Interfor Corporation
First Quarter Report
For the three months ended March 31, 2025

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 months ended March 31, 2025 ("Q1'25"). 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 months ended March 31, 2025, 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 May 8, 2025.

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 First Quarter, 2025", "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". 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 Coastal B.C. forest tenures; impact of tariffs on Canadian lumber imports to the U.S.; 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.

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 First Quarter, 2025

Interfor recorded a Net loss in Q1’25 of $35.1 million, or $0.68 per share, compared to a Net loss of $49.9 million, or $0.97 per share in Q4’24 and a Net loss of $72.9 million, or $1.42 per share in Q1’24.

Adjusted EBITDA was $48.6 million on sales of $735.5 million in Q1’25 versus Adjusted EBITDA of $80.4 million on sales of $746.5 million in Q4’24 and an Adjusted EBITDA loss of $22.3 million on sales of $813.2 million in Q1’24.

Notable items:

- Improved Lumber Prices
  - Lumber prices increased during Q1’25 as reflected in Interfor’s average selling price of $712 per mfbm, up $53 per mfbm versus Q4’24. This improvement primarily reflects the industry-wide market-driven production curtailments in 2024, seasonal demand and tariff-related uncertainty.
- Reduced Lumber Shipments
  - In Q1’25, lumber shipments totalled 863 million board feet, representing a 77 million board foot decrease over the prior quarter. The decrease primarily relates to the sale of the Quebec operations, weather-related curtailments and shipment delays resulting from tariff uncertainty.
- Stable Financial Position
  - Net debt at quarter-end was $886.3 million, or 37.3% of invested capital, while available liquidity was ample at $306.0 million.
  - The Company generated $40.4 million of positive operating cash flow before working capital changes in Q1’25, primarily due to higher average lumber prices. $53.6 million was invested in working capital, driven by seasonally higher log inventories and lumber shipment delays resulting from tariff uncertainty.
- Monetization of Coastal B.C. Operations
  - The Company sold Coastal B.C. forest tenures totalling approximately 84,000 cubic metres of allowable annual cut (“AAC”) and related assets and liabilities for gross proceeds of $7.4 million and a gain of $6.5 million.
  - Interfor held approximately 817,000 cubic metres of AAC for disposition at March 31, 2025, subject to approvals from the Ministry of Forests.
- Sale of Quebec Operations
  - On January 10, 2025, the Company completed the sale of its sawmills in Val-d’Or and Matagami, QC, as well as its Sullivan remanufacturing plant in Val-d’Or, for net cash consideration of $16.3 million and recorded a loss on disposal of $29.1 million, primarily related to goodwill.
- Capital Investments
  - Capital spending was $17.2 million, including $7.5 million of discretionary investment primarily focused on the multi-year rebuild of the Thomaston, GA sawmill.
- Softwood Lumber Duties
  - On March 3, 2025 and April 4, 2025, respectively, the U.S. Department of Commerce issued its preliminary anti-dumping (“AD”) and countervailing (“CV”) duty rates for a combined all others rate of 34.45% for its sixth administrative review covering shipments for the year ended December 31, 2023. The preliminary rate is subject to change until the final rate determinations, which are expected in the second half of 2025. At such time, the final combined rate will be applied to new lumber shipments and an accounting adjustment will be recorded to reflect the delta between the cash deposit rate on 2023 lumber shipments and the final combined all others duty rate. Based on the preliminary combined all others rate, an expected non-cash incremental duty expense, before interest, of US$84.2 million would be recorded.

- Interfor recorded $22.3 million of duties expense in the quarter. This represents the full amount of CV and AD duties incurred on shipments of softwood lumber from its Canadian operations to the U.S. at a combined rate of 14.40%, inclusive of a $1.6 million foreign exchange loss from revaluation of U.S. Dollar denominated duty deposits.
- Interfor has paid cumulative duties of US$607.0 million, or approximately $12.32 per share on an after-tax basis, as at March 31, 2025. 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.

- Tariffs
  - On February 1, 2025, the U.S. administration issued an executive order to impose tariffs on all imports from Canada to take effect on February 4, 2025. These tariffs were subsequently paused for a 30-day period. Between March 4, 2025 and March 6, 2025, a 25% tariff was imposed resulting in the Company paying $1.9 million in tariffs. On March 6, 2025, an executive order was issued temporarily pausing tariffs on Canadian goods compliant with the United States-Mexico-Canada Agreement ("USMCA"), including lumber. On April 2, 2025, another executive order imposed reciprocal tariffs on all countries, however those goods compliant with the USMCA were exempted. At present, there are no tariffs on the Company's Canadian lumber exports to the U.S.
  - On March 1, 2025, the U.S. administration issued an executive order for a Section 232 investigation to assess the national security implications of importing timber, lumber and their derivative products. This investigation is expected to conclude within 270 days and aims to ensure that trade policies align with the strategic interests of the U.S., potentially resulting in adjustments to tariff regulations based on its findings. The investigation will include recommendations on actions to address any identified threats, such as potential tariffs, export controls including quotas, or incentives to increase domestic production. Currently, the results and impacts of the Section 232 investigation are unknown.

Outlook

North American lumber markets over the near term are expected to remain volatile as the economy continues to adjust to changing monetary policies, tariffs, labour shortages and geo-political uncertainty, and as industry-wide lumber production continues to adjust to match demand.

