



International Forest Products Limited

First Quarter Report

For the three months ended March 31, 2007

Management's Discussion and Analysis

Dated as of April 26, 2007

This Management's Discussion and Analysis ("MD&A") provides a review of Interfor's financial performance for the three months ended March 31, 2007 relative to the three months ended March 31, 2006, the Company's financial condition and future prospects. The MD&A should be read in conjunction with the interim Consolidated Financial Statements for the three months ended March 31, 2007 and 2006 and Interfor's Annual Information Form, Consolidated Financial Statements and Annual MD&A for the years ended December 31, 2006 and 2005 filed on SEDAR at www.sedar.com. The financial information contained in this MD&A has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In this MD&A, reference is made to EBITDA and Adjusted EBITDA. EBITDA represents earnings before interest, taxes, depletion, amortization, restructuring costs and write-downs of property, plant, equipment and timber ("asset write-downs"). Adjusted EBITDA represents EBITDA adjusted for U.S. duty refunds, net, and other income. The Company discloses EBITDA as it is a measure used by analysts and Interfor's management to evaluate the Company's performance. As EBITDA is a non-GAAP measure, it may not be comparable to EBITDA calculated by others. In addition, as EBITDA is not a substitute for net earnings, readers should consider net earnings in evaluating the Company's performance.

Unless otherwise noted, all financial references in this MD&A are in Canadian dollars.

References in this MD&A to "Interfor" and the "Company" mean International Forest Products Limited, together with its subsidiaries.

FORWARD LOOKING STATEMENTS

This report contains statements that are forward looking in nature. Such statements involve known and unknown risks and uncertainties that may cause the actual results of the Company to be materially different from those expressed or implied by those forward looking statements. Such risks and uncertainties include, among others: general economic and business conditions, product selling prices, raw material and operating costs, changes in foreign currency exchange rates and other factors referenced herein and in the Company's annual statutory report.

REVIEW OF OPERATING RESULTS

Interfor recorded net earnings of \$0.6 million, or \$0.01 per share, for the first quarter of 2007 compared to \$8.7 million, or \$0.18 per share, for the first quarter of 2006. EBITDA and Adjusted EBITDA for the first quarter of 2007 were \$11.9 million and \$9.7 million, respectively, compared to \$22.7 million and \$20.0 million for the corresponding quarter in 2006. Operating earnings (loss) for the current quarter were \$(2.1) million, compared to \$8.9 million for the comparable period in 2006. This reduction reflects a sharp decline in prices for North American structural lumber products, and challenging log markets, evidenced by higher log prices and reduced log availability, the latter being compounded by inclement weather conditions. Partly offsetting these factors were improved prices for the Company's cedar products and for hemlock products sold in Japanese markets, and higher residual chip prices. The Canadian dollar strengthened slightly compared to its U.S. counterpart over the current quarter, ending the period at CAD\$1.1546 (December 31, 2006 – CAD\$1.1654).

Lumber shipments totaled 244 million board feet for the first quarter of 2007, down 25.7% compared to 329 million board feet for the first quarter of 2006. The Pacific Northwest mills operated at approximately three-quarters of the operating levels of the corresponding quarter in 2006, due to reduced log availability and higher log prices in the region and, to a lesser extent, time dedicated to the installation and start up of the Port Angeles mill's new primary log breakdown line. In the current quarter, the Company's Hammond cedar mill also operated at less than full capacity due to continued log shortages, while the Queensboro facility, producing cedar and other specialty products, operated on one shift.

Unit lumber sales values for the current quarter declined 3.4% compared to the first quarter of 2006. The erosion of structural lumber prices in North America through most of 2006 and early 2007 – the Random Lengths Framing Lumber Composite Price fell by US\$89 per mfbm, or 23.5%, quarter-over-quarter – had a significant impact on the Company's sales values, but was mitigated somewhat by higher cedar prices, and a modest price improvement for the Company's Japanese hemlock products. In addition, the Company has shifted production to specialty products at its Queensboro and Gilchrist mills in order to reduce its exposure to North American structural lumber markets.

Pulp chip revenues improved by \$6.4 million, or 75.1%, compared to the first quarter of 2006, with significantly higher prices driven by increased demand for residual chips and higher pulp prices, outweighing the impact of lower sales volumes from reduced sawmill operating rates. Other sales revenues declined by \$10.5 million, primarily as a result of the Company's sales in 2006 of its helicopter logging operation and assets ("Helifor") and B.W. Creative Wood Industries Ltd., a secondary manufacturing operation.

Production costs for the first quarter of 2007 decreased \$41.7 million, or 22.4%, compared to the same period in 2006. Lower costs arising from the decline in operating rates, disciplined cost management, and to a lesser extent, the sale of MacKenzie and Helifor in 2006, were offset in part

by higher average log prices and increased stumpage rates on the B.C. Coast.

The Canada/U.S. lumber export tax was 15% through the first quarter of 2007, with the Company paying \$3.1 million of export tax on shipments of 56 million board feet. For the comparable quarter in 2006, the Company paid \$5.2 million in deposits for countervailing and antidumping duties on shipments of 107 million board feet.

Selling and administrative costs for the first quarter of 2007 decreased \$0.5 million compared to the first quarter of 2006, while long term incentive compensation was up \$1.2 million, reflecting a 12.4% increase in the Company's share price from \$7.19 at December 31, 2006 to \$8.08 at March 31, 2007.

Amortization and depletion expense for the current quarter was up \$1.8 million compared to the first quarter of 2006, primarily due to additional road amortization arising on increased harvesting activity along the lower B.C. Coast in the current quarter.

In the current quarter, the Company completed the sale of one of its tree farm licences, TFL 54, and disposed of further surplus property, plant and equipment for a total pre-tax gain of \$2.2 million (included in Other income). This compares to an aggregate gain of \$2.5 million in the first quarter of 2006, generated from the sale of its previously closed Marysville sawmill and surplus property, plant and equipment.

