International Forest Products Limited

Vancouver, B.C. February 17, 2012

Interfor's Q4 Results Decline on Lower Volumes and Market Prices

Grand Forks and Castlegar Projects Ahead of Schedule

INTERNATIONAL FOREST PRODUCTS LIMITED ("Interfor" or the "Company") (TSX: IFP.A) reported a net loss of $6.5 million or $0.12 per share in the fourth quarter of 2011. Included in the Company's accounts in the quarter was the effect of unrecognized tax assets of $3.9 million or $0.07 per share.

Excluding the tax allowance and other one-time items, Interfor recorded a net loss of $2.5 million or $0.04 per share compared to a net loss of $0.5 million or $0.01 per share in the immediately preceding quarter and net earnings of $0.5 million or $0.01 per share in the fourth quarter of 2010.

Also included in the Company's accounts in the fourth quarter was a provision for share-based compensation of $0.9 million or $0.02 per share compared to a recovery of $0.9 million or $0.02 per share in the third quarter.

Sales revenue in the fourth quarter was $190.0 million, down $10.2 million or 5% versus the third quarter, reflecting lower sales volumes and market prices.

EBITDA for the quarter (adjusted to exclude one-time items and "other income") was $8.0 million, down $6.3 million versus the third quarter and $6.5 million compared to the fourth quarter of 2010.

Lumber production in the fourth quarter was 294 million board feet, down 20 million board feet or 6 percent versus the third quarter as production rates were adjusted downwards in the face of log supply issues in the Pacific Northwest and for maintenance at the Hammond and Acorn mills on the BC Coast. Sales volumes, including wholesale activities, fell by 18 million board feet to 318 million board feet versus 336 million board feet in the third quarter.

In the quarter, SPF 2x4 in the North American market was US$238, down US$8 versus the third quarter, and Hem-Fir studs were down $US14 to US$260. Prices and volumes to China weakened quarter-on-quarter as high in-market inventories and tight credit conditions negatively impacted activity levels in the early part of the quarter. Prices in the Japanese market for traditional products were flat while the cedar market was firm as unseasonably mild weather and low inventories throughout the distribution channel helped to support demand.

Currency rates remained volatile during the quarter with the C$ averaging US$0.978, down US$0.042 or 4.1% versus the third quarter.

In the quarter, Interfor generated $4.6 million in cash from operations before changes in working capital and $3.9 million in cash after working capital changes were considered. Capital spending in the quarter amounted to $9.0 million, including $5.4 million on roads and $2.2 million on discretionary projects including the projects announced in November to upgrade the Grand Forks and Castlegar sawmills.

Net debt closed the quarter at $100.3 million or 20 percent of invested capital.

Business conditions have improved in recent weeks with a more positive tone in the US and higher activity levels in China. That said, the global economic environment remains uncertain. Interfor expects to maintain operating rates at current levels or above for the next few quarters but will remain alert to changes in market activity in order to keep inventories in balance. Considerable attention is being devoted to the Grand Forks and Castlegar capital projects with a goal of completing construction by the end of the first quarter of 2013 rather than the original schedule of the end of the third quarter of 2013.

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

There will be a conference call on Tuesday, February 21, 2012 at 8:00 AM (Pacific Time) hosted by **INTERNATIONAL FOREST PRODUCTS LIMITED** for the purpose of reviewing the Company's release of its Fourth Quarter, 2011 Financial Results.

The dial-in number is ***1-866-323-8540***. The conference call will also be recorded for those unable to join in for the live discussion, and will be available until March 3, 2012. The number to call is ***1-866-245-6755 Passcode 283399***.

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SELECTED QUARTERLY FINANCIAL INFORMATION [1]

Quarterly Earnings Summary	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(millions of dollars except share, per share and foreign exchange rate amounts)							
Sales – Lumber	134.9	136.7	134.0	132.5	137.5	113.1	123.7	107.6
– Logs	22.9	36.0	28.6	20.8	20.6	21.9	19.8	17.4
– Wood chips and other residual products	17.5	17.6	16.8	16.4	15.7	14.0	13.3	13.2
– Other	14.6	9.9	8.7	10.0	2.4	2.4	1.0	1.7
Total Sales	190.0	200.2	188.2	179.7	176.3	151.5	157.9	139.9
Operating earnings (loss) before restructuring costs and asset impairments	(5.0)	1.0	(2.0)	1.0	1.5	(2.0)	(0.9)	(2.4)
Operating earnings (loss)	(4.9)	1.3	(2.1)	0.2	1.5	(2.5)	(2.0)	(2.5)
Net earnings (loss)	(6.5)	0.0	(5.3)	(1.7)	0.8	1.4	(3.5)	(3.8)
Net earnings (loss) per share – basic and diluted	(0.12)	0.00	(0.10)	(0.04)	0.02	0.03	(0.07)	(0.08)
Net earnings (loss), adjusted for certain one-time and other items[4]	(2.5)	(0.5)	(2.9)	(0.5)	0.5	(1.1)	(0.6)	(2.2)
Net earnings (loss), adjusted for certain one-time and other items – per share[4]	(0.04)	(0.01)	(0.05)	(0.01)	0.01	(0.02)	(0.01)	(0.05)
EBITDA[5]	7.9	14.7	11.6	12.8	14.6	15.3	13.7	10.0
Adjusted EBITDA[5]	8.0	14.3	11.6	12.7	14.5	10.6	13.3	10.0
Cash flow from operations per share[2]	0.08	0.26	0.22	0.27	0.22	0.18	0.25	0.21
Shares outstanding – end of period (millions)[3]	55.9	55.9	55.9	47.5	47.4	47.1	47.1	47.1
– weighted average (millions)	55.9	55.9	55.2	47.4	47.2	47.1	47.1	47.1
Average foreign exchange rate per US$1.00	1.0230	0.9808	0.9680	0.9856	1.0131	1.0395	1.0283	1.0401
Closing foreign exchange rate per US$1.00	1.0170	1.0482	0.9645	0.9696	0.9946	1.0290	1.0646	1.0158

1 Tables may not add due to rounding.

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

3 As at February 17, 2012, 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.

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

5 The Company discloses EBITDA as it is a measure used by analysts and Interfor's management to evaluate the Company's performance. As EBITDA is a non-GAAP measure, it may not be comparable to EBITDA calculated by others. In addition, as EBITDA is not a substitute for net earnings, readers should consider net earnings in evaluating the Company's performance. Adjusted EBITDA represents EBITDA adjusted for other income and other income of the investee company. EBITDA and Adjusted EBITDA can be calculated from the statements of operations as follows:

	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(millions of dollars)							
Net earnings (loss)	(6.5)	0.0	(5.3)	(1.7)	0.8	1.4	(3.5)	(3.8)
Add: Income taxes (recovery)	0.2	0.5	1.2	(0.4)	(0.5)	(0.2)	1.0	0.2
Finance costs	1.3	1.7	1.9	2.3	2.5	2.6	2.8	2.6
Depreciation, depletion and amortization	13.0	13.3	13.6	11.7	11.7	11.0	12.3	11.1
Other foreign exchange (gains) losses	0.1	(0.5)	0.1	0.1	0.2	0.1	0.1	-
Restructuring costs, asset impairments and other costs(recoveries)	(0.1)	(0.3)	0.1	0.8	-	0.5	1.1	-
EBITDA	7.9	14.7	11.6	12.8	14.6	15.3	13.7	10.0
Deduct:								
Other income (expense)	-	0.4	-	-	(0.3)	(0.1)	0.4	-
Other income of associate company	-	-	-	-	0.4	4.8	-	-
Adjusted EBITDA	8.0	14.3	11.6	12.7	14.5	10.6	13.3	10.0

Volume and Price Statistics

		2011				2010			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Lumber sales	(million fbm)	318	336	334	313	321	277	270	264
Lumber production	(million fbm)	294	313	325	332	303	272	277	258
Log sales[1]	(thousand cubic metres)	310	430	314	301	292	289	262	239
Log production[1]	(thousand cubic metres)	795	1,002	796	816	794	595	624	648
Average selling price – lumber[2]	($/thousand fbm)	$424	$407	$401	$423	$428	$408	$459	$408
Average selling price – logs[1]	($/cubic metre)	$69	$74	$82	$61	$64	$73	$68	$64
Average selling price – pulp chips	($/thousand fbm)	$51	$48	$44	$40	$42	$40	$37	$40

1 B.C. operations
2 Gross sales before duties and export taxes

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

Operating rates increased in the first quarter, 2010, as lumber prices rose in response to increased North American demand and a temporary supply/demand imbalance. During the same period off-shore demand increased, particularly from China, with rapid export market growth through the remaining quarters of 2010 and the first half, 2011 and leveling off for the balance of 2011.

The volatility of the Canadian dollar also impacted results, given that historically over 75% of the Canadian operation's lumber sales are to export markets and priced in U.S. dollars. A strong Canadian dollar reduces the lumber sales realizations in Canada, but reduces the impact of losses in U.S. operations when converted to Canadian dollars. No deferred tax assets arising from loss carry-forwards were recognized during 2010 or 2011.

