	\$ 8.3
Current assets including inventories	61.9
Countervailing and anti-dumping duties receivable and related interest (Note 21(c))	46.6
Property, plant and equipment	93.1
Timber licenses and other assets	82.0
Goodwill	175.9
	\$ 467.8
Liabilities Assumed:	
Current liabilities	(29.9)
Other long-term liabilities	(1.5)
Deferred income taxes	(53.3)
	\$ 383.1

Finalization of the purchase price allocation in 2023, resulted in adjustments to Property, plant and equipment, Other intangibles and goodwill and Deferred income taxes.

For the year ended December 31, 2022, the acquired operations contributed sales of \$16.4 million and net loss before tax of \$17.6 million, which is net of \$8.0 million 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 \$4,889.0 million and net earnings before tax would have been approximately \$906.6 million for the year ended December 31, 2022.

b) 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 included seven sawmills, an I-joist plant and a value-added remanufacturing plant. The Company paid consideration totaling US\$572.4 million (\$729.3 million) and the purchase price was funded from cash on hand and drawings on the Term Line (Note 10).

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

4. Acquisitions (continued):

b) Acquisition of Eastern Canada Operations (continued):

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

Assets Acquired:	
Cash and cash equivalents	\$ 193.2
Inventories (including lumber and other wood-products of \$148.4 million)	247.1
Other current assets	136.7
Countervailing and anti-dumping duties receivable and related interest (Note 21(c))	90.9
Property, plant and equipment	361.2
Roads and bridges	11.4
Timber licenses	41.7
Other assets	17.6
	\$ 1,099.8
Liabilities Assumed:	
Current liabilities	(104.1)
Income taxes payable	(132.5)
Other long-term liabilities	(10.3)
Deferred income taxes	(123.6)
	\$ 729.3
Consideration funded by:	
Cash and cash equivalents	582.8
Revolving Term Line	146.5
	\$ 729.3

For the year ended December 31, 2022, the acquired operations contributed sales of \$997.2 million and net earnings before tax of \$69.8 million, which is net of \$85.3 million 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 \$4,757.7 million and net earnings before tax would have been approximately \$874.3 million for the year ended December 31, 2022.

5. Inventories:

	2023	2022
Lumber and other wood products	\$ 191.0	\$ 183.1
Logs	93.1	152.4
Other	55.1	61.4
	\$ 339.2	\$ 396.9

Inventory cost includes production costs, depreciation of plant and equipment, and depletion and amortization of timber, roads and other. The inventory write-down to record inventory at the lower of cost and net realizable value at December 31, 2023, was \$55.5 million (2022 - \$94.0 million).

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

6. Deposits and other assets:

	<i>Note</i>	2023	2022
Countervailing and anti-dumping duties receivable and related interest	21(c) \$	238.4 \$	227.4
Investment in GreenFirst		27.3	43.9
Capital deposits and other		7.2	8.1
Deferred financing fee, net of accumulated amortization		1.7	2.2
	\$	274.6 \$	281.6

On May 2, 2022, Interfor acquired a total of 28,684,433 common shares in the capital of GreenFirst from Rayonier A.M. Canada G.P. The Company paid total cash consideration of \$55.6 million. 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).

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

7. Right of use assets:

Cost	Note	Property	Facilities	Mobile and other equipment	Foreshore and other rights	Total
Balance at December 31, 2021		\$ 22.4	\$ 14.2	\$ 34.8	\$ 6.3	\$ 77.7
Acquisitions	4(a), (b)	-	2.3	5.6	-	7.9
New leases		-	0.9	19.1	0.2	20.2
Lease disposals and modifications		(17.9)	(2.5)	(12.2)	(2.1)	(34.7)
Exchange rate movements		0.1	0.3	2.0	-	2.4
Balance at December 31, 2022		4.6	15.2	49.3	4.4	73.5
New leases		0.1	0.1	24.1	0.2	24.5
Lease disposals and modifications		-	(0.1)	(13.3)	(0.2)	(13.6)
Transfers		-	(0.3)	(0.2)	0.5	-
Exchange rate movements		(0.1)	-	(0.8)	-	(0.9)
Balance at December 31, 2023		\$ 4.6	\$ 14.9	\$ 59.1	\$ 4.9	\$ 83.5
Accumulated Amortization		Property	Facilities	Mobile and other equipment	Foreshore and other rights	Total
Balance at December 31, 2021		\$ 9.9	\$ 9.9	\$ 20.7	\$ 3.6	\$ 44.1
Amortization		0.9	1.8	13.0	0.4	16.1
Lease disposals and modifications		(7.6)	(2.5)	(10.3)	(1.4)	(21.8)
Exchange rate movements		-	0.2	0.9	-	1.1
Balance at December 31, 2022		3.2	9.4	24.3	2.6	39.5
Amortization		0.6	1.9	15.4	0.3	18.2
Lease disposals and modifications		-	(0.1)	(12.6)	(0.2)	(12.9)
Impairment	19	-	-	2.0	-	2.0
Transfers		(0.7)	-	0.1	0.6	-
Exchange rate movements		-	(0.1)	(0.3)	-	(0.4)
Balance at December 31, 2023		\$ 3.1	\$ 11.1	\$ 28.9	\$ 3.3	\$ 46.4
Net book value at						
December 31, 2022		\$ 1.4	\$ 5.8	\$ 25.0	\$ 1.8	\$ 34.0
December 31, 2023		1.5	3.8	30.2	1.6	37.1

