Interfor Corporation
Third Quarter Report
For the three and nine months ended September 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 nine months ended September 30, 2024 ("Q3'24" 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 nine months ended September 30, 2024, and the notes thereto which have been prepared in accordance with IAS 34 *Interim Financial Reporting* using accounting policies consistent 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 November 6, 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 Third 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, plan 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; regulatory approvals, proceeds and charges related to the exit of Quebec operations; 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 Third Quarter, 2024

Interfor recorded a Net loss in Q3’24 of $105.7 million, or $2.05 per share, compared to a Net loss of $75.8 million, or $1.47 per share in Q2’24 and a Net loss of $42.4 million, or $0.82 per share in Q3’23.

Adjusted EBITDA was a loss of $22.0 million on sales of $692.7 million in Q3’24 versus a loss of $16.7 million on sales of $771.2 million in Q2’24 and Adjusted EBITDA of $31.9 million on sales of $828.1 million in Q3’23.

Notable items:

- Production Curtailments to Reflect Ongoing Weak Lumber Market
  - In Q3’24, lumber production totalled 904 million board feet, representing a 130 million board foot decrease over the prior quarter. This decrease reflects the temporary production curtailments announced on August 8, 2024, which included the indefinite curtailment of the Meldrim, GA and Summerville, SC sawmills. The Company will continue to monitor market conditions across all its operations and adjust its operating plans accordingly.
  - In response to persistently weak lumber market conditions, on August 19, 2024, Interfor announced the indefinite curtailment of operations at its sawmills in Meldrim, GA and Summerville, SC, which have a combined annual capacity of 330 million board feet. As a result of the curtailments, the Company recorded an impairment charge of $17.3 million against plant, equipment, intangibles and other.
  - 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 during Q3’24 as reflected in Interfor’s average selling price of $570 per mfbm, down $32 per mfbm versus Q2’24.
- Exit of Quebec Operations
  - On October 16, 2024, Interfor announced plans to exit its operations in Quebec, Canada, including the sale of its three manufacturing facilities and the closure of its Montreal corporate office. The Val-d’Or and Matagami sawmills have a combined lumber production capacity of 255 million board feet per year, representing approximately 5% of Interfor’s total company-wide capacity.
  - As part of the exit plan, the Company announced it had reached an agreement to sell its sawmills in Val-d’Or and Matagami as well as its Sullivan remanufacturing plant in Val-d’Or, along with all associated forestry and business operations, to Chantiers Chibougamau Ltee for cash consideration of approximately $30.0 million. The completion of the transaction is subject to customary conditions, including regulatory approvals, and is expected to close in the fourth quarter of 2024.
  - Associated with this sale, the Company recorded an impairment charge of $73.8 million against plant, equipment, intangibles, roads and timber licences. Upon the transaction closing, it is expected that an incremental loss on disposal of goodwill of approximately $33.0 million will be recorded.
- Financial Position
  - Net debt at quarter-end was $849.9 million, or 36.1% of invested capital compared to net debt at Q2’24 of $876.9 million, or 35.0% of invested capital.
  - The Company’s financial position benefited in the third quarter from $38.1 million of positive operating cash flow, primarily resulting from the collection of $55.6 million of income tax refunds and a $6.7 million reduction of working capital. In October 2024, the Company collected an additional $12.6 million of income tax refunds and expects to continue its ongoing monetization of Coastal B.C. operations over the fourth quarter of 2024 and into 2025.
  - The Company’s available liquidity improved $22.3 million quarter-over-quarter to $352.8 million at September 30, 2024.

- Ongoing Monetization of Coastal B.C. Operations
  - The Company sold Coastal B.C. forest tenures totalling approximately 125,000 cubic metres of allowable annual cut ("AAC") and related assets and liabilities for proceeds of $15.7 million and a gain of $16.5 million. Interfor held approximately 1,013,000 cubic metres of AAC for disposition at September 30, 2024, subject to approvals from the Ministry of Forests.
- Capital Investments
  - Capital spending was $15.7 million, including $6.6 million of discretionary investment primarily focused on the multi-year rebuild of the Thomaston, GA sawmill.
  - Total capital expenditures planned for 2024 remain unchanged from prior guidance at approximately $70.0 million, while total capital expenditures for 2025 are estimated to be approximately $75.0 million.
- Softwood Lumber Duties
  - On August 19, 2024, the U.S. Department of Commerce ("DoC") published the final rates for countervailing ("CV") and anti-dumping ("AD") duties based on the results of its fifth administrative review ("AR5") covering shipments for the year ended December 31, 2022. The final combined rate for 2022 was 14.54%, which was subsequently amended on September 24, 2024 to correct a ministerial error to 14.40%. This compared to the cash deposit rate of 17.90% from January 1 to January 9, 2022, 17.91% from January 10 to August 8, 2022 and 8.59% from August 9 to December 31, 2022. To reflect the amended final rates for 2022, Interfor recorded a $3.4 million reduction to duties expense in Q3'24 and a corresponding receivable and payable on its balance sheet. The combined rate of 14.40% was retroactively applied to new shipments effective August 19, 2024.
  - Interfor has paid cumulative duties of US$579.6 million, or approximately $11.10 per share on an after-tax basis, as at September 30, 2024. Except for a US$165.0 million net receivable recorded 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 be volatile as the economy continues to adjust to changing monetary policies, 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 Sept. 30 2024	Sept. 30 2023	Jun. 30 2024	For the nine months ended Sept. 30 2024	Sept. 30 2023
Financial Highlights[1]						
Total sales	$MM	692.7	828.1	771.2	2,277.1	2,529.8
Lumber	$MM	542.2	667.1	634.8	1,847.7	2,032.8
Logs, residual products and other	$MM	150.5	161.0	136.4	429.4	497.0
Operating loss	$MM	(172.2)	(21.1)	(63.3)	(316.4)	(78.2)
Net loss	$MM	(105.7)	(42.4)	(75.8)	(254.4)	(97.8)
Net loss per share, basic	$/share	(2.05)	(0.82)	(1.47)	(4.94)	(1.90)
Adjusted EBITDA[2]	$MM	(22.0)	31.9	(16.7)	(61.0)	99.8
Adjusted EBITDA margin[2]	%	(3.2%)	3.9%	(2.2%)	(2.7%)	3.9%
Total assets	$MM	3,049.9	3,577.8	3,306.8	3,049.9	3,577.8
Total debt	$MM	882.0	877.1	970.0	882.0	877.1
Net debt[2]	$MM	849.9	777.7	876.9	849.9	777.7
Net debt to invested capital[2]	%	36.1%	28.7%	35.0%	36.1%	28.7%
Annualized return on capital employed[2]	%	(18.8%)	(4.5%)	(11.1%)	(13.3%)	(3.6%)
Operating Highlights						
Lumber production	million fbm	904	997	1,034	3,008	3,050
U.S. South	million fbm	443	470	476	1,399	1,412
U.S. Northwest	million fbm	80	162	124	345	469
Eastern Canada	million fbm	216	247	276	780	745
B.C.	million fbm	165	118	158	484	424
Lumber sales	million fbm	951	1,008	1,055	3,106	3,128
Lumber - average selling price[3]	$/thousand fbm	570	661	602	595	650
Key Statistics						
Benchmark lumber prices[4]						
SYP Composite	US$ per mfbm	338	429	356	359	439
KD H-F Stud 2x4 9’	US$ per mfbm	359	474	424	413	451
Eastern SPF Composite	US$ per mfbm	454	510	469	471	486
Western SPF Composite	US$ per mfbm	380	412	385	394	394
USD/CAD exchange rate[5]						
Average	1 USD in CAD	1.3641	1.3414	1.3683	1.3604	1.3456
Closing	1 USD in CAD	1.3499	1.3520	1.3687	1.3499	1.3520

