



PRESS RELEASE

International Forest Products Limited

Vancouver, B.C.

July 26, 2007

Strong Canadian Dollar Impacts Interfor's Q2 Results

Company Records Loss of \$0.01 Per Share Before FX Loss

On US\$ Cash and One-Time Items

International Forest Products Limited ("Interfor" or the "Company") (TSX: IFP.A) reported a net loss for the second quarter of 2007 of \$3.4 million, or \$0.07 per share, compared to net earnings of \$0.6 million, or \$0.01 per share, for the first quarter of 2007, and net earnings of \$8.0 million, or \$0.17 per share, for the second quarter of 2006.

The current quarter's earnings include a foreign exchange loss of \$5.3 million (\$3.5 million, or \$0.07 per share, after tax) arising from the translation at quarter end of the Company's net U.S. dollar denominated cash balances. Before taking account of this foreign exchange loss and other one-time items, the Company recorded a net loss of \$0.3 million for the quarter. Comparable net earnings for the first quarter of 2007 and second quarter of 2006 were \$0.1 million and \$6.0 million, respectively.

The current quarter's earnings also include a long term incentive compensation ("LTIC") expense of \$2.8 million (\$1.8 million, or \$0.04 per share, after tax), reflecting an 11.4% increase in the Company's share price during the quarter. This compares to a LTIC expense of \$2.0 million (\$1.3 million, or \$0.03 per share, after tax) in the first quarter of 2007 and a recovery of \$1.6 million (\$1.1 million, or \$0.02 per share, after tax) in the second quarter of 2006.

"The Canadian lumber industry is facing unprecedented challenges from weak North American lumber markets and the soaring Canadian dollar, and there appears to be no immediate relief in sight," said Duncan Davies, Interfor's President and CEO.

By comparison to the same quarter in 2006, the current quarter's results reflect lower North American commodity prices, lower operating rates, significantly higher stumpage costs and a sharp rise in the value of the Canadian dollar. Partly offsetting these factors were stronger prices for the Company's cedar products and higher residual chip prices.

Davies highlighted that progress was made on several fronts during the quarter: "Our new primary breakdown line at Port Angeles is surpassing all expectations, and is delivering significant performance improvements. Similarly, recent investments at Molalla and Adams Lake continue to make strong contributions. Work on the new sawmill at Adams Lake commenced during the quarter and is moving ahead on schedule."

The Company ended the quarter with a net cash balance of \$45 million, or (10.9)% of invested capital. “Our strong Balance Sheet provides Interfor with both a hedge against the uncertain market and currency environments, and a platform for growth. In spite of the difficult environment, we are continuing to invest in high-return capital projects which are consistent with our business strategy. We also continue to look for growth opportunities in regions and products with attractive long-term fundamentals that will demonstrably enhance shareholder value,” said Davies.

The contract between Interfor’s B.C. Coastal manufacturing operations and the United Steelworkers Union (“USW”) expired in mid-June 2007. On July 21, the USW commenced strike action. “This is not the time for a work stoppage,” said Davies. “With the challenges faced by the B.C. Coastal industry, it is imperative that companies and the USW find ways to work together to improve productivity and to rebuild the investment climate on the Coast. We are ready, willing and able to resume discussions with the USW, and look forward to a productive return to the bargaining table in the near future.”

Looking ahead, the Company expects North American commodity markets to remain challenging through the balance of 2007, and into 2008, as the weakness in the U.S. housing market takes its toll. Demand for cedar products is anticipated to remain relatively stable through the balance of 2007, although weaker prices have been noted on some products. In Japan, the housing market has started to soften, due to a decline in new home construction and product oversupply, and some downward pressure on prices is apparent. B.C. Coastal stumpage rates in the third quarter are expected to increase, reflecting higher average log prices. For the U.S. Pacific Northwest, a moderate improvement in log availability should lead to some downward pressure on log prices in the third quarter.

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.

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.

There will be a conference call on Friday, July 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 Second Quarter, 2007 Financial Results. The dial-in number is **1-866-400-3310**.

