International Forest Products Limited

Vancouver, B.C. July 24, 2008

Queensboro Closure Impacts Interfor's Q2 Results

Portac Acquisition Adds to U.S. Presence

INTERNATIONAL FOREST PRODUCTS LIMITED ("Interfor" or the "Company") (TSX: IFP.A) reported a net loss of $29.4 million, or $0.62 per share, for the second quarter of 2008, compared to loss of $3.4 million or $0.07 per share for the second quarter of 2007.

The loss for the quarter includes restructuring costs of $33.0 million ($22.9 million or $0.49 per share, after tax) primarily relating to the permanent closure of the Company's Queensboro Sawmill Division, which was announced on July 8, 2008. The site is being actively marketed and proceeds are expected to more than offset the writedown taken for the permanent closure.

Before restructuring costs, Interfor's net loss for the second quarter amounted to $6.5 million or $0.14 per share.

EBITDA, adjusted to exclude one-time items and unrealized foreign exchange gains, was $1.9 million or 1.6% of sales in the second quarter.

Included in the second quarter loss was $0.5 million ($0.4 million or $0.01 per share, after tax) in continuing costs associated with the Queensboro plant over and above the restructuring provision and $2.2 million ($1.6 million or $0.03 per share, after tax) in costs associated with the Grand Forks and Castlegar operations acquired from Pope & Talbot, Inc. ("P & T") on April 30, 2008, but which remained curtailed following the acquisition.

Interfor's loss in the second quarter reflects lower earnings from the Company's B.C. coastal operations, primarily as a result of an increase in inventory levels following the resumption of logging activity in the spring. The difference vis-à-vis the first quarter was magnified by the lagged effect of the 2007 coastal industry work stoppage which resulted in higher-than-normal year-end log inventories and a greater-than-normal earnings' contribution in the first quarter as those inventories were drawn down. Lower prices for some cedar products and reduced activity in Japan, along with higher stumpage rates, further impacted the Company's results in the second quarter.

The performance of the Company's commodity operations improved in the second quarter as prices increased on most product lines.

In the quarter, SPF 2X4 prices increased 14% to US$232 per mfbm compared to US$203 per mfbm in the first quarter, while the Random Lengths Composite Index increased 9% to US$266 compared with US$244 per mfbm in the previous quarter.

Interfor continued to proactively manage production levels in the second quarter in the face of weak market demand. Lumber production amounted to 128 million board feet compared to 104 million board feet in the first quarter of 2008. Sales were 125 million board feet compared with 113 million board feet in the first quarter.

Cash flow from operations in the second quarter was $6.2 million after changes in working capital were considered.

After taking account of capital spending and the P & T acquisition, the Company ended the quarter with net debt of $60.5 million, or 13.0% of invested capital.

Good progress was made on the Adams Lake project in the second quarter. Construction is approximately 60% complete and is on-schedule and on-budget. The mill is expected to commence start-up procedures in the fourth quarter of 2008.

The U.S. housing market is expected to remain soft through the balance of 2008 as the pace of sales remains slow. Commodity prices have weakened in recent weeks and remain below breakeven levels on most items. Prices for cedar in the domestic market have softened and are likely to remain slow through the summer. Offshore markets for high grade items remain steady while the outlook for pine specialties is mixed. The pace of activity in Japan has slowed in recent months as the economy is impacted by the slowdown in the U.S. and by higher prices for most types of commodities.

In spite of the weak market environment, Interfor continues to pursue opportunities to enhance long-term value.

Earlier today, the Company entered into an agreement with Portac, Inc. ("Portac") to acquire its operations on the Olympic Peninsula in Washington State for US$28.25 million plus an amount for working capital. Interfor has bank facilities in place to fund the acquisition. The agreement with Portac also provides Interfor with an option to pay a portion of the purchase price in Interfor Class A Subordinate Voting shares, to a maximum of 2.3 million shares. The Portac assets include a sawmill and planer mill with production capacity of approximately 145 million board feet per year.

"The Portac mill is an excellent fit with our operations in the area", said Duncan Davies, Interfor's President and C.E.O. "The mill produces dimension products and small timbers in lengths up to 20 feet which will nicely complement our product mix and presence in the Puget Sound market."

The Portac acquisition is in line with the Company's strategy of building a diversified geographic base of operations and will bring Interfor's production capacity in the U.S. Pacific Northwest to 670 million board feet on an annual basis. The purchase price is equivalent to US$195 per mfbm of annual capacity and represents an enterprise value multiple of 1.7 times peak EBITDA (2004/5).

Interfor has projected annual synergies from the acquisition in the range of US$1 to 2 million per year from a combination of reduced administrative expenses and improved operating efficiency.

The transaction is subject to customary closing conditions and scheduled to close on September 30, 2008.

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 two sawmills in the Coastal region of British Columbia, three in the B.C. Interior, one in Washington and two in Oregon. Additional information relating to the Company and its operations, including Interfor's Annual Statutory Information for 2007, 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 25, 2008 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, 2008 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 8, 2008. The number to call is ***1-866-245-6755 Passcode 197169***.

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International Forest Products Limited
Second Quarter Report
For the three and six months ended June 30, 2008

Management's Discussion and Analysis

Dated as of July 24, 2008

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, 2008 relative to 2007, 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, 2008 and 2007, and Interfor's Annual Information Form, Consolidated Financial Statements and Annual MD&A for the years ended December 31, 2007 and 2006 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 Report.

Review of Operating Results

Overview

Interfor recorded a net loss of $29.4 million, or $0.62 per share for the second quarter of 2008, and a net loss for the six months ended June 30, 2008 of $30.5 million, or $0.65 per share. This compares to a net loss of $3.4 million, or $0.07 per share, for the same quarter in 2007 and a net loss of $2.8 million, or $0.06 per share, for the six months ended June 30, 2007.

EBITDA and Adjusted EBITDA for the second quarter of 2008 were $2.5 million and $1.9 million, respectively, compared to $14.5 million and $12.6 million, for the second quarter of 2007. EBITDA and adjusted EBITDA for the first half of 2008 were $11.0 million and $10.4 million, respectively, compared to $27.5 million and $23.4 million for the same period in 2007.

Before restructuring costs, foreign exchange gains (losses) and other one-time items, the Company's net loss for the second quarter, 2008, was $7.1 million after-tax, or $0.15 per share, as compared to a loss of $0.3 million after-tax, or $0.01 per share in the second quarter, 2007. The losses for the first half of 2008, adjusted for restructuring costs, foreign exchange gains (losses) and other one-time items totalled $6.4 million after-tax, or $0.14 per share, as compared to $0.1 million after-tax, or $0.00 per share for the first half of 2007.

Included in the second quarter results of 2008 were $0.5 million ($0.4 million after-tax, or $0.01 per share) in continuing costs associated with the Queensboro sawmill in excess of the restructuring provision, and $2.2 million ($1.6 million after-tax, or $0.03 per share) for the first half of 2008. In addition, the second quarter 2008 results included $2.2 million ($1.5 million after-tax, or $0.03 per share) in costs associated with the Grand Forks and Castlegar sawmills purchased from Pope & Talbot, Inc. ("P&T") on April 30, 2008. These mills remain curtailed

following the acquisition, and the Queensboro mill is permanently shutdown.

Interfor's loss in the second quarter reflects lower earnings from the Company's B.C. coastal operations, primarily as a result of an increase in inventory levels following resumption of logging activity in the spring. The difference vis-à-vis the first quarter was magnified by the lagged effect of 2007 coastal industry work stoppage which resulted in higher-than-normal year-end log inventories and a greater-than-normal earnings contribution in the first quarter as those inventories were drawn down. Lower prices for some cedar products and reduced activity in Japan, along with higher stumpage rates, further impacted the Company's results in the second quarter.

North American structural lumber prices were depressed through the first quarter of 2008 and strengthened slightly during the second quarter as markets responded to the reduced supply resulting from production curtailments taken by North American mills in the first quarter. In comparison to the same periods of the previous year, depressed prices and a weaker U.S. dollar impacted sales realizations and inventory valuations in the second quarter and first half of 2008. Seasonally adjusted U.S. housing starts in June 2008 were down 26.9% year-over-year.

