



PRESS RELEASE

International Forest Products Limited

Vancouver, B.C.

October 26, 2006

Interfor Records Earnings of \$1.6 Million in Q3

Exposure to specialty and offshore markets softens impact of U.S. downturn

OPERATING RESULTS

International Forest Products Limited (“Interfor” or the “Company”) (TSX: IFP.A) recorded net earnings of \$1.6 million or \$0.03 per share in the 3rd Quarter of 2006 compared to \$8.0 million or \$0.17 per share in the 2nd Quarter of 2006, and \$4.7 million or \$0.10 per share in the 3rd Quarter of 2005. Through the first 9 months of 2006 Interfor recorded net earnings of \$18.3 million or \$0.38 per share compared to \$24.6 million or \$0.51 per share in the first 9 months of 2005.

Included in the Company’s 3rd Quarter results were \$0.5 million after-tax or \$0.01 per share in net gains primarily from the sale of surplus assets. After allowing for these items, net earnings in the 3rd Quarter were \$1.1 million or \$0.02 per share compared to \$6.0 million or \$0.12 per share in the 2nd Quarter and a loss of \$2.6 million or \$0.05 per share in the 3rd Quarter of 2005.

In the 3rd Quarter, benchmark SPF 2X4 prices fell on average by 12% to US\$278 per thousand board feet, due to concerns over the level of construction activity in the U.S. and the scheduled implementation of the Softwood Lumber Agreement (see below). Prices for specialty cedar products and the Japanese market remained steady or improved slightly in the quarter.

At 304 million board feet, lumber shipments in the 3rd Quarter declined by 7% compared with the immediately preceding Quarter, and were 1% below shipment levels in the 3rd Quarter of 2005. Lumber production, at 292 million board feet, was 10% below production in the 2nd Quarter of 2006 and 5% below the 3rd Quarter of 2005. The Company’s Queensboro sawmill was scaled back to one shift in mid-August to address a number of operating reliability issues, while the Hammond sawmill was curtailed for a total of 12 days in the quarter due to a lack of logs. In the U.S., the Gilchrist mill lost 9 days and the Molalla mill lost 2 days due to log supply and price issues.

Log production in the Company’s coastal region totalled 637,200 cubic metres in the 3rd Quarter, 3% lower than the 2nd Quarter, as weather-related curtailments impacted production in the latter half of the quarter.

Sales revenue in the 3rd Quarter decreased by 8% to \$206 million compared to \$224 million in the 2nd Quarter reflecting the drop in shipments and a reduction in lumber sales returns which declined by 5% compared with the 2nd Quarter. Sales revenue in the 3rd Quarter was 4% below the same period last year.

EBITDA excluding other income (and one-time items) declined by 41% in the 3rd Quarter to \$13.9 million compared to \$23.6 million the 2nd Quarter, and was flat relative to EBITDA in the 3rd Quarter of 2005.

During the 3rd Quarter Interfor paid \$4.2 million (\$2.7 million after-tax or \$0.06 per share) in deposits for

countervailing and anti-dumping duties on shipments of 82 million board feet from Canada to the U.S. At the end of the quarter, Interfor had paid total deposits of US\$105.9 million (CAD\$118.3 million using September 30, 2006 exchange rates) since the deposit requirement came into effect in May 2002.

CASH FLOW AND BALANCE SHEET

Interfor generated \$13.9 million in cash from operations in the 3rd Quarter before working capital changes.

Significant additional progress was made on the Company's restructuring program during the 3rd Quarter, including:

- the sale of additional surplus property and equipment;
- the sale of the MacKenzie Seizai sawmill; and
- the sale of B.W. Creative Wood Industries Ltd.

These transactions generated total cash proceeds of \$17.0 million and contributed a gain of \$1.0 million after-tax which, as indicated above, is reflected in the Company's 3rd Quarter accounts.

During the quarter, \$20 million in cash was used to reduce funding provided under the Company's accounts receivable securitization program.

Capital spending in the 3rd Quarter amounted to \$27.4 million including \$5.6 million on roads, \$4.4 million on maintenance of business projects and \$17.4 million on discretionary projects.

As a result of these activities, net debt increased to \$24.6 million at September 30th, representing a ratio of net debt to invested capital of 5.8% compared to 3.3% at the end of the 2nd Quarter.

