



International Forest Products Limited

Vancouver, B.C.

July 23, 2009

Weak Markets and Strong C\$ Impact Interfor's 2nd Qtr Results

New Adams Lake sawmill commences operations; performance exceeds expectations

INTERNATIONAL FOREST PRODUCTS LIMITED ("Interfor" or the "Company") (TSX: IFP.A) reported a net loss of \$15.0 million (\$0.32 per share) for the second quarter of 2009, compared to a net loss of \$13.6 million (\$0.29 per share) in the first quarter of 2009 and a net loss of \$27.7 million (\$0.59 per share) in the second quarter of 2008.

Included in the results for the second quarter was an expense of \$0.8 million or \$0.02 per share related to the start-up of the Company's new Adams Lake sawmill, which commenced operations on April 20th.

The loss for the second quarter of 2009 reflects a continuation of weak markets for the Company's products and the strong C\$, which averaged US\$0.855 in the quarter versus US\$0.804 in the first quarter of 2009, peaking in early June at US\$0.925.

New home construction in the United States continues to be severely impacted by the economic downturn. Housing starts came in at a seasonally adjusted rate of 541,000 units in the second quarter, up 2% from the first quarter, but 47% below the second quarter of 2008 and one-quarter the peak level recorded in early 2006. In Japan, housing starts through May were 31% lower than the same period in 2008.

The trend in pricing levels was mixed in the quarter. North American commodity prices firmed in the latter half of the quarter as seasonal buying activity and production curtailments impacted demand/supply balances. SPF 2X4 gained US\$20 per thousand or 13% quarter-over-quarter. Pine industrials were up as well as mill closures impacted supply and low-grade firmed as demand from China and other offshore markets more than offset weakness in North America.

Cedar, on the other hand continued to adjust downwards, with some items off as much as 10-15%, while key Japanese grades were off 8-10%.

In the face of weak markets, Interfor continued to actively curtail production in the second quarter. All-in, production totalled 115 million board feet compared to 121 million board feet in the first quarter and 128 million board feet in the second quarter of 2008.

Log production at the Company's Canadian operations was 312,000 m³, up from 72,000 m³ in the first quarter, but still well below the 679,000 m³ produced in the second quarter of 2008. In the U.S., log procurement was matched against mill consumption.

Lumber sales, including wholesale volumes, totalled 131 million board feet compared to 122 million board feet in the first quarter and 125 million board feet in the same quarter last year. The average selling price of lumber sold in the quarter was \$477 per thousand board feet, up \$15 or 3% versus the first quarter, but down \$181 or 28% versus the same period in 2008.

EBITDA was negative \$7.3 million in the second quarter compared to negative \$7.7 million in the first quarter.

Cash from operations after working capital changes was negative \$1.3 million; capital spending amounted to \$7.2 million, including \$5.8 million at Adams Lake. Net debt ended the quarter at \$162.8 million versus \$160.1 million at the end of the first quarter.

As mentioned above, the new Adams Lake sawmill commenced operations in the second quarter on a one shift basis. By its seventeenth shift, the mill was operating in excess of its pro forma target on a production per hour basis. In June, the mill averaged 106% of pro forma on a production per hour basis.

"We are delighted with the performance of Adams Lake", said Duncan Davies, Interfor's President and Chief Executive Officer. "Tremendous credit goes to the project and operating groups at Adams Lake who have delivered the project on-time and on-budget and have achieved a world-class start-up."

"Adams Lake reflects the standard of our operations", Davies said. "The design and performance characteristics of the mill are similar to the new line installed at our Port Angeles mill in 2007. We believe Adams Lake, like Port Angeles, is

very well positioned to take advantage of the market recovery, when it comes, and will generate very attractive returns in the years ahead.”

Although housing starts have improved in recent months, there is little reason to believe that product demand will improve in any material way through the balance of the year. Economic conditions remain uncertain, the inventory of unsold homes remains high and the prospect of additional foreclosures continues to overhang the market. The price of dimension and other structural products has tailed off in recent weeks, with SPF 2X4 currently in the US\$175-\$180 range. The C\$ continues to strengthen and currently sits at US\$0.921. More positively, prices for most cedar grades have stabilized and in some cases increases have been realized. Japan grades are expected to remain flat over the balance of the year.

In the face of weak demand and volatile currency rates, Interfor will continue to operate on a reduced scale, with a clear priority on managing for cash and ensuring the Company is positioned to take advantage of the market turn-around when it occurs. All discretionary capital spending remains curtailed.

The sale of the Company’s Queensboro property, which was announced in March, is on-track to close in the third quarter.

At June 30, the Company had unused credit available of \$70 million under its various syndicated credit facilities. These facilities, along with the proceeds of the Queensboro sale, are expected to provide sufficient resources to meet the Company’s foreseeable requirements.

FORWARD-LOOKING STATEMENTS

This release contains information and statements that are forward-looking in nature, including, but not limited to, statements containing the words “will” and “is expected” and similar expressions. Such statements involve known and unknown risks and uncertainties that may cause Interfor’s actual results 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 Interfor’s 2008 Annual Report and management information circular available on www.sedar.com. The forward-looking information and statements contained in this report are based on Interfor’s current expectations and beliefs. Readers are cautioned not to place undue reliance on forward-looking information or statements. Interfor undertakes no obligation to update such forward-looking information or statements, except where required by law.

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 two sawmills in the Coastal region of British Columbia, three in the B.C. Interior, two in Washington and two in Oregon. For more information about Interfor, visit our website at www.interfor.com.

There will be a conference call on Friday, July 24, 2009 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, 2009 Financial Results.

The dial-in number is **1-866-323-8540**. The conference call will also be recorded for those unable to join in for the live discussion, and will be available until August 8, 2009. The number to call is **1-866-245-6755 Passcode 610378**.

For further information:

John A. Horning
Senior Vice President, Chief Financial Officer and Corporate Secretary
(604) 689-6829



International Forest Products Limited

Second Quarter Report

For the three and six months ended June 30, 2009

Management's Discussion and Analysis

Dated as of July 23, 2009

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, 2009 relative to 2008, 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, 2009 and 2008, and Interfor's Annual Information Form, Consolidated Financial Statements and Annual MD&A for the years ended December 31, 2008 and 2007 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 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 reports contains information and statements that are forward-looking in nature, including, but not limited to, statements containing the words "believe", "may", "will", "expects", "estimates", "projects", "continue", "anticipates", "intends", and similar expressions. Such statements involve known and unknown risks and uncertainties that may cause Interfor's actual results 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 Interfor's 2008 Annual Report available on www.sedar.com. The forward-looking information and statements contained in this report are based on Interfor's current expectations and beliefs. Readers are cautioned not to place undue reliance on forward-looking information or statements. Interfor undertakes no obligation to update such forward-looking information or statements, except where required by law.

