

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

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

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

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

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

"Ian M. Fillinger"

President & Chief Executive Officer

"Mike Mackay"

Executive Vice President & Chief Financial
Officer

February 12, 2026



KPMG LLP
777 Dunsmuir Street, 11th floor
Vancouver, BC V7Y 1K3
Canada
Tel 604 691 3000
Fax 604 691 3031

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Interfor Corporation

Opinion

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

- the consolidated statements of financial position as at December 31, 2025 and December 31, 2024
- the consolidated statements of earnings for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

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

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Description of the matter

We draw attention to Notes 3(j) and 8 to the financial statements. The goodwill balance is \$498.9 million, of which \$317.3 million relates to the cash-generating units of the United States South group and \$145.8 million relates to the cash-generating units of the Eastern Canada group. The Entity performs goodwill impairment testing on an annual basis and whenever events or circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is calculated based on the higher of its fair value less costs of disposal and its value in use. Significant assumptions used in determining the value in use include future sales volume, commodity prices, production costs and discount rates.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

- We evaluated the Entity's commodity price assumptions by comparing those assumptions to expected commodity prices in the Entity's and its peer companies' analyst reports.
- We compared the Entity's forecast sales volume and production costs to actual results, to assess the Entity's ability to accurately predict sales volume and production cost assumptions.
- We involved a valuation professional with specialized skills and knowledge who assisted in evaluating the discount rate assumptions used in the estimated values in use, by comparing them against a discount rate range that was independently developed using publicly available market data for comparable entities.



Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis.

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.



- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is Tara Gill.

Vancouver, Canada

February 12, 2026

Interfor Corporation
Consolidated Statements of Financial Position

(Expressed in millions of Canadian Dollars)

As at December 31, 2025 and 2024

	<i>Note</i>	December 31 2025	December 31 2024
Assets			
Current assets:			
Cash and cash equivalents		\$ 32.2	\$ 43.4
Trade accounts receivable and other	27(d)(i)	81.4	109.5
Income taxes receivable		3.3	-
Inventories	4	219.4	283.5
Prepayments		23.1	21.9
Assets held for sale	7,8,16	43.8	18.4
		403.2	476.7
Export duties receivable	21	290.2	278.7
Right of use assets	6	41.8	44.8
Property, plant and equipment	7	1,230.9	1,465.7
Roads and bridges	8	24.9	21.3
Timber licences	8	152.4	158.9
Goodwill and other intangible assets	8	539.6	589.2
Other assets	5	36.3	42.5
Deferred income taxes	19	2.2	0.9
		\$ 2,721.5	\$ 3,078.7
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade accounts payable and provisions	12, 22(c)	\$ 141.9	\$ 203.1
Current portion of long-term debt	9	45.7	48.0
Reforestation liability	10	19.0	16.5
Lease liabilities	11	18.1	20.3
Income taxes payable		1.2	12.9
Liabilities held for sale		-	1.4
		225.9	302.2
Reforestation liability	10	19.9	27.8
Lease liabilities	11	25.6	25.8
Long-term debt	9	784.1	856.7
Export duties payable	21	192.2	0.6
Other liabilities	12	21.9	28.0
Deferred income taxes	19	183.9	305.1
Equity:			
Share capital	13	546.1	409.0
Contributed surplus	13	6.7	6.6
Translation reserve		186.7	246.9
Retained earnings		528.5	870.0
		1,268.0	1,532.5
		\$ 2,721.5	\$ 3,078.7

Commitments and contingencies (*Note 26*).

Subsequent events (*Note 28*).

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

"L. Sauder", Director

"C. Griffin", Director

Interfor Corporation
Consolidated Statements of Earnings

(Expressed in millions of Canadian Dollars, except per share amounts)

Years ended December 31, 2025 and 2024

	<i>Note</i>	2025	2024
Sales	24	\$ 2,805.9	\$ 3,023.6
Costs and expenses:			
Production		2,620.0	2,911.4
Selling and administration		61.6	61.2
Long-term incentive compensation recovery	12, 13(b)	(2.8)	(1.8)
Export duties and tariffs	21	271.5	31.6
Depreciation of plant and equipment	7, 14	149.1	177.5
Depletion and amortization of timber, roads and other	6, 8, 14	34.3	41.8
		3,133.7	3,221.7
Operating loss before asset write-downs and restructuring costs		(327.8)	(198.1)
Asset write-downs and restructuring costs	16	(79.1)	(93.1)
Operating loss		(406.9)	(291.2)
Finance costs	17	(71.5)	(44.6)
Other foreign exchange gain (loss)	27(d)(iii)	32.5	(56.3)
Other income (expense)	18	(14.8)	35.9
		(53.8)	(65.0)
Loss before income taxes		(460.7)	(356.2)
Income tax expense (recovery)	19		
Current		3.2	12.0
Deferred		(119.5)	(63.9)
		(116.3)	(51.9)
Net loss		\$ (344.4)	\$ (304.3)
Net loss per share	20		
Basic		\$ (6.26)	\$ (5.91)
Diluted		\$ (6.26)	\$ (5.91)

See accompanying notes to consolidated financial statements.

Interfor Corporation
Consolidated Statements of Comprehensive Income

(Expressed in millions of Canadian Dollars)
Years ended December 31, 2025 and 2024

	<i>Note</i>	2025	2024
Net loss		\$ (344.4)	\$ (304.3)
Other comprehensive income (loss):			
Items that will not be recycled to Net loss:			
Defined benefit plan actuarial gain, net of tax	<i>19, 22(d)</i>	2.9	4.5
Items that may be recycled to Net loss:			
Foreign currency translation differences for foreign operations, net of tax	<i>19</i>	(60.2)	101.4
Total other comprehensive income (loss), net of tax		(57.3)	105.9
Comprehensive loss		\$ (401.7)	\$ (198.4)

See accompanying notes to consolidated financial statements.

Interfor Corporation
Consolidated Statements of Changes in Equity

(Expressed in millions of Canadian Dollars)

Years ended December 31, 2025 and 2024

	<i>Note</i>	Share Capital	Contributed Surplus	Translation Reserve	Retained Earnings	Total Equity
Balance at December 31, 2023		\$ 408.9	\$ 6.2	\$ 145.5	\$ 1,169.8	\$ 1,730.4
Net loss		-	-	-	(304.3)	(304.3)
Other comprehensive income:						
Foreign currency translation differences for foreign operations, net of tax	<i>19</i>	-	-	101.4	-	101.4
Defined benefit plan actuarial gain, net of tax	<i>19, 22(d)</i>	-	-	-	4.5	4.5
Contributions:						
Share issuance, net of expenses	<i>13(a)</i>	0.1	-	-	-	0.1
Stock option vesting	<i>13(b)</i>	-	0.4	-	-	0.4
Balance at December 31, 2024		409.0	6.6	246.9	870.0	1,532.5
Net loss		-	-	-	(344.4)	(344.4)
Other comprehensive income (loss):						
Foreign currency translation differences for foreign operations, net of tax	<i>19</i>	-	-	(60.2)	-	(60.2)
Defined benefit plan actuarial gain, net of tax	<i>19, 22(d)</i>	-	-	-	2.9	2.9
Contributions:						
Share issuance, net of expenses	<i>13(a)</i>	137.1	-	-	-	137.1
Stock option vesting	<i>13(b)</i>	-	0.1	-	-	0.1
Balance at December 31, 2025		\$ 546.1	\$ 6.7	\$ 186.7	\$ 528.5	\$ 1,268.0

See accompanying notes to consolidated financial statements.

