International Forest Products Limited

Vancouver, B.C. July 22, 2010

Interfor Results Improve in Volatile Market

Credit facilities extended; Capital plan approved including expansion of Adams Lake

INTERNATIONAL FOREST PRODUCTS LIMITED ("Interfor" or the "Company") (TSX: IFP.A) reported a net loss of $2.6 million or $0.06 per share in the second quarter of 2010. The loss for the quarter includes a tax valuation allowance of $1.3 million or $0.03 per share, which results from the Company no longer recognizing the tax benefit of loss carry forwards.

Excluding the tax valuation allowance and other one-time items the loss for the quarter was $0.6 million or $0.01 per share compared to a loss of $2.3 million or $0.05 per share in the first quarter and a loss of $13.4 million or $0.28 per share in the second quarter of 2009.

EBITDA for the quarter (adjusted to exclude "other income") was $13.1 million, compared to $9.7 million in the first quarter and negative $7.3 million in the same quarter last year.

"Higher commodity prices in April and early May were quickly offset by lower activity levels and prices in late May and June", said Duncan Davies, Interfor's President and CEO.

SPF 2x4, which peaked at US$320 in the last two weeks of April, dropped as low as US$188 in late June. For the quarter, SPF 2x4 averaged US$264 compared with US$269 in the first quarter. Hem-Fir studs were up US$19 to US$292 although sales volumes fell dramatically in the last six weeks of the quarter as SPF prices dropped faster than comparable Hem-Fir products.

Further impacting the Company's results in the second quarter were higher log prices, particularly in the U.S., and lower chip prices in the B.C. Interior.

Lumber production increased 7% quarter-over-quarter to 277 million board feet, representing approximately 69% of rated capacity, in spite of a number of curtailments taken at the Company's U.S. operations in June as conditions deteriorated.

Log production at the Company's Canadian operations was 624,000 m^3 in the second quarter compared with 648,000 m^3 in the first quarter.

Lumber sales, including wholesale volumes, totalled 270 million board feet, an increase of 6 million board feet versus the first quarter. On a volume basis, excluding wholesale programs, sales to North American markets accounted for 78% of shipments in the second quarter versus 74% in the first quarter while Pacific Rim markets including Japan and China accounted for 21% compared to 23% in the first quarter.

In the quarter Interfor generated $4.4 million in cash from operations after changes in working capital were considered. Capital spending totalled $6.0 million, including $3.7 million on logging roads.

Net debt closed the quarter at $154.6 million or 30% of invested capital compared with $152.0 million and 30% at the end of the first quarter.

Business conditions deteriorated in the second half of the second quarter as the stimulus package directed at U.S. housing came to an end. At this point it is unclear whether the slowdown in activity is a natural reaction to the end of the housing assistance package or a reflection of a broader slowdown in economic activity.

SPF 2x4, as reported by Random Lengths, is currently trading at US$216 and Hem-Fir studs are at US$225. Duty rates are 10% in July, increasing to 15% in August.

In the face of this uncertainty, Interfor will continue to balance operating rates against sales activity. As indicated above, the Company is currently operating on a reduced basis in the U.S. due to a combination of higher log prices and reduced activity levels in Hem-Fir product lines. In addition, the Grand Forks sawmill was curtailed for the first two weeks of July and the Hammond Cedar sawmill will be curtailed for two weeks at the end of July.

On the positive side, the Company's Castlegar sawmill, which has been curtailed since it was acquired in April 2008, resumed operations on a reduced scale on July 5th. Results have been encouraging so far, with productivity levels and costs at or better than pro forma.

On July 22, 2010, the Company obtained a financing commitment from its lending syndicate to extend the maturities of its existing credit facilities effective August 19, 2010. The maturity date of the Operating Line of Credit ($65 million) will be extended from February 28, 2011 to July 28, 2012. The maturity date of the Revolving Term Line ($200 million) will be extended from February 28, 2012 to July 28, 2013. All other terms and conditions of the lines remain substantially unchanged except for a reduction in pricing.

Based on the strength of the new credit facility, Interfor's Board of Directors has authorized a capital spending plan designed to increase the efficiency and cost structure of a number of its plants. The program totals $24.4 million and will be undertaken over the next 18 to 24 months.

Of particular note is a $4.0 million allocation to Adams Lake which builds on the success of the Company's recent project at that facility. The new investments at Adams Lake will increase the effective two-shift capacity at that plant from 315 million board feet to 350 million board feet. The Adams Lake sawmill resumed operations in April 2009 following a $100 million rebuild. On completion, the effective capacity of the mill was rated at 285 million board feet. The balance of the capital plan includes projects throughout the Company's operating platform, the most significant of which is at the Beaver sawmill on the Olympic Peninsula which was acquired in September 2008.

FORWARD-LOOKING STATEMENTS

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

ABOUT INTERFOR

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

There will be a conference call on Friday, July 23, 2010 at 8:00 AM (Pacific Time) hosted by **INTERNATIONAL FOREST PRODUCTS LIMITED** for the purpose of reviewing the Company's release of its Second Quarter, 2010 Financial Results.

The dial-in number is ***1-866-323-8540***. The conference call will also be recorded for those unable to join in for the live discussion, and will be available until August 6, 2010. The number to call is ***1-866-245-6755 Passcode 698860***.

