

**REMARKS to
AGM
by
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PRESIDENT & CEO
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Intro

2007 was a challenging year for Interfor ... and every other company involved in the North American wood products industry.

The collapse in new home construction in the U.S. had a material impact on demand and product prices. Starts peaked at an annualized rate of 2-3 million units in January 2006 and fell to a level of 1.0 million units by December 2007. And product prices, as measured by the Random Lengths' Composite Index, fell from US\$327 per thousand b.f. to US\$284 per thousand b.f.

In addition, the rising value of the C\$ – which gained 20% on the US\$ year-over-year – and the Coastal labour dispute had further negative impacts on our results.

All-in-all, Interfor lost \$13.3 million or \$0.28 per share in 2007 on sales of \$611 million. These results were significantly below those achieved in 2006 which were supported in part by the duty refund received under the Softwood Lumber Agreement.

In spite of this loss, Interfor performed better than other lumber companies in 2007. EBITDA was \$25.8 million or 4.2% of sales, placing Interfor, I believe, as the only publicly-traded wood products company in North America to achieve positive margins last year.

These results were directly attributable to the strategies employed by the Company in recent years to:

- diversify our product lines
- establish a diversified geographic base of operations
- monetize non-core and non-performing assets

I am also able to tell you that our Balance Sheet remained in great shape in 2007 with net debt of \$8.1 million or 1.9% of invested capital.

Strategic Positioning

In spite of the difficult operating environment, we were able to make significant progress on a number of strategic initiatives in 2007.

At Port Angeles, a new primary breakdown line was installed, along with a new log merchandizing system and a new planer. The new DLI came on line in the 1st quarter and was operating at pro-forma levels by the end of the 2nd month. Similar results were achieved with the merchandizer and planer. In our view, the Port Angeles mill now stacks up as one of the most efficient stud mills in North America and should generate attractive returns for the Company in the years ahead.

At Adams Lake, a new wood-fired energy system came on line in the 1st quarter. This project, which cost just under \$15 million, displaced the use of liquefied natural gas which was trucked to the site and should have a payback of less than 3 years.

The Adams Lake energy system is part of a Master Plan for that operation which began in 2003. The final stage of the Plan – the construction of a new sawmill – was authorized by our Board in April last year.

This project has a capital budget of \$100 million and incorporates state-of-the-art technology. Construction of the new mill is underway and is on-time and on-budget. The new mill is expected to commence start-up procedures in the 4th quarter of this year.

When completed, the new mill should be one of the most competitive – if not the most competitive – in the southern interior of B.C.

On the acquisition front, we announced an agreement in November to acquire 3 sawmills from Pope & Talbot as part of that Company's restructuring program.

The agreement involves the Castlegar and Grand Forks sawmills and timber tenures in the southern interior of B.C., as well as a sawmill in Spearfish, South Dakota.

Subsequent to announcing the transaction, an agreement was reached to sell the Spearfish mill to a local operator.

The 2 mills in B.C. will add critical mass to our B.C. interior operations and will broaden our product lines in both specialty and commodity grades.

The P & T transaction is expected to close on April 30.

Looking Forward

Every indicator we look at suggests that 2008 will be a difficult year for the wood products industry. In all likelihood, 2009 will be difficult as well.

The extent of the U.S. sub-prime mortgage problem and its impact on house construction and the economy in general is only now beginning to come into view, and we fear the worst is yet to come.

That said, we believe that conditions are in place for a significant up-tick when the U.S. housing market rebounds.

In that respect, it is our strategy to position Interfor for long-term success. I believe we are on track to achieve our goals.

Q1 2008

Turning to the 1st quarter of 2008, I am able to report to you that Interfor lost \$1.1 million or \$0.02 per share in the quarter.

This loss includes restructuring costs of \$1.5 million or \$0.03 per share after tax, and \$1.2 million or \$0.02 per share in continuing costs associated with Queensboro plant which has been curtailed indefinitely while we pursue alternatives for that operation.

EBITDA in the quarter was \$8.5 million or 7.4% of sales. Cash from operations was \$24.0 million after changes in working capital.

U.S. housing starts fell through the quarter, dropping below 1 million units in March for the first time since May 1991.

Unfortunately, production curtailments have not kept pace with falling demand, and commodity prices are well below breakeven levels on most items.

Our results were supported in the 1st quarter – as they were last year – by strong performance in our Canadian specialty operations and by disciplined production management.

In the face of this challenging environment, our key focus areas for 2008 remain unchanged.

From an operational standpoint, we will remain disciplined on the production side and we will maintain tight control over cash.

Strategically, we are focused on completing the Adams Lake project and the P & T and Weyerhaeuser transactions – which was announced early in the first quarter – and integrating those operations into our fold.

Closing

On December 19th last year, Bill Sauder, Interfor's founder and chairman, passed away following a brief illness.

I had the privilege of working along side Bill for almost 10 years.

He was a man of outstanding character and integrity who made a tremendous contribution to our Company, our industry and to the community-at-large.

He was a tremendous resource for me and for everyone at Interfor. I, and we, miss him deeply.

While Bill may not be with us here today, his legacy will live on. And it is my personal pledge to do everything I can to ensure that Interfor continues to form a positive legacy in the name of Bill Sauder.

At the same time, I would like to say how much I am looking forward to working with Lawrence Sauder, who was elected as Chairman of the Board in February this year. Lawrence is intimately familiar with Interfor and with the challenges and opportunities facing our industry and has already shown a sense of energy and enthusiasm for his new role.

On behalf of Interfor's Board of Directors and Management, I would like to thank you for being here today.

We have made significant progress in recent years. We're in great shape to weather the challenges before us and to succeed in the years ahead.

Thank you for your support.