CANADA-U.S. SOFTWOOD LUMBER AGREEMENT ("SLA")

Earlier this year the Canadian and U.S. governments reached a framework agreement to resolve the softwood dispute. Although the SLA is still subject to the passage of legislation by the Canadian parliament, the agreement came into force on October 12, 2006. The SLA will result in Canadian producers paying an export charge on shipments to the U.S. when the price of lumber is at or below US\$355 per thousand board feet, as determined by the Random Lengths Framing Lumber Composite Index. The SLA also provides for the return of approximately 81% of the duty deposits paid since May 2002, plus interest.

The timing of the return of the duty refunds is uncertain at this time, but the terms of the SLA contemplate that refunds will occur within six months of October 12, 2006 (the effective date of the SLA). The Company expects to record the recovery of duties in its accounts once substantially all of the conditions of the SLA have been met.

SHARE BUY-BACK PROGRAM

During the 3rd Quarter, Interfor purchased a total of 71,600 shares at an average price of \$6.60 per share under the Share Buy-Back Program authorized in November 2005. A total of 497,300 shares have been purchased since the inception of the Program at an average price of \$6.87 per share. All of the shares purchased under the Program were cancelled at the time of purchase. The program will end on November 8, 2006. However, Interfor's Board of Directors has authorized, subject to regulatory approval, a new program to purchase up to 2,360,000 or 5% of the Company's outstanding Class A shares. The Company will be in a position to commence buying shares two trading days after receiving approval from the Toronto Stock Exchange.

The Company believes that current market conditions provide an opportunity to acquire shares at attractive prices and that purchases will enhance long-term shareholder value.

OUTLOOK

Structural lumber prices in North America reached their lowest level in five years in early October and will likely remain weak for the remainder of 2006 and into 2007.

Prices in Japan remain firm but the potential for a slowdown in Japan's economic expansion could place downward pressure on current price levels. Strong demand for cedar lumber has carried over into the 4th Quarter. Prices are expected to remain reasonably firm in the coming months due to the lack of available supply.

In the U.S. Pacific Northwest log prices are beginning to moderate, albeit slowly.

The Company plans to operate production for the Japan market at capacity in the 4th Quarter while cedar production will be curtailed to some extent due to log availability. The Queensboro mill is scheduled to remain on one shift throughout the 4th Quarter and the U.S. mills will operate at approximately 75% of capacity. The Adams Lake mill is expected to operate on a normal schedule in the 4th Quarter.

In the 1st Quarter of 2006 the Company announced an agreement to sell its helicopter logging operations for \$4.0 million plus an amount for working capital and additional amounts of up to \$1.5 million dependent upon future helicopter logging services. The transaction has not yet received Canadian regulatory approval and is now expected to close in the 4th Quarter of 2006. Interfor will continue its program to monetize non-core and non-performing assets in the 4th Quarter of 2006.

NEW DIRECTORS APPOINTED

At its meeting on October 26th, Interfor's Board of Directors appointed J. Eddie McMillan and Peter M. Lynch as directors of the Company.

Mr. McMillan, a private investor and consultant based in Perdido Keys, Florida, retired in 2002 following a 30 year career with Willamette Industries Inc., most recently in the position of Executive Vice President, Wood Products Group, where he had direct responsibility for all of Willamette's timberlands and wood products production, sales and capital projects activity. Mr. Lynch, of Toronto, Ontario, currently serves as Executive Vice President of Grant Forest Products Inc., a privately-owned manufacturer of OSB with operations in Canada and the United States. Prior to joining Grant in 1993, Mr. Lynch practiced law with the firm of Field, Turner, Dunn & Lynch. The appointment of Mr. McMillan and Mr. Lynch raises the number of directors from nine to eleven and was made as part of the Company's Board succession plan conducted under the auspices of its Corporate Governance Committee. Both Mr. McMillan and Mr. Lynch have agreed to stand for election at the Company's Annual General Meeting in April 2007.

FORWARD LOOKING STATEMENTS

This press release 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.

EBITDA

In this Press Release reference is made to EBITDA and EBITDA excluding Other Income. EBITDA represents earnings before interest, taxes, depletion, amortization and restructuring costs and write-downs of property, plant, equipment and timber. EBITDA excluding Other Income represents EBITDA less other income. The Company discloses EBITDA as it is a measure used by analysts and Interfor's management 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.