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

8. Property, plant and equipment:

Cost	Note	Land	Buildings	Machinery and equipment	Mobile equipment	Computer equipment	Site improvements	Other	Projects in process	Total
Balance at December 31, 2021		\$ 49.3	\$ 159.0	\$ 1,287.4	\$ 31.1	\$ 84.4	\$ 85.8	\$ 9.9	\$ 134.0	\$ 1,840.9
Acquisitions	4(a), (b)	4.2	76.6	325.2	14.3	0.6	17.7	1.4	15.4	455.4
Additions		-	-	-	-	-	-	-	290.7	290.7
Disposals		(2.9)	(9.4)	(90.4)	(4.4)	(4.1)	(8.1)	(0.2)	-	(119.5)
Transfers		-	15.9	204.8	3.8	18.0	24.6	1.0	(268.1)	-
Transfers to other intangibles	9	-	-	-	-	-	-	-	(3.4)	(3.4)
Exchange rate movements		2.5	6.7	70.0	0.9	5.0	3.8	0.5	10.5	99.9
Balance at December 31, 2022		\$ 53.1	\$ 248.8	\$ 1,797.0	\$ 45.7	\$ 103.9	\$ 123.8	\$ 12.6	\$ 179.1	\$ 2,564.0
Acquisitions	4(a)	-	1.5	(7.0)	(2.3)	4.7	2.0	-	-	(1.1)
Additions		-	-	-	-	-	-	-	186.1	186.1
Disposals		-	(1.7)	(8.8)	(4.0)	(1.9)	(1.3)	-	-	(17.7)
Transfers		-	12.7	120.5	4.0	11.0	18.4	-	(166.6)	-
Transfers to other intangibles	9	-	-	-	-	-	-	-	(1.4)	(1.4)
Impairment	19	-	-	-	-	-	-	-	(10.0)	(10.0)
Exchange rate movements		(0.9)	(2.7)	(29.2)	(0.3)	(2.2)	(2.1)	(0.1)	(3.2)	(40.7)
Balance at December 31, 2023		\$ 52.2	\$ 258.6	\$ 1,872.5	\$ 43.1	\$ 115.5	\$ 140.8	\$ 12.5	\$ 184.0	\$ 2,679.2
Accumulated Amortization	Note		Buildings	Machinery and equipment	Mobile equipment	Computer equipment	Site improvements	Other		Total
Balance at December 31, 2021			\$ 71.9	\$ 576.7	\$ 21.0	\$ 46.6	\$ 50.8	\$ 6.2		\$ 773.2
Depreciation			10.9	115.3	5.9	14.5	6.6	1.7		154.9
Disposals			(8.9)	(79.7)	(3.9)	(4.1)	(5.8)	(0.2)		(102.6)
Impairment	19		-	3.1	-	0.1	-	-		3.2
Exchange rate movements			2.4	26.2	0.6	2.7	2.0	0.2		34.1
Balance at December 31, 2022			\$ 76.3	\$ 641.6	\$ 23.6	\$ 59.8	\$ 53.6	\$ 7.9		\$ 862.8
Depreciation			13.3	139.2	6.6	17.2	9.6	1.5		187.4
Disposals			(1.4)	(6.0)	(2.6)	(1.4)	(1.2)	-		(12.6)
Transfers	9		-	-	-	(0.1)	-	-		(0.1)
Impairment	19		2.8	38.4	0.3	2.6	0.8	0.1		45.0
Exchange rate movements			(1.1)	(12.4)	(0.2)	(1.5)	(1.0)	-		(16.2)
Balance at December 31, 2023			\$ 89.9	\$ 800.8	\$ 27.7	\$ 76.6	\$ 61.8	\$ 9.5		\$ 1,066.3
Net book value at										
December 31, 2022		\$ 53.1	\$ 172.5	\$ 1,155.4	\$ 22.1	\$ 44.1	\$ 70.2	\$ 4.7	\$ 179.1	\$ 1,701.2
December 31, 2023		\$ 52.2	\$ 168.7	\$ 1,071.7	\$ 15.4	\$ 38.9	\$ 79.0	\$ 3.0	\$ 184.0	\$ 1,612.9

There were no borrowing costs capitalized in 2023 or 2022. Additions in 2023 include \$4.8 million accrued contract costs (2022 - \$4.8 million).

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Years ended December 31, 2023 and 2022

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

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

Cost	Note	Roads and bridges	Timber licences	Other intangibles	Goodwill
Balance at December 31, 2021		\$ 80.5	\$ 163.8	\$ 16.3	\$ 339.9
Acquisitions	4(a), (b)	11.4	78.2	50.9	169.1
Additions		17.3	-	0.7	-
Transfers	8	-	-	3.4	-
Disposals		(0.3)	(4.7)	(0.2)	-
Exchange rate movements		-	-	0.1	23.2
Balance at December 31, 2022		108.9	237.3	71.2	532.2
Acquisitions	4(a)	-	-	(9.4)	6.8
Additions		12.8	-	-	-
Transfers	8	-	-	1.4	-
Disposals		(1.3)	(8.7)	(0.4)	-
Exchange rate movements		0.1	-	(0.1)	(8.5)
Balance at December 31, 2023		\$ 120.5	\$ 228.6	\$ 62.7	\$ 530.5
Accumulated Amortization		Roads and bridges	Timber licences	Other intangibles	Goodwill
Balance at December 31, 2021		\$ 53.4	\$ 57.7	\$ 13.9	\$ -
Amortization		17.7	4.5	1.4	-
Disposals		(0.3)	(3.3)	(0.1)	-
Exchange rate movements		-	-	0.1	-
Balance at December 31, 2022		70.8	58.9	15.3	-
Amortization		14.5	5.6	2.8	-
Disposals		(0.7)	(6.3)	-	-
Transfers	8	-	-	0.1	-
Impairment	19	-	-	0.3	-
Exchange rate movements		-	-	-	-
Balance at December 31, 2023		\$ 84.6	\$ 58.2	\$ 18.5	\$ -
Net book value at					
December 31, 2022		\$ 38.1	\$ 178.4	\$ 55.9	\$ 532.2
December 31, 2023		35.9	170.4	44.2	530.5

Roads and bridges additions in 2023 include nil accrued contract costs (2022 – \$0.5 million).

For the purpose of impairment testing at December 31, 2023, goodwill is attributable to the following groups of cash-generating units: \$306.3 million (2022 - \$313.6 million) to the U.S. South group ("S Group"), \$48.3 million (2022 - \$49.5 million) to the U.S. Northwest group ("NW Group") and \$175.9 million (2022 - \$169.1 million) to the Eastern Canada group ("East Group").

The recoverable amounts for the goodwill impairment assessments were based on the CGU group's value in use determined by discounting the future cash flows generated from the continuing use of the units for a period of 20 years. The cash flows were projected based on past experience, actual operating results and the five year business plan in the assessment for both 2023 and 2022. Due to the cyclical nature of the forest industry, cash flows for a further 15 years were extrapolated based on an average trend year.

Notes to Consolidated Financial Statements

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

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

(continued):

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

A post-tax discount rate of 10.25 percent (2022 – 11.25 percent) was applied in determining the recoverable amount of each group of CGU's assessed. The discount rate was estimated with the assistance of external experts, past experience and the industry targeted capital structure. Inflation rates of 2.5 percent and 2.2 percent were applied to the projected cash flows for the U.S. and Canadian sawmills, respectively, which represent the historical averages.

The recoverable amount for each group of CGU's as at December 31, 2023 was determined to be higher than the related carrying value for each group, with no impairment of goodwill required.

10. Borrowings:

		Revolving Term Line		Senior Secured Notes		Total
2023						
Available line of credit	\$	600.0	\$	639.8	\$	1,239.8
Drawings		257.9		639.8		897.7
Outstanding letters of credit		57.4		-		57.4
Unused portion of Revolving Term Line	\$	284.7	\$	-	\$	284.7

		Revolving Term Line		Senior Secured Notes		Total
2022						
Available line of credit	\$	600.0	\$	662.5	\$	1,262.5
Drawings		135.4		662.5		797.9
Outstanding letters of credit		61.0		-		61.0
Unused portion of Revolving Term Line	\$	403.6	\$	-	\$	403.6

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

2024				\$	44.1
2025					44.1
2026					302.0
2027					36.9
2028					81.0
Thereafter					389.6
				\$	897.7

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Years ended December 31, 2023 and 2022

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

10. Borrowings (continued):

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

	2023	2022
Drawings at opening	\$ 797.9	\$ 375.7
Revolving Term Line net drawings	128.2	129.6
Additions to Senior Secured Notes	-	270.2
Repayments of Senior Secured Notes	(7.1)	(7.0)
Effects of changes in foreign exchange rate	(21.3)	29.4
Drawings at December 31	\$ 897.7	\$ 797.9

(a) Revolving Term Line:

On December 16, 2022, the Company completed an expansion of its Term Line. The commitment under the Term Line was increased by \$100.0 million to a total of \$600.0 million.

