Interfor Corporation
Second Quarter Report
For the three and six months ended June 30, 2026

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a review of financial condition and results of operations as at and for the three and six months ended June 30, 2026 ("Q2'26" and "YTD'26", respectively). It should be read in conjunction with the unaudited condensed consolidated interim financial statements of Interfor Corporation and its subsidiaries ("Interfor" or the "Company") for the three and six months ended June 30, 2026, and the notes thereto which have been prepared in accordance with *IAS 34 Interim Financial Reporting* using accounting policies consistent with IFRS Accounting Standards ("IFRS"). This MD&A contains certain non-generally accepted accounting principles ("GAAP") measures which, within the Non-GAAP Measures section, are discussed, defined and reconciled to figures reported in the Company's unaudited condensed consolidated interim financial statements. This MD&A has been prepared as of August 6, 2026.

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

Forward-Looking Information

This MD&A contains forward-looking information. A statement contains forward-looking information when the Company uses what it knows and expects today, to make a statement about the future. All statements other than statements of historical fact contained in this report constitute forward-looking information including, without limitation: statements regarding the future plans, prospects, objectives and expectations of or involving the Company, as well as information under the headings "Export Duties", "Tariffs", "Liquidity and Financial Position", "Outlook", "Off-Balance Sheet Arrangements", "Accounting Policy Changes" and "Risks and Uncertainties". Generally, but not always, forward-looking information is identifiable by the use of words such as "believe", "expects", "plans", "forecasts", "targets", "outlook", "will", "may", "could", "should", "intends", "projects", "anticipates", "estimates", "continues", and similar words or variations or the negative thereof.

Forward-looking information is used to describe management expectations and plans, and although management believes that the expectations are reasonable, there can be no assurance that they will prove to be correct.

By its nature, forward-looking information requires the Company to make assumptions and, accordingly, forward-looking information is subject to inherent risks and uncertainties, and there is significant risk that the forward-looking information will not prove to be accurate. The Company cautions readers not to place undue reliance on its forward-looking information because a number of factors may cause actual future circumstances, results, conditions, actions or events to differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking information and the assumptions underlying the forward-looking information.

Forward looking information includes assumptions and analyses about the performance of the Company, the markets in which it competes and the prospects and values that are considered in setting its business plan, in evaluating and forecasting its availability of credit, capital investments and outlook for operations and financial position, results and cash flow and other plans and objectives and in making related forward-looking statements.

A number of assumptions and factors on which the forward-looking information is based, which could cause actual results to differ materially from the forward-looking information in this report, include but are not limited to, the following: impact of general economic conditions; demand for products and price volatility; softwood lumber trade between Canada and the U.S.; the tariffs and other trade measures recently enacted or proposed by the U.S. administration, and the potential for further escalating trade measures between the U.S., Canada and other jurisdictions, as well as the applicability, scope and timing of any such measures; availability and cost of logs; availability of credit; competition; currency exchange sensitivity, such as changes in the value of the Canadian dollar relative to the U.S. dollar; government regulation, including environmental legislation; health and safety; Indigenous reconciliation in Canada; information technology and cyber security; labour availability; logistics availability and cost; natural and manmade disasters and climate change; residual fibre revenue; and tax exposures. For a more detailed discussion of these factors and assumptions, see the sections titled "Risks and Uncertainties" and "Critical Accounting Estimates" in this report. The Company cautions readers that this list of factors is not exhaustive and that, when relying on forward-looking information to make decisions with respect to the Company, readers should carefully consider the factors discussed, as well as other uncertainties and potential events, and the inherent risks and uncertainties of forward-looking information. The forward-looking information in this report is based on the assumption that the Company will not be affected by such risks, but if the Company is affected by such risks, the forward-looking information may become inaccurate.

The forward-looking information contained in this report is expressly qualified in its entirety by this cautionary statement. The forward-looking information in this report is based on the Company's expectations at the date of this report and should not be relied upon as representing management's views as of any later date. The Company does not undertake to update any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law.

Financial and Operating Highlights

	Unit	For the three months ended June 30 2026	June 30 2025	March 31 2026	For the six months ended June 30 2026	June 30 2025
Financial Highlights[1]						
Total sales	$MM	804.4	780.5	643.2	1,447.6	1,516.0
Lumber	$MM	694.9	669.0	536.8	1,231.7	1,284.0
Logs, residual products and other	$MM	109.5	111.5	106.4	215.9	232.0
Operating earnings (loss)	$MM	43.7	(28.4)	(32.6)	11.1	(28.3)
Net earnings (loss)	$MM	1.0	11.1	(63.3)	(62.3)	(24.0)
Net earnings (loss) per share, basic	$/share	0.02	0.22	(0.96)	(0.95)	(0.47)
Adjusted EBITDA[2]	$MM	92.3	17.2	30.7	123.0	65.8
Adjusted EBITDA margin[2]	%	11.5%	2.2%	4.8%	8.5%	4.3%
Total assets	$MM	2,808.8	2,892.9	2,780.8	2,808.8	2,892.9
Total debt	$MM	849.5	814.3	895.8	849.5	814.3
Net debt[2]	$MM	816.7	798.0	857.7	816.7	798.0
Available liquidity[2]	$MM	441.8	369.7	385.8	441.8	369.7
Net debt to invested capital ratio[2]	%	36.7%	34.8%	38.3%	36.7%	34.8%
Annualized return on capital employed[2]	%	4.5%	1.5%	(9.3%)	(2.4%)	(0.9%)
Operating Highlights						
Lumber production	million fbm	927	935	856	1,783	1,836
U.S. South	million fbm	453	424	408	861	826
U.S. Northwest	million fbm	141	129	111	252	253
Eastern Canada	million fbm	161	215	177	338	409
B.C.	million fbm	172	167	160	332	348
Lumber sales	million fbm	941	978	806	1,747	1,841
Lumber - average selling price[3]	$ per mfbm	739	684	666	705	697
Key Statistics						
Benchmark lumber prices[4]						
SYP Composite	US$ per mfbm	463	420	419	441	413
KD H-F Stud 2x4 9’	US$ per mfbm	518	475	488	503	473
Eastern SPF Composite	US$ per mfbm	554	527	503	529	532
Western SPF Composite	US$ per mfbm	484	441	441	463	462
USD/CAD exchange rate[5]						
Average	1 USD in CAD	1.3852	1.3852	1.3723	1.3787	1.4098
Closing	1 USD in CAD	1.4201	1.3676	1.3918	1.4201	1.3676

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

Summary of Second Quarter 2026 Financial Performance

Interfor recorded net earnings in Q2’26 of $1.0 million, or $0.02 per share, compared to a net loss of $63.3 million, or $0.96 per share in Q1’26 and net earnings of $11.1 million, or $0.22 per share in Q2’25.

Adjusted EBITDA was $92.3 million on sales of $804.4 million in Q2’26 versus Adjusted EBITDA of $30.7 million on sales of $643.2 million in Q1’26 and Adjusted EBITDA of $17.2 million on sales of $780.5 million in Q2’25.

Sales

Interfor recorded $804.4 million of total sales, up 3.1% from $780.5 million in the second quarter of 2025, driven by the sale of 941 million board feet of lumber at an average price of $739 per mfbm. Average selling price increased $55 per mfbm, or 8.0%, while lumber sales volume decreased 37 million board feet, or 3.8%, as compared to the same quarter of 2025.

The increase in the average selling price of lumber reflects higher prices across all key benchmarks in Q2’26 as compared to Q2’25.

The decrease in lumber sales volume was primarily driven by the indefinite curtailment of three Eastern Canada sawmills in Q1’26 and Q2’26 and lumber shipment delays resulting from logistics constraints, partially offset by higher sales volumes in the U.S. South and U.S. Northwest operations.

Sales generated from logs, residual products and other decreased by $2.0 million or 1.8% in Q2’26 compared to Q2’25 due mainly to a decrease in harvest fees as a result of the ongoing wind-down of the B.C. Coastal operations.

Operations

Production costs decreased by $60.1 million or 8.5% as compared to Q2’25, explained primarily by a 3.8% decrease in lumber sales volume, decreased logging activity in the Eastern Canada operations due to curtailments, lower conversion costs and a $20.5 million decrease in the net realizable value provision for log and lumber inventories recorded in Q2’26 versus Q2’25.