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International Forest Products Limited
Second Quarter Report
For the three and six months ended June 30, 2010

Management's Discussion and Analysis

Dated as of July 22, 2010

This Management's Discussion and Analysis ("MD&A") provides a review of Interfor's financial performance for the three and six months ended June 30, 2010 relative to 2009, the Company's financial condition and future prospects. The MD&A should be read in conjunction with the unaudited interim Consolidated Financial Statements for the three and six months ended June 30, 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 report contains forward-looking statements. Forward-looking statements are statements that address or discuss activities, events or developments that the Company expects or anticipates may occur in the future. Forward-looking statements are included in the description of future cash flows and liquidity under the heading "Cash Flow and Financial Position" and in the description of economic conditions under the heading "Outlook". These forward-looking statements reflect management's current expectations and beliefs and are based on certain assumptions including assumption as to general business and economic conditions in the U.S. and Canada, as well as other factors management believes are appropriate in the circumstances. Such forward-looking statements are subject to risks and uncertainties and no assurance can be given that any of the events anticipated by such statements will occur or, if they do occur, what benefit the Company will derive from them. A number of factors could cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements, including those matters described in the 2009 annual Management's Discussion & Analysis under "Risks and Uncertainties" and in Interfor's current Annual information Form available on www.sedar.com. Accordingly, readers should exercise caution in relying upon forward-looking statements and the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstance, except as required by law.

Review of Operating Results

Overview

Interfor recorded a net loss of $2.6 million, or $0.06 per share for the second quarter of 2010, and a net loss for the six months ended June 30, 2010 of $6.0 million, or $0.13 per share. This compares to a net loss of $15.0 million, or $0.32 per share, for the same quarter in 2009 and a net loss of $28.6 million, or $0.61 per share, for the six months ended June 30, 2009.

EBITDA and Adjusted EBITDA for the second quarter of 2010 were $13.5 million and $13.1 million, respectively, compared to negative $7.3 million and negative $7.3 million, for the second quarter of 2009. EBITDA and adjusted EBITDA for the first half of 2010 were $23.2 million and $22.8 million, respectively, compared to negative $15.1 million and negative $15.7 million for the same period in 2009.

Before restructuring costs, foreign exchange gains (losses), other one-time items and a tax valuation allowance (refer to Income taxes), the Company's net loss for the second quarter, 2010 was $0.6 million after-tax, or $0.01 per share, as compared to a loss of $13.4 million after-tax, or $0.28 per share in the second quarter, 2009. The losses for the first half of 2010, adjusted for restructuring costs, foreign exchange gains (losses), other one-time items and a tax valuation allowance totalled $2.8 million after-tax, or $0.06 per share, as compared to $24.0 million after-tax, or $0.51 per share for the first half of 2009.

Although U.S. housing starts have lifted somewhat from the historic lows experienced in 2009, they continue to impact overall demand levels and product pricing causing much of the North American lumber industry to operate significantly below capacity. Production curtailments were in place for most of 2009, and as the industry moved into 2010 it appeared that ongoing industry closures and curtailments had improved the supply/demand balance which, coupled with various government spending incentives, was fuelling an increase in pricing for North American products. Prices continued to improve significantly through the first four months of 2010, but as supply outstripped demand and governments withdrew incentives pricing declined sharply in May and June 2010.

The positive impact of the rising price for the first four months of 2010 was partially offset by the strengthened Canadian dollar which, relative to its U.S. counterpart, averaged CAD$1.0283 for the second quarter, 2010 compared to the second quarter, 2009 average at CAD$1.1669, a change of almost twelve percent.

Sales

Increased operating rates in the first half of 2010 yielded lumber shipments of 270 million board feet for the second quarter and 533 million board feet for the first half, 2010, more than double the shipment levels of the same periods, 2009. The improved sales volumes reflect the addition of production from Adams Lake, the recommenced operations at Grand Forks and higher operating rates at the Company's U.S. sawmills. In terms of volumes, there was an overall shift in markets from North America to Pacific Rim markets including Japan and China compared to 2009. Excluding wholesale programs, shipments to North America accounted for 76% of all shipments for the first half, 2010, with 22% of total shipments destined for the Pacific Rim markets, as compared to 81% and 16% respectively for the comparative period in 2009. In the second quarter 2010, shipments were redirected to North American markets to take advantage of rising structural product prices, with North American shipments rising to 78% of total shipments excluding wholesale programs, and shipments to the Pacific Rim accounting for 21%.

Sales values in North American markets for structural products initially showed strong continued upward momentum as they moved into the second quarter, 2010, with the average price reported by Random Lengths for Western SPF 2x4 #2&Btr peaking at US$320 per mfbm for the week ending April 30, 2010 from an average of US$281 per mfbm for the month of March, 2010 and US$218 per mfbm for the month of December, 2009. Higher lumber prices were not sustained, however, with increased production outpacing demand and expiry of the U.S. housing tax credit on April 30, 2010. In addition, the movement of the export tax paid under the Softwood Lumber Agreement to 0% for the month of June, 2010, caused a spike in U.S. shipments from Canadian producers which drove pricing down further. The average Random Lengths price for Western SPF 2x4 #2&Btr moved to a low of US$188 in the 4th week of June, 2010, the lowest price in nine months, but closed the month higher at US$206 per mfbm.

Although North American structural lumber product prices and shipment volumes for all products increased significantly over 2009, there was a sizeable shift in sales mix towards North American structural lumber products and lower value products destined for the Pacific Rim and away from cedar and Japan products, particularly with the substantial volumes added from the Adams Lake sawmill. This shift resulted in a decline in the average unit lumber sales values of $18 per mfbm for the second quarter, 2010 and $36 per mfbm for the first half, 2010, vis-à-vis the same periods, 2009. Sales values were also negatively impacted by the stronger Canadian dollar which appreciated by 11.9% on average relative to its U.S. counterpart over the same quarter of 2009, and by 14.2% over the same half of 2009.

