INTERFOR

Interfor Corporation
First Quarter Report
For the three months ended March 31, 2016

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides a review of financial condition and results of operations as at and for the three months ended March 31, 2016 ("Q1'16"). It should be read in conjunction with the unaudited consolidated financial statements of Interfor Corporation and its subsidiaries ("Interfor" or the "Company") for the three months ended March 31, 2016, and the notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A contains certain non-GAAP measures which, within the Non-GAAP Measures section, are discussed, defined and reconciled to figures reported in the Company's consolidated financial statements. This MD&A has been prepared as of April 28, 2016.

All figures are stated in Canadian Dollars, unless otherwise noted, and references to US$/USD are to the United States Dollar. For definitions of technical terms and abbreviations used within this MD&A, refer to the Glossary in the Company's 2015 Annual Report.

Forward-Looking Statements

This MD&A contains information and statements that are forward-looking in nature, including statements under the headings "Overview of First Quarter 2016", "Outlook", "Summary of First Quarter 2016 Financial Performance", "Liquidity", "Capital Resources", "Off-Balance Sheet Arrangements", "Financial Instruments and Other Instruments", "Accounting Policy Changes" and "Risks and Uncertainties". This release contains information and statements that are forward-looking in nature, including, but not limited to, statements containing the words "will", "should", "expects", "annualized" 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 other things: price volatility, competition, availability and cost of log supply, natural or man-made disasters, currency exchange sensitivity, regulatory changes, allowable annual cut reductions, Aboriginal title and rights claims, potential countervailing and anti-dumping duties, stumpage fee variables and changes, environmental impact and performance, labour disruptions, and other factors referenced herein and in Interfor's Annual Report available on www.sedar.com and www.interfor.com. The forward-looking information and statements contained in this release 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.

Overview of First Quarter 2016

Q1’16 Results

Interfor recorded Adjusted EBITDA of $33.4 million on sales of $433.9 million in Q1’16 versus Adjusted EBITDA of $35.8 million on sales of $411.4 million in Q4’15.

Adjusted net earnings in Q1’16 were $2.6 million, or $0.04 per share, compared to $5.5 million, or $0.08 per share, in Q4’15. Net earnings were $0.8 million, or $0.01 per share, compared with net losses of $3.5 million, or $0.05 per share, in Q4’15.

Highlights for the quarter include:

- Higher Lumber Prices
  - Product prices were higher in Q1’16 versus Q4’15, with the Western SPF Composite and the Southern Pine (“SP”) Composite up over the prior quarter by US$6 and US$20 per mfbm, respectively.
- Weaker Canadian Dollar
  - The Canadian Dollar was weaker on average against the U.S. Dollar as compared to the prior quarter, averaging 1.3732 in Q1’16 versus 1.3354 in Q4’15. However, the Canadian Dollar strengthened significantly against the U.S. Dollar in the latter half of Q1’16 to close the period up 6.3% over the rate at December 31, 2015.
- Higher Lumber Production
  - The Company produced an additional 50 million board feet in Q1’16 versus Q4’15. The production increase is a result of: (i) the return to a normal operating schedule at the Castlegar mill in Q1’16 versus the mill restart during Q4’15; (ii) the improvement in weather conditions near the Georgetown mill that negatively impacted operations in Q4’15; and (iii) incremental operating days in Q1’16 versus the holiday-impacted schedule in Q4’15.
- Free Cash Flow Generation
  - Adjusted EBITDA was impacted by: (i) reduced profitability in the B.C. Coastal business due to seasonally lower log production, an increase in the percentage of helicopter logging, and lumber product mix changes; and (ii) variances in quarter end log and lumber inventory reserve adjustments.
  - Interfor generated $31.0 million of cash from operations before working capital changes. In the quarter, working capital increased by $11.0 million, primarily as a result of reductions in payables outstanding. Capital spending amounted to $17.8 million during the quarter.
  - The Company’s net debt decreased by $24.2 million during the quarter to $428.1 million, or 37.8% of invested capital, providing the Company with $148.2 million of available liquidity as at March 31, 2016.
- Tacoma Sawmill Monetization
  - The monetization process for the Tacoma sawmill property is proceeding on track, with the sale expected to close in the second half of 2016.
- Business Optimization Initiative
  - Over the past several years, Interfor has completed a series of growth initiatives, including five acquisitions and two major capital projects.
  - The expanded platform has created a significant number of additional margin expansion opportunities.
  - The Company is focused on capturing these opportunities and has taken a number of steps to advance this initiative over the past several months.

Production

Lumber production in Q1'16 was 618 million board feet versus 568 million board feet in Q4'15.

Production from the Company's nine U.S. South sawmills totaled 265 million board feet, up 22 million board feet compared to Q4'15. In addition to the increase in operating days in Q1'16, the production at the Georgetown sawmill increased by 9 million board feet following the impact of severe weather events in Q4'15.

Production from Canadian operations totaled 210 million board feet in Q1'16, up 24 million board feet compared to Q4'15. Production increased most significantly at Castlegar, which produced an additional 12 million board feet as the sawmill resumed more normal operations following the start-up curve in Q4'15. In Q1'16, Interfor shipped approximately 105 million board feet of lumber to U.S. markets from its B.C. sawmills, which represents approximately 17% of Interfor's total current quarterly production. The 12-month standstill period of the Softwood Lumber Agreement, which precludes trade action by the U.S., continues through October 11, 2016. Preliminary discussions on lumber trade between the Canadian and U.S. governments have been held, however uncertainty remains regarding resolution of the matter.

Production from Northwest operations totaled 143 million board feet in Q1'16, an increase of 4 million board feet over the preceding quarter driven by improved productivity at the Company's three stud mills in the region.

Lumber Markets and Pricing

Beginning this quarter, Interfor changed its references to market benchmark prices for Western SPF and SYP from 2x4's to the respective Composites. The change is due to 2x4 references being for a specific product, whereas the Composites include a mix of dimensions and grades that better reflect our product mix, particularly for Southern Yellow Pine.

