International Forest Products Limited

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First Quarter Report
For the three months ended March 31, 2010

Management's Discussion and Analysis

Dated as of April 22, 2010

This Management's Discussion and Analysis ("MD&A") provides a review of Interfor's financial performance for the three months ended March 31, 2010 relative to 2009, the Company's financial condition and future prospects. The MD&A should be read in conjunction with the interim Consolidated Financial Statements for the three months ended March 31, 2010 and 2009, and Interfor's Annual Information Form, Consolidated Financial Statements and Annual MD&A for the years ended December 31, 2009 and 2008 filed on SEDAR at www.sedar.com. The financial information contained in this MD&A has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In this MD&A, reference is made to EBITDA and Adjusted EBITDA. EBITDA represents earnings before interest, taxes, depletion, amortization, restructuring costs, other foreign exchange gains and losses, and write-downs of property, plant, equipment and timber ("asset write-downs"). Adjusted EBITDA represents EBITDA adjusted for other income. The Company discloses EBITDA as it is a measure used by analysts and Interfor's management to evaluate the Company's performance. As EBITDA is a non-GAAP measure, it may not be comparable to EBITDA calculated by others. In addition, as EBITDA is not a substitute for net earnings, readers should consider net earnings in evaluating the Company's performance.

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

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

Forward-Looking Statements

This reports contains information and statements that are forward-looking in nature, including, but not limited to, statements containing the words "believe", "may", "will", "expects", "estimates", "projects", "continue", "anticipates", "intends", 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 current Annual Information Form available on www.sedar.com. 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.

Review of Operating Results

Overview

The Company recorded a net loss of $3.4 million, or $0.07 per share for the first quarter of 2010 as compared to a net loss of $13.6 million, or $0.29 per share for the first quarter of 2009. EBITDA and Adjusted EBITDA for the first quarter of 2010 were positive $9.7 million and $9.7 million, respectively, compared to negative $7.7 million and $8.4 million for the same quarter of 2009.

Before restructuring costs, foreign exchange gains (losses), other one-time items and a tax valuation allowance, the Company's net loss for the first quarter of 2010 amounted to $2.2 million or $0.05 per share as compared to a net loss of $10.6 million, or $0.23 per share for the first quarter of 2009.

U.S. housing starts, still near historic lows, continue to impact overall demand levels and product pricing. However, reduced in-market inventories and improved demand/supply balances resulted in significant price increases in the first quarter, 2010 as the price reported by Random Lengths for Western SPF 2x4 #2&Btr peaked at US$287 per million board feet ("mfbm") in February 2010, the highest price in 43 months. The positive impact of the rising price was partially offset by the strengthened Canadian dollar which, relative to its U.S. counterpart, closed the first quarter, 2010 at CAD$1.0158 compared to the first quarter, 2009 close at CAD$1.2613, an increase of almost twenty percent.

The new Adams Lake sawmill continued to ramp up in the first quarter, 2010 averaging more than 12% above pro forma production operating on a full two shift basis. On March 15, 2010, the Company completed the acquisition of a timber tenure in the Kamloops region from Weyerhaeuser Company Limited, adding approximately 275,000 cubic metres of allowable annual cut to its interior fibre supply. Acquisition of this tenure strengthens the Company's long term timber supply for the new Adams Lake sawmill and will help to offset anticipated declines in future supply as a result of the Mountain Pine Beetle infestation.

Sales

Lumber shipments totalled 264 mfbm for the first quarter, 2010. Compared to the same quarter of 2009, lumber shipments were up more than double, reflecting the addition of production from Adams Lake, the recommenced operations at Grand Forks and higher operating rates at the Company's U.S. mills. Excluding wholesale programs, sales to North America accounted for 74% of shipments in the first quarter, 2010, while Pacific Rim markets including Japan and China, accounted for 23%. In the first quarter of 2009, North America represented 83% of shipments and the Pacific Rim was 14%.

The North American cash market for structural products improved significantly quarter over quarter with the average price reported by Random Lengths for Western SPF 2x4 #2&Btr at US$269 per mfbm or 73.5% higher than in the first quarter, 2009 and for Hemlock-Fir studs 2x4 9' lengths at US$273 per mfbm, higher by 64.5%. Prices in the first quarter, 2010 improved as low in-market inventories and shipments to offshore markets continued to limit available supply. Prices in offshore markets, which tend to be sold forward on longer terms than North America, increased as well but not to the same extent.

