



International Forest Products Limited

Vancouver, B.C.

May 10, 2013

Interfor's Results Improve on Strong Pricing, Ramp-Up of Grand Forks and Addition of Southeast US Operations

INTERNATIONAL FOREST PRODUCTS LIMITED ("Interfor" or the "Company") (TSX: IFP.A) reported net income of \$17.8 million or \$0.32 per share before share-based compensation expense and other items¹ in the first quarter of 2013.

These results compare with net earnings, reported on the same basis, of \$3.5 million in the fourth quarter of 2012 and a loss of \$4.1 million in the first quarter of last year.

EBITDA for the quarter, adjusted to exclude the effects of share-based compensation and other items², was \$37.1 million compared with \$19.3 million in the fourth quarter and \$7.0 million in the first quarter last year.

Share-based compensation and other items² amounted to \$7.4 million in the first quarter.

The Company's results in the current quarter were positively impacted by strong prices, the ramp-up of the rebuilt Grand Forks sawmill and the addition, on March 1st, of the Company's newly-acquired operations in the US Southeast.

Lumber production in the first quarter was a record 390 million board feet, up 11% from the previous high achieved in the third quarter of 2012.

In the quarter, SPF 2x4 in the U.S. market averaged US\$391, up US\$56 versus the fourth quarter, building on momentum established in late 2012. Hem-Fir studs averaged US\$426, up US\$66 versus the prior quarter, while SYP 2x4 East averaged US\$452, up US\$66. The markets in China and Japan gained in the quarter following the trend in North America. Cedar was stronger on limited supply.

Export taxes on shipments to the U.S. were 0% in the first quarter compared with an average of 8% in the fourth quarter last year.

In the quarter, Interfor generated \$32.9 million in cash from operations before working capital changes and \$9.4 million after working capital changes were considered. Capital spending, excluding acquisitions, amounted to \$8.0 million in the quarter including \$3.8 million on the final stages of the Grand Forks and Castlegar projects.

Net debt closed the quarter at \$202.8 million or 34% percent of invested capital.

On February 28th, Interfor announced it had reached agreement with the members of its banking syndicate to increase and extend its credit facilities, bringing the total facility to \$315 million, up from \$265 million previously. Maturity has been extended from July 2015 to February 2017. Pricing of the facility has been improved as well.

During the quarter, Interfor announced it had reached agreement to purchase two timber tenures in the Kootenay Region of British Columbia from Springer Creek Forest Products Limited Partnership.

¹ Other items include certain foreign exchange gains (losses), other income (expense), restructuring costs and deferred tax assets not recognized.

² Other items include certain foreign exchange gains (losses), other income (expense) and restructuring costs.

The tenures, which have a combined Allowable Annual Cut (AAC) of approximately 174,000 cubic meters, will support an increase in production at the Company's sawmill at Castlegar, to be phased in over the next six to twelve months.

The transaction with Springer Creek closed on May 1st.

The U.S. housing sector is projected to continue its recovery through 2013 while Canadian housing starts are projected to slow. In terms of offshore markets, building activity in Japan is expected to gain momentum in 2013 in anticipation of a planned increase in that country's consumption tax in early 2014. Demand for lumber in China is expected to continue to grow in spite of a slowing in demand for other commodities.

Price levels for most commodity items have come off in recent weeks following traditional seasonal patterns. While some further weakening may occur, prices are expected to remain above the levels recorded at the same time in recent years. Interest rates are forecasted to remain low and the Canadian dollar is expected to continue to trade at close to par against the U.S. dollar.

As always, Interfor will maintain its disciplined approach to production, cost control, inventory management and capital spending to help position the Company to deliver above average returns on invested capital as conditions improve. At the same time, Interfor will remain alert to opportunities to position the Company for long-term success.

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 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 a leading global lumber supplier, with annual capacity of more than 2 billion board feet, and one of the most diverse lines of lumber products in the world. The Company has operations across North America and is headquartered in Vancouver, Canada. For more information about Interfor, visit our website at www.interfor.com.

There will be a conference call on Monday, May 13, 2013 at 8:00 AM (Pacific Time) hosted by **INTERNATIONAL FOREST PRODUCTS LIMITED** for the purpose of reviewing the Company's release of its First Quarter, 2013 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 May 27, 2013. The number to call is **1-866-245-6755**, **Passcode 986180**.

For further information:

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International Forest Products Limited

First Quarter Report

For the three months ended March 31, 2013

Management's Discussion and Analysis

Dated as of May 10, 2013

This Management's Discussion and Analysis ("MD&A") provides a review of Interfor's financial performance for the three months ended March 31, 2013 relative to 2012, the Company's financial condition and future prospects. The MD&A should be read in conjunction with the interim Condensed Consolidated Financial Statements for the three months ended March 31, 2013 and 2012, and Interfor's Annual Information Form, Consolidated Financial Statements and Annual MD&A for the years ended December 31, 2012 and 2011 filed on SEDAR at www.sedar.com. The financial information contained in this MD&A has been prepared in accordance with IAS 34 *Interim Financial Reporting* and International Financial Reporting Standards ("IFRS") except as noted herein. In this MD&A, reference is made to Adjusted net earnings. Adjusted net earnings represents earnings before long-term incentive compensation expense (recovery), other foreign exchange gains and losses, other income (expense), restructuring costs, and deferred tax assets not recognized (recognized). The MD&A also makes reference to EBITDA and Adjusted EBITDA. EBITDA represents earnings before finance costs, taxes, depreciation, depletion, amortization, restructuring costs, other foreign exchange gains and losses, and write-downs of property, plant, equipment ("asset write-downs"). Adjusted EBITDA represents EBITDA adjusted for long term incentive compensation expense (recovery), and other income (expense). 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 not a defined term under IFRS, it may not be comparable to EBITDA calculated by others. In addition, as EBITDA is not a substitute for net earnings, readers should consider net earnings in evaluating the Company's performance.

