



PRESS RELEASE

International Forest Products Limited

Vancouver, B.C.

April 26, 2007

Company Posts Modest Q1 Profit, Despite Challenging Markets; New Sawmill Planned for Adams Lake

OPERATING RESULTS

International Forest Products Limited (“Interfor” or the “Company”) (TSX: IFP.A) reported a net profit of \$0.6 million or \$0.01 per share for the first quarter of 2007 compared to net earnings of \$77.2 million, or \$1.60 per share, for the immediately preceding quarter, and \$8.7 million, or \$0.18 per share, for the first quarter of 2006. Before one-time items, the Company recorded a net loss of \$0.7 million, or \$0.01 per share, for the first quarter of 2007, compared to net earnings of \$0.5 million, or \$0.01 per share, for the fourth quarter of 2006 and \$6.6 million, or \$0.13 per share, for the first quarter of 2006.

The earnings for the first quarter of 2007 included a long-term incentive compensation expense of \$2.0 million, which reflected a 12.4% increase in Interfor’s share price, and an unrealized foreign exchange loss of \$1.1 million arising from the translation at quarter end of the Company’s U.S. dollar denominated cash, the majority of which related to U.S. Duty Refund monies received in late 2006. The after-tax impact of these items was \$2.5 million, or \$0.05 per share.

EBITDA was \$11.9 million in the first quarter of 2007, compared to \$117.1 million in the fourth quarter of 2006, and \$22.7 million in the first quarter of 2006. EBITDA excluding U.S. Duty Refunds and Other Income was \$9.7 million compared to \$13.6 million in the immediately preceding quarter and \$20.0 million in the first quarter of 2006.

For the most part, the reduction in earnings between the first quarters of 2007 and 2006 reflects a sharp decline in prices for North American structural lumber products, and challenging log markets, evidenced by higher log prices and reduced log availability. Partly offsetting these factors were improved prices for the Company’s cedar products and for hemlock products sold in Japanese markets, and higher residual chip prices.

Lumber shipments totalled 244 million board feet for the first quarter of 2007, down 25.7% compared to 329 million board feet for the first quarter of 2006, and up 8.3% from 225 million board feet in the fourth quarter of 2006. The Pacific Northwest mills operated at three-quarters of capacity in the current quarter, as a result of reduced log availability and higher log prices in the region. The Hammond cedar mill operated at two-thirds of capacity due to continued log shortages, while the Queensboro facility, which was fully dedicated to producing cedar and other specialty products in the quarter, operated on one shift. The Company applied disciplined cost management through the lower operating rates.

Average unit lumber sales values were down 3.4% compared to the first quarter of 2006, with stronger cedar prices and a modest price improvement for the Company’s Japanese hemlock products, helping to offset the significant erosion of structural lumber prices in North America through most of 2006 and early 2007 - the

Random Lengths Framing Lumber Composite Price fell by US\$89 per mfbm, or 23.5%, quarter-over-quarter. The Canada/U.S. lumber export tax remained at 15% through the quarter.

Pulp chip revenues improved by \$6.4 million, or 75.1%, compared to the first quarter of 2006, with significantly higher prices, driven by increased demand for residual chips and higher pulp prices, outweighing the impact of lower sales volumes from reduced sawmill operating rates.

Cash flow from operations, before changes in working capital, was \$17.9 million for the current quarter, compared to \$19.0 million for the first quarter of 2006. Working capital changes reflected the payment of a special charge on the U.S. duty refund of \$24.4 million in January and income tax payments of \$22.3 million related to its 2006 earnings in February.

Capital spending for the first quarter of 2007 was \$16.4 million and included the completion of the new primary log breakdown line at the Port Angeles mill, and the new hog fuel fired energy system at Adams Lake. Both projects have had successful start-ups and are delivering significant performance improvements.

At March 31, 2007, the Company's cash was \$105.6 million and its net cash balance, after deducting its fully drawn US\$35 million non-revolving term line (CAD\$40.4 million), was \$65.2 million, or (15.9)% of invested capital.

OUTLOOK

Given the current downturn in U.S. housing activity, and the possibility of a slowdown in the U.S. economy, the Company anticipates that North American structural lumber market conditions will remain challenging through the balance of 2007, and possibly into 2008. Accordingly, the Company does not expect to see any appreciable recovery in prices or change in export tax rates during the second quarter.