Review of Operating Results

Overview

Interfor reported a net loss for the second quarter of 2009 of \$15.0 million, or \$0.32 per share, and a net loss for the six months ended June 30, 2009 of \$28.6 million, or \$0.61 per share. This compares to a net loss of \$27.7 million, or \$0.59 per share, for the second quarter of 2008, and a net loss of \$28.6 million, or \$0.61 per share, for the first six months of 2008.

EBITDA for the second quarter of 2009 and the first half of 2009 was negative \$7.3 million and \$15.1 million, respectively, compared to positive \$2.5 million and \$11.0 million for the corresponding periods in 2008. Adjusted EBITDA for the second quarter and first half of 2009 was negative \$7.3 million and negative \$15.7 million, respectively, compared to positive \$1.9 million and \$10.4 million for the same periods in 2008.

Before restructuring costs, foreign exchange gains (losses) and other one-time items, the Company's net loss for the second quarter of 2009 amounted to \$15.1 million or \$0.32 per share as compared to a net loss of \$7.0 million, or \$0.15 per share for the second quarter of 2008, and a net loss of \$28.4 million, or \$0.60 per share for the first half of 2009 as compared to a net loss of \$6.1 million, or \$0.13 per share in the corresponding period in 2008. Included in

the second quarter results of 2008 were restructuring costs totalling \$21.3 million, after tax, related primarily to the permanent closure of the Queensboro sawmill, located in New Westminster, B.C.

The forest sector downturn, led by a collapse in the U.S. housing sector, has seen housing starts dropped to one quarter of their peak in 2005. The impacts of the U.S. housing downturn have been exacerbated by a global recession, a volatile Canadian dollar, and the impact of Canadian export taxes on U.S. shipments.

U.S. home buyers continued to be reluctant to re-enter the housing market. Activity amongst builders and lumber retailers remained slow due to the significant inventory of homes on the market, with inventories of unsold new homes in the U.S. exceeding 10 months' supply for the fifteenth straight month. Extensive industry curtailments in all regions and seasonal consumption generated some increased demand among buyers, but price gains were fragile and dependent upon the extent of curtailments. A number of customers operated a just-in-time buying policy to control inventories and limit their downside exposure.

Sales realizations and closing inventory valuations were significantly impacted by low product demand and weak product pricing for the second quarter of 2009, and the first half of 2009, resulting in sizeable operating losses for both periods.

The Company continued to proactively curtail production in all operations in the second quarter in response to decreased product demand.

Sales

Additional sales volumes from the sawmills acquired in mid and late 2008 and new wholesale programs in 2009 more than offset lower operating rates as compared to 2008. Compared to the same periods in 2008, lumber shipments were up 5.7 million board feet, or 4.6%, for the second quarter of 2009, and up 14.3 million board feet, or 6.0%, for the first half of 2009. A sizeable shift in sales mix away from higher-value cedar products and significantly weaker lumber prices for all products overshadowed any positive impact of the weakened Canadian dollar, down on average relative to its U.S. counterpart by 15.8% for the quarter, and 19.8% for the first half, when compared to corresponding periods in 2008. Unit lumber sales values were lower by \$181 per mfbm, or 27.5%, for the quarter and \$195 per mfbm, or 29.3%, for the first six months, relative to the same periods in 2008.

In comparison to the same periods of 2008, log sales were down \$12.6 million, or 49.2%, for the second quarter, and \$30.7 million, or 54.3%, in the first half of 2009, as the demand for logs fell in conjunction with the downturn in lumber demand and logging activity was dramatically reduced. The average log sales value declined to \$56 per cubic metre in the second quarter of 2009, as compared to \$79 per cubic metre in the same quarter of 2008, and to \$55 per cubic metre in the first half of 2009, as compared to \$77 per cubic metre for the first half of 2008, reflecting a change in sales mix to lower grade and pulp logs, and lower cedar sales values.

Pulp chip and other by-product revenues for the second quarter of 2009 were down \$1.4 million, or 19.6%, compared to the second quarter of 2008, but up \$0.4 million, or 3.2% for the first half of 2009 as compared to the first half of 2008. The 2009 impact of reduced sawmill operating rates on sales volumes was partially mitigated by the additional volumes generated by the additional sawmills acquired in 2008. Average chip prices were down \$7 per mfbm, or 14.7%, for the second quarter, 2009 and \$1 per mfbm, or 2.3%, for the first half, 2009, as compared to same periods of 2008, reflecting reduced demand resulting from a global decline in pulp and newsprint markets offset slightly by the weakened Canadian dollar.

Operating Costs

Production costs for the second quarter of 2009 were down \$27.8 million, or 25.1%, and \$47.9 million, or 22.6%, for the first half of 2009, compared to the same periods in 2008, primarily as a result of significant market related curtailments in manufacturing and logging, partially offset by an increase in lumber production for the first half of 2009 resulting from the sawmills acquired in 2008. Lumber production decreased by 12.5 million board feet, or 9.8%, for the second quarter, 2009 compared to the second quarter, 2008, but increased slightly by 4 million board feet, or 1.7%, for the first half, 2009, compared to the same period in 2008.

Compared to the same periods in 2008, B.C. log production was reduced by 367,100 cubic meters, or 54.1%, for the second quarter of 2009, and 706,500 cubic metres, or 64.8%, for the first six months of 2009, with a substantial volume of logs in 2008 harvested through heli-logging, resulting in significantly higher costs for the comparative period. In order to lower inventory levels and match production to consumption, log production has been dramatically curtailed in 2009 to date. Poor demand continued to reduce log prices in the U.S. Pacific Northwest into the second quarter of 2009, but the positive impact on production costs was eclipsed by the weakened Canadian dollar.

The Canada/U.S. lumber export tax remained at 15% through the first half of 2009. Export taxes totalled \$0.9 million for the second quarter, 2009, compared to \$1.2 million for the second quarter, 2008, and \$1.4 million for the first half of 2009, compared to \$2.1 million for the first half of 2008. These declines correspond to a drop of 6 million board feet in shipments to the U.S. for the second quarter, 2009, and 12 million board feet for the first half, 2009 compared to the same periods of the previous year. Export taxes were also impacted by the weakened Canadian dollar and lower prices.

The change in selling and administrative costs for the second quarter and the first half of 2009 was negligible, as compared to the corresponding periods of 2008, despite the addition of three sawmills in mid and late 2008.

The 38.2% increase in the Company's share price for the first half of 2009 was reflected in long term incentive compensation ("LTIC") expense of \$1.0 million, as compared to a LTIC recovery of \$0.4 million for the first half of 2008.

Amortization and depletion expense for the second quarter of 2009 was down \$3.5 million, or 27.0%, compared to the same quarter of 2008 and down \$6.1 million, or 27.9%, for the first half of 2009, compared to the same half of 2008, primarily as a result of lower operating rates for coastal logging operations.