Net interest revenue was \$0.9 million in the first quarter of 2007, compared to interest expense of \$1.0 million for the same quarter of 2006, largely as a result of cash balances retained from the U.S. duty refund received in late 2006.

SELECTED QUARTERLY FINANCIAL INFORMATION

Quarterly Earnings Summary

	2007		2006				2005	
	Quarters							
	1 st	4 th	3 rd	2 nd	1 st	4 th	3 rd	2 nd
	(millions of dollars except share and per share amounts)							
Sales – Lumber	127.5	120.5	153.9	173.5	177.7	171.3	166.2	161.8
– Logs	19.4	32.6	31.4	22.0	17.2	25.9	28.2	32.2
– Wood chips and other by-products	16.0	12.1	11.3	9.3	9.1	8.6	9.0	8.3
– Other	1.7	9.3	12.6	19.7	12.2	11.5	12.3	12.9
Total Sales	164.6	174.5	209.2	224.5	216.2	217.3	215.7	215.2
Operating earnings (loss) before U.S. duty refunds, net, restructuring costs and asset write-downs	(1.8)	(2.4)	-	8.3	8.5	(0.6)	(2.8)	6.6
Operating earnings (loss)	(2.1)	94.5	-	0.3	8.9	(14.7)	(4.0)	(19.9)
Net earnings (loss)	0.6	77.2	1.6	8.0	8.7	(4.9)	4.7	9.0
Net earnings (loss) per share – basic	0.01	1.60	0.03	0.17	0.18	(0.10)	0.10	0.18
– diluted	0.01	1.58	0.03	0.16	0.18	(0.10)	0.10	0.18
EBITDA ³	11.9	117.1	14.5	33.7	22.7	19.7	23.6	44.9
Cash flow from operations per share ¹	0.37	1.83	0.29	0.44	0.39	0.03	0.18	0.44
Shares outstanding – end of period (millions) ²	47.8	48.1	48.3	48.4	48.7	48.7	48.7	48.7
– weighted average (millions)	48.0	48.2	48.4	48.6	48.7	48.7	48.7	48.7
Adjusted EBITDA ³	9.7	13.6	13.9	23.6	20.0	16.5	13.5	23.5

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

2 As at April 26, 2007 the number of shares outstanding by class are: Class A Subordinate Voting shares – 46,830,836, Class B Common shares – 1,015,779, Total – 47,846,615.

3 EBITDA represents earnings before interest, taxes, depletion, amortization, restructuring costs 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. EBITDA and Adjusted EBITDA can be calculated from the statements of operations as follows:

	2007		2006				2005	
	Quarters							
	1 st	4 th	3 rd	2 nd	1 st	4 th	3 rd	2 nd
	(millions of dollars)							
Net earnings (loss)	0.6	77.2	1.6	8.0	8.7	(4.9)	4.7	9.0
Add: Income taxes (recovery)	(0.3)	38.5	(1.3)	2.1	3.0	(6.3)	0.7	(6.5)
Net interest (income) expense	(0.9)	0.5	0.9	1.0	1.0	1.3	1.3	1.0
Interest income on U.S. duty refund, net of special charge	-	(12.7)	-	-	-	-	-	-
Depletion and amortization	12.2	13.6	13.4	14.6	10.4	15.5	15.8	14.9
Restructuring costs, asset write-downs and other	0.3	-	-	8.0	(0.4)	14.1	1.1	26.5
EBITDA	11.9	117.1	14.5	33.7	22.7	19.7	23.6	44.9
Deduct:								
U.S. duty refunds, net	-	96.9	-	-	-	-	-	-
Other income	2.2	6.6	0.6	10.1	2.7	3.2	10.1	21.4
Adjusted EBITDA	9.7	13.6	13.9	23.6	20.0	16.5	13.5	23.5

Volume and Price Statistics

		2007		2006				2005	
		Quarters							
		1 st	4 th	3 rd	2 nd	1 st	4 th	3 rd	2 nd
Lumber sales	(million fbm)	244	225	299	319	329	332	309	264
Lumber production	(million fbm)	249	222	292	326	325	316	308	266
Log sales ¹	(thousand cubic metres)	207	381	358	229	222	365	388	403
Log production ¹	(thousand cubic metres)	366	616	707	667	391	634	712	765
Average selling price – lumber ²	(\$/thousand fbm)	\$522	\$534	\$515	\$545	\$540	\$516	\$538	\$613
Average selling price – logs ¹	(\$/cubic metre)	\$91	\$85	\$87	\$95	\$77	\$70	\$73	\$80
Average selling price – pulp chips	(\$/thousand fbm)	\$56	\$49	\$35	\$26	\$25	\$24	\$25	\$27

1 B.C. operations

2 Gross sales before duties and export taxes

Quarterly trends normally reflect seasonality of the Company's operations. Logging operations are seasonal due to a number of factors including weather, ground conditions and fire season woods closures. Generally, the Company's logging divisions experience higher production levels in the latter half of the first quarter, throughout the second and third quarters and in the first half of the fourth quarter. Sawmill operations are less seasonal than logging operations but do depend on the availability of logs from the logging operations. In addition, the market demand for lumber and related products is generally lower in the first quarter due to reduced construction activity, which increases during the spring, summer and fall.

Excluding the impact of the U.S. duty refunds, restructuring costs and asset write-downs in the third and fourth quarters of 2006, the decrease in operating earnings in the three most recent quarters, including the current quarter, related primarily to weaker U.S. structural lumber markets and log pricing issues, which resulted in lower operating rates and lumber prices. The declines in operating earnings in the third and fourth quarters of 2005 were largely a result of declines in product selling prices and the continued strengthening of the Canadian dollar against the U.S. dollar.