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 December 31, 2023, including letters of credit, the Term Line was drawn by \$19.3 million (2022 - \$20.9 million) and US\$223.8 million (2022 - US\$130.0 million), revalued at the year-end exchange rate to \$296.0 million (2022 - \$175.5 million), for total borrowings of \$315.3 million (2022 - \$196.4 million).

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 gains of \$5.7 million (2022 - losses of \$3.5 million) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income (loss) for the year ended December 31, 2023.

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

10. Borrowings (continued):

(b) Senior Secured Notes:

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

	2023	2022
Series A bearing interest at 4.33%	\$ -	\$ 2.0
Series B bearing interest at 4.02%	-	5.3
Series C (US\$100,000,000) bearing interest at 4.17% with payments of US\$33,333,000 due on March 26, 2024 and 2025, and the balance due on March 26, 2026	132.3	135.5
Series D (US\$45,550,000) bearing interest at 4.95% with payments of US\$15,183,000 due on August 14, 2027 and 2028, and the balance due on August 14, 2029	60.2	61.7
Series E (US\$38,200,000) bearing interest at 4.82% with payments of US\$12,733,000 due on August 14, 2027 and 2028, and balance due on August 14, 2029	50.5	51.7
Series F (US\$50,000,000) bearing interest at 3.34% with payments of US\$16,666,666 due on March 26, 2028 and 2029, and balance due on March 26, 2030	66.1	67.7
Series G (US\$50,000,000) bearing interest at 3.25% with payments of US\$16,666,666 due on March 26, 2028 and 2029, and balance due on March 26, 2030	66.1	67.7
Series H (US\$200,000,000) bearing interest at 7.06% with payments of US\$66,666,666 due on December 26, 2031 and 2032, and balance due on December 26, 2033	264.6	270.9
	\$ 639.8	\$ 662.5

The Senior Secured Notes have a weighted average fixed interest rate of 5.3% and maturities from March 26, 2024 to December 26, 2033.

On December 1, 2022, the Company issued US\$200.0 million of Series H Senior Secured Notes with interest rate and payment terms described in the table above.

On January 26, 2024, the Company priced US\$33.3 million in long-term debt financing with Prudential Private Capital. The financing is expected to close in late March 2024 with the proceeds used to settle US\$33.3 million of principal under the Company's existing Series C Senior Secured Notes due on March 26, 2024. The Senior Secured Notes will carry an annual fixed interest rate of 6.37% and have a final maturity in 2030. All other terms remain consistent with Interfor's existing Senior Secured Notes.

The Senior Secured Notes have been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange gains of \$15.6 million (2022 – losses of \$25.9 million) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income (loss) for the year ended December 31, 2023.

11. Reforestation liability:

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

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

11. Reforestation liability (continued):

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

	2023	2022
Reforestation liability, beginning of year	\$ 46.6	\$ 45.9
Reforestation expense on current logging and market logging agreements	15.9	18.3
Reforestation expenditures	(19.0)	(16.9)
Unwind of discount	1.0	0.7
Changes in estimated future reforestation expenditures	(0.3)	(1.4)
	\$ 44.2	\$ 46.6
Consisting of:		
Current reforestation liability	\$ 15.8	\$ 17.9
Long-term reforestation liability	28.4	28.7
	\$ 44.2	\$ 46.6

The total undiscounted amount of the estimated future expenditures required to settle the reforestation obligation, adjusted for inflation, at December 31, 2023 is \$47.5 million (2022 - \$50.6 million). The reforestation expenditures are expected to occur over the next one to sixteen years and have been discounted at a long-term risk-free interest rate of 3.1 percent (2022 - 3.3 percent). Reforestation expense resulting from obligations arising from current logging and changes in estimated future expenditures are included in Production costs for the year and expense related to the unwinding of the discount is included in Finance costs.

12. Lease liabilities:

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

	Note	2023	2022
Lease liabilities, beginning of year		\$ 35.2	\$ 39.1
Acquisitions	4(a), 4(b)	-	7.9
New leases		24.6	19.1
Payment of lease liabilities		(18.4)	(16.5)
Payment of interest		(1.4)	(1.2)
Interest expense	17	1.4	1.2
Lease modifications		(0.6)	(15.3)
Exchange rate movements		(0.5)	0.9
		\$ 40.3	\$ 35.2
Consisting of:			
Current lease liabilities		\$ 17.2	\$ 14.8
Long-term lease liabilities		23.1	20.4
		\$ 40.3	\$ 35.2

Maturity analysis – contractual undiscounted cash flows are as follows:

	2023	2022
Due within one year	\$ 21.5	\$ 17.5
One to five years	24.7	20.5
More than five years	1.1	1.3
Total undiscounted lease liabilities	\$ 47.3	\$ 39.3

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12. Lease liabilities (continued):

For the year ended December 31, 2023, the Company recorded expenses of \$8.9 million (2022 – \$6.0 million) related to short-term leases and \$2.3 million (2022 – \$1.1 million) related to low-value leases in Production costs. Cash payments for short-term and low-value leases for the year ended December 31, 2023 totaled \$11.2 million (2022 - \$7.1 million).

13. Provisions and other liabilities:

2023	Note	Current	Non-current	Total
Restructuring	19	\$ 2.3	\$ -	\$ 2.3
Road deactivation		3.9	0.1	4.0
Environmental		0.1	4.9	5.0
Cash-settled share based compensation				
SAR Plan	13(a)	0.1	-	0.1
PSU Plan	13(b)	6.6	3.7	10.3
DSU Plan	13(c)	-	11.9	11.9
RSU Plan	13(d)	1.4	1.0	2.4
Deferred charges and other	18	34.1	33.0	67.1
		\$ 48.5	\$ 54.6	\$ 103.1
2022	Note	Current	Non-current	Total
Restructuring	19	\$ 0.3	\$ -	\$ 0.3
Road deactivation		3.6	1.3	4.9
Environmental		1.0	3.2	4.2
Cash-settled share based compensation				
SAR Plan	13(a)	0.2	-	0.2
PSU Plan	13(b)	11.2	6.5	17.7
DSU Plan	13(c)	2.5	9.9	12.4
Deferred charges and other		2.3	3.3	5.6
		\$ 21.1	\$ 24.2	\$ 45.3

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

(a) Share Appreciation Rights Plan:

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

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13. Provisions and other liabilities (continued):

(a) Share Appreciation Rights Plan (continued):

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

	2023		2022	
	Units	Weighted average strike price	Units	Weighted average strike price
Outstanding, beginning of year	42,428	\$ 15.68	83,578	\$ 12.45
Exercised	(31,822)	15.10	(41,150)	9.12
Outstanding, end of year	10,606	\$ 17.43	42,428	\$ 15.68
Units exercisable, end of year	10,606	\$ 17.43	42,428	\$ 15.68

There were no grants under the SAR Plan in 2023 or 2022.