Interfor Corporation
Consolidated Statements of Cash Flows
(Expressed in millions of Canadian Dollars)
Years ended December 31, 2025 and 2024

	<i>Note</i>	2025	2024
Cash provided by (used in):			
Operating activities:			
Net loss		\$ (344.4)	\$ (304.3)
Items not involving cash:			
Depreciation of plant and equipment	7	149.1	177.5
Depletion and amortization of timber, roads and other	6, 8	34.3	41.8
Income tax recovery	19	(116.3)	(51.9)
Finance costs	17	71.5	44.6
Other assets		(9.3)	(4.6)
Reforestation liability	10	(4.8)	(0.3)
Export duties payable and other liabilities		148.9	(0.4)
Stock option vesting	13(b)	0.1	0.4
Net write-down of plant, equipment, roads and timber licences	6, 7, 8, 16	71.5	84.4
Unrealized foreign exchange loss (gain)		(15.2)	33.4
Gain on lease modification		(0.2)	(0.7)
Other expense (income)	18	14.8	(35.9)
Income taxes received (paid), net		(18.1)	70.2
		(18.1)	54.2
Cash generated from (used in) operating working capital:			
Trade accounts receivable and other		24.8	80.8
Inventories		61.1	61.2
Prepayments		(1.5)	6.0
Trade accounts payable and provisions		(21.7)	(57.9)
		44.6	144.3
Investing activities:			
Additions to property, plant and equipment	7	(82.6)	(67.2)
Additions to roads and bridges	8	(7.7)	(6.9)
Proceeds on disposal of property, plant, equipment and other	18	17.1	26.6
Net proceeds (payments) related to B.C. Coast monetization	18	(7.1)	35.1
Net proceeds from deposits and other assets		2.5	2.5
		(77.8)	(9.9)
Financing activities:			
Issuance of share capital, net of expenses	13(a)	137.1	0.1
Interest payments		(54.1)	(56.9)
Lease liability payments	11	(22.4)	(22.8)
Debt refinancing costs		(3.3)	-
Revolving Term Line net drawings (repayments)	9	14.5	(69.9)
Additions to Senior Secured Notes	9	-	45.3
Repayments of Senior Secured Notes	9	(47.7)	(45.3)
		24.1	(149.5)
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency		(2.1)	3.5
Decrease in cash		(11.2)	(11.6)
Cash and cash equivalents, beginning of year		43.4	55.0
Cash and cash equivalents, end of year		\$ 32.2	\$ 43.4

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

1. Nature of operations:

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

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

These consolidated financial statements of the Company as at and for the years ended December 31, 2025 and 2024 comprise the accounts of Interfor Corporation and its subsidiaries.

2. Basis of Preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") and were approved by the Board of Directors on February 12, 2026.

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

(b) Basis of measurement:

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

- (i) Liabilities for cash-settled share-based compensation arrangements are measured at fair value at each reporting date;
- (ii) Equity-settled share-based compensation expense is measured at fair value at the grant date;
- (iii) Employee benefit plan assets and liabilities are recognized as the net of the fair value of the plan assets and the present value of the benefit obligations on a plan by plan basis;
- (iv) Reforestation obligations, lease liabilities and certain other provisions are measured at the discounted value of expected future cash flows; and
- (v) The minority interests in equity investments are measured at fair value at each reporting date.

Certain prior period figures have been reclassified to conform with the current year's presentation.

(c) Functional and presentation currency:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

2. Basis of Preparation (continued):

(d) Use of estimates and judgements:

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

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

Information about the use of management estimates and judgements and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes and in the related Note 3 Material accounting policies:

<i>Note 4</i>	Inventories
<i>Note 7</i>	Property, plant and equipment
<i>Note 8</i>	Roads and bridges, timber licences, other intangible assets and goodwill
<i>Note 10</i>	Reforestation liability
<i>Note 11</i>	Lease liabilities
<i>Note 16</i>	Asset write-downs and restructuring costs
<i>Note 19</i>	Income taxes
<i>Note 21</i>	Export duties and tariffs

3. Material accounting policies:

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

(a) Basis of consolidation:

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

(b) Business combinations:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

3. Material accounting policies (continued):

(b) Business combinations (continued):

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

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

(c) Foreign currency:

(i) Foreign currency transactions:

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

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

(ii) Foreign operations:

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

3. Material accounting policies (continued):

(c) Foreign currency (continued):

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

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

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

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

(d) Financial instruments:

Financial instruments comprise of cash and cash equivalents, trade accounts receivable and other, export duties receivable, equity investments, trade accounts payable and provisions, export duties payable and long-term debt.

(i) Classification and measurement of financial assets:

Financial assets are classified as either measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL") based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Cash and cash equivalents and trade accounts receivable and other are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method, less any impairment losses. The Company applies an expected credit loss model to calculate the impairment of financial assets. Export duties receivable is measured at FVTPL on initial and subsequent measurement.

Equity investments are required to be classified as measured at fair value. The Company recognizes gains and losses on its equity investments in Other income (expense) in the Statements of Earnings.

(ii) Classification and measurement of financial liabilities:

Financial liabilities are classified as either measured at amortized cost or FVTPL.

Trade accounts payable and provisions and long-term debt are initially measured at fair value on the transaction date, less any related transaction costs, and subsequently measured at amortized cost using the effective interest rate method. Export duties payable is measured at FVTPL on initial and subsequent measurement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

3. Material accounting policies (continued):

(d) Financial instruments (continued):

(iii) Derivative financial instruments:

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

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

(iv) Share capital:

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

(e) Inventories:

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

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

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

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

Spare parts and other inventories are recorded at the lower of cost and replacement cost, which approximates net realizable value.

(f) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs of disposal ("FVLCD"). Any excess of carrying value over FVLCD is recognized as an impairment loss. An impairment loss on a disposal group is allocated first to goodwill, if any, and then to the remaining non-current assets on a pro rata basis. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in the Statements of Earnings.

Once classified as held-for-sale, property, plant and equipment are no longer depreciated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

3. Material accounting policies (continued):

(g) Property, plant and equipment:

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

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

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

(h) Logging roads and bridges:

Logging roads with an economic life of greater than one year and all bridges are recorded at cost less accumulated amortization and impairment losses. Roads and bridges are amortized on a straight-line basis over the estimated useful life of the asset.

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

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

(i) Intangible assets:

(i) Timber licences:

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

(ii) Goodwill:

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

(iii) Other intangible assets:

Other intangible assets are recorded at cost less accumulated amortization and impairment losses. Amortization on other intangible assets is recorded on a straight-line basis ranging from 4 to 40 years, being the estimated useful lives of the assets. Amortization rates are reviewed annually to ensure they are aligned with estimates of remaining economic useful lives of the associated intangible assets.

(j) Impairment of non-financial assets:

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

An impairment loss is charged to the Statements of Earnings if an asset's carrying amount exceeds its recoverable amount. The recoverable amount is calculated based on the higher of its FVLCD and its value in use ("VIU").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

3. Material accounting policies (continued):

(j) Impairment of non-financial assets (continued):

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

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

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

An impairment loss recorded against goodwill is not reversed.

(k) Reforestation and other decommissioning provisions:

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

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

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

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

In Ontario and New Brunswick, reforestation costs are recorded as a Production cost in the Statements of Earnings at the time the costs are incurred and the Company claims a reimbursement from the province, therefore no reforestation provision is required.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

3. Material accounting policies (continued):

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

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

Plan assets are valued at fair value.

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

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

(m) Cash-settled share-based compensation:

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

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

Compensation expense is recorded for RSUs over the vesting period, which ranges from one to three years, based on the estimated grant date fair value and is adjusted to reflect the number of RSUs expected to vest.

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

Compensation expense is recorded for SARs over the vesting period based on the estimated fair value of the SARs at the date of grant. There were no grants under the SAR Plan in 2025 or 2024.

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

(n) Sales revenue:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

3. Material accounting policies (continued):

(n) Sales revenue (continued):

Actual costs of freight, duties, tariffs, wharfage and handling are recorded to Production cost and Export duties and tariffs in the Statements of Earnings.

(o) Finance income and costs:

Finance income consists of interest income on the long-term receivable for export duty deposits and other investments and interest on defined benefit plan assets.

Finance costs consist of interest expense on borrowings, the long-term payable for export duty deposits, the defined benefit plan liabilities, lease liabilities, the unwinding of the discount on decommissioning provisions and the amortization of deferred financing fees and other related transaction costs.

(p) Income tax:

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

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

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

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

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

(q) Earnings per share:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

3. Material accounting policies (continued):

(r) New standards and interpretations not yet adopted:

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 into 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. Inventories:

		2025		2024
Lumber and other wood products	\$	123.8	\$	160.9
Logs		46.3		70.0
Spare parts and other		49.3		52.6
	\$	219.4	\$	283.5

Inventory cost includes production costs, depreciation of plant and equipment, and depletion and amortization of timber, roads and other. At December 31, 2025, an inventory provision of \$36.5 million (2024 - \$17.4 million) has been recognized to record inventory at the lower of cost and net realizable value. For the year ended December 31, 2025, a \$19.1 million inventory provision expense (2024 - \$38.1 million net reversal of a previously recognized provision) was recorded in Production costs in the Statements of Earnings.