With respect to other markets, demand for cedar products is anticipated to remain strong through the balance of 2007, driven in part by effective market promotions. In Japan, the housing market is anticipated to remain relatively stable over the next quarter, and prices are likely to stay at, or near, current levels.

Log market conditions in the second quarter should see some improvement as a result of seasonally-higher log harvesting levels; however, with no immediate end to the high demand for logs from pulp producers in sight, log availability issues in parts of the U.S. Pacific Northwest are likely to persist. B.C. Coastal stumpage rates are expected to rise in the second quarter of 2007, as a result of higher first quarter log prices.

The Company intends to operate its U.S. Pacific Northwest sawmills at approximately 90% of capacity in the second quarter. In its B.C. operations, the Hammond mill is expected to operate at 75% of capacity, the Queensboro facility is likely to remain on one shift, while the Acorn and Adams Lake operations are currently scheduled to continue running at full capacity.

The Company continues to look for growth opportunities in regions and products with attractive fundamentals, and additional high-return capital projects that will demonstrably enhance shareholder value.

NORMAL COURSE ISSUER BID ("NCIB")

In the first quarter of 2007, the Company purchased 347,000 Class A shares at a cost of \$2.7 million, or \$7.72 per share, taking the total of Class A shares purchased under its current NCIB to 434,200 by quarter end.

B.C. COASTAL LABOUR NEGOTIATIONS

The contract between Interfor's B.C. Coastal manufacturing operations and the United Steelworkers Union ("USW") expires in mid-June 2007. Negotiations on a new contract commenced in April. The USW has

proposed a two year agreement involving increases in wages and benefits, as well as other changes in working conditions.

NEW SAWMILL PLANNED FOR ADAMS LAKE

At its April 26 meeting, Interfor's Board of Directors approved the construction of a new sawmill at the Company's Adams Lake operation in the southern B.C. Interior, to replace the existing facility. The new mill, which is projected to cost in the region of \$100 million, is the final stage of the Adams Lake Master Plan approved in 2003. In 2006, Interfor invested \$30 million at Adams Lake in site improvements and a wood-fired energy system.

The new mill has been specifically designed to match the current and future timber resource in the area and to address the challenges of sawing timber killed by the Mountain Pine Beetle. The mill will incorporate proven technology and will materially improve the operating efficiency and cost structure of the Adams Lake mill.

The project will be financed from the Company's existing cash resources and lines of credit.

Construction will begin this summer, with completion projected for late 2008.

A brief background on the Adams Lake Project is attached.

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 U.S. Duty Refunds and Other Income. EBITDA represents earnings before interest, taxes, depletion, amortization, restructuring costs and write-downs of capital assets. EBITDA excluding U.S. Duty Refunds and Other Income represents EBITDA less U.S. duty refunds, net, and 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. The Company has operations 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 2006, can be found on its website at www.interfor.com and or on SEDAR at www.sedar.com.



April 26, 2007

Backgrounder

\$100 Million Investment at Adams Lake Sawmill

- Interfor will invest \$100 million to construct a new sawmill in the Southern B.C. Interior at Adams Lake to replace the existing facility.
- The new mill is the final stage of the Adams Lake “Master Plan” approved in 2003.
- In 2006 Interfor invested \$30 million at Adams Lake in site improvements and a new wood-fired energy system. Total spending on the “Master Plan” is over \$40 million since 2003.
- The new facility at Adams Lake is consistent with the Company’s strategic plan to position its assets in the top decile of their respective industry segment. Interfor has recently completed major projects at its mills at Gilchrist and Molalla, Oregon and at Port Angeles, Washington.
- The Adams Lake project has been the result of an extensive planning process. The new mill is specifically designed to match the current and future timber resource in the area and to address the challenges of sawing MPB wood.
- The new mill will incorporate proven technology which will materially improve the operating efficiency and cost structure of the mill.
- The lumber capacity of the mill is rated at 280 million board feet on a 2 shift basis.
- Construction will begin this summer, with completion projected for late 2008. The existing mill will run through the construction period and will be phased out as the new mill works through its start up curve.
- The mill will produce products for both the North American and export markets. The transition to the new mill will not result in any disruption to customers or suppliers.
- Construction will be financed from Interfor’s existing cash balances and lines of credit.

Interfor is one of the Pacific Northwest’s largest producers of quality wood products with operations in British Columbia, Washington and Oregon.