Successful defence of a legal dispute resulted in a \$0.3 million recovery of costs previously accrued as restructuring expenses in the second quarter of 2009, partially offset by severance costs of \$0.2 million. The downsizing of the Company's workforce in response to reduced operating rates in the first half of 2009 resulted in restructuring costs for the first half of 2009 of \$1.3 million, partially offset by the recoveries recorded in the second quarter, 2009.

Restructuring costs in the second quarter of 2008 totalled \$30.6 million, and for the first half of 2008, \$32.8 million, arising primarily from the permanent closure of its Queensboro sawmill and comprised of severance, site remediation and impairment charges.

Interest, Other Foreign Exchange Gain (Loss), Other Income (Expense)

For the second quarter and first half of 2009, interest expense increased by \$1.2 million and \$2.4 million respectively as compared to the corresponding periods of 2008. The acquisition of several sawmills and related assets in mid and late 2008 and the construction of the Adams Lake sawmill increased the Company's debt level. This, coupled with higher borrowing rates all contributed to the increased interest expense in 2009.

Other foreign exchange gains (losses) were negligible for the second quarter of 2009 and 2008 and the first half of 2009 and 2008 as was Other income (expense) for the second quarter 2009. For the first half of 2009, the Company reported Other income (expense) of \$0.6 million, as it disposed of surplus capital assets, and its property and buildings in Maple Ridge, B.C. previously classified as held for sale. This compares to \$0.6 million reported in Other income (expense) from net compensation received under the *Forest Revitalization Act* and gains on disposal of surplus equipment for the second quarter and first half of 2008.

Foreign exchange losses and reduced shipment volumes caused a loss of \$0.3 million in equity income in the second quarter, 2009, for total equity income of \$0.2 million for the first half of 2009.

Income Tax

The Company has recorded a provision for recovery of income taxes in the second quarter and first half of 2009 of \$3.6 million and \$6.7 million, respectively, compared to \$13.9 million and \$16.3 million for the corresponding periods in 2008.

The effective tax rates of 19.4% for the second quarter of 2009 and 19.0% for the first half of 2009 are lower than the statutory Canadian tax rate of 30.0% primarily due to valuation allowances related to the future tax benefit of net operating losses.

Cash Flow and Financial Position

Cash used by the Company from operations, after changes in working capital, was \$1.3 million for the second quarter of 2009, compared to cash generated of \$6.2 million for the second quarter of 2008, as the dismal lumber markets significantly diminished cash earnings in 2009. For the six months ended June 30, 2009 the Company generated \$18.0 million cash from operations, after changes in working capital, compared to cash generated of \$30.2 million in the first six months of 2008. Significant production curtailments caused a drawdown of inventories by \$24.3 million and the carry back of 2008 tax losses resulted in the receipt of \$16.2 million in cash tax refunds in the first half of 2009.

Capital expenditures for the second quarter of 2009 were \$4.7 million, excluding changes in amounts accrued, and \$17.4 million year-to-date (Quarter 2, 2008 - \$21.0 million; first half, 2008 - \$34.7 million). Spending in the current quarter was predominantly the completion of the new Adams Lake sawmill which totalled \$3.3 million, and \$0.9 million on roads. For the first half of 2009, spending related to the construction of the new Adams Lake sawmill totalled \$14.8 million. Construction of the new sawmill at Adams Lake is substantially complete and the mill had a successful start-up which commenced on April 20, 2009 on a one-shift basis.

In the first half of 2009, the disposals of surplus property and buildings in Maple Ridge, B.C. combined with other minor sales of surplus equipment, generated proceeds of \$4.6 million and a gain of \$0.6 million.

On January 2, 2009, the Seaboard Limited Partnership declared an income distribution to its partners. Interfor's share was \$3.7 million and was paid to the Company by way of setoff against the promissory note payable to the Seaboard Limited Partnership in the first quarter of 2009.

The Company drew \$10.1 million against its bank indebtedness and Revolving Term Line during the second quarter of 2009, to fund the remaining construction costs of the new Adams Lake sawmill. Utilizing proceeds from asset sales, cash tax refunds, and the release of cash from working capital allowed the Company to make cash payments of \$10.0 million against its bank indebtedness and Revolving Term Line during the first quarter, 2009.

On April 21, 2009, the Company amended and extended its existing syndicated credit facilities. The existing Canadian Operating Line decreased from \$100.0 million to \$65.0 million and the maturity date was extended to April 23, 2010. As part of the amendment, margining availability was extended to include inventory domiciled in the United States. The Company's Revolving Term Line was increased from \$115.0 million to \$150.0 million, with no change to its maturity date of April 24, 2011. Except for an increase in pricing and the margining amendment, all other terms and conditions of the lines remained substantially unchanged. The net impact of this amendment is effectively to increase available liquidity by \$35.0 million. The Company expects to be able to extend all existing credit facilities as they become due.

As a result of the extension of margining coverage, all U.S. working capital is included in the Company's syndicated operating facility and the US\$10.0 million U.S. Operating Line was not extended when it matured on April 24, 2009.

All discretionary capital expenditures will remain curtailed until global market indicators show significant and sustained improvement. Based on current pricing projections, expected proceeds from surplus assets held for sale and existing credit lines, the Company believes it has sufficient resources to fund any shortfall from operations, interest payments, and essential capital expenditures.

At June 30, 2009, the Company had cash of \$1.8 million. After deducting the Company's bank indebtedness and drawings under its Revolving Term Line and Non-Revolving Term, the Company ended the quarter with net debt of \$162.8 million or 30.6% of invested capital.

Selected Quarterly Financial Information

Quarterly Earnings Summary	2009		2008		2007			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	(millions of dollars except share and per share amounts)							
Sales – Lumber	62.3	56.5	65.6	73.4	82.2	76.2	70.7	93.2
– Logs	13.0	12.8	18.3	28.8	25.7	30.9	35.6	30.3
– Wood chips and other by-products	5.9	7.4	8.8	8.9	7.4	5.5	7.2	10.0
– Other	0.6	0.6	0.8	0.9	2.1	1.8	1.9	2.0
Total Sales	81.8	77.3	93.5	112.0	117.4	114.4	115.4	135.5
Operating loss before restructuring costs and asset write-downs	(16.4)	(15.2)	(8.1)	(12.8)	(11.7)	(1.0)	(15.1)	(4.3)
Operating loss	(16.3)	(16.3)	(8.9)	(14.1)	(42.2)	(3.2)	(15.4)	(4.3)
Net loss	(15.0)	(13.6)	(18.7)	(8.1)	(27.7)	(0.9)	(8.8)	(1.4)
Net loss per share – basic and diluted	(0.32)	(0.29)	(0.40)	(0.17)	(0.59)	(0.02)	(0.19)	(0.03)
EBITDA ³	(7.3)	(7.7)	2.0	0.7	2.5	8.5	(4.6)	8.9
Cash flow from operations per share ¹	(0.23)	(0.22)	0.12	0.06	(0.06)	0.22	(0.05)	0.10
Shares outstanding – end of period (millions) ²	47.1	47.1	47.1	47.1	47.1	47.1	47.1	47.1
– weighted average (millions)	47.1	47.1	47.1	47.1	47.1	47.1	47.1	47.4
Adjusted EBITDA ³	(7.3)	(8.4)	1.7	0.1	1.9	8.5	(4.7)	7.2

- 1 Cash generated from operations before taking account of changes in operating working capital.
- 2 As at July 23, 2009, the number of shares outstanding by class are: Class A Subordinate Voting shares – 46,101,476 Class B Common shares – 1,015,779, Total – 47,117,255.
- 3 EBITDA represents earnings before interest, taxes, depletion, amortization, restructuring costs, other foreign exchange gains and losses, and asset write-downs. The Company discloses EBITDA as it is a measure used by analysts 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 other income.