5. Other assets:

	Note	2025		2024
Employee future benefits	22(d)	\$ 18.4	\$	16.8
Capital deposits and other		9.1		9.5
Equity investments	27(a)	5.2		15.0
Deferred financing fees, net of accumulated amortization		3.6		1.2
		\$ 36.3	\$	42.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

6. Right of use assets:

Cost	Note	Mobile and other equipment	Property, foreshore and other	Total
Balance at December 31, 2023		\$ 59.1	\$ 24.4	\$ 83.5
New leases		23.7	6.3	30.0
Lease disposals and modifications		(14.8)	(1.7)	(16.5)
Exchange rate movements		3.5	0.6	4.1
Balance at December 31, 2024		71.5	29.6	101.1
New leases		15.8	6.3	22.1
Lease disposals and modifications		(18.6)	(7.5)	(26.1)
Transfers	7	(0.4)	-	(0.4)
Exchange rate movements		(2.1)	(0.6)	(2.7)
Balance at December 31, 2025		\$ 66.2	\$ 27.8	\$ 94.0
Accumulated Amortization				
Balance at December 31, 2023		\$ 28.9	\$ 17.5	\$ 46.4
Amortization		19.4	2.7	22.1
Lease disposals and modifications		(13.1)	(0.6)	(13.7)
Impairment	16	(1.0)	0.2	(0.8)
Exchange rate movements		1.7	0.6	2.3
Balance at December 31, 2024		35.9	20.4	56.3
Amortization		20.1	2.8	22.9
Lease disposals and modifications		(17.5)	(7.7)	(25.2)
Transfers	7	(0.3)	-	(0.3)
Impairment	16	-	0.1	0.1
Exchange rate movements		(1.1)	(0.5)	(1.6)
Balance at December 31, 2025		\$ 37.1	\$ 15.1	\$ 52.2
Net book value at				
December 31, 2024		\$ 35.6	\$ 9.2	\$ 44.8
December 31, 2025		29.1	12.7	41.8

Notes to Consolidated Financial Statements

Years ended December 31, 2025 and 2024

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

7. Property, plant and equipment:

Cost	Note	Land	Buildings and site improvements	Machinery, equipment and other	Projects in process	Total
Balance at December 31, 2023		\$ 52.2	\$ 399.4	\$ 2,043.6	\$ 184.0	\$ 2,679.2
Additions		-	-	-	62.7	62.7
Disposals		(8.0)	(5.4)	(73.8)	-	(87.2)
Transfers	8	-	20.0	110.5	(132.2)	(1.7)
Reclass to assets held for sale		(1.5)	(22.5)	(79.4)	-	(103.4)
Impairment	16	-	-	-	(7.1)	(7.1)
Exchange rate movements		3.0	17.4	118.0	11.2	149.6
Balance at December 31, 2024		45.7	408.9	2,118.9	118.6	2,692.1
Additions		-	-	-	82.3	82.3
Disposals		(0.1)	(4.7)	(25.2)	-	(30.0)
Transfers	6,8	-	6.6	44.2	(51.0)	(0.2)
Reclass to assets held for sale		(8.5)	(22.2)	(77.2)	(0.8)	(108.7)
Impairment	16	-	-	-	(0.3)	(0.3)
Exchange rate movements		(1.6)	(10.3)	(69.9)	(5.8)	(87.6)
Balance at December 31, 2025		\$ 35.5	\$ 378.3	\$ 1,990.8	\$ 143.0	\$ 2,547.6
Accumulated Amortization						
Balance at December 31, 2023		\$ -	\$ 151.7	\$ 914.6	\$ -	\$ 1,066.3
Depreciation		-	23.3	154.2	-	177.5
Disposals		-	(2.2)	(58.8)	-	(61.0)
Reclass to assets held for sale		-	(15.4)	(73.2)	-	(88.6)
Impairment	16	-	11.8	55.5	-	67.3
Exchange rate movements		-	8.0	56.9	-	64.9
Balance at December 31, 2024		-	177.2	1,049.2	-	1,226.4
Depreciation		-	21.6	127.5	-	149.1
Disposals		-	(4.6)	(20.3)	-	(24.9)
Transfers	6,8	-	-	0.4	-	0.4
Reclass to assets held for sale		-	(10.5)	(54.5)	-	(65.0)
Impairment	16	-	14.8	56.4	-	71.2
Exchange rate movements		-	(5.0)	(35.5)	-	(40.5)
Balance at December 31, 2025		\$ -	\$ 193.5	\$ 1,123.2	\$ -	\$ 1,316.7
Net book value at						
December 31, 2024		\$ 45.7	\$ 231.7	\$ 1,069.7	\$ 118.6	\$ 1,465.7
December 31, 2025		35.5	184.8	867.6	143.0	1,230.9

There were no borrowing costs capitalized in 2025 or 2024. There were no accrued contract costs included in additions in 2025 (2024 - \$0.3 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

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

Cost	Note	Roads and bridges	Timber licences	Other intangibles	Goodwill
Balance at December 31, 2023		\$ 120.5	\$ 228.6	\$ 62.7	\$ 530.5
Additions		6.9	-	-	-
Disposals	18	(34.0)	(12.3)	(2.0)	(14.3)
Transfers	7	-	-	1.7	-
Reclass to assets held for sale		(4.7)	(4.0)	(0.5)	-
Impairment	16	(0.9)	-	-	-
Exchange rate movements		-	-	0.6	30.4
Balance at December 31, 2024		87.8	212.3	62.5	546.6
Additions		7.7	-	-	-
Disposals	18	(5.0)	(11.1)	(0.6)	(30.1)
Transfers	7	-	-	0.6	-
Reclass to assets held for sale		-	-	(0.5)	-
Impairment	16	0.1	-	-	-
Exchange rate movements		-	-	(0.3)	(17.6)
Balance at December 31, 2025		\$ 90.6	\$ 201.2	\$ 61.7	\$ 498.9
Accumulated Amortization					
Balance at December 31, 2023		\$ 84.6	\$ 58.2	\$ 18.5	\$ -
Amortization		11.7	5.0	3.0	-
Disposals		(30.2)	(10.1)	(1.8)	-
Reclass to assets held for sale		(4.7)	(4.0)	(0.5)	-
Impairment	16	5.1	4.3	0.5	-
Exchange rate movements		-	-	0.2	-
Balance at December 31, 2024		66.5	53.4	19.9	-
Amortization		4.0	4.9	2.5	-
Disposals		(4.8)	(9.5)	(0.6)	-
Transfers	7	-	-	(0.1)	-
Reclass to assets held for sale		-	-	(0.4)	-
Exchange rate movements		-	-	(0.3)	-
Balance at December 31, 2025		\$ 65.7	\$ 48.8	\$ 21.0	\$ -
Net book value at					
December 31, 2024		\$ 21.3	\$ 158.9	\$ 42.6	\$ 546.6
December 31, 2025		24.9	152.4	40.7	498.9

For the purpose of impairment testing at December 31, 2025, goodwill is attributable to the following groups of cash-generating units: \$317.3 million (2024 - \$333.1 million) to the U.S. South group, \$35.8 million (2024 - \$37.6 million) to the U.S. Northwest group and \$145.8 million (2024 - \$175.9 million) to the Eastern Canada group.

The recoverable amounts for the goodwill impairment assessments were based on the CGU group's VIU determined by discounting the future cash flows generated from the continuing use of the units for a period of 20 years. Due to the cyclical nature of the forest industry, cash flows were projected based on an average trend year adjusted for actual near term operating results and the business plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

8. Roads and bridges, timber licences, other intangible assets and goodwill (continued):

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

A post-tax discount rate of 11.0% (2024 – 11.6%) was applied in determining the recoverable amount of each group of CGUs assessed. The discount rate was estimated with the assistance of external experts, past experience and the targeted capital structure. Inflation rates of 2.5% and 2.2% were applied to the projected cash flows for the U.S. and Canadian CGU groups, respectively, which represent the long-term historical averages.

The recoverable amount for each group of CGUs as at December 31, 2025 and December 31, 2024 was determined to be higher than the related carrying value for each group, with no impairment of goodwill required.

