



International Forest Products Limited

Third Quarter Report

For the three and nine months ended September 30, 2007

Management's Discussion and Analysis

Dated as of October 24, 2007

This Management's Discussion and Analysis ("MD&A") provides a review of Interfor's financial performance for the three and nine months ended September 30, 2007 relative to 2006, 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 and nine months ended September 30, 2007 and 2006, and Interfor's Annual Statutory Information Form, Consolidated Financial Statements and Annual MD&A for the years ended December 31, 2006 and 2005 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 this MD&A, reference is made to EBITDA and Adjusted EBITDA. EBITDA represents earnings before interest, taxes, depletion, amortization, restructuring costs, other foreign exchange gains and losses, and write-downs of property, plant, equipment and timber ("asset write-downs"). Adjusted EBITDA represents EBITDA adjusted for 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.

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 Information Form.

REVIEW OF OPERATING RESULTS

Interfor faced increasingly challenging market and currency conditions, and strike disruption at its B.C. Coastal operations, in the third quarter of 2007, recording a net loss for the quarter of \$1.6 million, or \$0.03 per share. Net earnings for the same quarter in 2006 were \$1.6 million, or \$0.03 per share. For the nine months ended September 30, 2007, the Company reported a net loss of \$4.4 million, or \$0.09 per share, compared to net earnings of \$18.3 million, or \$0.38 per share for the first nine months of 2006. In addition to the difficult operating environment, the net loss for the first nine months of 2007 included after-tax foreign exchange losses of \$4.8 million, or \$0.10 per share, arising from the revaluation of the Company's net U.S. dollar denominated cash (recorded as "Other foreign exchange gain (loss)").

EBITDA for the third quarter of 2007 and the first nine months of 2007 was \$8.9 million and \$36.4 million, respectively, compared to \$14.5 million and \$70.7 million for the corresponding periods in 2006. Adjusted EBITDA for the first three and nine months of 2007 was \$7.2 million and \$30.6 million, respectively, compared to \$13.9 million and \$57.2 million for the same periods in 2006.

Lower operating earnings for the three and nine-month period comparisons reflected depressed Canadian dollar net sales realizations, resulting from a combination of weak structural lumber prices, the erosion of the US dollar and a 15% export tax, together with the United Steelworkers Union's ("USW") strike action at the Company's B.C. Coastal manufacturing operations which commenced in late July, and higher stumpage rates. Partly offsetting these factors were higher cedar and residual chip prices, a higher-value cedar product mix, and, in the third quarter of 2007, lower log costs in the U.S. Pacific Northwest.

Lumber shipments totalled 196 and 710 million board feet for the third quarter and first nine months of 2007, compared to 299 and 946 million board feet for the respective corresponding periods in 2006. The Company operated its U.S. Pacific Northwest sawmills at approximately 90% of capacity in the third quarter, with improved log availability resulting in lower log prices in the quarter. As mentioned, the significant majority of the Company's B.C. manufacturing operations were curtailed due to the USW strike for most of the third quarter. The comparable periods in 2006 include shipments from the Company's MacKenzie sawmill ("MacKenzie"), which was sold in September 2006.

Unit lumber sales values for the third quarter were down 7.6% compared to the third quarter of 2006, largely due to lower North American structural lumber prices, the stronger Canadian dollar and a lower-value sales mix, offset in part by higher cedar prices. For the nine months ended September 30, 2007, unit lumber sales values were down 4.0% compared to the corresponding period in 2006, with strong cedar sales, particularly in the first half of 2007, mitigating the impact of weaker structural lumber prices and the ailing US dollar. The average Random

Lengths Framing Lumber Composite Price was down US\$6 per mfbm, or 1.6%, for the third quarter compared to the corresponding quarter of 2006, and US\$52 per mfbm, or 17.2%, for the first nine months of 2007 compared to the first nine months of 2006. The average value of the Canadian dollar strengthened by 6.8% and 2.4%, respectively, over the 2006 comparable periods.

Pulp chip revenues for the third quarter of 2007 were down \$1.9 million, or 17.7%, compared to the same quarter of 2006, as sales volumes in the third quarter reflected the lower sawmill operating rates. Prices were down from their elevated levels earlier in the year, but were still higher than the corresponding quarter of 2006, mostly due to higher pulp prices. For the nine months ended September 30, 2007, pulp chip revenues were up \$11.3 million, or 41.0%, over the comparable period in 2006, with the combination of strong demand and limited fibre supply largely accounting for the increase. Log sales for the third quarter of 2007 were down \$1.0 million, or 3.3%, as lower sales volumes more than offset higher unit prices. For the first nine months of 2007, log sales were up \$12.3 million, or 17.5%, reflecting higher prices and strong second quarter sales volumes.