In the first quarter, 2011 the Company acquired complete control of SGP. It was wound up in early January, 2011 but continued operations as Seaboard and its accounts were consolidated from the date of change in control on January 5, 2011. Other sales revenues include the ocean freight revenues of Seaboard.

Quarter 4, 2011 Compared to Quarter 4, 2010

Overview

The Company recorded a net loss of $6.5 million, or $0.12 per share, for the fourth quarter of 2011 compared to net earnings of $0.8 million, or $0.02 per share in the fourth quarter of 2010. Before restructuring costs, foreign exchange gains (losses), other one-time items and a tax valuation allowance, the Company's net loss for the fourth quarter, 2011 was $2.5 million after-tax or $0.04 per share, as compared to a net income of $0.5 million after-tax, or $0.01 per share for the fourth quarter, 2010.

EBITDA and Adjusted EBITDA for the fourth quarter of 2011 were $7.9 million and $8.0 million, respectively, compared to $14.6 million and $14.5 million, for the comparable quarter in 2010.

During the fourth quarter of 2011, lumber prices in the North American market decreased significantly compared to 2010. The average price reported by Random Lengths for SPF 2x4 #2&Btr was US$238 per mfbm for the fourth quarter, 2011 compared to US$269 per mfbm for the same quarter in 2010 and compared to

US$246 per mfbm in the third quarter, 2011. The Canadian dollar was weaker this quarter, which had a positive effect on revenues priced in U.S. dollars, as compared to the same quarter in 2010.

The Company focused on reducing lumber inventories through to the end of the fourth quarter, 2011; however inventories ended the year higher than in 2010. Generally, mill productivity rates were up during the quarter, however curtailments were taken at some the mills.

Sales

For the fourth quarter of 2011, total sales revenues were $190.0 million which represented an 8% increase over the same quarter in 2010.

For the fourth quarter, 2011, lumber sales volumes were 318 million fbm and revenues were $134.9 million. This is a 1% decrease in volume and a 2% decrease in revenues compared to the same period in 2010. Interfor increased shipments to the U.S. and Japan in the fourth quarter of 2011, offset by reductions of shipments to China and Canada when compared to the same quarter in 2010. In the fourth quarter, 2011 Interfor's lumber sales values decreased by $4 per mfbm or 1% compared to 2010. In the fourth quarter, 2011 the Canadian dollar depreciated by 1 cent relative to its U.S. counterpart, when compared to the average of the same quarter in 2010.

Log sales were up $2.4 million, or 11%, for the fourth quarter, 2011 as sales volumes increased by 18,000 m^3 or 6% over the same period in 2010. On the B.C. Coast, where the majority of log sales are transacted, the price per cubic meter improved by 10% in the fourth quarter of 2011, compared to the same period in 2010 reflecting higher export volumes and improved log markets.

Compared to the same periods of 2010, pulp chip and other residuals revenues for the fourth quarter of 2011 were up $1.8 million, resulting from higher overall chip prices. Average chip prices for the fourth quarter, 2011 increased by 20% even though pulp prices were lower over the same quarter, 2010. Chip price increases in the U.S. were enhanced by the weaker Canadian dollar in the fourth quarter, 2011 versus same period in 2010.

Other revenues for the fourth quarter, 2011 are mainly from Seaboard at $10.8 million; in 2010, Seaboard results were reported as equity income.

Operations

For the fourth quarter of 2011, production volumes decreased by 9 million fbm or 3% compared to the same quarter, 2010. Production costs for the fourth quarter of 2011 increased $19.6 million or 13%, which includes $11.5 million of costs related to Seaboard, compared to the same period in 2010. Lumber production, in general, decreased mainly due to curtailments and/or reduced operating rates at many of our mills due to high log costs during the quarter. In the fourth quarter 2011, the Peninsula mills were curtailed due to log supply issues. Although there were lower total operating hours, higher productivity rates and lumber recoveries minimized the decrease in overall production volume when compared to the same quarter in 2010.

Overall unit manufacturing costs per mfbm were higher in the fourth quarter of 2011, when compared to 2010 due to higher log costs. Log costs per mfbm during the fourth quarter, 2011 versus the same quarter last year were driven up on the B.C. Coast due to higher depletion and road amortization costs, and at the U.S. mills due to higher market price of purchased logs and the weaker Canadian dollar. Fibre supply for the Peninsula mills remains tight and prices high due to local demands and competition from the export log market. In the B.C. Interior, log consumption unit costs were lower due to overall lower delivered log cost and higher lumber recoveries compared to previous year's quarter. The B.C. Coast conversion unit costs this quarter, 2011 were higher compared to same quarter, 2010 due to lower production volumes and operating hours mainly due to log mix and maintenance at our Hammond mill. In the U.S., the unit conversion costs at the Washington mills were slightly higher due to lower production volumes and at the Oregon mills were lower due to higher production volumes. At the B.C. Interior mills, unit conversion costs were down due to higher productivity rates and production volumes.

Compared to the same quarter in 2010, B.C. log production remained flat overall with Coastal woodlands harvesting slightly less volume and the Interior harvesting slightly more volume, due mainly to the Castlegar mill operating more hours and at increased productivity rates offset in part, by the reduction of Grand Fork's head rig capacity.

Corporate and Other

Selling and administrative costs for the fourth quarter, 2011 increased by $1.0 million compared to the same quarter, 2010 primarily as a result of increased sales and export market administrative staff to support sales and marketing initiatives. LTIC expense is impacted by the change in the Company's share price and showed an expense of $0.9 million for the fourth quarter, 2011.

Compared to the same period, 2010, Canadian shipments to the U.S. for the fourth quarter, 2011 decreased by 4.2 million fbm, or 7%, which resulted in a decrease in export taxes of $0.2 million as the tax rate for both periods remained at 15%.

Amortization of plant and equipment for the fourth quarter in 2011 decreased by $0.6 million in comparison to the same period in 2010 due to the lower total operating hours at our manufacturing facilities.

Road amortization and depletion expense for the fourth quarter of 2011 increased by $1.9 million or 42% compared to the same quarter, 2010 as a result of changes in areas being logged and a significant reduction in heli-logging activity on the B.C. Coast, and increased harvesting in the Interior.

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

Fourth quarter, 2011, interest expense was reduced by $1.0 million compared to same period in 2010, due to the lower rates of the renegotiated Revolving Term Line and the lower average balance outstanding in the quarter; this was partially offset by a weaker Canadian dollar in fourth quarter 2011. Other foreign exchange gains (losses) were negligible for both years.

Other income was negligible in the fourth quarter, 2011 compared to an expense of $0.3 million for the fourth quarter, 2010 from the disposal of surplus equipment and roads. In the fourth quarter, 2010, the Company reported equity participation in the earnings of Seaboard of $1.7 million. Seaboard's results are consolidated in 2011.

Income Taxes

The Company recorded an income tax expense of $0.2 million in the fourth quarter of 2011 as compared to a $0.5 million recovery in the comparative period of 2010. The unrecognized deferred tax assets in relation to unused tax losses that are available to carry forward against future taxable income were increased by $3.9 million (fourth quarter, 2010 – decreased by $0.3 million). Although the Company expects to realize the full benefit of the loss carry-forwards and other deferred tax assets, due the cyclical nature of the forest products industry and the economic conditions over the last several years, the Company has not recognized the benefit of its deferred tax assets in excess of its deferred tax liabilities.

Cash Flow

Cash generated by the Company from operations, after changes in working capital, was $3.9 million for the fourth quarter of 2011, compared to cash generated of $5.4 million for the fourth quarter of 2010. Net earnings for the fourth quarter 2011 was $7.2 million lower than the same period in 2010, which resulted in quarterly cash from operations of $4.6 million in 2011 compared to $10.6 million in 2010.

In the fourth quarter of 2011, funds were drawn from the Revolving Term Line for operating and capital requirements, which were partially repaid during the quarter. In the fourth quarter, 2010 the Company received an $8.8 million advance from Seaboard which it used to pay down a portion of its Revolving Term Line.

Capital expenditures on plant and equipment for the fourth quarter, 2011 were $3.5 million, of which $2.2 million was on high return discretionary projects and $1.3 million on maintenance of operating capacity. Spending on road construction totaled $5.4 million. Comparable spending for the fourth quarter, 2010 of $8.9 million was divided evenly between high return discretionary and maintenance projects, and road construction.

The Company had cash of $10.4 million at December 31, 2011 and ended the quarter with net debt of $100.3 million or 20.4% of invested capital.

Softwood Lumber Agreement Arbitration

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

Under the terms of the SLA, consultations between the two governments were held but the matter was not resolved and on January 18, 2011 the U.S. Trade Representative filed for arbitration by the London Court of International Arbitration ("LCIA"). Decisions by the LCIA are final and binding on both parties.