The Western SPF Composite improved over the course of the first quarter of 2016 as dealers expanded inventories for the spring building season following a mild winter. The Western SPF Composite benchmark took a step down to US$251 per mfbm in January before rebounding to US$281 per mfbm in March. The SP Composite also improved during Q1'16, increasing to US$374 per mfbm in March compared to US$353 per mfbm in December 2015.

Outlook

Interfor expects demand for lumber to continue to grow over the mid-term as the U.S. housing market recovers and market promotion efforts in North America and offshore take full effect.

Interfor's strategy of maintaining a diversified portfolio of lumber operations allows the Company to both reduce risk and maximize returns on invested capital over the business cycle. Interfor will continue its disciplined approach to production, cost control, inventory management and capital spending. At the same time, Interfor will remain alert to growth opportunities to position the Company for long term success.

Financial and Operating Highlights [1]

	Unit	For the 3 months ended March 31, 2016	2015
Financial Highlights [2]			
Total sales	$MM	433.9	415.4
Lumber	$MM	348.9	340.7
Logs, residual products and other	$MM	85.0	74.7
Operating earnings	$MM	3.5	7.8
Net earnings (loss)	$MM	0.8	(0.2)
Net earnings per share, basic and diluted	$/share	0.01	(0.00)
Adjusted net earnings [3]	$MM	2.6	4.5
Adjusted net earnings per share, basic and diluted [3]	$/share	0.04	0.07
EBITDA [3]	$MM	32.9	32.3
Adjusted EBITDA [3]	$MM	33.4	31.8
Adjusted EBITDA margin [3]	%	7.7%	7.7%
Total assets	$MM	1,323.8	1,343.2
Total debt	$MM	439.3	389.8
Pre-tax return on total assets [3]	%	1.3%	2.9%
Net debt to invested capital [3]	%	37.8%	33.6%
Operating Highlights			
Lumber production	million fbm	618	639
Total lumber sales	million fbm	637	632
Lumber sales - Interfor produced	million fbm	609	607
Lumber sales - wholesale and commission	million fbm	28	25
Lumber - Average selling price [4]	$/thousand fbm	548	539

Notes:
(1) Figures in this table may not equal or sum to figures presented elsewhere due to rounding.
(2) Financial information presented for interim periods in this MD&A is prepared in accordance with IFRS but is unaudited.
(3) Refer to the Non-GAAP Measures section of this MD&A for definitions.
(4) Gross sales before export taxes.

Summary of First Quarter 2016 Financial Performance

Sales

Interfor recorded $433.9 million of total sales, up 4.5% from $415.4 million in the first quarter of 2015, driven by the sale of 618 million board feet of lumber at an average price of $548 per mfbm. Lumber sales volume increased 5 million board feet, or 0.8%, while average selling prices increased $9 per mfbm, or 1.7%, as compared to the same quarter of 2015.

Lumber sales volume in the U.S. market grew by 33 million board feet, or 6.9% over Q1'15. This growth is mostly attributable to sales from four U.S. located sawmills acquired in the first half of 2015. Offsetting this were reductions of 13 million board feet, or 29.7%, and 16 million board feet, or 25.4%, in lumber sales to Chinese and Canadian markets, respectively.

The increase in the average selling price of lumber reflects the weakening of the Canadian Dollar against the U.S. Dollar by 10.6% on average, partially offset by lower benchmark prices in U.S. Dollar terms across all key species, except for Western Red Cedar which remained constant as compared to the first quarter, 2015.

Sales generated from logs, residual products and other increased by $10.3 million or 13.8% compared to the same quarter of 2015. Most of this increase is related to an 18.8% increase in log sales, primarily from domestic sales in the U.S. Northwest and export log sales from the B.C. Coast, and the strengthened U.S. Dollar.

Operations

Production costs increased by $17.0 million or 4.6% over the first quarter of 2015, explained primarily by an increase in lumber sales volumes by 5 million board feet, higher conversion costs at the Company's U.S. operations, and the stronger U.S. Dollar as noted above, partially offset by lower net log costs on average.

Depreciation of plant and equipment was $20.2 million, up 22.1% from the first quarter of 2015. The majority of this increase is explained by the inclusion of depreciation on four sawmills acquired in the first half of 2015 and the rebuilt Castlegar sawmill.

Depletion and amortization of timber, roads and other was $8.0 million, consistent with the comparable quarter of 2015.

Corporate and Other

Selling and administration expenses were $10.8 million, down $1.1 million from the first quarter of 2015. The first quarter of 2015 included $1.4 million of non-recurring acquisition and integration costs.

The $0.1 million long term incentive compensation expense mostly reflects the impact of incentive awards maturing, partially offset by a 2.4% decrease during the quarter in the price of Interfor Common Shares used to value share-based awards. The $1.7 million long term incentive compensation recovery in Q1'15 resulted primarily from the 12.8% decrease in the market price for Interfor Common Shares during that quarter.

Finance costs increased to $5.2 million from $3.1 million in the first quarter of 2015. Financing the acquisition of four sawmills on March 1, 2015 and one sawmill on June 19, 2015 contributed to a higher average level of debt outstanding in Q1'16 as compared to Q1'15.

Restructuring charges in Q1'16 relate to costs associated with the closure of the Tacoma sawmill and severance costs. Q1'15 restructuring charges include a $1.2 million reversal of impairment recorded in 2014 for the Beaver-Forks operations in Washington, partially offset by related costs for an onerous contract and severance.

Other foreign exchange loss of $0.9 million in Q1'16 results primarily from an unrealized loss on short-term intercompany funding. Other foreign exchange loss of $5.4 million in Q1'15 includes a $4.3 million foreign exchange loss on an intercompany loan denominated in U.S. Dollars.

Income Taxes

The Company recorded an income tax recovery of $3.3 million in Q1'16, comprised of a $0.1 million current tax expense and a $3.4 million deferred tax recovery, mainly in respect of its U.S. operations.

Net Earnings (Loss)

The Company recorded net earnings of $0.8 million or $0.01 per share, compared to a net loss of $0.2 million or $0.00 per share in the comparable period of 2015. Adjusted net earnings were $2.6 million or $0.04 per share compared with $4.5 million or $0.07 per share in Q1'15.

