International Forest Products Limited

First Quarter Report

For the three months ended March 31, 2005

Management Discussion and Analysis

Dated as of April 28, 2005

This Management Discussion and Analysis ("MD&A") provides a review of Interfor's financial performance for the three months ended March 31, 2005 relative to 2004, the Company's financial condition and future prospects. The MD&A should be read in conjunction with the interim Consolidated Financial Statements for the three months ended March 31, 2005 and Interfor's Annual Information Form, Consolidated Financial Statements and Annual MD&A for the years ended December 31, 2004 and 2003 filed on SEDAR at www.sedar.com. The financial information contained in this MD&A has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In the MD&A reference is made to EBITDA and EBITDA from Continuing Operations. EBITDA represents earnings before interest, taxes, depletion, amortization and restructuring costs and write-downs of plant and equipment. EBITDA from Continuing Operations represents EBITDA less other income. The Company discloses EBITDA as it is a measure used by analysts to evaluate the Company's performance. As EBITDA is a non-GAAP measure, it may not be comparable to EBITDA calculated by others. In addition, as EBITDA is not a substitute for net earnings, readers should consider net earnings in evaluating the Company's performance.

Unless otherwise noted, all financial references in this MD&A are in Canadian dollars.

References in this MD&A to "Interfor" and the "Company" mean International Forest Products Limited, together with its subsidiaries.

FORWARD LOOKING STATEMENTS

This report contains statements that are forward-looking in nature. Such statements involve known and unknown risks and uncertainties that may cause the actual results of the Company to be materially different from those expressed or implied by those forward-looking statements. Such risks and uncertainties include, among others: general economic and business conditions, product selling prices, raw material and operating costs, changes in foreign-currency exchange rates and other factors referenced herein and in the Company's annual statutory report.

OPERATING RESULTS

Interfor recorded net earnings of $10.9 million or $0.22 per share in the 1st Quarter of 2005 compared to net earnings of $15.2 million or $0.31 per share in the immediately preceding quarter, and net earnings of $0.9 million or $0.02 per share in the 1st Quarter of 2004. The 1st Quarter 2005 results include "Other income" of $6.9 million ($4.5 million after-tax or $0.09 per share) related to timber takeback compensation received from the Government of B.C. (see "B.C. FOREST REVITALIZATION PLAN" below) and gains on disposals of surplus assets.

The results reflect the continued strength of North American structural lumber markets served by Interfor's B.C. Interior operation and the Interfor Pacific Inc. ("Interfor Pacific") operations in the U.S. Pacific Northwest. Operating earnings of these mills were 65% higher than in the 4th Quarter of 2004 due to increased sales realizations on similar shipment volumes. The Interfor Pacific mills were acquired September 1, 2004. Strong results from Seaboard Shipping Company Limited ("Seaboard") – which increased by 54% compared to the 4th Quarter of 2004 and 35% compared to the 1st Quarter of 2004 – also contributed positively to the Company's 1st Quarter results. The Company's B.C. Coastal operations were negatively impacted by a number of factors including normal winter logging shutdowns, severe and prolonged winter conditions in the U.S. Northeast which affected cedar shipments, the curtailment related to the rebuild of the New Westminster sawmill, the economic curtailment of the Field sawmill and continued weakness of the structural lumber market in Japan.

Lumber shipments totalled 256 million board feet in the 1st Quarter of 2005 compared to 272 million board feet in the 4th Quarter of 2004. The decrease from the previous quarter reflects decreases in production from the B.C. Coastal operations related to the factors discussed above. Lumber shipments in the 1st Quarter of 2004 were significantly lower at 189 million board feet reflecting difficult lumber market conditions and lower capacity prior to acquisition of the Interfor Pacific mills. Log production in the Company's B.C. operations was 433,000m^3 compared to 573,000m^3 in the 4th Quarter and 576,000m^3 in the 1st Quarter of 2004.

Sales revenue was $192.9 million in the 1st Quarter of 2005 compared to $212.7 million in the 4th Quarter of 2004, and $170.2 million in the 1st Quarter of 2004. EBITDA from Continuing Operations increased to $21.2 million from $15.0 million in the 4th Quarter. In the 1st Quarter of 2004 EBITDA from Continuing Operations was $11.8 million.