In August, 2011, the U.S. Trade Representative filed a detailed statement of claim with the LCIA. In November, 2011, B.C. lumber producers filed their statement of defense against the U.S. allegations that Canada is exporting mountain pine beetle lumber at unfairly low prices. Oral arguments are to be heard February 2012. The Company believes that B.C. and Canada are complying with their obligations under the SLA.

As the U.S. arbitration request is still in preliminary stages the existence of any potential claim has not been determined and no provision has been recorded in the financial statements as at December 31, 2011.

While the arbitration process is ongoing, export tax will continue to apply on all shipments of B.C. lumber to the U.S.

Significant Customer enters into Creditor Protection

On January 31, 2012, Catalyst Paper Corporation ("Catalyst") announced that the company and certain of its subsidiaries had obtained an Initial Order from the Supreme Court of British Columbia under the Companies' Creditors Arrangement Act. Catalyst is the primary buyer of Interfor's chips on the B.C. Coast, under long-term purchase contracts. Catalyst is also a purchaser of Interfor's pulp logs and other residuals.

Catalyst has indicated that the operations of Catalyst and its subsidiaries are intended to continue as usual, and obligations to employees and suppliers during the restructuring process are expected to be met in the ordinary course.

All trade accounts receivable outstanding as at December 31, 2011 have been collected in 2012 and therefore no allowance was provided.

As at February 17, 2012 the trade accounts receivable at risk for non-payment totals approximately $0.4 million.

The outcome of Catalyst's restructuring and any potential impact to the Company cannot be determined at this point. The court has granted Interfor a security interest as a critical supplier, on all current and future products purchased from Interfor.

NEW ACCOUNTING POLICIES AND ACCOUNTING POLICY CHANGES

Convergence with International Financial Reporting Standards

Effective January 1, 2011 Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date was January 1, 2010.

While IFRS uses a conceptual framework similar to Canadian Generally Accepted Accounting Principles ("GAAP"), there are significant differences on recognition, measurement, and disclosures. The Company identified a number of key areas impacted by changes in accounting policies, including: property, plant, and equipment; impairment of assets; provisions, including reforestation liabilities and other decommissioning obligations; share-based payments; employee future benefits; and deferred income taxes.

Note 28 to the consolidated financial statements provides more detail on key Canadian GAAP to IFRS differences, accounting policy decisions and *IFRS 1, First-Time Adoption of International Financial Reporting Standards* optional exemptions for significant or potentially significant areas that have had an impact on Interfor's financial statements on transition to IFRS or may have an impact in future periods.

IFRS Transitional Impact on Equity

As a result of the policy choices selected and changes required under IFRS, Interfor has recorded an increase in equity of $3.4 million as at the date of transition, January 1, 2010. The table below outlines adjustments to equity on adoption of IFRS on January 1, 2010 and December 31, 2010 for comparative purposes[1]:

	January 1 2010	December 31 2010
	(millions of dollars)	
Equity under Canadian GAAP	$ 358.0	$ 347.3
Transition election to fair value property	15.7	15.7
Employee future benefits	(6.9)	(9.0)
Decommissioning liabilities	(2.8)	(3.3)
Share based compensation	(2.1)	(2.2)
Equity participation in associate's income	(0.9)	(1.1)
Deferred income taxes	0.3	-
Total IFRS adjustments to equity	3.4	0.2
Equity under IFRS	$ 361.4	$ 347.5

[1] Table may not add due to rounding

IFRS Impact on Comprehensive Income

The following is a summary of the adjustments to Comprehensive Income for the year ended December 31, 2010 under IFRS:[1]

	Year ended December 31, 2010
	(millions of dollars)
Comprehensive loss under Canadian GAAP	$ (11.6)
Profit adjustments	
Employee future benefits	0.4
Decommissioning liabilities	(0.5)
Share based compensation	(0.1)
Equity participation in associate's income[2]	-
Plant and equipment[2]	-
Deferred income taxes	(0.9)
Total IFRS adjustments to net earnings	(1.3)
Other comprehensive income adjustments	
Employee future benefits – actuarial gains (losses)	(2.5)
Equity participation in associate's employee future benefits	(0.1)
Deferred income taxes	0.6
Total other comprehensive income adjustments	(2.0)
Comprehensive income (loss) under IFRS	$ (14.8)

[1] Table may not add due to rounding

[2] Due to rounding, amount appears to have no impact

IFRS Impact on Cash Flow Statement

The only impact of IFRS on the Statement of Cash Flows is in the presentation of cash interest paid as a financing activity. Under previous Canadian GAAP, cash interest paid was included as an operating activity.

As a result, this presentation change will increase the cash flows from operating activities and reduce cash flows from financing activities in future periods by the equivalent amount. For the year ended December 31, 2010 operating cash flows increased by $8.9 million compared to Canadian GAAP, with cash flow from financing activities reduced by the same amount. There is no impact on cash and cash equivalents as a result of this presentation change.

IFRS Impact on Financial Statement Presentation

The transition to IFRS has resulted in numerous presentation changes in the financial statements. The significant changes are summarized as follows:

- Other intangible assets include software licences. These licences were previously included in Property, plant and equipment;
- The Statement of Financial Position presents additional disclosure of balances separately including employee future benefits assets and provisions and the investment in associate company;
- Finance costs include interest on debt, accretion expense for decommissioning provisions, and amortization of prepaid financing costs. Accretion was previously included in Production costs. Amortization of prepaid financing costs was previously included in Depletion and amortization of timber, roads and other; and
- Interest paid is presented as a financing activity in the Statement of Cash Flows, as previously described.

The above changes are reclassifications within the financial statements and have no impact on net earnings or equity.

IFRS Impact on Key Performance Measures

The transition to IFRS did not significantly impact the Company's financial covenants and key ratios that have an equity component.

IFRS Impact on Controls and Information Systems

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

New Accounting Policy – Derivative Financial Instruments, Interest Rate Swaps

On August 25, 2011, the Company entered into two interest rate swaps and designated these financial instruments as cash flow hedges. The intent of these swaps is to convert floating-rate interest expense to fixed-rate interest expense based on BA CDOR. As these derivatives are designated as the hedging instrument in a cash flow hedge of fluctuations in market interest rates associated with specific drawings under the Revolving Term Line, the effective portion of changes in the fair value of the derivative is recognized in Other comprehensive income (loss) and presented in the Hedging reserve in Equity. Any ineffective portion of the changes in the fair value of the derivative is recognized immediately in Net earnings (loss).

Future Accounting Policy Changes

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

IAS 19, Employee Benefits, was revised to eliminate the option to defer recognition of gains and losses, known as the "corridor method", and to enhance disclosure requirements for defined benefit plans. As the Company did not choose the corridor method in accounting for its defined benefit plans, there is no impact on its financial statements as a result of the elimination of this option. This standard is in effect for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted.

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

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

INTERFOR

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months and years ended December 31, 2011 and 2010 (unaudited)

(thousands of Canadian dollars except earnings (loss) per share)	3 Months Dec. 31, 2011	3 Months Dec. 31, 2010	Year Dec. 31, 2011	Year Dec. 31, 2010
		(notes 2, 19)		(notes 2, 19)
Sales	$ 189,952	$ 176,303	$ 758,016	$ 625,618
Costs and expenses:				
Production	173,412	153,770	681,363	556,551
Selling and administration	5,300	4,328	20,548	17,508
Long term incentive compensation expense	934	2,446	449	1,966
Export taxes	2,313	2,524	9,029	7,427
Depreciation of plant and equipment (note 10)	6,751	7,344	27,291	27,475
Depletion and amortization of timber, roads and other (note 10)	6,208	4,357	24,263	18,521
	194,918	174,769	762,943	629,448
Operating earnings (loss) before restructuring costs	(4,966)	1,534	(4,927)	(3,830)
Restructuring (costs) recovery (note 11)	104	9	(580)	(1,578)
Operating earnings (loss)	(4,862)	1,543	(5,507)	(5,408)
Finance costs (note 12)	(1,268)	(2,509)	(7,094)	(10,441)
Other foreign exchange gain (loss)	(127)	(169)	204	(280)
Other income (expense) (note 13)	(45)	(284)	371	(25)
Equity in earnings of associate company	-	1,652	-	11,431
	(1,440)	(1,310)	(6,519)	685
Earnings (loss) before income taxes	(6,302)	233	(12,026)	(4,723)
Income tax expense (recovery):				
Current	282	18	817	60
Deferred	(117)	(541)	610	410
	165	(523)	1,427	470
Net earnings (loss)	(6,467)	756	(13,453)	(5,193)
Other comprehensive income (loss):				
Foreign currency translation differences	(4,024)	(4,730)	2,632	(7,433)
Defined benefit plan actuarial losses	1,030	1,644	(4,541)	(2,490)
Equity share of associate company's defined benefit plan actuarial losses	-	372	-	(115)
Loss in fair value of interest rate swaps	(3)	-	(503)	-
Income tax recovery (expense) on other comprehensive income (loss)	-	(281)	250	410
	(2,997)	(2,995)	(2,162)	(9,628)
Total comprehensive loss for the period	$ (9,464)	$ (2,239)	$ (15,615)	$ (14,821)
Net earnings (loss) per share, basic and diluted (note 14)	$ (0.12)	$ 0.02	$ (0.25)	$ (0.11)