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

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

Forward-Looking Statements

This report contains 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", "Cash Flow and Financial Position", "Acquisition of Rayonier's Wood Products Business" and "Agreement to Purchase Springer Creek Timber Tenure"; changes in accounting policy under the heading "Accounting Policy Changes"; and in the description of economic conditions under the headings "Sales" and "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 the U.S. and Canada, as well as other factors management believes are appropriate in the circumstances including, among others: product selling prices, raw material and operating costs, changes in foreign currency exchange rates, and other factors referenced herein. 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.

Review of Operating Results

Overview

The Company recorded net earnings of \$15.2 million, or \$0.27 per share, for the first quarter of 2013 as compared to a net loss of \$6.7 million, or \$0.12 per share for the first quarter of 2012. Adjusted net earnings for the first quarter, 2013 was \$17.8 million, or \$0.32 per share, in contrast to an adjusted net loss of \$4.1 million, or \$0.07 per share for the first quarter, 2012.

EBITDA and Adjusted EBITDA for the first quarter of 2013 increased to \$30.6 million and \$37.1 million, compared to \$5.8 million and \$7.0 million, respectively, for the same quarter of 2012.

Building off positive momentum in the fourth quarter of 2012, U.S. housing starts and demand for lumber continued to strengthen during the first quarter, 2013. The strength of the market in North America was further bolstered by ongoing demand in offshore markets and limited supply, resulting in the strongest pricing environment experienced since the first quarter of 2005.

The average price reported by Random Lengths for SPF 2x4 #2&Btr was US\$391 per mfbm for the first quarter of 2013 as compared to US\$266 per mfbm for the same quarter in 2012, and US\$335 per mfbm for the fourth quarter of 2012. Higher lumber prices also resulted in a zero rate export tax in the first quarter of 2013 as compared to a 15% rate in the first quarter of 2012.

On March 1, 2013, the Company completed the acquisition of Rayonier Inc.'s Wood Products Business in Georgia, U.S.A. for \$86.6 million. The acquisition includes three sawmills located in Baxley, Swainsboro and Eatonton, Georgia with a combined annual capacity of 360 million board feet, which increased the Company's annual production capacity to more than 2 billion board feet and broadened the product mix to include Southern Yellow Pine. The acquisition is consistent with the Company's strategy of adding capacity in attractive regional markets and was accretive to net earnings for the first quarter of 2013.

Sales

Interfor's 2012 sales revenues improved by \$55.8 million to \$242.5 million for the first quarter, 2013 compared to the same period, 2012.

First quarter, 2013 lumber shipments were comparable to the record lumber shipments achieved in the fourth quarter, 2012 and surpassed first quarter, 2012 lumber shipments by 20%, or 63 million board feet. The increase reflects the stronger North American demand driven by improved U.S. housing starts which increased 36% from an average of 715,000 units in the first quarter, 2012 to 969,000 units in the first quarter, 2013.

Improvements in average unit lumber sales values of \$82 per mfbm, or 20%, in the first quarter, 2013 over the respective period, 2012 reflects the higher North American pricing, complemented by higher realizations in China.

Log sales were down by \$0.8 million, or 3%, for the first quarter, 2013 despite a 20% decline in B.C. log sales volumes over the same period in 2012. On the B.C. Coast, where the majority of log sales are transacted, the price per cubic meter improved by 21% in the first quarter of 2013 compared to the same period in 2012, reflecting a shift in mix to offshore markets as well as higher export volumes and improved log markets.

Compared to the same periods of 2012, pulp chip and other residuals revenues for the first quarter of 2013 were down \$1.6 million, as higher volumes from increased sawmill production were offset by lower chip prices. Average chip prices for the first quarter, 2013 decreased by 25% over the same quarter, 2012, reflecting lower pulp prices.

Operating Costs

Production costs for the first quarter of 2013 increased \$26.5 million, or 15% compared to the same period in 2012.

The Company achieved record lumber production in the first quarter, 2013, at 390 million fbm, a 21% improvement over the same quarter, 2012. The Company's increased production was the result of increases in operating rates for the U.S. Pacific Northwest sawmills and the additional production in March, 2013 from the newly acquired U.S. Southeast sawmills.

Unit cash conversion costs for the first quarter, 2013 increased slightly as compared to the same period, 2012 despite improved operating rates, primarily due to increased labour and maintenance costs. Unit costs of logs consumed increased 5% quarter-over-quarter for 2013 as compared to 2012, resulting from higher delivered log prices and higher logging, hauling and stumpage costs in the B.C. Interior. Competition for logs from China spurred increased log costs on the Olympic Peninsula.

Compared to the same period in 2012, B.C. log production remained constant in the first quarter, 2013. A larger proportion of heli-logging production in the first quarter, 2013 and higher stumpage rates contributed to higher unit logging costs vis-à-vis the comparative period, 2012.

As a result of the lift in commodity lumber prices, the export tax rate under the Softwood Lumber Agreement declined to 0% for the first quarter, 2013, as compared to a 15% export tax rate in the first quarter, 2012.