During the 1st Quarter of 2005 Interfor paid $6.9 million ($4.4 million after tax or $0.09 per share) in deposits for countervailing and antidumping duties on shipments of 62 million board feet from Canada to the U.S. In the 4th Quarter Interfor paid $7.3 million ($4.6 million after tax or $0.10 per share) in duty deposits, while in the 1st Quarter of 2004 duties totalled $8.6 million ($5.4 million after tax or $0.11 per share). The reduction in deposits paid in the 1st Quarter of 2005 reflects the impact of the decline in the combined duty rate to 20.15% from 27.22% discussed below under "CANADA – U.S. SOFTWOOD LUMBER DISPUTE". At the end of the 1st Quarter of 2005, Interfor had paid total deposits of US$72.9 million (CAD$88.5 million utilizing March 31, 2005 exchange rates) since the deposit requirement came into effect in May 2002.

SELECTED QUARTERLY FINANCIAL INFORMATION

	2005 Qtr 1	2004 Qtr 4	2004 Qtr 3	2004 Qtr 2	2004 Qtr 1	2003 Qtr 4	2003 Qtr 3	2003 Qtr 2
	(millions of dollars except share and per share amounts)							
Sales	192.9	212.7	239.0	211.6	170.2	135.4	149.9	168.1
Operating earnings (loss)	7.1	(5.3)	(7.7)	12.9	(2.1)	(12.2)	(3.2)	(20.8)
EBITDA[3]	28.1	33.7	31.2	31.7	12.9	0.9	7.1	(8.2)
EBITDA from continuing operations	21.2	15.0	31.2	30.0	11.8	1.1	7.1	(9.1)
Net earnings (loss)	10.9	15.2	(3.1)	11.6	0.9	(6.9)	(1.4)	(12.0)
Net earnings (loss) per share – basic and diluted	0.22	0.31	(0.06)	0.24	0.02	(0.14)	(0.04)	(0.34)
Cash flow from operations[1] per share	0.36	0.19	0.44	0.54	0.20	0.05	0.10	(0.34)
Shares outstanding – end of period (millions)[2]	48.7	48.6	48.4	48.4	48.4	48.4	48.4	35.5
– weighted average (millions)	48.7	48.5	48.4	48.4	48.4	48.4	38.3	35.5

1 Cash generated from operations before considering changes in operating working capital.
2 As at April 27, 2005 the number of shares outstanding by class are: Class A – 47,656,276; Class B – 1,015,779; Total – 48,672,055.
3 EBITDA represents earnings before interest, taxes, depletion, amortization and restructuring costs. EBITDA from continuing operations represents EBITDA less other income. The Company discloses EBITDA as it is a measure used by analysts to evaluate the Company's performance. As EBITDA is a non-GAAP measure, it may not be comparable to EBITDA calculated by others. In addition, as EBITDA is not a substitute for net earnings, readers should consider net earnings in evaluating the Company's performance. EBITDA and EBITDA from continuing operations can be calculated from the statement of operations as follows:

Net earnings (loss)	10.9	15.2	(3.1)	11.6	0.9	(6.9)	(1.4)	(12.0)
Add: Income taxes (recovery)	4.9	(1.4)	(2.5)	4.6	(0.3)	(3.8)	(1.2)	(7.4)
Interest expense	1.0	1.3	1.0	0.4	0.5	0.4	1.1	1.2
Depletion and amortization	11.3	13.3	15.7	15.1	11.2	9.7	8.6	8.3
Restructuring costs, asset write-downs and other	-	5.3	20.1	-	0.6	1.5	-	1.7
EBITDA	28.1	33.7	31.2	31.7	12.9	0.9	7.1	(8.2)
Deduct: Other income (loss)	6.9	18.7	-	1.7	1.1	(0.2)	-	0.9
EBITDA from continuing operations	21.2	15.0	31.2	30.0	11.8	1.1	7.1	(9.1)

Volume and Price Statistics

		2005 Qtr 1	2004 Qtr 4	2004 Qtr 3	2004 Qtr 2	2004 Qtr 1	2003 Qtr 4	2003 Qtr 3	2003 Qtr 2
Lumber sales	(MMfbm)	256	272	238	195	189	138	143	167
Lumber production[1]	(MMfbm)	253	246	247	204	204	134	149	151
Log Sales[2]	(thousand cubic metres)	184	350	438	457	253	252	247	313
Log production (B.C. operations)	(thousand cubic metres)	433	573	891	924	576	636	336	479
Average price - lumber[3]	($/Mfbm)	$578	$547	$673	$702	$620	$634	$670	$648
Average price - logs[2]	($/cubic metre)	$84	$79	$86	$82	$89	$73	$78	$79
Average price – pulp chips	($/Mfbm)	$21	$24	$37	$40	$35	$36	$39	$38

