International Forest Products Limited

Vancouver, B.C. February 14, 2013

Interfor's Q4 Results Improve as Markets Strengthen

Grand Forks Mill Resumes Operations; Rayonier Acquisition Scheduled to Close March 1st

INTERNATIONAL FOREST PRODUCTS LIMITED ("Interfor" or the "Company") (TSX: IFP.A) reported net income of $3.7 million or $0.07 per share before one-time items and share-based compensation expense in the fourth quarter of 2012.

These results compare with net earnings, reported on the same basis, of $2.9 million in the third quarter of 2012 and a loss of $2.8 million in the fourth quarter of 2011.

EBITDA for the quarter, adjusted to exclude one-time items, other income and the effects of share-based compensation, was $19.4 million compared with $17.2 million in the third quarter and $7.7 million in the fourth quarter last year.

One-time items and share-based compensation amounted to $7.3 million in the fourth quarter.

The Company's results in the current quarter were negatively impacted by certain costs associated with the rebuild of the Grand Forks sawmill, which was curtailed on November 9th and resumed operations on December 3rd. The estimated impact of these costs on earnings and EBITDA in the fourth quarter was $2.8 million.

Since resuming operations, the Grand Forks mill has been moving through its start-up processes and is currently running at approximately 97% of proforma.

Lumber production in the fourth quarter was 347 million board feet, slightly below the level achieved in the third quarter. Production was negatively affected by the curtailment at Grand Forks and by reduced shifting at the Company's Coastal sawmills, attributable to log shortages post the extended fire closures in that region in mid-year. Sales volume, including wholesale activities, was 384 million board feet, the highest quarterly total in the Company's history.

In the quarter, SPF 2x4 in the U.S. market averaged US$335 per mfbm, up US$35 per mfbm versus the third quarter as mild seasonal conditions and higher activity levels spurred increased demand. Hem-Fir studs were US$360 per mfbm in the quarter, up US$10 versus the third quarter. The market in China gained strength in the quarter and, in Japan, green hemlock squares were up 1% while J Grade dimension was up 7%. Cedar prices continued to inch upwards in the quarter on limited supply.

Export taxes on shipments to the U.S. were 5% in October and 10% in November and December.

In the quarter, Interfor generated $14.6 million in cash from operations after working capital changes were considered. Capital spending amounted to $15.4 million, including $7.9 million on the Grand Forks and Castlegar projects.

Net debt closed the quarter at $120 million or 24.2% percent of invested capital.

Subsequent to the end of the quarter, Interfor announced it had reached agreement with Rayonier Inc. to acquire that Company's Wood Products Business in the U.S. South for $80 million including working capital.

Rayonier's Wood Products Business, headquartered in Baxley, Georgia, consists of three sawmills with a combined annual capacity of 360 million board feet of southern pine dimension lumber. The Rayonier acquisition is consistent with Interfor's strategy of adding capacity in attractive regional markets and will bring Interfor's annual capacity to more than 2 billion board feet.

The transaction will be financed from Interfor's existing credit lines and is scheduled to close March 1st. The acquisition is expected to be accretive to the Company's earnings and free cash flow from the outset.

Business conditions are expected to continue to improve in 2013. In the U.S., the housing market continues to strengthen and further growth is expected in China. In Japan, building activity in 2013 is expected to increase in anticipation of a planned increase in the consumption tax in 2014 and as a result of reconstruction efforts following the 2011 earthquake and tsunami.

While the near term outlook is more positive than it has been for some time, there are numerous challenges to the global economy that have the potential to undermine the economic recovery. With those concerns in mind, Interfor intends to maintain its disciplined approach to production, cost control and inventory management while remaining alert to opportunities to position the Company for long-term success.

FORWARD-LOOKING STATEMENTS

ABOUT INTERFOR

Interfor is a leading global supplier, with one of the most diverse lines of lumber products in the world. The Company has operations in British Columbia, Washington and Oregon, including two sawmills in the Coastal region of British Columbia, three in the B.C. Interior, two in Washington and two in Oregon. For more information about Interfor, visit our website at www.interfor.com.

There will be a conference call on Friday, February 15, 2013 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, 2012 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 March 1, 2013. The number to call is ***1-866-245-6755, Passcode 568465.***

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SELECTED QUARTERLY FINANCIAL INFORMATION[1]

Quarterly Earnings Summary	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(millions of dollars except share, per share and foreign exchange rate amounts)							
Sales – Lumber[2]	173.3	161.9	162.4	133.6	133.6	139.6	133.7	131.4
– Logs	24.5	26.8	35.6	27.0	22.9	36.0	28.6	20.8
– Wood chips and other residual products	15.9	17.5	17.8	18.2	17.5	17.6	16.8	16.4
– Other	8.7	8.5	9.6	7.9	14.6	9.9	8.7	10.0
Total Sales	222.4	214.7	225.4	186.7	188.7	203.1	187.9	178.6
Operating earnings (loss) before restructuring costs and asset impairments[2]	(1.9)	2.5	2.9	(5.5)	(6.2)	3.9	(2.3)	(0.1)
Operating earnings (loss) [2]	(2.2)	2.4	2.8	(5.5)	(6.1)	4.2	(2.4)	(1.0)
Net earnings (loss)	(3.6)	1.1	0.3	(6.5)	(6.5)	0.0	(5.3)	(1.7)
Net earnings (loss) per share – basic and diluted	(0.06)	0.02	0.01	(0.12)	(0.12)	0.00	(0.10)	(0.04)
Net earnings (loss), adjusted for certain one-time and other items[2,3]	3.7	2.9	1.1	(3.9)	(2.8)	1.4	(6.3)	1.9
Net earnings (loss), adjusted for certain one-time and other items – per share[2]	0.07	0.05	0.02	(0.07)	(0.05)	0.03	(0.11)	0.04
EBITDA[7]	13.2	15.2	16.5	6.0	6.7	17.6	11.3	11.6
Adjusted EBITDA[2,7]	19.4	17.2	16.7	7.2	7.7	16.3	8.2	15.1
Cash flow from operations per share[4]	0.24	0.20	0.24	0.15	0.08	0.26	0.22	0.27
Shares outstanding – end of period (millions)[5]	55.9	55.9	55.9	55.9	55.9	55.9	55.9	47.5
– weighted average (millions)	55.9	55.9	55.9	55.9	55.9	55.9	55.2	47.4
Average foreign exchange rate per US$1.00[6]	0.9914	0.9954	1.0104	1.0010	1.0230	0.9808	0.9680	0.9856
Closing foreign exchange rate per US$1.00[6]	0.9949	0.9832	1.0181	0.9975	1.0170	1.0482	0.9645	0.9696

1 Tables may not add due to rounding.

2 The Company uses forward foreign exchange contracts which are designated as held for trading and are carried on the Statement of Financial Position at fair value. Previously changes in fair value were recorded as an adjustment to Sales in Net earnings. Effective January 1, 2012, the Company changed its accounting policy to align with the presentation adopted by companies in its peer group and changes in fair value are now recorded in Other foreign exchange gain (loss) in Net earnings.