Transaction and integration costs related to the acquisition of the U.S. Southeast sawmills were the primary drivers of the 33% increase in selling and administrative costs for the first quarter, 2013 compared to the same quarter, 2012.

First quarter, 2013 LTIC expense increased fivefold over the first quarter, 2012, reflecting changes in the estimated fair value of the share-based compensation plans. The movement in the Company's share price had the greatest impact on this expense, as reflected by an increase in the closing share price of 30% for the first quarter, 2013 (Quarter 1, 2012 – 10%).

First quarter, 2013, depreciation of plant and equipment at \$8.6 million was 26% higher than the corresponding quarter in 2012, primarily due to increased operating rates in the U.S. Pacific Northwest, a higher depreciation base for the rebuilt Grand Forks sawmill which commenced operations in late 2012, and the inclusion of depreciation for the newly acquired U.S. Southeast sawmills.

Road amortization and depletion expense for the first quarter of 2013 was relatively unchanged over the same period, 2012, consistent with comparatively flat B.C. log production, quarter-over-quarter.

Finance Costs, Other Foreign Exchange Gain (loss), Other Income (Expense)

First quarter, 2013 finance costs increased by \$0.2 million compared to the first quarter, 2012, primarily as a result of an overall increase in average debt levels compared to the same period in the prior year.

Other foreign exchange losses of \$0.7 million for the first quarter, 2013 and gains of \$0.4 million for the first quarter, 2012 are impacted by the volatility of the Canadian dollar and the timing and amount of derivative forward foreign exchange contracts. Over the first quarter, 2013, the Canadian dollar weakened by 2%, on average (Quarter 1, 2012 – strengthened by 2%) vis-à-vis its U.S. counterpart.

Income Taxes

In the first quarter of 2013, the Company recorded an income tax recovery of \$0.4 million (Quarter 1, 2012 - negligible expense) and decreased its unrecognized deferred tax asset by \$4.7 million (Quarter 1, 2012 – \$1.9 million increase) in relation to certain unused tax losses that are available to be carried forward against future taxable income. Although the Company expects to realize the full benefit of the loss carry-forwards and other deferred tax assets, due to the cyclical nature of the wood products industry and the economic conditions over the last several years the Company has not recognized the benefit of its deferred tax asset in excess of its deferred tax liabilities, except in limited circumstances.

Cash Flow and Financial Position

Cash generated by the Company from operations, before changes in non-cash working capital items, was \$32.9 million in the first quarter, 2013, an improvement of \$24.4 million over the first quarter, 2012. Higher domestic shipments and North American lumber sales prices, lower export taxes, and the positive contributions of the newly acquired U.S. Southeast sawmills drove higher cash earnings for the first quarter, 2013 as compared to the first quarter, 2012.

Significantly higher shipments and lumber prices contributed to a working capital cash utilization of \$23.4 million in the first quarter, 2013. In contrast, a seasonal build-up of log inventories in the B.C. Interior, lumber production in excess of shipment volumes, and timing of shipments were reflected in working capital cash utilization of \$12.0 million in the first quarter, 2012.

Including changes in non-cash working capital items, cash generated by operations was \$9.4 million for the first quarter of 2013, compared to cash used by operations of \$3.3 million for the first quarter of 2012.

On February 27, 2013, the Company extended its existing Operating Line and Revolving Term Line. The terms and conditions of both lines remained unchanged except for an extension in the maturity date to February 27, 2017, a reduction in pricing and an increase in credit available under the Revolving Term Line from \$200 million to \$250 million.

On March 1, 2013, the Company concluded the acquisition of Rayonier Inc.'s Wood Products Business in Georgia, U.S., consisting of manufacturing facilities plus working capital, for \$86.6 million, of which \$3.9 million for working capital settlements remained unpaid at March 31, 2013.

Capital expenditures for the first quarter of 2013 totalled \$8.0 million (Quarter 1, 2012 - \$10.9 million) with \$3.8 million spent on the capital upgrades for the Grand Forks and Castlegar sawmills, \$0.2 million on other high-return discretionary projects, \$1.3 million on business maintenance expenditures and \$2.7 million on road construction and timber tenures.

As at March 31, 2013, the Operating Line of \$65.0 million was drawn by US\$2.0 million (revalued at the quarter-end exchange rate to \$2.0 million) and outstanding letters of credit totalled \$7.3 million, leaving an unused available line of \$55.7 million. The Revolving Term Line of \$250.0 million was drawn by US\$100.2 million (revalued at the quarter-end exchange rate to \$101.8 million) and \$110.0 million for total drawings of \$211.8 million, leaving an unused available line of \$38.2 million. Including cash of \$11.0 million, the Company had available resources of \$106.8 million as at March 31, 2013.

These resources, together with cash generated from operations, will be used to support our working capital requirements, capital expenditures and debt servicing commitments.

The Company ended the first quarter, 2013 with net debt of \$202.8 million or 34% of invested capital as compared to 23% as at March 31, 2012 and 24% as at December 31, 2012.

Interfor continues to maintain its disciplined focus on monitoring discretionary capital expenditures, optimizing inventory levels and matching production with offshore and domestic demand. Based on current pricing and cash flow projections and existing credit lines the Company believes it has sufficient liquidity to meet all of its financial obligations.