1 Excludes lumber produced on a custom cutting basis for customers who have previously purchased the logs
2 B.C. coastal operations
3 $ Canadian, FOB British Columbia or U.S. Pacific Northwest, net of countervailing duty and antidumping duty

Quarterly trends normally reflect seasonality of the Company's operations. Logging operations are seasonal due to a number of factors including weather, ground conditions and fire season woods closures. Generally, the Company's logging divisions experience higher production levels in the latter half of the first quarter, throughout the second and third quarters and in the first half of the fourth quarter. Sawmill operations are less seasonal than logging operations but do depend on the availability of logs from the logging operations. In addition, the market demand for lumber and related products is generally lower in the first quarter due to reduced construction activity which increases during the spring, summer and fall. The significant drop in sales revenues and the net losses experienced in the last three quarters of 2003 were due to a combination of the U.S. duties on lumber, the rising value of the Canadian dollar versus the U.S. dollar and difficult conditions in the Japanese lumber market. During this period Interfor reduced operating rates in both woodlands and manufacturing divisions to bring production into line with market demand. The significant increase in earnings in the fourth quarter of 2004 was largely due to an increase in other income, consisting of gains on surplus property sales and a break fee earned on the termination of the agreement to acquire Riverside Forest Products Limited.

CASH FLOW AND BALANCE SHEET

During the 1st Quarter Interfor generated $17.3 million (1st Quarter 2004 - $9.6 million) in cash from operations before changes in working capital, and $18.3 million (1st Quarter 2004 - $17.0 million) after changes in working capital were considered.

Capital spending in the 1st Quarter amounted to $23.9 million (1st Quarter 2004 - $9.5 million) including $5.0 million in roads, $2.9 million in maintenance capital, $15.2 million in high return discretionary projects and $0.8 million in land development costs. The spending on discretionary projects includes $10.3 million related to the rebuild of the Company's sawmill in New Westminster, B.C.

In the 1st Quarter Interfor received cash distributions from Seaboard of $6.3 million (1st Quarter 2004 - $3.5 million).

The Company has renewed its operating line of credit, under substantially the same terms and conditions, extending the maturity date to April 27, 2006. The Company also extended the facility termination date of its Receivables Purchase Agreement to March 31, 2006. During the quarter, Interfor Pacific secured an operating line of credit with a U.S. bank in the amount of US$15.0 million. The line is secured by Interfor Pacific's accounts receivable and inventory and matures on March 1, 2006.

Interfor's net debt decreased to $34.6 million at the end of the 1st Quarter, representing a ratio of net debt to invested capital of 8.3% compared to 13.0% at the end of the 4th Quarter. At the end of the 1st Quarter of 2004 the Company had a net cash balance of $1.5 million.

ACQUISITION OF ASSETS OF FLORAGON FOREST PRODUCTS MOLALLA INC.

On April 6, 2005 the Company reached agreement to acquire the assets of Floragon Forest Products Molalla Inc. and related entities ("Floragon") for US$50.0 million plus an amount for inventories. In addition, the vendors may qualify for an incentive payment based on the financial performance of the Floragon operation in the twelve months following the closing. The transaction is scheduled to close on May 31, 2005.

The Floragon operation is located at Molalla, Oregon approximately 30 miles southeast of Portland. The mill produced 220 million board feet in 2004 and generated total sales of US$91.5 million. Floragon's product lines consist of Douglas Fir and Hem-Fir studs in lengths up to 10 feet. Log supply is purchased on an ongoing basis from a number of industrial land owners and public sources in the immediate area. From a product and market standpoint, the Floragon operation is an excellent fit with Interfor's operations in Washington and Oregon. The mill has been significantly upgraded in recent years and is well-positioned from a log supply standpoint.

The acquisition is expected to be immediately accretive to Interfor's earnings.

The transaction will be financed from Interfor's existing bank lines. The Company's ratio of net debt to invested capital is expected to remain below 20% after the acquisition, leaving Interfor with a strong base to pursue additional strategic investment opportunities.

