International Forest Products Limited

Vancouver, B.C. February 9, 2011

Higher Operating Rates Boost Interfor's Q4 Results
Sales to China continue to increase; EBITDA up 37% vs. Q3

INTERNATIONAL FOREST PRODUCTS LIMITED ("Interfor" or the "Company") (TSX: IFP.A) reported net income of $0.6 million or $0.01 per share in the fourth quarter of 2010. Included in the Company's accounts for the quarter was a tax valuation allowance of $0.1 million and other one-time items of $0.1 million.

Excluding these items the Company recorded net income of $0.7 million or $.01 per share compared to a loss of $1.0 million or $0.02 per share in the immediately preceding quarter and a loss of $4.4 million or $0.09 per share in the fourth quarter of 2009.

Also included in the Company's accounts in the fourth quarter was a provision for long-term compensation expenses of $1.4 million or $0.03 per share compared with a provision of $0.2 million in the third quarter and $1.5 million in the fourth quarter of 2009.

EBITDA for the quarter (adjusted to exclude one-time items and "other income" but including the long-term compensation expense) was $14.5 million, up $3.9 million or 37% versus the third quarter, and up $8.8 million or 155% versus the fourth quarter of 2009.

"Higher operating rates and product prices helped to offset the impact of the strong C$ during the quarter," said Duncan Davies, Interfor's President and CEO.

"Lumber production and sales volumes were up 11% and 16% in the fourth quarter to 303 million board feet and 321 million board feet respectively", said Davies "representing an annualized run rate of 1.2 billion board feet and the Company's strongest quarter from a volume standpoint since the second quarter of 2006.

Higher operating rates at the Adams Lake sawmill and strong performance at Castlegar helped to offset partial curtailments at the Hammond, Grand Forks and Beaver sawmills in the quarter. For the year, production and sales volumes increased by 68% and 70% respectively.

Sales to China continued to increase in the fourth quarter, accounting for more than 28% of the Company's total shipments compared with 25% in the third quarter. Shipments to Japan and other Pacific Rim markets accounted for 8% of sales volumes in the fourth quarter compared with 7% in the preceding quarter.

"We continue to be very pleased in the growth in sales activity in China", said Davies. "The strength of the Chinese market offers an important counterbalance to the traditional market in North America and offers exciting potential for further growth". More than 36% of Interfor's shipments to China in the fourth quarter originated in the U.S. compared with 31% in the third quarter.

In the quarter, SPF 2X4 in the North American market averaged US$269, up US$46 versus the third quarter and Hem-Fir studs were up US$63 to US$276. Prices ramped up steadily as the quarter progressed, peaking in the last week of December, as buyers took early positions in anticipation of stronger conditions in the spring. Cedar prices were mixed with softer prices in a number of product lines including the bellwether decking lines. Prices for the Company's key Japanese product lines were stable throughout the quarter.

In the quarter Interfor generated $9.1 million in cash from operations before changes in working capital and $3.7 million after working capital changes were considered. The Company also received $8.8 million in the quarter from Seaboard Shipping by way of an advance. Capital spending in the fourth quarter totalled $9.2 million including $2.4 million on discretionary projects authorized as part of the Company's high return plan announced in July.

Net debt closed the quarter at $147 million or 30% of invested capital compared with $151 million at the end of the third quarter.

Business conditions remain uncertain. The North American market has softened in recent weeks as harsh weather has impacted building activity in a number of regions. Sales to China and other offshore markets continue to positively impact pricing in North America. Cedar remains soft; Japan is stable.

Interfor is continuing to move ahead with its high return capital program. So far, a total of $4.3 million has been spent and a number of projects are scheduled for completion in the first six months of 2011. Total capital spending in the first quarter of 2011 is expected to be in the range of $10 million; spending for the year is projected at $45 - $47 million.

Subsequent to year-end the Seaboard partnership was wound-up, with Interfor assuming full ownership. The reorganization follows the sale of the Seaboard vessels and the creation of a new shipping alliance with Eukor Car Carriers Inc. which was announced in the third quarter. Going forward, Seaboard's results will be reported on a consolidated basis.

FORWARD-LOOKING STATEMENTS

This release contains information and statements that are forward-looking in nature, including, but not limited to, statements containing the words "will" and "is expected" and similar expressions. Such statements involve known and unknown risks and uncertainties that may cause Interfor's actual results to be materially different from those expressed or implied by those forward-looking statements. Such risks and uncertainties include, among others: general economic and business conditions, product selling prices, raw material and operating costs, changes in foreign-currency exchange rates, and other factors referenced herein and in Interfor's 2009 Annual Report and Management Information Circular available on www.sedar.com. The forward-looking information and statements contained in this report are based on Interfor's current expectations and beliefs. Readers are cautioned not to place undue reliance on forward-looking information or statements. Interfor undertakes no obligation to update such forward-looking information or statements, except where required by law.

ABOUT INTERFOR

Interfor is one of the Pacific Northwest's largest producers of quality wood products. The Company has operations in British Columbia, Washington and Oregon, including two sawmills in the Coastal region of British Columbia, three in the B.C. Interior, two in Washington and two in Oregon. For more information about Interfor, visit our website at www.interfor.com.

There will be a conference call on Thursday, February 10, 2011 at 8:00 AM (Pacific Time) hosted by **INTERNATIONAL FOREST PRODUCTS LIMITED** for the purpose of reviewing the Company's release of its Fourth Quarter, 2010 Financial Results.

The dial-in number is ***1-866-323-8540***. The conference call will also be recorded for those unable to join in for the live discussion, and will be available until February 24, 2011. The number to call is ***1-866-245-6755 Passcode 424030***.