Selected Quarterly Financial Information¹

Quarterly Earnings Summary	2013		2012			2011		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	(millions of dollars except share and per share amounts)							
Sales – Lumber	191.4	173.3	161.9	162.4	133.6	133.6	139.6	133.7
– Logs	26.1	24.5	26.8	35.6	27.0	22.9	36.0	28.6
– Wood chips and other residual products	16.6	15.9	17.5	17.8	18.2	17.5	17.6	16.8
– Other	8.4	8.7	8.5	9.6	7.9	14.6	9.9	8.7
Total Sales	242.5	222.4	214.7	225.4	186.7	188.7	203.1	187.9
Operating earnings (loss) before restructuring costs and asset impairments ²	17.3	(2.1)	2.4	2.8	(5.6)	(6.4)	3.8	(2.4)
Operating earnings (loss) ²	17.2	(2.4)	2.3	2.6	(5.6)	(6.3)	4.1	(2.5)
Net earnings (loss) ²	15.2	(3.8)	0.9	0.1	(6.7)	(6.6)	(0.1)	(5.4)
Net earnings (loss) per share – basic and diluted ²	0.27	(0.07)	0.02	0.00	(0.12)	(0.12)	0.00	(0.10)
Net earnings (loss), adjusted for certain one-time and other items ^{2,3}	17.8	3.5	2.7	1.0	(4.1)	(2.9)	1.3	(6.4)
Net earnings (loss), adjusted for certain one-time and other items – per share ²	0.32	0.06	0.05	0.02	(0.07)	(0.05)	0.02	(0.12)
EBITDA ⁷	30.6	13.0	15.0	16.4	5.8	6.5	17.5	11.2
Adjusted EBITDA ^{2,7}	37.1	19.3	17.1	16.6	7.0	7.5	16.2	8.1
Cash flow from operations per share ⁴	0.59	0.24	0.20	0.24	0.15	0.08	0.26	0.22
Shares outstanding – end of period (millions) ⁵	55.9	55.9	55.9	55.9	55.9	55.9	55.9	55.9
– weighted average (millions)	55.9	55.9	55.9	55.9	55.9	55.9	55.9	55.2
Average foreign exchange rate per US\$1.00 ⁶	1.0080	0.9914	0.9954	1.0104	1.0010	1.0230	0.9808	0.9680
Closing foreign exchange rate per US\$1.00 ⁶	1.0160	0.9949	0.9832	1.0181	0.9975	1.0170	1.0482	0.9645

1 Tables may not add due to rounding.

2 Effective January 1, 2013, IAS 19, *Employee Benefits*, was revised (see “Accounting Policy Changes”). Previously, 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 no longer recognized the equity risk premium and is based on the discount rate only. The resulting impact of the changes in the standard is an increase to Production expense and Finance costs in the Statement of earnings, which is fully offset by an increase (decrease) in Defined benefit plan actuarial gains (losses) in the Statement of comprehensive income.

The policy has been applied on a retrospective basis and comparative information has been restated.

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

Adjusted net earnings (loss) is not a defined term under IFRS, and may not be comparable to adjusted net earnings (loss) calculated by others. Adjusted net earnings (loss) may be calculated as follows:

	2013		2012			2011		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	(millions of dollars)							
Net earnings (loss)	15.2	(3.8)	0.9	0.1	(6.7)	(6.6)	(0.1)	(5.4)
Add (deduct):								
Long-term incentive compensation expense (recovery)	6.6	6.2	2.3	0.2	1.3	0.9	(0.9)	(3.1)
Other foreign exchange (gains) losses	0.7	(0.2)	(0.1)	0.5	(0.4)	(1.1)	2.5	(0.2)
Other (income) expense	(0.1)	0.0	(0.2)	(0.0)	(0.1)	0.0	(0.4)	0.0
Restructuring costs, asset write-downs and other (recovery)	0.1	0.3	0.1	0.1	0.0	(0.1)	(0.3)	0.1
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)	(4.7)	1.0	(0.3)	0.0	1.9	4.0	0.6	2.2
Net earnings (loss) adjusted for certain one-time and other items	17.8	3.5	2.7	1.0	(4.1)	(2.9)	1.3	(6.4)

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

5 As at May 10, 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 long-term incentive compensation expense (recovery) and other income (expense). EBITDA and Adjusted EBITDA can be calculated from the statements of operations as follows:

	2013		2012			2011		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	(millions of dollars)							
Net earnings (loss)	15.2	(3.8)	0.9	0.1	(6.7)	(6.6)	(0.1)	(5.4)
Add: Income taxes (recovery)	(0.4)	0.0	0.0	0.3	-	0.2	0.5	1.2
Finance costs	1.8	1.5	1.6	1.7	1.6	1.3	1.7	1.9
Depreciation, depletion and amortization	13.2	15.1	12.4	13.6	11.3	13.0	13.3	13.6
Other foreign exchange (gains) losses	0.7	(0.2)	(0.1)	0.5	(0.4)	(1.1)	2.5	(0.2)
Restructuring costs, asset write-downs and other (recovery)	0.1	0.3	0.1	0.1	0.0	(0.1)	(0.3)	0.1
EBITDA	30.6	13.0	15.0	16.4	5.8	6.5	17.5	11.2
Add (deduct):								
Long-term incentive compensation expense (recovery)	6.6	6.2	2.3	0.2	1.3	0.9	(0.9)	(3.1)
Other income (expense)	(0.1)	0.0	(0.2)	0.0	(0.1)	0.0	(0.4)	0.0
Adjusted EBITDA	37.1	19.3	17.1	16.6	7.0	7.5	16.2	8.1