CASH FLOW AND FINANCIAL POSITION

The Company generated cash flow from operations, before changes in working capital, of \$17.9 million for the current quarter, compared to \$19.0 million recorded for the first quarter of 2006. The decrease reflected the lower earnings in the current quarter, offset in part by an income distribution of \$4.4 million received from the Seaboard Limited Partnership in early January, 2007. The Company paid a special charge liability of \$24.4 million in January, 2007 arising from the Softwood Lumber Agreement and income tax of \$22.3 million on its 2006 earnings in February, 2007. These two payments substantially accounted for a reduction in working capital of \$45.3 million for the first quarter.

Capital spending for the first quarter of 2007 totaled \$16.4 million and was comprised of \$10.8 million on high-return discretionary projects, \$0.9 million on maintenance projects and \$4.7 million on roads. The first quarter of 2007 saw the completion of two major capital projects which commenced last year, namely the new primary log breakdown line at the Company's Port Angeles mill, and the new hog fuel fired energy system at Adams Lake. Both projects have had successful start-ups and are delivering significant performance improvements. The Company's sale of TFL 54 and surplus property, plant and equipment generated proceeds of \$3.8 million.

At March 31, 2007, the Company's cash was \$105.6 million and its net cash balance, after deducting its fully drawn US\$35 million non-revolving term line (CAD\$40.4 million), was \$65.2 million, or (15.9)% of invested capital. This compares favourably to net debt of \$23.3 million, or 5.6% of invested capital, at March 31, 2006. At March 31, 2007, the Company's available unutilized credit under its various operating lines and term lines totalled approximately \$105.5 million.

The Company renewed its Canadian operating line of credit on April 26, 2007. The maximum available operating credit was reduced to \$40.0 million from \$60.0 million and the terms and conditions of the line were modified to provide for borrowings under two options, both with reduced interest rate margins. Under a cash collateralization option, the Company can pledge cash or cash equivalents to secure any borrowings. Under a second option, the Company can elect, on a one-time basis, to revert to borrowings subject to a borrowing base calculation dependent on certain accounts receivable and inventories. The line of credit bears interest at bank prime plus a margin depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans. The line of credit is secured and is subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization. The line matures on April 25, 2008.

In the first quarter of 2007, the Company amended its existing U.S. operating line of credit. The terms and conditions of the line remain unchanged, except for a reduction in the maximum operating line of credit available to US\$10.0 million from US\$15.0 million and an extension of the maturity date to April 26, 2007. The line is subject to a borrowing base calculation dependent upon certain accounts receivable and inventories of the Company's subsidiary, Interfor Pacific Inc. The loan bears interest at U.S. bank prime or, at the Company's option, at LIBOR plus 1¼%. The line of credit is secured by the accounts receivable and inventories of Interfor Pacific Inc. and is subject to certain financial covenants including a maximum ratio of total debt to total capitalization. Effective April 26, 2007, the line was further extended until April 25, 2008.

At March 31, 2007, the Company's Canadian revolving term line ("Revolving Line") remained undrawn (March 31, 2006 – undrawn). The maximum borrowing available under the Revolving Line was \$40.0 million at quarter end. The Company renewed its Revolving Line on April 26, 2007. The maximum borrowing available has been reduced to \$10.0 million and the terms and conditions have been modified to provide for borrowings under two options, with reduced interest rate margins under both. Under a cash collateralization option, the Company can pledge cash or cash equivalents to secure any borrowings. Under a second option, the Company can elect, on a one-time basis, to revert to the existing security package. The Company also has the ability to increase the maximum borrowing available on the Revolving Line to \$100.0 million, subject to the consent of the lenders, to take advantage of any attractive future investment opportunities.

B.C. COASTAL LABOUR NEGOTIATIONS

The contract between Interfor's B.C. Coastal manufacturing operations and the United Steelworkers Union ("USW") expires in mid-June 2007. Negotiations on a new contract commenced in April, 2007. The USW has proposed a two year agreement involving increases in wages and benefits as well as other changes in working conditions. It is too early to predict whether the negotiations will lead to settlement, or whether a work stoppage will occur.

OUTLOOK

Given the current downturn in U.S. housing activity, and the possibility of a slowdown in the U.S. economy, the Company anticipates that North American structural lumber market conditions will remain challenging through the balance of 2007, and possibly into 2008. Accordingly, the Company does not expect to see any appreciable recovery in prices or change in export tax rates during the second quarter.

With respect to other markets, demand for cedar products is anticipated to remain strong through the balance of 2007, driven in part by effective market promotions. In Japan, the housing market is anticipated to remain relatively stable over the next quarter, and prices are likely to stay at, or near, current levels.

Log market conditions in the second quarter should see some improvement as a result of seasonally-higher log harvesting levels; however, with no immediate end to the high demand for logs from pulp producers in sight, log availability issues in parts of the U.S. Pacific Northwest are likely to persist. B.C. Coastal stumpage rates are expected to rise in the second quarter of 2007, as a result of higher first quarter log prices.

The Company intends to operate its U.S. Pacific Northwest sawmills at approximately 90% of capacity in the second quarter. In its B.C. operations, the Hammond mill is expected to operate at 75% of capacity, the Queensboro plant is likely to remain on one shift, while the Acorn and Adams Lake operations are currently scheduled to run at full capacity.

The Company will continue to look for growth opportunities in regions and products with attractive fundamentals, and focus on high-return capital projects that will demonstrably enhance shareholder value.

NORMAL COURSE ISSUER BID ("NCIB")

The Company believes that from time to time, market conditions provide it with opportunities to acquire Interfor shares at attractive prices and that such purchases enhance shareholder value. On November 9, 2006, the Company commenced its current NCIB, entitling it to purchase up to 2,366,000 Class A Shares through the Toronto Stock Exchange. In the first quarter of 2007, the Company purchased 347,000 Class A shares at a cost of \$2.7 million, or \$7.72 per share, under the current program, taking the total of Class A shares purchased to 434,200. The NCIB will terminate on the earlier of the date on which it acquires 2,366,000 Class A Shares, and November 8, 2007.