EBITDA and Adjusted EBITDA can be calculated from the Statements of Operations as follows:

	2009		2008			2007		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	(millions of dollars)							
Net loss	(15.0)	(13.6)	(18.7)	(8.1)	(27.7)	(0.9)	(8.8)	(1.4)
Add: Income taxes (recovery)	(3.6)	(3.1)	10.4	(5.2)	(13.9)	(2.4)	(7.0)	(1.7)
Interest expense (income)	2.0	1.6	2.5	1.5	0.8	0.4	0.2	(0.1)
Depletion and amortization	9.5	6.3	7.8	11.3	13.0	8.8	10.5	11.4
Other foreign exchange (gains) losses	(0.1)	-	(0.9)	-	(0.4)	0.4	0.2	0.7
Restructuring costs, asset write-downs and other	(0.1)	1.1	0.8	1.3	30.6	2.2	0.3	-
EBITDA	(7.3)	(7.7)	2.0	0.7	2.5	8.5	(4.6)	8.9
Deduct:								
Other income (expense)	-	(0.6)	(0.3)	0.6	0.6	-	0.2	1.7
Adjusted EBITDA	(7.3)	(8.4)	1.7	0.1	1.9	8.5	(4.7)	7.2

Volume and Price Statistics

		2009		2008			2007		
		Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Lumber sales	(million fbm)	131	122	133	132	125	113	161	196
Lumber production	(million fbm)	115	121	118	148	128	104	150	187
Log sales ¹	(thousand cubic metres)	216	200	236	372	312	399	382	315
Log production ¹	(thousand cubic metres)	312	72	290	501	679	411	373	401
Average selling price – lumber ²	(\$/thousand fbm)	\$477	\$462	\$494	\$555	\$658	\$672	\$441	\$476
Average selling price – logs ¹	(\$/cubic metre)	\$56	\$54	\$69	\$70	\$79	\$75	\$91	\$95
Average selling price – pulp chips	(\$/thousand fbm)	\$40	\$46	\$58	\$48	\$47	\$41	\$37	\$43

1 B.C. operations

2 Gross sales before export taxes

Quarterly trends normally reflect the 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.

The impact of the global recession on overall demand, lower lumber prices and a weakening Canadian dollar increased the operating losses in the fourth quarter of 2008 and the first two quarters of 2009. The decrease in operating earnings for the quarters in 2007 and the first three quarters in 2008 related primarily to weak U.S. structural lumber markets, and the stronger Canadian dollar. For the fourth quarter of 2007, strike action also contributed to lower reported operating earnings. All of these factors contributed to lower operating rates and lumber sales realizations in the applicable periods.

Agreement to Purchase Timber Assets from Weyerhaeuser

On July 3, 2009, the Company finalized a revised agreement to acquire a timber tenure and related reforestation liabilities in the Kamloops region from Weyerhaeuser Company Limited. The transfer of the tenure requires regulatory

approval. Subject to receiving the required approval, the Company expects to conclude this transaction before the end of 2009. This agreement replaces the agreement dated February 18, 2008 which was previously disclosed.

Agreement to Sell Former Queensboro Sawmill Site

On March 30, 2009, the Company announced it entered into an agreement with Port Metro Vancouver ("the Port") for the sale of its former Queensboro mill site for \$30.1 million. The agreement remains subject to the Port obtaining final approval from the Minister of Transport, Canada, anticipated in late July, 2009, with the transaction expected to close in the third quarter, 2009. The site continues to be classified as held for sale.

Accounting Policy Changes

Effective January 1, 2009, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and Intangible Assets* on a retrospective basis. This section replaces CICA Handbook Section 3062, *Goodwill and Intangible Assets*, and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of various preproduction and start-up costs and requires that these costs be expensed as incurred, with the concurrent withdrawal of CICA Emerging Issues Committee Abstract 27 ("EIC 27").

The Company previously deferred start-up costs on major plant construction to the extent these costs met the criteria under EIC 27 and the site met sustainable production levels defined as the earlier of:

- (a) Seventy percent of production capacity for two consecutive months; or
- (b) Six months

and to a maximum of twenty percent of the total project.

Start-up costs were amortized over five years on a straight-line basis.

The Financial Statements have been restated on a retrospective basis to reflect the requirements of the new standard.

Future Accounting Policy Changes

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian generally accepted accounting principles ("Canadian GAAP") will be converged with International Financial Reporting Standards ("IFRS") for fiscal years commencing January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS.

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement, and disclosures. The Company commenced its IFRS conversion project in 2008 with the provision of training to key employees. In the first quarter of 2009, the Company assembled a cross functional team, providing additional training to team members and commencing a high level review of its financial statement elements to identify major differences between Canadian GAAP and IFRS as applicable to the Company. Additional team members were engaged in the second quarter, with further technical training provided, and subject matter specialists were identified.

In the second quarter, the Company made significant progress in identifying and documenting areas of difference between Canadian GAAP and IFRS, identifying alternative policies, and determining high level impacts. As subject areas reach completion, recommendations will be brought forward to the Company Executive for approval prior to implementation.

The Company will consult with outside experts, as required. Progress is on schedule.

Changes in accounting policies are likely. These changes may materially impact the Company's consolidated financial statements.

Controls and Procedures

There were no changes in the Company's internal controls over financial reporting ("ICFR") during the quarter ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Critical Accounting Estimates

There were no material changes to the Company's critical accounting estimates during the quarter ended June 30, 2009. For a full discussion of critical accounting estimates, please refer to the Company's discussion in its MD&A for the year ended December 31, 2008 as filed on SEDAR at www.sedar.com.

Outlook

Conditions in a number of financial markets have improved in recent weeks, reflecting, in part, the somewhat more encouraging economic data. However financial markets and financial institutions remain under considerable stress, and cumulative declines in asset prices, tight credit conditions and high levels of risk aversion continue to weigh on the economy.