For more information, please contact:

Duncan Davies, President & C.E.O.
604-689-6881

Sandy Fulton, Senior Vice President & C.O.O.
604-689-6803

SELECTED STATISTICS

| | Three Months Ended | |
|--------------------------------------|---------------------------|--------------------|
| | March 31 | |
| | <u>2007</u> | <u>2006</u> |
| Lumber volume (MMfbm) | | |
| - Sales | 244 | 329 |
| - Production | 249 | 325 |
| Log Volume (000 m ³) | | |
| - Production | 366 | 391 |
| Prices (\$/Mfbm) | | |
| - Lumber ⁽¹⁾ | 522 | 540 |
| - Pulp Chips | 56 | 25 |
| Shares Outstanding (millions) | | |
| - Total at period end ⁽²⁾ | 47.8 | 48.7 |
| - Weighted average | 48.0 | 48.7 |

⁽¹⁾ gross sales before duties and export taxes

⁽²⁾ as of April 26, 2007 the number of shares outstanding by class are as follows:

| | | |
|----------------------------|-------------------|-------------------|
| Class A subordinate voting | 46,830,836 | 47,692,876 |
| Class B common | 1,015,779 | 1,015,779 |
| Total | <u>47,846,615</u> | <u>48,708,655</u> |

There will be a conference call on Friday, April 27, 2007 at 8:00 AM (Pacific Time) hosted by **INTERNATIONAL FOREST PRODUCTS LIMITED** for the purpose of reviewing the Company's release of its First Quarter 2007 Financial Results. The dial-in number is **1-866-400-2280**.

The conference call will also be recorded for those unable to join in for the live discussion. The number to call is **1-866-245-6755 Password 538708** and will be available until May 11, 2007.

William L. Sauder
Chairman

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

Contact: John A. Horning
Senior Vice President and Chief Financial Officer
(604) 689-6829



CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months ended March 31, 2007 and 2006 (unaudited)

| (thousands of Canadian dollars except earnings per share) | 3 Months Mar. 31, 2007 | 3 Months Mar. 31, 2006 |
|---|---------------------------|---------------------------|
| Sales | \$ 164,646 | \$ 216,206 |
| Costs and expenses: | | |
| Production | 144,688 | 186,375 |
| Selling and administration | 4,453 | 5,002 |
| Long term incentive compensation | 1,992 | 755 |
| U.S. countervailing and antidumping duty deposits | - | 5,177 |
| Export taxes | 3,136 | - |
| Amortization of plant and equipment | 7,511 | 7,631 |
| Depletion and amortization of timber, roads and other | 4,697 | 2,788 |
| | 166,477 | 207,728 |
| Operating earnings (loss) before restructuring costs | (1,831) | 8,478 |
| Restructuring recovery (costs) (note 9) | (250) | 413 |
| Operating earnings (loss) | (2,081) | 8,891 |
| Interest expense on long-term debt | (796) | (762) |
| Other interest income (expense) | 1,683 | (242) |
| Other foreign exchange gain (loss) | (1,149) | 291 |
| Other income (note 8) | 2,226 | 2,676 |
| Equity in earnings of investee companies | 433 | 844 |
| | 2,397 | 2,807 |
| Earnings before income taxes | 316 | 11,698 |
| Income taxes (recovery): | | |
| Current | 94 | 633 |
| Future | (375) | 2,337 |
| | (281) | 2,970 |
| Net earnings | \$ 597 | \$ 8,728 |
| Net earnings per share, basic and diluted (note 10) | \$ 0.01 | \$ 0.18 |

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
For the three months ended March 31, 2007 and 2006 (unaudited)

| (thousands of Canadian dollars) | 3 Months Mar. 31, 2007 | 3 Months Mar. 31, 2006 |
|---|---------------------------|---------------------------|
| Retained earnings, beginning of year | \$ 181,477 | \$ 85,943 |
| Net earnings | 597 | 8,728 |
| Retained earnings, end of period | \$ 182,074 | \$ 94,671 |