B.C. FOREST REVITALIZATION PLAN

On March 28, 2005 the Company concluded a comprehensive agreement with the Province of British Columbia to compensate the Company for loss of forest tenure through the government's timber reallocation program. The Company received $22.1 million in compensation for the loss of logging rights on the B.C. Coast, including $17.6 million related to the 20% reduction in harvest volumes and a $4.5 million advance payment against lost infrastructure and road construction costs. The Company is continuing its negotiation with the Crown for further compensation for infrastructure, but the amount and timing of additional compensation is not yet determinable. The Company will record any other compensation at the time the amounts to be recorded can be estimated. As a result of this agreement Interfor has included $7.7 million in pre-tax income in its 1st Quarter accounts. Of this amount, $1.3 million was recorded as a recovery of production costs and $6.4 million was recorded as "Other income".

REBUILD OF NEW WESTMINSTER SAWMILL

The $25.0 million rebuild of the Company's New Westminster sawmill is in its final stages. The rebuilt mill – which has been renamed "Queensboro" to reflect the original name of the surrounding area – recommenced operations in early April and is expected to reach pro forma production levels in late 2005.

Following the ramping up of production at Queensboro and the completion of the acquisition of Floragon, Interfor's annual production capacity will increase from 1.2 billion board feet to just under 1.5 billion board feet.

SEABOARD'S DISPOSITION OF 50% INTEREST IN WESTERN STEVEDORING COMPANY LIMITED

On April 21, 2005 Interfor announced the completion of the sale by Seaboard of its 50% interest in Western Stevedoring Company Limited. Interfor will receive after-tax proceeds from this transaction of approximately $27.7 million which will result in a $20.1 million after-tax gain. The gain will be included in equity income in Interfor's 2nd Quarter 2005 results.

CANADA – U.S. SOFTWOOD LUMBER DISPUTE

The softwood lumber trade discussions and legal actions between the Government of Canada, the provincial governments and the U.S. Government are continuing. On August 31, 2004, a North American Free Trade Agreement ("NAFTA") Panel reaffirmed its prior rulings that the U.S. International Trade Commission ("ITC") had not demonstrated that the U.S. softwood lumber industry is threatened with material injury by reason of Canadian imports and remanded this determination back to the ITC to make a new determination consistent with the Panel's decision, which the ITC did under protest. On October 12, 2004, the NAFTA panel issued an order affirming the negative determination of the ITC. On October 13, 2004 the U.S. administration announced its intention to file an Extraordinary Challenge proceeding in the NAFTA injury case.

Effective December 20, 2004, the U.S. Department of Commerce ("USDOC") implemented new deposit rates based on the USDOC's final rate determinations for the first Administrative review period (May 22, 2002 to March 31, 2003 for the countervailing duty case; and May 22, 2002 to April 30, 2003 for the antidumping duty case). The USDOC reduced the countervailing duty deposit rate to 17.18% from 18.79% and reduced the all others antidumping deposit rate to 4.03% from 8.43%. These rates were subsequently amended by the USDOC on January 24, 2005 (antidumping deposit rate was reduced to 3.78%) and February 24, 2005 (countervailing duty deposit rate was reduced to 16.37%). At the date of this report the Company's combined deposit rate is 20.15%.

Interfor and other Canadian forest product companies, the Federal Government and Canadian provincial governments categorically deny U.S. allegations which result in the imposition of the countervailing and antidumping duties. Canadian interests will continue to pursue appeals of the final countervailing and antidumping determinations with the appropriate courts, NAFTA panels and the World Trade Organization ("WTO"). As such, the actual amount of duties for softwood lumber products shipped will depend upon the outcome of these various appeals or upon a negotiated settlement. In addition, the U.S. undertakes annual administrative reviews which could result in revisions to duty rates. Any differences between revised duty rates and the rates at which deposits were paid can result in a refund or charge to Interfor, plus interest.

The final amount of countervailing and antidumping duties that may be assessed on Canadian softwood lumber exports to the U.S. cannot be determined at this time and will depend on appeals of the final determinations to any reviewing courts, NAFTA or WTO panels.

OUTLOOK

After ramping up through much of the 1st Quarter of 2005 in response to strong demand, the price of structural products in the North American market began to soften in the first part of April. The price of the benchmark SPF 2X4 is currently trading at US$375 – $380 per thousand board feet compared to US$410 - $415 in early March and could slide even further if the pace of new home construction begins to moderate.

The cedar market has been slow as a result of weather-related delays in the upper Midwest and Northeast regions of the U.S. Activity is expected to pick up with the return of better weather. Prices are expected to remain flat through the balance of the year.