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SELECTED QUARTERLY FINANCIAL INFORMATION [1]

Quarterly Earnings Summary

	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(millions of dollars except share, per share and foreign exchange rate amounts)							
Sales – Lumber	137.5	113.1	123.7	107.6	93.1	76.8	62.3	56.5
– Logs	20.6	21.9	19.8	17.4	17.3	17.3	13.0	12.8
– Wood chips and other by-products	15.7	14.0	13.3	13.2	12.2	8.9	5.9	7.4
– Other	2.4	2.4	1.0	1.7	2.9	2.2	0.6	0.6
Total Sales	176.3	151.5	157.9	139.9	125.5	105.2	81.8	77.3
Operating earnings (loss) before restructuring costs and asset write-downs	1.3	(2.3)	(1.4)	(3.1)	(7.8)	(7.0)	(16.4)	(15.2)
Operating earnings (loss)	1.3	(2.8)	(2.4)	(3.1)	(7.8)	(10.4)	(16.3)	(16.3)
Net earnings (loss)	0.6	1.5	(2.6)	(3.4)	(5.0)	9.7	(15.0)	(13.6)
Net earnings (loss) per share – basic and diluted	0.01	0.03	(0.06)	(0.07)	(0.11)	0.21	(0.32)	(0.29)
EBITDA[5]	14.6	15.3	13.5	9.7	6.3	25.3	(7.3)	(7.7)
Adjusted EBITDA[5]	14.5	10.6	13.1	9.7	5.7	3.6	(7.3)	(8.4)
Cash flow from operations per share[2]	0.19	0.13	0.19	0.17	0.06	(0.07)	(0.23)	(0.22)
Shares outstanding – end of period (millions)[3]	47.4	47.1	47.1	47.1	47.1	47.1	47.1	47.1
– weighted average (millions)	47.2	47.1	47.1	47.1	47.1	47.1	47.1	47.1
Average foreign exchange rate per US$1.00[4]	1.0131	1.0395	1.0283	1.0401	1.0571	1.0980	1.1669	1.2446
Closing foreign exchange rate per US$1.00[4]	0.9946	1.0290	1.0646	1.0158	1.0510	1.0707	1.1630	1.2613

1 Tables may not add due to rounding.

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

3 As at February 9, 2011, the numbers of shares outstanding by class are: Class A Subordinate Voting shares – 46,374,676 Class B Common shares – 1,015,779, Total – 47,390,455.

4 Accounting quarter-end dates may differ slightly from the reporting date. As such, the foreign exchange rate used to revalue quarter-end balances may differ from those calculated using the Bank of Canada closing foreign exchange rate per US$1.00.

5 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. Adjusted EBITDA represents EBITDA adjusted for other income and other income of the investee company. EBITDA and Adjusted EBITDA can be calculated from the statements of operations as follows:

	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(millions of dollars)							
Net earnings (loss)	0.6	1.5	(2.6)	(3.4)	(5.0)	9.7	(15.0)	(13.6)
Add: Income taxes (recovery)	(0.1)	(0.1)	0.2	(0.4)	(3.3)	0.1	(3.6)	(3.1)
Interest expense	2.1	2.1	2.3	2.0	2.0	2.2	2.0	1.6
Depletion and amortization	11.9	11.2	12.6	11.4	12.5	9.9	9.5	6.3
Other foreign exchange (gains) losses	0.2	0.1	0.1	-	0.1	-	(0.1)	-
Restructuring costs, asset write-downs and other	-	0.5	1.1	-	0.1	3.3	(0.1)	1.1
EBITDA	14.6	15.3	13.5	9.7	6.3	25.3	(7.3)	(7.7)
Deduct:								
Other income (expense)	(0.3)	(0.1)	0.4	-	0.6	21.7	-	0.6
Other income of investee company	0.4	4.8	-	-	-	-	-	-
Adjusted EBITDA	14.5	10.6	13.1	9.7	5.7	3.6	(7.3)	(8.4)

Volume and Price Statistics

		2010				2009			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Lumber sales	(million fbm)	321	277	270	264	234	181	131	122
Lumber production	(million fbm)	303	272	277	258	245	180	115	121
Log sales[1]	(thousand cubic metres)	292	289	262	239	261	242	216	200
Log production[1]	(thousand cubic metres)	794	595	624	648	533	378	312	72
Average selling price – lumber[2]	($/thousand fbm)	$428	$408	$459	$408	$398	$424	$477	$462
Average selling price – logs[1]	($/cubic metre)	$64	$73	$68	$64	$62	$69	$56	$54
Average selling price – pulp chips	($/thousand fbm)	$42	$40	$37	$40	$39	$38	$40	$46

1 B.C. operations

2 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 coastal 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. Logging activity in the interior is generally higher in the first half of the first quarter, slows during spring thaw and increases in the third and fourth quarters. Sawmill operations are less seasonal than logging operations but are dependent on the availability of logs from logging operations, including those from suppliers. In addition, the market demand for lumber and related products is generally lower in the winter due to reduced construction activity, which increases during the spring, summer and fall.

The impact of the global recession on overall demand and poor lumber sales realizations increased the operating losses in the first three quarters of 2009. Operating rates increased in the fourth quarter of 2009 and first quarter, 2010, as lumber prices rose in response to increased North American demand and a temporary supply/demand imbalance. During the same period off-shore demand increased, particularly from China and continued through the remaining quarters of 2010. Increase demand from China placed upward pressure on North American sales prices in the fourth quarter, 2010.

The volatility of the Canadian dollar also impacted results, given that historically over 75% of the Canadian operation's sales are to export markets and priced in $US. A strong Canadian dollar reduces the lumber sales realizations in Canada, but lessens the impact of any losses in U.S. operations. All quarters of 2009 and 2010 include the effect of a tax valuation allowance against future tax assets which serves to reduce or eliminate any income tax recoveries on the Statement of Operations. The third quarter of 2009 includes an after-tax gain of $19.0 million from the sale of the former Queensboro sawmill site.

Quarter 4, 2010 Compared to Quarter 4, 2009

Overview

The Company recorded net earnings of $0.6 million, or $0.01 per share, for the fourth quarter of 2010 as compared to a net loss of $5.0 million, or $0.11 per share in the fourth quarter of 2009. Before restructuring costs, foreign exchange gains (losses), other one-time items and a tax valuation allowance, the Company's net earnings for the fourth quarter, 2010 was $0.7 million after-tax, or $0.01 per share, as compared to a net loss of $4.4 million after-tax, or $0.09 per share for the fourth quarter, 2009.

EBITDA and Adjusted EBITDA for the fourth quarter of 2010 were $14.6 million and $14.5 million, respectively, compared to $6.3 million and $5.7 million, for the comparative quarter in 2009.