In comparison to the same periods of 2009, log sales were up $6.8 million, or 51.9%, for the second quarter, and $11.4 million, or 44.0%, in the first half of 2010, with higher overall sales values as reflected in the average sales price for logs in Canada which improved by $12 per cubic metre in the second quarter, 2010 and by $11 per cubic metre in the first half of 2010.

Pulp chip and other by-product revenues for the second quarter, 2010 were up $7.4 million, or more than double those of the second quarter, 2009 and $13.2 million for the first half, 2010, almost double that of the first half, 2009 with these increases being a reflection of higher sawmill operating rates. Overall 2010 average chip prices declined slightly compared to the second quarter and first half, 2009 with the greatest impact reflected in average price declines of close to 10% in the U.S. and further amplified by the negative impact of the stronger Canadian dollar.

Operating Costs

Production costs for the second quarter of 2010 increased $58.6 million, or 70.8%, and $102.5 million, or 62.5%, for the first half of 2010, compared to the same periods in 2009. Total production volumes and related costs through the first half, 2009 were extremely low as a result of significant market related curtailments in manufacturing and logging, and the curtailment of the Adams Lake sawmill during the final stages of its rebuild. Late in 2009 the demand/supply balance improved and North American structural lumber prices moved upwards. Price movements, increased demand, a significantly lower cost structure at the new Adams Lake sawmill and cost improvements at Grand Forks and other sawmills resulted in an increase in operating rates. This trend continued into the first half of 2010 and lumber production increased to 277 million board feet for the second quarter, 2010, and 535 million board feet for the first half, 2010, more than double that of the same periods in 2009.

In response to increased fibre consumption, B.C. log production also increased dramatically to 624,000 cubic metres for the second quarter, 2010 and 1,272,000 cubic metres for the first half, 2010 as compared to 312,000 cubic metres and 384,000 cubic metres respectively, for the same periods, 2009.

The Company's per unit cost of conversion declined with the substantial increase in operating rates and was further improved by a stronger Canadian dollar on average for the second quarter, 2010 and first half, 2010 as compared to the same periods in 2009.

As a result of the higher commodity lumber prices in the second quarter, 2010, the export tax paid under the Softwood Lumber Agreement declined from 15% to 10% on May 1, 2010, and from 10% to 0% on June 1, 2010, the first decline since the implementation of the agreement in October 2006. The impact of this decline was reduced by a fourfold increase in shipment volumes from Canada to the U.S. resulting in an increased expense of $0.5 million as compared to the second quarter, 2009. Compared to the same period, 2009, Canadian shipments to the U.S. for the first half of 2010 increased by 76.8 million board feet, for an increase of $1.8 million in export taxes.

Selling and administrative costs for the second quarter, 2010 and the first half, 2010 remain constant as compared to the same periods of 2009. Long-term incentive compensation ("LTIC") expense, which is impacted by the Company's share price, showed a recovery of $0.2 million for the second quarter of 2010 (Quarter 2, 2009 - $0.6 million expense), reflecting a 22.6% decline in the Company's share price from March 31, 2010. For the first half, 2010, the Company recorded an expense of $0.2 million (1st Half, 2009 - $1.0 million) as the impact of the 12.6% decline in share price over the first half of 2010 was offset by other factors in the LTIC expense calculation.

Second quarter, 2010 and first half, 2010 amortization of plant and equipment increases of 11.3% and 19.8% respectively compared to the corresponding periods in 2009, resulted from higher operating rates primarily at the Adams Lake sawmill which did not operate until April 20, 2009 when the new sawmill ramped-up.

Road amortization and depletion expense increased $2.4 million for the second quarter of 2010 vis-à-vis the same quarter of 2009, and $6.0 million for the first half of 2010 vis-à-vis the first half of 2009 as a result of significantly higher logging activity on the B.C. Coast, which had been virtually shut-down in the second quarter and first half of 2009 to reduce inventory levels.

The Company continued its restructuring of certain of its manufacturing operations and incurred severance expenses of $1.1 million in the second quarter and first half, 2010 as compared to $1.0 million in restructuring costs consisting primarily of severance costs for the first half, 2009.

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

Second quarter, 2010, interest expense increased by $0.3 million compared to the second quarter of 2009, and by $0.7 million for the first half, 2010 compared to the first half, 2009, arising from an increase in lending rates in 2010 compared to 2009, partially offset by a stronger Canadian dollar. Other foreign exchange gains (losses) were negligible for both years.

The Company reported a gain in Other income (expense) of $0.4 million for the second quarter, 2010 upon finalizing further compensation under the *Forest Act* for timber and other assets resulting from the 2006 legislated takeback of certain logging rights on the B.C. Coast. Disposition of the related asset costs had been previously recognized against Other income (expense) when the Company received advance compensation for these logging rights in the third quarter, 2009. This compensation, combined with some minor disposals of surplus equipment, resulted in proceeds of $0.5 million and a gain of $0.4 million for the quarter and the first half, 2010. This contrasts with a negligible loss in the second quarter, 2009, and a total gain of $0.6 million for the first half of 2009 which resulted primarily from the disposal of a surplus property and buildings in Maple Ridge, B.C.