Near-term volatility could be further impacted by potential tariffs on Canadian lumber exports to the U.S. Overall, the Company is well positioned with a diversified product mix in Canada and the U.S., with approximately 60% of its total lumber produced and sold within the U.S. Ultimately, only about 24% of the Company's total lumber production is exported from Canada to the U.S. and exposed to a potential tariff. Over the mid-term, Canadian lumber is expected to remain a key source of supply to meet U.S. needs, as growth in U.S. lumber manufacturing capacity will likely be limited by labour constraints, lengthy equipment lead-times, residual offtake constraints and extended project ramp-up schedules.

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 Mar. 31 2025	Mar. 31 2024	Dec. 31 2024
Financial Highlights[1]				
Total sales	$MM	735.5	813.2	746.5
Lumber	$MM	615.0	670.7	619.1
Logs, residual products and other	$MM	120.5	142.5	127.4
Operating earnings (loss)	$MM	0.1	(80.9)	25.2
Net loss	$MM	(35.1)	(72.9)	(49.9)
Net loss per share, basic	$/share	(0.68)	(1.42)	(0.97)
Adjusted EBITDA[2]	$MM	48.6	(22.3)	80.4
Adjusted EBITDA margin[2]	%	6.6%	(2.7%)	10.8%
Total assets	$MM	3,042.9	3,420.6	3,078.7
Total debt	$MM	901.9	980.7	904.7
Net debt[2]	$MM	886.3	897.4	861.3
Net debt to invested capital[2]	%	37.3%	34.7%	36.0%
Annualized return on capital employed[2]	%	(3.1%)	(9.2%)	(2.2%)
Operating Highlights				
Lumber production	million fbm	901	1,069	948
U.S. South	million fbm	402	480	425
U.S. Northwest	million fbm	124	141	112
Eastern Canada	million fbm	194	288	235
B.C.	million fbm	181	160	176
Lumber sales	million fbm	863	1,100	940
Lumber - average selling price[3]	$/thousand fbm	712	610	659
Key Statistics				
Benchmark lumber prices[4]				
SYP Composite	US$ per mfbm	407	383	373
KD H-F Stud 2x4 9’	US$ per mfbm	471	455	421
Eastern SPF Composite	US$ per mfbm	536	489	515
Western SPF Composite	US$ per mfbm	484	416	457
USD/CAD exchange rate[5]				
Average	1 USD in CAD	1.4352	1.3486	1.3982
Closing	1 USD in CAD	1.4307	1.3550	1.4389

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 First Quarter 2025 Financial Performance

Sales

Interfor recorded $735.5 million of total sales, down 9.6% from $813.2 million in the first quarter of 2024, driven by the sale of 863 million board feet of lumber at an average price of $712 per mfbm. Lumber sales volume decreased 237 million board feet, or 21.5%, and average selling price increased $102 per mfbm, or 16.7%, as compared to the same quarter of 2024.

The decrease in lumber sales volume was primarily driven by the sale of the Quebec operations in Q1’25, the indefinite curtailment of two U.S. South sawmills in Q3’24, the indefinite curtailment of a U.S. Northwest sawmill in Q1’24 and shipment delays due to tariff uncertainty in Q1’25.

The higher average selling price of lumber reflects higher prices across all key benchmarks in Q1’25 as compared to Q1’24. Realized lumber prices also benefited from the 6.4% weakening of the Canadian Dollar against the U.S. Dollar in Q1’25 versus Q1’24.

Sales generated from logs, residual products and other decreased by $22.0 million or 15.4% in Q1’25 compared to Q1’24, due mainly to a decrease in volume of logs sold attributable to reduced logging in the Eastern Canadian operations and the wind-down of the B.C. Coastal operations. The decrease also reflects a drop in the average selling price of logs and lower volume of chips produced and sold.

Operations

Production costs decreased by $160.1 million, or 19.8%, compared to Q1’24, explained primarily by a 21.5% decrease in lumber sales volume, lower conversion costs and decreased logging in the B.C. Coastal and Eastern Canadian operations. The decrease is partially offset by a weaker Canadian Dollar on average and a $14.7 million increase in the net realizable value provision for logs and lumber inventories recorded in Q1’25 versus Q1’24.

Lumber production of 901 million board feet in Q1’25 was 168 million board feet lower than Q1’24. The decrease was primarily driven by the sale of the Quebec operations in Q1’25, the indefinite curtailment of two U.S. South sawmills in Q3’24 and the indefinite curtailment of a U.S. Northwest 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 $22.3 million for Q1’25, up $14.8 million from Q1’24 due primarily to higher cash deposit rates and foreign exchange differences on revaluation of the long-term duty deposits receivable and payable from the weaker Canadian Dollar.

Depreciation of plant and equipment was $40.0 million in Q1’25, down $6.7 million from Q1’24, due primarily to the sale of the Quebec operations in Q1’25 and the indefinite curtailment of two U.S. South sawmills in Q3’24. Depletion and amortization of timber, roads and other was $8.3 million, down $2.6 million compared to Q1’24, primarily due to decreased conventional logging on the B.C. Coast as a result of the wind-down of the B.C. Coastal operations and decreased logging at the B.C. Interior operations.

Corporate and Other

Selling and administration expenses were $16.5 million, down $3.3 million from Q1’24, primarily related to Q1’24 having included a true-up for 2023 short-term incentive compensation and reduced general corporate activities.

Long-term incentive compensation expense was $0.1 million in Q1’25, compared to a recovery of $1.7 million in Q1’24, reflecting a 6.6% decrease in the price of Interfor common shares used to value share-based awards during Q1’25 compared to an 11.0% decrease during Q1’24.

Finance costs decreased to $11.0 million in Q1’25 from $11.9 million in Q1’24 primarily due to interest expense on lower borrowings.