9. Borrowings:

	Revolving Term Line	Senior Secured Notes	Total
2025			
Available line of credit	\$ 562.5	\$ 617.4	\$ 1,179.9
Drawings	212.4	617.4	829.8
Outstanding letters of credit	11.0	-	11.0
Unused portion of Revolving Term Line	\$ 339.1	\$ -	\$ 339.1
2024			
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:

2026	\$ 45.7
2027	38.3
2028	83.9
2029	296.4
2030	91.4
Thereafter	274.1
	\$ 829.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

9. Borrowings (continued):

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

	2025	2024
Drawings at January 1	\$ 904.7	\$ 897.7
Revolving Term Line net drawings (repayments)	14.5	(69.9)
Additions to Senior Secured Notes	-	45.3
Repayments of Senior Secured Notes	(47.7)	(45.3)
Effects of changes in foreign exchange rate	(41.7)	76.9
Drawings at December 31	\$ 829.8	\$ 904.7

(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 invested capital.

The Term Line is secured by a general security agreement and mortgage security on certain of the Company's assets and is subject to certain financial covenants including a maximum ratio of net debt to invested capital. As at December 31, 2025, Interfor was fully in compliance with all covenants relating to the Term Line.

On July 25, 2025, the Company completed an early renewal of its Term Line at a committed facility size of \$562.5 million and extended the maturity from December 17, 2026 to July 25, 2029.

As at December 31, 2025, excluding letters of credit, the Term Line was drawn by US\$155.0 million (2024 - US\$145.0 million), revalued at the year-end exchange rate to \$212.4 million (2024 - \$208.6 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 \$10.6 million (2024 - losses of \$20.6 million) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income (loss) for the year ended December 31, 2025.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

9. Borrowings (continued):

(b) Senior Secured Notes:

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

	2025	2024
Series C (US\$33.3 million) bearing interest at 4.17% with payment due on March 26, 2026	\$ 45.7	\$ 95.9
Series D (US\$45.6 million) bearing interest at 4.95% with payments of US\$15.2 million due on August 14, 2027, 2028 and 2029	62.4	65.5
Series E (US\$38.2 million) bearing interest at 4.82% with payments of US\$12.7 million due on August 14, 2027, 2028 and 2029	52.4	55.0
Series F (US\$50.0 million) bearing interest at 3.34% with payments of US\$16.7 million due on March 26, 2028, 2029 and 2030	68.5	71.9
Series G (US\$50.0 million) bearing interest at 3.25% with payments of US\$16.7 million due on March 26, 2028, 2029 and 2030	68.5	71.9
Series H (US\$200.0 million) bearing interest at 7.06% with payments of US\$66.7 million due on December 26, 2031, 2032 and 2033	274.2	287.9
Series I (US\$33.3 million) bearing interest at 6.37% with payment due on March 26, 2030	45.7	48.0
	\$ 617.4	\$ 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 assets, and are subject to certain financial covenants including a maximum ratio of net debt to invested capital. As at December 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 with interest rate and payment terms described in the table above. 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 \$31.1 million (2024 – losses of \$56.3 million) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income (loss) for the year ended December 31, 2025.

(c) Letter of Credit Facility:

On December 1, 2025, the Company entered into a US\$26.0 million letter of credit facility (the "LC Facility"). Letters of credit issued under the LC Facility are to be used as collateral for US customs bonds. The LC Facility is guaranteed by Export Development Canada. As at December 31, 2025, US\$25.2 million of letters of credit were issued under the LC Facility, revalued at the year-end exchange rate to \$34.5 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

10. Reforestation liability:

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

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

		2025		2024
Reforestation liability, beginning of year	\$	44.3	\$	44.2
Reforestation expense on current logging and market logging agreements		13.4		15.5
Reforestation expenditures		(18.1)		(15.7)
Unwind of discount		0.6		1.0
Changes in estimated future reforestation expenditures		(1.3)		(0.7)
	\$	38.9	\$	44.3
Consisting of:				
Current reforestation liability	\$	19.0	\$	16.5
Long-term reforestation liability		19.9		27.8
	\$	38.9	\$	44.3

The total undiscounted amount of the estimated future expenditures required to settle the reforestation obligation, adjusted for inflation, at December 31, 2025 is \$41.5 million (2024 - \$47.9 million). The reforestation expenditures are expected to occur over the next one to sixteen years and have been discounted at a long-term risk-free interest rate of 3.4% (2024 - 3.2%). Reforestation expense resulting from obligations arising from current logging and changes in estimated future expenditures are included in Production costs for the year and expense related to the unwinding of the discount is included in Finance costs.

11. Lease liabilities:

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

	Note	2025		2024
Lease liabilities, beginning of year		\$ 46.1	\$	40.3
New leases		22.0		30.0
Payment of lease liabilities		(22.4)		(22.8)
Payment of interest		(2.4)		(2.0)
Interest expense	17	2.4		2.0
Lease modifications		(0.7)		(3.3)
Exchange rate movements		(1.3)		1.9
	\$	43.7	\$	46.1
Consisting of:				
Current lease liabilities	\$	18.1	\$	20.3
Long-term lease liabilities		25.6		25.8
	\$	43.7	\$	46.1

Maturity analysis – undiscounted lease payments are as follows:

		2025		2024
Due within one year	\$	20.4	\$	23.4
One to five years		24.5		27.2
More than five years		2.4		1.8
Total undiscounted lease liabilities	\$	47.3	\$	52.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

11. Lease liabilities (continued):

For the year ended December 31, 2025, the Company recorded expenses in Production costs of \$6.3 million (2024 – \$7.3 million) related to short-term leases and \$1.3 million (2024 – \$1.9 million) related to low-value leases. Cash payments for short-term and low-value leases for the year ended December 31, 2025 totaled \$7.6 million (2024 - \$9.2 million).

12. Other liabilities:

2025	Note	Current	Non-current	Total
Restructuring		\$ 1.8	\$ -	\$ 1.8
Road deactivation		0.5	-	0.5
Environmental		0.2	3.7	3.9
Cash-settled share-based compensation				
PSU Plan	12(a)	-	-	-
DSU Plan	12(b)	-	4.6	4.6
RSU Plan	12(c)	2.0	1.0	3.0
Employee future benefits	22(c), 22(d)	0.5	12.6	13.1
Deferred charges and other		1.6	-	1.6
		\$ 6.6	\$ 21.9	\$ 28.5
2024	Note	Current	Non-current	Total
Restructuring		\$ 1.8	\$ -	\$ 1.8
Road deactivation		2.9	-	2.9
Environmental		-	3.8	3.8
Cash-settled share-based compensation				
PSU Plan	12(a)	2.4	-	2.4
DSU Plan	12(b)	0.7	8.6	9.3
RSU Plan	12(c)	2.4	1.5	3.9
Employee future benefits	22(c), 22(d)	1.6	11.8	13.4
Deferred charges and other	18	30.9	2.3	33.2
		\$ 42.7	\$ 28.0	\$ 70.7

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

(a) Performance Share Unit Plan:

PSU's are granted to officers and certain employees of the Company and vest on the third anniversary of the grant date. The total number of PSU's that vest range between 0 and 200% of the target award with 50% based on the three-year average return on capital employed and 50% on the total shareholder return of Interfor shares relative to a select peer group of companies. The payout is the number of vested PSU's multiplied by the 20-day volume weighted average price per Interfor common share on the vesting date.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

12. Other liabilities (continued):

(a) Performance Share Unit Plan (continued):

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

	2025	2024
Outstanding, beginning of year	558,918	508,879
Granted	255,806	208,674
Matured	(165,454)	(158,635)
Outstanding, end of year	649,270	558,918

During the year ended December 31, 2025, the Company granted 255,806 PSUs (2024 - 208,674) with a weighted average grant date fair value per unit of \$16.90 (2024 - \$21.30). For the year ended December 31, 2025, the Company recorded a long-term incentive compensation expense under the PSU Plan of \$0.1 million (2024 - \$1.2 million recovery).

(b) Deferred Share Unit Plan:

DSUs may be granted to directors or officers of the Company at the discretion of the Board of Directors, who must receive at least 50% of their annual retainer in DSUs. The DSU Plan allows for the issuance of DSUs with immediate or deferred vesting. There were no unvested DSU's outstanding as at December 31, 2025 and 2024.

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

	2025		2024	
	Units	Weighted average unit value	Units	Weighted average unit value
Outstanding, beginning of year	554,656	\$ 16.69	492,259	\$ 24.27
Granted ¹	127,207	11.37	87,397	18.28
Exercised	(132,267)	13.08	(25,000)	19.11
Outstanding, end of year	549,596	\$ 8.33	554,656	\$ 16.69

¹Fair value at the date of the grants.