See accompanying notes to consolidated financial statements

INTERFOR

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2011 and 2010 (unaudited)

(thousands of Canadian dollars)	Year Dec. 31, 2011	Year Dec. 31, 2010
Cash provided by (used in):		
Operating activities:		
Net loss	$ (13,453)	$ (5,193)
Items not involving cash:		
Depreciation of plant and equipment	27,291	27,475
Depletion and amortization of timber, roads and other	24,263	18,521
Income tax recovery	1,427	470
Finance costs	7,094	10,441
Other assets	238	(5)
Reforestation liability	(90)	(670)
Provisions and other liabilities	(2,761)	287
Equity in earnings of associate company	-	(11,431)
Write-downs (reversals) of plant and equipment and roads	(423)	809
Unrealized foreign exchange losses (gains)	191	(71)
Other (note 13)	(184)	25
	43,593	40,658
Cash generated from (used in) operating working capital:		
Trade accounts receivable and other	3,191	(13,461)
Inventories	(25,613)	(12,423)
Prepayments	(1,698)	(551)
Trade accounts payable and accrued liabilities	9,588	15,161
Income taxes refunded (paid)	(622)	396
	28,439	29,780
Investing activities:		
Additions to property, plant and equipment	(16,099)	(10,745)
Additions to logging roads	(19,987)	(16,261)
Additions to timber and other intangible assets	(126)	(15,218)
Proceeds on disposal of property, plant, and equipment	273	1,325
Cash received on acquisition of subsidiary (note 5)	4,846	-
Investments and other assets	(921)	(4,383)
	(32,014)	(45,282)
Financing activities:		
Issuance of capital stock, net of share issue expenses (note 9)	56,256	862
Interest payments	(5,629)	(8,881)
Funds from promissory note payable to associate	-	15,738
Additions to long-term debt (note 8(b))	100,000	125,819
Repayments of long-term debt (note 8(b))	(146,000)	(112,534)
	4,627	21,004
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	82	(3)
Increase in cash	1,134	5,499
Cash and cash equivalents, beginning of year	9,301	3,802
Cash and cash equivalents, end of year	$ 10,435	$ 9,301

See accompanying notes to consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and December 31, 2010 (unaudited)

(thousands of Canadian dollars)	Dec. 31, 2011	Dec. 31, 2010 (notes 2, 19)
Assets		
Current assets:		
Cash and cash equivalents (note 8(c))	$ 10,435	$ 9,301
Trade accounts receivable and other	44,000	45,961
Inventories (note 7)	97,645	71,762
Prepayments	10,757	8,334
	162,837	135,358
Employee future benefits	1,256	515
Investment in associate company (notes 5 and 6)	-	16,074
Other investments and assets	2,836	2,636
Property, plant and equipment	340,034	347,990
Logging roads and bridges	16,753	17,063
Timber licences	76,792	80,154
Other intangible assets	1,250	1,723
Goodwill	13,078	13,078
	$ 614,836	$ 614,591
Liabilities and Equity		
Current liabilities:		
Trade accounts payable and accrued liabilities	$ 60,692	$ 50,053
Reforestation liability	14,121	9,785
Income taxes payable	1,058	230
Payable to associate company (note 6)	-	15,738
	75,871	75,806
Reforestation liability	17,777	17,325
Long-term debt (notes 8(a), 8(b))	110,713	156,037
Employee future benefits	8,186	5,815
Provisions and other liabilities	11,467	12,158
Equity:		
Share capital (note 9)		
Class A subordinate voting shares	342,285	285,362
Class B common shares	4,080	4,080
Contributed surplus	7,476	5,408
Translation reserve	(4,929)	(7,646)
Hedge reserve	(503)	-
Retained earnings	42,413	60,246
	390,822	347,450
	$ 614,836	$ 614,591

Contingencies (note 17)
Subsequent events (note 18)

See accompanying notes to consolidated financial statements
On behalf of the Board:

E.L. Sauder
Director

G.H. MacDougall
Director

INTERFOR

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2011 and 2010 (unaudited)

(thousands of Canadian dollars)	Class A Share Capital	Class B Share Capital	Contributed Surplus	Translation Reserve	Hedging Reserve	Retained Earnings	Total
Balance at January 1, 2010	$ 284,500	$ 4,080	$ 5,408	$ -	$ -	$ 67,421	$ 361,409
Net loss for the period:	-	-	-	-	-	(5,193)	(5,193)
Other comprehensive loss:							
Foreign currency translation differences, net of tax	-	-	-	(7,646)	-	-	(7,646)
Defined benefit plan actuarial losses, net of tax	-	-	-	-	-	(1,867)	(1,867)
Equity in associate company's defined benefit plan actuarial losses	-	-	-	-	-	(115)	(115)
Contributions:							
Share options exercised	862	-	-	-	-	-	862
Balance at December 31, 2010	285,362	4,080	5,408	(7,646)	-	60,246	347,450
Net loss for the period:	-	-	-	-	-	(13,453)	(13,453)
Other comprehensive earnings (loss):							
Foreign currency translation differences, net of tax	-	-	-	2,717	-	-	2,717
Defined benefit plan actuarial losses, net of tax	-	-	-	-	-	(4,376)	(4,376)
Loss in fair value of interest rate swaps	-	-	-	-	(503)	-	(503)
Contributions:							
Share options exercised	1,370	-	-	-	-	-	1,370
Share issuance, net of share issue expenses and tax	55,553	-	-	-	-	-	55,553
Changes in ownership interests in investee:							
Acquisition of subsidiary	-	-	2,068	-	-	(4)	2,064
Balance at December 31, 2011	$ 342,285	$ 4,080	$ 7,476	$ (4,929)	$ (503)	$ 42,413	$ 390,822

See accompanying notes to consolidated financial statements.

1. Nature of operations:

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

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

The condensed consolidated interim financial statements of the Company as at and for the three months and year ended December 31, 2011 comprise the Company and its subsidiaries. The consolidated financial statements of the Company as at and for the year ended December 31, 2010 which were prepared under Canadian generally accepted accounting principles ("GAAP") are available on www.sedar.com.

2. Statement of Compliance:

(a) Statement of compliance and conversion to International Financial Reporting Standards ("IFRS"):

For fiscal years commencing January 1, 2011 Canadian GAAP were converged with IFRS. Consequently, the Company has prepared current and comparative financial information under IFRSs for the reporting period ending December 31, 2011. These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. As these IFRS condensed consolidated interim financial statements are for part of the period covered by the first IFRS annual financial statements IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company as at the date of transition of January 1, 2010 and as at December 31, 2010 have been fully described in note 19 of the Company's unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2011 as filed on www.sedar.com.

Reconciliations of equity as at December 31, 2010 and total comprehensive income for the three months and year ended December 31, 2010 comparative periods reported under Canadian GAAP to those reported for those periods under IFRS are provided in note 19.

In these financial statements the term Canadian GAAP refers to Canadian GAAP before the adoption of IFRS.

These condensed consolidated interim financial statements were approved by the Board of Directors on February 17, 2012.

(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) Long-term debt is measured at fair value at inception and at amortized cost thereafter;

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

(iv) 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.

3. Significant accounting policies:

The accounting policies that the Company has adopted in its consolidated financial statements for the year ended December 31, 2011 have been fully described in note 3 of the Company's unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2011 and as filed on www.sedar.com. These accounting policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

New Accounting Policy – Derivative Financial Instruments, Interest Rate Swaps:

On August 25, 2011, the Company entered into two interest rate swaps and designated these financial instruments as cash flow hedges. The intent of these swaps is to convert floating-rate interest expense to fixed-rate interest expense based on BA CDOR. As these derivatives are designated as the hedging instrument in a cash flow hedge of fluctuations in market interest rates associated with specific drawings under the Revolving Term Line, the effective portion of changes in the fair value of the derivative is recognized in Other comprehensive income (loss) and presented in the Hedging reserve in Equity. Any ineffective portion of the changes in the fair value of the derivative is recognized immediately in Net earnings (loss).

Future accounting changes:

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

IAS 19, *Employee Benefits*, was revised to eliminate the option to defer recognition of gains and losses, known as the "corridor method", and to enhance disclosure requirements for defined benefit plans. As the Company did not choose the corridor method in accounting for its defined benefit plans, there is no impact on its financial statements as a result of the elimination of this option. This standard is in effect for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted.

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

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

4. Seasonality of operating results:

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

5. Acquisition:

On January 5, 2011, all partners in the Seaboard General Partnership ("the SGP") withdrew with the exception of Interfor. The SGP was wound-up on January 7, 2011 and continues shipping operations as Seaboard Shipping Company Limited ("Seaboard") which became a wholly-owned subsidiary of Interfor. Seaboard's accounts are included in the consolidated financial statements of the Company from the date of change in control.