ABOUT INTERFOR

Interfor is one of the Pacific Northwest's largest producers of quality wood products, with a combined annual capacity of 1.3 billion board feet. The Company's operations are located in British Columbia, Washington and Oregon, including three sawmills in the Coastal region of British Columbia, one in the B.C. Interior, one in Washington and two in Oregon. In addition, Interfor operates value-added remanufacturing and specialty products facilities in B.C. and Washington.

Additional information relating to the Company and its operations, including Interfor's Annual Statutory Information for 2005, can be found on its website at www.interfor.com and or on SEDAR at www.sedar.com

SELECTED STATISTICS

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Lumber volume (MMfbm)				
- Sales	298	308	946	828
- Production ⁽¹⁾	292	308	943	827
Log Volume (000 m ³)				
- Production	707	712	1,765	1,924
Prices (\$/Mfbm)				
- Lumber ⁽²⁾	506	539	526	591
- Pulp Chips	35	25	29	27
Shares Outstanding (millions)				
- Total at period end ⁽³⁾	48.3	48.7	48.3	48.7
- Weighted average	48.4	48.7	48.6	48.7

⁽¹⁾ excluding volumes custom cut for third parties

⁽²⁾ gross sales before countervailing and antidumping duties

⁽³⁾ as of October 24, 2006 the number of shares outstanding by class are as follows:

Class A subordinate voting	47,324,896
Class B common	1,015,779
Total	48,340,675

There will be a conference call on Friday, October 27, 2006 at 8:00 AM (Pacific Time) hosted by **INTERNATIONAL FOREST PRODUCTS LIMITED** for the purpose of reviewing the Company's release of its Third Quarter 2006 Financial Results. The dial-in number is ***1-800-741-7590***.

The conference call will also be recorded for those unable to join in for the live discussion. The number to call is ***1-800-558-5253 Reservation 21306334#*** and will be available until November 10, 2006.

William L. Sauder
Chairman

Duncan K. Davies
President and C.E.O.

Contact: John H. Horning
Senior Vice President and C.F.O.
(604) 689-6829



CONSOLIDATED STATEMENTS OF OPERATIONS

For the three and nine months ended September 30, 2006 and 2005 (unaudited)

(thousands of Canadian dollars except earnings per share)

	3 Months Sept. 30, 2006	3 Months Sept. 30, 2005	9 Months Sept. 30, 2006	9 Months Sept. 30, 2005
Sales	\$ 205,932	\$ 214,236	\$ 643,442	\$ 620,570
Costs and expenses:				
Production	183,617	188,485	559,756	528,858
Selling and administration	4,700	4,552	14,595	15,142
Long term incentive compensation	56	200	(785)	806
U.S. countervailing and antidumping duty deposits (note 11)	4,151	8,022	14,725	22,921
Amortization of plant and equipment	7,222	7,409	22,271	19,927
Depletion and amortization of timber, roads and other	6,171	8,404	16,112	22,077
	205,917	217,072	626,674	609,731
Operating earnings (loss) before restructuring costs	15	(2,836)	16,768	10,839
Restructuring costs and write-downs of property, plant, equipment and timber (note 7)	-	1,136	7,577	27,597
Operating earnings (loss)	15	(3,972)	9,191	(16,758)
Interest expense on long-term debt	(821)	(1,035)	(2,383)	(2,619)
Other interest expense	(42)	(254)	(514)	(744)
Other income (note 6)	647	9,771	13,739	38,130
Equity in earnings of investee companies	442	846	2,001	5,626
	226	9,328	12,843	40,393
Earnings before income taxes	241	5,356	22,034	23,635
Income tax expense (recovery):				
Current	(2,757)	1,366	(2,810)	3,700
Future	1,440	(714)	6,524	(4,650)
	(1,317)	652	3,714	(950)
Net earnings	\$ 1,558	\$ 4,704	\$ 18,320	\$ 24,585
Net earnings per share (note 9)				
Basic	\$ 0.03	\$ 0.10	\$ 0.38	\$ 0.51
Diluted	\$ 0.03	\$ 0.10	\$ 0.37	\$ 0.50

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the nine months ended September 30, 2006 and 2005 (unaudited)

(thousands of Canadian dollars)

	9 Months Sept. 30, 2006	9 Months Sept. 30, 2005
Retained earnings, beginning of year	\$ 85,943	\$ 66,218
Net earnings	18,320	24,585
Retained earnings, end of period	\$ 104,263	\$ 90,803