See accompanying notes to consolidated financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2007 and 2006 (unaudited)

| (thousands of Canadian dollars) | 3 Months Mar. 31, 2007 | 3 Months Mar. 31, 2006 |
|--|---------------------------|---------------------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Net earnings | \$ 597 | \$ 8,728 |
| Items not involving cash: | | |
| Amortization of plant and equipment | 7,511 | 7,631 |
| Depletion and amortization of timber, roads and other | 4,697 | 2,788 |
| Future income taxes (recovery) | (375) | 2,337 |
| Other assets | 1,682 | 283 |
| Reforestation liability | 141 | 1,219 |
| Other long-term liabilities | 1,975 | (648) |
| Share of earnings net (in excess) of cash distributions of investee companies (note 5) | 3,936 | (844) |
| Other | (2,247) | (2,525) |
| | 17,917 | 18,969 |
| Cash generated from (used in) operating working capital: | | |
| Accounts receivable | 3,801 | (3,674) |
| Inventories | (3,974) | 6,919 |
| Prepaid expenses | (1,208) | (1,685) |
| Accounts payable and accrued liabilities | (21,484) | (5,186) |
| Income taxes | (22,466) | 308 |
| | (27,414) | 15,651 |
| Investing activities: | | |
| Additions to property, plant and equipment | (10,730) | (12,931) |
| Additions to deferred start-up costs | (959) | - |
| Additions to logging roads and timber | (4,742) | (2,995) |
| Proceeds on disposal of property, plant, equipment, timber and roads | 3,788 | 5,015 |
| Investments and other assets | (463) | 1,538 |
| | (13,106) | (9,373) |
| Financing activities: | | |
| Repurchase of share capital (note 7) | (2,687) | - |
| Issuance of share capital (note 7) | 238 | 140 |
| Increase (decrease) in bank indebtedness | (582) | 2,019 |
| | (3,031) | 2,159 |
| Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency: | (4) | 127 |
| Increase (decrease) in cash | (43,555) | 8,564 |
| Cash on deposit, beginning of period | 149,171 | 19,061 |
| Cash on deposit, end of period | \$ 105,616 | \$ 27,625 |
| Supplementary disclosures (see also note 5) | | |
| Cash interest paid (received) | \$ (887) | \$ 1,004 |
| Cash income taxes paid | 22,472 | 252 |

See accompanying notes to consolidated financial statements



CONSOLIDATED BALANCE SHEETS

March 31, 2007 and 2006 (unaudited) and December 31, 2006 (audited)

(thousands of Canadian dollars)

| | Mar. 31, 2007 | Dec. 31, 2006 | Mar. 31, 2006 |
|--|------------------|------------------|------------------|
| Assets | | | |
| Current assets: | | | |
| Cash | \$ 105,616 | \$ 149,171 | \$ 27,625 |
| Accounts receivable | 46,947 | 50,748 | 41,585 |
| Income taxes recoverable | - | - | 317 |
| Inventories | 85,241 | 81,150 | 96,041 |
| Prepaid expenses | 5,613 | 4,405 | 8,124 |
| Future income taxes | 3,849 | 4,179 | 5,618 |
| | 247,266 | 289,653 | 179,310 |
| Investments and other assets (note 5) | 8,150 | 13,360 | 9,229 |
| Property, plant and equipment, net of accumulated amortization | 312,048 | 309,744 | 292,395 |
| Timber and logging roads, net of accumulated depletion and amortization | 47,651 | 47,597 | 52,898 |
| Goodwill and other intangible assets | 13,136 | 13,137 | 15,694 |
| Future income taxes | 1,972 | 445 | 2,468 |
| Long-lived assets held for sale | - | 1,210 | - |
| | \$ 630,223 | \$ 675,146 | \$ 551,994 |
| Liabilities and Shareholders' Equity | | | |
| Current liabilities: | | | |
| Bank indebtedness (note 6(a)) | \$ - | \$ 582 | \$ 10,072 |
| Accounts payable and accrued liabilities | 73,886 | 95,370 | 77,499 |
| Income taxes payable | 4,973 | 27,439 | - |
| Future income taxes payable | 184 | 364 | 155 |
| | 79,043 | 123,755 | 87,726 |
| Reforestation liability, net of current portion | 13,351 | 13,210 | 16,461 |
| Long-term debt (note 6(b)) | 40,411 | 40,789 | 40,880 |
| Other long-term liabilities | 10,577 | 8,602 | 7,897 |
| Future income taxes | 11,751 | 10,788 | 2,934 |
| Shareholders' equity: | | | |
| Share capital (note 7) | | | |
| Class A subordinate voting shares | 289,180 | 291,086 | 294,823 |
| Class B common shares | 4,080 | 4,080 | 4,080 |
| Contributed surplus | 7,177 | 7,720 | 8,186 |
| Accumulated other comprehensive income (loss) (note 2) | (7,421) | (6,361) | (5,664) |
| Retained earnings | 182,074 | 181,477 | 94,671 |
| | 475,090 | 478,002 | 396,096 |
| | \$ 630,223 | \$ 675,146 | \$ 551,994 |