Summary of Quarterly Results[1]

	Unit	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2
Financial Performance (Unaudited)									
Total sales	$MM	433.9	411.4	430.8	429.7	415.4	389.0	373.1	390.2
Lumber	$MM	348.9	325.0	343.3	352.2	340.7	318.6	303.0	325.2
Logs, residual products and other	$MM	85.0	86.4	87.5	77.5	74.7	70.4	70.1	65.0
Operating earnings (loss)	$MM	3.5	(6.3)	(11.6)	(25.8)	7.8	(1.1)	20.1	3.8
Net earnings (loss)	$MM	0.8	(3.5)	(6.1)	(20.6)	(0.2)	(5.2)	11.0	7.4
Net earnings (loss) per share, basic and diluted	$/share	0.01	(0.05)	(0.09)	(0.29)	(0.00)	(0.08)	0.16	0.11
Adjusted net earnings (loss)[2]	$MM	2.6	5.5	(15.4)	(14.7)	4.5	10.2	16.1	21.0
Adjusted net earnings (loss) per share, basic and diluted[2]	$/share	0.04	0.08	(0.22)	(0.21)	0.07	0.15	0.24	0.31
Adjusted EBITDA[2]	$MM	33.4	35.8	11.5	12.7	31.8	37.4	45.4	47.3
Shares outstanding - end of period	million	70.0	70.0	70.0	70.0	70.0	66.7	66.7	66.7
Shares outstanding - weighted average	million	70.0	70.0	70.0	70.0	67.8	66.7	66.7	66.7
Operating Performance									
Lumber production	million fbm	618	568	618	672	639	578	567	582
Total lumber sales	million fbm	637	615	686	719	632	620	595	628
Lumber sales - Interfor produced	million fbm	609	586	663	688	607	605	581	607
Lumber sales - wholesale and commission	million fbm	28	29	23	31	25	15	14	21
Lumber - average selling price[3]	$/thousand fbm	548	529	500	490	539	514	509	518
Average USD/CAD exchange rate[4]	1 USD in CAD	1.3732	1.3354	1.3089	1.2297	1.2412	1.1350	1.0890	1.0905
Closing USD/CAD exchange rate[4]	1 USD in CAD	1.2971	1.3840	1.3394	1.2474	1.2683	1.1601	1.1208	1.0676

Notes:
(1) Figures in this table may not equal or sum to figures presented elsewhere due to rounding.
(2) Refer to the Non-GAAP Measures section of this MD&A for definitions.
(3) Gross sales before export taxes.
(4) Based on Bank of Canada foreign exchange rates.

The Company's quarterly financial trends are most impacted by seasonality, levels of lumber production, log costs, market prices for lumber and the USD/CAD foreign currency exchange rate.

Logging operations are seasonal due to a number of factors including weather, ground conditions and fire season closures. Generally, production from the Company's B.C. Coastal logging operations is relatively low in the second half of the fourth quarter and first half of the first quarter due to the impact of winter storms. Logging activity in the B.C. Interior is typically reduced during the annual spring break-up. Sawmill operations are dependent on the availability of logs from our logging operations and our suppliers. In addition, the market demand for lumber and related products is generally lowest during the winter season due to reduced construction and renovation activities.

Two sawmills acquired on March 14, 2014, four sawmills acquired on March 1, 2015, and one sawmill acquired on June 19, 2015, have all contributed to the growth in production and sales. The permanent closures of the Beaver and Tacoma sawmills impacted production and sales subsequent to June 30, 2014, and May 22, 2015, respectively. Reduced production in Q4'15 primarily reflects temporary market-related adjustments to operating schedules across the U.S. South platform and severe weather events which impacted certain sawmills in that region.

The volatility of the Canadian Dollar against the U.S. Dollar also impacted results. A weaker Canadian Dollar increases the lumber sales realizations of Canadian operations and increases net earnings or losses of U.S. operations when translated to Canadian Dollars.

Liquidity

Balance Sheet

Net debt at March 31, 2016 was $428.1 million, or 37.8% of invested capital, representing an increase of $58.4 million from March 31, 2015 and a decrease of $24.2 million from December 31, 2015. A 6.3% strengthening of the Canadian Dollar against the U.S. Dollar contributed $29.5 million to the net debt reduction in Q1'16 as the majority of debt is denominated in U.S. Dollars.

Thousands of dollars	For the 3 months ended March 31, 2016	2015
Net debt		
Net debt, period opening, CAD	$ 452,303	$ 202,553
Net drawing on credit facilities, CAD	53	145,751
Impact on U.S. Dollar denominated debt from (strengthening) weakening CAD	(29,495)	23,617
Decrease (increase) in cash and equivalents, CAD	5,201	(2,238)
Net debt, period ending, CAD	$ 428,062	$ 369,683
Net debt components by currency		
U.S. Dollar debt, period opening, USD	$ 338,699	$ 190,000
Net drawing (repayment) on credit facilities, USD	(7)	115,099
U.S. Dollar debt, period ending, USD	338,692	305,099
Spot rate, period end	1.2971	1.2683
U.S. Dollar debt expressed in CAD	439,317	386,957
Canadian Dollar debt, including bank indebtedness, CAD	-	-
Canadian Dollar debt, CAD	-	2,830
Total debt, CAD	439,317	389,787
Cash and cash equivalents, CAD	(11,255)	(20,104)
Net debt, period ending, CAD	$ 428,062	$ 369,683

Cash Flow from Operating Activities

The Company generated $31.0 million of cash flow from operations before changes in working capital in Q1’16, up $8.2 million over the first quarter of 2015 as a result of increased sales and a strengthened U.S. Dollar.

There was a net cash inflow from operations after changes in working capital of $20.0 million in Q1’16, with $11.0 million of cash invested in operating working capital. There was a net cash outflow from operations after changes in working capital of $0.6 million in Q1’15, with $23.5 million invested in operating working capital.

Cash Flow from Investing Activities

Investing activities totaled $18.4 million in Q1’16, including $12.6 million for property, plant and equipment and $5.1 million for development of logging roads. Discretionary mill improvements of $8.7 million during the period included $4.2 million for completion of the Castlegar sawmill rebuild.

In the first quarter of 2015, investing activities totaled $201.0 million, including $168.1 million related to the Simpson acquisition, $8.7 million for payment of the contingent purchase price to Keadle Lumber Enterprises Inc., $21.6 million for property, plant and equipment and $5.1 million for development of logging roads.