Changes to the market value of the Company's common shares subsequent to issuance of awards results in adjustments to the compensation accrual and Long-term incentive compensation in the Statements of Earnings. For the year ended December 31, 2025, the Company recorded a recovery of \$2.9 million (2024 - \$2.2 million) in respect of the DSU Plan.

This recovery is comprised of two components, a recovery of \$4.4 million (2024 - \$3.8 million) recorded in Long-term incentive compensation for the change in value of outstanding DSUs due to market value fluctuations, and an expense of \$1.5 million (2024 - \$1.6 million) recorded in Selling and administration for the value of DSUs issued in the year related to director compensation.

(c) Restricted Share Unit Plan:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

12. Other liabilities (continued):

(c) Restricted Share Unit Plan (continued):

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

	2025		2024	
	Units	Weighted average unit value	Units	Weighted average unit value
Outstanding, beginning of year	367,938	\$ 18.08	187,326	\$ 22.21
Granted ¹	346,111	17.07	264,907	21.51
Cancelled	(12,814)	18.62	(22,903)	22.47
Matured	(132,188)	18.00	(61,392)	22.95
Outstanding, end of year	569,047	\$ 8.27	367,938	\$ 18.08

¹Fair value at the date of the grants.

For the year ended December 31, 2025, the Company recorded long-term incentive compensation expense under the RSU Plan of \$1.4 million (2024 - \$2.9 million).

13. Share capital and contributed surplus:

(a) Share transactions:

Authorized capital at December 31, 2025 consists of:

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

Common share transactions were as follows:

Issued and fully paid	Note	Number	Share Capital	Contributed Surplus
Balance December 31, 2023		51,445,803	\$ 408.9	\$ 6.2
Exercise of stock options	13(b)	7,933	0.1	-
Stock option vesting	13(b)	-	-	0.4
Balance December 31, 2024		51,453,736	\$ 409.0	\$ 6.6
Share issuance, net of expenses		14,303,470	137.1	-
Stock option vesting	13(b)	-	-	0.1
Balance December 31, 2025		65,757,206	\$ 546.1	\$ 6.7

On October 1, 2025, the Company completed a bought deal offering of 12,437,800 common shares of the Company and the concurrent exercise of an over-allotment option to purchase an additional 1,865,670 common shares at a price of \$10.05 per common share for gross proceeds of \$143.8 million. The net proceeds of \$137.1 million, after payment of fees and expenses, were used to pay down existing indebtedness.

(b) Equity-settled share-based compensation:

The Company has a stock option plan for its key employees and directors under which options may be granted to purchase up to 1,631,740 common shares, of which 865,378 remain reserved for issuance. The vesting of the options occurs at a rate of 40% two years after granting and 20% per annum thereafter. Options expire ten years after the date of the grant. The exercise price of a stock option is at a price not less than the closing price of a common share on the trading day immediately preceding the grant date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

13. Share capital and contributed surplus (continued):

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

There were no stock options granted in 2025 or 2024.

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

	2025		2024	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	512,402	\$ 20.07	536,306	\$ 20.25
Exercised	-	-	(7,933)	12.18
Expired or cancelled	(32,024)	23.42	(15,971)	30.20
Outstanding, end of year	480,378	\$ 19.85	512,402	\$ 20.07
Options exercisable, end of year	437,723	\$ 18.94	398,059	\$ 18.86

Details of stock options outstanding at December 31, 2025 are as follows:

Exercise Price	Units outstanding			Units exercisable		
	Number outstanding, December 31, 2025	Weighted average remaining unit life (yrs.)	Weighted average exercise price	Number exercisable, December 31, 2025	Weighted average exercise price	
\$9.78-\$14.82	181,487	3.7	\$ 14.09	181,487	\$ 14.09	
\$14.83-\$23.89	156,302	2.3	18.68	156,302	18.68	
\$23.90-\$37.68	142,589	5.8	28.44	99,934	28.13	
	480,378		\$ 19.85	437,723	\$ 18.94	

The Company recognized an expense of \$0.1 million for the year ended December 31, 2025 (2024 - \$0.4 million) in Long-term incentive compensation.

14. Depreciation, depletion, and amortization:

Depreciation, depletion and amortization by function is as follows:

	2025	2024
Production	\$ 182.0	\$ 217.5
Selling and administration	1.4	1.8
	\$ 183.4	\$ 219.3

15. Personnel expenses:

	Note	2025	2024
Wages, salaries and benefits		\$ 545.6	\$ 595.2
Contributions to defined contribution plans	22	25.3	29.6
Expenses related to defined benefit plan	22	1.2	1.3
Cash-settled share-based payments and other long-term compensation	12, 13(b)	(2.8)	(1.8)
		\$ 569.3	\$ 624.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

16. Asset write-downs and restructuring costs:

	Note	2025	2024
Net write-down of plant, equipment, roads and timber licences	6, 7, 8	\$ 71.5	\$ 84.4
Severance and other closure costs		7.6	8.7
		\$ 79.1	\$ 93.1

During 2025, the Company identified impairment indicators at certain operations, specifically the prolonged weak lumber market, higher duties and tariffs and mill specific economic and operating factors. In accordance with IAS 36, *Impairment of assets*, impairment assessments were performed using the same methodology and assumptions as described in Note 8. As a result, the Company recorded an impairment charge of \$69.1 million related to the remeasurement of property, plant and equipment to the lower of their carrying amount and FVLCD in Eastern Canada.

The indefinite curtailment of two operations in the U.S. South in 2024 resulted in impairment charges of \$17.3 million during 2024 and an additional \$1.8 million during 2025 against plant and equipment. The Company plans to sell certain property, plant and equipment of these operations in 2026 and these assets were classified as held for sale as at December 31, 2025.

During 2024, the Company announced the impending sale of its Quebec operations, resulting in an impairment charge of \$73.8 million against plant, equipment, intangibles, roads, timber licences and other. The sale closed in 2025, resulting in a loss on disposal as described in Note 18.

In 2024, the Company sold property and assets of the former sawmill located in Philomath, Oregon. Corresponding to the sale, the Company recorded a \$10.0 million reversal of an impairment charge recorded in 2023 related to the remeasurement of property, plant, equipment and other to the lower of their carrying amount and FVLCD.

17. Finance costs:

	Note	2025	2024
Interest expense on:			
Borrowings		\$ 52.6	\$ 58.7
Pension obligations	22(c), 22(d)	3.0	2.8
Lease liabilities	11	2.4	2.0
Interest revenue from:			
Pension assets	22(d)	(2.5)	(2.3)
Other		(1.2)	(4.5)
Duty deposits interest expense	21(a)	42.0	10.6
Duty deposits interest income	21(a)	(26.4)	(24.1)
Unwind of discount on provisions	10	0.7	0.8
Amortization of deferred financing fees		0.9	0.6
		\$ 71.5	\$ 44.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

18. Other income (expense):

	Note	2025	2024
Net gain related to B.C. Coast monetization		\$ 28.0	\$ 64.9
Net loss on disposal of property, plant, equipment, goodwill and other	7, 8	(32.7)	(16.6)
Change in fair value of minority interest in equity investments	5	(9.8)	(12.3)
Net loss on lease modifications		(0.3)	(0.1)
		\$ (14.8)	\$ 35.9

In 2025, the Company sold Coastal B.C. forest tenures totalling approximately 324,000 cubic metres of allowable annual cut ("AAC") and related assets and liabilities for proceeds of \$22.9 million (2024 - \$67.1 million) and a gain of \$28.0 million (2024 - \$64.9 million). Interfor held approximately 574,000 cubic metres of AAC for disposition at December 31, 2025, subject to approvals from the Ministry of Forests. During 2025, the Company made all final settlement payments and therefore had no remaining contractual obligations related to the monetization of the Coastal B.C. operations outstanding as at December 31, 2025 (2024 - \$30.0 million).

In 2025, the Company completed the sale of its Quebec operations 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.

In 2024, the Company completed the sale of its former sawmill located in Philomath, Oregon for net cash consideration of US\$15.0 million resulting in a loss on disposal of \$14.3 million, primarily related to goodwill.