Equity income at $1.9 million for the second quarter, 2010, and $3.3 million for the first half, 2010, increased by $2.3 million and $3.0 million respectively over the same periods in 2009. The Company increased equity participation in the earnings with greater shipment volumes by the Company relative to the other participants.

Income Taxes

In the second quarter of 2010, the Company recorded an income tax expense of $0.2 million (Quarter 2, 2009 - $3.6 million recovery) and increased its valuation allowance against certain future income tax assets arising from loss carry-forwards available to reduce future taxable income by $1.3 million (Quarter 2, 2009 - $1.7 million). The valuation allowance for the first six months, 2010 decreased the Company's income tax recovery by $2.4 million, as compared to $4.4 million for the same period of 2009. 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

During the second quarter, 2010, the Company generated $8.9 million from operations, before changes in working capital, as compared to cash used of $10.7 million for the second quarter of 2009 as poor lumber markets significantly diminished cash earnings in 2009. After changes in working capital, the Company generated $4.4 million from operations for the second quarter, 2010 as compared to cash used of $1.3 million for the same period, 2009.

Cash generated by the Company from operations, after changes in working capital, was $13.5 million for the six months ended June 30, 2010 compared to cash generated of $18.0 million in the first six months of 2009. Significant increases in operating rates, particularly at Adams Lake and in the U.S. Pacific Northwest ("PNW") operations, resulted in an inventory build-up of $14.2 million. Over the first half of 2010, log inventory volumes in the interior of B.C. increased by just over 70% while volumes in the PNW almost tripled. Similarly, lumber inventory volumes in the interior of B.C. and the PNW rose 42% and 21% respectively. The comparative period of 2009 saw weak cash earnings and significant production curtailments in response to dismal lumber markets causing a sharp drawdown of inventories of $24.3 million. In addition, $16.2 million in cash tax refunds were received in the first six months of 2009 increasing cash generated from working capital.

Capital expenditures for the second quarter of 2010 were $6.0 million, excluding changes in amounts accrued, and $25.7 million year-to-date (Quarter 2, 2009 - $7.2 million; first six months, 2009 - $20.3 million). Spending in the current quarter was primarily related to maintenance of operating capacity and road construction. In addition to road construction costs, cash expenditures for the first half of 2010 included 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. Comparative spending for the first half of 2009 was predominantly for completion of the Adams Lake sawmill and road construction as only the most essential capital expenditures were undertaken.

During the second quarter, 2010, additional compensation under the *Forest Act* for timber and other assets resulting from the 2006 legislated takeback of certain logging rights on the B.C. Coast was recognized. These proceeds, combined with some minor disposals of surplus equipment, resulted in proceeds of $0.5 million and a gain of $0.4 million for the quarter and the first half, 2010. Disposals of surplus property and buildings in Maple Ridge, B.C. combined with other minor sales of surplus equipment generated proceeds of $4.6 million and a gain of $0.6 million for the first half, 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 Operating Line was extended to February 28, 2011 and the 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 lines 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 $65.0 million in the first half, 2010, and repaid drawings of US$35.0 million ($36.7 million) and $10.0 million.

As at June 30, 2010, the Operating Line was undrawn except for letters of credit, leaving an unused available line of $59.8 million. The Revolving Term Line was drawn by US$30.2 million revalued at the quarter-end exchange rate to $32.2 million and $131.0 million for total drawings of $163.2 million, leaving an unused available line of $36.8 million.

On July 22, 2010, the Company obtained a financing commitment from its lenders extending and modifying its syndicated credit facilities effective August 19, 2010. The maturity date of the Operating Line will be extended from February 28, 2011 to July 28, 2012. The maturity date of the Revolving Term Line will be extended from February 28, 2012 to July 28, 2013. All other terms and conditions of the lines remain substantially unchanged except for a reduction in pricing.

Until global market indicators show significant and sustained improvement, Interfor continues to monitor 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 June 30, 2010, the Company had cash of $8.6 million. After deducting the Company's drawings under its Revolving Term Line, the Company ended the quarter with net debt of $154.6 million or 30.4% of invested capital.

Selected Quarterly Financial Information[1]

Quarterly Earnings Summary	**2010**		**2009**				**2008**	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	(millions of dollars except share and per share amounts)							
Sales – Lumber	123.7	107.6	93.1	76.8	62.3	56.5	65.6	73.4
– Logs	19.8	17.4	17.3	17.3	13.0	12.8	18.3	28.8
– Wood chips and other by-products	13.3	13.2	12.2	8.9	5.9	7.4	8.8	8.9
– Other	1.0	1.7	2.9	2.2	0.6	0.6	0.8	0.9
Total Sales	157.9	139.9	125.5	105.2	81.8	77.3	93.5	112.0
Operating loss before restructuring costs and asset write-downs	(1.4)	(3.1)	(7.8)	(7.0)	(16.4)	(15.2)	(8.1)	(12.8)
Operating loss	(2.4)	(3.1)	(7.8)	(10.4)	(16.3)	(16.3)	(8.9)	(14.1)
Net earnings (loss)	(2.6)	(3.4)	(5.0)	9.7	(15.0)	(13.6)	(18.7)	(8.1)
Net earnings (loss) per share – basic and diluted	(0.06)	(0.07)	(0.11)	0.21	(0.32)	(0.29)	(0.40)	(0.17)
EBITDA[4]	13.5	9.7	6.3	25.3	(7.3)	(7.7)	2.0	0.7
Cash flow from operations per share[2]	0.19	0.17	0.06	(0.07)	(0.23)	(0.22)	0.12	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[4]	13.1	9.7	5.7	3.6	(7.3)	(8.4)	1.7	0.1