Lumber production of 927 million board feet in Q2’26 was 8 million board feet lower than Q2’25. The decrease was primarily driven by the indefinite curtailment of three Eastern Canada sawmills in Q1’26 and Q2’26, partially offset by higher operating rates at the U.S. Northwest and U.S. South operations and the ramp-up of the Thomaston, GA sawmill.

Export duties and tariffs expense was $44.6 million for Q2’26, an increase of $8.3 million from Q2’25 due primarily to higher export duty cash deposit rates and the Section 232 tariff, which was imposed in October 2025. The increase was partially offset by foreign exchange differences on revaluation of the long-term export duties receivable and payable and lower shipments to the U.S. from Canadian sawmills in Q2’26 as compared to Q2’25.

Depreciation of plant and equipment was $34.7 million in Q2’26, down $3.6 million from Q2’25, due primarily to the indefinite curtailment of three Eastern Canada sawmills in Q1’26 and Q2’26, partially offset by the completion of the Thomaston, GA sawmill rebuild. Depletion and amortization of timber, roads and other was $8.8 million, up $0.5 million compared to Q2’25, primarily due to an increase in right of use assets.

Corporate and Other

Selling and administration expenses were $17.3 million, up $0.6 million from Q2’25, primarily related to an accrual for short-term incentive compensation.

Long-term incentive compensation expense was $4.6 million in Q2’26, compared to a recovery of $1.1 million in Q2’25, reflecting a 24.2% increase in the price of Interfor common shares used to value share-based awards during Q2’26 compared to a 17.7% decrease during Q2’25.

Asset write-downs and restructuring costs in Q2’26 were $0.5 million, primarily related to severance costs. The asset write-downs and restructuring costs in Q2’25 were negligible.

Finance costs increased to $17.3 million in Q2’26 from $10.3 million in Q2’25, primarily due to higher net interest expense accrued on the long-term export duties receivable and payable and higher interest costs on borrowings.

Other foreign exchange loss of $14.0 million in Q2’26 and gain of $31.3 million in Q2’25 resulted primarily from the quarter-end revaluation of U.S. Dollar denominated intercompany funding. The foreign exchange loss of $14.7 million recorded in the quarter on intercompany funding remains unrealized, and there was an offsetting gain recorded in Other comprehensive income (loss) for a net nil impact on Equity.

Other expense of $0.6 million in Q2’26 primarily related to a loss on disposal of property, plant, equipment, partially offset by the change in the fair value of equity investments. Other income of $7.5 million in Q2’25 primarily related to a gain on the sale of Coastal B.C. forest tenures, partially offset by the change in the fair value of equity investments.

Income Taxes

The Company recorded income tax expense of $10.8 million in Q2’26 comprised of a $1.6 million current income tax recovery and a $12.4 million deferred tax expense. The effective tax rate is higher than the statutory tax rate primarily due to net earnings in the U.S. operations being offset by net losses in the Canadian operations and the tax effect of the appreciation of the U.S. Dollar on U.S. Dollar denominated short-term intercompany funding. The Company recorded an income tax recovery of $11.0 million in Q2’25, comprised of a $4.8 million current income tax expense and a $15.8 million deferred tax recovery.

Net Earnings

The Company recorded net earnings of $1.0 million in Q2’26, or $0.02 per share, compared to net earnings of $11.1 million, or $0.22 per share in Q2’25. Operating margin and net earnings were impacted by higher income tax expense, lower sales volumes, an unrealized foreign exchange loss, higher export duty cash deposit rates and Section 232 tariffs, partially offset by higher average lumber prices.

Summary of Year-to-Date 2026 Financial Performance

Sales

Interfor recorded $1.4 billion of total sales in the first half of 2026, down 4.5% from $1.5 billion in the first half of 2025, driven by the sale of 1.7 billion board feet of lumber at an average price of $705 per mfbm. Lumber sales volume decreased 94 million board feet, or 5.1%, while average selling price increased $8 per mfbm, or 1.1%, as compared to the first six months of 2025.

The decrease in lumber sales volume was primarily driven by the indefinite curtailment of three Eastern Canada sawmills in Q1’26 and Q2’26, temporary market-related curtailments at the beginning of 2026, lumber shipment delays resulting from logistics constraints and Q1’26 capital project downtime related to the Thomaston, GA sawmill rebuild, partially offset by higher sales volumes in the U.S. South operations.

The increase in the average selling price of lumber reflects higher prices in the SYP Composite and KD H-F Stud 2x4 9’ benchmarks YTD’26 as compared to YTD’25, while the Eastern SPF Composite benchmark slightly decreased and the Western SPF Composite benchmark was comparable over the same periods. The increase in realized lumber prices was partially offset by a 2.2% strengthening of the Canadian Dollar against the U.S. Dollar on average YTD’26 versus YTD’25.

Sales generated from logs, residual products and other decreased by $16.1 million or 6.9% as compared to the same period of 2025 due mainly to a decrease in volume of chips produced and a decrease in I-Joist sales volumes and average selling prices.

Operations

Production costs decreased by $146.8 million, or 10.8% in the first half of 2026, explained primarily by a 5.1% decrease in lumber sales volume, decreased logging activity in the Eastern Canada operations due to curtailments, lower purchased log costs in the U.S. Northwest operations, lower conversion costs, a $34.2 million decrease in the net realizable value provision for log and lumber inventories recorded in YTD’26 versus YTD’25 and a stronger Canadian Dollar on average.

Lumber production of 1.8 billion board feet in YTD’26 was 53 million board feet lower than YTD’25. The decrease was primarily driven by the indefinite curtailment of three Eastern Canada sawmills in Q1’26 and Q2’26, temporary market-related curtailments at the beginning of 2026 and capital project downtime related to the rebuild of the Thomaston, GA sawmill in Q1’26, partially offset by higher operating rates at the U.S. South operations.

Export duties and tariffs expense was $81.3 million YTD’26, an increase of $20.8 million from YTD’25 due primarily to higher export duty cash deposit rates and the Section 232 tariff, which was imposed in October 2025. The increase was partially offset by foreign exchange differences on revaluation of the long-term export duties receivable and payable and lower shipments to the U.S. from Canadian sawmills in YTD’26 as compared to YTD’25.

Depreciation of plant and equipment was $66.9 million, down 14.6% from the first six months of 2025, due primarily to temporary market-related curtailments at the beginning of 2026 and the indefinite curtailment of three Eastern Canada sawmills in Q1’26 and Q2’26. Depletion and amortization of timber, roads and other was $18.0 million, up $1.4 million from YTD’25, primarily due to an increase in right of use assets.

Corporate and Other

Selling and administration expenses of $33.6 million were comparable to YTD’25.

Long-term incentive compensation expense was $6.8 million YTD’26, compared to a recovery of $1.0 million in YTD’25, reflecting a 45.2% increase in the price of Interfor common shares used to value share-based awards during YTD’26 compared to a 23.1% decrease during YTD’25.

Asset write-downs and restructuring costs in YTD’26 were $20.2 million, primarily related to an impairment charge related to property, plant and equipment at two legacy operations in the U.S. South and severance costs related to the indefinite curtailment of a sawmill in Eastern Canada. The asset write-downs and restructuring costs in YTD’25 were negligible.

Finance costs increased to $32.8 million from $21.3 million in the first six months of 2025, primarily due to higher net interest expense accrued on the long-term export duties receivable and payable and higher interest costs on borrowings.

Other foreign exchange loss of $24.0 million in YTD’26 and gain of $35.4 million in YTD’25 resulted primarily from the period-end revaluation of U.S. Dollar denominated intercompany funding. The foreign exchange loss of $25.2 million recorded in YTD’26 on intercompany funding remains unrealized and there was an offsetting gain recorded in Other comprehensive income (loss) for a net nil impact on Equity.

Other expense of $17.5 million in YTD’26 primarily related to a loss on disposal of goodwill associated with the impending sale of a legacy operation in the U.S. South, partially offset by a gain on the sale of Coastal B.C. forest tenures and the change in the fair value of equity investments. Other expense of $18.9 million in YTD’25 primarily related to the loss on disposal of the Quebec operations and the change in the fair value of equity investments, partially offset by a gain on the sale of Coastal B.C. forest tenures.

Income Taxes

The Company recorded an income tax recovery of $0.9 million in YTD’26, comprised of a $2.6 million current income tax expense and a $3.5 million deferred tax recovery. The effective tax rate is lower than the statutory tax rate primarily due to the tax effect of the appreciation of the U.S. Dollar on U.S. Dollar denominated short-term intercompany funding. The Company recorded an income tax recovery of $9.1 million in YTD’25 at an effective tax rate of 27%, comprised of a $11.4 million current income tax expense and a $20.5 million deferred tax recovery.