The price of hemlock structural products in Japan stabilized in the 1st Quarter as a result of lower shipments and is expected to remain stable in the near-term. The price of Douglas fir products, on the other hand, weakened in the 1st Quarter as a result of aggressive pricing by a major Japanese producer and is likely to remain weak in the near-term.

Interfor expects to operate its Interior and U.S. sawmill operations on a normal basis in the 2nd Quarter and will benefit to the extent that the Floragon transaction completes, as expected, at the end of May. The Company's Coastal sawmills will operate on a reduced basis in the 2nd Quarter – with the Field sawmill likely to remain curtailed. Production from the rebuilt Queensboro mill will add to the Company's total production volume and sales in the 2nd Quarter.

Logging operations in the Coastal Region will begin to ramp up in the 2nd Quarter.

Interfor will continue its initiative to identify and realize on complementary opportunities in the B.C. Interior and U.S. Pacific Northwest and in attractive product lines. In addition, the initiative to streamline the Company's operational configuration will continue.

ADDITIONAL INFORMATION

Additional information relating to the Company and its operations, including Interfor's Annual Statutory Information for 2004, can be found on its website at www.interfor.com and on SEDAR at www.sedar.com. Interfor's trading symbol on the Toronto Stock Exchange ("TSX") is IFP.SV.A.

William L. Sauder
Chairman

Duncan K. Davies
President and Chief Executive Officer

International Forest Products Limited
P.O. Box 49114, Four Bentall Centre
3500 – 1055 Dunsmuir Street
Vancouver, B.C. Canada V7X 1H7
Telephone: (604) 689-6800 Fax: (604) 688-0313
Contact: G.J. Friesen, Vice President and Corporate Secretary
Web Site: www.interfor.com

INTERFOR

CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months ended March 31, 2005 and 2004 (unaudited)

(thousands of Canadian dollars except earnings per share)	3 Months Mar. 31, 2005	3 Months Mar. 31, 2004
Sales	$ 192,926	$ 170,194
Costs and expenses:		
Production	160,516	145,969
Selling and administration	7,188	6,031
U.S. countervailing and antidumping duty deposits (note 8(a))	6,886	8,567
Amortization of plant and equipment	6,146	5,285
Depletion and amortization of timber, roads and other	5,106	5,879
Restructuring costs	-	600
	185,842	172,331
Operating earnings (loss)	7,084	(2,137)
Interest expense on long-term debt	(764)	(140)
Other interest expense	(274)	(415)
Other income (note 5)	6,942	1,121
Equity in earnings of investee companies	2,832	2,154
	8,736	2,720
Earnings before income taxes	15,820	583
Income taxes (recovery):		
Current	2,085	400
Future	2,814	(720)
	4,899	(320)
Net earnings	10,921	$ 903
Net earnings per share, basic and diluted (note 6)	0.22	$ 0.02

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the 3 months ended March 31, 2005 and 2004 (unaudited)

(thousands of Canadian dollars)	3 Months Mar. 31, 2005	3 Months Mar. 31, 2004
Retained earnings, beginning of year	66,218	$ 41,505
Net earnings	10,921	903
Retained earnings, end of period	77,139	$ 42,408

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2005 and 2004 (unaudited)

(thousands of Canadian dollars)	3 Months Mar. 31, 2005	3 Months Mar. 31, 2004
Cash provided by (used in):		
Operating activities:		
Net earnings	$ 10,921	$ 903
Items not involving cash:		
Amortization of plant and equipment	6,146	5,285
Depletion and amortization of timber, roads and other	5,106	5,879
Future income taxes	2,814	(720)
Reforestation liability	973	1,388
Other long-term liabilities	(1,159)	125
Equity in earnings of investee companies	(2,832)	(2,154)
Writedown of plant and equipment	2,283	-
Other	(6,942)	(1,121)
	17,310	9,585
Cash generated from (used in) operating working capital:		
Accounts receivable	2,503	(9,694)
Inventories	(1,066)	(6,271)
Prepaid expenses	1,900	782
Accounts payable and accrued liabilities	(4,308)	22,424
Income taxes	1,945	190
	18,284	17,016
Investing activities:		
Additions to property, plant and equipment	(18,910)	(3,394)
Additions to logging roads and timber	(5,001)	(6,123)
Proceeds on disposal of property, plant and equipment	21,960	2,674
Investments and other assets	5,805	4,163
	3,854	(2,680)
Financing activities:		
Issuance of share capital, net of expenses	153	81
Increase (decrease) in bank indebtedness	-	(12,951)
Repayments of long-term debt	(20,514)	-
	(20,361)	(12,870)
Foreign exchange gain on cash and cash equivalents held in a foreign currency:	74	-
Increase in cash	1,851	1,466
Cash on deposit, beginning of period	18,259	-
Cash on deposit, end of period	20,110	$ 1,466