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 July 22, 2010, the number of shares outstanding by class are: Class A Subordinate Voting shares – 46,112,276 Class B Common shares – 1,015,779, Total – 47,128,055.
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	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	(millions of dollars)							
Net earnings (loss)	(2.6)	(3.4)	(5.0)	9.7	(15.0)	(13.6)	(18.7)	(8.1)
Add: Income taxes (recovery)	0.2	(0.4)	(3.3)	0.1	(3.6)	(3.1)	10.4	(5.2)
Interest expense	2.3	2.0	2.0	2.2	2.0	1.6	2.5	1.5
Depletion and amortization	12.6	11.4	12.5	9.9	9.5	6.3	7.8	11.3
Other foreign exchange (gains) losses	0.1	-	0.1	-	(0.1)	-	(0.9)	-
Restructuring costs, asset write-downs and other	1.1	-	0.1	3.3	(0.1)	1.1	0.8	1.3
EBITDA	13.5	9.7	6.3	25.3	(7.3)	(7.7)	2.0	0.7
Deduct:								
Other income (expense)	0.4	-	0.6	21.7	-	0.6	0.3	0.6
Adjusted EBITDA	13.1	9.7	5.7	3.6	(7.3)	(8.4)	1.7	0.1

Volume and Price Statistics		2010		2009				2008	
		Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Lumber sales	(million fbm)	270	264	234	181	131	122	133	132
Lumber production	(million fbm)	277	258	245	180	115	121	118	148
Log sales[1]	(thousand cubic metres)	262	239	261	242	216	200	236	372
Log production[1]	(thousand cubic metres)	624	648	533	378	312	72	290	501
Average selling price – lumber[2]	($/thousand fbm)	$459	$408	$398	$424	$477	$462	$494	$555
Average selling price – logs[1]	($/cubic metre)	$68	$64	$62	$69	$56	$54	$69	$70
Average selling price – pulp chips	($/thousand fbm)	$37	$40	$39	$38	$40	$46	$58	$48

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 the first half, 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 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.

U.S.W. Union Agreement

The United Steel Workers ("USW") is the certificated bargaining agent for the majority of unionized employees in the Company's manufacturing operations in B.C. The Southern Interior USW agreement expired a year ago on June 30, 2009. On June 14, 2010 the USW agreement for the B.C. Coast also expired. Employees continue to work under the terms of the expired agreements with no workplace disruptions.

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 establishing subject specialists, provided additional technical training and commenced a high level review of its financial statement elements to identify major differences.

A detailed review of the impact of IFRS on Interfor's consolidated financial statements is substantially complete. As needed, the Company has engaged outside consultants to provide expertise and assistance.

Changes required to systems and controls, including information technology systems, are being identified and implemented as the project progresses. Currently, no significant changes to computer systems have been required, nor are any anticipated.

Completion of an opening balance sheet prepared under IFRS at the date of transition, January 1, 2010, is underway and will be finalized in late 2010 with details of some adjustments, as in the case of pensions, not available until the third quarter of 2010. As each quarter of 2010 is completed under Canadian GAAP, information is assembled to prepare financial statements and notes under IFRS which will be used for comparative purposes in 2011. Amendments will be made as adjustments become final.

While the quantitative 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: impairment of assets; provisions; and employee future benefits. In addition, the presentation of financial information under IFRS differs significantly from those prepared under Canadian GAAP standards.

Impairment of assets

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

As such, impairments are more likely under IFRS standards and the difference in methodology may result in impairments being recorded in the opening Balance Sheet as an adjustment to Retained earnings. Where an impairment is required under IFRS, future amortization charges will decrease with a lower amortization base.

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

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

Provisions

IFRS has a broader threshold for the recognition of provisions than that provided under Canadian GAAP and may result in additional liabilities being recognized on transition to IFRS.

Employee future benefits

IFRS provides various options for the treatment of unamortized actuarial gains and losses, one of which is to recognize the full amounts of such gains and losses in the Company's Balance sheet with an adjustment recorded to Other comprehensive income, rather than amortizing these amounts against income over a number of years as is required under Canadian GAAP.

Presentation of financial statements

There are a number of presentation changes and reclassifications amongst line items on the financial statements that are expected under IFRS. In addition, IFRS requires significantly more financial statement note disclosure than required under Canadian GAAP standards.

IFRS 1 First time adoption of International Reporting Standards

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

Employee future benefits

IFRS 1 provides an exemption that allows recognition of all unamortized actuarial gains and losses at the transition date as an adjustment to Retained earnings in the opening Balance Sheet.

Business combinations

IFRS 1 provides an exemption which eliminates the requirement to restate business combinations entered into prior to the date of transition.

Cumulative translation adjustments

IFRS 1 provides an exemption that allows the cumulative translation account to be set to zero at the date of transition as an adjustment to Retained earnings in the opening Balance Sheet.

Property, plant and equipment

IFRS 1 allows a company to selectively fair value property, plant and equipment with a one-time adjustment at the date of transition as an adjustment to Retained earnings in the opening Balance Sheet. The Company has identified certain property which it will fair value on transition.

Since the process of finalizing the impacts of conversion to IFRS standards is still ongoing it is possible that further differences may arise that could have a significant impact on the Company's financial statements under IFRS. Progress remains on schedule with focus over the next two quarters being on finalizing quantification of the impacts of the conversion and completing comparative financial statements and note disclosure.