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 Third Quarter 2024 Financial Performance

Sales

Interfor recorded $692.7 million of total sales, down 16.4% from $828.1 million in the third quarter of 2023, driven by the sale of 951 million board feet of lumber at an average price of $570 per mfbm. Average selling price decreased $91 per mfbm, or 13.8%, and lumber sales volume decreased 57 million board feet, or 5.7%, as compared to the same quarter of 2023.

The decrease in the average selling price of lumber reflects lower prices across all key benchmarks in Q3’24 as compared to Q3’23.

Sales generated from logs, residual products and other decreased by $10.5 million or 6.5% in Q3’24 compared to Q3’23 due mainly to a decrease in the average selling price of logs and reduced logging in the B.C. Coastal operations.

Operations

Production costs decreased by $87.5 million, or 11.2%, compared to Q3'23, explained primarily by a 5.7% decrease in lumber sales volume, decreased logging in the B.C. Coastal operations, lower stumpage rates in B.C. and Eastern Canada and a net $4.9 million decrease in the net realizable value provision for log and lumber inventories recorded in Q3'24 versus Q3'23. The decrease is partially offset by a weaker Canadian Dollar on average.

Lumber production of 904 million board feet in Q3'24 was 93 million board feet lower than Q3'23. The decrease was primarily driven by more temporary market-related curtailments in Q3'24 compared to Q3'23, the indefinite curtailment of the Philomath, OR sawmill in Q1'24 and the indefinite curtailment of the Meldrim, GA and Summerville, SC sawmills in Q3'24. The decrease was partially offset by the temporary closure of a B.C. sawmill due to wildfires in Q3'23.

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 $10.2 million for Q3'24, up $9.3 million from Q3'23 due primarily to a $3.4 million recovery related to the finalization of the CV and AD rates by the U.S. DoC for AR5 compared to a $6.3 million recovery in Q3'23 related to the finalization of the fourth administrative review ("AR4"). The increase was also due to higher cash deposit rates and foreign exchange differences on revaluation of the long-term duty deposits receivable and payable from the strengthening Canadian Dollar, partially offset by lower lumber sales prices and lower shipments to the U.S. from Canadian sawmills as compared to Q3'23.

Depreciation of plant and equipment was $42.4 million in Q3'24, down $4.3 million from Q3'23, due primarily to the indefinite curtailment of the Philomath, OR sawmill in Q1'24 and the indefinite curtailment of the Meldrim, GA and Summerville, SC sawmills in Q3'24. Depletion and amortization of timber, roads and other was $10.3 million, up $2.7 million from Q3'23, primarily due to increased logging at the B.C. Interior operations.

Corporate and Other

Selling and administration expenses were $13.9 million, down $3.3 million from Q3'23, primarily related to reduced general corporate activities and no accrual for short term incentive compensation in Q3'24.

Long-term incentive compensation expense was $2.7 million in Q3'24, compared to a recovery of $1.3 million in Q3'23, primarily as a result of the impact of a 20.9% increase in the price of Interfor common shares used to value share-based awards during Q3'24 compared to a 16.6% decrease during Q3'23.

Asset write-downs and restructuring costs in Q3'24 were $94.8 million, primarily related to an impairment of assets at the Quebec operations, which are expected to be sold in Q4'24 and an impairment of assets at an operation in the U.S. South as a result of its indefinite curtailment. Asset write-downs and restructuring costs in Q3'23 were negligible.

Finance costs decreased to $9.5 million in Q3'24 from $10.2 million in Q3'23, primarily due to higher net interest revenue accrued on the long-term duties receivable and payable.

Other foreign exchange gain of $8.8 million in Q3'24 and loss of $14.0 million in Q3'23 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 gain of $9.3 million recorded in the quarter on intercompany funding remains unrealized, and there was an offsetting loss recorded in Other comprehensive income (loss) for a net nil impact on Equity.

Other income of $25.5 million in Q3'24 primarily related to a gain on the sale of Coastal B.C. forest tenures and the change in the fair value of the minority interest in GreenFirst Forest Products Inc. ("GreenFirst"), partially offset by the reversal of an accrued business interruption insurance claim. Other expense of $2.2 million in Q3'23 primarily related to the change in the fair value of the minority interest in GreenFirst.

Income Taxes

The Company recorded an income tax recovery of $41.7 million in Q3’24 at an effective tax rate of 28%, related entirely to deferred taxes. The Company recorded an income tax recovery of $5.1 million in Q3’23 at an effective tax rate of 11%, comprised of a $5.9 million current income tax recovery and a $0.8 million deferred tax expense.

Net Loss

The Company recorded a Net loss of $105.7 million, or $2.05 per share, compared to a Net loss of $42.4 million, or $0.82 per share in Q3’23. Operating margins and Net loss were impacted by lower average lumber prices, lower sales volumes and asset write-downs and restructuring costs, partially offset by lower production costs per unit, unrealized foreign exchange and other gains.