The policy has been applied on a retrospective basis and comparative information has been restated. There is no change to Net earnings as a result of the adoption of this new policy.

3 Net earnings (loss) adjusted for certain one-time and other items represents the net loss before restructuring costs, long term incentive compensation expense (recovery), certain foreign exchange gains and losses, other income (expense) and the effect of unrecognized tax assets.

Net earnings (loss), adjusted for certain one-time and other items is not a defined term under IFRS, and may not be comparable to adjusted net earnings (loss) calculated by others. Net earnings (loss), adjusted for certain one-time and other items may be calculated as follows:

	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(millions of dollars)							
Net earnings (loss)	(3.6)	1.1	0.3	(6.5)	(6.5)	0.0	(5.3)	(1.7)
Add (deduct):								
Restructuring costs, asset impairments and other costs (recovery)	0.3	0.1	0.1	-	(0.1)	(0.3)	0.1	0.8
Long term incentive compensation expense (recovery)	6.2	2.3	0.2	1.3	0.9	(0.9)	(3.1)	3.5
Other foreign exchange (gains) losses	(0.2)	(0.1)	0.5	(0.4)	(1.1)	2.5	(0.2)	(1.1)
Other (income) expense	0.0	(0.2)	(0.0)	(0.1)	0.0	(0.4)	(0.0)	(0.0)
Income tax on adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax assets not recognized (recognized)	1.0	(0.4)	0.0	1.8	3.9	0.6	2.2	0.3
Net earnings (loss), adjusted for certain one-time and other items	3.7	2.9	1.1	(3.9)	(2.8)	1.4	(6.3)	1.9

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

5 As at February 14, 2013, the numbers of shares outstanding by class are: Class A Subordinate Voting shares – 54,847,176 Class B Common shares – 1,015,779, Total – 55,862,955.

6 Rates are based on Bank of Canada closing foreign exchange rates per US$1.00.

7 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. EBITDA and Adjusted EBITDA can be calculated from the statements of operations as follows:

	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(millions of dollars)							
Net earnings (loss)	(3.6)	1.1	0.3	(6.5)	(6.5)	0.0	(5.3)	(1.7)
Add: Income taxes (recovery)	0.0	0.0	0.3	-	0.2	0.5	1.2	(0.4)
Finance costs	1.5	1.6	1.7	1.5	1.3	1.7	1.9	2.3
Depreciation, depletion and amortization	15.1	12.4	13.6	11.3	13.0	13.3	13.6	11.7
Other foreign exchange (gains) losses	(0.2)	(0.1)	0.5	(0.4)	(1.1)	2.5	(0.2)	(1.1)
Restructuring costs, asset impairments and other costs (recoveries)	0.3	0.1	0.1	-	(0.1)	(0.3)	0.1	0.8
EBITDA	13.2	15.2	16.5	6.0	6.7	17.6	11.3	11.6
Add (deduct):								
Long term incentive compensation expense (recovery)	6.2	2.3	0.2	1.3	0.9	(0.9)	(3.1)	3.5
Other (income) expense	0.0	(0.2)	(0.0)	(0.1)	0.0	(0.4)	(0.0)	(0.0)
Adjusted EBITDA	19.4	17.2	16.7	7.2	7.7	16.3	8.2	15.1

The definition of Adjusted EBITDA was changed in the fourth quarter, 2012 to include an adjustment for long term incentive compensation expense (recovery). Prior periods have been restated to reflect this change.

Volume and Price Statistics

		2012				2011			
		Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Lumber sales	(million fbm)	384	366	363	320	318	336	334	313
Lumber production	(million fbm)	347	350	333	323	294	313	325	332
Log sales[1]	(thousand cubic metres)	267	345	379	361	310	430	314	301
Log production[1]	(thousand cubic metres)	748	817	840	892	795	1,002	796	816
Average selling price – lumber[2]	($/thousand fbm)	$452	$442	$448	$418	$420	$415	$400	$419
Average selling price – logs[1]	($/cubic metre)	$76	$75	$75	$64	$69	$74	$82	$61
Average selling price – pulp chips	($/thousand fbm)	$39	$43	$46	$48	$51	$48	$44	$40

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 closures. Generally, the Company's B.C. 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 B.C. 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.

Operating rates started strong in the first quarter, 2011, with rapid growth in demand from export markets, particularly China, offset by weak North American demand due to the languishing housing sector and record low starts. Rates tapered marginally through the end of the third quarter, 2011, as China introduced measures to cool its overheated housing market and U.S. demand remained weak. Demand from China stabilized through 2012, and modest but steady recoveries in the U.S. housing market helped drive up domestic demand and pricing through the end of 2012.

The volatility of the Canadian dollar also impacted results, given that historically over 75% of the Canadian operation's lumber sales are to U.S. and export markets and are priced in U.S. dollars. A weaker Canadian dollar increases the lumber sales realizations in Canada, but increases the impact of losses in U.S. operations when converted to Canadian dollars.

No deferred tax assets arising from loss carry-forwards were recognized during 2011 or 2012, with one minor exception in the fourth quarter, 2012.

Quarter 4, 2012 Compared to Quarter 4, 2011

Overview

The Company recorded a net loss of $3.6 million, or $0.06 per share, for the fourth quarter of 2012 compared to a net loss of $6.5 million, or $0.12 per share in the fourth quarter, 2011. Before restructuring costs, long term incentive compensation, certain foreign exchange gains (losses), certain other one-time items and the effect of unrecognized tax assets, the Company's net earnings for the fourth quarter, 2012 was $3.7 million, or $0.07 per share, as compared to a net loss of $2.8 million, or $0.05 per share for the fourth quarter, 2011.

