Interfor Corporation
Second Quarter Report
For the three and six months ended June 30, 2024

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a review of financial condition and results of operations as at and for the three and six months ended June 30, 2024 ("Q2'24" and "YTD'24", respectively). It should be read in conjunction with the unaudited condensed consolidated interim financial statements of Interfor Corporation and its subsidiaries ("Interfor" or the "Company") for the three and six months ended June 30, 2024, and the notes thereto which have been prepared in accordance with IFRS Accounting Standards ("IFRS"). This MD&A contains certain non-generally accepted accounting principles ("GAAP") measures which, within the Non-GAAP Measures section, are discussed, defined and reconciled to figures reported in the Company's unaudited condensed consolidated interim financial statements. This MD&A has been prepared as of August 8, 2024.

All figures are stated in Canadian Dollars, unless otherwise noted, and references to US$/USD are to the United States Dollar. Figures in the tables may not equal or sum to figures presented elsewhere due to rounding.

Forward-Looking Information

This MD&A contains forward-looking information about the Company's business outlook, objectives, plans, strategic priorities and other information that is not historical fact. A statement contains forward-looking information when the Company uses what it knows and expects today, to make a statement about the future. Forward-looking information is included under the headings "Overview of Second Quarter, 2024", "Outlook", "Liquidity", "Capital Resources", "Off-Balance Sheet Arrangements", "Accounting Policy Changes" and "Risks and Uncertainties". Statements containing forward-looking information may include words such as: will, could, should, believe, expect, anticipate, intend, forecast, projection, target, outlook, opportunity, risk or strategy.

Readers are cautioned that actual results may vary from the forward-looking information in this report, and undue reliance should not be placed on such forward-looking information. Risk factors that could cause actual results to differ materially from the forward-looking information in this report are described under the heading "Risks and Uncertainties" herein, and in Interfor's 2023 annual Management's Discussion and Analysis, which is available on www.sedarplus.ca and www.interfor.com. Material factors and assumptions used to develop the forward-looking information in this report include the timing and value of proceeds received from the disposition of Coast B.C. forest tenures; availability and cost of logs; competition; currency exchange sensitivity; environment; government regulation; health and safety; Indigenous reconciliation; information technology and cyber security; labour availability; logistics availability and cost; natural and man-made disasters and climate change; price volatility; residual fibre revenue; softwood lumber trade; tax exposures and the assumptions described under the heading "Critical Accounting Estimates" herein and in Interfor's 2023 annual Management's Discussion and Analysis.

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

Overview of Second Quarter, 2024

Interfor recorded a Net loss in Q2'24 of $75.8 million, or $1.47 per share, compared to a Net loss of $72.9 million, or $1.42 per share in Q1'24 and a Net loss of $14.1 million, or $0.27 per share in Q2'23.

Adjusted EBITDA was a loss of $16.7 million on sales of $771.2 million in Q2'24 versus a loss of $22.3 million on sales of $813.2 million in Q1'24 and Adjusted EBITDA of $41.9 million on sales of $871.8 million in Q2'23.

Notable items:

- Production Curtailments to Reflect Ongoing Weak Lumber Market
  - In Q2'24, lumber production totalled 1.0 billion board feet, representing a 35 million board foot decrease over the prior quarter. This decrease partially reflects the temporary production curtailments announced on April 30, 2024 and the indefinite curtailment of the Philomath, OR sawmill.
  - Lumber prices continue to reflect an imbalance of lumber supply and demand, with demand continuing to be impacted by the elevated interest rate environment and ongoing economic uncertainty. Lumber prices decreased slightly during Q2'24 as reflected in Interfor's average selling price of $602 per mfbm, down $8 per mfbm versus Q1'24.
  - In response to the ongoing market weakness, Interfor plans to temporarily reduce its total lumber production by approximately 280 to 350 million board feet between August and December of 2024, representing 15 to 18% of its normal operating stance. The Company will continue to monitor market conditions across all its operations and adjust its plans accordingly.
- Financial Position
  - Interfor's net debt to invested capital ratio was 35.0% at quarter-end, which was comparable to the preceding quarter-end ratio of 34.7%.
  - The Company's financial position benefited in the second quarter from $48.0 million of positive operating cash flow, including a $72.0 million reduction of working capital. This reduction of working capital was due in part to seasonal factors as well as the realization of sustainable operational efficiencies.
  - The Company's available liquidity improved $30.8 million quarter-over-quarter to $330.5 million at June 30, 2024.
  - The collection of income tax refunds of approximately $59.0 million and the ongoing monetization of Coastal B.C. operations continue to be expected in the second half of 2024.
- Ongoing Monetization of Coastal B.C. Operations
  - The Company sold Coastal B.C. forest tenures totalling approximately 50,000 cubic metres of allowable annual cut ("AAC") and related assets and liabilities for proceeds of $8.3 million and a gain of $8.2 million. Interfor held approximately 1,137,000 cubic metres of AAC for disposition at June 30, 2024, subject to approvals from the Ministry of Forests.
  - Subsequent to quarter-end on July 29, 2024, Interfor sold 104,689 cubic metres of AAC for cash proceeds of $13.2 million.
- Sale of Property and Assets of the former Philomath, OR sawmill
  - On June 27, 2024, the Company sold property and assets of the former Philomath, OR sawmill for cash consideration of US$15.0 million. A net non-cash charge of $4.3 million was recorded in conjunction with the disposition.

- Capital Investments
  - Capital spending was $17.9 million, including $6.6 million of discretionary investment focused mainly on the multi-year rebuild of the Thomaston, GA sawmill.
  - Total capital expenditures for 2024 are now estimated to be approximately $70.0 million, reduced by $20.0 million from prior guidance. This reduction is the result of a review of project returns considering the ongoing lumber market weakness.
- Softwood Lumber Duties
  - Interfor expensed $10.8 million of duties in the quarter, representing the full amount of countervailing ("CV") and anti-dumping ("AD") duties incurred on shipments of softwood lumber from its Canadian operations to the U.S. at a combined rate of 8.05%.
  - Interfor has cumulative duties of US$569.1 million, or approximately $11.05 per share on an after-tax basis, held in trust by U.S. Customs and Border Protection as at June 30, 2024. Except for US$161.8 million recorded as a receivable in respect of overpayments arising from duty rate adjustments and the fair value of rights to duties acquired, Interfor has recorded the duty deposits as an expense.

Outlook

North American lumber markets over the near term are expected to remain depressed as the economy continues to adjust to inflationary pressures, elevated interest rates, labour shortages and geo-political uncertainty, and as industry-wide lumber production continues to adjust to match demand.

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

Interfor's strategy of maintaining a diversified portfolio of operations in multiple regions allows the Company to both reduce risk and maximize returns on capital over the business cycle. In the event of a sustained lumber market downturn, Interfor maintains flexibility to significantly reduce capital expenditures and working capital levels, and to proactively adjust its lumber production to match demand.