Cash Flow from Financing Activities

Financing activities totaled $7.5 million in Q1’16, including $6.8 million of interest payments on long term debt. Changes in net drawings on the Company’s credit facilities were nominal compared to $145.8 million in Q1’15, $104.9 million of which was drawn to fund the Simpson acquisition. This was offset by net proceeds from the issuance of 3.3 million shares for $63.2 million, resulting in total cash from financing activities of $205.8 million in Q1’15.

Capital Resources

The following table summarizes Interfor's credit facilities and availability as of March 31, 2016:

Thousands of Canadian dollars	Operating Line	Revolving Term Line	Senior Secured Notes	U.S. Operating Line	Total
Available line of credit	$ 65,000	$ 200,000	$ 259,420	$ 64,855	$ 589,275
Maximum borrowing available	$ 65,000	$ 200,000	$ 259,420	$ 64,855	$ 589,275
Less:					
Drawings	12,971	149,167	259,420	17,759	439,317
Outstanding letters of credit included in line utilization	9,767	-	-	3,210	12,977
Unused portion of facility	$ 42,262	$ 50,833	$ -	$ 43,886	$ 136,981
Add cash and cash equivalents					11,255
Available liquidity at March 31, 2016					$ 148,236

As of March 31, 2016, the Company had commitments for capital expenditures totaling $4.6 million, related to both maintenance and discretionary capital projects.

Interfor continues to maintain its disciplined focus on monitoring discretionary capital expenditures, optimizing inventory levels and matching production with offshore and domestic demand.

As at March 31, 2016, the Company had net working capital of $170.2 million and available capacity on operating and term facilities of $137.0 million. These resources, in addition to cash generated from operations, will be used to support working capital requirements, debt servicing commitments and capital expenditures. We believe that Interfor will have sufficient liquidity to fund operating and capital requirements for the foreseeable future.

Transactions between Related Parties

Other than transactions in the normal course of business with key management personnel, the Company had no transactions between related parties in the three months ended March 31, 2016.

Off-Balance Sheet Arrangements

The Company has off-balance sheet arrangements which include letters of credit and surety performance bonds, primarily for timber purchases. At March 31, 2016, such instruments aggregated $35.4 million (December 31, 2015 - $47.4 million). Off-balance sheet arrangements have not had, and are not reasonably likely to have, any material impact on the Company's current or future financial condition, results of operations or cash flows.

Financial Instruments and Other Instruments

From time to time, the Company employs financial instruments, such as interest rate swaps and foreign currency forward and option contracts, to manage exposure to fluctuations in interest rates and foreign currency exchange rates. The Company's policy is to not use derivatives for trading or speculative purposes. Risk management strategies and relationships are formally documented and assessed on a regular, ongoing basis to ensure derivatives are effective in offsetting changes in fair values or cash flows of hedged items. The counter-parties for all derivative contracts existing at March 31, 2016, are the Company's Canadian bankers who are highly-rated, thereby mitigating the risk of credit loss on such instruments.

Outstanding Shares

As of April 28, 2016, Interfor had 70,030,455 Common Shares issued and outstanding. These shares are listed on the Toronto Stock Exchange under the symbol IFP.

Controls and Procedures

There have been no changes in the Company's internal controls over financial reporting ("ICFR") during the three months ended March 31, 2016, that have materially affected, or are reasonably likely to materially affect, its ICFR.

Critical Accounting Estimates

There were no significant changes to the Company's critical accounting estimates during the quarter ended March 31, 2016. Interfor's critical accounting estimates are described in its MD&A for the year ended December 31, 2015, filed under the Company's profile on www.sedar.com.

Accounting Policy Changes

A number of new standards, and amendments to existing standards and interpretations, were not yet effective for the quarter ended March 31, 2016, and have not been applied in preparing the Company's unaudited interim consolidated financial statements. The following pronouncements are considered by the Company to be the most significant of several pronouncements that may affect future financial statements:

IFRS 9, *Financial Instruments*, will replace 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company does not expect this standard to have a significant effect on its financial statements.

IFRS 15, *Revenue from Contracts with Customers*, will replace all existing IFRS revenue requirements and is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company does not expect this standard to have a significant effect on its financial statements.

IFRS 16, *Leases*, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, operating leases become an on-balance sheet liability that attracts interest, together with a corresponding right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company has not yet completed an assessment of the impact of this standard on its financial statements.

Non-GAAP Measures

This MD&A makes reference to the following non-GAAP measures: Adjusted net earnings (loss), Adjusted net earnings (loss) per share, EBITDA, Adjusted EBITDA, Pre-tax return on total assets and Net debt to invested capital, which are used by the Company and certain investors to evaluate operating performance and financial position. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. The following table provides a reconciliation of these non-GAAP measures to figures as reported in the Company's unaudited interim consolidated financial statements prepared in accordance with IFRS:

Thousands of Canadian dollars	For the 3 months ended March 31, 2016	2015
Adjusted Net Earnings		
Net earnings (loss)	795	(163)
Add:		
Restructuring costs and capital asset write-downs	1,203	(122)
Other foreign exchange gain	899	5,413
Long term incentive compensation expense (recovery)	178	(1,709)
Other income	(93)	(133)
Beaver sawmill post-closure wind-down costs	8	341
Tacoma sawmill post-acquisition losses	372	1,008
Income tax effect of above adjustments	(754)	(142)
Recognition of previously unrecognized deferred tax assets	-	-
Adjusted net earnings [(1)]	2,608	4,493
Weighted average number of shares - basic and diluted ('000)	*70,030*	*67,830*
Adjusted net earnings per share[(1)]	0.04	0.07
Adjusted EBITDA		
Net earnings (loss)	795	(163)
Add:		
Depreciation of plant and equipment	20,169	16,515
Depletion and amortization of timber, roads and other	7,969	7,944
Restructuring costs and capital asset write-downs	1,203	(122)
Finance costs	5,184	3,074
Other foreign exchange loss	899	5,413
Income tax recovery	(3,326)	(383)
EBITDA	32,893	32,278
Add:		
Long term incentive compensation expense (recovery)	178	(1,709)
Other income	(93)	(133)
Beaver sawmill post-closure wind-down costs	8	340
Tacoma sawmill post-acquisition losses	372	981
Adjusted EBITDA[(1)]	33,358	31,757
Pre-tax return on total assets		
Operating earnings before restructuring costs	4,662	7,686
Total assets[(2)]	1,389,796	1,068,523
Pre-tax return on total assets[(3)]	1.3%	2.9%
Net debt to invested capital		
Net debt		
Total debt	439,317	389,787
Cash and cash equivalents	(11,255)	(20,104)
Current bank indebtedness	-	-
Total net debt	428,062	369,683
Invested capital		
Net debt	428,062	369,683
Shareholders' equity	705,214	729,839
Total invested capital	1,133,276	1,099,522
Net debt to invested capital[(4)]	37.8%	33.6%