See accompanying notes to consolidated financial statements

INTERFOR

CONSOLIDATED BALANCE SHEETS

March 31, 2005 and 2004 (unaudited) and December 31, 2004 (audited)

(thousands of Canadian dollars)	March 31, 2005	December 31, 2004	March 31, 2004
Assets			
Current assets:			
Cash (note 4)	$ 20,110	$ 18,259	$ 1,466
Accounts receivable (note 10(b))	39,725	42,228	35,972
Inventories	109,829	108,763	99,316
Prepaid expenses	8,331	10,231	5,898
Future income taxes	5,329	7,281	4,787
	183,324	186,762	147,439
Investments and other assets:			
Investments and advances	43,923	47,236	39,113
Deferred financing fee, net of accumulated amortization	530	509	13
	44,453	47,745	39,126
Property, plant and equipment, net of accumulated amortization	248,392	235,449	191,216
Timber and logging roads, net of accumulated depletion and amortization	65,798	82,556	86,921
Goodwill and other intangible assets	14,011	14,062	13,862
	$ 555,978	$ 566,574	$ 478,564
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 81,494	$ 85,802	$ 91,740
Income taxes payable	2,520	579	548
	84,014	86,381	92,288
Reforestation liability, net of current portion	17,955	16,982	17,558
Long-term debt	54,680	74,163	-
Other long-term liabilities	8,539	9,968	14,089
Future income taxes	7,201	6,332	6,397
Shareholders' equity:			
Share capital			
Class A subordinate voting shares	294,734	294,581	293,543
Class B common shares	4,080	4,080	4,080
Contributed surplus	8,201	8,201	8,201
Cumulative translation adjustment	(565)	(332)	-
Retained earnings	77,139	66,218	42,408
	383,589	372,748	348,232
	$ 555,978	$ 566,574	$ 478,564

Contingencies (note 8)
Subsequent events (note 11)

See accompanying notes to consolidated financial statements

On behalf of the Board:

W. L. Sauder
Director

J. A. Milroy
Director

(Tabular amounts expressed in thousands except per share amounts)

1. Significant accounting policies:

These unaudited interim consolidated financial statements include the accounts of International Forest Products Limited and its subsidiaries (collectively referred to as "Interfor" or the "Company"). These interim consolidated financial statements do not include all disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly, these interim consolidated financial statements should be read in conjunction with Interfor's most recent annual consolidated financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application used in the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2004.

2. Comparative figures:

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year.

3. Seasonality of operating results:

The Company operates in the solid wood business which includes logging and sawmill operations. Logging operations are seasonal due to a number of factors including weather, ground and fire season conditions. Generally, the Company operates its logging divisions in the latter half of the first quarter, throughout the second and third quarters and in the first half of the fourth quarter. Sawmill operations are less seasonal than logging operations but do depend on the availability of logs from the logging operations. In addition, the market demand for lumber and related products is generally lower in the first quarter due to reduced construction activity which increases during the spring, summer and fall.

4. Bank indebtedness:

The Company secured a new operating line of credit with a U.S. bank in the amount of US$15,000,000. The line is subject to a borrowing base calculation dependent upon certain accounts receivable and inventories of the Company's subsidiary, Interfor Pacific Inc. As at March 31, 2005, the maximum borrowing available was US$12,432,000, of which US$9,572,000 was unused. The line utilization includes outstanding letters of credit of US$360,000. The loan bears interest at U.S. bank prime or, at the Company's option, at LIBOR plus 1⅜%. The line of credit is secured by the accounts receivables and inventories of Interfor Pacific Inc. and is subject to certain financial covenants including a maximum ratio of total debt to total capitalization. The line matures on March 1, 2006.

In addition, under the Company's previously established operating line of credit, outstanding letters of credit of $3,930,000 (2004 - $1,600,000) brought the unused portion of that line to $71,070,000 (2004 - $73,400,000).