Lumber pricing in the North American markets have been impacted by record volumes of lumber, particularly from the Pacific Northwest and B.C., exported to meet increased demand from China as they look to satisfy their growing need for construction lumber and industrial timber applications. Increased shipments to China impacted supply available to the North American markets which improved pricing of North American products due to a supply/demand imbalance and the existence of lean inventories. This is evidenced by the movement of the average price reported by Random Lengths for SPF 2x4 #2&Btr from US$233 per mfbm for September, 2010 to US$285 per mfbm at the end of December, 2010 and is magnified even more in comparison to the fourth quarter, 2009 average price of US$206 per mfbm.

Improved pricing impacted both sales realizations and ending inventory valuations for the Company in the fourth quarter, 2010 resulting in positive operating earnings in the quarter for the first time since the third quarter, 2006.

Changes in the Castlegar sawmill operating configuration in early 2010, achieved with the support of the mill's employees and other local stakeholders and without the benefit of any significant capital expenditures, continued to contribute a marked improvement in the mill's cost structure and impact fourth quarter, 2010 results.

The Company continued to monitor and adjust production levels in all operations to match product demand and control inventory levels.

<u>Sales</u>

Compared to the same quarter of 2009, lumber shipments were up 37.1% or 87 million board feet for the fourth quarter of 2010, reflecting additional production from Adams Lake and the recommenced operations at Grand Forks and Castlegar sawmills. Slower growth in demand in the U.S. markets continues to be replaced by strong growth in the demand for product from China. For the fourth quarter, 2010, in comparison to the fourth quarter, 2009 and excluding wholesale programs, 44% of all lumber shipments were directed to the U.S., a decline of 13%, and more than offset by shipments to Chinese markets which grew by 16%.

Relative to the same periods in 2009, unit lumber sales values increased by $31 per mfbm, or 7.8%, for the fourth quarter, 2010 reflecting significantly improved North American structural lumber product prices, somewhat tempered by the negative impact of a stronger Canadian dollar. Compared to the average of the fourth quarter of 2009, the Canadian dollar appreciated 4 cents relative to its U.S. counterpart.

Log sales were up $3.3 million, or 18.9%, for the fourth quarter, 2010 as sales volumes increased by 32,000 m3 or 12.1% vis-à-vis its comparative in 2009. Unit sales values on the B.C. Coast, where the majority of log sales are transacted, moved up 5.2% reflecting improved log markets and a lesser pulp log component.

Compared to the same periods of 2009, pulp chip and other by-product revenues for the fourth quarter of 2010 were up $3.5 million, a reflection of higher sawmill operating rates. Average chip prices for the fourth quarter, 2010 increased on both the B.C. Coast as well as in the U.S. reflecting increased global demand for pulp over the same quarter, 2009. More significant price increases in the U.S. were negated by the stronger Canadian dollar.

<u>Operating Costs</u>

Production costs for the fourth quarter of 2010 increased $40.8 million, or 35.8% compared to the same period in 2009. Lumber production increased by 58 million board feet for the fourth quarter, 2010 compared to the same quarter, 2009 driven by increased production at the B.C. Interior sawmills.

Unit cash conversion costs remained constant, quarter-over-quarter as compared to 2009 as increased per unit conversion costs resulting from a curtailment at the Beaver sawmill were offset by a stronger Canadian dollar. In addition, fibre supply for the U.S. Pacific Northwest sawmills remains tight and resulted in sizeable increases in log costs for U.S. operations.

Compared to the same period in 2009, B.C. log production grew by 260,000 cubic metres for the fourth quarter, 2010 driven by the seasonality of logging in the B.C. interior and the increased demand for logs in the B.C. Interior sawmills resulting from improved operating rates as compared to 2009. Unit logging costs for the fourth quarter remained relatively constant, year-over-year.

Compared to the same period, 2009, Canadian shipments to the U.S. for the fourth quarter, 2010 rose by 25 million board feet or 70.2% which corresponds with a 70% increase in export taxes, or $1.0 million as the tax rate for both periods remained at 15%.

Selling and administrative costs for the fourth quarter, 2010 increased by $0.6 million compared to the same quarter, 2009 primarily as a result of additional corporate development expenditures and expansion of export sales administration. Long-term incentive compensation ("LTIC") expense is impacted by the change in the Company's share price and showed an expense of $1.4 million for the fourth quarter, 2010, reflecting a 40.4% increase in the Company's share price over the quarter. Similarly, LTIC expense in the fourth quarter, 2009, resulted from a 49.8% improvement of the share price for that quarter.

Fourth quarter, 2010 amortization of plant and equipment remained flat in comparison to the fourth quarter, 2009 despite the inclusion of Castlegar sawmill for 2010 as the investment in capital assets at the mill is extremely low.

Road amortization and depletion expense for the fourth quarter of 2010 declined by $0.5 million or 10.8% for the quarter vis-à-vis the same quarter, 2009 as a result of decreased logging activity on the B.C. Coast with log production lower by 58,000 cubic metres or 13.8%.

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

Fourth quarter, 2010, interest expense was virtually unchanged as compared to the fourth quarter of 2009, with an increase in average lending rates in 2010 partially offset by a stronger Canadian dollar. Other foreign exchange gains (losses) were negligible for both years.

The Company reported Other income (expense) of ($0.3) million for the fourth quarter, 2010 from the disposal of surplus equipment and roads as compared to a gain of $0.6 million realized in the fourth quarter, 2009. Increased equity participation in the earnings of Seaboard with greater shipment volumes by the Company relative to the other partners, improved equity earnings in comparison to 2009.

Income Taxes

The Company recorded an income tax recovery of $0.1 million in the fourth quarter of 2010 as compared to a $3.3 million recovery in the comparative period of 2009. The valuation allowance against certain future income tax assets arising from loss carry-forwards available to reduce future taxable income was increased by $0.1 million (fourth quarter, 2010 - $1.0 million). Although the Company expects to realize the full benefit of the loss carry-forwards, the Company has provided a valuation allowance in respect of its operating loss carry-forwards, net of temporary differences.

Cash Flow

Cash generated by the Company from operations, after changes in working capital, was $3.7 million for the fourth quarter of 2010, compared to cash used of $12.7 million for the fourth quarter of 2009. The increase in accounts receivable partially offset by a rise in accounts payable was the result of the higher operating rates and export shipments in the fourth quarter of 2010.