Notes:

(1) Q1'15 adjusted net earnings, adjusted net earnings per share and adjusted EBITDA have been revised for inclusion of Tacoma sawmill post-acquisition losses arising during that period.

(2) Total assets at period beginning.

(3) Annualized rate.

(4) Net debt to invested capital as of the period end.

Risks and Uncertainties

The Company is exposed to many risks and uncertainties in conducting its business including, but not limited to: price volatility; competition; availability and cost of log supply; natural or man-made disasters; foreign currency exchange fluctuations; government regulation; barriers to lumber trade between Canada and the U.S.; environmental matters; and labour disruptions. These risks and uncertainties are described in the Company's MD&A for the year ended December 31, 2015, filed under the Company's profile on www.sedar.com. There have been no significant changes to the Company's risks and uncertainties during the three month period ended March 31, 2016.

Additional Information

Additional information relating to the Company and its operations, including the Company's Annual Information Form, can be found on its website at www.interfor.com and on SEDAR at www.sedar.com.

INTERFOR

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
For the three months ended March 31, 2016 and 2015 (unaudited)

(thousands of Canadian dollars except earnings per share)	3 Months Mar. 31, 2016	3 Months Mar. 31, 2015
Sales (note 13)	$ 433,944	$ 415,446
Costs and expenses:		
Production	390,136	373,096
Selling and administration	10,830	11,914
Long term incentive compensation expense (recovery)	178	(1,709)
Depreciation of plant and equipment (note 9)	20,169	16,515
Depletion and amortization of timber, roads and other (note 9)	7,969	7,944
	429,282	407,760
Operating earnings before restructuring costs	4,662	7,686
Restructuring (recovery) costs (note 10)	1,203	(122)
Operating earnings	3,459	7,808
Finance costs (note 11)	(5,184)	(3,074)
Other foreign exchange loss	(899)	(5,413)
Other income	93	133
	(5,990)	(8,354)
Loss before income taxes	(2,531)	(546)
Income tax expense (recovery)		
Current	131	164
Deferred	(3,457)	(547)
	(3,326)	(383)
Net earnings (loss)	$ 795	$ (163)
Net earnings (loss) per share, basic and diluted (note 12)	$ 0.01	$ (0.00)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the three months ended March 31, 2016 and 2015 (unaudited)

	3 Months Mar. 31, 2016	3 Months Mar. 31, 2015
Net earnings (loss)	$ 795	$ (163)
Other comprehensive income:		
Items that will not be recycled to Net earnings (loss):		
Defined benefit plan actuarial gain	634	282
Items that are or may be recycled to Net earnings (loss):		
Foreign currency translation differences for foreign operations, net of tax	(21,439)	30,322
Loss in fair value of interest rate swaps (note 15)	(107)	(278)
Total items that are or may be recycled to Net earnings (loss)	(21,546)	30,044
Total other comprehensive (loss) income, net of tax	(20,912)	30,326
Comprehensive (loss) income	$ (20,117)	$ 30,163

See accompanying notes to consolidated financial statements.

INTERFOR

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2016 and 2015 (unaudited)

(thousands of Canadian dollars)	3 Months Mar. 31, 2016	3 Months Mar. 31, 2015
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	$ 795	$ (163)
Items not involving cash:		
Depreciation of plant and equipment (note 9)	20,169	16,515
Depletion and amortization of timber, roads and other (note 9)	7,969	7,944
Income tax recovery	(3,326)	(383)
Finance costs (note 11)	5,184	3,074
Other assets	(201)	346
Reforestation liability	1,614	1,239
Other liabilities and provisions	(1,175)	(6,421)
Stock options	77	-
Reversal of write-down of plant and equipment (note 10)	-	(1,195)
Unrealized foreign exchange loss	9	2,027
Other	(93)	(133)
	31,022	22,850
Cash generated from (used in) operating working capital:		
Trade accounts receivable and other	(919)	(15,591)
Inventories	2,744	(3,776)
Prepayments	(2,147)	(4,160)
Trade accounts payable and provisions	(10,399)	183
Income taxes paid	(258)	(136)
	20,043	(630)
Investing activities:		
Additions to property, plant and equipment	(12,551)	(21,575)
Additions to logging roads	(5,089)	(5,138)
Additions to timber and other intangible assets	(136)	(840)
Proceeds on disposal of property, plant and equipment	175	3,203
Acquisitions (note 4)	-	(176,793)
Investments and other assets	(789)	106
	(18,390)	(201,037)
Financing activities:		
Issuance of share capital, net of share issue expenses	-	63,196
Interest payments	(6,811)	(2,951)
Debt refinancing costs	(732)	(159)
Change in operating line components of long term debt (note 7)	6,734	15,227
Additions to long term debt (note 7)	-	320,215
Repayments of long term debt (note 7)	(6,680)	(189,691)
	(7,489)	205,837
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	635	(1,932)
Increase (decrease) in cash	(5,201)	2,238
Cash and cash equivalents, beginning of period	16,456	17,866
Cash and cash equivalents, end of period	$ 11,255	$ 20,104

See accompanying notes to consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

March 31, 2016 and December 31, 2015 (unaudited)