Production in the Company's commodity operations was proactively curtailed in the first quarter of 2008, and continued into the second quarter, but slight improvements in pricing justified the operation of most mills on a one shift basis throughout the second quarter.

In all areas, the focus is on inventory management.

Sales

Lumber shipments were down 144.6 million board feet, or 53.6%, for the second quarter of 2008 compared to the same quarter of 2007, and down 275.3 million board feet, or 53.6% for the first half of 2008 compared to the first half of 2007, reflecting lower operating rates and the permanent closure of Queensboro. Relative to the same periods in 2007, unit lumber sales values increased by $127 per mfbm, or 24.0%, for the quarter and $138 per mfbm, or 26.2%, for the six months, resulting from a change in the sales mix to higher percentage of higher-value cedar and Japanese hemlock product. The Canadian dollar was up 9 cents on average, or 8.0%, relative to its U.S. counterpart compared to the second quarter of 2007, and 13 cents on average, or 11.3%, compared to the first half of 2007.

In comparison to the same periods of 2007, log sales were down $7.5 million, or 22.7%, for the second quarter, and $4.0 million, or 7.5%, in the first half of 2008, with higher sales volumes of lower quality logs to reduce and manage inventories and meet the demand for pulp logs. The average sales price declined to $79 per cubic metre in the second quarter of 2008, as compared to $101 per cubic metre for the second quarter of 2007 and $77 per cubic metre in the first half of 2008, as compared to $97 per cubic metre for the first half of 2007.

Pulp chip and other by-product revenues for the second quarter of 2008 were down $9.7 million, or 56.8%, compared to the second quarter of 2007, and down $20.2 million, or 61.1%, for the first half of 2008 compared to the first half of 2007, with sales volumes down significantly due to the mill curtailments. Relative to the same periods in 2007, average chip prices were down $7 per mfbm, or 13.0%, for the second quarter of 2008, and $11 per mfbm, or 20.0%, for the first half of 2008.

Operating Costs

Production costs for the second quarter of 2008 were down $62.0 million, or 35.9%, and $105.3 million, or 33.2%, for the first half of 2008, compared to the same periods in 2007, substantially as a result of market curtailments and the permanently closed Queensboro operation - lumber production was down 142 million board feet, or 52.6% for the second quarter, 2008 compared to the second quarter, 2007, and down 286 million board feet, or 55.2% for the first half of 2008 compared to the first half of 2007. Weaker demand for logs in the Pacific Northwest resulted in lower log prices for purchased logs.

Compared to the same periods in 2007, B.C. log production increased by 53,000 cubic metres, or 8.5%, in the second quarter of 2008 and 97,800 cubic metres, or 9.9%, in the first half of 2008, with a substantial portion harvested through heli-logging which resulted in higher logging costs. Also included in production costs were costs related to the acquired Grand Forks and Castlegar mills which have been curtailed since acquisition on April 30, and continuing costs in excess of the restructuring provision for the permanently closed Queensboro mill.

The Canada/U.S. lumber export tax remained at 15% through the first half of 2008. Export taxes totalled $1.2 million for the second quarter, 2008, compared to $3.0 million for the second quarter, 2007, and $2.1 million for the first half of 2008, compared to $6.2 million for the first half of 2007. These declines were due to a drop of 36 million board feet in shipments to the U.S. for the second quarter, 2008, and 78 million board feet for the first half, 2008 compared to the same periods of the previous year. Export taxes were also impacted by the strengthening Canadian dollar.

Selling and administrative costs for the second quarter of 2008 remained constant compared to the second quarter of 2007, as did the costs for the first half of 2008 compared to the first half of 2007. The Company recorded long term incentive compensation ("LTIC") recovery of $0.1 million for the second quarter of 2008, reflecting a decline in the Company's share price over the period. For the first half of 2008, the LTIC recovery totalled $0.4 million, again reflecting a year-to-date decline in the share price. For the second quarter of 2007, the Company recorded a LTIC expense of $2.8 million and $4.8 million for the first half of 2007.

Amortization and depletion expense for the second quarter of 2008 was down $3.1 million, or 18.9% compared to the same quarter of 2007 and down $6.1 million, or 21.6% for the first half of 2008, compared to the same half of 2007, primarily as a result of lower operating rates for the mills. In the second quarter, 2008, reduced amortization and depletion expense was offset in part by increased road amortization in Coastal Woodlands resulting from increased logging activity.

Restructuring costs totalled $33.0 million in the second quarter of 2008, compared to $1.4 million in the second quarter of 2007, and $35.2 million in the first half of 2008, compared to $1.6 million in the first half of 2007. On July 8, 2008, the Company announced the permanent closure of the Queensboro sawmill located in New Westminster, B.C., following more than a year of continuous curtailment. During the curtailment period the majority of the mill's hourly employees accepted the Company's offer of voluntary severance. The remaining employees will receive severance following the effective date of the closure. For the second quarter, 2008, severance costs total $2.1 million, and $3.9 million for the first half of 2008. In addition to severance costs, in the second quarter, 2008, the Company accrued costs of $1.0 million to remediate the mill site in preparation for sale, and took a provision of $29.8 million to adjust the carrying value of plant and equipment at the site to expected recovery amounts. Equipment at the site will be redeployed to other Company sites or sold.

Cushman & Wakefield LePage has been retained to market the Queensboro site, and proceeds are expected to more than offset the writedown taken for the permanent closure. The Queensboro site has been classified as held for sale on the Balance Sheet as the expectation is that the property will sell prior to the end of the year.

Additional severance costs arising from the permanent closure of the Albion remanufacturing operation located in Maple Ridge, B.C. and other restructuring total $0.1 million for the second quarter of 2008, and $0.5 million for the first half of 2008.

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

For the second quarter of 2008, net interest expense was $0.8 million, compared to the net interest income of $0.5 million in the same quarter of 2007. For the first half of 2008, net interest expense was $1.2 million, compared to the net interest income of $1.4 million for the first half of 2007. Investment of significant cash balances retained from the U.S. duty refunds received in late 2006, generated interest income in the first two quarters of 2007. These cash balances have since been drawn down. Other foreign exchange gains were $0.4 million for the three months ended June 30, 2008 and a negligible loss for the first half of 2008. This compares to a loss of $5.3 million for the second quarter of 2007, and a loss for the first half of 2007 of $6.5 million, which arose from the impact of the stronger CAD$ on $U.S. cash balances held after receipt of the U.S. duty refund.

The Company reported $0.6 million in Other income 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. This compares with $1.9 million generated from gains on disposal of surplus property, plant and equipment in the second quarter of 2007 and $4.1 million in the first half of 2007 which included disposal of surplus assets and the Company's interest in Tree Farm Licence 54.

Cash Flow and Financial Position

Cash generated by the Company from operations, after changes in working capital, was $6.2 million for the second quarter of 2008, compared to cash used of $6.3 million for the second quarter of 2007. The increase was due to reduced investment in working capital as a result of mill curtailments, offset by lower earnings and the seasonal build-up of inventories over the quarter. In addition, the Company received an income tax refund of $13.3 million on the filing of its 2007 income tax returns. For the six months ended June 30, 2008 the Company generated $30.2 million cash from operations compared to cash used of $34.3 million in the first six months of 2007. The increase was principally the result of the payment in 2007 of the Softwood Lumber Agreement special charge liability of $24.4 million and income tax of $23.3 million offset by lower earnings and less working capital utilization due to curtailments as well as receipt of income tax refunds of $13.3 million in the first half of 2008.

Capital expenditures for the second quarter of 2008 were $21.0 million, excluding changes in amounts accrued, and $34.7 million year-to-date (Quarter 2, 2007 - $16.8 million; first half, 2007 - $33.2 million). Spending in the current

quarter consisted of $13.3 million on the new Adams Lake sawmill, $1.4 million on other high-return discretionary projects, $0.6 million on maintenance projects, $0.5 on land development at Queensboro to prepare the site for sale and $5.3 million on roads. Construction of the new sawmill at Adams Lake remains on budget and on schedule for start-up in the fourth quarter of 2008.