Other sales revenues for the three and nine months ended September 30, 2007 decreased \$10.6 million and \$38.6 million, respectively, primarily reflecting the Company's 2006 sales of its helicopter logging operation and assets ("Helifor") and B.W. Creative Wood Industries Ltd. ("BWC"), a secondary manufacturing operation.

Production costs for the third quarter of 2007 were down \$60.2 million, or 32.2%, compared to the same period in 2006, taking the year-to-date decline to \$122.4 million, or 21.6%, compared to the first nine months of 2006. Reduced log and lumber production linked to the B.C. Coastal strike, a fall in log prices in the U.S. Pacific Northwest resulting from reduced demand, and the Company's sale of its former MacKenzie, BWC and Helifor operations in the latter part of 2006, were the primary contributors. Partly offsetting these factors were significantly higher B.C. Coastal stumpage rates. Lumber production was down 105 million board feet, or 35.8%, and 237 million board feet, or 25.2%, respectively, for the three and nine month periods ended September 30, 2007, compared to the corresponding periods in 2006. B.C. log production decreased by 306,000 cubic metres, or 43.3%, and 372,000 cubic metres, or 21.0%, respectively, over the same comparative periods.

The Canada/U.S. lumber export tax remained at 15% through the third quarter of 2007. The Company paid \$1.8 million in export taxes on reduced shipments of 37 million board feet in the current quarter, these amounts reflecting lower sales volumes due to the strike. Total export tax payments for the first nine months of 2007 were \$7.9 million on 149 million board feet. For the three and nine month periods ended September 30, 2006, the Company paid \$4.2 million and \$14.7 million, respectively, in deposits for countervailing and antidumping duties on shipments of 82 and 292 million board feet.

The Company recorded a long term incentive compensation ("LTIC") recovery of \$4.2 million for the third quarter of 2007, largely reflecting a 21.0% decline in the Company's share price through the third quarter (Quarter 3, 2006 – LTIC expense of \$0.1 million). For the nine months ended September 30, 2007, the Company recorded a LTIC expense of \$0.5 million (nine months ended September 30, 2006 – LTIC recovery of \$0.8 million).

Amortization and depletion expense for the third quarter was down \$1.7 million compared to the third quarter of 2006, with the impact of the B.C. Coastal strike more than offsetting additional amortization arising due to several major capital projects at the Adams Lake and U.S. Pacific Northwest mills.

Net interest revenue for the three and nine-months ended September 30, 2007 increased \$1.0 million and \$4.4 million, respectively compared to the same periods in 2006, primarily due to the Company's receipt of the U.S. duty refund in late 2006.

Other foreign exchange losses for the three and nine months ended September 30, 2007 were \$0.6 million and \$7.1 million, respectively, compared to \$nil and \$0.2 million for the 2006 comparative periods.

The Company received \$1.4 million from the Province of British Columbia ("Crown") in the third quarter, as partial compensation for lost infrastructure resulting from the 20% timber takeback in 2005. This amount was recorded in "Other income". The Company continues to negotiate with the Crown for further compensation for infrastructure, but the amount and timing of additional compensation is not yet determinable.

SELECTED QUARTERLY FINANCIAL INFORMATION

Quarterly Earnings Summary

	2007				2006			2005
	Quarters							
	3 rd	2 nd	1 st	4 th	3 rd	2 nd	1 st	4 th
	(millions of dollars except share and per share amounts)							
Sales – Lumber	93.2	143.0	127.5	120.5	153.9	173.5	177.7	171.3
– Logs	30.3	33.2	19.4	32.6	31.4	22.0	17.2	25.9
– Wood chips and other by-products	10.0	17.1	16.0	12.1	11.3	9.3	9.1	8.6
– Other	2.0	2.1	1.7	9.3	12.6	19.7	12.2	11.5
Total Sales	135.5	195.4	164.6	174.5	209.2	224.5	216.2	217.3
Operating earnings (loss) before U.S. duty refunds, net, restructuring costs and asset write-downs	(4.6)	(3.5)	(1.8)	(2.4)	-	8.3	8.5	(0.6)
Operating earnings (loss)	(4.6)	(4.9)	(2.1)	94.5	-	0.3	8.9	(14.7)
Net earnings (loss)	(1.6)	(3.4)	0.6	77.2	1.6	8.0	8.7	(4.9)
Net earnings (loss) per share – basic	(0.03)	(0.07)	0.01	1.60	0.03	0.17	0.18	(0.10)
– diluted	(0.03)	(0.07)	0.01	1.58	0.03	0.16	0.18	(0.10)
EBITDA ³	8.9	14.5	13.0	115.0	14.5	33.7	22.6	19.4
Cash flow from operations per share ¹	0.16	0.18	0.37	1.83	0.29	0.44	0.39	0.03
Shares outstanding – end of period (millions) ²	47.1	47.6	47.8	48.1	48.3	48.4	48.7	48.7
– weighted average (millions)	47.4	47.8	48.0	48.2	48.4	48.6	48.7	48.7
Adjusted EBITDA ³	7.2	12.6	10.8	11.5	13.9	23.6	19.7	16.3