Capital expenditures continued to be closely monitored. Spending of $4.6 million on plant and equipment was evenly divided between high return discretionary projects and spending related to maintenance of operating capacity, with spending on road construction totaling $4.6 million. Comparative spending for the fourth quarter, 2009 was primarily for road construction as all other capital expenditures were severely curtailed.

In the fourth quarter, 2010 the Company received an $8.8 million advance from Seaboard which it used to pay down a portion of its Revolving Term Line. An advance from Seaboard of $3.1 million received in the fourth quarter, 2009 was used together with drawings of $15.0 million on the Revolving Term Line to fund cash used in operations and priority capital expenditures.

The Company had cash of $9.3 million at December 31, 2010 and ended the quarter with net debt of $146.7 million or 29.7% of invested capital.

Softwood Lumber Agreement Arbitration

On October 8, 2010, the U.S. Trade Representative's office filed a request for consultations with Canada under the terms of the Softwood Lumber Agreement ("SLA") over its concern that the province of British Columbia is charging too low a price for certain grades of timber harvested on public lands in the B.C. Interior.

Under the terms of the SLA, consultations between the two governments were held but the matter was not resolved and on January 18, 2011 the U.S. Trade Representative filed for arbitration. The arbitration will be conducted by the London Court of International Arbitration ("LCIA"). Decisions by the LCIA are final and binding on both parties. The Company believes that B.C. and Canada are complying with their obligations under the SLA.

As the U.S. arbitration request is still in preliminary stages the existence of any potential claim has not been determined and no provision has been recorded in the financial statements as at December 31, 2010.

Future Accounting Policy Changes

Convergence with International Financial Reporting Standards

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

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement, and disclosures. The Company has identified a number of key areas that will be impacted by changes in accounting policies, including: property, plant, and equipment; impairment of assets; provisions, including reforestation liabilities and asset retirement obligations; share-based payments; employee future benefits; and future income taxes. Management is finalizing the determination of the impact of the application of IFRS on the financial statements and having these impacts audited.

A review of the Company's information systems and the day-to-day accounting processes and controls has been carried out during the IFRS conversion project and no significant impacts were identified. No significant changes to computer systems have been required and no changes which materially affect, or are reasonably likely to materially affect, the Company's controls have been required. To ensure the effectiveness of the key monitoring controls under IFRS, additional training has been performed in relation to the specific impacts of IFRS on the Company's financial policies and statements.

As a first-time adopter of IFRS, the Company is required to apply IFRS 1 *First time adoption of International Reporting Standards* which provides a number of optional exemptions to first-time adopters to ease the transition to IFRS. The Company expects to apply exemptions under each of the following IFRS 1 categories which are significant to the Company's opening balance sheet:

Property, plant and equipment

IFRS 1 allows a company to use fair value as the deemed cost for items of property, plant and equipment at the date of transition which results in an adjustment to Retained earnings in the opening Balance Sheet. The Company has identified a property at its Hammond sawmill site for which it will take this election at the transition date. The impact is expected to increase property, plant and equipment on the Balance Sheet as at January 1, 2010 by $15.7 million.

Cumulative translation adjustments

IFRS 1 provides an exemption that allows the cumulative translation adjustments to be set to zero at the date of transition as an adjustment to Retained earnings in the opening Balance Sheet. Interfor expects to take advantage of this exemption which would result in Accumulated other comprehensive loss and Retained earnings in the opening Balance sheet to each decrease by $24.9 million at January 1, 2010.

Employee future benefits

IFRS 1 provides an exemption that allows recognition of all unamortized actuarial gains and losses at the transition date as an adjustment to Retained earnings in the opening Balance Sheet. The impact of this is expected to be a reduction in Investments and other assets on the Balance Sheet as at January 1, 2010 by $7.2 million for the defined benefit pension plan liabilities of the Company. In addition, Investments and other assets are expected to be reduced by a further $0.8 million to reflect the Company's share of its investee's pension adjustment as at January 1, 2010.

Business combinations

IFRS 1 provides an exemption which eliminates the requirement to restate business combinations entered into prior to the date of transition. Interfor does not expect to restate any of its previous business combination accounting.

Impairment of assets

IFRS requires the assessment of asset impairment to be based on a comparison of the asset carrying value and its recoverable amount, usually based on its value in use as represented by its discounted future cash flows. Under Canadian GAAP the assessment of impairments provides for a two-step test with no impairment recognized if the undiscounted future cash flows exceed the carrying value of the related asset. Discounting is required only as a second step to quantify an impairment.

As such, impairments are more likely under IFRS standards. Where an impairment is required under IFRS, future amortization charges will decrease with a lower amortization base.

IFRS also provides for the reversal of previously recognized asset impairments, excluding goodwill, where conditions justify such reversals. Canadian GAAP does not allow reversal of impairments recognized in the financial statements.

These changes in standards may result in the potential for more impairments recognized against income in the future as well as more volatility as reversals occur.

Based on the Company's analysis, Interfor does not expect any impairments to be recorded as at January 1, 2010 under IFRS.

Provisions

IFRS has a broader threshold for the recognition of provisions than that provided under Canadian GAAP and may result in additional liabilities being recognized under IFRS and requires the discount rate for evaluation of asset retirement obligations to reflect the current risk-free interest rate. As a result, the Company expects to increase its Reforestation liability, net of current portion on the Balance Sheet by $1.9 million, and its Other long-term liabilities by $0.9 million under IFRS on January 1, 2010, for a total of $2.8 million increase in liabilities.

Share based compensation

IFRS requires recognition of compensation expense for share based compensation to be based on fair values rather than implicit values, determined through the use of Black-Scholes and other option modeling techniques. As a result, the Company expects to increase the current portion recorded in Accounts payable and accrued liabilities by $0.4 million and the long term portion in Other long-term liabilities by $0.5 million as at January 1, 2010 under IFRS.

Future income taxes

As a result of the aforementioned adjustments, future income taxes on the Balance Sheet as at January 1, 2010 are expected to be reduced by $0.3 million under IFRS.

Presentation of financial statements

There are a number of presentation changes and reclassifications amongst line items on the financial statements that are expected under IFRS. In addition, IFRS requires significantly more financial statement note disclosure than required under Canadian GAAP standards. These will be fully disclosed in our March 31, 2011 quarter-end financial statements.