5. Other income:

	3 months Mar. 31, 2005	3 months Mar. 31, 2004
Gain on settlement of timber takeback	$ 6,373	$ -
Gain on disposal of property, plant and equipment	569	1,121
	$ 6,942	$ 1,121

Under the terms of the *Forest Revitalization Act*, the Company received $22,111,000 in compensation for the loss of logging rights on the B.C. Coast, including $17,611,000 million related to the 20% reduction in harvest volumes and a $4,500,000 advance payment against lost infrastructure and road construction costs. $1,300,000 was recorded as a recovery of production costs and $20,811,000 was recorded as proceeds on the disposal of timber and roads and resulted in a net gain on settlement of timber takeback of $6,373,000 in the quarter.

6. Net earnings per share:

	3 months Mar. 31, 2005			3 months Mar. 31, 2004		
	Net earnings	Shares	Per share	Net earnings	Shares	Per share
Basic earnings per share	$ 10,921	48,655	$ 0.22	$ 903	48,402	$ 0.02
Share options	-	675	-	-	615	-
Diluted earnings per share	$ 10,921	49,330	$ 0.22	$ 903	49,017	$ 0.02

(Tabular amounts expressed in thousands except per share amounts)

7. Segmented information:

The Company manages its business as a single operating segment, solid wood. The Company purchases and harvests logs which are then manufactured into lumber products at the Company's sawmills, or sold. Substantially all of the Company's operations are located in British Columbia, Canada and the Pacific Northwest, U.S.A.

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

	3 months Mar. 31, 2005	3 months Mar. 31, 2004
Canada	$ 52,553	$ 58,141
United States	91,521	47,909
Japan	27,254	35,418
Other export	21,598	28,726
	$ 192,926	$ 170,194

Sales by product line are as follows:

	3 months Mar. 31, 2005	3 months Mar. 31, 2004
Lumber	$ 162,094	$ 135,173
Logs	17,357	22,422
Wood chips and other by products	8,212	8,139
Other	5,263	4,460
	$ 192,926	$ 170,194

The Company has capital assets, goodwill and other intangible assets located in:

	Mar. 31, 2005	Mar. 31, 2004
Canada	$ 239,418	$ 284,917
United States	88,783	7,082
	$ 328,201	$ 291,999

8. Contingencies:

(a) U.S. Softwood Lumber dispute:

Effective December 20, 2004, the USDOC implemented new deposit rates based on the USDOC's final rate determinations for the first Administrative review period (May 22, 2002 to March 31, 2003 for the countervailing duty case; and May 22, 2002 to April 30, 2003 for the antidumping duty case). The USDOC reduced the countervailing duty deposit rate to 17.18% from 18.79% and reduced the all others antidumping deposit rate to 4.03% from 8.43%. These rates were subsequently amended by the USDOC on January 24, 2005 (antidumping deposit rate was reduced to 3.78%) and February 24, 2005 (countervailing duty deposit rate was reduced to 16.37%). At the date of this report the Company's combined deposit rate is 20.15%.

The Company has recorded $6,886,000 (2004 - $8,567,000) for the three months ended March 31, 2005 in respect of the countervailing and antidumping duties assessed on Canadian softwood lumber exports to the United States. Cumulative duties for the period from May 22, 2002 to March 31, 2005 charged to operations total $99,878,000 (US$72,874,000). These total U.S. deposits translated at quarter-end exchange rates equate to CAD$88,549,000 at March 31, 2005.

The Company and other Canadian forest product companies, the Federal Government and Canadian provincial governments ("Canadian Interests") continue to categorically deny the U.S. allegations that sales of Canadian softwood lumber into the U.S. threatens material injury to the U.S. industry. Canadian interests continue to pursue appeals of the final countervailing and dumping determinations with the appropriate courts, NAFTA panels and the WTO.

The final amount of countervailing and antidumping duties that may be assessed on Canadian softwood lumber exports to the U.S. cannot be determined at this time and will depend on appeals of the final determinations to any reviewing courts, NAFTA or WTO panels. Notwithstanding the final rates established in the investigations, the final liability for the assessment of countervailing and antidumping duties will not be determined until each annual administrative review process is complete, including appeals.

(Tabular amounts expressed in thousands except per share amounts)

8. Contingencies (continued):

(b) B.C. Forest Revitalization Plan:

In March 2003, the Government of B.C ("Crown") introduced the Forestry Revitalization Plan (the "Plan") that provides for significant changes to Crown forest policy and to the existing allocation of Crown timber tenures to licensees. The changes prescribed in the Plan include: the elimination of minimum cut control regulations, the elimination of existing timber processing regulations, and the elimination of restrictions limiting the transfer and subdivision of existing licenses. As well, through legislation, licensees, including the Company, will be required to return 20% of their replaceable tenure to the Crown. The Plan states that approximately half of this volume will be redistributed to open up opportunities for woodlots, community forests and First Nations and the other half will be available for public auction. The Crown has acknowledged that licensees will be fairly compensated for the return of tenure and related infrastructure costs.