Net Loss

The Company recorded a net loss of $62.3 million in YTD’26, or $0.95 per share, compared to a net loss of $24.0 million, or $0.47 per share, in the same period of 2025. Operating margins and net loss were impacted by an unrealized foreign exchange loss, asset write-downs and restructuring costs, higher export duty cash deposit rates and Section 232 tariffs, and lower sales volumes, partially offset by higher average lumber prices.

Export Duties

The anti-dumping ("AD") duty rates for the first and second administrative reviews for the years 2017 to 2019 have been finalized and the AD duties on deposit for these periods will remain suspended from liquidation until their corresponding countervailing ("CV") duty rate appeals have been finalized, except for the AD duties on deposit for a "gap period" in the first administrative review from August 26, 2017 to December 27, 2017, during which period CV duties were not applicable. The U.S. Department of Commerce ("DoC") has now liquidated AD duties for the gap period in the first administrative review and the Company received US$4.6 million in Q2'26 and an additional US$1.0 million in July 2026.

On April 9, 2026, the DoC issued its preliminary AD and CV duty rates for its seventh administrative review covering shipments for the year ended December 31, 2024 of 10.66% and 14.17%, respectively. The preliminary CV duty rate was subsequently amended on June 30, 2026 to 14.52% for a combined all others rate of 25.18%. The preliminary rate is subject to change until the final rate determinations, which are expected to be published in the second half of 2026. At such time, the final combined rate will be applied to new lumber shipments, and an accounting adjustment will be recorded to reflect the difference between the cash deposit rate on 2024 lumber shipments and the final combined all others duty rate. Based on the preliminary combined all others rate, a non-cash incremental expense, inclusive of interest, of approximately US$76.0 million is expected to be recorded in the second half of 2026.

Tariffs

On July 20, 2026, the U.S. President issued three Proclamations pursuant to Section 338 of the *Tariff Act* of 1930 imposing additional tariffs of 50% on certain goods imported from Canada, effective August 19, 2026. On July 23, 2026, the U.S. President issued a presidential memorandum directing the U.S. Trade Representative to impose Section 301 tariffs of 10% or 12.5% on imports from 60 trading partners, including Canada, effective July 24, 2026. None of the Section 338 or Section 301 tariffs apply to the Company's products exported to the U.S.

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. During Q2'26 and YTD'26, the Company expensed $10.3 million and $18.7 million, respectively, in Section 232 tariffs on the Company's lumber products.

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.

In February 2026, the Supreme Court decided IEEPA does not authorize the imposition of tariffs and the Court of International Trade ordered the U.S. Customs and Border Protection to issue refunds including interest for these unlawful tariffs. The Company received $0.4 million in Q2'26 related to the IEEPA tariffs paid on I-Joist products. The Company expects to receive refunds of the IEEPA tariffs paid on lumber when the AD and CV duties for the eighth administrative review period are finalized and no longer subject to appeal.

Summary of Quarterly Results

		2026		2025				2024	
	Unit	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Financial Highlights[1]									
Total sales	$MM	804.4	643.2	600.6	689.3	780.5	735.5	746.5	692.7
Lumber	$MM	694.9	536.8	486.8	570.7	669.0	615.0	619.1	542.2
Logs, residual products and other	$MM	109.5	106.4	113.8	118.6	111.5	120.5	127.4	150.5
Operating earnings (loss)	$MM	43.7	(32.6)	(148.9)	(229.7)	(28.4)	0.1	25.2	(172.2)
Net earnings (loss)	$MM	1.0	(63.3)	(104.6)	(215.8)	11.1	(35.1)	(49.9)	(105.7)
Net earnings (loss) per share, basic	$/share	0.02	(0.96)	(1.59)	(4.19)	0.22	(0.68)	(0.97)	(2.05)
Adjusted EBITDA[2]	$MM	92.3	30.7	(29.2)	(183.8)	17.2	48.6	80.4	(22.0)
Adjusted EBITDA margin[2]	%	11.5%	4.8%	(4.9%)	(26.7%)	2.2%	6.6%	10.8%	(3.2%)
Total assets	$MM	2,808.8	2,780.8	2,721.5	2,914.8	2,892.9	3,042.9	3,078.7	3,042.0
Total debt	$MM	849.5	895.8	829.8	913.7	814.3	901.9	904.7	882.0
Net debt[2]	$MM	816.7	857.7	797.6	893.3	798.0	886.3	861.3	849.9
Available liquidity[2]	$MM	441.8	385.8	371.3	247.9	369.7	306.0	383.0	352.8
Net debt to invested capital ratio[2]	%	36.7%	38.3%	36.5%	40.7%	34.8%	36.5%	35.7%	35.8%
Annualized return on capital employed[2]	%	4.5%	(9.3%)	(20.2%)	(36.9%)	1.5%	(3.1%)	(2.2%)	(18.8%)
Operating Highlights									
Lumber production	million fbm	927	856	753	912	935	901	948	904
U.S. South	million fbm	453	408	396	433	424	402	425	443
U.S. Northwest	million fbm	141	111	50	115	129	124	112	80
Eastern Canada	million fbm	161	177	174	198	215	194	235	216
B.C.	million fbm	172	160	133	166	167	181	176	165
Lumber sales	million fbm	941	806	812	924	978	863	940	951
Lumber - average selling price[3]	$ per mfbm	739	666	599	618	684	712	659	570
Key Statistics									
Benchmark lumber prices[4]									
SYP Composite	US$ per mfbm	463	419	341	338	420	407	373	338
KD H-F Stud 2x4 9'	US$ per mfbm	518	488	422	455	475	471	421	359
Eastern SPF Composite	US$ per mfbm	554	503	480	527	527	536	515	454
Western SPF Composite	US$ per mfbm	484	441	401	429	441	484	457	380
USD/CAD exchange rate[5]									
Average	1 USD in CAD	1.3852	1.3723	1.3947	1.3768	1.3852	1.4352	1.3982	1.3641
Closing	1 USD in CAD	1.4201	1.3918	1.3706	1.3941	1.3676	1.4307	1.4389	1.3499

Notes:

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

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

Lumber production and sales decreased due to temporary market-related curtailments announced in August 2024, September 2025 and October 2025. Also, lumber production and sales decreased due to the indefinite curtailment of two U.S. South sawmills in Q3'24, the wind-down of the Quebec operations in Q4'24 and subsequent sale in Q1'25 and the indefinite curtailment of three Eastern Canada sawmills in Q1'26 and Q2'26. Asset impairments related to the Quebec and Eastern Canada operations affected earnings in Q3'24 and Q4'25, respectively. Asset impairments related to the U.S. South operations affected earnings in Q3'24 and Q1'26.

The loss on disposal of the Quebec operations impacted earnings in Q1'25, the loss on disposal of goodwill related to the pending sale of a legacy operation in the U.S. South impacted earnings in Q1'26 and the finalization of the CV and AD rates by the U.S. DoC for AR6 impacted earnings in Q3'25.

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

Liquidity and Financial Position

Balance Sheet

Interfor's net debt at June 30, 2026 was $816.7 million, or 36.7% of invested capital, representing an increase of $19.1 million from December 31, 2025.

As at June 30, 2026 the Company had net working capital of $236.2 million and available liquidity of $441.8 million, based on the available borrowing capacity under its Revolving Term Line.

In February 2026, the Company entered into a $30.0 million term loan (the "Term Loan"), bearing interest at bank prime plus a margin with monthly principal repayments of $0.5 million beginning September 26, 2028 until final maturity on August 12, 2033. The Term Loan is guaranteed by the Business Development Bank of Canada and arranged through the Government of Canada's Softwood Lumber Guarantee Program.

In February 2026, the Company issued an additional US$75.0 million of Senior Secured Notes, bearing interest at 8.00% with principal repayments of US$18.8 million due on February 26, 2031, 2032, 2033 and on final maturity in 2034. The proceeds were used to settle US$33.3 million of principal under the Company's Senior Secured Notes due on March 26, 2026 and for general corporate purposes.