Other foreign exchange gain of $4.1 million in Q1’25 and loss of $16.6 million in Q1’24 resulted primarily from the quarter-end revaluation of U.S. Dollar denominated intercompany funding and U.S. Dollar cash held by Canadian operations. The foreign exchange gain of $4.3 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 expense of $26.4 million in Q1’25 primarily related to the loss on disposal of the Quebec operations and the change in the fair value of the minority interest in equity investments, partially offset by a gain on the sale of Coastal B.C. forest tenures. Other income of $25.7 million in Q1’24 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 equity investments.

Income Taxes

The Company recorded an income tax expense of $1.9 million in Q1’25, comprised of a $6.6 million current income tax expense and a $4.7 million deferred tax recovery. The Company recorded a tax expense in Q1’25 on a loss before income taxes with an effective tax rate of 6%, due to permanent book to tax differences related to the disposal of goodwill as part of the sale of the Quebec operations. The Company recorded an income tax recovery of $10.8 million in Q1’24 at an effective tax rate of 13%, comprised of $2.6 million current income tax expense and a $13.4 million deferred tax recovery.

Net Earnings

The Company recorded a Net loss of $35.1 million, or $0.68 per share, compared to a Net loss of $72.9 million, or $1.42 per share in Q1’24. Operating margin and Net loss were impacted by higher average lumber prices, lower operating costs and an unrealized foreign exchange gain, partially offset by lower sales volumes, the loss on disposal of the Quebec operations and higher cash duty deposit rates.

Summary of Quarterly Results

		2025	2024				2023		
	Unit	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Financial Performance[1]									
Total sales	$MM	735.5	746.5	692.7	771.2	813.2	785.9	828.1	871.8
Lumber	$MM	615.0	619.1	542.2	634.8	670.7	628.5	667.1	723.2
Logs, residual products and other	$MM	120.5	127.4	150.5	136.4	142.5	157.4	161.0	148.6
Operating earnings (loss)	$MM	0.1	25.2	(172.2)	(63.3)	(80.9)	(174.2)	(21.1)	(20.8)
Net loss	$MM	(35.1)	(49.9)	(105.7)	(75.8)	(72.9)	(169.0)	(42.4)	(14.1)
Net loss per share, basic	$/share	(0.68)	(0.97)	(2.05)	(1.47)	(1.42)	(3.29)	(0.82)	(0.27)
Adjusted EBITDA[2]	$MM	48.6	80.4	(22.0)	(16.7)	(22.3)	(51.4)	31.9	41.9
Adjusted EBITDA margin[2]	%	6.6%	10.8%	(3.2%)	(2.2%)	(2.7%)	(6.5%)	3.9%	4.8%
Annualized return on capital employed[2]	%	(3.1%)	(2.2%)	(18.8%)	(11.1%)	(9.2%)	(28.1%)	(4.5%)	(1.1%)
Shares outstanding - end of period	million	51.5	51.5	51.4	51.4	51.4	51.4	51.4	51.4
Shares outstanding - weighted average	million	51.5	51.5	51.4	51.4	51.4	51.4	51.4	51.4
Operating Performance									
Lumber production	million fbm	901	948	904	1,034	1,069	1,102	997	1,023
U.S. South	million fbm	402	425	443	476	480	485	470	468
U.S. Northwest	million fbm	124	112	80	124	141	157	162	165
Eastern Canada	million fbm	194	235	216	276	288	275	247	249
B.C.	million fbm	181	176	165	158	160	185	118	141
Lumber sales	million fbm	863	940	951	1,055	1,100	1,046	1,008	1,116
Lumber - average selling price[3]	$/thousand fbm	712	659	570	602	610	601	661	649
Key Statistics									
Benchmark lumber prices[4]									
SYP Composite	US$ per mfbm	407	373	338	356	383	373	429	446
KD H-F Stud 2x4 9’	US$ per mfbm	471	421	359	424	455	423	474	452
Eastern SPF Composite	US$ per mfbm	536	515	454	469	489	461	510	474
Western SPF Composite	US$ per mfbm	484	457	380	385	416	374	412	372
USD/CAD exchange rate[5]									
Average	1 USD in CAD	1.4352	1.3982	1.3641	1.3683	1.3486	1.3624	1.3414	1.3428
Closing	1 USD in CAD	1.4307	1.4389	1.3499	1.3687	1.3550	1.3226	1.3520	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.

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 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, the indefinite curtailment of two U.S. South sawmills in Q3'24 and the wind-down of the Quebec operations in Q4'24 and subsequent sale in Q1'25. Asset impairments related to the U.S. Northwest operations affected earnings in Q4'23 and Q2'24 and asset impairments related to the U.S. South and Quebec operations affected earnings in Q3'24. The Coastal B.C. settlement provision affected earnings in Q4'23 and the loss on disposal of the Quebec operations impacted earnings in Q1'25.

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 March 31, 2025 was $886.3 million, or 37.3% of invested capital, representing an increase of $25.0 million from the level of Net debt at December 31, 2024.

As at March 31, 2025, the Company had net working capital of $195.0 million and available liquidity of $306.0 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 March 31, 2025, 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		
Millions of Dollars	Mar. 31 2025	Dec. 31 2024	Mar. 31 2024
Net debt			
Net debt, period opening	$861.3	$849.9	$842.7
Additions to Senior Secured Notes	-	-	45.3
Repayments of Senior Secured Notes	(47.7)	-	(45.3)
Term Line net drawings (repayments)	50.1	(35.1)	60.9
Decrease (increase) in cash and cash equivalents	27.5	(8.7)	(27.6)
Foreign currency translation impact on U.S. Dollar denominated cash and cash equivalents and debt	(4.9)	55.2	21.4
Net debt, period ending	$886.3	$861.3	$897.4

On March 26, 2025, the Company paid US$33.3 million of principal that was due on the Company's existing Series C 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.