Controls and Procedures

There were no changes in the Company's internal controls over financial reporting ("ICFR") during the quarter ended June 30, 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 June 30, 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

Economic activity in Canada appears to be on track for moderate expansion for the balance of 2010 as evidenced by a continuing trend of improved housing starts and gross domestic product and lower unemployment rates. The Bank of Canada raised its prime lending rate in June and there is a general expectation that rates will continue to increase.

A number of recent developments in the U.S. and globally have raised concerns that after expanding for three consecutive quarters, the American economy may experience an easing of growth as government stimuli are gradually withdrawn. Recent indicators of consumer spending in the U.S. have been disappointing. Mortgage applications for home purchases have dropped by 30% since the end of April despite record lows for 30 year fixed mortgage rates. Declines in existing and new home sales, little improvement in housing inventory and increased foreclosure activity suggest that the North American lumber markets will remain challenging for a period of time.

As a result, the Company will maintain its disciplined approach to production and 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
Chairman

Duncan K. Davies
President and Chief Executive Officer

CONSOLIDATED STATEMENTS OF OPERATIONS

For the three and six months ended June 30, 2010 and 2009 (unaudited)

(thousands of Canadian dollars except earnings per share)	3 Months June 30, 2010	3 Months June 30, 2009	6 Months June 30, 2010	6 Months June 30, 2009
Sales	$ 157,883	$ 81,825	$ 297,822	$ 159,102
Costs and expenses:				
Production	141,292	82,712	266,479	163,960
Selling and administration	4,283	4,604	8,452	8,699
Long term incentive compensation expense (recovery)	(210)	590	205	991
Export taxes	1,328	870	3,157	1,371
Amortization of plant and equipment	6,887	6,186	13,376	11,161
Depletion and amortization of timber, roads and other	5,667	3,297	10,582	4,574
	159,247	98,259	302,251	190,756
Operating loss before restructuring costs	(1,364)	(16,434)	(4,429)	(31,654)
Restructuring (costs) recovery (note 10)	(1,074)	86	(1,107)	(987)
Operating loss	(2,438)	(16,348)	(5,536)	(32,641)
Interest expense on long-term debt	(2,115)	(1,650)	(4,020)	(2,864)
Other interest expense	(166)	(332)	(304)	(738)
Other foreign exchange gain (loss)	(51)	119	(44)	103
Other income (expense) (note 9)	413	(18)	388	629
Equity in earnings (losses) of investee company	1,915	(343)	3,280	238
	(4)	(2,224)	(700)	(2,632)
Loss before income taxes	(2,442)	(18,572)	(6,236)	(35,273)
Income taxes (recovery):				
Current	(6)	1	34	-
Future	185	(3,600)	(260)	(6,700)
	179	(3,599)	(226)	(6,700)
Net loss	$ (2,621)	$ (14,973)	$ (6,010)	$ (28,573)
Net loss per share, basic and diluted (note 11)	$ (0.06)	$ (0.32)	$ (0.13)	$ (0.61)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the three and six months ended June 30, 2010 and 2009 (unaudited)

(thousands of Canadian dollars)	3 Months June 30, 2010	3 Months June 30, 2009	6 Months June 30, 2010	6 Months June 30, 2009
Retained earnings, beginning of period	$ 85,472	$ 99,148	$ 88,861	$ 112,748
Net loss	(2,621)	(14,973)	(6,010)	(28,573)
Retained earnings, end of period	$ 82,851	$ 84,175	$ 82,851	$ 84,175

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2010 and 2009 (unaudited)

(thousands of Canadian dollars)	3 Months June 30, 2010	3 Months June 30, 2009	6 Months June 30, 2010	6 Months June 30, 2009
Cash provided by (used in):				
Operating activities:				
Net loss	$ (2,621)	$ (14,973)	$ (6,010)	$ (28,573)
Items not involving cash:				
Amortization of plant and equipment	6,887	6,186	13,376	11,161
Depletion and amortization of timber, roads and other	5,667	3,297	10,582	4,574
Future income tax (recovery)	185	(3,600)	(260)	(6,700)
Other assets	-	(541)	-	(521)
Reforestation liability	(253)	(1,042)	1,614	411
Other long-term liabilities	(71)	1,152	5	664
Equity in (earnings) losses of investee company	(1,915)	343	(3,280)	(238)
Write-down of roads	324	-	324	-
Unrealized foreign exchange losses (gains)	1,118	(1,571)	863	(1,120)
Other (note 9)	(413)	17	(405)	(634)
	8,908	(10,732)	16,809	(20,976)
Cash generated from (used in) operating working capital:				
Accounts receivable	1,645	(2,736)	3,064	3,723
Inventories	(7,085)	11,060	(14,155)	24,345
Prepaid expenses	950	762	2,324	2,081
Accounts payable and accrued liabilities	(188)	282	5,049	(7,390)
Income taxes	174	101	441	16,183
	4,404	(1,263)	13,532	17,966
Investing activities:				
Additions to property, plant and equipment	(2,263)	(6,321)	(2,851)	(19,194)
Additions to logging roads and timber	(3,729)	(858)	(22,803)	(1,113)
Proceeds on disposal of property, plant, and equipment	475	200	489	4,584
Investments and other assets	(145)	(745)	(2,042)	(740)
	(5,662)	(7,724)	(27,207)	(16,463)
Financing activities:				
Issuance of share capital (note 8)	39	-	39	-
Additions to long-term debt (note 7(b))	10,000	10,000	100,819	10,000
Repayments of long-term debt (note 7(b))	(10,000)	-	(82,534)	(8,000)
Increase (decrease) in bank indebtedness	-	143	-	(1,812)
	39	10,143	18,324	188
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	169	(69)	127	(47)
Increase (decrease) in cash	(1,050)	1,087	4,776	1,644
Cash and cash equivalents, beginning of period	9,628	741	3,802	184
Cash and cash equivalents, end of period	$ 8,578	$ 1,828	$ 8,578	$ 1,828
Supplementary disclosures				
Cash interest paid	$ 2,281	$ 1,982	$ 4,324	$ 3,602
Cash income taxes received	127	97	394	16,179