- 1 Cash generated from operations before taking account of changes in operating working capital.
- 2 As at October 24, 2007 the number of shares outstanding by class are: Class A Subordinate Voting shares – 46,089,076, Class B Common shares – 1,015,779, Total – 47,104,855.
- 3 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. Adjusted EBITDA represents EBITDA adjusted for U.S. duty refunds, net, and other income. EBITDA and Adjusted EBITDA can be calculated from the statements of operations as follows:

	2007				2006			2005
	Quarters							
	3 rd	2 nd	1 st	4 th	3 rd	2 nd	1 st	4 th
	(millions of dollars)							
Net earnings (loss)	(1.6)	(3.4)	0.6	77.2	1.6	8.0	8.7	(4.9)
Add: Income taxes (recovery)	(1.8)	(4.5)	(0.3)	38.5	(1.3)	2.1	3.0	(6.3)
Net interest (income) expense	(0.1)	(0.5)	(0.9)	0.5	0.9	1.0	1.0	1.3
Interest income on U.S. duty refund, net of special charge	-	-	-	(12.7)	-	-	-	-
Depletion and amortization	11.7	16.2	12.2	13.6	13.4	14.6	10.4	15.5
Other foreign exchange (gains) losses	0.7	5.3	1.1	(2.1)	-	-	(0.2)	(0.3)
Restructuring costs, asset write-downs and other	-	1.4	0.3	-	-	8.0	(0.4)	14.1
EBITDA	8.9	14.5	13.0	115.0	14.5	33.7	22.6	19.4
Deduct:								
U.S. duty refunds, net	-	-	-	96.9	-	-	-	-
Other income	1.7	1.9	2.2	6.6	0.6	10.1	2.8	3.2
Adjusted EBITDA	7.2	12.6	10.8	11.5	13.9	23.6	19.7	16.3

Volume and Price Statistics

		2007				2006			2005
		Quarters							
		3 rd	2 nd	1 st	4 th	3 rd	2 nd	1 st	4 th
Lumber sales	(million fbm)	196	270	244	225	299	319	329	332
Lumber production	(million fbm)	187	269	249	222	292	326	325	316
Log sales ¹	(thousand cubic metres)	315	319	207	381	358	229	222	365
Log production ¹	(thousand cubic metres)	401	626	366	616	707	667	391	634
Average selling price – lumber ²	(\$/thousand fbm)	\$476	\$530	\$522	\$534	\$515	\$545	\$540	\$516
Average selling price – logs ¹	(\$/cubic metre)	\$95	\$101	\$91	\$85	\$87	\$95	\$77	\$70
Average selling price – pulp chips	(\$/thousand fbm)	\$43	\$54	\$56	\$49	\$35	\$26	\$25	\$24

1 B.C. operations

2 Gross sales before duties and export taxes

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.

Excluding the impact of the U.S. duty refunds, restructuring costs and asset write-downs in the third and fourth quarters of 2006, the decrease in operating earnings for the four most recent quarters related primarily to weak U.S. structural lumber markets, the strong Canadian dollar, and log pricing issues. For the third quarter, strike action also contributed to lower reported operating earnings. All of these factors resulted in lower operating rates and lumber prices. The operating loss in the fourth quarter of 2005 was largely due to weaker product sales realizations.

CASH FLOW AND FINANCIAL POSITION

The Company generated cash flow from operations, before changes in working capital, of \$7.4 million for the third quarter, compared to \$14.2 million for the third quarter of 2006. The lower level of earnings in the current quarter primarily accounted for the decrease. Cash generated from working capital decreased by \$4.2 million for the third quarter of 2007 (Quarter 3, 2006 – decrease of \$13.8 million); excluding the cash settlement of remaining 2006 income tax liabilities (\$7.3 million) in the third quarter, cash generated from working capital was moderately positive, in large measure due to lower operating levels.

Capital spending for the third quarter of 2007 totalled \$25.2 million (Quarter 3, 2006 - \$27.4 million), taking the year-to-date spending to \$58.4 million (nine months ended September 30, 2007 - \$69.5 million). Spending in the current quarter consisted of \$11.3 million on discretionary projects (the majority of which was on the new \$100 million sawmill at Adams Lake), \$3.6 million on maintenance projects, \$5.2 million on forest licences, and \$5.1 million on roads. Construction of the new sawmill at Adams Lake remains on schedule and on budget.