The conference call will also be recorded for those unable to join in for the live discussion, and will be available until August 11, 2007. The number to call is ***1-866-245-6755, Password 827465.***

William L. Sauder
Chairman

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

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International Forest Products Limited

Second Quarter Report

For the three and six months ended June 30, 2007

Management's Discussion and Analysis

Dated as of July 26, 2007

This Management's Discussion and Analysis ("MD&A") provides a review of Interfor's financial performance for the three and six months ended June 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 six months ended June 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 reported a net loss for the second quarter of 2007 of \$3.4 million, or \$0.07 per share, and a net loss for the six months ended June 30, 2007 of \$2.8 million, or \$0.06 per share. The net losses reported for the three and six months ended June 30, 2007 include foreign exchange losses of \$3.5 million after tax (\$0.07 per share) and \$4.4 million (\$0.09 per share), respectively, arising from the translation at quarter end of the Company's net U.S. dollar denominated cash, the majority of which related to U.S. duty refund monies received in late 2006. Before taking account of these adjustments, the Company recorded a small net profit in both periods in spite of very difficult conditions. For the second quarter of 2006, net earnings were \$8.0 million, or \$0.17 per share, and for the first six months of 2006, net earnings were \$16.8 million, or \$0.34 per share (for both of the 2006 comparable periods, the foreign exchange translation gains (losses) were minimal).

EBITDA for the second quarter of 2007 and the first half of 2007 was \$14.5 million and \$27.5 million, respectively, compared to \$33.7 million and \$56.2 million for the corresponding periods in 2006. Adjusted EBITDA for the first three and six months of 2007 was \$12.6 million and \$23.4 million, respectively, compared to \$23.6 million and \$43.3 million for the same periods in 2006.

The decline in operating earnings in both period-over-period comparisons reflected the sharp decline in North American structural lumber prices, lower operating rates, increased stumpage costs and, in the second quarter of 2007, a sharp rise in the value of the Canadian dollar relative to the US dollar and the Japanese yen. Partly offsetting these factors were stronger prices for the Company's cedar products, improved residual chip prices and a higher value sales mix.

Lumber shipments totalled 270 and 514 million board feet for the second quarter and first half of 2007, respectively, compared to 319 and 647 million board feet for the corresponding periods in 2006. The Company operated its U.S. Pacific Northwest sawmills at approximately 90% of capacity in the second quarter, with log availability and pricing improving slightly as the quarter progressed. At its B.C. operations, the Company's Queensboro plant continued to produce cedar and other specialty products on one shift, while the Hammond cedar mill continued to operate at 75% of capacity, due to ongoing log shortages. The Acorn and Adams Lake mills operated at full capacity. 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 current quarter declined 2.6% compared to the second quarter of 2006, with the Company's higher-value sales mix and higher cedar prices mostly offsetting the significant erosion of North American structural lumber prices and the stronger Canadian dollar. Those same factors also accounted for the significant majority of the 2.9% decrease in unit lumber sales values for the six months ended

June 30, 2007 compared to the corresponding period in 2006. The average Random Lengths Framing Lumber Composite Price was down US\$56 per mfbm, or 16.0%, for the current quarter compared to the second quarter of 2006, and US\$73 per mfbm, or 20.0%, for the first six months of 2007 compared to the first half of 2006. The Company's improved sales mix to date in 2007 reflects the shift of production to specialty products at its Queensboro and Gilchrist mills in order to reduce its exposure to North American structural lumber markets.

Pulp chip revenues for the three months ended June 30, 2007 increased \$6.8 million, or 78.7%, compared to the same quarter of 2006, with higher prices, driven by strong demand for residual chips and higher pulp prices, outweighing the impact of lower sales volumes from reduced sawmill operating rates. For the six months ended June 30, 2007, pulp chip revenues were up \$13.2 million, or 76.9%, over the comparable period in 2006, with the same factors largely accounting for the improvement. Other sales revenues for the three and six months ended June 30, 2007 decreased \$17.5 million and \$28.0 million, respectively, primarily reflecting the Company's sales in 2006 of its helicopter logging operation and assets ("Helifor") and B.W. Creative Wood Industries Ltd. ("BWC"), a secondary manufacturing operation.

Production costs for the second quarter of 2007 were down \$20.5 million, or 10.6%, compared to the same period in 2006, taking the year-to-date decline to \$62.2 million, or 16.4%, compared to the first half of 2006. The reduction in costs was primarily related to reduced costs associated with lower operating rates, the sale of the MacKenzie, BWC and Helifor operations in the second half of 2006, and strong cost management, partly offset by a sharp increase in stumpage rates on the B.C. Coast. Log production at the Company's B.C. operations was 626,000 and 992,000 cubic metres for the three and six month periods ended June 30, 2007, compared to 667,000 and 1,058,000 cubic metres for the corresponding periods in 2006.