See accompanying notes to consolidated financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30, 2006 and 2005 (unaudited)

(thousands of Canadian dollars)

	3 Months Sept. 30, 2006	3 Months Sept. 30, 2005	9 Months Sept. 30, 2006	9 Months Sept. 30, 2005
Cash provided by (used in):				
Operating activities:				
Net earnings	\$ 1,558	\$ 4,704	\$ 18,320	\$ 24,585
Items not involving cash:				
Amortization of plant and equipment	7,222	7,409	22,271	19,927
Depletion and amortization of timber, roads and other	6,171	8,404	16,112	22,077
Future income taxes	1,440	(714)	6,524	(4,650)
Reforestation liability	(875)	(425)	1,201	554
Other long-term liabilities	(538)	(107)	(1,352)	(2,070)
Equity in earnings of investee companies	(442)	(846)	(2,001)	(5,626)
Write-downs of property, plant, equipment and timber	-	-	5,868	30,277
Other (note 6)	(647)	(10,072)	(13,297)	(38,414)
	13,889	8,353	53,646	46,660
Cash generated from (used in) operating working capital:				
Accounts receivable	(17,506)	2,553	(25,216)	(6,753)
Inventories	10,946	8,948	18,941	14,948
Prepaid expenses	(1,357)	(2,679)	(3,754)	(577)
Accounts payable and accrued liabilities	(2,863)	4,117	(3,147)	(390)
Income taxes	(2,979)	1,427	(4,238)	650
	130	22,719	36,232	54,538
Investing activities:				
Additions to property, plant and equipment	(21,764)	(11,076)	(53,447)	(42,564)
Additions to logging roads and timber	(5,608)	(5,132)	(16,013)	(16,120)
Additions to deferred start-up costs	-	(2,100)	-	(3,215)
Proceeds on disposal of property, plant, equipment, timber and roads	17,013	14,174	38,073	38,432
Acquisitions	-	-	-	(79,905)
Cash received on acquisition of subsidiary	-	-	-	2,650
Investments and other assets	(282)	(281)	1,494	5,417
	(10,641)	(4,415)	(29,893)	(95,305)
Financing activities:				
Issuance of share capital, net of expenses	25	97	550	287
Repurchase of share capital	(474)	-	(3,169)	-
Increase (decrease) in bank indebtedness	695	(14,150)	(7,358)	-
Funds from promissory note payable to investee company	-	-	-	27,757
Additions to long-term debt	-	-	-	31,405
Repayments of long-term debt	-	-	-	(32,910)
	246	(14,053)	(9,977)	26,539
Foreign exchange (gain) loss on cash and cash equivalents held in a foreign currency:	63	(1,180)	(250)	(960)
Increase (decrease) in cash	(10,202)	3,071	(3,888)	(15,188)
Cash on deposit, beginning of period	25,375	-	19,061	18,259
Cash on deposit, end of period	\$ 15,173	\$ 3,071	\$ 15,173	\$ 3,071
Supplementary disclosures				
Cash interest paid	\$ 863	\$ 1,289	\$ 2,897	\$ 3,363
Cash income taxes paid	\$ 8	\$ 210	\$ 721	\$ 3,421

See accompanying notes to consolidated financial statements



CONSOLIDATED BALANCE SHEETS

September 30, 2006 and 2005 (unaudited) and December 31, 2005 (audited)

(thousands of Canadian dollars)