(thousands of Canadian dollars)	Mar. 31, 2016	Dec. 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 11,255	$ 16,456
Trade accounts receivable and other	92,817	95,218
Income tax receivable	394	459
Inventories (note 6)	148,806	155,740
Prepayments and other	16,785	15,512
Assets held for sale (note 4)	26,087	27,836
	296,144	311,221
Employee future benefits	884	1,570
Investments and other assets	4,781	3,191
Property, plant and equipment	736,780	777,590
Logging roads and bridges	20,350	20,611
Timber licences	71,566	72,429
Other intangible assets	20,875	23,601
Goodwill	151,631	160,914
Deferred income taxes	20,777	18,669
	$ 1,323,788	$ 1,389,796
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable and provisions	$ 113,637	$ 130,840
Reforestation liability	12,059	11,052
Income taxes payable	243	398
	125,939	142,290
Reforestation liability	26,775	25,074
Long term debt (notes 7 and 15)	439,317	468,759
Employee future benefits	8,432	8,391
Provisions and other liabilities	18,111	20,028
Equity:		
Share capital (note 8)	553,559	553,559
Contributed surplus	7,742	7,665
Translation reserve	55,986	77,425
Hedge reserve	(45)	62
Retained earnings	87,972	86,543
	705,214	725,254
	$ 1,323,788	$ 1,389,796

Contingencies (note 14)

See accompanying notes to consolidated financial statements

Approved on behalf of the Board:

"L. Sauder"
Director

"D.W.G. Whitehead"
Director

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three months ended March 31, 2016 and 2015 (unaudited)

(thousands of Canadian dollars)	Common Shares	Contributed Surplus	Translation Reserve	Hedging Reserve	Retained Earnings	Total
Balance at December 31, 2015	$ 553,559	$ 7,665	$ 77,425	$ 62	$ 86,543	$ 725,254
Net earnings:	-	-	-	-	795	795
Other comprehensive earnings (loss):						
Foreign currency translation differences for foreign operations, net of tax	-	-	(21,439)	-	-	(21,439)
Defined benefit plan actuarial gain	-	-	-	-	634	634
Loss in fair value of interest rate swaps (note 15)	-	-	-	(107)	-	(107)
Contributions:						
Stock options	-	77	-	-	-	77
Balance at March 31, 2016	$ 553,559	$ 7,742	$ 55,986	$ (45)	$ 87,972	$ 705,214
Balance at December 31, 2014	$ 490,363	$ 7,476	$ 20,950	$ 133	$ 117,558	$ 636,480
Net loss:	-	-	-	-	(163)	(163)
Other comprehensive earnings (loss):						
Foreign currency translation differences for foreign operations, net of tax	-	-	30,322	-	-	30,322
Defined benefit plan actuarial gain	-	-	-	-	282	282
Loss in fair value of interest rate swaps (note 15)	-	-	-	(278)	-	(278)
Contributions:						
Share issuance, net of share issue expenses (note 8)	63,196	-	-	-	-	63,196
Balance at March 31, 2015	$ 553,559	$ 7,476	$ 51,272	$ (145)	$ 117,677	$ 729,839

See accompanying notes to consolidated financial statements

1. Nature of operations:

Interfor Corporation and its subsidiaries (the "Company" or "Interfor") produce wood products in British Columbia, the U.S. Northwest and the U.S. South for sale to markets around the world.

Interfor Corporation exists under the Business Corporations Act (British Columbia) with shares listed on the Toronto Stock Exchange. Its head office, principal address and records office are located at Suite 3500, 1055 Dunsmuir Street, Vancouver, British Columbia, Canada, V7X 1H7.

These unaudited condensed consolidated interim financial statements ("financial statements") as at and for the three months ended March 31, 2016 and 2015 comprise the accounts of the Company and its subsidiaries.

2. Basis of Preparation:

(a) Statement of compliance:

These financial statements, including comparatives, have been prepared in accordance with IAS 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements were approved by Interfor's Board of Directors on April 28, 2016.

(b) Basis of measurement:

These financial statements are prepared on the historical cost basis except for the following items in the Statements of Financial Position:

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

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

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

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

3. Significant accounting policies:

These financial statements have been prepared using the significant accounting policies and methods of computation consistent with those applied in the Company's audited December 31, 2015 annual consolidated financial statements, which are available on www.sedar.com. The adoption of new accounting standards or interpretations under IFRS had no effect on these financial statements.

New standards and interpretations not yet adopted:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended March 31, 2016, and have not been applied in preparing these financial statements. The following pronouncements are considered by the Company to be the most significant of several pronouncements that may affect the financial statements in the future.

IFRS 9, Financial Instruments, will replace 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company does not expect this standard to have a significant effect on its financial statements.

IFRS 15, Revenue from Contracts with Customers, will supersede IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2018. The Company does not expect this standard to have a significant effect on its financial statements.

IFRS 16, Leases, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a corresponding right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company has not yet completed an assessment of the impact of this standard on its financial statements.

4. Acquisitions and assets held for sale:

On March 1, 2015, Interfor concluded the acquisition of sawmill operations in Meldrim, Georgia; Georgetown, South Carolina; Longview, Washington; and Tacoma, Washington from Simpson Lumber Company, LLC ("Simpson"), pursuant to an Asset Purchase Agreement ("APA") for total consideration of US$146,088,000 ($182,654,000). Consideration per the APA included a series of future payments tied to the financial performance of the Tacoma sawmill. The total contingent future payments are US$10,000,000 and the Company recorded a discounted provision of US$9,464,000 ($11,833,000) in Provisions and other liabilities in the Consolidated Statements of Financial Position as part of the acquisition. On July 30, 2015, the Company announced its plan to exit its operation of the Tacoma sawmill. On December 22, 2015, the Company signed an agreement to sell the related real estate, subject to customary closing conditions. The sale is expected to complete in the fourth quarter, 2016.

As at March 31, 2016, the contingent liability of US$9,821,000 was revalued at the quarter-end exchange rate to $12,739,000 (December 31, 2015 – US$9,643,000 revalued at the year-end exchange rate to $13,345,000) and recorded in Trade accounts payable and provisions in the Consolidated Statement of Financial Position. The Company recorded accretion expense of $246,000 in the first quarter, 2016 (Quarter 1, 2015 – $nil).