The Company's Canadian and U.S. operating lines of credit ("Operating Lines") of \$40.0 million and US\$10.0 million, and its Canadian revolving term line ("Revolving Line") of \$10.0 million remained undrawn at September 30, 2007. Both Operating Lines and the Revolving Line mature on April 25, 2008. Under the Revolving Line, the Company has an option to increase the maximum borrowing available to \$100.0 million, subject to the consent of the lenders, to take advantage of any attractive future investment opportunities.

The \$US non-revolving term line ("Non-Revolving Line") remained fully drawn at US\$35.0 million (CAD\$34.8 million) through the third quarter. The Non-Revolving Line matures on September 1, 2009.

At September 30, 2007, the Company's cash was \$53.5 million and its net cash balance, after deducting the fully drawn non-revolving term line was \$18.7 million, or (4.5)% of invested capital. This compares favourably to net debt of \$24.6 million, or 5.8% of invested capital, at September 30, 2006. The Company's total available unutilized credit under its current operating lines and term lines as at September 30, 2007 was approximately \$54.5 million.

B.C. COASTAL LABOUR NEGOTIATIONS UPDATE

The contract between Interfor's B.C. Coastal manufacturing operations and the USW expired in mid-June 2007. The USW commenced strike action on July 21. The USW recently reached a settlement with Forest Industrial Relations and has re-engaged in negotiations with Interfor.

AGREEMENT-IN-PRINCIPLE TO PURCHASE KAMLOOPS SAWMILL

On August 7, 2007, the Company reached agreement-in-principle with Weyerhaeuser Company to acquire its Kamloops sawmill and 700,000 cubic metres of related timber tenures. The agreement is subject to completion of negotiations and regulatory approval.

OUTLOOK

The weakness in North American commodity markets is expected to continue for the rest of this year and through 2008, reflecting the expected prolonged downturn of the U.S. housing market. Consequently, prices are anticipated to show little improvement in the fourth quarter. The export tax rate is likely to remain at 15% through the balance of 2007.

The Company expects its U.S. Pacific Northwest and Adams Lake sawmills to operate at approximately 85% of capacity in the fourth quarter. Prices for most cedar products are expected to remain relatively stable through the balance of 2007, although prices for some product lines are coming under pressure. In Japan, the current undersupply of hemlock green squares is expected to result in some price improvement in the fourth quarter, but prices for other products are expected to remain soft, reflecting a slowdown in housing starts.

B.C. Coastal stumpage rates in the fourth quarter are expected to show a moderate increase, reflecting higher average cedar log prices in the third quarter of 2007. For the U.S. Pacific Northwest, lower sawmill operating rates are expected to create further downward pressure on log prices in the fourth quarter.

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

NORMAL COURSE ISSUER BID ("NCIB")

The Company believes that from time to time, market conditions provide it with opportunities to acquire Interfor shares at attractive prices and that such purchases enhance shareholder value. On November 9, 2006, the Company commenced its current NCIB, entitling it to purchase up to 2,366,000 Class A Shares through the Toronto Stock Exchange. In the third quarter of 2007, the Company purchased 505,500 Class A shares at a cost of \$3.8 million, or \$7.60 per share, under the current program, taking the total of Class A shares purchased to 1,307,300 at a cost of \$10.4 million, or \$7.99 per share. The NCIB will terminate on the earlier of the date on which it acquires 2,366,000 Class A Shares, and November 8, 2007.

ADDITIONAL INFORMATION

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 on SEDAR at www.sedar.com. Interfor's trading symbol on the Toronto Stock Exchange ("TSX") is IFP.A.



William L. Sauder
Chairman



Duncan K. Davies
President and Chief Executive Officer



CONSOLIDATED STATEMENTS OF OPERATIONS

For the three and nine months ended September 30, 2007 and 2006 (unaudited)

(thousands of Canadian dollars except earnings per share)