Interfor's unit lumber sales values declined $55 per mfbm, reflecting the significant relative increase in North American structural lumber sales volumes, with cedar and Japan sales volumes having increased to a much lesser extent. Sales values were also impacted by the stronger Canadian dollar which appreciated by 16.4% on average relative to its U.S. counterpart over the same quarter of 2009.

Pulp chip and other by-product revenues for the first quarter of 2010 were up $5.8 million, or 78.5%, compared to the first quarter of 2009, with an increase in sales volumes reflecting higher sawmill operating rates. Average chip prices were down by 13.0%, as chip prices in the U.S. fell by 10% and magnified by the negative impact of the stronger Canadian dollar on sales realizations.

Log sales improved by $4.6 million, or 36.0%, corresponding to an increase of 19.3% in log sales volume for Canadian operations, with a change in sales mix compared to the same quarter in 2009. This is reflected in the average sales price for log sales in Canada which improved to $64 per cubic metre in the first quarter of 2010, as compared to $54 per cubic metre for the same period of 2009.

Operating Costs

Production costs for the first quarter of 2010 increased $43.9 million, or 54.1% compared to the same period in 2009. Production costs in the first quarter of 2009 reflected significant market related curtailments in manufacturing and logging, and the curtailment of the Adams Lake sawmill as the construction project was finalized. Production levels increased in the second half of 2009 as the new Adams Lake sawmill ramped up and Grand Forks resumed operations. This trend continued into the first quarter of 2010 as lumber production increased by 137.5 million board feet, or more than double that of the same period in 2009. B.C. log production increased to 648,000 cubic metres compared to 71,900 cubic metres in the first quarter, 2009 in response to increased demand for fibre supply.

The increased production volumes drove the Company's per unit cost of conversion down with the additional volume available to absorb fixed costs. Unit costs were further improved by a stronger Canadian dollar on average for the first quarter, 2010 as compared to the same quarter in 2009.

Export taxes increased by $1.3 million, or almost three times that of the first quarter, 2009. As prices in both years were low enough to attract the maximum rate of 15% tax, the increase in the dollar amount of export taxes is mainly related to a fivefold increase in shipment volumes to the U.S. and to the increase in product prices.

There was little change in selling and administrative costs for the first quarter of 2010 compared to the first quarter of 2009. Long-term incentive compensation ("LTIC") expense, which is impacted by the Company's share price, showed an expense of $0.4 million for the first quarter of 2010 (Quarter 1, 2009 - $0.4 million), reflecting a 13.0% rise in the Company's share price from December 31, 2009.

First quarter, 2010, amortization of plant and equipment at $6.5 million was 30.4% higher than the corresponding quarter in 2009, due to the impact of higher operating rates primarily at the Adams Lake sawmill which did not operate in early 2009.

Road amortization and depletion expense for the first quarter of 2010 increased $3.6 million vis-à-vis the same quarter of 2009, as a result of significantly higher logging activity on the B.C. Coast, which had been virtually shut-down in the first quarter of 2009 to reduce inventory levels.

Restructuring costs were negligible in the first quarter of 2010, compared to $1.1 million in severance costs arising from downsizing its workforce in response to reduced operating rates in the first quarter of 2009.

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

First quarter, 2010, interest expense increased by $0.4 million compared to the first quarter of 2009, arising from an increase in the Company's overall lending rates in 2010 compared to 2009, partially offset by a stronger Canadian dollar. Other foreign exchange gains (losses) were negligible for both quarters. The Company reported a minor loss in Other income (expense) for some disposals of surplus equipment in the first quarter of 2010, in contrast to a gain of $0.6 million for the first quarter of 2009 which resulted primarily from the disposal of a property and buildings in Maple Ridge, B.C.

Equity income at $1.4 million for the first quarter, 2010, increased by $0.8 million over the same period in the previous year. This increase was attributable to increased equity participation in the earnings with greater shipment volumes by the Company relative to the other participants.