The Canada/U.S. lumber export tax remained at 15% through the second quarter of 2007. The Company paid \$3.0 million in export taxes on shipments of 57 million board feet in the current quarter, taking total payments for the first half of 2007 to \$6.2 million on 112 million board feet. For the three and six month periods ended June 30, 2006, the Company paid \$5.4 million and \$10.6 million, respectively, in deposits for countervailing and antidumping duties on shipments of 103 and 210 million board feet.

Long term incentive compensation ("LTIC") expense for the second quarter of 2007 was \$2.8 million, compared to a recovery of \$1.6 million for the second quarter of 2006, in large measure due to an 11.4% increase in the Company's share price in the current quarter, in contrast to an 8.0% decline in the corresponding quarter of 2006. The LTIC expense for the first half of 2007 was \$4.8 million (six months ended June 30, 2006 – recovery of \$0.8 million).

Amortization and depletion expense for the current quarter was up \$1.6 million compared to the second quarter of 2006, due primarily to the completion of several major capital projects in early 2007, and additional road amortization in the current quarter.

In the current quarter, the Company sold additional surplus property and equipment for a pre-tax gain of \$1.9 million (included in "Other income"). In the same quarter of 2006, gains from the sale of surplus property, plant and equipment, consisting principally of the disposal of the Company's Squamish properties, amounted to \$10.1 million.

Net interest revenue (expense) increased \$1.5 million for the second quarter of 2007, compared to the same quarter of 2006, principally as a result of cash balances retained from the U.S. duty refund received in late 2006. Net interest revenue (expense) for the first half of 2007 was up \$3.4 million, substantially for the same reason.

SELECTED QUARTERLY FINANCIAL INFORMATION

Quarterly Earnings Summary

	2007		2006		2005			
	2 nd	1 st	4 th	3 rd	2 nd	1 st	4 th	3 rd
	(millions of dollars except share and per share amounts)							
Sales – Lumber	143.0	127.5	120.5	153.9	173.5	177.7	171.3	166.2
– Logs	33.2	19.4	32.6	31.4	22.0	17.2	25.9	28.2
– Wood chips and other by-products	17.1	16.0	12.1	11.3	9.3	9.1	8.6	9.0
– Other	2.1	1.7	9.3	12.6	19.7	12.2	11.5	12.3
Total Sales	195.4	164.6	174.5	209.2	224.5	216.2	217.3	215.7
Operating earnings (loss) before U.S. duty refunds, net, restructuring costs and asset write-downs	(3.5)	(1.8)	(2.4)	-	8.3	8.5	(0.6)	(2.8)
Operating earnings (loss)	(4.9)	(2.1)	94.5	-	0.3	8.9	(14.7)	(4.0)
Net earnings (loss)	(3.4)	0.6	77.2	1.6	8.0	8.7	(4.9)	4.7
Net earnings (loss) per share – basic	(0.07)	0.01	1.60	0.03	0.17	0.18	(0.10)	0.10
– diluted	(0.07)	0.01	1.58	0.03	0.16	0.18	(0.10)	0.10
EBITDA ³	14.5	13.0	115.0	14.5	33.7	22.6	19.4	23.9
Cash flow from operations per share ¹	0.18	0.37	1.83	0.29	0.44	0.39	0.03	0.18
Shares outstanding – end of period (millions) ²	47.6	47.8	48.1	48.3	48.4	48.7	48.7	48.7
– weighted average (millions)	47.8	48.0	48.2	48.4	48.6	48.7	48.7	48.7
Adjusted EBITDA ³	12.6	10.8	11.5	13.9	23.6	19.7	16.3	13.8

1 Cash generated from operations before taking account of changes in operating working capital.

2 As at July 25, 2007 the number of shares outstanding by class are: Class A Subordinate Voting shares – 46,584,576, Class B Common shares – 1,015,779, Total – 47,600,355.