The impact of the changeover from Canadian GAAP to IFRS is expected to be as follows[1]:

	Retained earnings	Accumulated other comprehensive loss
	(millions of dollars)	
Balance as at January 1, 2010 under Canadian GAAP	$ 88.9	$ (24.9)
Transition election to fair value property at Hammond sawmill site	15.7	-
Employee future benefits adjustments to reflect unamortized actuarial gains (losses)	(8.0)	-
Increase in decommissioning liabilities resulting from change to credit-free discount rate	(2.8)	-
Increase in share based compensation liability to reflect fair values	(0.9)	-
Reduction in future income taxes liability arising from aforementioned adjustments	0.3	-
	4.4	-
Transition election to set cumulative translation adjustments to zero	(24.9)	24.9
Balance as at January 1, 2010 under IFRS	$ 68.4	$ -

[1] Table may not add due to rounding

Since the impacts of conversion to IFRS standards are still in process of being finalized and audited, it is possible that further differences may arise that could have a significant impact on the Company's financial statements under IFRS. Interfor expects to meet all filing requirements and deadlines for its first reporting under IFRS for the March 31, 2011 quarter-end.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months and years ended December 31, 2010 and 2009 (unaudited)

(thousands of Canadian dollars except earnings per share)	3 Months Dec. 31, 2010	3 Months Dec. 31, 2009	Year Dec. 31, 2010	Year Dec. 31, 2009
Sales	$ 176,303	$ 125,504	$ 625,618	$ 389,775
Costs and expenses:				
Production	154,813	113,998	557,122	374,488
Selling and administration	4,328	3,762	17,508	16,445
Long term incentive compensation expense	1,419	1,504	1,873	3,211
Export taxes	2,524	1,485	7,427	3,903
Amortization of plant and equipment	7,495	7,549	28,117	24,838
Depletion and amortization of timber, roads and other	4,438	4,977	19,008	13,340
	175,017	133,275	631,055	436,225
Operating earnings (loss) before restructuring costs	1,286	(7,771)	(5,437)	(46,450)
Restructuring costs and write-downs of plant and equipment (note 10)	9	(55)	(1,578)	(4,367)
Operating earnings (loss)	1,295	(7,826)	(7,015)	(50,817)
Interest expense on long-term debt	(1,968)	(1,769)	(7,944)	(6,442)
Other interest expense	(136)	(232)	(581)	(1,401)
Other foreign exchange gain (loss)	(169)	(77)	(280)	37
Other income (expense) (note 9)	(284)	613	(25)	22,965
Equity in earnings of investee company (note 5)	1,701	947	11,446	1,885
	(856)	(518)	2,616	17,044
Earnings (loss) before income taxes	439	(8,344)	(4,399)	(33,773)
Income taxes (recovery):				
Current	18	(207)	60	(183)
Future	(130)	(3,103)	(525)	(9,703)
	(112)	(3,310)	(465)	(9,886)
Net earnings (loss)	$ 551	$ (5,034)	$ (3,934)	$ (23,887)
Net earnings (loss) per share, basic and diluted (note 11)	$ 0.01	$ (0.11)	$ (0.08)	$ (0.51)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the three months and years ended December 31, 2010 and 2009 (unaudited)

(thousands of Canadian dollars)	3 Months Dec. 31, 2010	3 Months Dec. 31, 2009	Year Dec. 31, 2010	Year Dec. 31, 2009
Retained earnings, beginning of period	$ 84,376	$ 93,895	$ 88,861	$ 112,748
Net earnings (loss)	551	(5,034)	(3,934)	(23,887)
Retained earnings, end of period	$ 84,927	$ 88,861	$ 84,927	$ 88,861

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months and years ended December 31, 2010 and 2009 (unaudited)

(thousands of Canadian dollars)	3 Months Dec. 31, 2010	3 Months Dec. 31, 2009	Year Dec. 31, 2010	Year Dec. 31, 2009
Cash provided by (used in):				
Operating activities:				
Net earnings (loss)	$ 551	$ (5,034)	$ (3,934)	$ (23,887)
Items not involving cash:				
Amortization of plant and equipment	7,495	7,549	28,117	24,838
Depletion and amortization of timber, roads and other	4,438	4,977	19,008	13,340
Future income tax recovery	(130)	(3,103)	(525)	(9,703)
Other assets	(20)	682	(5)	759
Reforestation liability	(1,484)	(1,574)	(449)	(961)
Other long-term liabilities	4	2,183	456	2,909
Equity in earnings of investee company	(1,701)	(947)	(11,446)	(1,885)
Write-downs of plant, equipment and roads	-	-	809	3,067
Unrealized foreign exchange gains	(383)	(1,205)	(71)	(6,969)
Other (note 9)	284	(732)	25	(23,089)
	9,054	2,796	31,985	(21,581)
Cash generated from (used in) operating working capital:				
Accounts receivable	(14,972)	(10,408)	(13,460)	(8,580)
Inventories	(857)	(8,162)	(12,421)	16,882
Prepaid expenses	1,129	(257)	(744)	(625)
Accounts payable and accrued liabilities	9,333	3,569	15,169	2,702
Income taxes	15	(207)	456	15,976
	3,702	(12,669)	20,985	4,774
Investing activities:				
Additions to property, plant and equipment	(4,556)	(461)	(10,912)	(20,781)
Additions to logging roads and timber	(4,613)	(3,573)	(31,398)	(6,811)
Proceeds on disposal of property, plant, and equipment	24	326	1,325	36,985
Investments and other assets	(847)	(76)	(4,383)	(942)
	(9,992)	(3,784)	(45,368)	8,451
Financing activities:				
Issuance of share capital (note 8)	823	-	862	-
Funds from promissory note payable to investee company (note 5)	8,842	3,096	15,738	3,096
Additions to long-term debt (note 7(b))	5,000	15,000	125,819	59,000
Repayments of long-term debt (note 7(b))	(10,000)	-	(112,534)	(41,000)
Decrease in bank indebtedness	-	(23)	-	(30,589)
	4,665	18,073	29,885	(9,493)
Foreign exchange loss on cash and cash equivalents held in a foreign currency	(105)	(3)	(3)	(114)
Increase (decrease) in cash	(1,730)	1,617	5,499	3,618
Cash and cash equivalents, beginning of period	11,031	2,185	3,802	184
Cash and cash equivalents, end of period	$ 9,301	$ 3,802	$ 9,301	$ 3,802
Supplementary disclosures				
Cash interest paid	$ 2,104	$ 2,001	$ 8,525	$ 7,843
Cash income taxes received (paid)	(3)	24	397	16,179