Income Taxes

In the first quarter of 2010, the Company recorded an income tax recovery of $0.4 million (Quarter 1, 2009 - $3.1 million) and took a valuation allowance against certain future income tax assets arising from loss carry-forwards available to reduce future taxable income, decreasing its income tax recovery by $1.1 million (Quarter 1, 2009 - $2.7 million). Although the Company expects to realize the full benefit of the loss carry-forwards, due to the cyclical nature of the wood products industry and the economic conditions over the last several years, the Company has provided a valuation allowance in respect of its operating loss carry-forwards, net of temporary differences.

Cash Flow and Financial Position

Cash generated by the Company from operations, after changes in working capital, was $9.1 million for the first quarter of 2010, compared to cash generated of $19.2 million for the first quarter of 2009. Significant increases in operating rates, particularly at Adams Lake and Grand Forks, resulted in an inventory build-up of $7.1 million as log inventory volumes in the interior of B.C. more than doubled. Substantial production curtailments in the comparative period of 2009 caused a drawdown of inventories by $13.3 million. In addition, $16.1 million in cash tax refunds were received in the first quarter of 2009.

Cash expenditures on capital assets for the first quarter of 2010 totalled $19.7 million (Quarter 1, 2009 - $13.1 million) including the acquisition of a timber tenure in the Kamloops region from Weyerhaeuser Company Limited and road construction.

Some minor sales of surplus equipment in the first quarter of 2010 generated negligible proceeds as compared to the disposals of surplus property and buildings in Maple Ridge, B.C. combined with disposals of surplus equipment, which generated proceeds of $4.4 million in the first quarter of 2009.

On January 4, 2010, the Seaboard Limited Partnership declared an income distribution to its partners. Interfor's share was $3.1 million and was paid to the Company by way of setoff against the promissory note payable to the Seaboard Limited Partnership.

On January 15, 2010 the Company amended and extended its existing syndicated credit facilities. The Company's Revolving Term Line increased from $150 million to $200 million, and its maturity date was extended to February 28, 2012. All other terms and conditions of the line remain substantially unchanged.

In conjunction with the amendments to its credit facilities on January 15, 2010 the Company drew US$35.0 million ($35.8 million) on its Revolving Term Line and repaid and cancelled its U.S. dollar non-revolving term line (the "Non-Revolving Term Line").

To fund road construction and the acquisition of the timber tenure from Weyerhaeuser and to convert the U.S. drawings used to repay the Non-Revolving Term Line into Canadian dollars, the Company subsequently drew a further $55.0

million in the first quarter, 2010, and repaid drawings of US$35.0 million ($36.7 million).

As at March 31, 2010, the Revolving Term Line was drawn by US$30.2 million revalued at the quarter-end exchange rate to $30.7 million and $131.0 million for total drawings of $161.7 million, leaving an unused available line of $38.3 million.

Despite some signs of improvement in global market conditions, Interfor continues to monitor discretionary capital expenditures carefully. Based on current pricing and cash flow projections and existing credit lines the Company believes it has sufficient resources to meet operating and interest payment requirements and any essential capital expenditures.

At March 31, 2010, the Company had cash of $9.6 million. After deducting the Company's drawings under its Revolving Term Line, the Company ended the quarter with net debt of $152.0 million or 30.3% of invested capital.

Selected Quarterly Financial Information[1]

Quarterly Earnings Summary	**2010**	**2009**				**2008**		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	(millions of dollars except share and per share amounts)							
Sales – Lumber	107.6	93.1	76.8	62.3	56.5	65.6	73.4	82.2
– Logs	17.4	17.3	17.3	13.0	12.8	18.3	28.8	25.7
– Wood chips and other by-products	13.2	12.2	8.9	5.9	7.4	8.8	8.9	7.4
– Other	1.7	2.9	2.2	0.6	0.6	0.8	0.9	2.1
Total Sales	139.9	125.5	105.2	81.8	77.3	93.5	112.0	117.4
Operating loss before restructuring costs and asset write-downs	(3.1)	(7.8)	(7.0)	(16.4)	(15.2)	(8.1)	(12.8)	(11.7)
Operating loss	(3.1)	(7.8)	(10.4)	(16.3)	(16.3)	(8.9)	(14.1)	(42.2)
Net earnings (loss)	(3.4)	(5.0)	9.7	(15.0)	(13.6)	(18.7)	(8.1)	(27.7)
Net earnings (loss) per share – basic and diluted	(0.07)	(0.11)	0.21	(0.32)	(0.29)	(0.40)	(0.17)	(0.59)
EBITDA[3]	9.7	6.3	25.3	(7.3)	(7.7)	2.0	0.7	2.5
Cash flow from operations per share[2]	0.17	0.06	(0.07)	(0.23)	(0.22)	0.12	0.06	(0.06)
Shares outstanding – end of period (millions)[3]	47.1	47.1	47.1	47.1	47.1	47.1	47.1	47.1
– weighted average (millions)	47.1	47.1	47.1	47.1	47.1	47.1	47.1	47.1
Adjusted EBITDA[3]	9.7	5.7	3.6	(7.3)	(8.4)	1.7	0.1	1.9