Details of units outstanding under the SAR Plan at December 31, 2023 are as follows:

Strike price	Units outstanding			Units exercisable	
	Number outstanding, December 31, 2023	Weighted average remaining unit life (yrs.)	Weighted average strike price	Number exercisable, December 31, 2023	Weighted average strike price
\$17.43	10,606	0.2	\$ 17.43	10,606	\$ 17.43

For the year ended December 31, 2023, the Company recorded a long-term incentive compensation expense in respect of the SAR Plan of \$0.1 million (2022 - \$1.0 million recovery).

(b) Performance Share Unit Plan:

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

PSU's granted in 2023 reflect a new long-term incentive plan and vest on the third anniversary of the grant date. The total number of PSU's that vest range between 0 and 200 percent of the target award with 50 percent based on the three year average Return on Capital Employed and 50 percent on the total shareholder return of Interfor shares relative to a select peer group of companies. The payout is the number of vested PSU's multiplied by the 20 day volume weighted average price per Interfor Common share on the vesting date.

PSUs granted in 2021 and 2022 vest on the third anniversary of the grant date. The total number of PSU's that vest is based on the three year average Return on Invested Capital resulting in a range between 0 percent to 200 percent of the target award. An additional adjustment factor of 0 percent or plus or minus 20 percent is applied based on total shareholder return of Interfor shares relative to a select peer group of companies. The payout is the number of vested PSU's multiplied by the 20 day volume weighted average price per Interfor Common share on the vesting date.

The fair value at the grant date and the reporting date reflects management's best estimate of the expected number of units to vest.

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13. Provisions and other liabilities (continued):

(b) Performance Share Unit Plan (continued):

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

	2023	2022
Outstanding, beginning of year	694,170	800,969
Granted	187,806	179,812
Cancelled	(17,374)	-
Matured	(355,723)	(286,611)
Outstanding, end of year	508,879	694,170

During the year ended December 31, 2023, the Company granted 187,806 PSUs (2022 - 179,812) with a weighted average grant date fair value per unit of \$23.28 (2022 - \$39.04). For the year ended December 31, 2023, the Company recorded long term incentive compensation expense under the PSU Plan of \$3.8 million (2022 - \$1.5 million).

(c) Deferred Share Unit Plan:

DSUs may be granted directly to directors or officers of the Company at the discretion of the Board of Directors, who are required to take DSU's as payment of at least 50% of their annual retainer. The DSU Plan allows for the issuance of DSUs with immediate or deferred vesting. There were no unvested DSU's outstanding as at December 31, 2023 and 2022.

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

	2023			2022		
	Units		Weighted average unit value	Units		Weighted average unit value
Outstanding, beginning of year	599,313	\$	20.79	550,946	\$	38.47
Granted ¹	66,169		22.45	48,367		24.89
Exercised	(173,223)		21.00	-		-
Outstanding, end of year	492,259	\$	24.27	599,313	\$	20.79

¹Fair value at the date of the grants.

Changes to the market value of the Company's common shares subsequent to issuance of awards results in adjustments to the compensation accrual and Long-term incentive compensation in the Statements of Earnings. For the year ended December 31, 2023, the Company recorded an expense of \$3.1 million (2022 - \$8.7 million recovery) in respect of the DSU Plan.

This expense is comprised of two components, an expense of \$1.6 million (2022 - \$9.9 million recovery) recorded in long-term compensation for the change in value of outstanding DSUs due to market value fluctuations, and an expense of \$1.5 million (2022 - \$1.2 million) recorded in Selling and administration for the value of DSUs issued in the year related to directors and officers compensation.

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

13. Provisions and other liabilities (continued):

(d) Restricted Share Unit Plan:

In 2023, the Company established a RSU Plan for officers and certain employees of the Company. Under the terms of the RSU Plan, participants are granted RSUs that vest ratably over a three-year period. The RSU plan uses notional units that are initially valued based on the Company's common share price. The fair value of RSUs is subsequently re-measured at each reporting date with any changes in fair value reflected in Long term incentive compensation in the Statements of Earnings.

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

	2023		2022	
	Units	Weighted average unit value	Units	Weighted average unit value
Outstanding, beginning of year	-	\$ -	-	\$ -
Granted ¹	191,421	22.97	-	-
Cancelled	(4,095)	22.95	-	-
Outstanding, end of year	187,326	\$ 22.21	-	\$ -

¹Fair value at the date of the grants.

For the year ended December 31, 2023, the Company recorded long term incentive compensation expense under the RSU Plan of \$2.4 million (2022 - \$nil).

14. Share capital and contributed surplus:

(a) Share transactions:

Authorized capital at December 31, 2023 consists of:

- 150,000,000 common shares without par value; and
- 5,000,000 preference shares without par value.

Common share transactions were as follows:

Issued and fully paid	Note	Number	Share Capital	Contributed Surplus
Balance December 31, 2021		60,804,177	\$ 484.7	\$ 4.7
Exercise of stock options	14(b)	28,123	0.6	(0.2)
Repurchase of common shares		(9,397,405)	(76.6)	-
Stock option vesting	14(b)	-	-	1.0
Balance December 31, 2022		51,434,895	\$ 408.7	\$ 5.5
Exercise of stock options	14(b)	10,908	0.2	(0.1)
Stock option vesting	14(b)	-	-	0.8
Balance December 31, 2023		51,445,803	\$ 408.9	\$ 6.2

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14. Share capital and contributed surplus (continued):

(a) Share transactions (continued):

On July 26, 2022, Interfor announced a substantial issuer bid ("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, Interfor purchased for cancellation 3,355,704 common shares at a price of \$29.80 per share for a cost of \$100.0 million with \$27.2 million 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 \$72.8 million to Retained earnings. This completed the purchase of all common shares under the SIB and all purchased common shares were cancelled.

On November 4, 2021, the Company announced a renewal of its normal course issuer bid ("NCIB") commencing on November 11, 2021 and ending on November 10, 2022, for the purchase of up to 6,041,701 common shares. During 2022, Interfor purchased 6,041,701 common shares at an average price of \$37.60 per share for a cost of \$227.2 million with \$48.9 million 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 \$178.3 million to Retained earnings. This completed the purchase of all 6,041,701 common shares allowable and all purchased common shares were cancelled.

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. No common shares under this NCIB were purchased in 2022 and 2023.

On November 8, 2023, the Company announced a renewal of its NCIB commencing on November 13, 2023 and ending on November 12, 2024, for the purchase of up to 5,100,812 common shares. No common shares under this NCIB were purchased in 2023.

(b) Equity-settled share based compensation:

The Company has a stock option plan for its key employees and directors under which options may be granted to purchase up to 1,631,740 common shares, of which 817,383 remain reserved for issuance. The vesting of the options occurs at a rate of 40% two years after granting and 20% per annum thereafter. Options expire ten years after the date of the grant. The exercise price of a stock option is at a price not less than the closing price of a common share on the trading day immediately preceding the grant date.