	3 Months Sept. 30, 2007	3 Months Sept. 30, 2006	9 Months Sept. 30, 2007	9 Months Sept. 30, 2006
Sales	\$ 135,560	\$ 209,183	\$ 495,618	\$ 649,936
Costs and expenses:				
Production	126,645	186,868	443,820	566,250
Selling and administration	4,203	4,700	13,139	14,595
Long term incentive compensation expense (recovery)	(4,231)	56	522	(785)
U.S. countervailing and antidumping duty deposits	-	4,151	-	14,725
Export taxes	1,776	-	7,947	-
Amortization of plant and equipment (note 6)	7,504	7,222	23,355	22,271
Depletion and amortization of timber, roads and other	4,232	6,171	16,757	16,112
	140,129	209,168	505,540	633,168
Operating earnings (loss) before restructuring costs	(4,569)	15	(9,922)	16,768
Restructuring costs (note 10)	-	-	(1,640)	(7,577)
Operating earnings (loss)	(4,569)	15	(11,562)	9,191
Interest expense on long-term debt	(694)	(821)	(2,218)	(2,383)
Other interest income (expense)	879	(42)	3,763	(514)
Other foreign exchange gain (loss)	(638)	-	(7,115)	151
Other income (note 9)	1,680	647	5,811	13,588
Equity in earnings of investee companies	10	442	377	2,001
	1,237	226	618	12,843
Earnings (loss) before income taxes	(3,332)	241	(10,944)	22,034
Income taxes (recovery):				
Current	(1,980)	(2,757)	(3,605)	(2,810)
Future	200	1,440	(2,955)	6,524
	(1,780)	(1,317)	(6,560)	3,714
Net earnings (loss)	(1,552)	\$ 1,558	\$ (4,384)	\$ 18,320
Net earnings (loss) per share (note 11)				
Basic	\$ (0.03)	\$ 0.03	\$ (0.09)	\$ 0.38
Diluted	\$ (0.03)	\$ 0.03	\$ (0.09)	\$ 0.37

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the nine months ended September 30, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)

	9 Months Sept. 30, 2007	9 Months Sept. 30, 2006
Retained earnings, beginning of year	\$ 181,477	\$ 85,943
Net earnings (loss)	(4,384)	18,320
Retained earnings, end of period	\$ 177,093	\$ 104,263

See accompanying notes to consolidated financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)	3 Months Sept. 30, 2007	3 Months Sept. 30, 2006	9 Months Sept. 30, 2007	9 Months Sept. 30, 2006
Cash provided by (used in):				
Operating activities:				
Net earnings (loss)	\$ (1,552)	\$ 1,558	\$ (4,384)	\$ 18,320
Items not involving cash:				
Amortization of plant and equipment (note 6)	7,504	7,222	23,355	22,271
Depletion and amortization of timber, roads and other	4,232	6,171	16,757	16,112
Future income taxes (recovery)	200	1,440	(2,955)	6,524
Other assets	135	-	1,330	2,251
Reforestation liability	(344)	(875)	920	1,201
Other long-term liabilities	(880)	(272)	827	(537)
Share of earnings net (in excess) of cash distributions of investee companies (note 5)	(10)	(442)	3,992	(2,001)
Write-downs of property, plant, equipment and timber	-	-	-	5,868
Other	(1,837)	(647)	(6,009)	(13,297)
	7,448	14,155	33,833	56,712
Cash generated from (used in) operating working capital:				
Accounts receivable	24,580	(17,506)	16,391	(25,216)
Inventories	(5,975)	10,946	(7,072)	18,941
Prepaid expenses	(338)	(1,357)	(2,781)	(3,754)
Accounts payable and accrued liabilities	(15,129)	(2,863)	(33,762)	(3,147)
Income taxes	(7,294)	(2,979)	(32,512)	(4,238)
	3,292	396	(25,903)	39,298
Investing activities:				
Additions to property, plant and equipment	(14,847)	(21,764)	(33,293)	(53,447)
Additions to deferred start-up costs	-	-	(959)	-
Additions to logging roads and timber	(10,321)	(5,608)	(24,140)	(16,013)
Proceeds on disposal of property, plant, equipment, timber and roads	1,598	17,013	7,984	38,073
Investments and other assets	(309)	(548)	(875)	(1,572)
	(23,879)	(10,907)	(51,283)	(32,959)
Financing activities:				
Repurchase of share capital (note 8)	(3,849)	(474)	(9,846)	(3,169)
Issuance of share capital (note 8)	43	25	892	550
Increase (decrease) in bank indebtedness	-	695	(582)	(7,358)
	(3,806)	246	(9,536)	(9,977)
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	(3,939)	63	(8,943)	(250)
Decrease in cash	(28,332)	(10,202)	(95,665)	(3,888)
Cash on deposit, beginning of period	81,838	25,375	149,171	19,061
Cash on deposit, end of period	\$ 53,506	\$ 15,173	\$ 53,506	\$ 15,173
Supplementary disclosures (see also note 5)				
Cash interest paid (received)	\$ (185)	863	\$ (1,545)	\$ 2,897
Cash income taxes paid	5,484	8	28,734	721