1 Tables may not add due to rounding.
2 Cash generated from operations before taking account of changes in operating working capital.
3 As at April 22, 2010, the number of shares outstanding by class are: Class A Subordinate Voting shares – 46,101,476 Class B Common shares – 1,015,779, Total – 47,117,255.
4 EBITDA represents earnings before interest, taxes, depletion, amortization, restructuring costs, other foreign exchange gains and losses, and asset write-downs. The Company discloses EBITDA as it is a measure used by analysts to evaluate the Company's performance. As EBITDA is a non-GAAP measure, it may not be comparable to EBITDA calculated by others. In addition, as EBITDA is not a substitute for net earnings, readers should consider net earnings in evaluating the Company's performance. Adjusted EBITDA represents EBITDA adjusted for other income.

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

	2010	2009				2008		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	(millions of dollars)							
Net earnings (loss)	(3.4)	(5.0)	9.7	(15.0)	(13.6)	(18.7)	(8.1)	(27.7)
Add: Income taxes (recovery)	(0.4)	(3.3)	0.1	(3.6)	(3.1)	10.4	(5.2)	(13.9)
Interest expense	2.0	2.0	2.2	2.0	1.6	2.5	1.5	0.8
Depletion and amortization	11.4	12.5	9.9	9.5	6.3	7.8	11.3	13.0
Other foreign exchange (gains) losses	-	0.1	-	(0.1)	-	(0.9)	-	(0.4)
Restructuring costs, asset write-downs and other	-	0.1	3.3	(0.1)	1.1	0.8	1.3	30.6
EBITDA	9.7	6.3	25.3	(7.3)	(7.7)	2.0	0.7	2.5
Deduct:								
Other income (expense)	-	0.6	21.7	-	0.6	0.3	0.6	0.6
Adjusted EBITDA	9.7	5.7	3.6	(7.3)	(8.4)	1.7	0.1	1.9

Volume and Price Statistics		2010	2009				2008		
		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Lumber sales	(million fbm)	264	234	181	131	122	133	132	125
Lumber production	(million fbm)	258	245	180	115	121	118	148	128
Log sales[1]	(thousand cubic metres)	239	261	242	216	200	236	372	312
Log production[1]	(thousand cubic metres)	648	533	378	312	72	290	501	679
Average selling price – lumber[2]	($/thousand fbm)	$408	$398	$424	$477	$462	$494	$555	$658
Average selling price – logs[1]	($/cubic metre)	$64	$62	$69	$56	$54	$69	$70	$79
Average selling price – pulp chips	($/thousand fbm)	$40	$39	$38	$40	$46	$58	$48	$47

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 woods closures. Generally, the Company's coastal logging divisions experience higher production levels in the latter half of the first quarter, throughout the second and third quarters and in the first half of the fourth quarter. Sawmill operations are less seasonal than logging operations but do depend on the availability of logs from the logging operations. In addition, the market demand for lumber and related products is generally lower in the first quarter due to reduced construction activity, which increases during the spring, summer and fall.

The impact of the global recession on overall demand and poor lumber sales realizations increased the operating losses in the first three quarters of 2009. Operating rates increased in the fourth quarter of 2009, as lumber prices rose slightly, carrying through to the first quarter, 2010. The volatility of the Canadian dollar also impacted results, given that historically over 75% of the Canadian operation's sales are to export markets and priced in $US. A strong Canadian dollar reduces the lumber sales realizations in Canada, but lessens the impact of any losses in U.S. operations. The second quarter 2008 loss reflects a restructuring charge of $30.6 million primarily for the Queensboro sawmill closure. The fourth quarter of 2008 net loss includes the effect of a valuation charge of $15.2 million against future tax assets, and additional valuation charges continued through all quarters of 2009 and into 2010. The third quarter of 2009 includes an after-tax gain of $19.0 million from the sale of the former Queensboro sawmill site.