In February 2026, the Company amended its Revolving Term Line commitment to $540.0 million with no change to the maturity date of July 25, 2029. Concurrently, the Revolving Term Line and Senior Secured Notes were amended to provide increased flexibility related to certain financial covenants. The financial covenants include: a maximum net debt to invested capital ratio of 50.0%; a minimum EBITDA interest coverage ratio of two times, which becomes effective if the net debt to invested capital ratio exceeds certain thresholds; 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 the requirement to maintain a minimum liquidity level of $175.0 million.

As at June 30, 2026, Interfor was fully in compliance with all covenants relating to the Revolving Term Line and Senior Secured Notes.

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

	For the three months ended June 30		**For the six months ended June 30**	
Millions of Dollars	**2026**	**2025**	**2026**	**2025**
Net debt				
Net debt, period opening	$857.7	$886.3	$797.6	$861.3
Revolving Term Line net drawings (repayments)	(62.5)	(48.7)	(96.2)	1.4
Additions to Term Loan	-	-	30.0	-
Additions to Senior Secured Notes	-	-	102.6	-
Repayments of Senior Secured Notes	-	-	(45.9)	(47.7)
Decrease (increase) in cash and cash equivalents	6.2	(1.8)	0.8	25.7
Foreign currency translation impact on U.S. Dollar denominated cash and cash equivalents and debt	15.3	(37.8)	27.8	(42.7)
Net debt, period ending	$816.7	$798.0	$816.7	$798.0

Cash Flow from Operating Activities

The Company generated $116.5 million of cash flow from operations before changes in working capital in YTD’26, compared to $64.8 million in YTD’25. There was a net cash inflow from operations after changes in working capital of $101.7 million in YTD’26, with $14.8 million invested in operating working capital.

Lumber shipment delays due to logistics constraints contributed to the increase in inventories, while higher lumber prices contributed to the increase in trade receivables. Timing of payments contributed to the increase in trade accounts payable and provisions.

In YTD’25, $71.7 million of cash was generated from operations, with $6.9 million of cash released from operating working capital.

Cash Flow from Investing Activities

Investing activities used $46.6 million of cash flow in YTD’26, with $57.2 million for additions to property, plant and equipment and $0.7 million for development of roads and bridges, partially offset by $9.7 million in net proceeds on the sale of Coastal B.C. forest tenures, $0.8 million in proceeds on disposal of property, plant, equipment and other and $0.8 million for deposits and other assets.

Discretionary mill improvements of $37.3 million in YTD’26 were mainly focused on the multi-year rebuild of the Thomaston, GA sawmill, which was completed in Q1’26. Mill maintenance investments totalled $19.9 million in YTD’26.

In YTD’25, investing activities used $13.0 million of cash flow, with $38.0 million for additions to property, plant and equipment and $2.8 million for development of roads and bridges, partially offset by $16.2 million in proceeds on disposal of property, plant, equipment and other, $9.4 million in net proceeds on the sale of Coastal B.C. forest tenures and $2.2 million for deposits and other assets.

Discretionary and maintenance mill improvements totalled $19.8 million and $18.2 million, respectively, in YTD’25. The discretionary mill improvements were mainly invested in the multi-year rebuild of the Thomaston, GA sawmill.

Cash Flow from Financing Activities

The net cash outflow of $55.9 million in YTD’26 resulted from $96.2 million in Revolving Term Line net repayments, $45.9 million repayment of Senior Secured Notes, interest payments of $30.5 million, lease liability payments of $12.0 million and debt refinancing costs of $4.0 million, partially offset by the issuance of $102.6 million of Senior Secured Notes and a $30.0 million Term Loan.

The net cash outflow of $84.4 million in YTD’25 resulted from $47.7 million repayment of Senior Secured Notes, interest payments of $26.6 million and lease liability payments of $11.5 million, partially offset by $1.4 million in Revolving Term Line net drawings.

Capital Resources

The following table summarizes Interfor’s credit facilities and availability as of June 30, 2026:

Millions of Dollars	Term Loan	Revolving Term Line	Senior Secured Notes	Total
Available line of credit and maximum borrowing available	$30.0	$540.0	$698.8	$1,268.8
Less:				
Drawings	30.0	120.7	698.8	849.5
Outstanding letters of credit included in line utilization	-	10.3	-	10.3
Unused portion of facility	$ -	$409.0	$ -	409.0
Add:				
Cash and cash equivalents				32.8
Available liquidity at June 30, 2026				$441.8

As of June 30, 2026, the Company had commitments for capital expenditures totalling $29.4 million for both maintenance and discretionary capital projects.

Outlook

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

Benchmark lumber prices rebounded in 2026, with upward momentum continuing into early Q3'26. Compared to the Q2'26 average, the July 2026 monthly average lumber price increased by US$17 per mfbm, or 4%, for the SYP Composite; US$63 per mfbm, or 12%, for KD H-F Stud 2x4 9'; US$43 per mfbm, or 9%, for the Western SPF Composite; and US$57 per mfbm, or 10%, for the Eastern SPF Composite. Industry-wide market curtailments, seasonal demand factors and logistics constraints, particularly in the U.S., are expected to drive ongoing price fluctuations in 2026.

Near-term volatility is likely to be amplified by the significantly higher duty rates on Canadian lumber exports to the U.S., the Section 232 tariff and by any additional tariffs or other trade restrictions, if imposed. Overall, the Company is well positioned to navigate this volatility with a diversified product mix in Canada and the U.S., with approximately 65% of its total lumber produced and sold within the U.S. Ultimately, only about 20% of the Company's total lumber production is exported from Canada to the U.S. and exposed to duties, tariffs or other potential trade measures. Oil price fluctuations are also expected to drive ongoing volatility in end-use demand, logistics costs and raw material purchases, while at the same time potentially hindering offshore imports from Europe.

Over the mid-term, Canadian lumber is expected to remain a key source of supply to meet U.S. needs, as growth in U.S. lumber manufacturing capacity will likely be limited by labour constraints, lengthy equipment lead-times, residual offtake constraints and extended project ramp-up schedules. Over the same period, the North American lumber market is expected to continue to benefit from favourable underlying demand fundamentals, including the advanced age of the U.S. housing stock, a shortage of available housing and various demographic factors.

Interfor's strategy of maintaining a diversified portfolio of operations in multiple regions allows the Company to both reduce risk and maximize operating margins over the business cycle.

Transactions between Related Parties

Other than transactions in the normal course of business with key management personnel and directors, the Company had no transactions between related parties in the three and six months ended June 30, 2026.

Off-Balance Sheet Arrangements

The Company has off-balance sheet arrangements which include letters of credit and surety performance and payment bonds, primarily for timber purchases and AD and CV duty deposits. At June 30, 2026, such instruments aggregated $115.3 million (December 31, 2025 - $105.8 million).

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

Financial Instruments and Other Instruments

The Company did not enter into any foreign exchange contracts, interest rate derivatives contracts or lumber futures contracts in Q2'26 or Q2'25.

Outstanding Shares

As of August 6, 2026, Interfor had 65,766,951 common shares issued and outstanding. These common shares are listed on the Toronto Stock Exchange under the symbol IFP.

As of August 6, 2026, there were 453,802 stock options outstanding with exercise prices ranging from $11.57 to $37.68 per common share.

Controls and Procedures

There have been no changes in the Company's internal controls over financial reporting during the three and six months ended June 30, 2026, that have materially affected, or are reasonably likely to materially affect, such controls.

Critical Accounting Estimates

There were no significant changes to the Company's critical accounting estimates during the quarter ended June 30, 2026. Interfor's critical accounting estimates are described in its MD&A for the year ended December 31, 2025, filed under the Company's profile on www.sedarplus.ca.

Accounting Policy Changes

In April 2024, the International Accounting Standards Board issued *IFRS 18 Presentation and Disclosure in Financial Statements* ("IFRS 18"), which replaces *IAS 1 Presentation of Financial Statements*. IFRS 18 introduces a specified structure for the income statement by requiring income and expenses to be presented 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.