Cash Flow from Operating Activities

The Company generated $40.4 million of cash flow from operations before changes in working capital in Q1’25, compared to a cash outflow of $24.9 million in Q1’24. There was a net cash outflow from operations after changes in working capital of $13.2 million in Q1’25, with $53.6 million invested in operating working capital.

Seasonal log inventory builds and lumber shipment delays resulting from tariff uncertainty contributed to the investment in inventories, while higher lumber prices contributed to the increase in trade receivables. Timing of payments contributed to the increase in trade accounts payable and provisions.

In Q1’24, $16.6 million of cash was used for operations, with $8.3 million of cash released from operating working capital.

Cash Flow from Investing Activities

Investing activities generated $2.8 million of cash flow in Q1’25, with $15.7 million in proceeds on disposal of property, plant and equipment and other, $3.3 million in net proceeds on the sale of Coastal B.C. forest tenures and $1.0 million for deposits and other assets, partially offset by $15.8 million for additions to property, plant and equipment and $1.4 million for development of roads and bridges.

Discretionary mill improvements of $7.5 million in Q1’25 were mainly focused on the multi-year rebuild of the Thomaston, GA sawmill.

Mill maintenance investments totalled $8.3 million in Q1’25.

In Q1’24, investing activities generated $3.1 million of cashflow, with $29.0 million in net proceeds on the sale of Coastal B.C. forest tenures and $1.1 million in proceeds on disposal of property, plant and equipment and other, partially offset by $26.5 million for additions to property, plant and equipment.

Discretionary and maintenance mill improvements totalled $15.8 million and $10.7 million, respectively, in Q1’24. The discretionary mill improvements were mainly invested in the multi-year rebuild of the Thomaston, GA sawmill.

Cash Flow from Financing Activities

The net cash outflow of $17.1 million in Q1’25 resulted from a US$33.3 million repayment of Senior Secured Notes, interest payments of $13.7 million and lease liability payments of $5.8 million, partially offset by $50.1 million in Term Line net drawings.

The net cash inflow of $41.1 million in Q1’24 resulted from $60.9 million in Term Line net drawings and the issuance of US$33.3 million of Senior Secured Notes, partially offset by a US$33.3 million repayment of Senior Secured Notes, interest payments of $13.9 million and lease liability payments of $5.9 million.

Capital Resources

The following table summarizes Interfor’s credit facilities and availability as of March 31, 2025:

Millions of Dollars	Revolving Term Line	Senior Secured Notes	Total
Available line of credit and maximum borrowing available	$600.0	$644.4	$1,244.4
Less:			
Drawings	257.5	644.4	901.9
Outstanding letters of credit included in line utilization	52.1	-	52.1
Unused portion of facility	$290.4	$ -	290.4
Add:			
Cash and cash equivalents			15.6
Available liquidity at March 31, 2025			$306.0

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

As of March 31, 2025, the Company had commitments for capital expenditures totaling $63.1 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 months ended March 31, 2025.

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 March 31, 2025, such instruments aggregated $120.6 million (December 31, 2024 - $120.8 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 Q1'25 or Q1'24.

Outstanding Shares

As of May 8, 2025, 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 May 8, 2025, there were 484,201 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 were purchased under this NCIB.

Controls and Procedures

There have been no changes in the Company's internal controls over financial reporting during the three months ended March 31, 2025, 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 March 31, 2025. Interfor's critical accounting estimates are described in its MD&A for the year ended December 31, 2024, filed under the Company's profile on www.sedarplus.ca.

Accounting Policy Changes

In April 2024, the International Accounting Standards Board issued *IFRS 18 Presentation and Disclosure in Financial Statements* ("IFRS 18"), which replaces *IAS 1 Presentation of Financial Statements*. IFRS 18 introduces a specified structure for the income statement by requiring income and expenses to be presented within three defined categories of operating, investing, and financing, and by specifying certain defined totals and subtotals. Where company-specific measures related to the income statement are provided, IFRS 18 requires companies to disclose explanations around these measures, which are referred to as management-defined performance measures. IFRS 18 also provides additional guidance on principles of aggregation and disaggregation which apply to the primary financial statements and the notes.

IFRS 18 will not affect the recognition and measurement of items in the financial statements, nor will it affect which items are classified in other comprehensive income and how these items are classified. The standard is effective for reporting periods beginning on or after January 1, 2027, with retrospective application required. The Company is currently in the process of assessing the impact of this new standard.