Accounting Policy Changes

Effective January 1, 2010, the Company adopted three new CICA accounting standards:

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

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

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

Future Accounting Policy Changes

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

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement, and disclosures. The Company commenced its IFRS conversion project in 2008 with the provision of training to key employees. Early in 2009, the Company developed an implementation plan, assembled a cross functional team, provided additional technical training to team members and commenced a high level review of its financial statement elements to identify major differences between Canadian GAAP and IFRS. Additional team members were engaged and subject matter specialists were identified.

A detailed review of the impact of IFRS on Interfor's consolidated financial statements is substantially complete. As required, the Company has engaged outside consultants to provide expertise and assistance. As key subject areas have been completed, recommendations have been brought forward to the Company Executive for discussion and approval prior to implementation.

Changes required to systems and controls, including information technology systems, are being identified and modified as the project progresses. Currently, no significant changes to computer systems have been required.

An opening balance sheet prepared under IFRS at the date of transition, January 1, 2010, is currently planned for substantial completion in the first half of 2010 and is underway. Adjustments will be finalized during 2010 as details of some adjustments, as in the case of pensions, will not be available until the latter half of 2010. Financial statements and notes are in process of being prepared for each quarter of 2010 to be used for comparative purposes in 2011. Amendments will be made as adjustments become final.

While the effects of IFRS have not yet been finalized, the Company has identified a number of key areas which are likely to be impacted by changes in accounting policy, including: property, plant, and equipment; impairment of assets; provisions, including reforestation liabilities and asset retirement obligations; and employee future benefits.

Progress is on schedule.

Controls and Procedures

There were no changes in the Company's internal controls over financial reporting ("ICFR") during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Critical Accounting Estimates

There were no material changes to the Company's critical accounting estimates during the quarter ended March 31, 2010. 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, 2009 as filed on SEDAR at www.sedar.com.

Outlook

Glimmers of recovery continue to emerge in global economies laying a foundation for better market conditions in 2010. Economic activity in Canada, in particular, appears to be gaining traction as evidenced by a number of indicators including a trend of improved housing starts and gross domestic product and lower unemployment rates. The results of a recent Bank of Canada survey of senior loan officers of the country's major banks pointed to an overall easing of business lending conditions, both in terms of pricing and availability.

As a result, there is a general expectation that the Bank of Canada will raise its prime lending rate mid-year with three major banks having already raised mortgage rates. In addition, the Canadian dollar has moved toward parity with the U.S. dollar in recent weeks.

Activity in the U.S. housing market remains close to historic lows, with no appreciable movement in U.S. housing starts since the fourth quarter, 2008 despite the impact of government incentives. Continued high unemployment and tight credit in the U.S., as well as the prospect of further sub-prime mortgage resets due in the next year leads to an expectation that North American market conditions will remain challenging through 2010.

Commodity lumber prices have continued to firm since the end of the first quarter, with Western SPF 2x4 #2&Btr currently selling above US$300 per mfbm and the Random Lengths' Composite Index above US$350 per mfbm. As a result the export tax paid under the Softwood Lumber Agreement will decline by a third effective May 1, 2010, from 15% to 10%, the first time since the implementation of the agreement in October 2006.

While still relatively small in terms of volumes, there is optimism about the growth of exports to China as it provides a new market to help offset reduced demand in the U.S. and a strong market for lower grade products.

With the prospect of another challenging year ahead, the Company will maintain its disciplined approach to production and strict controls on capital spending.

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.

E. Lawrence Sauder	Duncan K. Davies
Chairman	President and Chief Executive Officer

CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months ended March 31, 2010 and 2009 (unaudited)