On April 25, 2008, the Company renewed its existing Canadian operating line of credit for one year, and increased it from $40.0 million to $100.0 million. The Company's existing Canadian revolving term line of credit ("Revolving Line") increased from $10.0 million to $115.0 million, with $55.0 million of the Revolving Line made available on April 25, 2008, and the remainder of $60.0 million made available on April 30, 2008, when the acquisition of the P&T sawmill and timber assets completed. The Revolving Line matures on April 24, 2011.

The maturity date of the U.S. operating line of credit was extended to August 1, 2008. The Company also received a commitment from its lender to extend the maturity date of the U.S. operating line to April 24, 2009 and Interfor has provided a parent guarantee on the line.

For all lines, the terms and conditions remain unchanged except for an increase in the interest rate margins.

On April 30, 2008, the Company concluded the acquisition of the P&T Castlegar, B.C. and Grand Forks, B.C. sawmills, related timber harvesting rights and other related assets. To acquire these assets, the Company paid $49.4 million. See "Acquisition of P&T's Mills and Woodlands" below for further discussion.

To fund the P&T transaction and the Adams Lake expansion, the Company utilized cash on hand and the Revolving Line and as at June 30, 2008, the Revolving Line was drawn by $28.0 million. At June 30, 2007 there were no drawings under this Revolving Line.

As part of the P&T asset purchase, the Company had paid a US$8.8 million interest-bearing deposit held in escrow in respect of the transaction. With accumulated interest, the deposit totalled US$9.0 million and was used to partially fund the acquisition when it completed on April 30, 2008.

There were no shares purchased under the Company's Normal course Issuer Bid in the second quarter of 2008 or the first half of 2008 (Quarter 2, 2007 – 367,600 Class A shares at a cost of $3.3 million; first half of 2007 – 714,600 Class A shares at a cost of $6.0 million), nor were there any shares issued under the Company's share option plan (Quarter 2, 2007 – 121,340 Class A shares for proceeds of $0.7 million; first half of 2007 – 179,280 Class A shares for proceeds of $0.8 million).

At June 30, 2008, the Company had cash and cash equivalents of $3.6 million. After deducting the Company's US$ Non-Revolving Line of $35.4 (US$35.0) million, the Revolving Line of $28.0 million, and bank indebtedness the Company ended the quarter with net debt of $60.5 million or 13.0% of invested capital. This compares to a net cash balance of $44.5 million or (10.8%) of invested capital at June 30, 2007.

Selected Quarterly Financial Information

Quarterly Earnings Summary[4]	2008		2007				2006	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	(millions of dollars except share and per share amounts)							
Sales – Lumber	82.2	76.2	70.7	93.2	143.0	127.5	120.5	153.9
– Logs	25.7	30.9	35.6	30.3	33.2	19.4	32.6	31.4
– Wood chips and other by-products	7.4	5.5	7.2	10.0	17.1	16.0	12.1	11.3
– Other	2.1	1.8	1.9	2.0	2.1	1.7	9.3	12.6
Total Sales	117.4	114.4	115.4	135.5	195.4	164.6	174.5	209.2
Operating earnings (loss) before U.S. duty refunds, net, restructuring costs and asset write-downs	(11.8)	(1.3)	(15.3)	(4.6)	(3.5)	(1.8)	(2.4)	-
Operating earnings (loss)	(44.8)	(3.5)	(15.7)	(4.6)	(4.9)	(2.1)	94.5	-
Net earnings (loss)	(29.4)	(1.1)	(8.9)	(1.6)	(3.4)	0.6	77.2	1.6
Net earnings (loss) per share – basic	(0.62)	(0.02)	(0.19)	(0.03)	(0.07)	0.01	1.60	0.03
– diluted	(0.62)	(0.02)	(0.19)	(0.03)	(0.07)	0.01	1.58	0.03
EBITDA[3]	2.5	8.5	(4.6)	8.9	14.5	13.0	115.0	14.5
Cash flow from operations per share[1]	(0.06)	0.22	(0.06)	0.10	0.12	0.37	1.82	0.29
Shares outstanding – end of period (millions)[2]	47.1	47.1	47.1	47.1	47.6	47.8	48.1	48.3
– weighted average (millions)	47.1	47.1	47.1	47.4	47.8	48.0	48.2	48.4
Adjusted EBITDA[3]	1.9	8.5	(4.7)	7.2	12.6	10.8	11.5	13.9

1 Cash generated from operations before taking account of changes in operating working capital.
2 As at July 23, 2008, the number of shares outstanding by class are: Class A Subordinate Voting shares – 46,089,076 Class B Common shares – 1,015,779, Total – 47,104,855.
3 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 U.S. duty refunds, net, and other income.
4 Amounts may not add due to rounding.

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

	2008		2007				2006	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	(millions of dollars)							
Net earnings (loss)	(29.4)	(1.1)	(8.9)	(1.6)	(3.4)	0.6	77.2	1.6
Add: Income taxes (recovery)	(14.6)	(2.5)	(7.1)	(1.8)	(4.5)	(0.3)	38.5	(1.3)
Interest expense (income)	0.8	0.4	0.2	(0.1)	(0.5)	(0.9)	0.5	0.9
Interest income on U.S. duty refund, net of special charge	-	-	-	-	-	-	(12.7)	-
Depletion and amortization	13.1	9.1	10.7	11.7	16.2	12.2	13.6	13.4
Other foreign exchange (gains) losses	(0.4)	0.4	0.2	0.7	5.3	1.1	(2.1)	-
Restructuring costs, asset write-downs and other	33.0	2.2	0.3	-	1.4	0.3	-	-
EBITDA	2.5	8.5	(4.6)	8.9	14.5	13.0	115.0	14.5
Deduct:								
U.S. duty refunds, net	-	-	-	-	-	-	96.9	-
Other income	0.6	-	0.2	1.7	1.9	2.2	6.6	0.6
Adjusted EBITDA	1.9	8.5	(4.7)	7.2	12.6	10.8	11.5	13.9

Volume and Price Statistics		2008		2007				2006	
		Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Lumber sales	(million fbm)	125	113	161	196	270	244	225	299
Lumber production[1]	(million fbm)	128	104	150	187	269	249	222	292
Log sales[2]	(thousand cubic metres)	312	399	382	315	319	207	381	358
Log production[2]	(thousand cubic metres)	679	411	373	401	626	366	616	707
Average selling price – lumber[3]	($/thousand fbm)	$658	$672	$441	$476	$530	$522	$534	$515
Average selling price – logs[2]	($/cubic metre)	$79	$75	$91	$95	$101	$91	$85	$87
Average selling price – pulp chips	($/thousand fbm)	$47	$41	$37	$43	$54	$56	$49	$35

1 Excludes lumber produced on a custom cutting basis for customers who have previously purchased the logs
2 B.C. operations
3 Gross sales before duties and 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.

Excluding the impact of the U.S. duty refunds in the fourth quarter of 2006, the decrease in operating earnings for the seven most recent quarters related primarily to weak U.S. structural lumber markets, and the stronger Canadian dollar. For the third and fourth quarters of 2007, strike action also contributed to lower reported operating earnings. For the second quarter of 2008, the permanent closure of the Queensboro sawmill site had a significant impact on operating results, and the acquisition of the curtailed Grand Forks and Castlegar mills had a lesser impact. These factors contributed to lower operating rates and lumber sales realizations in the applicable periods.

Acquisition of P&T's Mills and Woodlands

On November 19, 2007, the Company and P&T entered into an Asset Purchase Agreement ("P&T APA"), as amended, for the acquisition of two southern B.C. interior sawmills and their related timber tenures and one sawmill in Spearfish, South Dakota. Subsequently, the Company assigned the right to purchase the Spearfish, South Dakota sawmill to Neiman Enterprises, Inc. ("Neiman"), a company based in Wyoming.

On April 30, 2008, the Company concluded the acquisition of the Castlegar, B.C. and Grand Forks, B.C. sawmills, related timber harvesting rights and other related assets and Neiman concluded their acquisition of the Spearfish sawmill and related assets.