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14. Share capital and contributed surplus (continued):

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

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

	2023		2022	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	555,811	\$ 20.18	488,033	\$ 17.66
Granted	-	-	104,476	31.38
Exercised	(10,908)	14.84	(28,123)	15.24
Expired or cancelled	(8,597)	22.22	(8,575)	29.61
Outstanding, end of year	536,306	\$ 20.25	555,811	\$ 20.18
Options exercisable, end of year	301,786	\$ 17.67	209,703	\$ 16.64

Weighted average fair value assumptions for grants made in 2022 are as follows:

	2022
Risk-free interest rate	2.45%
Expected life	6.5 years
Annualized volatility	48%
Dividend rate	0%
Termination rate	7%
Grant date fair value per unit	\$ 15.76

Details of stock options outstanding at December 31, 2023 are as follows:

Strike Price	Units outstanding			Units exercisable	
	Number outstanding, December 31, 2023	Weighted average remaining unit life (yrs.)	Weighted average exercise price	Number exercisable, December 31, 2023	Weighted average strike price
\$9.78-\$14.82	194,887	5.6	\$ 14.03	116,284	\$ 13.68
\$14.83-\$23.89	174,858	4.0	19.01	155,799	19.15
\$23.90-\$37.68	166,561	7.9	28.85	29,703	25.55
	536,306		\$ 20.25	301,786	\$ 17.67

The Company recognized an expense of \$0.8 million for the year ended December 31, 2023 (2022 - \$1.0 million) in Long-term incentive compensation.

15. Depreciation, depletion, and amortization:

Depreciation, depletion and amortization by function is as follows:

	2023	2022
Production	\$ 226.6	\$ 192.5
Selling and administration	1.9	2.1
	\$ 228.5	\$ 194.6

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16. Personnel expenses:

	<i>Note</i>	2023	2022
Wages, salaries and benefits		\$ 615.1	\$ 546.9
Contributions to defined contribution plans	23	27.4	21.7
Expenses related to defined benefit plan	23	0.6	1.0
Cash-settled share based payments and other long-term compensation	13, 14(b)	8.7	(8.4)
		\$ 651.8	\$ 561.2

17. Finance costs:

	<i>Note</i>	2023	2022
Interest expense on:			
Borrowings		\$ 54.8	\$ 19.8
Lease liabilities	12	1.4	1.2
Pension obligations	23(c), 23(d)	2.9	2.5
Duty deposits and other	21(c)	10.2	1.2
Interest revenue from:			
Duty deposits and other	21(c)	(23.4)	(7.9)
Pension assets	23(c), 23(d)	(2.7)	(2.5)
Unwind of discount on provisions	11	1.1	0.8
Amortization of deferred finance costs		0.7	0.5
		\$ 45.0	\$ 15.6

18. Other income (expense):

	<i>Note</i>	2023	2022
Business interruption insurance		\$ 4.0	\$ 9.6
Change in fair value of minority interest in GreenFirst	6	(16.6)	(11.8)
Net loss related to B.C. Coast monetization	9, 13	(61.4)	-
Net gains (losses) on disposal of property, plant and equipment, and other	8, 9	(1.1)	13.7
Net gains (losses) on lease modifications		(0.1)	2.5
		\$ (75.2)	\$ 14.0

The Company recorded \$4.0 million during the year ended December 31, 2023 (2022 - \$9.6 million) 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 \$25.2 million and recorded a gain of \$6.2 million.

On August 17, 2022, the Company sold a forest license for cash proceeds of \$13.5 million and recorded a gain of \$12.6 million.

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18. Other income (expense) (continued):

On October 3, 2023, the Company entered into an agreement to settle certain contractual obligations in order to facilitate monetization of its Coastal B.C. operations. The settlement resulted in an \$85.0 million provision being recognized in the fourth quarter, 2023, the payment of which Interfor expects to be fully funded through proceeds from the disposition of Coastal B.C. forest tenures over the next 12-24 months. At December 31, 2023, the remaining balance of the provision was \$62.0 million. The provision is recorded in Trade accounts payable and provisions and Provisions and other liabilities on the Statements of Financial Position.

In November 2023, the Company sold Coastal B.C. forest tenures totalling approximately 181,000 cubic metres of allowable annual cut ("AAC") and related liabilities for net proceeds of \$23.5 million and a gain of \$23.6 million. Interfor held approximately 1,392,000 cubic metres of AAC for disposition at December 31, 2023, subject to approvals from the Ministry of Forests.

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

	Note	2023	2022
Write down of plant, equipment, intangibles and other	7, 8, 9	\$ 57.3	\$ 3.2
Severance and other closure costs		2.3	0.8
		\$ 59.6	\$ 4.0

During the quarter ended December 31, 2023, the Company identified an impairment indicator for one of its operations in the U.S. Northwest, which resulted from a combination of elevated log costs and ongoing weak lumber markets. The Company recorded an impairment charge of \$55.8 million, which related to plant, equipment, intangibles and other.

Additional asset impairments of \$1.5 million (2022 - \$3.2 million) in 2023 were recorded on plant and equipment to be replaced in conjunction with capital projects to rebuild and modernize multiple sawmills in the U.S. South.

20. Income taxes:

	2023	2022
Current tax expense (recovery):		
Current year	\$ (54.0)	\$ 190.1
Adjustment for prior periods	(9.5)	(5.5)
	(63.5)	184.6
Deferred income tax expense (recovery)		
Origination and reversal of temporary differences	(27.6)	32.1
	\$ (91.1)	\$ 216.7

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

	2023	2022
Defined benefit plan actuarial gain (loss)	\$ (0.1)	\$ 0.7
Foreign exchange loss on financing	-	(2.3)
Foreign currency translation difference for foreign operations	(3.6)	10.3
	\$ (3.7)	\$ 8.7

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20. Income taxes (continued):

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

	2023	2022
Income tax expense (recovery) at the statutory rate of 27.00% (2022 - 27.00%)	\$ (96.6)	\$ 220.0
Entities with different tax rates and foreign rate adjustments	4.6	(17.6)
Non-taxable portion of capital gain/loss tax (recovery)	(0.4)	21.5
Adjustment to state tax temporary differences	0.6	(0.9)
Other	0.7	(6.3)
	\$ (91.1)	\$ 216.7

There was no change in Canadian statutory tax rate of 27% in 2023 (2022 – 27%). Interfor recorded a deferred income tax recovery in respect of its U.S. operations in 2023 at a combined federal and state income tax rate of 24.5% (2022 – 24.5%).

At December 31, 2023, the income tax receivable was \$68.4 million (2022 - \$104.1 million) primarily due to estimated tax refunds from carrying back Canadian non-capital losses incurred in 2023 to prior tax years.

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

(a) Canadian non-capital loss carry-forwards which total approximately \$11.9 million (2022 - \$10.9 million) and expire between 2031 and 2043.

(b) U.S. federal net operating loss carry-forwards which total approximately US\$61.0 million (2022 - \$nil) and can be carried forward indefinitely but are limited in application to 80 percent of taxable income in a tax year.