Housing affordability in the U.S. is better than it has been in nearly 40 years and mortgage rates hit record lows in April, 2009. Lower financing costs, buyer incentives and low prices in the U.S. are beginning to stabilize the downturn in existing home sales. However, rising unemployment and poor consumer confidence are limiting any prospects for a meaningful economic recovery in the short-term. As a result, activity in the housing market remains well below normal with little prospect of any sustained or meaningful improvement in lumber demand in the near-term.

Consequently, the Company will continue to maintain its disciplined approach to production, focus on managing the business for cash generation, ensuring adequate liquidity is maintained and curtailing all discretionary capital spending.

Additional Information

Additional information relating to the Company and its operations can be found on its website at www.interfor.com, in the 2008 Annual Report and on SEDAR at www.sedar.com. Interfor's trading symbol on the Toronto Stock Exchange is IFP.A.



E. Lawrence Sauder
Chairman



Duncan K. Davies
President and Chief Executive Officer



CONSOLIDATED STATEMENTS OF OPERATIONS
For the three and six months ended June 30, 2009 and 2008 (unaudited)

(thousands of Canadian dollars except earnings per share)

	3 Months June 30, 2009	3 Months June 30, 2008 (restated - note 2)	6 Months June 30, 2009	6 Months June 30, 2008 (restated - note 2)
Sales	\$ 81,825	\$ 117,404	\$ 159,102	\$ 231,778
Costs and expenses:				
Production	82,712	110,484	163,960	211,851
Selling and administration	4,604	4,513	8,699	9,004
Long term incentive compensation expense (recovery)	590	(102)	991	(361)
Export taxes	870	1,180	1,371	2,116
Amortization of plant and equipment	6,186	5,643	11,161	11,033
Depletion and amortization of timber, roads and other	3,297	7,339	4,574	10,788
	98,259	129,057	190,756	244,431
Operating loss before restructuring costs	(16,434)	(11,653)	(31,654)	(12,653)
Restructuring (costs) recovery (note 10)	86	(30,592)	(987)	(32,832)
Operating loss	(16,348)	(42,245)	(32,641)	(45,485)
Interest expense on long-term debt	(1,650)	(700)	(2,864)	(1,218)
Other interest income (expense)	(332)	(120)	(738)	31
Other foreign exchange gain (loss)	119	379	103	(6)
Other income (expense) (note 9)	(18)	552	629	559
Equity in earnings (losses) of investee company	(343)	608	238	1,275
	(2,224)	719	(2,632)	641
Loss before income taxes	(18,572)	(41,526)	(35,273)	(44,844)
Income taxes (recovery):				
Current	1	(3,090)	-	(7,440)
Future	(3,600)	(10,777)	(6,700)	(8,827)
	(3,599)	(13,867)	(6,700)	(16,267)
Net loss	\$ (14,973)	\$ (27,659)	\$ (28,573)	\$ (28,577)
Net loss per share, basic and diluted (note 11)	\$ (0.32)	\$ (0.59)	\$ (0.61)	\$ (0.61)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
For the three and six months ended June 30, 2009 and 2008 (unaudited)

(thousands of Canadian dollars)

	3 Months June 30, 2009	3 Months June 30, 2008 (restated - note 2)	6 Months June 30, 2009	6 Months June 30, 2008 (restated - note 2)
Retained earnings, beginning of period	\$ 99,148	\$ 167,221	\$ 112,748	\$ 168,139
Net loss	(14,973)	(27,659)	(28,573)	(28,577)
Retained earnings, end of period	\$ 84,175	\$ 139,562	\$ 84,175	\$ 139,562

See accompanying notes to consolidated financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2009 and 2008 (unaudited)

(thousands of Canadian dollars)

	3 Months June 30, 2009	3 Months June 30, 2008	6 Months June 30, 2009	6 Months June 30, 2008
		(restated - note 2)		(restated - note 2)
Cash provided by (used in):				
Operating activities:				
Net loss	\$ (14,973)	\$ (27,659)	\$ (28,573)	\$ (28,577)
Items not involving cash:				
Amortization of plant and equipment	6,186	5,643	11,161	11,033
Depletion and amortization of timber, roads and other	3,297	7,339	4,574	10,788
Future income taxes (recovery)	(3,600)	(10,777)	(6,700)	(8,827)
Other assets	(541)	(268)	(521)	(297)
Reforestation liability	(1,042)	(2,981)	411	(2,591)
Other long-term liabilities	1,152	(71)	664	(116)
Share of earnings (losses) net (in excess) of cash distributions of investee company	343	(608)	(238)	(1,275)
Write-down of plant and equipment (note 10)	-	27,333	-	27,333
Foreign exchange loss (gain) on translation of long term debt	(1,571)	(382)	(1,120)	675
Other (note 9)	17	(594)	(634)	(622)
	(10,732)	(3,025)	(20,976)	7,524
Cash generated from (used in) operating working capital:				
Accounts receivable	(2,736)	(3,209)	3,723	1,193
Inventories	11,060	(10,343)	24,345	3,250
Prepaid expenses	762	(1,378)	2,081	(1,168)
Accounts payable and accrued liabilities	282	15,130	(7,390)	14,764
Income taxes	101	9,013	16,183	4,627
	(1,263)	6,188	17,966	30,190
Investing activities:				
Additions to property, plant and equipment	(6,321)	(15,965)	(19,194)	(25,611)
Additions to logging roads and timber	(858)	(5,257)	(1,113)	(7,897)
Proceeds on disposal of property, plant and equipment	200	837	4,584	865
Acquisition of Pope and Talbot sawmills and related timber assets	-	(49,418)	-	(49,418)
Deposit held in escrow for acquisition	-	9,007	-	8,943
Investments and other assets	(745)	435	(740)	63
	(7,724)	(60,361)	(16,463)	(73,055)
Financing activities:				
Increase (decrease) in bank indebtedness, net	143	682	(1,812)	682
Additions to long-term debt (note 7(b))	10,000	66,925	10,000	66,925
Repayments of long-term debt (note 7(b))	-	(38,925)	(8,000)	(38,925)
	10,143	28,682	188	28,682
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	(69)	591	(47)	(62)
Increase (decrease) in cash and cash equivalents	1,087	(24,900)	1,644	(14,245)
Cash and cash equivalents, beginning of period	741	28,450	184	17,795
Cash and cash equivalents, end of period	\$ 1,828	\$ 3,550	\$ 1,828	\$ 3,550
Supplementary disclosures				
Cash interest paid	\$ 1,982	\$ 820	\$ 3,602	\$ 1,187
Cash income tax refunds received	97	13,336	16,179	13,336

See accompanying notes to consolidated financial statements



CONSOLIDATED BALANCE SHEETS
June 30, 2009 (unaudited) and December 31, 2008 (audited)

(thousands of Canadian dollars)