(thousands of Canadian dollars except earnings per share)	3 Months Mar. 31, 2010	3 Months Mar. 31, 2009
Sales	**$ 139,939**	**$ 77,277**
Costs and expenses:		
Production	**125,187**	**81,248**
Selling and administration	**4,169**	**4,095**
Long term incentive compensation expense	**415**	**401**
Export taxes	**1,829**	**501**
Amortization of plant and equipment	**6,489**	**4,975**
Depletion and amortization of timber, roads and other	**4,915**	**1,277**
	143,004	**92,497**
Operating loss before restructuring costs	**(3,065)**	**(15,220)**
Restructuring costs (note 9)	**(33)**	**(1,073)**
Operating loss	**(3,098)**	**(16,293)**
Interest expense on long-term debt	**(1,905)**	**(1,214)**
Other interest expense	**(138)**	**(406)**
Other foreign exchange gain (loss)	**7**	**(16)**
Other income (expense) (note 8)	**(25)**	**647**
Equity in earnings of investee companies	**1,365**	**581**
	(696)	**(408)**
Loss before income taxes	**(3,794)**	**(16,701)**
Income taxes (recovery):		
Current	**40**	**(1)**
Future	**(445)**	**(3,100)**
	(405)	**(3,101)**
Net loss	**$ (3,389)**	**$ (13,600)**
Net loss per share, basic and diluted (note 10)	**$ (0.07)**	**$ (0.29)**

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
For the three months ended March 31, 2010 and 2009 (unaudited)

(thousands of Canadian dollars)	3 Months Mar. 31, 2010	3 Months Mar. 31, 2009
Retained earnings, beginning of year	**$ 88,861**	**$ 112,748**
Net loss	**(3,389)**	**(13,600)**
Retained earnings, end of period	**$ 85,472**	**$ 99,148**

See accompanying notes to consolidated financial statements

INTERFOR

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(thousands of Canadian dollars)	3 Months Mar. 31, 2010	3 Months Mar. 31, 2009
Cash provided by (used in):		
Operating activities:		
Net loss	$ (3,389)	$ (13,600)
Items not involving cash:		
Amortization of plant and equipment	6,489	4,975
Depletion and amortization of timber, roads and other	4,915	1,277
Future income tax recovery	(445)	(3,100)
Other assets	-	20
Reforestation liability	1,867	1,453
Other long-term liabilities	76	(488)
Equity in earnings of investee company	(1,365)	(581)
Unrealized foreign exchange losses (gains)	(255)	451
Other (note 8)	8	(651)
	7,901	(10,244)
Cash generated from (used in) operating working capital:		
Accounts receivable	1,419	6,459
Inventories	(7,070)	13,285
Prepaid expenses	1,374	1,319
Accounts payable and accrued liabilities	5,237	(7,672)
Income taxes	267	16,082
	9,128	19,229
Investing activities:		
Additions to property, plant and equipment	(588)	(12,873)
Additions to logging roads and timber	(19,074)	(255)
Proceeds on disposal of property, plant, and equipment	14	4,384
Investments and other assets	(1,897)	5
	(21,545)	(8,739)
Financing activities:		
Additions to long-term debt (note 7(b))	90,819	-
Repayments of long-term debt (note 7(b))	(72,534)	(8,000)
Decrease in bank indebtedness	-	(1,955)
	18,285	(9,955)
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	(42)	22
Increase in cash	5,826	557
Cash and cash equivalents, beginning of year	3,802	184
Cash and cash equivalents, end of period	$ 9,628	$ 741
Supplementary disclosures		
Cash interest paid	$ 2,043	$ 1,620
Cash income taxes received	267	16,082

See accompanying notes to consolidated financial statements

CONSOLIDATED BALANCE SHEETS
March 31, 2010 (unaudited) and December 31, 2009 (audited)

(thousands of Canadian dollars)	Mar. 31, 2010	Dec. 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 9,628	$ 3,802
Accounts receivable	31,386	32,951
Income taxes recoverable	-	230
Inventories (note 6)	66,715	60,159
Prepaid expenses	6,288	7,777
Future income taxes	2,825	2,974
	116,842	107,893
Investments and other assets (note 5)	16,872	17,060
Property, plant and equipment, net of accumulated amortization	346,400	357,501
Timber tenures, net of accumulated depletion	82,154	67,010
Logging roads and bridges, net of accumulated amortization	16,302	16,485
Goodwill	13,078	13,078
Long-lived assets held for sale	3,424	3,424
	$ 595,072	$ 582,451
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 48,469	$ 43,510
Income taxes payable	43	-
Payable to investee company (note 5)	-	3,096
	48,512	46,606
Reforestation liability, net of current portion	17,078	14,724
Long-term debt (note 7(b))	161,677	144,525
Other long-term liabilities	15,380	15,316
Future income taxes	2,825	3,286
Shareholders' equity:		
Share capital		
Class A subordinate voting shares	284,500	284,500
Class B common shares	4,080	4,080
Contributed surplus	5,408	5,408
Accumulated other comprehensive income (loss)	(29,860)	(24,855)
Retained earnings	85,472	88,861
	349,600	357,994
	$ 595,072	$ 582,451