ADOPTION OF CHANGES IN ACCOUNTING POLICIES

Commencing January 1, 2007, the Company adopted five new Canadian Institute of Chartered Accountants ("CICA") accounting standards: (a) Handbook Section 1530, Comprehensive Income, (b) Handbook Section 3855, Financial Instruments – Recognition and Measurement, (c) Handbook Section 3861, Financial Instruments – Disclosure and Presentation, (d) Handbook Section 3865, Hedges, and (e) Handbook Section 1506, Accounting Changes. The main requirements of these new standards and the resulting financial statement impact are described below.

Consistent with the requirements of the new accounting standards, the Company has not restated any prior period as a result of adopting the accounting changes, other than to classify unrealized foreign currency translation gains or losses on net investments in self-sustaining foreign operations in accumulated other comprehensive income (loss) within Shareholders' Equity. Interfor has determined that the adoption of these standards has no cumulative prior period financial effect on its opening fiscal 2007 retained earnings. The effect of the adoption of these standards is described in the following table:

	As at Dec. 31, 2006	Adjustment upon adoption of new standards	As at Jan. 1, 2007
Shareholders' Equity			
Cumulative translation adjustment	\$ (6,361)	\$ 6,361	\$ -
Accumulated comprehensive income (loss)	-	(6,361)	(6,361)

(a) Comprehensive Income

Section 1530 introduces the term, Comprehensive income, defined as the overall change in the net assets of an entity for a period, other than changes attributable to transactions with owners. Comprehensive income consists of Net earnings and Other comprehensive income ("OCI"). OCI represents changes in Shareholders' equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation gains or losses arising from self-sustaining foreign operations, net of hedging activities, and changes in the fair value of the effective portion of cash flow hedging instruments. As a result of adopting these standards, a new Statement of Comprehensive Income now forms part of the Company's consolidated financial statements and discloses the current period net earnings (loss) and other comprehensive income (loss). Cumulative changes in OCI are included in Accumulated other comprehensive income (AOCI), which is presented as a new category of

Shareholders' Equity in the Balance Sheet.

(b) Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the Consolidated Balance Sheet when the Company becomes party to the contractual provisions of the financial instrument or non-financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

The adoption of this new standard had no effect on the consolidated financial statements of the Company.

(c) Financial instruments – Disclosure and Presentation

Section 3861 sets out standards which address the presentation of financial instruments and non-financial derivatives, and identifies the related information that should be disclosed. These standards also revise the requirements for entities to provide accounting policy disclosures, including disclosure of the criteria for designating as held-for-trading those financial assets or financial liabilities that are not required to be classified as held-for-trading; whether categories of normal purchases and sales of financial assets are accounted for at trade date or settlement date; the accounting policy for transaction costs on financial assets and financial liabilities classified as other than held-for-trading; and provide several new requirements for disclosures about fair value.

(d) Hedges:

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies. Certain derivative financial instruments can be designated as either a hedge of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), or a hedge of highly probable future cash flows attributable to a recognized asset or liability or a forecasted transaction (cash flow hedges).

The Company has chosen not to designate its derivative financial instruments, including interest rate swaps and forward foreign exchange contracts and options, as hedges. Consequently, derivatives for which hedge accounting is not applied are carried on the balance sheet at fair value, with changes in fair value being recorded in the Statement of Operations and the adoption of this new standard for fair value and cash flow hedges has had no effect on the consolidated financial statements of the Company.

A third type of hedge arises on the translation of a self-sustaining foreign operation and is known as a net investment hedge. In a net investment hedge, the change in fair value of the hedging instrument, to the extent it is effective, is recorded directly in other comprehensive income. These amounts are recognized in income when the corresponding cumulative translation adjustments from the self-sustaining foreign operation are recognized in income as a result of a dilution or sale of the net investment, or reduction in equity of the foreign operation as a result of dividend distributions. The adoption of this new standard for net investment hedges has had no financial impact on the consolidated financial statements of the Company. The unrealized foreign currency adjustments arising from translation of self-sustaining foreign operations were previously reported separately as a cumulative translation adjustment within Shareholders' Equity in the Balance Sheet, and now form part of accumulated other comprehensive income (loss).

(e) Accounting Changes:

Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively, unless doing so is impracticable, changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact of this standard cannot be determined until such time as the Company makes a change in accounting policy other than one resulting from implementation of new CICA Handbook standards.

ADDITIONAL INFORMATION

Additional information relating to the Company and its operations, including Interfor's Annual Statutory Information for 2006, can be found on its website at www.interfor.com and on SEDAR at www.sedar.com. Interfor's trading symbol on the Toronto Stock Exchange ("TSX") is IFP.A.



William L. Sauder
Chairman



Duncan K. Davies
President and Chief Executive Officer



CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months ended March 31, 2007 and 2006 (unaudited)

(thousands of Canadian dollars except earnings per share)

	3 Months Mar. 31, 2007	3 Months Mar. 31, 2006
Sales	\$ 164,646	\$ 216,206
Costs and expenses:		
Production	144,688	186,375
Selling and administration	4,453	5,002
Long term incentive compensation	1,992	755
U.S. countervailing and antidumping duty deposits	-	5,177
Export taxes	3,136	-
Amortization of plant and equipment	7,511	7,631
Depletion and amortization of timber, roads and other	4,697	2,788
	166,477	207,728
Operating earnings (loss) before restructuring costs	(1,831)	8,478
Restructuring recovery (costs) (note 9)	(250)	413
Operating earnings (loss)	(2,081)	8,891
Interest expense on long-term debt	(796)	(762)
Other interest income (expense)	1,683	(242)
Other foreign exchange gain (loss)	(1,149)	291
Other income (note 8)	2,226	2,676
Equity in earnings of investee companies	433	844
	2,397	2,807
Earnings before income taxes	316	11,698
Income taxes (recovery):		
Current	94	633
Future	(375)	2,337
	(281)	2,970
Net earnings	\$ 597	\$ 8,728
Net earnings per share, basic and diluted (note 10)	\$ 0.01	\$ 0.18