19. Income taxes:

	2025	2024
Current tax expense (recovery):		
Current year	\$ 3.6	\$ 10.5
Adjustment for prior periods	(0.4)	1.5
	3.2	12.0
Deferred income tax recovery		
Origination and reversal of temporary differences	(119.5)	(63.9)
	\$ (116.3)	\$ (51.9)

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

	2025	2024
Defined benefit plan actuarial gain	\$ 1.1	\$ 1.7
Foreign currency translation difference for foreign operations	(4.1)	8.9
	\$ (3.0)	\$ 10.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

19. Income taxes (continued):

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

	2025	2024
Income tax recovery at the statutory rate of 27.00% (2024 - 27.00%)	\$ (124.4)	\$ (96.2)
Entities with different tax rates and foreign rate adjustments	6.0	6.4
Non-taxable portion of capital gain/loss tax (recovery)	(2.9)	35.7
Disposal of goodwill	7.6	-
Adjustment to state tax temporary differences	0.8	(1.9)
Other	(3.4)	4.1
	\$ (116.3)	\$ (51.9)

There was no change in the Canadian statutory tax rate of 27% in 2025 (2024 - 27%).

Interfor recorded a deferred income tax recovery in respect of its U.S. operations in 2025 at a combined federal and state income tax rate of 24.5% (2024 - 24.5%).

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

(a) Canadian non-capital loss carry-forwards which total approximately \$10.9 million (2024 - \$5.2 million) and expire between 2031 and 2045.

(b) U.S. federal net operating loss carry-forwards which total approximately US\$236.3 million (2024 - US\$162.2 million) and can be carried forward indefinitely, but are currently limited in application to 80% of taxable income in a tax year.

Subsequent to December 31, 2025, Interfor received Notices of Reassessment from the Canada Revenue Agency ("CRA") in relation to cross border preferred share financing used between 2014 and 2019 to fund U.S. subsidiaries ("repo structure"). The reassessments would result in an increase to federal and B.C. income and logging taxes payable of \$14.2 million, along with accrued interest to date of \$4.9 million. Interest will continue to accrue until the matter is resolved.

Management believes Interfor has complied with Canadian tax laws and therefore has not recorded any liability related to the CRA reassessments. The Company intends to vigorously defend its filing position, including through litigation if necessary.

As at December 31, 2025, the Company has unrecognized deferred Canadian income tax assets in relation to unrealized and accrued foreign exchange losses on U.S. Dollar denominated debt and losses on the change in fair value of the minority interest in equity investments totalling \$51.4 million (2024 - \$101.7 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

19. Income taxes (continued):*Recognized deferred income taxes:*

December 31, 2025	Opening balance	Recognized in income tax expense	Recognized in other comprehensive income (loss)	Ending balance
Deferred income tax assets:				
Losses	\$ 61.9	\$ 24.2	\$ -	\$ 86.1
Reserves	25.4	(6.6)	-	18.8
Deferred income tax liabilities:				
Capital assets	(278.9)	45.1	-	(233.8)
Export duties receivable, net	(71.1)	50.1	-	(21.0)
Defined benefit plan	(4.7)	-	(1.1)	(5.8)
Foreign currency Translation differences for foreign operations	(15.4)	-	4.1	(11.3)
Other	(21.4)	6.7	-	(14.7)
Total	\$ (304.2)	\$ 119.5	\$ 3.0	\$ (181.7)

December 31, 2024	Opening balance	Recognized in income tax expense	Recognized in other comprehensive income (loss)	Ending balance
Deferred income tax assets:				
Losses	\$ 22.1	\$ 39.8	\$ -	\$ 61.9
Reserves	24.9	0.5	-	25.4
Deferred income tax liabilities:				
Capital assets	(321.5)	42.6	-	(278.9)
Export duties receivable, net	(60.4)	(10.7)	-	(71.1)
Defined benefit plan	(3.0)	-	(1.7)	(4.7)
Foreign currency Translation differences for foreign operations	(6.4)	-	(9.0)	(15.4)
Other	(13.1)	(8.3)	-	(21.4)
Total	\$ (357.4)	\$ 63.9	\$ (10.7)	\$ (304.2)

Represented by the following:

	2025	2024
Deferred income tax assets	\$ 2.2	\$ 0.9
Deferred income tax liabilities	(183.9)	(305.1)
	\$ (181.7)	\$ (304.2)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

20. 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:

	2025			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		3,605,258			2,304	
Basic loss per share	\$ (344.4)	55,058,994	\$ (6.26)	\$ (304.3)	51,448,107	\$ (5.91)
Effect of dilutive securities:						
Stock options	-	2,383		-	59,170	
Diluted loss per share	\$ (344.4)	55,058,994 ¹	\$ (6.26)	\$ (304.3)	51,448,107 ¹	\$ (5.91)

¹ 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.

21. Export duties and tariffs:

The Export duties and tariffs expense on the Statements of Earnings is comprised of the following:

	2025	2024
Cash deposits paid	\$ 97.8	\$ 60.2
Duties expense related to sixth administrative review rate finalization	156.7	-
Duties recovery related to fifth administrative review rate finalization	-	(3.4)
Foreign currency translation impact on net export duties receivable	17.2	(22.8)
Accruals and other adjustments	(6.8)	(2.4)
Export duties expense	264.9	31.6
Tariffs	6.6	-
Export duties and tariffs	\$ 271.5	\$ 31.6

(a) U.S. countervailing and anti-dumping duties:

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

21. Export duties and tariffs (continued):

(a) U.S. countervailing and anti-dumping duties (continued):

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 combined AD and CV cash deposit rates that were in effect and the final revised rates by administrative review ("AR"):

Year ended December 31	Cash deposit rates in effect			Final rates
	Jan 1 - Dec 31			
AR1 - 2017	20.23%			8.83%
AR1 - 2018	20.23%			8.99%
AR2 - 2019	20.23%			17.91%
	Jan 1 - Nov 30		Dec 1 - Dec 31	
AR3 - 2020	20.23%		8.99%	8.59%
AR4 - 2021	8.99%		17.90%	8.05%
	Jan 1 - Jan 9	Jan 10 - Aug 8	Aug 9 - Dec 31	
AR5 - 2022	17.90%	17.91%	8.59%	14.40%
	Jan 1 - Jul 31	Aug 1 - Sep 12	Sep 13 - Dec 31	
AR6 - 2023	8.59%	7.99%	8.05%	35.16%
		Jan 1 - Aug 19	Aug 20 - Dec 31	
AR7 - 2024		8.05%	14.40%	Pending review
	Jan 1 - Jul 28	Jul 29 - Aug 11	Aug 12 onwards	
AR8 - 2025	14.40%	27.27%	35.16%	Pending review

Duties paid by period are as follows:

Amounts in US dollars	
2017	\$ 37.9
2018	94.1
2019	76.1
2020	95.9
2021	89.8
2022	118.7
2023	37.1
2024	44.0
2025	69.9
	\$ 663.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

21. Export duties and tariffs (continued):

(a) U.S. countervailing and anti-dumping duties (continued):

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

	Dec. 31, 2025		Dec. 31, 2024	
	USD	CAD	USD	CAD
Net overpayment (underpayment) of duties per completed DoC ARs:				
AR1	\$ 35.8	\$ 46.3	\$ 33.0	\$ 42.7
AR2	3.8	5.0	3.2	4.3
AR3	21.3	28.3	19.6	26.1
AR4	5.4	6.8	5.0	6.3
AR5	3.7	4.0	3.2	3.4
AR6	(116.2)	(156.7)	-	-
Purchase price for acquired duty deposits	101.0	131.2	101.0	131.2
Revaluation to the quarter-end exchange rate	-	10.2	-	23.5
Duties recognized as duty deposits	54.8	75.1	165.0	237.5
Interest recognized on duty deposits	16.7	22.9	28.3	40.6
Net export duties receivable	\$ 71.5	\$ 98.0	\$ 193.3	\$ 278.1

During 2025, the Company revised its estimate of the fair value measurement of net export duties receivable. This change in accounting estimate was applied prospectively, with \$13.7 million recorded as an increase to net export duties receivable, of which \$4.4 million related to interest.

The Company believes that U.S. Customs and Border Protection has inappropriately designated as liquidated US\$43.3 million of duties paid related to AR1. US\$25.7 million of this amount, along with US\$7.5 million of related accrued interest, is recorded as a long-term receivable at December 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 December 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 supports the legal challenges by the Canadian federal and provincial governments and other Canadian industry members before U.S. courts, binational panels established under the United States-Mexico-Canada Agreement ("USMCA"), and the World Trade Organization. All duty rates that are finally determined by the DoC, have been appealed and the Company will record an adjustment, if required, for each rate once its appeal is finalized.