See accompanying notes to consolidated financial statements

CONSOLIDATED BALANCE SHEETS

December 31, 2010 (unaudited) and December 31, 2009 (audited)

(thousands of Canadian dollars)	Dec. 31, 2010	Dec. 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 9,301	$ 3,802
Accounts receivable	45,961	32,951
Income taxes recoverable	-	230
Inventories (note 6)	71,762	60,159
Prepaid expenses	8,334	7,777
Future income taxes	3,627	2,974
	138,985	107,893
Investments and other assets (note 5)	28,618	17,060
Property, plant and equipment, net of accumulated amortization	333,989	357,501
Timber tenures, net of accumulated depletion	80,154	67,010
Logging roads and bridges, net of accumulated amortization	17,063	16,485
Goodwill	13,078	13,078
Long-lived assets held for sale	-	3,424
	$ 611,887	$ 582,451
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 58,267	$ 43,510
Income taxes payable	230	-
Payable to investee company (note 5)	15,738	3,096
	74,235	46,606
Reforestation liability, net of current portion	15,017	14,724
Long-term debt (note 7(b))	156,037	144,525
Other long-term liabilities	15,695	15,316
Future income taxes	3,627	3,286
Shareholders' equity:		
Share capital (note 8)		
Class A subordinate voting shares	285,362	284,500
Class B common shares	4,080	4,080
Contributed surplus	5,408	5,408
Accumulated other comprehensive loss	(32,501)	(24,855)
Retained earnings	84,927	88,861
	347,276	357,994
	$ 611,887	$ 582,451

Contingencies (note 15)
Subsequent events (notes 5, 16)

See accompanying notes to consolidated financial statements

On behalf of the Board:

E.L. Sauder
Director

G.H. MacDougall
Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three months and years ended December 31, 2010 and 2009 (unaudited)

(thousands of Canadian dollars)	3 Months Dec. 31, 2010	3 Months Dec. 31, 2009	Year Dec. 31, 2010	Year Dec. 31, 2009
Net earnings (loss)	$ 551	$ (5,034)	$ (3,934)	$ (23,887)
Other comprehensive loss:				
Net change in unrealized foreign currency translation losses on translation of self-sustaining foreign subsidiaries	(4,600)	(2,593)	(7,646)	(24,301)
Other comprehensive loss	(4,600)	(2,593)	(7,646)	(24,301)
Comprehensive loss	$ (4,049)	$ (7,627)	$ (11,580)	$ (48,188)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

For the three months and years ended December 31, 2010 and 2009 (unaudited)

(thousands of Canadian dollars)	3 Months Dec. 31, 2010	3 Months Dec. 31, 2009	Year Dec. 31, 2010	Year Dec. 31, 2009
Accumulated other comprehensive loss, beginning of period	$ (27,901)	$ (22,262)	$ (24,855)	$ (554)
Other comprehensive loss	(4,600)	(2,593)	(7,646)	(24,301)
Accumulated other comprehensive loss, end of period	$ (32,501)	$ (24,855)	$ (32,501)	$ (24,855)

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 ("GAAP") 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, 2009, except for the new accounting policies adopted subsequent to that date, as discussed in Note 2.

2. Adoption of change in accounting policies:

Effective January 1, 2010, the Company adopted three new Canadian Institute of Chartered Accountants ("CICA") accounting standards:

(a) CICA Handbook Section 1582, *Business Combinations* which replaces CICA Handbook Section 1581, *Business Combinations*, and establishes revised standards for the recognition, measurement, presentation and disclosure of business acquisitions and aligns Canadian GAAP with International Financial Reporting Standards ("IFRS").

(b) CICA Handbook Section 1601, *Consolidated Financial Statements* and CICA Handbook Section 1602, *Non-Controlling Interests*, which replace CICA Handbook Section 1600, *Consolidated Financial Statements*, and establish revised standards for the preparation of consolidated financial statements.

Adoption of these standards has no retrospective impact on the consolidated financial statements.

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 coastal 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. Logging activity in the interior is generally higher in the first half of the first quarter, slows during spring thaw and increases in the third and fourth quarters. Manufacturing operations are less seasonal than logging operations but do depend on the availability of logs from the logging operations and from third party suppliers. In addition, the market demand for lumber and related products is generally lower in the first quarter due to reduced construction activity which increases during the spring, summer and fall.

5. Payable to investee company:

On December 29, 2009, the Seaboard Limited Partnership ("Seaboard"), made an advance to its partners, with the Company's share of the advance being $3,096,000. The Company signed an unsecured promissory note which was payable on demand on or before January 4, 2010 and was non-interest bearing until January 4, 2010.

On January 4, 2010, Seaboard declared an income distribution to its partners, of which the Company's share of $3,096,000 was received by way of setoff against the promissory note payable to the Seaboard. In accordance with equity accounting, the income distribution was recorded as a reduction of the investment in Seaboard.

On July 30, 2010, subsequent to the sale of one of its two vessels in July, Seaboard made an advance to its partners, with the Company's share of the advance being $6,896,000. On December 30, 2010, Seaboard made a second advance to its partners, with the Company's share being $8,842,000. The Company signed unsecured promissory notes in respect of these advances which were payable on demand on or before January 3, 2011 and were non-interest bearing until January 3, 2011.

These advances were subsequently repaid (see Subsequent events, note 16(a)).

Seaboard sold its two vessels in 2010, but has chartered ships to replace the sold vessels and expects to continue to meet its freight requirements.

(Tabular amounts expressed in thousands except per share amounts)

6. Inventories:

	Dec. 31, 2010	Dec. 31, 2009
Logs	$ 39,107	$ 31,011
Lumber	27,353	24,301
Other	5,302	4,847
	$ 71,762	$ 60,159

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 December 31, 2010 was $7,589,000 (December 31, 2009 - $9,578,000).