To acquire these assets, the Company paid $49.4 million, of which $9.0 million was funded through the deposit held in escrow, $17.7 million was financed through the Revolving Line, and the balance of $22.7 million through cash on hand. Amounts paid in US$ were translated to CAD$ at the April 29, 2008 rate of US$0.9882 : CAD$1.00.

The total consideration and purchase price allocation are preliminary and subject to adjustment in accordance with the P&T APA and further refinement of fair value allocations. A portion of the purchase price paid has been placed in escrow and the Company expects some amount to be returned to the Company upon determination of the adjustment amounts or the obtaining of certain authorization in accordance with the P&T APA. The amount to be returned cannot be determined as it is subject to either the agreement of the Company and P&T, or the determinations of an independent accounting firm. The total consideration and purchase price will be adjusted once these amounts have been determined.

The assets acquired include manufacturing facilities, timber harvesting rights and working capital. The Company assumed certain liabilities of P&T including pension and other employee related liabilities. P&T compensated the Company for the future management of certain of these liabilities, including forestry related obligations, resulting in the transfer of portions of these liabilities to the Company at closing.

Work has been initiated on a number of opportunities which have been identified to improve the financial performance of the mills through improvements in operational efficiency and other non-capital initiatives, and other cost savings that will be realized through high-return capital projects.

Agreement to Purchase Portac, Inc. Assets

On July 24, 2008, the Company entered into an agreement with Portac, Inc. ("Portac"), a subsidiary of Mitsui U.S., Inc., to acquire its operations on the Olympic Peninsula in Washington State. The Portac assets include a sawmill and planer mill with production capacity of 145 million board feet per year. The purchase price is US$28.25 million plus an amount for working capital. Interfor has existing bank facilities in place to fund the acquisition, but has an option to pay up to US$15.25 million of the purchase price in Class A Subordinate Voting shares of Interfor to a maximum of 2.3 million shares. The transaction is subject to customary closing conditions and is scheduled to close on September 30, 2008.

The Portac mill is an excellent fit with existing Interfor operations at Port Angeles, producing dimension products and small timbers in lengths up to 20 feet which complement Interfor's product mix and presence in the Puget Sound market. The Portac acquisition is in line with the Company's strategy of building a diversified geographic base of operations and will bring Interfor's production capacity in the U.S. Pacific Northwest to 670 million board feet on an annual basis.

Agreement to Purchase Kamloops Timber Tenure

On February 18, 2008, the Company reached an agreement to acquire a timber tenure in the Kamloops region currently owned by Weyerhaeuser Company Limited having an Allowable Annual Cut (AAC) of approximately 356,000 cubic metres. The tenure is expected to benefit Interfor's sawmill at Adams Lake by strengthening Interfor's long term timber supply in the region and helping to offset anticipated declines in future supply as a result of the Mountain Pine Beetle infestation.

The transaction is subject to various regulatory reviews and is expected to close before the end of 2008.

Accounting Policy Changes

On December 1, 2006, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") issued four new accounting standards, Handbook Section 1535, *Capital Disclosures*, Handbook Section 3031, *Inventories*, Handbook Section 3862, *Financial Instruments – Disclosures*, and Handbook Section 3863, *Financial Instruments – Presentation*. The Company has adopted these new standards effective January 1, 2008. The adoption of these new standards had no financial impact on the consolidated financial statements.

Section 1535 specifies the disclosure of the Company's objectives, policies and processes for managing capital, including a description of what components of liabilities and shareholders' equity the Company defines as capital and their balances; and the nature of any externally imposed capital restrictions, how those are managed, and the consequence of any non-compliance, if any.

Section 3031 provides significantly more guidance of the measurement of inventories, with an expanded definition of cost, and the requirement that inventory must be measured at the lower of cost and net realizable value. In addition, the section has additional disclosure requirements, including accounting policies, carrying values, and the amount of any inventory writedowns.

Sections 3862 and 3863 replaced Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements to provide additional information on the nature and extent of risks arising from financial instruments to which the Company is exposed and how it manages those risks.

Seaboard Shipping Company Limited ("Seaboard"), an equity investment of the Company, recently adopted the deferral method of accounting for dry-dock activities whereby actual costs incurred are deferred and amortized on a straight-line basis over the period until the next scheduled dry-dock activity. Previously, dry-dock activities were accounted for using the accrue-in-advance method. In accordance with CICA Handbook Section 1506, *Accounting Changes*, Seaboard adopted this policy retrospectively, resulting in the restatement of prior years' results.

As the investment in Seaboard is accounted for using the equity method, the Company has recorded its $2.4 million share of the impact of the restatement as an increase in the carrying value of its investment in Seaboard and an increase in retained earnings. There was no effect on net earnings (loss) previously reported for any of the periods presented.

Future Accounting Policy Changes

In 2007, the Canadian Accounting Standards Board announced that Canadian generally accepted accounting principles ("Canadian GAAP") will cease to exist for all publicly accountable enterprises targeted for fiscal years commencing January 1, 2011. From that date onward, publicly traded companies and certain other publicly accountable enterprises will be required to report under International Financial Reporting Standards ("IFRS"). The impact of the transition to IFRS on the Company's consolidated financial statements has not been determined.

In February, 2008, the CICA issued a new accounting standard, Handbook Section 3064, *Goodwill and Intangible Assets*. 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. This standard will be applicable to the Company for annual and interim accounting periods beginning on January 1, 2009.

The Company is still evaluating the impact of this standard on its 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, 2008 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, 2008. For a full discussion of critical accounting estimates, please refer to the Company's discussion in its Annual MD&A for the year ended December 31, 2007 as filed on SEDAR at www.sedar.com.

Outlook

The U.S. housing market is expected to remain soft through the balance of 2008 as the pace of home sales remains slow and unsold housing inventory remains high. Commodity prices have weakened in recent weeks and remain below breakeven levels on most items. Prices for cedar in the domestic market have softened and are likely to remain slow through the summer. Offshore markets for high grade items remain steady while the outlook for pine specialties is mixed. The pace of activity in Japan has slowed in recent months as the economy is impacted by the slowdown in the U.S. and by higher prices for most types of commodities.

Concerns over the health of the U.S. economy continues to impact currency markets, and thus the outlook for the CAD$ versus the US$ and Yen for 2008 remains volatile.

Stumpage rates on the B.C. Coast for the third quarter of 2008 are anticipated to decrease and coastal logging operations expect to take fire season shutdowns, but have sufficient inventories to carry the mills through the third quarter.

The Company will continue to regularly monitor the economics of affected operations and curtail production where necessary, with a focus to managing inventory levels.

Additional Information

Additional information relating to the Company and its operations can be found on its website at www.interfor.com and in the Annual Information Form 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, 2008 and 2007 (unaudited)

(thousands of Canadian dollars except earnings per share)	3 Months June 30, 2008	3 Months June 30, 2007	6 Months June 30, 2008	6 Months June 30, 2007
Sales	$ 117,404	$ 195,412	$231,778	$ 360,058
Costs and expenses:				
Production	110,484	172,487	211,851	317,175
Selling and administration	4,513	4,483	9,004	8,936
Long term incentive compensation expense (recovery)	(102)	2,761	(361)	4,753
Export taxes	1,180	3,035	2,116	6,171
Amortization of plant and equipment	5,768	8,340	11,452	15,851
Depletion and amortization of timber, roads and other	7,339	7,828	10,788	12,525
	129,182	198,934	244,850	365,411
Operating loss before restructuring costs	(11,778)	(3,522)	(13,072)	(5,353)
Restructuring costs (note 10)	(33,009)	(1,390)	(35,249)	(1,640)
Operating loss	(44,787)	(4,912)	(48,321)	(6,993)
Interest expense on long-term debt	(700)	(728)	(1,218)	(1,524)
Other interest income (expense)	(120)	1,201	31	2,884
Other foreign exchange gain (loss)	379	(5,328)	(6)	(6,477)
Other income (note 9)	552	1,905	559	4,131
Equity in earnings of investee companies	608	(66)	1,275	367
	719	(3,016)	641	(619)
Loss before income taxes	(44,068)	(7,928)	(47,680)	(7,612)
Income taxes (recovery):				
Current	(3,090)	(1,719)	(7,440)	(1,625)
Future	(11,555)	(2,780)	(9,725)	(3,155)
	(14,645)	(4,499)	(17,165)	(4,780)
Net loss	$ (29,423)	$ (3,429)	$ (30,515)	$ (2,832)
Net earnings (loss) per share, basic and diluted (note 11)	$ (0.62)	$ (0.07)	$ (0.65)	$ (0.06)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the six months ended June 30, 2008 and 2007 (unaudited)