	June 30, 2009	Dec. 31, 2008 (restated - note 2)
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,828	\$ 184
Accounts receivable	21,042	25,441
Income taxes recoverable	42	16,225
Inventories (note 6)	54,109	78,991
Prepaid expenses	5,564	7,779
Future income taxes	3,359	2,890
	85,944	131,510
Investments and other assets (note 5)	16,957	19,372
Property, plant and equipment, net of accumulated amortization	391,122	395,727
Timber tenures, net of accumulated depletion	68,836	69,827
Logging roads and bridges, net of accumulated amortization	18,382	20,598
Goodwill and other intangible assets	13,078	13,078
Long-lived assets held for sale	12,316	15,138
	\$ 606,635	\$ 665,250
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 7(a))	\$ 28,777	\$ 30,589
Accounts payable and accrued liabilities	35,322	45,163
Payable to investee company (note 5)	-	3,651
	64,099	79,403
Reforestation liability, net of current portion	16,096	15,685
Long-term debt (note 7(b))	135,828	137,414
Other long-term liabilities	13,071	12,407
Future income taxes	8,169	14,159
Shareholders' equity:		
Share capital (note 8)		
Class A subordinate voting shares	284,500	284,500
Class B common shares	4,080	4,080
Contributed surplus	5,408	5,408
Accumulated other comprehensive income (loss)	(8,791)	(554)
Retained earnings (note 2)	84,175	112,748
	369,372	406,182
	\$ 606,635	\$ 665,250

Commitments (note 15)
Subsequent event (note 16)

See accompanying notes to consolidated financial statements

On behalf of the Board:

E.L. Sauder
 Director

G.H. MacDougall
 Director



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three and six months ended June 30, 2009 and 2008 (unaudited)

(thousands of Canadian dollars)	3 Months June 30, 2009	3 Months June 30, 2008 (restated - note 2)	6 Months June 30, 2009	6 Months June 30, 2008 (restated - note 2)
Net loss	\$ (14,973)	\$ (27,659)	\$ (28,573)	\$ (28,577)
Other comprehensive income (loss):				
Net change in unrealized foreign currency translation gains (losses) on translation of self-sustaining foreign subsidiaries	(14,581)	(1,592)	(8,237)	4,229
Other comprehensive income (loss)	(14,581)	(1,592)	(8,237)	4,229
Comprehensive loss	\$ (29,554)	\$ (29,251)	\$ (36,810)	\$ (24,348)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

For the three and six months ended June 30, 2009 and 2008 (unaudited)

(thousands of Canadian dollars)	3 Months June 30, 2009	3 Months June 30, 2008 (restated - note 2)	6 Months June 30, 2009	6 Months June 30, 2008 (restated - note 2)
Accumulated other comprehensive income (loss) beginning of period	\$ 5,790	\$ (27,951)	\$ (554)	\$ (33,772)
Other comprehensive income (loss)	(14,581)	(1,592)	(8,237)	4,229
Accumulated other comprehensive loss, end of period	\$ (8,791)	\$ (29,543)	\$ (8,791)	\$ (29,543)

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, 2009 and 2008 (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, 2008, except for the new accounting policy adopted subsequent to that date, as discussed in Note 2.

2. Adoption of change in accounting policy:

Effective January 1, 2009, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and Intangible Assets* on a retrospective basis. This section replaces CICA Handbook Section 3062, *Goodwill and Intangible Assets*, and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of various preproduction and start-up costs and requires that these costs be expensed as incurred, with the concurrent withdrawal of CICA Emerging Issues Committee Abstract 27 ("EIC 27").

The Company previously deferred start-up costs on major plant construction to the extent these costs met the criteria under EIC 27 and the site met sustainable production levels defined as the earlier of:

- (a) Seventy percent of production capacity for two consecutive months; or
- (b) Six months

and to a maximum of twenty percent of the total project.

Start-up costs were amortized over five years on a straight-line basis.

The following changes to historical financial statements have been made to reflect the new policy:

	As previously reported	Adjustment	As adjusted
Consolidated Statement of Operations for the three months ended June 30, 2008:			
Amortization of plant and equipment	\$ 5,768	\$ (125)	\$ 5,643
Restructuring costs	33,009	(2,417)	30,592
Future income tax recovery	11,555	(778)	10,777
Net loss	29,423	(1,764)	27,659
Net loss per share, basic and diluted	(0.62)	0.03	(0.59)
Consolidated Statement of Operations for the six months ended June 30, 2008:			
Amortization of plant and equipment	\$ 11,452	\$ (419)	\$ 11,033
Restructuring costs	35,249	(2,417)	32,832
Future income tax recovery	9,725	(898)	8,827
Net loss	30,515	(1,938)	28,577
Net loss per share, basic and diluted	(0.65)	0.04	(0.61)
Consolidated Statement of Retained Earnings for the three months ended June 30, 2008:			
Retained earnings, beginning	169,492	(2,271)	167,221
Retained earnings, ending	140,069	(507)	139,562
Consolidated Statement of Retained Earnings for the six months ended June 30, 2008:			
Retained earnings, beginning	170,584	(2,445)	168,139
Retained earnings, ending	140,069	(507)	139,562
Consolidated Balance Sheet as at December 31, 2008:			
Property, plant and equipment, net of accumulated amortization	396,387	(660)	395,727
Accumulated other comprehensive loss	539	15	554
Retained earnings, ending	113,393	(645)	112,748
Consolidated Statement of Comprehensive Income for the three months ended June 30, 2008:			
Net loss	29,423	(1,764)	27,659
Other comprehensive loss	1,596	(4)	1,592
Comprehensive loss	31,019	(1,768)	29,251
Consolidated Statement of Comprehensive Income for the six months ended June 30, 2008:			
Net loss	30,515	(1,938)	28,577
Other comprehensive income	4,238	(9)	4,229
Comprehensive loss	26,277	(1,929)	24,348

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, 2009 and 2008 (unaudited)

2. Adoption of change in accounting policy (continued):

	As previously reported	Adjustment	As adjusted
Consolidated Statement of Accumulated Other Comprehensive Income for the three months ended June 30, 2008:			
Accumulated other comprehensive loss, beginning	28,058	(107)	27,951
Accumulated other comprehensive loss, ending	29,654	(111)	29,543
Consolidated Statement of Accumulated Other Comprehensive Income for the six months ended June 30, 2008:			
Accumulated other comprehensive loss, beginning	33,892	(120)	33,772
Accumulated other comprehensive loss, ending	29,654	(111)	29,543

3. Comparative figures:

Certain of the prior period'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 the bulk of 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. Payable to investee company:

On December 29, 2008, the Seaboard Limited Partnership ("the Seaboard Partnership"), made an advance to its partners, with the Company's share of the advance being \$3,651,000. The Company signed an unsecured promissory note which was payable on demand on or before January 2, 2009 and was non-interest bearing until January 2, 2009.