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
For the three months ended March 31, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)

	3 Months Mar. 31, 2007	3 Months Mar. 31, 2006
Retained earnings, beginning of year	\$ 181,477	\$ 85,943
Net earnings	597	8,728
Retained earnings, end of period	\$ 182,074	\$ 94,671

See accompanying notes to consolidated financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)	3 Months Mar. 31, 2007	3 Months Mar. 31, 2006
Cash provided by (used in):		
Operating activities:		
Net earnings	\$ 597	\$ 8,728
Items not involving cash:		
Amortization of plant and equipment	7,511	7,631
Depletion and amortization of timber, roads and other	4,697	2,788
Future income taxes (recovery)	(375)	2,337
Other assets	1,682	283
Reforestation liability	141	1,219
Other long-term liabilities	1,975	(648)
Share of earnings net (in excess) of cash distributions of investee companies (note 5)	3,936	(844)
Other	(2,247)	(2,525)
	17,917	18,969
Cash generated from (used in) operating working capital:		
Accounts receivable	3,801	(3,674)
Inventories	(3,974)	6,919
Prepaid expenses	(1,208)	(1,685)
Accounts payable and accrued liabilities	(21,484)	(5,186)
Income taxes	(22,466)	308
	(27,414)	15,651
Investing activities:		
Additions to property, plant and equipment	(10,730)	(12,931)
Additions to deferred start-up costs	(959)	-
Additions to logging roads and timber	(4,742)	(2,995)
Proceeds on disposal of property, plant, equipment, timber and roads	3,788	5,015
Investments and other assets	(463)	1,538
	(13,106)	(9,373)
Financing activities:		
Repurchase of share capital (note 7)	(2,687)	-
Issuance of share capital (note 7)	238	140
Increase (decrease) in bank indebtedness	(582)	2,019
	(3,031)	2,159
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency:	(4)	127
Increase (decrease) in cash	(43,555)	8,564
Cash on deposit, beginning of period	149,171	19,061
Cash on deposit, end of period	\$ 105,616	\$ 27,625
Supplementary disclosures (see also note 5)		
Cash interest paid (received)	\$ (887)	\$ 1,004
Cash income taxes paid	22,472	252

See accompanying notes to consolidated financial statements



CONSOLIDATED BALANCE SHEETS

March 31, 2007 and 2006 (unaudited) and December 31, 2006 (audited)

(thousands of Canadian dollars)

	Mar. 31, 2007	Dec. 31, 2006	Mar. 31, 2006
Assets			
Current assets:			
Cash	\$ 105,616	\$ 149,171	\$ 27,625
Accounts receivable	46,947	50,748	41,585
Income taxes recoverable	-	-	317
Inventories	85,241	81,150	96,041
Prepaid expenses	5,613	4,405	8,124
Future income taxes	3,849	4,179	5,618
	<u>247,266</u>	<u>289,653</u>	<u>179,310</u>
Investments and other assets (note 5)	8,150	13,360	9,229
Property, plant and equipment, net of accumulated amortization	312,048	309,744	292,395
Timber and logging roads, net of accumulated depletion and amortization	47,651	47,597	52,898
Goodwill and other intangible assets	13,136	13,137	15,694
Future income taxes	1,972	445	2,468
Long-lived assets held for sale	-	1,210	-
	<u>\$ 630,223</u>	<u>\$ 675,146</u>	<u>\$ 551,994</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness (note 6(a))	\$ -	\$ 582	\$ 10,072
Accounts payable and accrued liabilities	73,886	95,370	77,499
Income taxes payable	4,973	27,439	-
Future income taxes payable	184	364	155
	<u>79,043</u>	<u>123,755</u>	<u>87,726</u>
Reforestation liability, net of current portion	13,351	13,210	16,461
Long-term debt (note 6(b))	40,411	40,789	40,880
Other long-term liabilities	10,577	8,602	7,897
Future income taxes	11,751	10,788	2,934
Shareholders' equity:			
Share capital (note 7)			
Class A subordinate voting shares	289,180	291,086	294,823
Class B common shares	4,080	4,080	4,080
Contributed surplus	7,177	7,720	8,186
Accumulated other comprehensive income (loss) (note 2)	(7,421)	(6,361)	(5,664)
Retained earnings	182,074	181,477	94,671
	<u>475,090</u>	<u>478,002</u>	<u>396,096</u>
	<u>\$ 630,223</u>	<u>\$ 675,146</u>	<u>\$ 551,994</u>

Subsequent events (note 6(a))

See accompanying notes to consolidated financial statements

On behalf of the Board:

W. L. Sauder
Director

H.C. Kalke
Director



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three months ended March 31, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)	3 Months Mar. 31, 2007	3 Months Mar. 31, 2006
Net earnings	\$ 597	\$ 8,728
Other comprehensive income (loss), net of income taxes (recovery):		
Net change in unrealized foreign currency translation gains (losses)	(1,060)	707
Other comprehensive income (loss)	(1,060)	707
Comprehensive income (loss)	\$ (463)	\$ 9,435

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

For the three months ended March 31, 2007 and 2006 (unaudited)

(thousands of Canadian dollars)	3 Months Mar. 31, 2007	3 Months Mar. 31, 2006
Accumulated other comprehensive loss, beginning of year (note 2)	\$ (6,361)	\$ (6,371)
Other comprehensive income (loss)	(1,060)	707
Accumulated other comprehensive loss, end of period	\$ (7,421)	\$ (5,664)

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 months ended March 31, 2007 and 2006 (unaudited)

1. Significant accounting policies:

These unaudited interim consolidated financial statements include the accounts of International Forest Products Limited and its subsidiaries (collectively referred to as “Interfor” or the “Company”). These interim consolidated financial statements do not include all disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly, these interim consolidated financial statements should be read in conjunction with Interfor’s most recent annual consolidated financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application used in the Company’s audited annual consolidated financial statements as at and for the year ended December 31, 2006, except for the new accounting policies adopted subsequent to that date, as discussed in Note 2.