EBITDA and Adjusted EBITDA for the fourth quarter of 2012 were $13.2 million and $19.4 million, respectively, compared to $6.7 million and $7.7 million, for the same period in 2011.

During the fourth quarter of 2012, lumber prices in the North American market continued their rise, with the average price reported by Random Lengths for SPF 2x4 #2&Btr at US$335 per mfbm for the fourth quarter, 2012 as compared to US$238 per mfbm for the same quarter in 2011, and US$35 per mfbm higher than the third quarter, 2012. Higher prices also drove lower export tax rates in the fourth quarter, 2012 vis-à-vis the same quarter, 2011, positively impacting sales realizations.

The stronger average Canadian dollar in the fourth quarter, 2012, which appreciated by 3 cents relative to its U.S. counterpart, had a negative impact on sales as compared to the same period, 2011.

Sales

The Company's record lumber shipments achieved in the third quarter, 2012 were surpassed in the fourth quarter, 2012 as the Company's lumber sales volumes reached 384 million fbm, an improvement of 21% over the fourth quarter, 2011. Increases reflect the stronger domestic demand driven by improved U.S. housing starts which increased from an average of 678,000 units in the fourth quarter, 2011 to 898,000 units, or 32% in the fourth quarter, 2012.

Fourth quarter, 2012 shipments to North America grew rapidly relative to the previous three quarters, 2012, and exceeded shipments in the same quarter, 2011 by 30% in response to higher demand. Increases in operating rates allowed the Company to also meet export demand, as shipments to export markets remained constant in the fourth quarter, 2012 vis-à-vis the same quarter, 2011.

Improvements in average unit lumber sales values of $32 per mfbm, or 8%, in the fourth quarter, 2012 over the respective period, 2011 reflects the higher North American pricing, supplemented by higher realizations in China.

Log sales were up $1.6 million, or 7%, for the fourth quarter, 2012 despite a decline in B.C. log sales volumes of 44,000 m^3 or 14% over the same period in 2011. On the B.C. Coast, where the majority of log sales are transacted, the price per cubic meter improved by 14% in the fourth quarter of 2012, compared to the same period in 2011 reflecting tight supply as a result of an extended fire season, higher export volume and improved log markets.

Compared to the same periods of 2011, pulp chip and other residuals revenues for the fourth quarter of 2012 were down $1.7 million, resulting from lower overall chip prices. Average chip prices for the fourth quarter, 2012 decreased by 22% over the same quarter, 2011, reflecting slower pulp markets and, in the U.S. Pacific Northwest, decreases in export logs which increased the availability of fibre used in whole log chipping.

Operations

Production costs for the fourth quarter of 2012 increased by $22.6 million, or 13% compared to the same quarter, 2011. The Company continued to achieve close to record lumber production, at 347 million fbm, an 18% improvement over the same quarter, 2011. Market driven increases in operating rates, supported by the availability of economic fibre supply for the U.S. Pacific Northwest sawmills more than offset curtailments at the Grand Forks sawmill for start-up of the new production line.

Unit cash conversion costs for the fourth quarter, 2012 remained constant as compared to the same period, 2011 despite improved operating rates, primarily due to the start-up costs related to the new production line at Grand Forks. Unit costs of logs consumed increased 4% quarter-over-quarter for 2012 as compared to 2011, resulting from higher log prices and higher logging, hauling and stumpage costs in the B.C. Interior, slightly mitigated by reduced export pressure on the Olympic Peninsula which provided more affordable supply.

Compared to the same period in 2011, B.C. log production fell by 47,000 cubic metres or 6% as the B.C. Coast continued to see hangover from the extended fire season.

Export taxes declined by $0.5 million for the fourth quarter, 2012 as compared to the same period, 2011 despite an increase of 6.5 million fbm, or 12%, in Canadian shipments to the U.S. As a result of the lift in commodity lumber prices in the latter half of 2012, the export tax paid under the SLA declined to 5% for October, 2012 and 10% for November and December, 2012, as compared to a 15% export tax rate in the fourth quarter, 2011.

Depreciation of plant and equipment for the fourth quarter, 2012 increased by $0.8 million in comparison to the same period in 2011, largely driven by increased operating rates.

Road amortization and depletion expense for the fourth quarter of 2012 increased by $1.3 million or 21% compared to the same quarter, 2011 as a result of a shift on the B.C. Coast to logging on more difficult and higher cost terrain.

Corporate and Other

Selling and administrative costs for the fourth quarter, 2012 remained constant compared to the same quarter, 2011. Fourth quarter, 2012 LTIC expense increased almost sevenfold over the fourth quarter, 2011, reflecting changes in the estimated fair value of the share-based compensation plans. Though not a direct correlation, the movement in the Company's share price had the greatest impact on this expense, as reflected by increases in the closing share price of 35% for the fourth quarter, 2012 (Quarter 4, 2011 – 8%).

Finance costs increased by $0.3 million for the fourth quarter, 2012, compared to the same period, 2011 resulting from an overall increase in average debt levels. Other foreign exchange gains (losses) fell $1.0 million when compared to the fourth quarter, 2011 as volatility of the Canadian dollar and the timing, rates and amount of forward foreign exchange contracts impact these gains and losses.

Other income for the fourth quarter of 2012 and 2011 was negligible, consisting primarily of minor surplus equipment and scrap sales.

Income Taxes

The Company's income tax expense, negligible for the fourth quarter, 2012 and 2011, excludes the benefit of $1.0 million related to the reduction of certain unrecognized deferred income tax assets arising from loss carry-forwards available to reduce future taxable income (Quarter 4, 2011 - $3.9 million). Although the Company expects to realize the full benefit of the loss carry-forwards and other deferred tax assets, due the cyclical nature of the forest products industry and the economic conditions over the last several years, the Company has not recognized the benefit of its deferred tax assets in excess of its deferred tax liabilities, with one minor exception.

Cash Flow

The Company generated cash of $13.4 million from operations, before changes in working capital, during the fourth quarter, 2012, an improvement of $8.8 million over the fourth quarter, 2011. Higher domestic shipments and North American sales prices, lower export taxes and higher operating rates drove cash earnings for the fourth quarter, 2012.

Cash generated from operations, after changes in working capital, improved $10.7 million for the fourth quarter, 2012, compared to the same period, 2011, reflecting the shift to domestic markets in 2012, lower logging production and the curtailment of Grand Forks during start-up in the fourth quarter, 2012. Increased export demand drove the build-up of inventory in the fourth quarter, 2011.