Volume and Price Statistics

		2013		2012			2011		
		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Lumber sales	(million fbm)	383	384	366	363	320	318	336	334
Lumber production	(million fbm)	390	347	350	333	323	294	313	325
Log sales ¹	(thousand cubic metres)	283	267	345	379	361	310	430	314
Log production ¹	(thousand cubic metres)	902	748	817	840	892	795	1,002	796
Average selling price – lumber ²	(\$/thousand fbm)	\$500	\$452	\$442	\$448	\$418	\$420	\$415	\$400
Average selling price – logs ¹	(\$/cubic metre)	\$76	\$76	\$75	\$75	\$64	\$69	\$74	\$82
Average selling price – pulp chips	(\$/thousand fbm)	\$36	\$39	\$43	\$46	\$48	\$51	\$48	\$44

¹ B.C. operations

² Gross sales before export taxes

Quarterly trends normally reflect the seasonality of the Company's operations. Logging operations are seasonal due to a number of factors including weather, ground conditions and fire season 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.

Production levels started strong in the first half, 2011, as a result of the rapid growth in demand from export markets, particularly China, offset by weak North American demand due to record low housing 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 steady recoveries in the U.S. housing market helped drive up domestic demand and pricing through the end of 2012. Building on the positive momentum of fourth quarter, 2012 U.S. housing starts continued to surge, supporting higher lumber prices and positive net earnings in the first quarter, 2013. In addition, the acquisition of three sawmills in Georgia, U.S.A. towards the end of the first quarter, 2013 was immediately accretive to net earnings.

With one minor exception, no deferred tax assets arising from loss carry-forwards were recognized over the last eight quarters.

Acquisition of Rayonier Inc.'s Wood Products Business

On March 1, 2013, the Company concluded the acquisition of Rayonier Inc.'s Wood Products Business in Georgia, U.S.A. for \$86.6 million, including working capital of \$10.1 million. The acquisition included three sawmills located in Baxley, Swainsboro and Eatonton, Georgia with a combined annual capacity of 360 million board feet, which increased the Company's annual production capacity to more than 2 billion board feet and broadened the product mix to include Southern Yellow Pine.

The acquisition was financed through the Company's existing credit lines. The total consideration and purchase price allocation are preliminary and subject to adjustment in accordance with the Rayonier Asset Purchase Agreement. The purchase price has been allocated on a preliminary basis to the fair value of assets acquired and related liabilities arising from the transaction based on management's best estimates to March 31, 2013, but may require further refinement as updated information is available. Transaction costs related to the acquisition total \$0.8 million and have been expensed in Selling and administration in the first quarter, 2013.

Agreement to Purchase Springer Creek Timber Tenure

On March 19, 2013, the Company entered into an agreement to purchase two timber tenures in the Kootenay Region of British Columbia from Springer Creek Management Ltd. The tenures have a combined Allowable Annual Cut of approximately 174,000 cubic metres and will support an increase in production at Interfor's Castlegar sawmill. Regulatory approvals were received and the transaction closed on May 1, 2013.

Accounting Policy Changes

Effective January 1, 2013, 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 also impacts the calculation of finance costs, resulting in an increase to Production expense and Finance costs in the Statement of Earnings, which will be fully offset by an increase (decrease) 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 no longer recognizes the equity risk premium and is based on the discount rate only.

The policy has been applied on a retrospective basis and comparative information has been restated.

Effective January 1, 2013, IFRS 13, *Fair Value Measurement*, replaced the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and established new requirements for fair value measurements and disclosures. The new standard is applied prospectively and will require more extensive disclosure, but has no impact on the Company's financial information.

IFRS Future 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. The Company does not expect this standard to have a significant effect on its financial statements.

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.

Controls and Procedures

There were no changes in the Company's internal controls over financial reporting ("ICFR") during the quarter ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. As of March 31, 2013, the newly acquired Georgia operations were in compliance with the Company's ICFR.

Critical Accounting Estimates

There were no material changes to the Company's critical accounting estimates during the quarter ended March 31, 2013. For a full discussion of critical accounting estimates, please refer to the Company's discussion in its MD&A for the year ended December 31, 2012 as filed on SEDAR at www.sedar.com.

Outlook

The U.S. housing sector is projected to continue its recovery through 2013 while Canadian housing starts are projected to slow. In terms of offshore markets, building activity in Japan is expected to gain momentum in 2013 in anticipation of a planned increase in that country's consumption tax in early 2014. Demand for lumber in China is expected to continue to grow in spite of a slowing in demand for other commodities.

Price levels for most commodity items have come off in recent weeks following traditional seasonal patterns. While some further weakening may occur, prices are expected to remain above the levels recorded at the same time in recent years. Interest rates are forecasted to remain low and the Canadian dollar is expected to continue to trade at close to par against the U.S. dollar.

As always, Interfor will maintain its disciplined approach to production, cost control, inventory management and capital spending to help position the Company to deliver above average returns on invested capital as conditions improve. At the same time, Interfor will remain 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, in the Annual Information Form and on SEDAR at www.sedar.com. Interfor's trading symbol on the Toronto Stock Exchange is IFP.A.