On January 2, 2009, the Seaboard Partnership declared an income distribution to its partners, of which the Company's share of \$3,651,000 was received by way of setoff against the promissory note payable to the Seaboard Partnership. In accordance with equity accounting, the income distribution was recorded as a reduction of the investment in Seaboard.

6. Inventories:

	June 30, 2009	Dec. 31, 2008
Logs	\$ 27,938	\$ 49,941
Lumber	20,196	22,484
Other	5,975	6,566
	\$ 54,109	\$ 78,991

Inventory expensed in the period includes production costs, amortization of plant and equipment, and depletion and amortization of timber, roads and other. The inventory writedown in order to record inventory at the lower of cost and net realizable value at June 30, 2009 was \$12,528,000 (December 31, 2008 - \$20,270,000).

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, 2009 and 2008 (unaudited)

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

(a) Bank indebtedness:

	Canadian Operating Facility	U.S. Operating Facility	Total
June 30, 2009			
Available line of credit	\$ 65,000	\$ -	\$ 65,000
Maximum borrowing available	52,275	-	52,275
Operating Line drawings	32,000	-	32,000
Outstanding letters of credit included in line utilization	5,289	-	5,289
Unused portion of line	14,986	-	14,986
December 31, 2008			
Available line of credit	\$ 100,000	\$ 12,180	\$ 112,180
Maximum borrowing available	54,234	7,836	62,070
Operating Line drawings	25,747	6,090	31,837
Outstanding letters of credit included in line utilization	5,105	146	5,251
Unused portion of line	23,382	1,600	24,982

On April 21, 2009, the Company amended and extended its existing syndicated credit facilities. The existing Canadian operating line of credit ("Operating Line") decreased from \$100,000,000 to \$65,000,000 and the maturity date was extended to April 23, 2010. As part of the amendment, margining availability was extended to include inventory domiciled in the United States. Except for an increase in pricing and the margining amendment, all other terms and conditions of the line remained substantially unchanged.

As a consequence of the extension of margining coverage, all U.S. working capital is included in its syndicated operating facility and the US\$10,000,000 U.S. operating facility was not extended when it matured on April 24, 2009 and all outstanding drawings were repaid. As at December 31, 2008, the U.S. operating line of credit was drawn by US\$5,000,000.

The Operating Line may be drawn in either CAD\$ or US\$ advances, and bears interest at bank prime plus a margin or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans plus a margin, and in all cases dependent upon a financial ratio. Borrowing levels under the line are subject to a borrowing base calculation dependent on certain accounts receivable and inventories. The Operating Line is secured by a general security agreement which includes a security interest in all accounts receivable and inventories, charges against timber tenures, and mortgage security on sawmills. The Operating Line is subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization and a minimum net worth calculation. As at June 30, 2009, the Operating Line was drawn by \$32,000,000 (December 31, 2008 - \$25,747,000).

Offsetting drawings under the operating lines at June 30, 2009 are cash balances net of outstanding cheques of \$3,223,000 (December 31, 2008 - \$1,248,000).

(b) Long-term debt:

On April 21, 2009, the Company amended and extended its existing syndicated credit facilities. The Company's revolving term line of credit ("Revolving Term Line") increased from \$115,000,000 to \$150,000,000, with no change to its maturity date of April 24, 2011. Except for an increase in pricing, all other terms and conditions of the line remained substantially unchanged.

The Revolving Term Line may be drawn in either CAD\$ or US\$ advances, and bears interest at bank prime plus a margin or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans plus a margin, and in all cases dependent upon a financial ratio.

As at June 30, 2009, the Revolving Term Line was drawn by US\$30,200,000 (December 31, 2008 - US\$30,200,000) revalued at the quarter-end exchange rate to \$35,123,000 (December 31, 2008 - \$36,784,000), and \$60,000,000 (December 31, 2008 - \$58,000,000) for total drawings of \$95,123,000 (December 31, 2008 - \$94,784,000), leaving an unused available line of \$54,877,000. The Company repaid \$8,000,000 of advances under the Revolving Term Line in the first quarter, 2009, and drew \$10,000,000 in the second quarter, 2009. The portion of the line drawn in \$US funds was designated as a hedge against the Company's investment in its self-sustaining U.S. operations effective October 1, 2008 and unrealized foreign exchange gains of \$1,661,000 (June 30, 2008 - \$nil) arising on revaluation of the Non-Revolving Term Line for the year ending June 30, 2009 were recognized in Other comprehensive income.

The U.S. dollar non-revolving term line (the "Non-Revolving Term Line") remains fully drawn at US\$35,000,000 (December 31, 2008 - US\$35,000,000) and was revalued at the quarter-end exchange rate to \$40,705,000 (December 31, 2008 - \$42,630,000). The Non-Revolving Term Line bears interest at rates based on bank prime plus a margin or, at the Company's option, at rates for LIBOR based loans plus a margin, in all cases depending upon a financial ratio and matures on September 1, 2010. The foreign exchange gain of \$1,925,000 arising on revaluation of the Non-Revolving Term Line for the six months ended June 30, 2009 (June 30, 2008 - \$675,500 loss) was recognized in Other foreign exchange gain (loss) on the Statement of Operations.

Both of the term lines are secured by a general security agreement which includes a security interest in all accounts receivable and inventories, charges against timber tenures, and mortgage security on sawmills. The term lines are subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization and a minimum net worth calculation.

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, 2009 and 2008 (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 follows:

June 30, 2010	\$	-
June 30, 2011		135,828
June 30, 2012		-
June 30, 2013		-
June 30, 2014		-
	\$	135,828

8. Share capital:

On January 3, 2008, the Company commenced a normal course issuer bid ("NCIB 06") to acquire up to 1,300,000 Class A Subordinate Voting shares ("Class A Shares"). NCIB 06 terminated on January 7, 2009 with no share purchases.

9. Other income (expense):

	3 Months June 30, 2009	3 Months June 30, 2008	6 Months June 30, 2009	6 Months June 30, 2008
Gain (loss) on disposal of surplus property, plant and equipment	\$ (17)	\$ 64	\$ 634	\$ 91
Gain on settlement of timber takeback	-	531	-	531
Other (expense)	(1)	(43)	(5)	(63)
	\$ (18)	\$ 552	\$ 629	\$ 559

In the first quarter of 2009, the Company disposed of surplus property and buildings in Maple Ridge, B.C., previously classified as held for sale. This disposition, combined with other sales of surplus equipment in the first six months of 2009, generated proceeds of \$4,584,000 and a gain of \$634,000.

In the second quarter of 2008, the Company received compensation through the Forest Revitalization Act for obsolete infrastructure due to the timber takeback. This, coupled with sales of surplus equipment in the first and second quarters of 2008, generated a gain of \$622,000 and sales proceeds of \$865,000.