This acquisition has been accounted for using the purchase method. At the date of change in control the identifiable assets acquired and liabilities and residual equity assumed were recorded at fair value based on management's best estimates and allocated as follows:

Assets acquired:		
Cash	$	4,846
Other current assets		1,950
Employee future benefits		1,659
		8,455
Liabilities assumed:		
Current liabilities		(4,792)
Income taxes payable		(630)
Employee future benefits		(326)
Deferred income taxes		(307)
Residual equity assumed:		
Contributed surplus		(2,068)
Withdrawing partners' share of actuarial gains and losses recognized through Other Comprehensive Income		4
Previous carrying value of investment in associate	$	336

There was no cash consideration paid and the net assets acquired were equal to the existing interest in Seaboard at the date of change in control.

For the year ended December 31, 2011 Seaboard contributed $39,875,000 in sales revenue and $2,298,000 in net earnings.

6. Payable to associate company:

On July 30, 2010 the SGP made an advance to its partners, with the Company's share of the advance being $6,896,000. A second advance was made on December 30, 2010 and Interfor received an additional $8,842,000. The Company signed unsecured promissory notes in respect of each of these advances, payable on demand on or before January 3, 2011 and non-interest bearing until January 3, 2011.

On January 3, 2011, the SGP declared an income distribution to its partners, of which the Company's share of $15,738,000 was received by way of setoff against the promissory note payable to the SGP. In accordance with equity accounting, the income distribution was recorded as a reduction of the investment in associate company.

7. Inventories:

	Dec. 31, 2011	Dec. 31, 2010
Logs	$ 59,412	$ 39,107
Lumber	31,729	27,353
Other	6,504	5,302
	$ 97,645	$ 71,762

Inventory expensed in the period includes production costs, depreciation of plant and equipment, and depletion and amortization of timber, roads and other. The inventory writedown in order to record inventory at the lower of cost and net realizable value at December 31, 2011 was $10,006,000 (December 31, 2010 - $6,253,000).

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

8. Cash and borrowings:

December 31, 2011	Operating Facility	Revolving Term Facility	Total
Available line of credit	$ 65,000	$ 200,000	$ 265,000
Maximum borrowing available	65,000	200,000	265,000
Drawings	-	110,713	110,713
Outstanding letters of credit included in line utilization	5,062	-	5,062
Unused portion of line	59,938	89,287	149,225
December 31, 2010			
Available line of credit	$ 65,000	$ 200,000	$ 265,000
Maximum borrowing available	65,000	200,000	265,000
Drawings	-	156,037	156,037
Outstanding letters of credit included in line utilization	4,756	-	4,756
Unused portion of line	60,244	43,963	104,207

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

Twelve months ending	
December 31, 2012	$ -
December 31, 2013	-
December 31, 2014	-
December 31, 2015	110,713
December 31, 2016	-
	$ 110,713

(a) Operating Line:

The Canadian operating line of credit ("Operating Line") may be drawn in either CAD$ or US$ advances, and bears interest at bank prime plus a margin or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans plus a margin, and in all cases dependent upon a financial ratio of total debt divided by twelve months' trailing EBITDA[1]. Borrowing levels under the Operating Line are subject to a borrowing base calculation dependent on certain accounts receivable and inventories.

The Operating Line is secured by a general security agreement which includes a security interest in all accounts receivable and inventories, charges against timber tenures, and mortgage security on sawmills. The Operating Line is subject to certain financial covenants including a minimum working capital requirement, a maximum ratio of total debt to total capitalization and a minimum net worth calculation. As at December 31, 2011, other than outstanding letters of credit included in the line utilization, the Operating Line was undrawn (December 31, 2010 - $nil).

On July 11, 2011, the Company extended and amended its Operating Line with the maturity date of the Operating Line extended from July 28, 2012 to July 28, 2015. All other terms and conditions of the line remain substantially unchanged except for a reduction in pricing.

(b) Revolving Term Line:

The Revolving Term Line may be drawn in either CAD$ or US$ advances, and bears interest at bank prime plus a margin or, at the Company's option, at rates for Bankers' Acceptances or LIBOR based loans plus a margin, and in all cases dependent upon a financial ratio of total debt divided by twelve months' trailing EBITDA[1].

The Revolving Term Line is available to a maximum of $200,000,000 and is secured by a general security agreement which includes a security interest in all accounts receivable and inventories, charges against timber tenures, and mortgage security on sawmills. The line is subject to certain financial covenants including a minimum working capital requirement and a maximum ratio of total debt to total capitalization and a minimum net worth calculation.

As at December 31, 2011, the Revolving Term Line was drawn by US$30,200,000 (December 31, 2010 – US$30,200,000) revalued at the year-end exchange rate to $30,713,000 (December 31, 2010 - $30,037,000), and $80,000,000 (December 31, 2010 - $126,000,000) for total drawings of $110,713,000 (December 31, 2010 - $156,037,000).

The US$30,200,000 drawing under the Revolving Term Line has been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange losses of $676,000 (2010 - $1,703,000 gain) arising on revaluation of the Non-Revolving Term Line were recognized in Foreign exchange translation differences in Other comprehensive income. For the fourth quarter, 2011 the unrealized foreign exchange gain of $942,000 (Quarter 4, 2010 - $1,039,000 gain) was recognized in Other comprehensive income.

On July 11, 2011, the Company extended and amended its Revolving Line with the maturity date of the Revolving Line extended from July 28, 2013 to July 28, 2015. All other terms and conditions of the line remain substantially unchanged except for a reduction in pricing.

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

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

8. Cash and borrowings (continued):

(c) Other:

On January 5, 2011 the Company acquired full control of Seaboard and its wholly-owned subsidiary, Seaboard International Shipping Company (see note 5). Seaboard had demand facilities with a Canadian bank which were secured by a general assignment of accounts receivable, inventory and insurance. The demand lines could be drawn in either CAD$ or US$ and bore interest at either the bank prime rate plus a margin for CAD$ borrowings or the U.S. base rate plus a margin for $US borrowings. Borrowing levels under the line were subject to a borrowing base calculation dependent on certain accounts receivable.

On September 29, 2011 both lines were cancelled and the related security was released.

At December 31, 2011 the Company's cash balances are restricted by the amount of Seaboard's outstanding letters of credit of $134,000.

9. Share capital:

The transactions in share capital are described below:

	Number			
	Class A	Class B	Total	Amount
Balance, December 31, 2009	46,101,476	1,015,779	47,117,255	$ 288,580
Shares issued on exercise of options	236,200	-	236,200	862
Balance, December 31, 2010	46,337,676	1,015,779	47,353,455	289,442
Shares issued on exercise of options	287,000	-	287,000	1,370
Share issuance, net of share issue costs and income tax benefit	8,222,500	-	8,222,500	55,553
Balance, December 31, 2011	54,847,176	1,015,779	55,862,955	$ 346,365

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

10. Depreciation, depletion and amortization:

Depreciation, depletion and amortization allocated by function is as follows:

	3 Months Dec. 31, 2011	3 Months Dec. 31, 2010	Year Dec. 31, 2011	Year Dec. 31, 2010
Production	$ 12,722	$ 11,441	$ 50,644	$ 44,973
Selling and administration	237	260	910	1,023
	$ 12,959	$ 11,701	$ 51,554	$ 45,996

11. Restructuring costs:

	3 Months Dec. 31, 2011	3 Months Dec. 31, 2010	Year Dec. 31, 2011	Year Dec. 31, 2010
Severance costs (recovery)	$ (104)	$ (9)	$ 265	$ 1,093
Contractor buyout	-	-	840	-
Plant and equipment write-downs (reversal)	-	-	(423)	485
Other recovery	-	-	(102)	-
	$ (104)	$ (9)	$ 580	$ 1,578

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

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

During the third quarter, 2011, the Company also reversed an amount of $423,000 for a write-down for an asset previously considered impaired. A refinement of severance provisions resulted in a reversal of $104,000 in severance costs for the fourth quarter, 2011.

During the first quarter of 2010 the Company revised its estimated severance costs and recorded $33,000 in additional restructuring costs. In the second quarter of 2010 the Company restructured certain of its manufacturing operations resulting in additional severance costs of $1,074,000. The Company recorded $485,000 in asset write-downs in the third quarter, 2010, as it determined certain assets were impaired.

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

12. Finance costs:

	3 Months Dec. 31, 2011	3 Months Dec. 31, 2010	Year Dec. 31, 2011	Year Dec. 31, 2010
Interest on borrowing	$ 1,120	$ 2,104	$ 5,608	$ 8,525
Accretion expense	132	173	707	787
Amortization of prepaid finance costs	16	232	779	1,129
	$ 1,268	$ 2,509	$ 7,094	$ 10,441

13. Other income (expense):

	3 Months Dec. 31, 2011	3 Months Dec. 31, 2010	Year Dec. 31, 2011	Year Dec. 31, 2010
Gain (loss) on disposal of surplus plant and equipment, and licences	$ (44)	$ (84)	$ 184	$ (201)
Gain on settlement of timber takeback	-	-	-	376
Gain on lumber futures trading	(1)	-	187	-
Other (expense)	-	(200)	-	(200)
	$ (45)	$ (284)	$ 371	$ (25)

In the first, second and third quarters, 2011, the Company disposed of surplus equipment and a timber licence which generated $257,000 in proceeds and a gain of $228,000. Further minor sales of surplus property resulted in a loss of $44,000 for the fourth quarter, 2011.