See accompanying notes to consolidated financial statements

CONSOLIDATED BALANCE SHEETS
June 30, 2010 (unaudited) and December 31, 2009 (audited)

(thousands of Canadian dollars)	June 30, 2010	Dec. 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 8,578	$ 3,802
Accounts receivable	29,614	32,951
Income taxes recoverable	-	230
Inventories (note 6)	74,375	60,159
Prepaid expenses	5,541	7,777
Future income taxes	3,023	2,974
	121,131	107,893
Investments and other assets (note 5)	18,669	17,060
Property, plant and equipment, net of accumulated amortization	348,770	357,501
Timber tenures, net of accumulated depletion	81,378	67,010
Logging roads and bridges, net of accumulated amortization	15,367	16,485
Goodwill	13,078	13,078
Long-lived assets held for sale	3,424	3,424
	$ 601,817	$ 582,451
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 49,120	$ 43,510
Income taxes payable	215	-
Payable to investee company (note 5)	-	3,096
	49,335	46,606
Reforestation liability, net of current portion	17,080	14,724
Long-term debt (note 7(b))	163,151	144,525
Other long-term liabilities	15,321	15,316
Future income taxes	3,023	3,286
Shareholders' equity:		
Share capital (note 8)		
Class A subordinate voting shares	284,539	284,500
Class B common shares	4,080	4,080
Contributed surplus	5,408	5,408
Accumulated other comprehensive income (loss)	(22,971)	(24,855)
Retained earnings	82,851	88,861
	353,907	357,994
	$ 601,817	$ 582,451

Subsequent event (note 15)

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 and six months ended June 30, 2010 and 2009 (unaudited)

(thousands of Canadian dollars)	3 Months June 30, 2010	3 Months June 30, 2009	6 Months June 30, 2010	6 Months June 30, 2009
Net loss	$ (2,621)	$ (14,973)	$ (6,010)	$ (28,573)
Other comprehensive income:				
Net change in unrealized foreign currency translation gains (losses) on translation of self-sustaining foreign subsidiaries	6,889	(14,581)	1,884	(8,237)
Other comprehensive income (loss)	6,889	(14,581)	1,884	(8,237)
Comprehensive income (loss)	$ 4,268	$ (29,554)	$ (4,126)	$ (36,810)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
For the three and six months ended June 30, 2010 and 2009 (unaudited)

(thousands of Canadian dollars)	3 Months June 30, 2010	3 Months June 30, 2009	6 Months June 30, 2010	6 Months June 30, 2009
Accumulated other comprehensive income (loss), beginning of period	$ (29,860)	$ 5,790	$ (24,855)	$ (554)
Other comprehensive income (loss)	6,889	(14,581)	1,884	(8,237)
Accumulated other comprehensive loss, end of period	$ (22,971)	$ (8,791)	$ (22,971)	$ (8,791)

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:

	June 30, 2010	Dec. 31, 2009
Logs	$ 39,841	$ 31,011
Lumber	28,426	24,301
Other	6,108	4,847
	$ 74,375	$ 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 June 30, 2010 was $9,349,000 (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:

June 30, 2010	Total
Available line of credit	$ 65,000
Maximum borrowing available	65,000
Operating Line drawings	-
Outstanding letters of credit included in line utilization	5,174
Unused portion of line	59,826
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 June 30, 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.

On July 22, 2010, the Company received a financing commitment with respect to its Operating Line from its lenders, details of which are described in note 15, Subsequent event.

(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 June 30, 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 $32,151,000 (December 31, 2009 - $31,740,000), and $131,000,000 (December 31, 2009 - $76,000,000) for total drawings of $163,151,000 (December 31, 2009 - $107,740,000), leaving an unused available line of $36,849,000.

In conjunction with the amendments to its credit facilities on January 15, 2010, the Company drew US$35,000,000 ($35,819,000) on its Revolving Term Line and repaid and cancelled its U.S. dollar non-revolving term line (the "Non-Revolving Term Line"). At December 31, 2009 the Non-Revolving Term Line was fully drawn at US$35,000,000 and was revalued at the year-end exchange rate to $36,785,000. Upon repayment of the loan, the foreign exchange gain of $966,000 realized on repayment of the Non-Revolving Term Line (June 30, 2009 - $1,925,000 unrealized foreign exchange gain 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. During the second quarter, 2010, the Company drew $10,000,000 which was repaid in the same quarter.

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 losses of $411,000 (June 30, 2009 - $1,661,000 gain) arising on revaluation of the Non-Revolving Term Line for the quarter ending June 30, 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.

On July 22, 2010, the Company received a financing commitment with respect to its Revolving Term Line from its lenders, details of which are described in note 15, Subsequent event.

(Tabular amounts expressed in thousands except per share amounts)

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

(b) Long-term debt (continued):

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

Twelve months ending		
June 30, 2011	$	-
June 30, 2012		163,151
June 30, 2013		-
June 30, 2014		-
June 30, 2015		-
	$	163,151

8. Share capital:

During the second quarter, 2010, the Company issued Class A shares as previously granted share options were exercised. There were no changes to the Class B shares.