Summary of Year-to-Date 2024 Financial Performance

Sales

Interfor recorded $2.3 billion of total sales, down 10.0% from $2.5 billion in the first nine months of 2023, driven by the sale of 3.1 billion board feet of lumber at an average price of $595 per mfbm. Average selling price decreased $55 per mfbm, or 8.5%, and lumber sales volume decreased 22 million board feet, or 0.7%, as compared to the first nine months 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 in YTD’24 as compared to YTD’23. The Western SPF Composite was flat year-over-year.

Sales generated from logs, residual products and other decreased by $67.6 million or 13.6% as compared to the same period of 2023 due mainly to a decrease in the average selling price of logs and reduced logging in the B.C. Coastal operations.

Operations

Production costs decreased by $91.1 million, or 3.9% over the first nine months 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 $30.7 million increase in the net realizable value provision for log and lumber inventories recorded YTD’24 versus YTD’23 and a weaker Canadian Dollar on average.

Lumber production of 3.0 billion board feet in YTD’24 was 42 million board feet lower than YTD’23. The decrease was primarily driven by more temporary market-related curtailments YTD’24 compared to YTD’23, the indefinite curtailment of the Philomath, OR sawmill in Q1’24 and the indefinite curtailment of the Meldrim, GA and Summerville, SC sawmills in Q3’24. The decrease was partially offset by the temporary closure of a B.C. sawmill due to wildfires in Q3’23.

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 $28.5 million for YTD’24, down $0.1 million from YTD’23 due to foreign exchange differences on revaluation of the long-term duty deposits receivable and payable from the weakening Canadian Dollar. The decrease is partially offset by a $3.4 million recovery related to the finalization of the CV and AD rates by the U.S. DoC for AR5 in YTD’24 compared to a $6.3 million recovery related to the finalization of AR4 in YTD’23. In addition, the decrease is partially offset by higher shipments to the U.S. from Canadian sawmills compared to YTD’23.

Depreciation of plant and equipment was $135.8 million, down 1.9% from the first nine months of 2023, due primarily to the indefinite curtailments of the Philomath, OR, Meldrim, GA and Summerville, SC sawmills during YTD’24. Depletion and amortization of timber, roads and other was $32.6 million, up $2.9 million from YTD’23, primarily due to right of use asset additions, mainly in the Eastern region, which replaced end of life assets.

Corporate and Other

Selling and administration expenses were $47.3 million, down $4.7 million from the first nine months of 2023, primarily related to reduced general corporate activities and no accrual for short term incentive compensation in YTD’24.

Long-term incentive compensation recovery was $1.4 million YTD’24, compared to an expense of $4.1 million in YTD’23, primarily as a result of the impact of a 19.0% decrease in the price of Interfor common shares used to value share-based awards during YTD’24 compared to a 3.7% decrease during YTD’23. These amounts are also impacted by the vesting and maturing of incentive awards.

Asset write-downs and restructuring costs in YTD’24 were $88.4 million, primarily related to an impairment of assets at the Quebec operations, which are expected to be sold in Q4’24 and an impairment of assets at an operation in the U.S. South as a result of its indefinite curtailment and severance costs. The impairment of assets is partially offset by the reversal of an impairment charge recorded in the fourth quarter of 2023 related to the Philomath, OR sawmill. Asset write-downs 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 $33.2 million from $34.4 million in the first nine months of 2023, primarily due to higher net interest revenue accrued on the long-term duties receivable and payable, partially offset by interest expense on higher borrowings.

Other foreign exchange loss of $14.0 million in YTD’24 and $0.3 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 $14.7 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 $34.4 million in YTD’24 primarily related to a gain on the sale of Coastal B.C. forest tenures, partially offset by the loss on disposal of property and assets of the former sawmill located in Philomath, OR, the change in the fair value of the minority interest in GreenFirst and the reversal of an accrued business interruption insurance claim. Other expense of $9.6 million in YTD’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 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 $74.8 million in YTD’24 at an effective tax rate of 23%, comprised of a $1.0 million current income tax recovery and a $73.8 million deferred tax recovery. The Company recorded an income tax recovery of $24.7 million in YTD’23 at an effective tax rate of 20%, comprised of a $24.0 million current income tax recovery and a $0.7 million deferred tax recovery.

Net Loss

The Company recorded a Net loss of $254.4 million, or $4.94 per share, compared to a Net loss of $97.8 million, or $1.90 per share, in the same period of 2023. Operating margins and Net loss were impacted by lower average lumber prices, asset write-downs and restructuring costs, an unrealized foreign exchange loss on intercompany funding and slightly lower sales volumes, partially offset by gains from the sale of Coastal B.C. forest tenures.

Summary of Quarterly Results

		2024			2023				2022
	Unit	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Financial Performance[1]									
Total sales	$MM	692.7	771.2	813.2	785.9	828.1	871.8	829.9	810.3
Lumber	$MM	542.2	634.8	670.7	628.5	667.1	723.2	642.5	656.3
Logs, residual products and other	$MM	150.5	136.4	142.5	157.4	161.0	148.6	187.4	154.0
Operating loss	$MM	(172.2)	(63.3)	(80.9)	(174.2)	(21.1)	(20.8)	(36.3)	(114.8)
Net loss	$MM	(105.7)	(75.8)	(72.9)	(169.0)	(42.4)	(14.1)	(41.3)	(72.2)
Net loss per share, basic	$/share	(2.05)	(1.47)	(1.42)	(3.29)	(0.82)	(0.27)	(0.80)	(1.40)
Adjusted EBITDA[2]	$MM	(22.0)	(16.7)	(22.3)	(51.4)	31.9	41.9	26.1	(68.7)
Adjusted EBITDA margin[2]	%	(3.2%)	(2.2%)	(2.7%)	(6.5%)	3.9%	4.8%	3.1%	(8.5%)
Annualized return on capital employed[2]	%	(18.8%)	(11.1%)	(9.1%)	(28.0%)	(4.5%)	(1.1%)	(5.0%)	(13.8%)
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	million	51.4	51.4	51.4	51.4	51.4	51.4	51.4	51.4
Operating Performance									
Lumber production	million fbm	904	1,034	1,069	1,102	997	1,023	1,031	874
U.S. South	million fbm	443	476	480	485	470	468	473	404
U.S. Northwest	million fbm	80	124	141	157	162	165	142	135
Eastern Canada	million fbm	216	276	288	275	247	249	250	212
B.C.	million fbm	165	158	160	185	118	141	166	123
Lumber sales	million fbm	951	1,055	1,100	1,046	1,008	1,116	1,004	939
Lumber - average selling price[3]	$/thousand fbm	570	602	610	601	661	649	639	699
Key Statistics									
Benchmark lumber prices[4]									
SYP Composite	US$ per mfbm	338	356	383	373	429	446	442	461
KD H-F Stud 2x4 9’	US$ per mfbm	359	424	455	423	474	452	428	461
Eastern SPF Composite	US$ per mfbm	454	469	489	461	510	474	474	498
Western SPF Composite	US$ per mfbm	380	385	416	374	412	372	399	420
USD/CAD exchange rate[5]									
Average	1 USD in CAD	1.3641	1.3683	1.3486	1.3624	1.3414	1.3428	1.3525	1.3578
Closing	1 USD in CAD	1.3499	1.3687	1.3550	1.3226	1.3520	1.3240	1.3533	1.3544

