

**REMARKS to
AGM
by
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PRESIDENT & CEO
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Financial Results

2008 was one of the most difficult years in the lumber business in decades.

The global financial crisis, with its roots in the sub-prime mortgage market in the United States, spread rapidly in mid-year, resulting in a full blown collapse in housing sales and new home construction in the last few months of the year.

Rapidly falling demand outpaced contractions in supply and lumber prices were off 12% compared to 2007. Average prices in December were off 26% compared with December 2007.

In the face of these difficult conditions, Interfor lost \$16.4 million or \$0.35 per share in 2008.

Including a restructuring provision relating to the closure of our former Queensboro sawmill and a valuation allowance against future income tax assets, the Company's net loss was \$57.2 million or \$1.21 per share.

The book value of the Company's shares ended the year at \$8.63 compared to \$9.14 at the end of 2007.

In spite of the loss, Interfor performed better than other lumber companies in 2008. EBITDA was \$12.3 million, or 2.8% of sales, placing Interfor, I believe, as the only publicly-traded lumber company in North America to achieve positive margins last year, as was the case in 2007.

And, when many of our competitors were forced to seek protection from creditors or to issue equity on unfavourable terms, Interfor's balance sheet remained one of the best in the sector, with net debt equal to 29% of invested capital.

Strategic Positioning

In spite of the challenges faced by the industry in 2008, we stayed true to our strategy of positioning for long-term success.

Construction of the new Adams Lake sawmill, which began in 2007, gained momentum in 2008.

A total of \$64.6 million was spent on the project in 2008, bringing the total spent-to-date to \$84.2 million.

We also took advantage of opportunities to broaden our regional and product mix in 2008 with the acquisition of two mills from Pope & Talbot in the Southern B.C. Interior and the purchase of Portac's operation on the Olympic Peninsula in Washington State.

And, finally, we reached agreement last year to acquire a timber tenure in the Kamloops region to support the new mill at Adams Lake. The closing of this transaction has been delayed for a number of reasons, but should be completed later this year.

All-in, Interfor's lumber capacity now sits at 1.6 billion board feet, double what it was 5 years prior and in the top ten in North America.

More significantly, the quality of our assets, our regional and product profile and our cash generating capability have been enhanced at the same time, as has the inherent value of our Company.

Adams Lake

Nothing characterizes our approach better than the new mill at Adams Lake.

The new mill is the final piece of a Master Plan for the operation which began in 2003.

The mill project has a capital budget of \$100 million and incorporates state-of-the-art technology.

I am pleased to say the project has been completed on-budget and this Monday past, began its start-up procedures.

We are excited to reach this stage and look forward to Adams Lake making a significant contribution to our Company in the years ahead.

Q1 2009

Turning to the 1st quarter of 2009, I can tell you that business conditions continue to be very weak.

Housing starts in the U.S. averaged 523,000 units on a seasonally adjusted basis in the first quarter. To put this number into context, it is 20% below the fourth quarter of last year, 50% below the 1st quarter of 2008 and a full 75% below the peak in 2005.

The industry was slow to react to declining consumption and lumber prices fell accordingly.

Commodity prices were off US\$30 per thousand board feet or 16% quarter-over-quarter.

More significant for us, was a significant drop in activity levels and prices in our cedar business. Our Japanese business was negatively affected as well.

The net result was a loss of \$13.6 million or \$0.29 per share in the quarter.

Cash from operations after changes in working capital was \$19.2 million as cash extracted from inventories and accounts receivable and from income tax refunds more than offset the loss from operations.

Capital spending amounted to \$13.1 million, including \$12.0 million at Adams Lake.

As a result, net debt dropped to \$160 million or 28% of invested capital.

And, on March 30th, we announced that agreement had been reached to sell our former Queensboro mill site to the Port of Vancouver for \$30.1 million. The sale is subject to the approval of the Minister of Transport, Canada, and is expected to close in the 3rd quarter.

Also during the 1st quarter we announced that agreement had been reached with the members of our banking syndicate to amend and extend our credit facilities. The net result of these changes was to add \$30 to \$35 million in additional liquidity to the Company's resources.

Outlook

As we look forward, there is no escaping the impact of the on-going U.S. recession and the overhang of unsold homes on the U.S. housing market.

While some of the key fundamentals are beginning to improve, there is little prospect of material improvement in the market in the near term.

Matching production levels to demand is the key.

In that regard, Interfor has continually demonstrated discipline in production and inventory management and we have no intention of modifying our approach. It's apparent to us that traditional approaches don't work in markets like this. The issue is not unit costs, it is aggregate cash flow.

We have also curtailed all discretionary capital spending and have taken steps to reduce overhead costs. More will be done in the coming weeks.

While the balance of 2009 will be challenging, Interfor has significant staying power and is well-positioned to be successful in the long-term. We have confidence in our business strategy and remain absolutely convinced we are on track to build significant value for our shareholders.

On behalf of Interfor's directors and management, I would like to thank you for being here today.

And thank you for your patience and support.