As at December 31, 2023, the Company recognized a deferred tax asset of \$5.3 million (2022 – \$1.4 million) in Canada to the extent its non-capital loss carry-forwards and other deductible temporary differences exceed taxable temporary differences because management believes it is probable that future taxable profit will be sufficient to utilize available non-capital losses and other deductible temporary differences in Canada within their carry forward periods.

As at December 31, 2023, the Company has unrecognized deferred income tax assets in relation to unrealized and accrued foreign exchange losses on U.S. Dollar denominated debt.

Deferred income tax assets related to the Company's Canadian operations are not recognized in respect of these deductible temporary differences of \$21.2 million (2022 – \$38.3 million).

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Years ended December 31, 2023 and 2022

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

20. Income taxes (continued):

Recognized deferred income taxes:

December 31, 2023	Opening balance	Recognized in income tax expense (recovery)	Recognized in other comprehensive income (loss)	Acquisitions	Ending balance
Deferred income tax assets					
Losses	\$ 3.0	\$ 19.1	\$ -	\$ -	\$ 22.1
Reserves	25.0	(0.1)	-	-	24.9
Defined benefit plan	(3.1)	-	0.1	-	(3.0)
Deferred income tax liabilities					
Capital assets	(345.3)	20.8	-	3.0	(321.5)
Accrued duty refund	(49.3)	(11.1)	-	-	(60.4)
Foreign currency Translation differences for foreign operations	(9.9)	-	3.5	-	(6.4)
Other	(12.0)	(1.1)	-	-	(13.1)
Total	\$ (391.6)	\$ 27.6	\$ 3.6	\$ 3.0	\$ (357.4)
December 31, 2022	Opening balance	Recognized in income tax expense (recovery)	Recognized in other comprehensive income (loss)	Acquisitions	Ending balance
Deferred income tax assets					
Losses	\$ 0.8	\$ 2.2	\$ -	\$ -	\$ 3.0
Reserves	32.3	(15.9)	-	8.6	25.0
Defined benefit plan	(2.4)	-	(0.7)	-	(3.1)
Deferred income tax liabilities					
Capital assets	(193.4)	(18.7)	-	(133.2)	(345.3)
Accrued duty refund	(12.4)	(2.4)	-	(34.5)	(49.3)
Foreign currency Translation differences for foreign operations	1.3	-	(11.2)	-	(9.9)
Foreign exchange gain on financing	(2.3)	-	2.3	-	-
Other	6.1	2.7	-	(20.8)	(12.0)
Total	\$ (170.0)	\$ (32.1)	\$ (9.6)	\$ (179.9)	\$ (391.6)

Represented by the following:

	2023	2022
Deferred income tax assets	\$ 5.3	\$ 1.4
Deferred income tax liabilities	(362.7)	(393.0)
	\$ (357.4)	\$ (391.6)

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Years ended December 31, 2023 and 2022

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21. Commitments and contingencies:

(a) Contractual obligations:

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

2024	\$	223.4
2025		60.6
2026		26.7
2027		3.5
2028		1.0
	\$	315.2

(b) Surety bonds:

The Company has posted \$65.8 million in surety performance, bid and payment bonds, with various expiry dates extending through November 2024.

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

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

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

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

21. Commitments and contingencies (continued):

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

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

Year ended December 31	Cash deposit rates in effect		Final rates	
First administrative review - 2017 - Combined AD & CV rates	20.23%		8.83%	
First administrative review - 2018 - Combined AD & CV rates	20.23%		8.99%	
Second administrative review - 2019 - Combined AD & CV rates	20.23%		17.91%	
	Cash deposit rates in effect	Cash deposit rates in effect	Final rates	
	Jan to Nov	Dec		
Third administrative review - 2020 - Combined AD & CV rates	20.23%	8.99%	8.59%	
Fourth administrative review - 2021 - Combined AD & CV rates	8.99%	17.90%	8.05%	
	Cash deposit rates in effect	Cash deposit rates in effect	Cash deposit rates in effect	Preliminary rates
	Jan 1 to Jan 9	Jan 10 to Aug 8	Aug 9 to Dec 31	
Fifth administrative review - 2022				
AD	11.59%	11.59%	4.76%	7.15%
CV	6.31%	6.32%	3.83%	6.71%
Total	17.90%	17.91%	8.59%	13.86%
	Cash deposit rates in effect	Cash deposit rates in effect	Cash deposit rates in effect	Final rates
	Jan 1 to Jul 31	Aug 1 to Sep 12	Sep 13 onwards	
Sixth administrative review - 2023				
AD	4.76%	6.20%	6.26%	Pending review
CV	3.83%	1.79%	1.79%	Pending review
Total	8.59%	7.99%	8.05%	Pending review

On February 1, 2024, the DoC issued its preliminary revised CV and AD duty rates based on completion of its fifth administrative review of shipments for the year ended December 31, 2022.

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

Amounts in US dollars	
2017	\$ 18.4
2018	42.0
2019	33.8
2020	39.8
2021	36.5
2022	97.2
2023	37.1
Acquired rights to duty deposits	244.8
	\$ 549.6

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Years ended December 31, 2023 and 2022

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

21. Commitments and contingencies (continued):

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

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:

	Dec. 31, 2023		Dec. 31, 2022	
	USD	CAD	USD	CAD
Overpayment of duties per DoC administrative reviews initially expensed in the Statement of Earnings:				
First administrative review	\$ 33.0	\$ 42.7	\$ 33.0	\$ 42.7
Second administrative review	3.2	4.3	3.2	4.3
Third administrative review	19.6	26.1	19.6	26.1
Fourth administrative review	5.0	6.3	-	-
Purchase price for acquired duty deposits	101.0	131.2	101.0	131.2
Revaluation to the quarter-end exchange rate	-	3.5	-	8.1
Duties recognized as duty deposits receivable	161.8	214.1	156.8	212.4
Interest recognized on duty deposits receivable	18.5	24.3	11.1	15.0
	\$ 180.3	\$ 238.4	\$ 167.9	\$ 227.4

The Company acquired rights to CV and AD duty deposits totalling US\$244.8 million through two acquisitions in 2022, which were valued at US\$101.0 million in accounting for the purchases.

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.

(d) Other contingencies:

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

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Years ended December 31, 2023 and 2022

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

22. Net earnings (loss) per share:

Net earnings (loss) 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:

	2023			2022		
	Net loss	Weighted average number of shares	Per share	Net earnings	Weighted average number of shares	Per share
Issued shares at December 31		51,434,895			60,804,177	
Effect of shares issued		7,570			22,646	
Effect of shares repurchased		-			(5,910,593)	
Basic earnings (loss) per share	\$ (266.8)	51,442,465	\$ (5.19)	\$ 598.2	54,916,230	\$ 10.89
Effect of dilutive securities:						
Stock options	-	97,148		-	192,604	
Diluted earnings (loss) per share	\$ (266.8)	51,442,465*	\$ (5.19)	\$ 598.2	55,108,834	\$ 10.86

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

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

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

(a) Defined contribution plans:

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

For the DPSP, the Company's funding obligations are satisfied upon making cash contributions to an employee's account. For 2023, the pension expense for this plan is equal to the Company's contribution of \$5.8 million (2022 - \$3.1 million).