See accompanying notes to consolidated financial statements



CONSOLIDATED BALANCE SHEETS

September 30, 2007 and 2006 (unaudited) and December 31, 2006 (audited)

(thousands of Canadian dollars)

	Sept. 30, 2007	Dec. 31, 2006	Sept. 30, 2006
Assets			
Current assets:			
Cash (note 7(c))	\$ 53,506	\$ 149,171	\$ 15,173
Accounts receivable	34,357	50,748	56,834
Income taxes recoverable	5,073	-	5,095
Inventories	88,339	81,150	79,997
Prepaid expenses	7,186	4,405	8,811
Future income taxes	2,727	4,179	4,154
Current assets held for sale	-	-	1,338
	191,188	289,653	171,402
Investments and other assets (note 5)	8,585	13,360	10,775
Property, plant and equipment, net of accumulated amortization (note 6)	293,666	309,744	294,358
Timber and logging roads, net of accumulated depletion and amortization	54,800	47,597	51,394
Goodwill and other intangible assets	13,128	13,137	13,135
Future income taxes	5,233	445	-
Long-lived assets held for sale	3,239	1,210	2,265
	\$ 569,839	\$ 675,146	\$ 543,329
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness (note 7(a))	\$ -	\$ 582	\$ 695
Accounts payable and accrued liabilities	61,608	95,370	77,873
Income taxes payable	-	27,439	-
Future income taxes payable	3	364	313
	61,611	123,755	78,881
Reforestation liability, net of current portion	14,130	13,210	16,443
Long-term debt (note 7(b))	34,818	40,789	39,120
Other long-term liabilities	9,429	8,602	8,009
Future income taxes	11,546	10,788	2,599
Shareholders' equity:			
Share capital (note 8)			
Class A subordinate voting shares	284,444	291,086	292,401
Class B common shares	4,080	4,080	4,080
Contributed surplus	5,408	7,720	7,848
Accumulated other comprehensive income (loss) (note 2)	(32,720)	(6,361)	(10,315)
Retained earnings	177,093	181,477	104,263
	438,305	478,002	398,277
	\$ 569,839	\$ 675,146	\$ 543,329

Commitment (note 15)

Agreement-in-principle (note 16)

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 and nine months ended September 30, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)

	3 Months Sept. 30, 2007	3 Months Sept. 30, 2006	9 Months Sept. 30, 2007	9 Months Sept. 30, 2006
Net earnings (loss)	\$ (1,552)	\$ 1,558	\$ (4,384)	\$ 18,320
Other comprehensive income (loss), net of income taxes (recovery):				
Net change in unrealized foreign currency translation gains (losses)	(11,321)	164	(26,359)	(3,944)
Other comprehensive income (loss)	(11,321)	164	(26,359)	(3,944)
Comprehensive income (loss)	\$ (12,873)	\$ 1,722	\$ (30,743)	\$ 14,376

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

For the nine months ended September 30, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)

	9 Months Sept. 30, 2007	9 Months Sept. 30, 2006
Accumulated other comprehensive loss, beginning of year (note 2)	\$ (6,361)	\$ (6,371)
Other comprehensive income (loss)	(26,359)	(3,944)
Accumulated other comprehensive loss, end of period	\$ (32,720)	\$ (10,315)

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 and nine months ended September 30, 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 and nine months ended September 30, 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 revised 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 14).

(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. 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 and nine months ended September 30, 2007 and 2006 (unaudited)

6. Property, plant and equipment:

In light of significant capital improvements and sawmill rebuilds undertaken over the last year, the Company performed an extensive review of its estimates of remaining economic useful life of its plant and equipment. This resulted in a revision of amortization rates to align with current estimates of economic useful life and designed capacity. The recalculated amortization rates have been applied on a prospective basis, starting in the second quarter of 2007. The revision, on a net basis, had no material impact for the second and third quarters of 2007, and is not expected to have a material effect on results of operations for the remainder of the fiscal year.

7. Cash, bank indebtedness and long-term debt:

(a) Bank indebtedness:

	Canadian Operating Facility	U.S. Operating Facility	Total
September 30, 2007			
Available line of credit	\$ 40,000	\$ 9,948	\$ 49,948
Maximum borrowing available	40,000	9,948	49,948
Unused portion of line	34,707	9,829	44,536
Outstanding letters of credit included in line utilization	5,293	119	5,412
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

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 remained unchanged, except for a reduction in the interest rate margins, and a reduction in the maximum operating credit available to \$60,000,000.