10. Restructuring costs:

	3 Months June 30, 2009	3 Months June 30, 2008	6 Months June 30, 2009	6 Months June 30, 2008
Plant and equipment writedowns	\$ -	\$ 27,333	\$ -	\$ 27,333
Severance costs	179	2,233	1,252	4,473
Other (recovery)	(265)	1,026	(265)	1,026
	\$ (86)	\$ 30,592	\$ 987	\$ 32,832

During the first and second quarters of 2009, the Company recorded severance costs of \$1,252,000 as it downsized its workforce in response to reduced operating rates. During the second quarter, 2009, the Company was successful in defending a legal dispute and was able to reverse restructuring costs previously accrued.

During the first quarter of 2008, the Company recorded severance costs of \$2,240,000, as it permanently closed its Albion remanufacturing operation located in Maple Ridge, B.C., and also offered voluntary severance to hourly workers at its idled Queensboro sawmill located in New Westminster, B.C. In the second quarter of 2008, the Queensboro sawmill was permanently closed following more than one year of curtailment, and further voluntary and permanent shutdown severance and remediation costs totalling \$3,259,000 were recorded, together with an impairment charge of \$27,333,000 on the plant and equipment.

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, 2009 and 2008 (unaudited)

11. Net earnings (loss) per share:

	3 Months June 30, 2009			3 Months June 30, 2008		
	Net loss	Shares	Per share	Net loss	Shares	Per share
Basic loss per share	\$ (14,973)	47,117	\$ (0.32)	\$ (27,659)	47,105	\$ (0.59)
Share options	-	-	-	-	270*	-
Diluted loss per share	\$ (14,973)	47,117	\$ (0.32)	\$ (27,659)	47,105*	\$ (0.59)

	6 Months June 30, 2009			6 Months June 30, 2008		
	Net loss	Shares	Per share	Net loss	Shares	Per share
Basic loss per share	\$ (28,573)	47,117	\$ (0.61)	\$ (28,577)	47,105	\$ (0.61)
Share options	-	-	-	-	239*	-
Diluted loss per share	\$ (28,573)	47,117	\$ (0.61)	\$ (28,577)	47,105*	\$ (0.61)

*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 June 30, 2009	3 Months June 30, 2008	6 Months June 30, 2009	6 Months June 30, 2008
Canada	\$ 25,188	\$ 41,642	\$ 45,655	\$ 92,353
United States	30,925	44,981	65,547	81,753
Japan	13,650	10,416	25,033	19,557
Other export	12,062	20,365	22,867	38,115
	\$ 81,825	\$ 117,404	\$ 159,102	\$ 231,778

Sales by product line are as follows:

	3 Months June 30, 2009	3 Months June 30, 2008	6 Months June 30, 2009	6 Months June 30, 2008
Lumber	\$ 62,320	\$ 82,237	\$ 118,763	\$ 158,471
Logs	13,038	25,672	25,861	56,555
Wood chips and other by products	5,930	7,379	13,297	12,889
Other	537	2,116	1,181	3,863
	\$ 81,825	\$ 117,404	\$ 159,102	\$ 231,778

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

	June 30, 2009	Dec. 31, 2008
Canada	\$ 320,898	\$ 317,141
United States	182,836	197,227
	\$ 503,734	\$ 514,368

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, 2009 and 2008 (unaudited)

13. Employee future benefits:

The total benefits cost under its various pension plans, retirement savings and other post-retirement benefit plans (described in the Company's audited annual consolidated financial statements) are as follows:

	3 Months June 30, 2009	3 Months June 30, 2008	6 Months June 30, 2009	6 Months June 30, 2008
Canadian employees' deferred profit sharing plan	\$ 301	\$ 347	\$ 618	\$ 671
Defined benefit plan	113	30	225	51
Unionized employees' pension plan	278	392	560	803
Post-retirement benefits plan	18	-	36	-
U.S. employees' 401(k) plan	125	115	284	237
Senior management supplementary pension plan	122	130	246	250
Total pension expense	\$ 957	\$ 1,014	\$ 1,969	\$ 2,012

14. 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 counterparties are the Company's Canadian bankers, which are highly rated.

As at June 30, 2009, the Company has outstanding obligations to sell a maximum of US\$10,500,000 at an average rate of CAD\$1.1319 to the USD\$1.00, buy a maximum of US\$15,000,000 at an average rate of CAD\$1.1629 to the USD\$1.00, sell Japanese ¥15,000,000 at an average rate of ¥82.95 to the CAD\$1.00, and Japanese ¥154,316,651 at an average rate of ¥96.52 to the USD\$1.00, during 2009. All foreign currency gains or losses to June 30, 2009 have been recognized in the Statement of Operations and the fair value of these foreign currency contracts being a liability of \$296,000 has been recorded in accounts payable and accrued liabilities (December 31, 2008 - \$113,000 liability fair value recorded in accounts payable and accrued liabilities).

During September 2005, the Company entered into a cross currency interest rate swap. The Company has agreed to receive US\$20,000,000 at maturity on September 1, 2009 in exchange for payment of CAD\$23,530,000 (an exchange rate of 1.1765). In addition, during the term of the swap the Company will pay an amount based on annual interest of 5.84% on the CAD\$23,530,000 and will 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 foreign exchange losses of \$805,000 for the first six months of 2009 (June 30, 2008 - \$254,000 gain) recognized in the Statement of Operations. The fair value of this cross currency interest rate swap is a liability of \$396,000 at June 30, 2009 and has been recorded in accounts payable and accrued liabilities (December 31, 2008 - \$409,000 asset fair value recorded in accounts receivable).

15. Commitments:

- The Company has undertaken obligations under various contracts totalling \$240,000 as at June 30, 2009, 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 few months, as the final adjustments are made to the sawmill.
- The Company entered into an agreement with Port Metro Vancouver ("the Port") for the sale of its former Queensboro mill site for \$30,100,000. The agreement is subject to the Port obtaining final approval from the Minister of Transport, Canada. The transaction is expected to close in the third quarter, 2009. The site is currently classified as held for sale.

16. Subsequent event:

On July 3, 2009, the Company finalized a revised agreement to acquire a timber tenure and related reforestation liabilities in the Kamloops region from Weyerhaeuser Company Limited. The transfer of the tenure requires regulatory approval. Subject to receiving the required approval, the Company expects to conclude this transaction before the end of 2009. This agreement replaces the agreement dated February 18, 2008 which was previously disclosed.



International Forest Products Limited
P.O. Box 49114, Four Bentall Centre
3500 – 1055 Dunsmuir Street
Vancouver, B.C. Canada V7X 1H7
Telephone: (604) 689-6800 Fax: (604) 688-0313

Contact: John Horning, Senior Vice-President and Chief Financial Officer
and Corporate Secretary
Web Site: www.interfor.com