Non-GAAP Measures

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

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

	For the three months ended			For the six months ended	
Millions of Dollars except number of shares and per share amounts	June 30 2026	June 30 2025	March 31 2026	June 30 2026	June 30 2025
Adjusted EBITDA					
Net earnings (loss)	$1.0	$11.1	$(63.3)	$(62.3)	$(24.0)
Add:					
Depreciation of plant and equipment	34.7	38.3	32.2	66.9	78.3
Depletion and amortization of timber, roads and other	8.8	8.3	9.2	18.0	16.6
Finance costs	17.3	10.3	15.5	32.8	21.3
Income tax expense (recovery)	10.8	(11.0)	(11.7)	(0.9)	(9.1)
EBITDA	72.6	57.0	(18.1)	54.5	83.1
Add:					
Long-term incentive compensation expense (recovery)	4.6	(1.1)	2.2	6.8	(1.0)
Other foreign exchange loss (gain)	14.0	(31.3)	10.0	24.0	(35.4)
Other expense (income)	0.6	(7.5)	16.9	17.5	18.9
Asset write-downs and restructuring costs	0.5	0.1	19.7	20.2	0.2
Adjusted EBITDA	$92.3	$17.2	$30.7	$123.0	$65.8
Sales	$804.4	$780.5	$643.2	$1,447.6	$1,516.0
Adjusted EBITDA margin	11.5%	2.2%	4.8%	8.5%	4.3%
Net debt to invested capital ratio					
Net debt					
Total debt	$849.5	$814.3	$895.8	$849.5	$814.3
Cash and cash equivalents	(32.8)	(16.3)	(38.1)	(32.8)	(16.3)
Total net debt	$816.7	$798.0	$857.7	$816.7	$798.0
Invested capital					
Net debt	$816.7	$798.0	$857.7	$816.7	$798.0
Shareholders' equity	1,251.6	1,445.3	1,222.6	1,251.6	1,445.3
Cumulative net worth adjustments[1]	159.3	49.3	159.3	159.3	49.3
Total invested capital	$2,227.6	$2,292.6	$2,239.6	$2,227.6	$2,292.6
Net debt to invested capital ratio[2]	36.7%	34.8%	38.3%	36.7%	34.8%
Available liquidity					
Senior Secured Notes	$698.8	$616.0	$684.9	$698.8	$616.0
Revolving Term Line	540.0	600.0	540.0	540.0	600.0
Term Loan	30.0	-	30.0	30.0	-
Available line of credit	$1,268.8	$1,216.0	$1,254.9	$1,268.8	$1,216.0
Drawings	(849.5)	(814.3)	(895.8)	(849.5)	(814.3)
Outstanding letters of credit	(10.3)	(48.3)	(11.4)	(10.3)	(48.3)
Cash and cash equivalents	32.8	16.3	38.1	32.8	16.3
Available liquidity	$441.8	$369.7	$385.8	$441.8	$369.7
Annualized return on capital employed					
Net earnings (loss)	$1.0	$11.1	$(63.3)	$(62.3)	$(24.0)
Add:					
Finance costs	17.3	10.3	15.5	32.8	21.3
Income tax expense (recovery)	10.8	(11.0)	(11.7)	(0.9)	(9.1)
Earnings (loss) before income taxes and finance costs	$29.1	$10.4	$(59.5)	$(30.4)	$(11.8)
Capital employed					
Total assets	$2,808.8	$2,892.9	$2,780.8	$2,808.8	$2,892.9
Current liabilities	(244.9)	(320.2)	(222.2)	(244.9)	(320.2)
Less:					
Current portion of long-term debt	-	45.6	-	-	45.6
Current portion of lease liabilities	20.5	18.2	20.4	20.5	18.2
Capital employed, end of period	$2,584.4	$2,636.5	$2,579.0	$2,584.4	$2,636.5
Capital employed, beginning of period	2,579.0	2,795.3	2,559.4	2,559.4	2,844.8
Average capital employed	$2,581.7	$2,715.9	$2,569.2	$2,571.9	$2,740.7
Earnings (loss) before income taxes and finance costs divided by average capital employed	1.1%	0.4%	(2.3%)	(1.2%)	(0.4%)
Annualization factor	4.0	4.0	4.0	2.0	2.0
Annualized return on capital employed	4.5%	1.5%	(9.3%)	(2.4%)	(0.9%)

Notes:

1 Cumulative net worth adjustments are defined as non-cash fixed asset or goodwill write-downs and losses on disposal of fixed assets or goodwill, other than disposals in the ordinary course of business.

2 Net debt to invested capital ratio as of the period end.

Risks and Uncertainties

The Company is exposed to many risks and uncertainties in conducting its business including, but not limited to: availability and cost of logs; availability of credit; competition; currency exchange sensitivity; environment; government regulation; health and safety; Indigenous reconciliation in Canada; information technology and cyber security; labour availability; logistics availability and cost; natural and man-made disasters and climate change; price volatility; residual fibre revenue; softwood lumber trade; and tax exposures. These risks and uncertainties are described in the Company's MD&A for the year ended December 31, 2025, filed under the Company's profile on www.sedarplus.ca.

Additional Information

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

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

For the three and six months ended June 30, 2026 and 2025 (unaudited)

(millions of Canadian Dollars except per share amounts)	Three Months June 30, 2026	Three Months June 30, 2025	Six Months June 30, 2026	Six Months June 30, 2025
Sales (note 13)	**$ 804.4**	**$ 780.5**	**$ 1,447.6**	**$ 1,516.0**
Costs and expenses:				
Production	**650.2**	**710.3**	**1,209.7**	**1,356.5**
Selling and administration	**17.3**	**16.7**	**33.6**	**33.2**
Long-term incentive compensation expense (recovery)	**4.6**	**(1.1)**	**6.8**	**(1.0)**
Export duties and tariffs (note 15)	**44.6**	**36.3**	**81.3**	**60.5**
Depreciation of plant and equipment (note 8)	**34.7**	**38.3**	**66.9**	**78.3**
Depletion and amortization of timber, roads and other (note 8)	**8.8**	**8.3**	**18.0**	**16.6**
	760.2	**808.8**	**1,416.3**	**1,544.1**
Operating earnings (loss) before asset write-downs and restructuring costs	**44.2**	**(28.3)**	**31.3**	**(28.1)**
Asset write-downs and restructuring costs (note 9)	**(0.5)**	**(0.1)**	**(20.2)**	**(0.2)**
Operating earnings (loss)	**43.7**	**(28.4)**	**11.1**	**(28.3)**
Finance costs (note 10)	**(17.3)**	**(10.3)**	**(32.8)**	**(21.3)**
Other foreign exchange gain (loss)	**(14.0)**	**31.3**	**(24.0)**	**35.4**
Other income (expense) (note 11)	**(0.6)**	**7.5**	**(17.5)**	**(18.9)**
	(31.9)	**28.5**	**(74.3)**	**(4.8)**
Earnings (loss) before income taxes	**11.8**	**0.1**	**(63.2)**	**(33.1)**
Income tax expense (recovery):				
Current	**(1.6)**	**4.8**	**2.6**	**11.4**
Deferred	**12.4**	**(15.8)**	**(3.5)**	**(20.5)**
	10.8	**(11.0)**	**(0.9)**	**(9.1)**
Net earnings (loss)	**$ 1.0**	**$ 11.1**	**$ (62.3)**	**$ (24.0)**
Net earnings (loss) per share				
Basic (note 12)	**$ 0.02**	**$ 0.22**	**$ (0.95)**	**$ (0.47)**
Diluted (note 12)	**$ 0.02**	**$ 0.22**	**$ (0.95)**	**$ (0.47)**

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three and six months ended June 30, 2026 and 2025 (unaudited)

(millions of Canadian Dollars)	Three Months June 30, 2026	Three Months June 30, 2025	Six Months June 30, 2026	Six Months June 30, 2025
Net earnings (loss)	**$ 1.0**	**$ 11.1**	**$ (62.3)**	**$ (24.0)**
Other comprehensive income (loss):				
Items that will not be recycled to Net earnings (loss):				
Defined benefit plan actuarial gain (loss), net of tax	**2.5**	**-**	**2.6**	**(0.1)**
Items that may be recycled to Net earnings (loss):				
Foreign currency translation differences for foreign operations, net of tax	**25.5**	**(55.9)**	**43.2**	**(63.1)**
Total other comprehensive income (loss), net of tax	**28.0**	**(55.9)**	**45.8**	**(63.2)**
Comprehensive income (loss)	**$ 29.0**	**$ (44.8)**	**$ (16.5)**	**$ (87.2)**

See accompanying notes to consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2026 and 2025 (unaudited)