During the third and fourth quarters, 2011 the Company generated a gain of $187,000 on lumber futures trading.

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

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

14. Net earnings (loss) per share:

	3 Months Dec. 31, 2011			3 Months Dec. 31, 2010		
	Net loss	Weighted Average Number of Shares	Per share	Net earnings	Weighted Average Number of Shares	Per share
Basic earnings per share	$ (6,467)	55,863	$ (0.12)	$ 756	47,165	$ 0.02
Share options	-	-	-	-	7	-
Diluted earnings per share	$ (6,467)	55,863	$ (0.12)	$ 756	47,172	$ 0.02

	Year Dec. 31, 2011			Year Dec. 31, 2010		
	Net loss	Weighted Average Number of Shares	Per share	Net loss	Weighted Average Number of Shares	Per share
Basic loss per share	$ (13,453)	53,611	$ (0.25)	$ (5,193)	47,134	$ (0.11)
Share options	-	-	-	-	7*	-
Diluted loss per share	$ (13,453)	53,611	$ (0.25)	$ (5,193)	47,134	$ (0.11)

*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.

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

15. 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.

In the first quarter, 2011 the Company acquired complete control of the SGP. The SGP was wound up on early January, 2011 but continued operations as Seaboard and its accounts were consolidated from the date of change in control on January 5, 2011. Other sales revenues in sales by product line include the ocean freight revenues of Seaboard.

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

	3 Months Dec. 31, 2011	3 Months Dec. 31, 2010	Year Dec. 31, 2011	Year Dec. 31, 2010
Canada	$ 57,691	$ 43,788	$ 214,876	$ 171,113
United States	68,723	61,865	263,166	244,625
China/Taiwan	27,030	33,225	137,421	79,625
Japan	26,978	23,092	98,088	80,856
Other export	9,530	14,333	44,465	49,399
	$ 189,952	$ 176,303	$ 758,016	$ 625,618

Sales by product line are as follows:

	3 Months Dec. 31, 2011	3 Months Dec. 31, 2010	Year Dec. 31, 2011	Year Dec. 31, 2010
Lumber	$ 134,897	$ 137,549	$ 538,138	$ 481,983
Logs	22,940	20,577	108,413	79,763
Wood chips and other by products	17,538	15,731	68,355	56,217
Ocean freight and other	14,577	2,446	43,110	7,655
	$ 189,952	$ 176,303	$ 758,016	$ 625,618

16. Financial instruments:

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

As at December 31, 2011, the Company has outstanding obligations to sell a maximum of US$16,300,000 at an average rate of CAD$1.0334 to the US$1.00 and sell Japanese ¥90,000,000 at an average rate of ¥75.65 to the US$1.00 and buy US$2,000,000 at an average rate of CAD$1.01775 to the US$1.00 during 2012. All foreign currency gains or losses to December 31, 2011 have been recognized in Sales revenue in Net earnings and the fair value of these foreign currency contracts being an asset of $283,000 (measured based on Level 2 of the fair value hierarchy) has been recorded in Trade accounts receivable and other (December 31, 2010 - $492,000 asset recorded in Trade accounts receivable and other and $18,000 liability recorded in Trade accounts payable and accrued liabilities 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. The intent of these swaps is to convert floating-rate interest expense to fixed-rate interest expense. As these interest rate swaps have been designated as cash flow hedges the fair value of these interest rate swaps at December 31, 2011 being a liability of $503,000 (measured based on Level 2 of the fair value hierarchy) has been recorded in Trade accounts payable and accrued liabilities and a charge of $3,000 and $503,000 have been recognized in Other comprehensive income for the fourth quarter and year, 2011 respectively.

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

17. Contingencies:

(a) Softwood Lumber Agreement:

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

In August, 2011 the U.S. Trade Representative filed a detailed statement of claim with the LCIA and Canada delivered its initial response in November, 2011. A hearing before the arbitration panel is expected to take place in early 2012 with a final decision expected by the end of 2012.

17. Contingencies (continued):

(a) Softwood Lumber Agreement (continued):

As the U.S. arbitration request is still in preliminary stages the existence of any potential claim has not been determined and no provision has been recorded in the financial statements as at December 31, 2011.

(b) Storm and earthquake damage:

In September 2011, an earthquake on Vancouver Island and heavy rains on the B.C. mainland coastal and inlet areas resulted in mudslides and debris torrents with some logging areas impacted by road washouts and bridge and culvert damage. Due to the remoteness and magnitude of the areas impacted the Company has been unable to fully assess the extent of the damage and its related costs.

Similarly, in the latter half of September 2010, heavy rains and strong winds on northern Vancouver Island and the B.C. Central Coast triggered mudslides, road washouts and flooding and caused bridge and culvert damage. Certain losses relating to the 2010 storm damage were covered by insurance and in June, 2011 the Company settled with its insurers for recovery of qualifying expenditures, net of the insurance deductible for total proceeds of $4,836,000 of which $4,815,000 was received in the second quarter, 2011.
During the first quarter, 2011, the Company recorded business interruption insurance recoveries of $2,211,000 as a reduction in Production costs in net earnings with a further recovery of $503,000 recognized during the second quarter, 2011 for total recoveries reflected in net earnings of $2,714,000.

A further $525,000 was applied against amounts previously set up as receivable for costs already incurred. The remaining $1,576,000 was set up as a provision for future remediation on roads and bridges, with $482,000 recorded in Trade accounts payable and accrued liabilities and $1,094,000 recorded in Provisions and other liabilities. Under the terms of the insurance settlement, the insurance proceeds must be used for remediation.

As at December 31, 2011 $1,152,000 of these provisions remain unspent.

18. Subsequent events:

(a) Softwood Lumber Agreement extension

On January 23, 2012, the federal governments of Canada and the United States announced a two year extension of the 2006 Softwood Lumber Agreement to October 2015.

(b) Significant customer enters into creditor protection

On January 31, 2012, Catalyst Paper Corporation ("Catalyst") announced that the company and certain of its subsidiaries had obtained an Initial Order from the Supreme Court of British Columbia under the Companies' Creditors Arrangement Act. Catalyst is the primary buyer of Interfor's chips on the B.C. Coast, under long-term purchase contracts. Catalyst is also a purchaser of Interfor's pulp logs and other residuals.

Catalyst has indicated that the operations of the Catalyst and its subsidiaries are intended to continue as usual, and obligations to employees and suppliers during the restructuring process are expected to be met in the ordinary course.

All trade accounts receivable outstanding as at December 31, 2011 have been collected in 2012 and therefore no allowance was provided.

As at February 17, 2012 the trade accounts receivable at risk for non-payment total $439,000.

The outcome of Catalyst's restructuring and any potential impact to the Company cannot be determined at this point. The Court has granted Interfor a security interest as a critical supplier on all current and future products purchased from Interfor.

19. Explanation of transition to IFRS:

As stated in note 2 (a), these consolidated interim financial statements are prepared in accordance with IFRSs.

As described in note 3, the accounting policies adopted by the Company under IFRSs have been applied in preparing the interim financial statements for the comparative information presented in these unaudited condensed consolidated interim financial statements for both the three months and year ended December 31, 2010.

An explanation of how the transition from previous GAAP to IFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

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

19. Explanation of transition to IFRSs (continued):

Reconciliation of equity

December 31, 2010

(thousands of Canadian dollars)	Note	Previous GAAP	IFRSs Reclassify	IFRSs Adjustment	IFRSs
Assets					
Current assets:					
Cash and cash equivalents		$ 9,301	$ -	$ -	$ 9,301
Trade accounts receivable and other		45,961	-	-	45,961
Inventories		71,762	-	-	71,762
Prepayments		8,334	-	-	8,334
Deferred tax assets	a	3,627	(3,627)	-	-
		138,985	(3,627)	-	135,358
Employee future benefits	c, i	-	8,054	(7,539)	515
Investment in associate company	b, j	-	17,124	(1,050)	16,074
Other investments and assets	b, c	28,618	(25,982)	-	2,636
Property, plant and equipment	d, k	333,989	(1,723)	15,724	347,990
Logging roads and bridges		17,063	-	-	17,063
Timber licences		80,154	-	-	80,154
Other intangible assets	d	-	1,723	-	1,723
Goodwill		13,078	-	-	13,078
		$ 611,887	$ (4,431)	$ 7,135	$ 614,591
Liabilities and Equity					
Current liabilities:					
Trade accounts payable and accrued liabilities	e, n	$ 58,267	$ (9,785)	$ 1,571	$ 50,053
Reforestation liability	e	-	9,785	-	9,785
Income taxes payable		230	-	-	230
Payable to investee company		15,738	-	-	15,738
		74,235	-	1,571	75,806
Reforestation liability	m	15,017	-	2,308	17,325
Long-term debt		156,037	-	-	156,037
Employee future benefits	c, i	-	4,348	1,467	5,815
Provisions and other liabilities	c, m, n	15,695	(5,152)	1,615	12,158
Deferred income taxes	a, p	3,627	(3,627)	-	-
Equity:					
Share capital					
Class A subordinate voting shares		285,362	-	-	285,362
Class B common shares		4,080	-	-	4,080
Contributed surplus		5,408	-	-	5,408
Translation reserves	h	(32,501)	24,855	-	(7,646)
Retained earnings	h, q	84,927	(24,855)	174	60,246
		347,276	-	174	347,450
		$ 611,887	$ (4,431)	$ 7,135	$ 614,591