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:

	For the three months ended		
Millions of Dollars except number of shares and per share amounts	**Mar. 31 2025**	**Mar. 31 2024**	**Dec. 31 2024**
Adjusted EBITDA			
Net loss	$(35.1)	$(72.9)	$(49.9)
Add:			
Depreciation of plant and equipment	40.0	46.7	41.7
Depletion and amortization of timber, roads and other	8.3	10.9	9.2
Finance costs	11.0	11.9	11.4
Income tax expense (recovery)	1.9	(10.8)	22.9
EBITDA	26.1	(14.2)	35.3
Add:			
Long-term incentive compensation expense (recovery)	0.1	(1.7)	(0.4)
Other foreign exchange loss (gain)	(4.1)	16.6	42.3
Other expense (income)	26.4	(25.7)	(1.5)
Asset write-downs and restructuring costs	0.1	2.7	4.7
Adjusted EBITDA	$48.6	$(22.3)	$80.4
Sales	$735.5	$813.2	$746.5
Adjusted EBITDA margin	6.6%	(2.7%)	10.8%
Net debt to invested capital			
Net debt			
Total debt	$901.9	$980.7	$904.7
Cash and cash equivalents	(15.6)	(83.3)	(43.4)
Total net debt	$886.3	$897.4	$861.3
Invested capital			
Net debt	$886.3	$897.4	$861.3
Shareholders' equity	1,490.1	1,689.7	1,532.5
Total invested capital	$2,376.4	$2,587.1	$2,393.8
Net debt to invested capital[1]	37.3%	34.7%	36.0%
Annualized return on capital employed			
Net loss	$(35.1)	$(72.9)	$(49.9)
Add:			
Finance costs	11.0	11.9	11.4
Income tax expense (recovery)	1.9	(10.8)	22.9
Loss before income taxes and finance costs	$(22.2)	$(71.8)	$(15.6)
Capital employed			
Total assets	$3,042.9	$3,420.6	$3,078.7
Current liabilities	(314.7)	(332.3)	(302.2)
Less:			
Current portion of long-term debt	47.7	45.2	48.0
Current portion of lease liabilities	19.4	20.5	20.3
Capital employed, end of period	$2,795.3	$3,154.0	$2,844.8
Capital employed, beginning of period	2,844.8	3,120.8	2,807.0
Average capital employed	$2,820.1	$3,137.4	$2,825.9
Loss before income taxes and finance costs divided by average capital employed	(0.8%)	(2.3%)	(0.6%)
Annualization factor	4.0	4.0	4.0
Annualized return on capital employed	(3.1%)	(9.2%)	(2.2%)

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

Risks and Uncertainties

The Company is exposed to many risks and uncertainties in conducting its business including, but not limited to: 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, 2024, 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.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

For the three months ended March 31, 2025 and 2024 (unaudited)

(millions of Canadian Dollars except per share amounts)	Three Months Mar. 31, 2025	Three Months Mar. 31, 2024
Sales (note 12)	$ 735.5	$ 813.2
Costs and expenses:		
Production	648.1	808.2
Selling and administration	16.5	19.8
Long-term incentive compensation expense (recovery)	0.1	(1.7)
U.S. countervailing and anti-dumping duty deposits (note 14(b))	22.3	7.5
Depreciation of plant and equipment (note 8)	40.0	46.7
Depletion and amortization of timber, roads and other (note 8)	8.3	10.9
	735.3	891.4
Operating earnings (loss) before asset write-downs and restructuring costs	0.2	(78.2)
Asset write-downs and restructuring costs	0.1	2.7
Operating earnings (loss)	0.1	(80.9)
Finance costs (note 9)	(11.0)	(11.9)
Other foreign exchange gain (loss)	4.1	(16.6)
Other income (expense) (note 10)	(26.4)	25.7
	(33.3)	(2.8)
Loss before income taxes	(33.2)	(83.7)
Income tax expense (recovery):		
Current	6.6	2.6
Deferred	(4.7)	(13.4)
	1.9	(10.8)
Net loss	$ (35.1)	$ (72.9)
Net loss per share		
Basic (note 11)	$ (0.68)	$ (1.42)
Diluted (note 11)	$ (0.68)	$ (1.42)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2025 and 2024 (unaudited)

(millions of Canadian Dollars)	Three Months Mar. 31, 2025	Three Months Mar. 31, 2024
Net loss	$ (35.1)	$ (72.9)
Other comprehensive income (loss):		
Items that will not be recycled to Net loss:		
Defined benefit plan actuarial gain (loss), net of tax	(0.1)	2.6
Items that may be recycled to Net loss:		
Foreign currency translation differences for foreign operations, net of tax	(7.2)	29.5
Total other comprehensive income (loss), net of tax	(7.3)	32.1
Comprehensive loss	$ (42.4)	$ (40.8)

See accompanying notes to consolidated financial statements.

INTERFOR

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2025 and 2024 (unaudited)

(millions of Canadian Dollars)	Three Months Mar. 31, 2025	Three Months Mar. 31, 2024
Cash provided by (used in):		
Operating activities:		
Net loss	$ (35.1)	$ (72.9)
Items not involving cash:		
Depreciation of plant and equipment (note 8)	40.0	46.7
Depletion and amortization of timber, roads and other (note 8)	8.3	10.9
Deferred income tax recovery	(4.7)	(13.4)
Current income tax expense	6.6	2.6
Finance costs (note 9)	11.0	11.9
Other assets	(0.1)	(0.4)
Reforestation liability	3.5	3.1
Provisions and other liabilities	(1.2)	(1.2)
Stock option vesting (note 7)	-	0.1
Net write-down of plant, equipment and roads	0.1	1.1
Unrealized foreign exchange loss (gain)	(2.5)	10.7
Other expense (income) (note 10)	26.4	(25.7)
Income taxes received (paid), net	(11.9)	1.6
	40.4	(24.9)
Cash generated from (used in) operating working capital:		
Trade accounts receivable and other	(40.0)	1.8
Inventories	(43.6)	11.8
Prepayments	6.7	3.5
Trade accounts payable and provisions	23.3	(8.8)
	(13.2)	(16.6)
Investing activities:		
Additions to property, plant and equipment	(15.8)	(26.5)
Recoveries from (additions to) roads and bridges	(1.4)	0.5
Proceeds on disposal of property, plant, equipment and other	15.7	1.1
Net proceeds related to B.C. Coast monetization (note 10)	3.3	29.0
Net proceeds from (additions to) deposits and other assets	1.0	(1.0)
	2.8	3.1
Financing activities:		
Interest payments	(13.7)	(13.9)
Lease liability payments	(5.8)	(5.9)
Revolving Term Line net drawings (note 6)	50.1	60.9
Additions to Senior Secured Notes (note 6)	-	45.3
Repayments of Senior Secured Notes (note 6)	(47.7)	(45.3)
	(17.1)	41.1
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	(0.3)	0.7
Increase (decrease) in cash	(27.8)	28.3
Cash and cash equivalents, beginning of period	43.4	55.0
Cash and cash equivalents, end of period	$ 15.6	$ 83.3