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 decreased due to temporary market-related curtailments announced in October 2022, January 2023, February 2024, April 2024 and August 2024 and the temporary curtailment of a B.C. sawmill due to wildfires in Q3’23. Also, lumber production and sales decreased due to the indefinite curtailment of a U.S. Northwest sawmill in Q1’24 and subsequent sale in Q2’24 and the indefinite curtailment of two U.S. South sawmills in Q3’24. Asset impairments related to the U.S. Northwest operations affected earnings in Q4’23 and Q2’24, asset impairments related to the U.S. South and Quebec operations affected earnings in Q3’24 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 September 30, 2024 was $849.9 million, or 36.1% of invested capital, representing an increase of $7.2 million from the level of Net debt at December 31, 2023.

As at September 30, 2024 the Company had net working capital of $207.7 million and available liquidity of $352.8 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 September 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 Sept. 30,		For the nine months ended Sept. 30,	
Millions of Dollars	2024	2023	2024	2023
Net debt				
Net debt, period opening	$876.9	$815.7	$842.7	$720.3
Net repayment of Senior Secured Notes	-	-	-	(7.1)
Term Line net drawings (repayments)	(75.2)	(61.2)	(34.8)	88.3
Increase (decrease) in cash and cash equivalents	60.5	5.6	23.8	(23.6)
Foreign currency translation impact on U.S. Dollar denominated cash and cash equivalents and debt	(12.3)	17.6	18.2	(0.2)
Net debt, period ending	$849.9	$777.7	$849.9	$777.7

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 $17.5 million cash outflow from operations before changes in working capital in YTD'24, compared to an inflow of $158.6 million for YTD'23. There was a net cash inflow from operations after changes in working capital of $69.5 million in YTD'24, with $87.0 million of cash released from operating working capital.

Lower lumber prices and improved collection of trade receivables contributed to the $32.9 million inflow related to trade receivables, while a focused effort to reduce log and lumber inventories contributed to the $76.0 million inflow from inventories. Timing of payments contributed to the $22.0 million outflow from trade accounts payable and provisions. Income tax refunds of $58.1 million were collected in YTD'24.

In YTD'23, $145.7 million of cash was generated from operations, with $12.9 million of cash invested in operating working capital.

Cash Flow from Investing Activities

Investing activities generated $1.3 million in YTD'24, with $36.0 million in net proceeds on the sale of Coastal B.C. forest tenures and $23.7 million in proceeds on disposal of property, plant, equipment and other, partially offset by $55.7 million for additions to property, plant and equipment and $3.9 million for development of roads and bridges.

Discretionary mill improvements of $29.0 million in YTD'24 were mainly focused on the multi-year rebuild of the Thomaston, GA sawmill.

Maintenance capital investments excluding roads totalled $26.8 million in YTD'24.

In YTD’23, investing activities totalled $152.3 million, with $152.2 million for additions to property, plant and equipment and $7.6 million for development of roads and bridges, partially offset by $4.9 million in proceeds on disposal of property, plant, equipment and other.

Discretionary and maintenance mill improvements totalled $105.6 million and $46.6 million in YTD’23, respectively, of which the majority was invested in the multi-year rebuild of the Thomaston, GA sawmill, a new kiln at the Eatonton, 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 $94.6 million in YTD’24 resulted from the US$33.3 million in repayment of Senior Secured Notes, $34.8 million in Term Line net repayments, interest payments of $42.7 million and lease liability payments of $17.1 million, partially offset by the issuance of US$33.3 million of Senior Secured Notes.

The net cash inflow of $30.2 million in YTD’23 resulted from $88.3 million in Term Line net drawings, partially offset by interest payments of $37.5 million, lease liability payments of $13.4 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 September 30, 2024:

Millions of Dollars	Revolving Term Line	Senior Secured Notes	Total
Available line of credit and maximum borrowing available	$600.0	$653.0	$1,253.0
Less:			
Drawings	229.0	653.0	882.0
Outstanding letters of credit included in line utilization	50.3	-	50.3
Unused portion of facility	$320.7	$ -	320.7
Add:			
Cash and cash equivalents			32.1
Available liquidity at September 30, 2024			$352.8

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

As of September 30, 2024, the Company had commitments for capital expenditures totalling $28.8 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 nine months ended September 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 September 30, 2024, such instruments aggregated $114.0 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 Q3'24 or Q3'23.

Outstanding Shares

As of November 6, 2024, Interfor had 51,453,736 common shares issued and outstanding. These common shares are listed on the Toronto Stock Exchange under the symbol IFP.