For the hourly employees of the Eastern Operations and the Canadian Merchant Services Guild ("CMSG"), the Company makes required contributions based on a percentage of earnings into a defined contribution plan. For 2023, the pension expense is equal to the Company's contribution of \$3.0 million (2022 - \$3.1 million).

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Years ended December 31, 2023 and 2022

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

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

(a) Defined contribution plans (continued):

Employees of the Company's U.S. operating subsidiaries contribute a percentage of their earnings to a 401(k) plan which the Company matches and which vests immediately. The Company's funding obligations are satisfied upon making cash contributions to an employee's account. For 2023, the pension expense for this plan is equal to the Company's contribution of \$14.1 million (2022 - \$11.4 million).

(b) Unionized employees' pension plan:

The Company contributes to industry-wide benefit plans for unionized employees based on a predetermined amount per hour worked by an employee or based on a percentage of earnings. For 2023, the pension expense for this plan is equal to the Company's contribution of \$1.5 million (2022 - \$1.9 million). As there is insufficient information available to enable the Company to account for this plan as a defined benefit plan, the plan has been accounted for as a defined contribution plan. The Company's liability is limited to its contributions.

(c) Supplementary pension plans:

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

During 2023, the Company recorded an expense of \$3.0 million (2022 - \$2.2 million) in respect of these plans of which \$1.0 million (2022 - \$0.7 million) interest expense and nil (2022 - \$0.2 million) interest revenue has been recorded in Finance costs.

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

	2023	2022
Trade accounts payable and provisions	\$ 1.6	\$ 2.1
Employee future benefits obligation	9.0	7.7
	\$ 10.6	\$ 9.8

(d) Defined benefit plans:

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

In 2022, the Company acquired the Eastern Canada Operations (Note 4(b)) and the Pension Plan for Employees of EACOM Timber Corporation ("EACOM plan"). The defined benefit component of the pension plan establishes a set amount of pension benefits that the employee will receive upon retirement and is closed to new employees. In addition, the Company provides post-retirement medical, dental and life insurance benefits to its eligible retirees. On March 29, 2023, the Company completed a partial settlement of the EACOM plan with the purchase of an annuity. The settlement resulted in a loss of \$0.1 million due to the net effect of discharging \$11.9 million of defined benefit obligation and \$12.0 million of plan assets.

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

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

(d) Defined benefit plans (continued):

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

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

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

	Most Recent Valuation	Next Scheduled Valuation
Adams Lake Pension Plan	December 31, 2022	December 31, 2025
EACOM Pension Plan	January 1, 2023	January 1, 2026
EACOM Post-Retirement Benefits	December 31, 2019	December 31, 2023
CMSG Pension Plan	December 31, 2022	December 31, 2025
CMSG Post-Retirement Benefits	December 31, 2018	December 31, 2023

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

In 2023, the Company paid contributions of \$0.7 million (2022 - \$0.8 million), offset by transfers of \$2.6 million (2022 - \$3.3 million) due to a surplus in the EACOM plan being utilized to fund the defined contribution component of the plan. In 2024, the Company expects to pay contributions of \$0.3 million to its defined benefit plans and to continue to fund the defined contribution component of the EACOM plan with \$3.1 million of transfers.

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

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

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

(d) Defined benefit plans (continued):

	Pension benefits		Other post-retirement benefits	
	2023	2022	2023	2022
Defined benefit obligation:				
Beginning of year	\$ 42.6	\$ 28.4	\$ 2.2	\$ 0.9
Acquisitions (Note 4(b))	-	23.2	-	1.5
Service cost	0.6	1.0	0.1	0.1
Employee contributions	0.4	0.5	-	-
Interest cost	1.8	1.7	0.1	0.1
Benefit payments	(1.4)	(1.4)	(0.2)	(0.1)
Settlements	(11.9)	-	-	-
Actuarial (gain) loss due to:				
Financial assumptions	2.6	(10.8)	-	(0.2)
Experience adjustment	0.7	-	0.1	(0.1)
End of year	\$ 35.4	\$ 42.6	\$ 2.3	\$ 2.2
Plan assets:				
Beginning of year	\$ 61.0	\$ 36.7	\$ -	\$ -
Acquisitions (Note 4(b))	-	34.6	-	-
Interest on plan assets	2.7	2.3	-	-
Employer contributions	(2.1)	(2.6)	0.2	0.1
Employee contributions	0.4	0.4	-	-
Benefit payments	(1.4)	(1.4)	(0.2)	(0.1)
Administration costs	(0.7)	(0.4)	-	-
Settlements	(12.0)	-	-	-
Actuarial (loss) gain	3.0	(8.6)	-	-
End of year	\$ 50.9	\$ 61.0	\$ -	\$ -
Net employee future benefit asset (liability)	\$ 15.5	\$ 18.4	\$ (2.3)	\$ (2.2)

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

	Pension benefits		Other post-retirement benefits	
	2023	2022	2023	2022
Employee future benefits assets	\$ 15.5	\$ 18.4	\$ -	\$ -
Employee future benefits obligation	-	-	(2.3)	(2.2)
Net employee future benefits asset (liability)	\$ 15.5	\$ 18.4	\$ (2.3)	\$ (2.2)

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

(d) Defined benefit plans (continued):

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

	Pension benefits		Other post-retirement benefits	
	2023	2022	2023	2022
Statement of earnings				
Production expense	\$ 1.3	\$ 1.4	\$ 0.1	\$ 0.1
Finance costs	(0.9)	(0.6)	0.1	0.1
	\$ 0.4	\$ 0.8	\$ 0.2	\$ 0.2
Other comprehensive income (loss)				
Actuarial gain (loss)	\$ (0.3)	\$ 2.3	\$ (0.1)	\$ 0.2

Plan assets consist of:

Asset category	2023	2022
Investment funds		
Fixed income	\$ 19.4	\$ 21.6
Global equity	14.9	18.5
Canadian equity	13.3	15.2
Real estate	2.1	4.9
Money market	1.2	0.8
Total	\$ 50.9	\$ 61.0

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

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

	Pension benefits		Other post-retirement benefits	
	2023	2022	2023	2022
Defined benefit obligation as of December 31				
Discount rate	4.75%	5.25%	4.75%	5.25%
Compensation increases ¹	3.16%	3.08%	-	-
Pension expense				
Discount rate	5.25%	3.61%	5.25%	3.74%
Compensation increases ¹	3.16%	3.08%	-	-

¹Compensation increases only relate to the CMSG plan and EACOM plan.

For measurement purposes at December 31, 2023, the Company has assumed a weighted average 5.00% health care cost trend in 2024 and onwards (2023 – 5.16% health care cost trend in 2023 grading down to 5.00% in 2024).