- 3 EBITDA represents earnings before interest, taxes, depletion, amortization, restructuring costs, other foreign exchange gains or losses and asset write-downs. During the second quarter, 2007, the Company changed its definition of EBITDA to exclude other foreign exchange gains and losses. References to EBITDA in the Management's Discussion and Analysis have been restated on a retroactive basis to reflect the new definition. 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								
	2 nd	1 st	4 th	3 rd	2 nd	1 st	4 th	3 rd	
	(millions of dollars)								
Net earnings (loss)	(3.4)	0.6	77.2	1.6	8.0	8.7	(4.9)	4.7	
Add: Income taxes (recovery)	(4.5)	(0.3)	38.5	(1.3)	2.1	3.0	(6.3)	0.7	
Net interest (income) expense	(0.5)	(0.9)	0.5	0.9	1.0	1.0	1.3	1.3	
Interest income on U.S. duty refund, net of special charge	-	-	(12.7)	-	-	-	-	-	
Depletion and amortization	16.2	12.2	13.6	13.4	14.6	10.4	15.5	15.8	
Other foreign exchange (gains) losses	5.3	1.1	(2.1)	-	-	(0.2)	(0.3)	0.3	
Restructuring costs, asset write-downs and other	1.4	0.3	-	-	8.0	(0.4)	14.1	1.1	
EBITDA	14.5	13.0	115.0	14.5	33.7	22.6	19.4	23.9	
Deduct:									
U.S. duty refunds, net	-	-	96.9	-	-	-	-	-	
Other income	1.9	2.2	6.6	0.6	10.1	2.8	3.2	10.1	
Adjusted EBITDA	12.6	10.8	11.5	13.9	23.6	19.7	16.3	13.8	

Volume and Price Statistics

		2007				2006			2005	
		Quarters								
		2 nd	1 st	4 th	3 rd	2 nd	1 st	4 th	3 rd	
Lumber sales	(million fbm)	270	244	225	299	319	329	332	309	
Lumber production	(million fbm)	269	249	222	292	326	325	316	308	
Log sales ¹	(thousand cubic metres)	319	207	381	358	229	222	365	388	
Log production ¹	(thousand cubic metres)	626	366	616	707	667	391	634	712	
Average selling price – lumber ²	(\$/thousand fbm)	\$530	\$522	\$534	\$515	\$545	\$540	\$516	\$538	
Average selling price – logs ¹	(\$/cubic metre)	\$101	\$91	\$85	\$87	\$95	\$77	\$70	\$73	
Average selling price – pulp chips	(\$/thousand fbm)	\$54	\$56	\$49	\$35	\$26	\$25	\$24	\$25	

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 in the four most recent quarters, including the current quarter, related primarily to weak U.S. structural lumber markets, the strong Canadian dollar, and log pricing issues, which resulted in lower operating rates and lumber prices. The operating losses in the third and fourth quarters of 2005 were largely the result of weak product selling prices and the strong Canadian dollar.

CASH FLOW AND FINANCIAL POSITION

The Company generated cash flow from operations, before changes in working capital, of \$8.5 million for the current quarter, compared to \$21.3 million for the second quarter of 2006. The lower level of earnings in the current quarter largely accounted for the decrease. Cash from working capital decreased by \$10.2 million for the second quarter of 2007 (Quarter 2, 2006 – decrease of \$0.3 million), mostly due to increased sales volumes towards the end of the quarter.

Capital spending for the second quarter of 2007 totaled \$16.8 million (Quarter 2, 2006 - \$26.2 million), taking the year-to-date spending to \$33.2 million (six months ended June 30, 2006 - \$42.1 million). Spending in the current quarter consisted of \$6.7 million on high-return discretionary projects, \$1.0 million on maintenance projects, \$3.1 million on timber licences, and \$6.0 million on roads. Proceeds from the sale of the Company's surplus properties in the current quarter were \$2.6 million.

The Company renewed its Canadian and U.S. operating lines of credit on April 26, 2007. The maximum available operating credit under both lines is \$40.0 million and US\$10.0 million, respectively. As at June 30, 2007, the Canadian and U.S. lines were undrawn. Both lines mature on April 25, 2008.

The Company renewed its Canadian revolving term line ("Revolving Line") on April 26, 2007. The maximum borrowing available under the Revolving Line is \$10.0 million, with 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. As at June 30, 2007, the Revolving Line was undrawn.

As at June 30, 2007, the \$US non-revolving term line (“Non-Revolving Line”) remained fully drawn at US\$35.0 million (CAD\$37.3 million). The Non-Revolving Line matures on September 1, 2009.

At June 30, 2007, the Company’s cash was \$81.8 million and its net cash balance, after deducting the fully drawn non-revolving term line was \$44.5 million, or (10.9)% of invested capital. This compares favourably to net debt of \$13.7 million, or 3.3% of invested capital, at June 30, 2006. The Company’s total available unutilized credit under its current operating lines and term lines as at June 30, 2007 was approximately \$55.5 million.

B.C. COASTAL LABOUR NEGOTIATIONS UPDATE

The contract between Interfor’s B.C. Coastal manufacturing operations and the United Steelworkers Union (“USW”) expired in mid-June 2007. On July 21, the USW commenced strike action.