2. Adoption of changes in accounting policies:

Commencing January 1, 2007, the Company adopted five new Canadian Institute of Chartered Accountants (“CICA”) accounting standards: (a) Handbook Section 1530, *Comprehensive Income*, (b) Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, (c) Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, (d) Handbook Section 3865, *Hedges*, and (e) Handbook Section 1506, *Accounting Changes*. The main requirements of these new standards and the resulting financial statement impact are described below.

Consistent with the requirements of the new accounting standards, the Company has not restated any prior period as a result of adopting the accounting changes, other than to classify unrealized foreign currency translation gains or losses on net investments in self-sustaining foreign operations in accumulated other comprehensive income (loss) within Shareholders’ Equity. Interfor has determined that the adoption of these standards has no cumulative prior period financial effect on its opening fiscal 2007 retained earnings. The effect of the adoption of these standards is described in the following table:

	As at Dec. 31, 2006	Adjustment upon adoption of new standards	As at Jan. 1, 2007
Shareholders’ Equity			
Cumulative translation adjustment	\$ (6,361)	\$ 6,361	\$ -
Accumulated comprehensive income (loss)	-	(6,361)	(6,361)

(a) Comprehensive Income:

Section 1530 introduces the term, Comprehensive income, defined as the overall change in the net assets of an entity for a period, other than changes attributable to transactions with owners. Comprehensive income consists of Net earnings and Other comprehensive income (“OCI”). OCI represents changes in Shareholders’ equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation gains or losses arising from self-sustaining foreign operations, net of hedging activities, and changes in the fair value of the effective portion of cash flow hedging instruments. As a result of adopting these standards, a new Statement of Comprehensive Income now forms part of the Company’s consolidated financial statements and discloses the current period net earnings (loss) and other comprehensive income (loss). Cumulative changes in OCI are included in Accumulated other comprehensive income (AOCI), which is presented as a new category of Shareholders’ Equity in the Balance Sheet.

(b) Financial Instruments – Recognition and Measurement:

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the Consolidated Balance Sheet when the Company becomes party to the contractual provisions of the financial instrument or non-financial derivative contract. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in the Statement of Operations.

Financial assets available-for-sale are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until realized, at which time they will be recorded in the Statement of Operations. Available-for-sale equity securities which do not have a quoted market price will continue to be recorded at cost.

Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

Derivative instruments are recorded on the Balance Sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts not closely related to the host contracts. Changes in the fair values of derivative instruments are recognized in the Statement of Operations with the exception of derivatives designated for accounting purposes as effective cash flow hedges or hedges of foreign currency exposure of a net investment in self-sustaining foreign operations. The accounting for these exceptions is described under (d) Hedges below.

The adoption of this new standard had no effect on the consolidated financial statements of the Company.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months ended March 31, 2007 and 2006 (unaudited)

2. Adoption of changes in accounting policies (continued):

(c) Financial instruments – Disclosure and Presentation:

Section 3861 sets out standards which address the presentation of financial instruments and non-financial derivatives, and identifies the related information that should be disclosed. These standards also revise the requirements for entities to provide accounting policy disclosures, including disclosure of the criteria for designating as held-for-trading those financial assets or financial liabilities that are not required to be classified as held-for-trading; whether categories of normal purchases and sales of financial assets are accounted for at trade date or settlement date; the accounting policy for transaction costs on financial assets and financial liabilities classified as other than held-for-trading; and provide several new requirements for disclosures about fair value (see note 13).

(d) Hedges:

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies. Certain derivative financial instruments can be designated as either a hedge of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), or a hedge of highly probable future cash flows attributable to a recognized asset or liability or a forecasted transaction (cash flow hedges).

In a fair value hedge, the change in fair value of the hedging derivative is offset in the Statement of Operations by the change in fair value of the hedged item relating to the hedged risk.

In a cash flow hedge, the change in fair value of the hedging derivative is recorded in other comprehensive income, to the extent that it is effective, until the hedged item affects the Statement of Operations.

Any ineffectiveness arising on a hedge is measured and recorded in current period results in the Statement of Operations where hedge accounting is undertaken. Previously, hedge ineffectiveness was generally recognized in the Statement of Operations over the life of the hedging relationship.

The Company has chosen not to designate its derivative financial instruments, including interest rate swaps and forward foreign exchange contracts and options, as hedges. Consequently, derivatives for which hedge accounting is not applied are carried on the balance sheet at fair value, with changes in fair value being recorded in the Statement of Operations and the adoption of this new standard for fair value and cash flow hedges has had no effect on the consolidated financial statements of the Company.

A third type of hedge arises on the translation of a self-sustaining foreign operation and is known as a net investment hedge. In a net investment hedge, the change in fair value of the hedging instrument, to the extent it is effective, is recorded directly in other comprehensive income. These amounts are recognized in income when the corresponding cumulative translation adjustments from the self-sustaining foreign operation are recognized in income as a result of a dilution or sale of the net investment, or reduction in equity of the foreign operation as a result of dividend distributions. The adoption of this new standard for net investment hedges has had no financial impact on the consolidated financial statements of the Company. The unrealized foreign currency adjustments arising from translation of self-sustaining foreign operations were previously reported separately as a cumulative translation adjustment within Shareholders' Equity in the Balance Sheet, and now form part of accumulated other comprehensive income (loss).

(e) Accounting Changes:

Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively, unless doing so is impracticable, changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact of this standard cannot be determined until such time as the Company makes a change in accounting policy other than one resulting from implementation of new CICA Handbook standards.

3. Comparative figures:

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year.

4. Seasonality of operating results:

The Company operates in the solid wood business which includes logging and manufacturing operations. Logging activities vary throughout the year due to a number of factors including weather, ground and fire season conditions. Generally, the Company operates its logging divisions in the latter half of the first quarter, throughout the second and third quarters and in the first half of the fourth quarter. Manufacturing operations are less seasonal than logging operations but do depend on the availability of logs from the logging operations and from third party suppliers. In addition, the market demand for lumber and related products is generally lower in the first quarter due to reduced construction activity which increases during the spring, summer and fall.