As of November 6, 2024, there were 512,402 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 nine 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 nine months ended September 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 September 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 September 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 Sept. 30 2024	Sept. 30 2023	Jun. 30 2024	For the nine months ended Sept. 30 2024	Sept. 30 2023
Adjusted EBITDA					
Net loss	$(105.7)	$(42.4)	$(75.8)	$(254.4)	$(97.8)
Add:					
Depreciation of plant and equipment	42.4	46.7	46.7	135.8	138.5
Depletion and amortization of timber, roads and other	10.3	7.6	11.4	32.6	29.7
Finance costs	9.5	10.2	11.8	33.2	34.4
Income tax recovery	(41.7)	(5.1)	(22.3)	(74.8)	(24.7)
EBITDA	(85.2)	17.0	(28.2)	(127.6)	80.1
Add:					
Long-term incentive compensation expense (recovery)	2.7	(1.3)	(2.4)	(1.4)	4.1
Other foreign exchange loss (gain)	(8.8)	14.0	6.2	14.0	0.3
Other expense (income) excluding business interruption insurance	(25.5)	2.2	16.8	(34.4)	13.6
Asset write-downs (recoveries) and restructuring costs	94.8	-	(9.1)	88.4	1.7
Adjusted EBITDA	$(22.0)	$31.9	$(16.7)	$(61.0)	$99.8
Sales	$692.7	$828.1	$771.2	$2,277.1	$2,529.8
Adjusted EBITDA margin	(3.2%)	3.9%	(2.2%)	(2.7%)	3.9%
Net debt to invested capital					
Net debt					
Total debt	$882.0	$877.1	$970.0	$882.0	$877.1
Cash and cash equivalents	(32.1)	(99.4)	(93.1)	(32.1)	(99.4)
Total net debt	$849.9	$777.7	$876.9	$849.9	$777.7
Invested capital					
Net debt	$849.9	$777.7	$876.9	$849.9	$777.7
Shareholders' equity	1,505.6	1,927.9	1,626.1	1,505.6	1,927.9
Total invested capital	$2,355.5	$2,705.6	$2,503.0	$2,355.5	$2,705.6
Net debt to invested capital[1]	36.1%	28.7%	35.0%	36.1%	28.7%
Annualized return on capital employed					
Net loss	$(105.7)	$(42.4)	$(75.8)	$(254.4)	$(97.8)
Add:					
Finance costs	9.5	10.2	11.8	33.2	34.4
Income tax recovery	(41.7)	(5.1)	(22.3)	(74.8)	(24.7)
Loss before income taxes and finance costs	$(137.9)	$(37.3)	$(86.3)	$(296.0)	$(88.1)
Capital employed					
Total assets	$3,049.9	$3,577.8	$3,306.8	$3,049.9	$3,577.8
Current liabilities	(300.5)	(345.4)	(307.4)	(300.5)	(345.4)
Less:					
Current portion of long-term debt	45.0	45.1	45.6	45.0	45.1
Current portion of lease liabilities	20.5	16.0	21.7	20.5	16.0
Capital employed, end of period	$2,814.9	$3,293.5	$3,066.7	$2,814.9	$3,293.5
Capital employed, beginning of period	3,066.7	3,344.9	3,159.7	3,125.4	3,316.0
Average capital employed	$2,940.8	$3,319.2	$3,113.2	$2,970.2	$3,304.7
Loss before income taxes and finance costs divided by average capital employed	(4.7%)	(1.1%)	(2.8%)	(10.0%)	(2.7%)
Annualization factor	4.0	4.0	4.0	1.3	1.3
Annualized return on capital employed	(18.8%)	(4.5%)	(11.1%)	(13.3%)	(3.6%)

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.

INTERFOR

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

For the three and nine months ended September 30, 2024 and 2023 (unaudited)

(millions of Canadian Dollars except per share amounts)	Three Months Sept. 30, 2024	Three Months Sept. 30, 2023	Nine Months Sept. 30, 2024	Nine Months Sept. 30, 2023
Sales (note 13)	$ 692.7	$ 828.1	$ 2,277.1	$ 2,529.8
Costs and expenses:				
Production	690.6	778.1	2,262.3	2,353.4
Selling and administration	13.9	17.2	47.3	52.0
Long-term incentive compensation expense (recovery)	2.7	(1.3)	(1.4)	4.1
U.S. countervailing and anti-dumping duty deposits (note 15)	10.2	0.9	28.5	28.6
Depreciation of plant and equipment (note 8)	42.4	46.7	135.8	138.5
Depletion and amortization of timber, roads and other (note 8)	10.3	7.6	32.6	29.7
	770.1	849.2	2,505.1	2,606.3
Operating loss before asset write-downs and restructuring costs	(77.4)	(21.1)	(228.0)	(76.5)
Asset write-downs and restructuring costs (note 9)	94.8	-	88.4	1.7
Operating loss	(172.2)	(21.1)	(316.4)	(78.2)
Finance costs (note 10)	(9.5)	(10.2)	(33.2)	(34.4)
Other foreign exchange gain (loss)	8.8	(14.0)	(14.0)	(0.3)
Other income (expense) (note 11)	25.5	(2.2)	34.4	(9.6)
	24.8	(26.4)	(12.8)	(44.3)
Loss before income taxes	(147.4)	(47.5)	(329.2)	(122.5)
Income tax expense (recovery):				
Current	-	(5.9)	(1.0)	(24.0)
Deferred	(41.7)	0.8	(73.8)	(0.7)
	(41.7)	(5.1)	(74.8)	(24.7)
Net loss	$ (105.7)	$ (42.4)	$ (254.4)	$ (97.8)
Net loss per share				
Basic (note 12)	$ (2.05)	$ (0.82)	$ (4.94)	$ (1.90)
Diluted (note 12)	$ (2.05)	$ (0.82)	$ (4.94)	$ (1.90)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three and nine months ended September 30, 2024 and 2023 (unaudited)

(millions of Canadian Dollars)	Three Months Sept. 30, 2024	Three Months Sept. 30, 2023	Nine Months Sept. 30, 2024	Nine Months Sept. 30, 2023
Net loss	$ (105.7)	$ (42.4)	$ (254.4)	$ (97.8)
Other comprehensive income (loss):				
Items that will not be recycled to Net loss:				
Defined benefit plan actuarial gain, net of tax	0.7	-	3.7	0.7
Items that may be recycled to Net loss:				
Foreign currency translation differences for foreign operations, net of tax	(15.5)	26.9	25.6	(2.8)
Total other comprehensive income (loss), net of tax	(14.8)	26.9	29.3	(2.1)
Comprehensive loss	$ (120.5)	$ (15.5)	$ (225.1)	$ (99.9)

See accompanying notes to consolidated financial statements.