In December 2004, the Crown issued Ministerial Orders to the Company specifying the timing and the volume of the take-back for replaceable tenures. Approximately 344,000 cubic metres of the Company's existing allowable annual cut on their replaceable tenures was taken in December 2004, and the balance of 235,000 cubic metres will be taken by December 31, 2005, for a total of 579,000 cubic metres. In addition, 20% of the Company's non-replaceable timber licences will also be reduced.

On March 28, 2005 the Company concluded a comprehensive agreement with the Province of British Columbia to compensate the Company for loss of forest tenure through the government's timber reallocation program. The Company received $22,111,000 in compensation for the loss of logging rights on the B.C. Coast, including $17,611,000 related to the 20% reduction in harvest volumes and a $4,500,000 advance payment against lost infrastructure and road construction costs. The Company is continuing its negotiation with the Crown for further compensation for infrastructure, but the amount and timing of additional compensation is not yet determinable. The Company will record any other compensation at the time the amounts to be recorded can be estimated.

9. Employee future benefits:

The total benefits cost under its various pension plans (described in the Company's audited annual consolidated financial statements) as follows:

	3 months Mar. 31, 2005	3 months Mar. 31, 2004
Defined contribution plan	$ 480	$ 476
Defined benefit plan	146	127
Unionized employees' pension plan	1,108	1,172
U.S. operations benefit plan	143	-
Senior management supplementary pension plan	78	26
Total pension expense	$ 1,955	$ 1,801

10. Financial instruments:

(a) Derivative financial instruments:

The Company employs financial instruments, such as interest rate swaps and foreign currency forward and option contracts, to manage exposure to fluctuations in interest rates and foreign exchange rates. The Company does not expect any credit losses in the event of non-performance by counter parties as the counter parties are the Company's bankers.

As at March 31, 2005, the Company has outstanding obligations to sell a maximum of US$12,000,000 at an average rate of CAD$1.2223 and Japanese ¥100,000,000 at an average rate of ¥83.24 to the CAD$1.00 during 2005. All foreign currency gains or losses to March 31, 2005 have been recognized in the statement of operations.

There were no interest rate swaps outstanding as at March 31, 2005.

(b) Sale of receivables:

During 2000, the Company entered into an agreement to sell designated trade receivables, with limited recourse, to a Trust. As these trade receivables are collected, they are replaced by new receivables to maintain the aggregate outstanding balance. In the 1st Quarter of 2005, the Company renewed this agreement and extended its termination date to March 31, 2006. At March 31, 2005, the Company received cash proceeds of $25,000,000 (2004 - $20,000,000), from the sale of receivables.

11. Subsequent events:

(a) Acquisition of assets of Floragon Forest Products Molalla Inc.:

On April 6, 2005 the Company reached agreement to acquire the assets of Floragon Forest Products Molalla Inc. and Floragon Manufacturing LLC (together, "Floragon"), a sawmill in the U.S. Pacific Northwest for US$50,000,000 plus an amount for inventories. In addition, the vendors may qualify for an incentive payment based on the financial performance of the Floragon operation in the 12 months following the closing. The transaction is scheduled to close on May 31, 2005.

The transaction will be financed through the Company's existing bank lines.

(b) Seaboard Shipping Company Limited disposition of 50% interest in Western Stevedoring Company Limited:

On April 21, 2005 Seaboard Shipping Company Limited ("Seaboard") sold its 50% interest in Western Stevedoring Limited for $40,000,000 plus a $2,500,000 dividend. As net earnings of Seaboard are distributed based on a percentage of shipments of product by the shareholders, the Company will participate in 71.2% of net after-tax cash proceeds, with its share totalling approximately $27,700,000.

INTERFOR

International Forest Products Limited
P.O. Box 49114, Four Bentall Centre
3500 – 1055 Dunsmuir Street
Vancouver, B.C. Canada V7X 1H7
Telephone: (604) 689-6800 Fax: (604) 688-0313
Contact: G.J. Friesen, Vice President and Corporate Secretary
Web Site: www.interfor.com