Lawrence Sauder
Chairman



Duncan K. Davies
President and Chief Executive Officer



CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the three months ended March 31, 2013 and 2012 (unaudited)

(thousands of Canadian dollars except earnings per share)

	3 Months Mar. 31, 2013	3 Months Mar. 31, 2012
		Re-stated (note 3(a))
Sales	\$ 242,499	\$ 186,660
Costs and expenses:		
Production (note 3(a))	198,302	171,829
Selling and administration	7,075	5,305
Long term incentive compensation expense	6,620	1,317
Export taxes (recovery)	(2)	2,533
Depreciation of plant and equipment (note 9)	8,564	6,792
Depletion and amortization of timber, roads and other (note 9)	4,599	4,525
	225,158	192,301
Operating earnings (loss) before restructuring costs	17,341	(5,641)
Restructuring costs	(103)	-
Operating earnings (loss)	17,238	(5,641)
Finance costs (notes 3(a) and 8)	(1,788)	(1,573)
Other foreign exchange gain (loss)	(715)	432
Other income	89	122
	(2,414)	(1,019)
Earnings (loss) before income taxes	14,824	(6,660)
Income taxes (recovery):		
Current	(269)	114
Deferred	(86)	(74)
	(355)	40
Net earnings (loss)	\$ 15,179	\$ (6,700)
Net earnings (loss) per share, basic and diluted (note 10)	\$ 0.27	\$ (0.12)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three months ended March 31, 2013 and 2012 (unaudited)

	3 Months Mar. 31, 2013	3 Months Mar. 31, 2012
		Re-stated (note 3(a))
Net earnings (loss)	\$ 15,179	\$ (6,700)
Other comprehensive income (loss):		
Foreign currency translation differences – foreign operations	2,752	(2,458)
Defined benefit plan actuarial losses (note 3(a))	(394)	(419)
Gain (loss) in fair value of interest rate swaps (note 12)	(375)	566
Income tax expense on other comprehensive income	(55)	(74)
	1,928	(2,385)
Total comprehensive income (loss) for the period	\$ 17,107	\$ (9,085)

See accompanying notes to consolidated financial statements



CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2013 and 2012 (unaudited)

(thousands of Canadian dollars)

	3 Months Mar. 31, 2013	3 Months Mar. 31, 2012
		Re-stated (note 3(a))
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	\$ 15,179	\$ (6,700)
Items not involving cash:		
Depreciation of plant and equipment	8,564	6,792
Depletion and amortization of timber, roads and other	4,599	4,525
Income tax expense (recovery)	(355)	40
Finance costs (note 3(a))	1,788	1,573
Reforestation liability	2,662	2,807
Other assets	152	-
Other liabilities and provisions	(6)	(406)
Foreign exchange losses	338	120
Other	(48)	(97)
	32,873	8,654
Cash generated from (used in) operating working capital:		
Trade accounts receivable and other	(22,154)	(7,865)
Inventories	(19,038)	(3,182)
Prepayments	(1,820)	(286)
Trade accounts payable and accrued liabilities	19,956	(318)
Income taxes paid	(368)	(310)
	9,449	(3,307)
Investing activities:		
Additions to property, plant and equipment	(5,180)	(6,365)
Additions to logging roads	(2,615)	(4,495)
Additions to timber and other intangible assets	(245)	-
Proceeds on disposal of property, plant, and equipment	62	127
Acquisition (note 4)	(82,766)	-
Investments and other assets	20	(86)
	(90,724)	(10,819)
Financing activities:		
Interest payments	(1,482)	(1,312)
Additions to prepaid finance costs	(799)	-
Additions to long-term debt (notes 4 and 7)	84,418	30,000
Repayments of long-term debt (note 7)	(5,083)	(15,000)
	77,054	13,688
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	225	(8)
Decrease in cash	(3,996)	(446)
Cash and cash equivalents, beginning of year	14,994	10,435
Cash and cash equivalents, end of period	\$ 10,998	\$ 9,989

See accompanying notes to consolidated financial statements



CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2013 and December 31, 2011 and 2012 (unaudited)

(thousands of Canadian dollars)

	Mar. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
		restated (note 3(a))	restated (note 3(a))
Assets			
Current assets:			
Cash and cash equivalents	\$ 10,998	\$ 14,994	\$ 10,435
Trade accounts receivable and other	73,742	47,392	44,000
Income taxes receivable	37	-	-
Inventories (note 6)	123,777	98,024	97,645
Prepayments	13,625	11,749	10,757
	222,179	172,159	162,837
Employee future benefits	412	878	1,256
Other investments and assets	4,739	4,198	2,836
Property, plant and equipment	423,670	349,779	340,034
Logging roads and bridges	16,168	17,316	16,753
Timber licences	73,264	73,796	76,792
Other intangible assets	708	738	1,250
Goodwill	13,078	13,078	13,078
Deferred income taxes	129	98	-
	\$ 754,347	\$ 632,040	\$ 614,836
Liabilities and Equity			
Current liabilities:			
Trade accounts payable and accrued liabilities	\$ 94,167	\$ 70,597	\$ 60,692
Reforestation liability	11,618	10,864	14,121
Income taxes payable	-	593	1,058
	105,785	82,054	75,871
Reforestation liability	20,362	17,621	17,777
Long-term debt (note 7)	213,835	135,046	110,713
Employee future benefits	9,581	9,631	8,186
Other liabilities and provisions	11,647	11,658	11,467
Equity:			
Share capital			
Class A subordinate voting shares	342,285	342,285	342,285
Class B common shares	4,080	4,080	4,080
Contributed surplus	7,476	7,476	7,476
Reserves	(5,628)	(7,950)	(5,432)
Retained earnings	44,924	30,139	42,413
	393,137	376,030	390,822
	\$ 754,347	\$ 632,040	\$ 614,836

Commitment (note 13)
Subsequent event (note 14)

See accompanying notes to consolidated financial statements

On behalf of the Board:

L. Sauder
 Director

D. Whitehead
 Director



CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2013 and 2012 (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, 2012	\$ 342,285	\$ 4,080	\$ 7,476	\$ (7,818)	\$ (132)	\$ 30,139	\$ 376,030
Net earnings (loss) for the period:	-	-	-	-	-	15,179	15,179
Other comprehensive earnings (loss):							
Foreign currency translation differences, net of tax	-	-	-	2,697	-	-	2,697
Defined benefit plan actuarial losses	-	-	-	-	-	(394)	(394)
Gain (loss) in fair value of interest rate swaps	-	-	-	-	(375)	-	(375)
Balance at March 31, 2013	\$ 342,285	\$ 4,080	\$ 7,476	\$ (5,121)	\$ (507)	\$ 44,924	\$ 393,137
Balance at December 31, 2011	\$ 342,285	\$ 4,080	\$ 7,476	\$ (4,929)	\$ (503)	\$ 42,413	\$ 390,822
Net earnings (loss) for the period (note 3(a)):	-	-	-	-	-	(6,700)	(6,700)
Other comprehensive earnings (loss):							
Foreign currency translation differences, net of tax	-	-	-	(2,532)	-	-	(2,532)
Defined benefit plan actuarial losses (note 3(a))	-	-	-	-	-	(419)	(419)
Gain (loss) in fair value of interest rate swaps	-	-	-	-	566	-	566
Balance at March 31, 2012	\$ 342,285	\$ 4,080	\$ 7,476	\$ (7,461)	\$ 63	\$ 35,294	\$ 381,737

See accompanying notes to consolidated financial statements.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

Three months ended March 31, 2013 and 2012 (unaudited)

1. Nature of operations:

International Forest Products Limited and its subsidiaries (the "Company" or "Interfor") is a producer of wood products in British Columbia, the U.S. Pacific Northwest and the U.S. Southeast 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 ended March 31, 2013 comprise the Company and its subsidiaries. The consolidated financial statements of the Company as at and for the year ended December 31, 2012 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 May 10, 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, 2012 annual consolidated financial statements, except for the accounting policy adopted subsequent to that date, as discussed below.

(a) Change in accounting policies:

Effective January 1, 2013, 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 also impacts the calculation of finance costs, resulting in an increase to Production expense and Finance costs in the Statement of Earnings, which will be fully offset by an increase (decrease) 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 no longer recognizes the equity risk premium and is based on the discount rate only.

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:

For the three months ended March 31, 2012	As previously		
	reported	Adjustment	Restated
Statement of Earnings (Loss)			
Production	\$ 171,670	\$ 159	\$ 171,829
Finance costs	1,542	31	1,573
Net loss	(6,510)	(190)	(6,700)
Statement of Comprehensive Income (Loss)			
Defined benefit plan actuarial losses	(609)	190	(419)
Other comprehensive income (loss)	(2,575)	190	(2,385)

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

Effective January 1, 2013, IFRS 13, *Fair Value Measurement*, replaced the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and established new requirements for fair value measurements and disclosures. The new standard is applied prospectively and will require more extensive disclosure, but has no impact on the Company's financial information.

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

Three months ended March 31, 2013 and 2012 (unaudited)

3. Significant accounting policies (continued):

(b) New standards and interpretations not yet adopted:

The IASB periodically issues new standards and amendments or interpretations to existing standards. The following new pronouncement is one that the Company considers most significant and is 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.

4. Acquisitions:

On March 1, 2013, the Company concluded the acquisition of Rayonier Inc.'s Wood Products Business in Georgia, U.S.A. ("U.S. Southeast"). The total consideration and purchase price allocation are preliminary and subject to adjustment in accordance with the Rayonier Asset Purchase Agreement. The purchase price has been allocated on a preliminary basis to the fair value of assets acquired and related liabilities arising from the transaction, based on management's best estimates and taking into account all available information to March 31, 2013. As updated information is available, further analysis may result in a refinement to the values attributable to assets and liabilities arising on the acquisition. Transaction costs of \$783,000 related to the acquisition have been expensed in Selling and administration for the first quarter, 2013.

The assets acquired include manufacturing facilities and working capital. The acquisition has been accounted for using the acquisition method and the purchase price is allocated as follows:

Net assets acquired:

Current assets	\$	10,733
Property, plant and equipment		76,513
		87,246
Current liabilities assumed		(612)
	\$	86,634

Consideration financed as follows:

Cash on hand	\$	3,348
Working capital settlement to be paid		3,868
Operating Line		27,848
Revolving Term Line		51,570
	\$	86,634

5. 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.

6. Inventories:

	Mar. 31, 2013	Dec. 31, 2012
Logs	\$ 69,864	\$ 59,772
Lumber	44,945	31,833
Other	8,968	6,419
	\$ 123,777	\$ 98,024

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 March 31, 2013 was \$4,696,000 (December 31, 2012 - \$7,050,000).

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

Three months ended March 31, 2013 and 2012 (unaudited)

7. Cash and borrowings:

	Operating Line	Revolving Term Line	Total
March 31, 2013			
Available line of credit	\$ 65,000	\$ 250,000	\$ 315,000
Maximum borrowing available	65,000	250,000	315,000
Drawings	2,032	211,803	213,835
Outstanding letters of credit included in line utilization	5,343	-	5,343
Unused portion of line	57,625	38,197	95,822
December 31, 2012			
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	69,954	124,764

(a) Operating Line:

On February 27, 2013, the Company extended the maturity of its existing operating line of credit ("Operating Line") to February 27, 2017. The terms and conditions of this line remain 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 of total debt divided by twelve months' trailing EBITDA¹. Borrowing levels under the Operating 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, a maximum ratio of total debt to total capitalization and a minimum net worth calculation.