INTERFOR

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30, 2024 and 2023 (unaudited)

(millions of Canadian Dollars)	Three Months Sept. 30, 2024	Three Months Sept. 30, 2023	Nine Months Sept. 30, 2024	Nine Months Sept. 30, 2023
Cash provided by (used in):				
Operating activities:				
Net loss	$ (105.7)	$ (42.4)	$ (254.4)	$ (97.8)
Items not involving cash:				
Depreciation of plant and equipment (note 8)	42.4	46.7	135.8	138.5
Depletion and amortization of timber, roads and other (note 8)	10.3	7.6	32.6	29.7
Deferred income tax expense (recovery)	(41.7)	0.8	(73.8)	(0.7)
Current income tax recovery	-	(5.9)	(1.0)	(24.0)
Finance costs (note 10)	9.5	10.2	33.2	34.4
Other assets	(4.1)	(6.4)	(4.5)	(6.1)
Reforestation liability	2.5	4.8	3.0	(0.5)
Provisions and other liabilities	3.7	(3.8)	(0.7)	4.3
Stock option vesting (note 7)	-	0.2	0.3	0.6
Net write-down of plant, equipment, roads and timber licences (note 9)	91.1	-	82.2	1.5
Unrealized foreign exchange loss (gain)	(6.3)	8.8	8.2	0.4
Gain on lease modification (note 9)	-	-	(0.7)	-
Other expense (income) (note 11)	(25.5)	2.2	(34.4)	9.6
Income taxes received, net	55.2	70.5	56.7	68.7
	31.4	93.3	(17.5)	158.6
Cash generated from (used in) operating working capital:				
Trade accounts receivable and other	(4.1)	(1.6)	32.9	(39.3)
Inventories	7.8	(7.3)	76.0	57.6
Prepayments	4.8	4.6	0.1	(4.2)
Trade accounts payable and provisions	(1.8)	18.2	(22.0)	(27.0)
	38.1	107.2	69.5	145.7
Investing activities:				
Additions to property, plant and equipment	(13.2)	(31.6)	(55.7)	(152.2)
Additions to roads and bridges	(2.5)	(6.9)	(3.9)	(7.6)
Acquisitions, net of cash acquired	-	-	-	0.5
Proceeds on disposal of property, plant, equipment and other	1.6	0.2	23.7	4.9
Net proceeds related to B.C. Coast monetization (note 11)	9.1	-	36.0	-
Net proceeds from deposits and other assets	0.6	0.8	1.2	2.1
	(4.4)	(37.5)	1.3	(152.3)
Financing activities:				
Issuance of share capital, net of expenses (note 7)	-	-	-	0.1
Interest payments	(13.6)	(9.4)	(42.7)	(37.5)
Lease liability payments	(5.4)	(4.7)	(17.1)	(13.4)
Debt refinancing costs	-	-	-	(0.2)
Revolving Term Line net drawings (repayments) (note 6)	(75.2)	(61.2)	(34.8)	88.3
Additions to Senior Secured Notes (note 6)	-	-	45.3	-
Repayments of Senior Secured Notes (note 6)	-	-	(45.3)	(7.1)
	(94.2)	(75.3)	(94.6)	30.2
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	(0.5)	2.2	0.9	(1.8)
Increase (decrease) in cash	(61.0)	(3.4)	(22.9)	21.8
Cash and cash equivalents, beginning of period	93.1	102.8	55.0	77.6
Cash and cash equivalents, end of period	$ 32.1	$ 99.4	$ 32.1	$ 99.4

See accompanying notes to consolidated financial statements.

INTERFOR

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2024 and December 31, 2023 (unaudited)

(millions of Canadian Dollars)	Sept. 30, 2024	Dec. 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 32.1	$ 55.0
Trade accounts receivable and other	153.2	184.4
Income tax receivable	14.8	68.4
Inventories (note 5)	253.8	339.2
Prepayments	26.1	26.9
Assets held for sale (note 9)	28.2	-
	508.2	673.9
Employee future benefits	16.9	15.5
Deposits and other assets (notes 14 and 15)	291.6	274.6
Right of use assets	39.3	37.1
Property, plant and equipment	1,435.4	1,612.9
Roads and bridges	20.7	35.9
Timber licences	162.3	170.4
Goodwill and other intangible assets	566.9	574.7
Deferred income taxes	8.6	5.3
	$ 3,049.9	$ 3,400.3
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable and provisions (note 11)	$ 216.3	$ 258.9
Current portion of long-term debt (note 6)	45.0	44.1
Reforestation liability	17.5	15.8
Lease liabilities	20.5	17.2
Income taxes payable	1.2	0.2
	300.5	336.2
Reforestation liability	29.9	28.4
Lease liabilities	19.6	23.1
Long-term debt (note 6)	837.0	853.6
Employee future benefits	11.6	11.3
Provisions and other liabilities (note 11 and 15)	49.0	54.6
Deferred income taxes	296.7	362.7
Equity:		
Share capital (note 7)	408.9	408.9
Contributed surplus	6.5	6.2
Translation reserve	171.1	145.5
Retained earnings	919.1	1,169.8
	1,505.6	1,730.4
	$ 3,049.9	$ 3,400.3

Commitments and contingencies (note 15).
Subsequent event (note 9).

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 nine months ended September 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:	**-**	**-**	**-**	**(254.4)**	**(254.4)**
Other comprehensive income:					
Foreign currency translation differences for foreign operations, net of tax	**-**	**-**	**25.6**	**-**	**25.6**
Defined benefit plan actuarial gain, net of tax	**-**	**-**	**-**	**3.7**	**3.7**
Contributions and distributions:					
Stock option vesting (note 7)	**-**	**0.3**	**-**	**-**	**0.3**
Balance at September 30, 2024	**$ 408.9**	**$ 6.5**	**$ 171.1**	**$ 919.1**	**$ 1,505.6**
Balance at December 31, 2022	**$ 408.7**	**$ 5.5**	**$ 175.9**	**$ 1,437.0**	**$ 2,027.1**
Net loss:	**-**	**-**	**-**	**(97.8)**	**(97.8)**
Other comprehensive income (loss):					
Foreign currency translation differences for foreign operations, net of tax	**-**	**-**	**(2.8)**	**-**	**(2.8)**
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)	**-**	**0.6**	**-**	**-**	**0.6**
Balance at September 30, 2023	**$ 408.9**	**$ 6.0**	**$ 173.1**	**$ 1,339.9**	**$ 1,927.9**

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 nine months ended September 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 November 6, 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 September 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 September 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:

	Sept. 30, 2024	Dec. 31, 2023
Lumber and other wood products	$ 139.6	$ 191.0
Logs	60.1	93.1
Other	54.1	55.1
	$ 253.8	$ 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 September 30, 2024 was $34.2 million (December 31, 2023 - $55.5 million).