See accompanying notes to consolidated financial statements.

INTERFOR

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

March 31, 2025 and December 31, 2024 (unaudited)

(millions of Canadian Dollars)	Mar. 31, 2025	Dec. 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 15.6	$ 43.4
Trade accounts receivable and other	149.1	109.5
Inventories (note 5)	329.6	283.5
Prepayments	15.4	21.9
Assets held for sale	-	18.4
	509.7	476.7
Employee future benefits	15.8	16.8
Deposits and other assets (notes 13 and 14(b))	302.1	304.4
Right of use assets	43.1	44.8
Property, plant and equipment	1,435.0	1,465.7
Roads and bridges	21.9	21.3
Timber licences	157.3	158.9
Goodwill and other intangible assets	556.3	589.2
Deferred income taxes	1.7	0.9
	$ 3,042.9	$ 3,078.7
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable and provisions (note 10)	$ 224.4	$ 203.1
Current portion of long-term debt (note 6)	47.7	48.0
Reforestation liability	15.6	16.5
Lease liabilities	19.4	20.3
Income taxes payable	7.6	12.9
Liabilities held for sale	-	1.4
	314.7	302.2
Reforestation liability	32.4	27.8
Lease liabilities	24.7	25.8
Long-term debt (note 6)	854.2	856.7
Employee future benefits	11.5	11.8
Provisions and other liabilities	14.6	16.8
Deferred income taxes	300.7	305.1
Equity:		
Share capital (note 7)	409.0	409.0
Contributed surplus (note 7)	6.6	6.6
Translation reserve	239.7	246.9
Retained earnings	834.8	870.0
	1,490.1	1,532.5
	$ 3,042.9	$ 3,078.7

Commitments and contingencies (note 14).

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

"L. Sauder"
Director

"C. Griffin"
Director

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2025 and 2024 (unaudited)

(millions of Canadian Dollars)	Share Capital	Contributed Surplus	Translation Reserve	Retained Earnings	Total
Balance at December 31, 2024	$ 409.0	$ 6.6	$ 246.9	$ 870.0	$ 1,532.5
Net loss:	-	-	-	(35.1)	(35.1)
Other comprehensive loss:					
Foreign currency translation differences for foreign operations, net of tax	-	-	(7.2)	-	(7.2)
Defined benefit plan actuarial loss, net of tax	-	-	-	(0.1)	(0.1)
Balance at March 31, 2025	$ 409.0	$ 6.6	$ 239.7	$ 834.8	$ 1,490.1
Balance at December 31, 2023	$ 408.9	$ 6.2	$ 145.5	$ 1,169.8	$ 1,730.4
Net loss:	-	-	-	(72.9)	(72.9)
Other comprehensive income:					
Foreign currency translation differences for foreign operations, net of tax	-	-	29.5	-	29.5
Defined benefit plan actuarial gain, net of tax	-	-	-	2.6	2.6
Contributions and distributions:					
Stock option vesting (note 7)	-	0.1	-	-	0.1
Balance at March 31, 2024	$ 408.9	$ 6.3	$ 175.0	$ 1,099.5	$ 1,689.7

See accompanying notes to consolidated financial statements.

1. Nature of operations:

Interfor Corporation and its subsidiaries (the "Company" or "Interfor") produce wood products in Canada and the United States for sale to markets around the world.

Interfor Corporation exists under the *Business Corporations Act* (British Columbia) with shares listed on the Toronto Stock Exchange. Its head office, principal address and records office are located at 1600 – 4720 Kingsway, Burnaby, British Columbia, Canada, V5H 4N2.

These unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2025 and 2024 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, 2024.

These financial statements were approved by Interfor's Board of Directors on May 8, 2025.

(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 equity investments are 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 March 31, 2025. Interfor's critical accounting estimates are described in its annual consolidated financial statements for the year ended December 31, 2024, 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, 2024, which are available on www.sedarplus.ca.

New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended March 31, 2025, and have not been applied in preparing these financial statements. The following pronouncement is considered by the Company to be the most significant that may affect the Company's financial statements in the future.

In April 2024, the IASB issued *IFRS 18 Presentation and Disclosure in Financial Statements* ("IFRS 18"), which replaces *IAS 1 Presentation of Financial Statements*. IFRS 18 introduces a specified structure for the income statement by requiring income and expenses to be presented within three defined categories of operating, investing, and financing, and by specifying certain defined totals and subtotals. Where company-specific measures related to the income statement are provided, IFRS 18 requires companies to disclose explanations around these measures, which are referred to as management-defined performance measures. IFRS 18 also provides additional guidance on principles of aggregation and disaggregation which apply to the primary financial statements and the notes. IFRS 18 will not affect the recognition and measurement of items in the financial statements, nor will it affect which items are classified in other comprehensive income and how these items are classified. The standard is effective for reporting periods beginning on or after January 1, 2027, with retrospective application required. The Company is currently in the process of assessing the impact of this new standard.