As at March 31, 2013 the Operating Line was drawn by US\$2,000,000 (December 31, 2012 - \$nil) revalued at the quarter-end exchange rate to \$2,032,000 plus outstanding letters of credit.

(b) Revolving Term Line:

On February 27, 2013, the Company extended the maturity of its existing revolving term line of credit ("Revolving Term Line") to February 27, 2017 and increased the credit available from \$200,000,000 to \$250,000,000. All other terms and conditions of this line remain 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 of total debt divided by twelve months' trailing EBITDA¹. 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 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 March 31, 2013, the Revolving Term Line was drawn by US\$100,200,000 (December 31, 2011 - US\$30,200,000) revalued at the quarter-end exchange rate to \$101,803,000 (December 31, 2012 - \$30,046,000), and \$110,000,000 (December 31, 2012 - \$105,000,000) for total drawings of \$211,803,000 (December 31, 2011 - \$135,046,000).

Drawings of US\$100,200,000 under the Revolving Term Line have been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange gains of \$441,000 (Quarter 1, 2012 - \$589,000 gain) arising on revaluation of the Revolving Term Line were recognized in Foreign exchange translation differences in Other comprehensive income.

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

Twelve months ending	
March 31, 2014	\$ -
March 31, 2015	-
March 31, 2016	-
March 31, 2017	213,835
March 31, 2018	-
	<u>\$ 213,835</u>

(c) Cash and cash equivalents:

At March 31, 2013 the Company's cash balances were restricted by \$46,000 for contractor holdbacks (December 31, 2012 - \$652,000).

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

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

Three months ended March 31, 2013 and 2012 (unaudited)

8. Finance costs:

	3 Months Mar. 31, 2013	3 Months Mar. 31, 2012
Interest on borrowing	\$ 1,513	\$ 1,276
Interest on defined benefit obligations	48	31
Accretion expense	96	113
Amortization of prepaid finance costs	131	153
	\$ 1,788	\$ 1,573

9. Depreciation, depletion and amortization:

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

	3 Months Mar. 31, 2013	3 Months Mar. 31, 2012
Production	\$ 12,903	\$ 11,110
Selling and administration	260	207
	\$ 13,163	\$ 11,317

10. Net earnings (loss) per share:

	3 Months Mar. 31, 2013			3 Months Mar. 31, 2012		
	Net earnings (loss)	Shares	Per share	Net earnings (loss)	Shares	Per share
Basic and diluted earnings (loss) per share	\$ 15,179	55,863	\$ 0.27	\$ (6,700)	55,863	\$ (0.12)

11. Segmented information:

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

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

	3 Months Mar. 31, 2013	3 Months Mar. 31, 2012
Canada	\$ 55,152	\$ 60,416
United States	125,792	70,565
China and Taiwan	23,560	20,547
Japan	26,168	25,788
Other export	11,827	9,344
	\$ 242,499	\$ 186,660

Sales by product line are as follows:

	3 Months Mar. 31, 2013	3 Months Mar. 31, 2012
Lumber	\$ 191,406	\$ 133,622
Logs	26,128	26,950
Wood chips and other by products	16,597	18,163
Ocean freight and other	8,368	7,925
	\$ 242,499	\$ 186,660

INTERNATIONAL FOREST PRODUCTS LIMITED

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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

Three months ended March 31, 2013 and 2012 (unaudited)

12. Financial instruments:

At March 31, 2013, the fair value of the Company's long-term debt and bank indebtedness approximated its carrying value of \$213,835,000 (2012 - \$135,046,000) measured based on Level 2 of the fair value hierarchy.

As at March 31, 2013, the Company has outstanding obligations to sell a maximum of US\$11,400,000 at an average rate of CAD\$1.0225 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 March 31, 2013 have been recognized in Other foreign exchange gain (loss) in Net earnings and the fair value of these foreign currency contracts, being an liability of \$309,000 (measured based on Level 2 of the fair value hierarchy), has been recorded in Trade accounts payable and accrued liabilities (December 31, 2012 - \$134,000 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 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. On March 25, 2013, the Company entered into two additional interest rate swaps, each with notional value of US\$25,000,000 and maturing February 17, 2017. Under the terms of these additional swaps the Company pays an amount based on a fixed annual interest rate of 0.84% and receives a 90 day LIBOR 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 March 31, 2013, being an liability of \$507,000 (measured based on Level 2 of the fair value hierarchy), has been recorded in Trade accounts payable and accrued liabilities (December 31, 2012 - \$133,000 liability recorded in Trade accounts payable and accrued liabilities measured based on Level 2 of the fair value hierarchy) and a loss of \$375,000 (Quarter 1, 2012 - gain of \$566,000) has been recognized in Other comprehensive income for the first quarter, 2013.

During the first quarter, 2013 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 March 31, 2013 the Company recognized \$34,000 in Trade accounts receivable and other in respect of the fair value of the outstanding contracts measured based on Level 2 of the fair value hierarchy (December 31, 2012 - \$nil) and a gain of \$41,000 was recognized in Other income (expense) for the first quarter, 2013 (Quarter 1, 2012 - gain of \$25,000).

13. Commitment:

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., and have a term of two years. The agreement is expected to be finalized in the second quarter, 2013.

14. Subsequent event:

On May 1, 2013, the Company acquired timber tenures in the southern B.C. Interior owned by Springer Creek Management Ltd.



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