Subsequent events (note 6(a))

See accompanying notes to consolidated financial statements

On behalf of the Board:

W. L. Sauder
Director

H.C. Kalke
Director

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****For the three months ended March 31, 2007 and 2006 (unaudited)**

(thousands of Canadian dollars)

| | 3 Months Mar. 31, 2007 | 3 Months Mar. 31, 2006 |
|---|---------------------------|---------------------------|
| Net earnings | \$ 597 | \$ 8,728 |
| Other comprehensive income (loss), net of income taxes (recovery): | | |
| Net change in unrealized foreign currency translation gains (losses) | (1,060) | 707 |
| Other comprehensive income (loss) | (1,060) | 707 |
| Comprehensive income (loss) | \$ (463) | \$ 9,435 |

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**For the three months ended March 31, 2007 and 2006 (unaudited)**

(thousands of Canadian dollars)

| | 3 Months Mar. 31, 2007 | 3 Months Mar. 31, 2006 |
|---|---------------------------|---------------------------|
| Accumulated other comprehensive loss, beginning of year (note 2) | \$ (6,361) | \$ (6,371) |
| Other comprehensive income (loss) | (1,060) | 707 |
| Accumulated other comprehensive loss, end of period | \$ (7,421) | \$ (5,664) |

See accompanying notes to consolidated financial statements

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months ended March 31, 2007 and 2006 (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, 2006, except for the new accounting policies adopted subsequent to that date, as discussed in Note 2.

2. Adoption of changes in accounting policies:

Commencing January 1, 2007, the Company adopted five new Canadian Institute of Chartered Accountants ("CICA") accounting standards: (a) Handbook Section 1530, *Comprehensive Income*, (b) Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, (c) Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, (d) Handbook Section 3865, *Hedges*, and (e) Handbook Section 1506, *Accounting Changes*. The main requirements of these new standards and the resulting financial statement impact are described below.

Consistent with the requirements of the new accounting standards, the Company has not restated any prior period as a result of adopting the accounting changes, other than to classify unrealized foreign currency translation gains or losses on net investments in self-sustaining foreign operations in accumulated other comprehensive income (loss) within Shareholders' Equity. Interfor has determined that the adoption of these standards has no cumulative prior period financial effect on its opening fiscal 2007 retained earnings. The effect of the adoption of these standards is described in the following table:

| | As at Dec. 31, 2006 | Adjustment upon adoption of new standards | As at Jan. 1, 2007 |
|---|------------------------|--|-----------------------|
| Shareholders' Equity | | | |
| Cumulative translation adjustment | \$ (6,361) | \$ 6,361 | \$ - |
| Accumulated comprehensive income (loss) | - | (6,361) | (6,361) |

(a) Comprehensive Income:

Section 1530 introduces the term, Comprehensive income, defined as the overall change in the net assets of an entity for a period, other than changes attributable to transactions with owners. Comprehensive income consists of Net earnings and Other comprehensive income ("OCI"). OCI represents changes in Shareholders' equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation gains or losses arising from self-sustaining foreign operations, net of hedging activities, and changes in the fair value of the effective portion of cash flow hedging instruments. As a result of adopting these standards, a new Statement of Comprehensive Income now forms part of the Company's consolidated financial statements and discloses the current period net earnings (loss) and other comprehensive income (loss). Cumulative changes in OCI are included in Accumulated other comprehensive income (AOCI), which is presented as a new category of Shareholders' Equity in the Balance Sheet.

(b) Financial Instruments – Recognition and Measurement:

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the Consolidated Balance Sheet when the Company becomes party to the contractual provisions of the financial instrument or non-financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in the Statement of Operations.

Financial assets available-for-sale are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until realized, at which time they will be recorded in the Statement of Operations. Available-for-sale equity securities which do not have a quoted market price will continue to be recorded at cost.

Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

Derivative instruments are recorded on the Balance Sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts not closely related to the host contracts. Changes in the fair values of derivative instruments are recognized in the Statement of Operations with the exception of derivatives designated for accounting purposes as effective cash flow hedges or hedges of foreign currency exposure of a net investment in self-sustaining foreign operations. The accounting for these exceptions is described under (d) Hedges below.