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

19. Explanation of transition to IFRSs (continued):

Reconciliation of comprehensive income (loss):

		Three months ended December 31, 2010				**Year ended December 31, 2010**			
(thousands of Canadian dollars)	**Note**	**Previous GAAP**	**IFRSs Reclassify**	**IFRSs Adjustment**	**IFRSs**	**Previous GAAP**	**IFRSs Reclassify**	**IFRSs Adjustment**	**IFRSs**
Sales		$ 176,303	$ -	$ -	$ 176,303	$ 625,618	$ -	$ -	$ 625,618
Costs and Expenses:									
Production	**f, i, k, m**	154,813	(173)	(870)	153,770	557,122	(787)	216	556,551
Selling and administration		4,328	-	-	4,328	17,508	-	-	17,508
Long term incentive compensation expense	**n**	1,419	-	1,027	2,446	1,873	-	93	1,966
Export taxes		2,524	-	-	2,524	7,427	-	-	7,427
Depreciation of plant and equipment	**d**	7,495	(151)	-	7,344	28,117	(642)	-	27,475
Depletion and amortization of timber, roads and other	**f**	4,438	(81)	-	4,357	19,008	(487)	-	18,521
		175,017	(405)	157	174,769	631,055	(1,916)	309	629,448
Operating earnings (loss) before restructuring costs		1,286	405	(157)	1,534	(5,437)	1,916	(309)	(3,830)
Restructuring costs (recovery)		(9)	-	-	(9)	1,578	-	-	1,578
Operating earnings (loss)		1,295	405	(157)	1,543	(7,015)	1,916	(309)	(5,408)
Finance costs	**f**	-	(2,509)	-	(2,509)	-	(10,441)	-	(10,441)
Interest expense on long-term debt	**f**	(1,968)	1,968	-	-	(7,944)	7,944	-	-
Other interest expense	**f**	(136)	136	-	-	(581)	581	-	-
Other foreign exchange loss		(169)	-	-	(169)	(280)	-	-	(280)
Other income		(284)	-	-	(284)	(25)	-	-	(25)
Equity in earnings of associate company	**j**	1,701	-	(49)	1,652	11,446	-	(15)	11,431
		(856)	(405)	(49)	(1,310)	2,616	(1,916)	(15)	685
Earnings (loss) before income taxes		439	-	(206)	233	(4,399)	-	(324)	(4,723)
Income tax expense (recovery):									
Current		18	-	-	18	60	-	-	60
Deferred	**p**	(130)	-	(411)	(541)	(525)	-	935	410
		(112)	-	(411)	(523)	(465)	-	935	470
Net earnings (loss)		551	-	205	756	(3,934)	-	(1,259)	(5,193)
Other comprehensive income (loss):									
Foreign currency translation differences – foreign operations		(4,730)	-	-	(4,730)	(7,433)	-	-	(7,433)
Defined benefit plan actuarial losses	**i**	-	-	1,644	1,644	-	-	(2,490)	(2,490)
Equity share of associate's defined benefit plan actuarial losses	**j**	-	-	372	372	-	-	(115)	(115)
Income tax (expense) recovery on other comprehensive income (loss)	**p**	130	-	(411)	(281)	(213)	-	623	410
		(4,600)	-	1,605	(2,995)	(7,646)	-	(1,982)	(9,628)
Total comprehensive income (loss) for the period		$ (4,049)	$ -	$ 1,810	$ (2,239)	$ (11,580)	$ -	$ (3,241)	$ (14,821)
Net earnings (loss) per share, basic and diluted		$ 0.01	$ -	$ 0.01	$ 0.02	$ (0.08)	$ -	$ (0.03)	$ (0.11)

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

19. Explanation of transition to IFRSs (continued):

Presentation reclassifications:

(a) Deferred taxes:

Under Canadian GAAP deferred taxes are split between current and non-current components on the basis of either the underlying asset or liability or the expected reversal of items not related to an asset or liability.

Under IFRS deferred tax assets and liabilities are classified as non-current.

Consequently, current deferred tax assets under Canadian GAAP have been reclassified against non-current deferred tax liabilities to conform to IFRS requirements.

(b) Investment in associate company:

Under Canadian GAAP separate disclosure of investments accounted for on the equity basis is required but may be disclosed in either the financial statements or the notes to the financial statements.

Under IAS 1, *Presentation of Financial Statements*, investments accounted for using the equity method must be disclosed separately in the Statement of Financial Position.

The Company's investment in an associate company has been reclassified from Other investments and assets as a separate line item on the Statement of Financial Position to conform to IFRS requirements.

(c) Employee future benefits:

Employee benefit plan assets and obligations have been reclassified from Other investments and assets and Provisions and other liabilities to highlight items where there has been a significant transitional IFRS adjustment in accordance with IAS 34, *Interim Financial Reporting*.

(d) Other intangible assets, net of accumulated amortization:

Under Canadian GAAP computer software acquired or developed for use is treated as a component of Property, plant and equipment.

Under IAS 38, *Intangible Assets*, computer software acquired or developed for use meets the definition of an intangible asset and is therefore reclassified from Property, plant and equipment on the Statement of Financial Position as is the related amortization on the Statement of Comprehensive Income.

(e) Reforestation liability, current:

IAS 1, *Presentation of Financial Statements,* requires the separate disclosure of provisions, where significant. Consequently, the current portion of reforestation liability has been reclassified from Trade accounts payable and other accrued liabilities.

(f) Finance costs:

Under IFRS 7, *Financial Instruments: Disclosures*, interest expense on borrowings, the unwinding of the discount on provisions (accretion expense), the amortization of prepaid financing costs and other related transaction costs are disclosed as finance costs.

Under Canadian GAAP, interest expense on borrowings was disclosed separately, accretion expense was included in Production costs and the amortization of prepaid financing costs were included in Depletion and amortization of timber, roads and other.

To comply with IFRS, these items have been reclassified to Finance costs on the Statement of Comprehensive Income.

(g) Interest paid:

Cash flows relating to interest paid have been classified as financing activities in the Statement of Cash Flows.

First-time adoption elections and changes due to IFRS:

(h) Currency translation differences:

Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, from the date a foreign subsidiary was formed or acquired. IFRS 1, *First-time Adoption of International Financial Reporting Standards*, permits cumulative translation gains and losses to be reset to zero at the transition date. The Company elected to reset all cumulative translation gains and losses to zero in the opening retained earnings at January 1, 2010.

The impact on the Statement of Financial Position is summarized as follows:

	Dec. 31, 2010
Reserve increase	$ 24,855
Reduction to retained earnings	$ (24,855)

(i) Employee future benefits:

IFRS 1 provides the option to retrospectively apply the corridor approach under IAS 19, *Employee Benefits*, for the recognition of actuarial gains and losses, or to recognize all cumulative gains and losses deferred under Canadian GAAP in opening retained earnings as at the transition date. The Company elected to recognize all cumulative actuarial gains and losses that existed at its transition date of January 1, 2010 in opening retained earnings for all of its employee benefit plans.

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

19. Explanation of transition to IFRSs (continued):

First-time adoption elections and changes due to IFRS (continued):

(i) Employee future benefits (continued):

Under Canadian GAAP actuarial gains and losses that arise in calculating the present value of the defined benefit obligations and the fair value of plan assets are recognized on a systematic and consistent basis subject to a minimum required amortization based on a "corridor" approach. The corridor was 10% of the greater of the accrued benefit obligation at the beginning of the year and the fair value of plan assets at the beginning of the year. The unamortized net actuarial gains and losses in excess of the corridor is amortized as a component of pension expense on a straight-line basis over the expected average remaining service life of active participants. Actuarial gains and losses below the 10% corridor are deferred.

Under IFRS the Company elected to recognize all actuarial gains and losses immediately Other comprehensive income without recycling to the income statement in subsequent periods. As a result, actuarial gains and losses are not amortized to the income statement but rather are recorded directly to other comprehensive income at the end of each period. Consequently, the Company adjusted its pension expense to remove the amortization of actuarial gains and losses.