(thousands of Canadian dollars)	6 Months June 30, 2008	6 Months June 30, 2007
Retained earnings, beginning of year, as restated (note 2(d))	$ 170,584	$183,905
Net loss	(30,515)	(2,832)
Retained earnings, end of period	$ 140,069	$ 181,073

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2008 and 2007 (unaudited)

(thousands of Canadian dollars)	3 Months June 30, 2008	3 Months June 30, 2007	6 Months June 30, 2008	6 Months June 30, 2007
Cash provided by (used in):				
Operating activities:				
Net earnings (loss)	$ (29,423)	$ (3,429)	$ (30,515)	$ (2,832)
Items not involving cash:				
Amortization of plant and equipment	5,768	8,340	11,452	15,851
Depletion and amortization of timber, roads and other	7,339	7,828	10,788	12,525
Future income taxes (recovery)	(11,555)	(2,780)	(9,725)	(3,155)
Other assets	(268)	(487)	(297)	1,195
Reforestation liability	(2,981)	1,123	(2,591)	1,264
Other long-term liabilities	(71)	(268)	(116)	1,707
Share of earnings net (in excess) of cash distributions of investee company	(608)	66	(1,275)	4,002
Write-down of plant and equipment	29,750	-	29,750	-
Foreign exchange loss (gain) on translation of long term debt	(382)	(3,122)	675	(3,500)
Other	(594)	(1,925)	(622)	(4,172)
	(3,025)	5,346	7,524	22,885
Cash generated from (used in) operating working capital:				
Accounts receivable	(3,209)	(12,774)	1,193	(9,107)
Inventories	(10,343)	1,576	3,250	(2,591)
Prepaid expenses	(1,378)	(1,419)	(1,168)	(2,641)
Accounts payable and accrued liabilities	15,130	3,564	14,764	(17,793)
Income taxes	9,013	(2,933)	4,627	(25,405)
	6,188	(6,640)	30,190	(34,652)
Investing activities:				
Additions to property, plant and equipment	(15,965)	(7,716)	(25,611)	(18,446)
Additions to deferred start-up costs	-	-	-	(959)
Additions to logging roads and timber	(5,257)	(9,077)	(7,897)	(13,819)
Proceeds on disposal of property, plant, equipment, timber and roads	837	2,598	865	6,386
Acquisition of Pope and Talbot sawmills and related timber assets (note 5)	(49,418)	-	(49,418)	-
Deposit held in escrow for acquisition	9,007	-	8,943	-
Investments and other assets	435	(103)	63	(566)
	(60,361)	(14,298)	(73,055)	(27,404)
Financing activities:				
Repurchase of share capital (note 8)	-	(3,310)	-	(5,997)
Issuance of share capital (note 8)	-	611	-	849
Increase (decrease) in bank indebtedness	682	-	682	(582)
Additions to long-term debt	66,925	-	66,925	-
Repayments of long-term debt	(38,925)	-	(38,925)	-
	28,682	(2,699)	28,682	(5,730)
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	591	(141)	(62)	453
Decrease in cash and cash equivalents	(24,900)	(23,778)	(14,245)	(67,333)
Cash and cash equivalents, beginning of period	28,450	105,616	17,795	149,171
Cash and cash equivalents, end of period	$ 3,550	$ 81,838	$ 3,550	$ 81,838
Supplementary disclosures				
Cash interest paid (received)	$ 820	$ (473)	$ 1,187	$ (1,360)
Cash income taxes paid (received)	(13,336)	778	(13,336)	23,250

See accompanying notes to consolidated financial statements

CONSOLIDATED BALANCE SHEETS
June 30, 2008 and 2007 (unaudited) and December 31, 2007 (audited)

(thousands of Canadian dollars)	June 30, 2008	Dec. 31, 2007	June 30, 2007
		restated - note 2(d)	restated - note 2(d)
Assets			
Current assets:			
Cash and cash equivalents	$ 3,550	$ 17,795	$ 81,838
Deposit (note 5)	-	8,761	-
Accounts receivable	36,091	37,172	58,937
Income taxes recoverable	4,211	8,838	-
Inventories (note 6)	82,286	76,429	82,364
Prepaid expenses	7,859	6,267	6,848
Future income taxes	5,367	3,083	3,074
	139,364	158,345	233,061
Investments and other assets (note 2(d))	14,624	12,270	11,065
Property, plant and equipment, net of accumulated amortization	302,131	300,150	295,702
Timber and logging roads, net of accumulated depletion and amortization	95,248	55,050	48,686
Goodwill and other intangible assets	13,078	13,078	13,131
Future income taxes	11,201	7,000	2,630
Long-lived assets held for sale	12,511	3,239	3,233
	$ 588,157	$549,132	$ 607,508
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness (note 7(a))	$ 682	$ -	$ -
Accounts payable and accrued liabilities	78,478	49,999	76,737
Income taxes payable	-	-	2,221
Future income taxes	-	-	2
	79,160	49,999	78,960
Reforestation liability, net of current portion	17,226	11,874	14,474
Long-term debt (note 7(b))	63,371	34,696	37,289
Other long-term liabilities	13,032	8,859	10,309
Future income taxes	11,021	13,080	9,064
Shareholders' equity:			
Share capital (note 8)			
Class A subordinate voting shares	284,444	284,444	287,521
Class B common shares	4,080	4,080	4,080
Contributed surplus	5,408	5,408	6,137
Accumulated other comprehensive income (loss)	(29,654)	(33,892)	(21,399)
Retained earnings (note 2(d))	140,069	170,584	181,073
	404,347	430,624	457,412
	$ 588,157	$ 549,132	$ 607,508

Commitment and Contingencies (note 16)
Purchase agreement (note 17)
Subsequent event (notes 7(a) and 18)

See accompanying notes to consolidated financial statements

On behalf of the Board:

E.L. Sauder
Chairman

H.C. Kalke
Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the three and six months ended June 30, 2008 and 2007 (unaudited)

(thousands of Canadian dollars)	3 Months June 30, 2008	3 Months June 30, 2007	6 Months June 30, 2008	6 Months June 30, 2007
Net loss	$ (29,423)	$ (3,429)	$ (30,515)	$ (2,832)
Other comprehensive income (loss), net of income taxes (recovery):				
Net change in unrealized foreign currency translation gains (losses)	(1,596)	(13,978)	4,238	(15,038)
Other comprehensive income (loss)	(1,596)	(13,978)	4,238	(15,038)
Comprehensive loss	$ (31,019)	$ (17,407)	$ (26,277)	$ (17,870)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
For the six months ended June 30, 2008 and 2007 (unaudited)

(thousands of Canadian dollars)	6 Months June 30, 2008	6 Months June 30, 2007
Accumulated other comprehensive loss, beginning of year	$ (33,892)	$ (6,361)
Other comprehensive income (loss)	4,238	(15,038)
Accumulated other comprehensive loss, end of period	$ (29,654)	$ (21,399)

See accompanying notes to consolidated financial statements

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 audited 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, 2007, except for the new accounting policies adopted subsequent to that date, as discussed in Note 2.

2. Adoption of changes in accounting policies:

The Canadian Institute of Chartered Accountants ("CICA") issued four new accounting standards, which have been adopted, together with the change in accounting policy of an investee company, on January 1, 2008. These changes are described as follows:

(a) Capital disclosures:

CICA Handbook Section 1535, *Capital Disclosures*, specifies the disclosure of the Company's objectives, policies and processes for managing capital, including: a description of what components of liabilities and shareholders' equity the Company defines as capital, and their balances; and the nature of any externally imposed capital restrictions, how those are managed, and the consequence of any non-compliance, if any. Refer to Note 14 for additional disclosures.