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.

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

5. Inventories:

	Mar. 31, 2025	Dec. 31, 2024
Lumber and other wood products	$ 193.1	$ 160.9
Logs	84.3	70.0
Other	52.2	52.6
	$ 329.6	$ 283.5

Inventory cost includes production costs, depreciation of plant and equipment, and depletion and amortization of timber, roads and other. At March 31, 2025, an inventory provision of $18.4 million (December 31, 2024 - $17.4 million) has been recognized to record inventory at the lower of cost and net realizable value. During the first quarter of 2025, a $1.0 million inventory provision expense was recorded in Production cost in the Statements of Earnings (Quarter 1, 2024 - $13.7 million net reversal of a previously recognized provision).

6. Borrowings:

March 31, 2025	Revolving Term Line	Senior Secured Notes	Total
Available line of credit	$ 600.0	$ 644.4	$ 1,244.4
Drawings	257.5	644.4	901.9
Outstanding letters of credit	52.1	-	52.1
Unused portion of Revolving Term Line	$ 290.4	$ -	$ 290.4

December 31, 2024	Revolving Term Line	Senior Secured Notes	Total
Available line of credit	$ 600.0	$ 696.1	$ 1,296.1
Drawings	208.6	696.1	904.7
Outstanding letters of credit	51.8	-	51.8
Unused portion of Revolving Term Line	$ 339.6	$ -	$ 339.6

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

Twelve months ending	
March 31, 2026	$ 47.7
March 31, 2027	257.5
March 31, 2028	87.6
March 31, 2029	87.6
March 31, 2030	135.3
Thereafter	286.2
	$ 901.9

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

	Three Months Mar. 31, 2025	Three Months Mar. 31, 2024
Drawings at opening	$ 904.7	$ 897.7
Revolving Term Line net drawings	50.1	60.9
Additions to Senior Secured Notes	-	45.3
Repayments of Senior Secured Notes	(47.7)	(45.3)
Effects of changes in foreign exchange rate	(5.2)	22.1
Drawings at March 31	$ 901.9	$ 980.7

(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 March 31, 2025, Interfor was fully in compliance with all covenants relating to the Term Line.

As at March 31, 2025, including letters of credit, the Term Line was drawn by US$208.4 million (December 31, 2024 - US$173.4 million), revalued at the quarter-end exchange rate to $298.1 million (December 31, 2024 - $249.5 million), and $11.5 million (December 31, 2024 - $10.9 million), for total borrowings of $309.6 million (December 31, 2024 - $260.4 million).

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

6. Borrowings (continued):

(a) Revolving Term Line (continued):

The US dollar drawings under the Term Line have been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange gains of $1.2 million in the first quarter of 2025 (Quarter 1, 2024 – losses of $6.4 million) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income (loss).

(b) Senior Secured Notes:

As at March 31, 2025, the Company's Senior Secured Notes consisted of the following:

	Mar. 31, 2025	Dec. 31, 2024
Series C (US$33,333,333) bearing interest at 4.17%	$ 47.7	$ 95.9
Series D (US$45,550,000) bearing interest at 4.95%	65.2	65.5
Series E (US$38,200,000) bearing interest at 4.82%	54.7	55.0
Series F (US$50,000,000) bearing interest at 3.34%	71.5	71.9
Series G (US$50,000,000) bearing interest at 3.25%	71.5	71.9
Series H (US$200,000,000) bearing interest at 7.06%	286.1	287.9
Series I (US$33,333,333) bearing interest at 6.37%	47.7	48.0
	$ 644.4	$ 696.1

The Senior Secured Notes have a weighted average fixed interest rate of 5.56% and maturities from March 26, 2026 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 subject to certain financial covenants including a maximum ratio of net debt to total capitalization. As at March 31, 2025, 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 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 $4.0 million in the first quarter of 2025 (Quarter 1, 2024 – losses of $15.7 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:

	Share Capital		Contributed
	Number	Amount	Surplus
Balance, December 31, 2023	51,445,803	$ 408.9	$ 6.2
Exercise of stock options	7,933	0.1	-
Stock option vesting	-	-	0.4
Balance, December 31, 2024 and March 31, 2025	51,453,736	$ 409.0	$ 6.6

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 2024.

8. Depreciation, depletion and amortization:

Depreciation, depletion and amortization by function is as follows:

	Three Months Mar. 31, 2025	Three Months Mar. 31, 2024
Production	$ 48.0	$ 57.1
Selling and administration	0.3	0.5
	$ 48.3	$ 57.6

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

9. Finance costs:

	Three Months Mar. 31, 2025	Three Months Mar. 31, 2024
Interest expense on:		
Borrowings	$ 13.3	$ 14.5
Duty deposits	2.2	1.9
Lease liabilities	0.6	0.5
Pension obligations	0.6	0.7
Interest revenue from:		
Duty deposits and other	(5.4)	(5.6)
Pension assets	(0.7)	(0.6)
Unwind of discount on provisions	0.3	0.3
Amortization of deferred finance costs	0.1	0.2
	$ 11.0	$ 11.9

10. Other income (expense):

	Three Months Mar. 31, 2025	Three Months Mar. 31, 2024
Net gain related to B.C. Coast monetization	$ 6.5	$ 31.2
Net loss on disposal of property, plant, equipment, goodwill and other	(29.4)	(0.1)
Change in fair value of minority interest in equity investments	(3.4)	(5.4)
Net loss on lease modifications	(0.1)	-
	$ (26.4)	$ 25.7