Under Canadian GAAP when a defined benefit plan gives rise to an accrued benefit asset, a provision is recognized for any excess of the accrued benefit asset over the expected future benefit. The accrued benefit asset is presented in the Statement of Financial Position net of the provision. A change in the provision is recognized in earnings for the period in which the change occurs.

IFRS also limits the recognition of the net benefit asset under certain circumstances to the amount that is recoverable. Since the Company has elected to recognize all actuarial gains and losses in Other comprehensive income, changes in the provision are recognized in other comprehensive income in the period in which the change occurs. The Company did not have a provision in respect of its benefit assets for any of the periods presented.

The impact on the Statement of Financial Position was:

	Dec. 31, 2010
Employee benefit assets decrease	$ (7,539)
Employee benefit obligations increase	(1,467)
Related tax effect	2,251
Reduction to retained earnings	$ (6,755)

The impact on the Statement of Comprehensive Income was:

	3 Months Dec. 31, 2010	Year Dec. 31, 2010
Production expense decrease	$ (358)	$ (355)
Other comprehensive loss (income):		
Defined benefit plan actuarial losses (gains)	(1,644)	2,490
Reduction to (increase in) comprehensive income before income taxes	$ (2,002)	$ 2,135

(j) Investment in associate company:

In applying the equity method of accounting for an investment in an associate company both Canadian GAAP and IFRS require the accounting policies of the associate entity to be consistent with those of the parent company. As such, the employee defined benefit asset of the associate company has been adjusted to reflect the same policies as described in Note 19 (i) for employee future benefits and the Company has reflected its proportionate share of the associate's after-tax adjustments to earnings and comprehensive income.

The impact on the Statement of Financial Position was:

	Dec. 31, 2010
Investment in associate decrease	$ (1,050)
Reduction to retained earnings	$ (1,050)

The impact on the Statement of Comprehensive Income was:

	3 Months Dec. 31, 2010	Year Dec. 31, 2010
Equity in income	$ 49	$ 15
Other comprehensive loss (income):		
Equity share of associate's defined benefit plan actuarial losses (gains)	(372)	115
Reduction to comprehensive income before income taxes	$ 323	$ 130

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

19. Explanation of transition to IFRSs (continued):

First-time adoption elections and changes due to IFRS (continued):

(k) Property, plant and equipment:

IFRS 1 allows a company to elect to measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date. The Company identified a property at its Hammond sawmill site which it elected to use fair value as its deemed cost. As at January 1, 2010 the fair value of the property was estimated to be $16,320,000 with a historical cost of $572,000.

In addition, the Company reversed certain costs related to the transfer of equipment from one sawmill site to another which, under previous GAAP, qualified for capital treatment, but under IFRS do not.

The impact on the Statement of Financial Position was:

	Dec. 31, 2010
Property, plant and equipment increase	$ 15,724
Related tax effect	(1,963)
Increase in retained earnings	$ 13,761

The impact on the Statement of Comprehensive Income was:

	3 Months Dec. 31, 2010	Year Dec. 31, 2010
Production expense increase	$ 24	$ 24
Reduction to comprehensive income before income taxes	$ 24	$ 24

(l) Borrowing costs:

IAS 23, *Borrowing Costs*, requires an entity to capitalize the borrowing costs for qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. Early adoption is permitted. IFRS 1 contains an exemption allowing companies to apply this standard to assets for which the commencement date is the later of January 1, 2009 and the date of transition. The Company elected to take this IFRS 1 exemption and, therefore, borrowing costs prior to January 1, 2010 are expensed.

(m) Decommissioning provisions:

The Company's logging activities give rise to obligations for reforestation and deactivation of logging roads. In addition, the Company has also recognized some environmental provisions.

Provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Canadian GAAP requires the provision to be measured at fair value based on the amount a third party would charge for performing the remediation work. The measurement under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is based on "best estimate". The best estimate calculation can be based on internal or external costs, depending upon which is most likely.

Discount rates used under Canadian GAAP for decommissioning provisions (known as asset retirement obligations under Canadian GAAP) are based on the Company's credit-adjusted risk-free rate. Adjustments are made to decommissioning provisions for changes in the timing or amount of the cashflows and the unwinding of the discount. Changes in estimates that decrease provisions are discounted using the discount rate applied upon initial recognition of the liability; changes in estimates that increase the provision are discounted using the current discount rate.

Discount rates used under IFRS reflect the risks specific to the decommissioning provision. Adjustments are made to decommissioning provisions each period for changes in the timing or amount of cash flows, changes in the discount rate and the unwinding of the discount. As such, the discount rate reflects the current risk-free rate given that risks are incorporated into the future cash flow estimates.

The impact on the Statement of Financial Position was:

	Dec. 31, 2010
Reforestation liability, non-current increase	$ (2,308)
Provisions and other liabilities increase	(1,018)
Related tax effect	832
Reduction to retained earnings	$ (2,494)

The impact on the Statement of Comprehensive Income was:

	3 Months Dec. 31, 2010	Year Dec. 31, 2010
Production expense increase (decrease)	$ (536)	$ 547
Reduction to (increase in) comprehensive income before income taxes	$ (536)	$ 547

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

19. Explanation of transition to IFRSs (continued):

First-time adoption elections and changes due to IFRS (continued):

(n) Share-based payments:

The Company has granted certain cash-settled share-based payments to certain employees. The Company accounted for these share-based payment arrangements by reference to their intrinsic value under Canadian GAAP.

Under IFRSs the related liability has been adjusted to reflect the fair value of the outstanding cash-settled share-based payments. The fair value is estimated by applying an option pricing model and until the liability is settled the fair value of the liability is remeasured at each reporting date, with changes in fair value recognized as the awards vest. Additionally, IFRS requires an estimate of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate.

As a result, the Company adjusted expenses associated with cash-settled share-based payments to reflect the changes of the fair values of these awards.

The impact on the Statement of Financial Position was:

	Dec. 31, 2010
Trade accounts payable and accrued liabilities increase	$ (1,571)
Provisions and other liabilities increase	(597)
Related tax effect	542
Reduction to retained earnings	$ (1,626)

The impact on the Statement of Comprehensive Income was:

	3 Months Dec. 31, 2010	Year Dec. 31, 2010
Long term incentive compensation expense increase	$ 1,027	$ 93
Reduction to comprehensive income before income taxes	$ 1,027	$ 93

(o) Business combinations:

IFRS 1 provides the option to apply IFRS 3, *Business Combinations*, retrospectively or prospectively from the date of transition of January 1, 2010. The retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its transition date and such business combinations have not been restated. Any goodwill arising on such business combinations prior to the transition date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.

(p) Income taxes:

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 deferred tax assets in excess of deferred tax liabilities under Canadian GAAP or IFRS.

The above changes had the following impact on deferred income tax liabilities based on a tax rate of 25 percent:

	Dec. 31, 2010
Employee future benefits	$ 2,251
Property, plant and equipment	(1,963)
Decommissioning provisions	832
Share-based payments	542
Reduction of deferred income tax assets for loss carry-forwards not recognized	(1,662)
Reduction to deferred income tax liability and increase in retained earnings	$ -

The impact on the Statement of Comprehensive Income was:

	3 Months Dec. 31, 2010	Year Dec. 31, 2010
Deferred income tax expense (recovery)	$ (411)	$ 935
Income tax expense (recovery) on other comprehensive losses	411	(623)
Reduction to comprehensive income	$ -	$ 312

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

19. Explanation of transition to IFRSs (continued):

First-time adoption elections and changes due to IFRS:

(q) Retained earnings:

The above changes had the following impact on retained earnings:

	Dec. 31, 2010
Employee future benefits	$ (6,755)
Investment in associate company	(1,050)
Property, plant and equipment	13,761
Decommissioning provisions	(2,494)
Share-based payments	(1,626)
Tax reduction of deferred income tax assets for loss carry-forwards not recognized	(1,662)
Reduction to retained earnings due to IFRS adjustments	174
Reclassifications due to IFRS	
Currency translation adjustments	(24,855)
Reduction to retained earnings	$ (24,681)

The impact on the Statement of Comprehensive Income was:

	3 Months Dec. 31, 2010	Year Dec. 31, 2010
Production expense increase (decrease)		
Employee future benefits increase (decrease)	$ (358)	$ (355)
Decommissioning provisions increase	(536)	547
Property, plant and equipment	24	24
	(870)	216
Long term incentive compensation expense	1,027	93
Equity in earnings of associate company increase	49	15
Deferred income tax expense (recovery)	(411)	935
Increase in (reduction to) net loss/decrease in (increase in) net earnings	(205)	1,259
Other comprehensive loss increase (decrease):		
Defined benefit plan actuarial losses (gains)	(1,644)	2,490
Equity share of associate's defined benefit plan actuarial losses (gains)	(372)	115
Income tax recovery on other comprehensive losses	411	(623)
Increase in (reduction to) other comprehensive loss	(1,605)	1,982
Increase in (reduction to) comprehensive loss	$ (1,810)	$ 3,241

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