(millions of Canadian Dollars)	Three Months June 30, 2026	Three Months June 30, 2025	Six Months June 30, 2026	Six Months June 30, 2025
Cash provided by (used in):				
Operating activities:				
Net earnings (loss)	$ 1.0	$ 11.1	$ (62.3)	$ (24.0)
Items not involving cash:				
Depreciation of plant and equipment (note 8)	34.7	38.3	66.9	78.3
Depletion and amortization of timber, roads and other (note 8)	8.8	8.3	18.0	16.6
Current income tax expense (recovery)	(1.6)	4.8	2.6	11.4
Deferred income tax expense (recovery)	12.4	(15.8)	(3.5)	(20.5)
Finance costs (note 10)	17.3	10.3	32.8	21.3
Export duties receivable and other assets	6.3	0.2	6.3	0.1
Export duties payable and other liabilities	6.1	(1.6)	8.9	(2.8)
Reforestation liability	(4.4)	(4.0)	(1.1)	(0.5)
Net write-down of plant and equipment (note 9)	-	-	11.4	0.1
Unrealized foreign exchange loss (gain)	12.3	(19.0)	20.8	(21.5)
Gain on lease modification	-	(0.2)	-	(0.2)
Other expense (income) (note 11)	0.6	(7.5)	17.5	18.9
Income taxes paid, net	(0.8)	(0.5)	(1.8)	(12.4)
	92.7	24.4	116.5	64.8
Cash generated from (used in) operating working capital:				
Trade accounts receivable and other	(18.3)	17.6	(35.7)	(22.4)
Inventories	9.7	45.3	(33.4)	1.7
Prepayments	(6.3)	(13.1)	(2.8)	(6.4)
Trade accounts payable and provisions	23.0	10.7	57.1	34.0
	100.8	84.9	101.7	71.7
Investing activities:				
Additions to property, plant and equipment	(21.6)	(22.2)	(57.2)	(38.0)
Additions to roads and bridges	(1.1)	(1.4)	(0.7)	(2.8)
Proceeds on disposal of property, plant, equipment and other	0.1	0.5	0.8	16.2
Net proceeds related to B.C. Coast monetization (note 11)	-	6.1	9.7	9.4
Net proceeds from deposits and other assets	0.5	1.2	0.8	2.2
	(22.1)	(15.8)	(46.6)	(13.0)
Financing activities:				
Issuance of share capital, net of expenses	-	-	0.1	-
Interest payments	(15.9)	(12.9)	(30.5)	(26.6)
Lease liability payments	(6.1)	(5.7)	(12.0)	(11.5)
Debt refinancing costs	(0.4)	-	(4.0)	-
Revolving Term Line net drawings (repayments) (note 6)	(62.5)	(48.7)	(96.2)	1.4
Additions to Term Loan (note 6)	-	-	30.0	-
Additions to Senior Secured Notes (note 6)	-	-	102.6	-
Repayments of Senior Secured Notes (note 6)	-	-	(45.9)	(47.7)
	(84.9)	(67.3)	(55.9)	(84.4)
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	0.9	(1.1)	1.4	(1.4)
Increase (decrease) in cash	(5.3)	0.7	0.6	(27.1)
Cash and cash equivalents, beginning of period	38.1	15.6	32.2	43.4
Cash and cash equivalents, end of period	$ 32.8	$ 16.3	$ 32.8	$ 16.3

See accompanying notes to consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2026 and December 31, 2025 (unaudited)

(millions of Canadian Dollars)	June 30, 2026	Dec. 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 32.8	$ 32.2
Trade accounts receivable and other (note 15(a))	120.9	81.4
Income taxes receivable	2.4	3.3
Inventories (note 5)	256.7	219.4
Prepayments	26.4	23.1
Assets held for sale (note 9)	41.9	43.8
	481.1	403.2
Export duties receivable (note 15(a))	299.0	290.2
Right of use assets	43.1	41.8
Property, plant and equipment	1,243.9	1,230.9
Roads and bridges	23.3	24.9
Timber licences	149.7	152.4
Goodwill and other intangible assets (note 11)	523.1	539.6
Other assets	43.1	36.3
Deferred income taxes	2.5	2.2
	$ 2,808.8	$ 2,721.5
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable and provisions	$ 206.2	$ 141.9
Current portion of long-term debt (note 6)	-	45.7
Reforestation liability	17.1	19.0
Lease liabilities	20.5	18.1
Income taxes payable	1.1	1.2
	244.9	225.9
Reforestation liability	21.1	19.9
Lease liabilities	24.6	25.6
Long-term debt (note 6)	849.5	784.1
Export duties payable (note 15(a))	205.7	192.2
Other liabilities	27.7	21.9
Deferred income taxes	183.7	183.9
Equity:		
Share capital (note 7)	546.2	546.1
Contributed surplus (note 7)	6.7	6.7
Translation reserve	229.9	186.7
Retained earnings	468.8	528.5
	1,251.6	1,268.0
	$ 2,808.8	$ 2,721.5

Commitments and contingencies (notes 15 and 16).

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

"L. Sauder"
Director

"C. Griffin"
Director

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2026 and 2025 (unaudited)

(millions of Canadian Dollars)	Share Capital	Contributed Surplus	Translation Reserve	Retained Earnings	Total
Balance at December 31, 2025	$ 546.1	$ 6.7	$ 186.7	$ 528.5	$ 1,268.0
Net loss:	-	-	-	(62.3)	(62.3)
Other comprehensive income:					
Foreign currency translation differences for foreign operations, net of tax	-	-	43.2	-	43.2
Defined benefit plan actuarial gain, net of tax	-	-	-	2.6	2.6
Contributions:					
Exercise of stock options (note 7)	0.1	-	-	-	0.1
Balance at June 30, 2026	$ 546.2	$ 6.7	$ 229.9	$ 468.8	$ 1,251.6
Balance at December 31, 2024	$ 409.0	$ 6.6	$ 246.9	$ 870.0	$ 1,532.5
Net loss:	-	-	-	(24.0)	(24.0)
Other comprehensive loss:					
Foreign currency translation differences for foreign operations, net of tax	-	-	(63.1)	-	(63.1)
Defined benefit plan actuarial loss, net of tax	-	-	-	(0.1)	(0.1)
Balance at June 30, 2025	$ 409.0	$ 6.6	$ 183.8	$ 845.9	$ 1,445.3

See accompanying notes to consolidated financial statements.

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 unaudited condensed consolidated interim financial statements ("financial statements") comprise the accounts of Interfor Corporation and its subsidiaries.

2. Basis of Preparation:

(a) Statement of compliance:

These financial statements, including comparatives, have been prepared in accordance with *IAS 34 Interim Financial Reporting* using accounting policies consistent with IFRS Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2025.

These financial statements were approved by Interfor's Board of Directors on August 6, 2026.

(b) Basis of measurement:

These 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.

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

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

(c) Critical accounting estimates:

There were no significant changes to the Company's critical accounting estimates during the quarter ended June 30, 2026. Interfor's critical accounting estimates are described in its annual consolidated financial statements for the year ended December 31, 2025, filed under the Company's profile on www.sedarplus.ca.

3. Material accounting policies:

These financial statements have been prepared using the material accounting policies consistent with those applied in the Company's annual consolidated financial statements for the year ended December 31, 2025, which are available on www.sedarplus.ca.

New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended June 30, 2026, and have not been applied in preparing these financial statements. The following pronouncement is considered by the Company to be the most significant that may affect the Company's financial statements in the future.

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

4. Seasonality of operating results:

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

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

5. Inventories:

	June 30, 2026	Dec. 31, 2025
Lumber and other wood products	$ 155.1	$ 123.8
Logs	46.5	46.3
Spare parts and other	55.1	49.3
	$ 256.7	$ 219.4

Inventory cost includes production costs, depreciation of plant and equipment, and depletion and amortization of timber, roads and other. At June 30, 2026, an inventory provision of $10.6 million (December 31, 2025 - $36.5 million) has been recognized to record inventory at the lower of cost and net realizable value. The Company recorded net reversals of previously recognized provisions of $13.2 million in the second quarter of 2026 and $25.9 million in the first six months of 2026 in Production costs in the Statements of Earnings (Quarter 2, 2025 – $7.3 million expense; first six months of 2025 – $8.3 million expense).