	Sept. 30, 2006	Dec. 31, 2005	Sept. 30, 2005
Assets			
Current assets:			
Cash	\$ 15,173	\$ 19,061	\$ 3,071
Accounts receivable (note 13(c))	56,834	37,911	53,255
Income taxes recoverable	5,095	625	-
Inventories	79,997	102,960	104,159
Prepaid expenses	8,811	6,439	10,933
Future income taxes	4,154	6,659	6,030
Current assets held for sale (note 3)	1,338	-	-
	171,402	173,655	177,448
Investments and other assets			
Investments and advances (note 4)	7,845	62,370	56,833
Deferred financing fee, net of accumulated amortization	236	377	449
	8,081	62,747	57,282
Property, plant and equipment, net of accumulated amortization	294,358	289,227	294,350
Timber and logging roads, net of accumulated depletion and amortization	51,394	52,375	60,286
Goodwill and other intangible assets	13,135	15,694	15,694
Future income taxes	-	3,980	-
Long-lived assets held for sale (note 3)	2,265	-	-
	\$ 540,635	\$ 597,678	\$ 605,060
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness (note 5(a))	\$ 695	\$ 8,053	\$ -
Accounts payable and accrued liabilities	77,873	82,685	86,525
Income taxes payable	-	-	1,115
Promissory note payable to investee company (note 4)	-	54,354	27,757
Future income taxes payable	313	351	-
	78,881	145,443	115,397
Reforestation liability, net of current portion	16,443	15,242	17,536
Long-term debt (note 5(b))	39,120	40,705	69,762
Other long-term liabilities	5,315	6,667	7,103
Future income taxes	2,599	3,100	2,886
Shareholders' equity:			
Share capital (note 8)			
Class A subordinate voting shares	292,401	294,683	294,868
Class B common shares	4,080	4,080	4,080
Contributed surplus	7,848	8,186	8,201
Cumulative translation adjustment	(10,315)	(6,371)	(5,576)
Retained earnings	104,263	85,943	90,803
	398,277	386,521	392,376
	\$ 540,635	\$ 597,678	\$ 605,060

Contingencies and subsequent event (note 11)

See accompanying notes to consolidated financial statements

On behalf of the Board:

W. L. Sauder
Director

H. C. Kalke
Director

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three and nine months ended September 30, 2006 and 2005 (unaudited)

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, 2005.

2. Seasonality of operating results:

The Company operates in the solid wood business which includes logging and manufacturing operations. Logging activities vary throughout the year 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. Manufacturing operations are less seasonal than logging operations but do depend on the availability of logs from the logging operations and from third party suppliers. 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.

3. Assets held for sale:

On February 10, 2006, the Company signed an agreement to sell its helicopter logging operations, conducted by its wholly-owned subsidiary, Helifor Industries Limited. The transaction is subject to regulatory approval and is expected to close prior to the year-end. In addition, the Company developed a formal plan to dispose of certain surplus logging equipment over the next year.

As September 30, 2006, the Company has classified these assets as assets held for sale.

4. Payable to investee company:

On April 21, 2005, the Seaboard Limited Partnership ("the Seaboard Partnership"), made an advance to its partners, with the Company's share of the advance being \$27,757,000. The Company signed an unsecured promissory note which was payable on demand on or before January 31, 2006 and was non-interest bearing until January 31, 2006 and interest bearing at the rate of 5% per annum thereafter.

On December 29, 2005, the Seaboard Partnership provided a second advance to its partners, with the Company's share of this advance being \$26,597,000. The advance was payable on demand and was non-interest bearing.

On January 3, 2006, the Seaboard Partnership declared an income distribution to its partners, of which the Company's share of \$54,354,000 was received by way of setoff against the advance and the promissory note payable to the Seaboard Partnership. In accordance with equity accounting, the income distribution was recorded as a reduction of the investment in Seaboard.

5. Bank indebtedness and long-term debt:

(a) Bank indebtedness:

	Canadian Operating Facility	Mapri and BWC	U.S. Operating Facility	Total
September 30, 2006				
Available line of credit	\$ 60,000	\$ -	\$ 16,766	\$ 76,766
Maximum borrowing available	60,000	-	14,690	74,690
Unused portion of line	54,907	-	14,556	69,463
Outstanding letters of credit included in line utilization	4,461	-	134	4,595
September 30, 2005				
Available line of credit	\$ 75,000	\$ 4,000	\$ 17,441	\$ 96,441
Maximum borrowing available	68,579	2,740	17,441	88,760
Unused portion of line	63,724	2,740	14,975	81,439
Outstanding letters of credit included in line utilization	4,855	-	140	4,995

In the second quarter of 2006, the Company renewed its existing Canadian operating line of credit. The terms and conditions of the line remain unchanged, except for a reduction in the interest rate premiums, and a reduction in the maximum operating credit available to \$60,000,000 (June 30, 2005 - \$75,000,000). The line is subject to a borrowing base calculation dependent upon certain accounts receivable and inventories. The loan bears interest at bank prime plus a premium depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances. The line of credit is secured and is subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three and nine months ended September 30, 2006 and 2005 (unaudited)

5. Bank indebtedness and long-term debt (continued):

(a) Bank indebtedness (continued):

In the first quarter of 2006, the Company renewed its existing U.S. operating line of credit. The terms and conditions of the line remain unchanged, with a maximum operating line of credit totalling 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. The loan bears interest at U.S. bank prime or, at the Company's option, at LIBOR plus 1¼%. The line of credit is secured by the accounts receivable 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, 2007.