In the fourth quarter of 2012, funds drawn on the Revolving Term Line equalled funds repaid during the quarter. In the fourth quarter, 2011 funds drawn from the Revolving Term Line exceeded repayments by $5.0 million, and were used to fund capital spending.

Cash capital expenditures for the fourth quarter, 2012 totalled $15.4 million, with $7.9 million spent on the capital upgrades for the Grand Forks and Castlegar mills, $1.1 million on other high-return discretionary projects, $1.7 million on other maintenance of operating capacity, and $4.8 million on road construction. Comparable spending for the fourth quarter, 2011 of $9.0 million saw $2.2 million invested in high return discretionary projects and $1.3 million on maintenance of operating capacity, with a further $5.4 million on road construction.

The Company had cash of $15.0 million at December 31, 2012 and ended the quarter with net debt of $120.1 million or 24% of invested capital as compared to 20% at December 31, 2011, primarily as a result of the sawmill rebuild at Grand Forks.

Controls and Procedures

As required by National Instrument 52-109 issued by the Canadian Securities Administrators, Interfor carried out an evaluation of the design and effectiveness of the Company's disclosure controls and procedures as of December 31, 2012. The evaluation was carried out under the supervision of, and with the participation of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). Based on the evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of December 31, 2012.

As required by National Instrument 52-109 issued by the Canadian Securities Administrators, Interfor carried out an evaluation of the design and effectiveness of the Company's internal controls over financial reporting ("ICFR") as of December 31, 2012. The evaluation was carried out within the COSO framework and under the supervision of, and with the participation of the CEO and the CFO. Based on the evaluation, the CEO and CFO concluded that the Company's ICFR were effective as of December 31, 2012.

The CEO and CFO acknowledge responsibility for the design of ICFR, and confirm that there were no changes in these controls that occurred during the most recent interim period ended December 31, 2012 which materially affected, or are reasonably likely to materially affect, the Company's ICFR.

ACCOUNTING POLICY CHANGES

Change in Accounting Policy

The Company uses derivative forward exchange contracts and options which are designated as at fair value through profit or loss and are carried on the Statement of Financial Position at fair value. Previously, changes in fair value were recorded as an adjustment to Sales in Net earnings. Effective, January 1, 2012, the Company changed its accounting policy to align with the presentation adopted by companies in its peer group and changes in fair value are now recorded in Other foreign exchange gain (loss) in Net earnings.

The policy has been applied on a retrospective basis and comparative information has been restated. The change had no effect on the comparative Statement of Financial Position.

Future Accounting Policy Changes

IFRS 9, *Financial Instruments*, replaces the multiple classification and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, with a single model that has only two classification categories: amortized cost and fair value. This standard is in effect for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted.

IAS 19, *Employee Benefits*, was revised to eliminate the option to defer recognition of gains and losses, known as the "corridor method", and to enhance disclosure requirements for defined benefit plans. As the Company did not choose the corridor method in accounting for its defined benefit plans, there is no impact on its financial statements as a result of the elimination of this option.

Application of this standard will also impact the calculation of finance costs, resulting in an increase to Production expense in the Statement of Earnings, which will be fully offset by an increase in Defined benefit plan actuarial gains (losses) in the Statement of Comprehensive Income. Prior to this standard, the impact of defined benefit plans on Net earnings included an interest cost on the obligation using the discount rate (based on current bond yields), and a credit on the plan assets using the expected rate of return (based on long term expected bond and equity returns). Under the new standard, the credit on plan assets will no longer recognize the equity risk premium and will be based on the discount rate only.

This standard is in effect for accounting periods beginning on or after January 1, 2013.

As at the reporting date, no assessment has been made of the impact of these standards on the Company's financial statements other than the effect of the elimination of the corridor method.

The standard-setting bodies that set IFRS have significant ongoing projects that could impact the IFRS accounting policies selected. Specifically, it is anticipated that there will be additional new or revised IFRS or IFRIC standards in relation to financial instruments and leases currently on the International Accounting Standards Board agenda.

ACQUISITION OF RAYONIER'S WOOD PRODUCTS BUSINESS

On January 21, 2013, the Company reached an agreement to acquire the assets of Rayonier Inc.'s Wood Products Business ("Rayonier Acquisition") for US$73.9 million plus working capital. The transaction is scheduled to close on March 1, 2013.

Rayonier's Wood Products Business, headquartered in Baxley, Georgia, consists of three sawmills located in Baxley, Swainsboro and Eatonton, Georgia, with a combined annual capacity of 360 million board feet of southern pine dimension lumber. The acquisition is consistent with Interfor's strategy of adding capacity in attractive regional markets and will bring Interfor's annual capacity to more than 2 billion board feet.

The acquisition will be financed from Interfor's existing credit lines and is expected to be accretive from the outset.

DEBT FACILITY MODIFICATIONS

On January 24, 2013, the Company obtained a financing commitment from its lenders to increase and extend its syndicated credit facilties. The Revolving Term Line will increase from $200 million to $250 million, conditional upon completion of the Rayonier Acquisition. The existing Operating Line remains unchanged. The financing is scheduled to close on February 27, 2013.

The maturity dates of both the Operating Line and the Revolving Term Lines will be extended to a four year term. All other terms remain substantially unchanged except for a reduction in pricing.

On January 24, 2013, the Company also obtained a financing commitment from a U.S. lender for a US$20 million Operating Line ("U.S. Line"). The U.S. Line will be secured by accounts receivable and inventories of Interfor U.S. Inc. (formerly Interfor Pacific Inc.), and have an initial term of two years.

OUTLOOK

Business conditions are expected to continue to improve, albeit slowly. In the U.S. the housing market is expected to continue to recover, China remains an important market for North American lumber and further growth is expected. Building activity in Japan is expected to gain momentum in 2013 in anticipation of a planned increase in the consumption tax and as a result of reconstruction efforts following the 2011 earthquake and tsunami. Interest rates are forecasted to remain low and the Canadian dollar is expected to trade at close to parity against the U.S. Dollar.

Interfor's recently announced acquisition of the three Rayonier mills will add another 360 million board feet to the Company's production capacity. While the near term outlook is more positive than it has been for some years, there are numerous challenges to the global economy that have the potential to undermine the economic recovery. With this uncertainty in mind, Interfor intends to maintain its disciplined approach to production, cost control, and inventory management while, at the same time, remaining alert to opportunities to position the Company for long-term success.