The Company sold Coastal B.C. forest tenures totalling approximately 84,000 cubic metres of allowable annual cut ("AAC") and related assets and liabilities for proceeds of $7.4 million (Quarter 1, 2024 - $31.5 million) and a gain of $6.5 million (Quarter 1, 2024 - $31.2 million) in the first quarter of 2025. Interfor held approximately 817,000 cubic metres of AAC for disposition at March 31, 2025, subject to approvals from the Ministry of Forests. At March 31, 2025, 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 $27.4 million (December 31, 2024 - $30.0 million). The provision is due by December 31, 2025 and is recorded in Trade accounts payable and provisions on the Statements of Financial Position. The payment of the remaining provision is expected to be fully funded through proceeds from the disposition of Coastal B.C. forest tenures throughout the remainder of 2025.

On January 10, 2025, the Company completed the sale of its sawmills in Val-d'Or and Matagami, its Sullivan remanufacturing plant in Val-d'Or and the associated forestry and business operations in Quebec to Les Chantiers Chibougamau Ltée. for net cash consideration of $16.3 million, inclusive of certain working capital items and assumed liabilities, and recorded a loss on disposal of $29.1 million, primarily related to goodwill.

11. 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 Mar. 31, 2025			Three Months Mar. 31, 2024		
	Net loss	Weighted average number of shares	Per share	Net loss	Weighted average number of shares	Per share
Issued shares at December 31		51,453,736			51,445,803	
Effect of shares issued		-			363	
Basic loss per share	$ (35.1)	51,453,736	$ (0.68)	$ (72.9)	51,446,166	$ (1.42)
Effect of dilutive securities:						
Stock options		25,851			83,498	
Diluted loss per share	$ (35.1)	51,453,736*	$ (0.68)	$ (72.9)	51,446,166*	$ (1.42)

***** 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.

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

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

Sales by market are as follows:

	Three Months Mar. 31, 2025	Three Months Mar. 31, 2024
United States	$ 597.8	$ 655.1
Canada	116.7	139.2
Other export	13.5	6.5
Japan	4.6	6.9
China/Taiwan	2.9	5.5
	$ 735.5	$ 813.2

Sales by product line are as follows:

	Three Months Mar. 31, 2025	Three Months Mar. 31, 2024
Lumber and other wood products	$ 649.1	$ 698.6
Wood chips and other by-products	62.7	75.9
Logs	21.8	34.1
Other	1.9	4.6
	$ 735.5	$ 813.2

13. 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.

The following table summarizes Interfor's financial instruments measured at fair value as at March 31, 2025 and December 31, 2024, and shows the level within the fair value hierarchy in which the financial instruments have been classified:

	Fair Value Hierarchy Level	Mar. 31, 2025	Dec. 31, 2024
Financial assets measured at fair value			
Equity investments	Level 1	$ 11.6	$ 15.0
U.S. countervailing and anti-dumping duty deposits	Level 3	280.0	278.7
		$ 291.6	$ 293.7
Financial liabilities measured at fair value			
U.S. countervailing and anti-dumping duty deposits	Level 3	$ 0.5	$ 0.6

At March 31, 2025, the fair value of the Company's Long-term debt was less than its carrying value by $9.3 million (December 31, 2024 - $9.4 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 March 31, 2025, the Company had no outstanding obligations under derivative financial instruments.

14. Commitments and contingencies:

(a) Commitments:

As at March 31, 2025, the Company had commitments for capital expenditures totalling $63.1 million.

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

14. Commitments and contingencies (continued):

(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 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%

	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
Fifth administrative review – 2022 - Combined AD & CV rates	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	Preliminary rates
AD	4.76%	6.20%	6.26%	20.07%
CV	3.83%	1.79%	1.79%	14.38%
Total	8.59%	7.99%	8.05%	34.45%

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

On March 3, 2025 and April 4, 2025, respectively, the DoC issued its preliminary AD and CV duty rates based on completion of its sixth administrative review of shipments for the year ended December 31, 2023. Final rate determinations are expected to be published in the second half of 2025. At such time, the final rates determined and published for 2023 will be applied to new lumber shipments and an adjustment will be recorded to reflect the delta between the cash deposit rates on 2023 lumber shipments and the final rates. Based on the preliminary rates, an expected incremental duty expense, before interest, of US$84.2 million would be recorded.

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	44.0
2025	13.4
Acquired rights to duty deposits	244.8
	$ 607.0

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

14. Commitments and contingencies (continued):

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

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

		Mar. 31, 2025		Dec. 31, 2024
	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	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	-	22.1	-	23.5
Duties recognized as duty deposits	165.0	236.1	165.0	237.5
Interest recognized on duty deposits	30.3	43.4	28.3	40.6
	$ 195.3	$ 279.5	$ 193.3	$ 278.1

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

		Mar. 31, 2025		Dec. 31, 2024
	USD	CAD	USD	CAD
Deposits and other assets	$ 195.7	$ 280.0	$ 193.7	$ 278.7
Provisions and other liabilities	(0.4)	(0.5)	(0.4)	(0.6)
Net duty deposit receivable	$ 195.3	$ 279.5	$ 193.3	$ 278.1

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$5.5 million of related accrued interest, is recorded as a long-term receivable at March 31, 2025. Interfor is seeking to rectify this matter, and based on the information known at this time, believes the amounts recorded as a long-term receivable at March 31, 2025, 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.

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