6. Borrowings:

June 30, 2026	Term Loan	Revolving Term Line	Senior Secured Notes	Total
Available line of credit	$ 30.0	$ 540.0	$ 698.8	$ 1,268.8
Drawings	30.0	120.7	698.8	849.5
Outstanding letters of credit	-	10.3	-	10.3
Unused portion of Revolving Term Line	$ -	$ 409.0	$ -	$ 409.0

December 31, 2025	Revolving Term Line	Senior Secured Notes	Total
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

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

Twelve months ending	
June 30, 2027	$ -
June 30, 2028	87.0
June 30, 2029	92.0
June 30, 2030	261.0
June 30, 2031	32.6
Thereafter	376.9
	$ 849.5

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

	Three Months June 30, 2026	Three Months June 30, 2025	Six Months June 30, 2026	Six Months June 30, 2025
Drawings at opening	$ 895.8	$ 901.9	$ 829.8	$ 904.7
Revolving Term Line net drawings (repayments)	(62.5)	(48.7)	(96.2)	1.4
Additions to Term Loan	-	-	30.0	-
Additions to Senior Secured Notes	-	-	102.6	-
Repayments of Senior Secured Notes	-	-	(45.9)	(47.7)
Effects of changes in foreign exchange rate	16.2	(38.9)	29.2	(44.1)
Drawings at June 30	$ 849.5	$ 814.3	$ 849.5	$ 814.3

(a) Term Loan:

On February 12, 2026, the Company entered into a $30.0 million term loan (the "Term Loan"), bearing interest at bank prime plus a margin with monthly principal repayments of $0.5 million beginning September 26, 2028 until final maturity on August 12, 2033. The Term Loan is guaranteed by the Business Development Bank of Canada.

(b) Revolving Term Line:

On February 12, 2026, the commitment on the Company's Revolving Term Line was amended to $540.0 million with no change to the maturity date of July 25, 2029. The Revolving Term Line may be drawn in either CAD$ 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.

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

6. Borrowings (continued):

(b) Revolving Term Line (continued):

The Revolving 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 and a minimum liquidity requirement. As at June 30, 2026, Interfor was fully in compliance with all covenants relating to the Revolving Term Line.

As at June 30, 2026, excluding letters of credit, the Revolving Term Line was drawn by US$85.0 million (December 31, 2025 - US$155.0 million), revalued at the quarter-end exchange rate to $120.7 million (December 31, 2025 - $212.4 million).

The US dollar drawings under the Revolving Term Line have been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange losses of $2.3 million in the second quarter of 2026 (Quarter 2, 2025 – gains of $10.5 million) and $4.5 million in the first six months of 2026 (first six months of 2025 – gains of $11.7 million) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income (loss).

(c) Senior Secured Notes:

As at June 30, 2026, the Company's Senior Secured Notes consisted of the following:

	June 30, 2026	Dec. 31, 2025
US$33.3 million, interest 4.92%	$ -	$ 45.7
US$45.6 million, interest 5.70%, payments of US$15.2 million due Aug 2027, 2028, 2029	64.7	62.4
US$38.2 million, interest 5.57%, payments of US$12.7 million due Aug 2027, 2028, 2029	54.3	52.4
US$50.0 million, interest 4.09%, payments of US$16.7 million due Mar 2028, 2029, 2030	71.0	68.5
US$50.0 million, interest 4.00%, payments of US$16.7 million due Mar 2028, 2029, 2030	71.0	68.5
US$200.0 million, interest 7.81%, payments of US$66.7 million due Dec 2031, 2032, 2033	284.0	274.2
US$33.3 million, interest 7.12%, payment due Mar 2030	47.3	45.7
US$75.0 million, interest 8.00%, payments of US$18.8 million due Feb 2031, 2032, 2033, 2034	106.5	-
	$ 698.8	$ 617.4

The Senior Secured Notes have a weighted average fixed interest rate of 6.66% and maturities from August 14, 2027 to February 26, 2034.

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 and a minimum liquidity requirement. As at June 30, 2026, Interfor was fully in compliance with all covenants relating to the Senior Secured Notes.

On February 26, 2026, the Company issued US$75.0 million of Senior Secured Notes, bearing interest at 8.00% with principal repayments of US$18.8 million due on February 26, 2031, 2032, 2033 and on final maturity in 2034. The proceeds were used to settle US$33.3 million of principal under the Company's Senior Secured Notes due on March 26, 2026.

The Senior Secured Notes have been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange losses of $13.9 million in the second quarter of 2026 (Quarter 2, 2025 - gains of $28.4 million) and $24.7 million in the first six months of 2026 (first six months of 2025 – gains of $32.4 million) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income (loss).

(d) Letter of Credit Facility:

The Company maintains a US$26.0 million letter of credit facility (the "LC Facility") guaranteed by Export Development Canada. Letters of credit issued under the LC Facility serve as collateral for US customs bonds. As at June 30, 2026, US$25.2 million (December 31, 2025 - US$25.2 million) had been issued under the LC Facility, revalued at the quarter-end exchange rate to $35.7 million (December 31, 2025 – $34.5 million).

7. Share capital:

The transactions in share capital are described below:

	Share Capital		Contributed
	Number	Amount	Surplus
Balance, December 31, 2024	51,453,736	$ 409.0	$ 6.6
Share issuance, net of expenses	14,303,470	137.1	-
Stock option vesting	-	-	0.1
Balance, December 31, 2025	65,757,206	$ 546.1	6.7
Exercise of stock options	9,745	0.1	-
June 30, 2026	65,766,951	$ 546.2	$ 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.

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

8. Depreciation, depletion and amortization:

Depreciation, depletion and amortization by function is as follows:

	Three Months June 30, 2026	Three Months June 30, 2025	Six Months June 30, 2026	Six Months June 30, 2025
Production	$ 43.3	$ 46.3	$ 84.4	$ 94.3
Selling and administration	0.2	0.3	0.5	0.6
	$ 43.5	$ 46.6	$ 84.9	$ 94.9

9. Asset write-downs and restructuring costs:

	Three Months June 30, 2026	Three Months June 30, 2025	Six Months June 30, 2026	Six Months June 30, 2025
Net write-down of plant and equipment	$ -	$ -	$ 11.4	$ 0.1
Severance and other closure costs	0.5	0.3	8.8	0.3
Lease modification	-	(0.2)	-	(0.2)
	$ 0.5	$ 0.1	$ 20.2	$ 0.2

The Company plans to sell certain property, plant and equipment of two legacy operations in the U.S. South and these assets were classified as held for sale as at June 30, 2026 and December 31, 2025. The Company remeasured the property, plant and equipment of these operations to the lower of their carrying amount and fair value less costs of disposal and recorded an impairment charge of $11.4 million in the first quarter of 2026.

In March 2026, the Company indefinitely curtailed a sawmill in Eastern Canada resulting in severance and other closure costs of $6.0 million.

10. Finance costs:

	Three Months June 30, 2026	Three Months June 30, 2025	Six Months June 30, 2026	Six Months June 30, 2025
Interest expense on:				
Borrowings	$ 15.5	$ 12.7	$ 29.9	$ 26.0
Lease liabilities	0.7	0.6	1.6	1.2
Pension obligations	1.1	0.8	1.7	1.4
Interest income from:				
Pension assets	(0.6)	(0.5)	(1.4)	(1.2)
Other	(0.4)	(0.3)	(0.7)	(0.6)
Duty deposits interest expense	4.9	2.4	10.5	4.6
Duty deposits interest income	(4.7)	(5.8)	(10.2)	(10.9)
Unwind of discount on provisions	0.2	0.2	0.4	0.5
Amortization of deferred finance costs	0.6	0.2	1.0	0.3
	$ 17.3	$ 10.3	$ 32.8	$ 21.3

11. Other income (expense):

	Three Months June 30, 2026	Three Months June 30, 2025	Six Months June 30, 2026	Six Months June 30, 2025
Net gain related to B.C. Coast monetization	$ -	$ 8.4	$ 9.4	$ 14.9
Change in fair value of minority interest in equity investments	0.3	(0.9)	1.0	(4.3)
Net loss on disposal of property, plant, equipment, goodwill and other	(0.9)	-	(27.9)	(29.5)
	$ (0.6)	$ 7.5	$ (17.5)	$ (18.9)

During the first six months of 2026, the Company sold Coastal B.C. forest tenures totalling approximately 108,000 cubic metres of allowable annual cut ("AAC") and related assets and liabilities for proceeds of $9.7 million (first six months of 2025 - $14.1 million) and a gain of $9.4 million (first six months of 2025 - $14.9 million). The Company did not sell any Coastal B.C. forest tenures in the second quarter of 2026 (Quarter 2, 2025 – proceeds of $8.2 million and a gain of $8.4 million). At June 30, 2026, Interfor held approximately 466,000 cubic metres of AAC for disposition, subject to approvals from the Ministry of Forests.

During the first quarter of 2026, the impending sale of a legacy operation in the U.S. South resulted in the loss of production capacity and a loss on disposal of $27.2 million related to goodwill.