The adoption of this new standard had no effect on the consolidated financial statements of the Company.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months ended March 31, 2007 and 2006 (unaudited)

2. Adoption of changes in accounting policies (continued):

(c) Financial instruments – Disclosure and Presentation:

Section 3861 sets out standards which address the presentation of financial instruments and non-financial derivatives, and identifies the related information that should be disclosed. These standards also revise the requirements for entities to provide accounting policy disclosures, including disclosure of the criteria for designating as held-for-trading those financial assets or financial liabilities that are not required to be classified as held-for-trading; whether categories of normal purchases and sales of financial assets are accounted for at trade date or settlement date; the accounting policy for transaction costs on financial assets and financial liabilities classified as other than held-for-trading; and provide several new requirements for disclosures about fair value (see note 13).

(d) Hedges:

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies. Certain derivative financial instruments can be designated as either a hedge of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), or a hedge of highly probable future cash flows attributable to a recognized asset or liability or a forecasted transaction (cash flow hedges).

In a fair value hedge, the change in fair value of the hedging derivative is offset in the Statement of Operations by the change in fair value of the hedged item relating to the hedged risk.

In a cash flow hedge, the change in fair value of the hedging derivative is recorded in other comprehensive income, to the extent that it is effective, until the hedged item affects the Statement of Operations.

Any ineffectiveness arising on a hedge is measured and recorded in current period results in the Statement of Operations where hedge accounting is undertaken. Previously, hedge ineffectiveness was generally recognized in the Statement of Operations over the life of the hedging relationship.

The Company has chosen not to designate its derivative financial instruments, including interest rate swaps and forward foreign exchange contracts and options, as hedges. Consequently, derivatives for which hedge accounting is not applied are carried on the balance sheet at fair value, with changes in fair value being recorded in the Statement of Operations and the adoption of this new standard for fair value and cash flow hedges has had no effect on the consolidated financial statements of the Company.

A third type of hedge arises on the translation of a self-sustaining foreign operation and is known as a net investment hedge. In a net investment hedge, the change in fair value of the hedging instrument, to the extent it is effective, is recorded directly in other comprehensive income. These amounts are recognized in income when the corresponding cumulative translation adjustments from the self-sustaining foreign operation are recognized in income as a result of a dilution or sale of the net investment, or reduction in equity of the foreign operation as a result of dividend distributions. The adoption of this new standard for net investment hedges has had no financial impact on the consolidated financial statements of the Company. The unrealized foreign currency adjustments arising from translation of self-sustaining foreign operations were previously reported separately as a cumulative translation adjustment within Shareholders' Equity in the Balance Sheet, and now form part of accumulated other comprehensive income (loss).

(e) Accounting Changes:

Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively, unless doing so is impracticable, changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact of this standard cannot be determined until such time as the Company makes a change in accounting policy other than one resulting from implementation of new CICA Handbook standards.

3. Comparative figures:

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

4. 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.

5. Distribution by investee company:

On January 2, 2007, the Seaboard Partnership ("Seaboard") declared an income distribution to its partners of which the Company's share of \$4,369,000 was received and, in accordance with equity accounting, was recorded as a reduction of the investment in Seaboard. In the first quarter of 2006, the Company received an income distribution of \$54,354,000 which was received by way of setoff against an advance and the promissory note payable to Seaboard and was also recorded as a reduction of the investment in Seaboard.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months ended March 31, 2007 and 2006 (unaudited)

6. Bank indebtedness and long-term debt:

(a) Bank indebtedness:

| | Canadian Operating Facility | U.S. Operating Facility | Mapri Developments | Total |
|--|-----------------------------------|-------------------------------|-----------------------|-----------|
| March 31, 2007 | | | | |
| Available line of credit | \$ 60,000 | \$ 11,546 | \$ - | \$ 71,546 |
| Maximum borrowing available | 59,311 | 11,546 | - | 70,857 |
| Unused portion of line | 54,073 | 11,407 | - | 65,480 |
| Outstanding letters of credit included in line utilization | 5,238 | 139 | - | 5,377 |
| March 31, 2006 | | | | |
| Available line of credit | \$ 75,000 | \$ 17,520 | \$ 4,000 | \$ 96,520 |
| Maximum borrowing available | 49,776 | 17,520 | 4,000 | 71,296 |
| Unused portion of line | 44,997 | 5,069 | 1,665 | 51,731 |
| Outstanding letters of credit included in line utilization | 4,779 | 187 | - | 4,966 |

In the second quarter of 2006, the Company renewed its existing Canadian operating line of credit ("Operating Line"). The terms and conditions of this line remain unchanged, except for a reduction in the interest rate margins, and a reduction in the maximum operating credit available to \$60,000,000 (March 31, 2006 - \$75,000,000). The Operating Line is subject to a borrowing base calculation dependent upon certain accounts receivable and inventories and bears interest at bank prime plus a margin depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans. The Operating Line 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. The line matures on April 26, 2007, at which time the Company made certain amendments to its Operating Line as described as follows.