On acquisition of Mapri Developments Ltd. ("Mapri") on May 31, 2005, the Company renewed Mapri's existing revolving line of credit of \$4,000,000. On September 30, 2006, this line was cancelled in conjunction with the commencement of the wind-up of Mapri and the subsequent sale of all assets of B.W. Creative Wood Industries Ltd. ("BWC"), a wholly-owned subsidiary of Mapri.

(b) Long-term debt:

In the third quarter of 2006, the Company reduced the maximum borrowing available under the Company's Canadian revolving term line ("Revolving Line") to \$40,000,000 (September 30, 2005 - \$90,000,000). As at September 30, 2006, the Revolving Line was undrawn (September 30, 2005 - US\$25,000,000 revalued to CAD\$29,067,000). The Revolving Line bears interest at rates based on bank prime plus a premium, depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans and matures on April 27, 2007.

As at September 30, 2006, the \$US non-revolving term line (the "Non-Revolving Line") remains fully drawn at US\$35,000,000 (September 30, 2005 - US\$35,000,000) and was revalued at the month-end exchange rate to CAD\$39,120,000 (September 30, 2005 - CAD\$40,695,000). The Non-Revolving Line bears interest at rates based on bank prime plus a premium depending upon a financial ratio or, at the Company's option, at rates for LIBOR based loans and matures on September 1, 2009.

Both lines are secured and are subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization.

Minimum principal amounts due on long-term debt within the next five years are as follows:

2006	\$	-
2007		-
2008		-
2009		39,120
2010		-
	\$	39,120

6. Other income:

	3 months Sept. 30, 2006	3 months Sept. 30, 2005	9 months Sept. 30, 2006	9 months Sept. 30, 2005
Gain on disposal of surplus property, plant and equipment	\$ 1,499	\$ 10,072	\$ 14,132	\$ 12,557
Gain on settlement of timber takeback	-	-	-	6,373
Equity income participation in gain on disposal of Western Stevedoring	-	-	-	19,501
Other expense	(852)	(301)	(393)	(301)
	\$ 647	\$ 9,771	\$ 13,739	\$ 38,130

In the third quarter of 2006, the Company commenced the wind up of Mapri and the shares of its wholly-owned subsidiary, BWC, were sold. The land and buildings were retained and will be leased to the purchaser. The Company also has a claim to any refund of duties to which BWC is entitled to under the softwood lumber agreement (see note 11) and will record the recovery as additional proceeds when substantially all of the conditions of the softwood lumber agreement have been met. This transaction, combined with the sale of all inventories, property, plant and equipment of the Mackenzie Sawmill and further sales of surplus logging and other assets generated proceeds of \$17,013,000 and a net gain of \$1,499,000 in the quarter.

During the second quarter of 2006, the Company completed the sale of surplus properties in Squamish, B.C. for sale proceeds of \$10,533,000 and a gain of \$8,534,000. In addition, all property, plant and equipment of Saltair Timber Products Limited and surplus equipment of Field Sawmill division on Vancouver Island, B.C. as well as surplus logging and other assets were sold in the quarter for proceeds of \$4,730,000 and a gain of \$1,574,000.

In the first quarter of 2006, the Company completed the sale of its sawmill located in Marysville, Washington. The Company recorded sale proceeds of \$2,542,000 and a gain of \$874,000.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three and nine months ended September 30, 2006 and 2005 (unaudited)

7. Restructuring costs and write-downs of property, plant, equipment and timber:

	3 Months Sept. 30, 2006	3 Months Sept. 30, 2005	9 months Sept. 30, 2006	9 months Sept. 30, 2005
Property, plant, equipment and timber write-downs	\$ -	\$ -	\$ 5,868	\$ 30,277
Severance and other restructuring costs (recoveries)	-	1,136	1,709	(410)
Other (recoveries)	-	-	-	(2,270)
	\$ -	\$ 1,136	\$ 7,577	\$ 27,597

In the second quarter, 2006, the Company reviewed the valuation of certain B.C. coastal assets which it did not consider to be part of its future core operations. An impairment charge of \$5,868,000 was recorded in the quarter to reduce the carrying values of these assets to estimated fair values. The Company continued its programs to improve its competitive cost structure resulting in additional severance charges of \$2,193,000 for the quarter (\$3,396,000 for the nine months).