See accompanying notes to consolidated financial statements

On behalf of the Board:

E.L. Sauder
Director

G.H. MacDougall
Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

(thousands of Canadian dollars)	3 Months Mar. 31, 2010	3 Months Mar. 31, 2009
Net loss	**$ (3,389)**	**$ (13,600)**
Other comprehensive income:		
Net change in unrealized foreign currency translation gains (losses) on translation of self-sustaining foreign subsidiaries	**(5,005)**	**6,344**
Other comprehensive income (loss)	**(5,005)**	**6,344**
Comprehensive loss	**$ (8,394)**	**$ (7,256)**

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

(thousands of Canadian dollars)	3 Months Mar. 31, 2010	3 Months Mar. 31, 2009
Accumulated other comprehensive loss, beginning of year	**$ (24,855)**	**$ (554)**
Other comprehensive income (loss)	**(5,005)**	**6,344**
Accumulated other comprehensive income (loss), end of period	**$ (29,860)**	**$ 5,790**

See accompanying notes to consolidated financial statements

(Tabular amounts expressed in thousands except per share amounts)

1. Significant accounting policies:

These unaudited interim consolidated financial statements include the accounts of International Forest Products Limited and its subsidiaries (collectively referred to as "Interfor" or the "Company"). These interim consolidated financial statements do not include all disclosures required by Canadian generally accepted accounting principles ("GAAP") for annual financial statements, and accordingly, these interim consolidated financial statements should be read in conjunction with Interfor's most recent annual consolidated financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application used in the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2009, except for the new accounting policies adopted subsequent to that date, as discussed in Note 2.

2. Adoption of change in accounting policies:

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

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

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

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

3. Comparative figures:

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

4. Seasonality of operating results:

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

5. Payable to investee company:

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

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

6. Inventories:

	Mar. 31, 2010	Dec. 31, 2009
Logs	$ 36,104	$ 31,011
Lumber	25,601	24,301
Other	5,010	4,847
	$ 66,715	$ 60,159

Inventory expensed in the period includes production costs, amortization of plant and equipment, and depletion and amortization of timber, roads and other. The inventory writedown in order to record inventory at the lower of cost and net realizable value at March 31, 2010 was $8,112,000 (December 31, 2009 - $9,578,000).

(Tabular amounts expressed in thousands except per share amounts)

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

(a) Bank indebtedness:

March 31, 2010	Total
Available line of credit	$ 65,000
Maximum borrowing available	64,788
Operating Line drawings	-
Outstanding letters of credit included in line utilization	5,148
Unused portion of line	59,640
December 31, 2009	
Available line of credit	$ 65,000
Maximum borrowing available	61,926
Operating Line drawings	-
Outstanding letters of credit included in line utilization	4,997
Unused portion of line	56,929

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

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

(b) Long-term debt:

On January 15, 2010 the Company amended and extended its existing syndicated credit facilities. The Company's Revolving Term Line increased from $150,000,000 to $200,000,000, and its maturity date was extended to February 28, 2012. All other terms and conditions of the line remain substantially unchanged.

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.

As at March 31, 2010, the Revolving Term Line was drawn by US$30,200,000 (December 31, 2009 – US$30,200,000) revalued at the quarter-end exchange rate to $30,677,000 (December 31, 2009 - $31,740,000), and $131,000,000 (December 31, 2009 - $76,000,000) for total drawings of $161,677,000 (December 31, 2009 - $107,740,000), leaving an unused available line of $38,323,000.

In conjunction with the amendments to its credit facilities on January 15, 2010, the Company drew US$35,000,000 ($35,819,000) on its Revolving Term Line and repaid and cancelled its U.S. dollar non-revolving term line (the "Non-Revolving Term Line"). At December 31, 2009 the Non-Revolving Term Line was fully drawn at US$35,000,000 and was revalued at the year-end exchange rate to $36,785,000. The foreign exchange gain of $966,000 realized on repayment of the Non-Revolving Term Line (March 31, 2009 - $1,516,000 unrealized foreign exchange loss on revaluation of loan) was recognized in Other foreign exchange gain (loss) on the Statement of Operations.