(b) Inventories:

CICA Handbook Section 3031, *Inventories*, provides significantly more guidance on the measurement of inventories, with an expanded definition of cost, and the requirement that inventory must be measured at the lower of cost and net realizable value. In addition, the section has additional disclosure requirements, including accounting policies, carrying values, and the amount of any inventory writedowns.

Lumber inventories are valued at the lower of cost and net realizable value on a specific product basis. Cost is determined as the weighted average of cost of production on a three month rolling average, lagged by one month and adjusted for exceptional costs, as in the case of a curtailment.

Log inventories are valued at the lower of cost and net realizable value on a specific boom basis where logs are in boom form, or in aggregate on a species and sort basis where the logs do not exist in boom form. Cost for internally produced log inventories is determined as the weighted average of cost of logging on a twelve month rolling average, lagged by one month and adjusted for exceptional costs, as in the case of a curtailment. Log inventories purchased from external sources are costed at acquisition cost. Net realizable value of logs is based on either replacement cost or, for logs for which have been committed to processing into lumber, on estimated net realizable value after taking into consideration costs of completion and sale.

The adoption of this new standard had no financial effect on the consolidated financial statements of the Company. Refer to Note 6 for additional disclosures.

(c) Financial instruments – Disclosure and Presentation:

CICA Handbook Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*, replace Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing disclosure requirements to provide additional information on the nature and extent of risks arising from financial instruments to which the Company is exposed and how it manages those risks. Refer to note 15 for additional disclosures.

(d) Equity investment:

Seaboard Shipping Company Limited ("Seaboard"), an equity investment of the Company, recently adopted the deferral method of accounting for dry-dock activities whereby actual costs incurred are deferred and amortized on a straight-line basis over the period until the next scheduled dry-dock activity. Previously, dry-dock activities were accounted for using the accrue-in-advance method. In accordance with CICA Handbook Section 1506, *Accounting Changes*, Seaboard adopted this policy retrospectively, resulting in the restatement of prior years' results. As the investment in Seaboard is accounted for using the equity method, the Company has recorded its share of the impact of the restatement as follows:

	As previously reported	Adjustment	As adjusted
Consolidated Statement of Retained Earnings for the six months ended June 30, 2007:			
Retained earnings, beginning	$ 181,477	$ 2,428	$ 183,905
Consolidated Balance Sheet as at June 30, 2007:			
Investments and other assets	8,637	2,428	11,065
Retained earnings, ending	178,645	2,428	181,073
Consolidated Balance Sheet as at December 31, 2007:			
Investments and other assets	9,842	2,428	12,270
Retained earnings, ending	168,156	2,428	170,584

The restatement has not affected net earnings (loss) previously reported for any of the periods presented in the Statement of Operations.

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. Acquisition of Pope and Talbot, Inc. sawmills:

On November 19, 2007, the Company and Pope and Talbot, Inc. ("P&T") entered into an Asset Purchase Agreement ("P&T APA"), as amended, for the acquisition of two southern B.C. interior sawmills and their related timber tenures and one sawmill in Spearfish, South Dakota. Subsequently, the Company assigned the right to purchase the Spearfish, South Dakota sawmill to Neiman Enterprises, Inc. ("Neiman"), a company based in Wyoming. The Company paid a US$8,800,000 interest-bearing deposit held in escrow in respect of the transaction.

On April 30, 2008, the Company concluded the acquisition of the Castlegar, B.C. and Grand Forks, B.C. sawmills, related timber harvesting rights and other related assets and Neiman concluded their acquisition of the Spearfish sawmill and related assets.

To acquire these assets, the Company paid $49,418,000, of which $9,007,000 was funded through the deposit held in escrow, $17,709,000 was financed through the Revolving Line, and the balance of $22,702,000 through cash on hand. Amounts paid in US$ were translated to CAD$ at the April 29, 2008 rate of US$0.9882 : CAD$1.00.

The total consideration and purchase price allocation are preliminary and subject to adjustment in accordance with the P&T APA and further refinement of fair value allocations. A portion of the consideration paid has been placed in escrow and the Company expects some amount to be returned to the Company upon determination of the adjustment amounts or the obtaining of certain authorization in accordance with the P&T APA. The amount to be returned cannot be determined as it is subject to the agreement of the Company and P&T, and the determination of an independent accounting firm. The total consideration and purchase price will be adjusted once these amounts have been determined.

The purchase price has been allocated on a preliminary basis to the fair value of assets acquired and related liabilities arising from the transaction, based on management's best estimates and taking into account all available information to June 30, 2008. As updated information is available, further analysis may result in a further refinement and revision to the values attributable to assets and liabilities arising on the P&T acquisition.

The assets acquired include manufacturing facilities, timber harvesting rights and working capital. The Company assumed certain liabilities of P&T including pension and other employee related liabilities. P&T compensated the Company for the future management of certain of these liabilities, including forestry related obligations, resulting in the transfer of portions of these liabilities to the Company at acquisition closing.

This acquisition has been accounted for using the purchase method and the purchase price is allocated as follows:

Net assets acquired:		
Current assets	$	9,252
Property, plant and equipment		23,287
Timber and logging roads		43,000
		75,539
Liabilities assumed:		
Current liabilities		(12,447)
Reforestation and other long-term obligations		(12,232)
Future income taxes		(1,442)
	$	49,418

Cash consideration funded by:		
Cash on hand	$	22,702
Deposit held in escrow		9,007
Revolving Line		17,709
	$	49,418

6. Inventories:

	June 30, 2008	Dec. 31, 2007	June 30, 2007
Logs	$ 56,449	$ 53,631	$ 51,884
Lumber	19,379	18,588	25,219
Other	6,458	4,210	5,261
	$ 82,286	$ 76,429	$ 82,364

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, 2008 was $18,024,000 (December 31, 2007 - $16,019,000; June 30, 2007 - $9,527,000).

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

(a) Bank indebtedness:

June 30, 2008	Canadian Operating Facility	U.S. Operating Facility	Total
Available line of credit	$ 100,000	$ 10,106	$ 110,106
Maximum borrowing available	65,056	7,398	72,454
Unused portion of line	60,211	6,267	66,478
Outstanding letters of credit included in line utilization	4,845	121	4,966
December 31, 2007			
Available line of credit	$ 40,000	$ 9,913	$ 49,913
Maximum borrowing available	40,000	9,913	49,913
Unused portion of line	35,182	9,794	44,976
Outstanding letters of credit included in line utilization	4,818	119	4,937

In the second quarter of 2008, the Company renewed its existing Canadian operating line of credit ("Operating Line"). The terms and conditions of this line remain unchanged except for the maximum operating credit available which was increased from $40,000,000 to $100,000,000 and an increase in the interest rate margins. The Operating Line matures on April 24, 2009.

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. 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, and mortgage security on sawmills and charges against timber tenures. 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.

In the second quarter of 2008, the maturity date of the U.S. operating line of credit was extended to August 1, 2008 with an increase to the interest rate margins. In July, 2008, the Company received a commitment from its lender to extend the maturity date of the U.S. operating line to April 24, 2009. The Company has provided a parent guarantee on the line.

(b) Long-term debt:

In the second quarter of 2008, the Company renewed its existing Canadian revolving term line of credit ("Revolving Line"), increasing it from $10,000,000 to $115,000,000. The terms and conditions of this line remain unchanged except for an increase in the interest rate margins. The financing renewed on April 25, 2008, with $55,000,000 of the Revolving Line made available at that time, and the remainder of $60,000,000 was made available on April 30, 2008 when the P&T transaction completed. The extended Revolving Line matures on April 24, 2011. The Revolving 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.

To fund the P&T transaction and the Adams Lake sawmill capital project, the Company utilized the Revolving Line and as at June 30, 2008, the Line was drawn by $28,000,000 (December 31, 2007 - $nil; June 30, 2007 - $nil).