During the first and second quarters, 2006, the Company received recoveries totalling \$1,687,000 from the B.C. Forestry Revitalization Trust set up by the Government of British Columbia, as reimbursement for severance costs of workers who were displaced by the reductions in harvesting rights taken under the *Forestry Revitalization Act*. As the associated costs had been expensed in the current and prior years as restructuring costs, the recovery served to offset additional severance costs for these workers recorded in the current year to date. The Company continues to pursue mitigation of certain restructuring costs which it feels it is entitled to under the terms of the Trust, but the amount of any additional mitigation is not yet determinable and will be recorded when the amounts can be estimated.

In 2005, following an extensive evaluation of its operations, the Company identified certain B.C. coastal assets which it did not consider to be part of its future core operations and reviewed the valuation of these non-core assets. An impairment charge of \$30,277,000 was recorded to reduce the carrying values of these assets to estimated fair values.

8. Share capital:

On November 9, 2005, the Company commenced a normal course issuer bid to acquire up to 2,384,000 Class A Subordinate Voting shares ("Class A Shares") (representing approximately 5% of the outstanding Class A Shares) through the facilities of the Toronto Stock Exchange. Purchases are made at market prices with a maximum of two percent of the outstanding Class A Shares being purchased in any 30-day period. During the third quarter of 2006 the Company acquired 71,600 Class A shares at a total cost of \$474,000 and the shares were cancelled as purchased. The excess of the cost of the shares over the assigned value totaled \$32,000 and has been charged to contributed surplus. Over the first nine months of 2006, the Company acquired a total of 458,200 Class A shares at a total cost of \$3,169,000 and an excess of cost over assigned value of \$338,000. The normal course issuer bid will terminate no later than November 8, 2006.

9. Net earnings per share:

	3 months Sept. 30, 2006			3 months Sept. 30, 2005		
	Net earnings	Shares	Per share	Net earnings	Shares	Per share
Basic earnings per share	\$ 1,558	48,397	\$ 0.03	\$ 4,704	48,693	\$ 0.10
Share options	-	540	-	-	530	-
Diluted earnings per share	\$ 1,558	48,937	\$ 0.03	\$ 4,704	49,223	\$ 0.10

	9 months Sept. 30, 2006			9 months Sept. 30, 2005		
	Net earnings	Shares	Per share	Net earnings	Shares	Per share
Basic earnings per share	\$ 18,320	48,571	\$ 0.38	\$ 24,585	48,676	\$ 0.51
Share options	-	603	-	-	611	-
Diluted earnings per share	\$ 18,320	49,174	\$ 0.37	\$ 24,585	49,287	\$ 0.50

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three and nine months ended September 30, 2006 and 2005 (unaudited)

10. 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 Sept. 30, 2006	3 months Sept. 30, 2005	9 months Sept. 30, 2006	9 months Sept. 30, 2005
Canada	\$ 67,392	\$ 56,764	\$ 186,015	\$ 173,480
United States	100,989	124,314	353,344	329,403
Japan	18,978	17,929	52,135	61,825
Other export	18,573	15,229	51,948	55,862
	\$ 205,932	\$ 214,236	\$ 643,442	\$ 620,570

Sales by product line are as follows:

	3 months Sept. 30, 2006	3 months Sept. 30, 2005	9 months Sept. 30, 2006	9 months Sept. 30, 2005
Lumber	\$ 153,893	\$ 166,218	\$ 505,093	\$ 490,124
Logs	28,127	26,707	64,128	74,490
Wood chips and other by products	11,288	9,052	29,722	25,546
Other	12,624	12,259	44,499	30,410
	\$ 205,932	\$ 214,236	\$ 643,442	\$ 620,570

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

	Sept. 30, 2006	Dec. 31, 2005	Sept. 30, 2005
Canada	\$ 207,010	\$ 214,211	\$ 232,136
United States	154,142	143,085	138,194
	\$ 361,152	\$ 357,296	\$ 370,330

11. Contingencies and subsequent event:

On May 16, 2002, the U.S. International Trade Commission ("USITC") published its final written determination on injury in the countervailing duty ("CVD") and antidumping duty ("ADD") investigations and stated that Canadian softwood lumber threatens material injury to the U.S. industry. As a result, effective from May 22, 2002, cash deposits were required for shipments at the rates determined by the U.S. Department of Commerce ("USDOC").