OUTLOOK

The Company expects that North American commodity markets will remain challenging through the balance of 2007, and into 2008, as the weakness in the U.S. housing market and rising numbers of defaults in the U.S. sub-prime mortgage market take their toll. Prices are not anticipated to show any marked improvement in the third quarter, and the export tax rate is likely to remain at 15% through the quarter.

Demand for cedar products is anticipated to remain relatively stable through the balance of 2007, although weaker prices have been noted for some products. In Japan, the housing market has started to soften, due to a decline in new home construction and product oversupply, and some downward pressure on prices is apparent. While the outlook for Japan in the third quarter is somewhat unclear, market conditions may show some improvement in September, ahead of the traditionally busy fall building season.

B.C. Coastal stumpage rates in the third quarter are expected to increase, reflecting higher average log prices in the second quarter of 2007. For the U.S. Pacific Northwest, a moderate improvement in log availability should lead to some downward pressure on log prices in the third quarter.

It remains unclear how long the current work stoppage at the B.C. Coastal manufacturing operations will be. With respect to other regions, the Company expects its U.S. Pacific Northwest sawmills to continue operating at 90% of capacity, and its B.C. Interior Adams Lake sawmill to run at 80% of capacity, in the third 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 second quarter of 2007, the Company purchased 367,600 Class A shares at a cost of \$3.3 million, or \$8.98 per share, under the current program, taking the total of Class A shares purchased to 801,800 at a cost of \$6.6 million, or \$8.23 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 six months ended June 30, 2007 and 2006 (unaudited)

(thousands of Canadian dollars except earnings per share)

	3 Months June 30, 2007	3 Months June 30, 2006	6 Months June 30, 2007	6 Months June 30, 2006
Sales	\$ 195,412	\$ 224,547	\$ 360,058	\$ 440,753
Costs and expenses:				
Production	172,487	193,007	317,175	379,382
Selling and administration	4,483	4,893	8,936	9,895
Long term incentive compensation	2,761	(1,596)	4,753	(841)
U.S. countervailing and antidumping duty deposits	-	5,397	-	10,574
Export taxes	3,035	-	6,171	-
Amortization of plant and equipment (note 6)	8,340	7,418	15,851	15,049
Depletion and amortization of timber, roads and other	7,828	7,153	12,525	9,941
	198,934	216,272	365,411	424,000
Operating earnings (loss) before restructuring costs	(3,522)	8,275	(5,353)	16,753
Restructuring costs (note 10)	(1,390)	(7,990)	(1,640)	(7,577)
Operating earnings (loss)	(4,912)	285	(6,993)	9,176
Interest expense on long-term debt	(728)	(800)	(1,524)	(1,562)
Other interest income (expense)	1,201	(230)	2,884	(472)
Other foreign exchange gain (loss)	(5,328)	-	(6,477)	151
Other income (note 9)	1,905	10,125	4,131	12,941
Equity in earnings of investee companies	(66)	715	367	1,559
	(3,016)	9,810	(619)	12,617
Earnings (loss) before income taxes	(7,928)	10,095	(7,612)	21,793
Income taxes (recovery):				
Current	(1,719)	(686)	(1,625)	(53)
Future	(2,780)	2,747	(3,155)	5,084
	(4,499)	2,061	(4,780)	5,031
Net earnings (loss)	(3,429)	\$ 8,034	\$ (2,832)	\$ 16,762
Net earnings (loss) per share (note 11)				
Basic	\$ (0.07)	\$ 0.17	\$ (0.06)	\$ 0.34
Diluted	\$ (0.07)	\$ 0.16	\$ (0.06)	\$ 0.34

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the six months ended June 30, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)

	6 Months June 30, 2007	6 Months June 30, 2006
Retained earnings, beginning of year	\$ 181,477	\$ 85,943
Net earnings (loss)	(2,832)	16,762
Retained earnings, end of period	\$ 178,645	\$ 102,705