Financial and Operating Highlights

	Unit	For the three months ended June 30 2024	June 30 2023	March 31 2024	For the six months ended June 30 2024	June 30 2023
Financial Highlights[1]						
Total sales	$MM	771.2	871.8	813.2	1,584.4	1,701.7
Lumber	$MM	634.8	723.2	670.7	1,305.5	1,365.7
Logs, residual products and other	$MM	136.4	148.6	142.5	278.9	336.0
Operating loss	$MM	(63.3)	(20.8)	(80.9)	(144.2)	(57.1)
Net loss	$MM	(75.8)	(14.1)	(72.9)	(148.7)	(55.4)
Net loss per share, basic	$/share	(1.47)	(0.27)	(1.42)	(2.89)	(1.08)
Adjusted EBITDA[2]	$MM	(16.7)	41.9	(22.3)	(39.0)	67.9
Adjusted EBITDA margin[2]	%	(2.2%)	4.8%	(2.7%)	(2.5%)	4.0%
Total assets	$MM	3,306.8	3,603.9	3,426.3	3,306.8	3,603.9
Total debt	$MM	970.0	918.5	980.7	970.0	918.5
Net debt[2]	$MM	876.9	815.7	897.4	876.9	815.7
Net debt to invested capital[2]	%	35.0%	29.6%	34.7%	35.0%	29.6%
Annualized return on capital employed[2]	%	(11.1%)	(1.1%)	(9.1%)	(10.2%)	(3.1%)
Operating Highlights						
Lumber production	million fbm	1,034	1,023	1,069	2,104	2,054
U.S. South	million fbm	476	468	480	956	941
U.S. Northwest	million fbm	124	165	141	265	307
Eastern Canada	million fbm	276	249	288	565	499
B.C.	million fbm	158	141	160	318	307
Lumber sales	million fbm	1,055	1,116	1,100	2,155	2,120
Lumber - average selling price[3]	$/thousand fbm	602	649	610	606	644
Key Statistics						
Benchmark lumber prices[4]						
SYP Composite	US$ per mfbm	356	446	383	370	444
KD H-F Stud 2x4 9’	US$ per mfbm	424	452	455	440	440
Eastern SPF Composite	US$ per mfbm	469	474	489	479	474
Western SPF Composite	US$ per mfbm	385	372	416	401	386
USD/CAD exchange rate[5]						
Average	1 USD in CAD	1.3683	1.3428	1.3486	1.3586	1.3477
Closing	1 USD in CAD	1.3687	1.3240	1.3550	1.3687	1.3240

Notes:

1. Financial information presented for interim periods in this MD&A is prepared in accordance with IFRS and is unaudited.
2. Refer to the Non-GAAP Measures section of this MD&A for definitions and reconciliations of these measures to figures reported in the Company’s unaudited condensed consolidated interim financial statements.
3. Gross sales including duties and freight.
4. Based on Random Lengths Benchmark Lumber Pricing.
5. Based on Bank of Canada foreign exchange rates.

Summary of Second Quarter 2024 Financial Performance

Sales

Interfor recorded $771.2 million of total sales, down 11.5% from $871.8 million in the second quarter of 2023, driven by the sale of 1.1 billion board feet of lumber at an average price of $602 per mfbm. Average selling price decreased $47 per mfbm, or 7.2%, and lumber sales volume decreased 61 million board feet, or 5.5%, as compared to the same quarter of 2023.

The decrease in the average selling price of lumber reflects lower prices in the SYP Composite, KD H-F Stud 2x4 9’ and Eastern SPF Composite benchmarks, partially offset by a marginal increase in the Western SPF Composite benchmark in Q2’24 as compared to Q2’23.

Sales generated from logs, residual products and other decreased by $12.2 million or 8.2% in Q2’24 compared to Q2’23 due mainly to a decrease in the average selling price of logs.

Operations

Production costs decreased by $35.0 million, or 4.4%, compared to Q2’23, explained primarily by a 5.5% decrease in lumber sales volume and decreased logging in the B.C. Coastal operations. The decrease is partially offset by a net $27.4 million increase in the net realizable value provision for log and lumber inventories recorded in Q2’24 versus Q2’23, inflationary impacts on costs and a weaker Canadian Dollar on average.

Lumber production of 1.0 billion board feet in Q2’24 was 11 million board feet higher than Q2’23. The increase was primarily driven by fewer market-related curtailments, partially offset by the indefinite curtailment of the Philomath, OR sawmill in Q1’24.

Interfor expensed the full amount of CV and AD duty deposits levied on its Canadian shipments of softwood lumber into the U.S. The expense was $10.8 million for Q2’24, down $6.2 million from Q2’23 due to lower cash deposit rates and foreign exchange differences on revaluation of the long-term duty deposits receivable from the weakening Canadian Dollar.

Depreciation of plant and equipment was comparable in Q2’24 and Q2’23. Depletion and amortization of timber, roads and other was $11.4 million, up $1.5 million from Q2’23, primarily due to increased logging at the B.C. Interior operations.

Corporate and Other

Selling and administration expenses were $13.6 million, down $4.0 million from Q2’23, primarily related to reduced general corporate activities and no accrual for short term incentive compensation in Q2’24.

Long-term incentive compensation recovery was $2.4 million in Q2’24, compared to an expense of $2.8 million in Q2’23, primarily as a result of the impact of a 24.7% decrease in the price of Interfor common shares used to value share-based awards during Q2’24 compared to a 9.4% increase during Q2’23.

Asset write-downs (recoveries) and restructuring costs in Q2’24 were a recovery of $9.1 million, primarily related to the reversal of an impairment charge recorded in the fourth quarter of 2023 related to the Philomath, OR sawmill. Asset write-downs (recoveries) and restructuring costs in Q2’23 were negligible.

Finance costs decreased to $11.8 million in Q2’24 from $13.3 million in Q2’23, primarily due to higher interest income accrued on the long-term duties receivable, partially offset by interest expense on higher borrowings.

Other foreign exchange loss of $6.2 million in Q2’24 and gain of $13.7 million in Q2’23 resulted primarily from the quarter-end revaluation of U.S. Dollar denominated short-term intercompany funding and U.S. Dollar cash held by Canadian operations. The foreign exchange loss of $6.9 million recorded in the quarter on intercompany funding remains unrealized, and there was an offsetting gain recorded in Other comprehensive income (loss) for a net nil impact on Equity.

Other expense of $16.8 million in Q2’24 primarily related to the loss on disposal of property and assets of the former sawmill located in Philomath, OR and the change in the fair value of the minority interest in GreenFirst Forest Products Inc. (“GreenFirst”), partially offset by a gain on the sale of Coastal B.C. forest tenures. Other expense of $1.8 million in Q2’23 primarily related to the change in the fair value of the minority interest in GreenFirst, partially offset by insurance proceeds for a business interruption claim related to fire damage at a sawmill.

Income Taxes

The Company recorded an income tax recovery of $22.3 million in Q2’24 at an effective tax rate of 23%, comprised of $3.6 million current income tax recovery and a $18.7 million deferred tax recovery. The Company recorded an income tax recovery of $8.1 million in Q2’23 at an effective tax rate of 36%, comprised of $12.6 million current income tax recovery and a $4.5 million deferred tax expense.

Net Earnings

The Company recorded a Net loss of $75.8 million, or $1.47 per share, compared to a Net loss of $14.1 million, or $0.27 per share in Q2'23. Operating margins and Net loss were impacted by lower average lumber prices, higher operating costs and lower sales volumes.

Summary of Year-to-Date 2024 Financial Performance

Sales

Interfor recorded $1.6 billion of total sales, down 6.9% from $1.7 billion in the first half of 2023, driven by the sale of 2.2 billion board feet of lumber at an average price of $606 per mfbm. Average selling price decreased $38 per mfbm, or 5.9%, and lumber sales volume increased 35 million board feet, or 1.7%, as compared to the first six months of 2023.