The maximum available operating credit was reduced to \$40,000,000 from \$60,000,000 and the terms and conditions of the line have been modified to provide for borrowings under two options, with reduced interest rate margins under both. Under a cash collateralization option, the Company would pledge cash or cash equivalents to secure any borrowings. Under its other option, the Company can elect, on a one-time basis, to revert to borrowings that are subject to a borrowing base calculation dependent upon certain accounts receivable and inventories. The Operating Line bears interest at bank prime plus a margin depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans. The line is subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization. The Operating Line is secured and subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization. The line matures on April 25, 2008.

In the first quarter of 2007, the Company amended its existing U.S. operating line of credit ("U.S. Line"). The terms and conditions of the U.S. Line remained unchanged, except for a reduction in the maximum operating line of credit available to US\$10,000,000 from US\$15,000,000 and an extension of the maturity date to April 26, 2007. The U.S. 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 1/4%. 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. Effective April 26, 2007, the line was further extended until April 25, 2008.

(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 (March 31, 2006 - \$90,000,000). The Revolving Line has not been utilized since the fourth quarter of 2005, and remained undrawn as at March 31, 2007. The Revolving Line bears interest at rates based on bank prime plus a margin, depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans.

Effective April 26, 2007, the Company amended its existing Revolving Line. The maximum borrowing available has been reduced to \$10,000,000 and the terms and conditions have been modified to provide for borrowings under two options, with reduced interest rate margins under both. Under a cash collateralization option, the Company would pledge cash or cash equivalents to secure any borrowings. Under its other option, the Company can elect, on a one-time basis, to revert to the existing security package. The Company also has the ability to increase the maximum borrowing available on the Revolving Line to \$100,000,000, subject to the consent of the lenders. The line matures on April 25, 2008.

As at March 31, 2007, the \$US non-revolving term line (the "Non-Revolving Line") remains fully drawn at US\$35,000,000 (March 31, 2006 - US\$35,000,000) and was revalued at the month-end exchange rate to CAD\$40,411,000 (March 31, 2006 - CAD\$40,880,000). The Non-Revolving Line bears interest at rates based on bank prime plus a margin 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 by a charge against all assets 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:

| | | |
|------|----|--------|
| 2007 | \$ | - |
| 2008 | | - |
| 2009 | | 40,411 |
| 2010 | | - |
| 2011 | | - |
| | \$ | 40,411 |

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months ended March 31, 2007 and 2006 (unaudited)

7. Share capital:

On November 9, 2005, the Company commenced a normal course issuer bid ("NCIB 04") to acquire up to 2,384,000 Class A Subordinate Voting shares ("Class A Shares"). NCIB 04 terminated on November 8, 2006. On November 9, 2006, the Company commenced a normal course issuer bid ("NCIB 05") to acquire up to 2,366,000 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 shares being purchased in any 30-day period. The shares are cancelled as purchased. NCIB 05 will terminate no later than November 8, 2007.

As the Company acquired Class A shares, the shares were cancelled. The excess of the cost of the shares over the assigned value has been charged to contributed surplus. The Company also issued Class A shares as previously granted share options were exercised. There were no changes to the Class B shares.

The transactions in share capital are described below:

| | 3 Months Mar. 31, 2007 | 3 Months Mar. 31, 2006 |
|---|---------------------------|---------------------------|
| Acquisitions under normal course issuer bid | | |
| Number of shares purchased and cancelled | 347 | - |
| Share cost | \$ 2,687 | \$ - |
| Excess of cost of shares over assigned value charged to contributed surplus | 543 | - |
| Shares issued on exercise of options | | |
| Number of shares | 58 | 31 |
| Share cost | \$ 238 | \$ 140 |