ADDITIONAL INFORMATION

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

FORWARD LOOKING INFORMATION

This report contains forward-looking statements. Forward-looking statements are statements that address or discuss activities, events or developments that the Company expects or anticipates may occur in the future. Forward-looking statements are included in the description of areas which are likely to be impacted by the description of future cash flows and liquidity under the headings "Overview", "Income Taxes", "Acquisition of Rayonier's Wood Products Business"; changes in accounting policy under the heading "Future Accounting Policy Changes"; and in the description of economic conditions under the heading "Outlook". These forward-looking statements reflect management's current expectations and beliefs and are based on certain assumptions including assumptions as to general business and economic conditions in Canada, the U.S., Japan and China, as well as other factors management believes are appropriate in the circumstances. Such forward-looking statements are subject to risks and uncertainties and no assurance can be given that any of the events anticipated by such statements will occur or, if they do occur, what benefit the Company will derive from them. A number of factors could cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements, including those matters described herein and in Interfor's current Annual Information Form available on www.sedar.com. Accordingly, readers should exercise caution in relying upon forward-looking statements and the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstance, except as required by law.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the three months and years ended December 31, 2012 and 2011 (unaudited)

(thousands of Canadian dollars except loss per share)	3 Months Dec. 31, 2012	3 Months Dec. 31, 2011	Year Dec. 31, 2012	Year Dec. 31, 2011
Sales (note 3(a))	$ 222,400	$ 188,690	$ 849,196	$ 758,245
Costs and expenses:				
Production	196,037	173,412	758,893	681,363
Selling and administration	5,162	5,300	20,719	20,548
Long term incentive compensation expense	6,245	934	10,065	449
Export taxes	1,768	2,313	9,044	9,029
Depreciation of plant and equipment (note 8)	7,565	6,751	28,745	27,291
Depletion and amortization of timber, roads and other (note 8)	7,528	6,208	23,648	24,263
	224,305	194,918	851,114	762,943
Operating loss before restructuring costs	(1,905)	(6,228)	(1,918)	(4,698)
Restructuring (costs) recovery (note 9)	(283)	104	(529)	(580)
Operating loss	(2,188)	(6,124)	(2,447)	(5,278)
Finance costs (note 10)	(1,527)	(1,268)	(6,324)	(7,094)
Other foreign exchange gain	174	1,135	189	(25)
Other income (expense) (note 11)	(5)	(45)	334	371
	(1,358)	(178)	(5,801)	(6,748)
Loss before income taxes	(3,456)	(6,302)	(8,248)	(12,026)
Income tax expense (recovery):				
Current	137	282	640	817
Deferred	(54)	(117)	(182)	610
	83	165	458	1,427
Net loss	$ (3,629)	$ (6,467)	$ (8,706)	$ (13,453)
Net loss per share, basic and diluted (note 12)	$ (0.06)	$ (0.12)	$ (0.16)	$ (0.25)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three months and year ended December 31, 2012 and 2011 (unaudited)

	3 Months Dec. 31, 2012	3 Months Dec. 31, 2011	Year Dec. 31, 2012	Year Dec. 31, 2011
Net loss	$ (3,629)	$ (6,467)	$ (8,706)	$ (13,453)
Other comprehensive income (loss):				
Foreign currency translation differences – foreign operations	1,492	(3,907)	(2,805)	2,632
Defined benefit plan actuarial losses	439	1,030	(3,568)	(4,541)
Gain (loss) in fair value of interest rate swaps (note 14)	90	(3)	371	(503)
Income tax on other comprehensive income	44	(117)	(84)	250
	2,065	(2,997)	(6,086)	(2,162)
Total comprehensive loss for the period	$ (1,564)	$ (9,464)	$ (14,792)	$ (15,615)

See accompanying notes to consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2012 and 2011 (unaudited)

(thousands of Canadian dollars)	Year Dec. 31, 2012	Year Dec. 31, 2011
Cash provided by (used in):		
Operating activities:		
Net loss	$ (8,706)	$ (13,453)
Items not involving cash:		
Depreciation of plant and equipment	28,745	27,291
Depletion and amortization of timber, roads and other	23,648	24,263
Deferred income tax expense (recovery)	(182)	610
Current income tax expense	640	817
Finance costs	6,324	7,094
Other assets	(1,953)	238
Reforestation liability	(516)	(90)
Other liabilities and provisions	(1,361)	(2,761)
Write-down (recovery) of plant and equipment	164	(423)
Unrealized foreign exchange losses and other	150	191
Other (note 11)	(309)	(184)
	46,644	43,593
Cash generated from (used in) operating working capital:		
Trade accounts receivable and other	(3,798)	3,191
Inventories	(879)	(25,613)
Prepayments	(1,087)	(1,698)
Trade accounts payable and accrued liabilities	5,592	9,588
Income taxes paid	(1,090)	(622)
	45,382	28,439
Investing activities:		
Additions to property, plant and equipment	(39,830)	(16,099)
Additions to logging roads	(20,662)	(19,987)
Additions to timber and other intangible assets	(319)	(126)
Proceeds on disposal of property, plant, and equipment	537	273
Cash received on acquisition of subsidiary	-	4,846
Investments and other assets	(298)	(921)
	(60,572)	(32,014)
Financing activities:		
Issuance of capital stock, net of share issue expenses	-	56,256
Interest payments	(5,241)	(5,629)
Additions to long-term debt (note 6(b))	82,000	100,000
Repayments of long-term debt (note 6(b))	(57,000)	(146,000)
	19,759	4,627
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	(10)	82
Increase in cash	4,559	1,134
Cash and cash equivalents, beginning of year	10,435	9,301
Cash and cash equivalents, end of period	$ 14,994	$ 10,435

See accompanying notes to consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011 (unaudited)