The decrease in the average selling price of lumber is due to lower prices for Southern Yellow Pine, partially offset by marginal increases in the Eastern SPF Composite and Western SPF Composite benchmarks in YTD'24 as compared to YTD'23. The KD H-F Stud 2x4 9' was comparable YTD'24 and YTD'23.

Sales generated from logs, residual products and other decreased by $57.1 million or 17.0% as compared to the same period of 2023 due mainly to a decrease in the average selling price of logs and a decrease in volume of logs sold.

Operations

Production costs decreased by $3.6 million, or 0.2% in the first half of 2024, explained primarily by lower stumpage rates in B.C. and Eastern Canada and decreased logging in the B.C. Coastal operations. The decrease is partially offset by a net $35.6 million increase in the net realizable value provision for log and lumber inventories recorded YTD'24 versus YTD'23.

Lumber production of 2.1 billion board feet in YTD'24 was 50 million board feet higher than YTD'23. The increase was primarily driven by fewer market-related curtailments, partially offset by the indefinite curtailment of the Philomath, OR sawmill in Q1'24.

Interfor expensed the full amount of CV and AD duty deposits levied on its Canadian shipments of softwood lumber into the U.S. The duty expense was $18.3 million for YTD'24, down $9.4 million from YTD'23 due to lower cash deposit rates, partially offset by higher shipments to the U.S. from Canadian sawmills as compared to YTD'23. Foreign exchange differences on revaluation of the long-term duty deposits receivable also contributed to the decrease, due to the weakening Canadian Dollar.

Depreciation of plant and equipment was $93.4 million, up 1.7% from the first six months of 2023, due primarily to increased production from the Eastern Canada operations. Depletion and amortization of timber, roads and other was comparable to the first half of 2023.

Corporate and Other

Selling and administration expenses were $33.4 million, down $1.4 million from the first six months of 2023, primarily related to reduced general corporate activities.

Long-term incentive compensation recovery was $4.1 million YTD'24, compared to an expense of $5.4 million in YTD'23, primarily as a result of the impact of a 33.0% decrease in the price of Interfor common shares used to value share-based awards during YTD'24 compared to a 15.6% increase during YTD'23.

Asset write-downs (recoveries) and restructuring costs in YTD'24 were a recovery of $6.4 million, primarily related to the reversal of an impairment charge recorded in the fourth quarter of 2023 related to the Philomath, OR sawmill and severance costs. Asset write-downs (recoveries) and restructuring costs in YTD'23 totalled $1.7 million, primarily related to non-cash impairments on certain plant and equipment that were replaced in conjunction with the Company's strategic capital projects.

Finance costs decreased to $23.7 million from $24.2 million in the first six months of 2023, primarily due to higher interest income accrued on the long-term duties receivable, partially offset by interest expense on higher borrowings.

Other foreign exchange loss of $22.8 million in YTD’24 and gain of $13.7 million in YTD’23 resulted primarily from the period-end revaluation of U.S. Dollar denominated short-term intercompany funding and U.S. Dollar cash held by Canadian operations. The foreign exchange loss of $24.0 million recorded in YTD’24 on intercompany funding remains unrealized, and there was an offsetting gain recorded in Other comprehensive income (loss) for a net nil impact on Equity.

Other income of $8.9 million in YTD’24 primarily related to a gain on the sale of Coastal B.C. forest tenures, partially offset by the change in the fair value of the minority interest in GreenFirst and the loss on disposal of property and assets of the former sawmill located in Philomath, OR. Other expense of $7.4 million in YTD’23 primarily relates to the change in the fair value of the minority interest in GreenFirst, partially offset by insurance proceeds for a business interruption claim related to fire damage at a sawmill and a net gain on the disposal of surplus property, plant and equipment and other assets.

Income Taxes

The Company recorded an income tax recovery of $33.1 million in YTD’24 at an effective tax rate of 18%, comprised of a $1.0 million current income tax recovery and a $32.1 million deferred tax recovery. The effective tax rate is lower than the statutory tax rate due to the tax effect of the appreciation of the U.S. Dollar on U.S. Dollar denominated short-term intercompany funding. The Company recorded an income tax recovery of $19.6 million in YTD’23 at an effective tax rate of 26%, comprised of a $18.1 million current income tax recovery and a $1.5 million deferred tax recovery.

Net Earnings

The Company recorded a Net loss of $148.7 million, or $2.89 per share, compared to a Net loss of $55.4 million, or $1.08 per share, in the same period of 2023. Operating margins and Net loss were impacted by lower average lumber prices, higher operating costs and an unrealized foreign exchange loss on intercompany funding, partially offset by a gain on the sale of Coastal B.C. forest tenures and slightly higher sales volumes.

Summary of Quarterly Results

	Unit	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3
Financial Performance[1]									
Total sales	$MM	771.2	813.2	785.9	828.1	871.8	829.9	810.3	1,035.6
Lumber	$MM	634.8	670.7	628.5	667.1	723.2	642.5	656.3	837.8
Logs, residual products and other	$MM	136.4	142.5	157.4	161.0	148.6	187.4	154.0	197.8
Operating earnings (loss)	$MM	(63.3)	(80.9)	(174.2)	(21.1)	(20.8)	(36.3)	(114.8)	75.8
Net earnings (loss)	$MM	(75.8)	(72.9)	(169.0)	(42.4)	(14.1)	(41.3)	(72.2)	3.5
Net earnings (loss) per share, basic	$/share	(1.47)	(1.42)	(3.29)	(0.82)	(0.27)	(0.80)	(1.40)	0.06
Adjusted EBITDA[2]	$MM	(16.7)	(22.3)	(51.4)	31.9	41.9	26.1	(68.7)	129.5
Adjusted EBITDA margin[2]	%	(2.2%)	(2.7%)	(6.5%)	3.9%	4.8%	3.1%	(8.5%)	12.5%
Annualized return on capital employed[2]	%	(11.1%)	(9.1%)	(28.0%)	(4.5%)	(1.1%)	(5.0%)	(13.8%)	5.6%
Shares outstanding - end of period	million	51.4	51.4	51.4	51.4	51.4	51.4	51.4	51.4
Shares outstanding - weighted average	million	51.4	51.4	51.4	51.4	51.4	51.4	51.4	54.1
Operating Performance									
Lumber production	million fbm	1,034	1,069	1,102	997	1,023	1,031	874	986
U.S. South	million fbm	476	480	485	470	468	473	404	470
U.S. Northwest	million fbm	124	141	157	162	165	142	135	159
Eastern Canada	million fbm	276	288	275	247	249	250	212	198
B.C.	million fbm	158	160	185	118	141	166	123	159
Lumber sales	million fbm	1,055	1,100	1,046	1,008	1,116	1,004	939	1,064
Lumber - average selling price[3]	$/thousand fbm	602	610	601	661	649	639	699	800
Key Statistics									
Benchmark lumber prices[4]									
SYP Composite	US$ per mfbm	356	383	373	429	446	442	461	555
KD H-F Stud 2x4 9’	US$ per mfbm	424	455	423	474	452	428	461	627
Eastern SPF Composite	US$ per mfbm	469	489	461	510	474	474	498	657
Western SPF Composite	US$ per mfbm	385	416	374	412	372	399	420	550
USD/CAD exchange rate[5]									
Average	1 USD in CAD	1.3683	1.3486	1.3624	1.3414	1.3428	1.3525	1.3578	1.3056
Closing	1 USD in CAD	1.3687	1.3550	1.3226	1.3520	1.3240	1.3533	1.3544	1.3707

Notes:

1 Financial information presented for interim periods in this MD&A is prepared in accordance with IFRS and is unaudited.
2 Refer to the Non-GAAP Measures section of this MD&A for definitions and reconciliations of these measures to figures reported in the Company’s unaudited condensed consolidated interim financial statements.
3 Gross sales including duties and freight.
4 Based on Random Lengths Benchmark Lumber Pricing.
5 Based on Bank of Canada foreign exchange rates.