8. Other income:

| | 3 months Mar. 31, 2007 | 3 months Mar. 31, 2006 |
|--|---------------------------|---------------------------|
| Gain on disposal of surplus roads, property, plant and equipment | \$ 2,246 | \$ 1,651 |
| Gain on disposal of Marysville sawmill | - | 874 |
| Other (expense) | (20) | 151 |
| | \$ 2,226 | \$ 2,676 |

In the first quarter of 2007, the Company continued its disposal of surplus property, plant and equipment as well as the disposal of its interest in Tree Farm Licence 54. These dispositions combined to generate sales proceeds of \$3,788,000 and a gain of \$2,246,000. In 2006, the Company completed the sale of its sawmill located in Marysville, Washington for sale proceeds of \$2,542,000 and a gain of \$874,000 and disposed of surplus property, plant and equipment for total proceeds of \$2,473,000 and a gain of \$1,651,000.

9. Restructuring costs:

During the first quarter of 2007, the Company recorded severance costs of \$250,000, net of recoveries from the B.C. Forestry Revitalization Trust ("the 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*. In the first quarter of 2006, the Company received recoveries of \$1,617,000 from the Trust. As the associated costs had been expensed in the current and prior years as restructuring costs, the recovery served to offset additional severance costs recorded in that period. 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.

10. Net earnings per share:

| | 3 months Mar. 31, 2007 | | | 3 months Mar. 31, 2006 | | |
|----------------------------|------------------------|--------|-----------|------------------------|--------|-----------|
| | Net earnings | Shares | Per share | Net earnings | Shares | Per share |
| Basic earnings per share | \$ 597 | 47,976 | \$ 0.01 | \$ 8,728 | 48,680 | \$ 0.18 |
| Share options | - | 632 | - | - | 626 | - |
| Diluted earnings per share | \$ 597 | 48,608 | \$ 0.01 | \$ 8,728 | 49,306 | \$ 0.18 |

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements
(Tabular amounts expressed in thousands except per share amounts)
Three months ended March 31, 2007 and 2006 (unaudited)

11. 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, 2007 | 3 months Mar. 31, 2006 |
|---------------|---------------------------|---------------------------|
| Canada | \$ 54,256 | \$ 55,396 |
| United States | 75,825 | 128,986 |
| Japan | 18,359 | 15,381 |
| Other export | 16,206 | 16,443 |
| | \$ 164,646 | \$ 216,206 |

Sales by product line are as follows:

| | 3 months Mar. 31, 2007 | 3 months Mar. 31, 2006 |
|----------------------------------|---------------------------|---------------------------|
| Lumber | \$ 127,481 | \$ 177,668 |
| Logs | 19,390 | 17,208 |
| Wood chips and other by products | 16,033 | 9,094 |
| Other | 1,742 | 12,236 |
| | \$ 164,646 | \$ 216,206 |

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

| | Mar. 31, 2007 | Dec. 31, 2006 | Mar. 31, 2006 |
|---------------|---------------|---------------|---------------|
| Canada | \$ 211,434 | \$ 210,387 | \$ 213,121 |
| United States | 161,401 | 161,301 | 147,866 |
| | \$ 372,835 | \$ 371,688 | \$ 360,987 |

12. Employee future benefits:

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

| | 3 months Mar. 31, 2007 | 3 months Mar. 31, 2006 |
|--|---------------------------|---------------------------|
| Defined contribution plan | \$ 601 | \$ 474 |
| Defined benefit plan | 129 | 126 |
| Unionized employees' pension plan | 587 | 933 |
| U.S. employees benefit plan | 176 | 184 |
| Senior management supplementary pension plan | 90 | 90 |
| Total pension expense | \$ 1,583 | \$ 1,807 |

13. Financial instruments:

(a) Fair value of financial instruments:

At March 31, 2007, the fair value of the Company's long-term debt approximated its carrying value of \$40,411,000 (March 31, 2006 - \$40,880,000) as long-term debt bore interest at current market rates. The investment in equity instruments that does not have a quoted market price in an active market and which has been classified as available for sale continues to be carried at its cost of \$500,000. 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.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months ended March 31, 2007 and 2006 (unaudited)

13. Financial instruments (continued):

(b) Derivative financial instruments (continued):

As at March 31, 2007, the Company has outstanding obligations to sell a maximum of Japanese ¥445,083,532 at an average rate of ¥99.84 to the CAD\$1.00 during 2007. As at March 31, 2007, there were no outstanding obligations to sell US\$ during 2007. All foreign currency gains or losses to March 31, 2007 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.