The Company subsequently drew a further $55,000,000 in the first quarter, 2010, and repaid the drawings of US$35,000,000 ($36,715,000) used to repay the Non-Revolving Term Line, realizing a foreign exchange loss of $896,000 which was recognized in Other foreign exchange gain (loss) on the Statement of Operations.

The US$30,200,000 drawing under the line has been designated as a hedge against the Company's investment in its self-sustaining U.S. operations and unrealized foreign exchange gains of $1,063,000 (March 31, 2009 - $1,308,000 loss) arising on revaluation of the Non-Revolving Term Line for the quarter ending March 31, 2010 were recognized in Other comprehensive income.

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

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

Twelve months ending		
March 31, 2011	$	-
March 31, 2012		161,677
March 31, 2013		-
March 31, 2014		-
March 31, 2015		-
	$	161,677

(Tabular amounts expressed in thousands except per share amounts)

8. Other income (expense):

	3 Months Mar. 31, 2010	3 Months Mar. 31, 2009
Gain (loss) on disposal of surplus property, plant and equipment	$ (8)	$ 651
Other (expense)	(17)	(4)
	$ (25)	$ 647

In the first quarter of 2010, minor disposals of surplus equipment resulted in proceeds of $14,000 and a loss of $8,000.

In the first quarter of 2009, the Company disposed of surplus property and buildings in Maple Ridge, B.C., previously classified as held for sale. This disposition, combined with other sales of surplus equipment, generated proceeds of $4,384,000 and a gain of $651,000.

9. Restructuring costs:

During the first quarter of 2010, the Company revised its estimated severance costs and recorded $33,000 in additional restructuring costs. During the first quarter of 2009, the Company recorded severance costs of $1,073,000 as it downsized its workforce in response to reduced operating rates.

10. Net earnings (loss) per share:

	3 Months Mar. 31, 2010			3 Months Mar. 31, 2009		
	Net loss	Shares	Per share	Net loss	Shares	Per share
Basic loss per share	$ (3,389)	47,117	$ (0.07)	$ (13,600)	47,117	$ (0.29)
Share options	-	57*	-	-	-	-
Diluted loss per share	$ (3,389)	47,117	$ (0.07)	$ (13,600)	47,117	$ (0.29)

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

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, U.S.A.

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

	3 Months Mar. 31, 2010	3 Months Mar. 31, 2009
Canada	$ 41,781	$ 20,467
United States	60,502	34,622
Japan	13,641	11,383
Other export	24,015	10,805
	$ 139,939	$ 77,277

Sales by product line are as follows:

	3 Months Mar. 31, 2010	3 Months Mar. 31, 2009
Lumber	$ 107,618	$ 56,443
Logs	17,435	12,823
Wood chips and other by products	13,151	7,367
Other	1,735	644
	$ 139,939	$ 77,277

(Tabular amounts expressed in thousands except per share amounts)

11. Segmented information (continued):

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

	Mar. 31, 2010	Dec. 31, 2009
Canada	$ 311,152	$ 299,365
United States	150,206	158,133
	$ 461,358	$ 457,498

12. Employee future benefits:

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

	3 Months Mar. 31, 2010	3 Months Mar. 31, 2009
Canadian employees' deferred profit sharing plan	$ 291	$ 317
Defined benefit plan	53	112
Unionized employees' pension plan	452	282
Post-retirement benefits plan	21	18
U.S. employees' 401(k) plan	152	159
Senior management supplementary pension plan	246	124
Total pension expense	$ 1,215	$ 1,012

13. Financial instruments:

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

As at March 31, 2010, the Company has outstanding obligations to sell a maximum of US$18,400,000 at an average rate of CAD$1.0441 to the USD$1.00 and sell Japanese ¥210,498,114 at an average rate of ¥88.95 to the US$1.00 during 2010. All foreign currency gains or losses to March 31, 2010 have been recognized in the Statement of Operations and the fair value of these foreign currency contracts being an asset of $657,000 (measured based on Level 1 of the fair value hierarchy) has been recorded in accounts receivable (December 31, 2009 - $403,000 asset fair value measured based on Level 1 and recorded in accounts receivable).

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