5. Distribution by investee company:

On January 2, 2007, the Seaboard Partnership ("Seaboard") declared an income distribution to its partners of which the Company's share of \$4,369,000 was received and, in accordance with equity accounting, was recorded as a reduction of the investment in Seaboard. In the first quarter of 2006, the Company received an income distribution of \$54,354,000 which was received by way of setoff against an advance and the promissory note payable to Seaboard and was also recorded as a reduction of the investment in Seaboard.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months ended March 31, 2007 and 2006 (unaudited)

6. Bank indebtedness and long-term debt:

(a) Bank indebtedness:

	Canadian Operating Facility	U.S. Operating Facility	Mapri Developments	Total
March 31, 2007				
Available line of credit	\$ 60,000	\$ 11,546	\$ -	\$ 71,546
Maximum borrowing available	59,311	11,546	-	70,857
Unused portion of line	54,073	11,407	-	65,480
Outstanding letters of credit included in line utilization	5,238	139	-	5,377
March 31, 2006				
Available line of credit	\$ 75,000	\$ 17,520	\$ 4,000	\$ 96,520
Maximum borrowing available	49,776	17,520	4,000	71,296
Unused portion of line	44,997	5,069	1,665	51,731
Outstanding letters of credit included in line utilization	4,779	187	-	4,966

In the second quarter of 2006, the Company renewed its existing Canadian operating line of credit ("Operating Line"). The terms and conditions of this line remain unchanged, except for a reduction in the interest rate margins, and a reduction in the maximum operating credit available to \$60,000,000 (March 31, 2006 - \$75,000,000). The Operating Line is subject to a borrowing base calculation dependent upon certain accounts receivable and inventories and bears interest at bank prime plus a margin depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans. The Operating Line is secured and is subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization. The line matures on April 26, 2007, at which time the Company made certain amendments to its Operating Line as described as follows.

The maximum available operating credit was reduced to \$40,000,000 from \$60,000,000 and the terms and conditions of the line have been modified to provide for borrowings under two options, with reduced interest rate margins under both. Under a cash collateralization option, the Company would pledge cash or cash equivalents to secure any borrowings. Under its other option, the Company can elect, on a one-time basis, to revert to borrowings that are subject to a borrowing base calculation dependent on certain accounts receivable and inventories. The Operating Line bears interest at bank prime plus a margin depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans. The line is subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization. The Operating Line is secured and subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization. The line matures on April 25, 2008.

In the first quarter of 2007, the Company amended its existing U.S. operating line of credit ("U.S. Line"). The terms and conditions of the U.S. Line remained unchanged, except for a reduction in the maximum operating line of credit available to US\$10,000,000 from US\$15,000,000 and an extension of the maturity date to April 26, 2007. The U.S. Line is subject to a borrowing base calculation dependent upon certain accounts receivable and inventories of the Company's subsidiary, Interfor Pacific Inc. The loan bears interest at U.S. bank prime or, at the Company's option, at LIBOR plus 1¼%. The line of credit is secured by the accounts receivable and inventories of Interfor Pacific Inc. and is subject to certain financial covenants including a maximum ratio of total debt to total capitalization. Effective April 26, 2007, the line was further extended until April 25, 2008.

(b) Long-term debt:

In the third quarter of 2006, the Company reduced the maximum borrowing available under the Company's Canadian revolving term line ("Revolving Line") to \$40,000,000 (March 31, 2006 - \$90,000,000). The Revolving Line has not been utilized since the fourth quarter of 2005, and remained undrawn as at March 31, 2007. The Revolving Line bears interest at rates based on bank prime plus a margin, depending upon a financial ratio or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans.

Effective April 26, 2007, the Company amended its existing Revolving Line. The maximum borrowing available has been reduced to \$10,000,000 and the terms and conditions have been modified to provide for borrowings under two options, with reduced interest rate margins under both. Under a cash collateralization option, the Company would pledge cash or cash equivalents to secure any borrowings. Under its other option, the Company can elect, on a one-time basis, to revert to the existing security package. The Company also has the ability to increase the maximum borrowing available on the Revolving Line to \$100,000,000, subject to the consent of the lenders. The line matures on April 25, 2008.

As at March 31, 2007, the \$US non-revolving term line (the "Non-Revolving Line") remains fully drawn at US\$35,000,000 (March 31, 2006 - US\$35,000,000) and was revalued at the month-end exchange rate to CAD\$40,411,000 (March 31, 2006 - CAD\$40,880,000). The Non-Revolving Line bears interest at rates based on bank prime plus a margin depending upon a financial ratio or, at the Company's option, at rates for LIBOR based loans and matures on September 1, 2009.

Both lines are secured by a charge against all assets and are subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization.

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

2007	\$	-
2008		-
2009		40,411
2010		-
2011		-
	\$	40,411

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months ended March 31, 2007 and 2006 (unaudited)

7. Share capital:

On November 9, 2005, the Company commenced a normal course issuer bid ("NCIB 04") to acquire up to 2,384,000 Class A Subordinate Voting shares ("Class A Shares"). NCIB 04 terminated on November 8, 2006. On November 9, 2006, the Company commenced a normal course issuer bid ("NCIB 05") to acquire up to 2,366,000 Class A shares (representing approximately 5% of the outstanding Class A shares) through the facilities of the Toronto Stock Exchange. Purchases are made at market prices with a maximum of two percent of the outstanding shares being purchased in any 30-day period. The shares are cancelled as purchased. NCIB 05 will terminate no later than November 8, 2007.

As the Company acquired Class A shares, the shares were cancelled. The excess of the cost of the shares over the assigned value has been charged to contributed surplus. The Company also issued Class A shares as previously granted share options were exercised. There were no changes to the Class B shares.