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

Lumber production and sales increased in Q4’22 with the acquisition of sawmills in Belledune, NB and Bathurst, NB. The production and sales increase was partially offset by temporary market-related curtailments announced in October 2022, January 2023, February 2024 and April 2024, temporary curtailment of a B.C. sawmill due to wildfires in Q3’23, indefinite curtailment of a U.S. Northwest sawmill in Q1’24 and subsequent sale in Q2’24. Asset impairments related to the U.S. Northwest operations affected earnings in Q4’23 and Q2’24 and the Coastal B.C. settlement provision affected earnings in Q4’23.

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

Liquidity

Balance Sheet

Interfor's Net debt at June 30, 2024 was $876.9 million, or 35.0% of invested capital, representing an increase of $34.2 million from the level of Net debt at December 31, 2023.

As at June 30, 2024 the Company had net working capital of $314.4 million and available liquidity of $330.5 million, based on the available borrowing capacity under its $600.0 million Revolving Term Line ("Term Line").

The Term Line and Senior Secured Notes are subject to financial covenants, including a maximum net debt to total capitalization ratio of 50.0% and a minimum EBITDA interest coverage ratio of two times, which becomes effective if the net debt to total capitalization ratio exceeds 42.5%. As at June 30, 2024, Interfor was fully in compliance with all covenants relating to the Term Line and Senior Secured Notes.

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

	For the three months ended June 30,		For the six months ended June 30,	
Millions of Dollars	**2024**	**2023**	**2024**	**2023**
Net debt				
Net debt, period opening	$897.4	$880.0	$842.7	$720.3
Net repayment of Senior Secured Notes	-	(7.1)	-	(7.1)
Term Line net drawings (repayments)	(20.5)	-	40.4	149.5
Increase in cash and cash equivalents	(9.1)	(40.0)	(36.7)	(29.2)
Foreign currency translation impact on U.S. Dollar denominated cash and cash equivalents and debt	9.1	(17.2)	30.5	(17.8)
Net debt, period ending	$876.9	$815.7	$876.9	$815.7

On March 26, 2024, the Company issued US$33.3 million of Series I Senior Secured Notes, bearing interest at 6.37% with principal repayment due at final maturity on March 26, 2030. The proceeds were used to settle US$33.3 million of principal under the Company's existing Series C Senior Secured Notes due on March 26, 2024.

Cash Flow from Operating Activities

The Company had a $48.9 million cash outflow from operations before changes in working capital in YTD'24, compared to an inflow of $65.3 million for YTD'23. There was a net cash inflow from operations after changes in working capital of $31.4 million in YTD'24, with $80.3 million of cash released from operating working capital.

Improved collection of trade receivables contributed to the $37.0 million inflow related to trade receivables and a focused effort to reduce log and lumber inventories contributed to the $68.2 million inflow from inventories. Timing of payments contributed to the $20.2 million outflow from trade accounts payable and provisions.

In YTD'23, $38.5 million of cash was generated from operations, with $26.8 million of cash invested in operating working capital.

Cash Flow from Investing Activities

Investing activities generated $5.7 million in YTD'24, with $26.9 million in net proceeds on the sale of Coastal B.C. forest tenures and $22.1 million in proceeds on disposal of property, plant, equipment and other, partially offset by $42.5 million for additions to property, plant and equipment and $1.4 million for development of roads and bridges.

Discretionary mill improvements of $22.4 million in YTD'24 were mainly focused on the multi-year rebuild of the Thomaston, GA sawmill.

Maintenance capital investments excluding roads totalled $20.1 million in YTD'24.

In YTD’23, investing activities totalled $114.8 million, with $120.6 million for additions to property, plant and equipment, partially offset by $4.7 million in proceeds on disposal of property, plant, equipment and other.

Discretionary and maintenance mill improvements totalled $85.6 million and $35.0 million, respectively, in YTD’23, of which the majority was invested in the multi-year rebuild of the Thomaston, GA sawmill, a new planer at the Castlegar, B.C. sawmill, a kiln rebuild at the Bay Springs, MS sawmill and upgrades to the Perry, GA and Summerville, SC sawmills.

Cash Flow from Financing Activities

The net cash outflow of $0.4 million in YTD’24 resulted from the US$33.3 million in repayment of Senior Secured Notes, interest payments of $29.1 million and lease liability payments of $11.7 million, partially offset by the issuance of US$33.3 million of Senior Secured Notes and $40.4 million in Term Line net drawings.

The net cash inflow of $105.5 million in YTD’23 resulted from $149.5 million in Term Line net drawings, partially offset by interest payments of $28.1 million, lease liability payments of $8.7 million and $7.1 million in repayments of Senior Secured Notes.

Capital Resources

The following table summarizes Interfor’s credit facilities and availability as of June 30, 2024:

Millions of Dollars	Revolving Term Line	Senior Secured Notes	Total
Available line of credit and maximum borrowing available	$600.0	$662.1	$1,262.1
Less:			
Drawings	307.9	662.1	970.0
Outstanding letters of credit included in line utilization	54.7	-	54.7
Unused portion of facility	$237.4	$ -	237.4
Add:			
Cash and cash equivalents			93.1
Available liquidity at June 30, 2024			$330.5

Interfor’s Term Line matures in December 2026 and its Senior Secured Notes have maturities in the years 2025-2033.

As of June 30, 2024, the Company had commitments for capital expenditures totalling $32.4 million for both maintenance and discretionary capital projects.

Transactions between Related Parties

Other than transactions in the normal course of business with key management personnel and directors, the Company had no transactions between related parties in the three and six months ended June 30, 2024.

Off-Balance Sheet Arrangements

The Company has off-balance sheet arrangements which include letters of credit and surety performance and payment bonds, primarily for timber purchases and AD and CV duty deposits. At June 30, 2024, such instruments aggregated $117.1 million (December 31, 2023 - $123.1 million).

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

Financial Instruments and Other Instruments

The Company did not enter into any foreign exchange contracts, interest rate derivatives contracts or lumber futures contracts in Q2’24 or Q2’23.

Outstanding Shares

As of August 8, 2024, Interfor had 51,446,803 common shares issued and outstanding. These common shares are listed on the Toronto Stock Exchange under the symbol IFP.

As of August 8, 2024, there were 519,335 stock options outstanding with exercise prices ranging from $9.78 to $37.68 per common share.

On November 8, 2023, the Company announced a renewal of its normal course issuer bid ("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 and the first six months of 2024.

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.

Controls and Procedures

There have been no changes in the Company's internal controls over financial reporting during the three and six months ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, such controls.

Critical Accounting Estimates

There were no significant changes to the Company's critical accounting estimates during the quarter ended June 30, 2024. Interfor's critical accounting estimates are described in its MD&A for the year ended December 31, 2023, filed under the Company's profile on www.sedarplus.ca.