To date, the only appeals that have been finalized relate to the AD duty rates for AR1 and AR2 for the years 2017 to 2019 and no adjustment was required. The AD duties on deposit for AR1 and AR2 will remain suspended from liquidation, until their corresponding CV duty rate appeals have been finalized. The final amount and effective date of the remaining AD and CV duties assessed on the Company's softwood lumber exports to the U.S., cannot be determined at this time and depend on decisions yet to be made by the reviewing courts and binational panels.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

21. Export duties and tariffs (continued):

(b) Tariffs

Between March 4, 2025 and March 6, 2025, a 25% tariff on all products imported from Canada to the U.S., including softwood lumber, was imposed under the *International Emergency Economic Powers Act* ("IEEPA"), resulting in the Company paying \$1.9 million in such tariffs. On March 6, 2025, an executive order was issued temporarily pausing IEEPA tariffs on Canadian goods compliant with the USMCA, including the Company's lumber products.

On April 2, 2025, the U.S. administration imposed "reciprocal" tariffs under IEEPA on all countries, and later increased the reciprocal tariff rate on Canadian goods to 35%, however goods compliant with the USMCA, including the Company's lumber products, are exempt from reciprocal tariffs.

Effective October 14, 2025, the U.S. imposed a tariff of 10% under Section 232 of the *Trade Expansion Act*, on all imports of softwood timber and lumber into the U.S., including from Canada. For the year ended December 31, 2025, the Company paid \$4.7 million in Section 232 tariffs on the Company's lumber products.

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

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

(a) Defined contribution plans:

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

For the DPSP, the Company's funding obligations are satisfied upon making cash contributions to an employee's account. For 2025, the pension expense for this plan is equal to the Company's contribution of \$4.8 million (2024 - \$5.8 million).

For the hourly employees of the Eastern Operations and the Canadian Merchant Services Guild ("CMSG"), the Company makes required contributions based on a percentage of earnings into defined contribution plans. For 2025, the pension expense is equal to the Company's contribution of \$3.0 million (2024 - \$4.1 million).

Employees of the Company's U.S. operating subsidiaries can contribute a percentage of their earnings to a 401(k) plan and in the event contributions are made, the Company makes corresponding contributions, all contributions vest immediately. The Company's funding obligations are satisfied upon making cash contributions to an employee's account. For 2025, the pension expense for this plan is equal to the Company's contribution of \$13.7 million (2024 - \$15.9 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

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

(b) Unionized employees' pension plan:

The Company contributes to industry-wide benefit plans for unionized employees based on a predetermined amount per hour worked by an employee or based on a percentage of earnings. For 2025, the pension expense for this plan is equal to the Company's contribution of \$1.5 million (2024 - \$1.5 million). As there is insufficient information available to enable the Company to account for this plan as a defined benefit plan, the plan has been accounted for as a defined contribution plan. The Company's liability is limited to its contributions.

(c) Supplementary pension plans:

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

During 2025, the Company recorded an expense of \$2.3 million (2024 - \$2.3 million) in respect of these plans, of which \$1.1 million (2024 - \$1.0 million) related to interest expense has been recorded in Finance costs.

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

	2025	2024
Trade accounts payable and provisions	\$ 0.4	\$ 1.6
Other liabilities	10.9	9.8
	\$ 11.3	\$ 11.4

(d) Defined benefit plans:

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

In 2022, the Company acquired the Eastern Canada Operations and the Pension Plan for Employees of EACOM Timber Corporation ("EACOM plan"). The defined benefit component of the pension plan establishes a set amount of pension benefits that the employee will receive upon retirement and is closed to new employees. In addition, the Company provides post-retirement medical, dental and life insurance benefits to its eligible retirees.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

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

(d) Defined benefit plans (continued):

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

	Most Recent Valuation	Next Scheduled Valuation
Adams Lake Pension Plan	December 31, 2023	December 31, 2026
EACOM Pension Plan	January 1, 2025	January 1, 2028
EACOM Post-Retirement Benefits	December 31, 2023	December 31, 2026
CMSG Pension Plan	December 31, 2022	December 31, 2025
CMSG Post-Retirement Benefits	December 31, 2023	December 31, 2026

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

In 2025, the Company paid contributions of \$0.3 million (2024 - \$0.3 million), offset by transfers of \$1.4 million (2024 - \$3.6 million) due to a surplus in the EACOM plan being utilized to fund the plan's defined contribution component. In 2026, the Company expects to contribute \$0.3 million to its defined benefit plans and will no longer utilize transfers, as the EACOM plan surplus has been fully utilized.

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

	Pension benefits		Other post-retirement benefits	
	2025	2024	2025	2024
Defined benefit obligation:				
Beginning of year	\$ 37.1	\$ 35.4	\$ 2.0	\$ 2.3
Service cost	1.0	0.8	0.1	0.1
Employee contributions	0.5	0.4	-	-
Interest cost	1.8	1.7	0.1	0.1
Benefit payments	(1.3)	(1.0)	(0.1)	(0.1)
Settlements	0.2	-	(0.2)	-
Actuarial (gain) loss due to:				
Financial assumptions	(1.4)	0.1	(0.1)	(0.1)
Experience adjustment	(0.5)	(0.3)	-	(0.3)
End of year	\$ 37.4	\$ 37.1	\$ 1.8	\$ 2.0
Plan assets:				
Beginning of year	\$ 53.9	\$ 50.9	\$ -	\$ -
Interest on plan assets	2.5	2.3	-	-
Employer contributions	(1.2)	(3.4)	0.1	0.1
Employee contributions	0.5	0.4	-	-
Benefit payments	(1.3)	(1.0)	(0.1)	(0.1)
Administration costs	(0.7)	(0.9)	-	-
Actuarial gain	2.1	5.6	-	-
End of year	\$ 55.8	\$ 53.9	\$ -	\$ -
Net employee future benefit asset (liability)	\$ 18.4	\$ 16.8	\$ (1.8)	\$ (2.0)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

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

(d) Defined benefit plans (continued):

The following summarizes the balances recognized in Other assets, Trade accounts payable and provisions and Other liabilities:

	Pension benefits		Other post-retirement benefits	
	2025	2024	2025	2024
Employee future benefits assets	\$ 18.4	\$ 16.8	\$ -	\$ -
Trade accounts payable and provisions	-	-	(0.1)	-
Employee future benefits liabilities	-	-	(1.7)	(2.0)
Net employee future benefits asset (liability)	\$ 18.4	\$ 16.8	\$ (1.8)	\$ (2.0)

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

	Pension benefits		Other post-retirement benefits	
	2025	2024	2025	2024
Statements of earnings				
Production cost	\$ 1.9	\$ 1.7	\$ (0.1)	\$ 0.1
Finance costs	(0.7)	(0.6)	0.1	0.1
	\$ 1.2	\$ 1.1	\$ -	\$ 0.2
Other comprehensive income (loss)				
Actuarial gain	\$ 3.9	\$ 5.8	\$ 0.1	\$ 0.4

Plan assets consist of:

Asset category	2025	2024
Investment funds		
Global equity	\$ 25.1	\$ 24.3
Fixed income	21.2	20.4
Canadian equity	8.6	8.4
Money market	0.9	0.8
Total	\$ 55.8	\$ 53.9

The plan assets held in investment funds are managed by third party investment managers and the fair values of these investments have been determined based on the unit price of the underlying funds. As such, all investment funds are categorized as Level 2 in the fair value hierarchy (Note 27).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

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

(d) Defined benefit plans (continued):

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

	Pension benefits		Other post-retirement benefits	
	2025	2024	2025	2024
Defined benefit obligation as of December 31				
Discount rate	5.00%	4.75%	5.00%	4.75%
Compensation increases ¹	3.17%	3.16%	-	-
Pension expense				
Discount rate	4.75%	4.75%	4.75%	4.75%
Compensation increases ¹	3.17%	3.16%	-	-

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

For measurement purposes at December 31, 2025, the Company has assumed a weighted average 5.41% health care cost trend in 2026 and onwards (2024 – 5.39% health care cost trend in 2025 and onwards).

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

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

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

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

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

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

23. Related party transactions:

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

	2025	2024
Salary and short-term employee benefits	\$ 5.4	\$ 5.2
Post-employment benefits	1.1	1.4
Share-based compensation recovery	(2.0)	(1.3)
	\$ 4.5	\$ 5.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

23. Related party transactions (continued):

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

	2025	2024
Trade accounts payable and provisions	\$ 0.7	\$ 2.9
Employee future benefits obligation	6.1	6.0
Other liabilities	5.0	9.3
	\$ 11.8	\$ 18.2

24. 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.