The US dollar non-revolving term line (the "Non-Revolving Line") remains fully drawn at US$35,000,000 (December 31, 2007 – US$35,000,000; June 30, 2007 - US$35,000,000) and was revalued at the quarter-end exchange rate to $35,371,000 (December 31, 2007 - $34,696,000; June 30, 2007 - $37,289,000). The Non-Revolving Line bears interest at rates based on bank prime plus a premium depending upon a financial ratio or, at the Company's option, at rates for LIBOR based loans and matures on September 1, 2009. The foreign exchange loss of $675,500 (June 2007 - $3,122,000 gain) arising on revaluation of the Non-Revolving Line for the six months ended June 30, 2008 was recognized in Other foreign exchange gain (loss) on the Statement of Operations. In 2007, the Company had designated the Non-Revolving Line as a hedge against its investment in its self-sustaining U.S. operations until March 31, 2007, and the foreign exchange gain of $378,000 for the first quarter of 2007 was recognized in Other Comprehensive Income.

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

(b) Long-term debt (continued):

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

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

2009	$ 35,371
2010	-
2011	28,000
2012	-
2013	-
	$ 63,371

8. Share capital:

On November 9, 2006, the Company commenced a normal course issuer bid ("NCIB 05") to acquire up to 2,366,000 Class A Subordinate Voting shares ("Class A Shares"). NCIB 05 terminated on November 8, 2007. On January 3, 2008, the Company commenced a normal course issuer bid ("NCIB 06") to acquire up to 1,300,000 Class A shares (representing approximately 2.8% 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 06 will terminate no later than January 7, 2009.

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, 2008	3 Months June 30, 2007	6 Months June 30, 2008	6 Months June 30, 2007
Acquisitions under normal course issuer bid				
Number of shares purchased and cancelled	-	367,600	-	714,600
Cost	-	$ 3,310	$ -	$ 5,997
Excess of cost of shares over assigned value charged to contributed surplus	-	1,040	-	1,583
Shares issued on exercise of options				
Number of shares	-	121,340	-	179,280
Proceeds	-	$ 611	$ -	$ 849

9. Other income:

	3 Months June 30, 2008	3 Months June 30, 2007	6 Months June 30, 2008	6 Months June 30, 2007
Gain on disposal of surplus plant and equipment, and timber	$ 64	$ 1,926	$ 91	$ 4,172
Gain on settlement of timber takeback	531	-	531	-
Other (expense)	(43)	(21)	(63)	(41)
	$ 552	$ 1,905	$ 559	$ 4,131

In the first quarter of 2008, the Company disposed of surplus equipment, generating a gain of $28,000. 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 additional sales of surplus equipment generated a gain of $595,000 and sales proceeds of $837,000.

In the first and second quarters of 2007, the Company disposed of surplus property, plant and equipment as well as 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.

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

	3 Months June 30, 2008	3 Months June 30, 2007	6 months June 30, 2008	6 months June 30, 2007
Plant and equipment write-downs	$ 29,750	$ -	$ 29,750	$ -
Severance and other restructuring costs	2,233	1,013	4,473	1,263
Other	1,026	377	1,026	377
	$ 33,009	$ 1,390	$ 35,249	$ 1,640

10. Restructuring costs and write-downs of plant and equipment (continued):

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 $29,750,000 on the plant and equipment.

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 six months ended June 30, 2007. In addition, the Company recorded $377,000 for logging phase contractor buyouts and other restructuring.

11. Net earnings (loss) per share:

	3 Months June 30, 2008			3 Months June 30, 2007		
	Net earnings (loss)	Shares	Per share	Net earnings (loss)	Shares	Per share
Basic earnings (loss) per share	$ (29,423)	47,105	$ (0.62)	$ (3,429)	47,847	$ (0.07)
Share options	-	270*	-	-	708*	-
Diluted earnings (loss) per share	$ (29,423)	47,105	$ (0.62)	$ (3,429)	47,847*	$ (0.07)

	6 Months June 30, 2008			6 Months June 30, 2007		
	Net earnings (loss)	Shares	Per share	Net earnings (loss)	Shares	Per share
Basic earnings (loss) per share	$ (30,515)	47,105	$ (0.65)	$ (2,832)	47,911	$ (0.06)
Share options	-	239*	-	-	651*	-
Diluted earnings (loss) per share	$ (30,515)	47,105	$ (0.65)	$ (2,832)	47,911*	$ (0.06)

*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.

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

	3 Months June 30, 2008	3 Months June 30, 2007	6 Months June 30, 2008	6 Months June 30, 2007
Canada	$ 41,642	$ 67,904	$ 92,353	$ 122,160
United States	44,981	85,194	81,753	161,019
Japan	10,416	14,277	19,557	32,636
Other export	20,365	28,037	38,115	44,243
	$ 117,404	$ 195,412	$ 231,778	$ 360,058

Sales by product line are as follows:

	3 Months June 30, 2008	3 Months June 30, 2007	6 Months June 30, 2008	6 Months June 30, 2007
Lumber	$ 82,237	$ 143,008	$ 158,471	$ 270,489
Logs	25,672	33,219	56,555	52,609
Wood chips and other by products	7,379	17,065	12,889	33,098
Other	2,116	2,120	3,863	3,862
	$ 117,404	$ 195,412	$ 231,778	$ 360,058

12. Segmented information (continued):

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

	June 30, 2008	Dec. 31, 2007	June 30, 2007
Canada	$ 283,870	$ 232,988	$ 211,374
United States	139,098	138,529	149,378
	$ 422,968	$ 371,517	$ 360,752

13. Employee future benefits:

The total benefits cost under its various pension plans, including those acquired through the P&T acquisition, are as follows:

	3 Months June 30, 2008	3 Months June 30, 2007	6 Months June 30, 2008	6 Months June 30, 2007
Defined contribution plan	$ 347	$ 406	$ 671	$ 757
Defined benefit plan	30	79	51	208
Unionized employees' pension plan	392	590	803	1,178
U.S. employees benefit plan	115	145	237	321
Senior management supplementary pension plan	130	117	250	207
Total pension expense	$ 1,014	$ 1,337	$ 2,012	$ 2,671

14. Capital management:

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business. The Company monitors the return on average invested capital, which it defines as net earnings (loss) plus after tax interest cost divided by the average of opening and closing invested capital comprised of the total of bank indebtedness, long-term debt and shareholders' equity.

The Company seeks to maintain a balance between the higher returns that might be possible with the leverage afforded by higher borrowing levels and the security afforded by a sound capital position. The Company's target is to create value for its shareholders over the long-term through increases in share value.

In January 2008, the Company filed a normal course issuer bid, as described in note 8. As all purchases are made at market prices, the timing of any purchases will be managed based on the share price and available cash flow. The Company considers its shares to be undervalued, and a buy-back program is consistent with the Company's goal of creating long-term value for its shareholders.

There were no changes in the Company's approach to capital management during the period. Under its debt financing agreements, the Company cannot exceed a total debt to total capitalization ratio of 45%, with total debt defined as the total of bank indebtedness, including letters of credit, and long-term debt, net of cash and cash equivalents.

15. Financial instruments:

(a) Fair value of financial instruments:

At June 30, 2008, the fair value of the Company's long-term debt approximated its carrying value of $63,371,000 (June 30, 2007 - $37,289,000) as the long-term debt bore interest at current market rates. 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, 2008, the Company has outstanding obligations to buy US$15,000,000 at an average rate of US$1.0125 to CAD$1.00 and sell a maximum of US$3,000,000 at an average rate of US$1.0241 to CAD$1.00 and sell Japanese ¥120,000,000 at an average rate of ¥103.69 to the CAD$1.00 and sell Euro €75,000 at an average rate of 1.6040 to CAD$1.00 during 2008. All foreign currency gains or losses to June 30, 2008 have been recognized in the Statement of Operations and the fair value of $26,000 has been recorded in accounts receivable.

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 all gains or losses on the swap recognized in the Statement of Operations. The fair value of $3,516,000 has been recorded in accounts payable and accrued liabilities.

15. Financial instruments (continued):

(c) Financial risk management:

Financial instrument assets include cash resources, deposits and accounts receivable. Cash resources and deposits are designated as held-for-trading and measured at fair value, while accounts receivable are designated as loans and receivables and measured at amortized cost.

Financial instrument liabilities include accounts payable and accrued liabilities, long-term debt, and certain other long-term liabilities. All financial liabilities are designated as Other liabilities and are measured at amortized cost.