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

(a) Bank indebtedness:

	Dec. 31, 2010	Dec. 31, 2009
Available line of credit	$ 65,000	$ 65,000
Maximum borrowing available	65,000	61,926
Operating Line drawings	-	-
Outstanding letters of credit included in line utilization	4,756	4,997
Unused portion of line	60,244	56,929

On January 15, 2010 the Company amended and extended its existing syndicated credit facilities. The maturity date of the existing Canadian operating line of credit ("Operating Line") was extended to February 28, 2011. All other terms and conditions of the line remained substantially unchanged.

On August 19, 2010, the Company further amended and extended its existing syndicated credit facilities and the maturity date of the Operating Line was extended to July 28, 2012. All other terms and conditions of the Operating Line remain substantially unchanged except for a reduction in pricing.

The Operating Line may be drawn in either CAD$ or US$ advances, and bears interest at bank prime plus a margin or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans plus a margin, and in all cases dependent upon a financial ratio. Borrowing levels under the line are subject to a borrowing base calculation dependent on certain accounts receivable and inventories. The Operating Line is secured by a general security agreement which includes a security interest in all accounts receivable and inventories, charges against timber tenures, and mortgage security on sawmills. The Operating Line is subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization and a minimum net worth calculation. As at December 31, 2010, except for letters of credit included in the line utilization, there were no drawings under the Operating Line (December 31, 2009 - $nil).

(b) Long-term debt:

On January 15, 2010 the Company amended and extended its existing syndicated credit facilities. The Company's Revolving Term Line increased from $150,000,000 to $200,000,000, and its maturity date was extended to February 28, 2012.

On August 19, 2010, the Company further amended and extended its existing syndicated credit facilities and the maturity date of the Revolving Term Line was extended to July 28, 2013. All other terms and conditions of the Revolving Term Line remain substantially unchanged except for a reduction in pricing.

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

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

As at December 31, 2010, the Revolving Term Line was drawn by US$30,200,000 (December 31, 2009 – US$30,200,000) revalued at the year-end exchange rate to $30,037,000 (December 31, 2009 - $31,740,000), and $126,000,000 (December 31, 2009 - $76,000,000) for total drawings of $156,037,000 (December 31, 2009 - $107,740,000), leaving an unused available line of $43,963,000.

In conjunction with the amendments to its credit facilities on January 15, 2010, the Company drew US$35,000,000 ($35,819,000) on its Revolving Term Line and repaid and cancelled its U.S. dollar non-revolving term line (the "Non-Revolving Term Line"). At December 31, 2009 the Non-Revolving Term Line was fully drawn at US$35,000,000 and was revalued at the year-end exchange rate to $36,785,000. Upon repayment of the loan, the foreign exchange gain of $966,000 realized on repayment of the Non-Revolving Term Line was recognized in Other foreign exchange gain (loss) on the Statement of Operations.

The Company subsequently drew $36,715,000 in the first quarter, 2010, and repaid the drawings of US$35,000,000 used to repay the Non-Revolving Term Line, realizing a foreign exchange loss of $896,000 which was recognized in Other foreign exchange gain (loss) on the Statement of Operations.

(Tabular amounts expressed in thousands except per share amounts)

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

(b) Long-term debt (continued):

The US$30,200,000 drawing under the Revolving Term Line has been designated as a hedge against the Company's investment in its self-sustaining U.S. operations and unrealized foreign exchange gains of $1,703,000 (December 31, 2009 - $5,043,000 gain) arising on revaluation of the Non-Revolving Term Line for the twelve months ended December 31, 2010 were recognized in Other comprehensive income.

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

2011	$	-
2012		-
2013		156,037
2014		-
2015		-
	$	156,037

8. Share capital:

During the second and fourth quarters, 2010, the Company 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 Dec. 31, 2010	3 Months Dec. 31, 2009	Year Dec. 31, 2010	Year Dec. 31, 2009
Shares issued on exercise of options				
Number of shares	225	-	236	-
Proceeds	$ 823	$ -	$ 862	$ -

9. Other income (expense):

	3 Months Dec. 31, 2010	3 Months Dec. 31, 2009	Year Dec. 31, 2010	Year Dec. 31, 2009
Gain (loss) on disposal of surplus property, plant and equipment and investment	$ (82)	$ 732	$ (199)	$ 22,085
Gain on settlement of timber takeback	-	-	376	1,004
Other expense	(202)	(119)	(202)	(124)
	$ (284)	$ 613	$ (25)	$ 22,965

In the first quarter of 2010, minor disposals of surplus equipment resulted in proceeds of $14,000 and a loss of $8,000. In the second quarter, 2010, the Company received further compensation under the *Forest Act* for timber, roads and bridges resulting from the 2006 legislated takeback of certain logging rights on the B.C. Coast which, combined with further minor disposals of surplus equipment, resulted in proceeds of $475,000 and a gain of $413,000.

Minor disposals of surplus equipment in the third quarter, 2010, generated proceeds of $812,000 and a loss of $146,000. In the fourth quarter, 2010, further disposals of surplus equipment and roads generated proceeds of $24,000 and a loss of $284,000.

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

In the third quarter, 2009, the Company completed the sale of its former Queensboro mill site, located in New Westminster, B.C. and its remaining surplus equipment, yielding net proceeds of $29,987,000 and a gain of $ $20,715,000. In addition, the Company received $2,000,000 as an advance of compensation under the *Forest Act* for timber, roads and bridges resulting from the 2006 legislated takeback of certain logging rights on the B.C. Coast, and recorded a gain of $1,004,000. Other minor sales of surplus equipment in the third quarter, 2009, contributed an additional gain of $4,000.

In the fourth quarter, 2009, the Company recognized a gain of $732,000 on surplus equipment disposals and the wind-up of an investment.

(Tabular amounts expressed in thousands except per share amounts)

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

	3 Months Dec. 31, 2010	3 Months Dec. 31, 2009	Year Dec. 31, 2010	Year Dec. 31, 2009
Severance costs (recovery)	$ (9)	$ 55	$ 1,093	$ 1,565
Plant and equipment write-downs	-	-	485	3,067
Other (recovery)	-	-	-	(265)
	$ (9)	$ 55	$ 1,578	$ 4,367

During 2010 the Company restructured certain of its manufacturing operations and revised certain of its previous estimates resulting in severance costs of $1,093,000. The Company also recorded $485,000 in asset write-downs as it determined certain assets were impaired.