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

	2025	2024
United States	\$ 2,230.7	\$ 2,370.2
Canada	493.2	585.2
Other export	44.5	34.1
Japan	23.3	18.0
China/Taiwan	14.2	16.1
	\$ 2,805.9	\$ 3,023.6

Sales by product line are as follows:

	2025	2024
Lumber and other wood products	\$ 2,464.6	\$ 2,590.9
Wood chips and other by-products	237.8	283.7
Logs	83.1	110.3
Timber management and other	20.4	38.7
	\$ 2,805.9	\$ 3,023.6

Non-current assets by geographic location are as follows:

	2025	2024
United States	\$ 1,270.0	\$ 1,412.9
Canada	1,048.3	1,189.1
	\$ 2,318.3	\$ 2,602.0

25. Capital management:

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

25. Capital management (continued):

The Company monitors capital using a ratio of “net debt” to “invested capital” and manages to a target range. Net debt is calculated as the total of long-term debt and bank indebtedness, less cash and cash equivalents. Invested capital is the total of net debt and equity.

Under its debt financing agreements, the Company cannot exceed a net debt to invested capital ratio of 50%, with calculations based on defined terms under the debt financing agreements. The debt financing agreements also require, at times, a minimum EBITDA interest coverage ratio of two times, which becomes effective if the net debt to invested capital ratio exceeds certain thresholds.

As at December 31, 2025, the Company was fully in compliance with all debt covenants.

26. Commitments and contingencies:

(a) Contractual obligations:

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

2026	\$	132.3
2027		50.8
2028		37.4
2029		32.0
2030		6.9
	\$	259.4

The Company is also committed to leases of property, plant and equipment as described in Note 11.

(b) Surety bonds:

The Company has posted \$60.3 million in surety performance, bid and payment bonds, with various expiry dates extending through January 2028.

(c) Other contingencies:

The Company is subject to a number of claims arising in the normal course of business, for which either an adequate provision has been made or no material liability is expected. When the Company is unable to determine the outcome of a legal claim, no amount is recognized in the consolidated financial statements.

27. Financial instruments:

(a) Fair value of financial instruments:

The Company’s cash and cash equivalents, trade accounts receivable and other, trade accounts payable and provisions and long-term debt are classified as measured at amortized cost in accordance with *IFRS 9 Financial Instruments*. The carrying amounts of these instruments, excluding long-term debt, approximate fair value at December 31, 2025 and December 31, 2024.

Investments in equity securities and export duties receivable and payable are classified as measured at FVTPL.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

27. Financial instruments (continued):

(a) Fair value of financial instruments (continued):

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 December 31, 2025 and 2024, and shows the level within the fair value hierarchy in which the financial instruments have been classified:

	Fair Value Hierarchy Level	2025	2024
Financial assets measured at fair value			
Equity investments	Level 1	\$ 5.2	\$ 15.0
Export duties receivable	Level 3	290.2	278.7
		\$ 295.4	\$ 293.7
Financial liabilities measured at fair value			
Export duties payable	Level 3	\$ 192.2	\$ 0.6

At December 31, 2025, the fair value of the Company's Long-term debt exceeded its carrying value by \$11.5 million (2024 – less than by \$9.4 million) measured based on Level 2 inputs of the fair value hierarchy.

(b) Derivative financial instruments:

The Company may use a variety of derivative financial instruments to reduce its exposure to risks associated with fluctuations in foreign exchange rates and lumber prices. The Company did not trade any foreign exchange contracts or lumber futures in 2025 and 2024.

(c) Hedge of investment in foreign operations:

Certain U.S. Dollar drawings under the Term Line and all drawings under the Senior Secured Notes were designated as hedges against the Company's investment in its U.S. operations and repayments were de-designated as a hedge. Interfor recorded unrealized foreign exchange gains of \$41.7 million (2024 – losses of \$76.9 million) arising on revaluation of hedged U.S. Dollar debt in Other comprehensive income (loss) for the year ended December 31, 2025.

(d) Financial risk management:

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

27. Financial instruments (continued):

(d) Financial risk management (continued):

(i) Credit risk:

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

Accounts receivable

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

The Company regularly reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectible accounts. A \$0.2 million reserve in respect of doubtful accounts was recorded as at December 31, 2025 (2024 - \$0.3 million).

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

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

		2025		2024
Canada	\$	40.0	\$	57.8
United States		38.7		48.0
Japan		1.4		0.7
China/Taiwan		0.1		0.4
Other		1.2		2.6
	\$	81.4	\$	109.5

(ii) Liquidity risk:

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

The Company maintains a \$562.5 million Term Line credit facility with a syndicate of highly rated Canadian and U.S. banks which can be drawn in either Canadian or US funds and matures in July 2029.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

27. Financial instruments (continued):

(d) Financial risk management (continued):

(ii) Liquidity risk (continued):

The following table summarizes Interfor's available liquidity as of December 31, 2025:

Unused portion of Revolving Term Line, <i>see Note 9</i>	\$	339.1
Add: Cash and cash equivalents		32.2
Available liquidity at December 31, 2025	\$	371.3

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

	Total	Payments due by period			
		Up to 1 year	2-3 years	4-5 years	After 5 years
Trade accounts payable and provisions	\$ 135.0	\$ 135.0	\$ -	\$ -	\$ -
Income taxes payable	1.2	1.2	-	-	-
Reforestation liability	41.5	19.0	9.7	4.8	8.0
Lease liabilities	47.2	20.4	18.4	6.0	2.4
Long-term debt	1,065.2	94.5	214.9	443.0	312.8
Other liabilities	30.1	5.0	2.3	1.2	21.6
Operating and capital commitments	259.4	132.3	88.2	38.9	-
Total obligations	\$ 1,579.6	\$ 407.4	\$ 333.5	\$ 493.9	\$ 344.8

(iii) Market risk:

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

Currency risk

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

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

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

At December 31, 2025, the Company has U.S. Dollar drawings under its Term Line and Senior Secured Notes of US\$605.4 million (2024 - US\$628.8 million). These U.S. Dollar drawings have been designated as a hedge against the Company's net investment in its U.S. operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2025 and 2024

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

27. Financial instruments (continued):

(d) Financial risk management (continued):

(iii) Market risk (continued):

As at December 31, 2025, the domestic operations of the Company held cash and cash equivalents of US\$8.8 million (2024 - US\$13.0 million). Cash and cash equivalents held by foreign subsidiaries totaled US\$1.9 million (2024 - US\$9.0 million).

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

2025		CAD	USD
Accounts receivable	\$	39.7	\$ 0.8
Accounts receivable held by foreign subsidiaries with USD functional currency		0.3	29.4
	\$	40.0	\$ 30.2
2024		CAD	USD
Accounts receivable	\$	57.4	\$ 0.8
Accounts receivable held by foreign subsidiaries with USD functional currency		-	35.3
	\$	57.4	\$ 36.1

Based on the Company's net exposure to foreign currencies as at December 31, 2025, the sensitivity of the Company's annual Net loss and Other comprehensive income (loss) are as follows:

U.S. Dollar	\$0.01 increase vs CAD	\$3.5 million increase in Net loss
U.S. Dollar	\$0.01 increase vs CAD	\$5.8 million increase in OCI

Interest rate risk

Based on the Company's average borrowings under the Term Line, the sensitivity of a 100 basis point increase in interest rates would result in an approximate increase of \$1.5 million in Net loss.

Other market risk:

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

28. Subsequent events:

On February 12, 2026, the Company entered into a \$30.0 million term loan, guaranteed by the Business Development Bank of Canada. The financing is expected to close in Q1'26 and was arranged through the Government of Canada's Softwood Lumber Guarantee Program.

On February 12, 2026, the Company amended its Term Line and Senior Secured Notes. The amendments include the ability to exclude up to \$300.0 million of non-cash asset or goodwill impairment charges from January 1, 2025 onwards from the calculation of the Company's net debt to invested capital ratio and a higher threshold as to when the springing two times EBITDA interest coverage ratio covenant applies. Specifically, the Company can elect to increase the threshold to 47.5% from the existing 42.5% of net debt to invested capital ratio for several quarters, until an outside date of March 31, 2028. The amendments also require that Interfor maintain minimum liquidity levels of up to \$175.0 million, depending on certain circumstances. There were no changes to the maturity date of July 25, 2029 for the Term Line and the commitment was amended to \$540.0 million.