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

6. Borrowings:

September 30, 2024	Revolving Term Line	Senior Secured Notes	Total
Available line of credit	$ 600.0	$ 653.0	$ 1,253.0
Drawings	229.0	653.0	882.0
Outstanding letters of credit	50.3	-	50.3
Unused portion of Revolving Term Line	$ 320.7	$ -	$ 320.7

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	
September 30, 2025	$ 45.0
September 30, 2026	45.0
September 30, 2027	266.7
September 30, 2028	82.7
September 30, 2029	82.7
Thereafter	359.9
	$ 882.0

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

	Three Months Sept. 30, 2024	Three Months Sept. 30, 2023	Nine Months Sept. 30, 2024	Nine Months Sept. 30, 2023
Drawings at opening	$ 970.0	$ 918.5	$ 897.7	$ 797.9
Revolving Term Line net drawings (repayments)	(75.2)	(61.2)	(34.8)	88.3
Additions to Senior Secured Notes	-	-	45.3	-
Repayments of Senior Secured Notes	-	-	(45.3)	(7.1)
Effects of changes in foreign exchange rate	(12.8)	19.8	19.1	(2.0)
Drawings at September 30	$ 882.0	$ 877.1	$ 882.0	$ 877.1

(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 Canadian Overnight Repo Rate Average ("CORRA") or Secured Overnight Financing Rate ("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 September 30, 2024, Interfor was fully in compliance with all covenants relating to the Term Line.

As at September 30, 2024, including letters of credit, the Term Line was drawn by US$188.8 million (December 31, 2023 - US$223.8 million), revalued at the quarter-end exchange rate to $254.9 million (December 31, 2023 - $296.0 million) and $24.4 million (December 31, 2023 - $19.3 million), for total borrowings of $279.3 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 gains of $3.7 million in the third quarter of 2024 (Quarter 3, 2023 – loss of $6.2 million) and losses of $5.9 million in the first nine months of 2024 (first nine months of 2023 – gain of $0.7 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 September 30, 2024, the Company's Senior Secured Notes consisted of the following:

	Sept. 30, 2024	Dec. 31, 2023
Series C (US$66,666,667) bearing interest at 4.17%	$ 90.0	$ 132.3
Series D (US$45,550,000) bearing interest at 4.95%	61.5	60.2
Series E (US$38,200,000) bearing interest at 4.82%	51.5	50.5
Series F (US$50,000,000) bearing interest at 3.34%	67.5	66.1
Series G (US$50,000,000) bearing interest at 3.25%	67.5	66.1
Series H (US$200,000,000) bearing interest at 7.06%	270.0	264.6
Series I (US$33,333,333) bearing interest at 6.37%	45.0	-
	$ 653.0	$ 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 September 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 gains of $9.1 million in the third quarter of 2024 (Quarter 3, 2023 - loss of $13.6 million) and losses of $13.2 million in the first nine months of 2024 (first nine months of 2023 – gain of $1.3 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, September 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 nine months of 2024.

8. Depreciation, depletion and amortization:

Depreciation, depletion and amortization by function is as follows:

	Three Months Sept. 30, 2024	Three Months Sept. 30, 2023	Nine Months Sept. 30, 2024	Nine Months Sept. 30, 2023
Production	$ 52.2	$ 53.9	$ 167.0	$ 166.9
Selling and administration	0.5	0.4	1.4	1.3
	$ 52.7	$ 54.3	$ 168.4	$ 168.2

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

9. Asset write-downs and restructuring costs:

	Three Months Sept. 30, 2024	Three Months Sept. 30, 2023	Nine Months Sept. 30, 2024	Nine Months Sept. 30, 2023
Net write-down of plant, equipment, roads and timber licences	$ 91.1	$ -	$ 82.2	$ 1.5
Severance and other closure costs	3.7	-	6.9	0.2
Lease modification	-	-	(0.7)	-
	$ 94.8	$ -	$ 88.4	$ 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.

During the quarter ended September 30, 2024, the Company identified an impairment indicator, specifically the indefinite curtailment of two of its operations in the U.S. South, which resulted from persistently weak lumber market conditions. The Company recorded an impairment charge of $17.3 million against plant, equipment, intangibles and other.

On October 16, 2024, the Company announced it had reached an agreement to sell its sawmills in Val-d'Or and Matagami as well as its Sullivan remanufacturing plant in Val-d'Or, along with all associated forestry and business operations, to Chantiers Chibougamau Ltee for cash consideration of approximately $30.0 million. The completion of the transaction is subject to customary conditions, including regulatory approvals, and is expected to close in the fourth quarter of 2024. As at September 30, 2024, the assets of these Quebec operations were classified as assets held for sale. During the quarter ended September 30, 2024, the Company identified an impairment indicator related to the Quebec operations and the Company recorded an impairment charge of $73.8 million against plant, equipment, intangibles, roads and timber licences.

As a result of the impairment indicators identified, the Company performed impairment testing on the goodwill in the U.S. South group and Eastern Canada group of cash generating units. The recoverable amount for each group as at September 30, 2024 was determined to be higher than the related carrying value, with no impairment of goodwill required.

10. Finance costs:

	Three Months Sept. 30, 2024	Three Months Sept. 30, 2023	Nine Months Sept. 30, 2024	Nine Months Sept. 30, 2023
Interest expense on:				
Borrowings	$ 14.3	$ 14.0	$ 44.3	$ 41.3
Lease liabilities	0.5	0.3	1.5	1.0
Pension obligations	0.8	0.5	2.2	2.1
Duty deposits and other	4.2	6.2	8.1	8.3
Interest revenue from:				
Duty deposits and other	(9.8)	(10.6)	(22.2)	(17.6)
Pension assets	(0.6)	(0.7)	(1.8)	(2.1)
Unwind of discount on provisions	-	0.3	0.6	0.8
Amortization of deferred finance costs	0.1	0.2	0.5	0.6
	$ 9.5	$ 10.2	$ 33.2	$ 34.4

11. Other income (expense):

	Three Months Sept. 30, 2024	Three Months Sept. 30, 2023	Nine Months Sept. 30, 2024	Nine Months Sept. 30, 2023
Gain related to B.C. Coast monetization	$ 16.5	$ -	$ 55.9	$ -
Change in fair value of minority interest in GreenFirst	11.0	(2.3)	(4.6)	(14.6)
Net gain (loss) on disposal of property, plant, equipment, goodwill and other	-	0.1	(14.9)	1.0
Business interruption insurance	(2.0)	-	(2.0)	4.0
	$ 25.5	$ (2.2)	$ 34.4	$ (9.6)