During the second quarter of 2007, the maximum available operating credit was reduced to \$40,000,000 and the terms and conditions of the line were modified to provide for borrowings under two options, with reduced interest rate margins under both. Under a cash collateralization option, the Company can 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 on 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 reduced the maximum available operating credit under its existing U.S. operating line of credit ("U.S. Line") from US\$15,000,000 to US\$10,000,000. All other terms and conditions of the U.S. Line remained unchanged. 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 a premium. 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 maturity date of the line was extended to 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, which has not been utilized since the fourth quarter of 2005, and remained undrawn as at September 30, 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.

During the second quarter of 2007, the Company amended its existing Revolving Line. The maximum borrowing available was reduced to \$10,000,000 (September 30, 2006 - \$40,000,000) 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 can 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 September 30, 2007, the \$US non-revolving term line (the "Non-Revolving Line") remains fully drawn at US\$35,000,000 (September 30, 2006 - US\$35,000,000) and was revalued at the month-end exchange rate to CAD\$34,818,000 (September 30, 2006 - CAD\$39,120,000). 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.

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, 2007 and 2006 (unaudited)

7. Cash, bank indebtedness and long-term debt (continued):

(b) Long-term debt (continued):

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

2008	\$	-
2009		34,818
2010		-
2011		-
2012		-
	\$	34,818

(c) Cash and cash equivalents

As at September 30, 2007, under the cash collateralization option of the Operating Line and Revolving Line, the Company collateralized \$18,150,000 (September 30, 2006 - \$nil) of its cash balances to reduce its borrowing costs. As described in notes 7(a) and (b), the Company can elect to revert to borrowings based on a borrowing base calculation by providing notice to its lenders.

8. 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 Sept. 30, 2007	3 Months Sept. 30, 2006	9 Months Sept. 30, 2007	9 Months Sept. 30, 2006
Acquisitions under normal course issuer bid				
Number of shares purchased and cancelled	505,500	71,600	1,220,100	458,200
Cost	\$ 3,849	\$ 474	\$ 9,846	\$ 3,169
Excess of cost of shares over assigned value charged to contributed surplus	729	32	2,312	337
Shares issued on exercise of options				
Number of shares	10,000	5,000	189,280	121,080
Proceeds	\$ 43	\$ 25	\$ 892	\$ 550

9. Other income:

	3 Months Sept. 30, 2007	3 Months Sept. 30, 2006	9 Months Sept. 30, 2007	9 Months Sept. 30, 2006
Gain on disposal of surplus property, plant and equipment, roads and timber	\$ 478	\$ 1,523	\$ 4,650	\$ 4,748
Gain on settlement of timber takeback	1,350	-	1,350	-
Gain on disposal of Marysville sawmill	-	-	-	874
Gain on disposal of surplus Squamish properties	-	(24)	-	8,510
Other (expense)	(148)	(852)	(189)	(544)
	\$ 1,680	\$ 647	\$ 5,811	\$ 13,588

In the first, second and third quarters 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 \$6,625,000 and a gain of \$4,650,000.

Under the terms of the *Forest Revitalization Act*, the Company received \$1,350,000 in additional compensation for lost infrastructure and road construction costs resulting from the 2003 legislated takeback of certain logging rights on the B.C. Coast. This was recorded as proceeds on the disposal of roads in the third quarter of 2007.

During the first quarter of 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. During the second quarter, 2006, the Company completed the sale of surplus properties in Squamish, B.C. for sale proceeds of \$10,533,000 and a gain of \$8,510,000. 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 second quarter of 2006 for proceeds of \$4,730,000 and a gain of \$1,574,000.

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, 2007 and 2006 (unaudited)

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

	3 Months Sept. 30, 2007	3 Months Sept. 30, 2006	9 Months Sept. 30, 2007	9 Months Sept. 30, 2006
Property, plant, equipment and timber write-downs	\$ -	\$ -	\$ -	\$ 5,868
Severance and other restructuring costs	-	-	1,263	1,709
Other	-	-	377	-
	\$ -	\$ -	\$ 1,640	\$ 7,577

During the second quarter of 2007, the Company recorded net severance costs of \$1,013,000, bringing total severance costs to \$1,263,000 for the year to date. In addition, the Company recorded \$377,000 for logging phase contractor buyouts and other restructuring.

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 compensation for lost infrastructure, but the amount of any additional compensation is not yet determinable and will be recorded when the amounts can be estimated.

In the second quarter of 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 also recorded additional severance charges of \$2,193,000 in the second quarter of 2006 (\$3,396,000 for the six months).