Effective December 12, 2005, the USDOC implemented new deposit rates based on its second Administrative review period (April 1, 2003 to March 31, 2004 for the CVD case; and May 1, 2003 to April 30, 2004 for the ADD case) and reduced the CVD deposit rate to 8.70% and the all others ADD rate to 2.11%. Effective January 23, 2006, the USDOC further amended the ADD rate to 2.10%, reducing the Company's combined CVD and ADD deposit rate to 10.80%. The Company has not recorded any receivable for prior periods related to the change in the cash deposit rate applicable to new shipments.

The Company has expensed \$14,725,000 (2005 - \$22,921,000) in duties for the nine months ended September 30, 2006. The Company has paid US\$105,857,000 in cash deposits since May 22, 2002. These total U.S. deposits translated at the September 30, 2006 exchange rate equate to \$118,316,000.

On April 27, 2006 the federal governments of Canada and the United States reached a framework softwood lumber agreement ("SLA") to resolve the softwood lumber dispute. On July 1, 2006 Canada and the United States agreed on the legal text of the SLA. On October 12, 2006 the terms of the SLA were implemented although the SLA requires formal approval by the Canadian Parliament. Also on October 12, 2006, the USDOC revoked the antidumping and countervailing duty orders effective May 22, 2002 without the possibility of reinstatement. In addition, the USDOC indicated that it would instruct U.S. Customs and Border Protection to cease collecting duties effective October 12, 2006 and to refund duties collected since May 22, 2002 together with accrued interest. The timing of receipt of the duty refunds is uncertain at this time, but the terms of the SLA contemplate that the refunds will occur within six months of October 12, 2006 (the effective date of the SLA).

The refunded duties plus interest will be reduced by approximately 19% to fund amounts to be paid to U.S. interests. Interfor estimates that the Company's pre-tax duty recovery will be approximately US\$94,978,000 (CAD\$106,157,000 at September 30, 2006 exchange rates) after considering interest and the 19% charge. The Company expects to record the recovery of duties once substantially all of the conditions of the SLA have been met.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three and nine months ended September 30, 2006 and 2005 (unaudited)

12. Employee future benefits:

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

	3 months Sept. 30, 2006	3 months Sept. 30, 2005	9 months Sept. 30, 2006	9 months Sept. 30, 2005
Defined contribution plan	\$ 326	\$ 403	\$ 1,165	\$ 1,314
Defined benefit plan	116	116	359	388
Unionized employees' pension plan	801	1,278	2,923	3,456
U.S. employees benefit plan	153	110	487	423
Senior management supplementary pension plan	90	41	202	276
Total pension expense	\$ 1,486	\$ 1,948	\$ 5,136	\$ 5,857

13. Financial instruments:

(a) Fair value of financial instruments:

At September 30, 2006, the fair value of the Company's long-term debt approximated its carrying value of \$39,120,000 as the long-term debt bears interest at current market rates. The fair values of other financial instruments approximate their carrying values due to their short-term nature.

(b) 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 September 30, 2006, the Company has outstanding obligations to sell a maximum of US\$6,000,000 at an average rate of CAD\$1.1249 and Japanese ¥350,000,000 at an average rate of ¥100.00 to the CAD\$1.00 during 2006. All foreign currency gains or losses to September 30, 2006 have been recognized in the Statement of Operations.

In September 2005, the Company entered into a cross currency interest rate swap. The Company swapped a notional \$20,000,000 USD denominated debt at an exchange rate of 1.1765 (CAD\$23,530,000). The Company will pay 5.84%, including a spread of 200 basis points, on the Canadian dollar equivalent and receive 90 day LIBOR plus a spread of 200 basis points on the US\$20,000,000. LIBOR will be recalculated at set interval dates. The swap will mature on September 1, 2009 and has been marked to market with all gains or losses recognized in the Statement of Operations.

(c) 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 first quarter, 2006, the Company renewed this program and extended its termination date to March 31, 2007. On July 17, 2006, the Company reduced securitized receivables to nil (September 30, 2005 - \$25,000,000). The program minimum of \$20,000,000 must be reinstated by December 31, 2006 or the program will be cancelled on January 15, 2007.



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