See accompanying notes to consolidated financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)	3 Months June 30, 2007	3 Months June 30, 2006	6 Months June 30, 2007	6 Months June 30, 2006
Cash provided by (used in):				
Operating activities:				
Net earnings (loss)	\$ (3,429)	\$ 8,034	\$ (2,832)	\$ 16,762
Items not involving cash:				
Amortization of plant and equipment (note 6)	8,340	7,418	15,851	15,049
Depletion and amortization of timber, roads and other	7,828	7,153	12,525	9,941
Future income taxes (recovery)	(2,780)	2,747	(3,155)	5,084
Other assets	(487)	-	1,195	2,251
Reforestation liability	1,123	857	1,264	2,076
Other long-term liabilities	(268)	100	1,707	(265)
Share of earnings net (in excess) of cash distributions of investee companies (note 5)	66	(715)	4,002	(1,559)
Write-downs of property, plant, equipment and timber	-	5,868	-	5,868
Other	(1,925)	(10,125)	(4,172)	(12,650)
	8,468	21,337	26,385	42,557
Cash generated from (used in) operating working capital:				
Accounts receivable	(11,990)	(4,036)	(8,189)	(7,710)
Inventories	2,877	1,076	(1,097)	7,995
Prepaid expenses	(1,235)	(712)	(2,443)	(2,397)
Accounts payable and accrued liabilities	2,851	4,902	(18,633)	(284)
Income taxes	(2,752)	(1,567)	(25,218)	(1,259)
	(1,781)	21,000	(29,195)	38,902
Investing activities:				
Additions to property, plant and equipment	(7,716)	(18,752)	(18,446)	(31,683)
Additions to deferred start-up costs	-	-	(959)	-
Additions to logging roads and timber	(9,077)	(7,410)	(13,819)	(10,405)
Proceeds on disposal of property, plant, equipment, timber and roads	2,598	16,045	6,386	21,060
Investments and other assets	(103)	(311)	(566)	(1,024)
	(14,298)	(10,428)	(27,404)	(22,052)
Financing activities:				
Repurchase of share capital (note 8)	(3,310)	(2,695)	(5,997)	(2,695)
Issuance of share capital (note 8)	611	385	849	525
Increase (decrease) in bank indebtedness	-	(10,072)	(582)	(8,053)
	(2,699)	(12,382)	(5,730)	(10,223)
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	(5,000)	(440)	(5,004)	(313)
Increase (decrease) in cash	(23,778)	(2,250)	(67,333)	6,314
Cash on deposit, beginning of period	105,616	27,625	149,171	19,061
Cash on deposit, end of period	\$ 81,838	\$ 25,375	\$ 81,838	\$ 25,375
Supplementary disclosures (see also note 5)				
Cash interest paid (received)	\$ (473)	1,030	\$ (1,360)	\$ 2,034
Cash income taxes paid	778	633	23,250	885

See accompanying notes to consolidated financial statements



CONSOLIDATED BALANCE SHEETS

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

(thousands of Canadian dollars)

	June 30, 2007	Dec. 31, 2006	June 30, 2006
Assets			
Current assets:			
Cash (note 7(c))	\$ 81,838	\$ 149,171	\$ 25,375
Accounts receivable	58,937	50,748	45,621
Income taxes recoverable	-	-	1,884
Inventories	82,364	81,150	90,773
Prepaid expenses	6,848	4,405	7,957
Future income taxes	3,074	4,179	4,493
Current assets held for sale	-	-	5,071
	233,061	289,653	181,174
Investments and other assets (note 5)	8,637	13,360	10,116
Property, plant and equipment, net of accumulated amortization (note 6)	295,702	309,744	283,770
Timber and logging roads, net of accumulated depletion and amortization	48,686	47,597	52,704
Goodwill and other intangible assets	13,131	13,137	13,135
Future income taxes	2,630	445	1,843
Long-lived assets held for sale	3,233	1,210	4,899
	\$ 605,080	\$ 675,146	\$ 547,641
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness (note 7(a))	\$ -	\$ 582	\$ -
Accounts payable and accrued liabilities	76,737	95,370	82,401
Income taxes payable	2,221	27,439	-
Future income taxes payable	2	364	-
	78,960	123,755	82,401
Reforestation liability, net of current portion	14,474	13,210	17,318
Long-term debt (note 7(b))	37,289	40,789	39,067
Other long-term liabilities	10,309	8,602	8,281
Future income taxes	9,064	10,788	3,569
Shareholders' equity:			
Share capital (note 8)			
Class A subordinate voting shares	287,521	291,086	292,819
Class B common shares	4,080	4,080	4,080
Contributed surplus	6,137	7,720	7,880
Accumulated other comprehensive income (loss) (note 2)	(21,399)	(6,361)	(10,479)
Retained earnings	178,645	181,477	102,705
	454,984	478,002	397,005
	\$ 605,080	\$ 675,146	\$ 547,641

Commitments (note 15)