11. Net earnings (loss) per share:

	3 months Sept. 30, 2007			3 months Sept. 30, 2006		
	Net earnings (loss)	Shares	Per share	Net earnings (loss)	Shares	Per share
Basic earnings (loss) per share	\$ (1,552)	47,415	\$ (0.03)	\$ 1,558	48,397	\$ 0.03
Share options	-	817*	-	-	540	-
Diluted earnings (loss) per share	\$ (1,552)	47,415*	\$ (0.03)	\$ 1,558	48,937	\$ 0.03

	9 Months Sept. 30, 2007			9 Months Sept. 30, 2006		
	Net earnings (loss)	Shares	Per share	Net earnings (loss)	Shares	Per share
Basic earnings (loss) per share	\$ (4,384)	47,734	\$ (0.09)	\$ 18,320	48,571	\$ 0.38
Share options	-	780*	-	-	603	-
Diluted earnings (loss) per share	\$ (4,384)	47,734*	\$ (0.09)	\$ 18,320	49,174	\$ 0.37

*Where the addition of share options to the total shares outstanding has an anti-dilutive impact on the diluted earnings (loss) per share calculation, those share options have not been included in the total shares outstanding for purposes of the calculation of diluted earnings (loss) per share.

12. 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 U.S. Pacific Northwest, U.S.A.

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

	3 Months Sept. 30, 2007	3 Months Sept. 30, 2006	9 Months Sept. 30, 2007	9 Months Sept. 30, 2006
Canada	\$ 47,163	\$ 70,643	\$ 169,323	\$ 192,509
United States	64,540	100,989	225,558	353,344
Japan	14,920	18,978	47,557	52,135
Other export	8,937	18,573	53,180	51,948
	\$ 135,560	\$ 209,183	\$ 495,618	\$ 649,936

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, 2007 and 2006 (unaudited)

12. Segmented information (continued):

Sales by product line are as follows:

	3 Months Sept. 30, 2007	3 Months Sept. 30, 2006	9 Months Sept. 30, 2007	9 Months Sept. 30, 2006
Lumber	\$ 93,225	\$ 153,893	\$ 363,714	\$ 505,093
Logs	30,345	31,378	82,954	70,622
Wood chips and other by products	9,993	11,288	43,091	29,722
Other	1,997	12,624	5,859	44,499
	\$ 135,560	\$ 209,183	\$ 495,618	\$ 649,936

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

	Sept. 30, 2007	Dec. 31, 2006	Sept. 30, 2006
Canada	\$ 225,463	\$ 210,387	\$ 207,010
United States	139,370	161,301	154,142
	\$ 364,833	\$ 371,688	\$ 361,152

13. 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 Sept. 30, 2007	3 Months Sept. 30, 2006	9 Months Sept. 30, 2007	9 Months Sept. 30, 2006
Defined contribution plan	\$ 419	\$ 326	\$ 1,427	\$ 1,165
Defined benefit plan	152	116	360	359
Unionized employees' pension plan	138	801	1,316	2,923
U.S. employees benefit plan	140	153	461	487
Senior management supplementary pension plan	106	90	313	202
Total pension expense	\$ 955	\$ 1,486	\$ 3,877	\$ 5,136

14. Financial instruments:

(a) Fair value of financial instruments:

At September 30, 2007, the fair value of the Company's long-term debt approximated its carrying value of \$34,818,000 (September 30, 2006 - \$39,120,000) as long-term debt bore interest at current market rates. The investment in an equity instrument 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.

As at September 30, 2007, the Company has outstanding obligations to sell a maximum of Japanese ¥287,143,000 at an average rate of ¥111.77 to the CAD\$1.00 during 2007. As at September 30, 2007, the Company also has outstanding obligations to sell US\$1,000,000 at an average rate of 1.0085 to the CAD\$1.00 during 2007. All foreign currency gains or losses to September 30, 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.

(c) Hedge of investment in self-sustaining foreign operation

The Company had previously designated its \$US Non-Revolving Line as a hedge against its investment in its self-sustaining U.S. operations. Effective April 1, 2007, the Company terminated the designation of the hedging relationship and discontinued its hedge accounting. Previously recognized unrealized foreign exchange gains of \$5,544,000 as a result of applying hedge accounting continue to be recorded in Accumulated Other Comprehensive Income. Unrealized foreign exchange gains of \$5,593,000 arising subsequent to termination of the designation of the hedge relationship have been recorded in Other foreign exchange gain (loss) in the Statement of Operations.

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, 2007 and 2006 (unaudited)

15. Commitment:

The Company has undertaken obligations under various contracts totalling \$28,927,000 as at September 30, 2007 relating to construction of a new sawmill at its Adams Lake operation in the southern B.C. Interior. These amounts are expected to be paid over the next year.

16. Agreement-in-principle:

On August 7, 2007, the Company reached an agreement-in-principle with Weyerhaeuser Company to acquire its Kamloops sawmill and related timber tenures in the southern B.C. Interior. The agreement is subject to completion of negotiations and regulatory approval.



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