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.

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

12. Net earnings (loss) per share:

Net earnings (loss) per share is calculated utilizing the treasury stock method for determining the dilutive effect of options issued. The reconciliation of the numerator and denominator is determined as follows:

	Three Months June 30, 2026			Three Months June 30, 2025		
	Net earnings	Weighted average number of shares	Per share	Net earnings	Weighted average number of shares	Per share
Issued shares at March 31		65,766,951			51,453,736	
Effect of shares issued		-			-	
Basic earnings per share	$ 1.0	65,766,951	$ 0.02	$ 11.1	51,453,736	$ 0.22
Effect of dilutive securities:						
Stock options		-			5,078	
Diluted earnings per share	$ 1.0	65,766,951	$ 0.02	$ 11.1	51,458,814	$ 0.22

	Six Months June 30, 2026			Six Months June 30, 2025		
	Net loss	Weighted average number of shares	Per share	Net loss	Weighted average number of shares	Per share
Issued shares at December 31		65,757,206			51,453,736	
Effect of shares issued		8,152			-	
Basic loss per share	$ (62.3)	65,765,358	$ (0.95)	$ (24.0)	51,453,736	$ (0.47)
Effect of dilutive securities:						
Stock options		-			9,942	
Diluted loss per share	$ (62.3)	65,765,358	$ (0.95)	$ (24.0)	51,453,736[1]	$ (0.47)

[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.

13. Segmented information:

The Company manages its business as a single operating segment, being solid wood products. The Company harvests and purchases logs which are sorted by species, size and quality and then either manufactured into lumber and other wood products at the Company's operations or sold. All operations are located in British Columbia, Ontario and New Brunswick in Canada and the Northwest and South regions of the U.S.

Sales by market are as follows:

	Three Months June 30, 2026	Three Months June 30, 2025	Six Months June 30, 2026	Six Months June 30, 2025
United States	$ 672.8	$ 634.1	$ 1,178.5	$ 1,231.9
Canada	115.9	122.3	233.6	239.0
Asia	12.8	19.8	29.7	35.2
Other	2.9	4.3	5.8	9.9
	$ 804.4	$ 780.5	$ 1,447.6	$ 1,516.0

Sales by product line are as follows:

	Three Months June 30, 2026	Three Months June 30, 2025	Six Months June 30, 2026	Six Months June 30, 2025
Lumber and other wood products	$ 726.3	$ 698.2	$ 1,287.9	$ 1,347.3
Wood chips and other by-products	58.3	60.8	114.6	123.5
Logs	15.3	13.7	38.2	35.5
Timber management and other	4.5	7.8	6.9	9.7
	$ 804.4	$ 780.5	$ 1,447.6	$ 1,516.0

14. Financial instruments:

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

The three levels of the fair value hierarchy are:

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

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

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

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

14. Financial instruments (continued):

The following table summarizes Interfor's financial instruments measured at fair value and shows the level within the fair value hierarchy in which the financial instruments have been classified:

	Fair value hierarchy level	June 30, 2026	Dec. 31, 2025
Financial assets measured at fair value			
Equity investments	Level 1	$ 6.2	$ 5.2
Export duties receivable	Level 3	299.0	290.2
		$ 305.2	$ 295.4
Financial liabilities measured at fair value			
Export duties payable	Level 3	$ 205.7	$ 192.2

At June 30, 2026, the fair value of the Company's Long-term debt was less than its carrying value by $17.2 million (December 31, 2025 – exceeded by $11.5 million) measured based on Level 2 inputs of the fair value hierarchy.

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

As at June 30, 2026, the Company had no outstanding obligations under derivative financial instruments.

15. Export duties and tariffs:

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

	Three Months June 30, 2026	Three Months June 30, 2025	Six Months June 30, 2026	Six Months June 30, 2025
Export duties	$ 36.4	$ 24.0	$ 66.0	$ 44.7
Tariffs	9.9	-	18.3	1.9
Foreign currency translation impact on net export duties receivable	(1.7)	12.3	(3.0)	13.9
Export duties and tariffs	$ 44.6	$ 36.3	$ 81.3	$ 60.5

(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.

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. Since the imposition of these duties, the Company has paid cumulative duties of US$705.6 million.

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

Year ended December 31	Cash deposit rates in effect			Final rates
			Jan 1 – Dec 31	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	Jan 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	Jan 1 – Dec 31
AR5 – 2022	17.90%	17.91%	8.59%	14.40%
	Jan 1 - Jul 31	Aug 1 - Sep 12	Sep 13 - Dec 31	Jan 1 – Dec 31
AR6 – 2023	8.59%	7.99%	8.05%	35.16%
		Jan 1 - Aug 19	Aug 20 - Dec 31	Jan 1 – Dec 31[1]
AR7 – 2024		8.05%	14.40%	25.18%
	Jan 1 - Jul 28	Jul 29 - Aug 11	Aug 12 onwards	Jan 1 – Dec 31
AR8 – 2025	14.40%	27.27%	35.16%	Pending review

[1] Reflects preliminary rate and not final rate.

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

15. Export duties and tariffs (continued):

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

On April 9, 2026, the DoC issued its preliminary AD and CV duty rates of 10.66% and 14.17%, respectively, based on completion of AR7 for shipments of the year ended December 31, 2024. The preliminary CV duty rate was subsequently amended on June 30, 2026 to 14.52%. The preliminary rate is subject to change until the final rate determinations, which are expected to be published in the second half of 2026. At such time, the final rates determined and published for 2024 will be applied to new lumber shipments and an adjustment will be recorded to reflect the difference between the cash deposit rates on 2024 lumber shipments and the final rates. Based on the preliminary rates, an incremental expense, inclusive of interest, of approximately US$76.0 million is expected to be recorded in the second half of 2026.

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

		June 30, 2026		Dec. 31, 2025
	USD	CAD	USD	CAD
Net overpayment (underpayment) of duties per completed DoC ARs:				
AR1	$ 31.2	$ 40.0	$ 35.8	$ 46.3
AR2	3.8	5.0	3.8	5.0
AR3	21.3	28.3	21.3	28.3
AR4	5.4	6.8	5.4	6.8
AR5	3.7	4.0	3.7	4.0
AR6	(116.2)	(156.7)	(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	-	12.7	-	10.2
Duties recognized as duty deposits	50.2	71.3	54.8	75.1
Interest recognized on duty deposits	16.5	23.4	16.7	22.9
Net export duties receivable	$ 66.7	$ 94.7	$ 71.5	$ 98.0

The following table summarizes the net export duties receivable balance recorded on the Statements of Financial Position:

		June 30, 2026		Dec. 31, 2025
	USD	CAD	USD	CAD
Trade accounts receivable and other	$ 1.0	$ 1.4	$ -	$ -
Export duties receivable	210.6	299.0	211.8	290.2
Export duties payable	(144.9)	(205.7)	(140.3)	(192.2)
Net export duties receivable	$ 66.7	$ 94.7	$ 71.5	$ 98.0

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$8.2 million of related accrued interest, is recorded as a long-term receivable at June 30, 2026. 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 June 30, 2026, 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 Canada-United States-Mexico Agreement ("CUSMA"), 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, except for the AD duties on deposit for a "gap period" in AR1 from August 26, 2017 to December 27, 2017, during which period CV duties were not applicable. During the second quarter of 2026, the Company received a cash refund of US$4.6 million of AD duties for this gap period and an additional US$1.0 million in July 2026. 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.

(b) 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. The Company expensed $10.3 million in Section 232 tariffs in the second quarter of 2026 (Quarter 2, 2025 – nil) and $18.7 million in the first six months of 2026 (first six months of 2025 – nil) on the Company's lumber products.

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.

In February 2026, the Supreme Court decided IEEPA does not authorize the imposition of tariffs and the Court of International Trade ordered the U.S. Customs and Border Protection to issue refunds including interest for these unlawful tariffs. The Company received $0.4 million in the second quarter of 2026 related to the IEEPA tariffs paid on I-Joist products, which is recorded in Export duties and tariffs in the Statements of Earnings. The Company expects to receive refunds of the IEEPA tariffs paid on lumber when the AD and CV duties for AR8 are finalized and no longer subject to appeal.

16. Commitments and contingencies:

As at June 30, 2026, the Company had commitments for capital expenditures totalling $29.4 million.

In 2026, 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 $6.4 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.

INTERFOR

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