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

4. Acquisitions and assets held for sale (continued):

As part of its announcement to exit operation of the Tacoma sawmill, the Company classified US$20,113,000 of the Tacoma sawmill property and buildings as assets held for sale. As at March 31, 2016, these assets have been revalued at the quarter-end exchange rate to $26,087,000 (December 31, 2015 - $27,836,000) and these assets are no longer being amortized.

There is a cumulative foreign currency translation gain of $941,000 (December 31, 2015 – $2,689,000) included in the Translation reserve relating to the assets held for sale.

5. Seasonality of operating results:

Quarterly operating results of the Company reflect the seasonality of its operations and markets. 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 division experiences 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 break-up and increases in the third and fourth quarters. Sawmill operations are less seasonal than logging operations but are dependent on the availability of logs. In addition, the market demand for lumber and related products is generally lower in the winter due to reduced construction activity, which increases during the spring, summer and fall.

6. Inventories:

	Mar. 31, 2016	Dec. 31, 2015
Logs	$ 60,079	$ 69,980
Lumber	72,372	69,046
Other	16,355	16,714
	$ 148,806	$ 155,740

Inventory cost includes production costs, depreciation of plant and equipment, and depletion and amortization of timber, roads and other. The inventory write-down in order to record inventory at the lower of cost and net realizable value at March 31, 2016 was $9,489,000 (December 31, 2015 - $11,961,000).

7. Cash and borrowings:

March 31, 2016	Operating Line	Revolving Term Line	Senior Secured Notes	U.S. Operating Line	Total
Available line of credit	$ 65,000	$ 200,000	$ 259,420	$ 64,855	$ 589,275
Maximum borrowing available	65,000	200,000	259,420	64,855	589,275
Drawings	12,971	149,167	259,420	17,759	439,317
Outstanding letters of credit included in line utilization	9,767	-	-	3,210	12,977
Unused portion of line	$ 42,262	$ 50,833	$ -	$ 43,886	$ 136,981
December 31, 2015					
Available line of credit	$ 65,000	$ 200,000	$ 276,800	$ 69,200	$ 611,000
Maximum borrowing available	62,820	183,723	276,800	69,200	592,543
Drawings	-	179,920	276,800	12,039	468,759
Outstanding letters of credit included in line utilization	9,396	-	-	2,290	11,686
Unused portion of line	$ 53,424	$ 3,803	$ -	$ 54,871	$ 112,098

Minimum principal amounts due on long term debt are as follows:

Year ending	
March 31, 2017	$ -
March 31, 2018	17,759
March 31, 2019	-
March 31, 2020	162,138
March 31, 2021	-
Thereafter	259,420
	$ 439,317

(a) Operating Line and Revolving Term Line:

The Canadian operating line of credit and revolving term line ("the Lines") may be drawn in either CAD$ or US$ advances, and bear 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 trailing twelve months' EBITDA[1]. Borrowing levels under the Lines are subject to a borrowing base calculation dependent on certain accounts receivable and inventories.

The Lines are 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 certain of the Company's sawmills.

[1] EBITDA represents earnings before interest, taxes, depreciation, depletion, amortization and non-cash asset revaluations.

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

7. Cash and borrowings (continued):

(a) Operating Line and Revolving Term Line (continued):

The Lines are 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.

On February 9, 2016, the Company extended the maturity of its Lines from February 27, 2017 to May 19, 2019. Certain other terms were also changed, resulting in an increase in the maximum borrowing available under the financing agreement.

As at December 31, 2015, maximum borrowings available under the Company's Lines were restricted by a financial covenant in the underlying credit agreement. In the table above, this limitation has been applied to the Lines' limits. This restriction was removed based on the changes to the agreement terms effective on February 9, 2016.

As at March 31, 2016, the Lines were drawn by US$125,145,000 (December 31, 2015 – US$130,145,000) and $9,579,000 (December 31, 2015 - $9,195,000), including letters of credit.

All outstanding U.S. Dollar drawings under the Lines have been designated as a hedge against the Company's investment in its U.S. operations. The Company recognized unrealized foreign exchange gains of $11,103,000 (Quarter 1, 2015 - $13,586,000 loss) arising on revaluation of the Lines in Foreign currency translation differences in Other comprehensive income for the first quarter, 2016.

(b) Senior Secured Notes:

The Company's Senior Secured Notes consist of Series A Senior Secured Notes (US$50,000,000, bearing interest at 4.33%), Series B Senior Secured Notes (US$50,000,000, bearing interest at 4.02%) and Series C Senior Secured Notes (US$100,000,000, bearing interest at 4.17%). As at March 31, 2016, US$200,000,000 of Senior Secured Notes were outstanding (December 31, 2015 – US$200,000,000) and revalued at the quarter-end exchange rate to $259,420,000 (December 31, 2015 - $276,800,000).

The Senior Secured Notes are 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. Total payments of US$33,333,000 (US$16,667,000 for each of the Series A and Series B Senior Secured Notes) are required on each of June 26, 2021 and 2022, with the balance due on June 26, 2023 for the Series A and B Senior Secured Notes. Payments of US$33,333,000 are required on each of March 26, 2024 and 2025, with the balance due on March 26, 2026 for the Series C Senior Secured Notes. In conjuction with the modifications to the Operating Line and Revolving Term Line effective February 9, 2016, as per note 7(a), certain financial covenants of the Senior Secured Notes were also modified. All other terms and conditions remained unchanged.

The Senior Secured Notes have been designated as a hedge against the Company's investment in its U.S. operations and unrealized foreign exchange gains of $17,380,000 (Quarter 1, 2015 - $9,620,000 loss) arising on their revaluation were recognized in Foreign currency translation differences in Other comprehensive income for the first quarter, 2016.

(c) U.S. Operating Line:

The U.S. Operating Line bears interest at rates for LIBOR based loans plus a margin and is secured by accounts receivable and inventories of wholly-owned subsidiary, Interfor U.S. Inc. The U.S. Operating Line is subject to a minimum net worth covenant, with borrowing levels subject to a collateral calculation dependent upon certain accounts receivable and inventories. On April 27, 2015, the Company extended the maturity of its U.S. Operating Line from April 28, 2015 to May 1, 2017 and increased the credit available from US$30,000,000 to US$50,000,000.