The transactions in share capital are described below:

	3 Months Mar. 31, 2007	3 Months Mar. 31, 2006
Acquisitions under normal course issuer bid		
Number of shares purchased and cancelled	347	-
Share cost	\$ 2,687	\$ -
Excess of cost of shares over assigned value charged to contributed surplus	543	-
Shares issued on exercise of options		
Number of shares	58	31
Share cost	\$ 238	\$ 140

8. Other income:

	3 months Mar. 31, 2007	3 months Mar. 31, 2006
Gain on disposal of surplus roads, property, plant and equipment	\$ 2,246	\$ 1,651
Gain on disposal of Marysville sawmill	-	874
Other (expense)	(20)	151
	\$ 2,226	\$ 2,676

In the first quarter of 2007, the Company continued its disposal of surplus property, plant and equipment as well as the disposal of its interest in Tree Farm Licence 54. These dispositions combined to generate sales proceeds of \$3,788,000 and a gain of \$2,246,000. In 2006, the Company completed the sale of its sawmill located in Marysville, Washington for sale proceeds of \$2,542,000 and a gain of \$874,000 and disposed of surplus property, plant and equipment for total proceeds of \$2,473,000 and a gain of \$1,651,000.

9. Restructuring costs:

During the first quarter of 2007, the Company recorded severance costs of \$250,000, net of recoveries from the B.C. Forestry Revitalization Trust ("the Trust") set up by the Government of British Columbia, as reimbursement for severance costs of workers who were displaced by the reductions in harvesting rights taken under the *Forestry Revitalization Act*. In the first quarter of 2006, the Company received recoveries of \$1,617,000 from the Trust. As the associated costs had been expensed in the current and prior years as restructuring costs, the recovery served to offset additional severance costs recorded in that period. The Company continues to pursue mitigation of certain restructuring costs which it feels it is entitled to under the terms of the Trust, but the amount of any additional mitigation is not yet determinable and will be recorded when the amounts can be estimated.

10. Net earnings per share:

	3 months Mar. 31, 2007			3 months Mar. 31, 2006		
	Net earnings	Shares	Per share	Net earnings	Shares	Per share
Basic earnings per share	\$ 597	47,976	\$ 0.01	\$ 8,728	48,680	\$ 0.18
Share options	-	632	-	-	626	-
Diluted earnings per share	\$ 597	48,608	\$ 0.01	\$ 8,728	49,306	\$ 0.18

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements
(Tabular amounts expressed in thousands except per share amounts)
Three months ended March 31, 2007 and 2006 (unaudited)

11. Segmented information:

The Company manages its business as a single operating segment, solid wood. The Company purchases and harvests logs which are then manufactured into lumber products at the Company's sawmills, or sold. Substantially all of the Company's operations are located in British Columbia, Canada and the Pacific Northwest, U.S.A.

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

	3 months Mar. 31, 2007	3 months Mar. 31, 2006
Canada	\$ 54,256	\$ 55,396
United States	75,825	128,986
Japan	18,359	15,381
Other export	16,206	16,443
	\$ 164,646	\$ 216,206

Sales by product line are as follows:

	3 months Mar. 31, 2007	3 months Mar. 31, 2006
Lumber	\$ 127,481	\$ 177,668
Logs	19,390	17,208
Wood chips and other by products	16,033	9,094
Other	1,742	12,236
	\$ 164,646	\$ 216,206

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

	Mar. 31, 2007	Dec. 31, 2006	Mar. 31, 2006
Canada	\$ 211,434	\$ 210,387	\$ 213,121
United States	161,401	161,301	147,866
	\$ 372,835	\$ 371,688	\$ 360,987

12. Employee future benefits:

The total benefits cost under its various pension plans (described in the Company's audited annual consolidated financial statements) are as follows:

	3 months Mar. 31, 2007	3 months Mar. 31, 2006
Defined contribution plan	\$ 601	\$ 474
Defined benefit plan	129	126
Unionized employees' pension plan	587	933
U.S. employees benefit plan	176	184
Senior management supplementary pension plan	90	90
Total pension expense	\$ 1,583	\$ 1,807

13. Financial instruments:

(a) Fair value of financial instruments:

At March 31, 2007, the fair value of the Company's long-term debt approximated its carrying value of \$40,411,000 (March 31, 2006 - \$40,880,000) as long-term debt bore interest at current market rates. The investment in equity instruments that does not have a quoted market price in an active market and which has been classified as available for sale continues to be carried at its cost of \$500,000. The fair values of other financial instruments approximate their carrying values due to their short-term nature.

(b) Derivative financial instruments:

The Company employs financial instruments, such as interest rate swaps and foreign currency forward and option contracts, to manage exposure to fluctuations in interest rates and foreign exchange rates. The Company does not expect any credit losses in the event of non-performance by counter parties as the counter parties are the Company's bankers.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Interim Consolidated Financial Statements

(Tabular amounts expressed in thousands except per share amounts)

Three months ended March 31, 2007 and 2006 (unaudited)

13. Financial instruments (continued):

(b) Derivative financial instruments (continued):

As at March 31, 2007, the Company has outstanding obligations to sell a maximum of Japanese ¥445,083,532 at an average rate of ¥99.84 to the CAD\$1.00 during 2007. As at March 31, 2007, there were no outstanding obligations to sell US\$ during 2007. All foreign currency gains or losses to March 31, 2007 have been recognized in the Statement of Operations.

In September 2005, the Company entered into a cross currency interest rate swap. The Company swapped a notional \$20,000,000 USD denominated debt at an exchange rate of 1.1765 (CAD\$23,530,000). The Company will pay 5.84%, including a spread of 200 basis points, on the Canadian dollar equivalent and receive 90 day LIBOR plus a spread of 200 basis points on the US\$20,000,000. LIBOR will be recalculated at set interval dates. The swap will mature on September 1, 2009 and has been marked to market with all gains or losses recognized in the Statement of Operations.



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
Web Site: www.interfor.com