(thousands of Canadian dollars)	Dec. 31, 2012	Dec. 31, 2011
Assets		
Current assets:		
Cash and cash equivalents (note 6(c))	$ 14,994	$ 10,435
Trade accounts receivable and other	47,392	44,000
Inventories (note 5)	98,024	97,645
Prepayments	11,749	10,757
	172,159	162,837
Employee future benefits	878	1,256
Other investments and assets	4,198	2,836
Property, plant and equipment	349,779	340,034
Logging roads and bridges	17,316	16,753
Timber licences	73,796	76,792
Other intangible assets	738	1,250
Goodwill	13,078	13,078
Deferred income taxes	98	-
	$ 632,040	$ 614,836
Liabilities and Equity		
Current liabilities:		
Trade accounts payable and accrued liabilities	$ 70,597	$ 60,692
Reforestation liability	10,864	14,121
Income taxes payable	593	1,058
	82,054	75,871
Reforestation liability	17,621	17,777
Long-term debt (note 6(b))	135,046	110,713
Employee future benefits	9,631	8,186
Other liabilities and provisions	11,658	11,467
Equity:		
Share capital (note 7)		
Class A subordinate voting shares	342,285	342,285
Class B common shares	4,080	4,080
Contributed surplus	7,476	7,476
Reserves	(7,950)	(5,432)
Retained earnings	30,139	42,413
	376,030	390,822
	$ 632,040	$ 614,836

Contingencies (note 15)
Subsequent events (note 16)

See accompanying notes to consolidated financial statements

On behalf of the Board:

L. Sauder
Director

D. Whitehead
Director

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2012 and 2011 (unaudited)

(thousands of Canadian dollars)	Class A Share Capital	Class B Share Capital	Contributed Surplus	Translation Reserve	Hedging Reserve	Retained Earnings	Total
Balance at December 31, 2010	$ 285,362	$ 4,080	$ 5,408	$ (7,646)	$ -	$ 60,246	$ 347,450
Net loss for the period:	-	-	-	-	-	(13,453)	(13,453)
Other comprehensive earnings (loss):							
Foreign currency translation differences, net of tax	-	-	-	2,717	-	-	2,717
Defined benefit plan actuarial losses, net of tax	-	-	-	-	-	(4,376)	(4,376)
Loss in fair value of interest rate swaps	-	-	-	-	(503)	-	(503)
Contributions:							
Share options exercised	1,370	-	-	-	-	-	1,370
Share issuance, net of share issue expenses	55,553	-	-	-	-	-	55,553
Changes in ownership interests in investee:							
Acquisition of subsidiary	-	-	2,068	-	-	(4)	2,064
Balance at December 31, 2011	$ 342,285	$ 4,080	$ 7,476	$ (4,929)	$ (503)	$ 42,413	$ 390,822
Net loss for the period:	-	-	-	-	-	(8,706)	(8,706)
Other comprehensive loss:							
Foreign currency translation differences, net of tax	-	-	-	(2,889)	-	-	(2,889)
Defined benefit plan actuarial losses, net of tax	-	-	-	-	-	(3,568)	(3,568)
Gain in fair value of interest rate swaps	-	-	-	-	371	-	371
Balance at December 31, 2012	$ 342,285	$ 4,080	$ 7,476	$ (7,818)	$ (132)	$ 30,139	$ 376,030

See accompanying notes to consolidated financial statements.

(Tabular amounts expressed in thousands except number of shares and per share amounts)

1. Nature of operations:

International Forest Products Limited and its subsidiaries (the “Company” or “Interfor”) is a producer of wood products in British Columbia and the U.S. Pacific Northwest for sale to markets around the world.

The Company is a publicly listed company incorporated under the *Business Corporations Act* (British Columbia) with shares listed on the Toronto Stock Exchange. Its head office, principal address and records office is located at Suite 3500, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1H7.

The condensed consolidated interim financial statements of the Company as at and for the three months and year ended December 31, 2012 comprise the Company and its subsidiaries. The consolidated financial statements of the Company as at and for the year ended December 31, 2011 are available on www.sedar.com.

2. Statement of Compliance:

(a) Statement of compliance:

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IAS 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed consolidated interim financial statements were approved by the Board of Directors on February 14, 2013.

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

(i) Derivative financial instruments are measured at fair value;

(ii) Liabilities for cash-settled share-based payment arrangements are measured at fair value; and

(iii) The employee benefit assets and liabilities are recognized as the net of the fair value of the plan assets and the present value of the benefit obligations on a plan by plan basis.

The functional and presentation currency of the parent company is Canadian dollars.

3. Significant accounting policies:

These condensed consolidated interim financial statements have been prepared using the significant accounting policies and methods of computation consistent with those applied in the Company’s December 31, 2011 annual consolidated financial statements, except for the accounting policy adopted subsequent to that date, as discussed below.

(a) Change in accounting policy:

The Company uses derivative forward foreign exchange contracts which are designated as at fair value through profit or loss and are carried on the Statement of Financial Position at fair value. Previously, changes in fair value were recorded as an adjustment to Sales in Net earnings. Effective January 1, 2012, the Company changed its accounting policy to align with the presentation adopted by companies in its peer group and changes in fair value are now recorded in Other foreign exchange gain (loss) in Net earnings.

The policy has been applied on a retrospective basis and comparative information has been restated. The following changes to historical financial statements have been made to reflect the new policy:

	As previously reported	Adjustment	Restated
For the three months ended December 31, 2011			
Sales	$ 189,952	$ (1,262)	$ 188,690
Other foreign exchange gain (loss)	(127)	1,262	1,135
For the year ended December 31, 2011			
Sales	$ 758,016	$ 229	$ 758,245
Other foreign exchange gain (loss)	204	(229)	(25)

There are no changes to previously issued Statements of Financial Position as a result of this change in accounting policy.

(b) New standards and interpretations not yet adopted:

The IASB periodically issues new standards and amendments or interpretations to existing standards. The following new pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that may affect the financial statements.

IFRS 9, *Financial Instruments*, replaces the multiple classification and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, with a single model that has only two classification categories: amortized cost and fair value. This standard is in effect for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company does not expect this standard to have a significant effect on its financial statements.

(Tabular amounts expressed in thousands except number of shares and per share amounts)

3. Significant accounting policies (continued):

(b) New standards and interpretations not yet adopted (continued):

IAS 19, *Employee Benefits*, was revised to eliminate the option to defer recognition of gains and losses, known as the "corridor method", and to enhance disclosure requirements for defined benefit plans. As the Company did not choose the corridor method in accounting for its defined benefit plans, there is no impact on its financial statements as a result of the elimination of this option.

Application of this standard will also impact the calculation of finance costs, resulting in an increase to Production expense in the Statement of Earnings, which will be fully offset by an increase in Defined benefit plan actuarial gains (losses) in the Statement of Comprehensive Income. Prior to this standard, the impact of defined benefit plans on Net earnings included an interest cost on the obligation using the discount rate (based on current bond yields), and a credit on the plan assets using the expected rate of return (based on long term expected bond and equity returns). Under the new standard, the credit on plan assets will no longer recognize the equity risk premium and will be based on the discount rate only.