As at March 31, 2016, the U.S. Operating Line was drawn by US$16,167,000, including outstanding letters of credit, with cumulative foreign exchange gains of $1,022,000 for the first quarter, 2016 (Quarter 1, 2015 – $475,000 loss) recognized in Foreign currency translation differences in Other comprehensive income.

As at March 31, 2016, US$33,833,000 of the U.S. Operating Line was unused (December 31, 2015 - US$39,646,000).

8. Share capital:

The transactions in share capital are described below:

	Number	Amount
Balance, December 31, 2014	66,730,455	$ 490,363
Shares issuance, net of share issue costs	3,300,000	63,196
Balance, December 31, 2015 and March 31, 2016	70,030,455	$ 553,559

9. Depreciation, depletion and amortization:

Depreciation, depletion and amortization by function are as follows:

	3 Months Mar. 31, 2016	3 Months Mar. 31, 2015
Production	$ 26,020	$ 22,728
Selling and administration	2,118	1,731
	$ 28,138	$ 24,459

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

10. Restructuring costs:

	3 Months Mar. 31, 2016	3 Months Mar. 31, 2015
Tacoma sawmill:		
Write-down of inventories	$ 122	$ -
Site closure costs	292	-
Beaver-Forks operations:		
Reversal of write-down of plant and equipment	-	(1,195)
Onerous contract	-	211
Severance	-	862
Other:		
Severance	789	-
	$ 1,203	$ (122)

During the first quarter, 2015, the Company sold substantially all of its assets at its Beaver-Forks operation, located on the Olympic Peninsula in Washington.

On July 30, 2015, the Company announced a plan to exit the Tacoma sawmill, classified the assets as Assets held for sale (see note 4) and recorded related restructuring charges.

11. Finance costs:

	3 Months Mar. 31, 2016	3 Months Mar. 31, 2015
Interest on borrowings	$ 4,564	$ 2,739
Net interest (income) expense on defined benefit obligations	98	(1)
Unwind of discount on provisions	348	123
Amortization of deferred finance costs	174	213
	$ 5,184	$ 3,074

12. Net earnings (loss) per share:

Net earnings (loss) per share is calculated utilizing the treasury stock method for determining the dilutive effect of options issued. The reconciliation of the numerator and denominator is determined as follows:

	3 Months Mar. 31, 2016			3 Months Mar. 31, 2015		
	Net earnings	Weighted Average Number of Shares	Per share	Net loss	Weighted Average Number of Shares	Per share
Issued shares at December 31		70,030			66,730	
Effect of shares issued on March 2, 2015		-			1,100	
Basic and diluted earnings (loss) per share	$ 795	70,030	$ 0.01	$ (163)	67,830*	$ (0.00)

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

13. Segmented information:

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

Sales to both foreign and domestic markets are as follows:

	3 Months Mar. 31, 2016	3 Months Mar. 31, 2015
United States	$ 308,572	$ 274,668
Canada	52,308	64,351
Japan	37,202	34,647
China/Taiwan	20,168	24,138
Other export	15,694	17,642
	$ 433,944	$ 415,446

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

13. Segmented information (continued):

Sales by product line are as follows:

	3 Months Mar. 31, 2016	3 Months Mar. 31, 2015
Lumber	$ 348,904	$ 340,728
Logs	42,981	36,220
Wood chips and other by products	38,609	34,871
Freight and other	3,450	3,627
	$ 433,944	$ 415,446

14. Contingencies:

A Timber Licence held by Interfor for harvesting within the B.C. Coast region (the "Licence") is expected to be cancelled (or taken) by the Government of B.C., following the passing into law of the Great Bear Rainforest (Forest Management) Act (the "Act"). The Act received first reading in the B.C. Legislature on March 1, 2016.

If the License was taken, Interfor would be entitled to compensation from the Government of B.C. based upon the value of the harvesting rights under the Licence. Although it is not practicable at this time to estimate the value or form of compensation that would be received by Interfor if the Licence were taken, it is expected that such compensation would exceed the net book value of the Licence as at March 31, 2016.

15. Financial instruments:

Financial instruments in an asset position are classified as Trade accounts receivable and other in the Statements of Financial Position, while financial instruments in a liability position are classified as Trade accounts payable and provisions. Assets and liabilities are not netted, for purposes of presentation on the Statements of Financial Position.

At March 31, 2016, the fair value of the Company's long term debt approximated its carrying value of $439,317,000 (December 31, 2015 - $468,759,000) measured based on Level 2 of the fair value hierarchy. The fair values of other financial instruments approximate their carrying values due to their short-term nature.

The Company may use a variety of derivative financial instruments to reduce its exposures to risks associated with fluctuations in foreign exchange rates, lumber prices, and interest rates. These include foreign currency forward, collar and option contracts, and interest rate swaps. As at March 31, 2016, the Company has no outstanding obligations under foreign currency contracts.

The Company has four interest rate swaps outstanding at March 31, 2016, each with a notional value of US$25,000,000. Under two of the interest rate swaps, maturing February 27, 2017, the Company pays an amount based on a fixed annual interest rate of 0.84% and receives a 90 day LIBOR which is recalculated at set interval dates. Under the other two interest rate swaps, maturing April 14, 2016, the Company pays an amount based on a fixed annual interest rate of 0.58% and receives a 90 day LIBOR which is recalculated at set interval dates. The intent of the interest rate swaps is to convert floating-rate interest expense to fixed-rate interest expense.

At March 31, 2016, the fair value of the Company's interest rate swaps was a liability of $46,000 (December 31, 2015 – $61,000 asset). Fair value of the Company's derivative financial instruments is measured based on Level 2 of the fair value hierarchy.

The following table summarizes the gain (loss) on derivative financial instruments for the three months ended March 31, 2016 and 2015:

	3 Months Mar. 31, 2016	3 Months Mar. 31, 2015
Foreign exchange collars and forward contracts [1]	$ 133	$ (1,837)
Interest rate swaps [2]	(107)	(278)
Total gain (loss), net	$ 26	$ (2,115)

Notes: [1] Recognized in Other foreign exchange gain (loss) in Net earnings (loss).
[2] Recognized in Other comprehensive income (loss).

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