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

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

(d) Defined benefit plans (continued):

	Pension benefits	Other post-retirement benefits
Effect of 1% decrease in discount rate on defined benefit obligation	\$ 5.9	\$ 0.2

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

The weighted average durations of the defined benefit pension plans and other post-retirement benefit plans is 14 years.

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

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

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

24. Related party transactions:

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

	2023	2022
Salary and short-term employee benefits	\$ 6.7	\$ 9.6
Post-employment benefits	1.7	1.2
Share-based compensation expense (recovery)	7.5	(5.4)
	\$ 15.9	\$ 5.4

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

	2023	2022
Trade accounts payable and provisions	\$ 7.5	\$ 12.1
Employee future benefits obligation	4.7	3.2
Provisions and other liabilities	15.1	14.7
	\$ 27.3	\$ 30.0

25. 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, Ontario and New Brunswick in Canada and the Northwest and South regions of the U.S.

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25. Segmented information (continued):

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

	2023		2022	
United States	\$	2,594.6	\$	3,670.2
Canada		656.3		802.3
Other export		25.4		55.5
China/Taiwan		21.5		19.2
Japan		17.9		36.8
	\$	3,315.7	\$	4,584.0

Sales by product line are as follows:

	2023		2022	
Lumber and other wood products	\$	2,785.6	\$	4,088.7
Wood chips and other by-products		305.6		281.4
Logs		182.5		186.4
Other		42.0		27.5
	\$	3,315.7	\$	4,584.0

Non-current assets by geographic location are as follows:

	2023		2022	
United States	\$	1,389.0	\$	1,461.3
Canada		1,337.4		1,379.9
	\$	2,726.4	\$	2,841.2

26. Capital management:

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

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

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

The Company is in compliance with all debt covenants.

The Company monitors capital using a ratio of "net debt" to "invested capital" and manages to a target range. Net debt is calculated as the total of long-term debt and bank indebtedness, less cash and cash equivalents. Invested capital is the total of net debt and equity. Interfor's net debt to invested capital ratios as at December 31, 2023 and 2022 were as follows:

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26. Capital management (continued):

	2023	2022
Long-term debt	\$ 897.7	\$ 797.9
Less:		
Cash and cash equivalents	(55.0)	(77.6)
Net debt	842.7	720.3
Add: Equity	1,730.4	2,027.1
Invested Capital	\$ 2,573.1	\$ 2,747.4
	32.8%	26.2%

From time to time, the Company purchases its own shares in the open market under a defined NCIB. All repurchased common shares are cancelled.

27. Financial instruments:

(a) Fair value of financial instruments:

At December 31, 2023, the fair value of the Company's Long-term debt was less than its carrying value by \$2.4 million (2022 – \$17.8 million).

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

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

(b) Derivative financial instruments:

The Company did not trade any foreign exchange contracts or lumber futures in 2023 and 2022.

(c) Hedge of investment in foreign operations:

Certain U.S. Dollar drawings under the Term Line and all drawings under the Senior Secured Notes were designated as hedges against the Company's investment in its U.S. operations and repayments were de-designated as a hedge. Interfor recorded unrealized foreign exchange gains of \$21.3 million (2022 – losses of \$29.4 million) arising on revaluation of hedged U.S. Dollar debt in Other comprehensive income (loss) for the year ended December 31, 2023.

(d) Financial risk management:

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

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

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27. Financial instruments (continued):

(d) Financial risk management (continued):

(i) Credit risk:

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

Accounts receivable

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

The Company regularly reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectible accounts. A \$0.2 million reserve in respect of doubtful accounts was recorded as at December 31, 2023 (2022 - \$0.2 million).

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

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

	2023	2022
United States	\$ 86.8	\$ 70.8
Canada	90.0	99.9
Japan	0.6	1.1
China/Taiwan	5.1	1.9
Other	1.9	0.4
	\$ 184.4	\$ 174.1

(ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures, as far as possible, that it will always have sufficient liquidity to meet obligations when due and monitors cash flow requirements daily and projections weekly.

The Company maintains a \$600.0 million Term Line credit facility with a syndicate of highly rated Canadian and U.S. banks which can be drawn in either Canadian or US funds and matures in the year 2026.

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

27. Financial instruments (continued):

(d) Financial risk management (continued):

(ii) Liquidity risk (continued):

The following table summarizes Interfor's available liquidity as of December 31, 2023:

Unused portion of Revolving Term Line, see Note 10	\$	284.7
Add: Cash and cash equivalents		55.0
Available liquidity at December 31, 2023	\$	339.7

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

	Total	Payments due by period			
		Up to 1 year	2-3 years	4-5 years	After 5 years
Trade accounts payable and provisions	\$ 208.7	\$ 208.7	\$ -	\$ -	\$ -
Income taxes payable	0.2	0.2	-	-	-
Reforestation liability	47.5	15.8	14.6	6.0	11.1
Lease liabilities	47.3	21.5	20.5	4.2	1.1
Long-term debt	1,121.3	77.4	405.0	171.0	467.9
Provisions and other liabilities	51.5	16.8	7.2	1.2	26.3
Operating and capital commitments	315.2	223.4	87.3	4.5	-
Total obligations	\$ 1,791.7	\$ 563.8	\$ 534.6	\$ 186.9	\$ 506.4

(iii) Market risk:

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

Currency risk

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

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

Other foreign exchange gain (loss) on the Statements of Earnings is related to the period-end revaluation of U.S. Dollar denominated short-term intercompany funding and U.S. Dollar cash held by Canadian operations.

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022

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

27. Financial instruments (continued):

(d) Financial risk management (continued):

(iii) Market risk (continued):

At December 31, 2023, the Company has U.S. Dollar drawings under its Term Line and Senior Secured Notes of US\$678.7 million (2022 - US\$589.2 million). These U.S. Dollar drawings have been designated as a hedge against the Company's net investment in its U.S. operations.

As at December 31, 2023, the domestic operations of the Company held cash and cash equivalents of US\$18.2 million (2022 - US\$10.4 million). Cash and cash equivalents held by foreign subsidiaries totaled US\$4.2 million (2022 - US\$31.5 million).

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

2023	CAD	USD	Japanese ¥
Accounts Receivable	89.6	14.7	5.7
Accounts Receivable held by foreign subsidiaries with USD functional currency	-	56.9	-
	89.6	71.6	5.7
2022	CAD	USD	Japanese ¥
Accounts Receivable	98.8	23.2	39.5
Accounts Receivable held by foreign subsidiaries with USD functional currency	-	32.1	-
	98.8	55.3	39.5

Based on the Company's net exposure to foreign currencies as at December 31, 2023, the sensitivity of Company's annual Net earnings (loss) and Other comprehensive income (loss) are as follows:

U.S. Dollar	\$0.01 increase vs CAD	\$3.2 million decrease in Net earnings (loss)
U.S. Dollar	\$0.01 increase vs CAD	\$8.7 million increase in OCI

Interest rate risk

Based on the Company's average borrowings under the Term Line, the sensitivity of a 100 basis point increase in interest rates would result in an approximate decrease of \$1.8 million in Net earnings (loss).

Other market risk:

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