During 2009, the Company recorded total severance costs of $1,565,000 as it downsized its workforce in response to reduced operating rates. In the second quarter, 2009, the Company was successful in defending a legal dispute and was able to reverse restructuring costs previously accrued. The Company recorded $3,067,000 in asset write-downs in the third quarter, 2009, as it determined certain assets were impaired.

11. Net earnings (loss) per share:

	3 Months Dec. 31, 2010			3 Months Dec. 31, 2009		
	Net earnings (loss)	Shares	Per share	Net earnings (loss)	Shares	Per share
Basic earnings (loss) per share	$ 551	47,165	$ 0.01	$ (5,034)	47,117	$ (0.11)
Share options		7		-	-	
Diluted earnings (loss) per share	$ 551	47,172	$ 0.01	$ (5,034)	47,117	$ (0.11)

	Year December 31, 2010			Year December 31, 2009		
	Net earnings (loss)	Shares	Per share	Net earnings (loss)	Shares	Per share
Basic earnings (loss) per share	$ (3,934)	47,134	$ (0.08)	$ (23,887)	47,117	$ (0.51)
Share options		7*		-	-	-
Diluted earnings (loss) per share	$ (3,934)	47,134	$ (0.08)	$ (23,887)	47,117	$ (0.51)

*Where the addition of share options to the total shares outstanding has an anti-dilutive impact on the diluted earnings (loss) per share calculation, those share options have not been included in the total shares outstanding for purposes of the calculation of diluted earnings (loss) per share.

12. Segmented information:

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

The Company sales to both foreign and domestic markets are as follows:

	3 Months Dec. 31, 2010	3 Months Dec. 31, 2009	Year Dec. 31, 2010	Year Dec. 31, 2009
Canada	$ 35,728	$ 33,584	$ 171,113	$ 113,558
United States	61,958	51,812	244,625	160,955
Japan	25,271	17,200	80,856	56,403
China/Taiwan	36,793	8,954	79,625	18,412
Other export	16,553	13,954	49,399	40,447
	$ 176,303	$ 125,504	$ 625,618	$ 389,775

(Tabular amounts expressed in thousands except per share amounts)

12. Segmented information (continued):

Sales by product line are as follows:

	3 Months Dec. 31, 2010	3 Months Dec. 31, 2009	Year Dec. 31, 2010	Year Dec. 31, 2009
Lumber	$ 137,549	$ 93,083	$ 481,983	$ 288,627
Logs	20,577	17,311	79,763	60,443
Wood chips and other by products	15,731	12,188	56,217	34,349
Other	2,446	2,922	7,655	6,356
	$ 176,303	$ 125,504	$ 625,618	$ 389,775

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

	Dec. 31, 2010	Dec. 31, 2009
Canada	$ 302,319	$ 299,365
United States	141,965	158,133
	$ 444,284	$ 457,498

13. Employee future benefits:

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

	3 Months Dec. 31, 2010	3 Months Dec. 31, 2009	Year Dec. 31, 2010	Year Dec. 31, 2009
Canadian employees' deferred profit sharing plan	$ 280	$ 259	$ 1,114	$ 1,145
Defined benefit plan	251	103	440	440
Unionized employees' pension plan	489	351	1,882	1,276
Post-retirement benefits plan	21	17	85	72
U.S. employees' 401(k) plan	140	164	589	573
Senior management supplementary pension plan	146	91	644	459
Total pension expense	$ 1,327	$ 985	$ 4,754	$ 3,965

14. Financial instruments:

The Company employs financial instruments such as foreign currency forward and option contracts to manage exposure to fluctuations in foreign exchange rates. The Company does not expect any credit losses in the event of non-performance by counterparties as the counterparties are the Company's Canadian bankers, which are all highly rated.

As at December 31, 2010, the Company has outstanding obligations to sell a maximum of US$22,500,000 at an average rate of CAD$1.0168 to the USD$1.00, and sell Japanese ¥75,000,000 at an average rate of ¥83.03 to the US$1.00 during 2011. All foreign currency gains or losses to December 31, 2010 have been recognized in the Statement of Operations and the fair value of these foreign currency contracts has been measured based on Level 2 of the fair value hierarchy and has been recorded as an asset of $492,000 in accounts receivable and a liability of $18,000 in accounts payable (2009 - $403,000 asset fair value measured based on Level 2 and recorded in accounts receivable).

15. Contingencies:

(a) Softwood Lumber Agreement

On January 18, 2011 the U.S. Trade Representative filed for arbitration under the provisions of the Softwood Lumber Agreement ("SLA") over its concern that the Province of British Columbia ("B.C.") is charging too low a price for certain timber harvested on public lands in the B.C. Interior. The Company believes that B.C. and Canada are complying with their obligations under the SLA.

As the U.S. arbitration request is still in preliminary stages the existence of any potential claim has not been determined and no provision has been recorded in the financial statements as at December 31, 2010.

15. Contingencies (continued):

(b) Storm damage

In the latter half of September 2010, heavy rains and strong winds on northern Vancouver Island and the B.C. Central Coast triggered severe power outages, mudslides, road washouts and flooding, with a state of emergency declared in several populated areas. Some logging areas were impacted by these severe storms with bridge and culvert damage, road washouts and slides in reforested areas. Due to the remoteness and magnitude of the areas impacted it has been difficult to fully assess the extent of the damage and its related costs. The Company continues to pursue provincial and federal government assistance. Certain losses are covered by insurance and as at December 31, 2010, a receivable of $113,000 has been set up for recovery of qualifying expenditures, net of the insurance deductible.

To December 31, 2010, $103,000 has been expensed in the Statement of Operations as a result of storm damage related expenses.

The Company is actively working with its insurers to ensure maximum recovery of future restoration expenditures and business interruption losses.

16. Subsequent events:

(a) Seaboard Partnership:

On January 3, 2011, the Seaboard Partnership declared an income distribution to its partners. Interfor's share was $15,738,000 and was settled by way of setoff against the promissory note payable to the Seaboard Partnership (see Payable to investee company, note 5).

(b) Seaboard Partnership windup:

On January 5, 2011, all other partners in the Seaboard Partnership withdrew and the Company became the sole owner of Seaboard. Seaboard Partnership was wound-up on January 7, 2011 and continues operations as Seaboard Shipping Company Limited which is wholly owned by Interfor. Its accounts will be included in the consolidated financial statements of the Company from the date of change in control.

INTERFOR

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