Accounting Policy Changes

Several new standards, and amendments to existing standards and interpretations, were not yet effective for the quarter ended June 30, 2024, and have not been applied in preparing the Company's unaudited condensed consolidated interim financial statements. None of these are expected to have a significant effect on future financial statements.

Non-GAAP Measures

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

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

Millions of Dollars except number of shares and per share amounts	For the three months ended June 30 2024	June 30 2023	March 31 2024	For the six months ended June 30 2024	June 30 2023
Adjusted EBITDA					
Net loss	$(75.8)	$(14.1)	$(72.9)	$(148.7)	$(55.4)
Add:					
Depreciation of plant and equipment	46.7	46.7	46.7	93.4	91.8
Depletion and amortization of timber, roads and other	11.4	9.9	10.9	22.3	22.1
Finance costs	11.8	13.3	11.9	23.7	24.2
Income tax recovery	(22.3)	(8.1)	(10.8)	(33.1)	(19.6)
EBITDA	(28.2)	47.7	(14.2)	(42.4)	63.1
Add:					
Long-term incentive compensation expense (recovery)	(2.4)	2.8	(1.7)	(4.1)	5.4
Other foreign exchange loss (gain)	6.2	(13.7)	16.6	22.8	(13.7)
Other expense (income) excluding business interruption insurance	16.8	5.0	(25.7)	(8.9)	11.4
Asset write-downs (recoveries) and restructuring costs	(9.1)	0.1	2.7	(6.4)	1.7
Adjusted EBITDA	$(16.7)	$41.9	$(22.3)	$(39.0)	$67.9
Sales	$771.2	$871.8	$813.2	$1,584.4	$1,701.7
Adjusted EBITDA margin	(2.2%)	4.8%	(2.7%)	(2.5%)	4.0%
Net debt to invested capital					
Net debt					
Total debt	$970.0	$918.5	$980.7	$970.0	$918.5
Cash and cash equivalents	(93.1)	(102.8)	(83.3)	(93.1)	(102.8)
Total net debt	$876.9	$815.7	$897.4	$876.9	$815.7
Invested capital					
Net debt	$876.9	$815.7	$897.4	$876.9	$815.7
Shareholders' equity	1,626.1	1,943.2	1,689.7	1,626.1	1,943.2
Total invested capital	$2,503.0	$2,758.9	$2,587.1	$2,503.0	$2,758.9
Net debt to invested capital[1]	35.0%	29.6%	34.7%	35.0%	29.6%
Annualized return on capital employed					
Net loss	$(75.8)	$(14.1)	$(72.9)	$(148.7)	$(55.4)
Add:					
Finance costs	11.8	13.3	11.9	23.7	24.2
Income tax recovery	(22.3)	(8.1)	(10.8)	(33.1)	(19.6)
Loss before income taxes and finance costs	$(86.3)	$(8.9)	$(71.8)	$(158.1)	$(50.8)
Capital Employed					
Total assets	$3,306.8	$3,603.9	$3,426.3	$3,306.8	$3,603.9
Current liabilities	(307.4)	(318.9)	(332.3)	(307.4)	(318.9)
Less:					
Current portion of long-term debt	45.6	44.1	45.2	45.6	44.1
Current portion of lease liabilities	21.7	15.8	20.5	21.7	15.8
Capital employed, end of period	$3,066.7	$3,344.9	$3,159.7	$3,066.7	$3,344.9
Capital employed, beginning of period	3,159.7	3,419.3	3,125.4	3,125.4	3,316.0
Average capital employed	$3,113.2	$3,382.1	$3,142.6	$3,096.1	$3,330.4
Loss before income taxes and finance costs divided by average capital employed	(2.8%)	(0.3%)	(2.3%)	(5.1%)	(1.5%)
Annualization factor	4.0	4.0	4.0	2.0	2.0
Annualized return on capital employed	(11.1%)	(1.1%)	(9.1%)	(10.2%)	(3.1%)

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

Risks and Uncertainties

The Company is exposed to many risks and uncertainties in conducting its business including, but not limited to: availability and cost of logs; competition; currency exchange sensitivity; environment; government regulation; health and safety; Indigenous reconciliation; information technology and cyber security; labour availability; logistics availability and cost; natural and man-made disasters and climate change; price volatility; residual fibre revenue; softwood lumber trade; and tax exposures. These risks and uncertainties are described in the Company's MD&A for the year ended December 31, 2023, filed under the Company's profile on www.sedarplus.ca.

Additional Information

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

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CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the three and six months ended June 30, 2024 and 2023 (unaudited)

(millions of Canadian Dollars except per share amounts)	Three Months June 30, 2024	Three Months June 30, 2023	Six Months June 30, 2024	Six Months June 30, 2023
Sales (note 13)	$ 771.2	$ 871.8	$ 1,584.4	$ 1,701.7
Costs and expenses:				
Production	763.5	798.5	1,571.7	1,575.3
Selling and administration	13.6	17.6	33.4	34.8
Long-term incentive compensation expense (recovery)	(2.4)	2.8	(4.1)	5.4
U.S. countervailing and anti-dumping duty deposits (note 15)	10.8	17.0	18.3	27.7
Depreciation of plant and equipment (note 8)	46.7	46.7	93.4	91.8
Depletion and amortization of timber, roads and other (note 8)	11.4	9.9	22.3	22.1
	843.6	892.5	1,735.0	1,757.1
Operating loss before asset write-downs (recoveries) and restructuring costs	(72.4)	(20.7)	(150.6)	(55.4)
Asset write-downs (recoveries) and restructuring costs (note 9)	(9.1)	0.1	(6.4)	1.7
Operating loss	(63.3)	(20.8)	(144.2)	(57.1)
Finance costs (note 10)	(11.8)	(13.3)	(23.7)	(24.2)
Other foreign exchange gain (loss)	(6.2)	13.7	(22.8)	13.7
Other income (expense) (note 11)	(16.8)	(1.8)	8.9	(7.4)
	(34.8)	(1.4)	(37.6)	(17.9)
Loss before income taxes	(98.1)	(22.2)	(181.8)	(75.0)
Income tax expense (recovery):				
Current	(3.6)	(12.6)	(1.0)	(18.1)
Deferred	(18.7)	4.5	(32.1)	(1.5)
	(22.3)	(8.1)	(33.1)	(19.6)
Net loss	$ (75.8)	$ (14.1)	$ (148.7)	$ (55.4)
Net loss per share				
Basic (note 12)	$ (1.47)	$ (0.27)	$ (2.89)	$ (1.08)
Diluted (note 12)	$ (1.47)	$ (0.27)	$ (2.89)	$ (1.08)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three and six months ended June 30, 2024 and 2023 (unaudited)

(millions of Canadian Dollars)	Three Months June 30, 2024	Three Months June 30, 2023	Six Months June 30, 2024	Six Months June 30, 2023
Net loss	$ (75.8)	$ (14.1)	$ (148.7)	$ (55.4)
Other comprehensive income (loss):				
Items that will not be recycled to Net loss:				
Defined benefit plan actuarial gain, net of tax	0.4	-	3.0	0.7
Items that may be recycled to Net loss:				
Foreign currency translation differences for foreign operations, net of tax	11.6	(28.2)	41.1	(29.7)
Total other comprehensive income (loss), net of tax	12.0	(28.2)	44.1	(29.0)
Comprehensive loss	$ (63.8)	$ (42.3)	$ (104.6)	$ (84.4)