This standard is in effect for accounting periods beginning on or after January 1, 2013.

As at the reporting date, no assessment has been made of the impact of these standards on the Company's financial statements other than the effect of the elimination of the corridor method.

4. Seasonality of operating results:

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 B.C. 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 B.C. 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.

5. Inventories:

	Dec. 31, 2012	Dec. 31, 2011
Logs	$ 59,772	$ 59,412
Lumber	31,833	31,729
Other	6,419	6,504
	$ 98,024	$ 97,645

Inventory expensed in the period includes production costs, amortization of plant and equipment, and depletion and amortization of timber and roads. The inventory writedown in order to record inventory at the lower of cost and net realizable value at December 31, 2012 was $7,050,000 (December 31, 2011 - $10,006,000).

6. Cash and borrowings:

December 31, 2012	Operating Line	Revolving Term Line	Total
Available line of credit	$ 65,000	$ 200,000	$ 265,000
Maximum borrowing available	65,000	200,000	265,000
Drawings	-	135,046	135,046
Outstanding letters of credit included in line utilization	5,190	-	5,190
Unused portion of line	59,810	64,954	124,764
December 31, 2011			
Available line of credit	$ 65,000	$ 200,000	$ 265,000
Maximum borrowing available	65,000	200,000	265,000
Drawings	-	110,713	110,713
Outstanding letters of credit included in line utilization	5,062	-	5,062
Unused portion of line	59,938	89,287	149,225

(a) Operating Line:

The Canadian operating line of credit ("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 of total debt divided by twelve months' trailing EBITDA[1]. Borrowing levels under the Operating Line are subject to a borrowing base calculation dependent on certain accounts receivable and inventories.

[1]EBITDA represents earnings before interest, taxes, depreciation, depletion and amortization.

(Tabular amounts expressed in thousands except number of shares and per share amounts)

6. Cash and borrowings (continued):

(a) Operating Line (continued):

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, a maximum ratio of total debt to total capitalization and a minimum net worth calculation. As at December 31, 2012 other than outstanding letters of credit included in the line utilization the Operating Line was undrawn (December 31, 2011 - $nil).

The maturity date of the Operating Line is July 28, 2015. See also Note 16(b).

(b) Long-term debt:

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 of total debt divided by twelve months' trailing EBITDA[1].

The Revolving Term Line is available to a maximum of $200,000,000 and 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 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. The maturity date of the Revolving Term Line is July 28, 2015. See also Note 16(b).

As at December 31, 2012, the Revolving Term Line was drawn by US$30,200,000 (December 31, 2011 – US$30,200,000) revalued at the year-end exchange rate to $30,046,000 (December 31, 2011 - $30,713,000), and $105,000,000 (December 31, 2011 - $80,000,000) for total drawings of $135,046,000 (December 31, 2011 - $110,713,000).

The US$30,200,000 drawing under the Revolving Term Line has been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange gains of $667,000 for the year ended December 31, 2012 (December 31, 2011 - $676,000 loss) arising on revaluation of the Non-Revolving Term Line were recognized in Foreign exchange translation differences in Other comprehensive income. For the fourth quarter, 2012 the unrealized foreign exchange loss of $353,000 (Quarter 4, 2011 - $942,000 gain) was recognized in Other comprehensive income.

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

Twelve months ending	
Dec. 31, 2013	$ -
Dec. 31, 2014	-
Dec. 31, 2015	135,046
Dec. 31, 2016	-
Dec. 31, 2017	-
	$ 135,046

[1]EBITDA represents earnings before interest, taxes, depreciation, depletion and amortization.

(c) Cash and cash equivalents

At December 31, 2012 Company's cash balances are restricted by $652,000 for contractor holdbacks (December 31, 2011 - $134,000 for subsidiary's outstanding letters of credit).

7. Share capital:

The transactions in share capital are described below:

	Number			
	Class A	Class B	Total	Amount
Balance, December 31, 2010	46,337,676	1,015,779	47,353,455	$ 289,442
Shares issued on exercise of options	287,000	-	287,000	1,370
Share issuance, net of share issue costs and income tax benefit	8,222,500	-	8,222,500	55,553
Balance, December 31, 2011 and December 31, 2012	54,847,176	1,015,779	55,862,955	$ 346,365

On April 8, 2011 the Company closed a public offering of 8,222,500 Class A Subordinate Voting shares at a price of $7.00 per share for net cash proceeds of $54,886,000.

8. Depreciation, depletion and amortization:

Depreciation, depletion and amortization can be allocated by function as follows:

	3 Months Dec. 31, 2012	3 Months Dec. 31, 2011	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Production	$ 14,848	$ 12,722	$ 51,471	$ 50,644
Selling and administration	245	237	922	910
	$ 15,093	$ 12,959	$ 52,393	$ 51,554

(Tabular amounts expressed in thousands except number of shares and per share amounts)

9. Restructuring costs:

	3 Months Dec. 31, 2012	3 Months Dec. 31, 2011	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Severance costs (recovery)	$ 339	$ (104)	$ 724	$ 265
Plant, equipment and road impairments (reversal)	35	-	164	(423)
Contractor buyout	-	-	-	840
Other recovery	(91)	-	(359)	(102)
	$ 283	$ (104)	$ 529	$ 580

Restructuring costs of $285,000 in the second quarter, 2012 resulted from the early retirement of hourly workers. In addition, the cancellation of a cutting permit gave rise to a recovery of previously accrued restructuring of $268,000 in the second quarter, 2012, partially offsetting a $129,000 impairment of related road infrastructure, and augmented by an additional cutting permit cancellation in the fourth quarter, 2012 generating a $91,000 recovery, partially offset by a $35,000 impairment of related road infrastructure.

Restructuring costs of $339,000 and $100,000 for severance were recorded in the fourth and third quarters, 2012 respectively, as the Company embarked on its “Achieving Excellence” program.

Restructuring costs of $850,000 in the first quarter, 2011 resulted from the buyout of a logging contractor’s Bill 13 entitlements and severance costs related to early retirement of hourly workers.