The transactions in share capital are described below:

	3 Months June 30, 2010	3 Months June 30, 2009	6 Months June 30, 2010	6 Months June 30, 2009
Shares issued on exercise of options				
Number of shares	11	-	11	-
Proceeds	$ 39	$ -	$ 39	$ -

9. Other income (expense):

	3 Months June 30, 2010	3 Months June 30, 2009	6 Months June 30, 2010	6 Months June 30, 2009
Gain (loss) on disposal of surplus property, plant and equipment	$ 413	$ (17)	$ 405	$ 634
Other (expense)	-	(1)	(17)	(5)
	$ 413	$ (18)	$ 388	$ 629

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.

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 in the first six months of 2009, generated proceeds of $4,584,000 and a gain of $634,000.

10. Restructuring costs:

	3 Months June 30, 2010	3 Months June 30, 2009	6 Months June 30, 2010	6 Months June 30, 2009
Severance costs	$ 1,074	$ 179	$ 1,107	$ 1,252
Other (recovery)	-	(265)	-	(265)
	$ 1,074	$ (86)	$ 1,107	$ 987

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.

During the first and second quarters of 2009, the Company recorded severance costs of $1,252,000 as it downsized its workforce in response to reduced operating rates. During the second quarter, 2009, the Company was successful in defending a legal dispute and was able to reverse restructuring costs previously accrued.

(Tabular amounts expressed in thousands except per share amounts)

11. Net earnings (loss) per share:

	3 Months June 30, 2010			3 Months June 30, 2009		
	Net loss	Shares	Per share	Net loss	Shares	Per share
Basic loss per share	$ (2,621)	47,125	$ (0.06)	$ (14,973)	47,117	$ (0.32)
Share options	-	102*	-	-	-	-
Diluted loss per share	$ (2,621)	47,125	$ (0.06)	$ (14,973)	47,117	$ (0.32)

	6 Months June 30, 2010			6 Months June 30, 2009		
	Net loss	Shares	Per share	Net loss	Shares	Per share
Basic loss per share	$ (6,010)	47,121	$ (0.13)	$ (28,573)	47,117	$ (0.61)
Share options	-	74*	-	-	-	-
Diluted loss per share	$ (6,010)	47,121	$ (0.13)	$ (28,573)	47,117	$ (0.61)

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

12. Segmented information:

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

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

	3 Months June 30, 2010	3 Months June 30, 2009	6 Months June 30, 2010	6 Months June 30, 2009
Canada	$ 45,511	$ 25,188	$ 87,292	$ 45,655
United States	69,035	30,925	129,537	65,547
Japan	22,621	13,650	36,262	25,033
China/Taiwan	9,718	3,274	20,910	5,583
Other export	10,998	8,788	23,821	17,284
	$ 157,883	$ 81,825	$ 297,822	$ 159,102

Sales by product line are as follows:

	3 Months June 30, 2010	3 Months June 30, 2009	6 Months June 30, 2010	6 Months June 30, 2009
Lumber	$ 123,713	$ 62,320	$ 231,331	$ 118,763
Logs	19,805	13,038	37,240	25,861
Wood chips and other by products	13,335	5,930	26,486	13,297
Other	1,030	537	2,765	1,181
	$ 157,883	$ 81,825	$ 297,822	$ 159,102

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

	June 30, 2010	Dec. 31, 2009
Canada	$ 306,930	$ 299,365
United States	155,087	158,133
	$ 462,017	$ 457,498

(Tabular amounts expressed in thousands except per share amounts)

13. Employee future benefits:

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

	3 Months June 30, 2010	3 Months June 30, 2009	6 Months June 30, 2010	6 Months June 30, 2009
Canadian employees' deferred profit sharing plan	$ 271	$ 301	$ 562	$ 618
Defined benefit plan	73	113	126	225
Unionized employees' pension plan	415	278	867	560
Post-retirement benefits plan	21	18	42	36
U.S. employees' 401(k) plan	157	125	309	284
Senior management supplementary pension plan	146	122	392	246
Total pension expense	$ 1,083	$ 957	$ 2,298	$ 1,969

14. Financial instruments:

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

As at June 30, 2010, the Company has outstanding obligations to sell a maximum of US$16,500,000 at an average rate of CAD$1.0395 to the USD$1.00, buy US$1,000,000 at an average rate of CAD$1.0521 to the USD$1.00, and sell Japanese ¥248,101,000 at an average rate of ¥89.87 to the US$1.00 and Japanese ¥10,000,000 at an average rate of ¥86.82 to the CAD$1.00 during 2010. All foreign currency gains or losses to June 30, 2010 have been recognized in the Statement of Operations and the fair value of these foreign currency contracts being a liability of $460,000 (measured based on Level 1 of the fair value hierarchy) has been recorded in accounts payable (December 31, 2009 - $403,000 asset fair value measured based on Level 1 and recorded in accounts receivable).

15. Subsequent event:

On July 22, 2010, the Company obtained a financing commitment from its lenders extending and modifying its syndicated credit facilities effective August 19, 2010. The maturity date of the Operating Line will be extended from February 28, 2011 to July 28, 2012. The maturity date of the Revolving Term Line will be extended from February 28, 2012 to July 28, 2013. All other terms and conditions of the lines remain substantially unchanged except for a reduction in pricing.

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