See accompanying notes to consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and six months ended June 30, 2024 and 2023 (unaudited)

(millions of Canadian Dollars)	Three Months June 30, 2024	Three Months June 30, 2023	Six Months June 30, 2024	Six Months June 30, 2023
Cash provided by (used in):				
Operating activities:				
Net loss	$ (75.8)	$ (14.1)	$ (148.7)	$ (55.4)
Items not involving cash:				
Depreciation of plant and equipment (note 8)	46.7	46.7	93.4	91.8
Depletion and amortization of timber, roads and other (note 8)	11.4	9.9	22.3	22.1
Deferred income tax expense (recovery)	(18.7)	4.5	(32.1)	(1.5)
Current income tax recovery	(3.6)	(12.6)	(1.0)	(18.1)
Finance costs (note 10)	11.8	13.3	23.7	24.2
Other assets	-	0.2	(0.4)	0.3
Reforestation liability	(2.6)	(10.1)	0.5	(5.3)
Provisions and other liabilities	(3.2)	5.4	(4.4)	8.1
Stock option vesting (note 7)	0.2	0.2	0.3	0.4
Net write-down (recovery) of plant, equipment and other (note 9)	(10.0)	-	(8.9)	1.5
Unrealized foreign exchange loss (gain)	3.8	(8.6)	14.5	(8.4)
Gain on lease modification (note 9)	(0.7)	-	(0.7)	-
Other expense (income) (note 11)	16.8	1.8	(8.9)	7.4
Income taxes refunded (paid)	(0.1)	(1.4)	1.5	(1.8)
	(24.0)	35.2	(48.9)	65.3
Cash generated from (used in) operating working capital:				
Trade accounts receivable and other	35.2	16.2	37.0	(37.7)
Inventories	56.4	97.4	68.2	64.9
Prepayments	(8.2)	(12.3)	(4.7)	(8.8)
Trade accounts payable and provisions	(11.4)	(13.5)	(20.2)	(45.2)
	48.0	123.0	31.4	38.5
Investing activities:				
Additions to property, plant and equipment	(16.0)	(57.5)	(42.5)	(120.6)
Additions to roads and bridges	(1.9)	(0.2)	(1.4)	(0.7)
Acquisitions, net of cash acquired	-	-	-	0.5
Proceeds on disposal of property, plant, equipment and other	21.0	0.6	22.1	4.7
Net proceeds (payments) related to B.C. Coast monetization (note 11)	(2.1)	-	26.9	-
Net proceeds from deposits and other assets	1.6	0.4	0.6	1.3
	2.6	(56.7)	5.7	(114.8)
Financing activities:				
Issuance of share capital, net of expenses (note 7)	-	-	-	0.1
Interest payments	(15.2)	(15.0)	(29.1)	(28.1)
Lease liability payments	(5.8)	(4.2)	(11.7)	(8.7)
Debt refinancing costs	-	-	-	(0.2)
Revolving Term Line net drawings (repayments) (note 6)	(20.5)	-	40.4	149.5
Additions to Senior Secured Notes (note 6)	-	-	45.3	-
Repayments of Senior Secured Notes (note 6)	-	(7.1)	(45.3)	(7.1)
	(41.5)	(26.3)	(0.4)	105.5
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	0.7	(3.4)	1.4	(4.0)
Increase in cash	9.8	36.6	38.1	25.2
Cash and cash equivalents, beginning of period	83.3	66.2	55.0	77.6
Cash and cash equivalents, end of period	$ 93.1	$ 102.8	$ 93.1	$ 102.8

See accompanying notes to consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and December 31, 2023 (unaudited)

(millions of Canadian Dollars)	June 30, 2024	Dec. 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 93.1	$ 55.0
Trade accounts receivable and other	153.3	184.4
Income tax receivable	67.9	68.4
Inventories (note 5)	275.5	339.2
Prepayments	32.0	26.9
	621.8	673.9
Employee future benefits	16.9	15.5
Deposits and other assets (notes 14 and 15)	275.0	274.6
Right of use assets	42.7	37.1
Property, plant and equipment	1,576.3	1,612.9
Roads and bridges	26.5	35.9
Timber licences	167.4	170.4
Goodwill and other intangible assets	573.0	574.7
Deferred income taxes	7.2	5.3
	$ 3,306.8	$ 3,400.3
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable and provisions (note 11)	$ 225.1	$ 258.9
Current portion of long-term debt (note 6)	45.6	44.1
Reforestation liability	14.7	15.8
Lease liabilities	21.7	17.2
Income taxes payable	0.3	0.2
	307.4	336.2
Reforestation liability	30.6	28.4
Lease liabilities	21.6	23.1
Long-term debt (note 6)	924.4	853.6
Employee future benefits	11.3	11.3
Provisions and other liabilities (note 11)	47.3	54.6
Deferred income taxes	338.1	362.7
Equity:		
Share capital (note 7)	408.9	408.9
Contributed surplus	6.5	6.2
Translation reserve	186.6	145.5
Retained earnings	1,024.1	1,169.8
	1,626.1	1,730.4
	$ 3,306.8	$ 3,400.3

U.S countervailing and anti-dumping duty deposits (note 15).

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

"L. Sauder"
Director

"C. Griffin"
Director

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six months ended June 30, 2024 and 2023 (unaudited)

(millions of Canadian Dollars)	Share Capital	Contributed Surplus	Translation Reserve	Retained Earnings	Total
Balance at December 31, 2023	**$ 408.9**	**$ 6.2**	**$ 145.5**	**$ 1,169.8**	**$ 1,730.4**
Net loss:	**-**	**-**	**-**	**(148.7)**	**(148.7)**
Other comprehensive income:					
Foreign currency translation differences for foreign operations, net of tax	-	-	**41.1**	**-**	**41.1**
Defined benefit plan actuarial gain, net of tax	**-**	**-**	**-**	**3.0**	**3.0**
Contributions and distributions:					
Stock option vesting (note 7)	**-**	**0.3**	**-**	**-**	**0.3**
Balance at June 30, 2024	**$ 408.9**	**$ 6.5**	**$ 186.6**	**$ 1,024.1**	**$ 1,626.1**
Balance at December 31, 2022	**$ 408.7**	**$ 5.5**	**$ 175.9**	**$ 1,437.0**	**$ 2,027.1**
Net loss:	**-**	**-**	**-**	**(55.4)**	**(55.4)**
Other comprehensive income (loss):					
Foreign currency translation differences for foreign operations, net of tax	**-**	**-**	**(29.7)**	**-**	**(29.7)**
Defined benefit plan actuarial gain, net of tax	**-**	**-**	**-**	**0.7**	**0.7**
Contributions and distributions:					
Share issuance, net of expenses (note 7)	**0.2**	**(0.1)**	**-**	**-**	**0.1**
Stock option vesting (note 7)	**-**	**0.4**	**-**	**-**	**0.4**
Balance at June 30, 2023	**$ 408.9**	**$ 5.8**	**$ 146.2**	**$ 1,382.3**	**$ 1,943.2**

See accompanying notes to consolidated financial statements.

(Tabular amounts expressed in millions 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 unaudited condensed consolidated interim financial statements as at and for the three and six months ended June 30, 2024 and 2023 comprise the accounts of Interfor Corporation and its subsidiaries.