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 six months ended June 30, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)	3 Months June 30, 2007	3 Months June 30, 2006	6 Months June 30, 2007	6 Months June 30, 2006
Net earnings (loss)	\$ (3,429)	\$ 8,034	\$ (2,832)	\$ 16,762
Other comprehensive income (loss), net of income taxes (recovery):				
Net change in unrealized foreign currency translation gains (losses)	(13,978)	(4,815)	(15,038)	(4,108)
Other comprehensive income (loss)	(13,978)	(4,815)	(15,038)	(4,108)
Comprehensive income (loss)	\$ (17,407)	\$ 3,219	\$ (17,870)	\$ 12,654

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

For the six months ended June 30, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)	6 Months June 30, 2007	6 Months June 30, 2006
Accumulated other comprehensive loss, beginning of year (note 2)	\$ (6,361)	\$ (6,371)
Other comprehensive income (loss)	(15,038)	(4,108)
Accumulated other comprehensive loss, end of period	\$ (21,399)	\$ (10,479)

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 six months ended June 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 six months ended June 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 six months ended June 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 three months ended June 30, 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	Mapri Developments	Total
June 30, 2007				
Available line of credit	\$ 40,000	\$ 10,654	\$ -	\$ 50,654
Maximum borrowing available	40,000	10,654	-	50,654
Unused portion of line	35,011	10,526	-	45,537
Outstanding letters of credit included in line utilization	4,989	128	-	5,117
June 30, 2006				
Available line of credit	\$ 60,000	\$ 16,743	\$ 4,000	\$ 80,743
Maximum borrowing available	54,868	16,743	4,000	75,611
Unused portion of line	50,392	16,609	4,000	71,001
Outstanding letters of credit included in line utilization	4,476	134	-	4,610

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 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. 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 1¼%. The line of credit is secured by the accounts receivable and inventories of Interfor Pacific Inc. and is subject to certain financial covenants including a maximum ratio of total debt to total capitalization. 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. The Revolving Line has not been utilized since the fourth quarter of 2005, and remained undrawn as at June 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 (June 30, 2006 - \$90,000,000) 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 June 30, 2007, the \$US non-revolving term line (the "Non-Revolving Line") remains fully drawn at US\$35,000,000 (June 30, 2006 - US\$35,000,000) and was revalued at the month-end exchange rate to CAD\$37,289,000 (June 30, 2006 - CAD\$39,067,000). 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 six months ended June 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:

2007	\$	-
2008		-
2009		37,289
2010		-
2011		-
	\$	37,289

(c) Cash and cash equivalents

As at June 30, 2007, under the cash collateralization option of Operating Line and Revolving Line, the Company collateralized \$18,150,000 (June 30, 2006 - \$nil) of its cash balances to reduce its borrowing costs. 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 June 30, 2007	3 Months June 30, 2006	6 Months June 30, 2007	6 Months June 30, 2006
Acquisitions under normal course issuer bid				
Number of shares purchased and cancelled	367,600	386,600	714,600	386,600
Cost	\$ 3,310	\$ 2,695	\$ 5,997	\$ 2,695
Excess of cost of shares over assigned value charged to contributed surplus	1,040	306	1,583	306
Shares issued on exercise of options				
Number of shares	121,340	85,220	179,280	116,080
Proceeds	\$ 611	\$ 385	\$ 849	\$ 525

9. Other income:

	3 Months June 30, 2007	3 Months June 30, 2006	6 Months June 30, 2007	6 Months June 30, 2006
Gain on disposal of surplus property, plant and equipment, roads and timber	\$ 1,926	\$ 1,574	\$ 4,172	\$ 3,225
Gain on disposal of Marysville sawmill	-	-	-	874
Gain on disposal of surplus Squamish properties	-	8,534	-	8,534
Other (expense)	(21)	17	(41)	308
	\$ 1,905	\$ 10,125	\$ 4,131	\$ 12,941

In the first and second 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 \$6,386,000 and a gain of \$4,172,000.

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 \$8,534,000. In addition, all property, plant and equipment of Saltair Timber Products Limited and surplus equipment of Field Sawmill division on Vancouver Island, B.C. as well as surplus logging and other assets were sold in the 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 six months ended June 30, 2007 and 2006 (unaudited)

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

	3 Months June 30, 2007	3 Months June 30, 2006	6 months June 30, 2007	6 months June 30, 2006
Property, plant, equipment and timber write-downs	\$ -	\$ 5,868	\$ -	\$ 5,868
Severance and other restructuring costs	1,013	2,122	1,263	1,709
Other	377	-	377	-
	\$ 1,390	\$ 7,990	\$ 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 mitigation of certain restructuring costs which it feels it is entitled to under the terms of the Trust, but the amount of any additional mitigation is not yet determinable and will be recorded when the amounts can be estimated.