Additional payments in the second quarter, 2011 resulted in the recognition of further restructuring costs of $175,000 for the buyout of Bill 13 entitlements. Further hourly worker early retirements were slightly offset by revisions to previously accrued severances resulted in a recovery of $102,000 in the second quarter, and an expense of $118,000 in the third quarter, 2011.

10. Finance costs:

	3 Months Dec. 31, 2012	3 Months Dec. 31, 2011	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Interest on borrowing	$ 1,278	$ 1,120	$ 5,221	$ 5,608
Accretion expense	100	132	454	707
Amortization of prepaid finance costs	149	16	649	779
	$ 1,527	$ 1,268	$ 6,324	$ 7,094

11. Other income:

	3 Months Dec. 31, 2012	3 Months Dec. 31, 2011	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Gain (loss) on disposal of surplus equipment, licences, and roads	$ (5)	$ (44)	$ 309	$ 184
Gain on lumber futures trading	-	(1)	25	187
Other	-	-	-	-
	$ (5)	$ (45)	$ 334	$ 371

12. Net earnings (loss) per share:

	3 Months Dec. 31, 2012			3 Months Dec. 31, 2011		
	Net loss	Weighted Average Number of Shares	Per share	Net loss	Weighted Average Number of Shares	Per share
Basic and diluted loss per share	$ (3,629)	55,863	$ (0.06)	$ (6,467)	55,863	$ (0.12)

	Year ended Dec. 31, 2012			Year ended Dec. 31, 2011		
	Net loss	Weighted Average Number of Shares	Per share	Net loss	Weighted Average Number of Shares	Per share
Basic and diluted loss per share	$ (8,706)	55,863	$ (0.16)	$ (13,453)	53,611	$ (0.25)

(Tabular amounts expressed in thousands except number of shares and per share amounts)

13. 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's sales to both foreign and domestic markets are as follows:

	3 Months Dec. 31, 2012	3 Months Dec. 31, 2011	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Canada	$ 51,496	$ 57,691	$ 234,750	$ 214,876
United States	100,510	67,461	365,095	263,395
China/Taiwan	31,712	27,030	103,982	137,421
Japan	28,460	26,978	105,952	98,088
Other export	10,222	9,530	39,417	44,465
	$ 222,400	$ 188,690	$ 849,196	$ 758,245

Sales by product line are as follows:

	3 Months Dec. 31, 2012	3 Months Dec. 31, 2011	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
Lumber	$ 173,344	$ 133,635	$ 631,238	$ 538,367
Logs	24,515	22,940	113,902	108,413
Wood chips and other by products	15,849	17,538	69,376	68,355
Ocean freight and other	8,692	14,577	34,680	43,110
	$ 222,400	$ 188,690	$ 849,196	$ 758,245

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 and interest rate swaps to manage exposure to changes in interest 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, 2012, the Company has outstanding foreign currency forward contract obligations to sell a maximum of US$2,725,000 at an average rate of CAD$0.99894 to the US$1.00, call option obligations to sell a maximum of US$3,000,000 at a rate of CAD$1.01 to the US$1.00 and put option obligations to buy a maximum of CAD$6,060,000 at a rate of CAD$1.01 to the US$1.00 during 2013. All foreign currency gains or losses to December 31, 2012 have been recognized in Other foreign exchange gain (loss) in Net earnings and the fair value of these foreign currency contracts, being an asset of $134,000 (measured based on Level 2 of the fair value hierarchy), has been recorded in Trade accounts receivable and other (December 31, 2011 - $283,000 asset recorded in Trade accounts receivable and other measured based on Level 2 of the fair value hierarchy).

On August 25, 2011, the Company entered into two interest rate swaps, each with a notional value of $25,000,000 and maturing July 28, 2015. Under the terms of the swaps the Company pays an amount based on a fixed annual interest rate of 1.56% and receives a 90 day BA CDOR which is recalculated at set interval dates. The intent of these swaps is to convert floating-rate interest expense to fixed-rate interest expense. As these interest rate swaps have been designated as cash flow hedges the fair value of these interest rate swaps at December 31, 2012, being a liability of $133,000 (measured based on Level 2 of the fair value hierarchy), has been recorded in Trade accounts payable and accrued liabilities (December 31, 2011 - $503,000 liability recorded in Trade accounts payable and accrued liabilities measured based on Level 2 of the fair value hierarchy) and a gain of $371,000 (December 31, 2011 - $503,000 loss) has been recognized in Other comprehensive income for the year ending December 31, 2012. For the fourth quarter, 2012 a gain of $90,000 (Quarter 4, 2011 - $3,000 loss) was recognized in Other comprehensive income.

The Company also traded lumber futures to manage price risk and which were designated as held for trading with changes in fair value recorded in Other income (expense) in net earnings. At December 31, 2012 there were no outstanding lumber futures contracts and a gain of $25,000 was recognized in Other income (expense) on completed contracts for the year ended December 31, 2012 (December 31, 2011 - $187,000 gain). There were no lumber futures traded in the fourth quarter, 2012 (Quarter 4, 2011 - $1,000 loss).

15. Contingencies:

In April, 2012 the U.S. Lumber Coalition approached the U.S. Trade Representative's office asserting that the B.C. government is undercharging B.C. Coastal forest companies for timber harvested on Crown lands. As this complaint is in the very preliminary stages of investigation, the existence of any potential claim has not been determined and no provision has been recorded in the financial statements as at December 31, 2012.

16. Subsequent events:

(a) Acquisitions:

On January 21, 2013, the Company reached an agreement to acquire three sawmills in Georgia, U.S.A. from Rayonier, Inc. ("Rayonier Acquisition") for US$73,900,000 plus working capital. The transaction is scheduled to close on March 1, 2013.

(b) Bank financing:

On January 24, 2013, the Company obtained a financing commitment from its lenders to increase and extend its syndicated credit facilities. The Revolving Term Line will increase from $200,000,000 to $250,000,000, conditional upon completion of the Rayonier Acquisition. The existing Operating Line remains unchanged. The financing is scheduled to close on February 27, 2013 and have a term of four years, extended from July 28, 2015.

All other terms remain substantially unchanged except for a reduction in pricing.

On January 24, 2013, the Company obtained a financing commitment from a U.S. lender for a US$20,000,000 Operating Line ("U.S. Line"). The U.S. Line will be secured by accounts receivable and inventories of Interfor U.S. Inc. (formerly Interfor Pacific Inc.), and have a term of two years.

INTERFOR

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