2. Basis of Preparation:

(a) Statement of compliance:

These financial statements, including comparatives, have been prepared in accordance with IAS 34 *Interim Financial Reporting* using accounting policies consistent with IFRS Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2023.

These financial statements were approved by Interfor's Board of Directors on August 8, 2024.

(b) Basis of measurement:

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

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

(ii) Equity-settled share-based compensation 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.

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

(c) Critical accounting estimates:

There were no significant changes to the Company's critical accounting estimates during the quarter ended June 30, 2024. Interfor's critical accounting estimates are described in its annual consolidated financial statements for the year ended December 31, 2023, filed under the Company's profile on www.sedarplus.ca.

3. Material accounting policies:

These financial statements have been prepared using the material accounting policies and methods of computation consistent with those applied in the Company's annual consolidated financial statements for the year ended December 31, 2023, which are available on www.sedarplus.ca.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended June 30, 2024, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on future financial statements.

4. Seasonality of operating results:

Quarterly operating results of the Company reflect the seasonality of its operations and markets. Sawmill operations are dependent on the availability of logs from our logging operations and our suppliers, which may be impacted by seasonal weather conditions and extreme weather events, including hurricanes and wildfires. In addition, the market demand for lumber and related products is generally lowest in the winter season due to reduced construction and renovation activities.

5. Inventories:

	June 30, 2024	Dec. 31, 2023
Lumber and other wood products	$ 160.2	$ 191.0
Logs	55.4	93.1
Other	59.9	55.1
	$ 275.5	$ 339.2

Inventory cost includes production costs, depreciation of plant and equipment, and depletion and amortization of timber, roads and other. The inventory write-down to record inventory at the lower of cost and net realizable value at June 30, 2024 was $42.2 million (December 31, 2023 - $55.5 million).

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

6. Borrowings:

June 30, 2024	Revolving Term Line	Senior Secured Notes	Total
Available line of credit	$ 600.0	$ 662.1	$ 1,262.1
Drawings	307.9	662.1	970.0
Outstanding letters of credit	54.7	-	54.7
Unused portion of Revolving Term Line	$ 237.4	$ -	$ 237.4

December 31, 2023	Revolving Term Line	Senior Secured Notes	Total
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

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

Twelve months ending	
June 30, 2025	$ 45.6
June 30, 2026	45.6
June 30, 2027	307.9
June 30, 2028	83.8
June 30, 2029	83.8
Thereafter	403.3
	$ 970.0

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

	Three Months June 30, 2024	Three Months June 30, 2023	Six Months June 30, 2024	Six Months June 30, 2023
Drawings at opening	$ 980.7	$ 946.2	$ 897.7	$ 797.9
Revolving Term Line net drawings (repayments)	(20.5)	-	40.4	149.5
Additions to Senior Secured Notes	-	-	45.3	-
Repayments of Senior Secured Notes	-	(7.1)	(45.3)	(7.1)
Effects of changes in foreign exchange rate	9.8	(20.6)	31.9	(21.8)
Drawings at June 30	$ 970.0	$ 918.5	$ 970.0	$ 918.5

(a) Revolving Term Line:

The Revolving Term Line (the "Term Line") may be drawn in either CAD$ or US$ advances, and bears interest at bank prime plus a margin or, at the Company's option, at rates for CORRA 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 matures on December 17, 2026.

The Term Line is secured by a general security agreement and mortgage security on certain of the Company's Canadian assets and is subject to certain financial covenants including a maximum ratio of net debt to total capitalization. As at June 30, 2024, Interfor was fully in compliance with all covenants relating to the Term Line.

As at June 30, 2024, including letters of credit, the Term Line was drawn by US$253.8 million (December 31, 2023 - US$223.8 million), revalued at the quarter-end exchange rate to $347.4 million (December 31, 2023 - $296.0 million) and $15.2 million (December 31, 2023 - $19.3 million), for total borrowings of $362.6 million (December 31, 2023 - $315.3 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 losses of $9.6 million in the first six months of 2024 (first six months of 2023 – gain of $6.9 million) and $3.2 million in the second quarter of 2024 (Quarter 2, 2023 – gain of $6.2 million) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income (loss).

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

6. Borrowings (continued):

(b) Senior Secured Notes:

As at June 30, 2024, the Company's Senior Secured Notes consisted of the following:

	June 30, 2024	Dec. 31, 2023
Series C (US$66,666,667) bearing interest at 4.17%	$ 91.2	$ 132.3
Series D (US$45,550,000) bearing interest at 4.95%	62.3	60.2
Series E (US$38,200,000) bearing interest at 4.82%	52.3	50.5
Series F (US$50,000,000) bearing interest at 3.34%	68.4	66.1
Series G (US$50,000,000) bearing interest at 3.25%	68.4	66.1
Series H (US$200,000,000) bearing interest at 7.06%	273.8	264.6
Series I (US$33,333,333) bearing interest at 6.37%	45.7	-
	$ 662.1	$ 639.8

The Senior Secured Notes have a weighted average fixed interest rate of 5.46% and maturities from March 26, 2025 to December 26, 2033.

The Senior Secured Notes are secured by a general security agreement and mortgage security on certain of the Company's Canadian assets and is subject to certain financial covenants including a maximum ratio of net debt to total capitalization. As at June 30, 2024, Interfor was fully in compliance with all covenants relating to the Senior Secured Notes.

On March 26, 2024, the Company issued US$33.3 million of Series I Senior Secured Notes, bearing interest at 6.37% with principal repayment due at final maturity on March 26, 2030. The proceeds were 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 have been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange losses of $22.3 million in the first six months of 2024 (first six months of 2023 – gain of $14.9 million) and $6.6 million in the second quarter of 2024 (Quarter 2, 2023 - gain of $14.4 million) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income (loss).

7. Share capital:

The transactions in share capital are described below:

	Number	Amount	Contributed Surplus
Balance, December 31, 2022	51,434,895	$ 408.7	$ 5.5
Exercise of stock options	10,908	0.2	(0.1)
Stock option vesting	-	-	0.8
Balance, December 31, 2023	51,445,803	$ 408.9	$ 6.2
Exercise of stock options	1,000	-	-
Stock option vesting	-	-	0.3
Balance, June 30, 2024	51,446,803	$ 408.9	$ 6.5

On November 3, 2022, the Company announced a renewal of its normal course issuer bid ("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 and the first six months of 2024.

8. Depreciation, depletion and amortization:

Depreciation, depletion and amortization by function is as follows:

	Three Months June 30, 2024	Three Months June 30, 2023	Six Months June 30, 2024	Six Months June 30, 2023
Production	$ 57.6	$ 56.2	$ 114.8	$ 113.1
Selling and administration	0.5	0.4	0.9	0.8
	$ 58.1	$ 56.6	$ 115.7	$ 113.9

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

9. Asset write-downs (recoveries) and restructuring costs:

	Three Months June 30, 2024	Three Months June 30, 2023	Six Months June 30, 2024	Six Months June 30, 2023
Net write-down (recovery) of plant, equipment and other	$ (10.0)	$ -	$ (8.9)	$ 1.5
Severance and other closure costs	1.6	0.1	3.2	0.2
Lease modification	(0.7)	-	(0.7)	-
	$ (9.1)	$ 0.1	$ (6.4)	$ 1.7

On June 27, 2024, the Company sold property and assets of the former sawmill located in Philomath, Oregon for cash consideration of US$15.0 million. Corresponding to the sale, the Company recorded a $10.0 million reversal of an impairment charge recorded in the fourth quarter of 2023 related to the remeasurement of property, plant, equipment and other to the lower of their carrying amount and the fair value less costs to sell.