The Company sold Coastal B.C. forest tenures totalling approximately 125,000 cubic metres of allowable annual cut ("AAC") and related assets and liabilities for proceeds of $15.7 million and a gain of $16.5 million in the third quarter of 2024 (Quarter 3, 2023 – nil) and 380,000 cubic metres of AAC and related assets and liabilities for proceeds of $55.5 million and a gain of $55.9 million in the first nine months of 2024 (first nine months of 2023 – nil). Interfor held approximately 1,013,000 cubic metres of AAC for disposition at September 30, 2024, subject to approvals from the Ministry of Forests. At September 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 $42.5 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 Sept. 30, 2024			Three Months Sept. 30, 2023		
	Net loss	Weighted average number of shares	Per share	Net loss	Weighted average number of shares	Per share
Issued shares at June 30		51,446,803			51,444,803	
Effect of shares issued		-			-	
Basic loss per share	$ (105.7)	51,446,803	$ (2.05)	$ (42.4)	51,444,803	$ (0.82)
Effect of dilutive securities:						
Stock options		40,618			99,761	
Diluted loss per share	$ (105.7)	51,446,803*	$ (2.05)	$ (42.4)	51,444,803*	$ (0.82)

	Nine Months Sept. 30, 2024			Nine Months Sept. 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		788			6,731	
Basic loss per share	$ (254.4)	51,446,591	$ (4.94)	$ (97.8)	51,441,626	$ (1.90)
Effect of dilutive securities:						
Stock options		59,111			102,544	
Diluted loss per share	$ (254.4)	51,446,591*	$ (4.94)	$ (97.8)	51,441,626*	$ (1.90)

***** 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 Sept. 30, 2024	Three Months Sept. 30, 2023	Nine Months Sept. 30, 2024	Nine Months Sept. 30, 2023
United States	$ 520.3	$ 658.3	$ 1,790.0	$ 1,979.1
Canada	157.1	159.2	438.5	507.1
Other export	7.5	4.8	21.6	16.4
Japan	3.8	2.8	14.3	12.1
China/Taiwan	4.0	3.0	12.7	15.1
	$ 692.7	$ 828.1	$ 2,277.1	$ 2,529.8

Sales by product line are as follows:

	Three Months Sept. 30, 2024	Three Months Sept. 30, 2023	Nine Months Sept. 30, 2024	Nine Months Sept. 30, 2023
Lumber and other wood products	$ 571.0	$ 700.7	$ 1,937.7	$ 2,124.1
Wood chips and other by-products	67.2	71.2	217.6	227.6
Logs	32.3	38.2	86.2	139.6
Other	22.2	18.0	35.6	38.5
	$ 692.7	$ 828.1	$ 2,277.1	$ 2,529.8

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 September 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	Sept. 30, 2024	Dec. 31, 2023
Financial assets measured at fair value			
Investment in GreenFirst	Level 1	$ 22.7	$ 27.2
U.S. countervailing and anti-dumping duty deposits	Level 3	258.2	238.4
		$ 280.9	$ 265.6
Financial liabilities measured at fair value			
U.S. countervailing and anti-dumping duty deposits	Level 3	$ 0.5	$ -

At September 30, 2024, the fair value of the Company's Long-term debt exceeded its carrying value by $2.6 million (December 31, 2023 – less than by $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 September 30, 2024, the Company had no outstanding obligations under derivative financial instruments.

15. Commitments and contingencies:

(a) Commitments:

As at September 30, 2024, the Company had commitments for capital expenditures totalling $28.8 million.

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

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

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

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

Year ended December 31			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	Final rates
AD	11.59%	11.59%	4.76%	7.66%
CV	6.31%	6.32%	3.83%	6.74%
Total	17.90%	17.91%	8.59%	14.40%
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 to Dec 31	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
Seventh administrative review – 2024		Cash deposit rates in effect Jan 1 to Aug 19	Cash deposit rates in effect Aug 19 onwards	Final rates
AD		6.26%	7.66%	Pending review
CV		1.79%	6.74%	Pending review
Total		8.05%	14.40%	Pending review

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

15. Commitments and contingencies (continued):

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

On August 19, 2024, the DoC published its final CV and AD duty rates based on completion of its fifth administrative review of shipments for the year ended December 31, 2022, which were subsequently amended on September 24, 2024 to correct a ministerial error. The table above summarizes the cash deposit rates that were in effect for the year ended December 31, 2022 and the published final rates. The finalization of the fifth administrative review rates indicated a net overpayment of duty deposits in 2022 of $3.4 million, which has been recorded as a long-term receivable and a long-term payable.

Duties paid by period 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	30.0
Acquired rights to duty deposits	244.8
	$ 579.6

Interfor has recorded the duty deposits as an expense, with the exception of the following amounts recorded on the Statements of Financial Position:

		Sept. 30, 2024		Dec. 31, 2023
	USD	CAD	USD	CAD
Net overpayment of duties per completed DoC administrative reviews:				
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
Fifth administrative review	3.2	3.4	-	-
Purchase price for acquired duty deposits	101.0	131.2	101.0	131.2
Revaluation to the quarter-end exchange rate	-	8.9	-	3.5
Duties recognized as duty deposits	165.0	222.9	161.8	214.1
Interest recognized on duty deposits	25.9	34.8	18.5	24.3
	$ 190.9	$ 257.7	$ 180.3	$ 238.4

The following table summarizes the duty deposit balances recorded as a long-term receivable and long-term payable on the Statements of Financial Position:

		Sept. 30, 2024		Dec. 31, 2023
	USD	CAD	USD	CAD
Deposits and other assets	$ 191.3	$ 258.2	$ 180.3	$ 238.4
Provisions and other liabilities	(0.4)	(0.5)	-	-
Net duty deposit receivable	$ 190.9	$ 257.7	$ 180.3	$ 238.4

The Company believes that U.S. Customs and Border Protection has inappropriately liquidated US$43.3 million of duties paid related to the first administrative review period. US$23.9 million of this amount, along with US$5.2 million of related accrued interest, is recorded as a long-term receivable at September 30, 2024. Interfor is in the process of rectifying this matter, and based on the information known at this time, believes the amounts recorded as a long-term receivable at September 30, 2024, remain collectable in full.

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.

INTERFOR

Interfor Corporation
Metrotower II 1600 – 4720 Kingsway
Burnaby, B.C. Canada V5H 4N2
Telephone: (604) 422-3400 Fax: (604) 757-4214

Contact: Richard Pozzebon, Executive Vice President and Chief Financial Officer

Web Site: www.interfor.com