In the second quarter, 2006, the Company reviewed the valuation of certain B.C. coastal assets which it did not consider to be part of its future core operations. An impairment charge of \$5,868,000 was recorded in the quarter to reduce the carrying values of these assets to estimated fair values. The Company 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 June 30, 2007			3 months June 30, 2006		
	Net earnings (loss)	Shares	Per share	Net earnings (loss)	Shares	Per share
Basic earnings (loss) per share	\$ (3,429)	47,847	\$ (0.07)	\$ 8,034	48,639	\$ 0.17
Share options	-	708*	-	-	630	-
Diluted earnings (loss) per share	\$ (3,429)	47,847*	\$ (0.07)	\$ 8,034	49,269	\$ 0.16

	6 months June 30, 2007			6 months June 30, 2006		
	Net earnings (loss)	Shares	Per share	Net earnings (loss)	Shares	Per share
Basic earnings (loss) per share	\$ (2,833)	47,911	\$ (0.06)	\$ 16,762	48,660	\$ 0.34
Share options	-	651*	-	-	617	-
Diluted earnings (loss) per share	\$ (2,833)	47,911*	\$ (0.06)	\$ 16,762	49,277	\$ 0.34

*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 Pacific Northwest, U.S.A.

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

	3 Months June 30, 2007	3 Months June 30, 2006	6 Months June 30, 2007	6 Months June 30, 2006
Canada	\$ 67,904	\$ 66,470	\$ 122,160	\$ 121,866
United States	85,194	123,368	161,019	252,354
Japan	14,277	17,777	32,636	33,158
Other export	28,037	16,932	44,243	33,375
	\$ 195,412	\$ 224,547	\$ 360,058	\$ 440,753

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements
(Tabular amounts expressed in thousands except per share amounts)
Three and six months ended June 30, 2007 and 2006 (unaudited)

12. Segmented information (continued):

Sales by product line are as follows:

	3 Months June 30, 2007	3 Months June 30, 2006	6 Months June 30, 2007	6 Months June 30, 2006
Lumber	\$ 143,008	\$ 173,532	\$ 270,489	\$ 351,200
Logs	33,219	22,036	52,609	39,244
Wood chips and other by products	17,065	9,340	33,098	18,434
Other	2,120	19,639	3,862	31,875
	\$ 195,412	\$ 224,547	\$ 360,058	\$ 440,753

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

	June 30, 2007	Dec. 31, 2006	June 30, 2006
Canada	\$ 211,374	\$ 210,387	\$ 205,548
United States	149,378	161,301	148,960
	\$ 360,752	\$ 371,688	\$ 354,508

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 June 30, 2007	3 Months June 30, 2006	6 Months June 30, 2007	6 Months June 30, 2006
Defined contribution plan	\$ 406	\$ 364	\$ 1,007	\$ 839
Defined benefit plan	79	117	208	243
Unionized employees' pension plan	590	1,101	1,178	2,122
U.S. employees benefit plan	145	150	321	334
Senior management supplementary pension plan	117	22	207	112
Total pension expense	\$ 1,337	\$ 1,754	\$ 2,921	\$ 3,650

14. Financial instruments:

(a) Fair value of financial instruments:

At June 30, 2007, the fair value of the Company's long-term debt approximated its carrying value of \$37,289,000 (June 30, 2006 - \$39,067,000) 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 June 30, 2007, the Company has outstanding obligations to sell a maximum of Japanese ¥345,000,000 at an average rate of ¥104.46 to the CAD\$1.00 during 2007. As at June 30, 2007, the Company also has outstanding obligations to sell US\$10,000,000 at an average rate of 1.0662 to the CAD\$1.00 and €90,000 at an average rate of 1.4269 to the CAD\$1.00 during 2007. All foreign currency gains or losses to June 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-Revolver 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 \$3,122,000 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 six months ended June 30, 2007 and 2006 (unaudited)

15. Commitments:

The Company has undertaken obligations under various contracts totalling \$27,600,000 as at June 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. In addition, the Company was a successful bidder on a Non-replaceable Forest Licence in the B.C. Interior for the amount of \$5,221,000, which will be paid in the third quarter of 2007.



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