10. Finance costs:

	Three Months June 30, 2024	Three Months June 30, 2023	Six Months June 30, 2024	Six Months June 30, 2023
Interest expense on:				
Borrowings	$ 15.5	$ 14.6	$ 30.0	$ 27.3
Lease liabilities	0.5	0.3	1.0	0.7
Pension obligations	0.7	0.8	1.4	1.6
Duty deposits and other	2.0	1.5	3.9	2.1
Interest revenue from:				
Duty deposits and other	(6.8)	(3.7)	(12.4)	(7.0)
Pension assets	(0.6)	(0.7)	(1.2)	(1.4)
Unwind of discount on provisions	0.3	0.3	0.6	0.5
Amortization of deferred finance costs	0.2	0.2	0.4	0.4
	$ 11.8	$ 13.3	$ 23.7	$ 24.2

11. Other income (expense):

	Three Months June 30, 2024	Three Months June 30, 2023	Six Months June 30, 2024	Six Months June 30, 2023
Gain related to B.C. Coast monetization	$ 8.2	$ -	$ 39.4	$ -
Change in fair value of minority interest in GreenFirst	(10.2)	(4.6)	(15.6)	(12.3)
Net gain (loss) on disposal of property, plant, equipment, goodwill and other	(14.8)	(0.4)	(14.9)	0.9
Business interruption insurance	-	3.2	-	4.0
	$ (16.8)	$ (1.8)	$ 8.9	$ (7.4)

The Company sold Coastal B.C. forest tenures totalling approximately 50,000 cubic metres of AAC and related assets and liabilities for proceeds of $8.3 million and a gain of $8.2 million in the second quarter of 2024 (Quarter 2, 2023 – nil) and 255,000 cubic metres of allowable annual cut ("AAC") and related assets and liabilities for proceeds of $39.8 million and a gain of $39.4 million in the first six months of 2024 (first six months of 2023 – nil). Interfor held approximately 1,137,000 cubic metres of AAC for disposition at June 30, 2024, subject to approvals from the Ministry of Forests. At June 30, 2024, the remaining balance of the provision related to the settlement of certain contractual obligations in order to facilitate the monetization of the Coastal B.C. operations was $49.1 million (December 31, 2023 - $62.0 million). The provision is recorded in Trade accounts payable and provisions and Provisions and other liabilities on the Statements of Financial Position.

On June 27, 2024, the Company disposed of property, plant, equipment, goodwill and other as part of the sale of the former sawmill located in Philomath, Oregon resulting in a loss on disposal of $14.3 million.

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

12. Net loss per share:

Net 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:

	Three Months June 30, 2024			Three Months June 30, 2023		
	Net loss	Weighted average number of shares	Per share	Net loss	Weighted average number of shares	Per share
Issued shares at March 31		51,446,803			51,441,803	
Effect of shares issued		-			33	
Basic loss per share	$ (75.8)	51,446,803	$ (1.47)	$ (14.1)	51,441,836	$ (0.27)
Effect of dilutive securities:						
Stock options		48,503			93,165	
Diluted loss per share	$ (75.8)	51,446,803*	$ (1.47)	$ (14.1)	51,441,836*	$ (0.27)

	Six Months June 30, 2024			Six Months June 30, 2023		
	Net loss	Weighted average number of shares	Per share	Net loss	Weighted average number of shares	Per share
Issued shares at December 31		51,445,803			51,434,895	
Effect of shares issued		681			5,117	
Basic loss per share	$ (148.7)	51,446,484	$ (2.89)	$ (55.4)	51,440,012	$ (1.08)
Effect of dilutive securities:						
Stock options		67,485			102,319	
Diluted loss per share	$ (148.7)	51,446,484*	$ (2.89)	$ (55.4)	51,440,012*	$ (1.08)

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

13. 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.

Sales by market are as follows:

	Three Months June 30, 2024	Three Months June 30, 2023	Six Months June 30, 2024	Six Months June 30, 2023
United States	$ 614.6	$ 699.7	$ 1,269.7	$ 1,320.8
Canada	142.2	156.8	281.4	347.9
Other export	7.6	5.8	14.1	11.6
Japan	3.6	4.4	10.5	9.3
China/Taiwan	3.2	5.1	8.7	12.1
	$ 771.2	$ 871.8	$ 1,584.4	$ 1,701.7

Sales by product line are as follows:

	Three Months June 30, 2024	Three Months June 30, 2023	Six Months June 30, 2024	Six Months June 30, 2023
Lumber and other wood products	$ 668.1	$ 753.2	$ 1,366.8	$ 1,423.4
Wood chips and other by-products	74.5	76.1	150.4	156.4
Logs	19.8	30.7	53.9	101.4
Other	8.8	11.8	13.3	20.5
	$ 771.2	$ 871.8	$ 1,584.4	$ 1,701.7

14. Financial instruments:

IFRS 13 Fair Value Measurement requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

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

14. Financial instruments (continued):

The following table summarizes Interfor's financial instruments measured at fair value at June 30, 2024 and December 31, 2023, and shows the level within the fair value hierarchy in which the financial instruments have been classified:

	Fair Value Hierarchy Level	June 30, 2024	Dec. 31, 2023
Financial assets measured at fair value			
Investment in GreenFirst	Level 1	$ 11.6	$ 27.2
U.S. countervailing and anti-dumping duty deposits	Level 3	252.8	238.4
		$ 264.4	$ 265.6

At June 30, 2024, the fair value of the Company's Long-term debt was less than its carrying value by $13.1 million (December 31, 2023 - $2.4 million) measured based on the level 2 of the fair value hierarchy.

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

As at June 30, 2024, the Company had no outstanding obligations under derivative financial instruments.

15. U.S. countervailing and anti-dumping duty deposits:

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

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

The following table summarizes the cash deposit rates that were in effect and the 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 Jan to Nov	Cash deposit rates in effect Dec	Final rates
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%

Fifth administrative review - 2022	Cash deposit rates in effect Jan 1 to Jan 9	Cash deposit rates in effect Jan 10 to Aug 8	Cash deposit rates in effect Aug 9 to Dec 31	Preliminary rates
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%

Sixth administrative review - 2023	Cash deposit rates in effect Jan 1 to Jul 31	Cash deposit rates in effect Aug 1 to Sep 12	Cash deposit rates in effect Sep 13 onwards	Final rates
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. Final rate determinations are expected to be published in the third quarter of 2024. At such time, the final rates determined and published for 2022 will be applied to new lumber shipments.

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

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

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
2024	19.5
Acquired rights to duty deposits	244.8
	$ 569.1

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:

	June 30, 2024		Dec. 31, 2023	
	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	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	-	11.0	-	3.5
Duties recognized as duty deposits receivable	161.8	221.6	161.8	214.1
Interest recognized on duty deposits receivable	22.9	31.2	18.5	24.3
	$ 184.7	$ 252.8	$ 180.3	$ 238.4

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, United States-Mexico-Canada Agreement or World Trade Organization panels to which the DoC and ITC determinations may be appealed.

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