There are no financial instruments classified as available-for-sale or held-to-maturity.

The use of financial instruments exposes the Company to credit, liquidity and market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Through its standards and procedures, management has developed a control environment in which employees are clear on roles and obligations and management regularly monitors compliance with its risk management policies and procedures.

(i) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Company's receivables from customers and from short-term investments.

Accounts receivable

The Company's exposure to credit risk is dependent upon individual characteristics of each customer. Each new customer is assessed for creditworthiness before standard payment and delivery terms and conditions are offered, with such review encompassing any external ratings, and bank and other references. Purchase limits are established for each customer, and are regularly reviewed. In some cases, where customers fail to meet the Company's benchmark creditworthiness, the Company may choose to transact with the customer on a prepayment basis.

All North American sales are conducted under standard industry terms. All lumber sales outside of the North American markets are either insured by the Export Development Corporation or are secured by irrevocable letters of credit.

The Company regularly reviews the collectibility of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectible accounts. Historically, the Company has experienced minimal bad debts and based on this past experience, the Company believes that no impairment allowance is necessary in respect of trade accounts receivable past due. As at June 30, 2008, there were no trade accounts receivable past due which were considered uncollectible (June 30, 2007 - $nil), and no reserve in respect of doubtful accounts was set up (June 30, 2007 - $nil).

Deposits

The Company limits it exposure to credit risk by only investing in liquid securities and only with counterparties that have a high credit rating. As such, management does not expect any counterparty to fail to meet its obligations.

Guarantees

The Company's policy is to provide financial guarantees only to wholly-owned subsidiary companies, with no guarantees outstanding at June 30, 2008.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure for receivables in North America. As lumber sales outside of the North American markets are insured by the Export Development Corporation to 90% or secured by irrevocable letters of credit, credit exposure for these sales is limited.

Accounts receivable carrying value at the reporting date by geographic region was:

	June 30, 2008
Canada	$ 17,679
United States	12,448
Japan	1,235
Other	4,729
	$ 36,091

(ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures, as far as possible, that it will always have sufficient liquidity to meet obligations when due and monitors cash flow requirements daily and projections weekly. Weekly debt graphs are reviewed by senior management to monitor cash balances and debt line utilizations.

The Company also maintains a revolving Canadian Operating Line and a U.S. Operating Line of credit that can be drawn down to meet short-term financing needs.

15. Financial instruments (continued):

(c) Financial risk management (continued):

(iii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

The Company is exposed to currency risk on cash and deposits, sales, purchases and loans that are denominated in a currency other than the respective functional currencies of the Company's domestic and foreign operations, primarily Canadian (CAD) and U.S. dollars (USD), but also the Euro, Sterling and Yen. The Company uses forward exchange contracts and cross currency interest rate swaps to hedge its currency risk, as described in Note 15(b) Derivative financial instruments. Daily, the Company assesses its foreign exchange exposure by reviewing outstanding contracts, pending order files and working capital denominated in foreign currencies.

At June 30, 2008, the Company's Non-Revolving Line remains fully drawn at US$35,000,000 (June 30, 2007 - US$35,000,000). To March 31, 2007, the Company designated the Non-Revolving Line as a hedge against its investment in its self-sustaining U.S. operations. On April 1, 2007, the Company terminated the designation of the hedging relationship and discontinued its use of hedge accounting.

As at June 30, 2008, the Company's accounts receivable were denominated in the following currencies:

	CAD	USD	Japanese ¥	Euro €
Accounts receivable	21,282	9,002	21,313	110
Accounts receivable held by self-sustaining foreign subsidiaries	-	5,277	-	-
	21,282	14,279	21,313	110

As at June 30, 2008, the Company held cash and cash equivalents of US$992,000 with the remaining amounts in $CAD. Bank indebtedness of self-sustaining foreign subsidiaries totalled US$675,000.

Based on the Company's net exposure to foreign currencies as at December 31, 2007, including USD denominated cash held in deposits and cash equivalents and USD denominated debt and other USD denominated financial instruments, the sensitivity of the USD balances to the Company's net annual earnings is as follows:

U.S. Dollar	$0.01 increase vs CAD$	$0.8 million increase in net income
Japanese Yen	1 ¥ increase vs CAD$	$0.1 million increase in net income

Interest rate risk

The Company reduces its exposure to changes in interest rates on borrowings by entering into cross currency interest rate swaps, as described in Note 15(b) Derivative financial instruments.

Based on the Company's average debt level during 2007, the sensitivity of a 100 basis point increase in interest rates would result in an approximate decrease of $0.1 million in net annual earnings.

Other market price risk

The Company does not enter into commodity contracts other than to meet the Company's expected usage and sale requirements and such contracts are not settled net.

Based on 2007 levels of operations, a $10 change in the Company's average selling price of its products would impact net annual earnings as follows:

Lumber	$10 increase per thousand fbm	$5.7 million increase in net income
Chips	$10 increase [1]	$2.9 million increase in net income

[1] Interfor sells chips in either volumetric units (VU's or GPU's – B.C. Coastal operations) or bone dry units (BDU's – B.C. Interior and Pacific Northwest operations).

16. Commitments and contingencies:

(a) Contractual obligations for Adams Lake sawmill construction:

The Company has undertaken obligations under various contracts totalling $25,901,000 as at June 30, 2008, relating to construction of a new sawmill at its Adams Lake operation in the southern B.C. Interior. These amounts are expected to be paid over the next year.

16. Commitments and contingencies:

(b) Softwood Lumber Agreement (continued):

The Softwood Lumber Agreement ("SLA") includes a surge mechanism that increases the export tax by 50% (the "Surge Tax") when the monthly volume of exports exceeds a certain trigger volume, as defined in the SLA. This calculation is based on estimated trailing U.S. lumber consumption. In 2007, the U.S. Coalition for Fair Lumber Imports (the "Coalition") asserted that the consumption volumes used in calculation of the applicability of a surge tax should be based on a 12 month rolling average actual volume. Under current market conditions, the use of actual consumption rather than expected consumption would decrease the surge trigger volume, and could cause the exporters to be liable for additional Surge Tax. This issue was brought before the London Court of International Arbitration ("LCIA").

On March 4, 2008, the LCIA ruled in favour of the Canadian provinces utilizing the export charge only option ("Option A") under the SLA, including the Province of B.C., supporting the Canadian position that Surge Tax was not applicable to shipments to the U.S. over the period under review for Option A provinces.

(c) Contingency

The P&T assets acquired may have pipe insulation and board in the kiln decks that contain asbestos. There are no plans to disturb or remove this material and the Company is unable to determine the amount of asbestos that may be present. As such, there is insufficient information to apply expected present value techniques to these conditional asset retirement obligations and no liability has been recorded.

17. Purchase agreement:

On February 18, 2008, the Company reached an agreement to acquire a timber tenure in the southern B.C. Interior currently owned by Weyerhaeuser Company. The agreement is subject to receipt of regulatory approval and is expected to close in 2008.

18. Subsequent event:

On July 24, 2008, the Company entered into an agreement with Portac, Inc. ("Portac"), a subsidiary of Mitsui U.S., Inc., to acquire its operations on the Olympic Peninsula in Washington State. The Portac assets include a sawmill and planer mill. The purchase price is US$28,250,000 plus an amount for working capital. The Company has existing bank facilities in place to fund the acquisition, but has an option to pay up to US$15,250,000 of the purchase price in Class A Subordinate Voting shares of Interfor to a maximum of 2,300,000 shares. The transaction is subject to customary closing conditions and is scheduled to close on September 30, 2008.

19. Future Accounting Changes:

(a) International Financial Reporting Standards

The CICA has announced that it will transition Canadian generally accepted accounting principles ("GAAP") for publicly accountable entities to International Financial Reporting Standards ("IFRS"). The Company's consolidated financial statements are to be prepared in accordance with IFRS for the fiscal year commencing January 1, 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not been determined.

(b) Goodwill and Intangible Assets

Effective January 1, 2009, the Company will adopt new CICA Handbook Section 3064, *Goodwill and Intangible Assets*. 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. The Company is still evaluating the full impact of this standard on its consolidated financial statements.

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